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REPORTS

In association with

k3 retail 
the new possible

Multichannel **benchmarking**

The retailers leading the way

RETAIL WEEK FOREWORD



ALEX HAMILTON
HEAD OF RESEARCH, RETAIL WEEK CONNECT

Which retail businesses offer excellent customer-facing multichannel capabilities across the home and leisure sector? And which retailers still have some way to go in achieving this so-called 'utopia'? The aim of this report is to evaluate and quantify these questions, in a fair and representative manner.

Retail as an industry needs to respond to sky-high expectations around how, where and when consumers want to shop, if it is to remain relevant. This evolving dynamic, driven by technological change, is prompting a continued push into deeper multichannel development.

This report looks to review the key touchpoints across the multichannel path to purchase, from personalised interaction to fulfilment and returns, and shared capabilities. Understanding these considerations for this lifestyle-based segment of retail is imperative for senior decision-makers.

The definition of 'lifestyle' is 'the way in which a person lives'. Consumption of product and the route to purchase – via discovery, search and engagement – are increasingly playing a key role in the way we live our lives, through social, mobile and consumption of content; making the home and lifestyle sector one that is growing increasingly relevant within the wider retail space.



Consumption and the route to purchase are increasingly playing a key role in how we live our lives



RETAIL WEEK CONNECT: CONNECTING RETAIL WITH CREATIVE INTELLIGENCE

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PARTNER VIEWPOINT



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The rise of the ‘connected shopper’ has raised the stakes for retailers. With so many channels, consumers are personalising their own experience with brands – dipping in and out of online content and in-store browsing.

Consumers expect to be recognised and not only want to see a level of freshness in the products offered to them, but in the entire shopping experience. Shoppers want brands to speak to them with the same level of relevance, independent of channel or device. And their expectations will continue to grow.

A generic service experience is no longer

good enough. Customers want to feel valued, and this means meeting their individual needs online, in store and via mobile. Combining the latest technology with awesome product knowledge is a winning combination.

Retailers that stop making assumptions about their customer base and start appealing to the tech-savvy shopper stand to reap some lucrative profitability benefits.

Successful retailers are benefiting from technology services that intelligently connect and transform their ability to respond to growth and demand, now and in the future, to deliver an enhanced customer experience.



Combining the latest technology with awesome product knowledge is a winning combination



EXECUTIVE SUMMARY

Running a successful multichannel retailing operation is about more than simply ticking the largest number of boxes.

A retailer may be able to offer a smartphone app, in-store wi-fi, same-day delivery, free click-and-collect, personalised recommendations and mobile payment but if these capabilities do not integrate seamlessly across multiple channels then the customer experience will be poorer than the retailer that does a small number of things very well.

In this report, in association with K3, we carry out an audit of the customer-facing multichannel capabilities of a cross-

section of the UK's home and lifestyle retailers. The results are instructive if not definitive – what this report is not is a league table of the best multichannel retailers in this segment.

Multichannel capabilities need to be viewed as part of a bigger supply chain picture in which the mundane systems and structures are considered as important, if not more so, than the 'bells and whistles' innovations.

While we focus here on retailers' customer-facing capabilities, it's important to remember that it's the invisible pieces of the jigsaw that bind everything together – the back-end systems without which an effective multichannel offer cannot function.

What this audit does tell us is that certain multichannel capabilities are becoming increasingly mainstream to the point where consumers will soon expect them to be a part of a retailer's repertoire.

Some of the retailers surveyed are pioneering new services and features that are raising the competitive bar.

Others are feeling their way more slowly through a rapidly changing landscape, focusing on developing capabilities that add most value to their unique business model.

What each of the retailers has in common is the fact that, in the age of multichannel retailing, none of them can afford to stand still.

CHAPTER ONE SHARED CAPABILITIES

- Department stores and mixed goods
- Furniture
- DIY and home improvement
- Homewares

CHAPTER TWO CONNECTED SHOPPING

- Seamless experience
- Stock availability
- Apps

CHAPTER THREE FULFILMENT AND RETURNS

- Back-end operations
- Click-and-collect
- Returns

CHAPTER FOUR PERSONALISED INTERACTION

- Loyalty schemes
- Social media
- Payment options

CHAPTER ONE

SHARED CAPABILITIES



Department stores and mixed goods

| | John Lewis | Marks & Spencer | Argos | Wilko | Harrods | House of Fraser | Heatons | Fenwick | BrightHouse | The Original Factory Shop | Brown Thomas / BTZ | Arnotts | Liberty | Selfridges |
|------------------------------------------------------------------------------|------------|-----------------|-------|-------|---------|-----------------|---------|---------|-------------|---------------------------|--------------------|---------|---------|------------|
| Does the retailer have a mobile-friendly website? | YES | YES | YES | YES | YES | YES | NO | YES | YES | YES | YES | NO | YES | YES |
| Does the retailer have a smartphone app? | YES | YES | YES | NO | YES | YES | NO | NO | NO | NO | YES | YES | NO | NO |
| Does the retailer have a tablet app? | YES | NO | YES | NO | YES | YES | NO | NO | NO | NO | YES | NO | NO | NO |
| Can you purchase items via the website? | YES | YES | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES | YES |
| Does the retailer have a store locator on website? | YES | YES | YES | YES | NO | YES | YES | YES | YES | YES | YES | NO | NO | NO |
| Can you log in to the retailer website using a Facebook login? | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Are the following delivery options available? | | | | | | | | | | | | | | |
| 90 minutes or less | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Same day | NO | NO | YES | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO | NO |
| Next day | YES | YES | YES | YES | YES | YES | NO | NO | NO | NO | YES | NO | YES | YES |
| Standard post | YES | YES | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES | YES |
| Named day | YES | YES | YES | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO | YES |
| Evening delivery | NO | NO | YES | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO | NO |
| Weekend delivery | YES | YES | YES | YES | YES | YES | NO | NO | NO | NO | YES | NO | YES | YES |
| Early morning | YES | NO | YES | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO | NO |
| Does the retailer have a loyalty scheme? | YES | YES | NO | NO | YES | YES | NO | NO | NO | NO | YES | YES | YES | NO |
| Can you earn loyalty points from both an online and in-store shop? | NO | YES | NO | NO | YES | YES | NO | NO | NO | NO | YES | YES | YES | NO |
| Do you get personalised recommendations on any page of the retailer website? | YES | YES | YES | NO | NO | YES | YES | NO | NO | NO | YES | NO | NO | NO |
| Can you access Facebook via the retailer's website? | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| Can you 'like' the retailer on Facebook? | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| What payment options are available on website? | | | | | | | | | | | | | | |
| Cash | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Debit card | YES | YES | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES | YES |
| Credit card | YES | YES | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES | YES |
| PayPal | YES | NO | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | NO | YES |
| Coupons/vouchers | YES | YES | NO | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO | YES |
| Other | YES | YES | YES | NO | NO | YES | NO | NO | YES | NO | YES | YES | NO | NO |

A total of 45 retailers were surveyed against 59 different criteria in order to assess their customer-facing multichannel capabilities.

The retailers ranged from some of the country's leading department and mixed goods stores such as John Lewis and Marks & Spencer, to specialist independent retailers such as AGA Rangemaster and Bathstore.

It is House of Fraser that ticks the most

boxes in terms of its multichannel capabilities, followed by Argos and M&S. Indeed, it is notable that department stores and mixed goods stores score consistently highest, most likely owing to their scale, their financial resources and the ultra-competitive nature of the sector.

Homewares retailers score less highly, unsurprisingly perhaps since many are specialist, independent retailers operating in relatively niche markets.

Sandwiched in between the two groups are DIY and home-improvement retailers such as B&Q and Homebase, and furniture retailers including Ikea UK and Sharps Bedrooms.

For all of their differences there are several capabilities that the majority of the retailers share in common.

All but three of the retailers have physical stores of some description while every retailer has an online presence.



| Furniture | Ikea UK | Magnet | Laura Ashley | Furniture Village | Dreams | Sharps Bedrooms | Silentnight Group | Oak Furniture Land | David Linley Furniture | Loaf |
|------------------------------------------------------------------------------|---------|--------|--------------|-------------------|--------|-----------------|-------------------|--------------------|------------------------|------|
| Does the retailer have a mobile-friendly website? | YES | YES | YES | NO | YES | YES | YES | YES | YES | YES |
| Does the retailer have a smartphone app? | YES | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Does the retailer have a tablet app? | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Can you purchase items via the website? | YES | NO | YES | YES | YES | NO | YES | YES | YES | YES |
| Does the retailer have a store locator on website? | YES | YES | YES | YES | YES | YES | NO | YES | NO | NO |
| Can you log in to the retailer website using a Facebook login? | NO | YES | NO | NO | NO | NO | NO | NO | NO | NO |
| Are the following delivery options available? | | | | | | | | | | |
| 90 minutes or less | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Same day | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Next day | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO |
| Standard post | YES | NO | YES | YES | YES | NO | YES | YES | YES | YES |
| Named day | NO | NO | NO | NO | NO | NO | YES | NO | NO | NO |
| Evening delivery | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Weekend delivery | YES | NO | NO | NO | YES | NO | NO | NO | NO | YES |
| Early morning | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Does the retailer have a loyalty scheme? | YES | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Can you earn loyalty points from both an online and in-store shop? | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Do you get personalised recommendations on any page of the retailer website? | NO | YES | NO | NO | NO | YES | NO | NO | NO | NO |
| Can you access Facebook via the retailer's website? | YES | YES | YES | YES | YES | NO | YES | YES | YES | YES |
| Can you 'like' the retailer on Facebook? | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| What payment options are available on website? | | | | | | | | | | |
| Cash | NO | NO | NO | NO | NO | NO | NO | NO | NO | YES |
| Debit card | YES | NO | YES | YES | YES | NO | YES | YES | YES | YES |
| Credit card | YES | NO | YES | YES | YES | NO | YES | YES | YES | YES |
| PayPal | NO | NO | YES | YES | YES | NO | YES | YES | NO | NO |
| Coupons/vouchers | NO | NO | NO | NO | NO | NO | YES | NO | NO | NO |
| Other | NO | NO | YES | YES | NO | NO | NO | NO | NO | NO |

Although a dedicated website has for some time been a must-have accessory for any retail business, all but five of the retailers now boast a mobile-friendly website too, while in all but eight cases customers can purchase directly from the retailer's website.

The field becomes more divided when it comes to the subject of mobile apps. The majority of retailers do not have a smartphone app, while tablet apps are even

more rare. Even among the more mainstream retailers a tablet app is by no means guaranteed, with M&S and Wilko among the high-profile names without one.

In almost all cases, customers are unable to log in to the retailers' websites using a social media login, with the notable exception being Magnet, where customers are able to log in to the website using a Facebook account.

| DIY and home improvement | B&Q | Woodie's DIY | Homebase | Clyderwen and Cardiganshire Farmers | HSS Hire | C Brewer and Sons | Toolstation | Bathstore | Associated Hardware |
|------------------------------------------------------------------------------|-----|--------------|----------|-------------------------------------|----------|-------------------|-------------|-----------|---------------------|
| Does the retailer have a mobile-friendly website? | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| Does the retailer have a smartphone app? | YES | NO | YES | NO | YES | NO | NO | NO | NO |
| Does the retailer have a tablet app? | YES | NO | YES | NO | YES | NO | NO | NO | NO |
| Can you purchase items via website? | YES | YES | YES | NO | NO | YES | YES | YES | NO |
| Does the retailer have a store locator on website? | YES | YES | YES | YES | YES | NO | YES | YES | YES |
| Can you log in to the retailer website using a Facebook login? | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Are the following delivery options available? | | | | | | | | | |
| 90 minutes or less | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Same day | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Next day | YES | NO | YES | NO | NO | YES | YES | YES | NO |
| Standard post | YES | YES | YES | NO | NO | YES | NO | NO | NO |
| Named day | YES | NO | YES | NO | NO | NO | NO | NO | NO |
| Evening delivery | NO | NO | YES | NO | NO | NO | NO | NO | NO |
| Weekend delivery | YES | NO | YES | NO | NO | NO | NO | NO | NO |
| Early morning | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Does the retailer have a loyalty scheme? | YES | NO | YES | NO | NO | NO | NO | NO | NO |
| Can you earn loyalty points from both an online and in-store shop? | NO | NO | YES | NO | NO | NO | NO | NO | NO |
| Do you get personalised recommendations on any page of the retailer website? | NO | NO | NO | NO | YES | NO | NO | NO | NO |
| Can you access Facebook via the retailer's website? | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| Can you 'like' the retailer on Facebook? | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| What payment options are available on website? | | | | | | | | | |
| Cash | NO | NO | NO | NO | YES | NO | NO | NO | NO |
| Debit card | YES | YES | YES | NO | YES | YES | YES | YES | NO |
| Credit card | YES | YES | YES | NO | YES | YES | YES | YES | NO |
| PayPal | NO | YES | NO | NO | YES | NO | YES | YES | NO |
| Coupons/vouchers | NO | NO | NO | NO | YES | NO | NO | NO | NO |
| Other | YES | YES | YES | NO | YES | NO | NO | YES | NO |



Homewares

International Decorative Surfaces
Zara Home
Dunelm

The Range

AGA Rangemaster
Lakeland

Topline

Hillarys Blinds
Linum

Cath Kidston

Denby Pottery Company
Harry Corry

| | International Decorative Surfaces | Zara Home | Dunelm | The Range | AGA Rangemaster | Lakeland | Topline | Hillarys Blinds | Linum | Cath Kidston | Denby Pottery Company | Harry Corry |
|------------------------------------------------------------------------------|-----------------------------------|-----------|--------|-----------|-----------------|----------|---------|-----------------|-------|--------------|-----------------------|-------------|
| Does the retailer have a mobile-friendly website? | NO | NO | YES | YES | YES | YES | YES | YES | YES | YES | YES | YES |
| Does the retailer have a smartphone app? | NO | YES | NO | NO | NO | NO | NO | NO | NO | YES | NO | NO |
| Does the retailer have a tablet app? | NO | YES | YES | NO | NO | YES | NO | NO | NO | NO | NO | NO |
| Can you purchase items via website? | YES | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES |
| Does the retailer have a store locator on website? | YES | YES | YES | YES | YES | YES | YES | NO | YES | YES | YES | YES |
| Can you log in to the retailer website using a Facebook login? | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Are the following delivery options available? | | | | | | | | | | | | |
| 90 minutes or less | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Same day | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Next day | NO | NO | YES | NO | NO | YES | NO | NO | NO | YES | YES | NO |
| Standard post | NO | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES |
| Named day | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Evening delivery | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Weekend delivery | NO | NO | YES | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Early morning | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Does the retailer have a loyalty scheme? | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Can you earn loyalty points from both an online and in-store shop? | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |
| Do you get personalised recommendations on any page of the retailer website? | NO | NO | NO | NO | NO | NO | NO | NO | NO | YES | NO | NO |
| Can you access Facebook via the retailer's website? | NO | YES | YES | YES | NO | YES | YES | YES | NO | YES | YES | YES |
| Can you 'like' the retailer on Facebook? | NO | YES | YES | YES | YES | YES | YES | YES | NO | YES | YES | YES |
| What payment options are available on website? | | | | | | | | | | | | |
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| Debit card | NO | YES | YES | YES | YES | YES | NO | NO | NO | YES | YES | YES |
| Credit card | NO | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES |
| PayPal | NO | YES | YES | YES | YES | YES | NO | NO | YES | YES | YES | YES |
| Coupons/vouchers | NO | YES | NO | NO | NO | NO | NO | NO | NO | YES | NO | NO |
| Other | NO | YES | NO | NO | NO | NO | NO | NO | NO | NO | NO | NO |

CHAPTER TWO

CONNECTED SHOPPING

One area in which there is a huge discrepancy in capabilities is in shopping between different devices. Whether as a customer you wish to start shopping on a website and finish on a mobile website, or start on a mobile app and finish on a tablet website, there is little chance that your options will be consistent across different retailers.

For some retailers, such as Argos and House of Fraser, shopping has become a seamless experience across all devices. For others, such as Magnet and Furniture Village and more specialist retailers such as Hillarys Blinds and Bathstore, fluid cross-device shopping is currently not possible. A number of retailers, including Ikea and Harrods, offer a seamless transition between some, but not all, devices.

Retailers that can accommodate users across multiple devices will ultimately win the multichannel retailing war, says Ruth Jackson, retail consultant, SAS UK & Ireland. "Customers expect a consistent experience

from online stores regardless of the device they use," she says. "Analytics provides the insight that brings multichannel retailing to life. Consumers don't think in terms of 'channels', and neither should retailers. The retailer that moves fluidly in this channel-agnostic environment wins."

Where availability of stock is concerned, customers of some of the bigger chains such as Argos and House of Fraser are able to view stock availability on the website both for online ordering and for a specific store; however, in the majority of cases these features are unavailable, in particular where availability for a specific store is concerned.

One genuine point of difference among our 45 retailers is claimed by Harrods and Ikea UK, which are the only two retailers to boast mobile apps that help guide customers around their stores.

Harrods launched its in-store iPhone app in 2011 to help shoppers navigate their way around its London flagship. The GPS-assisted app is free to download and also offers users a guide to in-

store events, new product launches and special offers, alongside an interactive store guide.

The Ikea Store app, meanwhile, allows customers to plot their way around their local store via an interactive floor plan.

ACTION POINTS



Make sure that multichannel thinking cascades through each and every level of your operation from day one. That way, you can avoid having to play catch up when things go wrong. For example, lead times may vary between channels, but without accurate and immediate traceability, it can be hard to track which channel needs extra support and when. When you can provide your customer with seemingly effortless high quality and reliable service across all channels, you will benefit from the improved sales that this seamless access will bring. Exploring the multichannel landscape is one thing, providing your business with the means to control it is another – and obviously, the latter is the preferable route.



CHAPTER THREE

FULFILMENT AND RETURNS

Delivery has become one of the most competitive areas of multichannel performance in recent years as retailers battle to offer the cheapest, most convenient options to an increasingly demanding consumer.

While next-day delivery has become more and more common in recent years, and is offered by just less than half of our retailers, same-day delivery has largely been an unattainable goal as businesses struggle to make both the logistics and the finances stack up.

In October, however, Argos stole a march on its competitors by announcing its plans to “revolutionise” online shopping by offering same-day store collections and same-day home delivery for nearly 20,000 products across the UK. The new Fast Track service allows customers to purchase items online and choose to either collect them from a local store or schedule a same-day or next-day delivery slot.

Fast Track Collection is free and is available from 800 Argos stores nationwide, with the

retailer promising that the product will be in customers’ hands within 60 seconds of their arrival at a dedicated counter.

Those opting for Fast Track Delivery can select from four, three-hour delivery slots, seven days a week including Sunday. Customers that order by 6pm can have an item delivered by 10pm the same day, or schedule a convenient time on the next day or future days for a delivery fee of £3.95.

The only other retailer within our survey that currently offers same-day delivery is House of Fraser, where customers can pay £6 for same-day delivery if they order before 12 noon.

Argos chief executive John Walden says the new service has been developed in response to customers who are increasingly sensitive to the speed and cost of obtaining their products.

“Argos has always been known for convenience, and is uniquely positioned with its national network of stores and distribution centres to provide customers with the best options to fulfil their digital orders,” he says.

“We are pleased to introduce Fast Track

Collection and Fast Track Delivery, which represents the fastest, cheapest and most convenient way for customers to purchase their goods online.”

Bryan Roberts, senior vice-president and knowledge officer for EMEA at Kantar Retail, suggests Argos’ introduction of same-day delivery is potentially game-changing for the sector. “Delivery has emerged as one of the key battlegrounds for UK retailers, as customers increasingly look for multiple delivery slots that allow them to shop how and when they want on the same day. In terms of customers being able to order online as late as 6pm and receive products on their doorstep that evening, Argos is showing its rivals a clean pair of heels with this new speedy nationwide service.”

Argos isn’t the first retailer to make delivery a key point of competitive difference. Amazon – which was not surveyed as part of this report – has been at the vanguard of the delivery revolution and recently upped the ante in the fulfilment battle by launching a one-hour delivery service for its Prime



Argos has opened digital outlets within Sainsbury's stores in accordance with its 'hub and spoke' stocking model

members in London. Prime Now offers members one-hour delivery across 10,000 items including essentials such as nappies as well as popular items including toys and sports equipment, at a cost of £6.99. At present only those living in London have access to the service but Amazon has said it will be extended to other UK cities by the end of the year.

The retail giant is also parking its tanks on the lawns of grocery retailers by rolling out one-hour delivery on chilled and frozen groceries in select London postcodes following a successful trial in Birmingham.

BACK-END OPERATIONS

For retailers such as Argos that have vast store estates to service as well as significant online businesses, the challenges involved in making such an agile delivery service work are arguably greater than those of an online-only business such as Amazon.

Argos has been preparing for the launch of Fast Track by making changes to its stocking, distribution and digital systems during the past

two years, such as the 'hub and spoke' stocking model it deployed in stores last year.

It demonstrates the importance of getting the back-end operation right before rolling out a potentially game-changing new service feature.

Supply chains need to be genuinely shock proof if promises such as same-day delivery are to be realised, and retailers need to work closely with their supply network to understand the pinch points and remain agile, flexible and profitable.

It's little surprise that a number of multichannel retailers in the home and lifestyle segment have been investing heavily in upgrading their back-end systems and infrastructures in order to make the supply chain fit for its modern purpose.

In 2010, M&S initiated a three-year plan to modernise the business and put it in a stronger position to compete in the new retail world. From a supply chain perspective this has meant moving towards a single-tier distribution network which involves replacing its large network of smaller warehouses with

two national distribution centres and four regional distribution centres. In particular, the opening of its new online fulfilment centre in Castle Donington is essential in supporting M&S's strategy of transforming from a traditional British retailer into an international, multichannel retailer.

Harrods' state-of-the-art warehouse in Thatcham, West Berkshire, meanwhile, has been built to cater for the retailer's own future multichannel growth, as well as to deliver optimum operational efficiency and flexibility. The luxury retailer has put a special emphasis on omnichannel fulfilment – ensuring it can fulfil an order irrespective of where it has come from.

One of the most common customer complaints surrounding delivery is that retailers are rarely able to specify the time of delivery, meaning whole days can be wasted spent waiting at home for a courier to turn up. Some retailers are beginning to address this issue in part by offering order tracking services.

Sending a notification, either by text or email, when an order has been dispatched is

House of Fraser ticks most boxes in terms of its multichannel capabilities



another popular means of keeping the customer informed.

For the majority of retailers, however, the option for customers to pick a time slot for delivery is not currently available; in fact just four of the retailers surveyed offer dedicated time slots – John Lewis, Argos, Selfridges, and homewares and clothing retailer Heaton's.

There are obvious benefits to offering a time slot in that the majority of parcels get delivered first time, meaning fewer wasted stops or parcels returning to the depot. However, for retailers that do not have a single view of stock or do not hold all of their items in stock, the logistics and finances often simply don't stack up.

Around half of the retailers surveyed offer a free delivery option with the vast majority stipulating a minimum order value, most commonly £50.

CLICK-AND-COLLECT

Click-and-collect is another key battleground in the multichannel arena. About half of the retailers surveyed offer a click-and-collect service from store, with a much smaller proportion offering delivery to a specified pick-up point such as a locker, post office or c-store.

To date, almost all multichannel retailers have offered click-and-collect services for free – unsurprisingly since the economics often stack up better than for home delivery. However, in

June this year, John Lewis broke ranks and said it would start charging shoppers for click-and-collect on small orders.

The department store group now imposes a £2 fee on orders under £30 while click-and-collect orders above that threshold remain free.

Announcing the change in policy, John Lewis boss Andy Street said he viewed the market's prevailing free model as unsustainable and believed other retailers may be forced to follow its lead. "We want to take a leadership position," Street said. "This market has got to be sustainable. It's illogical this can be produced at no cost. We think our customers will understand this is reasonable."

Street explained that there was a huge

“Delivery has emerged as one of the key battlegrounds for UK retailers, as customers increasingly look for multiple delivery slots that allow them to shop how and when they want on the same day”

Bryan Roberts, Kantar Retail

“This market has got to be sustainable. It’s illogical this [free delivery] can be produced at no cost. We think our customers will understand this is reasonable”

Andy Street, John Lewis

logistical operation behind the click-and-collect system and said he did not feel threatened by other retailers, including Amazon, improving their free delivery options at the same time that John Lewis is imposing charges. “I feel confident in our position,” he maintained, pointing to the retailer’s extensive click-and-collect network, which includes Waitrose and Collect+.

Aside from the direct cost of fulfilling orders, click-and-collect is the kind of innovative, flexible delivery solution that looks likely only to grow in popularity among both retailers and consumers. “Click-and-collect can drive customers to stores for collection and potential return of products, which provides an opportunity to drive more in-store sales,” notes Jackson. “It also helps maintain that critical physical connection with customers, demonstrating that online shopping is perfectly compatible with upselling and impulse buys in store.”

Other retailers included in our survey, such as Selfridges, are looking to technological innovations to improve their online fulfilment model and make the buying process more fluid for customers.

Throughout 2014 Selfridges brought its online offer into its stores through technology such as mobile devices and in-store kiosks. iPads have been introduced at collection points to enable customers to continue browsing online, while the retailer has also introduced a text service that made its debut in 2013 whereby customers can text customers to arrange a delivery time, and shoppers are able to respond. Also launched in 2013 was a new click-and-collect service, which allows customers to order online by 4pm and pick up their goods

the following day from 9am. Anyone driving to the London store to collect an order receives 30 minutes’ free parking, making the service particularly helpful for customers outside the capital.

RETURNS

The growth of click-and-collect as a fulfilment option, while undoubtedly driving incremental sales, is also creating pain points. Recent research carried out by *Retail Week* in association with delivery platform Shutl found that retailers’ click-and-collect services are being placed under increasing strain by consumers who fail to collect orders. Younger consumers, in particular, are liable to click but not collect on account of issues such as time constraints or a change of mind about buying the item.

Fulfilment challenges do not end with delivery or collection. Another issue is returns which, although less of a problem for homewares and lifestyle retailers than in segments such as fashion, remains a significant driver of negative costs for many businesses.

SAS’s Jackson notes that a particular pain point for most retailers is when a product is returned to a store that doesn’t stock that item, meaning the product has to be sent back to the distribution centre for processing. “These administrative costs, ultimately, affect the bottom line,” she points out.

The majority of retailers surveyed allow customers to return online orders to store for a replacement or refund. However, far fewer allow customers to return orders to a specified collection point, hinting at the costs involved in offering a flexible returns policy.

ACTION POINTS

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In the busy modern era, it seems time – rather than money – is consumers’ most valuable currency. While click-and-collect makes life easier for the consumer, it is a complex order-management process for retailers, involving the juggling of inventory, optimising supply chain and fulfilment processes to ensure goods arrive in an efficient yet cost-effective manner. Retailers operating across multiple channels might be wise to focus first on their in-store collection facilities, perhaps implementing a management solution to ensure items are delivered to the right in-house location in a timely manner. Once this has been mastered and has generated positive customer feedback, then the time will be right to extend this service to third-party collection points.

CHAPTER FOUR

PERSONALISED INTERACTION

Less than a quarter of retailers surveyed offer a loyalty scheme of some description. Of those that do, most enable customers to earn loyalty points from both an in-store and an online shop; however, there are some notable exceptions to this rule with the likes of B&Q and Ikea UK only awarding points on items purchased in store.

Personalisation is another area attracting significant interest and investment. Ten out of the 45 retailers offer personalised recommendations on each page of their website with the big department store chains, in particular, investing in personalisation technology along with the likes of Cath Kidston and Magnet.

House of Fraser is one of a number of retailers that has trialled in-store beacons that send push

notifications directly to shoppers' smartphones when they walk around store.

The department store chain is also a trailblazer in the way in which it uses social media to interact directly with its customers. House of Fraser customers are encouraged to get in touch with its customer service team via social media, phone or email as well as a web chat facility accessible via the website.

Online chat functions are becoming increasingly common customer service tools and are now offered by more than a quarter of the retailers surveyed.

House of Fraser is also increasingly using social media as a focal point for its marketing. Social campaigns seek to encourage customers to generate their own content and to include the brand's followers in decision making with the aim of creating long-term brand advocates. The retailer actively encourages customers to review products on its website and to take a photo of their latest House of Fraser purchase and share it on Twitter, Facebook, Instagram or Pinterest.

House of Fraser is one of a number of retailers from whose website customers can click through to follow it on Facebook, Twitter and Pinterest. Indeed, our research shows that all but three of the retailer websites contain links through to their Twitter feeds – the exceptions being AGA Rangemaster, Linium and, perhaps most surprisingly, Ikea UK.

Customers can click through to the Facebook pages of all but four retailers, although Pinterest is less ubiquitous with 14 retailers having no link through to a Pinterest page and nine retailers having no Pinterest page at all.

PAYMENT OPTIONS

Payment options are another area in which retailers are increasingly seeking to gain a competitive advantage over their rivals. Debit card, credit card and PayPal remain the most common payment options online but mobile payments are beginning to gain traction with the likes of M&S, Wilko, House of Fraser, and Silentnight Group among a small group of retailers already accepting them.

Technologies such as Apple Pay, which launched in the UK in July, look set to boost consumer demand for mobile payments even further, although some experts warn against the limitations of the offer in its current form.

"The [Apple Pay] platform has some constraints as it is only available to iPhone 6 and Apple Watch users and it relies on near field communication technology," says Dan Wagner, founder of Powa Technologies. "What shoppers really want is a ubiquitous solution which allows them to buy products anywhere, at anytime, from a range of mediums, using any digital device."

ACTION POINTS



The online world has got personal – and it's time for retailers to do the same. Consumers are complicated. They can't be defined by one characteristic or interest. If you want to truly understand your customers, you need to build up a 360-degree view of your shoppers – connecting the dots between shopping habits and social behaviour to provide a seamless personalised experience. What's important to remember is that more data doesn't equal better results – it's about the quality of the data and how this is used.



Apple Pay is set to boost consumer demand for mobile payment

CHAPTER FIVE CONCLUSION

Mobile payment is an example of a fledgling technology that, should this research be carried out again in five years' time, would most likely feature in the majority of retailers' repertoires.

Such is the speed of technological change in the retail sector, capabilities that five years ago were considered differentials are now considered 'must haves'.

Some of the biggest names in the sector are forging ahead and investing heavily in ensuring their multichannel capabilities are aligned with the best in class. Those

that get it right will deservedly prosper. But any sportsman will tell you that having all the latest gear is no guarantee that you can use it effectively.

For retailers plotting a slower, steadier path to multichannel success the key is incorporating new ideas, systems and technologies at the right time in the right way.

Retailers than over promise and under deliver on their multichannel capabilities will be judged harshly by their fiercest and most important critics – their customers.

“Some of the biggest names in the sector are forging ahead and investing heavily in ensuring their multichannel capabilities are aligned with the best in class. Those that get it right will deservedly prosper”



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