


Pushing the right buttons

A fully developed e-commerce site was once something of an indulgence for brick-and-mortar retailers – impressive, but by no means essential. But this has changed dramatically, with e-commerce becoming integral to the success, and often to the survival of retail firms. James Dodd finds out more

 The evolution of e-commerce has been rapid and varied in nature. Over time it has absorbed applications, channels of delivery and organisations alike. But why exactly has it done so well in the world of retail?

Starting with the bottom line, a key part of e-commerce's attraction is its low cost in comparison to high street stores. The key factors are lower overheads and fewer staff – a tempting combination for the average retailer during challenging economic times.

"I saw a closed store recently in Manhattan," says Jean-Yves Martineau, CTO and founder of Cactus Commerce. "It had a sign in the window that said: 'Can no longer afford store – have moved entire company online'. Ten years ago closing your store on the street was basically closing your business, but that no longer applies."

Combine with this the growing popularity among consumers of purchasing online and it's easy to see why e-commerce has become so important to the retail sector. "E-commerce has evolved from merely a component of a retailer's strategy ten years ago to a core strategic enabler," says Dominic Citino, industry market development manager at Microsoft. "For most retailers e-commerce now represents their fastest-growing revenue channel, as well as a key asset from which they build and maintain relationships with their customers."

It is the way e-commerce links retailer and consumer that is perhaps the crux of its success. A good Web store can provide a swift

and highly personalised service to a customer – one that translates not only to better sales figures for the retailer, but often to a more efficient infrastructure as well. However, such advances may not necessarily be good news for the brick-and-mortar format.

"E-commerce sites have changed the expectations customers have of how fast a company can and should evolve, which is not necessarily possible to reflect in the store," confirms Martineau. "Modern sites are all about instant gratification – I get what I want right now – so my level of patience as a consumer is lower than it was."

In this light, the high street experience seems distinctly sluggish. Consumers no longer want to traipse around a store when they can type a keyword into a search engine, nor do they want to deal with checkout queues or out-of-stock situations. But this also makes their expectations of e-commerce increasingly high.

"It has to be fast," says Jamie Lippay, CEO of Keyora. "People use e-commerce because it's a swifter way to make purchases within a busy schedule. In the early days you could perhaps accept a site going down during the purchase, or maybe you had a 20-second wait on checkout, but nowadays that's just not acceptable."

By leveraging its technical potential e-commerce can make the shopping experience both faster and more engaging. One of the foremost ways it achieves this is by providing an unobtrusive, personalised experience.

"Initially sites were one-size-fits-all," explains

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Dominic Citino, Microsoft

Lippay. "Every user got the same experience. But now, sites take advantage of user groups or individual user profiles – based on permissions, country, demographic or gender – to give a more personalised experience. Nowadays, sites can build the profile as the user moves through the site, over multiple visits." This intricate process manifests in the form of things like focused content, filtered advertising and relevant recommendations.

This faster, more sophisticated approach to retail fits well with small to medium-sized businesses. "Technology is a great equaliser," says Martineau. "A smaller company can become bigger and more influential if they have the right technology mix, and crucially, it's possible to start with something affordable and grow it over a period of time."

While e-commerce is apparently fast, smart and empowering it is true that no benefit comes for free. Just as it has its boons, it also has its challenges. Most prominently, consumers are often still unsure of security when it comes to the intangibility of the Web,

and tend to back the big names.

"Perception of security is really important to customers," says Citino. "Particularly for lesser-know brands, it can be the difference between whether a transaction occurs or not. There's a level of credibility that comes with the larger brands that smaller ones don't necessarily get initially, and without a good feeling around security and privacy it can really be an uphill battle."

For the retailer, the challenge of customer perception must also be balanced with the more concrete regulatory side of security. PCI compliance, in particular, demands that strict standards are met regarding the storage of sensitive data. Indeed, many retailers have turned to services like PayPal Express Checkout, removing the sensitive data from their systems completely and thus, in theory, the burden it carries.

However, while security and regulation demands must be met, it is important that such safeguards do not cramp the innate agility of e-commerce. "It's a fine balancing

ONLINE RETAILERS HAVE WORKED HARD TO MAKE THE BUYING AND CHECKOUT PROCESSES AS SLICK AS POSSIBLE, BUT MANY SITES STILL FAIL TO OFFER MUCH MORE THAN AN EFFICIENT WAY OF FULFILLING A SHOPPING LIST FROM THE CONVENIENCE OF THE SOFA

Nigel Stephenson, K3

act between making sure the organisation is easy to do business with and having robust security measures that will deter fraudsters," says Stuart Johnston, UK managing director at Experian QAS. "The solution is to ensure electronic authentication methods are adopted to flag any suspicious activity that could indicate identity fraud, account takeover or false contact data."

Another potential hindrance to e-commerce is its dependence on the supply chain. The online experience is entirely theoretical up until the point of delivery, when actual objects have to be moved around, often in small numbers or even individually. The browsing and purchasing process can be super-slick, but if the product is not delivered when promised, or takes two weeks to arrive, the entire experience is marred.

E-commerce is a different beast from brick-and-mortar and as such requires a different supply chain approach. Many retailers are now thinking about how they can optimise their supply chain for direct-to-consumer, as

opposed to the traditional retail model which centres around purchase, replenishment and internal transfer order management.

There are various ways for the retailer to address this, but all are costly. Some modify enterprise resource planning (ERP) systems to deal with customer order management, while others have built or bought distributed order management applications. Either way, the aim is to build workflow and architecture around a customer-oriented order management system.

Though of course, it is important not to neglect the classic supply chain relationships. "We've seen big improvements in e-commerce delivery," says Carlo Rimini, CEO of Snow Valley. "We publish a report each year on how UK retailers are managing the fulfilment process and every year we notice more and more improvements. A lot of this depends on having good integration and relationships with third parties – the carriers, warehouse systems and suppliers."

So, while e-commerce's benefits are explicit, they don't come without considerable work



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Jewellery retailer Beaverbrooks selected Experian QAS to implement its Authenticate Pro software to address fraudulent transactions via its Web site. Authenticate Pro is embedded into Beaverbrooks' customer application form. Once the contact details for the order are submitted, an identity check is performed. Data provided by the consumer is matched against information held on Experian's databases, noting anything suspect that depicts identity fraud, account takeover or a bogus delivery address. An approval decision is returned immediately, which gives the retailer confidence that the order is genuine. Since implementing the software, repeat orders have increased significantly as the company is able to confirm orders and ship goods much faster.

www.beaverbrooks.co.uk
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Stuart Johnston, Experian QAS

CUSTOMER SOLUTION

Majestic Wine Warehouses, UK
Majestic Wine is the UK's largest wine warehouse, with 136 stores and a turnover of £170m. A pioneer in e-commerce, Majestic decided to replace its existing online store. The solution provided by Snow Valley included a number of new features such as staff reviews, a new store locator and a white-label French version of the site, which allows UK customers to place orders for pick-up from its stores in Calais and Cherbourg. The design was also structured in a way that allows targeted promotions and content to be presented to the customer as they navigate deeper into the different categories and products.

www.majestic.co.uk
www.snow-valley.com

and investment. Even so, some would argue that its advantages are not all they first appear. "On the whole, Web shopping still falls behind the store experience," says Nigel Stephenson, marketing manager at K3. "Certainly online retailers have worked hard to make the buying and checkout processes as slick as possible, but many sites still fail to offer much more than an efficient way of fulfilling a shopping list from the convenience of the sofa."

Is the online experience – while sophisticated – intrinsically sterile because it lacks that crucial human element? Browsing a Web site lacks the exploratory feel of browsing in store, while examining 'product details' is just not the same as talking to a knowledgeable sales assistant.

But then, why should e-commerce and brick-and-mortar be mutually exclusive? With increasing frequency retailers are combining the two and reaping the rewards. A great example of this is the popularity of ordering online and picking up in store, where the convenience of Web ordering is combined with a flexible collection system. This unification in turn naturally comes to absorb further channels to reflect the multi-channel lives of customers. "People expect a consistent shopping experience whether they shop in the store, online, on their mobile phones or across some combination of channels," says Citino. "They expect consistency in pricing, product

information, availability and promotions."

Unfortunately, this customer expectation is not necessarily met on all fronts. "The majority of retailers are now selling through different channels, but with limited understanding of how the customer engages with the brand across the available channels," warns Stephenson. But the solution providers and products are out there to counteract this. "We work with traditional brick-and-mortar retailers and established multi-channel specialists to deliver joined up multi-channel experiences," continues Stephenson. "These solutions share common product data and back-office systems to make the online operation an extension of the store network. The key is to gather the information once, and use it across the whole business to deliver the customer promise."

Merging e-commerce with brick-and-mortar also presents various organisational issues. "Often, structures are not aligned to motivate online and brick-and-mortar operations to work in concert," says Citino. "We see marketing, product management, merchandising, logistics, and branding functions duplicated across retail organisations, as well as misaligned technology." For example, in a grocery store context, if a customer orders online the stock is taken from an appropriate store and delivered with the online unit clocking the revenue, despite the store being the one to 'lose' the stock.

Of course, there are retailers out there demonstrating that misalignment is by no means unavoidable. "Tesco has arranged its store and Tesco.com business units to mutually benefit from online business," explains Citino. "It also unified the two support systems, allowing them to act in unison. This means that if someone orders online the revenue is double booked to the store the stock comes from. In this way both groups are incentivised."

Appropriately, Microsoft's contribution to this area is as diverse as e-commerce itself. "Microsoft utilises its experience as both a consumer products company and enterprise technology innovator to deliver an unparalleled breadth of solutions and technologies for e-commerce," says Citino. "No other company in the industry provides a comprehensive ecosystem of services, tools and technologies for retailers to deliver rich experiences to their customers across channels without locking them in to huge, complex projects and long time-to-market."

Crucially, the focus here is on enablement within e-commerce rather than some attempt to dominate it. "We don't view e-commerce retailing as an application or product that anyone sells," says Citino. "Cross-channel e-commerce is now part of the retailing ethos,

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Jean-Yves Martineau, Cactus Commerce

and you either believe in it or you don't."

This ethos of unifying the shopping experience through consolidating multiple channels and technologies is the major current challenge for retailers seeking to best leverage e-commerce. However, since channels, technology and consumer behaviour are constantly developing and diversifying, this landscape is constantly shifting and retailers will have to look forward to stay on top.

"The devices humans use are consolidating," says Martineau. "Soon you'll be watching a cookery programme and instead of trying to remember the ingredients or writing them down, you'll just hit a button on the remote control and download the recipe to the computer in your kitchen, which will set the stove to the right temperature to begin cooking. This kind of thing will open up a whole new world of e-commerce. We're really still just scratching the surface on all of this."

The rapidly developing world of social networking also represents fertile ground for e-commerce. Users can post, share and view

wish lists for birthdays or anniversaries that link straight to e-commerce sites.

"Sites like Facebook are becoming a really strong influence," confirms Lippay. "I think there will be more collaboration between such sites and Web stores. Rather than functioning as individual islands, we might see groups of sites beginning to operate in a complementary fashion."

The ongoing evolution of e-commerce is so rapid and diverse that you'd be forgiven for finding it somewhat overwhelming. Undoubtedly technology is a major part of harnessing its power and Microsoft, for one, believes it is up to the task. "In the last couple of years the demands on e-commerce technology have moved faster than the technology itself, but I think that's going to switch," says Citino. There are innovations out there from Microsoft and its partners that, far from being pushed into development, are pulling demand. I think this heralds a period of unprecedented enablement in the area of e-commerce technology development."

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