

FUTURE of RETAIL

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Retailers must provide a seamless shopping experience online, whether mobile or at home, and in stores

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Technical innovation has created opportunities for retailers and customers with buying and selling in constant flux

It's full speed ahead for UK retailers...

Recovery from the great recession, coupled with improved retail technology and relentless growth in online shopping, present both an opportunity and challenge for retailers

◆ OVERVIEW
● DAN MATTHEWS

The world of retail is a changeable place. Customers love the regular improvements to the services they enjoy, but for the businesses delivering these upgrades it can be a puzzling, even exhausting, experience.

In many ways the UK retail sector could not be in a better place. Month after month unemployment is falling and the number of people in work hits a fresh record high with each new bulletin from the Office for National Statistics.

Although wage inflation has been ominously absent in recent times, the money sifting into our pockets is actually starting to increase in real terms meaning that some of us are actually starting to feel wealthier than we used to – a nice change.

Interest rates are at their lowest level since William III, which has had a triple positive impact on consumer spending. It has encouraged house prices to soar, making homeowners feel better off, while borrowing is cheaper and saving is pointless; so for goodness sake go out and spend.

For the time being, inflation is history too with prices dropping in many parts of the economy. The most obvious sign is the recently halved price of crude oil, which translates to cheaper petrol, utilities and, through the supply chain, cut-price products and services.

Businesses see this as a brilliant time to invest meaning even more employment, and more purchases of bits and pieces from the nation's shopkeepers. Meanwhile the European Union is strengthening with "problem members", such as Spain and Italy, dragging

themselves back into the black. Greece, of course, remains a worry.

Technology is playing a role in all this happiness. Websites make everything easier, quicker and cheaper, putting products right under the noses of consumers and, once purchased, delivering them direct to their doors. The immediacy of the internet makes spontaneous purchases all the more so.

Completing this perfect picture, curious new ceremonies, such as Black Friday, Cyber Monday and Small Business Saturday, have conjoined to put a rocket under sales just as the Christmas period gets into full swing.

There is a host of other events dotted throughout the year, from Valentine's Day to Father's Day, which while providing less of a stimulus than Christmas, nevertheless remind us all to put our hands in our pockets for periodic gifts, treats and stays.

In general, things look very rosy indeed. Yet shop bosses reading this would be forgiven for screwing up their faces. They'd agree that the economy is OK and, barring any major hiccups, demand should remain high, but turning these factors into a profit is a convoluted process.

Low inflation means downward pressure on margins. High employment sounds good, but it needs consistent wage growth to make a real difference. Technology has invited new competition and is at worst a distraction, while the new shopping "events" have made it nearly impossible to balance supply with demand.

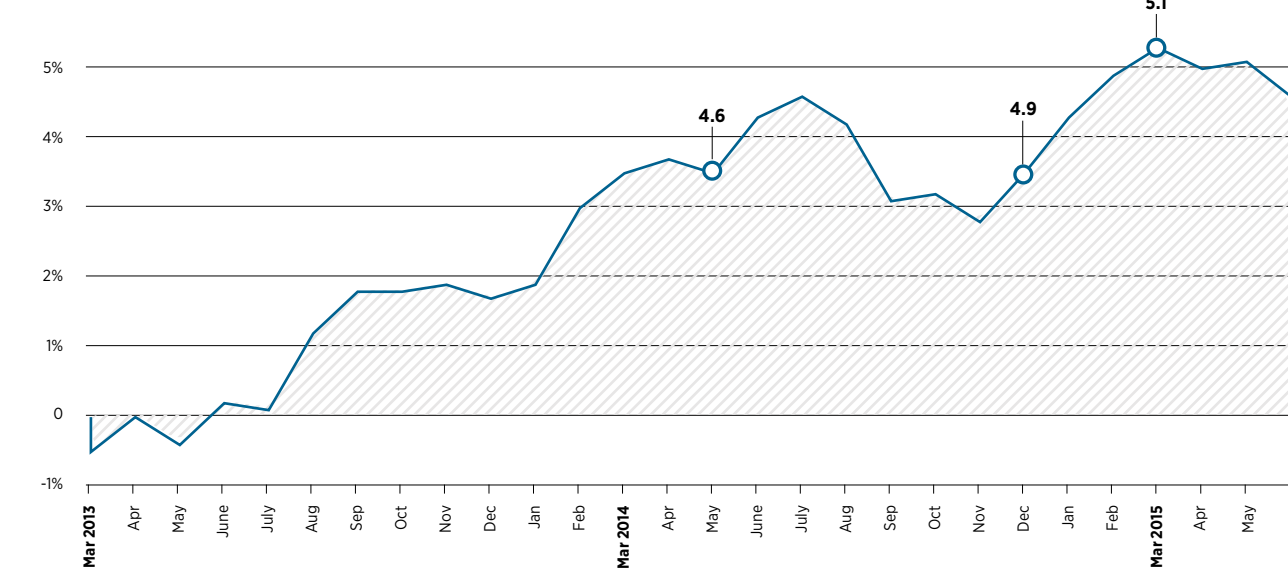
For food retailers, the invasion of mega-discounters Aldi and Lidl from Europe has blown their sector to pieces, and only a complete rebuild along entirely new pricing metrics will save operators who focus on price-aware shoppers.

“The problem for many retailers is the sheer speed of advance – it's not so much a march of technology as a gallop”



Opening day of the Japanese-inspired Shibuya-style crossing at London's Oxford Circus

GROWTH IN UK RETAIL SALES PERCENTAGE INCREASE COMPARED WITH THE PREVIOUS YEAR



Source: Office for National Statistics

The growth of online is a blessing and a curse. It has shed light on consumers like never before, giving retailers who crunch their numbers the chance to segment and target different demographics within their customer base. But, put simply, it can be hard to keep up with all the innovation.

"UK retailing is still recovering from the 'great recession' at the same time as it is adjusting to substantial structural reforms," says David Stoddart, an analyst at Edison Investment Research.

"The major grocers face increased competition from the continental discounters that is resetting their margins and returns on capital. In addition, they are absorbing the additional costs of serving the online channel.

"Growth of online is also a game-changer for non-food retailers, hastening the demise of marginal shopping locations and providing a better means of addressing changing consumer attitudes than traditional stores ever could."

The problem for many retailers is the sheer speed of advance – it's not so much a march of technology as a gallop. You used to get time to adjust to new inventions, now a year might see multiple jerks forward.

Content marketing, omni-channel retail, the internet of things and contactless all have an influence on retail today, yet no one outside of the technology industries themselves had heard of these terms five years ago.

Digital is improving the customer experience, transforming the how, what, when and where of their shopping. But for retailers it's enough to make your head spin. To make matters worse a bad investment in a service with no future could reverse a profit.

"Retailers are struggling to keep up with rapidly changing consumer demands," says Andrew Long, head of IT strategy at Accenture UK. "The digital transformation has a long way to go and its impact will affect everyone and everything – businesses are going to have a major challenge keeping up with the pace."

Technology is the problem, but it is also the solution. People shop online, and increasingly through smartphones and tablets, meaning that only technology can ensure they remain happy with the services retailers provide.

"Technology is a key enabler for providing customers with the experience and service that customers now expect through every touch-point a customer has with a retailer," adds Mr Long.

"It drives personalisation of the interaction, a context of the customer and any previous interaction, as well as making the interaction more efficient and effective. Leading companies are seeing customers attracted and retained by the improved outcomes that technology can deliver."

The digitisation of retail might lead to sleepless nights for some and the end of the road for others, but this is what retail looks like now – an endless reimagining of what is possible and how it can fuel the customer journey. Those uncomfortable with this notion should get out while they still can.

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COMMERCIAL FEATURE



THE WAIT IS OVER... CLICK AND COLLECT 24/7

With e-commerce players turning to click and collect as a more convenient and cost-effective alternative to home delivery, locker provider InPost is setting the pace



One of the most significant side effects of the e-commerce revolution has been the massive increase in home deliveries. Royal Mail and other postal services, as well as courier companies, have benefited as more and more consumers buy online.

However, for e-retailers and consumers alike, the home delivery experience has often been disappointing. In its report *TMT Predictions 2015*, Deloitte notes: "Delivery has been the key friction point in e-commerce for both retailers and consumers – the direct cost to retailers of failed first-time delivery is over £600 million per year in the UK alone."

In a recent survey, IMRG found that almost 50 per cent of respondents' households "will not or may not have someone at home during normal delivery hours". Put bluntly, consumers hate waiting at home for a delivery

and for e-commerce companies household deliveries, especially those involving a failed attempt, are often an expensive inconvenience, while returns are an even bigger headache for both parties.

It's hardly surprising, therefore, that the last few years have seen the growth of click and collect with e-commerce companies delivering purchases to stores or lockers for customers to pick up whenever convenient. Deloitte observes: "As of Q4 2014, about 95 per cent of those online stated they planned to use click and collect for some of their Christmas shopping." While according to the IMRG survey: "Click and collect is a now a recognised delivery option for 98 per cent of our respondents, with over 60 per cent having used it to receive an online order, either from the retailers own store or through a third-party parcel store or locker network."

The automated locker system is particularly appealing for retailers that don't have a bricks-and-mortar presence and for customers who don't live near a store. According to IMRG, customers appreciate cost-savings (80 per cent), convenience as they combine a visit to a locker with a shopping trip (42 per cent) and, third, the ability to make a return easily. Self-service lockers have been increasingly common across Europe for over a decade, but now they're expanding rapidly across the UK and United States.

One of the fastest growing and most exciting examples of this trend towards the use of lockers is InPost, an award-winning service whose customers include Virgin Wines. "Our geographical reach and the number of lockers that we operate is one of the key attractions for our e-commerce customers," says InPost's sales and marketing director Tony Kells. "By the end of the year, we'll have close to 1,400 sites across the UK. Consumers also like the fact that our lockers are in convenient, accessible locations with

ample parking and they're brightly lit as well as being covered by CCTV cameras. Our strategic expansion will continue throughout 2016."

InPost's fully automated and interactive lockers can be found at a variety of safe and secure locations, including at Morrisons supermarkets, petrol stations, train stations and Transport for London sites. They're also outside retailers, such as Toys R Us, and at local shops across the UK. All of InPost's 1,000 lockers are accessible 24 hours a day, seven days a week, every day of the year. This means that customers don't have to queue or wait at home. They can now collect and deliver items at a time and place that is convenient to them.

InPost lockers are good for logistics companies as they allow them to make fewer journeys than when they deliver directly to homes, while retailers also appreciate the convenience lockers offer. "We're always looking for ways to give more choice to our customers and adding InPost's network of physical pick-up points means they will have even better flexibility when they shop with us," says Jay Wright, chief executive of Virgin Wines. "We're all leading ever-busier lives, so ensuring an easy and efficient shopping and delivery experience when people buy wine online with us is incredibly important."

InPost is part of Integer.pl Group, a global leader in the supply of automation for e-commerce and the owner of the world's largest automated parcel machine network, already operating in five continents spanning Australia to Chile. Mr Kells explains that InPost lockers solve many of the challenges currently faced by online retailers even before items are shipped. "Our service is shown to reduce basket abandonment and we know that nearly three quarters of customers will return to an e-commerce store following a positive delivery experience and a hassle-free returns process," he says. "Returns in particular are a major challenge for retailers, who naturally want to make the process easy for customers, but have to manage costs carefully in what can be an expensive, complex logistical operation. Our lockers make returning goods easier for both parties."

He concludes: "We're a young company here in the UK, but our experience in other countries and our rapid expansion already demonstrates that InPost lockers can meet the needs of e-commerce stores and consumers as they develop over the coming years."

inpost.co.uk
sales@inpost.co.uk



How it works

Customers can select InPost Parcel Lockers at the retailer's checkout. They just choose the locker from a dropdown list or use the map widget to find the most convenient locker for them.

They know that they won't miss their delivery as SMS and e-mail alerts are sent when the parcel arrives at the locker. They can then collect their item whenever they like, 24/7.

InPost also has a convenient returns option. Customers simply print the label from the retailer's return page, attach it to the parcel and drop it off at the locker that's most convenient to them. In addition, InPost provides a customer-to-customer (C2C) delivery service through its inpostdirect.co.uk site, ideal for marketplace sellers and individual senders.

Once the purchase arrives at the locker they've chosen, the recipient receives a text and e-mail confirmation with the unique access code.



Choice is key to delivering goods

Delivery of goods bought online is in the throes of a shake-up as more customer-friendly options are becoming available

CUSTOMER FULFILMENT

CHARLES ORTON-JONES

UK ONLINE RETAIL SALES

The delivery business is changing at a breathless rate. Every week sees the launch of major new services for retailers to use.

Recently delivery giant DPD announced it would partner with startup Doodle to enable commuters to pick up a parcel at train stations. The service, called Pickup, means shoppers can pick up their parcels as they travel to and from work. Doodle, a £24-million joint venture between Network Rail and Lloyd Dorfman, who grew Travelx into a £1-billion enterprise, has 32 stations currently hosting collection services, with plans to convert 300. It's just the latest in a long line of pick-and-collect startups.

Peer-to-peer delivery is on its way. Already a big deal in Scandinavia and the United States, this model sees ordinary members of the public carrying packages like part-time couriers. Nimber, which trades with the strapline "Ship anything with someone going that way" is currently launching in the UK. It signed up 30,000 users in Norway in a year. For bulky items, Nimber claims to be able to cut costs by 80 per cent. And for the couriers there's the chance to earn a bit of spare cash on a journey they might have taken anyway. A rival service, Postio.uk, is also in the works.

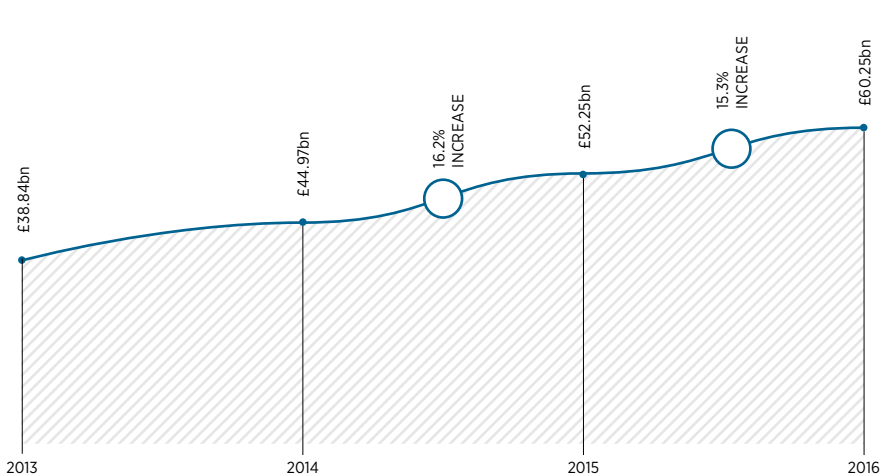
One service yet to hit our shores is Uber Rush. The taxi app Uber now transports objects as well as people. A New York reviewer marvelled at the speed and price of Uber Rush: \$11 to purchase and hand-deliver a cup cake from a bakery to his wife in 27 minutes. No word on when Uber Rush is arriving here.

Other news? Morrisons supermarket is now offering lockers for secure collection of parcels in their stores. CitySprint has launched a service guaranteeing delivery within a precise one-hour time-slot of your choosing. Called On the dot, it tackles that bugbear of being absent when parcels arrive, necessitating a schlep to some remote depot.

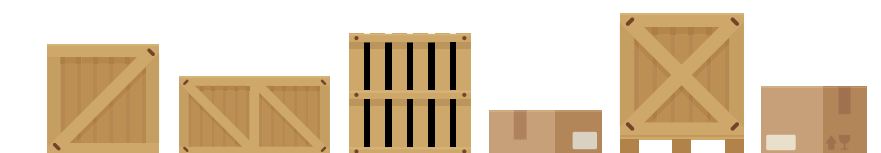
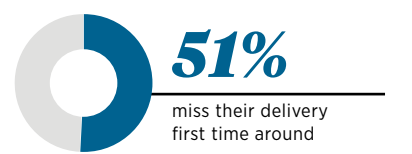
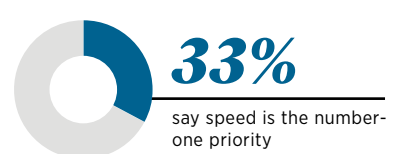
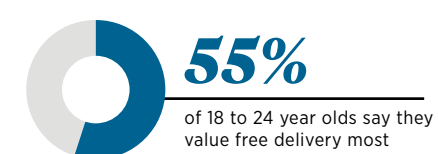
So, the industry isn't short of innovation. But where's it all heading? One man with concerns about the direction of the industry is the boss of CollectPlus, Neil Ashworth. CollectPlus is the UK's largest network of drop-off points for parcels, such as corner shops and stores, with more than 5,800 locations. Amazon, Asos and Marks & Spencer offer CollectPlus delivery. But Ashworth says the focus on speed is misplaced.

"I would put speed fourth on my list of priorities," he says. "Our research tells us what customers want is a fair price, first and foremost. If you offer next-day delivery, but charge £5.99, customers will think twice about ordering. Often they are happy to wait an extra day or two to forego this cost. Second is reliability. Take tracking. Customers say they want to know where their parcels are as they are being delivered. We supply this service and it is used heavily. But it's a sign of mistrust. If goods are delivered as promised, they won't need to track. Third is convenience. Consumers don't want to be out when their goods arrive. And fourth, is speed. Only rarely is it critical to get goods in an hour, or the same day."

This is not what his rivals are saying. "I know," he says with a laugh. "The parcel carriers completely disagree with me. My view is extreme, I know."



DELIVERING SATISFACTION?



One incident supports his thesis. Black Friday in November is always a frantic shopping day. Last year retailers struggled to handle the volume of sales. Tesco Direct and Currys' websites went down under the strain. And afterwards many retailers failed to deliver goods on time. Fulfilment was near impossible.

"People wanted the discounts," says Mr Ashworth. "They didn't need the goods fast. Five days would have been fine. The truth is, if you promise same-day people will say yes. But ask £10 for that service, or offer free delivery tomorrow, many will say tomorrow is OK. Speed is often not the decisive factor."

If he's right, the impact of ultra-fast services will be less significant than initiatives offering more convenience and reliability. For example, the option to switch delivery terms mid-route are yet to hit the mainstream. But they will. David Grimes, founder of parcel-delivery price comparison service My Parcel Delivery says major carriers have realised its value.

"In-flight options are incorporated into the text or e-mail notifications that are sent to the recipient ahead of their delivery. Within the e-mail, shoppers will be given the option to change their delivery time slot

or location if the one originally requested is no longer convenient. This top-of-the-range service is about giving the customer choice and flexibility," he says.

Much of the innovation will come from the retailers themselves. There will be resource sharing and alliances. For example, a deal with Argos gives eBay buyers the ability to pick up goods from one of the 650 Argos stores nationwide. Companies will merge or outsource tasks such as warehousing to a third-party who can achieve economy of scale.

Toy seller Firebox.com uses Arvato for warehousing. Arvato can achieve fast stock-picking through technologies such as pick-by-voice, in which pickers are guided round the warehouse by listening to instructions. This improved productivity by 15 per cent. Arvato also serve other brands, such as headphones maker Sennheiser, giving it a size which individual retailers would be hard pushed to match.

The upshot of all this? Consumers will be better served than ever. As survey after survey shows, what consumers want above else is choice. Research by Honeywell and Mobility shows 48 per cent of shoppers abandon carts due to poor delivery options. Four out of ten would pay more to state when and where a delivery will be made, others are happier to wait. The key is to give them the power to choose. With so many services flooding on to the market, retailers will have no problem making this happen.

Channelling a good experience

In a competitive marketplace, retailers must provide a seamless shopping experience online, whether mobile or at home, and in stores – or risk losing sales

◆ CUSTOMER EXPERIENCE
● HAZEL DAVIS

It's one of the most popular retail buzzwords, yet only 29 per cent of UK retailers consider themselves to be omni-channel, providing a seamless shopping experience across different channels.

Research from software company JDA and PwC also found that for 64 per cent of UK retail chief executives the top priority to enable growth is improving omni-channel and fulfilment capabilities.

Digital performance firm Dynatrace works with 17 of the top 20 global retailers, helping them to improve the performance of their web and mobile storefronts. Their research shows that nearly a third of UK consumers shop through a combination of online, mobile and in-store channels. More than half (56 per cent) use their smartphone to compare prices online or download discount vouchers while shopping in-store.

This means, says Michael Allen, Dynatrace's solutions vice president, retailers must ensure their customers receive a consistent experience regardless of which channel they shop through. "Every customer journey is unique in today's digital business economy," he says. "The rise of online and mobile commerce has fundamentally changed the way we shop, but it's not as clear-cut for retailers as just identifying whether their customers shop online or in-store."

Mr Allen says the multitude of touch-points in the modern consumer journey puts pressure on retailers to ensure their customers enjoy a consistent experience across every channel. "Whether they're visiting the website from home to research a product, using the mobile app to 'click and collect' the item on their way into work or walking into their local high street branch to pick something up in person, the journey has to run smoothly, or retailers risk causing disillusionment that pushes their customers away," he says.

Of course, as they become progressively digitalised, retail operations are at increased risk of technical failure.

"Many critical processes and online storefronts are interdependent or rely on third-party services such as web hosting or cloud-computing providers," Mr Allen points out. "Unfortunately, when one of those third parties has a problem, it can prevent staff from putting through a sale at the checkout or pull down an entire website, rendering them slow or even completely unusable."

"This creates a major challenge for retailers in creating a consistent customer experience across all channels, as their

“There is a lot of customer-centric hype and it fails to consider business operations realities and the sizeable investment a retailer will have to make to implement an omni-channel strategy”

performance can easily be impacted by factors outside of their direct control." He says that retailers need complete, real-time visibility into the entire application and service-delivery chain for every customer interaction and every business process on the back-end to see where and why issues might be occurring.

It's also worth noting that an over-reliance on a particular third-party service is a recipe for disaster for any retailer, says Mr Allen. "If a website-hosting provider goes down, there should be a failsafe built in that switches the service over to an alternative provider instantly, so customers don't suddenly find themselves unable to access the site or proceed to the checkout halfway through a shop," he says.

It still happens more than it should. A common error, says Mr Allen, is when a web page has a single point of failure, where one faulty component can delay the entire page from loading. "From the customer's perspective, they're stuck in a situation where their browser is just left hanging for 20 seconds or more before anything appears, during which time most will have given up and clicked off," he says.

Another error is building too many marketing analytics tools into a single page. Many of them do the same thing and merely create another component adding to the page-load time. Having too many images that load separately on a single page can also have a negative impact on the customer experience; everything will load much faster for the user if images are grouped into a single file using sprites, but this is often neglected during web-page design, adds Mr Allen.

There are a number of technologies transforming the omni-channel landscape. Powatag, used by the likes of Universal Music and Carrefour, aims to turn every point of contact into a sale, converting impulse into purchase and eliminating the wait that causes incomplete transactions. The technology turns offline environments and printed materials into online shopping environments, and printed materials and posters into accountable sales vehicles. Powatag audio even embeds audio water-

The new retail purchasing pathway

1

Discovery

The discovery stage is mostly about getting inspiration and gathering ideas for a purchase. Consumers assemble an initial set of brands and retailers to consider, using a variety of digital channels as well as in-store browsing. On average, UK consumers spend 225 minutes a week browsing retail items online

74%

of online shoppers find new products through reviews and recommendations on websites and social media

42.6

minutes spent in shops browsing just for fun, compared with 36.4 minutes on PCs and laptops

Source: Webloyalty/Conlumino

2

Evaluation

The consideration set evolves and preferences emerge as the shopper gathers information from a variety of online and offline sources. Evaluation is a more technical process. Generally it involves looking at details, such as size, specification or availability, as well as researching or comparing prices on things like delivery charges

18%

of consumers leave a store after consulting their mobile and finding a product cheaper elsewhere

97

minutes spent thinking about a high-order purchase in 2015 compared with 38 minutes in 2000

Source: Connected Commerce, DigitasLBI

3

Purchase

The shopper selects what to buy, where to buy it and how to take delivery. Although e-commerce is growing year on year, in-store purchase remains the most common form of retail shopping

28%

of all e-commerce orders were by mobile phone or tablet in May 2015 compared with 20% in 2014

1.6x

times more likely that customers will make a purchase after watching a retail video

Source: Webloyalty/Conlumino 2015

Source: Invodo 2015

4

Experience

The new product owner reacts to the purchase, and interacts with the product and brand. They write product reviews online or comment on their satisfaction or dissatisfaction via social media, making them heavy influencers of other consumers in the discovery and evaluation phase of a similar purchase

31%

of consumers regularly leave reviews or give feedback, with an average of 2.3 reviews written each year

56.7%

are positive and just over 33% negative

31%

of online shoppers post recommendations and reviews to friends and social-network connections about what they bought

Source: Webloyalty/Conlumino 2015

5

Loyalty

After owning the product, consumers decide whether or not to select the same product or brand again. Research shows that customer service and experience is the next brand differential, and by 2020 will overtake price and product

56%

of consumers say if a retailer gave a good personalised experience they would make an effort to use the site more often

75%

of consumers are more likely to recommend a brand because it provides simpler experiences and communications

Source: Webloyalty/Conlumino 2015

Source: Siegel+Gale

Touching on how to buy

Fifteen years ago the average consumer typically used two touch-points when buying an item and only 7% regularly used more than four. Today consumers use an average of almost five touch-points with nearly 50% regularly using more than three

Number of touch-points	1	2	3	4	5	6	7
2000	16.4%	66.2%	10.1%	7.3%	0%	0%	0%
2010	8.9%	37.8%	39.4%	8.2%	5.2%	0.4%	0.1%
2014	4.2%	31.3%	37.6%	11.7%	7.4%	3.9%	3.9%
2015	2.1%	23.6%	32.7%	14.9%	14.6%	5.4%	6.7%

Source: Webloyalty/Conlumino

marks into any live or recorded broadcasts, letting consumers purchase spontaneously and immediately.

Dan Wagner, chief executive of Powa Technologies, says: "Real value is what defines consumer patterns. Consumers are looking to make informed purchases that can be completed via their smartphones easily and securely. Being constantly bombarded by individual mobile commerce and payments applications has only complicated further an already saturated market. Users experience the same frustrations looking at their smartphones being overcrowded with apps of limited scope and reach as looking at their wallets or pockets being full of credit and loyalty cards that can only be used in certain stores."

"Users don't want one more app – they need the right tool that provides real solutions to their needs."

But chief executive of retail software company RetailPro International Kerry Lemos warns against simply jumping on the latest bandwagon. "The high expectation for omni-channel already exists in the consumer world," he says. "Whether retailers should choose to go through the operational upheaval to conform to that expectation is still to be determined."

“The entire company, from the chief executive to the weekends-only shop assistant, must be implementing the omni-channel vision in every decision and interaction”

In fact, the most important question they must ask is whether omni-channel is worth it for their business. As Mr Lemos says: "Consumers want omni-channel because it is convenient for them. There is a lot of customer-centric hype and it fails to consider business operations realities and the sizeable investment a retailer will have to make to implement an omni-channel strategy."

In order for the omni-channel experience truly to work, the whole company has to be engaged in the idea. "The retailer must set their own definition and standard for omni-channel – not the customer, not the media, not other businesses. It is important not to get carried away with the hype, but instead determine what is best for their business," he says.

"Every retailer's business model, goals and offerings are different, and that will be reflected in how they structure their omni-channel efforts. The entire company, from the chief executive to the weekends-only shop assistant, must be implementing the omni-channel vision in every decision and interaction."

So, what does the future of omni-channel look like? Rob Shaw is global vice president, general business and systems, applications and products customer engagement and commerce at Hybris, which provides omni-channel solutions to companies such as P&O Ferries and Monsoon. He says we'll start to see more "listening in" in real time to the signals a specific consumer generates while browsing across different channels, then acting in a timely fashion, rather than basing next steps on customer history.

"Let's say a customer is browsing a retailer website a month or so after buying a new pair of shoes," he says. "Typically this might result in the brand's marketing technology generating adverts for shoes that then follow the customer around the web. By applying context, the retailer would realise faster that the customer is probably more interested in shoe accessories than another pair of shoes, leading to more appropriate recommendations or advertisements for products such as laces, shoe polish or protective sprays."

Implementing omni-channel retail strategies is the only way that this context can be derived as, in the age of the channel-hopping consumer, it provides all the data required to build the all-important single view of the customer. Historically, too many retailers have been guilty of employing a siloed approach when it comes to the organisation of their business, a situation that makes accurately tracking customer activity all but impossible.

But this is changing, says Mr Shaw: "Many brands are implementing more holistic approaches to their operations and more effective, contextually-aware customer engagement will be the key benefit."

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CUSTOMERS EXPERIENCE THE DIFFERENCE AT BANG & OLUFSEN STORES



Luxury audio brand Bang & Olufsen has no trouble attracting customers, but the company's experience isn't quite the same as its competitors.

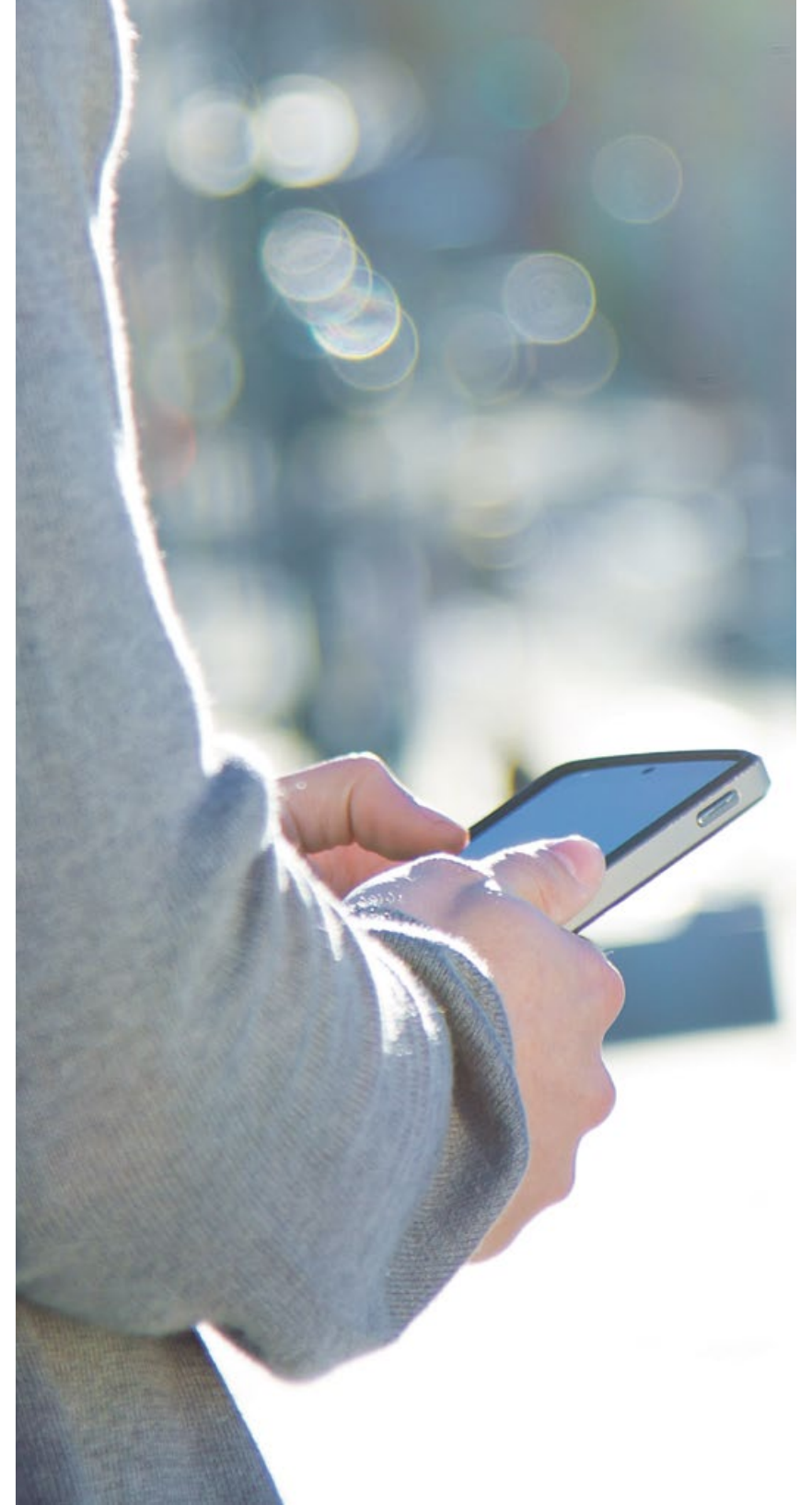
Paul Sands, director of retail customer experience, says although customers do some research online beforehand, they are often inspired by other B&O users or previous experience of the brand, and the majority of buyers will come in-store to experience the products. "Customers won't visit just once, but will come to the store a few times, sometimes even five or six, to plan a large purchase. Quite often we visit customers' homes to help plan where the products will sit and the optimal set-up for them," he says.

Because of this the company often contacts customers to let them know about new products they might be interested in. "It's a very personalised retail experience," Mr Sands adds. For its core products, the Bang & Olufsen stores are its largest channel, for its sub-brand B&O PLAY, the stores remain the largest channel, but a greater percentage of people also buy online or through third-party retailers.

This isn't without its challenges, says Mr Sands. "We operate a large retail network made up of our own stores as well as franchise retail partners, therefore we are working with many businesses in many countries which can be a challenge. But creating a great customer experience across these channels and businesses is largely about having a strong brand identity and DNA that influences all those channels.

"It is also about mapping the customer journey, and knowing how and why a customer might reach out to different channels at different times." The key is to ensure channels are not trying to replicate each other. "The internet, for instance, has a different focus to in-store. It is also important to ensure we have the correct back-up systems in place, including communication tools and a good customer relationship management system," he says.

COMMERCIAL FEATURE



Source: nenthus/Shutterstock.com

THE CUSTOMER PAYMENT EXPERIENCE

With recent developments in technology, the future of retail will be one of rapid change, as consumer consumption patterns evolve, supported by new channels and buying opportunities, says Marc Pettican, managing director of The Logic Group



Marc Pettican
Managing director

Shopping is being redefined as omni-channel as more retailers expand across the internet into mobile apps and open pop-up shops or traditional stores. As the tectonic plates continue to shift underfoot, the challenge for retailers will be keeping up with the pace of change and creating the sales opportunities to take advantage of a new consumer buying climate.

Here at The Logic Group, we've been keeping close track of the ongoing evolution of the consumer and retail landscape by regularly surveying the UK public to track emerging payments trends and to identify the payments technologies to watch. Using data taken at crucial shopping moments, we've mapped out a couple of key directions that retail is moving in.

SECURITY TAKES TOP SPOT

In light of a wave of recent data breaches, retailers will need to prioritise their efforts to keep customer data safe and secure, and we expect the debate around security to shift in the future. Retailers will start to prioritise communicating around their safety measures and will make much more noise about the preventative security measures they are taking on behalf of consumers.

This focus on reassuring the general public is needed, as we've found in our surveys that over half of the consumers we spoke to placed security as more important than any other factor when using new payment methods. This is reinforced by two thirds of respondents to our most recent survey saying they have concerns about their details being stolen as a result of using new technology.

“
We've found in our surveys that over half of the consumers we spoke to placed security as more important than any other factor when using new payment methods

Given the increased emphasis on security, technologies like tokenisation and point-to-point encryption (P2PE) are set to go

mainstream over the next few years. In the case of tokenisation, an alphanumeric code, or token, is substituted in the place of payment data when a transaction is being processed. Information about a consumer's card and personal details is reduced to a string of numbers and letters, indecipherable to any fraudsters who have gained the data via nefarious means. Similarly, for P2PE, consumer card data is scrambled and locked away to boost security. Should a breach occur where a retailer has P2PE in place, any data criminals gain access to is meaningless and unusable. Therefore the retailer has successfully protected its customers and, in turn, its brand.

Security is an emotional topic, with consumers concerned about the perceived

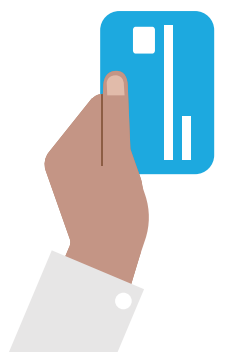
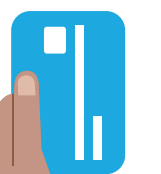
danger to their data and financial details, but also fearing intrusion into their personal devices and, as a result, their lives. While in the past many retailers may have presumed that consumers would not appreciate detailed information about their security systems, in years to come we expect to see more and more information being released to reassure potential and current customers. In the same way that Google offers a seal of approval to provide customers with further confidence in shopping online (Google Certified Shop), easy-to-understand security standards may emerge that offer the same shopper reassurance across many channels. Think of it as a kite mark for secure payments.

SEAMLESS BUYING EXPERIENCE

The concept of omni-channel shopping has been gaining momentum in the industry for some time and we feel it has come to define the future of the retail industry, as it has moved from an interesting new development in convenient shopping to become a customer expectation. As it has become a retail norm, the next differentiator for retailers will be how wisely they use the insight they are receiving on their customers' omni-channel habits. Expectation will grow on the customer's side for speedier deliveries, smarter location-based offers and even targeted offers. Retailers with a store heritage, playing on a more equal playing field against their pure-play internet challengers, have everything to gain from seizing the opportunities afforded by the omni-channel.

The advent of omni-channel will not just impact on the way consumers interact with retail brands, but could also help to reshape our high streets as well.

www.the-logic-group.com



Source: Arman Zhenikev/Shutterstock.com



OPINION COLUMN



Why are public trust and transparency so important for retailers?

For any company, but particularly one operating in a fiercely competitive market aiming to reach customers on the high street and online, reputation and public trust are of paramount importance to the long-term growth prospects of the business

HELEN DICKINSON
Director general, British Retail Consortium



“For retailers to successfully maintain their reputation and credibility with the public, the challenge is twofold. Firstly, they must do everything possible to ensure each and every product they sell is sourced in a responsible and ethical manner. Secondly, they need to make customers aware that all the information they need about their product is available and easily accessible.

The first of these, sourcing responsibly, is no easy task when we consider the often long and complex supply chains through which a product or its component parts may travel before finally reaching the customer. Nevertheless, in the age of mass information, shoppers are just a click away from an ever-expanding wealth of information about the product they intend to buy, even before they have set foot in store or go on the web.

Given the increased attention people are paying nowadays to how goods are produced, where and by whom, thanks in part to greater media scrutiny, retailers are investing ever-greater amounts of time and effort to ensure that everything they sell has been manufactured in an ethically and environmentally responsible manner.

This is why retail businesses are at the moment, for example, working closely with supply-chain partners at home and overseas, devising guidance documents and sharing best practice to ensure certain minimum standards are met in the tens of thousands of factories from which retailers source their goods around the world.

Last year, the British Retail Consortium hosted a series of seminars collectively titled “Great Expectations” with a range of participants from the business world, academics, government and consumer groups to give some detailed thought on how to respond to the

challenges posed by the modern supply chain, to reflect on our roles and responsibilities as an industry, and to consider some ways forward.

One of the seminars reflected on the issue of business transparency and the participants concluded that transparency is not simply a matter of providing more and more information to the consumer.

Rather, the key is to make freely available information which is both credible and capable of withstanding scrutiny, and also looking at how best to convey that information to the consumer – be that on the product itself in the form of a new label, online or even through direct engagement via social media.

Many retailers are nowadays, for example, heavily active on Twitter, communicating through images, videos and text what they are doing across a host of areas, and engaging with people to answer their questions and concerns.

Apart from the positive environmental and ethical benefits, therefore, putting in the time and resources to ensure your company is more transparent simply makes good business sense. In an evermore competitive market, in which a negative story in one small corner of the globe, such as an ethical labour issue or an environmental catastrophe, can go viral within minutes, being able to stand confidentially over your corporate reputation can be vital to the long-term survival of your business.

Shoppers quite rightly expect retailers to address all their concerns regarding the supply chain and retailers must ensure they meet public expectations in this regard. With a wealth of shops and websites to choose from, the knowledgeable consumer will be aware of one company’s achievements and another’s failings, and in such a competitive environment, no retailer can afford to lose public trust.

“The key is to make freely available information which is both credible and capable of withstanding scrutiny”

Bricks and clicks are a thing of the future

Shopping in the future does not necessarily have to be a contest between online and off – indeed the two may come together in a mutually convenient partnership

ONLINE SHOPPING

JOSH SIMS

Typically reported views on the future of lifestyle retailing come down to some ultimate battle between bricks and mortar and online stores, the former offering the experience, the later the convenience. But might, potentially, tomorrow’s shopping paradigm be more at the blurred boundary between the two – bricks and clicks?

John Miln, chief executive of the UK Fashion and Textile Association, posits a future of stores of limited shop-floor stock, available to see should the customer want it, but otherwise selling a greater range digitally, with the option to take away the item when purchased or, as online, have it delivered. “The question,” notes Richard Perks, director of retail research at Mintel, “is whether that approach can work out economically; real shops and staff being expensive.”

But a physical shop is perhaps necessary for many big retail names. Online shopping is, after all, still not for everyone. However, digital shopping will become more ubiquitous. In South Korea, for example, Tesco has experimented with virtual store displays in subway stations, via which shoppers can use a smartphone to scan QR codes and have the goods delivered the same day. But this can also come with choice paralysis and the hassle of returns.

Online retail sales in the UK last year amounted to just 11.3 per cent of the total. Meanwhile, increased urbanisation – house prices forcing younger generations to rent, but giving them the opportunity to live in a city centre, which in turn means lower rates of car ownership – is driving a demand for small, convenient,

local stores and a return to traditional mercantile values.

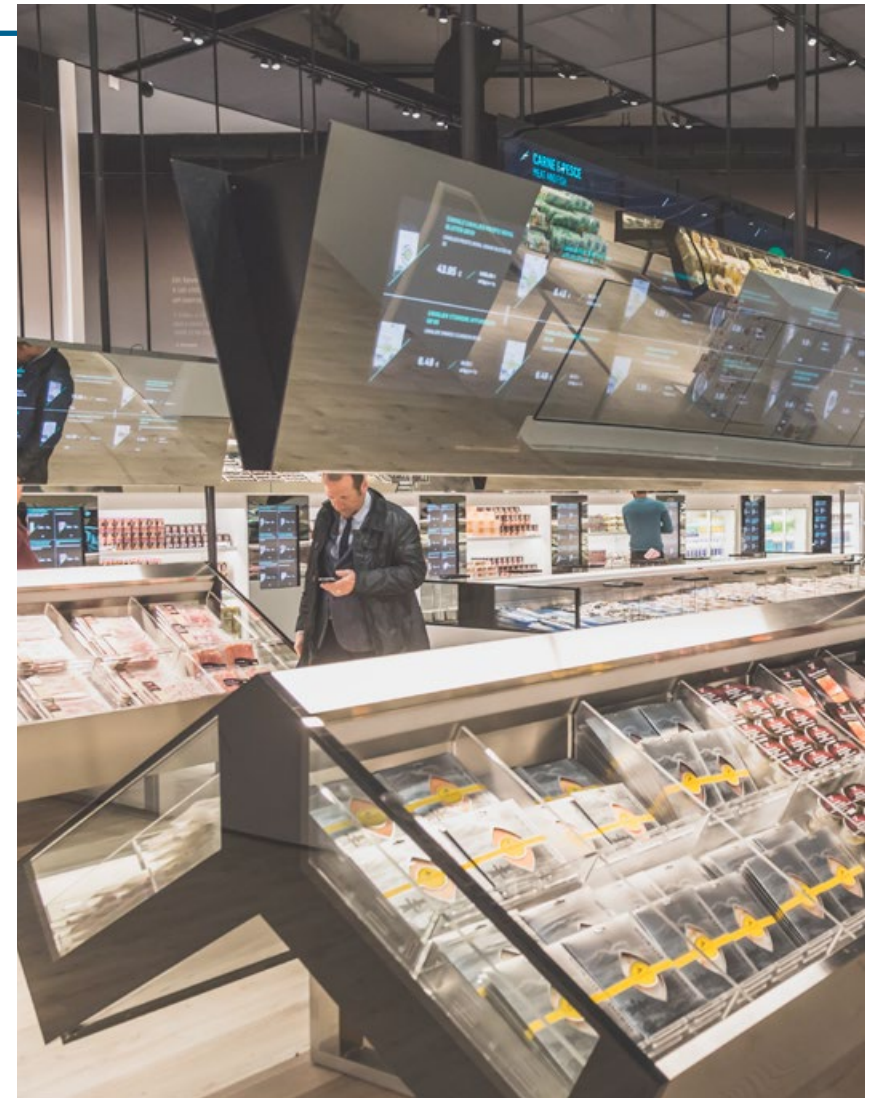
“There’s a new place for independent stores, for old-fashioned personal service, an edited choice of products and so on,” says Mr Miln. The same might also be said to apply to the streamlining of online stores to make shopping as uncluttered, fast and as efficient as possible. Skullcandy, Boucheron and Tag Heuer, for instance, have all trialled desktop camera-based software that allows shoppers to “try on” their products digitally at home.

“Ultimately, the question is really one of whether new generations of shoppers have the same desire to touch and feel products before they buy, as older people tend to want to do,” Mr Miln adds.

Certainly, despite the overheads, retailers in general might well favour real stores, in part because when people shop online they buy less, so incentivising them to get back into stores is important. “There’s no serendipity online and actually online is difficult to browse,” says Mr Perks. “And clearly people still want to go to shops, although the high street of the

future may not be a place to buy, but more a leisure outlet.”

So-called “third space” and experiential retail has, in recent years, seen the diverse likes of Dixons launch studio workshops in its stores or Moss Bros create library areas in which shoppers can learn about the latest trends. Levi’s has run print and photography workshops. Upmarket brands, such as Dunhill, Louis Vuitton and Austin Reed, host deluxe in-store events and have restyled themselves more as shop-meets-private club. Other brands have collaborated, placing a pop-up Square Mile Coffee Roaster inside a branch of cosmetics company Aesop, for example, to reinvent shops more as a hybridised community hubs. The more time



A futuristic supermarket at Expo Milan where product information digitally appears when an item is chosen

you spend with a retailer, the thinking goes, the more likely loyalty will grow.

“Ask yourself if there is any point in shops now and clearly there is, which is why online retailers are opening physical spaces,” says William Higham, founder of futurist agency Next Big Thing. “But that is in order to do what you can’t do online – to interact. We’re seeing a merger of retail, hospitality, entertainment and education, with an element of ‘gamification’ too.”

He cites, for example, sports brand Asics’ use of in-store video walls, from which customers can also shop, or Jimmy Choo’s use of GPS-based social networking services such as Fourspace to run treasure hunts for his shoes. Then there are certainly more gimmicky ideas, albeit ones that point to the experimental nature of much retail now, including in-store 3D body scanning to help select the best fitting clothes, for example. Musical fitting rooms from StarHub in Singapore personalise the in-store experience by giving each garment a radio frequency identification tag, prompting the changing room to play a style of music matched to the style of clothes – and then allows you to buy the music too.

Indeed, such developments could prove just the tip of the iceberg for how radically retailing, online and off may be transformed in years to come. Frightening thoughts in many ways. Mr Higham

suggests we might well expect what has been dubbed f-commerce, after Facebook or Friends, in which shoppers themselves get a commission on sales of products they recommend to their peers and, as is already happening via Instagram, the advent of “everywhere retail”.

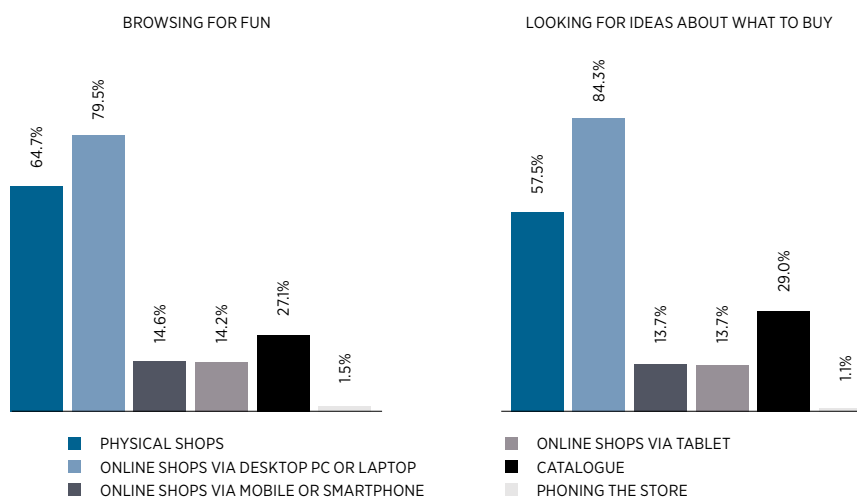
“That’s when everything will be shoppable – on the TV, in shop windows at night, in magazines,” says Mr Higham. “You could see a product anywhere and be able to buy it there and then because, since we’re increasingly bombarded with information, if you don’t buy there and then, invariably you don’t.”

One thing does seem certain: tech, notably the internet and the smartphone, has already changed the way retail operates and will continue to do so, even if it is not working in opposition to traditional stores as is sometimes suggested.

“Whether a store sells online or off is, ultimately, completely irrelevant,” stresses Mr Perks. “You might visit a store occasionally, for reasons other than to buy, but in the end you buy as best suits you, online or off. To set them against each other is a red herring. In fact, it’s more about bringing them together.”

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SHOPPING BEHAVIOUR



COMMERCIAL FEATURE

THE \$1BILLION DIGITAL RETAIL MEDIA OPPORTUNITY

Digital is opening up significant revenue potential in the form of advertising and branded content, says Jill Orr, executive vice president international, Triad Retail Media



Retail has always provided marketers with premium opportunities to connect with their customers at point of sale. In today’s market, where e-commerce and mobile commerce have interrupted the traditional shopper user journey, it’s vital digital retailers provide marketers with the same ability to reach

customers in ways that take full advantage of digital platforms.

With digital, comes a unique set of challenges both for the marketer and the retailer. Central to this is translating customer engagement on to new and ever-evolving platforms, where distractions are only one

click away. Retailers who address these challenges can open up significant revenue potential from digital advertising and branded content – an untapped opportunity estimated by an OC&C Strategy report in 2014 to be worth \$1 billion in the UK alone.

Digital retail media is a concept that has emerged over the last decade since Triad Retail Media approached Walmart with the idea that advertisers want to engage shoppers on e-commerce sites. At that time, sponsored content on such sites was a revolutionary concept, but as retailers have embraced the digital customer, so they have moved away from just content and welcomed more “publisher-like” solutions, such as IAB and native ad units.

For brands, advertising placed at the point most likely to influence customers on their path to purchase should be a no-brainer. It’s as straightforward as advertising on the last billboard before pulling into a supermarket or a price-point promotion in-store. And, of course, one click will take you to the product.

It’s also easy to understand why many retailers have taken steps towards becoming credible media businesses. Investing in digital platforms is an expensive, but essential, move and advertising enables a retailer to generate revenue every time someone visits the site, targeting them as browsers not buyers. Creating an always-on revenue stream by opening up digital platforms to advertising provides retailers with funds to invest in their core digital business, such as developing customer rewards and retention programmes or introducing free delivery.

World-renowned retailers, such as Walmart, Amazon, eBay, Carrefour and Coles, some of whom partner with Triad Retail Media, already offer advertising and branded content that delivers cross-device

targeting and exploits the first-party data retailers can offer. Combined with brand-safe environments, these innovative retailers are providing an attractive alternative to traditional publisher platforms.

“Advertising placed at the point most likely to influence customers on their path to purchase should be a no-brainer”

You may well be asking at this point how advertising affects your conversion rates. In our 11 years’ experience and mirrored in independent research conducted by Nielsen, concerns about a negative impact on conversion, while always top of mind, aren’t borne out. One way of looking at it is to think of someone going to a department store to buy a pair of shoes and they see an offer on a set of saucepans. They may buy the pans, but it won’t stop them buying the shoes. In other words when people are in a shopping mindset, they are simply more open to a variety of offers, so all retailers have to do is join the dots and lead them to purchase.

Equally important is maintaining your brand’s trust and credibility, which can be damaged with low-quality and intrusive ad formats. It’s vital that retailers protect their reputation and make sure the customer experience and path to purchase is a good one. Triad recommends carefully selecting advertising formats and platforms, defining business rules and creating block lists of categories and

brands that meet your business needs. Such a well thought out approach makes sure you are delivering what your audience wants while also working for advertisers.

GETTING THE JOB DONE

The necessary skills to run a digital retail media programme are not core to many retailers, but whether you choose to partner or bring resources in-house, you need to gain the media, sales and technology expertise without any major disruption to the day-to-day running of your business.

Of course, at Triad we believe that launching a retail media business is best executed through a third party, but whatever approach

you take, one thing is essential for success – business buy-in, as media will introduce a new set of challenges and decisions which need to be aligned across many functions within the retailer. Shared vision, full transparency and departmental alignment are necessary within the retailer as well as with any partner.

So will we see a shift to advertising becoming an inherent part of the digital retail experience? Looking at our American cousins, where eight of the top ten retailers already have a solution, and with shoppers increasingly picking up their tablets and mobiles to shop, it’s not a matter of if it will happen, but how quickly.

www.triadretail.com



COMMERCIAL FEATURE



MORE RETAILERS ARE BENEFITING FROM THE UK'S LARGEST CLICK AND COLLECT NETWORK

As customers increasingly opt for click and collect, retailers are finding that thanks to the vast reach of the Post Office network, **Local Collect** – Royal Mail's national click and collect service – helps them to offer more convenience as well as maximise first-time delivery success



Nick Landon
Managing director, Royal Mail Parcels

With the rapid expansion of online shopping, customers are demanding more choice than ever when it comes to how and when they receive their purchases. One delivery option that more retailers and consumers are starting to appreciate, thanks to the convenience that it provides, is click and collect.

It's particularly popular among consumers who find it difficult to be at home to accept a delivery. The click and collect market is set to grow 81.9 per cent in the five years to 2019, according to Verdict (August 2014 report).

But in order for click and collect to work, the collection point must be conveniently situated for the customer. Customers also need to be able to choose the "collect" option easily as part of the online checkout process, and they must feel confident their purchases will arrive intact and on time.

To meet these growing demands, we've created Local Collect. A partnership between Royal Mail and the Post Office, it offers online shoppers access to the largest retail network in the UK. Local Collect is available in over 10,500 Post Office branches around the country, with many now open later and on Sundays, providing secure and convenient parcel collection facilities, with 99 per cent of us living within three miles of one.

Customers can simply select Local Collect on the retailer's website. We've made it simple

for retailers to offer Local Collect through their website. They can connect seamlessly via our API (application programming interface) or via NetDespatch, a third-party integrator, so their customers can select from the most up-to-date database of Post Office branches.

Local Collect is available at no additional cost.

Customers receive an e-mail or SMS notification when their parcel is ready for collection and items can be stored for up to 18 days before being returned to the retailer.

Click and collect is proving to be very popular, but it's still in its infancy. On the other hand, people have known and trusted Royal Mail and the Post Office for decades, so we

can offer the best of both worlds.

According to our 2015 *Delivery Matters* report, a survey independently conducted by research agency Hall & Partners, nearly half (44 per cent) of online shoppers are more likely to use an online retailer if they deliver direct to a Post Office branch, while three quarters trust the Post Office as an alternative delivery location.

Local Collect customers include Amazon. But it's also appealing to small and medium-sized enterprises (SMEs) and a growing army of eBay power sellers who, among other smaller, ambitious companies, realise that offering customers a variety of flexible, convenient delivery options, including click and collect, is the key to customer engagement and growth.

Perfume Click

'Customers love the choice and they love the opening hours'

Launched six years ago, Perfume Click is a purely online business that offers customers around the UK and beyond more than 7,000 genuine, branded fragrance, beauty, skincare and haircare products.

As is the case with so many small businesses, the company was formed around a dining room table, but now operates 11 European websites, dispatching thousands of products every day from its office and warehouse just outside Manchester. To maintain its position as a successful player in a highly competitive sector, Perfume Click is aware that it has to differentiate itself by providing excellent customer service, as well as an extensive product choice and competitive pricing.

"We decided to offer Local Collect to give a bigger choice to our customers," says managing director Deane Brooks. "They can either have their purchase delivered to their home or to their local Post Office." The choice of so many local Post Offices has huge appeal. "The feedback from our customers is that they love the choice and they love the opening hours, especially at Christmas time."



"Integrating the API system from Royal Mail into our own was a seamless operation", says Mr Brooks.

"The main benefit of Royal Mail Tracked 24 and Royal Mail Tracked 48 is the visibility for our customers and for our customer service staff," he says. "We can track every parcel from the moment it leaves our warehouse to the time it arrives with the customer. They also get an SMS from Royal Mail and they get an e-mail too. Customers appreciate the e-mail and the SMS messages."

"Our relationship with our account manager is very good. We can just give him a ring or he rings us to see how it's all going. It's been fantastic for us."

www.perfume-click.co.uk



10,500 Post Office branches in the UK where Local Collect is available



75% of consumers trust the Post Office as an alternative delivery location



4,200 Post Office branches offer collection outside regular office hours, including evenings and weekends



Increases first-time delivery success



A free service for e-tailers and their customers

Last summer we announced that we would make Local Collect available to the 20,000 SME customers who we have contracts with.

Local Collect is being introduced against the background of a major modernisation programme at the Post Office that includes the introduction of longer opening hours at thousands of its branches. Over 3,000 Post Office branches have been modernised providing more than 82,000 additional opening hours each week, from early in the morning until well into the evening. Around 4,200 branches are offering these extended hours including weekend opening.

We've experienced a great response to Local Collect since we launched it. The retail clients that I've been speaking to are telling me that it's fast, reliable, convenient and secure – a real win-win for fast-growing online retailers of all sizes and their customers.

www.royalmail.com/localcollect

Taking a bite out of the Apple?

Mobile payments, using smartphones, tablets and watches, promise great potential if only more retailers would adopt innovation

◆ MOBILE
● STEPHEN ARMSTRONG

Apple's forthcoming launch of Apple Pay, the company's contactless payment system that allows owners of an iPhone 6 or an Apple Watch to pay by touching their devices on contactless pads, has been embraced by almost everyone.

Geeks love it and the banks are totally onboard with First Direct, HSBC, NatWest, Nationwide Building Society, Royal Bank of Scotland, Santander and Ulster Bank already in place, and Bank of Scotland, Coutts, Halifax, Lloyds Bank, MBNA, M&S Bank and TSB Bank joining this autumn. The only people a bit so-so? The retailers themselves.

Marks and Spencer and Waitrose will offer the basic £20 contactless service, Tesco has no plans to formally adopt the system although stores with contactless payment facilities in place will handle Apple Pay, while Asda and Sainsbury's won't take payments at all.

Apple Pay also offers a system, using fingerprint recognition, that lets users make higher value or in-app payments without having to re-enter their credit card information or share sensitive personal details with the company. So far it's leading-edge seamless retailers such as Argos, JD Sports, Selfridges, Ocado, Topshop and Zara who have welcomed this move.

"Mobile is retailers' biggest channel without a strategy," warns Danny Bride, head of retail at IBM. "It accounts for more than 50 per cent of e-commerce and it's a way for stores to drastically reduce waiting times for customers, thereby saving a fortune."

Mr Bride points to IBM projects with Boots to reduce queues during the store's busiest period at lunchtime by allowing shoppers to both pay for an item and earn Boots Advantage Card points with a single wave of their smartphone. "Mobile should be at the heart of business-to-customer, business-to-employee and business-to-business relationships – instead most leading retailers have little idea what to do with it," he says.

UK consumer retail spending on mobiles and tablets is forecast to hit £53.6 billion a year by 2024, according to research from Barclays, but only 3 per cent of retailers believe they are truly mobile-ready, while 70 per cent say they do not have a mobile-enabled website or app in place. Barclays' research also predicted that, by 2024, 42 per cent of all retail sales will involve a mobile device at some point in the purchase decision process, from checking prices to reserving items for collection.

"The question every retailer should be asking themselves is what they are doing about it," says Richard Lowe, managing director and head of retail and wholesale at Barclays. "Mobile devices offer excellent opportunities for location-based marketing, and as the supporting technology develops, it will allow retailers to pinpoint the precise location of shoppers and send personalised offers relevant to their vicinity."

One location-based smartphone tool retailers can use to their advantage, according to Gartner analyst Van L. Baker, is the Bluetooth LE beacon. This in-store signal pulses out a data "greeting", searching for Bluetooth-enabled smartphones. If a shopper has opted in to the retailer capturing their data, the phone replies and triggers searches on the shopper's purchasing history and personal profile. The store then has the chance to make specific offers on the spot.

“Mobile should be at the heart of business relationships – instead most leading retailers have little idea what to do with it”

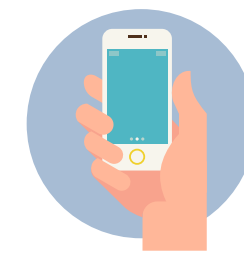


A customer pays at a till using a smartphone app



PayPal demonstrates its shopping service using smartphones at a Nescafé store

MOBILE MARKETING



95%

of Chinese consumers are willing to receive personalised offers on their mobile phone while shopping in-store



78%

of German consumers are willing to use an app on their mobile that enables them to find a product in a supermarket more easily



48%

of American consumers are willing to use a system allowing them to be identified in-store in order to receive certain advantages



44%

of English consumers are keen to find out which products are most popular with consumers via their mobile or directly in-store

Source: DigitasLBi 2015

The temptation, Mr Baker warns, will be for retailers to broadcast generic promotional offers to anyone within range of the beacon, which is likely to be seen as spam. He urges retailers to be judicious and deliver a highly personalised shopping experience.

It's a warning John Lewis has taken seriously. The high street giant recently launched incubator JLab in partnership with tech entrepreneur Stuart Marks. The first startup backed by JLab is Localz, an iBeacon technology designed to trigger shoppers' click-and-collect orders to be picked as they enter the shop, or help customers navigate their way around stores based on their online wish list. Mobile point-of-sale software means store staff can take payments anywhere in store using a tablet.

"Mobile helps us join up our channels to offer a seamless experience," says Sinne Veit, the company's director of online. "Es-

pecially with big-ticket items, in-store is often the start of the journey. Our app already offers barcode scanning, so customers can read reviews or share with friends and their other half, and then consider the purchase at home. Location-based services are just one of the areas we're looking at adding to that," she says.

The key to successfully handling this sort of click-and-collect, mobile or location offer, according to Adyen UK country manager Myles Dawson, is an omni-channel for payments. "Unless the back-end is in place across the group, there's the chance of chaos," he cautions. "There are companies where online delivers click-and-collect items to stores which have that item in stock."

Since Adyen's 2006 launch, the payments company has grown to handle more than 250 payment methods and 187 transaction currencies serving 3,500 online businesses, including Facebook, Dropbox, Airbnb, Netflix, Spotify and Groupon. Now it's moving into bricks and mortar, tying up deals with Moss Bros and Superdry. Provided there's a good omni-channel in place, Mr Dawson explains, mobile payments offer retailers speed and huge amounts of data, meaning every transaction with the retailer online, mobile or in-store gathers customer data.

"The future of retail should be such a seamless transaction – like taking an Uber – where I can walk into a store, see something I like, walk out with it and there's enough in place for the security tag to be disabled and payment taken from my account without me having to do anything," he says.

The closest retailer to this vision is Shell. The company is rolling out a smartphone app across the vast majority of its 1,000 UK service stations in a deal with PayPal that allows automatic payment of a pre-set amount. Drivers link their PayPal account to the app, set a spending limit, scan a QR code on the forecourt and the pump will stop automatically when the spending limit is reached. The petrol is then paid for automatically. It's a smart solution – although, of course, most petrol stations have huge signs banning the use of mobile phones.

Technology is driving change

Technical innovation has created opportunities for retailers and customers as the way goods and services are bought and sold is in constant flux

◆ TECHNOLOGY
● NICK MARTINDALE

The world of retail is constantly changing and much of the change is because new technology is altering the way people shop. "The move towards a seamless retailing experience continues to be a key trend," says Andrew Long, head of IT strategy at Accenture UK. "Technology is the enabler for this, blurring mobile and online with physical stores." The different channels are now combining to become part of a wider, multichannel shopping experience, says Peter Fitzgerald, country sales director at Google. "The old belief that consumers would search and then purchase online no longer stands," he says. "The customer journey now runs across desktop and mobile, and often involves multi-screening or showrooming."

Online technical innovation has created new opportunities for both consumers and retailers, with new entrants offering different shopping channels. "YouTube has recently launched click-and-buy video adverts, which will allow consumers to buy products directly from the video ads they are watching," says Matthew Knight, head of strategic innovation at Carat UK. "Google has also announced that it will introduce a 'buy button' to its search result immediately, enabling users to buy products without needing to visit a separate website."

3D printing is also starting to have an impact, offering the potential for individuals to "print" products in their own homes. "Currently this is limited to certain materials, such as plastics and metals, but in the next three or so years we should see the 3D printing of fabrics," says Simon Shen, chief executive of 3D printer manufacturer XYZprinting. "This has the potential to completely revolutionise textile, fashion and home interiors retail."

The mobile channel is also evolving as retailers compete for attention. Omaid Hiwaizi, president, global marketing, at Blippar, points to the use of augmented reality technology. "By effectively bringing the environment and products to life through the lens of a smartphone, retailers can create better experiences for shoppers and gather data to personalise the experience for each individual," he says.

Mobile technology is infiltrating stores as the boundaries between online and offline blur further. Arming sales staff with laptops, tablets and smartphones can help reduce lost sales due to a lack of stock, and can also help build better relationships with customers,



Sun & Sand Sports flagship store, designed by Green Room, in the Dubai Mall

ers, says Ben Dowd, business director at O2. "The experience of buying is becoming just as important as the product being sold," he says. "Smart retailers are exploring the potential for mobile technology to change fundamentally the way they interact with customers, whether they're online or on the high street."

The use of Bluetooth beacons and in-store wi-fi access points are enabling retailers to target customers as they enter a store, allowing them to deliver personalised offers and increase sales. "Retailers can see where a customer stopped to look at merchandise, how long for and then determine exactly which products the customer is looking for," says Mark Thomson, retail industry director at Zebra Technologies. "This

information can be used in conjunction with cloud-based internet of things platforms to deliver customised messaging on in-store displays and personalised deals to shoppers on their mobile devices as they shop."

“Arming sales staff with laptops, tablets and smartphones can help reduce lost sales due to a lack of stock, and can also help build better relationships with customers”

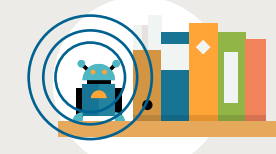
"By understanding each customer in-depth through data analytics, retailers can use technology to deliver content and promotions to customers who will be pleased to receive them and so more likely to purchase products."

Incremental spend and margin can be increased by as much as 30 per cent, he adds.

In the future, this could incorporate data gleaned from wearable technology, predicts John Fleming, marketing director, Asia-Pacific, Europe, the Middle East and Africa, at Webtrends. "If a consumer is out jogging and using a fitness app with GPS tracking, a supermarket could partner with the app to send them an alert at the end of their exercise, offering them a discount on an energy drink at their nearest store," he says.

In addition, payment habits are changing with retailers looking to offer more convenient ways for customers to pay. "Ten years ago it was enough to provide a credit card terminal, now retailers have to consider options that let people pay with apps, PayPal or using contactless payment," says Istvan Kapitany, executive vice president at Shell Retail. "New payment technologies provide benefits both to customers, in convenience and cost, and also to retailers, in engagement and operational efficiencies."

FIVE TOP TECHS FOR RETAIL



1. BEACONS

The technology, which provides in-store analytics and marketing solutions for brick-and-mortar retailers, has already generated results for several merchants, which is why beacon adoption is expected to continue to grow in 2015.



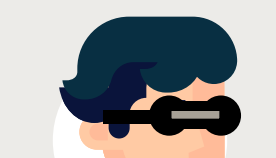
2. POINT-OF-SALE TECHNOLOGY

Vendors of cloud-based point-of-sale systems claim they can outperform old-fashioned cash registers in all aspects, including performance, functionality and appearance. An increasing number of retailers are expected to upgrade their payments systems and make the switch



3. WEARABLES

Rapidly increasing popularity of wearable tech, such as smartwatches and fitness monitors, is expected to prod forward-thinking retailers into experimenting with the technology to market or serve customers. Ownership of wearables is expected to double in 2015 from 7 per cent of consumers.



4. AUGMENTED REALITY

From virtual fitting rooms to interactive window displays, merchants are continuously finding ways to use augmented reality (AR) to draw attention and improve customer experience. Walgreens US retail chain is testing Google's Project Tango 3D to create AR-enabled mobile maps and navigation for its customers.



5. 3D PRINTING

Some merchants, including online jewellery store Brilliance.com, have already found a use for 3D-printing technology. Brilliance is using 3D-printed mock-ups to help customers try on different rings so they can determine the right size, shape, carat and diamond arrangement for their hands.

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A retail revolution is on its way

Many different and inventive ways of selling are queueing up, hoping to be first in line to cash in at the retailer's till

◆ FUTURE BUSINESS MODELS

● DAVID BENADY

Five years from now, going shopping could be a very different experience. A range of new business models are likely to revolutionise retail and transform the way we shop.

Investors are looking for the next great advance in retail which will break the mould and herald a new era for commerce.

Frederic Court, who has just set up his own venture capital fund called Felix Capital, is on the hunt for the next big thing in retail. His previous investments include Farfetch, an online store which sources high-fashion items from boutiques around the world.

"There will be a big, big change in the retail industry. We see new developments emerging that are technology-led and which will disrupt the established players," he says.

He points to the emergence of what he calls full-stack commerce, with companies that design, manufacture and distribute products. "They can sell a product at a higher gross margin of 60 to 80 per cent rather than the traditional wholesaler's gross margin of 40 per cent. We are interested in companies with the opportunity to go direct to customers to create a unique product you can't find anywhere else," he says.

Mr Court gives the example of French online retailer Rad.co, in which he has invested. It creates printed streetwear on demand and carries no stock. "They have partners who create that for them; they only incur the costs when they make a sale," he explains, predicting there will be more such retailers in different sectors. He points to Casper.com in New York, which he says has revolutionised the selling of beds, creating high-quality mattresses and delivering them across the city by bicycle.

Shoppers are increasingly buying online and using physical stores as showrooms for viewing goods. Some retailers are building this trend into their business models. Online menswear retailer Bonobos offers personalised fitting and styling at 19 "guideshops" across the United States.

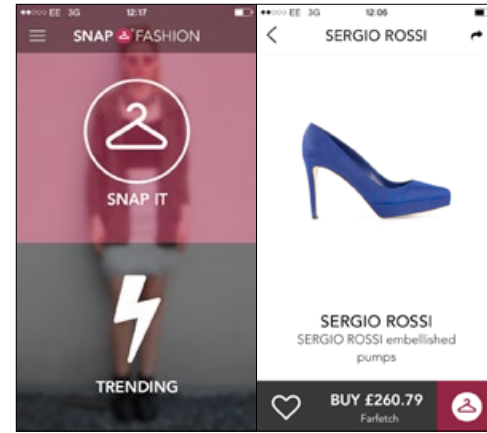
Rapid advances in technology and data are likely to do to traditional shopping what Airbnb has done to room rental and Uber has done to taxis. Henry Mason, managing director of consultancy Trendwatching, says: "There is an interesting moment coming



A Casper mattress being delivered by bicycle in New York



With Trunk Club, you only pay for the items you wish to keep and send back the rest



The Snap Fashion smartphone app

when you combine the internet of things and the sharing economy." Once everyday items have computer chips in them and are connected to the web, retail could be transformed beyond recognition. "What happens when physical goods become easily manageable and shareable with anyone? You get a very interesting model," says Mr Mason.

He envisages the creation of a version of the Tinder dating app for retail, making it easy to find what you need in the local area. Ordinary people can share, hire out and sell their own goods – any item. People could buy goods as an investment for rehire. "We'll all become retailers," he says. He has identified another trend he calls "pre-tail" where entrepreneurs fund new ideas through crowdsourcing and win customers before they have even created the product.

A big trend that is transforming retail is the subscription model, where for a regular fee, usually monthly, a retailer will curate and supply your goods. A pioneer in this area is US menswear service Trunk Club, bought by luxury department store group Nordstrom last year for \$350 million. Trunk Club offers men a consultation, online or in-store, with a stylist who elicits their preferred fashions, then makes up a trunk full of clothes and sends it out to them. The customer can keep all the items or send back ones they don't like.

The idea of subscription retail is catching on with entrepreneurs and, following the

sale of Trunk Club, many others have been trying to create their own subscription businesses for a variety of sectors.

"Subscription models are something we've seen a lot of," says Baz Saidieh, a partner at TrueStart, a London-based incubator for retail startups which is part of True Capital. "We have also seen a lot of me-too products out there, where something is created and people believe they can create a huge business by copying it," he adds.

True Capital is backing VTTL, a subscription service for vitamins and supplements. "Where we see differentiation is with companies that really know how to execute their idea," says Mr Saidieh. "A lot of businesses come in and forget about the product; they just think about the digital side of things." The expertise and skills of the entrepreneur are as important as the business model they

invent, he adds. Incubator TrueStart is backing a host of other startups with new models for retailing. One is recycling site Clotho, which allows people to send in their used clothes and get credits they can use to buy other used items from the site.

Another big trend is for apps that enable social shopping. London startup Snap Fashion offers a smartphone app which enables users to photograph an item of clothing they like, then it finds similar items online from more than 170 retailers.

Meanwhile, retailers are trying to transform their business models to a multichannel platform, where they can offer their goods across channels, whether mobile, desktop, tablet, social site or physical store. The successful business models of the future will push the multichannel approach to the limits, using data and technology to make shopping quicker, easier and more fun. Value for money will be a powerful driver, but most important will be finding innovations that remove the barriers which hold people back from making a purchase.

DELIVERING THE GOODS



Shoppers crave instant gratification from purchases, which means ensuring they get their goods delivered quickly and cheaply. Delivery is becoming an essential part of the next wave of retail innovation. Even Starbucks is trialling delivery of piping hot coffee to customers through the courier app Postmates.

As Frederic Court at Felix Capital says: "There are several initiatives in the market to get someone to deliver by foot, by bike or by car

that will transform the way people access products."

Amazon has the most forward-thinking delivery proposition with its Prime Air drone delivery system. The US Patent Office has recently published details, revealing that the drones would track the location of the recipient using data from their smartphone.

Other innovations include ride-sharing app Uber testing food delivery service UberEats. This uses the fleet of drivers that carry

passengers to also deliver food.

Instacart is a grocery delivery service operating across America which offers to get groceries to your door from a selection of retailers within one or two hours of placing the order. In London, a service called Deliveroo is trying to revolutionise take-away food by organising deliveries from restaurants.

Another area of experimentation is in making it easier to deliver goods when people are not home. Volvo has developed a system

where consumers can have goods delivered directly to their car boot. Using GPS technology, the delivery company can locate the user's car and open the boot to place the goods. Amazon has announced a tie-up with DHL and Audi to trial in-boot deliveries for Audi cars.

E-commerce has also created a growth of cargo bike deliveries, with the likes of Outspoken delivering everything from Amazon parcels to take-away food on two wheels.

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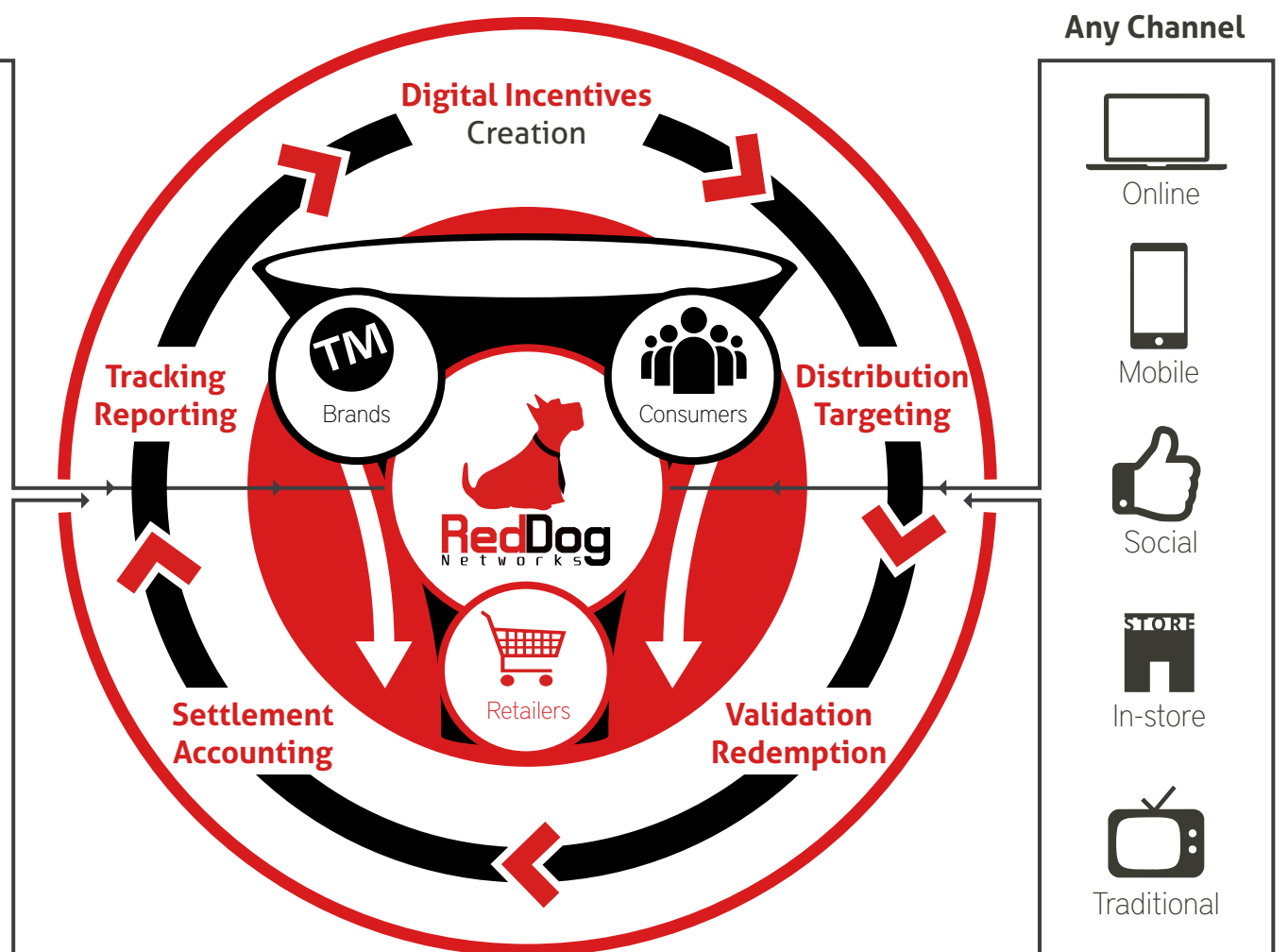
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