skillsmart retail™

Skillsmart Retail Analysis

Multichannel retailing
‘Clicks or mortar’ - the customer’s choice?

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About Skillsmart Retail's Analysis Series

How we shop and where we shop is the source of countless headlines. Those who are employed in the sector and how they serve us also feature frequently in the UK press.

This series of reports is developed by Skillsmart Retail to provide readers with an in-depth analysis of the main business, employment and skills trends within the retail sector.

Skillsmart Retail is the Sector Skills Council for the retail sector. Its remit is to develop high quality insights into the development of skills at all levels of the retail workforce.

If you would like to comment on any of the issues raised in this paper please contact Phil Mosley Research Manager at phil.mosley@skillsmartretail.com.

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Executive Summary

Introduction

A new survey commissioned by Skillsmart Retail analyses retailers' online facilities from the customers' perspective, i.e. people who have recently bought online.

Internet Use

A representative sample of 2,050 people across Great Britain responded to the survey in April 2009. Of these respondents, almost a third (32%) stated that they currently bought items online that they could get from high street stores.

Other key findings include:

- Males shop online more than females
- 35-44s, are the most regular online shoppers
- ABC1 respondents were more likely to shop online than C2DE respondents
- Nearly 60% of online shopping is conducted by people who only have access to the internet at work
- The greatest level of usage (41%) was for once a month online shopping
- The average small retail online purchase was £15. The average large online retail purchase was £85

Websites visited

- Amazon and e-Bay (nearly one in five respondents) were the most popular online retail sites. Nearly one in fourteen respondents had recently visited Play.com and Tesco.com

Website functionality

- Website payment arrangements (97%), product arrangements (97%) and ease of access (96%) were highlighted as the best aspects of visited websites
- Website speed (91%), security of the websites visited (91%) and customer service (76%) were areas that customers reported in need of improvement

Returns Process

- Of the 571 people who responded to the questions on website usage, 40 individuals had returned a product back to the website that they had last purchased an item from
- The most popular method of returning an item was posting it back from the Post Office

Online advantages

- The main advantage of shopping online was the ability to use it at any time (55%) and that it was less time-consuming (51%)

Online areas for improvement

- Nearly a third of respondents highlighted that there was nothing to improve on the websites that they were using to shop online. The main concern expressed was regarding the need for better security of websites

<u>Current and future online growth</u>

- Nearly a third of respondent (31%) have moved to shopping online in the past year, compared with a quarter who have indicated that they will be shopping more on the high street
- In the next year, over one in five respondents indicated that they would move to shopping online, whilst one in ten consumers would revert back to shopping on the high street

Conclusion

The growth of online retail shopping will continue as consumers get access to better functioning websites. However, key areas of development need to be strengthened in the areas of customer service, payment/transaction security and the returns process to enhance the online relationship between retailer and consumer.

1. Introduction

The impact of the economic downturn continues to be challenging for retailers. Lack of consumer confidence has affected both their willingness and ability to spend in high street stores. However, this may be offset by the rise, availability and functionality of retailers' multi-channel facilities, i.e. internet/online sites[1].

This report analyses the online retail offering from the customers' perspective through original research among people who actually use these sites for regular retail purchases. The analysis will also highlight trends occurring in shopping habits, plus areas of development and strengths for online operators.

[1] Online definition – all online usage and/or spending on goods other than on services, such as flights, insurance, banking and tickets, and business expenditure.

2. Background

Building on the history of online retailing developed in previous Skillsmart Retail online reports[2], the following details the main developments up to early 2009.

2.1 A recent history of online retailing[3]

Purchasing online by the mass of consumers became possible from the early to mid-1990s. Since its inception online retailing has undergone a number of phases as shown below in Figure 1.

Figure 1 Online retailing timeline

- **1994-97 "A hobbyist's pursuit"**
- **1998-2000 "Emperor's new clothes"**
- **2000-01 "The dot com bubble bursts"**
- **2002-05 "A new realism – combining formats"**
- **2006-07 "Renewed confidence"**
- **2008-09 and the future "Challenging but opportunistic times"**

Source: Skillsmart Retail Analysis: Online retailing potential developments and its impact on people and skills, November 2007 (updated)

- **1994-97 "A hobbyist's pursuit"**

Early adopters of the online facilities included Pizza Hut who offered ordering services in 1994. It was joined by a number of "adult" retailers. In 1995 Amazon.com was launched. In these earliest manifestations, the systems were often obscure and home internet connections were less common meaning that the take-up was understandably limited.

- **1998-2000 "Emperor's new clothes"**

Excitement had grown about the new economy that the internet would create by the late 1990s. Much of the interest was created through a natural fascination with the future as the world approached a new millennium.

[2] 'Skillsmart Retail Analysis: Online retailing potential developments and its impact on people and skills', Skillsmart Retail, November 2007

[3] Tim Stacey (2007), 'Engaging your business in the challenges and opportunities of e-commerce', notes to presentation given 27/03/07

During this period, internet start-up companies received huge investments from venture capitalists seeking to have a stake in this new world. Some commentators liken the situation to a 'Gold Rush' with investors believing that a presence in this new online world was paramount. As a result, strong emphasis was placed on unconventional metrics of business success, because this was perceived as an unconventional medium. So instead of the value of companies being measured in terms of either the property they owned or the sales achieved new measures were introduced such as 'click-rates' or 'number of registered users'. In essence these indicators disguised the reality of high abandonment, low conversion rates, and low sales.

During this period, Amazon was unusual in being resolutely realistic about short-term prospects. It only made an annual profit in 2003, but has outlived many failed initiatives of the 'dot-com boom'.

- **2000-01 "The dot com bubble bursts"**

A variety of factors caused the bubble to burst with one of the most detrimental factors being the poor trading figures for online retailers in the Christmas 1999 period. This was the first concrete measure of how registrations, hits and market share would really translate into sales.

- **2002-05 "A new realism – combining formats"**

Despite the general perception of 'dot coms' as worthless, many online retail companies survived. However, they had vastly reduced valuations based on the same performance criteria as any other retailer.

During this period, many conventional retailers now began to develop their online retail presences. Others purchased online retailers cheaply as the market underwent a great deal of consolidation.

- **2006-07 "Renewed confidence"**

In the first half of 2006, online retail growth was ahead of shop-based retail.[4] Retail growth in general surprised analysts in the second half of 2006, buoyed by clothes and online sales.[5] Online retailing at this time was attributed to the growth of three major components:

- Mail order retailers' online sales, e.g. Shop Direct Group and the Next Directory
- Physical retailers' online sales and, e.g. John Lewis, Tesco and Sainsbury's
- Pureplay specialists. In e-business terms, pureplay is an organisation that originated and does business purely through the internet, with no physical store, e.g. as seen on screen www.asos.com.

Many individual retailers reported considerable growth in the contribution that online retail brought to their companies. Online retail was now a confirmed part of the retail landscape and market share could be lost if an efficient and effective website was not available.

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[4] 'Online sales grow faster than retail', *Financial Times*, 28/07/06, accessed 06/07, <http://tinyurl.com/25uaj8>

[5] 'Clothes and online purchases give retail sales a boost', *Financial Times*, 17/11/2006, accessed 06/07, <http://tinyurl.com/ytkvbe>

In 2007, Britons spent over £100bn online[6] assisted by the increased penetration of broadband among households. Access was above 70% for 15-54 year-olds (highest for those aged 35-44) above 50% for 55-64 year-olds, and significantly lower (around 25%) for those aged 65+.[7] Users are spending more and more time online, and almost 40% of users say shopping research is a 'major use' of the web.

The following summarises a number of factors that contributed to the growth of online trading in 2006/2007:

- Nearly 60% of the UK had access to the internet
- Every three months, an equal number of people to the population of Sheffield got broadband installed
- Over 50% of people went online every day
- People spent more time using the internet than watching TV
- Women's use of the internet is set to overtake men's online usage in 2007
- The internet is a bigger marketing channel than outdoor (such as posters and bus shelter adds), radio and cinema
- More than 70% of people consider search engines to be an important source of information when making purchases
- More than half of those who research online then bought offline in the automotive, gardening, DIY, furnishings, mobile phones, home appliances, electronics, computer hardware, clothing and health and beauty categories.[8]

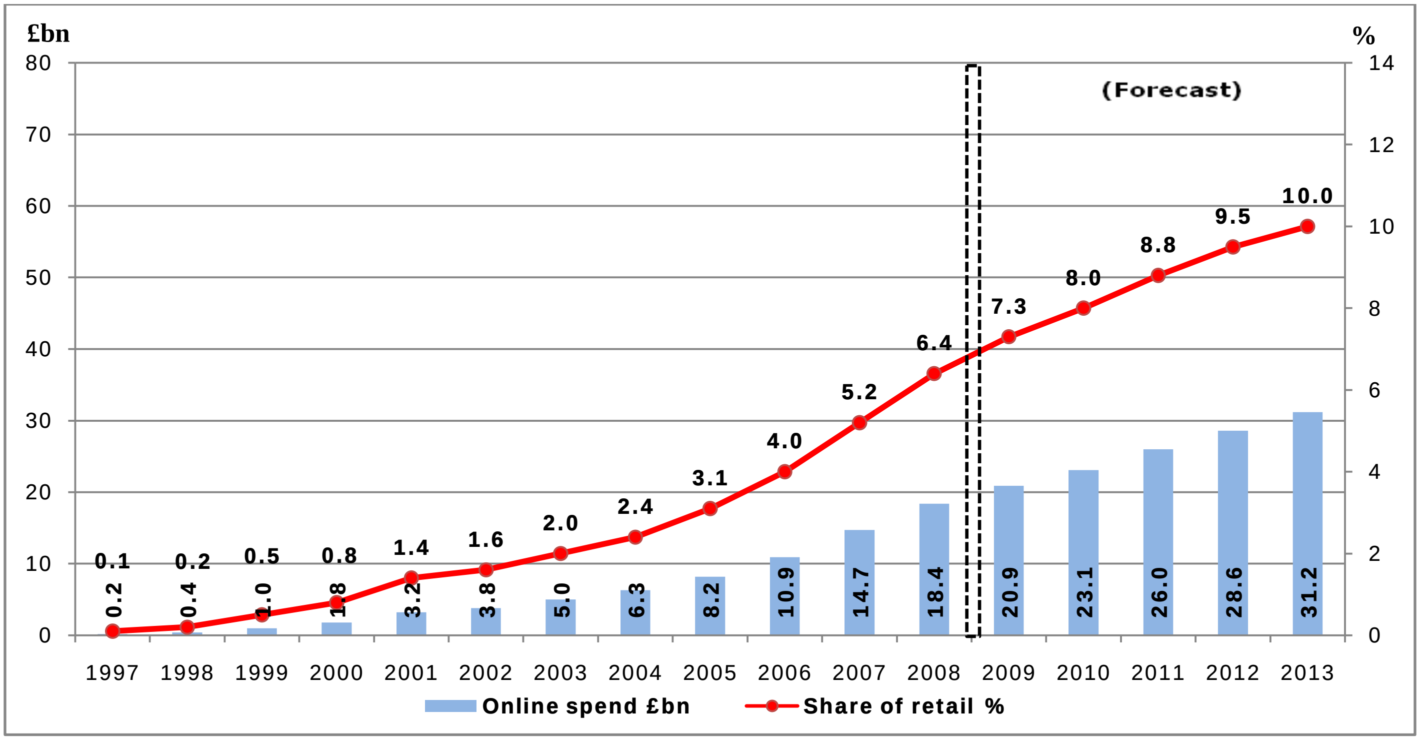
2008/2009 and the future - "Challenging but opportunistic times"

Increasingly, during the latter part of 2008 and into 2009, conditions for retailing became challenging as the credit crunch deepened and turned, officially, into a recessionary period. Consumer confidence in the economy was shaken and the retail sector experienced a number of major casualties, e.g. Woolworths, MFI and Stylo (Barrett's and Priceless) all closing down.

However, online retailing has continued to grow as shown by Verdict Research Figure 2.

[6] This is based on a broad definition of online sales, where travel counts as the largest online category.
[7] Richard Perks (2007), 'Online shopping – what consumers tell us', notes to presentation given 27/03/07 Retail Week Conference
[8] Tim Stacey (2007), 'Engaging your business in the challenges and opportunities of e-ecommerce' 27/03/07 Retail Week Conference

Figure 2 Online retail spending 1997-2013



Source: UK Retail Futures (Verdict Research May 2009)

Although this graphical representation of past, and future, online activity compiled by Verdict Research shows impressive growth, there are signs that in the current recessionary period the forecasted growth may have been a little optimistic. Monthly indicators show that although online growth is continuing, the growth rate is slowing down in comparison with the projected rate.

Optimism in online retailing is related, perversely, to the economic climate and the effect it is having on high street retailing but these factors are seemingly not affecting retailing online. Factors behind this continuing expansion can be seen the penetration of internet accessibility into UK homes having risen to 16.5 million UK households (65% of homes) in 2008. Of those households 86% have a broadband connection[9]. More people than ever are using the internet, with 69% (23.5 million people) of the UK adult population accessing the internet almost every day[10] and, apart from sending/receiving e-mails, the majority (84%) of internet activities is spent finding information about goods or services. This can be directly linked to people shopping around for best value prior to purchasing items.

Most large and medium-sized retailers all have well developed websites. Coupled with this is the strategic decision that some retailers have made through their online retailing activities in choosing the 'best fit' online opportunity for their business:

- Pureplay retailing, i.e. selling only online

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[9] Internet Access 2008, Households and Individuals. Office for National Statistics. August 2008.

[10] Internet Access 2008, Households and Individuals. Office for National Statistics. August 2008.

- o Multichannel retailing, i.e. more than one way to buy a retailer's product – online and/or via stores
- o Cross-channel retailing, i.e. use of a variety of retail channels to support/promote/sell opportunities on all available channels.

Analysts at Datamonitor[11] predict that by 2012, £1 in every £7 spent by retail consumers will be spent online and nearly two-thirds of online shoppers will use it as a research tool prior to buying the product in store. It is anticipated that despite the credit crunch effect, online sales in the UK will continue to grow and that by 2014 37 million consumers will be buying online[12], compared to the 27 million online shopping population in 2008[13].

2.2 Online issues – areas of potential added value

Recent observations about the impressive growth of online retailing have also alluded to some potential areas of concern. The generic problems can be summarised as:

- o **Fulfilment / Delivery**
  Key to online retailing is the fulfilment / delivery aspect of the process. The process not only affects the logistical setup of the online retail business but also determines customer service, influences customer loyalty, plays a major part in the marketing and promotion plans of the online retailer and has a direct impact on the bottom line profit.[14]

- o **Returns / Refunds**
  The ability of online retailers to offer a variety of different return options to meet customer requirements and needs has improved, but areas of the process still need to be enhanced, e.g. the inability of some online retailers to take back returns at all and online retailers who offer the option of store returns but the shops will not accept the return.[15]

- o **Transaction security**
  According to the Office of Fair Trading almost a third of internet users are too frightened to shop online due to a lack of confidence in handing over their credit card details.[16] This lack of confidence may, potentially, inhibit online growth and development.

- o **Speed of site**
  Increased broadband connectivity has placed pressure on websites to improve their accessibility and functionality through the displays and information screens they highlight. Additionally, the number of 'clicks to point of sale', is still viewed as vital to keeping the customer interested and focused on completing the sale.

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[11] Multi Choice. The Retailer. pg28-33. British Retail consortium. Issue 12.
[12] UK Online Retail Forecast, 2008 to 2104. Forrester, March 2009.
[13] UK e-Retail 2009, e-retail storms ahead through the recession. Verdict, May 2009.
[14] Online Retail Delivery 2009 Report. Snow Valley, November 2008.
[15] Online Returns Refunds 2009 Report. Snow Valley, December 2008.
[16] Internet users wary about shopping online. The Retail Bulletin, 11/05/09.

3. Methodology

The rationale for Skillsmart Retail to commission this new research was to understand current, and future, consumer behaviour regarding shopping online. Within the research, attitudes towards retail internet shopping were explored as well as highlighting areas of specific website good practice and areas of potential website improvement.

The survey was undertaken on behalf of Skillsmart Retail by the market research company TNS. Using its weekly omnibus survey, a range of questions was asked of 2,050 adults across Great Britain[17].

[17] The TNS Omnibus survey does not include Northern Ireland.

4. Results

The following details the main findings of the survey.

4.1 Shopping habits – high street or internet?

Responses to the research indicates that there is a distinct movement of consumers to using online websites for shopping compared with people going to the high street.

4.1.1 Past 12 months shopping habits

Table 1 highlights that, when excluding the people who say that their shopping habits haven't changed in the past 12 months, more people have moved to shopping online.

Table 1. How shopping habits have changed over past 12 months (April 2009)

Base: 571 respondents[18]	%
Shopping more on the internet than in high street shops	31
Shopping the same on both the internet and in the high street	45
Shopping more in the high street than on the internet	25

Base: Skillsmart Retail / TNS Omnibus, April 2009

Analysis of these results shows that females (32%) have moved to shopping online more than males (29%), whilst 35-45 and 45-54 year olds are shopping more online than other age group. Young adults, 16-24, indicated that they have changed their habits to shopping more at high street stores, although 40% of this age group were also regularly buying online.

Social groups AB and retired people indicated that they are shopping more online.

Those living in the North East, South East and South West were more likely to have switched away from the high street to online shopping.

[18] The unweighted base in all tables relates to the actual number of respondents to the question.

4.1.2 Future shopping habits over the next 12 months

Based on people who were using online facilities for shopping already, there seems to be a move towards greater levels of online shopping over the next year compared with high street shopping.

Table 2. Shopping behaviour changes in the next 12 months

Base: 571 respondents	%
Shopping more on the internet than in high street shops	22
Shopping the same on both the internet and in the high street	65
Shopping more in the high street than on the internet	13

Base: Skillsmart Retail / TNS Omnibus, April 2009

The breakdown of these results shows that males and people aged between 35-44 and 45-54 are most likely to switch their shopping more to online from high street stores. Yorkshire and Humberside, South East, Scotland and the South West were regions that potentially have more shoppers using online facilities.

4.2 How consumers use the internet usage for shopping

Of the 2,050 people questioned in this survey, almost a third (32%) stated that they used the internet for buying items that they could have bought on the high street. Once weighted to represent the adult population of Great Britain, this represents 15.3 million people who are using the internet to buy products that they could be getting from high street stores.

Key points of interest:

- Males shop online more than females
- 35-44 years old-people are the most regular online shoppers
- ABC1 respondents were more likely to shop online than C2DE respondents
- Nearly 60% of online shopping is conducted by people who have only got access to the internet through their place of work

4.2.1 Frequency

Average usage of online shopping facilities falls between once every two weeks and once a month, with 41% of respondents reporting that they bought online once a month.

People aged 35-44 years-old shopped online the most regularly - just a little less than once a week.

West Midland respondents were the most frequent online shoppers – almost once a week.

4.2.2 Size of purchase online

Most online retail purchases were worth less than £20 (79% of items were below the £20 mark). The average small purchase price was £15 and there was no difference in purchase levels between male and females. Over 65 year-old consumers had the lowest average small purchase price of £13. Online shoppers in Wales had the lowest regional purchase price of £11.

The average large retail purchase price was £85, although 57% stated that their last purchase was over £100. Male respondents tended to spend more on a large purchase (£89) compared with females (£82). People aged 45-54 had the highest purchase price of £93 whilst consumers in Yorkshire and Humberside had the greatest regional average large purchase price of £96.

4.3 Most popular websites

In line with other organisations, e.g. IMRG, producing data on the number of 'hits' websites receive from consumers, this survey research has highlighted that Amazon and eBay are the most regularly visited for shopping purposes.

Details of the most popular websites from this survey are highlighted in Table 3.

Table 3. Website usage

Website	%
Amazon.com	19
eBay	19
Play.com	7
Tesco.com	7
Argos	4
Next	3
Asos	2
HMV	2
Ocado	2
M&S	2

Base: Skillsmart Retail / TNS Omnibus, April 2009

A large proportion (46%) of male respondents purchased on either the Amazon or e-Bay websites. Female respondents were more likely than males to visit Tesco, Argos, Next and Asos.

4.3.1 Website functionality

Respondents were asked to rate various aspects of the last website they had used to make a purchase and the results are shown in Table 4.

Table 4. Functionality ratings of last website used

Base: 571 respondents	Ease of use	Security	Payment arrangements	Speed of website	Product availability	Customer service	Delivery arrangements	Delivery arrival
Good	96%	91%	97%	91%	94%	76%	92%	92%
Poor	*	1%	1%	2%	1%	3%	3%	3%
Don't know	1%	3%	1%	1%	1%	9%	1%	2%

Base: Skillsmart Retail / TNS Omnibus, April 2009

Respondents highlighted that website payment arrangements, ease of access and product arrangements were the top three rated functions of the websites that had been last visited. Customer service, speed and security of the websites visited were areas that websites could be improved – especially the customer service aspect of the websites which fell 15 percentage points below the next ranked function.

Other key findings of interest included:

Payment arrangements	Asos, Ocado and Play.com websites were viewed as having the best payment arrangements
Ease of access	Ocado and Play.com websites both were viewed as having easy access
Product availability	Females viewed this functionality score higher than male respondents. Amazon website had the best score for product availability
Delivery arrangements	Delivery arrangements were seen to be particularly poor in the North East and in Scotland. People aged 65+ viewed delivery arrangements as very good, whilst those aged 16-24 viewed this as a poor area. Asos, HMV, Ocado, Sainsbury's and Tesco websites were all given good scores for product delivery
Delivery arrival	Delivery arrival was very good for the Ocado website, but poor from the users of the Argos website. Respondents in the West Midlands viewed delivery arrangements in their region as very good, whilst arrangements for delivery in the East of England and the North West were seen as poor
Security	The issue of security was viewed by 35+ year old respondents as being a poor element of the websites they visited. Ocado and Play.com websites were thought to be the most secure websites recently visited
Speed	Males were more positive about the speed of visited websites than females. The older the respondent the less happy with the speed of the websites. HMV, Ocado and Play.com were seen to be the speediest websites

Customer service	Young respondents, aged 16-24, saw the customer service offered by the websites that they last visited as being particularly poor. London respondents held particularly poor views of the website customer service levels. Ocado and Sainsbury's website customer service were seen to be of a suitable quality.

4.4 Returns process

Delivery to consumers has been seen to be one of the major challenges to online retailers.[19] Equally the process of returning goods can cause confusion for consumers. A set of specific questions was asked in this survey to determine whether the returns policy and process of online companies is problematic to customers.

Of the 571 respondents who responded to the questions on website usage, 7% (40 respondents) had returned a product back to the website that they had last purchased an item from. Female respondents were twice as likely as male online shoppers to return an item, with 25-44 year olds the most likely age group to return an item. The survey highlighted that online shoppers in Yorkshire and Humberside were most likely to return items bought online and Scottish online shoppers were the least likely to return items.

Table 5 highlights the method by which returns were sent back to the online company.

Table 5. Where items were returned to

Base: 44 respondents	%
Posted it back from the Post Office	*43*
Courier took them back from home	*28*
Back to a high street store of the same internet brand (e.g. taking an item bought from the Next website back to a Next high street store)	*16*
Gave back substitution to the delivery person	*9*
Other	*3*

Base: Skillsmart Retail / TNS Omnibus, April 2009

The most popular method of returning an item was posting it back from the Post Office. Female respondents used this method more than male respondents. Male respondents tended to return products back to the high street store of the online brand.

Nearly nine out of ten respondents were satisfied with the return policy that they had used. Of this figure 43% of respondents were very satisfied with the returns policy. Females were much more satisfied with the return policy than male respondents (94%:75%). Perhaps the lower satisfaction level recorded by men may be affected by their seeking to return items back to high street shops rather than using other return processes.

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[19] Delivering good returns. The Retailer pg 40-44. British Retail Consortium. Issue 12.

Over half of respondents stated that the main reason for dissatisfaction was that the returns / refunding process took too long.

4.5 Benefits of online shopping

Table 6 highlights the benefits respondents highlighted for shopping online.

Table 6. Advantages of shopping online

Base: 571 respondents	%
Shop any time (24/7)	*55*
Less time-consuming	*51*
Cheaper than high street shops	*46*
Purchase items I can't get in my local town	*29*
Browse/see products before purchasing them	*25*
Get an idea of price	*23*
Get an idea of price before going to the high street to buy	*17*
Get a product you want delivered as soon as possible	*16*
Find out store locations	*10*

Base: Skillsmart Retail / TNS Omnibus, April 2009

The main benefit of shopping online was the ability to shop at any time (55%) and that it was less time-consuming (51%). An interesting response was that 46% of respondents viewed online purchases as being cheaper than if bought on the high street.

4.6 Areas for online improvement

As shown in Table 7, nearly a third of respondents (183) highlighted that there was nothing to improve on the websites that they were using to shop online.

Table 7. Areas of website improvement

Base: 183 respondents	%
Nothing/none/fine/ok	32
Security/better security	7
More choice/better product range	3
Easier/simpler/clearer to use	3
Customer service	2
Speed/internet speed/website speed	2

Base: Skillsmart Retail / TNS Omnibus, April 2009

Apart from the number of people stating that nothing needed improving on visited websites, a small number of (40) highlighted that online security should be improved.

A small number of respondents highlighted that the websites should be easier/clearer to use and offer more choice / better product lines.

5. Analysis

It is an interesting starting point to revisit some of the 'reasons to manage expectations' in the previous Skillsmart Retail's Online Analysis report[20].

- *Online shopping can be characterised as broadly 'home shopping' Home shopping made up less than 4.5% of the market in 1994, and has fallen to under 3.5% in 2006. In itself this is not a large market*

Although the market for online shopping is comparatively small compared with total retail sales, growth is still being experienced even in these recessionary times. Growth in online retailing has been predicted to reach nearly 14% of all retail sales by 2014[21]. If this is achieved, then it will not be appropriate to describe online retailing as 'just a small section of the market' as it would equate to a market value of around £44bn.

- *Many customers are unlikely to ever buy certain products without seeing them first*

This latest survey indicates that people still do like to touch and feel the items that they are purchasing, but that the best value items are sourced, firstly, through online portals and, where appropriate bought online. However, this survey shows issues of uncertainty surrounding online security/anti-fraud measures. Additionally, a current report from the Office of Fair Trading indicates that 30% of online users are too frightened to hand over their credit card details and do not shop online because of a lack of trust[22] over online payment methods. Although, this survey indicates a good level of user feedback for the online payment systems, it may be that the two-thirds of people who are not regular online shoppers are the ones who distrust the payment processes.

- *Returns can be difficult, and one bad experience can put a customer off a site for good*

Without doubt, returns are potentially the most problematic area for online. But compared with the statements made in the Skillsmart Retail 2007 report, there seems to have been a turnaround in customer feedback on the returns process. Nearly 9 out of 10 users of the return process in this survey were satisfied. This is a huge compliment to the work that online companies have put into their return processes, but complacency should not set in as the following comment in the 2007 report is still relevant: 'one bad experience can put a customer off a site for good'.

- *Although the number of households with broadband is increasing, overall internet penetration may be levelling off*

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[20] Skillsmart Retail Analysis: Online retailing potential developments and its impact on people and skills, pg 9 November 2007.
[21] UK Retail Futures. Verdict Research, May 2008.
[22] Office of Fair Trading.. Internet shoppers wary about shopping online, The Retail Bulletin, 11/05/09.

Although 65% of UK households have access to the internet, there does seem to be a slowing down in the numbers accessing new online accounts. However, the greater number of people accessing online shopping more frequently potentially offsets the need for more people to gain access to online facilities.

- *People like shopping, and the young like shopping most of all. Clothes-browsing online is highest amongst 45-54 year-olds, and buying highest amongst 35-44 year-olds*[23]

Although our survey did not analyse the type of goods or services bought in detail, there is no doubt that people do like shopping and that people are browsing online before buying. In particular, 35-44 year olds shop the most online and were more likely to spend over £100 than other age groups.

5.1 Good practice – what makes a good retail website?

Our survey confirms that a good online website must provide the customer with the opportunity to shop and/or browse for goods at their convenience: 24/7 all year round. Online retailers need to convince customer to break with traditional behaviour of being able to pick up items and touch/feel them, to buying items virtually and securely. To make customers do this consistently, certain features need to be maximised, and made clear, to the online customer to avoid one hit/viewing website wonders. These factors are:

- Visual merchandising, e.g. page layout, high quality imaging and colour reproduction
- Clicks to spend, e.g. minimising the number of clicks from product to purchase
- Security of payment, e.g. antifraud
- Customer convenience in delivery arrangements

Other areas of good practice can be seen as:

- **Customer service**

In terms of online retailing where there is minimal or no personal interaction, it is important that the areas of online customer service are addressed. There are potentially four distinct areas that can be included under the customer service definition:

- Interaction between the customer and the virtual till operator at the point of sale
- Arrangements needed for the specific delivery arrangements
- Delivery point where personal delivery of the purchased goods are passed onto the customer
- Arrangements needed for the multiple returns process

- **Returns**

Although our survey has not highlighted returns as an area for improvement. It is, however, worth reiterating the value of the online delivery and returns process as one of the keys to customer satisfaction and return business.

[23] Perks (2007), op. cit.

Other areas of good practice can be seen to be:

- Websites offering upselling items – accessories or other related items that people who have previously bought that item also bought at the same time, Amazon (books), Asos, net-a-porter (clothes)
- Websites remembering return customers, i.e. Ocado last shops, and suggesting similar or related products to buy
- Free delivery – i.e. the recent initiative by Waitrose (grocery shopping)

6. Conclusion

Online retail is now part of the modern retail framework. Whether that is single, multi or cross-channel retail strategies, online retailing's most important advantage from the customer viewpoint is its convenience and ability to fit in with modern day lifestyles.

Our survey suggests that the majority of retailers have passed through the early teething problems experienced by many. Now online retailers provide a vast range of products to meet the majority of customers needs and desires. Customers have responded to the investment that retailers have made by expressing their satisfaction in this survey at the functionality of sites.

More people will shop or browse online but the desire/ability of consumers to buy will be reduced if the key issues of customer service, payment/transaction security and returns are not kept top of the agenda.

A report on the impact of Online Trading, commissioned by Skillsmart Retail as part of a cross-sector research initiative with five other Skill Sector Councils, produced by IFF Research[24], highlighted the following quotation from an online retailer which, still, encapsulates the conclusions drawn in that report and the areas of development mentioned in this report:

"It's all about retail, even if it's selling online. There may be bigger differences around the terminology, the technicalities and online usability, and you have to understand the online customer journey, but a lot of skills are the same; the merchandising skills are the same online as you would have in a store" .

[24] Impact of Online Trading Research Report, IFF Research Ltd, May 2008.