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ONLINE RETAILING: PART 2 OF 4

Ready, steady, go – getting e-commerce ready

FOR years, retailers have heard the same message: Get online because everybody else is.

Our message today is more about having a plan and evaluating how you can make your investment into e-commerce work for your business once you've decided to take the plunge. We all know the opportunity is pretty compelling—serve your existing community in different ways, expand your opportunities across the country, even (given where our dollar sits today) sell internationally. And, unlike in the past, it's never been easier, at least from a technology perspective, for an independent retailer to get online and start selling. To help you get there, this issue of ShopIntelligence™ offers practical tips and advice to become e-commerce ready and grow your business.

Getting technical

Jennifer Grimm, Owner of LUX Beauty Boutique, opened her first web store in the early days of the internet. She invested in custom-designed software but found competing with multinational online sellers impossible. Back then the entire process of getting online and setting up an e-store seemed complicated and burdensome.

Today, however, the technology that's available to help get you online and selling is straightforward and plentiful. Where it may have struggled in the past, LUX is now reaping the rewards of e-commerce.

"We live in such a great time of off-the-cloud software that selling is made really easy," says Grimm.

She explains that she's continually upgrading her online store to serve her customers. She's found efficiencies in integrating her online store, which runs on Shopify's platform, with her POS software.

Shopify is one of a handful of companies that help independent retailers get online and make selling easier. Many of them offer unified platforms that in-



Silk Road Tea's online store, silkroadteastore.com, allows it to reach a broadening pool of tea-lovers. But it's the unexpected benefits that Cubelic says are most rewarding.

"Having a presence online is far more important and powerful a tool than many small independent retailers might understand," she explains. "It creates a virtuous circle for you, driving traffic to the retail store, and the retail store drives traffic online. It ensures that you're always connected and engaged with your customer."

clude tools to manage inventory and order fulfillment and to track sales growth and trends so you can run your online business more effectively and efficiently.

Daniela Cubelic, Owner of Silk Road Tea, has invested in a good inventory management system. Silk Road has a single integrated inventory management system that allows her to look at inventory across the company.

For independents looking to start small, low tech solutions are everywhere. To avoid out-of-stock situations, retailers can create two inventories, one in



Image courtesy of LUX

Pro Tips for e-commerce

Hook customers with subscriptions

LUX Beauty Boutique found success in selling subscriptions. The program, called 4 Seasons of LUX, invites customers to fill out a detailed questionnaire about their beauty needs and product preferences. Every three months, the store sends customers a beautifully wrapped box filled with full-size products designed to get the customer through the upcoming season. The subscription helps LUX know their customers better, and it keeps customers in a state of anticipation. Also worth noting: the price. LUX charges \$100 every three months. Grimm says the program has been a huge success.

Learn from leaders

Cubelic encourages retailers to research competitors. "Try to find the best-in-class business that is doing something similar to you and ask, what are they doing to make it successful? What makes you go, Holy Toledo?" Integrate what those stores do well into your operations. Make it work for you. Cubelic says she saw success when she took a cue from other online sellers and started offering free and flat rate shipping. "Sales went up," she says.

Treat online expenses as marketing expenses

Your online presence should be viewed as a marketing expense, says Grimm, adding that online selling hasn't changed much over the years. Customers visit a store site to research product, learn about the store, and price hunt. That's why she earmarks every dollar she spends online as a marketing expense—because her site markets her store to the world.

Take it in stages

Just as your physical store took a while to develop, so too will your online store. Grimm recommends that retailers take a staggered approach to their website and roll out the store in stages. Start with something simple and add functionality over time. RCC's LeBlanc adds that independent retailers who are looking for an expanded market of customers should investigate online marketplaces. "They're no longer just places to buy collectible PEZ dispensers," he says. "They are vibrant marketplaces where the vast majority of goods sold are at 'fixed price' and retailers can sell to a huge community of shoppers in Canada and around the world."

"Setting up a website is not a question of how I can make more sales. Serving customers better naturally leads to more sales—trying to sell won't get you closer to what you want. What does the customer want?"

*— DANIELA CUBELIC
Silk Road Tea*

the back for online sales and one on the floor for in-store sales. Or, you may choose to pick product off the retail shelf as soon as an online order arrives. Be careful though—on a busy Saturday you might end up out of stock and then wind up taking an order from your online store that you can't fulfil.

Cubelic offers another approach to merchandising your online site; her online store (silkroadteastore.com) offers a smaller selection of products than her brick-and-mortar store. Rather than put everything online, she identifies products that are easiest to ship and sells those products online.

"You have to find a way to make it good for you," she says. "What makes the most sense to sell online? What makes your offering unique?"

Whatever the solution, technology is less an impediment to online selling than ever before.

Building a plan

Retailers looking to launch an online store should approach the opportunity as if they are opening another bricks & mortar store, says Michael LeBlanc, Senior Vice-President at Retail Council of Canada (RCC).

"The tech is the easy part now," he says. What's more difficult is finding the time to invest. Your new store will need staffing, warehouse (or store) space, a thoughtful merchandise assortment, and plans for fulfilling orders, taking returns and answering questions from new and potential customers.

"You might find returns are higher online—they can be as high as 40 per cent in categories like apparel until your new customers figure out your assortment and sizing," says LeBlanc. "You'll need to think through your reverse logistics, refund policies, even who pays for return shipping."

The new online store will also need an integrated marketing plan, utilizing your existing marketing tactics (e.g. store signage, email marketing) social media and even online marketplaces such as eBay to reach well beyond your community and current customer base.

Another important question, not entirely different from your physical store: How will the online store distinguish itself from the competition? Cubelic says a huge opportunity exists for independents, like her, that produce and sell their own products. If the product can only be found in one place—your store—and customers want it, they'll gladly shop online at your store to get it.

Focus on the customer

Although it's true that e-commerce is proving to be a powerful sales channel for independent retailers, Cubelic says that you shouldn't forget to keep the customer at the centre of your planning to understand exactly how e-commerce can be used to serve your customers better.

"Setting up a website is not a question of how I can make more sales," she says. "Serving customers better naturally leads to more sales—trying to sell won't get you closer to what you want."

Serving your customers online may mean selling products, or it may mean delivering product information, lending expertise to online discussions, making recommendations, and more.

"What does the customer want?" asks Cubelic.

Whatever your customer wants, e-commerce can be a great way to meet their needs while enhancing your offering to them. And because it's now easier than ever to do this, there are fewer reasons not to take a good careful look at the online retail opportunity.

Look out for Part 3 of our *ShopIntelligence™* series when we take a look at the ways you can use social media to help drive traffic to your web store and raise awareness of your brand.

Your Business Is At Risk! Help Us Defend Against Unfair Advantages

A group of foreign online vendors, couriers, and mailing houses want to make it easier for them to ship product into Canada at lower cost and take business away from retailers in Canada. Currently, shipments into Canada costing less than \$20 are not subject to tax or duty. Online vendors want to see that threshold (called the de minimis level) raised to \$200, a move that would place Canadian retailers at a severe disadvantage to foreign competitors.

RCC's Karl Littler says that such a change would create an

incentive for Canadians to shop anywhere but Canada. Not only would the change give online U.S. sellers a double digit tax advantage over most Canadian retailers, but the Federal Government would lose the ability to tax \$80-billion worth of goods.

Canadian independents would take the brunt of the hit, since clothing, books, toys, sporting goods, consumer electronics, and housewares can ship for under the \$200 threshold.

"There is no policy rationale to encourage Canadians to shop out-

side Canada," says Littler, "and no reason to spark a huge behavioural shift to shop anywhere but home."

Littler says RCC met with government ministers responsible for the portfolio, started a letter writing campaign, and is conducting research into the changes.

"It's all hands on deck," says Littler. "We need to avert something we know could be incredibly dangerous to independents."

Independents who want to contribute to the fight can join RCC's letter writing campaign at RetailCouncil.org/levelplayingfield.

Exclusive Canadian e-commerce Benchmarks now available

RETAIL Council of Canada recently partnered with Forrester to conduct our second annual survey of retailers in Canada about their e-commerce business and key initiatives for 2016.

With strong representation from small retailers, this members-only report provides important key operating metrics and benchmarks such as order conversion rates, average order values and operating costs. In addition, there are metrics that help merchants understand where their fellow retailers are investing to help drive their online business, as well as information about the various tactics supporting their growth.

For example, when asked which interactive marketing tactics retailers are investing in for 2016, email to their house list led the way, with 57% of those surveyed stating that they are spending more on this tactic than they did in 2015. This was followed by the remarketing of shoppers in online ads at 55% and Facebook coming in at 53%.

That being said, when asked to rank their top three most effective sources used to acquire customers, 59% stated paid search engine marketing, with organic traffic coming in at 50% and remarketing with online ads at 20%.

RCC members can access the full version of this important report online at RetailCouncil.org in the research section of our website.

Taking the Politics Out of Minimum Wage

WITH so many provinces considering changes to their minimum wages, Retail Council of Canada has been lobbying for a national approach that ties minimum wage increases to Canada's Consumer Price Index (CPI). Jim Cormier, RCC's Director of Atlantic Canada, says using CPI as a gauge for increases to the minimum wage will depoliticize increases and make changes transparent and easy to plan for.

"Increases to the minimum wage makes for good politics, but not for good economics, and they don't always help the lowest income earners," he says.

Cormier does point out some positive news. RCC has been lobbying provincial governments across the country for some time in efforts to convince them that using CPI as a gauge to inform increases in minimum wage is the best approach.

Three of 13 provincial and territorial governments already in some way tie their minimum wage to CPI.

"A harmonized approach may not be too far out of reach for retailers," says Cormier. "And the association will continue to champion this issue for the industry. Independent retailers are so important to the communities that they serve, and we want to make sure that we do everything that we can to support them."



Wrapping Up Holiday Preparations

IN TIME for the Holiday shopping season, RCC and NEBS present Bags & Bows, a one-stop source for retail packing and wrapping. The Holiday Collection includes bags, bows, and packaging designed to delight your customers and enhance their gift giving presentation. And because the packaging can be tailored to an individual store, retailers are sure to have a unique holiday look that customers can carry far and wide.

As a member you're eligible to receive a 15 per cent off exclusive member only rate. Visit RetailCouncil.com/RCCAdvantage for more information, or call 1-800-461-7572.



Mabel's Fables: A cultural landmark

IN a midsummer drizzle, two women hurry to bring display tables inside Mabel's Fables, an independent children's book retailer. Outside, the sky is grey and the drizzle stops as soon as it starts. Inside the store, the air is cool, the walls are bright with colour. Shelves burst with bookmarks, bags, journals, and books—hundreds of books laid out like doorways to hundreds of worlds. On the windowsill sleeps the store's mascot: a cat named Mabel the Third.

The two-storey store has brightened Toronto's Mount Pleasant Road since September 6, 1988, when owner Eleanor LeFave, ready to return to work after having her first child, took a chance and opened her own store. Since opening her store, LeFave says she and her staff have worked hard to cultivate a selection of a few hundred high quality books—"the creamiest of the cream"—so that parents can "spend their money well."

It's an important and necessary job they do. Each year, between 8,000 and 10,000 new children's and young adult books are released. The market has always produced more books than readers will want, but it's only since the advent of the internet that readers have realized just how many titles are available.

"Retailers have always known how much stuff is out there," says LeFave. "Now customers know."

Publishers, writers, and mass merchants also need independent bookstores, as much as, or even more, than readers do. According to LeFave, independent bookstores like Mabel's Fables are the lynchpin in a dynamic literary landscape. They are "the farm team" of the publishing world. "We're the ones who try out product, test new authors, the first quality control," she says. "Mass merchants know we are the true market testers. We find the good stuff."

We might never have had Harry Potter had independents like LeFave not taken a chance on that first neglected little book of an unknown author named J.K. Rowling.

But the vital gatekeeping services that independent booksellers provide is constantly at risk from larger competitors that push bestsellers. LeFave believes that they've been threatening the retail bookselling ecosystem for some time now by diverting sales away from local establishments like hers. The end result, at least in bookselling, could be the loss of independent bookselling and the watering down of publishing.

However, Mabel's Fables, like many other independent bookstores, also see opportunity where there might be significant challenges. Her store has always been a big part of the community she serves. It's also a place where people visit to spend time and linger and to learn about new titles and



"Our store is a culture. We offer something different, something you won't find in too many other stores. It's an experience just to visit and spend time in an independent bookstore."

*– ELEANOR LEFAVE,
Mabel's Fables*

old ones, too. And this, LeFave believes, means that booksellers have the opportunity to engage more with their customers and to become an integral part of their shopping experience.

For instance, LeFave and her staff see themselves as reading consultants whose job is to help customers spend money better. "It's better than guessing," she says.

The store is also involved in school sales and school book fairs—a vital service because "not that many school librarians have time to find books teachers need to teach."

Independent booksellers help create a community for the customers they serve, and they support—and help to create—the culture of neighbourhoods where they operate. They are a passionate group of people who serve an important role. And they're most often proud of their contribution and commitment to their customers.

"Our store is a culture," says LeFave. "We offer something different, something you won't find in too many other stores. It's an experience just to visit and spend time in an independent bookstore."

**Not a member of Retail Council of Canada? Questions about your membership?
Call 1-888-373-8245 or email membership@retailcouncil.org.**