

Making Retailers Click – What Does the Online Stampede Mean for the High Street?

Introduction

As everyone except the most determined hermit will know, the internet is now a major force in business. As digital delivery draws customers from traditional retail outlets, this structural shift has major implications for the industry. Online retailing now accounts for more than 10% of retail sales, which rises to nearly 20% when food sales are stripped out. A report by the Javelin Group has calculated that these newer channels will lead to a 31% reduction in the number of town centre shops by 2020. Rather than growing the overall sales 'pie', purchases via the internet have diverted customers away from stores. In recessionary times this 'zero sum' factor is unlikely to change.

High street retailers need to look for more sales channels to survive, with the obvious candidates being online, catalogue and international. However, the internet cannot be a half-hearted add-on. It is a specialist area that requires a proper strategy. It's not enough just to splash some cash on a pretty front end to a website - the back office will have to cope with new ways of handling products. It must be fully functional and able to deal with single picking for dispatch, returns etc. This whole area requires significant focus, expertise and expenditure and ignoring the internet is unlikely to be an option.

How many channels?

The term 'multichannel' covers an ever-expanding range of customer access points, from the traditional (shops, catalogues) to the new (PCs and smart phones). Old-style retailers manage their online businesses as a mere bolt on to their estate, yet increasingly customers use online *in conjunction* with stores. Retailers need to understand how customers want to engage and shop with them. How does a bricks and mortar retailer embrace multichannel within its customer offer? They need to offer a seamless approach to the consumer experience through **all** available shopping channels.

Last year, for the first time, sales of smart phones overtook those of PCs and laptops; by the end of 2011 20% of people were accessing the internet via their smart phones. Within 18 months this is set to rise to 50%. The problem for retailers is not only how to advertise across so many channels, but also how to interact on so many different platforms. Emerging channels, such as social media and mobile apps will, in most cases complement and not replace the established channels. Any business that wants to remain competitive has to operate across the whole sales spectrum.

According to Google, 42% of sales involve a multichannel journey. Multichannel sales are worth, on average, over 8% *more* per transaction. So being able to determine the key customer touch points to shorten their journey and decrease the cost per acquisition is vital to stay ahead of competitors.

The biggest resistance most businesses face in adapting to these changes is actually internal. In-house IT and Marketing Directors struggle to keep pace with rapid changes in the multichannel domain, and a traditional retailing culture may be initially resistant to change. For example, it's unlikely that John Lewis likes price-matching competitors online, but they

now regularly send targeted e-mails for short term matching so as to compete with offers from the likes of Debenhams.

Putting the Store Online is Not Enough

There is more to a web site than simply having an attractively branded home page. The way your customers interact with you online will be different from the way they deal with you in store. The way customers interact on a smart phone or through a game console, will be different to how they interact with a PC. Anyone who has ever used Facebook, LinkedIn or eBay on their smart phone, will have noticed that the experience is a more limited version of the web one. It is likely that m-commerce and shopping through apps will soon become normal. As part of your web design make sure that your house style is consistent and works across **all** channels. If you're on Facebook make sure you have a true Facebook app, as there is nothing users hate more than being taken off Facebook back to your site.

In a multichannel world, channel dominates brand. This means that if a customer's favourite social media is Google+ and you're only on Facebook, they are not going to move to Facebook just to receive your marketing info. Equally, they are not going to change from Android to Apple, just because that's where your app is. As ever, everything needs to be joined up for customers to enjoy the process and for your relationship with them to be maintained, or even enhanced. Businesses with good customer satisfaction rates have nothing to fear and everything to gain from investing in social media. Regular searches of Twitter and other social media sites can highlight areas of concern for your business of which you may not be aware. These should be dealt with swiftly and directly, thus adding to your credibility. Ignoring feedback is always a bad idea.

The main measure of performance is the rate at which visitors to your site convert into purchasers. To achieve high conversion rates you must ensure your web experience has been optimised; this is often simply referred to as the user experience.

The Marketing department, or a paid focus group, are not the best resources to determine the optimal user experience for your customers. By using 'in page analytics' with a video replay facility, as opposed to simply a heat map, you can play back actual customer journeys and use the findings from this to run multi-variant testing to pick the highest converting pages or funnels. It's the online equivalent of being able to watch clients on CCTV as they walk through a store. Improving the experience for them by removing obstacles from their visit and placing goods exactly where they can be bought in the simplest way.

Web site essentials:

- Ease of navigation is fundamental to the user experience.
- Content – not just product, descriptors and information; also important are clarity, quality, and excellent images, as well as interactivity and inspiration.
- Functionality – security will be assumed but must be provided, registration and the shopping basket process must be smooth and unobtrusive; fulfilment should be speedy with ongoing updates on progress.

How to Carve Up the Marketing Budget?

Of course, new marketing expenditure will be required to:

- Attract and convert customers via these new channels.
- Grow the customer database.
- Manage attrition.

Can businesses afford additional marketing spend, or will it be a case of being leaner in more traditional channels? Ultimately, retailers should be able to make operational savings on stores and staff in the high street. However, to what extent new costs will be offset by savings remains to be seen. A recent feature in *The Economist* highlighted the e- and m-commerce threats to retail banking while noting that they will one day not need huge branch networks. Nevertheless, closing the Lloyds Bank in Little Snoringham will inevitably draw its share of opprobrium.

Marketeers have had to learn fresh skills when it comes to the new technologies. Having good Search Engine Optimisation (SEO) delivers high amounts of free traffic. As with so much in the world of web site development, ensuring your e-commerce platform has it included in the first place will save time and money in the long run. Pay Per Click (PPC) delivers instant traffic, but at a price that smaller retailers may balk at, and Google is getting more expensive. Mobile PPC advertising is currently very cheap but does not convert as highly as Google. This disadvantage is offset by the fact that it is 'geo-locational' (which is a real bonus for businesses with a physical presence) and the cost per acquisition is much lower. In terms of PPC or SEO, the question is not so much which one to focus on - most organisations will inevitably have to do both - but more about having the correct KPIs to monitor their efficacy and drive down CPAs.

Get the Right People on Board – and Fast!

The new channels will require focus, expertise and expenditure. It is vital to get that expertise on-board now. The problem is that because the online market is relatively young and fast moving, this pace of change is making things more difficult. Recruiting the right skills and knowledge is critical, but a new sector means a highly competitive landscape for available talent, and you cannot take too much time to build a team.

Of course, an e-commerce team should not just concentrate on new sexy channels. They have to balance, and integrate the right combination of mobile, online and stores that suits the retailer's customers. This tech-savvy group will also need the ability to communicate with other staff across the business, bringing the old guard with them by offering coaching in new processes and initiatives.

This is quite a skill set to ask from potentially relatively young, and corporately inexperienced, recruits. All this puts pressure on an organisation's HR department to unearth those who can become team players, and also on the relevant senior managers to get up to speed quickly to provide an initial bridge between the different commercial worlds.

Feel Fulfilled

It is perhaps a shame that the word 'fulfilment' tends to be used only in the sense of 'getting stuff sent out', when the true objective is for clients to feel fulfilled by the product *and* the process. High street retailers making the inevitable move online must deal with not only the practicalities, but also the integration of channels to provide the best service for customers.

New sectors are likely to require new ways to fulfil the customer. Questions to be addressed include: the ownership of fulfilment (by retailer or third parties), stock purchasing, picking, packing, customer delivery and returns.

Online sales require a different supply mechanism. For a retailer used to delivering to stores in bulk followed by local staff filling shelves, a new operating model will be needed. A home delivery requires one unit to be shipped to one customer (and then possibly returned). The supply chain must appear seamless if the customer is not to be left frustrated. Can one supply chain strategy suit all? Some retailers fulfil their online business and stores from a single warehouse, some from separate. Other retailers are skilfully integrating the two by allowing deliveries and collections from, and returns to their shops. In all cases, excellent IT systems are essential for the organisation to have an overview of all its stock.

Innovations in fulfilment include having kiosks in shops for customers to locate what is currently in store, and then to order for delivery to home or high street. If customers do not want to wait in for delivery (it is expensive to deliver at a time convenient for working people), the retailer must learn how to leverage 'click and collect' and how to facilitate speedy returns to recycle stock. For example, customers who experience a smooth returns process are more likely to purchase, size-dependent goods, such as clothes, via the internet. However they will expect the same level of service and availability across all channels. The use of kiosks, 'click and collect' and returns to stores all bring customers into shops where there can be the opportunity to make another sale.

Conclusion

For old school retailers simply used to stocking shelves, putting out advertising and waiting for the footfall to come, the multichannel world must seem a scary place. Although this discussion raises many tricky areas that demand business attention, the outlook for high street retailers need not be gloomy: unless a company's product can be experienced fully online (eg. recorded music or software apps), having some bricks and mortar to back up the proposition starts to become a competitive advantage.

There is no escape from the requirement to be online and to offer products via this channel. Yet by having shops for customers to try out a product, discuss options with a human being, collect what's been ordered online and, if necessary, return it to a nearby location rather than stress about postage, the retailer can enhance *both* sales methods.

Retail space shrank by 2.2% between 2008 and 2011. It will continue to shrink to reflect reduction in volumes sold through bricks and mortar, but need not disappear. The cost savings of running a smaller franchise can be ploughed into recruiting the right people and making the various platforms and systems seamless for the customer. These changes provide as many opportunities as threats for retailers. Relationships with customers can have an even firmer foundation in the new world: If a high street operator has good customer data already it must start leveraging it.

Multichannel is so called for a reason and no retailer should be constrained to use just one route to market. An "e-street" model can be made to work.

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