ANALYSIS

We accompany Schuh to Tel Aviv as the footwear retailer meets start-ups for potential partnerships to advance its website upgrade. **Grace Bowden** reports

Heading to Silicon Wadi with Schuh

Yotpo was one of the start-ups grilled by Schuh

Schuh was once sceptical about the power of online, but now it is leading the innovation charge by teaming up with tech experts in Tel Aviv. The footwear retailer's managing director Colin Temple and ecommerce director Sean McKee visited the UK Israel Tech Hub earlier this month, accompanied by members of the IT and web editorial team, as well as *Retail Week*.

The mission? To partner with Israeli start-ups to help Schuh's website upgrade in October and improve online conversion rates. But the retailer is adamant it must get a return on investment. "A return on investment has to be an actual return on investment," says McKee. "We have got to pay amount X and get benefit Y; that will ultimately be the measure of success."

Mobile dilemma

Schuh may have been an early adopter of online retail, but Temple was at first dubious of its potential. He now admits to being surprised by the channel's success.

"We went online back in 2001, so that I could prove you cannot sell shoes online," he laughs. However, sell shoes it did. Online now comprises 18% of Schuh's total sales.

Mobile accounts for 41% of its online sales and 59% of its traffic – a number that is expected to rise to 65% this year.

This presents an issue for the footwear retailer, as mobile shoppers are driving more than half its online traffic but less than half its sales.

McKee says: "We have a very mobile customer and they require more traffic to deliver the same conversion rates, which are typically subdued relative to desktop conversion rates.

"So, fundamentally, we need more traffic to deliver the same [sales] – and with the traffic we get, because it's mobile, [the website] needs to be continually optimised."

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In order to increase customer engagement and drive sales online, Schuh's website is undergoing a redesign, which will be unveiled in October.

"We've selected high-impact areas of our website that we're going to redesign in the light of behavioural data," says McKee.

"We've been measuring that customer interaction with the site over the past 12 months and have a very clear sense of wanting to re-present the product page in particular. The people we're speaking to this week, almost without exception, are relevant to that project."

Pitches and proposals

Schuh met with 15 start-ups in three days, whittled down by McKee from 37 candidates based on their relevance to Schuh's business proposition and priorities.

It was a first meeting with Schuh for 11 of the start-ups, which took part in a 30-minute 'speed-date' meet-and-greet, during which they pitched their ideas before being grilled by Temple, McKee and the rest of the team.

A common theme across the start-ups was user-generated marketing. Firms including Yotpo and Feelter harnessed technology that integrated online product reviews, tweets and Instagram posts into a retailer's product pages to give a sense of authenticity to the online shopping experience.

Automated web content, which could be altered based on factors including season and price in real time, was also of interest to the footwear retailer, whether that be written content from Phrasetech or promotional videos from Treepodia.

Fitfully's technology allows shoppers to turn their smartphone into a mobile scanning device and take a video of their foot, which the start-up's technology will use to get its exact dimensions. Customers can then use the saved scan of their foot to shop for shoes they know will fit.

While the technologies on offer were diverse, there was a clear focus for Schuh and the problem it was trying to solve.

"The themes have been generation and use of content, how to syndicate and make use of what's already out there and how to proactively produce the right kind of content for our website, whether that be the content we produce or that which our customer produces," says McKee.

This was the second trip to Tel Aviv for Schuh. McKee went last year and found success; on the back of the trip Schuh struck up a partnership with social intelligence platform Klear.

"We are a business where local is important – we have branches and geographies that perform differently. What Klear says it can offer is much better insight into social influence at a local level," says McKee. "What we want from it is actionable insight that our marketing and PR teams can utilise at a local level to increase our social influence and reach."

Israel: tech pioneer

The UK Israel Tech Hub was set up four and a half years ago following David Cameron's proposal that the two countries should collaborate on technology and innovation to drive economic growth. Since then, the hub has facilitated more than 80 partnerships between Israeli start-ups and UK businesses, a quarter of which have been retail partnerships with UK businesses including Shop Direct and Asos.

Director of UK Israel Tech Hub Naomi Krieger Carmy says: "Retailers recognise that commerce is shifting to the web and mobile, and they want the best solutions possible to deal with the rise of ecommerce and m-commerce."

She adds that, of the sectors the tech hub works with, retail is in a unique position to implement and benefit from new technologies quickly.

"One of the great things about the retail industry is that we can really measure the impact in the short term," says Krieger Carmy.

"With retail, you put it on the website tomorrow, check the conversion rate in a month and you can say how much it's contributed to the bottom line."

The challenges facing Schuh are not unique. For the retailers that have visited the hub – which have included Tesco, Marks & Spencer, John Lewis and Zalando – adapting to the rise of online retail is a common concern.

Israel currently has more than 5,000 technology start-ups, the vast majority of which are located in the capital Tel Aviv among its 8 million-strong population. It has the second-highest concentration of start-ups per capita in the world – second only to Silicon Valley. What is it about this area that makes it such a hotbed for innovation?

Krieger Carmy attributes the density of start-ups to the lack of industry and natural resources in Israel, the transferable technology skills between military and civilian professions and the country's wider culture.

"As a nation we are quite informal, direct and happy to take a risk. These can be problematic qualities in some situations, but for entrepreneurship it's a very good mix," she adds.

Tension in daily life is also cited as a motivation for creativity by start-up Aspectiva's chief technology officer and co-founder Eyal Hurwitz. "Living under constant stress helps you think about things you never would have otherwise," he explains.

According to content marketing start-up Yotpo's chief executive Tomer Targin, the political and social climate in Israel plays a significant factor in its start-up culture. "The day-to-day reality in Israel is extreme, from the army to our [geographical] neighbours, right through to our driving," says Targin.

"When you combine that daily reality with a very good education system and military training, it creates an intersection of risk-takers who are technologically savvy, which is a unique combination."

This intersection of skills clearly appealed to Schuh. From the 15 start-ups it met, Schuh identified four it wants to work with to conduct tests on its website before the redesign.

"If those tests prove the concept, then you've got a serious conversation about commercial terms and getting that technology out to a wider group of customers," says ecommerce director Sean McKee. But he cautions that return on investment is the retailer's top priority.

"There are the intangible benefits, such as the thinking space and operational benefits, and there's the very tangible and essential return delivered on spend, which has got to be the core objective," McKee adds.

However, Temple stresses that forming new retail partnerships, while important, is not the only value that working with the UK Israel Tech Hub offers.

"As a retailer, we're a bit too big to be small and too small to be big, so engaging in a bit of blue-sky thinking helps to differentiate us from our competitors and ensure we are leading-edge rather than bleeding-edge," he says.

For a retailer that's trying to drive innovation without sacrificing profit, a visit to Tel Aviv can offer a mix of insight and inspiration that is hard to find anywhere else.

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> **Naomi Krieger Carmy, UK Israel Tech Hub**