



gsi commerce®

2010 Multichannel Retail Report



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EXECUTIVE SUMMARY

The following report is based on an independent poll of 2,011 UK adults and explores the consumer behaviour and attitudes to various aspects of shopping between multiple sales channels.

The data reveals that while retailers face a serious risk of customer churn in attempting to sell between channels, there are significant opportunities for multichannel retailers to increase sales, differentiate their offerings and convert seemingly negative customer experiences to sales via channel integration. The data also indicates that there is potential for multichannel retailers to optimise and make savings in the returns management process.

EXECUTIVE SUMMARY



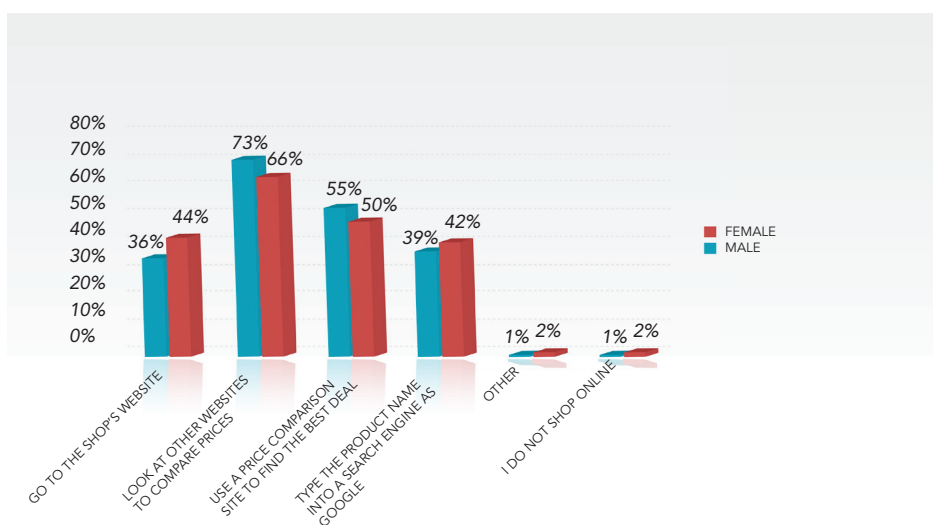
CROSS CHANNEL LOYALTY

One of the main findings of the research was that retailers face a serious risk of customer churn when attempting to sell between channels.

When consumers were asked what their typical online response would be to finding that an item was out-of-stock on the high street, the vast majority (69%) claimed they would visit other brands' websites to compare prices on the same product.

53 per cent would enter the product's details into a price comparison engine and 41 per cent said they would simply type the product details into a search engine and review the results.

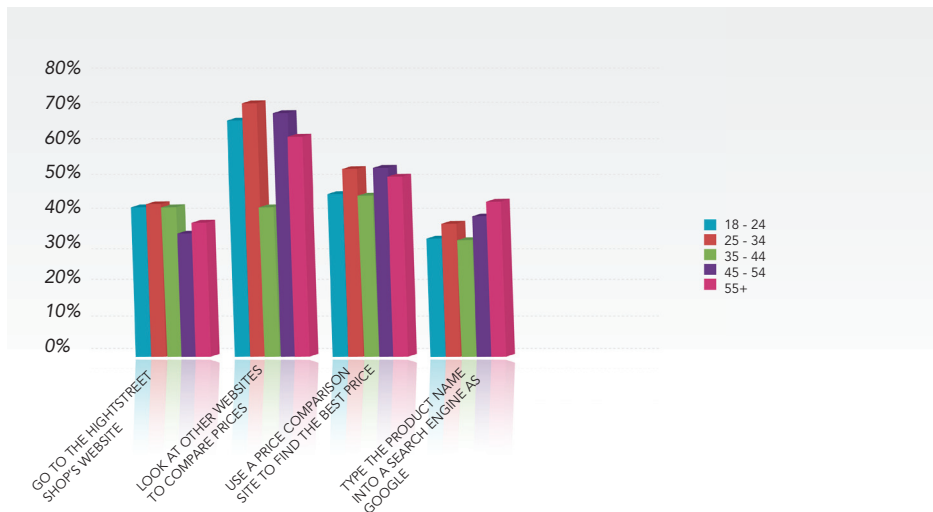
Crucially, just four in ten (40%) consumers claimed they would simply visit the website of the retailer whose shop they had originally visited.



TYPICAL CONSUMER RESPONSES TO FINDING ITEMS OUT-OF-STOCK IN STORE



CROSS CHANNEL LOYALTY



TYPICAL CONSUMER RESPONSES TO FINDING ITEMS OUT-OF-STOCK IN STORE

CROSS CHANNEL LOYALTY

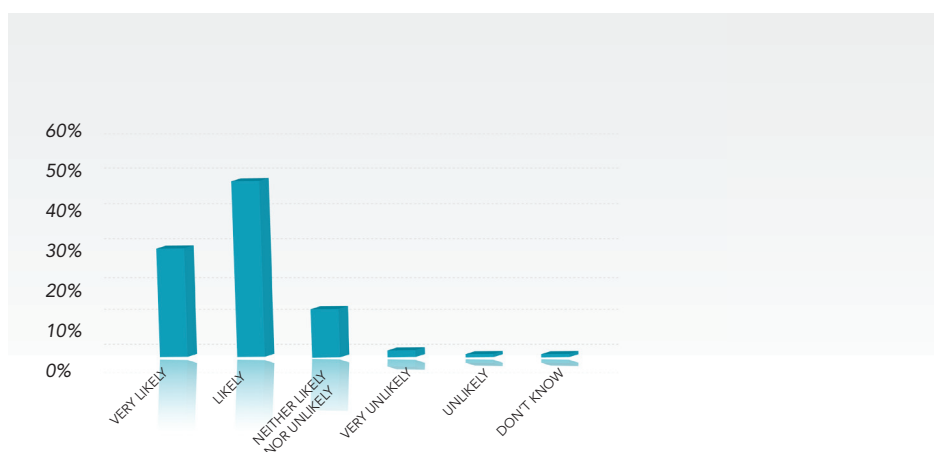


CONVERSION AND CHANNEL INTEGRATION

The data also revealed an opportunity for multichannel retailers to convert seemingly negative customer experiences into sales.

More than eight in ten (81%) consumers claim that, if given the option, they would be likely or very likely to order an out-of-stock item via the online channel while still in the store.

The data points to the fact that if a retailer has an item that is out-of-stock and does not offer its customers any other purchasing options while they are in store, there is a very good chance that it will lose the sale to its competition online (just 19% of consumers would visit a retailer's website after leaving its store and discovering a product to be out of stock).

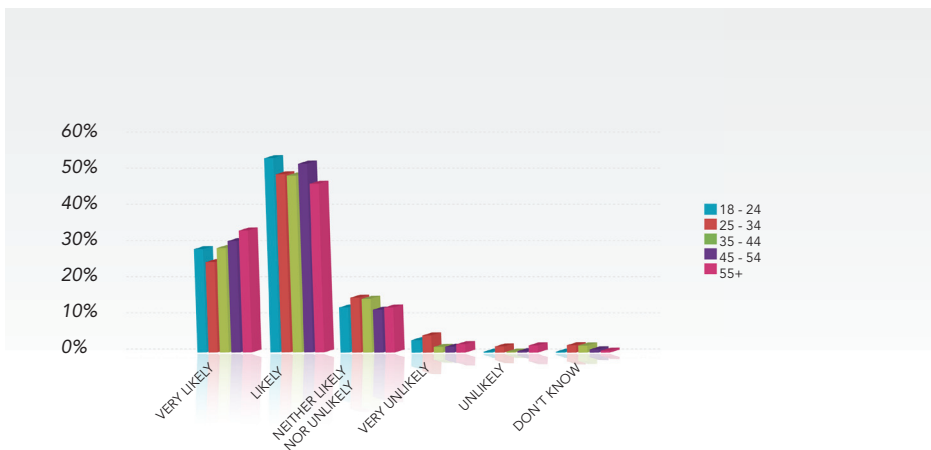


CONSUMER WILLINGNESS TO ORDER OUT OF STOCK ITEMS WHILE INSTORE

CONVERSION & CHANNEL
INTEGRATION



CONVERSION AND CHANNEL INTEGRATION



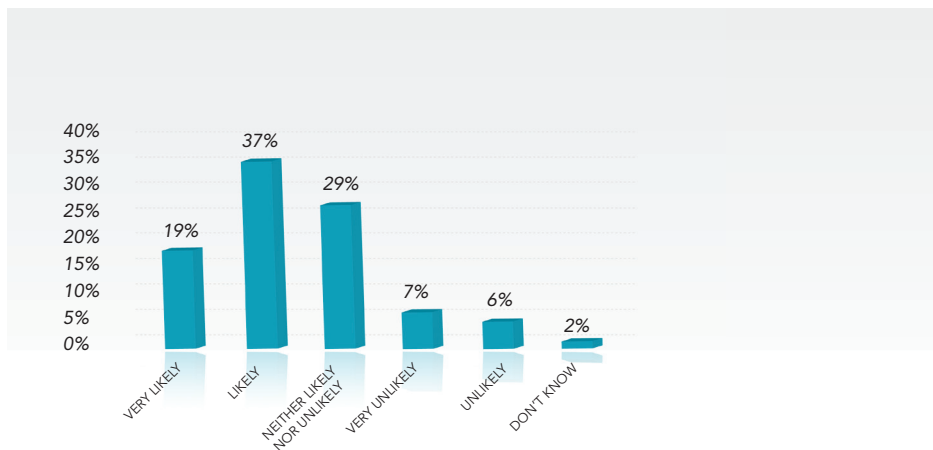
CONSUMERS WILLINGNESS TO ORDER OUT-OF-STOCK ITEMS WHILE STILL IN STORE

The research also indicates a notable demand for multichannel shopping options in the case of short-term purchases. 57% of consumers claimed that they would be more likely to order a last-minute item from a retailer online if they had the opportunity of then collecting it in store.

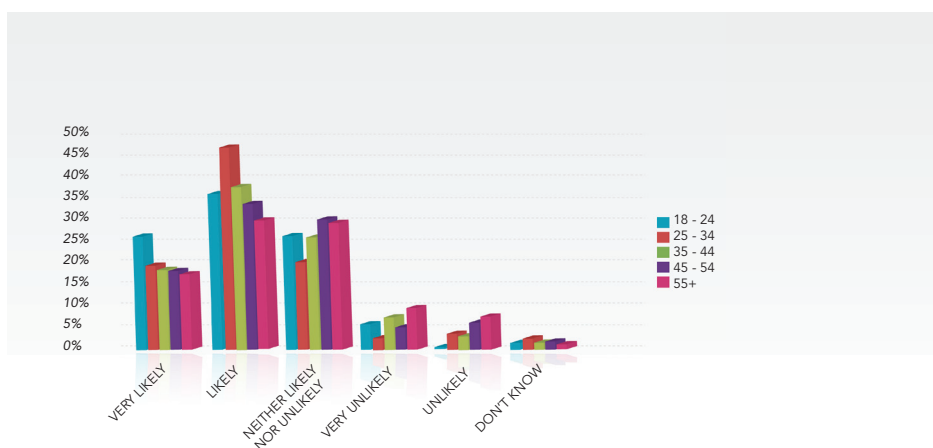
CONVERSION & CHANNEL
INTEGRATION



CONVERSION AND CHANNEL INTEGRATION



CONSUMER LIKELINESS TO ORDER LAST MINUTE ITEMS ONLINE FROM RETAILERS OFFERING THE OPTION OF PICKING UP IN STORE



CONSUMER LIKELINESS TO ORDER MINUTE ITEMS ONLINE FROM RETAILERS OFFERING THE OPTION OF PICKING UP IN STORE

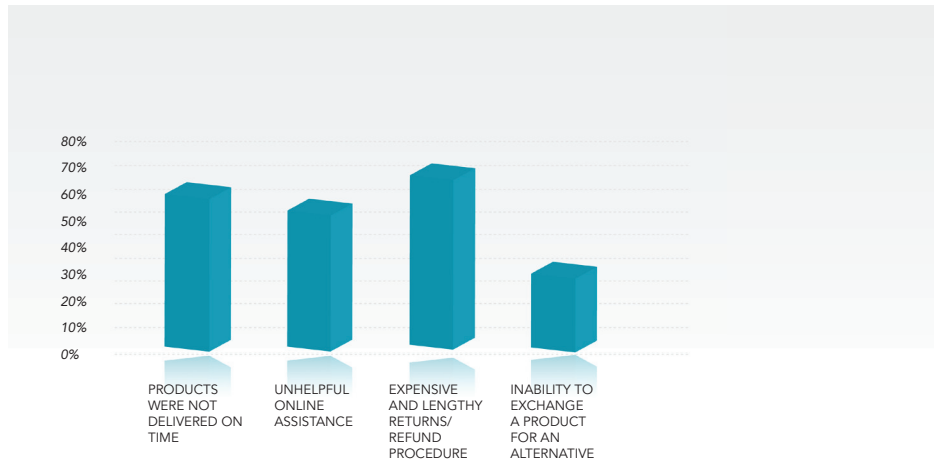
CONVERSION & CHANNEL
INTEGRATION



MULTICHANNEL RETURNS

The data also suggested that there is major potential for multichannel retailers to optimise and make savings in the returns management process and, more importantly, that a failure to do so can seriously deter customers from making repeat purchases.

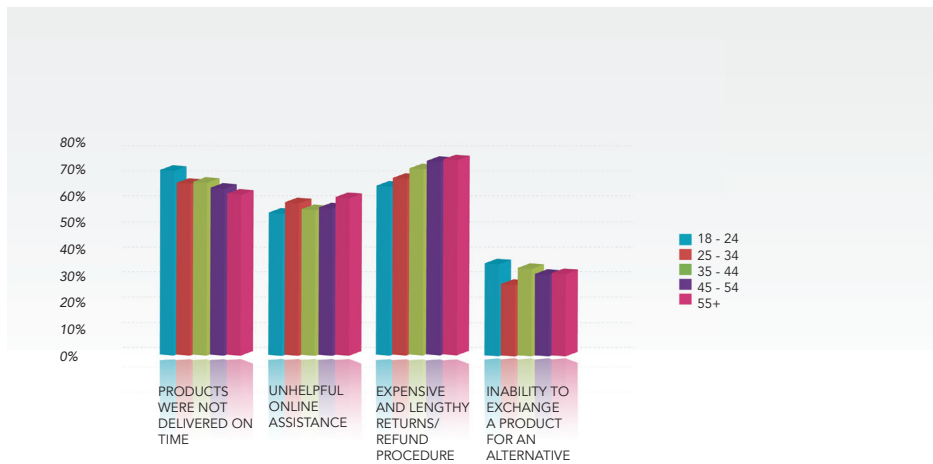
When consumers were asked what single biggest issue would put them off making a repeat purchase online, 76% of consumers cited an expensive or lengthy online returns or refund procedure.



FACTORS MOST LIKELY TO DETER REPEAT PURCHASES



MULTICHANNEL RETURNS



FACTORS MOST LIKELY TO DETER REPEAT PURCHASES

MULTICHANNEL RETURNS



GSI RECOMMENDATIONS:

Provided the inventory management technology is sufficiently integrated across all channels, multichannel retailers—by virtue of the fact that they have multiple channels—have significantly greater opportunities to cross and up-sell than a pure play retailer will ever have. The key is getting the basics right:

+ Ensure that you have an efficient process for letting consumers return goods purchased online in your high street stores. If it's very convenient for customers with an unwanted product to pop into your store and have immediate access to an alternative, it's far more likely that they will 'exchange', as opposed to online where they are most likely to demand a refund. By encouraging customers to come to your stores, you avoid all the post and packaging costs of returns that you would either have to pick-up yourself or, far worse, ask your customers to pay for

+ Such is the cost of retail real estate in the UK that it is imperative that once you get a customer in your store, you make the most of every single interaction you have with them. If you don't have the size or colour of item that a customer is looking for, your customer service staff should have access to the online inventory and be able to arrange order and shipment to the customer while they're still at the counter. GSI's own experience demonstrates that leveraging a "staff-facing system" such as GSI's Associate Order System, along with proper training & incentives can result in delivering 5% uplift to store sales from



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not letting the “out of stock” opportunity walk out the door. Alternatively, “customer-facing kiosks” typically result in nothing more than coat racks generating little return.

+ If you’re also out-of-stock online but know that stock will shortly be replenished, leverage your back order capability so that you can still take the order and advise the customer of the expected delivery date. GSI has seen up to a 20% uplift as a result of this capability.

+ Having multiple channels gives you the opportunity to extend your shelf-space in the high street. If you offer a line of five items in-store, make 20 available via your ‘online inventory’ that you can either ship from your warehouse or directly from a vendor. By expanding the range available to the customer, multichannel retailers can simultaneously expand both their service and sales opportunities. You may even be able to reduce your in-store inventory while expanding your customers’ selection and by making your inventory more productive, you’ll be improving critical cash flow

+ Add an extra level of convenience by offering a ‘buy online ship to store’ option. On top of the obvious timesaving, this option also allows for reduced shipping costs for more thrifty customers. GSI experience has shown that customers can select up to 50% of orders to be delivered “to store” when presented the option.

GSI RECOMMENDATIONS



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To learn more about how GSI Commerce can support your multichannel strategy please contact Celene Ward, Marketing Co-Ordinator, GSI Commerce International or visit www.gsicommerce.eu

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GSI RECOMMENDATIONS



RESEARCH METHODOLOGY

This report is based on a survey conducted using an online interview administered to members Maximiles UK's UK panel of approximately 1.9 million individuals who have agreed to take part in surveys. Maximiles is an Esomar World Research Member. All figures, unless otherwise stated, are from Maximiles UK. Total sample size was 2011 adults. Fieldwork was undertaken between 14th - 16th August 2009. The survey was carried out online. The figures have been weighted and are representative of all GB adults.

Gender

Male – 1,066
Female – 945

Age Group

18 to 24 – 110
25 to 34 – 268
35 to 44 – 536
45 to 54 – 529
55+ – 568

Regions

East Anglia – 162
London – 234
Midlands – 331
North East – 214
North West – 214
Wales – 81
Scotland – 181
South East – 381
South West – 180
Northern Ireland – 33