



# DIMENSION REPORT

Strategy & Innovation: September 2016



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



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Grace, Payment Gateway Analyst

# From the editor-in-chief

WELCOME TO THE latest in our series of IRUK Top500 Dimension Reports, where we think our focus on Strategy & Innovation is particularly timely in the wake of the UK's decision to leave the European Union. It's a momentous decision that has thrown into doubt ideas once held as near-certainties. Cross-border trade within the European Union has long been a straightforward way for British retailers, last year recognised by OC&C Strategy Consultants as the world's strongest online exporters, to grow audiences and sell into new countries. With the introduction of the digital single market, EU trade seemed set to get ever easier.

Is that all about to change in the light of Brexit? As yet, the answer to that isn't clear. Retailers will no doubt be revisiting strategies as they consider how factors, including ongoing uncertainties and the continuing weakness of sterling, might affect multichannel and ecommerce growth strategies in years to come.

If it goes ahead, Brexit will no doubt come to be seen as one of the great disruptive events of the early 21st century for Britain. This is probably the moment at which multichannel retailers face the most significant strategic decisions they've had to make in more than a decade. But it's from such moments of disruption and uncertainty that innovation can be born. For it's from considering the needs of the customer as these new circumstances develop that ideas and practices of the future can emerge.

In this Dimension Report, we're considering the new leadership questions that face us in this brave new world, as well as mapping best practice in this Dimension across the UK. It's a fascinating moment at which to consider this subject.

In the years to come, we'll be considering how top retailers have responded to this changed picture, and how they have plotted expansion in a world in which Britain's place has changed. We'll be finding ways to make objective assessments in the light of the hard data, while putting these assessments in the context of the wider retail experience. As always, we're interested to hear what our readers think – do share your thoughts.

Ian Jindal  
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## THE IRUK TOP500 DIMENSION REPORTS SERIES

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

Reports each year that focus on:

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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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AS COMPETITION INCREASES in an ever-more crowded multichannel retail market, innovations that help to improve the customer experience, in areas from delivery and collection, to better search and a new approach to social media, help the retailer to stand out from the competition.

But innovation on its own is not enough. New features and functionalities must work for existing and new potential customers if they are to be taken up at scale, helping to build first sales and, in turn, profits. The key to this lies in well-planned strategies that start with customers – from how customers want to shop to what they want to buy, whether they are in the UK or in other international markets. These strategies will vary, depending on whether the target customers like to buy via smartphones, whether they want to go to the store or whether they prefer fast delivery or convenient collection.

In this report we identify the Top500 UK retailers that are proving most effective in the Strategy & Innovation Performance Dimension. We interview Emma Mead, ecommerce director at Holland & Barrett (page 22) to find out how the health and wellbeing retailer is defining and targeting its audience in order to grow ecommerce sales as the retailer targets £1bn turnover by 2020. We look in case study detail at successful companies in this Dimension, from Amazon and House of Fraser to John Lewis and Debenhams, analysing what their examples say about best practice in this area (page 18). In addition, we have 12 hands-on examples of effective approaches (page 24) that leading retailers and others in related industries are taking.

Our research team explains in analysing the numbers (page 12) and new research (page 31) how they've approached the task of measuring, quantifying and grading retailers on their performance in Strategy & Innovation. Their results are set out in a full listing of the Top100 retailers in this Dimension. We set the wider context through our strategic overview (page 8) and consider how new point-of-sale (PoS) technology will impact on multichannel retailers in our emerging practice feature (page 29).

We've found this a stimulating and interesting area to research, and we're confident that readers will want to act on some of the insights uncovered here.

*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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# Using data to drive innovation



RETAILERS ARE CONTINUALLY trying to keep up with a changing market, emerging technologies, and evolving customer behaviours. Not only do they need to adapt to this fast-paced environment, they also need to consider ways to continue growing, setting themselves apart from the competition. Innovation does just that – it drives growth and ensures the survival of a brand.

Innovation isn't necessarily about coming up with a groundbreaking idea that will disrupt the whole industry. Most of the time, it is about enabling new services or just making some improvements that will enhance the overall customer experience.

The route towards innovation should be supported by a well-thought strategy. Here, *Philippe Uyttendaele, Digital Agency Services Operations Manager at LiveArea, the PFSweb Agency*, discusses how data drives strategy and innovation, allowing for progress and improvement:

**1. Understanding the customer:** digital analytics collaborate with overall services to create a single view of customers, collecting data at all touchpoints of their journeys. With a reliable overview of customers' needs and preferences, retailers can make more informed marketing decisions and optimise their strategies, presumably leading to an increase in loyalty and greater spending from their customers. Understanding customers can be the difference between success and failure. Data should be at the centre of every decision, as it creates new opportunities and can also circumvent costly mistakes by helping businesses identify events before they occur.

**2. Experimenting to learn:** to ensure long-term success, retailers should pursue and develop new ways of advancing their business by experimenting. Philippe Uyttendaele underlines the success of the test and learn approach, which is at the core of PFSweb's strategy to grow its clients' online businesses. Retailers are encouraged to continuously challenge their established practices. PFSweb methodically evaluates and validates every clients' strategy, making data-driven changes as needed to create an optimal shopping experience that elevates an ecommerce business to the next level. Businesses that adopt an ongoing cycle of testing, learning and improving, typically see their user experiences get progressively enhanced. With the insights gained from experimenting, retailers have access to a deeper understanding of

their customers' behaviour. This in turn drives higher engagement, loyalty, and revenue.

**3. Setting clear objectives:** contextualisation is key. The first question retailers should ask themselves before undertaking their journey into innovation is: what do we want to achieve? Retailers need to think through what they want to happen and if their strategy includes the acquisition of new customers, optimising conversion rates, or improving customer retention. All decisions and actions are then placed into the context of a specific strategy, and measured to evaluate whether or not they meet the business's objectives.

**4. Encouraging creative thinking.** A company's ability to innovate is closely linked with the company culture – creative thinking should be encouraged as much as possible among the teams so individuals learn to question set practices, and give alternative, insightful recommendations. Creativity flourishes when teams are allowed to take measured risks that will accelerate the drive for change and the pursuit of new, innovative ideas.

The need to innovate is clear in ecommerce and multichannel retailing. A successful route towards innovation is one that is data-driven: retailers first need to get the basics right by using data to improve their understanding of their customers. An ongoing test and learn approach will then help them take informed strategic decisions to set themselves apart from their competitors. Innovation will need a context to work, so defining clear goals and encouraging teams to embrace their creativity will play an important role in the process.

## 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)

# Omnichannel – when buzzwords grow up

by Nicole Olbe, Payment Gateway Sales Director at Barclaycard



SHOPPERS TODAY EXPECT more. Always on and ready to shop, the average consumer doesn't wait. Brands need to support as many channels as possible to meet the needs of consumers, while staying consistent across them.

## OMNICHANNEL IS OLD NEWS BUT GOOD NEWS

In a study of 1,000 UK consumers, GI Insight's report *The Omnichannel Imperative* found that 71% of consumer journeys begin online and yet just 42% typically buy via the web, while 18% start with a visit to a shop but 31% end up purchasing in store (1). In short, you don't just get online shoppers or high street shoppers; everyone's a bit of both.

It's not a novelty to look at sofa measurements on your phone while in-store or search online for a dress before you head to the high street. We all do it and we barely notice, it's the norm. We do notice when something goes wrong though, and those two channels don't line up, like when your coupon is in-store only, or that dress you scoped out online can't be found. Giving consumers choice, control and a consistent experience quite literally pays.

“ Giving consumers choice, control and a consistent experience quite literally pays ”

## MULTI ISN'T OMNI

Your customers want to be able to shop online so you set up an ecommerce platform. You optimise your website for mobile, create an app and add social media to the mix. You already have a store and a helpline, so you're now omnichannel, right? Unfortunately not.

Too often retailers think working across multiple channels is enough, but it's making them work together that will deliver the experience their customers want.

## BARCLAYCARD IN BRIEF

**Company founded:** 1966. It also introduced the UK's first credit card in that year. It celebrated its 50th birthday in June 2016.

**Global reach:** Barclaycard is a broad international payments business with businesses in the UK, US and Germany.

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## IT'S FUN BUT IS IT SAFE?

Where omnichannel goes, customer data follows. That data is hugely valuable and as such, it's at risk. Consumers understand that risk: in fact 10% of UK consumers are too afraid to shop or bank online due to fears over security (2).

Retailers need to be careful not to put their customers at risk as they look to deliver an omnichannel strategy. No experience is good if your personal data is put at risk. Trust is fundamental to any retailer/consumer relationship and securing your omnichannel strategy is a must.

## KEEP IT SEAMLESS

Omnichannel has been around for a while – it's probably gone past the buzzword stage by now. It's about bringing everything together: payments, stock, brand and more: consistency is the name of the game.

This means common systems across all channels. Whether it's your CRM or your payment gateway, having a common platform will allow each channel to work in tandem, seamlessly. It may be tempting to retrofit what you have, but that way failure lies. Stitching together systems on the back-end will leave you with a Frankenstein's monster of an omnichannel experience that is twice as scary for your customers.

(1) *The Omni-Channel Imperative*, GI Insight <http://gi-insight.com/whitepapers/the-omni-channel-imperative-2/> October 2015

(2) *Cyber threat acknowledged by public*, Comms Business 11-03-2016 <http://commsbusiness.co.uk/news/cybercrime-threat-acknowledged-by-public/>

# Trading in a changed Europe

**Chloe Rigby** considers what Brexit means – so far – for the UK’s retailers, and considers how multichannel strategies might be recalibrated in response

BREXIT CAME AS a surprise for many – and the decision provides a new starting point for retailers planning their international expansion strategies. How are multichannel and ecommerce traders responding, and how might they respond in the future?

## Reasons to be cheerful

Back in June, the UK’s decision to leave the European Union seemed momentous. One immediate effect was a slide in the value of sterling from which it has yet fully to recover. In the short term, that provided a sales boost for UK online and multichannel retailers already selling into European markets.

Musical instrument and equipment pureplay Gear4Music, for example, reported a spike in sales immediately after the vote. Sales to Europe were 191% up in the week between 27 June and 3 July, compared to the same week a year earlier. For context, in the week to Sunday 19 June, sales to Europe were up by 120%.

Meanwhile, Burberry said it stood to benefit from the change in currency. When it updated the markets on its figures for the quarter to 30 June, the luxury retailer said that if exchange rates remained at current levels in its current financial year, it would expect profits to be up by about £90m on the same time last year.

Katrina Rattu, associate analyst at Verdict Retail, says other luxury retailers can expect to benefit from the weakness of sterling. “Retailers such as Selfridges and Harrods are currently benefiting from the fall in sterling because of the influx in tourists,” she says. “They would look to take advantage of the lower pound, even if it’s in the short term. I suspect they’d look at their online platform as a strength and make sure they had effective social media posts to drive online traffic to their websites and then convert visitors to purchases.”

She advises that such retailers need to act quickly. “If a retailer is benefiting from the fall in the pound, it would make sense to make the most out of it that you can. That’s about making sure your online platform is good, that social media posts are effective and, that your products are of good quality, durable and multifunctional. If retailers are benefiting from the weaker pound, they should make sure they are doing that as much as possible right now because they don’t know if it will be long term or not.”





### Causes for concern

Some retailers have warned longer term of higher prices should the pound's weakness persist. Next, for example, said that despite hedging that would keep its prices down until January 2017, its cost prices could rise by up to 5% next year.

In the short term, however, retail sales remain buoyant. In July, according to official Office for National Statistics estimates, shoppers spent 3.6% more than they did a year earlier, and 1.6% more than a month earlier. Online sales were up by 16.7% on the previous year and by 1.2% on the previous month.

As yet, it is largely through the value of the pound, rising retail sales and the more intangible

“Retailers such as Selfridges and Harrods are currently benefiting from the fall in sterling because of the influx of tourists”

– though optimistic – measures of confidence that commentators have so far measured the Brexit effect on consumers' propensity to shop.

But multichannel businesses planning strategies for the longer term will no doubt be cautious about assuming that this increased spending will continue. It's that uncertainty about exactly what Brexit means that is still concerning for many. “I think the instability has given pause for thought, and caused a lot of retailers to review their retail operations,” says Rattu.

Discounters and homewares retailers, faced with evidence of a slowing housing market, will be less likely to be able to absorb the costs of Brexit, she says, and also less able to pass on costs to their customers: “They will start to see where they can save within the supply chain, because that's the easiest option. A lot of retailers will start to look at where they can get the better deal. Since we don't know what the outcome will be of the negotiations, there may actually not be a need to look to manufacture within the UK. We don't know what the strategies could be. But I would suspect they would start looking at how they could save money after negotiations.”

### Evolving strategies

It's probably too early for retailers to say with any certainty how they will respond to Brexit. That's particularly true since there is little clarity on what arrangements will emerge from yet-to-be held trade negotiations.

But there are some clues in what traders are already doing, and the approaches they are taking. Richard Hewitt, head of digital stores at M&S, speaking to InternetRetailing in an interview ahead of October's InternetRetailing ►



“You’re having to think in terms of a very different world from the one we would have predicted”

Conference 2016, said that strategies around the use of data, for example, are best developed little by little. “The real critical piece is the ability to have a vision of where you want to be, and an understanding that you’ll take small incremental steps to get there rather than a two-to-three year road map,” he said. “That gives you the ability to pivot as you go.

“We see the trading landscape can change very quickly, especially with something like Brexit, where you’re immediately having to think in terms of a very different world from the one we would have predicted two or three years ago. If you’ve committed yourself to a very large, long-term road map that doesn’t have that flexibility in it, you can find it very difficult to operate with the agility of a smaller organisation.”

Indeed, some retailers are already working on strategies that could be useful in this time of ongoing uncertainty about the UK’s relationship with Europe.

Waitrose has announced a stepping up in foreign sales, both through the British Corner Shop website – and through Royal Mail’s shop on the Alibaba Group’s Tmall marketplace. Sainsbury’s has also expanded the range of products it sells through the latter website and in August, it took a leading role in the 8/8 Tmall festival. While China is a difficult market in which to sell through stores, these online initiatives may gain these brands better awareness in the market, as well as some significant sales. There are other innovative responses to selling overseas. Well ahead of the vote, fast fashion retailer Asos had



Image credit: Burberry

**Burberry expects a £90m sales upturn due to sterling’s slump in the wake of the Brexit announcement**

already put in place its own approach to currency fluctuations. Zonal pricing enables it to fine-tune how much it charges in different parts of the world in order to better fit its prices to local market conditions. None of these strategies was developed in response to Brexit, but each one is an example of approaches that retailers might usefully take in the future.

#### Looking forward

Perhaps buoyed by early sales peaks following the vote to leave the EU, some retailers took an early optimistic view of how Brexit may work out for them. Early responses to the vote suggested there were opportunities in the disruption. Seb James, chief executive of Dixons Carphone, which operates Currys, PC World and Carphone Warehouse, was fast to tell the market after the



vote that his business could see considerable upsides to the result. “Our view,” he said in early July 2016, “is that as the strongest player in our market and despite the volatility that is the inevitable consequence of such change, we expect to find opportunities for additional growth and further consolidate our position as the leader in the UK market.”

Speaking from the InternetRetailing Summit in Berlin, Gareth Rees-Jones, global digital director of Topman, told InternetRetailing: “It’s a disruptive time but I’m hopeful that great opportunities will come out of that.”

Patrick Wall, chief executive of delivery management software business MetaPack, went still further, suggesting that ecommerce could flourish in Britain and Europe, where exports from the UK are already strong. “With an equivalent level of ecommerce imports and two-day delivery from one end of Europe to the other, consumers are enjoying variety, value for

money and convenience,” he said. “Future trade agreements need to protect these consumer rights across Europe.

“At first glance, it might be thought that cross-border ecommerce is at the mercy of forthcoming complex trade negotiations, but this need not be the case. Moving forward, we need to work collectively in order to protect consumers’ access to an open European ecommerce market.”

In this time of change, many retailers are already looking to find ways of how they can make the Brexit decision work for them, while at the same time protecting themselves from whatever negative effects may occur. One thing is for sure – times of uncertainty are also very interesting ones, and it will be fascinating to see how nimble traders will continue to take international strategies forwards, in order to maintain the leading advantage that the UK already enjoys in online export.

OC&C Strategy Consultants has more than once named the UK the world’s largest online exporter, with retailers that are expanding into international markets four times as fast as they are growing at home. As long as that innovative approach continues, there seems little reason why the UK would miss the £28bn that OC&C has previously said it expects the country’s online exports to hit by 2020. Brexit has been a shock to many but with so many borders already taken down in ecommerce, it’s in no one’s benefit for new walls to be put up any time soon. 🇬🇧

“Consumers are enjoying variety, value for money and convenience. Future trade agreements need to protect these rights across Europe”

# Weighing up strategic approaches

**Polina Modenova** explains how InternetRetailing researchers measured Strategy & Innovation in Top500 retailers – and what they found

RETAILERS PUTTING TRUE shopper convenience at the heart of businesses that sell across channels and at scale stand out in this year's Strategy & Innovation Performance Dimension. These are the merchants that act quickly and decisively to develop services that lead the market. They do that because these services are genuinely useful to their customers, and because they work. These retailers take time to make sure that the improvements they introduce give real benefits. That could mean ensuring that personalisation really is relevant, that products are easy to find and that pricing is responsive. Retailers that enable international shoppers to buy as easily as domestic customers also stand out.

“Leading traders are now responding to demand from overseas shoppers. More than half now offer international delivery”

Polina Modenova, InternetRetailing

## Our approach

Our research brings together the metrics that we judge to be the most strategic and innovative from the other five Performance Dimensions that make up our IRUK Top500 research.

These include response times to customer queries, mobile load times, apps that are bug free, the ability to offer nominated-time delivery, search visibility and how retailers respond when no products match a shopper's search. We've assessed which retailers offer international delivery, the number of payment options they

use and whether retailers make it clear that payment is secure. We've also used Wiser data on pricing strategies to see which retailers compete with Amazon on price and which compete using other strategies. Its pricing review compares the relative prices of products that are sold both by the largest 50 retailers and by Amazon, and ranks our Top50 on their ability to beat Amazon.

## What the Top500 do

Top500 retailers are taking relatively responsive approaches to fulfilment. More than two-thirds (68%) now offer next-day delivery, although as yet only 16% enable shoppers to say exactly when they'd like to take delivery through a nominated-time delivery service. Click-and-collect services can offer that extra flexibility, since shoppers can pick up their orders whenever it's convenient for them, and our study found that more than half (59%) of Top500 retailers now offer this service.

These leading traders are also responding to demand from overseas shoppers. More than half (58%) now offer international delivery. Many go beyond this to localise websites for different markets. The average Top500 retailer sells into 3.3 countries and offers the option of buying in one or two currencies. They trade in an average 2.5 languages. Retailers are also fairly flexible in the way they enable shoppers to buy, offering between five and six payment options. This might include different credit card options as well as alternative payments such as PayPal.

Customer service varies by channel. More than half of Top500 retailers (53%) responded to an email query in under 24 hours, while just over a third (35%) responded to a query on social media in under 12 hours. Leading retailers

## How many of the Top500 offer the following?

### Flexible fulfilment

Next-day delivery **68%**

Nominated time delivery **16%**

Click and collect from store **59%**

### Broad payment support

Average number of payment options **6**

Secure payment advertised **40%**

### Website performance

Website responsive within three seconds **2%**

Average time to interaction **3.4s**

Average time to visual completion **9.7s**

### Mobile

Mobile app **36%**

Bug-free app **17%**



IRUK 2016

The average Top500 retailer trades in **2-3 languages, 3-4 countries, 1-2 currencies**

The average Top100 retailer trades in **3 languages, 4-5 countries, 1-2 currencies**

were rewarded in the Top500 ranking for how quickly, and how effectively, they resolved common customer issues in testing conducted by InternetRetailing researchers.

In merchandising, one key measure that we considered innovative was the ability to show relevant content when a search produced no results. Some 36% used such a 'no results' page to promote other items, an approach that rewards rather than frustrates customers looking for an item and could make a sale more likely.

As a group, Top500 retailers had a relatively low propensity to be seen by those searching for relevant search terms. Research from Knowledge Partner OneHydra showed that the average Top500 retailer has a 33% average search visibility – or chance of being seen in a relevant organic search. The Top500 ranking rewards retailers who have improved the SEO for their relevant keywords, achieving a higher share of visibility than their peers.

When it comes to mobile, there's still room for improvement. We found that less than half (48%) had a bug-free mobile app, while a relatively low 12% had mobile homepages that were fully loaded in less than five seconds. This is an area where work to improve the service is likely to pay dividends. It's well established that the mobile channel is driving growth in retail, and now accounts for more than half of online sales for many retailers. And it's more than just raw speed – the Top500 analysis rewards retailers where websites become visible and usable before they are fully loaded.

### Leading the way

Across the Top500, retailers in competitive markets stand out for a forward-thinking approach to strategic planning. Multichannel retailers that have created strong digital and mobile links between stores and online do well in this Dimension. Thus, House of Fraser stands ►

out in this Dimension for a well-rounded strategic approach. It offers highly convenient delivery options that are planned around its customers' needs. It performs strongly on mobile and responds quickly to customer enquiries. As well as this, it innovates by experimenting with new technologies such as augmented reality.

Fellow department stores Debenhams and John Lewis also perform strongly in this Dimension. Apparently shoppers see value in the sophisticated multichannel approach used by these retailers. The Wiser study earlier this year found that where identical products are sold by Amazon, the leading department stores typically sell them for 5-10% more. Debenhams has taken a consistent approach to some of the strategic markers measured in this Dimension Report. It has fine-tuned its ecommerce delivery service, responding to the needs of its customers in recent years. Meanwhile, John Lewis has focused on innovation, using virtual reality in its stores and encouraging startups both through its JLAB innovation lab programme and, through its tie-up with incubator and investment fund TrueStart, enabling the creators of new technologies to test them out in a multichannel retail environment. It also performs well in this Dimension for reliable customer service, as well as for the delivery and collection choices that it offers.


Another notable multichannel retailer that stood out in this Dimension was Holland & Barrett, which was particularly impressive for a search reach that meant the health and wellbeing

**"Amazon may not have UK shops, but this online giant stands out for strategies that give its customers reasons to be loyal"**

Polina Modenova, InternetRetailing

retailer would be visible in 61% of searches of relevant search terms in December 2015. That was well above the average of 33%.

Amazon may not have UK shops, but this online giant stands out for strategies that give its customers reasons to be loyal. The retailer ensures that customers, especially those who have opted into its paid-for Prime membership scheme, find it as convenient as possible to buy from it. It offers fast delivery and collection services that bely its pureplay retailer status and ensure loyalty from shoppers. Innovations are constantly being trialled by Amazon. Most fail but some succeed. Amazon Prime, Amazon Marketplace and AWS (Amazon Web Services) all started in this way.

Fellow pureplay Asos also does well in this Dimension for its great command of search and for its delivery and mobile capabilities. It has an average search reach of 60% – well above the average for the Top500 of 33%. The fast-fashion retailer has an outstanding delivery offer, which includes next-day, nominated day and nominated time deliveries, as well as click and collect through third-party stores. It has native and transactional iOS and Android apps, which offer incentives in the form of daily deals, and engaging content such as product page videos. 

## IRUK 500 Strategy & Innovation Dimension

In partnership with our Dimension Sponsor



The Top100 retailers of the IRUK 500 2016 Strategy & Innovation Dimension, as measured across dozens of metrics for innovative practice and strategic expansion

Share your thoughts on #IRUK500 with @etail

## Strategy & Innovation Top50

Alternate	Deichmann	Media Markt
Amazon	E.Leclerc	Migros
Apple Store	eBay	Next
Argos	Esprit	Nike
Asda	Games Workshop	PC World
Asos	Google Play	RS Components
Auchan	H&M	Samsung
BestSecret	Holland & Barrett	SportsDirect.com
Billa	Homebase	Swarovski
BonPrix	House of Fraser	Tesco
C&A	IKEA	Topps Tiles
Camaieu	John Lewis	Unieuro
Currys	Kiabi	VanHaren
D-Mail	La Redoute	Vertbaudet
Darty	Mall.cz	Zalando
Debenhams	Mango	Zara
Decathlon	Massimo Dutti	

## Strategy & Innovation Top100

A.S. Adventure	Expert	The Perfume Shop	Superdrug
American Golf	Galleries Lafayette	Philips	Tape À L'Oeil
ATS Euromaster	Hema	Photobox	Thansen.dk
Bathstore	Hollister	Pimkie	United Colors of Benetton
The Body Shop	Kréfel	Plus.de	Very
Cache Cache	Lindex	Promod	Vistaprint
Carphone Warehouse	MajesticWine	Quiz	Waitrose
Carrefour	Mercadona	River Island	We Fashion
Cotswold Outdoor	Microspot.ch	Rossmann	Wiggle
Dustin	Obaïbi-Okaïdi	Sainsbury's	YOOX.com
Elkjop	OBI	Saturn	Yours Womenswear
Ernsting's Family	Office	Scapino	
Euronics	Peacocks	Spreadshirt	



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  
B&Q  
Clarks  
Currys  
Debenhams

eBay  
Halfords  
Homebase  
Marks & Spencer  
Matalan

New Look  
Next  
Office  
Sainsbury's  
Superdrug

Tesco  
Topshop  
Waitrose  
Wilko.com

## Top50

Apple Store  
Asda  
Blacks Outdoor  
Carphone Warehouse  
Dorothy Perkins  
Evans

F&F  
H.Samuel  
Hobbs  
Holland & Barrett  
Maplin Electronics  
Miss Selfridge

Monsoon  
PC World  
Pets at Home  
River Island  
Schuh  
SportsDirect.com

Superdry  
TK Maxx  
Topman  
Wallis  
WHSmith

## Top100

Bathstore  
Boden  
The Body Shop  
Boohoo.com  
Burton  
Claire's  
Cotswold Outdoor  
Disney Store  
Dune London  
Dunelm  
Evans Cycles  
Fat Face  
Footasylum

French Connection  
Game  
Go Outdoors  
H&M  
IKEA  
Interflora  
Jack Wills  
JD Sports  
Jigsaw  
Joules  
Lakeland  
Laura Ashley  
Littlewoods

L'Occitane  
M&Co  
Majestic  
Morrisons  
Moss Bros.  
Mr Porter  
Net-A-Porter  
NotOnTheHighStreet.com  
Ocado  
Peacocks  
The Perfume Shop  
Post Office Shop  
Selfridges

Space NK  
Thorntons  
Topps Tiles  
Toys ʼn Us  
Very  
Waterstones  
White Stuff  
Wickes  
The Works  
Yours Clothing  
Zara



## 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  
Euroffice  
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

# Amazon: one step ahead of the competition

AMAZON SET THE standard for ecommerce when it first burst onto the market in 1995. Today it remains a market leader, recognised for strategies that set the benchmark for other retailers to match. Speed and convenience remain – as reported in last year’s Strategy & Innovation Performance Dimension Report – its strategic aims, while it’s consistently innovative.

Since last year, it has introduced its one-hour delivery promise Prime Now further into the UK market, while AmazonFresh offers speedy grocery deliveries to London postcodes and other parts of the UK. As with other services, Amazon has continued to develop this latest service in the light of customer response. Commenting on the service as it expanded within London this year, Ajay Kavan, vice president of AmazonFresh, said: “The initial response we have received from customers in the capital has been very positive, with many calling out low prices, vast selection and fast delivery as their reasons to shop on AmazonFresh. We are honing and improving our offer based on customer feedback, and will continue to do so.”

In addition, Amazon’s Dash Button and replenishment service have now been launched in this country, promoting Internet of Things-boosted convenience. This and other nimble delivery services, built on the capable foundations provided by a network of hubs to house stock and the Amazon Logistics platform that outsources deliveries to third-party carriers, are available only to members of the Prime subscription scheme.

It’s in this membership scheme that Amazon’s strategy now seems rooted. Customers who pay to join the scheme benefit not only from faster and cheaper delivery, but from a range of other

benefits and discounts, from free TV and music downloads to use of the Kindle owners’ lending library. The second annual Prime Day saw sales up by 60% on the previous year. SimilarWeb analysis suggested that the first day, back in 2015, was the sixth-biggest online shopping day of the year, after events including Boxing Day and Black Friday, the pre-Christmas shopping day that Amazon helped to introduce from the United States. At the time, Greg Greeley, vice president, Amazon Prime, said: “Prime itself is the best deal in the history of shopping and Prime Day was created as a special benefit exclusively for our Prime members. We want to thank our tens of millions of members around the world for making this the biggest day in the history of Amazon.”

Prime works for Amazon not only because it rewards customers’ loyalty, but also because it discourages shoppers from going elsewhere. It’s not surprising, then, that Amazon has proved a tough competitor to beat. InternetRetailing senior researcher Martin Shaw says: “Amazon somehow manages to be at the forefront of every ecommerce trend. It endeavours to be convenient despite a lack of physical stores, and its efforts are recognised in a Dimension that rewards the physical convenience that multichannel retailers find easier to offer.”



Image credit: Amazon

The Amazon Fresh service is tweaked in line with customer feedback



# Debenhams: innovations in mobile and delivery



Image credit: Debenhams

**Debenhams has taken a strategic approach to ensure commerce works for shoppers**

STRATEGIC DECISIONS AROUND multichannel strategy in recent years have helped Debenhams win custom from shoppers who want to buy whenever and wherever they want. Ultimately, Debenhams wants to see online sales reach 30% of its UK gross transaction value (GTV). In its most recent results, for the half-year to February 2016, online accounted for 15.1% of total sales of £1.3bn, after growing by 10% to reach £246m. “Our ambition is to grow our multichannel business in order to meet the evolving needs of our customers,” it said in those results.

Debenhams stands out in IRUK Top500 research for an innovative approach to online delivery and a strong mobile performance. It was among the 68% of IRUK Top500 retailers that provided next-day delivery, and it enabled customers to nominate day and time of delivery for orders, something that was only available from 16% of Top500 retailers. Its transactional iOS app enables customers to visit local stores and use their loyalty cards. Customers can see reviews as well as a range of images of the product that they can zoom in on.

In delivery, it focuses on being convenient, competitive and profitable. Ahead of last Christmas, for example, it extended cut-off times for next-day and evening delivery, while at the same time making charges for those deliveries most competitive. Convenience came as the retailer extended its innovative ‘endless aisle’

to about 150 stores, enabling online orders to be picked from stock held in store for home delivery. Meanwhile, 31% of online sales were picked up from the store, using the click-and-collect service.

A mobile-first strategy has delivered strong sales growth from smartphone-wielding shoppers. Sales over mobile devices emerged as the retailer’s fastest-growing channel in the half-year to February 2016. Almost 50% of its online sales were made via mobile in the half-year to February 2016 – a period when smartphones alone delivered year-on-year revenue growth of almost 70%. Investment has gone into multichannel marketing, aimed at driving mobile visits and conversion.

Debenhams has also focused strongly on an international strategy that envisages multichannel growth in overseas markets, where it aims to grow sales to a third of group GTV. At the time of its half-year results, the company sold online in more than 60 countries and had recently launched a new international web platform, enabling local language and payments websites for France, Spain, Germany, Australia and Cyprus, with more markets planned. International sales rose by 3.2% to £292.2m on a constant currency basis, although international operating profit fell by 5.6% to £23.5m. 🇬🇧



# House of Fraser: fulfilling its customer promises

AS AN UPMARKET retail brand, House of Fraser makes above average promises, so keeping those promises is vital. Customer research gives it valuable insights that it can act on and it has, for example, introduced a variety of delivery services while also enabling convenient collection from stores. Shoppers can specify whether they'd like home delivery before or after noon, the same day or next day – or on another nominated day.

It's a well-honed suite of delivery services but the retailer has a demanding demographic in mind when it designs services. Speaking at InternetRetailing Expo 2016, Sarah Stagg, director of digital product at House of Fraser, said the increasing convenience of mobile was driving Generation Impatient, whose members won't wait for anything. "They have high expectations and people have to meet them," she said, noting that retailers that meet those expectations stand to profit. Stagg cited figures that suggest while 70%

of its shoppers only use its stores, and 3.1% only shop online, the 25% that shop across channels spend much more. Those who buy in store, online and via mobile spend five times more than those who frequent only the store. "People who are browsing online want to touch the product in a physical location," said Stagg. "People who then go into stores and use the barcode scanner are more likely to make a purchase."

Mobile is, she said, key to bridging the gap between online and stores. House of Fraser innovations in online digital experiences include the use of augmented reality from Layar.

It's an approach that's also illustrated through a mobile app that links the store and online: customers can easily find a local store and whether a particular item is in stock. Once in the store, customers can use the app's barcode scanner to find more product information.

This app stood out in InternetRetailing testing for being bug-free, while House of Fraser's mobile website loads quickly – in 8.9s, compared with an average 12.8s. The retailer is swift to respond to customers, answering an email from researchers in 24m and a Facebook query in 13m – far better than the averages of almost 52 hours and 26h 30m respectively. 🇬🇧



Image credit: House of Fraser

House of Fraser stakes its reputation on making its shoppers above average promises and meeting them



# John Lewis: a reputation for innovation

JOHN LEWIS, LONG beloved by middle England as the most dependable of retailers, is these days adding a name for innovation to its trademark customer service.

InternetRetailing research shows that the department store is reliable in its response to shoppers' questions and complaints, as well as having effective logistics services that deliver on customers' expectations. Flexible options for home delivery include standard, next-day and named-day delivery, while those preferring to pick up items can do so either at any local shop that's a member of the Collect+ network, or from any of John Lewis's own branches. Smart strategic thinking means that shoppers can also pick up John Lewis orders at any branch of sister company Waitrose – and 70% of John Lewis click-and-collect orders were indeed picked up this way in its last financial year. Click and collect accounted for more than half of all johnlewis.com online orders in the year to January 2016.

But its ability to embed innovation at the heart of its business gives it an edge in this Dimension. The retailer has developed a talent for showing how emerging retail ideas can work for its customers. Thus, it has a smart home technology department that shows how connected ovens, fridges and sleep monitors would actually sit within the home.

John Lewis also actively fosters innovation through its start-up accelerator programme, JLAB. Speaking at the launch of the latest programme, which ran through the summer, John Lewis IT director Paul Coby said: "JLAB is about bringing disruption and innovation to the retail industry – we want to develop ideas that really excite John Lewis shoppers. To do this, it's essential that we work collaboratively with fast-growing businesses to add value to their operations." He added, "We've seen from previous years the value of combining an agile start-up mentality with John Lewis' extensive industry knowledge, and I'm personally looking forward to working with the 2016 applicants."

This year the retailer added to this by working with TrueStart to launch The Eureka Initiative,



Image credit: John Lewis

John Lewis' approach to the smart home is typical of its imaginative attitude to innovation

which aims to find and fund future-defining products, services and technologies. Tom Athron, group development director, said: "The John Lewis Partnership began life as a brave entrepreneurial experiment. By collaborating with TrueStart we will be supporting the future growth of our company by partnering with like-minded entrepreneurs and fast-tracking their ideas. I firmly believe that all businesses focused on growth in a rapidly changing world will need a few eureka moments to thrive." 



# Holland & Barrett: targeting omnichannel – and £1bn turnover

Holland & Barrett aims to be a £1bn-turnover business by 2020. **Chloe Rigby** asked ecommerce director Emma Mead about what roles omnichannel and digital retailing are set to play in realising that ambition

WHEN HOLLAND & BARRETT celebrates its centenary in 2020, it could also mark a financial and strategic milestone by turning over £1bn for the first time. It's an ambitious vision for the company, which is part of the private equity-owned NBTY Group. For when it set that target at the end of its last financial year, its revenues were £573.8m – a little more than half of that figure.

The Holland & Barrett of 2020 will sell in very different ways from the business of 1920. Its stores remain at the heart of the business – just 10% of sales are currently online – but the health and wellbeing retailer, a Top150 trader in IRUK Top500 research, is taking a targeted approach to omnichannel trading as it looks to satisfy its customers' demands.

“We’ve the capability of being nimble in how we learn from an online perspective”



Emma Mead, Holland & Barrett

Emma Mead, director of ecommerce, leads a growing team tasked with providing a highly strategic approach to omnichannel. In the nine months since she joined the business the focus has been on recruiting skilled digital staff and ensuring the right foundations are in place. Mead says the business has been “a very fast follower of all the concepts that other people have had out there”. She adds: “We’ve fully rolled out click and collect to all 760 stores, and we’ve got the capability of being very nimble in the way that we

test and learn from an online perspective.” When research showed that a small group of customers, working long hours and not able to visit a store, was significantly dissatisfied with delivery options, the retailer responded by working with InPost to offer locker collection – one example of how customer insight is helping the team to set priorities and achieve targeted goals.

## CONNECTED COMMERCE

From here, the focus is on growing online sales while understanding and developing the way that digital influences the offline business. The aim is connected commerce, where customers can move seamlessly between sales channels in the course of their purchases. That's important since, “The customers that engage with us through many channels are our most valuable customers,” says Mead. “It's their frequency and their lifetime value that we focus on.”

Holland & Barrett ranks well in research by InternetRetailing that aims to identify the leading UK multichannel and ecommerce retailers in the Strategy & Innovation Dimension. Its click-and-collect and next-day delivery services give it an edge over the competition, as do international delivery and payment options. It scores highly with a search reach that means it's visible to 61% of people searching for terms related to its products. Mead says that being seen in search is “fundamental in the success of the business” since, “It not only drives sales through the direct channel but it actually drives sales in our retail stores as well.”



Image credit: Holland &amp; Barrett

**Holland & Barrett wants customers to be able to get high-quality advice online as well as in-store**

One strength of the Holland & Barrett business is the depth of knowledge that trained staff have about its range, from health foods to supplements. “How do we make sure that we can provide the same quality of advice to customers searching and looking for information from a digital perspective?” asks Mead. So far the company has introduced online live chat, while an in-store app enables loyalty programme members to look at online information.

“Joining that experience up for all of our customers will be one of our big leaps forward,” says Mead. “The next would be how we use mobile as the glue to join together all of that accumulated experience.”

### ENCOURAGING LOYALTY

InternetRetailing research shows that Holland & Barrett’s approach to mobile stands out for bug-free iOS and Android apps. Two thirds (66%) of traffic and 45% of online sales come through a mobile device. Shoppers will be able to make purchases and use their loyalty cards through apps in the next six months, says Mead.

Currently, Holland & Barrett can see how members of the loyalty programme interact with the brand, what they buy, and whether they buy it online or in-store. It segments customers to serve them relevant content: key groups include the ethical young female buyer and an online-only group aged between 25 and 45, while the largest group consists of older customers maintaining their health. “We get lots of insight and data, we capture lots of information from customers, and we are able to make small refinements and improvements. It’s all those little improvements that then add up and create something that’s worth more than the sum of the parts. And that’s

what really starts to move the dial and improve the customer experience overall,” says Mead.

InternetRetailing research already rates Holland & Barrett customer service. A shopper enquiry on Facebook, for example, was answered in a speedy 16m. “Today, you can’t afford not to be focused through social,” says Mead. “It’s the way to engage with customers since that is how they spend a significant proportion of their time. What you want is that brand advocacy and to drive positive messages. That is why we focus on resolving issues really quickly for our customers.”

International is a key strategic focus for the brand. Its dedicated Netherlands site is performing well, while ecommerce is also being rolled out through franchise partners around the world. Customers from the European Economic Area can order for delivery from the UK site.

One important group is Chinese customers. This is a group, says Mead, for whom authenticity and provenance is important. “This suggests a significant opportunity for us,” she says. “We have a presence in China and we’re continuing to look at how we develop that market.”

The next phase of the strategy is likely to produce something very different. “We’ve scoured the marketplace for innovative ideas that we’ve executed really well,” says Mead. “We make sure we have a test-and-learn mentality, bringing in agile ways of working. Everyone understands where we’re going. I think that will enable us to generate something that is truly innovative.”



# 12 approaches that work

Retailers that come up with new ideas and approaches leave the competition standing. But those that are slower to innovate can still set the pace in the industry by following quickly where others have led. Here are 12 ideas that work for leading UK retailers

## 1 Set the standard

Being first to offer a service gives an in-built advantage. True innovation means there's no rush to catch up, while competitors must build their services from scratch.

But it's important to maintain that advantage by continuing to improve services and products, while also thinking of new angles for related services.

Amazon set the pace when it first started selling books online and it's maintained its competitive advantage over the years by continuing to trial fresh ideas and approaches.

## 2 Watch the competition

When competitors are providing a clearly more convenient or desirable service, even leaders in the sector consider following suit. Tesco recently jumped ahead of fellow grocery retailers when it introduced same-day click and collect for grocery orders at 297 locations, including 36 outside its own stores. This overtook the 250 already offered by Asda while Sainsbury's was still trialling its own service. The highly strategic move came as Amazon continues to expand its own grocery service, AmazonFresh. This offers fast deliveries but doesn't have the advantage of click and collect, which enables shoppers to pick up at the moment that works for them rather than waiting in for a delivery time slot.

Beyond groceries, general merchandiser Argos innovated within fulfilment when it introduced its Fast Track service to offer same-day deliveries and collection.

## 3 Think what the customer really wants...

Starting with what the shopper wants is a smart approach to designing services that meet genuine needs. M&S, for example, questioned its shoppers in depth when it launched its Sparks loyalty card, which uses gamification approaches to encourage repeat business from customers, both online and offline.

More recently, sofa manufacturer Sofa Brands International (SBI) launched its multichannel retail business The Lounge Co after deciding that what customers want most when buying sofas is the chance to try them out first. One initiative is that it's showing its products in galleries and concessions around the country. At launch, Julian Neal, director of SBI and CEO of The Lounge Co, said he had seen the furniture market go through "significant structural change" but that at heart, consumer behaviour had not changed at all.

"People use the internet to research our products and expect speed, ease of use and extremely high-quality content," he said. "However, customers who are investing significantly in an item of furniture that they'll own for a decade or more want to experience that product first. It's critical to us that customers have a gallery nearby because they need to see the products, touch them and assess their comfort. The business model was designed entirely around these needs."



Image credit: The Lounge Co

The Lounge Co is a multichannel business that recognises the importance of customers being able to see and touch its products





Just Eat is experimenting with robotic deliveries

Image credit: Starship Technologies

## 4 ...and imagine the services they haven't

Robots and drones are now emerging as potential players of the future in multichannel retailing and related industries. Some forward-thinking retailers are working out how these might work for them. For Ocado, it's a robotic warehouse assistant. For online takeaway marketplace Just Eat, it's robotic delivery robots. The company is now trialling robot deliveries in the UK using self-driving robots developed by Starship Technologies. Speaking when the robots first went into action, David Buttress, chief executive of Just Eat, said: "We are continuously looking for ways to use technology to make our customers' lives easier, whether that's how people order or pay for their food or how the food is delivered."

Robotics are set to take to the skies for Amazon, which is currently working with the Civil Aviation Authority to trial safe deliveries using drones. The retailer wants to use drones to deliver parcels weighing up to 2.3kg within half an hour or ordering. Paul Misener, Amazon vice president of global innovation policy and communications, describes the advantages of drones thus: "Using small drones for the delivery of parcels will improve customer experience, create new jobs in a rapidly growing industry and pioneer new sustainable delivery methods to meet future demand."

## 5 Develop services that tackle unmet needs

When they design new services, smart retailers consider how they could improve their customers' lives. Traders that fit in with customers' lives position themselves to win sales from time-pressed consumers.

Asos has worked with delivery company DPD on a number of delivery innovations that fit in with busy schedules. The latest, the Precise service, was launched in July 2016 and enables shoppers to choose the hour they want a parcel to be delivered. When DPD notifies a customer that an Asos parcel is on its way and informs the shopper of the next-day one-hour delivery slot, the customer can choose either to accept that slot or to nominate an exact day and hour to receive it over the next seven days – between 11am and 5pm.

At the time of launch, Asos' Matt Rogers, said: "Precise is another first for ASOS and a huge leap forward on our customer-focused delivery proposition. Our customers love getting their deliveries quickly and tell us they want control and choice over when their parcels arrive. Precise gives them exactly that."

The development was the latest innovation for an established partnership that has worked to make delivery as convenient as possible, which is particularly important for a pureplay retailer such as Asos.

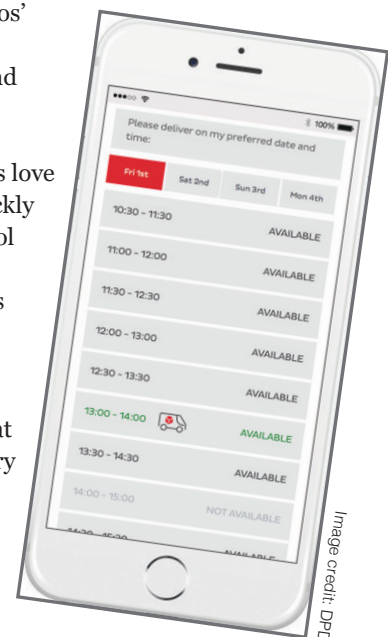


Image credit: DPD

Asos and DPD have worked together to give consumers more choice on delivery times



## 6 Communicate with shoppers where they are

Reach across and beyond the website to talk to existing and potential shoppers. Shoppers read about products they are considering buying from website reviews, getting a sense of product features and capabilities by aggregating views from numerous sources. They also ask for advice when they are on social media. Leading UK retailers ensure they are on the sites that their customers use and that they respond quickly to questions and complaints.

That's reflected in InternetRetailing IRUK Top500 research, which shows Holland & Barrett responded to a Facebook query in 16 minutes, while House of Fraser responded to a Facebook query in 13 minutes and an email in 24 minutes. Those figures are well ahead of the average for the index: a near-52 hour response time to emails, and a 26h 30m response time on Facebook.



Image credit: JLAB / John Lewis

Marty the Robot is designed to help children learn about technology

## 7 Organise around innovation

Innovation is a top priority for retailers looking to stay ahead of the curve in a highly competitive industry. Constant improvements to the customer experience allow traders to stay well ahead of the competition as well as being able to cater to fast-evolving shopper expectations. To that end, a number of leading retailers, from Argos to Boots and Shop Direct, have set up in-house labs.

In these, developers can quickly develop and test new ideas in a retail environment, rolling out the ideas that work best across their store estates. Argos' lab above its Victoria Street store in London allows developers to test out their prototypes in the shop below. Successful technologies pioneered here include Argos' gift finder and wishlist apps, while Shop Direct tests the user experience in its lab.

The annual John Lewis JLAB sees the retailer mentor startups. At the time of writing, JLAB was working with Digital Bridge, a company with technology that enables customers to visualise new home furnishings, and Wedding Planner, which helps couples plan their big day online and via their mobile phones. Other JLAB projects include Instagram checkout technology from Link Big and Robotical, whose walking, talking Marty the Robot (pictured above) enables children to learn about coding, 3D printing and robotics.

## 8 Connect across channels

By linking the store and online, retailers move towards offering shoppers a seamless service that allows them a consistent view of the brand, no matter how customers choose to access it. That happens through wishlists and baskets that are accessible and up-to-date no matter how the customer chooses to view them. It also happens when click and collect (and in-store returns) work, and when mobile is used to bridge the gap between the store and digital.

## 9 Consider how shoppers want to buy

Cutting-edge strategies reflect the way that shoppers buy, making it no surprise that many retailers are now designing and planning for mobile first. Mobile has consistently provided one of the few sources of sales growth in recent months, so making it ever-easier for shoppers to buy using their smartphone is a top priority for many ecommerce directors.

Mothercare has focused on mobile developments, such as an app aimed at new parents, and is reaping the rewards as more sales move to that channel. In a first quarter 2016 trading update, the retailer showed how mobile was fast becoming the main online channel for its sales, with 84% of online sales coming via mobile, which also sees 61% of online traffic. To put that into context, 35.5% of Mothercare's sales took place online during the period.

Department store Debenhams said that almost 50% of its sales came from mobile in the six months to February 2016. That reflects a mobile-first strategy that drove 70% growth in sales over smartphones in that period.

## 10 Look to new markets

Selling to new international markets has been a source of fast growth for many in recent years. By tapping into the appetite of shoppers to shop online in markets where ecommerce is less mature, retailers such as Asos have outperformed the UK market exponentially. As an example of one innovation, zonal pricing has enabled the fast-fashion retailer to offer clothes at prices that can flex with the conditions in the other markets that they're targeting. It's work that's put retailers such as Asos, alongside fashion retailers including Boohoo.com and Next, into a strong position following the UK vote to leave the European Union.

The subsequent fall in value of the pound has prompted a surge of interest in UK retailers. This may be a short term phenomenon if the cost of raw materials rises when new stock is produced. Nonetheless it illustrates the importance of enabling international shoppers to buy. Asos has gained its success through local language and currency websites that reflect the market where they're selling.

But it's not just fashion retailers that are making the most of new markets. Electricals retailer AO.com is finding success in selling in Germany and Holland, while grocers Waitrose and Sainsbury's have more recently kickstarted fledgling international strategies by selling through the Tmall marketplace. ▶

## 11 Innovate through new technologies

Quickly finding ways to use rapidly emerging technologies in a retail business can spark innovation. Retailers were fast to adopt Apple Pay in order to enable fingerprint payment, and recently Notonthehighstreet added it to its website, having already used it on its Gift Finder app and finding the feature drove a 200% rise in conversions.

The Internet of Things is set to be another major gamechanger and Amazon has been among the first to find ways of using connected devices to boost retail sales. Its Amazon Dash Button enables shoppers to make one-click orders at the touch of a branded single function button given to customers. So an Andrex button positioned next to a toilet roll holder means fast ordering (and customer retention) at the point of need. Meanwhile, an Amazon Dash Replenishment Service enables connected devices, from washing machines to printers, to order refills such as laundry detergent and printer ink as soon as they're needed.

## 12 Be prepared to fail, but fail fast

Knowing when a strategy or new idea isn't working or meeting customers' needs is key to success. A testing and failing approach is the foundation of getting things right. That was the philosophy at M&S as it approached the task of relaunching its website on a platform it developed in-house. Patrick Bousquet-Chavanne, director of marketing at the multichannel retailer, described the retailer's approach to innovation when he delivered a keynote speech to InternetRetailing Conference 2016: "We bring in new ideas and we see the customer response. It is about being very flexible, try them now, fail fast, try at a small scale and move on." 🇬🇧



Amazon Dash employs wi-fi buttons for re-ordering products

Image credit: Amazon

# The store of the future

Demandware CEO Thomas Ebling explains why purchasing a new point-of-sale solution is, at this moment in retail's development, an especially crucial decision.

**Jonathan Wright** reports

IT WAS ONE of those deals that, outside the retail technology community, produced little comment. In January 2015, Demandware announced that it had agreed to purchase point-of-sales (PoS) solutions provider Tomax. So why was a company associated with ecommerce interested in a company selling the technology used on high streets and in shopping malls?

In part, this is a story about a fit between the companies rooted in both organisations making cloud technology central to their offerings. However, there's another, more interesting story here too, one bound up with the way the retail industry is changing. For many years now, retailers have talked about the need to track customers across channels. It's been a board level strategic issue but there's been a problem: following customers as they weave their way merrily across channels is difficult to do.

This is often presented as a problem of getting customers to sign in when they enter the store. Is a store card linked to a smartphone the answer? Or getting an app and in-store beacons to talk to each other? But such approaches risk being piecemeal. They don't tackle a bigger issue, one

identified by Thomas Ebling, Demandware's CEO and president, at a briefing held at the company's XChange Conference in Berlin earlier this year. "A few years ago," he said, "some of our leading

"It's very hard to deliver a seamless consumer experience"

Thomas Ebling, CEO and president, DemandWare



customers who were thinking far ahead started saying – and it's still true now – that you've really got two separate technology stacks, one for ecommerce and one for point of sale in the store. The result of having two separate technology stacks is it's very hard to deliver a seamless consumer experience.

"Even with something as simple as buying an item online and returning in-store, customers have to go through a lot of hoops to make that work because of the different technologies, let alone the more complex things like returning something in-store and buying something in-store at the same time in the same transaction."

## A unified approach

One obvious solution is to unify the technology, to apply the same approach across different channels. Except again, this is easier said than done. PoS upgrades are expensive enough to undertake in isolation, especially for bigger retailers, let alone when also tackling, for example, the issues around company silos that inevitably arise when trying to marry systems together. To look at that another way, no



Image credit : Demandware

Demandware sees developments in PoS technology as crucial to the future of multichannel retail

multichannel retailer starting out today wants to begin with two separate technology stacks.

To illustrate what we mean, consider Apple. Since Apple was an online retailer before it ever made it to the high street, because it's a technology company that routinely gathers rich data, and perhaps because so many of its customers are brand-sensitive devotees, the company already had an unusual amount of information about those who bought its products. When it opened its stores, it certainly didn't create a new silo in which to hold customer information about footfall customers.

"They built the technology from the beginning to be one technology to do every consumer interaction," noted Ebling. "Our vision was that's where the market needed to go and that's where we needed to go."

No wonder. Apple's approach has set new benchmarks for the kind of experience customers get in bricks-and-mortar stores. Instead of an internal layout that revolves around directing customers towards clunky old tills, sales assistants are better able to wander around the shop, answering questions, demonstrating items and then processing payments using handheld devices. This isn't just about looking cool. Apple's stores generated sales of \$5,009 per square foot in the year leading up to May 2015, more than any other retailer in the US.

### Big decision

It's against this backdrop that retailers need to consider new PoS investments. While it would be an optimistic and/or determined retailer that tried to get the same return on retail space that Apple generates, this is the gold standard, and Apple and other forward-looking retailers are only going to refine their bricks-and-mortar operations in the years ahead. So are other retailers rising to the challenge? According to Ebling, they are. Demandware, he noted, already

had three US customers signed up for its PoS solution. "To some extent, we wish we could move our technology even faster because the interest in the US – which is the only place we've started targeting this a lot because that's our first market – well, we've got way more interest than we can fulfill because we want to make these first customers successful," he said.

Ebling thinks this will be a growing market. "We expect that, due to consumer expectations, the model in the store is going to change a lot in the future and if it changes, people's old systems are not going to meet the needs. They tend to be upgraded in very long cycles and be very inflexible, so we think there's a terrific opportunity for us to deploy the kind of flexibility that we have in online commerce in the store."

In June 2016, in a deal that attracted rather more attention than the 2015 acquisition,

Apple's stores generated sales of \$5,009 per square foot in the year leading up to May 2015, more than any other US retailer

customer relationship management specialists Salesforce announced the purchase of Demandware in a deal valued at \$2.8bn. This was widely reported as being down to Salesforce needing a better ecommerce offering. Demandware's targeting of PoS business suggests that seeing the deal in terms of ecommerce alone may be to miss a small but crucial detail of the wider picture. 🌈

# Why Europe still matters

Preparing for European expansion may lead to improved performance across the business, discovers

**Martin Shaw**

PRIOR TO THE Brexit vote, the idea that UK retailers should work to expand into Europe was accepted wisdom. After all, the European Economic Area (EEA) is a trade zone that provides for the free movement of persons, goods, services and capital, and to which British firms have unfettered access.

Since 23 June 2016, though, everything is different. Except is it? Leaving aside the point that actually we don't yet know what Brexit means, it's important to remember that much hasn't changed just because Britain has chosen to leave the European Union (EU).

In particular, it's worth reiterating the EU remains the world's largest trading block. That's not to say retailers don't need to take account of differences around language, culture, customer expectations and business practice across European territories when looking to export, but it's possible to over-emphasise these. That becomes clearer when you consider how regional differences within individual emerging nations such as Indonesia, India and Brazil can actually be *more* of a barrier to business.

Take these factors together – and let's not forget the importance of geography – and it's clear Europe will continue to be a key market for UK retailers. In this context, drawing on research from our work in compiling the IREU Top500, it seemed an apposite moment to ask: just how well are British retailers doing when it comes to expanding into Europe?

The key headline figure here is that of the 232 UK retailers in the IREU Top 500, 48% had more than one country-specific landing page. It will be intriguing to see whether the 52% that had UK-only sites stick or, while Britain is still in the EEA and it's potentially easier to launch into Europe, twist. Drilling down into the numbers, the average number of unique languages offered by UK retailers with multiple landing pages was 5.3.

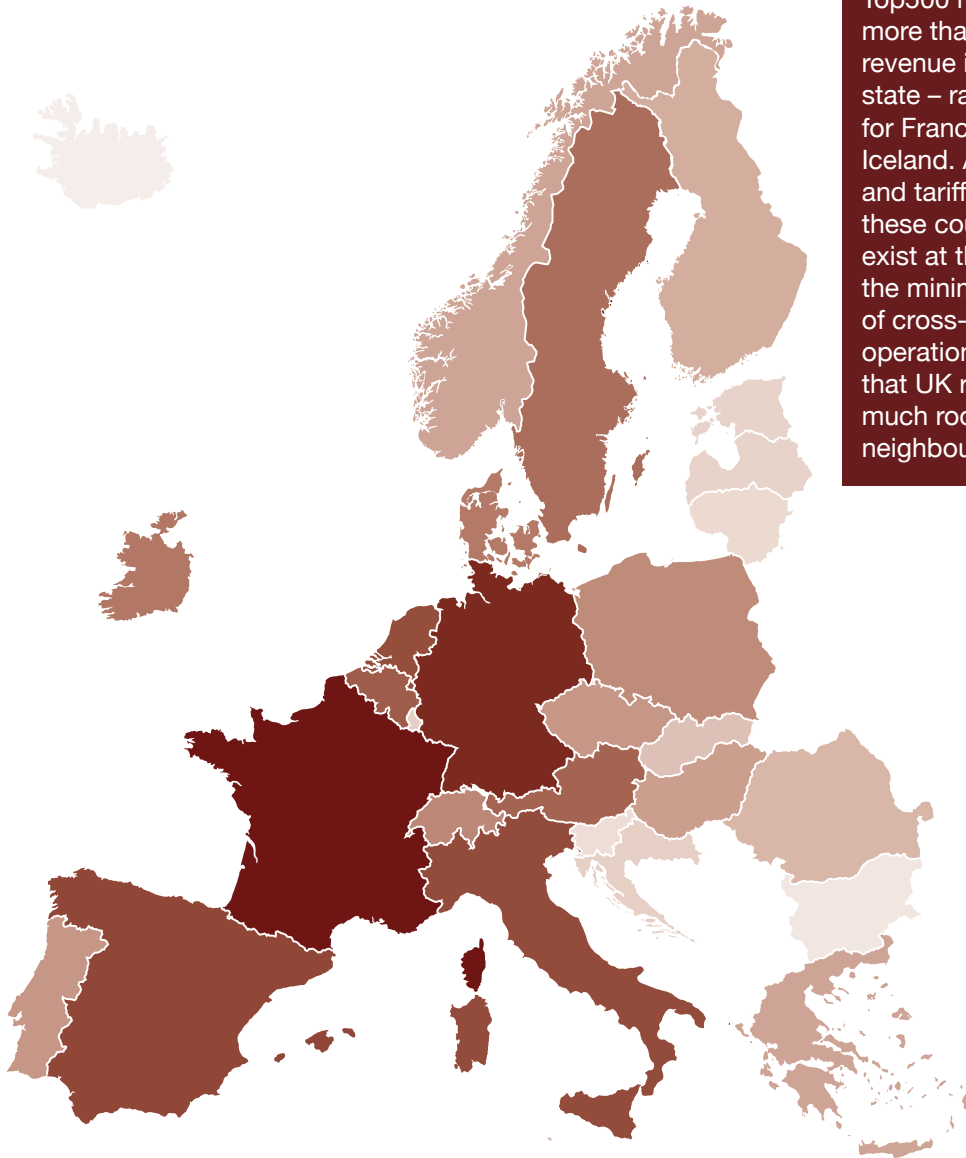
Most subtly, it seems that optimising these different landing pages may have a wider business benefit. According to research by our Knowledge Partner NCC Group, the average "Speed Index" of UK retailers that operate in multiple countries is higher than those that operate only UK-centric sites, with websites loading 6% faster. In addition, "visual completeness" and "render time" are also faster for retailers that have multiple country-specific websites.

We're not sure exactly how to explain this, but it seems at least possible that, in working on different sites, companies take the knowledge learnt from one site and apply it elsewhere to make incremental gains. Considering how impatient people get when asked to wait, this is important.

It's worth noting too that research conducted in 2012 by marketing specialists HubSpot revealed that increasing the number of landing pages can increase the number of leads companies generate, with a 55% increase for businesses that increase the number of landing pages from 10 to 15. 🌈

*See over for heatmaps offering details on where the UK Top500 operate in the Single Market, and the competitiveness of the average retailer operating in a member state.*

# IRUK Top500 trading in the single market



The number of IRUK Top500 retailers with more than €10m revenue in a member state – ranging from 68 for France to three for Iceland. Although legal and tariff barriers to these countries do not exist at the current time, the minimal evidence of cross-border operations indicates that UK retailers have much room to grow in neighbouring countries.

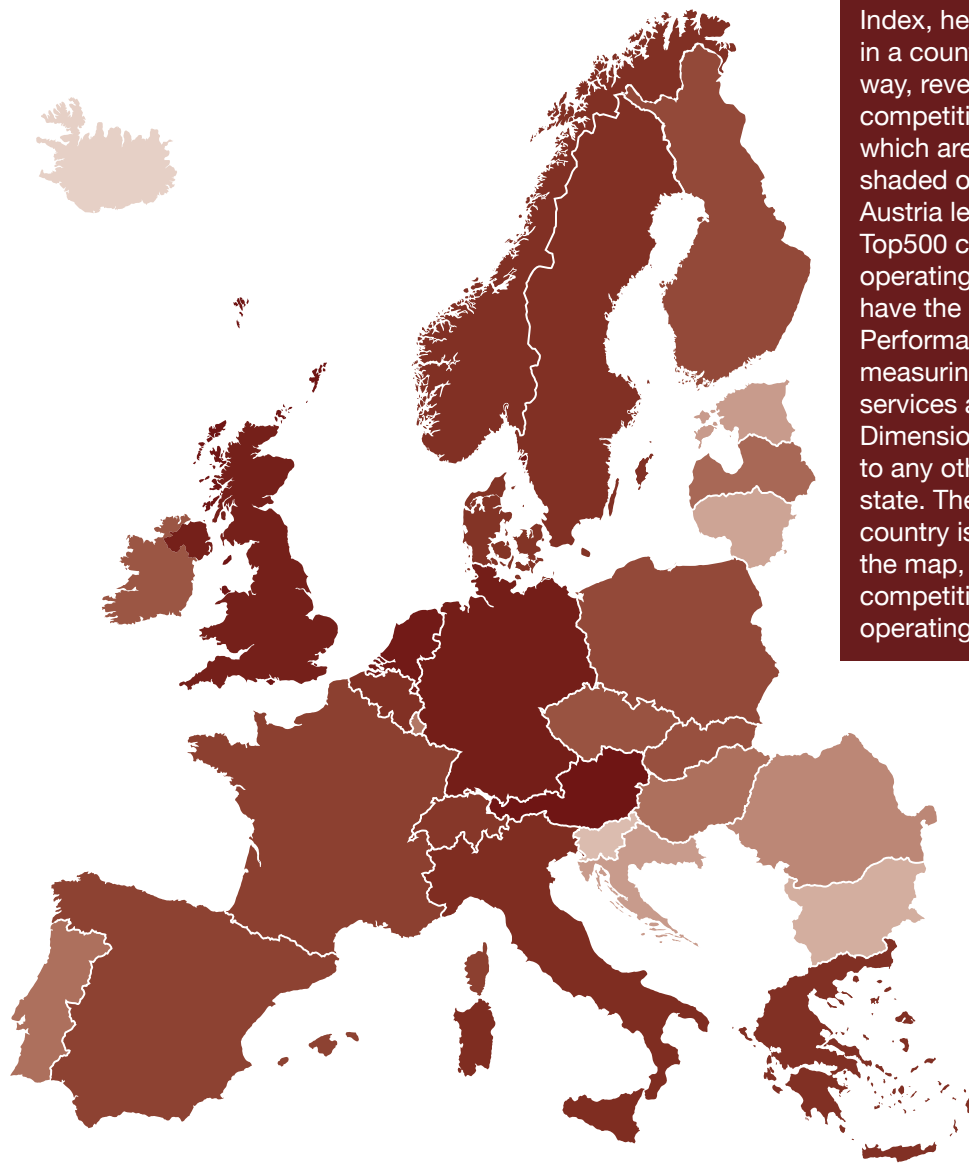
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IRUK 2016

The number of IRUK 500 retailers with more than €10m annual revenue in a Single Market country

France	68	Switzerland	27	Slovakia	12
Germany	60	Poland	26	Croatia	9
Spain	48	Czech Republic	23	Luxembourg	9
Italy	47	Portugal	23	Estonia	8
Netherlands	46	Hungary	21	Latvia	8
Belgium	41	Greece	20	Lithuania	7
Austria	38	Norway	20	Slovenia	6
Sweden	35	Finland	17	Cyprus	5
Republic of Ireland	32	Romania	15	Bulgaria	4
Denmark	31	Malta	13	Iceland	3



# Performance of retailers in the European Economic Area



The IREU Top500 Index, here configured in a country-specific way, reveals the most competitive markets, which are more darkly shaded on this map. Austria leads. The Top500 companies operating in this country have the highest average Performance, when measuring their localised services across all six Dimensions, compared to any other member state. The darker a country is shaded on the map, the more competitive the retailers operating there are.

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IRUK 2016

## Average performance of Europe Top500 retailers operating in a country

Country	Rank	Country	Rank	Country	Rank
Austria	1	Denmark	10	Latvia	19
Netherlands	2	Switzerland	11	Hungary	20
Germany	3	France	12	Portugal	21
United Kingdom	4	Spain	13	Luxembourg	22
Italy	5	Finland	14	Romania	23
Belgium	6	Poland	15	Estonia	24
Greece	7	Slovakia	16	Croatia	25
Norway	8	Czech Republic	17	Lithuania	26
Sweden	9	Republic of Ireland	18	Bulgaria	27
				Slovenia	28
				Iceland	29
				Cyprus	30
				Malta	31

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InternetRetailing  
SJP Business Media Ltd,  
52-54 Gracechurch Street,  
London, EC3V 0EH  
Printed in Great Britain  
ISSN 1759-0582



For circulation enquiries contact:  
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# Conclusion


WHAT A DIFFERENCE a few weeks make. When we first started planning this Dimension Report, the Remain campaign was ahead in the polls and Brexit seemed a distant possibility. Fast forward a few months and every set of financial data has been pored over in a bid to determine What It Might All Mean. But in truth, it's still too early to foresee what Brexit will mean for British retailers.

If there's a soft Brexit that results in Britain staying in the European Economic Area, presumably little will change. A hard Brexit would have far more profound implications and that's what was starting to look increasingly likely over the summer as immigration began to be retrospectively seen as the key issue in the 23 June vote.

Whatever lies ahead, though, retailers will of necessity have to cope and, as we've seen through this Dimension Report, there are reasons to be optimistic even as the country faces such an uncertain future. Most especially, we should remind ourselves that a nation of shopkeepers has become a nation of social media marketing experts, user-focused design gurus and ecommerce veterans. The UK's expertise in these areas is so admired that Berlin is reportedly hatching plans to tempt disgruntled digital specialists of a Remain disposition to head east.

But this expertise isn't going to depart the country tomorrow. Rather, leading British retailers will continue to test new techniques, leading British brands will continue to target the growing number of affluent shoppers around the world, and innovative startups will still spring up in the country's tech hotspots.

The role of those making strategic decisions within such a landscape is, at one level, simply to hold their collective nerve. If the government opts for a hard Brexit? A good reason to look at new markets and to be innovative. If the government opts for a soft Brexit? Well that may change, so there's another reason to innovate and look at new markets.

Besides, whatever happens, retail is evolving rapidly. One of the reasons we included a feature on point-of-sale (PoS) technology in this Dimension Report is that it's a reminder that companies still need to make big investments that take account of how shoppers' behaviour will change due to new digital technologies. Indeed, in or out of Europe, change remains the only constant in modern retail. 

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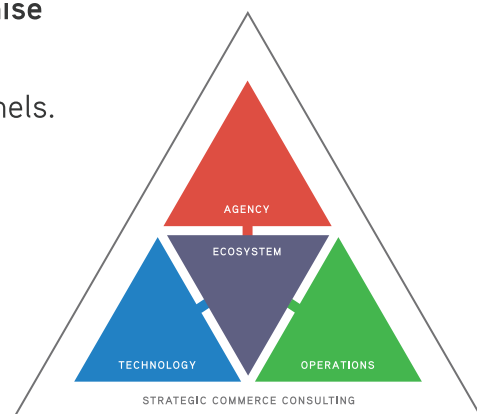
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