ORACLE

DELIVERING RETAIL 2016

An executive report demonstrating how retailers are delivering on consumers' online shopping expectations


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contactless
mobile
online
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24 h
international

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INTRODUCTION

In the year since the last Oracle Delivering Retail report the pace of change in UK retail has not slowed. 2015/16 has seen ongoing evolution in convenience shopping, with major brands gaining headlines as they break new ground. In the fight for consumer loyalty, priority membership and fast delivery schemes have continued to grow as retailers innovate around factors such as free pass deliveries, green deliveries and complementary benefits such as entertainment passes. Delivery drivers have become a ‘face’ for brands and another channel to engage the consumer – especially for multiples which boast their own fleet. Interesting partnerships are emerging, as companies look to overcome weaknesses. Those with advantages of scale and logistics are driving change, though many others are working fast to catch up.

Retail technology also continues to excite, with contactless and mobile payments having gone mainstream. Retailers have started to test beacons and other in-store ideas to improve engagement of customers, even as the rise of online retail continues. Digital retail technology is evolving ‘people-first’ according to one analysis[1] – focused on empowering retail employees as well as strengthening customer relationships and engagement. Whichever technologies are in retailers’ futures, they are increasingly recognising that the ability to capture information both online and offline, and to transform that into knowledge through powerful analytic technologies, are both critical. They enable prediction, personalisation and profit creation, and stand at the forefront of the ability of retail brands to keep up with the consumer’s ever-increasing demands. Deloitte describes this well: “a new definition of convenience is emerging as customers demand that retailers immediately fulfil, or even predict, their needs.”[2]

Retailers of every kind are continuing to reshape around, and learn how to serve, an increasingly demanding shopper. As millennials grow as a proportion of the consumer population, their intuitive use of technology and expectation of a seamless and personalised experience will continue to dominate – but shoppers of all ages are starting to want it too. A recent Oracle report “The Power and the Money” revealed how this creates significant challenges for retailers in striking the right balance between adapting to the fast-changing demands of younger shoppers, and continuing to serve existing older, yet wealthy, customers[3]. Alongside all this, thanks to a challenging economy, retailers must also be certain to deliver value, which remains a major driver of shopping brand choices and loyalty.

Our report last year showed some interesting trends in terms of the increase in attention being paid by retailers to changing consumer habits, and this year shows continuing progress.

Chris James
VP EMEA, Oracle Retail

1 Accenture Technology Vision for Retail 2016
2 Deloitte Retail Trends 2016
3 Oracle: The Power and the Money 2016

customer
first


fash
homewares
11 sectors
department stores
sports
350 retailers
Electronics

ion

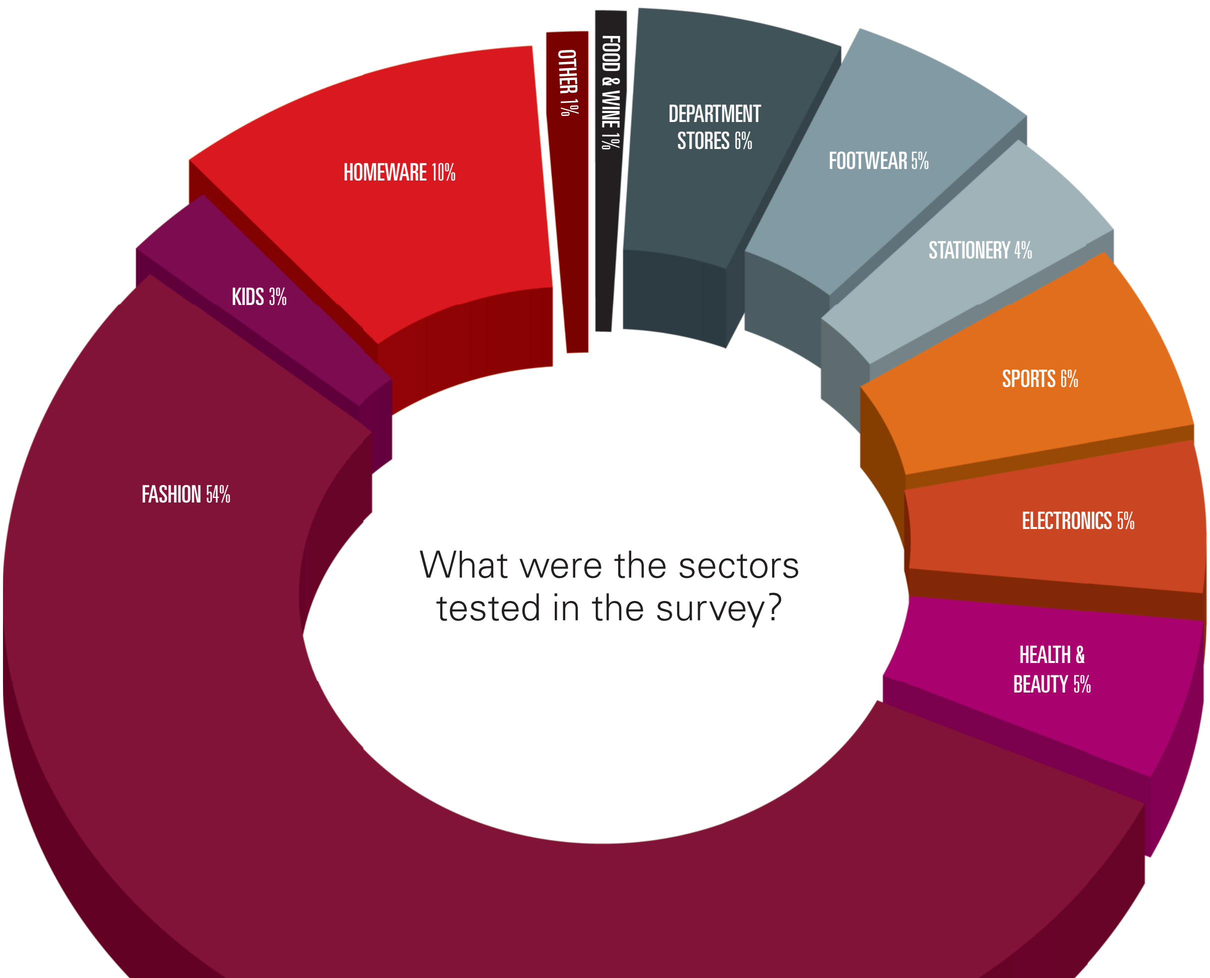
METHODOLOGY

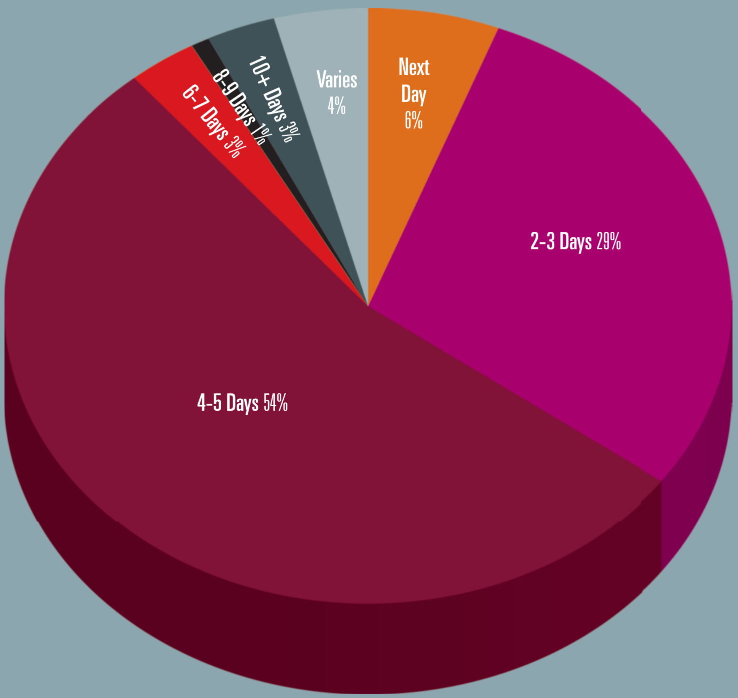
The research was conducted by Oracle staff during the first half of 2016. Our researchers acted as 'secret shoppers' as they visited websites, placed orders and carried out a number of comparable tests across the sample group, where it was possible to do so. The team gathered data to compare and contrast online shopping delivery choices, convenience, value for money and various aspects of customer service communications.

The 350 retailers tested all operate or sell in the UK market, and included a range of sizes: from large independents through to multiples and international retailing brands.

The research focus and sector span maintained similar pattern to that of previous years, to enable some year-on-year comparisons. However, due to the changing nature of the retail space there were some differences in the retailers surveyed. All brands tested are listed at the end of this document. The sectors covered included food & wine, department stores, footwear, stationery, sporting goods, electronics, health & beauty, fashion, children's goods and homeware.

This executive summary gathers the highlights and notable trends from the data, to help you navigate and learn from our work. The full survey data, including more sector comparison data, is available from Oracle on request.



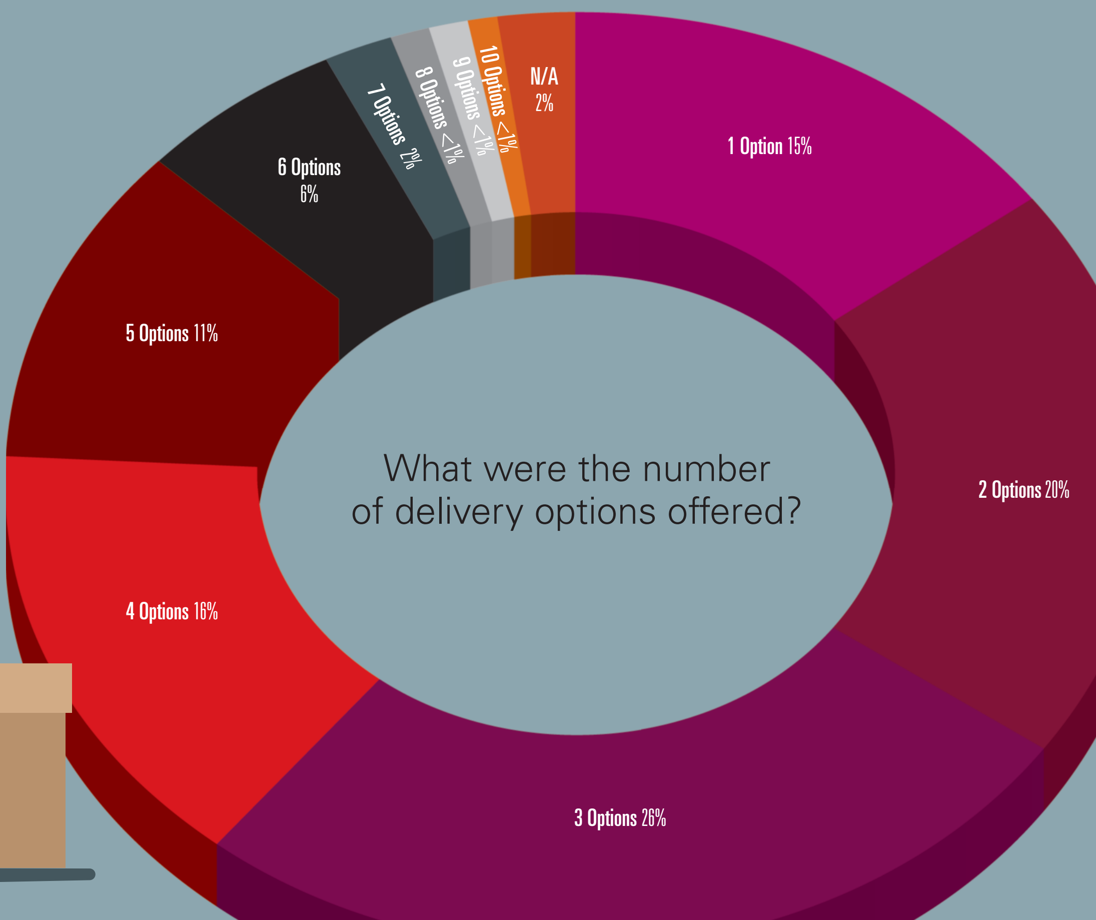


4%
offer Same Day delivery

What were the timescales for Standard Delivery?

51%
offer Click-and-Collect

74%
offer Next Day delivery



OFFERING CHOICE

Evidence is growing that the demand for choice is shaping delivery strategies amongst retailers, large and small. This year saw a clear further proliferation of delivery choices. The proportion offering 6 or more delivery choices has increased from 3% to 10% – while, at the other end of the scale, the proportion only offering one or two options has dropped from 55% to 35% of the market. The boundaries continue to be stretched, with three retailers (New Look, House of Fraser and Halfords) offering a huge 10 combination choices of delivery timing and format.

The emergence of faster and same day delivery services has been a regular story in the retail media during the past year – however, the definition of 'standard' delivery has changed little for most retailers. Standard delivery timescales remain 4-5 working days for the majority of our sample (54%) with 2-3 working days the standard for a further 29%. Next day delivery has become the norm only for 6% of retailers – although this is a very slight increase on the previous year.

Although Same Day delivery is slowly emerging in the UK, it is currently only offered by 16 retailers amongst our sample, representing 4% of the total. The availability of Saturday and Sunday deliveries has not increased markedly on last year, with Saturday delivery only guaranteed by 35% of the sample.

Next Day delivery has increased slightly to 74%, continuing the trend of the past two years. The deadlines for Next Day delivery vary significantly between retailers which do offer this service, ranging from 10am to 10pm or even later – though 37% have a cut-off of between 2pm and 6pm.

Nominated Day delivery has risen more, to 18.3% compared to 12% last year, although very few (under 6%) of those offering this can also offer a Nominated Time option.

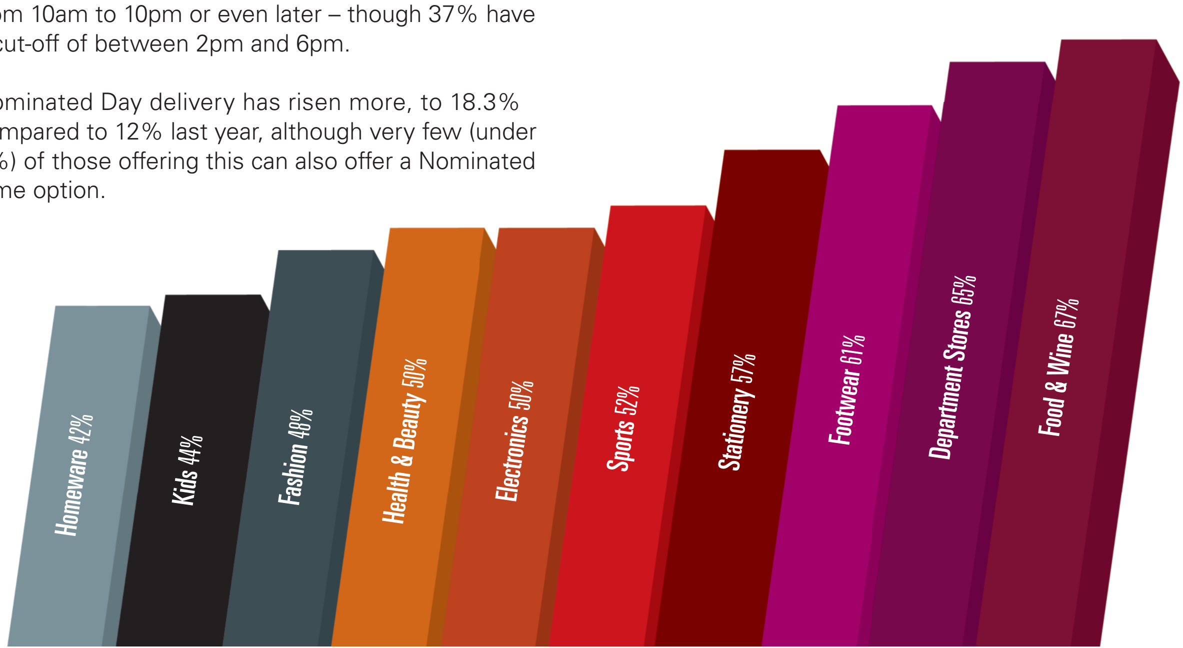
Click-and-Collect

- Click-and-Collect continues to grow; it is now offered by more than half UK retailers, some with Reserve-and-Collect as an additional or alternative option. Compared to last year it is clear that all sectors are recognising this popular choice – comparing the rates between Click-and-Collect services by sector stills shows some sectors ahead of others, but nothing like the vast differences of 2015.

- There is significant variation in terms of the availability timescales for goods. Although 9% make goods available on the same day, and the vast majority of goods can be collected within 5 working days, it can take up to 7 working days for more than 12% of retailers. However, we were glad to see Click-and-Collect remains a free service amongst almost 90% of those retailers who offer the service.

- Collect Plus growth has stalled somewhat, coming in at the same 9% level as in 2015. It offers shoppers more choice about where to collect their online orders, and is also used as a returns channel by some retailers.

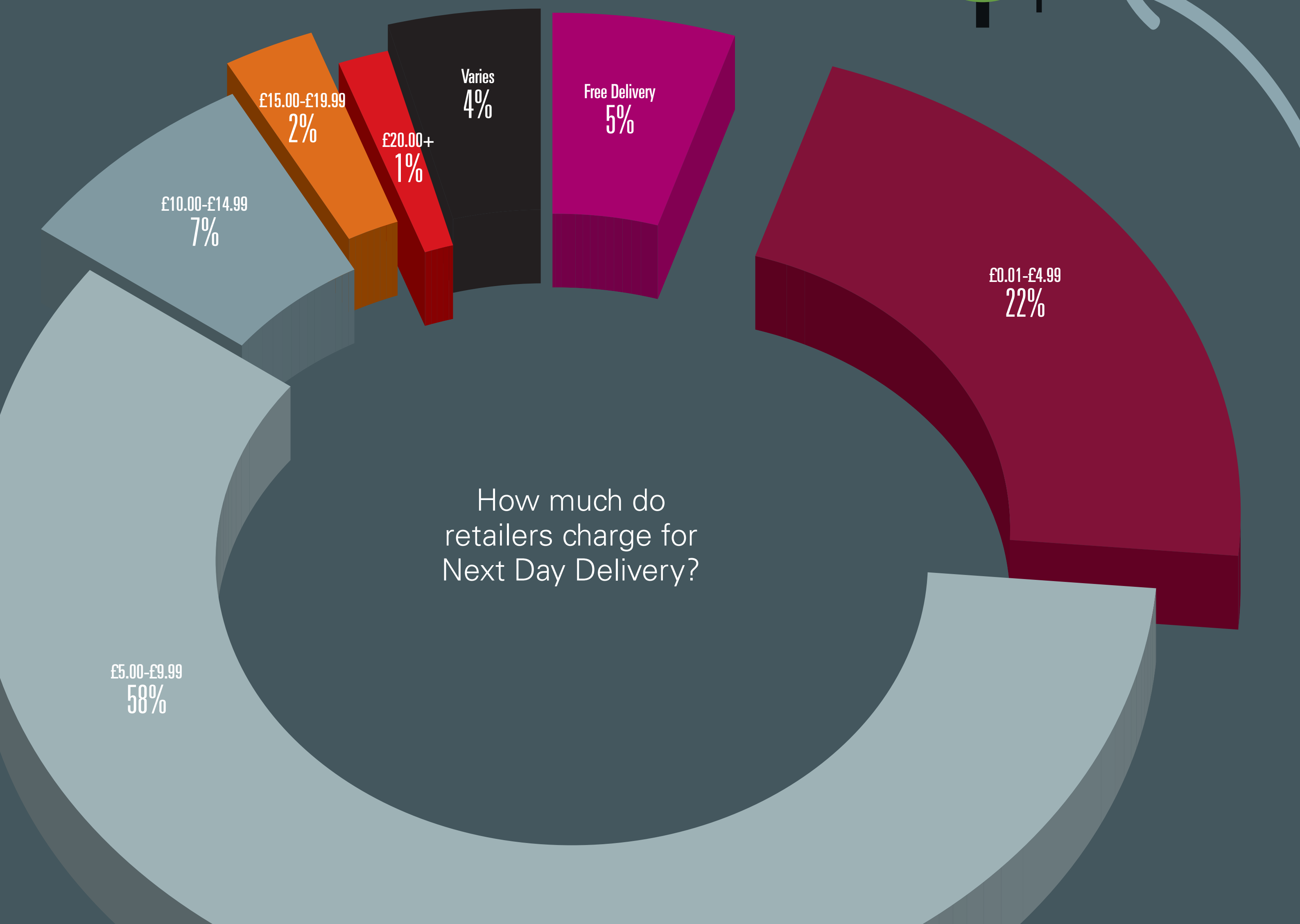
Who offers Click-and-Collect?



71%
charge for Collect Plus collection

16%
offer free Standard Delivery

17%
delay mention of delivery costs until checkout

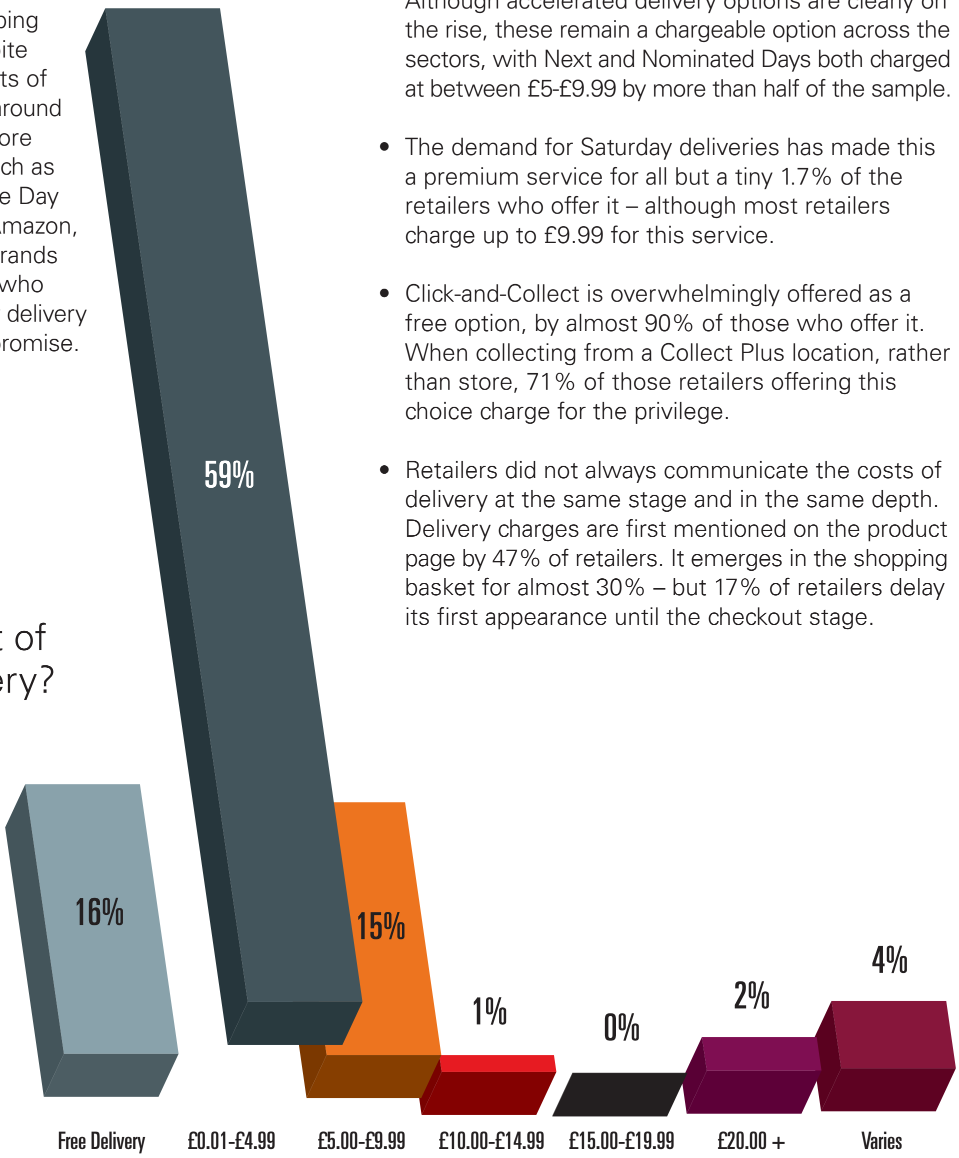


How much do retailers charge for Next Day Delivery?

DELIVERING VALUE

The cost of convenience remains a real factor for shoppers. UK consumers are increasingly value-conscious in their choice of brand, which has been demonstrated by things such as the rapid rise of value-grocery chains such as Aldi and Lidl in the past year. When it comes to delivering value, it is vital not just to price products in line with expectations but to follow through in the pricing of supporting services such as delivery. It is also important to match consumer expectations, which often prioritise free shipping over fast shipping[4]. Despite the inevitable heavy costs of fulfilment, the pressure around this is likely to rise as more players follow brands such as Argos into the free Same Day delivery space, to rival Amazon, or emulate online-only brands such as ASOS and Very who have made super-speedy delivery part of their core brand promise.

What's the cost of Standard Delivery?

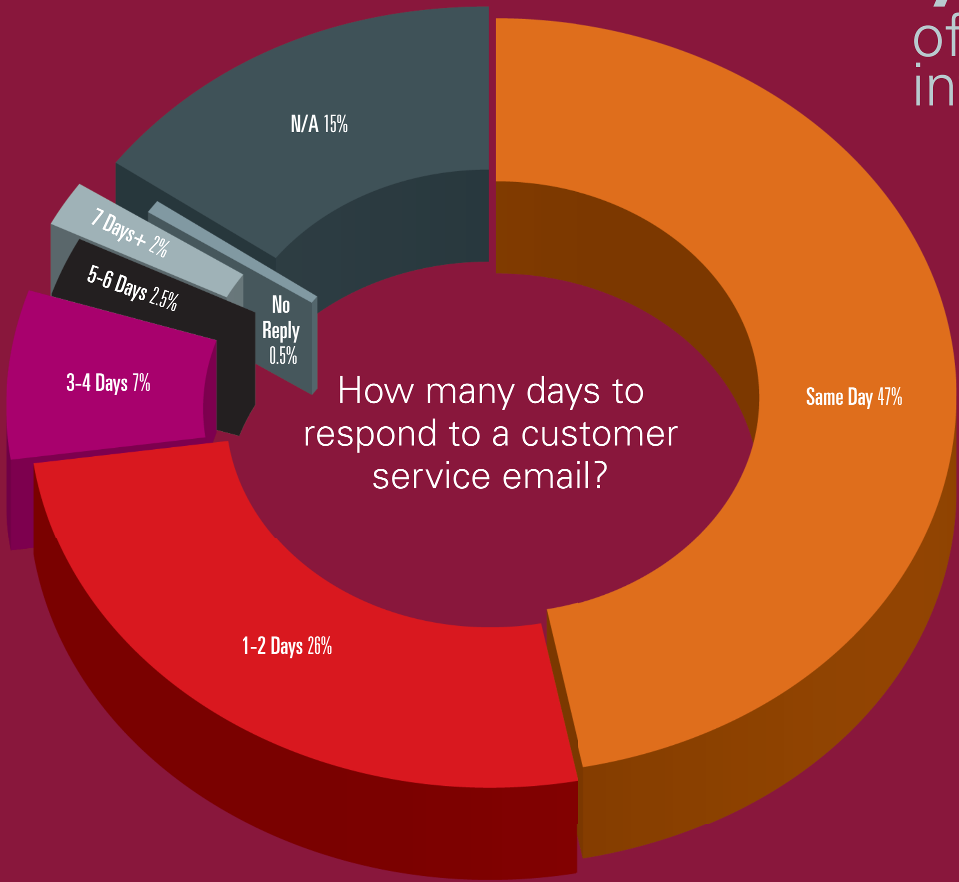


Delivery Costs

- Almost 55% of our sample offer free delivery over a certain order value threshold within the UK, higher than last year, although this drops to just under 9% for international deliveries.
- Standard deliveries are free for just 16% of retailers, while 59% of the sample charges less than £5. Although accelerated delivery options are clearly on the rise, these remain a chargeable option across the sectors, with Next and Nominated Days both charged at between £5-£9.99 by more than half of the sample.
- The demand for Saturday deliveries has made this a premium service for all but a tiny 1.7% of the retailers who offer it – although most retailers charge up to £9.99 for this service.
- Click-and-Collect is overwhelmingly offered as a free option, by almost 90% of those who offer it. When collecting from a Collect Plus location, rather than store, 71% of those retailers offering this choice charge for the privilege.
- Retailers did not always communicate the costs of delivery at the same stage and in the same depth. Delivery charges are first mentioned on the product page by 47% of retailers. It emerges in the shopping basket for almost 30% – but 17% of retailers delay its first appearance until the checkout stage.

94%
of retailers tweet

73%
offer international shipping



77%
take PayPal

93%
have responsive websites

SERVING CUSTOMERS

Customer service is key to an excellent online shopping experience. Examining how easy retailers make life for shoppers is part and parcel of assessing how they are delivering for customers, because shopping cart abandonment rates continue to be estimated high by numerous analysts around the world. Aggregating these, eMarketer estimated earlier this year that three quarters of the world's shopping carts are abandoned[5].

What barriers do UK retailers put in the way of their customers during the process of online ordering or in the process of deciding whether or not to purchase? And how well do they deliver the customer service that is such a vital complement to simply delivering the goods?

- Checking stock in-store to see whether to order is particularly relevant for Click-and-Collect, yet only 18.6% of stores offered this ability.
- Last year we remarked that PayPal was not offered by 70% of retailers – this year the PayPal acceptance has almost completely reversed, as a full 77% of the sample now accepts it.
- Returns are a fact of life for retailers, and the ability to return products to store is offered by 46% of retailers. The unwanted return policy period continues to be very variable, with a 14-day window the most popular for retailers at 37.2% however, with a further total 51% offering options of up to 30 days.

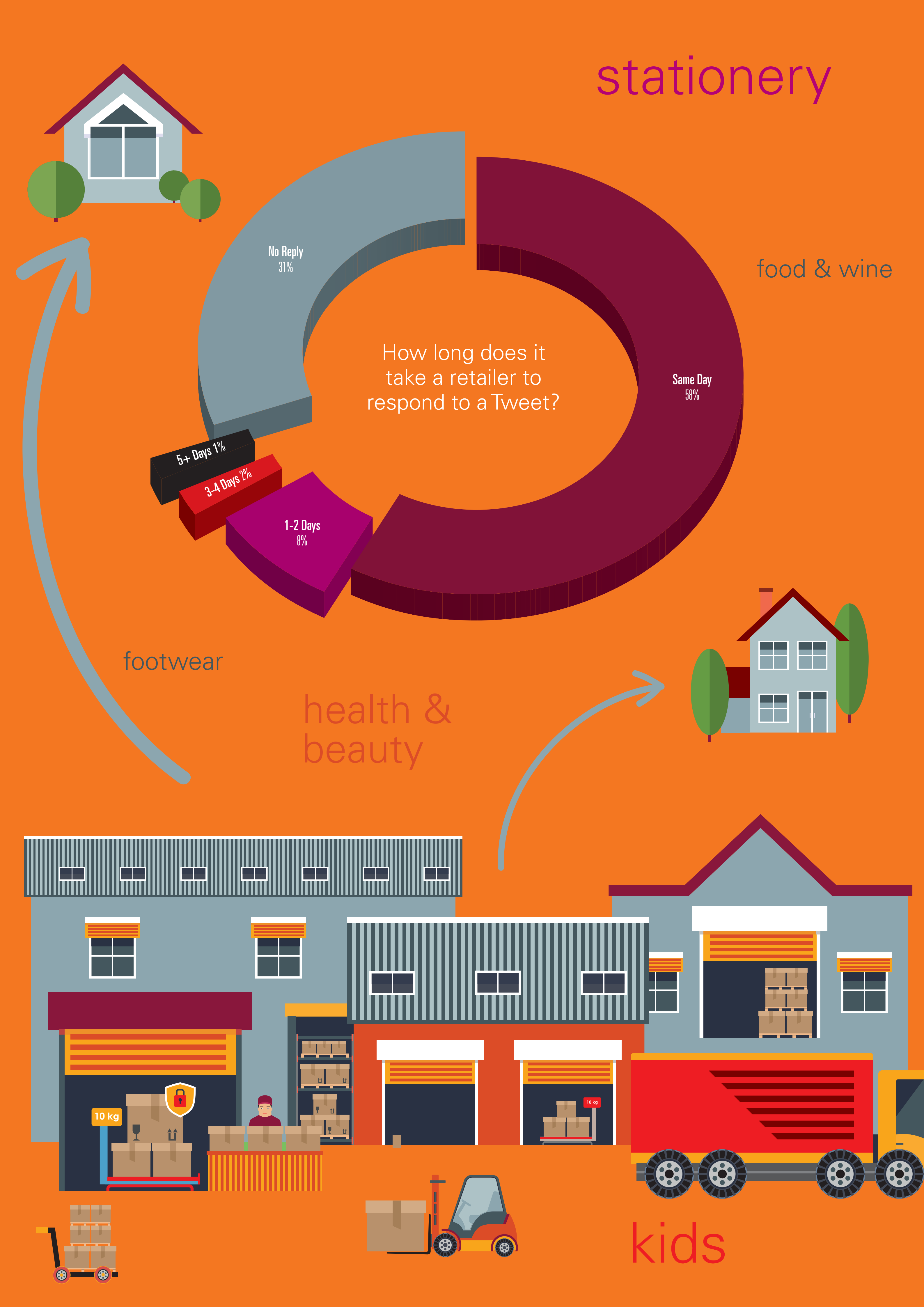
Retailers' adaptation around the increasingly mobile lifestyles of shoppers continued this year. Mobile responsive websites have now risen to 93% of the market, up from 85% last year, with fewer than 7% of UK retailers still having work to do. This may be contributing to the continuing decline for the second year in dedicated mobile apps which only 33% of our sample retailers now have.

Communication performance was assessed from a number of perspectives:

- Customer service responses based on email enquiries have definitively improved. There was just a single non-response from the whole sample, compared to a 24% in 2015. Same day responses were received after emails sent to customer services in 46.6% of cases, compared to 43% last year with a further rise in the 1-2 days' response rate.
- We were able to send Tweets to 94% of our sample retailers this year – an increase on last year's 87%. However, of the retailers who made it possible, more than 30% did not respond at all, while the proportion of retailers responding within one day to a customer service Tweet has dropped from 76% last year to just under 58%. On a positive note, 31% of those who responded on the same day did so within one hour, and one within five minutes. Looking across the sectors who did best with same-day responses, Food & Wine and Electrical stores have a slight edge, with Stationery and Footwear doing comparatively less well.
- 14.5% of the retailers either offered or demonstrated text messaging as part of their communications.

While international shipping is the norm for UK retailers, with 73.1% delivering to Europe and the rest of the world, the same is not true for our Armed Forces serving overseas. Just 38.1% offer BFPO shipping. Free delivery is available 17% of the time but the norm, applying to 48% of cases, is for a charge of up to £4.99 to deliver a parcel to a service-person.

5 EMarketer article: 'Three-quarters of worlds shopping carts abandoned'


stationery
food & wine
How long does it take a retailer to respond to a Tweet?
No Reply 31%
Same Day 58%
1-2 Days 8%
3-4 Days 2%
5+ Days 1%
footwear
health & beauty
10 kg
kids

CONCLUSION

UK retailers are continuing to make strides in ensuring that their products are more accessible and easy to purchase online, regardless of device, and more able to reach consumers at times and in places which suit them. Over the next year, as retail directors decide their priorities for continuing to shape business around changing needs, it may no longer simply be about offering more options, but better options.

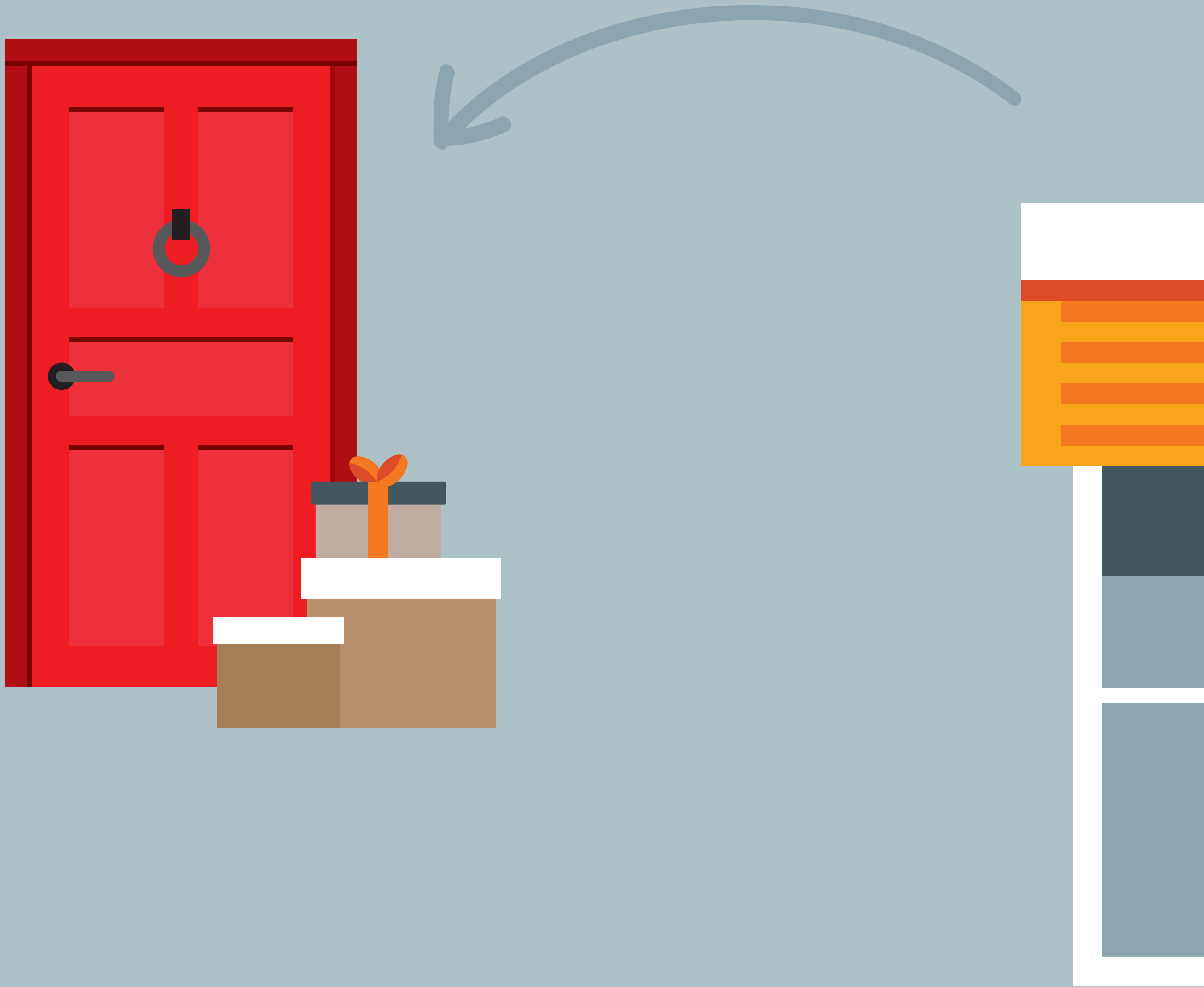
Customers in control will become more and more of a mantra. UK retailers have shown that they can respond, however, by their total turnaround in support for PayPal. Despite accepting a vast array of choices, consumer demand drove that decision. The sharp increase in the number of delivery choices is passing the ability to shoppers to find the appropriate balance between cost and convenience for themselves. Retailers must keep a laser-like focus on delivering value for money and maintain the cost of convenience at as low a level as possible. Ongoing attention to the basics of customer service and how these translate to the digital space are vital because, although mobility and social communication are clearly now part of the standard modus operandi, not all brands are as sharp and speedy as customers expect in terms of their responses.

As always, the future is somewhat uncertain and change remains a constant. The retail sector had enjoyed uninterrupted growth since 2013 but now, in the wake of the UK's momentous decision about European membership, it will be under scrutiny as a bell-weather for UK consumer sentiment and confidence. The continued efforts, investments and innovations of our smartest retailers will be important – not just to their brands, but to the industry and to the economy. Oracle looks forward to being part of helping retailers assess their challenges and find the solutions they need, in order to make those contributions. We can't wait to see what we discover next year, when we conduct our research once more.

BRANDS SURVEYED

& Other Stories
24studio
Abercrombie & Fitch
Accessorize (Monsoon)
Acne Studios
ADIDAS
Agent Provocateur
Alan Ward Limited
All Saints
Amazon
American Apparel
American Eagle
American Golf
Amoena
Ann Summers
Anthropologie
Anya Hindmarch
ao.com
Apple
Aquascutum
Arcadia - Topshop
Argos
Ark
Arsenal Football Club
ASOS
Aspinal of London
Austin Reed
B&Q
Baker Ross
Banana Republic
Barbour
Bare Escentuals
Barker and Stonehouse
Bath Store
Beales
Beaverbrooks the Jewellers
Ben Sherman
Bench
Berghaus
Bershka
Bhs
Blacks Outdoors
Blackwells
Blue Inc
Boden
Bon Marche
Boodles
Boohoo.com
Book Depository
Boots
Boux Avenue
Brora.co.uk
Build-A-Bear
Burberry
Burton Menswear
Calvin Klein
Camper
Card Factory
Carphone Warehouse
Cartier
Cass Art
Cath Kidston
Chain Reaction Cycles
Charles Tyrwhitt
Choice Discount Stores
Claire's Accessories
Clarks
Coast
Comptoir des Cotonniers
Cos
Cotton Traders
Countrywide Farmers
Crabtree and Evelyn
Craghoppers
Crew Clothing
Crocs
Currys (Dixon Retail)
Dabs.Com
Damart
Debenhams
Décathlon
Deichmann
Denby
Diesel
Direct Golf
Disney Store
DKNY
Dorothy Perkins
Dr Martens
Dune
Dunelm
Dyson
Early Learning Centre
East
Edinburgh Woollen Mill
Elf Make Up
Emma Bridgewater
Ernest Jones
ESPRIT
Estee Lauder
Euro Car Parts
Evans
Evans Cycles
F&F
Factory Shop
Farfetch.com
Fat Face
FeelUnique.com
Figleaves.com
Fitflop
Flannels
Flipkart
Foot Asylum
Foot Locker
Forever 21
Fortnum & Mason
Fossil
Foyles
Fraser Hart
Freemans.com
Fred Perry
French Connection
Furniture Village
Gant
Game
Gap
George at Asda
Go Outdoors
Goldsmiths
Great Little Trading Company
G-star Raw
Gucci
Guess
H. Samuel
H&M
Hackett
Halfords
Hamleys
Harrods
Harvey Nichols
Heals
Hi-Tec Sports
High and Mighty
Hobbs
Hobby Craft Group
Holland and Barratt
Hollister
Home Bargains
Homebase
House of Fraser
HP
Hugo Boss
Icandy Gifts & Cards
IKEA
Indigo Furniture
Isabelle Oliver
Isme (Very)
J&S Accessories
Jacamo
Jack Wills
Jaeger
Jacques Vert
J.Crew
JD Sports
Jeffery-West
Jigsaw
Jimmy Choo
Jo Malone
Joe Brown
John Lewis
John Macintyre & Sons
Jojo Maman Bebe
Jones & Tomlin
Joseph
Joules
Joy
Juicy Couture (Fifth & Pacific)
Karen Millen
Kiddicare

Kitbag
Kurt Geiger
La Redoute
Lacoste
Lakeland Ltd
Laura Ashley
Le Creuset
Leekes
Levi’s
Lewis’s Home Retail
Liberty
Lifestyle Sports
Lily Lolo
Links of London
Lipsy
Littlewoods Clearance
Liverpool Football Club
Liz Earle
L.K. Bennett
Long Tall Sally
Lookfantastic.com
Christian Louboutin
Louis Vuitton
Lovehoney
Lush
Lyle and Scott
M and Co.
M&M Direct
Mac Cosmetics
Made.com
Mamas and Papas
Mango
Maplin Electronics
Mappin & Webb
Marisota
Marks and Spencer
Matalan
Matches Fashion
Maxi Nutrition Shop
Miss Guided
Miss Selfridge
Moda in Pelle
Molton Brown
Monica Vinader
Moss Bros.
Mothercare
Mr Porter
Musto
Net-a-Porter
New Look
Next
Nike
Nisbets
O2 UK
Oakley
Oasis
Office London
Oldrid & Co.
Oliver Bonas
Outdoor and Country
Oxford Shirt Company
Paco
Pandora
Paperchase
Paul Smith
Peach Accessories
Peacocks
Perfume Shop
Peter Jones China
Pets at Home
Phase Eight
Plumbase
Pretty Green
Pretty Little Things
Pull and Bear
Puma
Ralph Lauren
Reiss (Retail)
Rigby & Peller
Richer Sounds
River Island
Robert Dyas
Rohan Designs
Route One
Russell & Bromley
Rapid Electronics
Reebok
Ryman
Sainsbury’s
Samsung
Saracens
Savile Row Company
Schuh
Scotts of Stowe
Screwfix
Select Fashion
Selfridges
Shop Direct (Very.co.uk)
Simply Sports
Slaters Menswear
Smith Bradbeer & Co.
Smythson
Sony
Sports Direct
Sportsshoes.com
SS Moore Sports
Staples
Sterling Furniture Group
Stollers Furniture World
Superdrug
Superdry
Swarovski
Swatch
Ted Baker
Temperley
Temptation Gifts
Textiles Direct
The Bodyshop
The Clinkard Group
The Fragrance Shop
The North Face
The Range
The White Company
The Works
The Watch Gallery
The Watch Hut
Thomas Pink
Thomas Morgan
Thomas Sabo
T.K. Maxx
T.M. Lewin
TJ Hughes
Toast
Tommy Hilfiger
Toolstation
Topman
Topps Tiles
Tottenham Hotspur
Toys “R” Us
Trespass
Tripp
Twinings
Twinmar
Tyrers (Kipling)
Ugg
Urban Outfitters
VFC (Timberland & Vans)
Victoria’s Secret
Viking
Vivienne Westwood
Vodafone Retail
WH Smith
Wallis
Warehouse
Warren James
Waterstones
Whistles
White Stuff
Whittard of Chelsea
Wiggle
Wilkinson (Wilko)
Winch & Blatch
Wroes
Wyevale
Yankee Candle
Zalando
Zara
Zavvi



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