

An IMRG Report

# Change (ing) faces of retail

Are mid-sized retailers keeping up with rapidly changing customer expectations?

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# 1.

## Introduction

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Recent events have led to a massive upheaval in the retail sector. Retailers 5 year investment plans either became irrelevant or 'tomorrow's investment plan'. Lockdown forced customers to find other ways of shopping for non essential items from their favourite brands.

These changing dynamics created opportunities and challenges for retail teams; at a time when many themselves were having to work remotely and adapt to new working practices. Of course, a key question now is "will these trends continue or will the new-found use of online retailing wane once the stores open fully again?"

At a time of change such as this, there is often a demand to relentlessly innovate. However, whilst innovation is key to avoid brand stagnation, every retailer is different and there is no 'one size fits all'. Key to success is understanding what investments add to the business goal whilst keeping pace with close competitors and customer expectations; and it is not just about marketing!

IMRG does not profess to know all the answers to these conundrums, but this report will review some of the action points that mid sized retailers can undertake to retain the customer, be they multichannel or pureplay. It will also provide some expert insight from the reports' supporters, **Remarkable Commerce**.



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# 2.

## Today's retail customer

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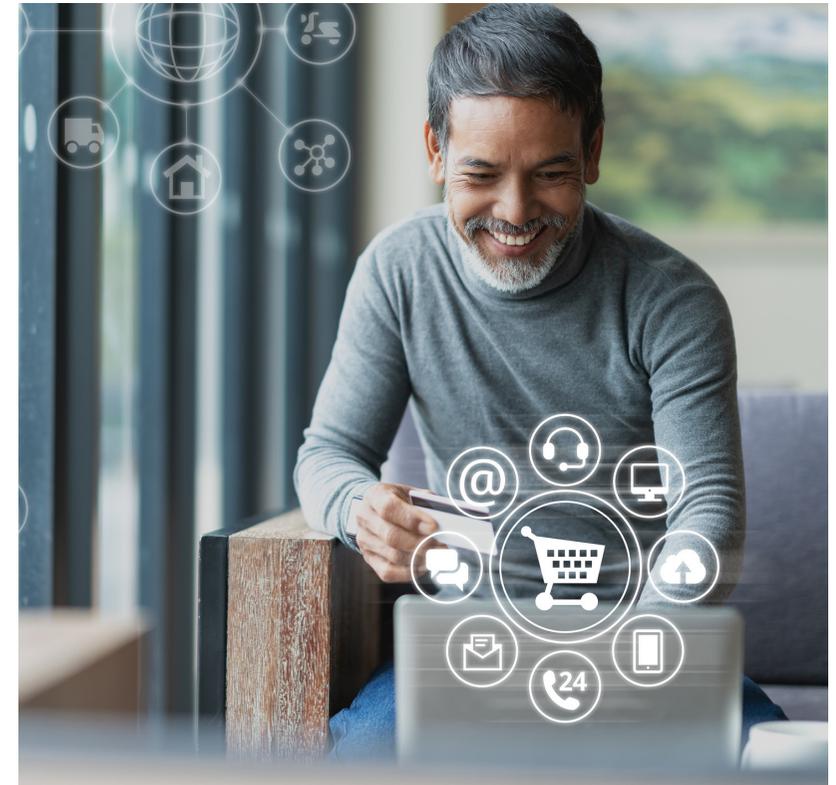
While the early part of 2021 saw online sales continue to grow at rates of 80% or more, we saw this fall in-line with expectations, to low double digits as stores re-opened. Bearing in mind that we are now talking about annualised figures based on high growth 12 months previously, this is still a dynamic and growing market. Whilst physical stores have yet to see a swift return to pre-lockdown store sales, there is no doubt that customers in 2021 will expect a more integrated retail experience with the brands they choose. In addition, customers' expectations, often set by the experiences they glean from large, market-leading brands, will be equally high for mid-sized retailers – once they've tasted what's possible, there's little room for compromise, regardless of size. This puts exceptional pressure on mid-sized retailers who may be working with tighter budgets and limited resources.

Use of mobile devices is still growing according to data from the IMRG Quarterly benchmark (May 2021) with 56% of online shoppers using smartphones to transact digitally with brands, both instore and online. Customers expect to be able to pick up where they left off online and offline/ wherever they are in their browsing or shopping journey.

An IMRG/Maru customer survey in early 2021 showed that around 80% of customers surveyed had increased their online spending compared to pre-Covid levels. This might of course be slightly skewed as the survey took place online but it shows a clear trend for the future.

There is a danger that those of us involved in online retailing get too excited about the next 'must-have' technology or process. As a consumer facing business it is important for us to remember the broad spectrum of customers that we are looking to engage with. Some will be looking to use the full power of the technology they have at their disposal, whilst others will still be on the first tentative steps of becoming a multi-channel or digital customer. Where-ever our customers are on their digital journey it should be understood by brands that they really don't care about the challenges we face to implement this, they just want to buy product and if your brand can't do it, they will go elsewhere; online or offline.

So, whilst a drive for the latest technology might be an easier sell to senior management, often it is the foundations of the offering that are limiting success. 'Legacy' systems that can't be adapted to customer requirements, poor mobile browsing experiences and siloed technology that gets in the way of providing a joined-up user experience for the customer.



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# 3.

## Where should mid-tier retailers look to grow their business and meet evolving customer demands?

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#### 3.1 Experiences

There is certainly a return to seeking out experiences appropriate to the brand. This might be how cohesive the web, store and customer service experiences are, or an alignment of technologies, so they don't have to learn how to interact with the brand via the different touchpoints.

Of course, we are seeing some interesting applications of augmented reality which help with range discovery and curation. Often, these stretching applications of technology are seen as experiential innovation and brand building. However, experiences might also be elevated by creating app-like interfaces on web as well as mobile. A level of familiarity and consistency helps ease the purchase path.

Using product videos can bring ranges to life; clothing becomes 3 dimensional and furniture can be seen in settings that can be explored.

Web sales are increasingly being carried out via mobile device, with smartphones being the most popular. The functionality of these devices enables us to create much more immersive experiences, either as standalone devices or as part of an instore experience. As with the early days of online, site speed is still of upmost importance. It's worth remembering that Modern shopping centres are built in steel framed structures and older stores in thick masonry; neither of which are conducive to strong 4G (or 5G) signal. Likewise, other sources of signal interference can easily degrade the user experience so plan accordingly.

#### Retailer Action Point 1.

Recognise that Page load speeds are still killing sales

Utilising a wide range of external providers for website functionality can have an adverse effect on page load speeds, especially where the sites are accessed via a mobile device. Examples of external services include site search, user generated content, and content management tools. Individually they might only be running a short script but collectively they can seriously degrade the performance of the site, and user experience.

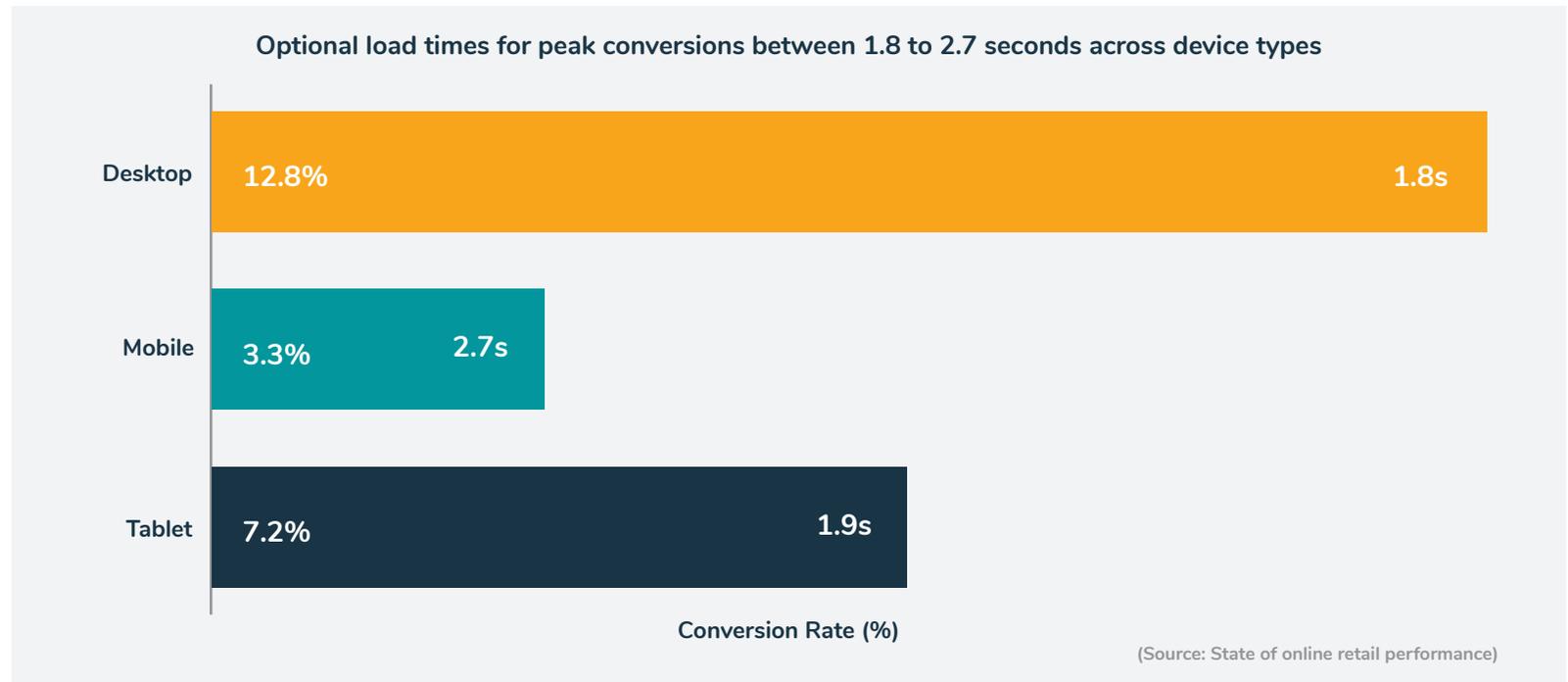
According to Portnet.com<sup>1</sup>, conversion rates double for every 1 second improvement in page load speed. This is supported by data from Akamai, which shows strong growth in conversion stemming from increases in page load speed. Consumer insight also shows that even prior to purchase, 53% of visits are abandoned if a mobile site takes more than 3 seconds to load; 49% of users expect a mobile app to respond within 2 seconds or less.<sup>2</sup>



<sup>1</sup> Site Speed is (Still) Impacting Your Conversion Rate. Source: Portent.com August 2019

<sup>2</sup> <https://www.akamai.com/uk/en/products/performance>

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### Remarkable Comments:

Retailers who attempt to quickly improve their online customer experience will use a number of 3rd parties to achieve this, yet it is common for this to degrade the overall customer experience due to the site becoming slow and difficult to use. Is your platform provider supporting you with industry-leading advice and a best practice integration, or are you compromising?

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### 3.2 Communication and Content

Consistency across all touch points is key. Whether shopping instore, online or over the phone. For example, customers expect us to know their purchase history. Sometimes these conflict with their views on privacy so a balanced approach is needed to ensure they understand how we know and our responses match their expectations. It is all too easy to spook a customer by revealing information that they don't expect us to have. But being able to have an informed conversation with a customer across any channel increases loyalty.

Retailers often have access to data that will help complete a sale. Stocking levels displayed on the website is often a hygiene factor for customers, as long as it isn't used to drive sales; this can create mistrust e.g. "hurry, we only have 1 left". Customers can make their own assumptions based on a stocking level.

Another issue is around the use of content. Most legacy platforms struggle to provide a blend of commerce and content. Templates do not provide flexibility and inappropriate content can inhibit a sale. Equally, great content, integrated with frictionless commerce, can push the consumer to buy much more readily at the same time as building the brand asset.

#### Retailer Action Point 2:

Move away from rigid content management structures

Remarkable report that relevant content provision can uplift sales by 5%. So, being able to provide consistent content across all communications channels is key. However, equally important is the ability for the brand to be able to customise the layout to their own specifications. A consistent message across all touch points is important for the customer experience so using tools that provide a coordinated resource for brand, marketing and content teams will help the business make the most of the resources available to them."

#### Remarkable Comments:

Headless technology allows for the orchestration of content changes across multiple touchpoints and storefronts, at speed and at scale. It is also important for retailers to have a solid UAT/preview environment where they can thoroughly check changes before they are scheduled or pushed live.



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### 3.3 Customisation (Personalisation)

Customisation can be used to drive a closer relationship with the consumer. Whilst mechanisms enabling this vary, a customer logging into an account makes it clear that we would know something about them. So, curating the content they see from this point is a comfortable route into personalisation for the customer. Matching previous purchasing patterns with current ranges provides a service to both customer and retailer.

Other logical steps include product selections being displayed based on the source of the customer journey. By 'deep linking' search results to a product page we already know what the customer is looking for. We then have the opportunity to offer alternatives and complementary products based on this information, as long as they relate to the original search query.

Customers have notoriously short attention spans (don't we?), so being able to help them by curating product and inspiring them in a way that eases their path to purchase helps them become more time-efficient and increases our value to them.

Be wary though of making assumptions about customers due to a lack of data and insight. It is very easy to get personalisation wrong, so it is better to understand how far you can go with your current resources and then plan for the more detailed level of personalisation later.

We can also look at providing the customer with tools to help them customise their own experience with us. This can include saving a profile which highlights certain categories of interest, garment sizes, favourite colours or preferred functionality on an App or via a website.

#### Retailer Action Point 3.

Determine level of personalisation

There are several elements to review. Firstly, what levels do your customers, or potential customers expect? Not all brands/categories need to personalise to customer level so ask them.

Secondly, what can your technical infrastructure actually deliver and how does this compare to customer expectations? Multichannel retailers often find that their online systems will not interact with in-store POS terminals.

Third, but not finally, ensure that your personalisation activities do not make unsubstantiated assumptions about customers. There are some serious examples where retailers have got it wrong. For example, the US grocery brand that identified a customer was pregnant by her purchasing patterns and sent discount vouchers; except the account holder was her Father. Act on the data you have access to, don't overreach. A customer might be buying a gift so one purchase doesn't indicate an interest or trend; look at buying patterns over time



#### Remarkable Comments:

eCommerce sales are boosted by 20% on average when implementing personalisation technologies, but designing a personalisation strategy should be done carefully and with skill. There are many forms of personalisation, such as semantic understanding, segmented profiling and 1:1 personalisation. But they all begin with having a very deep understanding of your customers' behaviours.

Source - <https://www.bloomreach.com/en/blog/2017/08/e-commerce-personalization.html>



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## 4.

## Growing Pains – overcoming the obstacles of legacy technology, skills and cost

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Whilst we have been looking at improved and more flexible functionality to provide the appropriate customer experience, the limiting factor is often the platform itself. We have touched on legacy systems but this can be a misleading term. Most platforms are 'legacy' from the day they are implemented. This aside though, when does a 'start-up' become a 'grown up' business?

Platforms can be limiting in terms of functionality and customisation; a key pain point encouraging merchants to look at re-platforming. Customisation of key parts of the customer journey, such as the basket or payments flow, can be difficult or simply not possible. At best this leads to a 'me too' customer experience. At worst, it can jar with the customers' expectations and result in reduced conversions.

Tasks such as managing content, orders, installing delivery tracking and linking to various market places and social channels probably started off as manual operations. A key symbol of a growing business and need to reevaluate the trading platform is a lack of automation, increasing headcount that doesn't directly reflect in a more efficient business and a skills gap between the current team and what is needed to take the business to the next level.

#### Retailer Action Point 4.

Growing pains become limiting factors

Cataloguing the current systems shortcomings is a useful way of determining what action to take. Is the development list a collection of enhancements that require extensive work or a new system to facilitate? Balancing this against the expected uplift in sales might provide the businesses with the ROI argument for increased investment by highlighting the potential for growth.

Review KPI's against industry benchmarks, such as IMRG's Quarterly Benchmark, and identify areas where internal systems, process or skills base are slowing development.



#### Remarkable Comments:

Retailers need the ability to customise their technology to suit their existing business processes and future needs. This includes unlocking functionality often restricted with common eCommerce platforms (like checkout flow, or subscription sign-up) and redesign a fully tailored, unrestricted, customer experience and set of custom admin settings.



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### 4.1 Hybrid sales person

Lockdown saw the enforced closure of most retail floorspace. As customers went online there was increased interest in video chat, probably driven by newer online shoppers who wanted some reassurance about a purchase. We saw a number of brands utilise their store staff to provide video chat services instore. This had several benefits. Store staff are often very knowledgeable about products, ranges and customer requirements so they could provide an authentic experience for the customer. It also created a new use for the floorspace as a digital showroom. These same team members can also provide customer service if they have access to the same systems as call centre staff.

### 4.2 Stock availability and fulfilment

Not only is stock likely to be the largest capex figure for the merchant, it will also be a point of frustration for the customer. Brands have often got into trouble with their customers when product is available in one channel but not another. Often, this isn't a physical issue with the location of the stock, but a systems problem. The website ordering system isn't able to 'see' stock set aside for store, or vice versa. Not only is this a poor customer experience, at peak times this can mean lost sales and margin.

With a renewed focus on the cost effectiveness of the store estate, there is also a renewed interest in reviewing the stock profiles of every store.

#### Retailer Action Point 5. Managing stock and fulfilment

Identify situations where stock visibility has cost the business sales or margin. For example, how much of the inventory being made available in a Sale Promotion could have been sold at full price? This can be identified by looking at out of stock's, customer service contacts and failed orders.

Likewise, at any point, did one channel, such as the website, have stocking issues whilst another had surplce?

#### Remarkable Comments:

Using your bricks-and-mortar stores to your advantage is key in the competitive retail landscape we now find ourselves. By better understanding your customers' needs through direct communication, you're able to create experiences that establish a strong advantage for your business and keep that person coming back for more. Many of our clients now have video-chat capabilities integrated into our platform, ready for staff to connect when requested.



These can be customised to a localised level but being able to have in-store systems enabling a store team to sell any of the brands' products to a store customer is hugely powerful.

Linked to this stock availability conundrum, is the ability of the business to utilise product to service and order, where-ever it is being held. Using store space for fulfilment can be a complicated equation as floor space dedicated to C&C or pick, pack & dispatch operations is not then available for floor displays; often conflicting with rental agreements with landlords. However, being able to fulfil orders from store also ensures that inventory is utilised effectively, and efficiencies can be gained for C&C, as long as the systems know what products are where!

#### Remarkable Comments:

For many retailers with stores, stock fatigue is a common issue and often leads to big costs when attempting to pull un-sold stock back to warehouses. However, a useful and common strategy is to share stock across your entire store portfolio and allow for stores to request and receive stock from elsewhere.



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### 4.3 Being where the customers are

Marketplaces need no introduction but we are seeing a change in their definition. Where the likes of eBay provided the original marketplace destination increasingly brands are creating their own. Amazon is well known for this but brands like ASOS have also created space for other sellers to market their own products. This provides smaller brands with access to customers and the marketplace operator a wider product range without the risk of holding inventory. In some ways replicating the traditional department store / concession model.

However, managing multiple marketplace arrangements without threatening the base proposition of the brand can be a challenge. Managing inventory, pricing, promotions and availability across these platforms as well as a merchant's own selling channels can be challenging.

International customers have been making up an increasing proportion of the market activity for many online retailers. To a degree, these customers will tolerate purchasing on a foreign website but that can limit market potential. This isn't the place to discuss the techniques available for highlighting potential international markets but to fulfil the market potential, there are a number of areas to consider.

#### Retailer Action Point 6.

Identifying restrictions on international growth

Localised content is a fairly obvious step. This doesn't just mean translated content, but information that is adapted to the local market. This can be product ranges as well as product descriptions. One of the biggest barriers to the purchase will be currency and pricing. Many platforms will struggle to offer multiple currencies on multiple iterations of the same pages. Costs can expand rapidly as software licenses are often sold on a regional basis. This all points to increased fragmentation.

Stock availability across different regions or by fulfilment channel add to the pain points and can impact the customer promise; in multiple languages!

Localisations of currency and content can lead to increases of conversion by 65% or more so the ROI on identifying and correcting these issues can be short.

#### Remarkable Comments:

Displaying correct product pricing for multiple currencies is difficult for many eCommerce platforms, especially when multiple storefronts are being used. We have combatted this with our microservice architecture and extendable platform. Our ability to sync order data across multiple technologies in real-time gives retailers full visibility on demand and forecasts.

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### 4.4 Being unique

A quick scan of the current retail landscape, noting some of the absences such as Debenhams, soon highlights the brands that appear to be weathering the storm and trading well. Many of these have a clear customer proposition. Often this involves own brand product, clear messaging and a focus on what they do. This can involve being different from the competition but is more challenging if own brand product isn't the differentiator.

In lieu of being unique in product, marketing becomes even more central to a brands success. We already know from IMRG Quarterly Benchmark data that SEO provides a strong ROI and is an important revenue driver, for both paid and natural search. 26% of revenue coming through the website comes from paid search<sup>3</sup>. However, growing this can be expensive and not cost effective if the underlying systems do not support the required changes.

#### Remarkable Comments:

50% of SEO performance is based on the 'technical' elements of a site, which means a retailer is instantly restricted by the growth potential if they use a monolithic or 'off-the-shelf' platform, as they are typically too rigid for any custom or fundamental technical changes. Every retailer is different and all of them are seen in different eyes by Google, so to move the needle, you need full custom control.



#### Retailer Action Point 7. Sales growth via SEO activity is stagnant

This isn't to say that merchants aren't getting a return from these activities, but it is becoming a position of diminishing returns, especially when other channels continue to grow. Platforms, architecture, content (remember that action point?) and site maps can all be limiting factors. These can all affect Googles' CLS (Cumulative Layout Shift). This is a metric that is part of the search algorithm which can be difficult to influence with legacy infrastructure or architecture.

Reviewing the current performance of investment in SEO activity and track this against growth of the business. This will illustrate if the ROI has plateaued and increasing investment directly into SEO might not be the answer. Identifying this issue is a first step. The next step is to identify if the technology being used and the systems architecture is a limiting factor in SEO related growth.



<sup>3</sup> IMRG Quarterly Benchmark Q1 2021; published 28th May 2021

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### Conclusion

Even this targeted discussion of key pressure points highlights only a few of the issues facing online merchants in growth mode, be they multichannel or pureplay. Competing calls on resources can make sorting some of these issues out challenging and cause them to be 'kicked down the road'. However, without the appropriate foundations in place, future growth isn't going to be achievable or profitable.

Dev teams will already be stretched and the priority list changing daily, often depending on who is shouting loudest. What we shouldn't forget is that retail is about selling more 'stuff' to more people. In days too far past, opening a new store, including the required investment, would have been waved through. Investing in the platform, functionality and development should be viewed in the same context.

#### About IMRG

IMRG provides the most comprehensive and in-depth data for UK eCommerce available today.

Our unique combination of data, analysis and insight, in partnership with our technology community, enables retail members to accelerate growth and outperform the market.

IMRG help's it's members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing and events.

IMRG has been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

#### About Remarkable Commerce

Remarkable Commerce is a technology and services company dedicated to enabling mid-sized retailers to compete on a level playing field with larger rivals – through cost-effective access to a cutting-edge, high-performance commerce platform, plus the technical and developer skills they need to innovate and adapt at pace.

True cloud, headless architecture coupled with hundreds of seamless pre-built integrations and on-demand developer resource enable rapid innovation – from extending into app and marketplace commerce to delivering immersive and engaging digital experiences across every channel.

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