

White Paper



Harnessing the Power of Web 2.0 in Online Retail Part II: An Implementation Roadmap for Retailers

Ashish Jain and Jai Ganesh

Abstract

Traditional retailers with a growing online presence as well as pure-play online retailers are all coping with similar challenges in the face of competitive pressures: the need to differentiate themselves, expand reach to the consumer, improve conversion, and sustain customer loyalty.

This paper is the second of two parts. In [Part I](#) we had highlighted how emerging Web principles like Web 2.0 can make a significant difference in some of these areas¹.

This paper (Part II) provides insights into an implementation roadmap for the Web 2.0 principles and technologies that retailers can choose.

¹ See: "Harnessing the Power of Web 2.0 in Online Retail: Part I", Ashish Jain and Jai Ganesh, Infosys Limited, April 2007.

Retailers fare poorly on embracing Web 2.0

In *Part I* of this two part series, Infosys had highlighted the fact that most retailers have a long way to go to embrace Web 2.0 principles. An Infosys study based on website analysis of the top 100 retailers spread across North America, Europe and Asia reveals that a large percentage of retailers have not embraced Web 2.0 principles and technologies. Figure 1, below, explores the adoption of certain key attributes across the three principal categories – Content, Collaboration and Commerce. *Appendix A* explains these three categories in greater detail.

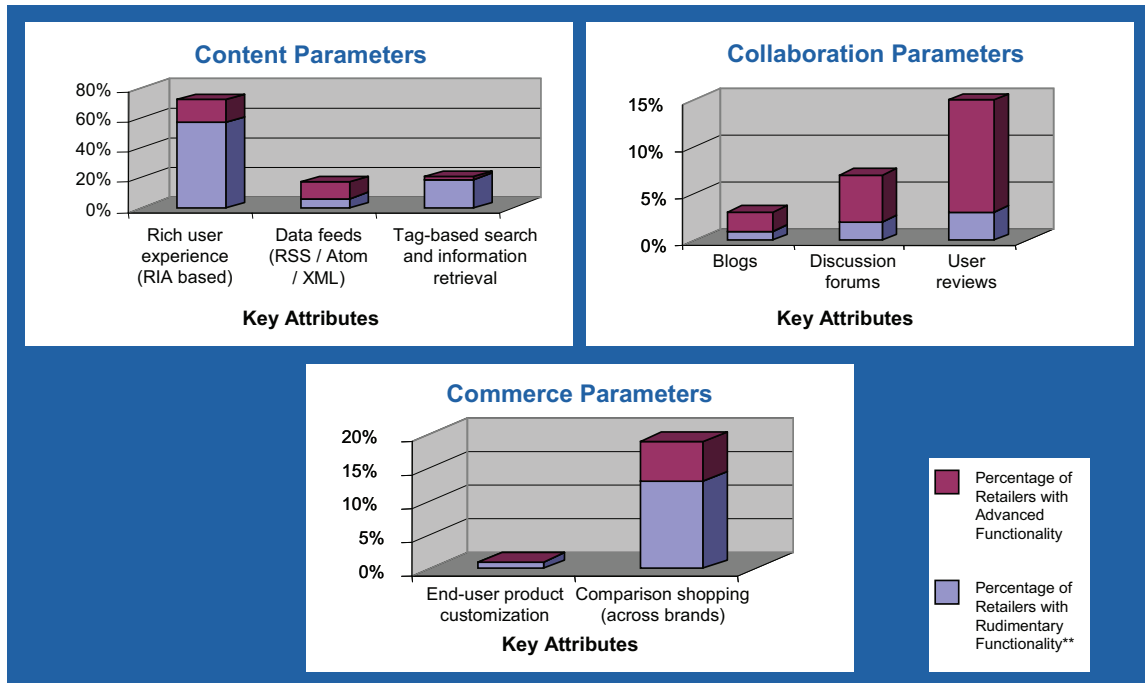


Figure 1: Adoption of Web 2.0 functionality

** An example of rudimentary and advanced functionality- A retailer having RSS feeds for company news or corporate announcements (financial results, analyst calls etc.) is classified as one having rudimentary RSS functionality. A retailer offering RSS feeds on store details (new store openings, store specific promotions etc.), product category level details (product promotions etc.) or RSS feeds at a very granular level (Item level feeds or even SKU level feeds) is classified as one having advanced functionality.

(Source: Infosys Research)

A Web 2.0 implementation roadmap for Retailers

Retailers need to consider technology, business and design elements (see Table 1) while embracing Web 2.0 principles as it departs from some of the conventional business as well as technological approaches. They need to follow a well defined and time bound roadmap for identifying the Web 2.0 principles and technologies that they wish to implement.

A Retailer also needs to clearly identify the operational challenges that it foresees in this space. Issues such as website usability post the implementation of Rich Internet Applications (RIA), monitoring and managing communities, analytics of unstructured content etc. need to be planned for. Enterprises then need to list the expected business benefits and relate the same to the Web 2.0 principles and technologies that facilitate these business benefits. The business benefits aspired to by retailers can be broadly classified into four categories namely expanding reach, differentiating user experience on website, improving conversion rates and sustaining consumer loyalty. Table 1 summarizes the broad business benefits of Web 2.0 principles and technologies.

Web 2.0 principles and technologies	Primary business elements				Sample business benefits
	Expanding reach	Differentiating consumer experience	Improving conversion rate	Sustaining consumer loyalty	
RIA (Rich Internet Applications) based on technologies like AJAX and Flex		√	√		Presenting product information like product image, description usage, drag and drop, rich catalogs E.g. American Eagle, Sears, Best Buy Nike
RSS (Really Simple Syndication) feeds	√				Pull driven marketing, communicating product launch, promotions, category specific promotions, store openings E.g. Tigerdirect, Beauty.com, CDiscount
Podcasts/Vodcasts	√	√			Communicating product features, usage, comparison E.g. Tigerdirect, BestBuy, Creative
Mashups		√			Presenting information about multiple products on one page (to avoid multiple clicks), single page checkout, store locator, track shipment information related to 3rd party carriers etc. E.g. Medicine Shoppe
Customer peer-to-peer network, collective intelligence (blogs, wikis, discussion forums, user reviews)		√	√	√	Build communities around products/ consumer segments E.g. Benetton, Catherines, Jo Ann Stores, Amazon
End-user product customization			√	√	Involving end users in generating ideas for new products or services/ customizing existing products or services E.g. Zazzle
Live agent chat			√		High involvement products warrant a live agent chat. E.g. Nordstrom, QVC, Neiman Marcus, Dell
VOIP-based support			√		High involvement products warrant VOIP based support. E.g. Sears

Table 1: Web 2.0 business benefits
(Source: Infosys Research)

Once the business benefits are clearly established and categorized, a retailer needs to choose appropriate means to realize these business benefits.

Infosys suggests that retailer takes a phased approach to implementation (Figure 2) based on the desired business benefits.

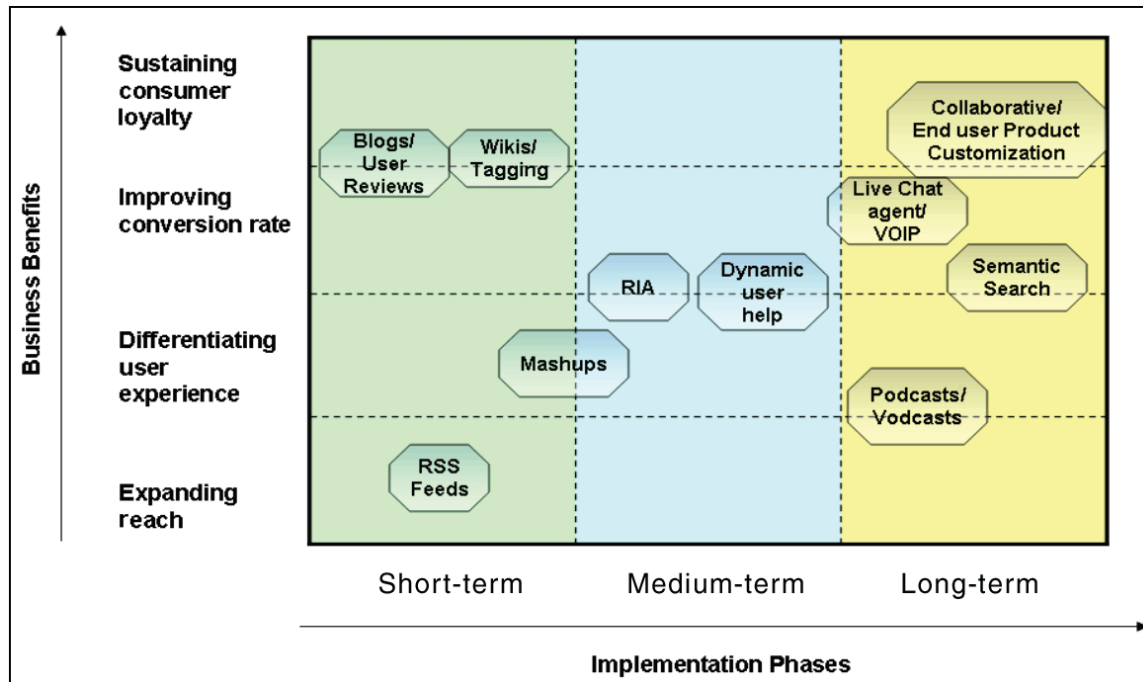


Figure 2: Web 2.0 Implementation Roadmap

A Web 2.0 implementation can be split into three phase:

- Short-term implementation - Web 2.0 principles and technologies that can be adopted in less than 3 months
- Medium-term implantation - Web 2.0 principles and technologies that can be adopted in 3 to 6 months
- Long-term implementation - Web 2.0 principles and technologies that take more than 6 months for adoption

Web 2.0 features have been classified into above phases based on the technological maturity that a feature has achieved, the investment required and how quickly a retailer can assess success in terms of measurable return on investments.

Short-term implementation

An enterprises embarking on the Web 2.0 journey should start with easier to implement features such as Blogs, Wikis, Reviews RSS feeds and Mashups. These features have achieved technological maturity and involve low investment. Moreover they can provide quick success in terms of measurable return on investments. In this phase retailers should strive to generate network effects by attracting and building a community of users. The focus should be to keep developing compelling content to attract and retain a community of users. Along with relevance to end consumers, some of these features like blogs can also be targeted at internal employees Retailers can also start parallel activities in terms of experimenting with RIAs built using AJAX, Adobe Flex etc during this phase.

Medium-term implementation

In this phase retailers can start developing and launching RIA based features such as drag and drop, dynamic shopping cart updation, mashup based store locator functionalities etc.

Long-term implementation

The third phase involves a closer interaction with the customers and community of users such as collaborative product customization/creation etc. Podcasts and videos of products and services or user contributed podcasts or videos of product usage scenarios could be introduced in this phase. Live agent chat and VoIP-based support are useful functionalities to be considered during this phase. Search powered by semantics can be built from the rich library of tags and keywords contributed by the community. This is a very important feature at this stage. All these features might be more difficult to understand and implement, have not achieved technological maturity and the business benefits cannot be very clearly quantified.

Conclusion

Infosys believes that to successfully implement Web 2.0, it is important for a retailer to identify the appropriate Web 2.0 technologies, tools, frameworks, and principles that it wants to embrace. The choice must be based on each retailer's specific needs to create and sustain competitive advantage in the face of increasing competition from conventional competitors such as traditional as well as online retailers but also new and emerging community driven online retail models. With more and more consumers being exposed to Web 2.0 everyday through other websites following these principles, embracing Web 2.0 will become a necessity for retailers, having an online presence, in times to come. Those who make the choice earlier are likely to reap the early mover advantage and reap benefits by differentiating user experience, increasing reach to consumer, maximizing conversion, and sustaining consumer loyalty.

Web 2.0 for Online Retail is a part of Infosys' Multi-Channel Commerce solution suite, which supports all aspects of retailers' ecommerce needs from in-house development and SaaS-based hosting and basic ecommerce functionalities to end-to-end Web 2.0 implementation and support.

About the Authors

Ashish Jain is a Consultant in the Retail & CPG Practice with Infosys Ltd. He has seven years' experience in areas spanning CPG and the retail value chain. He is a member of the Retail Multi-Channel Commerce Solution team within Infosys. He has a Management degree from the Management Development Institute, Gurgaon, India.

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The authors blog on Web 2.0 at <http://www.infosysblogs.com/web2>. The authors can also be reached at retail&cp@infosys.com.

Appendix A - Adoption of Web 2.0 functionality

Web 2.0 Parameters	Percentage of Retailers where functionality exists	
	Rudimentary Functionality	Advanced Functionality
Content Parameters		
Rich user experience (RIA based) functionality such as drag and drop etc.	57%	15%
Dynamic user help	4.6%	3.7%
Data feeds (RSS) (RSS/Atom/XML)	6%	11%
Pod casts / Vodcasts (product usage, experience)		
Podcasts	2%	4%
Videocasts	3%	6%
Tag based search and information retrieval	19%	2%
Search results linked to end user rankings	0%	0%
Rich content visualizations	1%	0%
End user content customizations	0%	0%
Aggregation mechanisms (mashups)	0%	1%
Collaboration Parameters		
Customer peer-to-peer network		
Blog	1%	2%
Wiki	0%	2%
Discussion forum	2%	5%
Chat	0%	0%
Collective intelligence		
User reviews	3%	12%
Tagging	0%	3%
Bookmark sharing	0%	0%
End-user content uploads (photos, content etc.)	0%	2%
Collaborative product customizations	0%	1%
Commerce Parameters		
End-user product customization	1%	0%
Comparison shopping (across enterprises)	0%	1%
Customer to customer commerce	0%	1%
Comparison shopping (across brands)	13%	6%
Comparison shopping (end-user recommendations)	3%	2%
Contextual shopping help (Live agent chat)	0%	8%
Voice based shopping help (VoIP)	1%	1%



For more information, contact askus@infosys.com

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