



# DIMENSION REPORT

Merchandising: July 2016

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A Performance Dimension Report as part of IRUK 500 2016  
InternetRetailing's UK Top500 Retailers, 2016



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# From the editor-in-chief

MERCHANDISING IS THE focus for this latest in our series of InternetRetailing UK Top500 Dimension Reports.

It's a subject that goes straight to the heart of retail, for successful merchandising is all about the art and science of selling from a distance. The art is present in the way that merchandisers use expertise and experience to show products to their best advantage, developing and fostering the brand in ways calculated to delight shoppers. The science is now starting to come to the fore in a world of digital merchandising, in which shoppers' behaviour can be measured and understood more exactly. Here, it's about how retailers use data to understand their customers, and so deliver highly relevant information about products, whether in the form of search results, personalised pages or through offering shoppers the ability to share what they've found out about the brand via social media.

Bringing together the art and the science adds up to a level of highly informed merchandising that hasn't previously been possible. For all personalisation is key, this is about more than looking back to the personal retail service of the local shop, a world in which shopkeepers knew their customers' names and preferences. Rather, it's about giving shoppers service that reflects a real understanding of what makes them tick through insights gleaned from their behaviour. Through these data-driven insights, there's now the capacity to over-deliver on retail promises and to exceed consumer expectations.

In this Dimension Report, we analyse the work of retailers that are at the tops of their games in this critically important area of merchandising; we critique the context in which they are operating; and we share best merchandising practices. Our aim is to understand and share the underlying reasons for success in this area. We're indebted to our Knowledge Partner Edited, which contributed significantly with its work on how fashion retailers handle stock levels.

Over the year ahead, we'll continue our research, building up rich data sets in the process. Merchandising is just one of six Dimensions we use to assess the performance and ranking of the IRUK Top500. See the boxout on the right for information on how to access all of our Dimension Reports as they're published.

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## THE IRUK TOP500 DIMENSION REPORTS SERIES

Don't forget that this Merchandising Dimension Report forms part of our wider series analysing the performance of UK retailers.

We publish six different Dimension Reports each year that focus on:

- Strategy and Innovation
- The Customer
- Operations and Logistics
- Brand Engagement
- Mobile and Cross-Channel
- Merchandising

You can download the latest copy of any Dimension Report, along with the overall IRUK Top500 Report, via [www.internetretailing.net/IRUK](http://www.internetretailing.net/IRUK).

Once registered, we will also send you the latest Dimension Reports as they are published, allowing you to keep abreast of the latest developments in the industry.

You can also find information about the IREU Top500, our new index of top European retailers, via the InternetRetailing website.

# Editors' comment

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WHEN SHOPPERS SEARCH online for products they start conversations. The retailer that can most quickly and accurately answer the questions that customers pose during the course of these conversations is most likely to win the eventual sale. It's through merchandising that retailers best answer shoppers' questions – by showing relevant results when consumers search sites, by ensuring navigation is easy to use, and by offering full product details and strong images of wares.

In this Merchandising Performance Dimension Report, we look at how leading UK ecommerce and multichannel retailers use merchandising within their businesses – and how others can follow their example.

Merchandising is one of the six key themes through which we analyse the work of the InternetRetailing UK Top500 retailers. Today's retailers are going beyond the store and deploying the power of digital to sell across the website, mobile devices, and through other channels, including social media and the call centre. Understanding and finding techniques that address the complexity of this retail landscape is key to success in modern retail.

We set the context for our analysis of the market in our strategic overview (page 8), which looks at the way merchandising approaches are developing in the UK, assessing the latest trends and more.

We've taken a research-led approach to identify the leaders in the field and what they do to stand out. Our analysing the numbers feature on page 12 looks at the varying approaches that Top500 retailers take to merchandising, from the use of navigation and relevant search results through to the deployment of cross-selling, upselling and more. On page 32 we look in greater detail at the way fashion retailers in this Dimension manage stock, from how quickly items sell through to how effectively traders replenish stock, in research carried out in partnership with Knowledge Partner Edited.

We look at leading retailers in this Dimension in more depth through our lead interview with Sam Perkins, merchandising director of Shop Direct, on page 20, and a series of case studies, starting on page 18. We focus on 12 practical approaches that Top500 retailers, and other companies too, take in this field on page 24. On page 29, Henry Eccles of Google discusses the idea that online advertising may constitute a significant new revenue stream for retailers.

Overall, we've captured a picture of an industry that's more and more using personalisation and data analysis to win customers.

*We'd like to thank all the Knowledge Partners who have contributed their expertise and insights in both this and previous Dimension Reports. We welcome your thoughts on new areas of research as we add to our primary data and analysis. Please email: [jonathan@internetretailing.net](mailto:jonathan@internetretailing.net) and [chloe@internetretailing.net](mailto:chloe@internetretailing.net)*

**Jonathan Wright and Chloe Rigby, Editors**

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# Increasing conversion through online merchandising



Sufficient merchandising resources and an efficient strategy can be crucial for online retailers who focus on increasing conversion rates. **Jeremy Lepiece**, merchandising manager for LiveArea, The PFSweb Agency, discusses emerging merchandising trends that will help retailers promote their products online

WHEN CREATING AN online experience, the desired outcome of any retailer is to make the sale. While many proven digital tactics are already well known to online retailers, the importance of a merchandiser's role can sometimes be overlooked. As it has become easier for consumers to browse, compare and find similar offers online, staying up-to-date with emerging merchandising trends and deploying tactics such as localisation and personalisation can be important to retail success.

Localisation can improve consumer satisfaction throughout their online retail experience. Depending on cultural preferences, consumers will respond differently to the same promotions. Retailers may want to consider these differences in order to understand and effectively communicate promotions in the future. Merchandising tactics such as sorting can help consumers easily find the product they are looking for and can be utilised to more accurately target individual shoppers. "Certain products sell more in some countries than in others and to capitalise on this trend, retailers may want to further understand their audience's expectations in order to target the right customers with the right products," says LiveArea's Jeremy Lepiece.

Personalisation is another strategy that retailers may want to implement to create product interest and entice consumers to make a purchase. "On-site A/B testing, or testing two different ways of executing the same promotion, is an accessible and cost-efficient personalisation tactic that can help retailers analyse their customers more accurately," says Lepiece. "Personalisation can also include the use of tailored geographic messages as well as different designs that are customised to appeal to specific shoppers."

Finally, keeping up-to-date with and deploying emerging trends such as interactive content will help pique the curiosity of consumers. As a cohesive experience is now expected both online and offline, retailers should consider focusing on innovative interactions with their online customers since it can be more challenging to hold their interest in comparison to shoppers in a physical store. "Augmented reality, for example, is increasing in popularity in online retail strategies. Features that allow shoppers to virtually try-on clothes and accessories via webcam technologies are also becoming more accessible," says Lepiece.

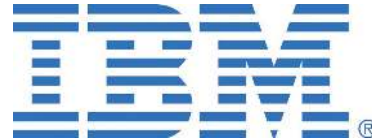
As technology continues to evolve, it can be important for retailers to stay current with merchandising trends, and to utilise localisation and personalisation tactics. By recognising and considering what will appeal to consumers based on their geographical location and cultural preferences, retailers may improve customer satisfaction and effectively market their products. The ecommerce industry has largely become a consumer-driven market, and retailers will continue to change digital expectations and needs in order to create blended shopping experiences between physical and digital channels. 🇬🇧

## About PFSweb

A leading global commerce service provider, PFSweb enables brand and specialty retailers to achieve their commerce goals. As an ecommerce solutions provider, we combine consulting, agency, technology, and operations to deliver unique and branded customer experiences, creating Commerce Without Compromise. Learn more about our solutions at [www.pfsweb.com](http://www.pfsweb.com)

# Thinking ahead

**James Lovell**, retail commerce solutions executive at IBM, outlines a vision of merchandising built on cognitive commerce



DIGITAL MERCHANDISING IS on the verge of a revolution, driven by a new breed of cognitive commerce solutions. In coming years, we believe we'll see a marked shift away from the structured merchandising that we see today, based on pre-defined product attributes, towards natural language searches that come out of technologies built on artificial intelligence.

As a customer, I'll be moving on from a search and navigation experience in which I choose from pre-defined attributes to select first shoes, then casual shoes, then lace-ups, then leather upper, then blue, then a certain brand. In the new world of cognitive commerce, I'll be typing a search using natural language. Or I'll ask my mobile phone, "Where I can get hold of a pair of casual blue leather lace-up shoes?" That might be a query into a search engine or directly into the retailer's digital channels.

In a cognitive commerce world, the experience will be different for retailers too. They'll also be able to ask natural language questions and recommend more relevant products based on intelligent big data. Recommendations will come at the right time, they'll take account of current weather conditions, stock levels and, increasingly, they'll be at the right price, thanks to the growing use of real-time dynamic pricing. They'll reflect what other consumers say, whether through social validation, ratings and reviews or data from a host of other sources.

I think the customer experience will improve dramatically – and in return shoppers will become loyal brand advocates, converting more easily and spending more in a way that boosts profitability.

While these changes simplify the buying experience for the customer, the task of merchandising for retailers of all sizes will also be much more straightforward. Already, digital merchandisers using our Commerce Insights product can understand in real-time what's going on in their digital channels, from which

products are performing well to what's grabbing shoppers' attention, helping them to trade their site harder and more effectively by making changes in the moment.

This will underpin the personalised shopping experiences that customers have come to expect, thanks to the new understanding of data. Retailers have in recent years built single views of the customer and of the product, enabling them to have the right item in the right place at the right time, and for the right price. Cognitive commerce will take that so much further. As a shopper, if I know there's a retailer that can do all that for me, in a way that makes me feel as if they know me as an individual and the products I want and when I want them, why would I go and shop anywhere else? To me, that's the ultimate in retail, the personal customer experience. 🌈

## About IBM

If you're interested in finding out more about how cognitive commerce can help merchandisers, you might like to join us at [ibm.biz/cognitive-merchandising](https://ibm.biz/cognitive-merchandising)



# Data-powered merchandising

Search results and recommendations are key to selling online, reports **Chloe Rigby**

SHOWING THE RIGHT product to the right person at just the right time can make the sale. At the cutting edge of the UK industry, merchandisers are working on ways to achieve this by developing their understanding of customers and the factors that influence consumers as they move through their shopping journeys. The aspiration is to use these insights to show shoppers the most relevant items at the point when they are most likely to buy.

While the sophisticated personalisation that this implies is in reality still a way off for many IRUK Top500 retailers, this Dimension Report shows how traders are nonetheless developing websites in order to ensure that shoppers can search effectively for the items that they are

looking for, as well as browse with the aid of high-quality images and product information.

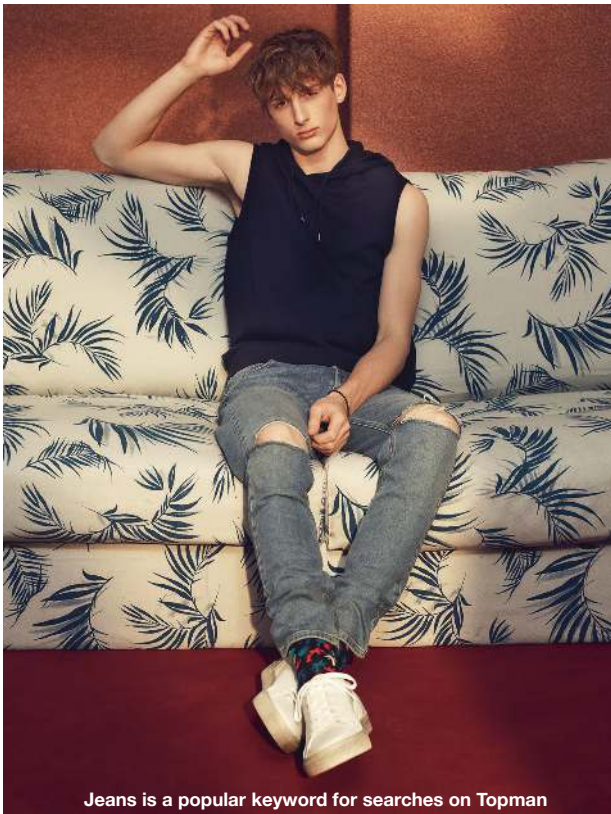
## Showing relevant items

Internet users searching for a specific product are potential shoppers who are already predisposed to buy. But buying online is about making an emotional decision, and consumers need to be well informed before they make it. Leading retailers in this Dimension stand out because they ensure shoppers have plenty of facts to hand. Disney Store, for example, has an easy-to-navigate website that helps shoppers find just the right item, with filters that help to narrow down their searches. Clear product images show exactly how a product looks.

Amazon, meanwhile, guides shoppers through the millions of items available on its website by showing them recommendations that are based on past purchase history and past behaviour.

Like Disney Store and Amazon, many IRUK Top500 retailers work hard to ensure their ecommerce websites are packed with information about the products and services that they sell. On average, Top500 retailers show 3.5 product images. When it comes to search and navigation, 78% enable shoppers to filter by product type, and 65% by price. Such approaches are particularly important when a retailer has a wide range: surfacing the most relevant items is crucial if the shopper is to stay with the process.

This is important, says Chris Dunn, operations director at website optimisation technology provider and InternetRetailing Knowledge Partner One Hydra, because analysis of exit surveys shows that shoppers often struggle to find what they want to buy – and will go elsewhere when they hit problems. “We hear that message all the time,” says Dunn. “These are people who are already on your site – all they want is a better consumer experience.”



Jeans is a popular keyword for searches on Topman

Image credit: Topman



Key to that better consumer experience is search. Gareth Rees-John, global digital director at Topman, who spoke to InternetRetailing at the InternetRetailing Europe Summit in Berlin, says it's unsurprising that search converts on that website at a higher rate than navigation since people who search already have a definite product in mind.

That's why, he says, it's vital to get landing pages for search right. More than half of all searches that take consumers to the Topman website don't go to the home page. Indeed, the

Internet users searching for a specific product are potential shoppers who are already predisposed to make a purchase

jeans listing page is most often viewed, thanks to the retailer's reputation for skinny jeans. Rees-John suggests it's important first to ensure that searches land on a page that has relevant results, and then to add relevant content, such as a style or trend guide.

Making it as easy as possible to search a website makes commercial sense. Most Top500 retailers recognise this. When InternetRetailing researchers measured whether sites offered dropdown search suggestions that help to guide the shoppers through the website, they found that a little more than half (52%) did.

That may seem like a detail – but getting site search right is an important part of the customer experience, says Ian Scarr, regional vice-president, EMEA at SLI Systems. "Site search should give you the opportunity to provide contextually relevant results for the keywords that people are searching for," he says. "People come to your site with an intention to buy and know exactly what they're looking for. If your site



Image credit: Topman

Topman customers often don't visit the retailer's home page

search doesn't provide that for you in one or two clicks, they will go back to Google."

#### Learning from search

The latest learning search platforms, says Scarr, can learn from information such as customer behaviour on the website to provide the most relevant results. Using this, he says, "Your users are merchandising your site for your other users. It's their buying, clicking and their interaction with your keywords that's re-ranking the most popular products to the top – and making you more money."

This kind of information can also potentially help to improve the product range. "We have lots of examples of customers who have identified poor results for searches," says Scarr. "Buyers have gone out, bought a product and it's been one of their best-selling items in the months ahead, but identified early. Then the merchandisers go to work and promote it. Analysing the data is really key to spotting those trends, what's working well, or not."

Topman's Rees-John says that his team learns a great deal from the analysis of searches that don't produce results. "We look at failed search in a lot of detail," he says. "We use search as an indicator that leads buying cycles and helps us understand what our visitors want to buy." ▶

### Data-driven merchandising

Such information is just one part of the wide range of information – or big data – that retailers can use in creative ways in site merchandising.

OneHydra's Dunn argues that retailers can

An advantage of demand-driven merchandising is that retailers get SEO for free

use this data to organise online shops based on what customers are searching for. “Just because you have loads of apples do you put them at the front of a supermarket? Clearly not,” says Dunn. “You display your products based on what consumers demand. In the store, merchandisers spend vast resources working out where to put each aisle, unit, shelf and product so that each next step flows effortlessly for the customer. It pays instant dividends. But in online most of the merchandisers we speak to say they’re either caught up in trading meetings or agonising over promotions, as opposed to optimising the experience. There just isn’t the time in the day.”

An advantage of demand-driven merchandising is that retailers get search engine optimisation [SEO] for free. “You get SEO if you promote and surface the search for categories, styles or areas,” says Dunn. “Google will see them and give them more prominence in your rankings so that you rank better. For most retailers at the moment, the number one piece of advice is to look at the data.”

He adds: “The goal is a self-optimising website based on the consumer and their ever-changing demand. Categories, colours and trends come and go, and it’s about staying on top of that. That’s challenging when you have thousands of products – but the data and the technologies are there to help you do that.”



Image credit: adidas

### Merchandising across channels

Beyond the site, data can be used to present products to shoppers wherever they are, or whatever they are doing. That ranges from targeting them in store to sending them marketing emails. Saima Alibhai, practice manager, professional services at Bronto Software, says its software can integrate apps that predict which in-stock products will be relevant – and show relevant images alongside email content. “Personalising content is what is happening right now,” she says. “It’s all about continuing the conversation across relevant channels.” She says this should be a relatively straightforward step, and cites Bronto figures that suggest 97% of UK retailers show product images at checkout, and 81% include them in emails.

Rajesh Kumar, vice president, merchandising, concept to consumer at adidas, says data drawn from hindsight (in the form of historical sales information, insight); from current sales patterns; and foresight (from social media and a range of digital touchpoints, including the store) can help traders to make better merchandising decisions in stores as well as on the internet. The sports brand retailer is currently trialling a solution in



**Sports brand adidas is piloting data analysis to merchandise products in its bricks-and-mortar stores**

10 stores, including one in London, that draws on these types of data in order to inform the local range.

But, he said, speaking ahead of the recent InternetRetailing Europe Summit in Berlin: “It’s important not to over-rely on data. Merchandising is a science and an art. Data is the science part, but the art part is what the team thinks, along with a range of other factors. It has to be a combination of both.”

Data, he acknowledges, can be overwhelming, which means it’s important to identify or focus on what’s most important. Knowing exactly what to look for is key. Describing social media as an “ocean” of information, he says: “When you’re diving into it you have to be very clear that you’re searching for this pearl exactly at the bottom, rather than swimming the entire ocean.”

Mastering this challenge, he says, will mean in the future that retailers trading across regions can centralise marketing efforts. Rather than having local teams, he says, “[Merchandisers will be able to] sit anywhere in the world and know everything and anything about the consumer as long as they have the data. This will be a big paradigm shift.”

These challenges will continue to resonate in the future. As yet, it seems that many retailers have yet to get fully to grips with understanding and analysing the large amounts of data that businesses are now producing. That’s true whether data comes from the website, mobile activity or from stores. In turn, retailers have not yet cracked how to use that data to show products on their websites and on mobile. But that, no doubt, will come.

But it is in the interests not only of retailers but of their customers that businesses do start to learn from the data as they merchandise sites to show shoppers the most relevant images possible. At the same time, as adidas’ Kumar makes it clear, the data in itself is not enough. 🌈

Many retailers have yet to get fully to grips with analysing the large amounts of data that businesses now produce



# Connect consumers with relevant products

**Martin Shaw**, InternetRetailing's senior researcher, interrogates the data we gathered

## GOOD MERCHANDISING EFFECTIVELY

connects customers with the products they want to buy. Effective on-site search techniques, from relevant search results to clear navigation and filters, mean shoppers can find the items they're looking for. Full product information, communicated through words and clear images, ensures they think they know enough to move towards a purchase. Social validation ensures browsers can share their buying plans with their friends, while cross-selling and upselling mean shoppers receive useful suggestions for other items that may complement the product they're looking at.

This mix is crucially important in a competitive trading environment where browsers can easily click away to another site.

"Retailers that stand out in on-site search are successfully creating a faster and more efficient customer experience"

Martin Shaw, InternetRetailing

## Our approach

In the Merchandising Performance Dimension Report, we've aimed to understand the actions that retailers take in order to ensure that they put the most relevant items before online customers. We've analysed websites operated by the IRUK Top500 multichannel and ecommerce retailers, in order to understand which most successfully combine strong visual appeal with making it easy for customers to search for and locate the products they want to buy.

We analysed the websites against metrics that included the effective use of images, judging their quality and the ability for shoppers to zoom in or otherwise examine details. We tested whether useful product information was provided and analysed the use of signposting through banners. We measured how relevant search results were, how a website responded when a 'no results' search was made, how efficiently navigation and filtering led shoppers to their desired products, and we also looked for social sharing functionality. We didn't only consider the early, pre-selling part of a transaction. At the end of a transaction, we measured whether a website required a shopper to register before checking out, as well as how many pages shoppers had to complete as they concluded their transaction.

Through our metrics, we've aimed to take a snapshot of what techniques retailers are using to achieve effective merchandising. Over time, we'll go further, mapping how Top500 retailers develop and change approaches over time.

Alongside this we've also worked with Knowledge Partner Edited to understand how fashion retailers handle their stock situation. We look in further detail at this research in the future research feature on page 32.

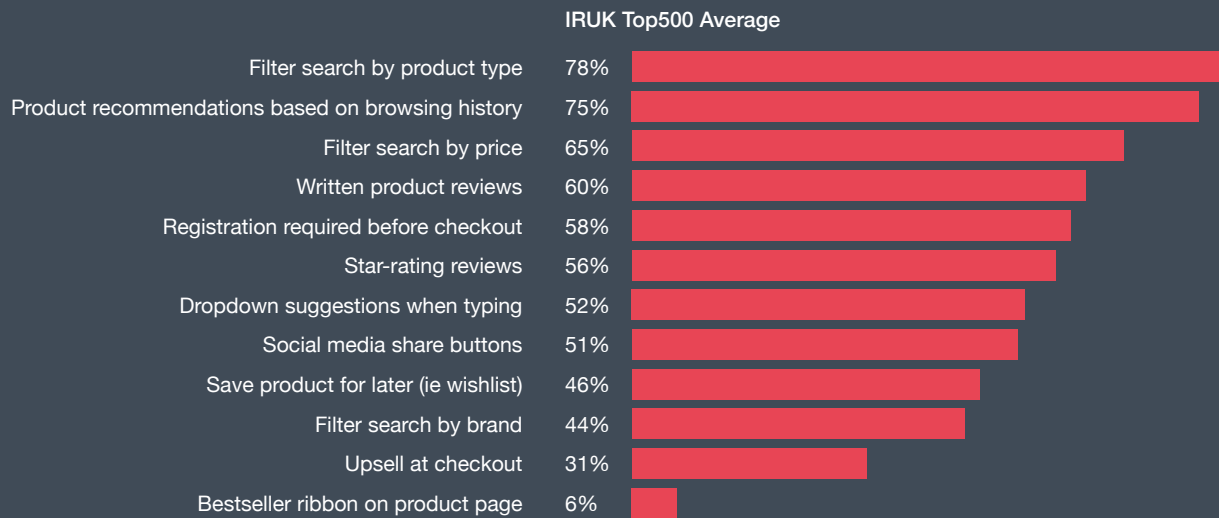
## What the Top500 do

Retailers are working hard to make it ever easier for the shoppers who use their sites to find the products they're looking for. Those that stand out in this area are successfully creating a faster and more efficient customer experience that is more likely to satisfy the browsers who use the site. Those that scored well in search were more likely to finish higher in our rankings in this Performance Dimension.



## Merchandising techniques

Top500 selling behaviour on their websites.



IRUK 2016

A little more than half (52%) offered dropdown suggestions to complete part-typed searches. Some 44% of retailers offered shoppers the ability to filter by brand – that’s 20% more than in last year’s research – while 65% enabled filtering by price, and 78% by product type. We were also interested to see what retailers did when a search gave no results: we found that 64% showed a blank page, although 36%, or 178, of the Top500 had an alternative solution. This might vary from showing alternative products to flagging up information.

Other forms of signposting, beyond navigation, varied in popularity: while 19% of Top500 retailers used banner advertising on their landing page, 69% had an obvious promotion on the page. A small minority (6%) marked bestsellers.

Use of social sharing buttons, employed by 49% of retailers, enables browsers to run potential and actual purchases past friends and family, and third-party reviews and ratings are deemed still more important: 60% show product reviews, and 56% product ratings. A little more than a third (36%) enable browsers to Like a product, while a similar proportion (37%) offered

social validation, where shoppers can see what other people think of a product. Saving a product to a wishlist can help to promote future sales: 46% (232) of Top500 retailers offer this solution.

Upselling and cross-selling were not as commonly employed as we would expect. Only 31% of the Top500 showed items that might upgrade the products that shoppers were looking at, but 75% do recommend similar items.

Once shoppers have found the products they are looking for, how easy do Top500 retailers make it to buy? Across the Top500, retailers used an average of 3.8 checkout pages. The experience could be as fast as one-click payment, offered by retailers including leading trader Amazon. Our analysis showed that 58% of traders require shoppers to register before they check out their purchases. Is this the correct approach, or do the 42% that don’t require registration offer a more nimble shopper experience? In our view, each approach has a different benefits – and costs. Registering might create a barrier to sale that puts some off buying. Conversely, collecting shoppers’ details gives the retailer data that can be used in personalising future messages and making relevant offers. ►

### Leading the way

The retailers that stand out in the Merchandising Dimension have key characteristics in common. These retailers have clear navigation and predictive searches that make it easy to research a product. At Disney Store, for example, shoppers can learn in depth about the products that they are interested in, thanks to the use of strong images and detailed product information, and it's easy to get around the website through the use of filtering, search suggestions and banners that act as signposts.

Amazon is highly rated for a combination of relevant search results, effective use of navigation and filtering that, taken together, make it easy for shoppers to find the items they want from a range of several million products. Recommendations, cross-selling and upselling are all personalised.


Littlewoods' website loads quickly, scoring highly for search filtering and for searchandising. It provides filters to sort by product, brand and price, while extra filters include customer rating and delivery timeframe. Customer recommendations are clearly flagged up, and other products are offered at the checkout stage.

“At Disney Store, shoppers can learn in depth about products thanks to strong images and detailed product information”

Martin Shaw, InternetRetailing

Littlewoods' sister company, Very, offers a range of navigational filters, including colour, fit and material. On the product page, shoppers can see how many people are looking at that item, and when it was last bought. They can also share and Like products through social media, and save an item for later. A no results search shows promotional products, while misspelled search terms are corrected automatically.

Watch Shop stands out for the swift rendering of its home page. Products can be saved for later, shared via four social networks – with relevant recommendations appearing alongside. Two clicks are enough to pay on the site, which does not require registration. That's 90% shorter than the average number of checkout pages for Top500 retailers.

Currys scores top marks for the relevance of the products that appear in search results. It offered navigational filters to sort product, brand and price, and added extra filters such as colour and kit variation, depending on the product category being searched. Product information won top marks based on the content, usefulness and the length of information provided. Social validation was available through four different social networks, while customers could also click to share products via email. 

## IRUK 500 Merchandising Dimension

In partnership with our Dimension Sponsor



The Top100 retailers of the IRUK 500 2016 Merchandising Dimension, as measured across dozens of metrics for site navigation and product display

Share your thoughts on #IRUK500 with @etail

## Merchandising Top50

Amazon	Foot Locker	Post Office Shop
American Golf	Halfords	Roman Originals
Argos	Homebase	Screwfix
B&Q	Iceland	ScS
Bathstore	JD Williams	Space NK
Beaverbrooks	Jigsaw	SportsDirect.com
The Brilliant Gift Shop	John Lewis	Topman
Clarks	Kaleidoscope	Topps Tiles
Coast	Karen Millen	Toys ʼn Us
Currys	Littlewoods	Tripp
CycleSurgery	M&Co	Very
Debenhams	Morrisons	Viking
Direct Golf	Moss Bros.	Watch Shop
Disney Store	Mothercare	WHSmith
Dune London	Nike	Wilko.com
Ebuyer.com	Ocado	Zalando
Esprit	Pets at Home	

## Merchandising Top100

Andertons Music	Dabs.com	Hobbs	NotOnTheHighStreet.com
Anthropologie	Decathlon	Home Essentials	Oasis
Appliances Direct	DHgate.com	House of Fraser	Office
Art.co.uk	Dorothy Perkins	Interflora	Peacocks
ASOS	Dreams	Jacamo	Quiz
Bensons for Beds	Dunelm	JD Sports	Route One
Blacks Outdoor	eBay	L'Occitane	Simply Be
Boden	Ernest Jones	Laptops Direct	Waitrose
The Body Shop	Evans	LightInTheBox	Wallis
Bonmarché	The Fragrance Shop	Long Tall Sally	Wex Photographic
The Book People	Freemans.com	Matalan	White Stuff
Boots	George at Asda	MiniInTheBox.com	
ChemistDirect.co.uk	H.Samuel	Miss Selfridge	



The full rundown of the IRUK 500, 2016, as measured across six Dimensions: Strategy and Innovation, The Customer, Operations and Logistics, Merchandising, Brand Engagement, and Mobile and Cross-channel.

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## Elite



John Lewis



mothercare

## Leading

Asos	eBay	New Look	Tesco
B&Q	Halfords	Next	Topshop
Clarks	Homebase	Office	Waitrose
Currys	Marks & Spencer	Sainsbury's	Wilko.com
Debenhams	Matalan	Superdrug	

## Top50

Apple Store	F&F	Monsoon	Superdry
Asda	H.Samuel	PC World	TK Maxx
Blacks Outdoor	Hobbs	Pets at Home	Topman
Carphone Warehouse	Holland & Barrett	River Island	Wallis
Dorothy Perkins	Maplin Electronics	Schuh	WHSmith
Evans	Miss Selfridge	SportsDirect.com	

## Top100

Bathstore	French Connection	L'Occitane	Space NK
Boden	Game	M&Co	Thorntons
The Body Shop	Go Outdoors	Majestic	Topps Tiles
Boohoo.com	H&M	Morrisons	Toys ʼn Us
Burton	IKEA	Moss Bros.	Very
Claire's	Interflora	Mr Porter	Waterstones
Cotswold Outdoor	Jack Wills	Net-A-Porter	White Stuff
Disney Store	JD Sports	NotOnTheHighStreet.com	Wickes
Dune London	Jigsaw	Ocado	The Works
Dunelm	Joules	Peacocks	Yours Clothing
Evans Cycles	Lakeland	The Perfume Shop	Zara
Fat Face	Laura Ashley	Post Office Shop	
Footasylum	Littlewoods	Selfridges	



## Top150

Accessorize  
American Golf  
Ann Summers  
Beaverbrooks  
Blue Inc  
Bonmarché  
CarpetRight  
Cath Kidston  
Crew Clothing Company  
Dabs.com  
Decathlon  
DFS  
Early Learning Centre

Ebuyer.com  
Ernest Jones  
Euro Car Parts  
The Fragrance Shop  
Gear4music.com  
George at Asda  
Getthelabel.com  
Goldsmiths  
Harrods  
Hobbycraft  
Kaleidoscope  
Karen Millen  
Lloyds Pharmacy

Mamas & Papas  
MandM Direct  
Missguided  
Nike  
Oasis  
Pandora  
Quiz  
Reiss  
Richer Sounds  
Ryman  
Samsung  
Shoe Zone  
Smyths Toys

Staples  
Surfdome  
Ted Baker  
TM Lewin  
Trainline  
USC  
Warehouse  
Watch Shop  
Wiggle  
Zalando

## Top250

Adidas  
AllSaints  
ao.com  
BonPrix  
The Book People  
Boux Avenue  
Brantano  
Burberry  
Cass Art  
Chain Reaction Cycles  
Charles Tyrwhitt  
Cloggs  
Coast  
Costco  
Cotton Traders  
Direct Golf  
Dr. Martens  
EAST  
The Edinburgh Woollen Mill  
Ellis Brigham Mountain Sports  
The Entertainer  
Esprit  
Estée Lauder  
F.Hinds  
Fashion World  
Feelunique.com

Foot Locker  
Forbidden Planet  
Forever 21  
Fragrance Direct  
Freemans.com  
Furniture Village  
Games Workshop  
GAP  
GettingPersonal.co.uk  
Google Play  
Gucci  
Harvey Nichols  
Hawes & Curtis  
Hollister  
Hotel Chocolat.  
Hotter  
HP  
Hugo Boss  
Jacamo  
Jacques Vert  
Jaeger  
JD Williams  
Jessops  
Joe Browns  
JoJo Maman Bébé  
Jones Bootmaker

Just Eat  
Kitbag.com  
Kurt Geiger  
L.K.Bennett  
Liberty  
Lipsy  
Long Tall Sally  
Lovehoney  
Lush  
Machine Mart  
Mango  
Menkind  
Millets  
Mobile Fun  
Moonpig  
Mountain Warehouse  
Myprotein  
Novatech  
The Outnet  
Overclockers UK  
Paul Smith  
Photobox  
Pret A Manger  
PrettyLittleThing  
Pull & Bear  
QVC

Radley  
The Range  
Route One  
ScS  
Simply Be  
size?  
Snow+Rock  
Sory  
Specsavers  
SportsShoes.com  
Swarovski  
Sweaty Betty  
Thomas Pink  
Toolstation  
Uniqlo  
Urban Outfitters  
Viking  
Vision Express  
Wex Photographic  
The White Company  
Whittard of Chelsea

## Top350

Abercrombie & Fitch  
Agent Provocateur  
American Apparel  
Andertons Music  
Anthropologie  
Appliances Direct  
Arco  
Art.co.uk  
Axminster  
Banana Republic  
Berry Bros. & Rudd  
Blackwell's  
Bondara  
Book Depository  
Bravissimo  
Buyagift  
ChemistDirect.co.uk

Countrywide  
Create and Craft  
CycleSurgery  
Deichmann  
DKNY  
Dreams  
Dulux Decorator Centres  
EAT.  
eSpares  
Eurooffice  
Euronics  
Expansys  
Farfetch  
Fingleaves.com  
Find Me A Gift  
Firebox  
Fitness Superstore

Flannels  
Fortnum & Mason  
Free People  
funkypigeon.com  
Gemporia  
Grattan  
Graze  
Guitarguitar  
Habitat  
Harveys  
Heal's  
Home Bargains  
Home Essentials  
The Hut  
Iceland  
Ideal World  
IWOOT

Kiddicare  
La Redoute  
Laithwaite's  
Laptops Direct  
Lego  
LightInTheBox  
Lyle & Scott  
MAC Cosmetics  
Marisota  
Massimo Dutti  
MatchesFashion.com  
MinilnTheBox.com  
Mint Velvet  
Misco  
Molton Brown  
Mulberry  
Multiyork Furniture

Nisbets  
Oki-Ni  
Oliver Bonas  
The Original Factory Shop  
Paperchase  
PartyDelights  
Pavers  
Phase Eight  
Printing.com  
Ralph Lauren  
Robert Dyas  
Rohan  
Russell & Bromley  
See Tickets  
Slaters  
Sunglass Hut  
Thompson & Morgan

Tiffany & Co.  
Trespass  
Ugg Australia  
Urban Industry  
Victorian Plumbing  
Victoria's Secret  
Victoria's Secret  
Virgin Wines  
Wagamama  
Whistles  
Wyevale Garden Centres  
Yankee Candle  
YOOX.com  
Zooplus  
Zulily

## Top500

Abel & Cole  
Ace  
Achica  
Aldo  
Alexandra  
All Posters  
Approved Food  
Aria Technology  
Asics  
ATS Euromaster  
Avon  
Baker Ross  
Barbour  
bareMinerals  
BBC Shop  
Bensons for Beds  
Bershka  
Bose  
BrandAlley  
Brandon Hire  
The Brilliant Gift Shop  
Build-A-Bear Workshop  
Bulk Powders  
Buymobiles.net  
CafePress

Calendar Club UK  
Calvin Klein  
Camper  
Card Factory  
Cargo Home Maker  
CCL Computers  
Charles Clinkard  
Chums  
Clintons  
Coggles  
The Co-operative Electrical  
COS  
Crabtree & Evelyn  
Cromwell  
Damart  
Dell  
Demon Tweaks  
DHgate.com  
Diesel  
Dobbies Garden Centres  
Dolphin Music  
DealExtreme  
Dyson  
END.  
Everything5pounds.com

Farrow & Ball  
Fired Earth  
FitFlop  
Fraser Hart  
Fred Perry  
GAK  
Gant  
Glasses Direct  
GNC  
Hackett  
Hallmark  
Hamleys  
HelloFresh  
High & Mighty  
HMV  
Hornby  
Hughes Electrical  
itsu  
Jewson  
Jimmy Choo  
JML  
John Smith's  
Joy  
Juno Records  
JustFab

Kiehls  
Lacoste  
Lacoste  
Lands' End  
LED Hut  
Lenovo  
Links of London  
Logitech  
LookFantastic.com  
Louis Vuitton  
Made.com  
Mainline Menswear  
MedicAnimal  
Microsoft  
Mobile Phones Direct  
Mobiles.co.uk  
Monica Vinader  
Naked Wines  
Nespresso  
The North Face  
Oakley  
Orvis  
Pet-Supermarket  
Philips  
PIXmania.com  
Plumbase

Plumbworld  
Prada  
Premier Man  
Pretty Green  
Prezzybox  
Printerland.co.uk  
Pro-Direct  
Puma  
Rakuten  
Rapha  
Rapid Electronics  
Reebok  
Roman Originals  
Rowlands Pharmacy  
RS Components  
Scholastic  
SecretSales  
Select  
Skechers  
Smythson  
Sonos  
SportPursuit  
Spreadshirt  
Superfi  
Suttons Seeds

Sweatshop  
Tate Shop  
Thomann  
Thomas Sabo  
Timberland  
Timpon  
Toast  
Tommy Hilfinger  
Tripp  
Trueshopping.co.uk  
TTS Group  
Vans  
Vax  
Vente-Privee  
Warren James  
The Watch Hut  
Wayfair  
Weldricks Pharmacy  
WorldStores  
Wynsors World of Shoes  
Yeomans Outdoor Leisure  
Zavvi  
Zazzle  
& Other Stories  
7dayshop

# Watch Shop: time to inspire

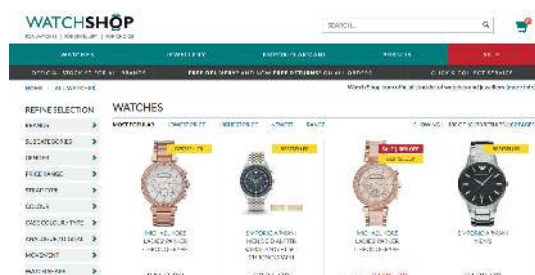
SELLING WATCHES AND jewellery online is all about the inspiration. It's about inspiring shoppers to buy, and it's about inspiring trust in a purchase that could be worth hundreds or thousands of pounds.

Browsers must be able to see the product up close and personal, while those who are searching for a specific item or brand must be able to find it quickly.

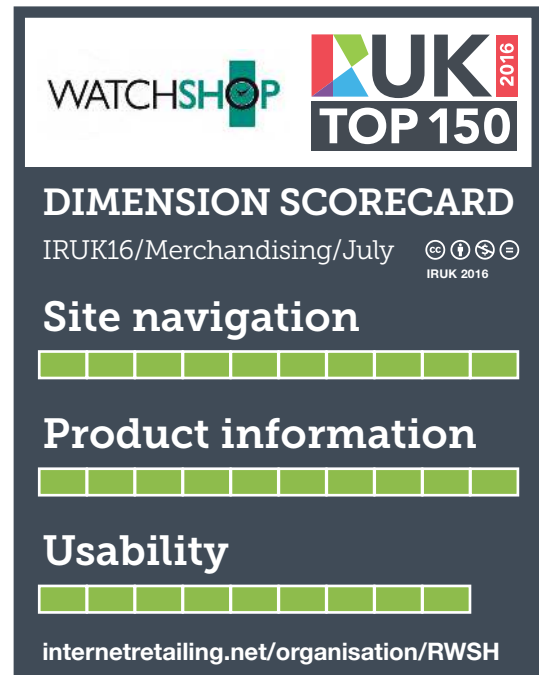
Watch Shop ranks highly in IRUK Top500 research into merchandising for the speed at which the site works, rendering in under two seconds, and the speed with which shoppers can pay. Orders can be placed in two steps – 90% shorter than the average number of checkout pages for Top500 retailers – and registration is not required.

This is a site that makes it easy to find the watch or jewellery that shoppers are searching for. Navigational filters can be refined through around 12 different options. These include price range, brand, strap type and movement. 'Bestselling' tags flag up the most popular products, and discount tags show by exactly how much an item has been reduced.

It's also a site that lends itself to browsing, as well as to consulting friends and family on significant purchases. Pop-out images are generous, both in size and in number, and include details not only of the watch and the strap but also of the box the product comes in. From the product page, visitors can explore related items, with the use of cross-selling and upselling to showcase a range of related items that could be alternative or additional purchases. Shoppers



It's quick and easy to drill down to specific products when browsing the Watch Shop website



can share an item on Facebook, Google Plus, Twitter and Pinterest, with the option to Like on Facebook from the product page. Shoppers can save an item for later, adding it to a shortlist. Content on offer includes buying guides to watches and jewellery for ladies and for men.

Importantly, the website uses merchandising to inspire trust. Banners are used to flag up its 'official stockist' status, and its free delivery and free returns policies, while customer reviews and ratings are easy to find. Trustmarks from three different sources are used, including a 96% service rating from feefo. Seven payment options are offered, including one that spreads the cost of the item.

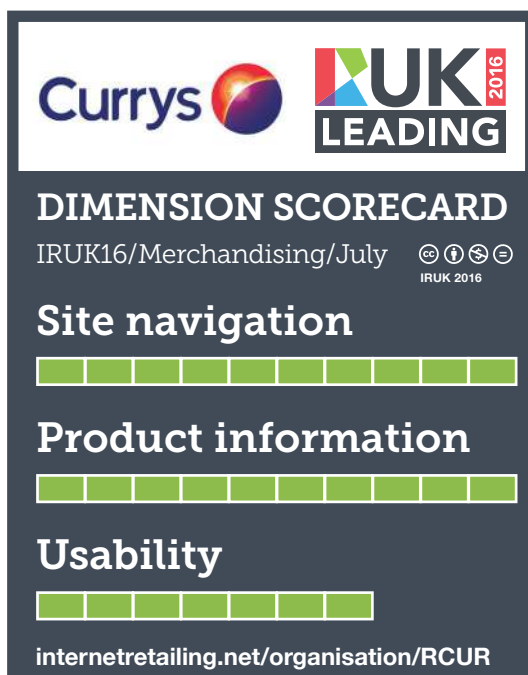
This is a website that aims to inspire. It does so through the way it uses imagery, by inspiring trust, and by answering the questions that watch and jewellery buyers most often have.

Screengrab of www.watchshop.com, July 2016

# Currys: informing the electricals shopper

CUSTOMERS BUYING ELECTRICAL products, whether it's the larger white goods that are so necessary in the kitchen and scullery or more discretionary home entertainment items, are often on a mission of utility. Whether it's a washing machine, an oven, a television or a home computer, these are items that consumers would consider generally essential. These are products that are bought less often than other types of consumer goods – both because they are relatively expensive and because they can last a long time. Electricals shoppers are on a mission to choose well and for the best price. The merchandising opportunity – and challenge – for retailers such as Currys is to inform without confusing, ensuring that they stand out ahead of the competition.

IRUK Top500 research shows that the Currys website uses both navigation and search to enable shoppers to find products efficiently. For those shoppers who already know which items they want, the site's search function is particularly useful. It scored top marks in InternetRetailing analysis for product relevance: searches can be made either on the product name or the item number.



The Currys site offers rich information about products

For those shoppers who take a browsing approach to looking for the items they want to buy, the research found a navigational approach that helps visitors to travel through the site by filtering by brand, customer rating, and delivery options. Depending on the product, products could be filtered by colour, by kit variation and a range of other options.

Visitors looking for a washing machine, for example, can – at the time of writing – filter the range by price, brand, delivery options, customer ratings, type (freestanding or integrated) and no fewer than 14 other filters, including washing noise level, colour, capacity, and energy rating. From the product listing page, shoppers can see at a glance how other customers have rated the product, whether it's discounted, and an image of the machine. On the product page itself, shoppers can see more images, video, reviews and a host of other useful details.

Price-conscious consumers find encouragement on this site: research showed that over a period of time, Currys' online store consistently offered homepage promotions – competing effectively on cost in a competitive market. The site also offers the content that shoppers need when they make buying choices that they don't make very often, through a series of buying guides covering items from fridge-freezers to the latest home TVs, audio systems and fitness technology. Content and product information score top marks in the InternetRetailing research.

This is a highly successful approach to informing consumers as they make often weighty decisions about the technology and electricals that they need or want in their homes. 🇬🇧

# Amazon: showcasing the range

AMAZON'S CHALLENGE IS to showcase a range that includes millions of products through the limited screen dimensions of a desktop or, even smaller, a mobile phone. Its success in doing so makes it one of the leaders in this Dimension. So just how is it done?

The tools Amazon uses are all about narrowing down choice. Personalised recommendations are based on factors including the customer's buying history, and what other customers who bought an item went on to buy. It uses cross-selling and upselling techniques to suggest alternatives to the item being considered through features including a 'frequently bought together' function that offers a discount when three items are bought at the same time.


Navigation tools include filtering by brand, product type, price as well as a range of filters that vary by category. The pushchair range, for example, can be filtered by capacity, special features, weight, lifestyle, delivery options, colour, average customer rating, brand and whether or not an item is a new arrival. Meanwhile, digital cameras can be filtered by type, and refined by megapixel count, optical zoom power, display size, features, scores, delivery options, the average customer rating, colour, brand, price, whether a camera is a new arrival, availability, and which vendor is selling it.

Once a product is found, it's explained clearly, both through plentiful use of easily-zoomable images – Amazon uses around five or six images per product – and through detailed information. Product information goes into details such as

technical specifications and safety information and is supplemented by clearly-marked ratings and the famous Amazon reviews, which provide the perspective of people who already bought the product on how effectively it does its job.

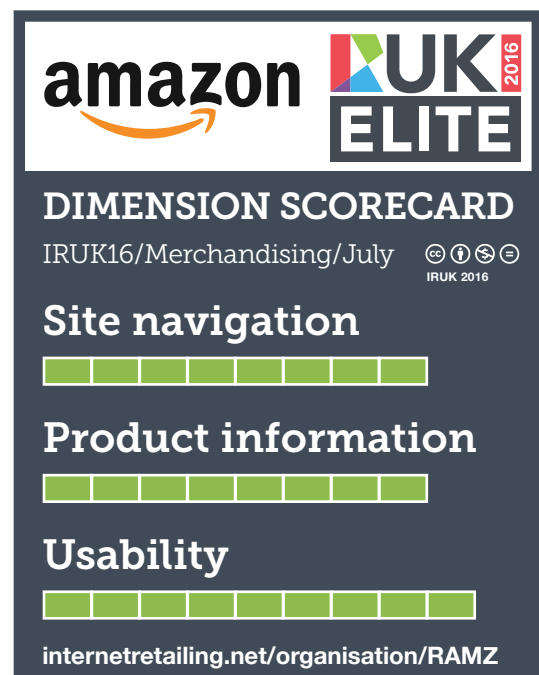
Don't want to buy it now? That's no problem. Shoppers who are signed into their Amazon accounts can save the items they want to buy for another time. Either they can save items to a wishlist, or they can save items for later, alongside their shopping basket.

If they need a second opinion they can share the product via Facebook, Twitter, Pinterest and email before or after they've bought it. Wishlists can also be shared via social.

Overall, Amazon's is a highly detailed approach that helps customers to make their way easily through the vast choice on offer on the website. It's a functional approach to merchandising rather than an inspirational one. Nonetheless, the Amazon approach has been highly influential in forming customer expectations of digital merchandising, and it's one that others can certainly learn from. 



Amazon typically offers a wide choice of product images



Screenshot of www.amazon.co.uk, July 2016



# Disney Store: inspiring fans of all ages

DISNEY STORE IS the natural destination for a variety of groups looking to buy its branded merchandise. Children – or their parents – visit the site looking for gifts and toys, as do fans of all ages. This is, after all, the home of the latest collectibles for franchises ranging from *Frozen* through to *Star Wars*.

The site, therefore, has a job to do in meeting the needs of all those groups. It does so with a trading strategy that makes it easy for customers to find and research products.

Shoppers visiting the site can enter via a horizontal navigation that offers choices from characters, *Star Wars* and Marvel to kids, baby and adults, and also reflects seasonal options, such as ‘summer’ or ‘Christmas’. Product lister pages enable visitors to narrow down choices by price, character, product type, whether or not it can be personalised, and the rating that other shoppers gave it.

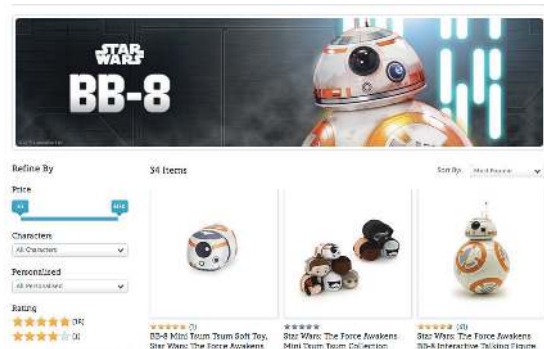
On the product page itself, strong zoomable images sit alongside product information, and highly visible ratings and reviews. Inspirational imagery is visible throughout, as might be expected from an ecommerce site featuring strong entertainment brands. But beyond the inspiration, this is a site where pinpoint accuracy is important. A ‘magic in the details’ section includes the type of technical detail that buyers from parents to collectors would be interested in: from which, and how many, batteries a product takes through to the exact dimensions both of the product and of the packaged product.

Banners are used effectively as signposting throughout the site, offering updates on delivery and other areas of the sales process. The home page clearly flags up any sales or discount events, while discounts are marked on product pages. The search features dropdown suggestions, helping to guide visitors to the specific items they are looking for.

Social sharing is made easy on this site, as is keeping details of products browsed for another time. Shoppers can save products to their bag, or to a favourites list, and can also share them on four social media sites: Facebook, Twitter,

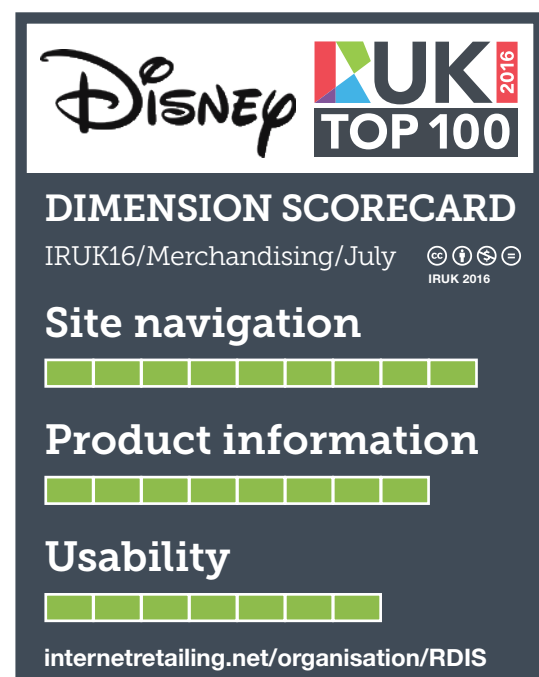
Pinterest and Google+. A Facebook Like button enables consumers to respond to the item directly from the product listing.

All in all, this is a site that’s rich with detailed imagery and information about the products it sells. It’s useful not only for parents looking for gifts, but to fans keen to have some in-depth detail on the items they’re considering buying. 🇬🇧



Disney's site serves both young shoppers and franchise fans

Screengrab of www.disneystore.co.uk, July 2016



# What she wants

Sam Perkins and Jonathan Wall of Shop Direct explain how merchandising strategies across its websites are driven by the customer. **Chloe Rigby** listens in



Image credit: Shop Direct

V by Very is an own-brand label aimed at Very customers

SHOP DIRECT HAS invested heavily in data science as it works to understand how – and what – customers of brands including Very and Littlewoods want to buy. It’s putting mobile and personalisation to work to deliver on its findings.

“Our user experience research overwhelmingly shows us that our customer wants a tailored online shopping experience,” says Jonathan Wall, group ecommerce director at Shop Direct. “That’s why we’re passionate about personalisation – it’s one of our core focuses.

“Our customers want the products and messages that aren’t relevant for them to be removed, and those that are right for them to be placed front and centre. We want to tailor everything – from the shop they visit to how we engage with them before, during and after they’ve shopped.”

As well as relying on information about the customer and the way that they behave, Shop Direct also feeds in external factors, such as the weather and current events.

“Our customer wants a tailored online experience”



Jonathan Wall, Shop Direct

“We’ve invested significantly to combine big data with cutting edge technology,” says Wall. “Continuous experimentation using this data helps us to improve our customer’s journey. Our approach is evidence-led. It takes qualitative and quantitative data and uses it to help us better understand our customer.”

## TEST, TEST, TEST

Shop Direct deploys a testing regime to understand how shoppers move around the website and how products can best be displayed. The retail group prioritises high-quality imagery, straightforward descriptions and an easy-to-navigate site. It tests product page elements through up to 100 AB tests a month: if these don’t meet customer needs, they

go. A fast failure approach that also encompasses personalisation elements is, says Wall, “helping to make our user journey simpler”. Personalisation is now being brought to bear in the way shoppers see product gallery pages, product recommendations and homepage content.

“It all helps our customer land on the products she’s looking for, improving her experience and helping us to increase conversion,” says Wall. Technology from Tangiblee is used to help customers understand how products from bags to purses will measure up in real life (for more here, see our 12 approaches feature on page 24).

Ensuring that customers can easily find the products that are of most interest to them is a priority. “Our purpose is to make good things easily accessible to more people,” says Sam Perkins, group merchandise director at Shop Direct. “Product merchandising is a massive part of that, focusing on giving our customer newness, assortment and availability.

“Assortment is the ‘good things’. We use our customer and market insight to add the famous brands we know our customers want. We’ve got 1,100 of them. We’ve also now got our new own-label brand V by Very. It’s the natural next step for us and we expect it to become a huge part of our assortment offer – we’re backing it in a big way.”

### THE BOTTOM LINE

It’s an approach that’s paying dividends. “A personalised, mobile-first approach has massive benefits for us in terms of sales conversion and customer retention,” says Jonathan Wall. “Last year was our third year of record profit growth and our sales were underpinned by mobile commerce, as well as the stellar performance of Very.”

So what does the data say about how the typical Shop Direct customer likes to buy? “Four years ago, our customer was spending around 30 minutes on her phone each day,” says Wall. “Today, it’s over four hours. Sixty per cent of our sales come from mobile devices so we take a mobile-first approach, tailoring everything for a customer that’s engaging with us in this way. In doing so, we use our rich customer data asset to provide the insight and understanding needed to win at each customer moment of truth.

“We’re trying to develop an overall offering that dazzles our target customer and fits around her life. While our customer is watching TV, for example, she might have three screens on the go – it’s about cutting through that complexity and

grabbing her attention with the way we present our products and our marketing.

“We’re also always striving to talk to our customer in a way that resonates with her. It needs to be a way she’s comfortable with, which is seamless and not intrusive, and we’re exploring new disruptive technology to do it.”

“Our purpose is to make good things accessible”



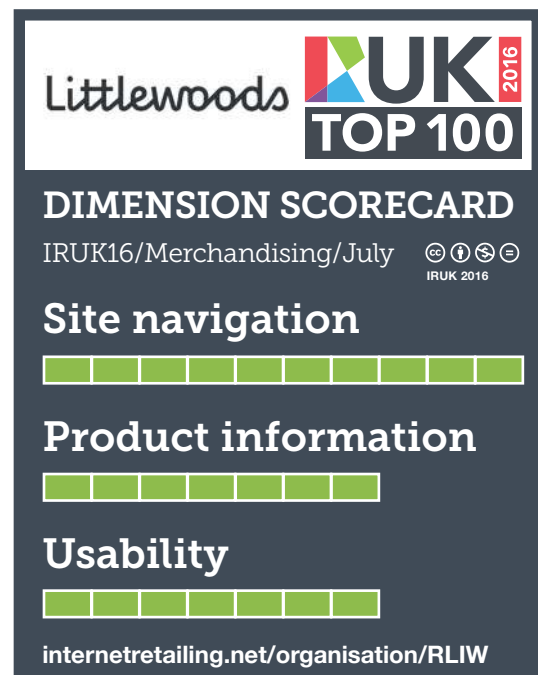
Sam Perkins, Shop Direct

### FUTURE DIRECTIONS

There’s always more to do. “We’ve made huge progress in recent years, but our approach to merchandising isn’t slowing down,” says Perkins. “We’re looking at our wider supply chain to drive further improvements in availability, because we know this is vitally important to our customer.”

It’s also crucial to keep focusing on details. “Of course, we know we need to keep getting the basics right,” says Wall. “How our customers interact with different types of pages across our site will remain a massive focus – we’ll keep on testing, employing a fast failure approach.

“Ultimately, we know our biggest challenge is giving our customers what they want and need – both today and in the future.”



# Twelve approaches that work

Retailers are bringing increasingly sophisticated tools to bear in the task of explaining and showing products to potential buyers. Alongside the latest digital and store-based technology, the basics of clear information and top-quality imagery remain a constant. **Chloe Rigby** outlines 12 approaches that IRUK and IREU Top500 retailers, leaders in related industries and smaller, innovative players are using in merchandising

## 1 Show how products might look in place...

Smart retailers put the product in context. By enabling shoppers to visualise the final effect, it's likely not only that initial sales will be higher, but also that returns will be lower.

Topps Tiles, for example, has a web-based tile visualiser that enables browsers to lay virtual tiles in a variety of room settings to get a good idea of the final effect. Topps' shop assistants can also use the visualiser on an in-store iPad to demonstrate different tile options to customers. It's important to operate across channels, says the company, because both its website and its stores are heavily used by shoppers who are deciding what to buy. More than 70% of its customers, said Topps in its latest full-year results, use its website to research their purchases – while they also visit the store on “numerous” occasions.

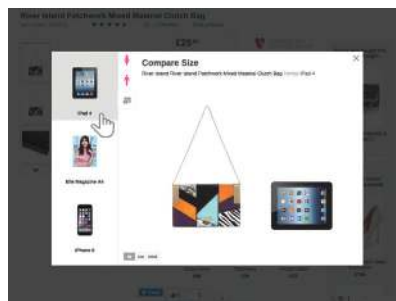
“We believe the pureplay online market for tiles remains very small and our ability to combine our website offering with the skilled advice and convenience available through a physical store presence gives us a significant competitive advantage over any pureplay online retailer of tiles,” the retailer said.

## 2 ...and what fashion might look like on

The changing room has long been key to fashion retailers' success. Understanding whether clothes fit and look good when worn is at the heart of making a buying decision. No doubt that's why the fashion industry has taken a clear lead in using technology to explain what items seen only via a screen will look like on.

Hawes & Curtis has deployed the Fits.me 'virtual' fitting room, which uses buyers' measurements to show what an item will look like on, while Hobbs uses Virtusize to enable customers to measure the item they're considering buying against one they already own. More recently, Shop Direct websites, including Very.co.uk and Littlewoods.com, have introduced Tangiblee technology that enables browsers to size up potential accessories from purses to handbags and luggage.

Tests in the Shop Direct user experience lab saw a 10% uplift in revenue among visitors who saw the sizing comparison feature from their mobile device, compared to those who did not. Shop Direct group ecommerce director Jonathan Wall has said the technology gives “our customer confidence in the actual size of items before she buys”.



At the Very.co.uk site, customers can see what a bag will look like when carried. A silhouette (see right) can be set to reflect the customer's clothes size



Image credit: Very



### 3 Think smart when using images

Clear images show consumers what to expect of the products they're buying. That can, in turn, reduce returns. In addition, images can inspire shoppers: by using strong photographs in marketing emails and enabling sharing on social media platforms such as Pinterest and Facebook, retailers can merchandise products against a pre-selected background. This enables retailers to reach beyond a home website.

Designer kitchenware brand Joseph Joseph says that images are important to its communications. "As a design-led business, our customers value the aesthetics of our household products as much as their function," says Sophie Turnbull, digital marketing manager at Joseph Joseph, which uses Bronto Software for its email campaigns. "To effectively communicate how our latest product innovation solves an everyday problem and to keep customers coming back, sleek and attractive imagery in our emails is crucial. Nothing showcases our product's design and benefit, and allows our customers to picture how the item will look in their homes, like a well-shot photograph. We know that consumers only spend a couple of seconds scanning an email to find out if the content is relevant to them, and the amount of information we can share through an image is much greater than just using text."

Click-to-open rates come in as high as 15%.

### 4 Offer advice to help shoppers

It's one thing to buy a product but it's another to get the most out of that product in a way that works for the individual shopper. There's an opportunity for brands to add value here via YouTube videos and how-to guides.

Dulux took this idea one step further through the launch of its paid-for Amazing Space interior design service. DIY-ers put in details of the room they want to decorate, their preferences and tastes, and click room images that they like or don't like. Customers can add images that they like from social media sites such as Pinterest and add 'before' pictures of rooms by taking a photograph on a mobile phone. They can have a discussion with an online stylist before receiving a personalised style guide and plan for their room, including a 3D visualisation of how it will look. Because this is a paid-for service, shoppers have already bought in to the concept before they come to make a purchase. The brand has worked with affiliates, including Made.com, Dunelm and John Lewis, on making the idea work.

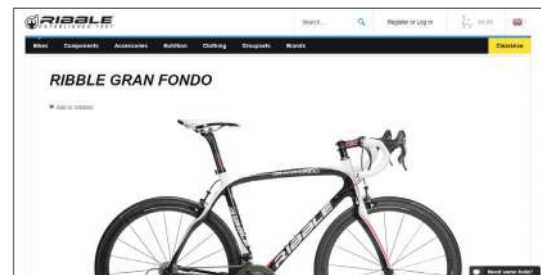


Image credit: Ribble Cycles

### 5 Make it personal

Relevance is the key word in communications that encourage shoppers to buy.

Waitrose used personalisation as it looked to take its in-store customer service to the web. It highlighted relevant and individual content to customers, and says online orders from new and early-stage shoppers grew by up to 24% as a result. The supermarket identified that customers who had shopped online at least five times were more likely to become long-term customers. In response, it ran a marketing campaign offering an £80 discount over the course of five online shops. It used the Monetate experience platform to send shoppers – selected for how many times they had placed an order – a unique incentive code. Conversion of new customers grew by more than 30% while targeting returning visitors led to a 20% uplift in conversions.

Jane Godfrey, digital optimisation manager at Waitrose, said at the time: "The website is a growing part of the Waitrose brand and we want the customer online experience to be consistent with the quality of experience you get in one of our stores."

Both Ribble Cycles and Yale Door are using innovative personalisation tools that enable buyers to design bespoke products online. Ribble's Bike Builder enables cyclists to specify their own components, either to buy or to save to a wishlist, while Yale Door has used technology from Blueprint CPQ to enable shoppers to specify their own composite doors. ▶

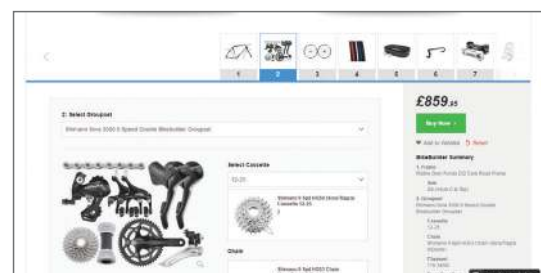


Image credit: Ribble Cycles

The Ribble Bike Builder enables shoppers to specify the use of specific components

## 6 Use social to discover upcoming trends

Smart retailers are increasingly turning to social media as they look to see what fashion trends are emerging – and what to buy and showcase in the months ahead. John Lewis said in its 2015 retail report *How we Shop, Live and Look* that style choices in womenswear had passed a tipping point. Rather than looking to celebrities, models, actors and the catwalk for inspiration, shoppers were now looking at Instagram, Facebook and Pinterest.

Customers were in effect acting “as their own stylists, making confident choices about the looks that worked best for them”. Womenswear sales grew by 86% over mobile devices as a result. That’s something, said the report, that was “evidence of a more impulsive ‘want it now’ approach fuelled by the instantaneous nature of social media”.

The beauty of social media as a research tool is that it’s freely available to businesses of all sizes. Speaking at the InternetRetailing Europe Summit in Berlin, Matt Bird, founder of UK menswear retailer We Are Gntlmen, said his start-up business looked to channels such as Instagram to for emerging trends and colours: “When you see Kanye West in a camo jacket you can see it’s going to take off. I see what colours are most popular day to day and then make shirts that people like in that colour.”

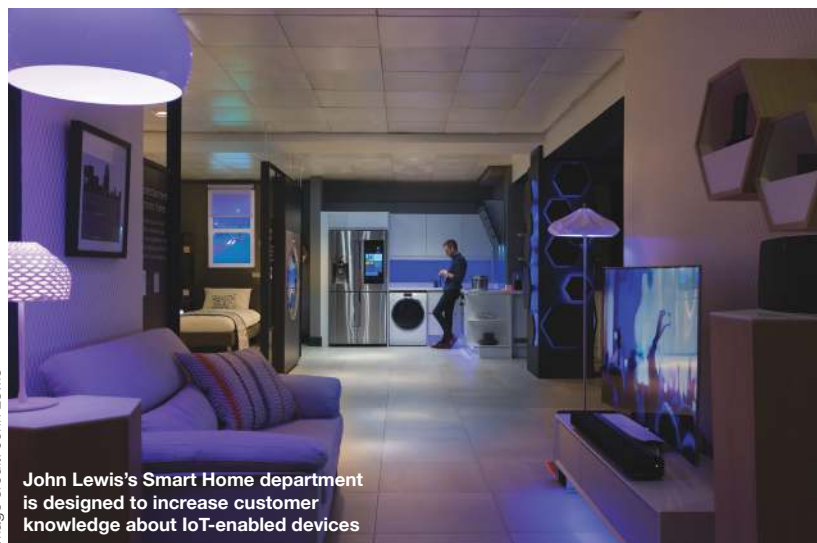


Image credit: John Lewis

John Lewis's Smart Home department is designed to increase customer knowledge about IoT-enabled devices

## 7 Explain how the product works...

Telling shoppers what a product does, and how they can best use it, is a key part of the selling process. While shoppers may recognise that they need a pair of shoes, it’s not the same instinctive leap when it comes to products they’ve never bought before.

John Lewis recognised this in its first department dedicated to selling products for the smart home. It merchandised items – ranging from an oven that can be turned on from the office to a fridge that can handle online ordering – by setting them in a domestic context and having expert staff on hand to explain how things worked. Smart home items, that are Internet of Things (IoT) enabled were both selling and being searched for online, but, said John Lewis, by selling in store the retailer could give shoppers the chance to touch, feel and understand how they worked.

“We are seeking to demystify the latest smartest technology for our customers,” said Johnathan Marsh, buying director for electricals and home technology at John Lewis, at the time the department opened. Emphasising the importance of staff training, Marsh added: “In-store experiences are key as we’ve seen customer demand for physical experiences before committing to purchase increase.”

## 8 Enlist customers to share product insights

Shoppers like to hear what people like them thought about the products they are considering buying – feedback from previous buyers can be an invaluable research tool.

This might come in the form of social sharing, from Liking a product on Facebook to sharing images on Instagram or Twitter that show what an item of clothing looks like on a satisfied buyer. Retailers that enable sharing through these avenues open up possible sales. Sharing might also come through ratings and reviews. Amazon's reviews are famously in-depth while what TripAdvisor users say about holiday accommodation can be enormously influential. Traders that enable buyers to post on-site reviews offer shoppers a useful decision-making tool that may also stop them clicking away from the site. Retailers of all sizes flag up their ratings to show that they are trusted by customers. Former InternetRetailing Award winner Cult Pens emblazons its 9.9/10 Trustpilot rating on its website – encouraging browsers to take a leap and make that purchase.

## 9 ...and what an experience feels like

Not all retail products can be touched or felt. Experiences such as holidays, days out or theatre trips are, by their nature, intangible. That's not to say that potential buyers cannot gain good insights into what an experience might be like. The theatre review, for example, offers valuable insights – and travellers now widely rate and review their own experiences online. In the travel industry, Thomas Cook has more recently used virtual reality to find new ways of communicating an experience. Its use of 360-degree virtual reality films to give in-store visitors a taste of what a trip to the pool, a flight on a helicopter in Manhattan or an excursion to the pyramids might feel and look like has helped to boost conversion rates.

According to technology partner Visualise, the in-store virtual reality experience generated hotel and air bookings worth £12,000 in the first three months it was tested, and a 40% return on investment. Some 180% more people booked New York helicopter rides following the launch of the VR experience. ▶



Staff at Thomas Cook staff try out Oculus Rift VR technology

Image credit: Thomas Cook

## 10 Take online information into the store

Rich digital information helps to answer the questions of in-store shoppers. Retailers are making digital information available in the store both through mobile apps and through in-store screens. Boots, for example, has rolled out a Sales Assist app in its store network. Staff can use this app, developed in partnership between IBM MobileFirst and Apple, to show customers more information about the products they are considering buying – from ratings and reviews and relevant recommendations based on analytics, through to information about where the product is available.

If an item is not available in store, staff can then point customers to a store where it is in stock, or order it online for collection from a store of the individual customer's choice. At the time of the app's launch, Robin Phillips, director of omnichannel at development at Boots UK, said, "It will help even our smallest stores feel like a flagship shop, with access to the entire Boots range at their fingertips."



Boots' Sales Assist app lets staff in the store access digital information to help serve customers better

Image credit: Boots

## 11 Narrow down the choice on offer

Shoppers are faced with an often-daunting choice when they visit a website that stocks hundreds, thousands or even millions of items. Too many options can overwhelm, leading the customer to click away from the site. Amazon uses personal recommendations to narrow down the choice from the millions of products available to buy on its site, while Littlewoods offers complementary items at the checkout.

Berlin-based eyewear business Mister Spex uses navigation to narrow down the choice of frames available, both in the store and online. By giving information about gender and head size, and further refining through preferred brands and colour, visitors immediately cut the range available down to a manageable few items from the hundreds offered on the site.

Speaking to InternetRetailing ahead of the InternetRetailing Europe Summit held in Berlin in June, Jens Reich, CMO of Mister Spex said: "Early results in our store show that customers really use this logic online and offline to find the right pair of glasses. They prefer this to being overwhelmed by a huge and unsorted number of frames and styles."

## 12 Make sure search works

Consumers regularly start their online shopping quests on a search engine: ensuring that searches end on a relevant page on the website is vital. A search for 'skinny black jeans' must take the visitor to a page that features that item, says Topman global digital director Gareth Rees-John. Speaking to InternetRetailing at the InternetRetailing Europe Summit, he said more than 50% of searchers who visited the Topman site did not come to the home page.

"If you come in on really tight search terms, the relevance of the content is important," he noted. "Expectations of search are high. Colour in a search term used to break our search, which was disastrous. We downplayed search till it was good enough. If you're going to push people towards search you need to make sure it's really good."

Now it is much more prominent on the website – important because visitors who use search are more likely to buy than those who go through navigational filters. 🌈



# Media-savvy retail

Retailers that carry online advertising both open up a valuable revenue stream and serve customers better, argues Henry Eccles of Google.

**Jonathan Wright** reports

Google's Henry Eccles says retailers can potentially offer lower prices if they carry advertising on ecommerce sites



Image credit: Google

WHEN RETAILERS SET out to go online, building an ecommerce operation is self-evidently the main priority. Yet this isn't all that's being built. In the words of Henry Eccles, Google's head of ecommerce-publisher partnerships, an ecommerce presence is also "an online media asset". Think of the way, for instance, M&S.com, after initial teething problems, successfully combines content with commerce to engage customers.

At which point, many who work in the retail sector will roll their eyes and point out that the idea of retailers being more like media companies is nothing new, we've been here before. Except have we? Intriguingly, Eccles' focus isn't primarily on content, but advertising.

"Those browsing on websites of the *Guardian*, *Telegraph* or *Mail* are in a very different place to those on retail sites, who are in an intent-driven state at the point of purchase – and reaching shopping 'intenders' is the holy grail for most advertisers," he says. "Do you actually want to target your advertising at someone who is at the point of purchase, where you can actually have an immediate influence on their purchase decision, what they might buy?"

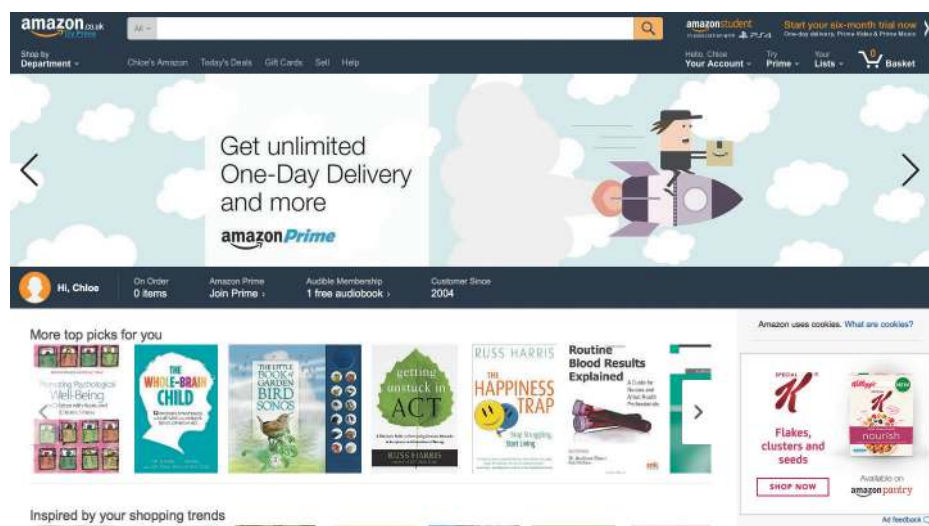
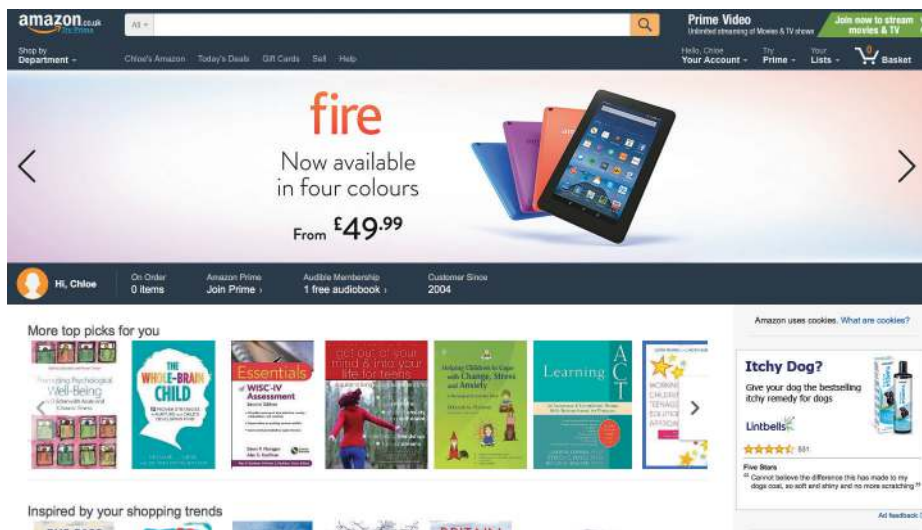
The answer to this, from an advertiser's perspective, is almost certainly yes. However, for many retailers, and for deep-seated cultural reasons, Eccles' words may seem counter-intuitive. Just as offline retail is about trying to tempt people into the store, online retail is about trying to tempt people to an online destination. Why employ techniques that tempt potential customers to leave a site?

## Do the maths

The numbers are one major reason. It's been estimated online retailers generate 7.5bn page views a month, as against 3bn page views for news websites. While, according to a 2015 report by OC&C Strategy Consultants, *Creating Value From Every Visit*, news sites generated £400m in a year from search, display and trade advertising, retailers generated just £150m from the same sources. "British online retailers are missing out on an estimated £1bn worth of advertising revenues by choosing to not sell advertising space on their own websites," claimed OC&C.

What should we make of this figure? To return to the idea of customers leaving a site, there's no point of generating advertising revenue ▶





When customers log on to Amazon and – see the bottom right-hand corner of each of these screenshots – they see advertising. It seems likely more companies will (and certainly should) follow Amazon’s example in order to remain competitive

if a retailer is losing sales. Retailers’ fear of “cannibalisation” [see boxout], Eccles thinks, is overstated. “What we see, through a number of different methodologies, is that just doesn’t happen,” he says. “We’ve seen people that click on ads on retailer’s sites are actually more likely to then convert on that [original] site than they are on any other site, and the rationale for that is those that actually do click on ads are further down the purchase funnel.”

Besides, it’s worth remembering that it’s the retailers selling the advertising. It’s relatively straightforward to put blocks in place, so that, for example, a supermarket doesn’t carry advertising for a direct competitor. (Eccles: “You’re not likely to see ads for eBay on Amazon or for Amazon on eBay!”) In addition, retailers can carry out AB

testing to measure the effect of advertising on the core business.

Finally here, it’s not as if big retailers don’t enter into these kinds of advertising agreements in the offline world. Think of supermarkets. “There are often very strong and lucrative trade marketing agreements in place between retailers and their supplier bases,” says Eccles. “These trading deals exploit the knowledge that without the paid merchandising support of the retail channel, it’s very difficult to drive any meaningful sales volume of a given product.

“There’s a good reason why all of the branded products are at eye level when you go into a Tesco store. There’s a good reason why all of the peripheral or tier two brands are at the bottom of the shelves or the top of the shelves. There are a

lot of merchandising agreements in place. A lot of point-of-sale advertising goes on in the offline world, that has just not translated at any scale yet to the online world.”

One way to translate this kind of agreement to the online world might be to use advertising to drive people to a page on the site devoted to a particular brand. “That’s not hurting (1) the user experience or (2) commercial behaviour, it’s actually aiding and abetting the conversion behaviour,” says Eccles.

There are other analogues. Think of the panels on shopping trolleys. Now think of the white space that’s so often evident when you’re checking out online at a supermarket site. For companies such as those selling toothpaste or shower gel, which often have difficulty getting messages across online, this kind of advertising real estate seems an obvious place to try advertising because, as Eccles has already pointed out, customers are already at a point where they’re spending money.

“A huge quantity of offline advertising [the trade-marketing budgets] has just not migrated online and represents a huge, huge opportunity for retailers, especially in FMCG where traditionally it has been hard to justify digital spend,” says Eccles.

### The Amazon factor

In the context of groceries, it’s worth noting that one retailer already carrying advertising has lately entered this sector of the market: Amazon. Eccles couldn’t be clearer about the competition the US behemoth poses. “The margin on advertising spend, it’s high yielding,” he says. “If you’re a retailer, it’s supplementary, it’s an ancillary revenue stream. My view is that retailers need to wake up to the idea that they have very large, unleveraged media assets. They look around and see Amazon beating them to the punch in core retail, it’s now beating them to the punch in doing media as well.”

Again, there are wider analogues between the online and offline worlds. Think of something as simple as having a café in a big store. It’s both a way to draw customers in and, in itself, to drive extra revenue. Now think of what Amazon does in the online world. It can’t sell you a cup of hot coffee delivered by drone (yet), but it can sell you instant access to a movie. It’s a retailer, yes, but it supports its retail operations through other revenue streams.

## Cannibalisation and customer engagement


One reason that fears about cannibalisation as a result of advertising may be overstated is that it rather underestimates shoppers’ intelligence. The plain fact is that everyone’s customers use Google to shop around, including visiting the sites of direct competitors. Do the analysis of downstream traffic from retailers, says Google’s Henry Eccles, and you find, “[There’s a] huge amount of cross-share of audience. When you are looking for that tablet or that TV or that pair of shoes, you visit a range of sites.” This means shoppers will typically already have done research into price, colour, availability and delivery options when they come to make a purchase.

A more positive way to view advertising is that it might actually add to the customer experience in that, if it’s carefully chosen, customers will see the advertising as useful and helpful.

Here, it’s worth noting that retailers potentially have one big advantage over media companies. Customer purchase histories generate rich information. “There’s a whole slew of stuff you can get at if you understand someone’s purchasing intention, purchase history, the types of brands they’ve bought or maybe not bought,” says Eccles. “That information, especially in the digital world, is incredibly valuable to advertisers, both in terms of endemic advertising and non-endemic advertising.”

[www.google.co.uk/about/company/](http://www.google.co.uk/about/company/)

“Amazon sell a lot of stuff but their depth in any category is limited and the reason they can get you the best price, the best terms, is because they’ve got all of these other ancillary businesses,” says Eccles. “They’ve got media, Marketplace, content and Amazon Prime. Right now, being an online retailer shouldn’t be seen as being as simple as selling products.”

Already, big retailers in the US, including Walmart, Macy’s and Sears, are starting to copy elements of Amazon’s approach. If Eccles is right – and the fact that Amazon is already generating more than \$1bn a year from media revenues suggests he is – UK retailers need to follow this example sooner rather than later. 

# The art of the discount

How should apparel retailers best go about managing stock levels?

**Jonathan Wright** takes a closer look at our work with Knowledge Partner Edited in this area

FOR RETAILERS IN the apparel sector, the idea of shifting stock at full price is especially important. Retailers that sell the right styles in the right colours and at the right price point not only maintain margins, but the turnover of stock and a sense of new items arriving is important in generating excitement, retail pizzazz.

Nevertheless, there will inevitably be times when clothes don't, for whatever reason, sell as quickly as hoped. At this point, it becomes important to shift stock efficiently and, ideally, without taking too much of a hit on price. This requires slick merchandising, the ability to price realistically and promote discounted items without making these items appear tatty, undesirable.

For these reasons, since we began compiling the IRUK 500, we have worked with Knowledge Partner Edited to analyse how well clothing retailers manage stock. The research revolves around measuring seven metrics: size of offering, rate of newness, level of discounting, rate of discounting, sell-through rate, sell-through time and replenishment.

While noting there are exceptions – H&M, for example, puts an onus on being the fastest in fast fashion – Katie Smith, senior fashion & retail market analyst at Edited notes: “Those metrics, when balanced, suggest healthy retailing for a retailer working to a pretty standard mass-market model.”

## Bouncing back

Perhaps surprisingly given the widespread perception the retailer is struggling in apparel, Marks & Spencer performs best here. The company is able to replenish 22% of its offering. It doesn't offer big discounts, but instead offers a healthy amount of lower-level discounts to entice consumers to spend. It could, however, do better on rates of newness, with items taking an average of 112 days to sell out. Ideally, this

sell-through rate should probably be closer to 80 or 90 days.

“Marks & Spencer's apparel has certainly been out at sea for the last four or five years, while the food category has run streaks ahead,” says Smith, “but it looks like battle scars may have had a chance to heal. They've curbed the big discounts, those dramatic reductions which are a tell-tale sign to a consumer that the retailer is struggling. That's critical to help build the loyalty M&S lost with its apparel shoppers. To score trust, savvy shoppers in today's market need to believe that the first price is the right price.”

Next is the second-strongest performer, up from 22nd last year. The improvement is again partly down to getting discounting under control. The company offers a wider range than Marks & Spencer and items take a mere 59 days to sell through. However, replenishment rates at Next are lower than at M&S, and the retailer's emphasis on fast sell-through and new products could mean it's not paying enough attention to meeting consumer demand for popular items.

Other retailers that performed well in this facet of the Merchandising Performance Dimension included New Look, which discounts just 3% of its stock by more than 60%; TK Maxx for having such a fast turnover that 47% of its stock was new in the previous month and its offering takes an average of just 19 days to sell out; and Zara, which again has a low rate of discounting and manages to sell most items at full price and within 65 days.

## The perils of discounting

As Katie Smith has already hinted, our research here reveals much about how effectively retailers are implementing mass-market strategies, but what about those that didn't rate so highly? What can we learn? Sports Direct, for example, competes on price and discounts aggressively, with 12% of its offering reduced by 60% or more, facilitated by the company's ownership of brands Lonsdale, Slazenger and Kangol.

This approach, at a time when there's a move towards 'athleisure' (wearing clothing designed for workouts and other athletic activities in other settings, such as at work or on social occasions), may cause problems in the longer term.

“Unless Sports Direct can bolster its relationships with brands like Nike, Under Armour and adidas, the retailer doesn’t hold enough of those high-kudos brands which are in athleisure boom, meaning the retailer won’t grow at athleisure’s pace,” says Smith. “Relationships with those brands aren’t going to strengthen if the retailer sustains its discounting tactics.”

### The luxury market

At the other end of the scale, what about retailers in the luxury market, where discounting is perceived as damaging both the retailer’s brand image and its relationship with suppliers? Even allowing for the fact that many big-ticket items sell out quickly because stock levels are low, there will be times when items stubbornly refuse to shift.

“For many, outlet stores or flash sales are a better solution to clearing stock,” says Smith. “Just 20% of the UK luxury market is reduced, by a relatively modest average amount, 27% [figure from 12 April 2016]. Compare that to the mass market, which prioritises newness and price competitiveness – 32.5% of the mass market is currently discounted, by an average of 36%.

Finally, remember discounting is at least in part about perception. “The luxury market also differs greatly in the way retailers discuss those discounts,” adds Smith. “Just 9% of products currently discounted are actually flagged up as reduced by the retailer. The other 11% are simply downward price adjustments that our software detects, but the consumer wouldn’t necessarily have red sales banners flashing at them! The mass market goes the other way: it declares 34% of products to be reduced, whereas we’ve only seen 32.5% have a price altered.”

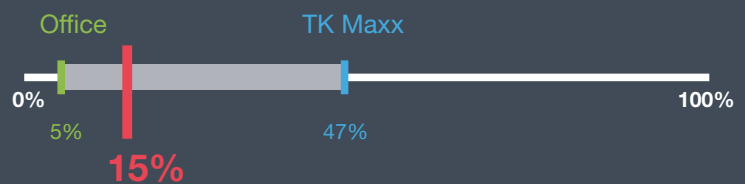
This softly softly approach, we would emphasise, would be unlikely to work in other sectors where value is more important than customers perceiving items as exclusive. We will be continuing and deepening our research in this area. 🇬🇧

## Stock analysis

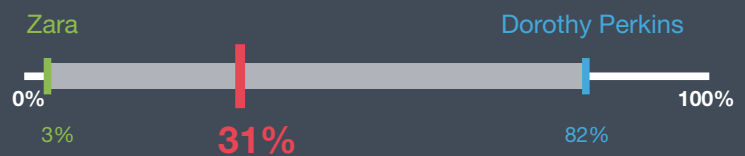
How 21 IRUK Top500 apparel retailers manage their stock. This research was conducted in collaboration with Edited

Of the retailers’ total products available for sale online, what proportion were new products

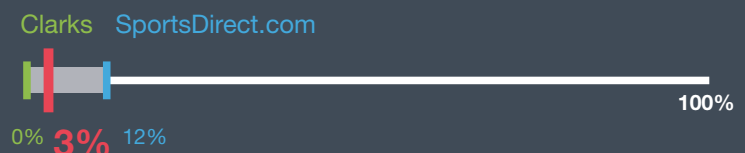
Office’s results demonstrate a high level of continuity product



Of the retailers’ total product offering online, what proportion were on sale at 20% or greater discount



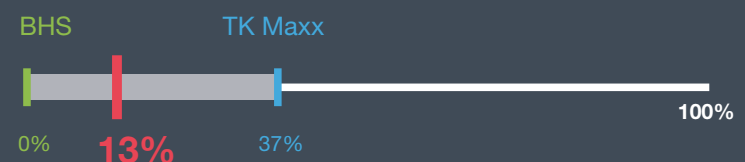
Of the retailers’ total product offering online, what proportion were on sales at 60% or greater discount



Average sell-through rate



Average replenishment rate



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# Conclusion

OVER THE COURSE of this IRUK Top500 Dimension report on Merchandising, we've noted the emergence of a data-driven approach that's changing the way retailers show their wares. It can be seen in the personalisation that recommends specific items to one person but not to another, and it can be seen in the AB testing that ensures one website banner is favoured over another.

Rajesh Kumar of adidas Group, quoted in our strategic overview feature (page 8), believes that today merchandising is both an art and a science. The art is found in the details – the importance of getting imagery and product information right, and of showing products in a way that inspires customers. The science is found in the data, where merchandisers are now finding new clues to customer behaviour and preferences.

It's tempting to let the science sweep all before it, changing the way traders show their products to customers on the basis of how shoppers browse the website and, in future, move around the store. But even the most data-driven businesses still see the need to retain the basics that define the art of merchandising. That gut instinct as to how items should be displayed and described to potential purchasers is an important part of how we relate to the customer.

Perhaps, though, when data is used to bring the personal back into businesses that operate at scale, it is being used in a very human way that recognises the importance of the individual to large-scale retailing. What's important, according to Jonathan Wall and Sam Perkins of Shop Direct, interviewed for this Dimension Report (page 22), is the customer. Recognising his or her needs will be a primary focus for merchandisers whose craft is continuing to evolve at pace. How they achieve it will doubtless change, but we predict that those basics that form the art of merchandising will stay constant for the foreseeable future. 



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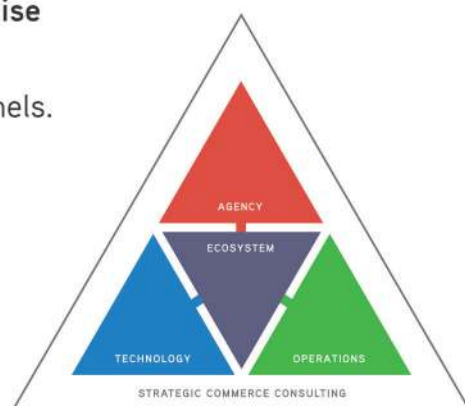
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