INDEPENDENT PUBLICATION BY

RACONTEUR

RACONTEUR.NET | #0675 | 30/06/2020

# FUTURE OF ECOMMERCE



# FUTURE OF ECOMMERCE

Distributed in
THE TIMES

Published in association with
ECOMMERCE EXPO



## Contributors

**MaryLou Costa**
Business writer and editor specialising in marketing, tech and startups, with work published in *The Guardian, The Observer* and *Marketing Week*.

**Olivia Gagan**
Journalist writing about energy, sustainability and culture for titles including *The Times, The New York Times* and *Time Out London*.

**Megan Tatum**
Journalist covering health, business and travel for publications including *Women's Health, The Guardian* and *Wired*.

**Nick Easen**
Award-winning writer and broadcaster, covering science, tech and business, and producing content for *BBC World News, CNN* and *Time*.

**Rich McEachran**
Journalist covering tech, startups and innovation, writing for *The Guardian, The Telegraph* and *Professional Engineering*.

**Alex Wright**
Business journalist writing for international finance trade publications including *Acuity, Insurance Times* and *Risk & Insurance*.



raconteur reports

Publishing manager
**Emma Ludditt**

Associate editor
**Peter Archer**

Deputy editor
**Francesca Cassidy**

Managing editor
**Benjamin Chiou**

Digital content executive
**Taryn Brickner**

Head of production
**Justyna O'Connell**

Design
**Sara Gelfgren**
**Kellie Jerrard**
**Harry Lewis-Irlam**
**Celina Lucey**
**Colm McDermott**
**Samuele Motta**
**Jack Woolrich**

Art director
**Joanna Bird**

Design director
**Tim Whitlock**




SUPPLY CHAIN

# When rapid delivery is no longer an option

## Long queues and delivery delays have become an accepted part of consumer purchases over recent months. But even if customers have become more patient, communications still play a key part in keeping them happy

**Rich McEachran**

As panic buying swept the UK at the end of March, supermarkets expanded their home-delivery capacity to cope with customer demand, with many consumers opting to stay safe indoors as the nation went into lockdown.

What awaited those shoppers, however, were clogged online booking systems showing next available delivery slots in three to four weeks' time – not exactly a convenient option for families struggling to get their daily essentials. Of course, the other option was to brave the hour-long queues snaking around the car parks of every major supermarket across the country, come rain or shine.

Very few merchants have been immune to the crisis; even the mighty Amazon is still telling customers to expect a longer-than-usual wait for deliveries on certain items. Just six months ago, many would have refused to wait just an additional day for an online order to arrive, but customers have slowly adjusted to the new normal COVID-19 has ushered in.

So, what does this mean for the future of ecommerce? Has the pandemic reset consumer expectations for free, rapid, next-day delivery? And if so, how long will this new era of customer understanding and patience last?

It's not just the big-name grocers that have experienced a boom in online ordering. Across the board, customer demand for ecommerce services is up, with home, garden and electricals sales going through the roof compared with last year.

Data from the Office for National Statistics reveals retail sales suffered their biggest monthly fall on record in April, the first full month of lockdown, while ecommerce sales rose to a record high. Online shopping accounted for 30 per cent of all sales in April, up from 22 per cent in March and 18 per cent the year before.

The situation in supermarkets may have since settled down, but late and delayed parcel deliveries are now an inevitable side-effect of increased customer demand, as high volumes continue to put unprecedented pressure on ecommerce supply chains.

"While customers have been sympathetic to the complications of the pandemic, many expected this to only last a few weeks. They expected, and still expect, business to return to normal quickly. The real picture is much less simple," says Martin Bysh, chief executive of fulfilment centre Huboo.


Wynand van Poortvliet/Unsplash

Managing customer expectations has never been more important. No matter how patient a customer remains, waiting for a parcel to arrive, frustration will eventually set in if a business's supply chain isn't in order.

"There are some businesses that will have spotted the threat of the pandemic early and taken action, typically those with global supply chains and operations in China. They were able to evaluate the potential impact of the pandemic, shutdowns and lockdowns, and use their experience in that region to guide them," says Simon Geale, senior vice president for client solutions at procurement services provider Proxima.

However, for every organisation with a global supply chain and operations in China, there are hundreds of smaller businesses that don't have the insight to plan ahead. For those, clear communication is the order of the day.

Supply chains can be complex and involve many parties; it's not always last-mile delivery that's to blame for a parcel not arriving on time. Lockdowns and travel restrictions have meant some destinations have been unreachable, while others required couriers to rely on different modes of transport. Using commercial airlines to ship internationally, for example.

"Clearly no fulfilment provider, like ourselves, has been in a position to do anything about the resultant delays or unreachable destinations," says Bysh. "We've been combating this by communicating everything we know about couriers back to our small business clients. This enables them to make smarter decisions about their own communications and promises to their customers."

The complexities of supply chains, coupled with the uncertainties of the pandemic and a potential second wave of infections, mean retail's reset button isn't going to be pressed anytime soon.

**58%** of UK retailers surveyed in May reported shortages of some goods

**44%** said they were experiencing shipping delays

**60%** reported capacity constraints

CBI 2020

As high streets begin to welcome customers back into stores, many remain wary about returning to physical shops before, and unless, a vaccination for COVID-19 has been developed. While others might have adjusted to the convenience of having their groceries delivered to their door.

According to Mark Dodds, chair of the Chartered Institute of Marketing's food, drink and agriculture sector interest group, the mixed feelings among customers means retailers and businesses are having to rethink and adjust their marketing strategies to temper customer demand and expectations.

"The issue for retailers going forward will be mainly strategic. If they believe there is money to be made in-store, where they can attract consumers with impulse buys, for example, marketing's role is to convince consumers that it's safe and hassle free to enter their stores," he says.

On the other hand, the financial impact of COVID-19 has meant some high-street businesses have been forced to shutter because they can't afford their rent. There will also be those that have decided it no longer makes sense to maintain a bricks-and-mortar presence and are currently pivoting to being online only.

"Ecommerce has not been the most profitable channel for some because of the infrastructure and systems investment required. But the pandemic may have changed this and ecommerce has the opportunity to become a more important profit stream," says Dodds.

As for those businesses that offer both in-store and online shopping, the key for them could be to encourage people to use ecommerce whenever possible. This could help to reduce the size of queues and minimise the pandemonium, as witnessed in March and April, in the event of a second wave of infections, second lockdown or local restrictions.

Dodds suggests that in such a scenario, customers could expect to receive more personalised communication. Rather than traditional media, such as TV and print adverts, for instance, they may receive text messages or push notifications prompting them to shop online if they haven't done so already.

Retail experts agree ecommerce supply chains are likely to face disruption for some time to come. Clear communication and personalised marketing are set to be just as important as speed and agility in managing and meeting customer demand.


Giorgio Trovato/Unsplash

Through Snacks.com, PepsiCo has launched a D2C service offering free delivery on its 100-plus Frito-Lay products such as Cheetos

DIRECT TO CONSUMER

# D2C gains momentum, but success not guaranteed

**The coronavirus pandemic has been a catalyst for some of the world's biggest brands to open online stores serving products direct to consumers' homes. But will the popularity of this relatively new purchasing model last as shops start to reopen?**

Nick Easen

Retail has had the equivalent of a coronary bypass in the last few months. The lifeblood of goods that flowed to consumers through the heart of the high street was cut off overnight. Savvy brands, ever-conscious of their commercial health, performed drastic surgery to avoid an economic bloodbath and went direct to the consumer.

Fuelled by images of empty shelves, a surge in home shopping and a need to access consumer-packaged goods, PepsiCo, Nestlé and Heinz all launched direct-to-consumer, or D2C, offerings in lockdown, appealing to those who couldn't leave their home, but were dead set on their favourite ketchup or kombucha brand. They saw a huge opportunity to build loyalty simply by supplying goods to needy consumers online.

"Coronavirus triggered many brands to reassess their existing routes to market. As the world begins to return to some level of normality, it'll be interesting to see which strategies become lasting changes and which are left by the wayside," says Tim Bond, head of insight at the Data & Marketing Association.

That's because this D2C model exploited a market failure: a lack of supply or a perception of one. But D2C ecommerce is not for the faint hearted. Amazon has made consumers expectant and impatient with their slick, quick and cost-effective deliveries. Bricks and mortar provide an easier route to market. With D2C there's the logistics, technology platforms and payments, while dealing with the general public's countless demands.

It's also one thing to scale up a D2C offering quickly; it's another to keep it fully operational, optimised and constantly changing in line with consumers' expectations.

"The most significant challenge building a D2C model from scratch is economics. The cost of customer acquisition and bringing consumers online is initially expensive, although this gradually improves as an operation scales," says Ali Holmes, senior ecommerce director at PepsiCo UK.

"To offset these economics, it's been crucial to develop the right proposition to meet a specific consumer need and it needs to be supported by the right order value to make it viable."

> “Companies thought they were successful due to branding and marketing. The truth is their supply chain strength carried them

Bundling products together has helped in some cases, but what's made it worthwhile, aside from better profit margins, is something consumer goods firms have wanted for a long time: customer data.

"Brands that rely on supermarkets, marketplaces and retailers to sell their products are at the mercy of these partners in feeding data back. D2C is the singular source of truth and a real insight for brands. This cannot be underestimated," says Elliott Jacobs, director of commerce consulting at LiveArea.

Newly hatched D2C brands are now creating their own databases, analysing behavioural and sales data to maximise marketing and profits. They are A/B testing – comparative user-experience research – new offers online and using their websites as labs for product research and development.

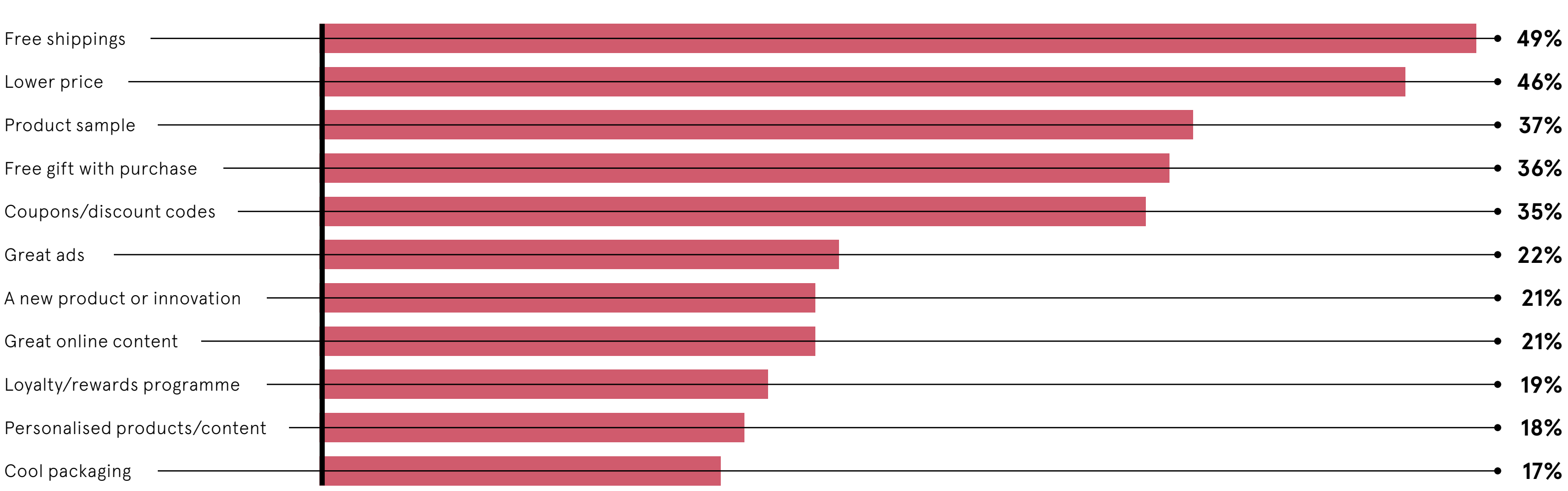
"This requires new skillsets for brands that historically haven't owned their own customer data. The fact is data scientists are in demand and they aren't cheap," says Tom Roberts, chief executive of Tribal Worldwide London.

The big question is whether this move to a D2C ecommerce model is here to stay. It'll certainly become part of a multi-channel offering; whether it grows significantly is another matter. The internet is a crowded place and staying top of mind is a constant challenge. That's why an in-store presence works. Digitally native brands are voracious competitors, since online is their primary channel. Marketplaces also dominate.

**ATTRACTING D2C BUYERS**

Top factors that have encouraged buyers to purchase D2C products

Interactive Advertising Bureau 2019



“For a long time, multinational companies deluded themselves thinking they were successful due to branding and marketing. The truth of the matter is their supply chain strength carried them through by making sure they were on the shelf of every store, everywhere. Now global brands need to find relevance again. They’ll need to reconnect with consumers once more, this time online,” says Maz Amirahmadi, chief executive of ABN Impact.

However, let’s not forget, many D2C purchases during lockdown were substitutions because consumers couldn’t get to supermarkets. Traditional retail is on the way back and it’s more suited to consolidated shopping and product discovery. Those who have adopted D2C ecommerce to sell milk, coffee or other everyday products take note.

“The coronavirus crisis has created an amazing trial for D2C, but long-term success will go to the companies that provide outstanding value with quality products,” says David Mayer, senior partner for brand strategy at Lippincott.

The biggest shift recently is that it’s not only younger generations shopping online anymore, people of all ages have been forced to adopt new digital behaviours. This certainly favours the D2C model in the long run, but brands will need solid budgets and invest more to make it work.

“D2C itself doesn’t build brand affinity. The experience has to be good, the brand has to be relevant, the communications have to strike a chord. A lot has to be executed,” says Christian Polman, chief strategy officer at Ebiquity.

What the pandemic has taught many companies is D2C ecommerce isn’t just for smarter speciality startups that don’t want legacy retail and big overheads; it’s for all brands looking to drive preference, loyalty and repeat sales through a directly owned relationship.

“During the crisis, customers have also closely re-evaluated their consumption habits, what they define as essential products, as well as how to live better lives, even for the good of others. These values are now guiding customers towards brands that represent their own personal aspirations,” explains Michelle Du-Prât, group strategy director at Household.

There’s no doubt, habits and perceptions have changed, and new behaviours learnt. The general public certainly won’t forget this pandemic in a hurry.

“We believe there will be a ‘lockdown loyalty effect’. Consumers will remember the brands and retailers that got them through the darkest lockdown days,” Hugh Fletcher, global head of innovation at Wunderman Thompson Commerce concludes. Brands take note.


## Heinz to Home

When lockdown hit, Heinz to Home was born, with bundles of beans and soup delivered direct, through their first-ever online retail outlet.

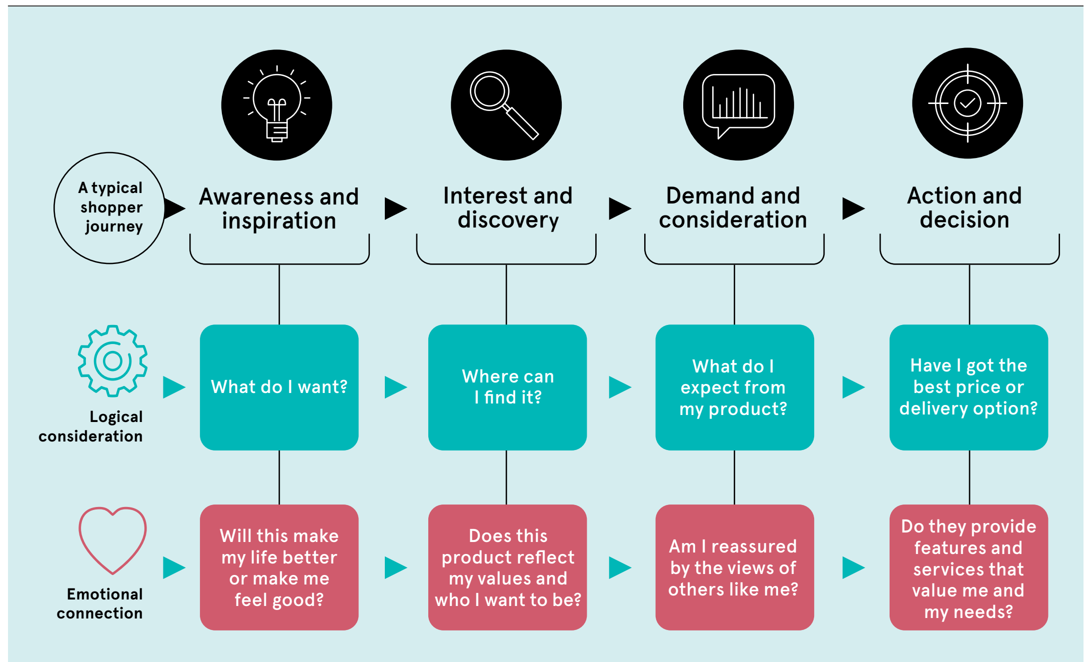
“We wanted to do something with a purpose for those who couldn’t get to supermarkets. A simple proposition was key; within three weeks, we launched with a team of four people. Partnerships were imperative,” explains Jean Philippe Nier, head of ecommerce UK at Kraft Heinz.

They cleverly teamed up with Blue Light Card, the discount service for the NHS, offering frontline workers free deliveries. This gave them instant access to potential customers in a data regulation-compliant way. A fulfilment house rolled out deliveries, while Shopify took payments.

“With big corporations, it’s difficult to take risks, but we got senior management buy-in quickly. We were agile and moved fast. But don’t underestimate the investment involved,” says Nier. “It also allowed us to gather customer data; we’ve never had this kind of direct engagement before. So it’s a real game-changer.”

You can now personsalise mayonnaise bottles. It’s now taking on a life of its own. “It’s a bold and savvy move that captures a moment in our daily lives, leveraging the opportunity to regain lost ground. Whether this represents a stroke of genius or something else, the opportunity will not come round again,” explains Nick Cooper, group executive director at Landor & FITCH.

Commercial feature




# New ecommerce battleground is over emotional intelligence

Improving the online customer experience is paramount as ecommerce shifts up a gear

In physical retail stores, the shop assistants worth their weight in gold were the ones who sized you up and tailored their sales pitch. They knew your habits through basic profiling and with a bit of prompting your needs as they observed you browsing. With the coronavirus pandemic this process has shifted online at a speed that’s truly unprecedented.

“Since the lock-down, shopping habits have accelerated into the future. Digital is now king. Even though it’s been forced upon us, the coronavirus has done for ecommerce, what Apple’s iPhone did for mobile phones; it’s been a real paradigm shift. Online shopping is fast becoming the norm for all demographics across all retail verticals,” explains Mark Adams, chief executive at Attraqt, a global technology leader in delivering exceptional shopping experiences.

“Some major brands have seen a 300 per cent growth in web traffic, reallocating resources to manage expanding digital channels. Without a physical presence or availability in-store, there’s intense pressure on brands to create inspirational shopping experiences online.”

The pandemic has also seen marketplaces such as Amazon or Alibaba thrive as they provide convenience, price and speed of delivery to customers. In response, retail brands, rather than compete on these touchpoints and just provide a transactional experience, have had to offer more. For these companies, the opportunity will come from investing in deeper connections with customers, enhancing brand experiences and inspiring product discovery.

“For a long time, delivering a more personalised shopper experience has been the battlefront. But most brands have done this without the context of what the shopper is seeking to achieve at any given moment. They’ve really had a mass customisation approach. More has to be done to engage customers on an emotional level. For that you need to know each shopper’s true intent and know why they are there, and where they are on the buyer journey,” says John Raap, chief strategy officer from AIM-listed Attraqt, which works with some of the biggest names in retail from adidas to ASOS, The Kooples and FNAC Darty.

The issue is that most data for customer journeys is disconnected. It exists in silos. Historical data on its own isn’t enough; consolidating this with real-time data across an organisation, systems and teams is vital. The pandemic and competition from marketplaces is forcing companies to pool data sources, boost collaboration across departments and in the process understand consumer intent at every moment of a customer’s journey.

“With COVID-19, shopping behaviour is unpredictable. Brands need to be agile. This challenge can only be met through an orchestrated approach pulling together consumer psychology, merchandising and machine-learning to understand the customer, their motivations and to predict the best next action at every moment in real time,” says Raap of Attraqt, which works with more than 300 brands globally.

“It’s not just about looking at classical datapoints, such as purchases and clicks, but also data that infers emotional needs like what values are important to customers, what is their emotive state right now and what motivates them? Understanding customer intent is vital as it evolves from moment to moment during shopping journeys. Artificial intelligence can now make sense of the data, with the right cocktail of algorithms to solve each problem.”

Nudge marketing, which has been used in consumer psychology, can also be used on a one-to-one level to enhance the individual shopper experience and prompt the customer to make an informed choice. While human expertise is still needed to help facilitate highly curated shopping experiences.

“Attraqt’s platform allows retailers to evaluate the emotional and logical needs of the shopper and to orchestrate the correct response to individual moments on the customer journey. Developments in neural networks allow us to do this at speed now. Brands can boost customer conversion and improve average order value, while at the same time winning the loyalty of shoppers,” Raap concludes.

**Connect more with your customer now at www.attraqt.com**

Attraqt
Exceptional Shopping Experiences

Zeekit

FASHION

# AR hits its stride in COVID-19 era

As apparel stores begin to reopen, many will do so without a fitting room in sight due to strict social-distancing measures. So what if consumers could try on as many items as they liked without touching a single garment?

Megan Tatum

Zeekit co-founder Yael Vizel came up with the concept for 3D virtual clothing while working on radar intelligence for the Israeli Air Force.

If technology could be used to map out the 3D rise and fall of a landscape on a 2D aerial map, the air force commander wondered, why couldn't the same technology layer outfits on the topography of a human body?

"In doing so we could bring to life the holy grail of online fashion," she says. "We could allow customers to see themselves virtually dressed up in any clothing item or combination of items at the click of a button."

Five years later and the technology is being explored by the likes of ASOS, adidas and Bloomingdales. By applying deep-learning algorithms and artificial intelligence (AI), Zeekit can digitise the 2D image of any garment and break it down into 80,000 individual segments. This "map" is then layered across the 2D image of a human model. It can, in other words, let customers try on an endless array of 3D virtual clothing without ever leaving the house or without touching a single piece of fabric.

Inconsequential a few months ago, the latter now looks like a crucial selling point. As fashion stores reopen amid strict social-distancing rules, many have been forced to close physical fitting rooms completely. Trying on clothes virtually online could be the only opportunity left for customers to try before they buy. Already Vizel says Zeekit is busier than ever, fielding calls from the sector.

At London-based startup Superpersonal, which is set to launch its own 3D virtual clothing technology in the autumn, the pandemic has also brought with it a new raft of interest, says founder Yannis Konstantinidis.

Could the demands of a global health crisis finally push virtual and augmented reality (VR/AR) tools into the mainstream?

Fashion brands have dabbled with virtual technology for years. In 2018 Burberry installed AR mirrors in two of its stores, which allowed customers to pose and play with its iconic tartan ribbon. In the same year, a pilot at a Shanghai mall saw customers create virtual avatars on touchscreens at concept fashion store Moda Polso.

But investments in AR fitting and styling technology "have largely to date been made to create interest in flagship stores rather than rolled out as standard", says Laura Morroll, senior manager at management and technology consultancy BearingPoint.

In fact, according to 2019 research by software developer MuleSoft, just 4 per cent of UK consumers have experienced VR/AR technology being used by a fashion brand. That's despite the fact that, even prior to the pandemic, developers cited major advantages in the concept of 3D virtual clothing.

Giving customers the chance to try on clothes virtually online creates three opportunities to boost revenues, according to Vizel. "It makes people who weren't used to shopping online feel more confident, so the volume of overall shoppers goes up. Those who already purchased online will shop more as it's more convenient and so average basket size increases, and all of them will return fewer items," she says.

Zeekit technology gives customers the ability to virtually dress 16 models of different shapes, ages, and ethnicities

> One of the biggest hurdles to wider adoption of AR technologies was the need for customers to enter their key body dimensions into the site

Those who use the Zeekit tech see an 18 per cent average increase in order value and a 36 per cent decrease in returns, the company says.

Even in physical stores there's potential to use a 3D virtual-clothing option to streamline visits, she believes. Customers could try on a series of outfits virtually, only requiring a physical fitting room to pinpoint the correct size, rather than carrying in armfuls of stock. The result could be individual stores requiring far less inventory.

Prior to the pandemic, Superpersonal was in discussions with one luxury retailer to add a virtual fitting room to their store, says Konstantinidis. But rather than simply enable customers to try clothes virtually and test their size or fit, the startup's video tool is intended to allow fashion brands the chance to create super-personalised virtual content too.

Like Zeekit it uses machine-learning technology to dress customers virtually in any outfit they choose. But unlike Zeekit it's intended to show the style, rather than the exact fit. "It's the colours, how the fabric moves on you as you swirl and twist," says Konstantinidis.

To use it customers can simply upload a selfie, input their height and weight and then AI transposes their face on to a body of more or less similar size, he explains. They're provided with not only a static image, but a moving video of the virtual result. It's a function that could allow brands to swap out white backgrounds for immersive scenes, showing their customers wearing an outfit in different virtual environments.

"In that way we're thinking of the dressing room not just as a browsing experience, but as part of personalised content," he adds.

**4%**

of UK consumers have experienced AR/VR technology being used by a fashion brand

MuleSoft 2019

Though the pandemic saw three major projects with the technology postponed, Konstantinidis says interest is now firmly on the rise. "Fashion brands can be slow to engage with new technologies, but I'm hopeful that now things will move faster," he says.

Already there's movement. Only in May, ASOS rolled out a trial of See My Fit, an online tool that uses Zeekit technology to dress 16 models of different shapes, ages and ethnicities in each outfit across its catalogue virtually, as a way to avoid physical photoshoots.

And this could be buoyed by a greater willingness to engage from customers, Morroll at BearingPoint believes. "Historically, one of the biggest hurdles to wider adoption of AR technologies was the need for customers to enter their key body dimensions into the site or to create a virtual avatar," she says.

"However, COVID has presented shoppers with a set of very different concerns around safety and distancing in a traditional high street environment, and this may be the impetus many shoppers need to take the leap into AR online fitting rooms."

Given the economic impact of COVID-19 on the fashion industry, cost and resource could still leave virtual fitting rooms a step too far for some. But with the pandemic forcing stores to recreate retail at a distance, there's little doubt the technology will suddenly hold very mainstream appeal.

Commercial feature

# Q&A

# Retail beyond the buy button: Prioritising the post-purchase experience

Brand experiences last well after consumers click "buy", and are becoming ever-more important in the coronavirus era. **Bruce Fair**, chief revenue officer of delivery management technology provider Metapack, explains that the right technology is so often the difference between a good and bad experience

**Q Metapack's data shows the coronavirus pandemic has forced retailers to accelerate their digital operations. How has the industry been affected?**

**A** Every year, retailers rigorously plan for the Christmas peak, when delivery and returns volumes reach their maximum. However, in the UK throughout April and May we have already seen volumes exceed the online shopping peak of 2019 and by an additional 24 per cent on top. While this is great news for sales, it also generates customer expectations that challenge even the highest-capacity supply chains. One online fashion retailer we work with has the capacity to send 30 million UK parcels a year and it has still found itself under pressure to meet current demand. On the one hand, physical store closures have driven more people online, while social-distancing measures in warehouses have reduced capacity and created backlogs: it's a perfect storm. Even as physical stores begin to reopen, orders continue to rise and create havoc for supply chains.

**Q And how have consumers reacted as a result?**

**A** Consumers have become used to a certain level of service, before and after purchase. In fact, more than two thirds of consumers say the ability to track their order is one of their top three considerations when buying a product. So what happens when consumers don't receive their orders in the timeframe they expect? Well, they call the retailers to find out where they are, of course. The problem with that is the massive cost it incurs for retailers. For one major UK high street chain we work with, customer care calls cost £4 each. And the number of calls this chain receives has more than doubled during the pandemic. This is typical for most online retailers. It's not only the cost of meeting demand that's at stake either, but also the cost of failing to do so: almost 40 per cent of consumers say a bad online shopping experience is enough to turn them off a retailer for good.

**Q What advice are you offering your customers to navigate the crisis?**

**A** One of the learnings from the pandemic is retailers need to invest more in their post-purchase experience. The most efficient and cost-effective way to do this is for retailers to make use of technology that connects them with multiple carriers, giving customers more choice when it comes to delivery and returns. Different carriers have different capabilities, from next-day delivery to pick-up locations. And yet retailers have typically struggled to leverage the full range because they need to create individual connections for each carrier, which is expensive, time consuming and ultimately limiting. The good news is there are solutions on the market that can do the heavy lifting for them. In fact, one of the reasons why retailers turn to us is because we can connect them with a wide range of delivery options for their customers, at last count almost 500 carriers and 5,500 delivery services. The popularity of technology like delivery-tracking solutions is also growing. Solutions such as our own Delivery Tracker keep customers informed as their order progresses, through SMS, email or WhatsApp notifications. Not only is this a better solution for consumers, it also relieves the pressure on customer call centres. Crucially, the retailer, not the carrier, owns the branding and communication with the consumer.

**Q More than half of consumers say they would be more likely to shop from a retailer that makes the returns process easier. Why is this?**

**A** Consumers often get frustrated if returning an item isn't made easy for them. One of the solutions we offer retailers is to give customers a choice. When they want to return, where they want to return and how they want to return. It's important to offer variety, which is why we connect retailers to 350,000 pick-up and drop-off locations, such as a Royal Mail office, a Hermes or UPS parcel shop. Be it through a physical store or using a returns label, by giving retailers better visibility on what's coming back to their warehouses, they can start processing those returns and better manage their stock before the items even arrive.

**Q As bricks-and-mortar stores begin to reopen, what can we expect from the dynamic between physical and digital?**

**A** The reopening of stores is good for the economy, but due to ongoing social-distancing measures, the capacity of those stores will remain limited. And the patience of consumers to queue will be tested. Standing outside in the June sunshine while on furlough is one thing, but it will become a much less appealing prospect in the November rain. During the pandemic, we've seen a retailer shift in terms of category. The very high growth of fast fashion has been offset, to some extent, by massive growth in health and beauty, sport, electronics and toys. Their demand has gone through the roof. One area that we've been helping retailers to monetise is in turning their stores and inventory into mini warehouses. Holland & Barrett has implemented Metapack's Ship-from-Store solution so they now distribute products from their stores as well as their warehouse, which also enables them to provide their customers with a richer experience, further accelerating their multichannel transformation led by chief digital officer Nick Thomas. If you order an item from Holland & Barrett and live 200 miles away from its warehouse, but ten miles from a store, being able to deliver to you from that store means you get it quicker with a lower $CO^2$ impact.

**Q Should retailers expect the current trend of digital acceleration to continue beyond the crisis? And if so, what is your advice to them?**

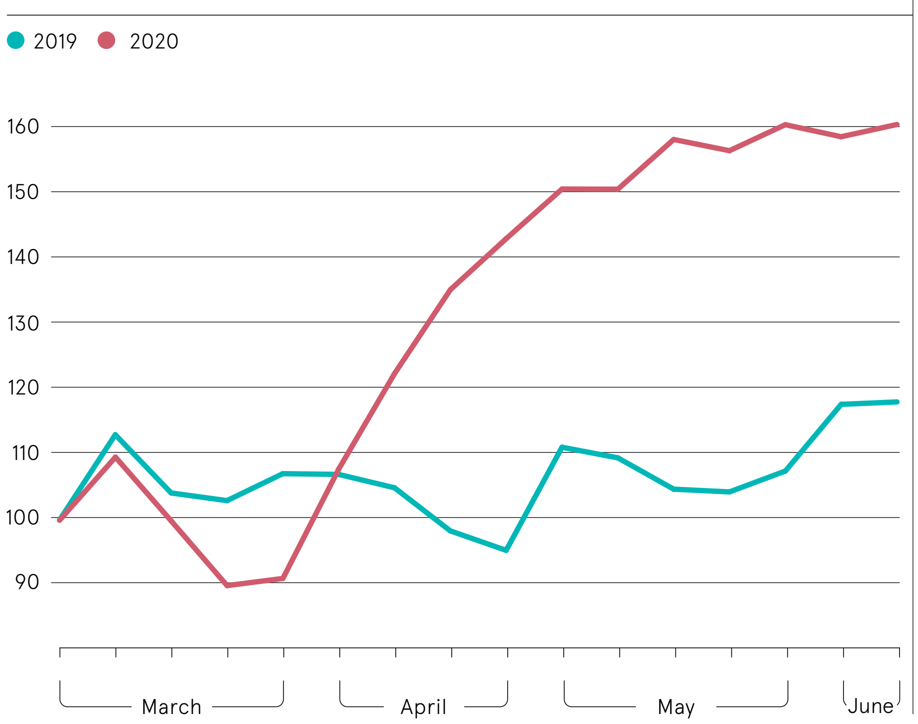
**A** Consumers who had previously resisted ecommerce have been forced to shop online and have had a good experience. We anticipate the growth in this category will be sustained long after the pandemic has faded and retailers will continue to invest heavily in the total online experience. The stakes to ensure business continuity have never been higher and this involves the ongoing ability to ship to consumers who are unable to visit in-store now and in the future. If a retailer relies on one or two carriers to ship their entire volume, the potential for capacity failure is more likely. And as we've seen, this carries a massive cost to retailers, both financially and reputationally. Even if your customers don't place additional volume today, they very well might tomorrow. We already had Christmas in May, so what's the actual 2020 peak of November and December going to look like?

**40%**
of consumers say a bad online shopping experience is enough to turn them off a brand for good

**57%**
would be more likely to shop with a retailer that makes the returns process easier

**69%**
state the ability to track an order is one of their top three considerations when buying a product

**HOME DELIVERY VOLUMES INDEX**




**For more information please visit www.metapack.com**

# PANDEMIC PURCHASING PATTERNS

Unsurprisingly, ecommerce sales have surged over recent months as in-store retail trading ground to a halt and consumers increased their reliance on home deliveries. But the way in which customers are shopping online, from the amount spent to shopping frequency, has changed, and could alter the future of ecommerce in the coming years

## BUDGETS ARE CHANGING

Global consumers were asked whether their budgets were changing in the following ways because of coronavirus


Yotpo 2020

## SHOPPING BEHAVIOUR IS CHANGING

UK consumers were surveyed on their spending habits during and post-lockdown

**39%** had been encouraged to purchase products online that they had not considered before

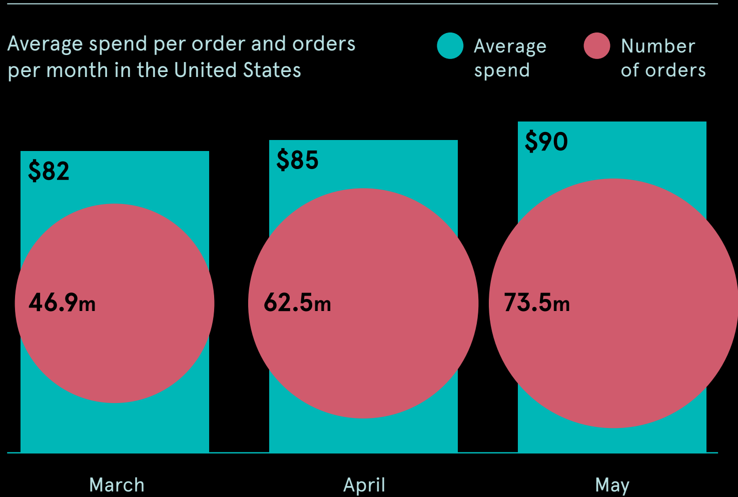
**25%** had tried out new online retailers because of lockdown and intend to continue to shop with them

**77%** expect they will continue to purchase more online once the lockdown is over

Arlington Research/PFS 2020

## GROCERY DELIVERIES ARE GETTING BIGGER

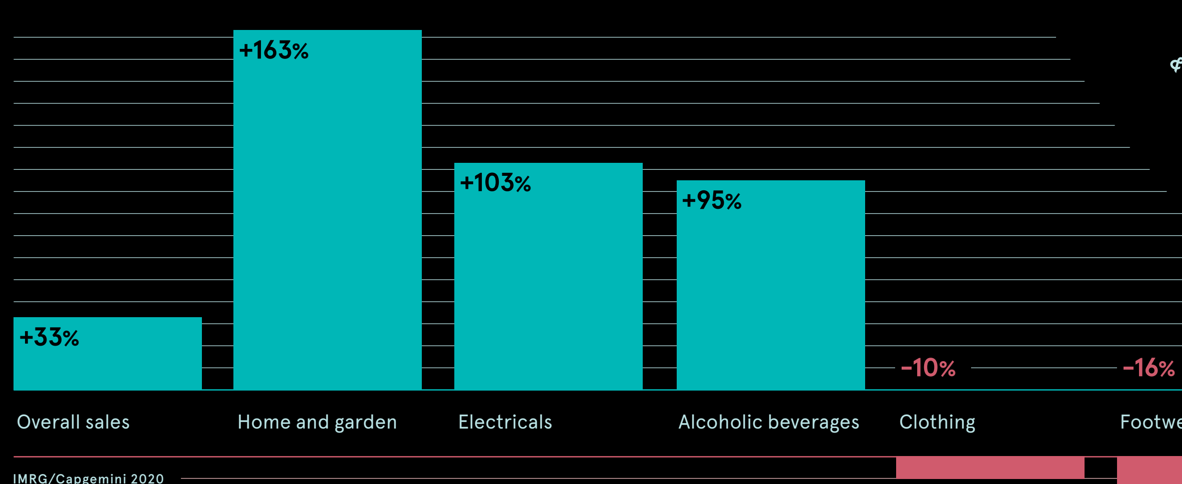
Average spend per order and orders per month in the United States



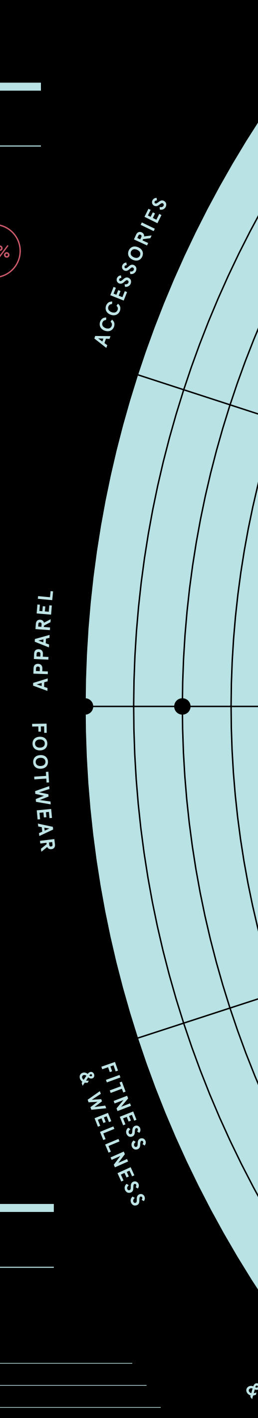

Mercatus/Brick Meets Click 2020

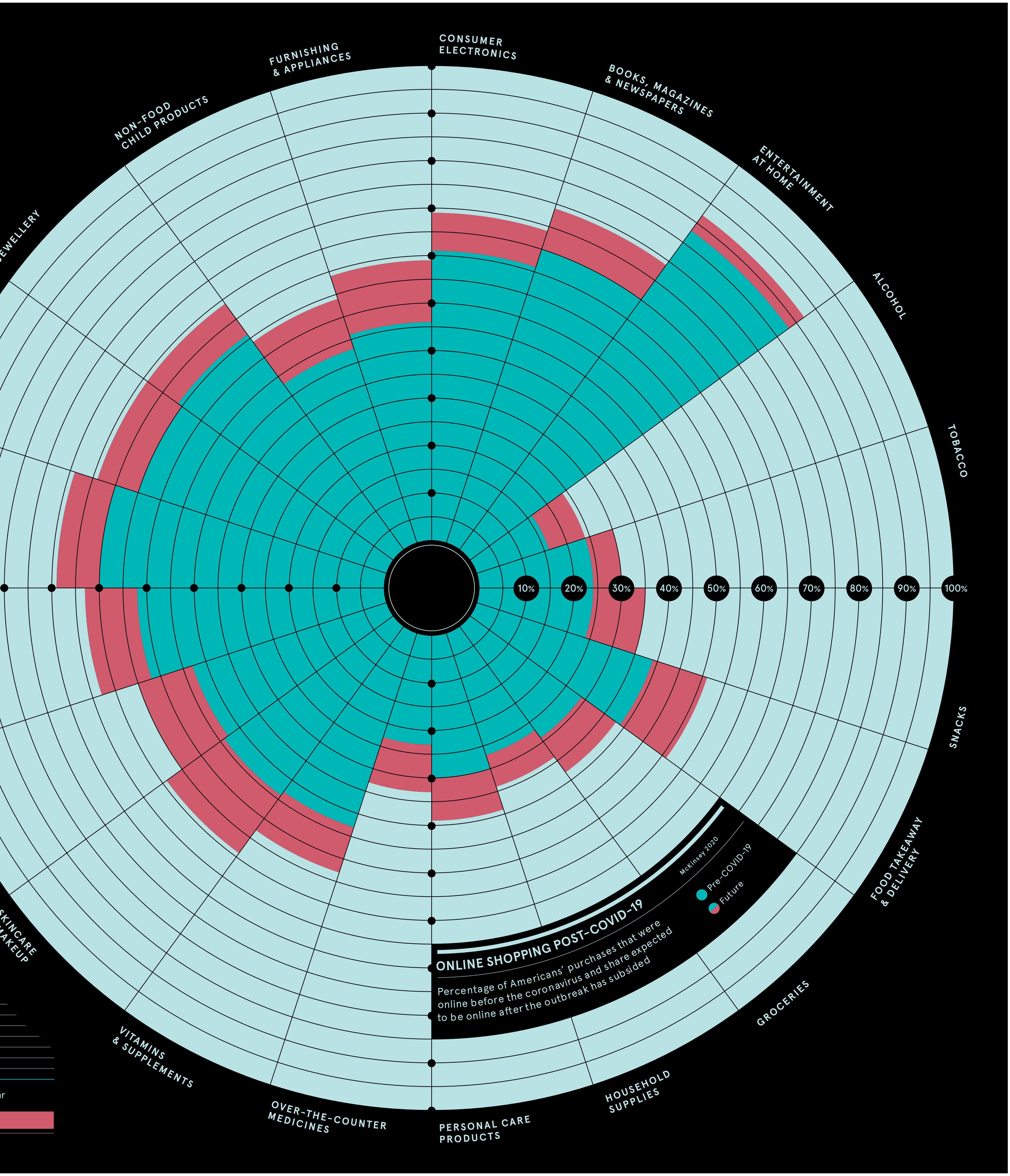
## ONLINE SALES HAVE SOARED, BUT NOT IN CLOTHING

Annual change in online retail sales during May




IMRG/Capgemini 2020




ONLINE SHOPPING POST-COVID-19
Percentage of Americans' purchases that were online before the coronavirus and share expected to be online after the outbreak has subsided
McKinsey 2020
Pre-COVID-19
Future
CONSUMER ELECTRONICS
BOOKS, MAGAZINES & NEWSPAPERS
ENTERTAINMENT AT HOME
ALCOHOL
TOBACCO
SNACKS
FOOD TAKEAWAY & DELIVERY
GROCERIES
HOUSEHOLD SUPPLIES
PERSONAL CARE PRODUCTS
OVER-THE-COUNTER MEDICINES
VITAMINS & SUPPLEMENTS
NON-FOOD CHILD PRODUCTS
FURNISHING & APPLIANCES
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

freemixer / Getty Images

CUSTOMERS

# How B2B buying has evolved over lockdown

The business-to-business customer is changing, and merchants need to understand and connect with new generations of buyers if they wish to stay competitive

Olivia Gagan

Business-to-business (B2B) ecommerce, whereby companies rather than individuals are buying and selling with each other, is perhaps the less glamourous sibling of business-to-consumer (B2C) online shopping.

Whether a wholesaler is selling tractors, computer software or hairdressing equipment, the homepage of a typical B2B ecommerce site often resembles a static, somewhat overwhelming catalogue of goods. It's the sort of clunky user experience that sends people straight into the arms of a slicker, more responsive website and this is a growing problem for B2B businesses.

It's because business buyers are getting younger. Increasingly, they are digital natives, who grew up online. Brought up on the speed and ease of Amazon and eBay, these business customers demand the same seamless service they expect in the B2C space, in the B2B arena.

Failing to meet the expectations of this growing group of decision-makers could have serious consequences for businesses. The growth opportunity is huge: in 2019 alone, sales on B2B ecommerce sites and marketplaces jumped 18.2 per cent to reach $1.3 trillion, outpacing the B2C sector, according to Digital Research 360.

The reasons B2B is playing catch-up with B2C are several, but it is in part a legacy of B2B sales largely taking place in the physical realm. It is still not unusual for company salespeople to travel across the country to court clients with product catalogues and brochures. Cold-calling prospective clients has been the accepted B2B sales method for decades. Payments are still often made using paper purchase orders and cheques.

However, coronavirus lockdowns imposed around the world have made travelling salespeople redundant. This is creating an urgency for B2B ecommerce, says Christina Augustine, chief customer officer at Bloomreach, a business which builds ecommerce tools for brands such as Capital One and Puma.

"If I work in construction and I need face masks, I probably needed them yesterday," she says. "The businesses that really invested in their B2B ecommerce, over physical transacting, they're going to be the winners both now and in the coming months."

> Facebook and Instagram are generating really good quality leads for our business clients

Meeting the expectations of digitally savvy business buyers comes with unique challenges for B2B. A key issue is pricing. Unlike in the consumer world, product prices are not always visible and one client or sector can pay a different price for the same product than another. Discounts for bulk or repeat purchases are also commonplace. But rather than a sales rep revealing or negotiating the price over the phone or in person, business customers now want to see the price immediately on a website.

"A company needs to have a solution for that," says Iain Forrest founder of digital marketing consultancy Forrest Digital. Without a salesperson mediating the sale, companies now need "to make prices transparent or come up with a solution where a prospective or existing client can log on to a specific portal where they have tailored sets of prices", he says.

"Some companies are getting around this by making unique versions of their ecommerce store, if the client is big enough. Products and prices will be tailored to that specific client."

Businesses hoping to take a slice of the B2B ecommerce opportunity must overcome other key differentiators between B2B and B2C purchasing. One is specificity. For example, if a hospital client wants to buy medical-grade supplies, they must receive the correct product. "You can't be kind of right with business transactions," says Augustine. "In B2C, consumers have been trained to be OK with substitutes, but in B2B you really need to get the right product to them."

The second is understanding the intent behind the shopping experience. Spending time perusing products can be enjoyable when you're buying a non-essential for yourself, but for business customers "it's not about browsing; it's about getting the job done", she says. This means reducing fruitless browsing, and shortening and smoothing the path between first entering a B2B site and a closed sale is vital.

Both issues can be resolved, she suggests, by deploying artificial intelligence (AI) and machine-learning to predict what a customer needs from often vast inventories of business products. "If you use AI to learn user behaviour, you start to learn that when someone's searching for something, this is actually the specific product they mean or need," says Augustine. They can then be guided through a B2B site accurately and quickly.

Businesses can give themselves an edge over their competitors by not only mastering the ecommerce basics, such as tailored homepages and prompt delivery speeds – Amazon Prime has trained us to expect we will get our products within 24 to 48 hours, Augustine points out – but by also creating the content-rich personalised experience consumer websites have spearheaded.

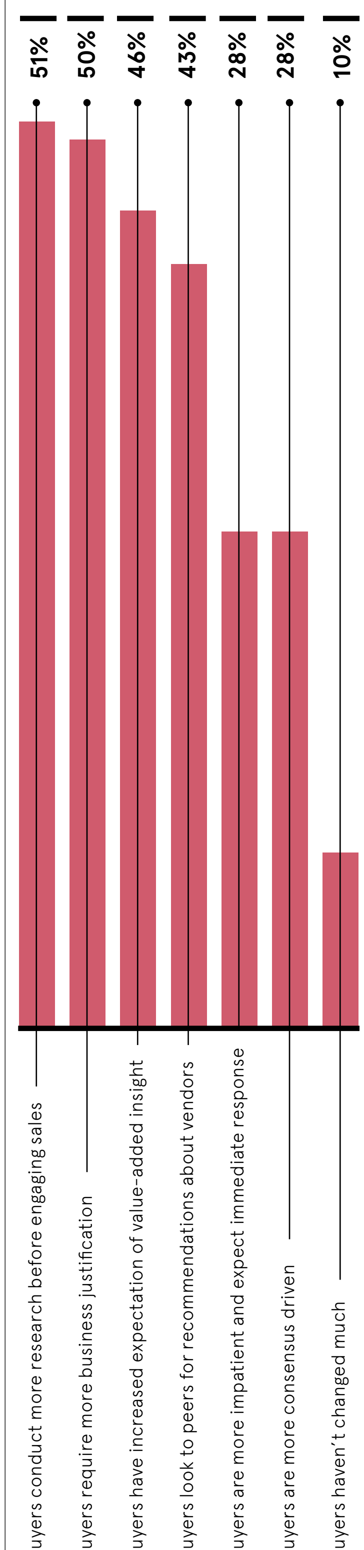
Forrest adds that social media and an explosion in self-led product research in the B2C market are influencing expectations of what a B2B ecommerce site should look and feel like.

"We've had a decade of people saying 'content is king'," he says. "It's really just an extension of that idea in this very specific sphere. We encourage our B2B clients to invest in video, for example to show people how their products operate and to show client testimonials. Facebook and Instagram are generating really good quality leads for our business clients too, because they engage people."

From AI to mastering social media, many businesses have a steep learning curve if they are to meet the demands of the new B2B buyer. As Forrest concludes: "It's a completely different mindset to the sales-rep-in-a-car way of thinking."

## THE CHANGING B2B BUYER

How sales and marketing professionals believe buyers have changed over the past 18 months




Sales Enablement Pro 2019

# Online merchants shift to agile ecommerce in post-pandemic readiness

The coronavirus lockdown has narrowed the gap between consumers and businesses in just a few months

Shuttered high streets have pushed even the smallest retailer to create an online storefront as they look to engage stay-at-home customers. Now products once confined to bricks-and-mortar shops are just a click away for any customer, globally. And there's no turning back.

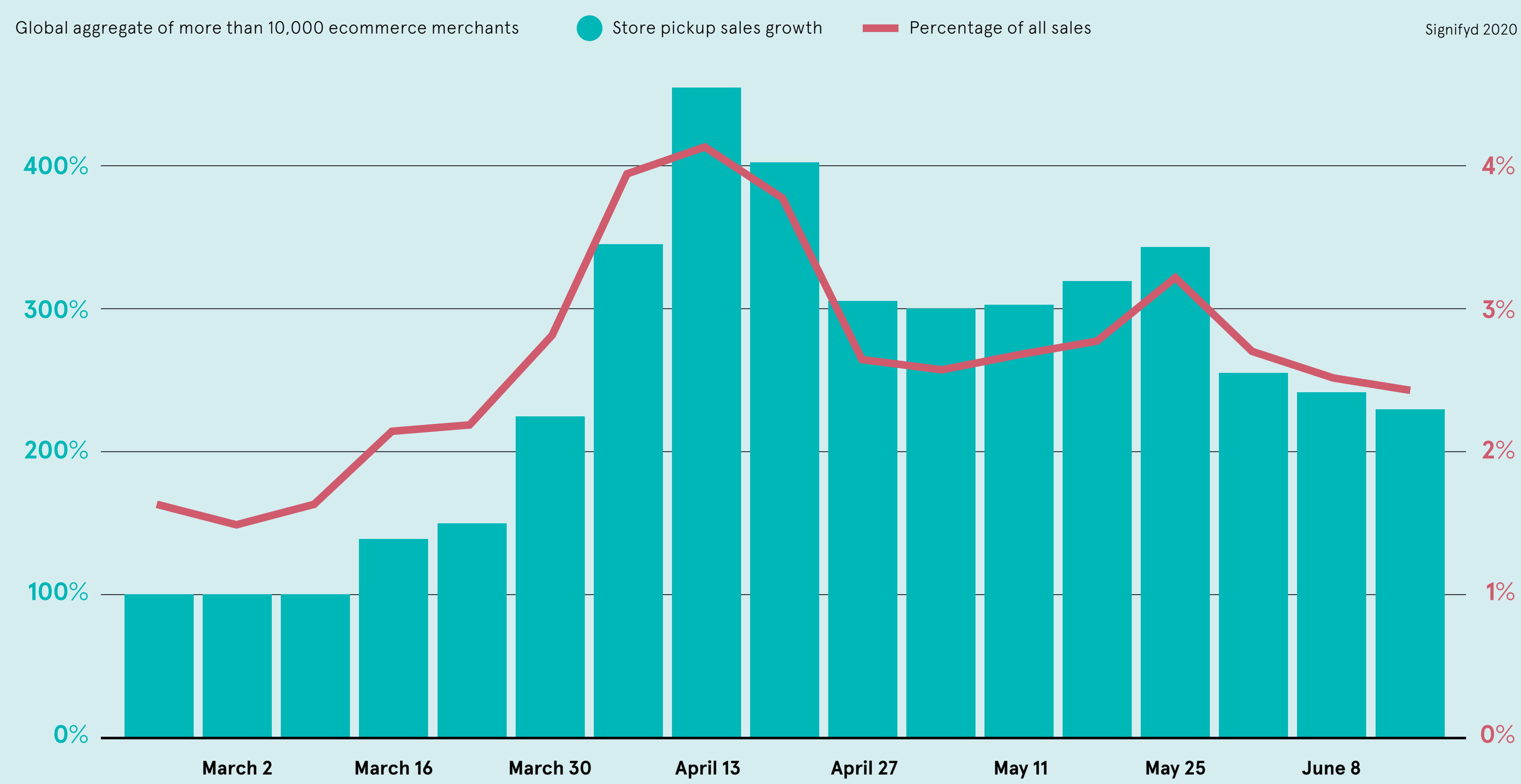
"Finally, the 'e' has cemented itself in commerce. The scale of the move to ecommerce is unprecedented in the history of the internet and represents a seismic shift in business worldwide. Up until now, it's been quite difficult to deploy world-class solutions and compete online if you aren't a large enterprise. This is now rapidly changing," explains Jim Herbert, general manager for Europe, Middle East and Africa (EMEA) at BigCommerce, a leading open SaaS (software-as-a-service) ecommerce platform.

"Today, even small to medium businesses, whether business to business (B2B) or business to consumer (B2C), have access to a cost-effective, easy-to-use and powerful toolkit of services that enables them to go live with new ecommerce offerings quickly. It has never been easier, which explains why more merchants have been moving towards ecommerce. Even so, there's a gap between perception and reality. We need to get the message out to more businesses in terms of understanding the freedom, flexibility and security of open SaaS ecommerce platforms."

The speed at which retailers are able to move online has grown significantly. For instance, one small brewery in Winchester was in dire straits with the closure of pubs during lockdown and, in an effort to maintain some business, was offering door-to-door beer sales for cash. Facebook posts served as its major sales tool, but then the brewery tapped BigCommerce to develop an ecommerce site, which was operational within a few days. For the first time, the brewery was able to get consumer margins instead of wholesale prices for its beer online and at one point sold out of stock for the first time in its history.

"The brewery boss didn't know how easy it was to set up an online sales platform that could immediately be integrated into their existing accounting and stocking systems, as well as have a customer-facing interface on social media," says Herbert from BigCommerce, a global company that works with the likes of Benson for Beds, La Perla and Yumi Brands in the UK.

**GROWTH IN BUY ONLINE-STORE PICKUP SALES**




"As physical merchants open post-lockdown, many will still want a strong digital presence. We expect click and collect will be crucial so companies can manage footfall alongside online orders. Right now, consumers want options and retailers want greater flexibility and scalability in the ecommerce solutions they deploy. Only nimble companies will survive. They may have to explore new sales channels, change their payment provider or logistics company quickly. SaaS suits this febrile economic climate."

Even though 47 per cent of UK consumers are hoping to return to normal shopping habits, 16 per cent say they will shop much more online in the future, according to research from *Forrester Analytics Consumer Technographics ® COVID-19 Survey (Wave 1)* report. At the same time, retailers big and small are still struggling with the continuing behavioural shift in technology platforms used.

"Increasingly, younger consumers are turning to mobile phone and social sites for their online shopping. Yet the traditional ecommerce platforms that large enterprises have built to support their online stores don't have

> **Retailers need access to the latest turnkey software to help bring costs down and stay ahead**

the agility to cope with the speed with which shopping habits are evolving. If you have a legacy solution in place, it may be difficult to integrate with selling on social media platforms. You might not be able to deal with the amount of business that comes via these channels," says the EMEA general manager of BigCommerce, whose solution is used in 120 countries.

"It's why more merchants are turning to an open SaaS model. Consumers are now in charge. They want to interact with retailers in their preferred online setting whether it's via Pinterest, Facebook, Instagram or even through SMS. This need to respond to consumers in real time with the most up-to-date solutions is what's reshaping the landscape for software deployment. Retailers need access to the latest turnkey software to help bring costs down and stay ahead. It's essential right now."

There is also the issue of technical debt. Any digital transformation strategy must consider this, but it's a particularly significant challenge for many larger companies. Technical debt refers to any software, IT system or code that has the potential to cause maintenance and productivity problems in the future.

"It is a massive issue. However, fixing bugs so your online sales platform doesn't break is a poor way to spend money. The longer your legacy systems are kept going the more technical debt you're likely to accrue. We handle the technical debt for our merchants by continually improving our software solutions and constantly delivering these improvements automatically," says Herbert from BigCommerce, which has been named a "strong performer" in *The Forrester Wave™: B2B Commerce Suites, Q2 2020 and The Forrester Wave™: B2C Commerce Suites, Q2 2020* reports.

"These improvements come in a number of forms. We work closely with our merchants to understand how customers interact with their stores. We also use real data to refine and add new features to make it easier to promote and sell the products our merchants offer.

"Our engineering teams work with the latest technology trends such as headless commerce. The idea is to integrate the always-on agility of BigCommerce into merchants' existing systems, along with best-of-breed complementary platforms, to create outstanding digital and omnichannel experiences. Going headless, by using our cutting-edge services, reduces running costs and puts the power back into the hands of merchants. It's why we are a disruptive player in this space."

**Find out more by going to bigcommerce.co.uk**

BIGCOMMERCE

PAYMENTS

# Momentum builds for 'buy now, pay later' sector

Shopping habits of the new homebound consumer have pushed the "buy now, pay later" sector to new heights, playing to dual mindsets of cash consciousness and online security

MaryLou Costa

Buy now, pay later brands such as Klarna, Clearpay and Zip have redefined fast credit, becoming favourable household names and the ally of consumers and retailers alike.

Worldpay's *2020 Global Payments Report* reveals this market is growing 39 per cent year on year in the UK, with top players poised to double their market share by 2023. The UK ecommerce market is predicted to flourish a further 37 per cent to £319.8 billion in the next three years, with buy now, pay later providers set to earn around 3 per cent of its global spend.

Not only are shoppers and vendors flocking to get on board, but so are investors. Klarna went into lockdown having secured a stake from Alipay operator Ant Financial Group and has pushed ahead with its Australian expansion following a £54.3-million investment from the Commonwealth Bank. Meanwhile, Australian outfit Openpay recently secured £25 million to fuel its UK expansion.

The drivers are consistent: consumers turning away from traditional credit cards and seeking greater ownership over their money and spending habits. Nick Molnar, co-founder of Clearpay, known as Afterpay in other markets, notes that more than 85 per cent of the platform's global orders are made with debit cards.

"Those impacted economically by COVID-19 are showing clear risk aversion to traditional credit and large purchase commitments such as houses or cars, however stimulus continues to support discretionary spending at lower price levels. We offer a safe alternative that allows people to budget and use their own money responsibly," he says.

Consumer desire for greater flexibility and control is also linked to the rise in freelance and contract work which is more frequently becoming a stop-gap for businesses with hiring freezes.

The trend has paved the way for the likes of Nationwide-backed startup Ordo, which describes itself as a "request for payment service", that allows businesses to send a secure invoice to a payer and receive payment in real time. Like a buy now, pay later platform, Ordo offers delayed payments and instalments, but also allows users to pay bills and manage their wider finances.

"More people are in the gig economy and especially now they might have irregular income, which might not necessarily be low. So the usual monthly direct debit no longer suits a lot of people, which is why a lot of buy now, pay later services have become popular because the monthly payment model doesn't reflect how people are being paid themselves," says Ordo co-founder and director Fliss Berridge.

"Another layer is people want peace of mind that their payments are going to the right person. This is a backlash against authorised push payment fraud, which in 2018 amounted to over £200 million and most of that not recovered. You end up with two innocent victims, the consumer and the business that hasn't been paid."

Ordo now has its sights set on the high street, rolling out its platform to point of sale later this year to help local businesses like hairdressers and florists reduce "till time" and better navigate the post-coronavirus minefield.

Its branching out is reflective of the wider buy now, pay later spread, in response to shifts in the retail landscape impact on all consumer verticals.

"This sector knows no bounds. You have the likes of Laybuy that entered the weave purchase game. Before you know it, you'll be able to buy now, pay later your rent or Deliveroo order," predicts Sharon Kimathi, editor of FinTech Futures.

Klarna is steamrolling ahead with its mission to dominate, bolstered by the addition of a loyalty programme and savings account, partners in niche areas like music and soon luxury fashion.

"From our own research, 46 per cent of consumers say they would be more likely to buy luxury items if retailers gave them the option to pay in instalments," says Luke Griffiths, Klarna UK general manager.

For Clearpay, it's ticketing and travel that have become part of the empire. "We've seen positive adoption from customers in those categories, so we'll look to implement them in other markets," says Molnar.

But a strong footprint doesn't mean everything is up for grabs. Travel, for example, is ripe for the growth of an industry specialist despite the current decline, argues Jasper Dykes, founder and chief executive of Fly Now Pay Later. The startup recently secured £35 million in funding on the promise of post-COVID-19 demand punctuated by a rise in holiday costs.

It's a sector where mainstream buy now, pay later providers have not been as effective because of a "cookie-cutter approach" to underwriting, Dykes explains. "They're used to underwriting small transaction values of say £60 to £150, whereas we specialise in underwriting transactions of £1,000 to £3,000," he says.

"Travel brands have become frustrated by the low acceptance rates other providers can offer them; we've certainly taken a few high-profile merchants away from Klarna. But it is a battle as they have a strong brand."

Building a long-term strategy around becoming travel experts is Fly Now Pay Later's secret weapon, both against the global juggernauts and as a future acquisition target.

Consolidation is certainly already playing out in this highly competitive space, with Zip recently acquiring QuadPay for £215 million and Klarna acquiring Moneymour for an undisclosed amount.

It's also a contentious space where, despite payment guidelines, increasingly vulnerable consumers may not always realise the commitment and how defaulting can tarnish their credit rating.

Kimathi at FinTech Futures warns of "a perfect storm brewing for a credit collapse", yet Dykes, Griffiths and Molnar assert that their frameworks are transparent, empowering and responsible.

As the consumer data pinpoints, perhaps it is the credit card industry that will be the ultimate victim. "Consumers are seeking alternatives to the traditional credit card when they need financial flexibility and are no longer willing to accept a system that doesn't meet their needs," Klarna's Griffiths concludes.

**39%**

annual growth of the UK 'buy now, pay later' (BNPL) market

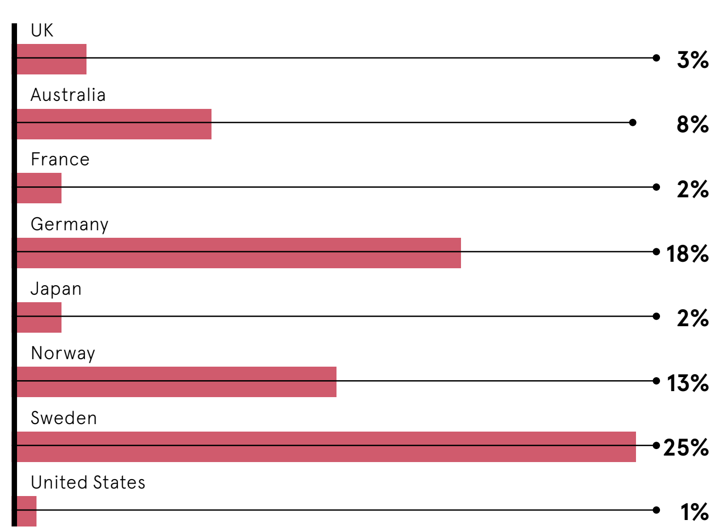
**3%**

of global ecommerce sales will comprise of BNPL spend by 2023

McKinsey 2020

## BNPL LEADERS

Share of ecommerce payments made up of 'buy now, pay later' services by selected country in 2019




Worldpay 2020

# Agile commerce connecting customers with the products they want to buy

Artificial intelligence can help provide an improved customer experience and enable retailers to make better use of data to control inventory

Inventory management is the cornerstone of ecommerce. It can be the difference between providing an exceptional user experience and one that leaves customers disappointed or frustrated, something retailers can't afford.

For example, inventory management ensures advertised products are in stock; too often customers will click on a promotion to discover an item is only available in the wrong model, size or colour. The reason is the promotion is disconnected from real-time inventory levels, leading to a poor customer experience.

A product's availability is also linked to its exposure, just as in a physical store; the outfit in the shop window will be first to sell out. Therefore, retailers need to rethink how to manage product exposure and promotions in relation to what inventory is available.

This is where artificial intelligence (AI) can play a transformational role.

**Connected commerce**

In a nutshell, AI can continually examine real-time inventory and product exposure, enabling the retailer to adjust which products it promotes based on fluctuating inventory levels. This means they never end up with too much inventory and can use their valuable real estate for promoting the right product at that time.

AI is also fundamental to the idea of connected commerce, or subscription selling, which sees merchants selling products on an auto-replenishment basis. Well-known examples include meal subscription service HelloFresh, beauty box Birchbox, and shaving and grooming products Harry's Razors.

"These services benefited from a surge in popularity recently when, for the first time in generations, consumers experienced genuine scarcity of key products," says Charles Nicholls, senior vice president of SAP Upscale Commerce and trustee at The Carbon Community.

"Connected commerce enables the retailer to increase inventory of highly profitable products and have forward visibility of demand that comes from auto-replenishment, so they can buy more efficiently.

"Meanwhile the consumer can be assured of a continuous, regular supply of their favourite products."

**AI and the dynamic environment**

Traditionally, AI analysed as much historical data as possible to try to predict future patterns. Unfortunately, this is like driving while looking in the rear-view mirror; you're looking back over several years trying to predict how your business will be in the future. This historical model doesn't adapt well to any massive spikes or swings in demand. And all bets are off with any Black Swan event, such as the coronavirus pandemic.

There is, however, a way to use AI more effectively. Modern machine-learning models evolve on the job, using underlying streaming data to provide the best option for maximising sales and profit for the retailer, based on real-time data.

This dynamic approach means retailers can respond quickly to unexpected events. This could be any event that causes inventory to quickly fluctuate, a product going viral on social media for example.

"With AI, it's possible to have the bulk of these activities handled by machine intelligence. This allows for human capital to be reinvested into new and higher value activities," says Chris Hauca, general manager of SAP Commerce Cloud.

**Merchandising**

Elsewhere, AI can take the heavy lifting out of merchandising. A merchandiser's job is to sell what they have in stock. They must understand which products to display relative to their inventory and adjust pricing based on stock levels.

The challenge with any large brand is there are too many products to manage this effectively. Merchandisers therefore end up focusing on the top sellers or the "problem child" products. Machine-learning can instead optimise the long tail, uncovering the hidden gem product for example, one that doesn't get much exposure, but offers a high margin and of which there is high inventory.

It can also identify products that are traffic generators or "halo" products that draw customers in. They don't necessarily buy these products, instead clicking through and making another purchase from the brand.

"Machine-learning can find these items automatically and surface them so the retailer is showing products that are both relevant to the customer and they need to sell. It's not personalisation, it's not merchandising; it's a blend of the two," says Nicholls.

**Becoming more agile**

COVID-19 has accelerated the need for more agile approaches in ecommerce.

Hauca says: "The pandemic has provided additional evidence that ecommerce is a strategic asset for businesses that had it in place. In many cases this was the only sales channel available.

"Retailers are accelerating their ecommerce strategies and hardening their operations. The consensus is their digital business is not going to go back to historical normal levels, but stay at the level previously considered holiday peak traffic."

Retailers want to know how they can do things in a cheaper, faster, more agile way. This focus on flexibility and a lower cost of ownership means they are looking at implementing smaller, connected systems rather than huge, time-consuming systems integration projects.

So some retailers are changing their business models, perhaps selling directly for the first time.

"We have seen a food distributor that served exclusively corporate and educational customers in the UK see their business 100 per cent disrupted by the pandemic," says Hauca. "They were able to quickly shift their commerce platform to go direct to consumer in five weeks, because of the agility of their SAP commerce implementation."

With this move to greater agility, some basic building blocks must be in place. One of them is inventory. Retailers must understand where their product is and what they can sell.

Using AI can deliver a much better customer experience than has been possible in the past. As importantly, it enables the retailer to be more agile and make better use of data, which will be crucial as they look to navigate the new, disruptive landscape ahead.

> The pandemic has provided additional evidence that ecommerce is a strategic asset for businesses that had it in place

OPINION

# ‘Retailers that failed to invest in digital were suffering and the last few months has only speeded this up; many will fail to survive’

There has been phenomenal growth in ecommerce sales since lockdown started in the UK. Purchases have been forced online as a result of the lockdown measures and lifestyles of the past three months.

According to the *IMRG Capgemini Sales Index*, there was a 32 per cent year-on-year increase in May. There has been a huge rise in sales in the home and garden sector, up by 163 per cent year on year. Electricals, beer, wine and spirits, and beauty products too have all seen huge growth.

While many ecommerce categories have seen high spikes, this growth has not been realised across all sectors. Clothing sales have struggled. There is no point in buying a new outfit to sit at home.

Yet even in the apparel sector, there is some light at the end of the tunnel, with an uplift in sales from April to May. This has been largely in the health and fitness area, likely due to a relaxation of the lockdown rules.

The question I have is will ecommerce continue to maintain its share of the retail pie? There are two main changes that have taken place during lockdown which we need to take into consideration.

Firstly, consumers have been forced to purchase online; many shoppers that had never bought online before have had to make that leap. This has certainly been evident in the grocery sector. Many other sectors have also benefited from the forced change during the coronavirus crisis, electricals and home office equipment an obvious area.

Secondly, we have seen a fundamental shift in that many retailers and businesses have had to pivot their sales strategy. Ecommerce is the only sales channel they have had available, so those that have traditionally sold online have had to change tact. The direct-to-consumer model has been implemented by large fast-moving consumer goods brands such as Heinz, with their first-ever UK online shop Heinz To Home; adidas too has been a high-profile example.

So, what next? The high street is again largely open for business, albeit under strict social-distancing rules.

For now, there is still a health risk and many people will continue to avoid the high street, purchasing online for some time. This will be especially true with commodity-type purchases, so ecommerce will continue to benefit. And consumer groups, such as the older generations, have had to familiarise themselves with buying online, so many will not revert to the weekly trip to the supermarket, assuming they can get a delivery slot.

Yet more than anything, COVID-19 has been a major accelerator of changes that were already happening. The high street has been under pressure for a number of years and the current situation has brought this into focus. Retailers that failed to invest in digital were suffering and the last few months has only speeded this up; many will fail to survive.

The importance of inventory, supply chain, delivery, a strong ecommerce website and the ability to be agile have all come into play. Businesses that are strong in these areas will thrive, whether pureplay or omnichannel. A strong product and ultimately a strong customer knowledge are fundamental. Today and for the future, owning the customer relationship is key and digital facilitates this.

Ecommerce will continue to increase its portion of the retail pie. It has been happening for years. The high street will evolve and new business models will be developed. Businesses that realise this will survive in the short term and thrive in the future. ●

**Graeme Howe**
Managing director
Ecommerce Expo
Director at IMRG

FRAUD

# Lessons to learn from ecommerce fraud

As ecommerce continues to expand, with record growth figures already posted for 2020, so does the risk of fraud. Here are five lessons businesses can learn from recent cases of ecommerce fraud to keep themselves and their customers protected

Alex Wright

rzoze19/Shutterstock

1

## Be open if you suffer a data breach

easyJet was targeted by hackers in one of the biggest ecommerce frauds committed on a British company. Records belonging to nine million of the budget airline’s customers were accessed in this highly sophisticated attack believed to have been perpetrated by Chinese hackers, which resulted in the credit and debit card details, including security codes, of 2,208 individuals being compromised.

The company, which has so far been tight lipped about exactly how the breach happened, has come under fire for being slow to respond. After becoming aware of the incident in January, the airline notified the Information Commissioner’s Office (ICO) and the National Cyber Security Centre, but didn’t start informing its customers until April, because it said it first had to establish the extent of the problem.

easyJet is the latest in a line of airlines to be targeted after British Airways and Air Canada were hacked in 2018. Customers have already reported cases of phishing and attempted social engineering stemming from the breach, while easyJet is also facing an £18-billion class action lawsuit brought by affected parties.

“The key message here is that once a data breach has occurred, you need to be as up-front as possible about the extent of what has happened,” says Jonathan Knudsen, senior security strategist at Synopsys.

## Monitor regularly for suspicious activity

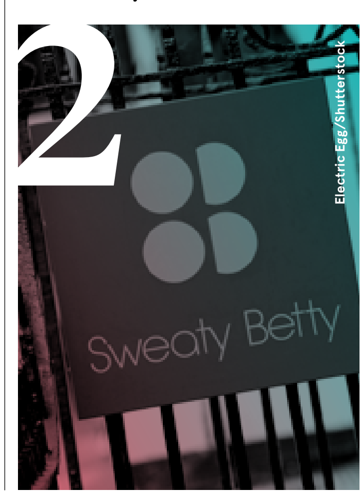
Fashion retailer Sweaty Betty became the latest high-profile victim of the fastest growing ecommerce fraud: form-jacking. So-called Magecart hackers gained access to and injected malicious JavaScript programming code in the company’s website before exfiltrating customer details from the checkout page, using sophisticated web-based card skimmers to steal payment card information.

Names, billing, delivery and email addresses, telephone numbers and passwords were all taken from customers who entered their payment card details between November 19 and 27, 2019. After being captured by the skimmer, the information was sent to a remote server operated by the criminals to be sold on the dark web.

To Sweaty Betty’s credit, after being discovered, it quickly reported the incident to the ICO and disclosed the breach in an email to customers affected. It also enlisted specialist security consultants to help with the investigation into what went wrong.

Mimecast’s head of ecrime Carl Wearn says the lesson other companies should take from this is to regularly monitor webpages and the integrity of files in an effort to detect malicious code. “Without this constant monitoring, this form of attack can go undetected for long periods and can lead to the real-time theft of payment details, which can then be used online for fraudulent transactions,” he says.

2



Electric Egg/Shutterstock

## Stay one step ahead of the hackers

Neil Setchfield/Alamy Stock Photo

As if being breached once wasn't bad enough, blender manufacturer NutriBullet was hacked three times in less than a month. In this elaborate ecommerce fraud, Magecart hackers first installed malware to steal credit card details on the company's website on February 20.

The skimmer was removed on March 1, after security experts identified the threat and took down the hackers' exfiltration domain, only for a second one to be inserted on a different part of the site on March 5. That too was soon detected and the new domain was removed. However, in a matter of days a third skimmer was implanted on March 10, again on another section of the site, and it too was discovered and taken down a week later.

NutriBullet carried out an investigation to determine how its JavaScript code was compromised and updated its security policies and credentials accordingly, adding multi-factor authentication as an extra layer of protection. But serious questions have to be raised about how the hackers were able to infiltrate the site again so easily after the initial attack.

"The message is clear: hackers are learning from past attacks to stay one step ahead, so it's up to the security community to do the same," says RiskIQ's head of threat research Yonathan Klijnsma.

IanC66/Shutterstock

## You're never too big to get hacked

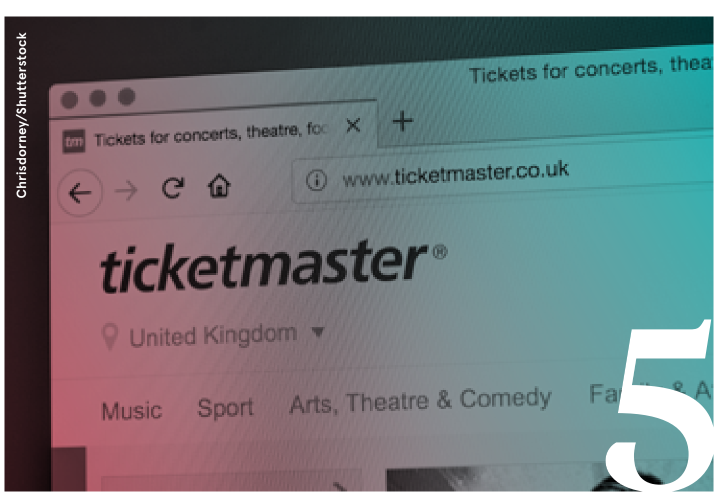
British Airways was hit with a record £183-million fine from the ICO after around 500,000 of its customers had their data harvested by hackers who breached its security systems. Users who booked flights through the airline's website and app were diverted to a fraudulent site where their personal details were siphoned off.

Around 380,000 transactions, including names, addresses, logins and payment card details, were accessed in this large-scale ecommerce fraud, which happened between August 21 and September 5, 2018. The problem was down to a vulnerability in the third-party Modernizr JavaScript installed on the website, which hadn't been updated since 2012.

BA notified all customers affected immediately and has agreed to compensate them for any losses. It has also fully co-operated with the ICO investigation and made improvements to its security. The airline announced its intention to appeal the penalty, which was the first to be made public under the General Data Protection Regulation.

"The lesson here is that if a big company like this can get hacked then anybody can get hacked," says Max Heinemeyer, director of threat hunting at Darktrace. "Now it's a matter of when, not if, you are going to be breached."

## Make sure your third-party vendors are secure



Chrisdorney/Shutterstock

Up to 40,000 Ticketmaster customers had their personal information stolen after hackers gained access to it through malicious software inserted in a customer support product hosted by third-party provider Inbenta Technologies. The breach compromised data belonging to those who tried to buy tickets on its website between February and June 23, 2018 and may have included names, addresses, telephone numbers, email addresses, payment and login details.

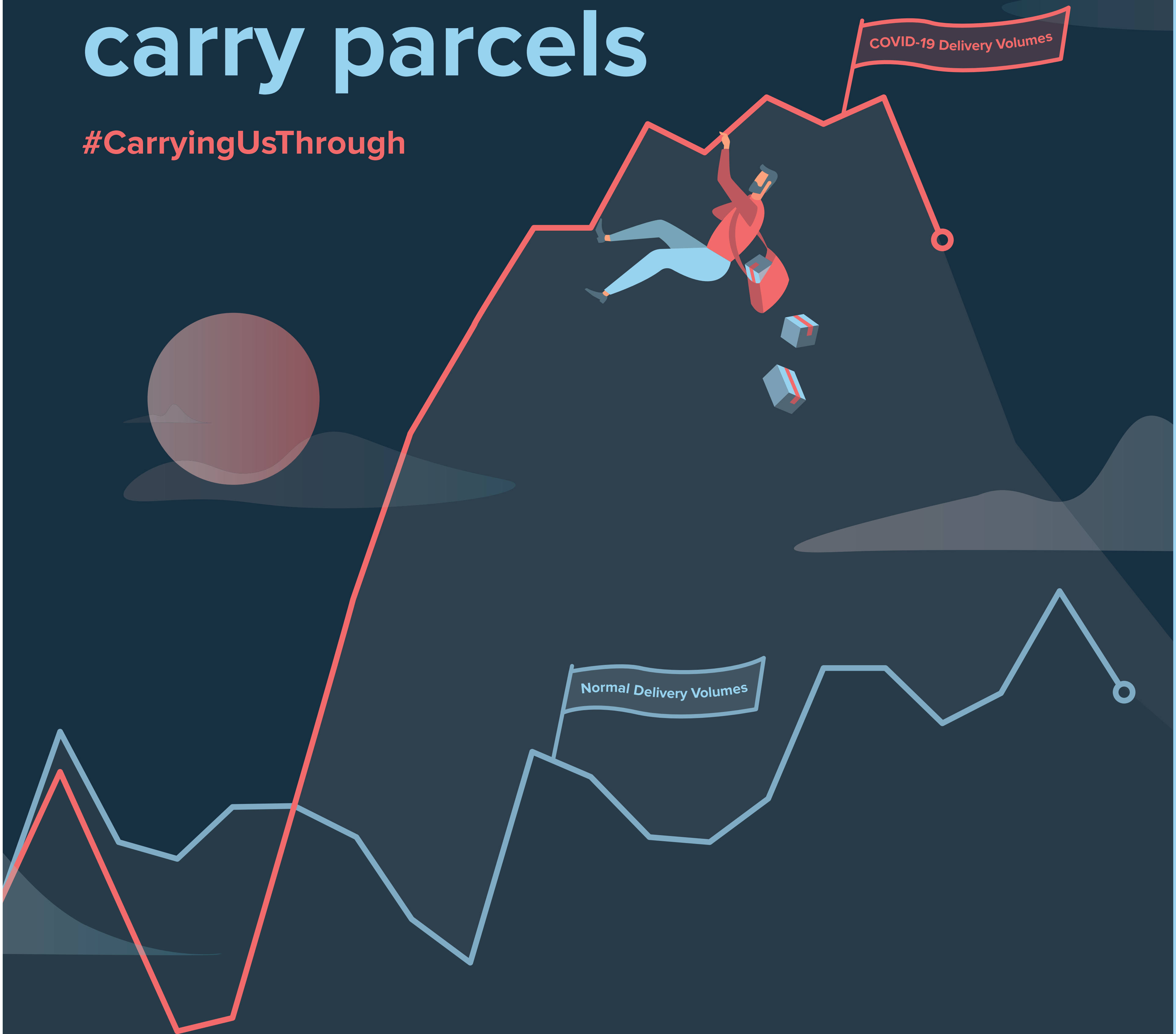
Digital bank Monzo claimed to have spotted the signs of a breach on April 6 after around 50 of its customers reported fraudulent activity on their accounts and after investigating found many of those affected had used their cards on Ticketmaster's website. Monzo presented its findings from this sophisticated ecommerce fraud to Ticketmaster, but after looking into it, the event ticketing firm said it could find no evidence of a breach.

Ticketmaster informed the ICO and notified all customers affected, advising them to reset their passwords. However, a group of 650 people are suing the company for £5 million, claiming they have suffered "multiple fraudulent transactions" and "significant stress".

"One essential lesson organisations should take from such recent incidents is that our cybersecurity is only as good as our third-party vendors' security and compliance," says CyNation's chief technology officer and chief security officer Shadi Razak.

# Some heroes carry parcels

**#CarryingUsThrough**




When you couldn’t go outside, they delivered to your doorstep. Despite unprecedented demand*, our network of carriers has moved mountains to get your parcels to you. Thank you carriers, for every single package you delivered.
Find out more: **www.metapack.com/covid19-carrier-index**

METAPACK

*Metapack Home Delivery Volumes Index 2020