

**MULTICHANNEL
MERCHANT**

**July
2015**

SPECIAL REPORT:

IRCE 2015

Mobile, Omnichannel, Personalization Key Themes at IRCE 2015



Another IRCE has come and gone, and attendees left thinking we're much closer to a true omnichannel shopping experience than at this time last year.

It was impressive to see how quickly merchants are accepting the fact that they need to provide a seamless, consistent customer experience across all channels. Now the real work can begin – getting people, processes and technology to make omnichannel happen!



Photo credit: IRCE

Jason Goldberger, CEO of Target.com and mobile for the major retailer, spoke in his keynote address about the company's philosophy of staying customer focused rather than channel and device focused.

That sentiment had in fact been expressed before – by eBay CEO John Donahoe at last year's IRCE. However, Goldberger made his audience realize how much progress the industry has made since then when he talked specifics about Target's ecommerce growth and its relentless digital push (You can read more about Goldberger's keynote address here: bit.ly/irce-target).

The Past: 1-800-Flowers Rode the Wave of Change

The 1-800-Flowers.com business model is based on connecting people. And over its 29-year history, the online flowers and gifts seller has experimented with new and innovative ways to connect with each other and build relationships.

"We learned our customers were willing to give feedback on how to run our business," Christopher McCann, president of 1-800-Flowers.com, said during his keynote at IRCE 2015. "We learned that type of customer relationship is invaluable and learned about CRM, segmentation and 1-to-1 marketing."



Christopher McCann

Photo credit: IRCE

McCann said the company experienced four waves of change and growth, beginning with brick-and-mortar retail stores, telephone commerce, ecommerce and social and mobile commerce. He joined his brother Jim on a full-time basis in 1984, when the company had grown to 12 stores and he was put in charge of them all. The next thing they knew they had opened three new stores.

"We were doing more sales and more profits in those three stores than we were doing out of 12, because that second wave had hit," said McCann referring to telephone commerce.

As their business began to grow, they needed to build new call centers and a new network of florists around the country.

"We needed a communications network, so we embraced a telephonic business," said McCann. "While we were building our business, we were riding the wave of this technology and here comes online services."

1-800-Flowers.com launched its online store in 1991 on CompuServe. In 1994, they were the first merchant to sell a product of any kind on AOL, and went live via Netscape in 1995.

The next wave of change was social and mobile technology, which McCann said significantly impacts every aspect of people's lives and changed consumer behavior.

McCann said it is important to recognize change, get involved, experiment, take risks, encourage employees and try something new.

"To ride this wave of change we have to learn from the past, [which is] to build a relationship and do business second with our customers, with our teammates and with our partners," McCann said.

To learn more about 1-800-Flowers.com's wave of change, go to bit.ly/irce-flowers

—Daniela Forte

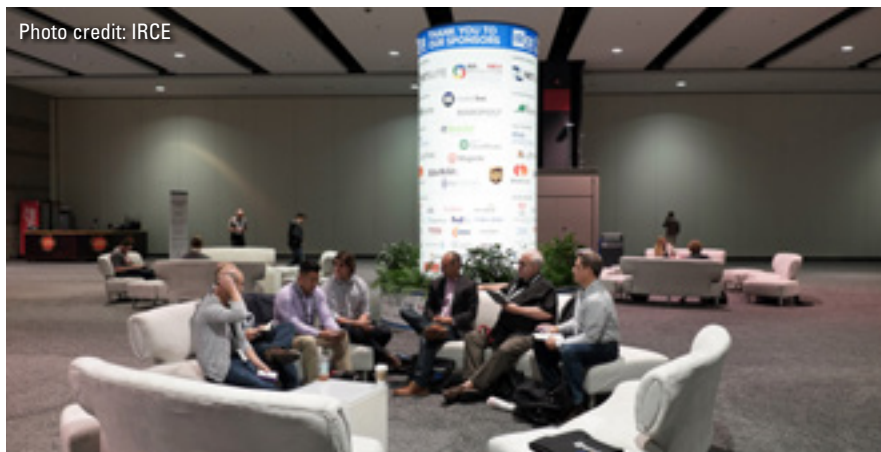
Personalization is Powerful

Overall, personalization was again in the forefront at IRCE, with increased complexity in the use of data in analyzing customer behavior, segmentation and purchase history to personalize email, mobile and web experiences – ultimately building loyalty and revenues.

One of the best demonstrations of how omnichannel, combined with personalization, can create powerful customer engagement was Listrak's beacon-based retail store shopping experience at its IRCE booth.

When you looked at a product from

Photo credit: IRCE



The Present: Macy's Gets a Grasp of Buy Online Pickup In Store



Macy's director of store operations and strategies Kevin Gardiner told IRCE 2015 attendees that the department store merchant now has some operational history and data to help it more accurately forecast buy online pickup in store (BOPS) demand.

And Gardiner predicts BOPS demand will be three times higher this peak season than it was last December.

"When we started BOPS last June we did have forecasts, but it was wrong every day, by a lot," said Kevin Gardiner, for Macy's. "Some days it was 50% or even 100% higher (than forecast), so it was not easy to come up with adequate staffing. This year we're seeing (BOPS volume) three times as large as it was pre-holiday last year, and we expect holiday to be three times higher as well. At least this year we have some order history to fall back on."

Asked if any of Macy's merchandise categories were over-indexed for BOPS, Gardiner said he didn't think there so.

"It's interesting," he said. "We get lots of orders for dresses and coats and lots of kitchen electronics; some days the orders are more than 50% for kitchen electronics. But it varies from day to day. I don't think there are any that are under performing."

Gardiner said Macy's sets its safety stock for BOPS – the level of reserve merchandise needed to prevent stock-outs – at about two to five of an item before promising it's available for pickup, adding the figure can vary based on merchandise category. By comparison, safety stock levels for standard online orders can be as low as 1 or even zero.

"Inventory integrity is so important (with BOPS)," Gardiner said. "Sending an email or making a phone call (to let someone know an ecommerce shipment is delayed) is a bad customer experience, but if they're taking the time to come to the store and you don't have the item, it's exponentially worse."

Gardiner said Macy's places its pickup locations next to the stockroom, so associates at the counter don't have far to walk. It also lets customers show an ID to verify the purchase, instead of having to print out a confirmation email.

"We go out of our way to pick each order in two hours or less, even though we promise it in four," he said.

For more on Macy's omnichannel shipping program, go to bit.ly/irce-macys.

—Mike O'Brien

baby retailer giggle in the "store," you saw how you were marketed to in a very personal way as a follow up to the store visit. giggle is partnering with Olapic and Listrak to provide user-generated content via Instagram on its site and in email campaigns.

Mobile is Finally Here

Another key area merchants were focused on improving at IRCE was the mobile experience. As mobile use and buying explodes, merchants are working quickly to improve the customer experience, particularly when someone reaches the moment of truth and places a mobile order.

As more brick-and-mortar companies struggle with integrating their ecommerce channels and store inventories and technologies, the number of ecommerce platforms seemed to multiply, making technology selection ever more complex.

More solutions are becoming available to small and mid-market retailers, and IRCE backed up this growing trend, with companies like Hybris introducing an SMB Partner Program through partners like Newgistics' Tacit Knowledge.

Merchants at IRCE said they're considering a system, despite having been traditionally diehard DIYers when it comes to ecommerce. The complexity involved in an in-house effort, combined with the growing availability of solutions, is causing them to reconsider their approach.

Growing a Global Presence

There was more evidence at IRCE this year of retailers experimenting with – or growing – their global ecommerce business. Again, this is because of the massive size of the opportunity, and the fact that more solutions are available, making it easier to jump into global without a major investment.

Many merchants said they are finding the proliferation of global marketplaces a good starting point, using Amazon, eBay, Rakuten, Newegg, Alibaba and others to dip their toe into offshore markets. They're also seeing more merchants who have already done a lot of pioneering work in cross-border ecommerce, and are now reaping the benefits.

As the number of wins piles up, merchants are waking up to the opportunity – and threat of staying on the sidelines – that global ecommerce represents for them.



Jeremy Liebowitz, vice president of global ecommerce for major consumer products company Newell Rubbermaid, said his company is fo-

Photo credit: IRCE



The Future: Internet of Things Will Make Data Even Bigger

Let's face it – back in 2000, you probably didn't own the LG Internet Digital DIOS Internet refrigerator. Not because of the \$20,000 price tag, but because, well, who in their right minds needed a \$20,000 refrigerator that was Internet-enabled?

That was then, this is now. The "Internet of Things" is making devices like Internet refrigerators more mainstream today because consumers are hyper-adopting new technology, and marketers are engaging in digital disruption.

And what marketers will be able to do with data gleaned from machine-to-machine chatter will bring us to unprecedented personalization, said Forrester Research Vice President and Research Analyst James McQuivey during his featured address at IRCE 2015.

McQuivey's prediction: By 2020, the amount of data your customers will give off from their homes, devices, bodies, and cars every single day will be 100 times the cumulative amount you have in your data warehouses today.

Would you want to buy an Internet-driven weather monitor for their home, when you could just go to weather.com and find out if it's going to rain? Probably not. But an Internet-enabled, garden-installed device like the BloomSky Weather Station – which updates pictures of the sky every five minutes and allows you to share hyperlocal weather reports in real-time – creates a shared community experience among users.

When devices such as household appliances, wearable technology and other experiential devices connect to the Internet, marketers will be able to learn more about consumer habits and trends than ever before.

So how do you, the marketer, prepare for the new connected consumer?

First, McQuivey said, start preparing a single view of your customer, and then create an analytics plan that will help you better understand your customer.

Then you need to figure out the relationship between data you collect and the services you will offer.

And while you need to dare to dream of new data sources, you also need to consider that you can't do it on your own. Which partners will help you collect and analyze this new data, and which ones will be able to help you offer these customers new services?

For more on the Internet of Things and the future of big data, go to bit.ly/irce-iot.

— Tim Parry



James McQuivey

Photo credit: IRCE

cused on ecommerce business in European countries including the UK, Germany and France, with Spain and Italy to follow shortly. In Asia, Japan and China are a big focus, he said.

"Overall we're making sure we're powered up with the right things, the right SKUs and content to better grow ecom-

merce (in these markets)," Liebowitz told Multichannel Merchant during an interview from IRCE.

As far as criteria for entering new global markets, Liebowitz said it depends on how well ecommerce is doing overall in that country.

"For instance in Australia a lot of our

The Playlist

Multichannel Merchant's booth at IRCE was packed with activity. At the conference, the Multichannel Merchant editorial team sat down with several industry thought leaders to get their views on trends and issues.

You can sit back and watch the interviews at bit.ly/irce-playlist.



Photo credit: IRCE



brands are doing great business in retail, but ecommerce has not emerged as a big play for Australia or New Zealand,” Liebowitz said. “Conversely we’re looking at India, where Newell Rubbermaid is not doing a lot of retail business, but ecommerce is explosive with Amazon and other marketplaces. So we want to see whether we can play there even without a strong retail presence.”

Business to Business Means Business

At IRCE, business to business companies were fully embracing ecommerce, after being slow to come to the table due to the channel complexities and the need to understand what their customers want.

B2Bs need buying tools that allow for quickly re-ordering customers’ frequent purchases, provide purchase authorization methods tied to each customer’s requirements, and serve up cross-selling promotions related to each customer’s interests.



“The concept of consumerisation of B2B comes up a lot,” said Steve Baruch, Vice President of Digital and Strategy for MSC Industrial Supplies, during an interview

at IRCE.

“The notion is that B2B customers are expecting the B2C experience,” Baruch said. “But it also comes at a risk. We need

to make sure we are choosing B2C capabilities that most suit the needs of our B2B customers, and add the most value.”

It also means providing information on order history, inventory availability and shipping and delivery schedules. Often, customization is required, but B2B merchants are finding that the loyalty that can be created by ecommerce services can weld a customer to their company.

Social Shopping Makes Strides

Social media made big news again at IRCE 2015, as Pinterest recently announced the launch of a buy button, and Instagram added a “shop now” button. In a different vein, Google is starting to explore a buy button function from its ubiquitous search engine’s results.

In all of these buy button cases many obstacles remain, not the least of which is integration with merchants’ inventory management systems – and in the case of Pinterest, the fact that just a small percentage of the millions of images displayed will be instantly buyable.

It will be interesting to see if Pinterest and Instagram follow in the footsteps of Facebook and Twitter, whose ecommerce businesses are growing slowly each year, or if they’re able to go to school on those social commerce pioneers and realize more rapid adoption and growth.

Given the massive and largely untapped opportunity, it shouldn’t be long before tech wizards, marketers and merchandisers on the retail social net sides join hands and work the kinks out, and sales start ramping up. ■

Photo credit: IRCE

