

A clear vision

Delivering a seamless multi-channel experience for the customer is one of the biggest challenges facing our industry – and technology is one of the key enablers, says Paul Mason, CEO, Paul Mason Consulting (PMC)

The online world is growing – its impact is significant, but there's a long way to go before most retailers deliver the multi-channel experience their customers demand. Unfortunately, many of these 'experiences' are multiple channel rather than multi-channel, and multiple channels can make the customer journey unnecessarily difficult. However, the responsibility does not simply lie with retailers. The technology vendors must do more to provide the solutions that will bind the multi-channel experience together. The question is not who's responsible, it's more who's going to get it right and how are they going to do it?

This challenge should be – but isn't – sparking extensive debate between both retailers and technology providers. PMC's wide-ranging experience in advising clients on setting up online solutions led me to conceive the PMC/Retail Systems Multi-channel Breakfast Summit – an opportunity for senior retailers to put their needs and opinions direct to the UK's major technology providers. Some of the key points raised make interesting reading.

The multi-channel customer experience

It's important – no, it's vital – to understand the impact of the multi-channel customer experience. If a customer is unhappy in one retail channel it's unlikely they will try another. Many customers shop online and in-store – if their experience is painful online don't expect to see them in your store. Get a clear vision of the multi-channel experience you are looking to deliver and then build the technology strategy to enable it.

Engaging customers online

Currently, online cart abandonment runs around 60 per cent – retailers would never let that happen in-store. So why does it happen online? Consider the most basic issue such as a request to register before you can checkout. How long would the



The PMC/Retail Systems Multi-channel Breakfast Summit.

store be in business if customers had to provide a name and e-mail address before they could buy something? Then there are issues such as hidden checkout charges and out of stock situations not highlighted until the customer is trying to check out. Would these be tolerated in the store?

Take the holistic view - customers do

Online, catalogue and in-store channels must not work alone. Customers want to move quickly from one channel to another. Channels must support one another – if not the multi-channel experience will fail. Customers will engage with your brand from any channel, and use the channel they find the most convenient – and often in a different way to your expectations. No two customers shop in the same way at the same time.

The rise of social networking

There are many tools available to retailers in this new multi-channel world. Social networking offers opportunities to understand what your customers think of your brand, your products and your customer service. If you use it properly you can also raise product and company awareness, and get your brand noticed and discussed. That's why retailers must use these channels to understand and reach their customers.

Social networking sites are no longer just

for friends to chat and share videos. On sites such as YouTube and MySpace users discuss fashion, music and films but also the top places to shop and the retailers offering the best deals.

Sound far-fetched? No, it's fact. And retailers who ignore the marketing potential of these sites will lose out. Recognising the power of these sites has encouraged some leading online retailers to create 'social areas' on their sites that offer chat rooms for customer discussion forums and allow reviews and ratings. By the way – they're also good for marketing campaigns.

The need for integrated modular technology

You may be starting small with multi-channel but your online business will surely grow – so with your technology think modular and scalable.

This is where the technology vendors come in. They need to provide standards-based, easily integrated modular software that can work across your channels. Do you really want to have to implement multiple payment engines, multiple customer management solutions and multiple transaction processors? Retailers need to drive their technology partners to understand their challenges with multi-channel and to help beat them.



Paul Mason: It's vital to understand the impact of the multi-channel customer experience.



Retail Systems/Paul Mason Consulting Multi-channel Retailing Breakfast Summit

The time: Wednesday, 26th September 2007. **The venue:** The Gore Hotel, London.

The aim: To discuss three key questions: What will the multi-channel customer experience of the future look like?; What are the enablers for the multi-channel experience of the future to come together?; What needs to happen to our technology to facilitate the customer experience of the future? Panellists include...



Helen Slaven – BT Expedite

Helen Slaven is the CEO of BT Expedite, the retail specialist division of BT. This latest role follows a successful three years as the director of sales for BT Expedite, a company she has been with since its inception in 2003. Prior to this, Slaven was UK sales director for NSB Group and worked for IBM for 14 years. She has more than 12 years' experience providing retailers with complex solutions, services and integration and brings to her role as CEO a dedication to helping retailers thrive in a changing world.



Russell Dorset – Maginus

Russell Dorset is director of sales and marketing at multi-channel retail specialist, Maginus, which provides software and services to help retailers and distributors drive revenue and create long-term, satisfied customers. He has over 20 years' experience in the software industry, gained in a range of senior sales, marketing and operational management roles. Dorset joined Maginus from K3 Business Technology Group where he was chief operating officer and a divisional managing director.



Chris Belk – PCMS

Chris Belk is the CEO of PCMS International, the international subsidiary of The PCMS Group. He is responsible for its US subsidiary and for a worldwide distributor network that sells and delivers the company's Java based Vision BeanStore PoS and the associated store systems. He was previously responsible for research that formulated the business objectives underpinning the design and development of Vision BeanStore, including the need for it to be a multi-channel, multi-format and multi-country solution.



Paul Mason – PMC

Paul Mason is the chief executive at Paul Mason Consulting (PMC) and has worked in the retail sector for 25 years. He has extensive senior experience on both the operational and service sides of the industry, having worked for many leading retail organisations before founding PMC in 2001. The business is built on a solid foundation of first hand retail experience from shop floor through to board level. Its experience is across the breadth of retail sectors and it has worked with several UK retailers.



Paul Makin – K3

With over 15 years of retail experience, Paul Makin joined K3 in 1999 as retail systems manager and was made sales director in 2001. He previously ran his own retail software business for four years and implemented EPoS systems into River Island, Austin Reed and Jaeger to name a few. Prior to joining K3, Makin worked for Allied Domecq as project leader, looking after Victoria Wine, and therefore has experience being both a supplier and a retailer. Since joining, he has been responsible for sales in excess of £25 million.

The biggest challenge

On 26th September, Paul Mason Consulting (PMC) and Retail Systems joined forces to organise a summit discussing the biggest challenge that faces the retail technology community today: multi-channel retailing. Scott Thompson reports

The summit provided an opportunity for retailers to put their requirements and points of view directly to the leaders of the UK's major technology providers and to hear how they intend to deliver the technical solutions that will address their needs. In attendance were Adrian Frymann of World Duty Free, Sharon Peters of Marks & Spencer, Barrie Showers of Signet, Dave Wilson of Dunelm, Kevin O'Brien (formerly of Mothercare, now at Comet), Steven Bruce of Woolworths and Ian Woosey – Carpetright. Technology providers on the panel were Russell Dorset of Maginus, Helen Slaven and Jason Shorrocks of BT Expedite, Chris Belk – PCMS and Paul Makin – K3.

Chaired by Paul Mason, founder and chief executive officer, PMC, the summit looked at such key questions as: what will the multi-channel customer experience of the future look like? – examining the shopping experience from the customer's viewpoint and consider how effective processes such as product information

management and ordering may drive the development of the right customer experience; what are the enablers for that experience to come together seamlessly? – considering how retailers need to look at the importance and impact of 'customer experience' and how solutions like online content management and an integrated 'ProductPedia' approach might provide some of the answers; what needs to happen to our technology to facilitate all this? – looking at what retailers need the technology providers to deliver for them and discussing the developing and emerging solutions to sort the 'one's to watch' from those doomed to 'crash and burn'.

Constantly moving

Online retail has received more than its fair share of critical brickbats, but there are signs that it is finally coming of age. Published in early September, a seven-year long research project by online market researcher eDigitalResearch demonstrates a steady rise

in multi-channel retailers' ability to challenge the dominance of pure play retailers. Whilst Play.com, Figleaves and Amazon consistently scored highly overall, often topping the tables in a variety of performance categories, multi-channel retailers have gradually worked their way back into contention and are now challenging for the top spot (see our Multi-channel news section – p. 30 – for more information on this).

Meanwhile, July saw a massive spike in online sales, up 80 per cent on last year to a new all-time high. The Interactive media in retail group (IMRG) Index burst above 4,000 for the first time (4,111), indicating that UK e-retail sales had exceeded £4 billion in a month, also a first (£4.2 billion). Sales for the month were £1.86 billion higher than in July 2006. Yet at the same time, IMRG's chief executive, James Roper, sounded a note of caution, observing that: "July's extraordinarily strong market growth spotlights the high level of consumer demand, and yet we are really only just beginning to see basic facilities arriving, and



The summit gave retailers the chance to put their requirements and points of view directly to the leaders of the UK's major technology providers.

still have nowhere near enough capacity to meet shoppers' appetite for e-retail, especially in areas such as parcel delivery, where huge improvements need to be made. With nearly half of homes yet to acquire broadband, and massive potential for improvement available in every aspect of it, strong e-retail growth is set to continue for many years to come. Web 2.0 is propagating Retail 2.0."

It's a view that surfaced on several occasions during the PMC/Retail Systems breakfast summit, with members of the panel highlighting that they operate within a fast moving, relatively immature business where there is still a lot of learning to be done, particularly in terms of understanding the home customer experience. "Why is the multi-channel customer experience important?" asked Mason, highlighting the following: if a customer is unhappy with a retailer there is a 65 per cent that they won't shop through any of their other channels again; the majority of 'searched for' purchases happen offline; 25 per cent of online products searched convert to transaction – over 60 per cent of this will happen in the store; over 60 per cent of 1,200 respondents who had purchased an item on the web or in the store were inspired by a catalogue.

Moreover, it was commented that, in many cases, the customer is ahead of the retailer in the multi-channel retailing arena. The internet is changing the way that customers purchase goods. They are now more sophisticated and some retailers are failing to keep pace with their increasing demands and heightened expectations. Simply offering multiple channels isn't enough anymore and the fact is that those retailers who achieve integration and demonstrate innovative thinking will be the ones who break away from the pack and prosper.

By way of example, the subject of social networking sites, blogs etc was brought up with Mason raising the point that, prior to the summit, he had visited the YouTube site and typed Woolworths in the search facility. Top of the search results list was a Woolworths Christmas advertisement from the 1970s, featuring Bill Oddie and Tim Brooke-Taylor of Goodies-fame (although curiously Graham Garden failed to make an appearance) and actress/singer Anita Harris. As of 25th September, this had generated 10,102 views and attracted a



It was commented that, in many cases, the customer is ahead of the retailer in the multi-channel retailing arena.

range of nostalgic comments along the lines of 'they don't make 'em like they used to' and 'this is the sort of fantastic advertisement that gets you into the shop'.

"My challenge to you is to find out what is happening on social networking sites and use it to your advantage," Mason said. He also drew attention to the Threshers campaign from last Christmas whereby the wine merchant sent a voucher via email to its staff, promising 40 per cent off all wine and champagne at any of its outlets. It didn't count, however, on the voucher being quickly downloaded by thousands of customers, resulting in a Christmas rush and extensive media coverage. A huge misfire or a stroke of genius? Either way, it serves as an interesting example of viral marketing and its untapped potential, Mason noted.

Challenges

After focusing on such issues as 'awareness', 'purchase' (it was noted that there is almost 60 per cent cart abandonment online – imagine the same amount of trolleys left in the aisles) and the future: multi-channel retail engines, Mason turned his attentions to Marks & Spencer, a multi-category retailer with a wide range of merchandise offerings, including home furnishings, clothing, gifts and food, that has made substantial multi-channel investment. He started by asking Sharon Peters if her company was working towards an overarching multi-channel retailing vision of what the customer experience should be. "I would say we are," she responded,

adding that, "We are experiencing a number of different challenges. One of these is that there are three channels (the store, website and call centre) which are separate, so, for instance, the web guys don't really know what's going on in-store. One of the challenges we are experiencing is integrating the three channels."

"Another problem we've got is that we employ our staff on the sales floor to help customers find products and advise them – we don't expect them to be IT experts," she continued. "It's a case of training and engaging staff, so we are finding that the focus should be more on the operational journey rather than the actual system. We are trying to move away from this, but it's easier to focus on a system as it's tangible and you can see it, as opposed to the journey. From a positive point of view, our store staff are very excited about multi-channel but I'm not sure if they know exactly what they're meant to be excited about."

A recurring theme throughout the summit was that consumers ultimately re-use sites that provide a positive end-to-end experience – a convenient, easy to use, quick service is essential and yet many people are forced to deal with sites that are difficult to navigate, made even worse by non-existent customer service and, outside of the grocery sector, delivery that requires them to take a week off work. The successful retailers are, therefore, those that take a holistic approach based on usability, functionality, price and customer service support. Next and Marks & Spencer score highly in this regard, according to



A recurring theme throughout the summit was that consumers ultimately re-use sites that provide a positive end-to-end experience.

Dunelm's Dave Wilson who said that he viewed the companies as benchmark retailers with pioneering ideas when it comes to multi-channel retailing.

"If you ever get the chance to visit a Next warehouse, it's well worth taking a look as the whole set up is phenomenal. On many sites, if you order online you might receive the goods in five days. From a customer perspective, I shop with Next as their online and in-store offering is fantastic. You can order at Next on Thursday and have it on your doorstep by 10 O'Clock the next morning," he observed. "You have a choice on whether to pay shipping, their returns process is simple and so on." The latter was a good example of the importance of getting your infrastructure right because "as you grow your e-commerce sales, your returns will go up."

Russell Dorset of Maginus argued that customers want more personalisation than many retailers are currently offering. He talked about forward thinking companies who have their own sites alongside niche sites with specialised prices. "One of our customers sells music – their site allows you to register your preferences (whether you like rock or indie or punk) and the skins of the site will completely change so that it doesn't alienate any particular individual," he said. "We are also finding that many of the retailers not only want to offer multi-channel but also multiple brands so they are not contaminating each of the brands."

Finally, Ian Woosey of Carpetright told the panel about the multi-channel challenges faced by his company, a major

one being that people want to look at and feel carpets before buying. The retailer has, however, managed to turn this situation to its advantage, attracting a different kind of customer in the process which has consequently had an impact on its range of products.

Changing mindset

The summit then moved to the second part of the discussion, namely – what are the enablers for the multi-channel experience of the future to come together? Sharon Peters pointed out that the sector is changing and will continue to change as and when Marks & Spencer goes in to the next stage of implementation. She identified a

number of challenges that need to be addressed as this takes place. "The mindset is changing a lot. Customers want to touch and feel the products so they order two or three products at a store and then choose the ones they want," she said. "There is also the problem of delivery during the day. From a customer point of view, I'm not home during the day and would prefer to order and pick up at the store. Then there is the issue of method of payment – for instance, handling payment by cash. So I think that there is a lot of learning that we still need to do."

A hot topic in retail at the moment revolves around enabling consumers to order goods online but pay by cash or debit card at, for instance, payzone outlets. Converting people who don't currently shop online is a potentially huge market. APACS statistics show that over four million adults in the UK do not have bank accounts. A third of adults in the UK do not have a credit card, whilst twenty five per cent of internet users don't currently buy online and forty per cent of the adult population do not currently use the internet to shop. Russell Dorset touched upon this issue, taking the opportunity to note that a lot of his company's customers are using PayPal and other different means of payment. He proceeded to ask the retailers if they had also considered adopting these methods. Sharon Peters responded: "No, but it is something that we should look at, because payment will be a major part of the journey that I previously mentioned. We will



Customers want more personalisation than many retailers are currently offering.

certainly take a look at anything that decreases the time of the transaction."

Customer experience of the future

Moving to the third part of the discussion (what needs to happen to our technology to facilitate the customer experience of the future?), Paul Mason asked the retailers – what do you think you will need from the technology suppliers during the next five/ten years? Comet's Kevin O'Brien said that retailers required a modular approach. "So you're not ripping apart the heart of the business and replacing it with something that might or might not work. This is all still new. There are a lot of years to go before we really get it to where we want it to be."

Barrie Showers of Signet seconded O'Brien's comments: "We require a step by step approach – easy, flexible integration," he said, emphasising the fact that, "Customer ordering is absolutely vital to us. There are certain products that lend themselves to only being sold in-store"

Adrian Frymann of World Duty Free stated that processes should be as common as possible throughout all of the channels. Ian Woosey also argued that a modular approach is a must and called for more personalisation. Dave Wilson, meanwhile, underlined the importance of "listening to your customers instead of designing a site that you think is good – always ask yourself, what does the customer want from the site?"

He added that, "From a soft furnishings point of view, I would highlight the importance of visual technology – wouldn't it be great if you could take a picture of your living room, upload it and play around with Dunelm software, see things with the lights on and off, for instance? These are the sorts of innovative things that I think will come onboard for soft furnishers."

"It's also important to keep in touch with the banks because we've had chip and PIN over the last three years – we get that bedded in, then they throw PCI DSS compliance at us. Always have the infrastructure in place, make sure the online offering is as secure as possible in terms of credit card payments. I avoid any website that can't offer me security in terms of credit card payment such as Verified by Visa. These are the sort of things that may be second nature to the likes of Marks & Spencer, Next and Comet,

but they're not for Dunelm and they are lessons we have got to take forward," he concluded. Finally, Sharon Peters said she would welcome, "anything that enhances the customer experience and the journey. And flexibility is also important – we have different technologies for different functions but why can't we have one technology for more than one function? That isn't said from just from a cost point of view...it's easier to manage."

The vendors' point of view

Paul Mason then turned to the vendors to get their take on how they see technology and the sector as a whole changing in the next five/ten years. Paul Makin of K3 stressed: "One of our differentials is that we have the one technology that has been talked about," concluding that, "Standardisation is important, making sure you have common platforms." Meanwhile, Chris Belk of PCMS commented, "A key area that I come across everywhere is the need for adaptability and flexibility. I would say affordable experimentation is essential. Marks & Spencer, for instance, have got a variety of trading formats and you really need a single deliverable solution to address this."

Helen Slaven backed up the need for a modular approach and also highlighted an interesting trend that BT Expedite has been experiencing – the drive towards internationalisation. "Two months ago, we took one retailer live in three different countries, including the Czech Republic, on the same day. The demands now are that people want to go live in Ireland, the Czech Republic and the Far East at the same

time," she said.

Russell Dorset wrapped things up by putting the spotlight on scalability. "You may start small but this is something that is going to grow. Don't spend too much now as things change so rapidly. Speed is the overriding factor," he emphasised.

And with that, Paul Mason called an end to a lively, thought provoking discussion on multi-channel retailing. The general consensus was that there has been an improvement in technology over the last few years, assisted by the broadband explosion, and this has raised the standard of online retailing. On the back of this, the retailers who are forging ahead in the multi-channel arena are those who have concentrated on the customer experience, whilst at the same time carefully introducing tested solutions as they aim for a single integrated system.

And yet even those companies are not home and dry. Ocado, for instance, has seen heavy investment and is often praised for its high quality website, wide range of delivery options and eco-friendly tendencies but it has so far failed to turn a profit. Whilst a recently published annual delivery report from Snow Valley shows that many retailers are being prevented from providing the delivery options that they want to offer because of carrier cost and service limitations. As was consistently pointed out by those attending the summit, there is still a lot that retailers can do to improve their customer's shopping experience. The bar is always moving and there is a long way to go before retailers can truly say that they have 'won' at multi-channel.



Networking after the breakfast summit.