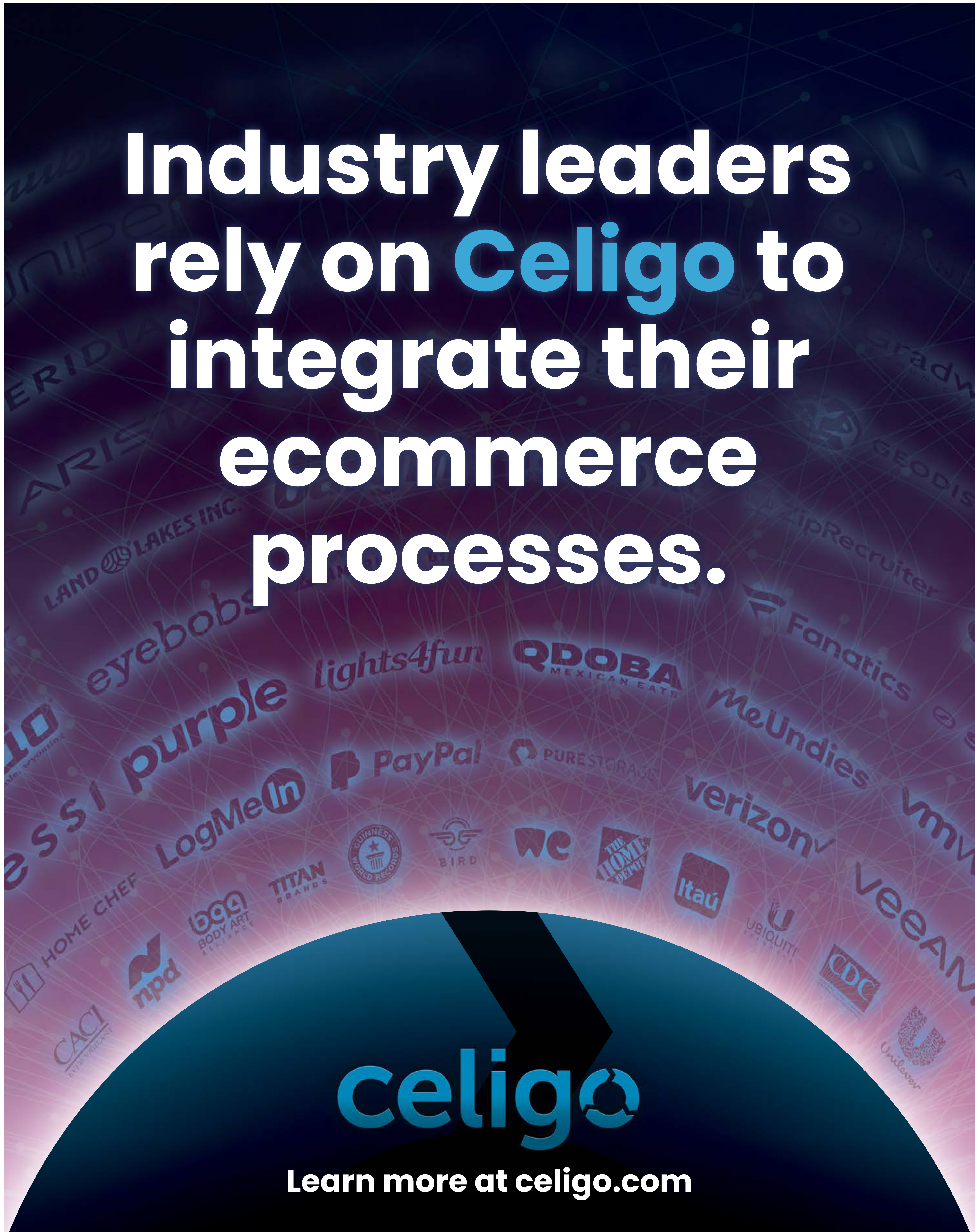
FUTURE OF RETAIL & ECOMMERCE



FUTURE OF RETAIL & ECOMMERCE

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LOCALISM

High-street ken: who's sitting pretty for the 15-minute city?

Along with the continuing popularity of hybrid working, a growing movement espousing eco-conscious localism is changing urban shopping patterns. This has already prompted several retailers to rethink their bricks-and-mortar strategies

Simon Brooke

The basic idea underlying the 15-minute city is simple: if we're living in any part of it, our shopping, leisure, healthcare and transport facilities should all be within a quarter of an hour's walk or leisurely bike ride from home.

The concept has earned Professor Carlos Moreno several accolades since he proposed it in 2016 as a way to challenge the dominance of the motor car and so make urban environments greener and more liveable. Given its associations with the use of traffic restrictions such as ultra-low emission zones, the 15-minute city has also attracted conspiracy theories about ghettoisation. But people needn't worry too much about such an outcome, however unlikely that is, because the first real working models are still some way off.

Nonetheless, retailers should note that local authorities have become significantly more interested in urban centres than out-of-town developments of late. Councils in Birmingham, Oxford, Sheffield and Waltham Forest, north London, are all exploring the potential of the 15-minute city, for instance.

"The concept is being implemented here by maintaining local centres where there is already a good spread of facilities, including for shopping, public transport, health and leisure," says a spokesman for Oxford City Council. "Keeping all of these clustered together attracts more people to a given area and helps it to stay vibrant."

Stressing the importance of maintaining footfall in keeping such facilities viable, he adds that the council will "direct new developments, including workplaces, as much as we can to our district and local centres. Where the council owns shops, for instance, it's vital to set rents at a level that community businesses can afford."

During the Covid crisis, the London Borough of Waltham Forest conducted an extensive research project, including focus groups, to learn exactly what its residents wanted from their localities.

"We knew that old-fashioned concepts of cities didn't always make people healthier and happier," says a spokesman for the council. "We want everyone to be able to meet most, if not all, of their needs within a walk or short bike ride from home."


Richard Klune via Getty Images

The result has been a plan to introduce a 15-minute neighbourhood that supports local retailers and uses low-carbon modes of transport, such as cargo bikes and electric vehicles, for last-mile deliveries.

The pandemic has helped to build support for Moreno's ideas, which are based on the desire to make local communities more cohesive. That's the view of Tom Whittington, director of retail and leisure research at real-estate giant Savills. He says: "As things began to open up after the lockdowns, people started to experience the 15-minute community themselves. Part of that change was what we call retail reinvention."

A change in footfall patterns resulting from the widespread adoption of hybrid working means that areas that once mainly hosted shops, for instance, might see more developments devoted to leisure, say, thereby widening the range of facilities on offer in those areas.

"With more people working from home, local shops that were busy only on Saturdays may find that they have customers throughout the week," Whittington says.

He adds that traditional out-of-town players such as Ikea and B&Q, both of which are opening high-street stores, will gain access to a whole new group of consumers who don't have cars.

Since January, B&Q has been testing smaller store formats under a new blueprint known as B&Q Local. Eight such stores have opened so far and another is due to start trading in Sutton, south London, in the next few months. Customers will find everything that they might expect to see at a conventional DIY superstore, including kitchen and bathroom design services, according to the firm's strategy and development director, Chris Bargate.

"Our stores have traditionally been located out of town, so the launch of B&Q Local means that more customers will have our products and services on their doorsteps," he says.

The reimagined high street is even attracting the attention of department stores and garden centres. Products that were previously sold only at John Lewis are being stocked in branches of Waitrose, while Dobbies, the 150-year-old garden supplies chain, has opened Little Dobbies in Edinburgh, Bristol and Chiswick, west London.

The 15-minute city also has implications for ecommerce, notes Peter Blackburn, international commercial director at InPost, a logistics operator specialising in parcel delivery and collection lockers.

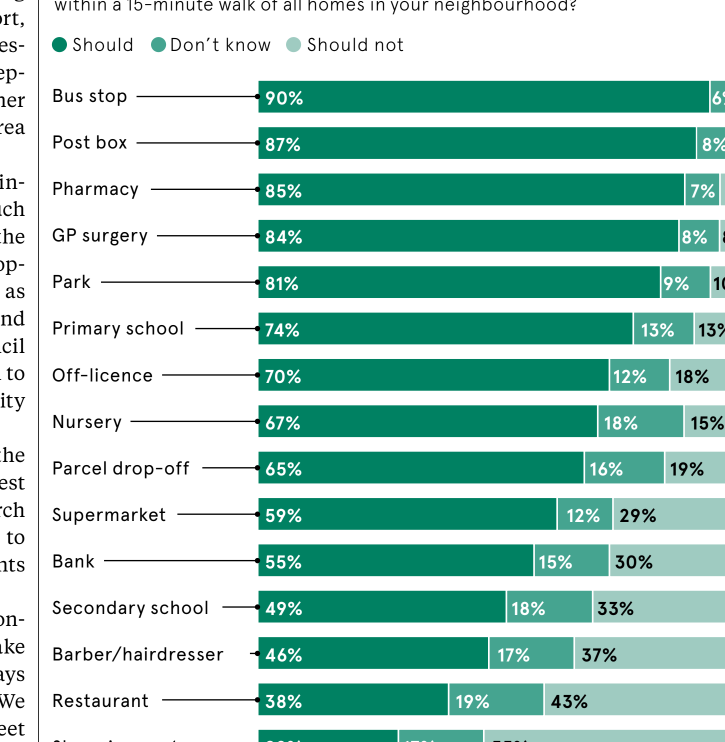
These lockers can "expand the breadth of postal services available in a local area and bridge the gap between online and high-street shopping", he says.

Blackburn explains that parcel lockers are ideal for "trip-twinning", in that they provide a quick and easy way for shoppers to receive or return online purchases while nipping out to their local high street to grab a coffee or a few groceries.

The idealised 15-minute city may still be something of a utopian concept. But, with its principles of localism, convenience and eco-friendly transport already finding strong support from local authorities around the world, its piecemeal adoption is likely to be significant in the future of retail.

FEW BRITONS CONSIDER IT A PRIORITY TO HAVE A SHOPPING CENTRE WITHIN 15 MINUTES' WALK OF THEIR HOMES

UK consumers' responses when asked: should the following amenities be within a 15-minute walk of all homes in your neighbourhood?

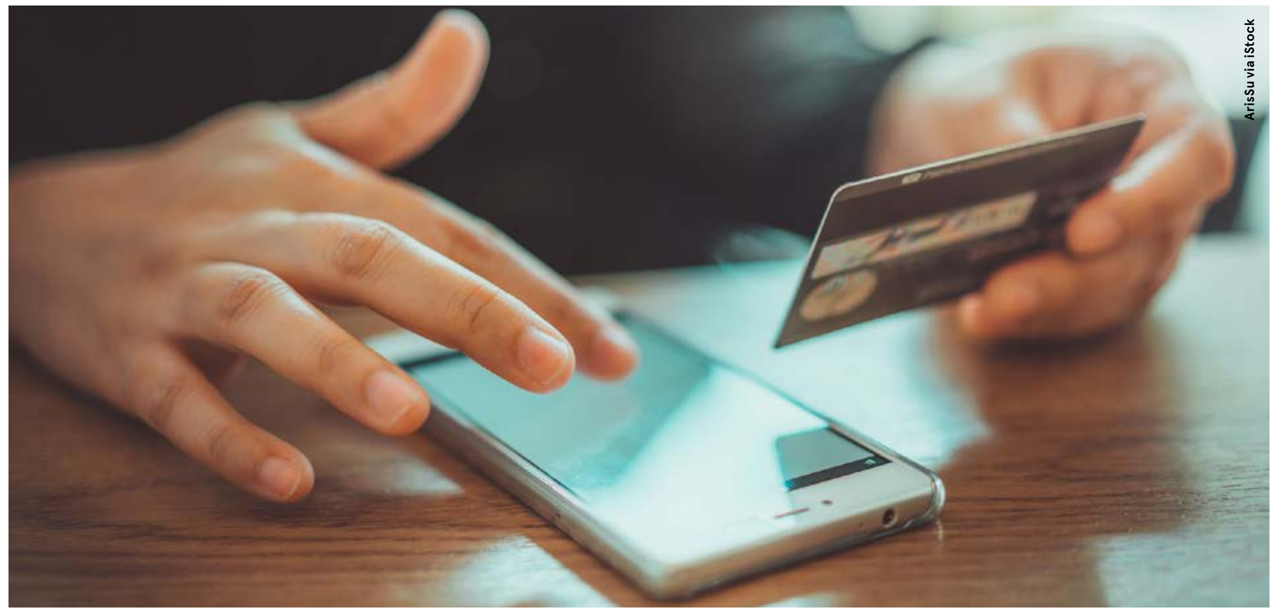


YouGov, 2023

REGULATION

What the revised data protection and digital information bill means for retailers

The government's second attempt at reforming the GDPR focuses on cutting red tape and business costs. Can it achieve this without removing crucial safeguards?



Jonathan Weinberg

Ever since the EU General Data Protection Regulation (GDPR) came into force in the UK in 2018, it has attracted both praise and criticism, often in equal measure. Nonetheless, the common view held by politicians, lawyers and IT experts in light of Brexit has been that Westminster's approach to regulation in this area will diverge from that of Brussels.

Such a split became even more likely on 8 March when the government introduced the second iteration of its data protection and digital information bill to Parliament. (The original bill on which it's largely based stalled after its first reading when Liz Truss became prime minister in September 2022.)

This is a generally promising development for UK retailers working under the GDPR. The bill's enactment could lighten the data management burden, do away with risk assessments and maybe even relieve some firms from having to employ a dedicated data protection officer.

Whatever happens when the bill is finally enacted, public trust has to be maintained. That's the view of Gavin Freeguard, interim head of public policy at the Open Data Institute, the not-for-profit research body co-founded by Sir Tim Berners-Lee.

Freeguard fears that the proposed legislation risks "diluting the existing rights, protections and redress mechanisms that provide transparency" over how personal data is stewarded. Data protection impact assessments, which are designed to identify and mitigate risks when processing personal data, can be "a boon, not a burden" to business, he argues, adding that provisions in the bill should also deal with the need for better infrastructure to support data intermediaries.

"All this is particularly vital given the excitement surrounding generative AI, which is driven by data. The right regulations, as part of an open and trustworthy data ecosystem, will let us unlock benefits. But the wrong ones could result in undesirable outcomes that diminish the potential returns to both society and the economy," Freeguard warns. "Such outcomes include the proliferation of data and practices that aren't trusted."

Sarah Simpson, a senior associate in the intellectual property team at international law firm Katten, accepts that the government's main aim with its new bill is to lighten the regulatory burden. There are clear benefits in it for retailers, she says, although there are concerns that proposals which would remove cookie consent banners from websites could result in more profiling and tracking, reducing transparency surrounding the collection of personal data.

"Changes to the rules governing direct marketing – for instance, broadening the so-called soft opt-in to include a simple means of refusing such marketing materials – will be hugely beneficial to retail companies," she predicts. "At present, the soft opt-in is limited to where individuals have bought goods or services from businesses previously, enabling such businesses to continue marketing to them."

Simpson explains that, if the legislation lets retailers target consumers they don't yet have a relationship with by simply giving them the chance to unsubscribe by clicking an opt-out link, this could have a big impact on the "potential to market to individuals they're unable to target at present, thereby increasing sales and improving revenue".

But she warns: "If customers aren't given the option to control how their data is collected, they may seek clarification of this in other ways, such as via subject-access requests. These are an administrative headache that can be hugely costly for businesses to deal with."

There are also concerns that retailers that sell to markets in the EU could need to abide by both the new UK legislation and the GDPR.

Other legal experts believe that the proposed changes concerning cookies will turn out to be limited. Andrew Kimble, a partner specialising in data protection at law firm Womble Bond Dickinson, is one of them. He says that the bill is "not quite the rewrite of the GDPR and cookies law that was perhaps anticipated", suggesting that its "main thrust" will stay the same in keeping high standards in data protection.

But he adds: "Changes to the cookies regime, proposed in the original bill and retained in this revision, may mean that consent is no longer required for the use of certain analytical cookies and similar technologies where the data is being used to improve services or websites. This will be well received by ecommerce businesses and website users alike."

James Cull is a solutions engineer at Rokt, an ecommerce tech provider that includes Domino's Pizza and Ticketmaster among its clients. He thinks that the GDPR's requirement on retailers to secure consent before using data for marketing purposes has generally detracted from the customer experience. Cull hopes that the legislation will give clear guidance on the proper use of data for direct and indirect marketing. This would offer consumers "a smoother and satisfactory ecommerce journey", given that they want "a relevant shopping experience – similar to one they'd receive when speaking to a great salesperson in a store".

He suggests that a focus on "legitimate interest" in the use of direct marketing would help retailers. For instance, if the personal data used by marketers is handled correctly and respects all data privacy rights, it could then be processed for that purpose on a particular website.

Cull explains: "This would enable retailers and brands to create a more relevant customer experience that's tailored to each individual's needs. This might even include quality measures such as frequency caps or the complete suppression of ads to existing customers, offering a superior experience in every case."

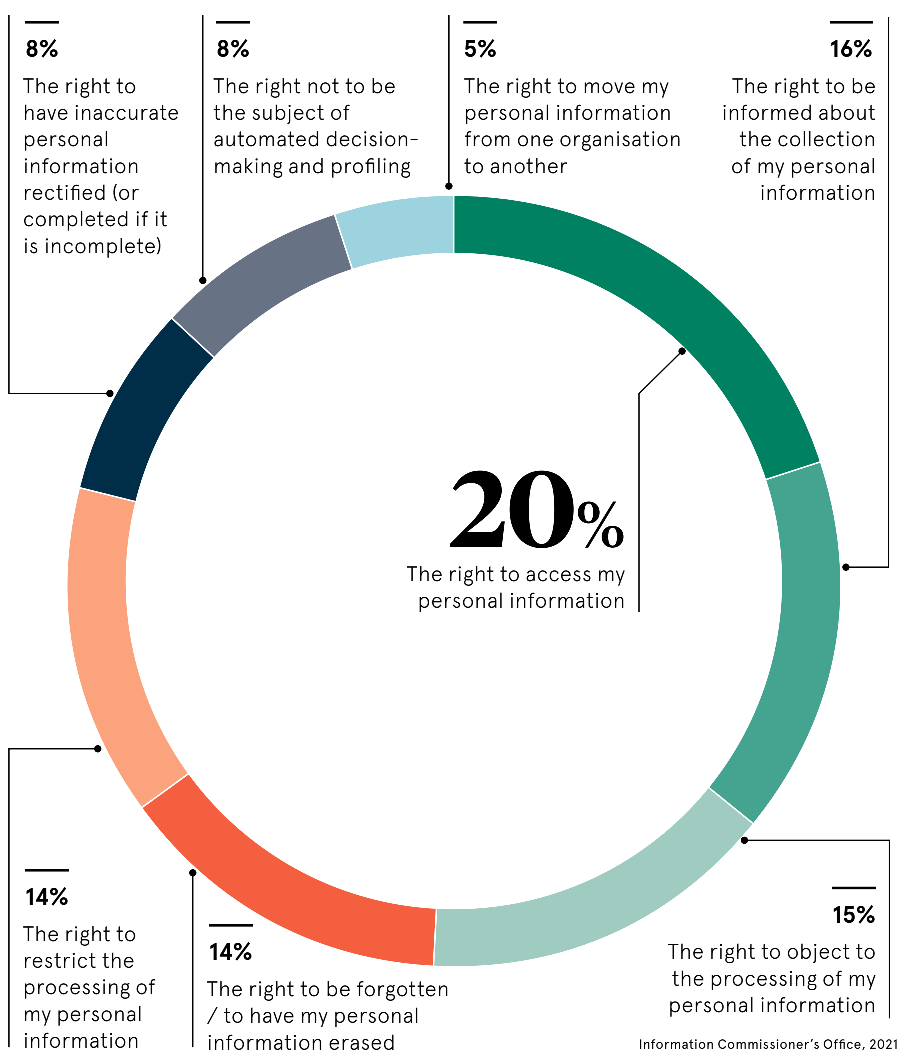
Sarah Pearce is a partner specialising in data privacy and security at law firm Hunton Andrews Kurth. She says that questions remain about the UK's ability to satisfy the EU authorities that its new provisions remain "essentially equivalent", bearing in mind that it took more than a year of talks to persuade Brussels to sign a so-called data adequacy agreement in 2021. This was a formal recognition of the UK's high standards in data protection, allowing the continued inflow of personal data from the EU.

But Pearce adds that many retailers would welcome the bill's statement that records of processing will be required only for entities using processing activities that are likely to pose a "high risk to the rights and freedoms of data subjects".

She adds: "Most online retailers are unlikely to be carrying out such processing. The removal of this obligation, which some see as overly burdensome, is likely to be welcomed by the industry."

CONSUMERS PRIORITISE THE RIGHT TO ACCESS DATA HELD ON THEM

Percentage of UK consumers giving the following responses when asked: what do you consider to be your most important right relating to the personal data that organisations hold?



Information Commissioner's Office, 2021

Commercial feature

22.3%

of gen Z are likely to abandon the checkout process if they have to make an account on the merchant's website or app

78.7%

of millennial respondents are 'very likely' or 'somewhat likely' to abandon the checkout in the middle of an online payment if their preferred payment method isn't available

57%

of 16- to 24-year-olds feel inflation and the increased cost of living will encourage them to use BNPL services

Ecommpay, 2022

Why retailers can't afford to ignore generational payment preferences

Millennials and gen Z both want fast, frictionless payment experiences, but there are also key differences between the generations

Millennials – those born between 1981 and 1996 – are now the world's largest consumer group. But gen Z – the generation born between 1997 and 2012 – is hot on their heels. So how do their ecommerce expectations differ? And more importantly, how can merchants meet them?

"With millennials, there's an expectation that the payments process should be smooth, seamless and always work," says Moshe Winegarten, chief revenue officer at Ecommpay, an international payment service provider.

Gen-Z consumers feel the same way. But they also take such experiences – which many retailers have worked hard to achieve – for granted. "It's a baseline for them," says Olga Karablina, head of payment product development and partner relations at Ecommpay. "It's about what else you do on top to ensure they're happy and willing to come back."

In fact, one bad payment experience could push them into the arms of a rival retailer. "If there's a glitch – their card has funds on it, but it's been declined and they don't know why – you lose the customer," says Winegarten.

This may not happen as often with gen Z as it does with millennials. According to research commissioned by Ecommpay, millennials are twice as likely to use a credit card than gen Z and far more keen to use a debit card too (52.9% versus 31.5%). Gen-Z consumers are less bothered by the lack of a local payment option, however, with just 6.7% of 16- to 24-year-olds claiming it would cause them to abandon the checkout as opposed to 12.4% of millennials.

Ecommpay's research also found that almost two-thirds (65%) of gen-Z respondents were "very likely" or "somewhat likely" to abandon the checkout in the middle of an online payment if their preferred payment method isn't available. For millennials, the figure is even higher at 78.7%. That's a lot of lost sales simply due to the lack of additional payment options, like Apple Pay or Google Pay.

Furthermore, 22.3% of gen Z are likely to abandon the checkout process if they have to make an account on the merchant's website or app – a considerably higher percentage than for millennials (13.1%). Gen-Z shoppers also feel almost twice as uncomfortable as millennials when it comes to sharing their card details online (20.1% versus 10.5%). This suggests that slowing down the checkout process to ask for personal information, or requesting card details, could potentially damage conversion rates among gen-Z customers.

Buy now, pay later

Both generations are keen to see alternative payment options at the checkout – including buy now, pay later (BNPL). These services allow consumers to spread the costs of their purchases, often while incurring little to no interest. One in ten gen-Z consumers expect to use BNPL more over the next five years, as is an even higher percentage of millennials (14.2%). In addition, Ecommpay's research found that around 57% of 16- to 24-year-olds, and almost 56% of 25- to 34-year-olds, feel the increasing cost of living and inflation will encourage them to use such services more.

> In the case of BNPL, it's the responsibility of a trusted lender to provide a clear message within this flow of payment

Gen Z is less worried than millennials about getting into debt through BNPL, with twice as many millennials citing it as a concern compared with gen Z (36.3% versus 18%). Likewise, the risks of late charges and more interest were only of concern to 17.2% of gen Z, whereas 27.9% of 24- to 34-year-olds thought this was an issue. Ecommpay's new BNPL solution helps to address these fears and ensure responsible lending, as it uses a robust risk scoring system tailored to different industries, like retail or travel.

When asked if businesses were doing enough to educate consumers about the BNPL option at the checkout, only 36.8% of gen-Z respondents said 'no' compared with 52.9% of millennials. When it comes to regulation, 35.3% of gen Z said that BNPL needs to be further regulated. Millennials feel even stronger about better regulation, with 60.7% of respondents pushing for more rules to be implemented within this credit category. This appears to show that millennials are more up-to-speed with both the benefits and potential risks of BNPL.

However, when asked what changes would encourage them to use BNPL as a payment option, twice as many gen-Z respondents cited 'more pre-contractual explanations with clarity on processes and support' (22.8% versus 10.9%). This shows that gen Z are perhaps not as confident as they might seem about precisely what BNPL services entail.

"Yes, there has to be a fast, frictionless flow at the checkout to mitigate the chance of an abandoned basket," says Karablina. "But in the case of BNPL, it's the responsibility of a trusted lender to provide a clear message within this flow of payment to help the consumer fully understand what they're doing."

Looking ahead

Although open-banking payment options have yet to make much impact on ecommerce – not least because the likes of Apple and Google Pay already offer consumers quick and secure means of paying by card – it doesn't hurt to offer millennials and gen Z a range of options at the checkout. However, the fact that only 13.9% of gen-Z consumers believe they completely understand what open banking is and how it is used, compared with 24.1% of 25- to 34-year-olds, suggests that gen Z may not grasp how checkout options like 'pay by bank' actually work.

Looking ahead, social shopping is likely to grow in importance. "Gen Z wants to buy what they see on Instagram, and being able to take payments in that space is something we're beginning to see and support," says Winegarten. Gen Z is also the most open to paying with crypto, with 23% of 16- to 24-year-olds saying they would use it if it were offered as a payment option.

Ecommerce merchants need a trusted partner who understands these generational nuances. Because while millennials and gen Z share some similarities when it comes to payments, they also differ in countless subtle ways, such as their approach to new options like BNPL and crypto, their dislike of account creation requirements and overall brand loyalty. The merchants that recognise this and adapt their processes accordingly will ultimately be those who succeed.

AUTOMATION

Do androids dream of electric kettles? Why retail's getting robotic

The idea of being greeted by an in-store robot might put some people off their shopping, but the next wave of automation is already hitting the high street

Marc Ambasna-Jones

Anyone who has visited a branch of Currys recently – or perhaps a Decathlon in Spain or even a Lowe's hardware store in San Francisco – may already have encountered a retail robot.

These few examples mark the start of something huge on the high street if a forecast by tech analyst ABI Research is to be believed. Last year it predicted that the annual revenue of the emerging sector providing retail robotics could exceed \$8.4bn (£6.9bn) by 2030, so perhaps we'd better get used to the idea of seeing more silicon-based shop staff.

Robotics, and automation more generally, represent an opportunity for retailers as they wrestle with the constant challenge of managing the omnichannel experiences they offer while their costs rise and shoppers' habits change. This technology was first used by the retail industry in back-office functions such as warehousing, but it has been adopted more recently for last-mile fulfilment – Co-op's use of home delivery robots from Starship Technologies, for instance – and assistance on the shop floor.

Bearing in mind how deeply the self-service checkout has divided opinion among supermarket shoppers over the years, it should come as no surprise that not everyone is a fan of this latest development – certainly not the SoftBank customers who assaulted its friendly humanoid bots in 2015. (Last year the Japanese conglomerate confirmed that it was discontinuing their production after slashing jobs at its robotics arm, as the demand for them hadn't met expectations.)

Even Currys' new robot has been mocked on TikTok for having a name similar to the slang term for the veterinary tranquiliser that's widely abused as a recreational drug.

Perhaps that's a little unfair. The KettyBot, named by its Chinese manufacturer Pudu Robotics, is going down a storm, reports Ainsley Sykes, head of commercial initiatives and retail design at Currys.

"Families, especially those with young kids, have generally been mesmerised by the robot and what it can do," says Sykes, who admits that staff in the four stores trialling the new tech were "apprehensive" about their plastic colleagues at first.

They feel far less threatened now, recognising that the KettyBots are there not to take their jobs but to help them deal with customers on the front line, he stresses, adding that the bots have generated a wealth of useful data about their interactions with customers.

And the name? "Were we to permanently introduce these robots into our stores", Sykes says, "we would look to work with our colleagues to find them a new name."

For now, the KettyBot reflects how some of the world's larger retailers are thinking, according to Miya Knights, retail technology consultant and co-author of *Amazon* and *Omnichannel Retail*. She reports that robots are part of a more general move towards in-store automation. Two notable examples she cites are the adoption of Volumental's 3D foot scanner by several shoe retailers and Target's partnership with vendor Clockwork to provide a machine offering 10-minute manicures to busy shoppers.

As retailers continue to automate, it raises an obvious question about their motives: are they really trying to improve the customer experience or are they seeking to reduce their labour costs?

It's likely to be a bit of both, according to Knights. She suggests that, while companies face a real challenge in balancing technological efficiency and the human touch, reducing the amount of time that front-line employees need to spend on low-value tasks could give them more scope to work on turning visitors to their stores into loyal customers and even brand advocates.

It's a view shared by Stuart Higgins, partner at management consultancy BearingPoint. He suggests that using robots to do menial work should enable store staff to spend more time on "more value-adding and satisfying roles focused on improving customer satisfaction and sales". He cites the KettyBot as a good example of this.

The key, of course, is to understand what customers might want from their human and synthetic shop assistants respectively and to work out how to deliver those things.

Although some of the early breed of in-store robots might seem a little gimmicky, Higgins suggests that some retailers have made real progress in finding ways for them to make the shopping experience smoother and more efficient.

"We saw a recent example of this in Zara's concept store at Battersea Power Station in London," he says. "If a customer wants to collect an online order from here, they simply take their confirmation email and scan the barcode on it at the collection point."

Behind the scenes, all parcels awaiting collection are held in a small, highly automated warehouse. Acting on the barcoded information, its loading system will locate and retrieve the requested parcel, presenting it to the customer through a hatch.

This is, Higgins says, "a brilliant example of back-of-house robotics smoothing the customer journey. At the same time, it frees store colleagues to work on more customer-facing tasks."

It's the sort of thing that PAL Robotics has been doing with its StockBot, which has been adopted by sports retail giant Decathlon.

Deploying robots effectively in a store is a complex undertaking, says Alexandre Saldes Barbera, director of innovation business development at PAL Robotics, which also has a humanoid retail bot called ARI.

"The store is a dynamic environment," he says. "The retailer may be changing things around in it daily."

To this end, StockBot can perform automated inventory counts several times a day if required. It's also able to pinpoint the location of any given product on the premises.

Such applications should, for the moment at least, be the preferred direction for retailers to take when it comes to automation, according to Higgins. He also throws shop-floor cleaning into this mix, citing Marty, the googly-eyed bot that patrols US grocery outlets run by The Giant Company.

"One thing is certain," he says. "The democratisation of robotics in the workplace will enable more automation projects in the near future and the faster, more agile deployment of these technologies."

This, he adds, should help retailers to increase the efficiency of their store operations and improve customer satisfaction.

In a sense, this is about going back to basics – retailers should determine the most common niggles their customers have and how this new tech could solve these recurring problems. Knights points to the growing influence of gen Z, the first fully digital-native generation that has grown up not knowing a time when ecommerce didn't exist.

"Gen-Z shoppers want self-service options and they expect accurate inventory information and rapid fulfilment," she notes. "Many surveys have found that they're also in favour of robots."

That's the challenge. Where can retailers get the most return from automation and deliver the sort of seamless experiences that all consumers, not only gen Zers, increasingly demand? Robots almost certainly have a role to play in areas such as inventory and fulfilment. Given the drive for improved omnichannel experiences, this makes a lot of sense. The value of putting bots on the shop floor, giving them faces and asking them to schmooze customers may be harder to gauge.

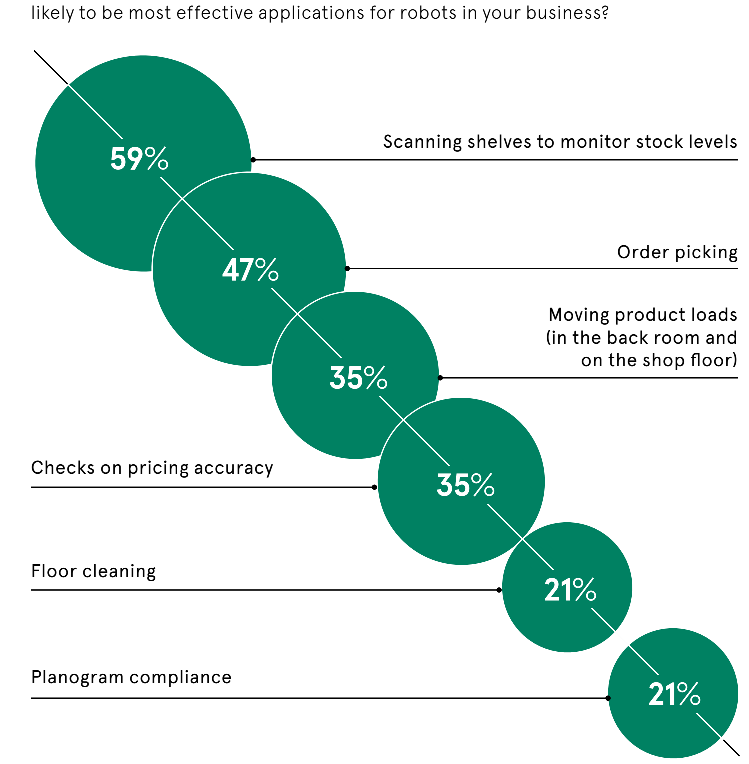
If you do go down that route, just be careful what you name them – although there are probably worse things to happen to a robot than viral humiliation on social media. ●

> **"Families, especially those with young kids, have generally been mesmerised by the robot and what it can do**

> **"The democratisation of robotics in the workplace will enable more automation projects in the near future**

MOST LARGE RETAILERS ENVISAGE THAT ROBOTS WILL BE DEPLOYED IN NON-CUSTOMER-FACING ROLES

Large retailers' most common responses when asked: which activities are likely to be most effective applications for robots in your business?



RetailWire, Brain Corp, 2021

Commercial feature

DATA-CONSCIOUS CONSUMERS

Consumer behaviour and attitudes toward data privacy in online and in-store retail

Empathy.co, 2022

How brands can bridge the online trust gap

Consumers are fed up with retailers that mishandle their personal data. How can ecommerce firms maintain their trust and protect privacy?

In business, trust is everything. Without it, it is impossible to build a successful and sustainable brand. And consumers are less and less likely to forgive if they feel taken for granted.

It is perhaps surprising, then, that so many ecommerce retailers are failing to meet consumer expectations around trust, putting their brands at risk. Shoppers regularly complain about intrusive data tracking processes that lead to them being bombarded by irrelevant product recommendations.

They are also tired of being followed around the internet for weeks after visiting a retailer's website.

More worryingly, customer data breaches have become commonplace, putting company reputations at risk. In January, a major cyber-attack on sportswear giant JD Sports led to the personal and financial information of 10 million people being exposed.

Retailers face growing regulatory scrutiny and are under pressure to change. But how can they offer a truly personalised shopping experience while protecting privacy?

Digital trust is everything

A lot of problems link back to practices originated by the world's biggest tech firms, says Ángel Maldonado, the founder and chief executive of Empathy.co, a leading ethical commerce search and discovery platform.

"Over the years the biggest players have tried to commoditise consumers and treat them as objects, and smaller retailers have copied their ideas," he says.

"But just as you don't hear about people trusting tech giants like they did 10 years ago, those same questions are now being asked about retail brands. As a result, consumers are moving towards those brands that make digital trust a priority."

The Information Commissioner's Office (ICO), which regulates UK ecommerce firms, has significantly strengthened its rules. Consumers must now be given the option to 'accept' or 'reject' a company's data collection policies when they arrive at its website. Choosing 'reject' means denying retailers an important stream of intelligence.

However, there are still loopholes retailers can abuse. Customers that do not allow their data to be collected can have their location tracked via their IP address, for example. And their personal data will often be governed by separate agreements between the retailer and its suppliers that the customer is unaware of.

"You can still end up getting unsolicited emails or being exposed in a data breach, all of which erodes trust," says Maldonado.

How Empathy.co helps to solve the problem

Empathy.co works with over 500 brands worldwide to help them bridge this trust gap while also offering a truly personalised shopping experience through search and discovery. Clients ranging from SMEs up to giants such as Zara-owner Inditex, French grocer Carrefour and US retail group Kroger have benefited from its ethical search and discovery tools.

Using responsible AI, the Empathy Platform allows retailers 'read-only' personalised experiences that don't need to integrate consent-tracking banners or synchronise privacy policy pages.

Empathy.co also gives consumers more control over their data when they interact with a search box. For example, a consumer's search history or preferences can be stored within their sphere of privacy and control.

According to Empathy.co's Retail Trust Index, a survey of thousands of UK consumers, only one in five consumers trust the leading UK retailers. The regulatory pressure to improve customer data handling is also likely to increase.

A McKinsey survey of more than 1,300 business leaders and 3,000 consumers globally found that establishing digital trust in products and experiences that leverage AI, digital technologies and data can also promote growth.

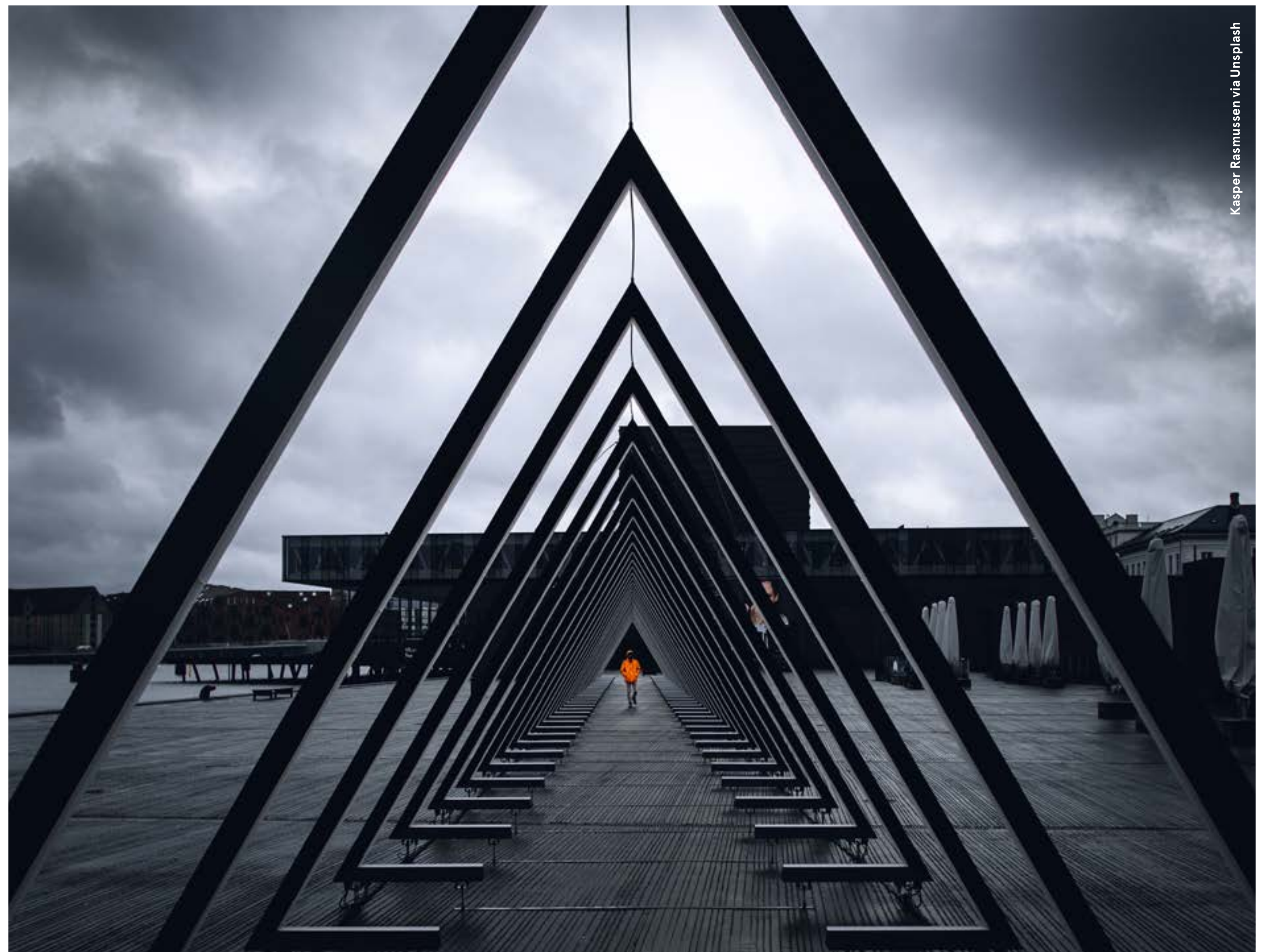
Such companies were more likely than others to see annual growth rates of at least 10% on their top and bottom lines, it found. However, only a small percentage of those surveyed were set to meet the necessary standards.

Ecommerce firms must adapt to this new normal of ethical commerce or risk being left behind, Maldonado says.

"A decade ago when we started we were very much swimming against the tide. But now the tide has turned and retailers that don't move with it are likely to struggle in the years ahead."

> **"The tide has turned and retailers that don't move with it are likely to struggle in the years ahead**

For more information please visit empathy.co/learn-more



CRIME

Warning sines: how to detect and prevent triangulation fraud

This sophisticated online scam, which is fast gaining popularity among criminals, is hard for etailers to combat. Nonetheless, security experts believe that merchants could and should do more to protect themselves

Ben Edwards

As consumers hunted for bargains in the run-up to Christmas last year, many could have unwittingly helped cybercriminals to pocket millions of pounds through an ecommerce scam known as triangulation fraud.

In this type of fraud, a criminal posts fake listings on an online marketplace, advertising goods at a heavy discount to attract customers. Having taken payment for a product through the marketplace, the fraudster then uses credit card details stolen from someone else to obtain that product from a legitimate merchant. The merchant fulfils the fraudster's order and ships the product to the original customer, with neither party aware that any crime has been committed. Eventually, once the person whose details were stolen disputes the payment with their credit card provider, the merchant will discover that it was defrauded when it receives a chargeback demand. Little evidence can be traced back to the fraudster.

There is no comprehensive data on the scale of the crime because it can be hard to pinpoint and often goes unreported, written off by merchants as a cost of doing business. But experts believe that it constitutes a significant proportion of all card-not-present (CNP) fraud. In January 2019, a study published by Juniper Research estimated that CNP fraud would cost retail businesses worldwide an average of $26bn (£21bn) annually over the five years to the end of 2023.

One criminal gang operating from Southeast Asia made about $660m in November 2022, aided partly by triangulation fraud, according to Signifyd, a software developer specialising in fraud prevention.

The crime was "extremely well coordinated and precise", reports Xavier Sheikrojan, senior risk intelligence manager at Signifyd. "It involved not only triangulation fraud but also a mixed bag of techniques including account takeover and address manipulation."

> Instead of immediately celebrating a significant growth in sales, peel back the onion layers and check that all those orders are legitimate

Sheikrojan points out that the gang started on a small scale, probing various merchants' weaknesses first before launching a wider attack. Such fraudsters are usually large criminal enterprises using different teams with specialist skills, such as acquiring stolen credit cards or manipulating customer-service agents into processing orders that have been blocked by the merchant's systems.

"The fraudsters are turning to AI-based technology such as machine learning in the same way merchants have been doing to protect their revenues. This trend is driving the scale and speed of these attacks," he says. "We shouldn't see these fraudsters as hoodie-clad loners in dark garages. We should see them as well-funded and highly organised businesses."

Festive periods are a particularly happy hunting ground for triangulation fraudsters. For one thing, the increased ecommerce traffic enables them to blend in better. For another, shoppers are more primed to seek bargains and so will be less wary of deals offering big discounts. Also, because a gift buyer is more likely to ask a merchant to ship their order directly to the recipient, the fact that the billing address differs from the delivery address won't automatically arouse suspicion.

Another reason why triangulation fraud is hard to spot is that the perpetrators will often focus on goods worth less than £300. These could be anything from sunglasses and headphones to nutritional supplements and pet supplies, Sheikrojan says.

The crime is not only committed on legitimate online marketplaces, reports Michael Reitblat, co-founder and CEO of fraud-prevention platform Forter. In some cases, fraudsters have built their own ecommerce sites, potentially enabling them to steal credit card details.

While the growth in etail marketplaces and the broader shift to online shopping during the pandemic have fuelled triangulation fraud, the economic downturn may also give it a further boost. That's the view of Francesca Titus, a partner and barrister specialising in white-collar crime cases at McGuireWoods.

"Fraud is on the increase across the board. This is the latest type to emerge," she says. "It's a clear growth area that will be fuelled by the cost-of-living crisis as shoppers continue to seek better value for money."

While there is plenty of detection tech available to help merchants protect themselves, there are several basic preventive measures they can take. So says Monica Eaton, founder of Fi911, a specialist in chargeback fraud prevention.

"One thing a merchant can look for is suspicious patterns relating to the card being used," she advises. "Instead of immediately celebrating a significant growth in sales, peel back the onion layers and check that all those orders are legitimate. That could be done by checking the card numbers or the volume of transactions – this fraud is often committed using bots. If you see a spike of 100 orders all coming in on one day, that's a huge red flag."

Eaton suggests that merchants send emails to customers as a way to gauge whether transactions are genuine. If these messages bounce back undelivered, that's another telling indicator that all is not right.

Sheikrojan notes that IP addresses can also provide potential clues about where orders are coming from.

"Fraudsters can easily change card details and other variables, such as shipping addresses, but they can leave traces behind by using the same or similar IP information or device fingerprints," he says. "Companies should be extra cautious if they spot that a user is attempting to hide the true IP address."

More intelligence-sharing among merchants could also help them to defend themselves more effectively as a collective, Reitblat adds.

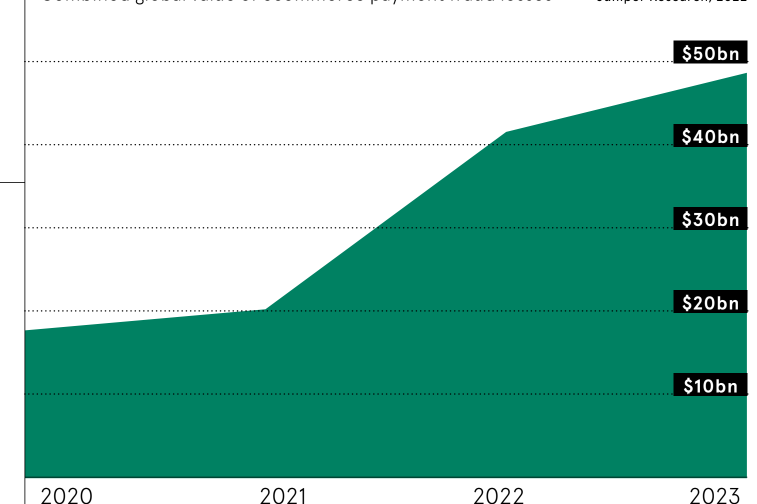
"Businesses don't often want to discuss fraud, because they are ashamed about falling victim to it," he says. "But the only way to stop it and really reverse the advantage that fraudsters have is to talk to each other and collaborate."

Shoppers also have a role to play in crime prevention. If an offer on an ecommerce site seems too good to be true, there's a distinct possibility that a fraudster is lurking on the other side of that deal. This form of fraud might not directly affect the original customer, who could well receive their bargain purchase and not have their details stolen, but it's far from a victimless crime and, ultimately, everyone loses out to it.

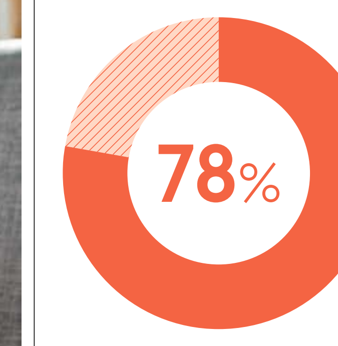
ONLINE SHOPPERS ARE LOSING MORE AND MORE TO FRAUD

Combined global value of ecommerce payment fraud losses

Juniper Research, 2022



of consumers say that delivery cost is important when selecting an online store



of consumers say that speed of delivery is important when selecting an online store

Sendcloud, 2022

Competitive convenience: offer shipping that keeps customers shopping

What do online retailers need to offer to stay competitively convenient and keep customers coming back?

In a world of complex algorithms, measuring the success of your ecommerce strategy by how far a customer has to walk in their slippers feels slightly out of step.

But so-called 'slipper distance' is one of several strategies retailers are using to meet growing customer expectations around online purchases and returns. "Convenience is king for online customers," says Toby Hay, managing director of ecommerce marketing at logistics giant FedEx. But that can mean different things to different people.

Hay explains that, while UK consumers mostly prefer home deliveries, customers in the Nordics favour delivery to out-of-home pick-up points such as stores or lockers. "That preference is evolving now in the UK as out-of-home availability and acceptance have increased recently. Soon there will be a tipping point when it becomes convenient, cost-effective and sustainable enough for Brits to prefer using it. That's your slipper distance – when you can almost stumble out of your house and find a delivery or collection point."

This out-of-home strategy has become a key lever in delivery options used by retailers to keep pace with the explosion in ecommerce demand. Next-day delivery was once a competitive benefit but now it's expected as a standard option by customers. Click-and-collect services in-store were also once a rarity but are now much more common.

"With the bar continually rising, it is no surprise that customers today expect multiple delivery options," says Hay. "The pandemic has further heightened and changed these expectations because of the different ways we now live and shop. During Covid, most of us were at home, making deliveries a lot easier. But people's patterns and preferences are now more diverse. We may be at home or in the office or in between the two. So, the customer definition of delivery convenience, when and where they want their parcels to arrive, has become very personal and situational."

While consumers start to demand delivery at any time, almost around the clock, they also expect control and visibility of their deliveries too. Over the Covid years, customers have also become much savvier when it comes to digital purchases, from booking holidays online to buying groceries or even cars.

"Retailers have always competed on customer experience and convenience. In ecommerce, they need to be in line with their rivals' offers around speed, cost and delivery notifications to help customers plan and prepare," Hay explains. He points to 2021 research from Sendcloud, which found that for 90% of consumers, delivery is an important factor when choosing one online store over another. Meanwhile, 78% of consumers feel that speed of delivery is important.

"But customers are not just judging their experience against other retailers anymore. They want the best digital experience full stop. You are now also competing against the convenience being offered by the pizza guy delivering in 20 minutes and letting you track their progress in real time."

To win this battle of 'competitive convenience', Hay says retailers are thinking like a customer and starting to customise experiences at scale. "Given that convenience is such a key factor for many people in purchasing decisions, failing to provide a tailored service can lose business," he states. "Communicating more regularly with customers about their delivery needs is critical, as is working out what their preferences are because these can change at the drop of a hat. The one-size-fits-all delivery model does not work anymore."

> The one-size-fits-all delivery model does not work anymore

FedEx has a system called FedEx Delivery Manager to help both retailers and customers take ownership of the delivery. Customers can change the delivery date, get it sent to a different address, or get it delivered to a neighbour, a retailer or a nearby FedEx location – and receive an estimated delivery time window along the way.

Retailers can also be more proactive and predict customer behaviour through the use of data. "Delivery companies typically have good data on what shoppers prefer when it comes to deliveries or collections, and retailers have good data on which products are selling well or need to be delivered quickly," Hay says. "Data is the fuel of the 21st century. You can determine whether a customer has a preference for a particular delivery day or delivery point. We are moving towards mass personalisation using data to know that a customer is always at home on a Tuesday but likes to go for a coffee at 3pm for an hour. We can then predict when and where they want their deliveries to be made."

Hay says that thinking like a customer also means developing more knowledge about the competition. "One of the best things a retailer can do is act like a customer and shop with a competitor. Compare that experience with your own and learn from the good and the bad," he says.

By being smarter around deliveries, retailers can also better prepare themselves for economic downturns. "During Covid, when a lot of people had more disposable income and ecommerce was growing, it was easy to hide poor performance," Hay says. "Every online retailer was a winner to a larger or lesser degree. But in times of economic crisis, the competition for customer spend increases. The more you can drive convenience for the consumer the more competitive you will be."

Convenience, however, is also associated with a negative environmental impact. Retailers must be both convenient and responsible, but there are challenges. "Almost 80% of customers say they would consider a sustainable delivery option but only 7% are willing to pay for it," Hay explains. "But the good news is that by using more parcel points and lockers, we all take a step towards more sustainable operations." This is a win-win solution for retailers and customers, making deliveries more sustainable and convenient.

FedEx has also been trialling the use of e-cargo delivery bikes in locations such as Copenhagen and Glasgow. "We've found that in denser urban environments you can be enormously cost-efficient on a bike. For final mile journeys you can take five vans off the road and replace them with three cargo bikes," Hay says. As well as being a good option for customers showing a preference for more sustainable delivery options, receiving packages by bike can be faster due to fewer stops and no hold up in traffic or difficulties parking. It's all about understanding the customer and providing the right service, says Hay. "We offer shipping to keep people shopping."

To find out more, visit fedex.com/en-gb/shipping/rates/ficp-rates.html

FedEx Express

WHY DO CONSUMERS CHOOSE TO SIGN UP?

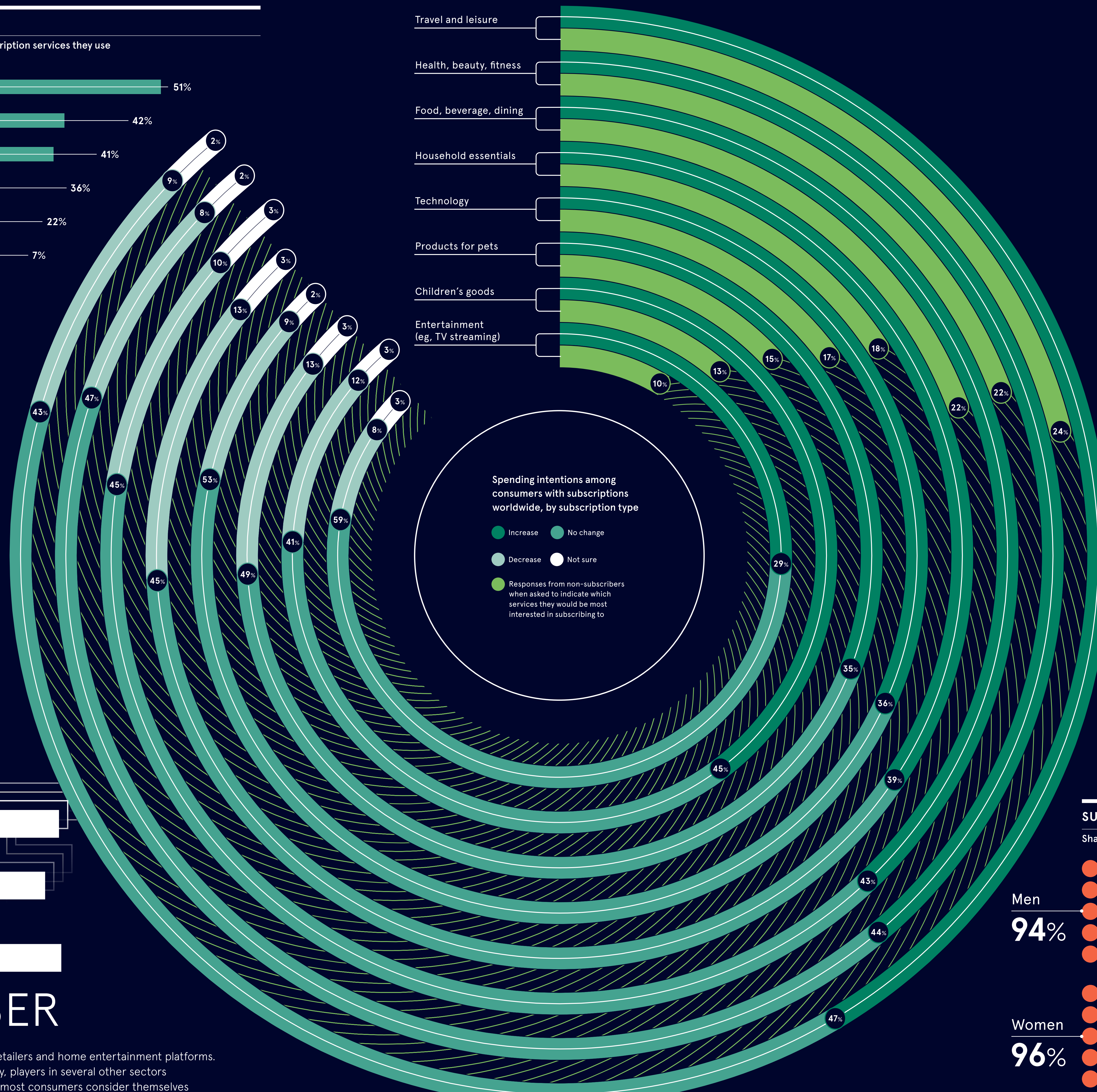
Percentage of global consumers citing the following as the main benefits of the subscription services they use

Convenience, speed and efficiency	51%
Cost-effectiveness	42%
Personalisation of services and offers	41%
Access to unique offers	36%
Better customer service	22%
None of the above	7%

95% of shoppers have at least one subscription for a product or service

90% of those subscribers have maintained or increased their spending on subscription services in the past 12 months

84% of shoppers expect to maintain or increase their subscription spending over the next 12 months



RISE

OF THE SUBSCRIBER

For some time, the subscription service has been a popular model for food retailers and home entertainment platforms. But, since the Covid crisis and the consequent upsurge in ecommerce activity, players in several other sectors have been experimenting with subscriptions. This is not surprising, given that most consumers consider themselves 'subscribers' in some form – and that their spending on subscriptions remains strong despite the cost-of-living crisis

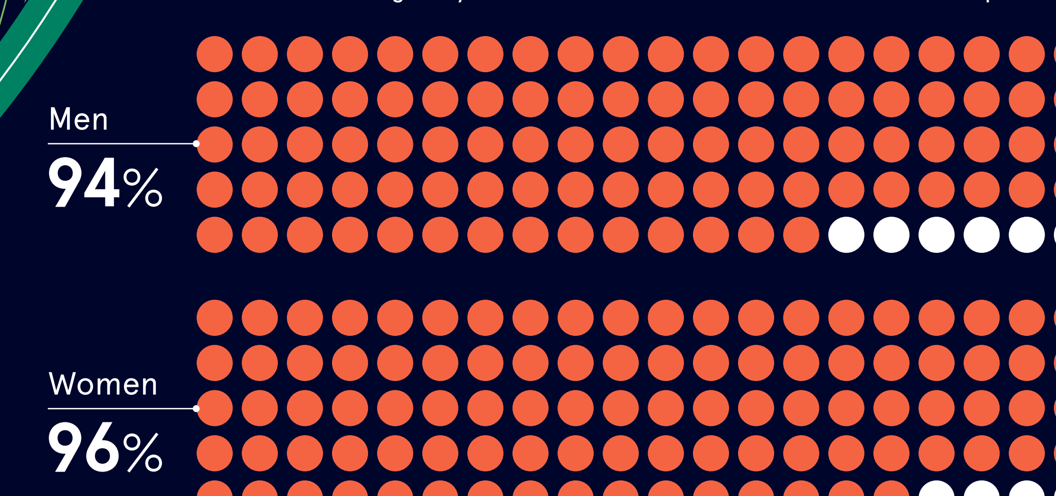
SUBSCRIPTION SERVICES ARE POPULAR WITH ALL AGES

Subscription service behaviour worldwide, by age group

	Subscriber	Non-subscriber	Neither subscriber nor non-subscriber
18- to 24-year-olds	93%	3%	4%
25- to 34-year-olds	96%	1%	3%
35-to 44-year-olds	95%	1%	4%
45- to 54-year-olds	97%	1%	2%
55- to 64-year-olds	97%	1%	2%
Over-65s	96%	1%	3%

SUBSCRIPTIONS ARE EQUALLY POPULAR FOR WOMEN AND MEN

Share of consumers globally who consider themselves 'subscribers' to services or products



eDreams Odigeo, OnePoll, 2022

SUSTAINABILITY

Why fashion's three Rs are a difficult sell

Reuse, repair and recycle schemes can help to reduce the rag trade's massive carbon footprint, but greenwash-wary consumers need to be convinced that such initiatives aren't a passing fad

Emily Seares

In 2022, there were nearly 53 million Google searches and social media conversations focusing on sustainability in fashion – a trend that has been growing over the past five years, according to research by Brandwatch. This increasing consumer interest has prompted retailers to create new categories such as resale as a service, enhanced by advances in tech such as artificial intelligence. The trend has also fuelled the growth of both repair schemes and recycling programmes, which convert waste into reusable material.

Some players have developed their own resale marketplaces. They include ethical pioneer Patagonia and even fast-fashion giant Zara, which offers resale in addition to repair services. Others are partnering with online consignment and thrift stores such as ThredUp or selling through marketplaces including Poshmark Vestiaire and Collective. Meanwhile, social ecommerce platforms Depop and Vinted have emerged to offer their target audience – fashion- and eco-conscious digital natives – an easy way to trade in second-hand garments.

Uniqlo is converting parts of its key city-centre stores to Re-Uniqlo Studios, offering accessible repairs and recycling. And Selfridges has set out ambitious plans for half of all sales to be sustainable by 2030. To this end, it has already increased sales of pre-loved items by 240%, administered 28,000 repairs and rented out 2,000 pieces via its Reselfridges initiative.

Despite such notable initiatives, the public generally remains sceptical of reuse, repair and recycle programmes. Commendable though these are, solving fashion's huge sustainability problem will require far more concerted action globally.

One organisation that understands the scale of the industry's challenge is the Waste & Resources Action Programme (Wrap), a charity promoting the circular economy with an initiative called Textiles 2030. Wrap's latest *Textiles 2030 Annual Progress Report* states that the number of improvement actions taken by companies in the sector to reduce their carbon and water footprints increased between 2019 and 2021. Yet this was not enough to counteract the significant growth in the volume of clothes and home textiles on sale.

With several companies overstating their eco-credentials, high-profile incidents of greenwashing have not helped to reduce consumers' understandable mistrust in the industry. That's the view of Jane Shepherdson, an expert in sustainable fashion and chair of My Wardrobe HQ, a luxury rental platform. She believes that several high-street and fast-fashion retailers are using reuse, repair and recycle schemes simply "to make themselves look more responsible. Consumers totally see through that. We have seen way too much greenwashing from some of these guys, who are obviously just trying to increase footfall. The consumer is not stupid and deserves the respect of these brands."

> **We have seen way too much greenwashing from some of these guys, who are obviously just trying to increase footfall. The consumer is not stupid**

Shepherdson adds: "For a brand to successfully offer reuse, repair and recycle programmes, it needs either some proven credentials or a product that is so well made and in demand that it makes sense."

Established names in the luxury segment, with their heritage and focus on quality that can stand the test of time, are most likely to meet both criteria. Given that high-end garments are better made and more durable than most, they are less likely to end up in landfill.

Hanushka Toni is the founder and CEO of Sellier, a platform specialising in the resale of luxury goods. She observes that the aftercare schemes offered by high-end brands are "often a chief driver of purchasing decisions. Consumers who invest in luxury goods are more inclined to repair and reuse them, rather than discard them, because they view such products as valuable and worth preserving."

Nevertheless, the continuing popularity of fast fashion and its disposable ethos represents a massive stumbling block.

"Ultimately, fashion is about consumption. We don't have infinite natural resources to meet the demands of the world's growing population," points out Lydia Brealey, founder of sustainability consultancy Enkel and a former high-street fashion buyer. "Sustainability is about protecting resources for future generations, so no brand can justifiably claim that it's being sustainable when it's still churning out products."

Zara, which puts about 2,000 new styles on the market each month, and Chinese ultra-fast-fashion giant Shein – which adds more products than that to its website on most days – have both come under scrutiny recently for establishing resale platforms. Their critics have accused such initiatives of being incongruous with their 'pile it high and sell it cheap' business models.

Other fast-fashion players have faced a backlash for their attempts to market themselves as environmentally conscious businesses. Boohoo, for instance, appointed socialite Kourtney Kardashian to the role of sustainability ambassador last September.

"Some companies might position themselves as being environmentally friendly, but there can at times be little to no evidence of their planet-positive actions," says J'Nae Phillips, insights editor at Canvas8, a specialist in analysing consumer behaviour. "People are becoming more aware of greenwashing and are increasingly calling out brands on social media."

She adds that the firms attracting most consumer scepticism tend to be those with "big, bold and brash campaigns that aren't backed up with behind-the-scenes action that aligns with their intentions".

H&M rolled out a global reuse and recycling scheme 10 years ago, partnering with Looper Textile Co to collect unwanted garments from consumers in its European markets. Despite its status as an early adopter, it accepts that there is more work to be done in this field, noting that "recycling is only the final loop, not the entire solution".

The retailer says that it needs to change how it designs its products, to ensure that they have longer usable lives, and expand its rental offering, which is currently available in only four stores.

One of the main concerns surrounding recycling programmes is the lack of transparency surrounding what actually happens to the unwanted clothing.

"A lot of scepticism about take-back schemes and the like arises because they are often positioned as 'recycling' or 'circular solutions', which is misleading given the current landscape," says Philippa Grogan, sustainability consultant at Eco-Age. "If a collection scheme recovers poor-quality garments or unmanageable fibre blends such as polycotton, the post-consumer materials are unlikely to be recycled, repaired or resold."

It also comes down to effective communication from the brand. It should disclose why it has a take-back programme in place, the strategy for the materials collected, what proportion of recovered clothing is ultimately discarded and how the scheme fits with other sustainability initiatives the company may have in place.

H&M reveals that the main problem it faces when ramping up the use of recycled fibres for new clothing concerns the lack of recycling solutions that can work on an industrial scale. To address this, it's investing in new tech with its textile recycling partner, Renewcell.

Some of the mistrust surrounding such schemes is also linked to the public's general perceptions of the company concerned. Understandably, consumers are more sceptical about fast-fashion brands' sustainability initiatives.

The scheme operated by Marks & Spencer, on the other hand, has attracted little scrutiny, as this long-established household name still commands a lot of trust.

M&S established its so-called Plan A sustainability programme back in 2007, with the aim of becoming a net-zero business across its entire supply chain and product range by 2040. As part of this, it became the first big UK garment retailer to enter a national clothing recycling partnership. It has since added rental collaborations, reuse-and-recycle capsule collections and resale partnerships to its offering.

Carmel McQuaid, head of sustainable business at M&S, stresses that transparency is paramount if firms are to earn and maintain the trust of wary consumers.

"Through our *Family Matters Index* report, we know that more than a third of consumers consider the climate crisis when purchasing clothes," she says. "But rental, resale and repair programmes are simply not viable if they don't have quality at their core."

Another trusted high-street retailer, the John Lewis Partnership, has also been dipping its toes into the circular economy. But George Barrett, the firm's sustainability and ethics manager, acknowledges that its work here is just starting.

"Our customers and partners are pushing us to provide accessible and affordable solutions in this space," he says. "There's more that we can and will do. That includes building on our range of pre-loved and refurbished products, making rental as user-friendly as possible and providing repair services across our product ranges."

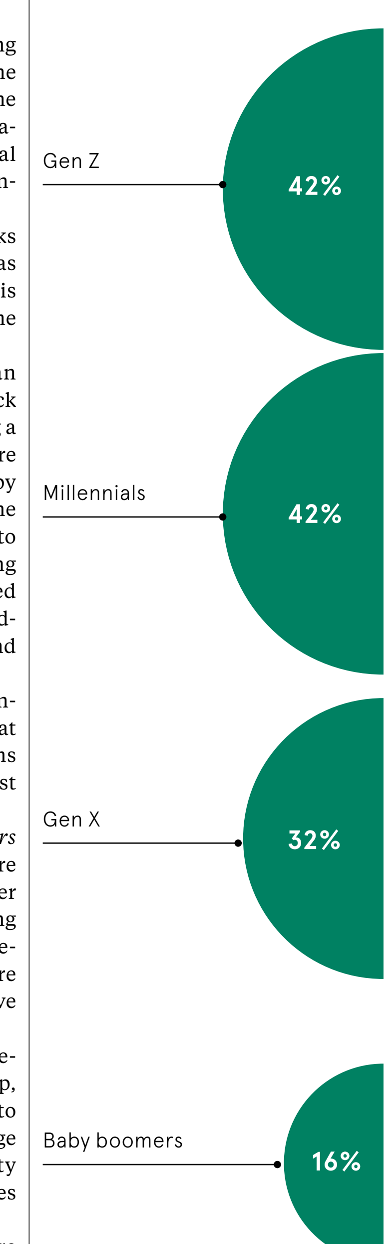
There is always the possibility that legislation will accelerate the industry's efforts. While the UK has yet to make a definitive move in this respect, France has introduced labelling laws that will oblige brands to disclose information about the environmental footprints of their products. This will include data on repairability, recyclability, recycled material content, traceability and the presence of plastics.

"This is about building a narrative with customers, developing authenticity, trust and a sustainability strategy that aligns with your brand values," Brealey says.

Given that sustainability will not be going out of fashion any time soon, brands and retailers that are establishing themselves as genuine leaders in these areas seem far better placed than the laggards and greenwashers to thrive in the medium to long term.

OLDER CONSUMERS ARE UNCONVINCED BY RESALE

Share of consumers willing to buy resale apparel worldwide, by generation



ThredUp, GlobalData, 2021

Commercial feature

NFTs and delivery fees: how to walk the tax compliance tightrope

Tax compliance is never an easy task for retailers. As they bump up against new markets, new models and new technology, getting it right is getting complicated

Last July, the state of Colorado introduced a retail delivery fee, levying $0.27 on every order delivered by a motor vehicle if an item included in the order is also subject to the Colorado sales tax. Earlier this year, Minnesota followed suit, enacting its own retail delivery fee.

It was a simple change but one that hinted at the vast network tax complexities that sit beneath the surface of an evolving and increasingly connected marketplace.

As consumers flock towards digital platforms to buy products and services, retailers across sectors are gaining a valuable foothold in new global markets and basking in boosted sales. But while business booms, merchants and marketplaces must get to grips with the shifting tax rules that follow – and quickly.

"What Minnesota and Colorado, and eventually other states and other countries around the world, are doing is implementing legislation and taxes on delivery fees because of the boom in ecommerce," says Sacha Wilson, senior director at Avalara. "Ultimately, every country will have its own new regulations, so if you want to be efficient as a retail business, you need to be on top of tax compliance from the outset," he continues.

Shoppers and retailers are adapting their practices in step with the opportunities that ecommerce provides, and regulation should remain a critical consideration. The trend towards subscription commerce is an example of this. Along with the promise of recurring revenue, these models are bound up in an entirely new set of sales tax compliance requirements, particularly for retailers that sell subscriptions overseas.

> **Taxing the metaverse is still a grey area, but consultations are taking place among governments, and there is no doubt that change is coming**

"If you sell digital goods, doing so via a subscription model can change those products into an ongoing digital service, which alters the tax rules surrounding them," Wilson explains. "Resolving tax issues after the event can be incredibly expensive, leaving you paying backdated taxes, and, potentially, penalties and interest as well."

Changing tax policies are an inevitable response to growing trends and technological developments. And the expanding metaverse is no exception. The sale of non-fungible tokens (NFTs), which can range from digital artwork to virtual fashion items, triggered a host of questions about the logistics of taxing in a virtual plain. Last year, Washington and Pennsylvania became the first US states to tax the sale of NFTs. Other states are likely to join the club in 2023.

Some NFT creators have begun adding physical goods as well as virtual goods and services to their NFT offerings, adding another layer of complexity to decisions around which transactions would be subject to sales and use tax and how the jurisdiction of each order is defined.

The precedents set in this new arena have ramifications beyond the NFT market. Many traditional retailers, including luxury brands, are adopting metaverse technology to boost sales, using augmented reality (AR) to allow customers to try on luxury fashion items virtually.

Even Cartier has joined the metaverse, creating a virtual timeline of its prestigious Tank watch, from its 1917 launch to the present-day Tank Française, which people can 'try on' via Snapchat-powered AR.

"Taxing the metaverse is still a grey area, but consultations are taking place among governments, and there is no doubt that change is coming," says Wilson. "As retailers incorporate more of these new world technologies in their sales strategies, it is something they need to be aware of."

The global trend toward more vigorous tax enforcement has increased the need to focus on mitigating compliance risks. Wilson points to the value of automated tools and tax solutions, including those offered by Avalara, that prevent additional tax compliance, duties, and cross-border tariffs from becoming barriers to global business growth.

"Successful businesses are constantly testing the market, and there are so many new channels and technologies to experiment with," he says. "The metaverse is new, and it's growing in popularity. Brands are using 3D gaming platforms to engage with customers. But they need to be anticipating changes in tax rates, rules and complexity. It's about being prepared."

For more information visit avalara.com/eu

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Klaus Vedfelt via Getty Images

SOCIAL MEDIA

Insta karma – the rise of de-influencer marketing

The backlash against glib influencer marketing and the conspicuous consumption it promotes is well under way. How can brands and retailers ensure that they don't get targeted for criticism?

Amy Nguyen

The so-called de-influencing trend is making corporate marketing teams around the world sit up and listen. It happens when people take to social media and urge their followers not to buy certain goods. They may be doing so to promote cheaper, more sustainable alternatives to the products in question, highlight unethical practices by the brand making them or call out misleading advertising by another influencer. The practice, occurring mostly on Instagram, TikTok and YouTube, is gaining significant traction.

Mentions of de-influencing on these networks increased by more than 3,000% between 1 January and 10 March, according to research conducted by social analytics platform Brandwatch. Common associated hashtags include #whatnottobuy, #overconsumption and #antihaul.

The internet has democratised access to information (and misinformation) about brands and products. Its spread on social media is beyond the control of companies, so it can be a problem for them.

Traditionally, the big beasts of the creator economy have wielded their influence on their millions of followers to help companies market their wares. The growing popularity of channels with algorithms that favour short video content has proved useful for the success of in-app shopping features. More than a quarter of social media users have bought a product based on an influencer's recommendation online, according to research by Kantar.

But you don't need to have millions of followers to be influential. Micro-influencers – defined as those with between 1,000 and 100,000 followers – have become increasingly valuable to brands. Research by YPulse has found that 58% of millennial and gen-Z consumers don't consider the size of an influencer's following as a factor in their trustworthiness. (The level of engagement that micro-influencers can command does seem to be platform-dependent – their engagement rates on TikTok stood at 17.9% last year, versus 3.9% on Instagram and only 1.6% on YouTube, according to Influencer Marketing Hub.)

Content posted by 'ordinary' shoppers can also be hugely influential. Research by consumer experience platform Nosto indicates that 79% of viewers find that such material has a strong effect on their purchasing decisions, whereas only 9% cite content published by influencers as impactful.

Faced with the de-influencing trend, how should brands and retailers change their approach to influencer marketing and social media engagement generally?

Melanie Kentish is managing partner of Dentsu Creative UK's talent and influencer division, Gleam Futures. She believes that "the most successful partnerships come when there are shared values between the influencer and the brand. Integrity is vital – they should authentically love your offerings."

Kentish points out that brands' campaigns tend to be most successful when they give influencers total freedom to talk honestly, even if that means they aren't totally positive about a given product.

As the cost-of-living crisis continues, such authenticity has become even more important to consumers, especially in the fashion and beauty sectors. Last year, YouGov found that 40% of UK adults had reduced or even stopped spending on clothes as inflation hit a 40-year high.

In putting the fast-fashion segment's colossal environmental cost under the spotlight, de-influencing has harmed the sales of key players such as Shein and Boohoo. But the other end of the market has not been immune to its effects, with luxury brands such as Olaplex, Dior Beauty and Kim Kardashian's Skims coming in for criticism questioning the value for money they provide.

"As a brand, you can't control the narrative – nor should you want to," stresses a spokesperson for cosmetics retailer Lush. "For us, it's all about listening to what our community is saying."

Kentish agrees that companies should treat critical reviews as valuable information. "Take on board any feedback about your branding, price or product," she says, advising firms to open direct lines of communication with consumers offering constructive criticism.

In extreme cases such as the 'cancellation' of a product online, a company's sales, product and social media teams must work together quickly to formulate a response. That's the advice of Imogen Coles, UK influence lead at advertising giant Ogilvy.

"Reactions to de-influencing at any level should always be an integrated effort. It's the reason that our corporate teams sit alongside our consumer and influence departments," she says.

As a trend, de-influencing may actually be beneficial for many brands, especially when it's promoting responsible consumption. A sentiment analysis by Brandwatch has found that 22% of online conversations about de-influencing indicated consumers' happiness at being given the chance to become more informed and sustainable with their purchasing decisions.

Using the clout of influencers to encourage people to adopt more sustainable lifestyles is important, says Besma Whayeb, director of Ethical Influencers, a community of more than 1,200 influencers in 65 countries. She also keeps a blog called Curiously Conscious, which covers "sustainable fashion, clean beauty, low-impact lifestyle and more".

Whayeb, who has gained 26,000 social media followers since 2014, argues that an influencer has "a huge responsibility to their audience and, wider than that, to people and the planet". On fashion specifically, Besma believes it's crucial to scrutinise brands' employment practices and the ecological effects of their production processes.

"To constantly push buying new clothes, especially during the cost-of-living crisis, is inauthentic," she says. "I like to focus on circularity, interspersing content with reviews focusing on a brand's supply chain."

In 2021, Lush made the bold decision to step away from Instagram, and TikTok (it remains active on YouTube). A spokesperson explains: "We don't want customers to have to come to meet us in an unsafe place, but we still work with influencers and have gotten creative in how we approach that."

Today, the company prioritises in-person events and online communication formats such as podcasts over traditional influencer marketing on social media. It has also established a presence in the virtual world of Decentraland.

> As a brand, you can't control the narrative – nor should you want to. For us, it's all about listening to what our community is saying

> To constantly push buying new clothes, especially during the cost-of-living crisis, is inauthentic

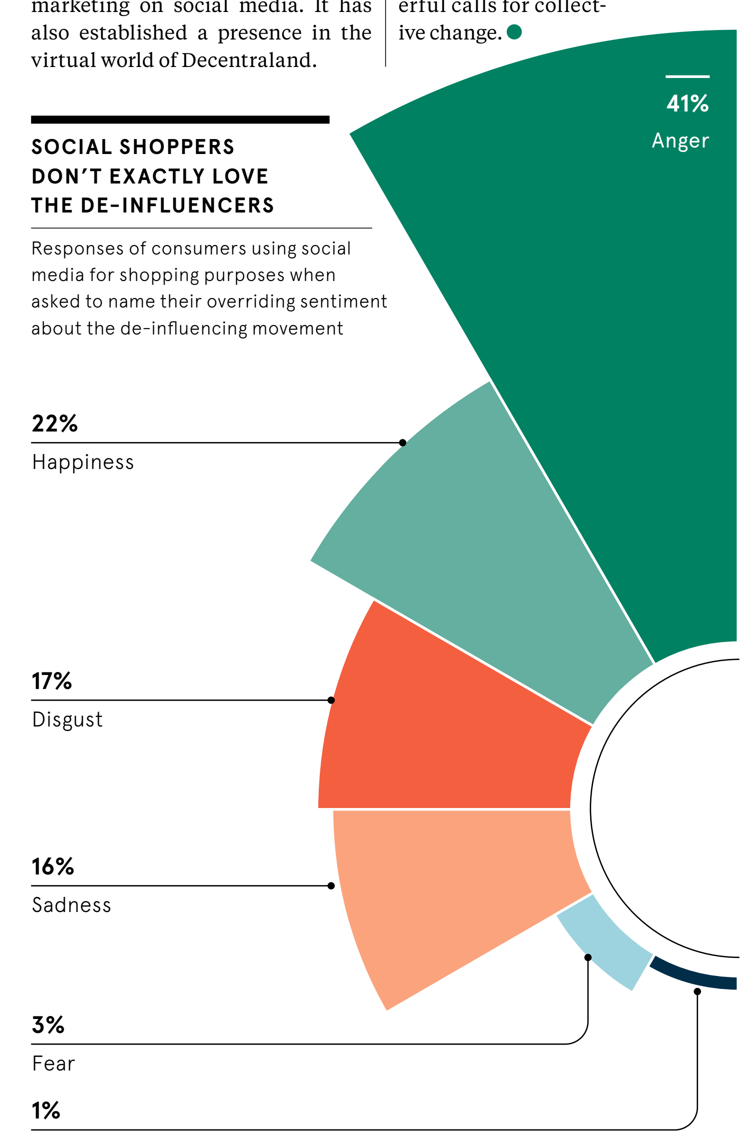
Lush's research into digital engagement with The Future Laboratory has found that 70% of adults in the UK, the US and Japan think that a brand should leave a social network if it considers that platform to be unethical. Moreover, 62% respect brands that care more about a social network's ethics than the number of people they can reach on it.

Brands and retailers need to focus on authenticity and value alignment if they are to remain attuned to their customers' needs and stay flexible in their approach to influencer partnerships and social media marketing in general.

Developing a customer-centric feedback process that engages their audiences will prove valuable. Messaging focused on the responsible production and consumption of products can also help instil trust and attract eco-conscious consumers. Most crucially, companies can navigate the complexities of influencing – and, indeed, de-influencing – by remembering that social networks offer a space for communities, constructive conversations and powerful calls for collective change. ●

SOCIAL SHOPPERS DON'T EXACTLY LOVE THE DE-INFLUENCERS

Responses of consumers using social media for shopping purposes when asked to name their overriding sentiment about the de-influencing movement



Brandwatch, 2023

Commercial feature

Today's customers set tomorrow's trends. Are retailers listening?

Innovations in ecommerce and retail might capture the collective imagination, but cutting-edge trends can cut both ways if customer insights are overlooked

Every day we're bombarded with messages about the future. Will AI make us obsolete? Is the high street dead?

With new possibilities for personalisation, advancements in AI, and an ever-expanding metaverse to play with, retailers can often become consumed with determining which trends will take off.

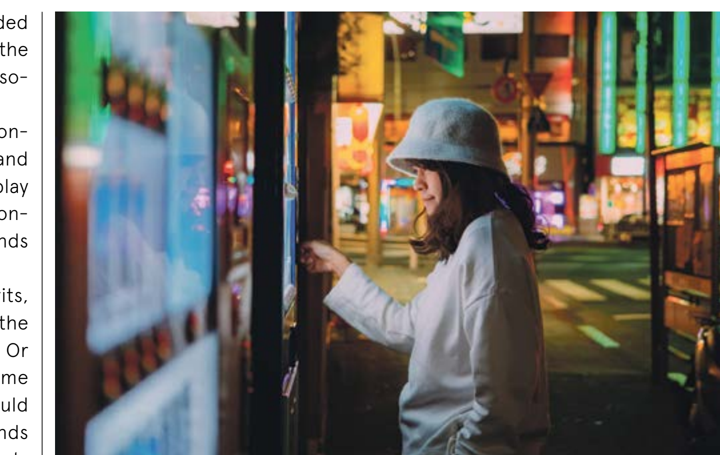
But while future gazing has its merits, customer data and insights sit at the heart of all future developments. Or at least they should. Not taking time to understand your customers could make placing a bet on which trends will come to fruition a doomed lottery. So why do retailers chase trends rather than data?

"Many retailers are desperate to find applications for trendy technologies often through fear of missing out," says Rachel Smith, experience director at ecommerce consultancy Wunderman Thompson Commerce & Technology. "But it's not always clear what problems these technologies solve for customers and how best to apply them," she continued.

Companies could waste millions and lose customers by following trends without first asking two very important questions: what do my customers want now, and how will this impact the future?

Smith believes that building up crucial customer insights now is the best route to identifying the most pertinent trends for the future. Brands and retailers don't just need to understand what is possible using AI or the metaverse but need to ask themselves whether these trends are truly in step with consumer demand today and tomorrow.

> Many retailers are desperate to find applications for trendy technologies. But it's not always clear what problems these technologies solve for customers



Although this might seem like the sensible approach, according to research from Wunderman Thompson, most buyers (52%) don't believe retailers understand the customer journey. And the ramifications can be huge, with 58% saying they wouldn't shop online with a retailer that failed to meet their expectations.

Bringing customers' cross-channel experiences to life can be perceived as a challenge. But Smith argues that one of the simplest and most effective tools for illustrating what customers endure is a customer journey or experience map.

This map provides a visual representation of the customer's end-to-end experience over time and draws together quantitative and qualitative insights. "They're great for identifying frictions and opportunities and aligning organisations around a common goal, especially when the responsibilities span multiple functions in siloed organisations," she explains.

While web metrics like cost per click and average order value (AOV) remain valid, taking a broader look at customer experience can deliver even deeper insights. "We need a complete shift away from understanding sales from a siloed business perspective to understanding the entire customer journey from the consumer's perspective and how this can and will affect business performance," says Smith.

Regular qualitative research can be a critical competitive differentiator. "These insights can help you understand customer missions, mindsets, and the 'why' behind certain behaviours, like why people drop out of the process at a particular point, what elements of the product description worked and didn't work, or why they favour your competitor," she explains.

Investing time and effort in understanding this is money well spent. And most importantly, organisations that implement change based on these insights often see an increase in key growth metrics of conversion, AOV, revenue and retention.

But it shouldn't be a one-and-done. "If your customer research was done pre-Covid, it's of limited value because the world has changed so much," says Smith. "Even if it was done six months ago, it won't reflect the changes we're seeing because of the cost-of-living crisis." This means that your future gazing could be built on insights that are no longer relevant.

A retail reality check is in order. Before implementing AI, building stores in the metaverse, or even creating a space-commerce strategy, businesses should ask their customers what they actually want and need.

Smith concludes: "None of us can say for certain which future trends will become the new normal in retail and ecommerce," she says. "But if you understand your customers, you're better prepared and have probably already started planning for whatever may come next."

For more information visit wtcom.co/wtc-cx

WUNDERMAN THOMPSON
Commerce & Technology

INSIGHT

‘It’s about understanding the customer journey from start to finish’

Graeme Howe, director of the eCommerce Expo, explains why retailers have to remain nimble as their costs keep rising and consumers cut back

The past year has been one of the most challenging for UK ecommerce businesses in recent memory. Putin’s war in Ukraine has pushed up operating costs and made consumers cut their spending. A recession looms, albeit a shallower one than previously feared, but things are likely to get worse before they get better.

Yet innovations in etail tech continue apace and the UK’s online shopping market remains one of the most dynamic in the world. So what trends can retailers expect to see over the next 18 months and how should they prepare for these?

One of the biggest challenges will be providing the best customer experience. Never has understanding customers been more important to help retailers personalise their offerings. Yet new rules on the collection of third-party data have made the job harder while pushing up the cost of acquiring customers.

It’s forcing etailers to find alternative solutions, including the greater use of first-party data. Encouragingly, there will be many new opportunities to gather such material in 2023-24 as consumers return to the high street and retailers develop multichannel platforms.

Bricks-and-mortar shops will become increasingly important as they are repurposed into experiential spaces that showcase a retailer’s products and its brand, rather than simply shifting units. Consumers are also likely to do more of their shopping on social media, which will open up new data touchpoints.

“A single-customer view is becoming more important,” says Graeme Howe, director of eCommerce Expo, the UK’s largest ecommerce event, which will take place at the ExCeL London centre on 27-28 September.

“It’s about understanding the customer journey from start to finish. Did a given shopper find you on social and buy in a store? Or was it some marketing content that led them to your website? If you understand how a customer is engaging with you, it greatly enhances your ability to influence the process.”

Leading retailers have traditionally worked in silos, with digital teams having few interactions with divisions such as sales and marketing. But most are breaking down these barriers, enabling them to capitalise on the data they have. Continuing this will be vital as the economic outlook darkens.

While customer experience may take centre stage in 2023-24, retailers can’t ignore other trends likely to shape ecommerce over the coming years. For example, there is growing emphasis on brand credentials, including customer reviews. Sustainability remains high on the agenda too as firms work to meet the UN’s climate goals. Online fashion companies have been forced to rethink their production processes, for example, and we’ve seen growth in second-hand and rental markets.

New tech will continue to shape the landscape, especially AI, augmented reality and the metaverse. But Howe warns brands not to chase every shiny new innovation before getting the basics right.

“Take mobile, which accounts for 70% of UK retail transactions,” he says. “Retailers must refine their apps and make payment processes frictionless. You also have the problem of online returns, which are becoming hugely expensive. Expect to see more returns policies being tightened over the coming months.”

These topics and more will be discussed at the expo. It will enable attendees to experience the latest in ecommerce technology and hear visionary speakers discussing the issues of the day.

“In challenging times, it’s vital to share best practice,” Howe says. “With more than 300 exhibitors and two days of seminars, this expo will be focused on preparing the industry for a potentially bumpy – but exciting – period of change.”

Visit ecommerceexpo.co.uk to register your interest in attending the event, which is free to retailers and brands

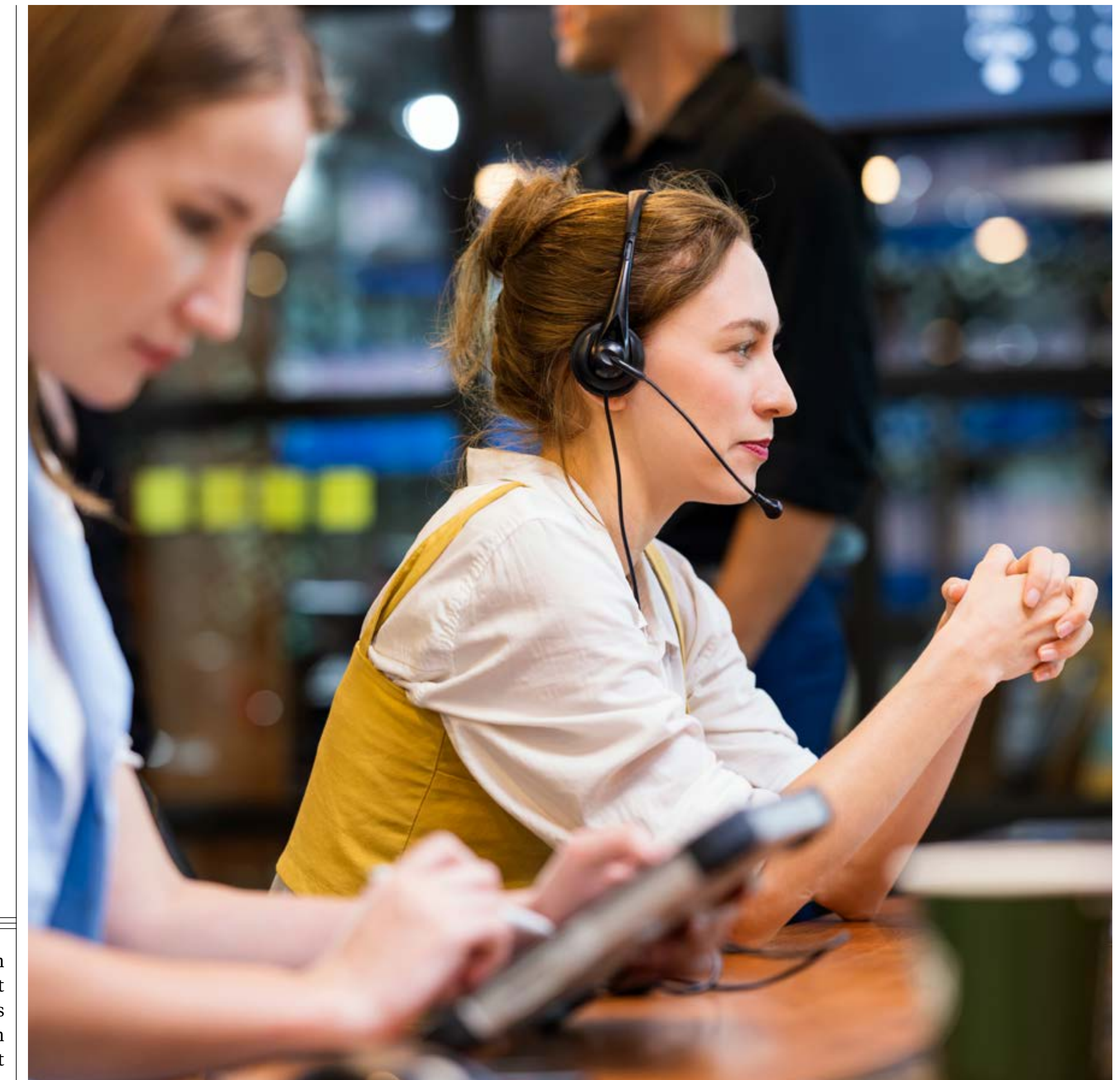
Graeme Howe
Director, eCommerce Expo

CUSTOMER EXPERIENCE

No hiding place for poor service

Far from its origins in personal store visits, undercover shopping is using remote video and audio recordings to reveal problems that could be harming the shopping experience for online customers

Virginia Matthews



There was a time when impoverished students across the UK knew that posing as a customer in a shop or restaurant to record the warmth of the welcome or the quality of the quail was a quick way to earn some cash.

As retail moves online, mystery-shopper projects involving digital experiences, such as web chats and online journey surveillance, are helping retailers to address their most complex customer-service challenges. What were once paper-based reports with undercover insights have been supplanted by end-to-end mystery-shopping software that provides objective, up-to-the-minute assessments. Retailers gain insights into overall service standards, real examples of both good and bad practice and even recommendations to boost sales and enhance their digital presence.

Teams of mystery shoppers impersonate customers to buy online, make complaints and engage with brands via social media. They test as much of the customer journey as possible, from web page navigation and email enquiries to fulfilment times and the returns process.

“Physical mystery shopping was about auditing the use of in-store merchandising or the sincerity of the sales assistant’s smile. But today’s initiatives take a multi-channel approach across the entire shopping experience,” says Dave Pattman, MD, customer experience practice, at Gobeyond Partners. “Rating an online sale is reasonably straightforward. But tracking what happens after the purchase, particularly if a shopper wants to return an item or make a complaint, offers real insights into how your business succeeds or fails in turning a new customer into a lifelong advocate for the brand.”

Poor-performing employees were once able to challenge the findings of face-to-face mystery shoppers, but digital programmes have made mystery-shopping insights more objective. The widespread use of covert video and audio – which can include recordings of employees working remotely – leaves impolite or ill-informed team members with nowhere to hide.

Emma Carmody is the owner and managing director of Xperior, a social media monitoring company that helps companies to improve their customer service. She points to the fact that retailers subject to certain regulatory standards are obliged to monitor employees’ performance. As an example, she says that it would have been “unthinkable” to buy a car through a click-and-collect service 10 years ago, but this has become routine ever since the Covid lockdowns.

“With negotiations often conducted online or over the telephone, car dealerships are using covert audio and video recording to ensure that salespeople aren’t cutting corners on matters such as affordability simply because the customer isn’t physically present,” Carmody says.

Staff agree to ad-hoc surveillance before signing their employment contracts. Evidence of any bad service can be invaluable in identifying gaps in training. The use of mystery shoppers is often highly unpopular among employees, but Carmody believes that offering rewards for good service is more effective than shaming poor performers.

While in-house training is the primary focus for many mystery-shopping projects, they can provide insights that might explain why a retailer’s sales processes may not always go to plan. The quality of the firm’s website may need attention, rather than the professionalism of its staff, for instance.

“When it comes to muddled or inadequate information on websites, I still hear clients complaining that customers are behaving illogically or ‘aren’t doing it right’,” Pattman says. “But, if a customer needs to call or email you before completing an online purchase – which reduces your profit per sale – we find that the problem inevitably lies with the website, not the shopper.”

Whether it’s a sketchy FAQs section or lack of transparency around delivery times, mystery-shopping programmes highlight why customers “don’t always behave as marketers would like them to” and can also offer practical solutions.

> **“If a customer needs to call or email you before completing an online purchase, the problem inevitably lies with the website, not the shopper**

A typical provider of mystery-shopping services will charge about £19 for a phone call and £99 for a video recording. For large retailers, these projects might track 40,000 online purchases and 2,000 telephone interactions.

But, while mystery-shopping programmes aren’t necessarily cheap, the usual alternative is free customer reviews. Given the brevity and anecdotal nature of such material, Tamsin Palmer, operations manager at Customerwise, thinks it would be a mistake to rely on it.

“Social media reviews tend to rate a business’s customer service as either fantastic or lousy. There is often very little in between,” she observes, adding that mystery shopping provides a far more nuanced assessment.

“It’s compiled by experts and it’s factual, detailed and impartial,” Palmer says. “Its recommendations are more pertinent than a hasty review by a customer, which might have been fired off in a fit of enthusiasm or pique.”

There’s no doubt that customer reviews can draw attention to a business – for good or ill. But to drive improvements in customer service or employee behaviour, a one-star or five-star rating can leave firms craving more details.

“Customers who leave online reviews won’t necessarily tell you that they called to make a sales enquiry but no one bothered to call them back,” observes Janet Wood, founder and director of The Silent Customer. “And those reviews won’t inform you that a customer would have signed up to your social media platforms if these had been made available to them. Mystery shopping does all of that and more. And it can uncover missed revenue opportunities and motivate change in the workforce too.”

Some projects focus on key demographic groups on the full website journey, from finding the website to completing a transaction.

In most cases, though, undercover shopping projects will track phone interactions – still a favoured method for shoppers who want to register a complaint – and social media channels. But packages are based on the needs of the organisation and many will also audit email communications and video.

Some programmes will run for as long as three years, usually when a retailer wants to benchmark long-term behavioural changes among its employees. On the other hand, one-off projects designed to highlight a single facet of CX – live chats, for instance – may run for just a few weeks.

Mystery shopping also enables retailers to benchmark their practices against those of their rivals. It is the quest for competitor intelligence that prompts many retailers to try mystery shopping. Palmer thinks she knows why.

“The explosion of retail channels is making shoppers behave in new ways. It is vital for retailers to keep up with their changing behaviour and expectations of a brand or industry,” she says.

Ultimately, if you can see how your competitors are dealing with customer queries and complaints online – and how that benefits or detracts from their overall financial performance – you might decide to modify and adjust your own protocols accordingly.

RETAILERS ARE USING NUMEROUS MEASURES TO GAUGE THE QUALITY OF THE CUSTOMER EXPERIENCE THEY OFFER

Responses of retail C-suite members in the US, UK, Canada and Australia when asked to rate the most important metrics for assessing their CX efforts

Customer acquisition	23%
Revenue growth	14%
Brand recognition	9%
Talent attraction	8%

HGS, FINN Partners, 2022

UK FIRMS THAT WORK TO IMPROVE THEIR CUSTOMER EXPERIENCE COULD SEE...

75%	Better margins
89%	Customer retention rates
30%	Greater lifetime values of customers

KPMG, 2022

Leon Neal via Getty Images

DEPARTMENT STORES

Going down: the destabilising demise of the town-centre department store

The loss of a grand emporium from the high street often has a grievous domino effect on a town's retail economy. Is the ailing regional department store sector beyond redemption?

Ouida Taaffe

A simple walk through the town centre of any large UK town will show that times are tough for department stores. Many stand shuttered and empty. The volume of sales at department stores fell by 11% between January 2020 and January 2023, according to the Office for National Statistics, but the rot had started long before the Covid crisis.

Debenhams, which was once the largest department store chain in the UK, closed its last high-street shops in May 2021. The same month also accounted for Jenners – 'the Harrods of the North' – in Edinburgh, along with other shops in the Frasers Group. Even John Lewis, long the beacon of value-conscious middle-class aspiration, has been forced to contemplate selling a minority stake in the business, which would put an end to its much-admired 100% employee-owned structure.

But why should anyone care about department stores? By definition, they sell almost everything under one roof – from haberdashery and kitchenware to millinery and soft furnishings – but online shops and specialist stores will often offer a greater selection at a lower price.

One reason to care is that they matter to the streetscape. Many stores maintained grand premises (Jenners occupied a grade-A listed building on Princes Street) and put on lavish seasonal displays that people travelled into towns to admire. When such stores stand empty and boarded up, they can make high streets look sad, shabby and uninviting. But that's not all.

"The closure of a department store in a regional town is, first, and most obviously, a blow that knocks out the two front teeth of a high street, leaving a gaping hole that few other retailers are brave enough to fill."

So says Peter Cross, an independent retail consultant and a former customer experience director at John Lewis and Waitrose. He adds that department stores were the destination shops that people would always visit when going into town. When these are gone, high streets lose an important focal point for shoppers. That makes life harder for other businesses and, ultimately, the town, which needs retail rates to help balance the books.

The government considered introducing an online sales tax to close the rates gap, but concluded in 2022 that it would be "complex, distortive and would not raise sufficient revenue to fund the scale of business rate relief stakeholders have called for". Instead, there will be a "generous" revaluation package in April that cuts total business rates paid by the retail sector by roughly 20% while increasing those of large distribution warehouses by 27%.

The national Covid lockdowns of 2020-21 were a fatal blow to many regional department stores, but the sector's demise had been decades in the making. The roots of its troubles can be traced back half a century. The first blow actually seemed to be benign, if not a boon. From the early 1970s, local authorities encouraged the construction of out-of-town shopping centres that brought in additional business rates and enabled them to pedestrianise town centres. John Lewis, a stalwart of the high street under various local names since the 1930s, opened its first out-of-town store in 1972.

As more people bought their own car – 45% of households in the UK had one by 1975, according to the RAC – driving to out-of-town shopping centres became fashionable. But, because most regular shopping was done by women who tended not to be the driver in a household, the high street still reigned supreme. That would change as vehicle ownership increased and more women became drivers. By 1981, for instance, 15% of British households owned more than one vehicle.

By 2016, the year in which a third of households had two vehicles or more, out-of-town shopping centres with plentiful free parking and a wide range of stores had become particularly popular with wealthy young aspirational consumers.

In 2000, Ipsos Mori reported that the high street appealed most to the "traditional working classes", while out-of-town centres were the place for more "prestige-conscious and materialistic shoppers".

That might not have mattered for town-centre department stores, except that the purchasing power of their predominantly working-class clientele was shrinking. When *Are You Being Served?*, the sitcom set in the fictional department store Grace Brothers, was at the peak of its popularity in 1977, the median disposable household income in the UK was 10.3% lower than the mean average (a figure skewed upwards by the super-rich). By 2021, the difference had increased to 18%, indicating that the gap between rich and poor had widened significantly.

> The closure of a department store in regional town is a blow that knocks out the two front teeth of a high street

This factor explains why department stores at the top end of the market have been largely untouched by the problems affecting the rest of the sector.

"They have a resolute focus on luxury and style, often with a singular view of the world and a customer base that's largely immune to economic woes," Cross notes.

He adds that high-end players such as Harrods, Fortnum & Mason, Harvey Nichols and Selfridges have "generally flourished" in recent years, despite the pandemic. "All of this has clearly been far harder for regional department stores."

The problems that have come with the decline of regional high streets are not lost on the government. Its "Build back better high streets" campaign aims to enable the "evolution of high streets into thriving places to work, visit and live".

But cash-strapped local authorities around the country will have to do most of the work to achieve such an outcome. So what can they do?

The genteel spa town of Harrogate, North Yorkshire, lost its Debenhams in 2021, although it still has a department store left. This has gone through several hands over the years, but its current owner is Hoopers. The chain was established in 1982 – a time when planning authorities were busy approving out-of-town developments. Hoopers has four branches remaining, having left five other towns around England.

The challenge is clear to Richard Cooper, leader of Harrogate Borough Council. "We want to ensure that our high streets are prosperous in the future and we need to look at new ways of achieving that," he says. "They need to be attractive and inviting, providing something you can't get at home by looking on your laptop, tablet or smartphone."

Knaresborough and Ripon are two towns in the borough that host weekly markets offering "unique and homemade produce", he adds, and there's a monthly farmers' market in Harrogate itself.

"We've recently partnered with an artisan market that operates regularly in our picturesque Valley Gardens and also the grounds of Knaresborough Castle. Again, this provides something that's unique and unobtainable online, which can complement what businesses on the high street offer," Cooper says.

Cross points out that a few town centres have held up well. He attributes the decline of others to reasons including a lacklustre response from local authorities that have failed to appreciate the shifts in consumer behaviour and "the pivotal role the high street plays in supporting the local community".

Harrogate Borough Council, by contrast, is well aware of such factors. With these in mind, it has set up a destination management organisation for the district. This works with several partners to host events, attract visitors and court investors. The overall aim, Cooper says, is "to create a strong local economy for businesses and residents".

That is, of course, easier said than done. Regional department stores were often big employers. Beatties in Wolverhampton, for instance, once employed 800 people. With its beauty parlour, hair salon and cafés, it was a real focal point.

Beatties closed its doors for the last time in 2020. Most of the grand art deco building it occupied is due to be converted into flats, with some space retained for retail units.

Stephen Simkins, deputy leader of the City of Wolverhampton Council, said in August 2021: "We need to ensure that a building of this importance is brought back into use. We have been working closely with the owners to ensure that they have the support needed to bring this scheme forward."

As this special report goes to press, the planned redevelopment has still not started. Part of the delay may be down to Wolverhampton's wider plans in line with Westminster's levelling-up policies. The city is one of the government's first two so-called pathfinder locations and it is working with the Department for Levelling Up, Housing and Communities on three main investment plans mixing residential, leisure and commercial developments.

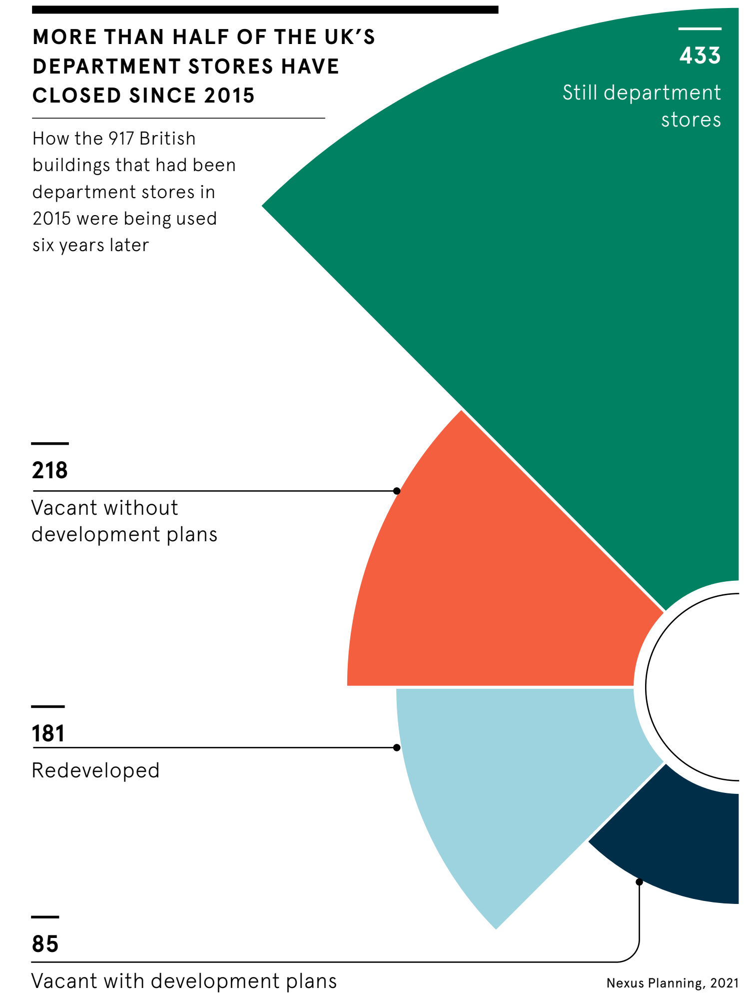
Yet there may be a light at the end of the tunnel for the few town-centre department stores that are hanging on in there. Since the end of the Covid crisis, people seem to have been rediscovering the high street – in attractive tourist destinations such as Harrogate, at least.

"Figures released in mid-March show that visitors to our district are making a greater economic impact here now than they were before the pandemic," Cross reports.

Tourists stayed longer and spent 5% more in Harrogate last year than they'd done in 2019, contributing £637m to the local economy.

This will, no doubt, have been encouraging news for Hoopers. For most town-centre department stores, the return of shoppers to the high street cannot come soon enough.

Debenhams closed its final department stores in May 2021. The former flagship store on Oxford Street is being redeveloped into sustainable office and retail space.



Commercial feature

Breaking down barriers to cross-border ecommerce

The global online shopping market is growing fast, but regulatory and logistical hurdles hold retailers back. With the right support companies can capitalise on the opportunities

The global ecommerce market continues to grow strongly as consumers embrace the convenience and value of online shopping. According to research from investment bank Morgan Stanley, over a fifth of all retail sales were made online last year, up from 15% in 2019. And the bank forecasts this will rise to 27% by 2026, equating to a total market value of \$5.4tn (£4.4tn), up from \$3.3tn (£2.7tn) today.

It is creating huge opportunities for ambitious retailers seeking to grow their reach beyond their own domestic markets. Yet many are held back by barriers around payments, localisation and regulations, and are unsure how to overcome them.

"Global expansion is integral to overall ecommerce growth, yet many firms struggle to enter new markets and thrive," says Hakan Thyr, chief revenue officer at Fruugo, a global online marketplace that helps retailers acquire new customers around the world.

"But with the right support and technology retailers can overcome the barriers and capitalise on the opportunities ahead."

Hurdles to selling overseas

International expansion inevitably comes with a number of challenges. Any retailer selling abroad must make their marketing country-specific, requiring market research to be conducted and product descriptions and advertisements to be translated into multiple languages. Global teams must be put in place to handle customer enquiries from around the world.

Retailers must also navigate a patchwork of different rules and regulations from country to country or face potential disruption to deliveries. VAT and local taxes vary, and it is important that retailers calculate these rates correctly. Environmental compliance has also become a challenge, as countries bring in laws to promote recycling and tackle waste that directly impact ecommerce businesses.

Among other challenges, retailers selling abroad must do so in multiple currencies, making sure payments are processed based on day-to-day and week-to-week currency fluctuations. Local payment preferences also vary, with consumers favouring credit and debit cards in some regions, while those elsewhere opt for mobile apps, digital wallets and payment service providers such as PayPal.

> Global expansion is integral to overall ecommerce growth, yet many firms struggle to enter new markets and thrive

Tackling the problem

Founded in Finland in 2006 but based in the UK since 2012, Fruugo helps retailers to overcome these hurdles and grow their customer base in 45 different markets. Firms that use the site can sell to shoppers around the world, in the shoppers' language and currency, through one secure global marketplace without any upfront cost or fixed fees.

"Fruugo actively markets retailers' products around the globe, using search ads in local markets to promote our sellers' products," says Thyr. "To date we are now in our third consecutive year of sales growth in excess of 100% year-on-year."

Fruugo's automatic translation technology translates product descriptions into 28 different languages, localising the shopping experience for consumers wherever they are in the world. Fruugo also provides retailers with insights into product demand in foreign markets to help them grow their business.

The platform enables retailers to be paid in their own currency, yet sell in 31 major currencies without any risk. The customer is charged the same commission regardless of where they are based, and which currency and payment method they used.

Meanwhile, Fruugo adapts to country-specific payment methods, using a wide range of best-in-class payment service providers that provide comprehensive fraud protection. The firm also has a dedicated team of account managers to handle customer and retailer queries, taking the job off retailers' hands.

Tapping into the expanding global ecommerce market is key for companies wishing to grow in an increasingly competitive retail landscape. And with Fruugo, retailers are able to reduce the complexity in trading across borders and grow their footprint in new markets.

Visit sell.fruugo.com for more information