



# Retail Reimagined

The Digitally-Remastered High Street

2016



Ecommerce is becoming by default the digital ground on which society will build its economic future. For ecommerce to become what we collectively need it to be – the means to a new wealthier, safer, fairer, caring culture – all of its stakeholders need to be involved in shaping it. However, responsibility for the development of UK ecommerce has, to date, mainly involved the well-known tech-sector giants whose technologies enable it, with the resulting current scramble to remain relevant in a fast-changing world.

This report looks at how new partnerships are seeking to shape the next phase of our ecommerce journey and thus rebalance the digital impacts, resulting in high streets that reap the new benefits of the omnichannel economy.

### **IMRG is the UK's e-retail industry association**

**IMRG formed out of a research project in 1990 in recognition that a community of interest is essential to optimise progress in an area as fast-moving, complex and unpredictable as digital trading**

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Fig. 1: This IMRG Capped e-Retail Sales Index chart shows the trend line of UK online retail sales from April 2000 to December 2015 based on sales data provided each month to IMRG by more than 120 leading e-retailers.

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## EXECUTIVE SUMMARY

This report has been developed by IMRG as part of our work with the Future Retail Working Group (FRWG). It offers a view on how cooperation between impacted stakeholders is vital to optimise the next phase of retail innovation. The FRWG is examining innovation from a national perspective to identify where greater collaboration can enlighten our understanding and inform planning.

Ecommerce is a nascent industry that has often behaved badly, plundering civilisation's treasures, and leaving chaos in its wake. However, ecommerce is maturing as its capabilities stabilise and we learn how to live with it: in doing so, it is becoming by default the digital ground on which society will build its future economy.

### **Ecommerce has so far been defined by the tech-sector giants**

Responsibility for the development of ecommerce on which we all depend has largely been left to the large tech-sector players whose technologies have effectively defined the omnichannel processes that have disrupted high street ecosystems.

This laissez faire approach by institutions and individuals is partly due to their inertia, slow response to changing consumer behaviour and lack of digital agility. Many stakeholders simply don't understand – in any holistic sense – what is going on, or the long term implications of unguided digital innovation. The conspicuously mixed results of unimpeded market forces range from twenty-something billionaires to financially neutered law-enforcement agencies; and from Black Friday excesses to devastated high streets.

While the tech companies differ by region, this issue is global. In China, there is concern about the effective digital monopoly of what is referred to as BAT – Baidu (traffic), Alibaba (industry chain), and Tencent (user) – and the way that large elements of the Chinese society and economy are being left behind. In the EU, American corporations dominate – notably Google (with 92% of search), Amazon, Apple, eBay and Facebook – the prevailing concerns are about retail imbalance and advertising industry disruption, overshadowed by competition and fiscal issues.

### **High Streets now need to get involved in shaping the development of ecommerce**

For ecommerce to become what society collectively needs it to be – the means to a new wealthier, safer, fairer, caring culture – all of its participants need to be involved in helping shape it: all digital businesses should become more socially aware and responsible; the public needs to establish ground rules of acceptability; governments must actively govern, with better-informed action, a fair tax regime and effective policing.

E-retailing has initially had a mainly negative impact on our social centres and high streets in a variety of ways, hitting small businesses particularly hard. Market forces alone will not correct the imbalance of power; however, consumers themselves could change this, if they understand the effects of their shopping habits and are given opportunities to alter outcomes. But, if nothing is done to enable local goods to become visible and buyable online, no amount of promotion is going to bring back vibrant high streets.

#### **Need for shared language and definitions**

'The economy' is a term we use to describe the systems we employ to turn assets into human welfare. Ecommerce is clearly affecting the economy, however, we are currently unable to quantify how and to what degree, partly because we lack unambiguous concepts and language to frame and discuss, let alone define and quantify it.

Current definitions of retail are no longer fit for purpose. The definitions we use to quantify it are vague, and consumer spending is shifting from goods to services. EU data collection methods produce statistics that are years out of date and based on narrow retail classifications framed in 1948.

#### **Innovation needs support from coordination and collaboration**

IMRG and the FRWG are working with a variety of stakeholder groups to identify new and more relevant ways of understanding the interrelation of channels and data in the connected omnichannel era, with a view to helping retailers and high streets refocus appropriately.

Innovation in retailing is not just about technology or creativity, nor is it just about what the consumer will necessarily see. It is also about business processes, internal communication and defragmenting silos, employee engagement, creative methods and much more.

There is no common coordinated pipeline for retail innovation and the actors are varied; from large corporations to start-ups, investment communities, small businesses, suppliers, Local Enterprise Partnerships, academic institutions, government bodies, economic development agencies and of course, the end consumer.

Better knowledge transfer within the retail sector and with other industry sectors is therefore essential in driving further successful innovation in retail to ensure the UK remains a leader in this space. We need a closer relationship between academic research and industry to make the academic realm more visible and relevant to practitioners.

**Places and businesses both prosper as part of a diverse offer**

Partnerships in towns and cities, with help from local authorities and high street retail or property stakeholders, are also needed to enable smaller retailers to be part of their local collective marketing effort, and to stay afloat in the flood of change. Moreover, a diverse high street is hugely beneficial to the larger retailers, so a collaborative approach must include their support. We also need to help larger organisations to act more like start-ups and progress their innovation agenda in more agile ways.

Innovation is driven by a need to create more compelling value propositions in an increasingly connected and dynamic world. Smartphones are profoundly changing the retail landscape, and fast becoming the glue that binds the various marketing and retail channels together. The emerging consumer backlash against overly aggressive online marketing will inevitably drive advertisers to give more back to customers by spending their advertising budgets on assets that are actually useful to people rather than on brute force technology to browbeat them.

These and other stimuli are serendipitously converging to provide society with an opportunity to take control of rather than remain subservient to ecommerce. Digitally remastered high streets that enable traders to reach people while in leisure mode can be a key to unlock the potential. But consumers will not be able to seize the opportunity alone. For this to work, place managers and SMEs will need to be helped to deliver discoverable, personalised and digitally accessible high streets. If the managers of government and major institutions do not also take responsibility for the common good, then nobody else can or will.

The FRWG is currently looking at ways to address these challenges by bringing the different parties together in an open forum discussion. If you would like to participate in these discussions, we would be interested to hear from you.

## e-Retail

Our term used throughout this report as a catch-all term for digital interactions with customers. This includes:

- **online shopping transactions** and business to consumer ecommerce via personal and tablet computers, smartphones and other digital devices.
- the customer's **shopping experience** including research before purchase and returning goods.
- **interactions** including browsing, buying, returning, as well as presale and after sale service.

## High streets

Our term used throughout this report as a catch-all term for high streets, town, city and social centres, and any other place where people and services combine.

## Omnichannel

A business model that implies using a variety of channels in a customer's shopping experience including research before purchase and returning goods. Such channels include retail stores, online stores, mobile stores, mobile apps, telephone sales, and any other method of transacting with the customer. Transacting includes browsing, buying, returning, as well as pre-sale and after sale service.

## Place-maker

Individuals and organisations actively managing our high streets, towns and cities.

## INTRODUCTION

Digital alters the way we live and think. E-retail drives much of this, presenting myriad new trading opportunities and challenges – benefits for some; adversity for others; changes for all. Digital innovations have severely disrupted traditional retailing, high streets and much else. Now, frustrated with overly insistent online advertising methods, consumers en masse are disrupting the disrupters, activating yet another paradigm shift in the internet's short history. This report stands back from the detail of IMRG's general reporting to take in the broad sweep of a new social and economic landscape that we are all lurching – substantially blindly – towards. It considers how all of us on this digital journey – citizens, consumers, retailers, suppliers, place-makers and government – can fare better with cooperation, collaboration and shared wisdom. It concludes with recommended actions.

At the beginning of my three decades of close involvement in the e-retail industry, online shopping was considered a fanciful idea that most thought would never catch on. We formed the Interactive Media in Retail Group (IMRG) in 1990 out of sheer frustration at the lack of progress: IMRG started as a modest research project, then continued and grew as people began to recognise digital opportunities (and threats); also that a community of interest is essential to optimise progress in an area as fast-moving, complex and unpredictable as digital trading.

E-retail has burgeoned into a dominant sector and captured a quarter of all retail sales. With an annual growth rate of 11% in 2015 and continuing [source: IMRG Index], e-retail's steep rise is set to continue.

**Retail jobs will fall by 1/3 in the next decade:**

- **900K of 3M retail jobs to go**
- **74K of 270K stores to close**

Source: BRC, 2016

E-retail has also become the culprit blamed for destroying swathes of businesses, ruining of our high streets and making hundreds of thousands of jobs redundant. Other negative consequences may be less obvious, like those on property prices, loneliness or lack of exercise.

Many of e-retail's effects are inevitable – progress as usual; with better retail productivity we now need less shops – but some of its negative effects are avoidable and best avoided; all could be better managed.

### **Consumers want to be treated with respect**

On the face of it, consumers have never had it so good, with more choice, information, services, convenience and better prices 24 x 7 x 365. Yet there is clear evidence that many people are unhappy with aspects of digital innovation – particularly the behaviour of the \$600bn online advertising industry with its rampant appetite for bandwidth, enormous file sizes that damage user experience, especially in mobile, and intrusive tracking. Well over 200 million people are estimated to be using ad blocking software in what is surely the largest boycott in human history. Ad blocking is growing fast, particularly in the UK, where the [highest level is among the 18- to 24-year-old age group, at 47%](#).

### **Need for modernised metrics to understand the new shopper journey**

E-retail has far-reaching effects and because it is so new and transitional, we lack unambiguous concepts and language to frame and discuss, let alone define and quantify it. This nebulousness makes it impossible to fully recognise, and therefore appropriately manage, digital's motley impacts on the economy – or to count its true cost, including social costs such as desolation in our high streets and isolation for members of the community.

Not understanding the true effects of rapid digital innovation, risks it damaging or destroying vital assets unnecessarily. Not readjusting values in light of digital threatens our town centres and social spaces. Not reassessing what future high streets need to be and do jeopardises the focal points of local society.

- **2015 - UK online sales worth £115bn, plus a similar amount of store sales influenced by the internet**  
[source: IMRG/Capgemini]
- **2000 - The Dot-Com Crash; UK online sales worth £0.8bn per annum**
- **1994 - First secure retail transaction on the web (a Sting CD, "Ten Summoner's Tales")**
- **1990 - Tim Berners Lee writes first WWW page**

The corollary is that our lack of a holistic view, and a digital evidence matrix with which to monitor it, means that we are inevitably missing significant possibilities to turn digital assets and opportunities into human welfare. We can do better.

This report focuses on a number of key areas where stakeholders' collective attention and collaborative cooperation is essential to help us optimise e-retail innovation:



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### Summary of the sections of this report

This report focuses on a number of key areas where stakeholders' collective attention and collaborative cooperation is essential to help us optimise e-retail innovation:

- Page 10: *The Attention Model and the Biggest Boycott in History* looks at an emerging opportunity for society to take control of rather than remain subservient to ecommerce.
- Page 14: *The Customer is Well Connected: What will they need shops for?* discusses the changing relationship between consumers, retailers and high streets, and how occupancy models need to be reset.
- Page 18: *Shop Small: For Communities to Thrive, Small Businesses need to Thrive* considers the vitality SMEs bring to high streets and what they need to become more digitally engaged.
- Page 22: *Smartphone: The Real Omnichannel Utility* examines how smartphones are becoming the glue that binds the various marketing and retail channels together and how this benefits places.
- Page 25: *Redefining retail for a digital evidence matrix* considers why current definitions of retail are no longer fit for purpose in the digital age, as spending shifts from goods to services.
- Page 29: *Recommendations* sets out four core elements that are needed to balance digital effects and enable discoverable, personalised and digitally accessible places.



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London  
2016

## THE ATTENTION MODEL AND THE BIGGEST BOYCOTT IN HISTORY

Marketing is a key part of trading. Digital marketing offers advertisers massive leverage over traditional forms through lower costs, real time communication, measurability, multiple formats, easy targeting and vast reach. Yet these benefits contain the seeds of their own downfall if misused; as they all too often are.

The retail economy – both offline and online – is essentially centred on an “attention model” whereby traders vie for customer attention in hopes of selling them what they might want.

### The ethos of spam remains a huge problem

The traditional analogue advertising model – blast it out as widely as possible and hope some of it sticks – was quickly transposed online: the low cost of communication soon had us all drowning in email spam. That particular problem has largely been curtailed; today only half of all email is spam, while filters remove much of what remains. But if spamming is about abusing the results of other people’s attention, the ethos of spam remains a huge problem that is getting worse as practitioners migrate to text, social media and other digital avenues to create and exploit vast algal blooms of linked content with catchy titles that feed on whatever is trending.

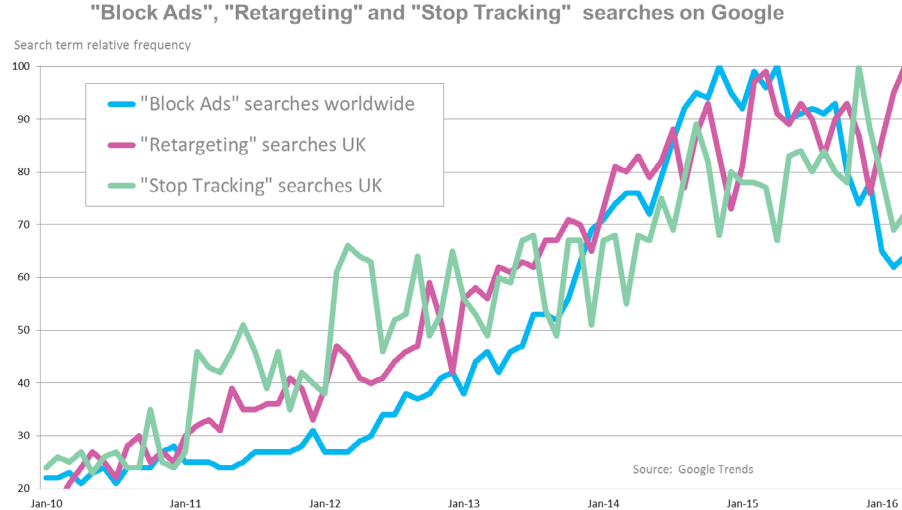


Fig. 2: This chart shows the increase in Google searches for the terms “Block Ads” (worldwide), “Retargeting” (UK) and “Stop Tracking” (UK) between January 2010 and March 2016. This time frame coincides with the explosion in what the trade calls “adtech” – i.e. the tools and practices behind behavioural advertising.

Source: IMRG research using Google Trends.

The arms race emerging between sellers and consumers is evidence that relationships are becoming strained in the digisphere. Sellers are harnessing ‘big data’ to help them ‘target’, ‘capture’, ‘track’, ‘manage’ and ‘lock in’ customers. Implicit in this mentality is the belief that customers are ‘assets’ to be ‘controlled’. However, the internet has empowered consumers and given them independence. Citizens are hooked on their shopping freedom and want to be emancipated from systems built to control them. They would prefer retailers to respectfully invite rather than try to coerce them to trade.

### **Advertising trade-offs have become unbalanced**

Advertising pays for much of what you see, hear, and read, but the trade-offs have evolved. Advertising involves guessing what people want. Personalisation – better guessing with the help of big data – is seen as a superior form of advertising and has become a major theme in e-retailing today, though this is an ambition of industry not consumers. In reality, personalisation all-too-often can end up being about advertisers latching on to almost any crumb of data or implied information scraped from a shopper’s browsing trail, in a bid to be relevant.

Since 2010 we have seen explosive growth in what the trade calls adtech – a catchall term for the tools and practices behind behavioural advertising: behavioural targeting, programmatic trading, deal ID, real-time messaging, clickstream data, retargeting etc. Retargeting is the adtech tool most revealing of surveillance, whereby one ad turns up over and over again, at site after site, even though consumers dislike companies apparently spying on them in this creepy way. Marketing emails may also arrive to clutter up their already overfull inboxes: “We couldn’t help noticing...”

### **“Do not track” requests ignored**

The US Federal Trade Commission saw the potential for digital applications to be used for surveillance and control, and in 2007 proposed to create a national “[Do Not Track](#)” list similar to the “Do Not Call” phone list. In 2009, Mozilla created a prototype “Do Not Track” add-in for its Firefox web browser. Soon Microsoft and Apple built support for Do Not Track into their browsers. Google followed suit in 2012. However, all this made little difference because Do Not Track is just a request in the form of an “http header” signalled by the browser. A request that most publishers and advertisers choose to ignore.

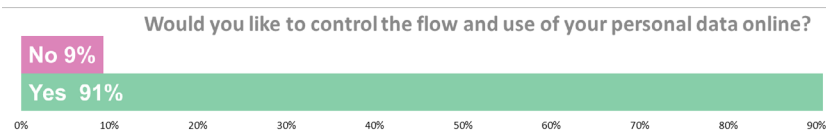


Fig. 3: IMRG survey of 1,000 consumers by www.toluna-group.com, 2016

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Hence the arms race, with consumers acquiring tools to help preserve their autonomy, or at least give themselves some bargaining power. Software that blocks advertising is now being used by more than 9 million UK web users, 22% of all those over 18 years old, up from 15% a year ago, according to the [Internet Advertising Bureau](#). The highest level of ad blocking is among the 18- to 24-year-old age group, at 47%.

According to PageFair and Adobe's 2015 Global Adblocking Report, "there are now 198 million active adblock users around the world." Adblocking, it says, "grew by 41% globally in the last 12 months," with annual growth rates of 48% in the US and 82% in the UK.

**"By now the number [of adblock users] must be north of 200 million worldwide. If this be a boycott, it's surely the largest in human history". Doc Searls**

### **The adtech bubble**

So far, the adtech industry and its clients are still largely in the denial stage and missing the point. At a [recent meeting in London](#), key global advertising stakeholders put forward a four-point plan to *rescue the credibility of the online advertising experience in the face of ad blocking, intrusive tracking, and poor metrics*. The talk was of seeing the collapse of the mechanism that has supported the diversity of content on the open web since the 1990s. Also, they informed us, *technology defeats ad blocking anyway*. One leading browser tells you, when you try to opt out of ads in its browser settings, "you'll still see ads by [us] – they just won't be based on your interests, your visits to advertiser websites or demographics".

The adtech bubble will probably burst, but whether or not it does, the unprecedented consumer boycott of its practices that we are witnessing marks a shift in the power dynamic, from suppliers to buyers. Citizens will use this newfound bargaining power to protect their interests and advance causes that interest them. Advertisers will be pressed to reorient their strategies from acquisition to retention, and to find new ways to reach and engage consumers.

Innovation is driven by a need to create more compelling value propositions in an increasingly connected and dynamic world. The adtech bubble will drive advertisers to give more back to customers by spending their advertising budgets on assets that are actually useful to people rather than on brute force technology to browbeat them.

**High streets need a collective online advertising proposition**

The obvious opportunity is for digitally remastered high streets to offer advertisers a lifeline, enabling them to reach people while they are in leisure / shopping mode. Advertisers could interact through the provision of local services and by supporting native issues that consumers are interested in and care about. Advertisers could also recruit local businesses and residents to be their ambassadors.

Citizens could be enabled to tell advertisers what they are interested in and thereby attract new resources to support the social and cultural functions that underpin society, which in the past high streets have funded out of retail profits.

This serendipitous convergence creates a vital opportunity for society to take control of rather than remain subservient to ecommerce. However, consumers will be unable to seize the opportunity alone. If the managers of government and major institutions do not also take responsibility for the common good, then nobody else can or will.

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## THE CUSTOMER IS WELL CONNECTED: WHAT WILL THEY NEED SHOPS FOR?

E-retail has contributed to the demise of high streets and it will power their digitally remastered renaissance. Why? Because people are social by nature, will always need high streets, and will use their collective digital leverage to make it so. This chapter discusses consumers' changing needs, and how this alters the relationship between shoppers, retailers and town centres.



Fig. 4: IMRG survey of 1,000 consumers by [www.toluna-group.com](http://www.toluna-group.com), 2016

High streets were originally established on average some 16 miles apart; because eight miles was about the distance people could walk in a day to visit them. From being people's only trading option, high streets have become just one of many and sometimes the least attractive. We surveyed 1,000 consumers with Toluna around how their retail and high street behaviour is evolving, and what more they would like from their shopping experience.

The large majority of those surveyed (78% - Figure 4) told us that they shop both in-store and online; few shop only in-store (16% - Figure 4) and even less shop only online (6% - Figure 4). But while consumers are continuing to use high streets, not all are there for shopping: on their last high street visit, a third (36% - Figure 5) of those we surveyed were browsing only, eating out or socialising.

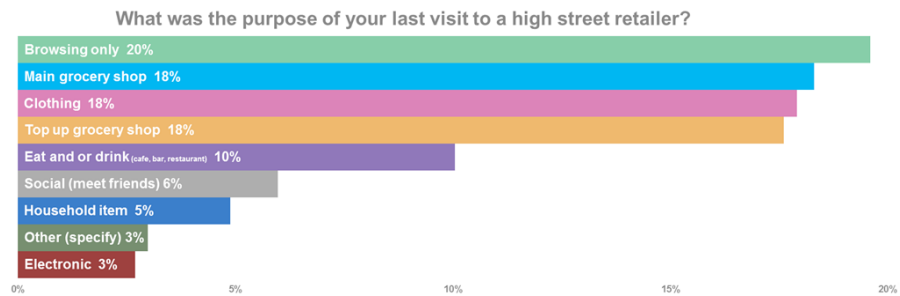


Fig. 5: IMRG survey of 1,000 consumers by www.toluna-group.com, 2016

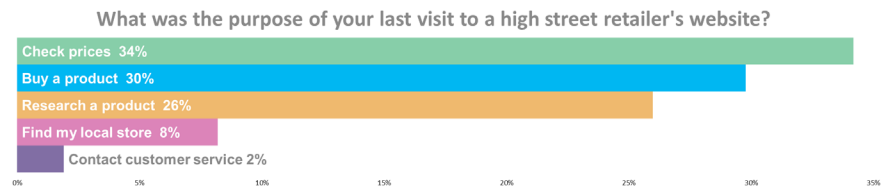


Fig. 6: IMRG survey of 1,000 consumers by www.toluna-group.com, 2016

When asked the purpose of their last visit to a high street retailer's website, less than a third in our survey (30% - Figure 6) bought anything, while the majority (68% - Figure 6) were either just checking prices or researching.

A third (34% - Figure 7) of the survey told us that the primary thing that stopped them shopping in the high street was e-retail – cheaper prices and the convenience of home delivery in particular.

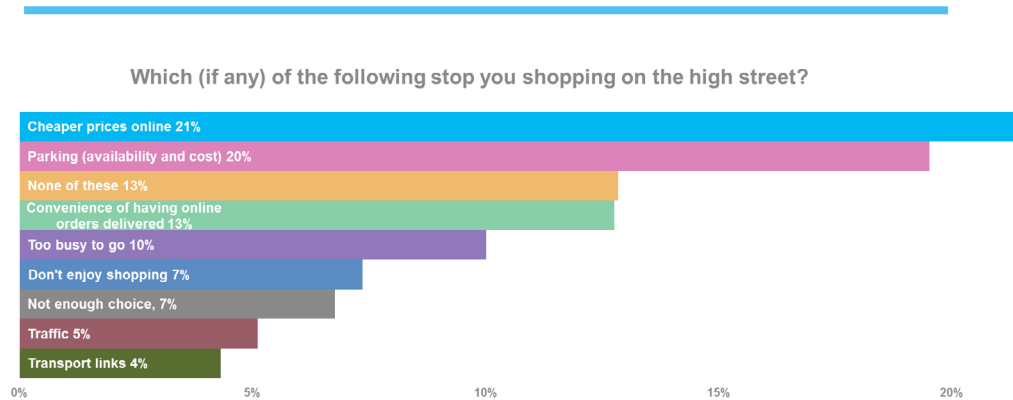


Fig. 7: IMRG survey of 1,000 consumers by www.toluna-group.com, 2016

E-retailing has negatively impacted high streets in a variety of ways. A trip to the high street will often be triggered by a single need, which then spawns a string of additional transactions with different trades. Triggers for 'trip chaining' as this is known, such as picking up a paper, going to the bank, renting a DVD or posting a letter, are all declining behaviours – because of digital alternatives.

E-retail also reduces the range of goods that stores can profitably sell by making some obsolete and dematerialising others. For example, nearly 80% of UK adults now own a smartphone that almost certainly contains a camera, clock, calculator, dictionary, compass, calendar, address book, music player, mail service, video and sound recorder, torch and all sorts of other things that previously were products sold out of retail floor space that is no longer viable for that purpose. Similarly, the way media – newspapers, books, music and games – is consumed is changing, making other types of store space obsolete.

### The merging of online shopping and grocery retailing

One of the biggest challenges coming to high streets is the merging of online shopping and grocery retailing, as illustrated by Amazon recently teaming up with Morrisons to offer fresh and frozen goods, and Sainsbury's bid to buy Argos, which itself has joined forces with eBay to provide a range of fulfilment services. Once the consolidation of these two vast retail domains is made to work, we can expect a large increase in home delivery of groceries and everything else that people buy, and for the few remaining parcel delivery problems to evaporate.

The proliferation of cheap digital sensors that will soon be built into almost every product, package and service, will still further tilt the balance of spending on either products or services, in favour of services.



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### The circular economic trend

In many respects, the future of products is digitally enabled service. [The circular economic trend](#) whereby we make less and recycle more will lead us away from the disposable era to one in which our possessions are upgraded and repaired and last longer, releasing more cash to be available to spend on a diversifying range of services rather than goods. Many of these services could be consumed in high streets that refocus to service this trend.

*The digital retail economy needs to be refocused from sellers to buyers. In part, this will manifest itself as a new "intention model" as the respected technology writer **Doc Searls** calls it in his book **The Attention Economy**. In this model customers tell markets when they are looking to buy a product or service, enabling sellers to then compete for their business.*

Clearly, the role of high streets will continue to evolve. Only when we have established a completely new business case for forecasting an optimal high street occupier mix will we be able to figure out what future retail space we will or won't need. The general answer will be far less space for selling products and more for services and leisure.

But the balance of this mix for any specific location should be decided through inclusive dialogue between all stakeholders in order to arrive at informed, realistic, practical planning and the recognition of the important facilitating role that place managers can play.

*Informed* is the key word here, and much of the information stakeholders need is currently missing, as we shall discuss later.

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## Shop small: for communities to thrive, small businesses need to thrive

“Independents are a key component of our high streets and this is seen both in the fact they represent a majority (65%) of the units but also the diversity and vibrancy they can bring along with their direct connection to local economies.” Matthew Hopkinson, Director, Local Data Company

“For communities to thrive, small businesses need to thrive, that’s why in 2010 American Express founded Small Business Saturday, a day dedicated to helping small businesses get more customers through their doors on the Saturday after Thanksgiving, the day after the big retail chains host major sales on Black Friday.” This is how American Express (Amex) describes the Small Business Saturday event that it initiated in the US in 2010 in support of efforts to: (1) encourage consumers to shop locally, and (2) increase awareness of the value of locally owned small businesses and the impact of such businesses on the US economy. The following year, Small Business Saturday was adopted by the Senate with unanimous consent, and by 2014, the one-day event attracted an estimated \$14.3bn extra spending with small businesses. In 2015, Amex stopped giving consumers financial inducement – statement credit from \$10 to \$30 – as it had previously done, however, by then the celebration of small businesses had firmly planted itself as the brick-and-mortar, SME sibling between Black Friday and Cyber Monday.

**...the product that you can find and buy in seconds from a distant seller online may be available in your local shop, but this local stock is likely to be undiscoverable online.**

### High streets need much more help

Such promotional programmes – and there are many – are helpful in a tactical sense to breathe life back into struggling high streets. However, recent data from The Local Data Company (LDC) and British Independent Retailers Association (BIRA) shows that much more is needed. UK independent shops are opening at their slowest rate in 7 years as town centres continue to suffer: most of those that did open in 2015 were either e-cigarette shops or American restaurants. Independent retailers account for 65% of shops in Britain's top 500 town centres; the net increase in shop openings in 2015 was just +117 shops (+0.11%).

Michael Weedon, Deputy Chief Executive of the BIRA, commented: "Within the figures we see a powerful rebalancing away from product-based retail towards service providers, leisure operators and convenience operators."

#### How are independent shops faring?

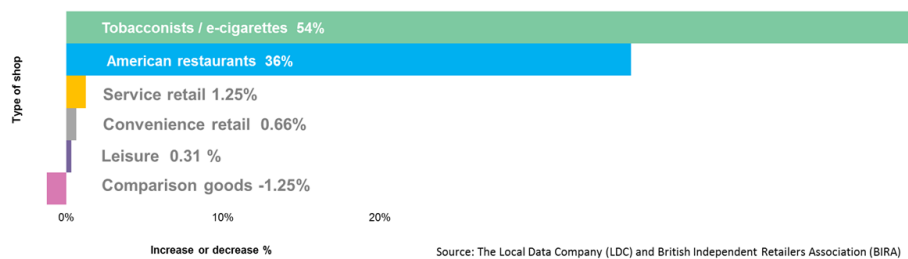


Fig. 8: The Local Data Company (LDC) and British Independent Retailers Association (BIRA)

### Small businesses are disadvantaged

Small businesses in particular are disadvantaged in, if not precluded from, the digital marketplace by their lack of knowledge, skills, tools and poor connectivity. An example of this handicap is that the product that you can find and buy in seconds from a distant seller online may be available in your local shop, but this local stock is likely to be undiscoverable online.

Market forces are not motivated to change this imbalance of power; however individual consumers and society in general may be if people fully understand the implications of their shopping habits and are given viable opportunities to alter outcomes.

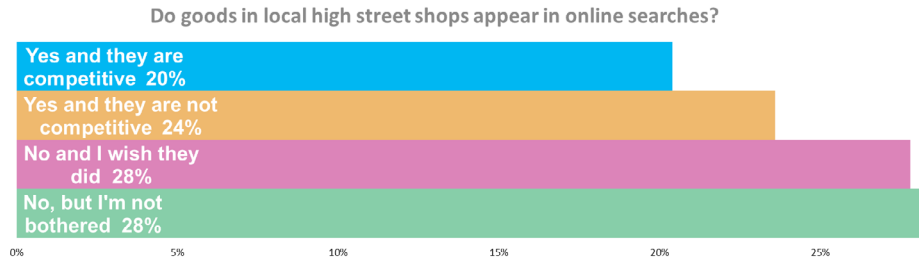


Fig. 9: IMRG survey of 1,000 consumers by www.toluna-group.com, 2016

In our consumer survey, only 20% of respondents thought that local goods which showed up in online searches and were competitive, while over half (52% - Figure 9) believed that they either didn't or if they did were not competitive. The remainder were not bothered either way.

#### People would use high streets if they competed online

Our survey also indicates that people would use high streets more (58% - Figure 10) if they did compete online with other online shops in terms of price and product availability.



Fig. 10: IMRG survey of 1,000 consumers by www.toluna-group.com, 2016

But if nothing is done to enable local goods to become visible and buyable online, no amount of promotion is going to bring back vibrant high streets.

E-retailing is already a huge leap forward for the supply side of our economy, having enabled game-changing innovations in production, supply chain management, marketing, sales and other operational functions. But a similar leap on the demand side – enabling customers to use the marketplace to match their individual needs on their terms – has yet to happen.

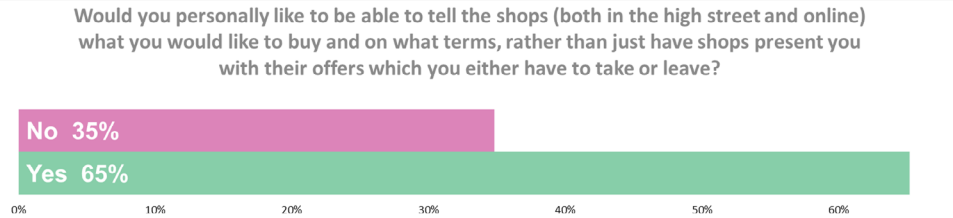


Fig. 11: IMRG survey of 1,000 consumers by [www.toluna-group.com](http://www.toluna-group.com), 2016

### **Shoppers' power, influence and options will increase**

As we have discussed, the coming new paradigm of retail innovation will greatly increase online shoppers' power, influence and options, obliging sellers to be more considerate towards issues that consumers care about. In order to have a meaningful and lasting effect, it will also need to involve place managers and SMEs being able to deliver discoverable, personalised and digitally accessible high streets.

## SMARTPHONE: THE REAL OMNICHANNEL UTILITY

The rise of smartphone shopping continues to amaze, and has profound implications for high streets that enable their effective use. A mobile basket is the REAL omnichannel utility – the mobile basket goes everywhere.

Smartphones are fast becoming the glue that binds the various marketing and retail channels together. This is all the more remarkable because the game-changing iPhone which unlocked the mobile revolution was only launched on 27 June 2007, less than a decade ago.

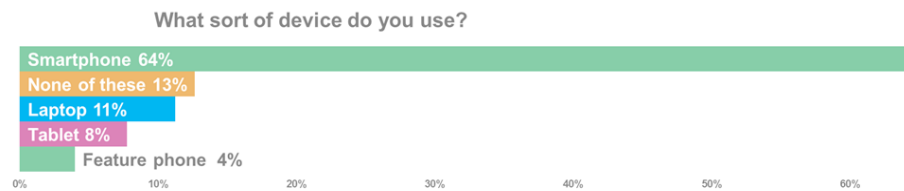


Fig. 12

A digital tipping point was reached at the beginning of 2016 when the majority (51%) of UK online retail sales was made through mobile devices (smartphones and tablets) for the first time, up 10% on the same period a year earlier (Source: [IMRG Capgemini e-Retail Sales Index](#)).

*“Overall, online accounted for 40% of sales [at John Lewis] over the Christmas 2015 period and mobile continued to be our fastest growing channel, with sales from smartphones and tablets up over a third.”*

*Mark Felix, Director Online Trade, John Lewis*

Smartphones accounted for all the year-on-year gains in both traffic and baskets in Q4 2015, according to [The Demandware Shopping Index](#), which measures digital commerce growth based on analysis of the shopping activity of over 400 million shoppers worldwide – more than 1,500 global retail sites run on the Demandware Commerce Cloud.

Smartphones are having a similar impact on orders, as over two-thirds of order growth is through these devices. Overall, 112% and 104% growth from smartphones means that traffic and baskets are receding on other devices.

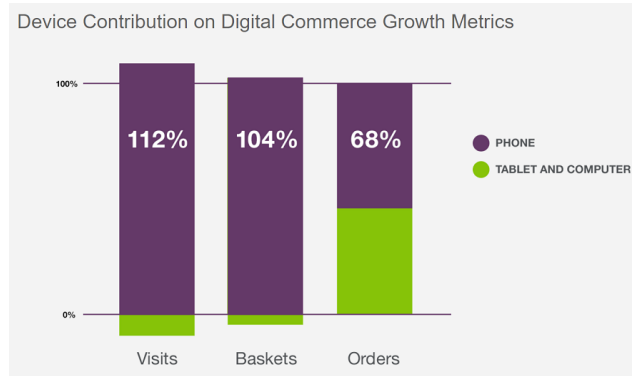


Fig. 13 Source: Demandware Shopping index, Q4 2015

iPhones dominate smartphone shopping, accounting for 61% of traffic and 62% of orders, compared with Google Android’s 39% share of traffic and 38% share of orders.

*The percentage split of total UK online sales between the types of channel for Q4 2015/16 was:*

- Desktop / laptop = 49%
- Tablets = 33%
- Smartphones = 18%

Source: IMRG Capgemini e-Retail Sales Index

Just as work and play separate weekdays from weekends, device preferences are clearly defined by the days of the week, with smartphones leading consistently throughout the day and evening at weekends.

Days of the Week  
Q4 2015

Just as work and play separate weekdays from weekends, our device preferences are clearly defined by the days of the week. While mobile wins the weekend, computers still claim the top shopping spot on weekdays.

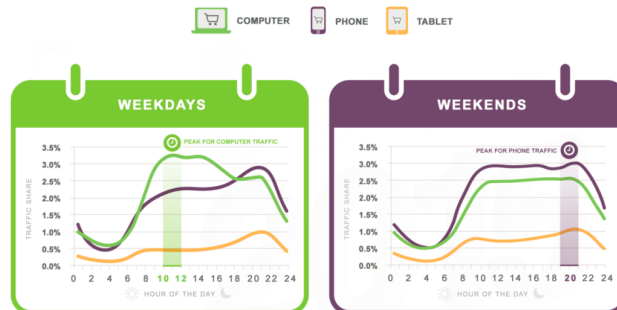


Fig. 14 Source: Demandware Shopping index, Q4 2015

This use of smartphones in shopping will continue to accelerate, boosted by advances in smartphone technology such as voice recognition and payments, which enhance consumers' ability to compare goods and prices wherever they are, including in the high street. The smartphone is the consumer's personal omnichannel utility: their very own shopping trolley in their pocket.

### **Robots go shopping**

Prior to the iPhone's arrival, retailers had just about mastered selling to consumers via their desktop PCs and laptops; then out of the blue mobile arrived and millions of consumers started using smartphones and tablets (the iPad was launched on 3 April 2010) to shop online, obliging traders to replatform their internet capabilities in order to be able to serve screens of different sizes.

*Smartphones are changing the retail landscape more than anything else*

This trend, of retailers having to serve different types of device, will only proliferate with coming explosive growth of the Internet of Things (IoT) as shopping orders arrive from office equipment, home appliances, vehicles, robots and buildings. It is essential for high streets that they are enabled to keep up with continuous change in mobile phone technology.



## REDEFINING RETAIL FOR A DIGITAL EVIDENCE MATRIX

Current definitions of retail are no longer fit for purpose in the digital age, as consumer spending shifts from goods to services. IMRG is working with a variety of stakeholder groups to identify new and more relevant ways of understanding the interrelation of channels and data in the connected omnichannel era, with a view to helping retailers and high streets refocus appropriately.

*Digital technology presents two main problems: firstly, you don't know what you don't know; secondly, what you think you know has probably changed – or soon will.*

'The economy' is a term we use to describe the systems we employ to turn assets into human welfare.

E-retail is clearly affecting the economy, however, we are currently unable to quantify how and to what degree. The significant omnichannel components, interdependencies and effects are not yet identified or measured in the round: there is no holistic digital evidence matrix; there are no comprehensive digital valuation models, or even definitions and terminology. This matters because reliable intelligence is needed to support long-term planning for structural changes. The new digital reality is powering an endless reimagining of

### *Some of e-retail's many ambiguous or confusing terms:*

- *Channel (Online / Off-line / Omnichannel / Multi-Channel / X-Channel)*
- *Purchase (by which channel / channels?)*
  - o *Profit*
  - o *Sale*
  - o *Commission*
  - o *Location*
  - o *Cost of trading*
- *Touchpoint (across channels)*
- *Channel*
  - o *Collection / Delivery / Download*
  - o *B2C, B2B, D2C, C2C*
  - o *X-border*
- *Path (from one interaction to another)*
- *Attribution (of the contribution of one channel to another)*
- *Customer (Consumer / Household)*
- *Platform (PC / Laptop / Tablet / Smartphone / Feature phone)*
- *Return / Refund (is a return still a purchase?)*
- *Showrooming*
- *Lifetime Customer value*
- *Intangible value*
  - o *Times spent*
  - o *Social value to locality*
  - o *Opportunity cost*
  - o *Value to UK*

what is possible, and a constant stream of innovation. Old linear, analogue businesses selling mass produced goods and services in traditional ways to neatly defined market segments are being side-lined by new commercial winners who look at their businesses from the customer's perspective, then create fundamentally different ways of delivering value to individual buyers using digital technology. This results in rapid change that is hard to understand and track.

### Need for new omnichannel metrics

The physical and digital worlds are now so interwoven as to be inseparable, therefore to make sense of the new social and economic landscape we are entering, new omnichannel metrics are required. We need to be able to weigh, balance and contextualise the many interdependent digital opportunities, threats, trends, drivers, factors, issues, barriers, incomes and costs.

Currently, ecommerce reporting is inconsistent, with an assortment of stakeholders reporting different things in dissimilar ways. The term retail traditionally referred to the sale of physical goods, and some e-retail reporting still ignores digital (i.e. virtual) goods and services altogether. Current EU data collection methods produce statistics that are years out of date and based on narrow retail classifications framed in 1948.

### SOME PUBLISHED UK E-RETAIL AND VALUE DEFINITIONS

UK e-Retail 2015	Publisher	Definition
£43bn	<a href="#">Office for National Statistics</a>	Online sales of physical goods
£33.9bn	<a href="#">British Retail Consortium</a>	Online (including mail order and phone) sales of non-food transactions which take place over the internet, or via mail order or phone
£114.9bn	<a href="#">IMRG</a>	Sales of goods and services completed online (including online in-store)
£46.8 bn	<a href="#">Verdict</a>	Physical goods

### Showrooming

Cross-channel shopping and cross-channel *influenced* shopping – whereby, for example, high street purchases are influenced by the internet, and internet purchases are influenced by the high street – is now the norm for millions of people. Yet the contribution of one channel to the trade of another is seldom identified or financially recognised. This negatively affects the commercial case for high street in particular, where its cost of stocking and presenting goods remains, yet its contribution to online sales goes unrewarded.

IMRG measures and reports on every aspect of e-retail that we can, including online sales, mobile sales, home parcel deliveries, retailer rankings and cross-border ecommerce.

To widen the scope of our research, IMRG has initiated an *Omnichannel Retail Data Pathfinder programme*. As part of the scoping of this work, we recently ran a workshop on *Retail, Digital and Place Data* with a group of stakeholders in The Innovation Space at the Department for Business, Innovation & Skills (BIS). This brought together key people to find new ways of understanding and measuring the digital economy with a view to helping high streets refocus appropriately.

The tables below reflect some of the key points raised.

## IMRG E-COMMERCE BENCHMARKS

### WEBSITE PERFORMANCE

Visitor bounce rate  
Basket abandonment  
Checkout abandonment

### CUSTOMER ACQUISITION & RETENTION

Active customer retention rate  
New customers %

### COMMERCIAL

Average selling price per item  
Average order value

### ORDER FULFILMENT

Percentage of total orders cancelled due to fraud  
Percentage of units returned  
Number of items / products per order

### GEOGRAPHICAL SPLIT

Percentage of sales within the UK  
Percentage of sales within the EU  
Percentage of sales rest of world

### MARKETING PERFORMANCE

Pence per Click ROI  
Affiliate ROI  
Online marketing ROI  
All marketing ROI  
Revenue split by marketing method (last click)  
Paid, Affiliate, Email, Natural, Direct, Social, Display, Other  
Visits split by marketing method (last click)  
Paid, Affiliate, Email, Natural, Direct, Social, Display, Other

### ORDERS SPLIT BY MARKETING METHOD (LAST CLICK)

Paid, Affiliate, Email, Natural, Direct, Social, Display, Other

### CHANNEL

Percentage of sales via mobile  
Percentage of visits via mobile  
Percentage of click and collect sales (completed online)  
Percentage of reserve & collect sales (completed in store)

**Table 1 - Omichannel and Digital Data**

**“What we need, why we need it, what we have and what we don’t”**

- 1: What do you need to know about the digital economy
- Generally accepted definitions of the nature, size and growth rate of ecommerce
  - What is being spent, via what channels, when and why
  - Path to purchase, plus:
    - how to value one channel vs another
    - motivations at each touchpoint by category (food / fashion / general merchandise...)
  - Real-time data (plus weather data, sporting events, transport etc.)
  - Identify footfall that has come onto high street as a result of online, and vice versa
  - What influences product prices: online? high street? store type? regions? stock levels?

One of the workshop sessions asked the delegates their views on what aspects are most important: "Priority needs and how to meet them".

*At the workshop we issued a Toluna live survey of high street questions that the delegates came up with in the first session. This attracted over 1,000 consumer responses – see the results [here](#)*

**Table 2 - Omichannel and Digital Data – PRIORITY NEEDS**

**"What information/data do you want/need that you don't have or can't find?"**

- Total retail market valuation (including services & goods)
- E-retail market valuation (including services & goods)
- Sector valuations and market shares of both total retail and online sales
- Dwell-time in places / spaces / locations
- Touchpoints: – small shop / big shop. Motivation data: – the why and the type
- Understanding the why behind changing consumer behaviours
- What would influence consumers online to go to the store / high street?
- Catchment areas (and consumer data) for individual high streets
- Connecting search to purchase
- Parking info in real time online / app
- C2C data (platforms etc.)
- Influencers (social media etc.)
- Price / range information – convenience / experience

**Retail performance indicators**

Before internet shopping arrived, the primary retail performance indicator was '£s per square foot'. Today, companies and CFOs are crying out to understand channel attribution and qualify the shift in marketing spend from offline to online. However, arriving at a digital equivalent in today's multichannel world is complicated by the fact that the shopper's journey towards a purchase may involve so many different physical and digital touchpoints; the introduction of smartphones into the mix amplifies the problem by increasing the number and nature of shopping interactions. Each touchpoint has a cost and a value contribution to each sale, but currently no standardised formula exists for calculating this.

A first step in addressing the quantification issue is the development of a lexicon of vocabulary, common terms and definitions around the digital topics of retailing and ecommerce. Terminology is usually coined by industry practitioners. However, as consumer behaviour is so important within the digital mix, it is essential to be able to conduct research with the public using language they understand. Consumers do not think in terms of going omnichannel shopping, or differentiate between physical and digital stuff they buy in the way that industry does.

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## RECOMMENDATIONS

Four core elements are needed to optimise digital effects and enable discoverable, personalised and digitally accessible places:

### a) GOAL: Agree what good high streets should look like and do

- **SWOT Analysis:** Describe the nature and scale of the digital threat and opportunity for a representative selection of locations – competitiveness, skills/jobs, revenues, infrastructure...
- **Ambitions:** Identify the ambitions of and issues faced by stakeholders, for example, policy decisions on high street issues, logistics planning or mobile commerce standards...
- **Visualise** the UK and its typical places when optimum digital integration has been achieved – (jobs, opportunities, trade, lifestyle, health, global image...)
- **Trade:** Define how the UK's high streets could operate as a collective online marketplace (to make their goods and services discoverable online)

### b) PLAN: Stake-holder inclusive, informed discussion and planning

- **Marketplace:** Specify a national collective online marketplace of high streets – a holistic framework of elements and their interdependencies
- Develop a nesting set of detailed action plans for a representative selection of locations (a prerequisite for this is unambiguous terminology for omnichannel and its interconnected constituent parts)
- Estimate the resources, timescale and approach needed to achieve a range of outcomes

### c) METRICS: A holistic digital value matrix to measure dynamics

- **Digital High Street Data Panel:** Establish a Panel comprised of relevant experts to guide measurement and monitoring
- **Standards:** Define new ecommerce measurement standards based on consumer spending (not just traditional goods and services) to enable consistent comparisons
- **Digital Evidence Matrix:** Develop a digital evidence matrix as a mechanism for managing (collecting, analysing and reporting) multiple and complex data flows and interdependencies to inform decision making, together with boilerplate equations for a representative selection of places: this must be unbiased, trusted, affordable and credible
- **Value Model:** Create a 'digital high street value model' to benchmark behaviour and performance: e.g. footfall influencers, smart device usage, showrooming, social media interactions, changes in leisure activities

- 
- **Online 'Digital Readiness' Calculator:** Create an online calculator tool to engage, inform and empower stakeholders. The Calculator would lead users through a process to assess their own high street and model the effect of investment options. As well as leading users through an informative "digital leader's thought process", the tool should collect data, highlight problem areas, generate a list of Frequently Asked Questions, and over time inform a national 'heat map' of high street digital readiness

**d) PROJECT: Action to deliver digitally remastered high streets**

- **Digital Hub:** Create a High Street Digital Hub as a resource to agree standards and disseminate knowledge, best practice, tools and skills training
- **Boxed Solutions:** Provide a suite of Plug & Play 'solutions in a box' that empower SMEs and citizens with digital knowledge, standards, tools and skills
- **Marketplace:** Invite tenders for an online marketplace of high streets
- **Connectivity:** Decent, affordable broadband in the high street should become a universal right

The Future Retail Working Group is coordinating efforts to reimagine retail and deliver the digitally remastered UK high street. If you would like to participate in these discussions, we would be interested to hear from you.

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