

Retail Innovation

May 2020



Post COVID retail

- Covid will change the face of retail as we knew it, new norms, new behaviours, same retail challenges
- Increase in transactional on-line purchases
- Reduction in footfall and dwell time
- Apprehension with interaction
- A need for trust and emotional connection to brands
- Social distancing / innovation
- Retail will have to change and innovate

We saw seven archetypes of retailers; only five, maybe four, were likely to survive

The legacy laggards



- Making incremental improvements
- Often hitting targets by closing less productive doors, monetizing real estate and cutting costs
- Likely to be liquidated or bought out in next 10 years

The exciting but unsustainable innovators



- Exciting business models that delight customers
- Rapidly growing and garnering headlines
- Unclear path to profitability
- Likely to be acquired before reaching scale

Local gems



- Leaders in a small markets that have supreme levels of customer intimacy and advocacy
- Often excel at in-store experience, local service and community relations
- Highly susceptible to orthogonal disruption

The hitchhikers



- Often differentiated on design and product innovation rather than broader retail capabilities
- Borrowing scale from larger players

The value contenders



- Low cost models with savings passed to customers
- High velocity inventory
- Steady growth, primarily through new store openings
- Risk over-saturation and lower profitability

Scale fighters

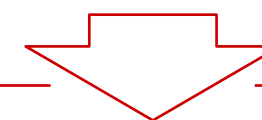


- Threshold scale
- Reasonable path to transforming their business models
- Maintaining and building new defensible assets and capabilities

Ecosystem players



- Raising customer expectations
- Broadening platforms
- Capturing greater share of retail and adjacent market profit pools



Key question is how does the COVID crisis accelerate the New Future of Retail?

6 retail consumer trends might be accelerated & magnified by the crisis and lead to extreme sub-segmentations

1 FUTURE OF RETAIL – CONSUMER TRENDS

CONSUMER EXPECTATIONS

Price polarization & flight to Value



- Income disparity gap will be widened and magnified
- Consumers (even wealthy) will be more price sensitive

Reset assortment, and pricing & promotion strategies; explore value-oriented retail formats

Changing consumption models



- Shift to responsible consumption & spending on the home and DIY
- Move towards models of usage vs ownership
- Decrease in need for choice breadth

Shift assortment and marketing strategies towards home; reduce range complexity; explore alternative usage models

Rise of nationalism



- Growth in local brands through a shift away from global brands
- Pressure to become more 'local' in assortment and operations

Rethink assortment and the entire supply chain

SHOPPER BEHAVIOURS

Explosion of everything digital



- Acceleration in online channels and digital content, not only products
- Increase in social media engagement and marketing

Accelerate Omnichannel and digital capabilities; steal share from online natives if done fast & right

Accelerated demand for ultra-convenience



- Higher bar on convenience including time-saving solutions, added services, guaranteed accessibility, faster delivery times, and personalized offers

Accelerate addition of all things convenience to the value proposition

Adapted in-store experiences



- Re-defined in-store experience, opting for safer (e.g. contactless, fast) options in the near term

Reimagine role of store and consumer experiences; reinvent inspiration, browsing and try-on for online channels

6 imperatives are emerging for Retailers in the post-crisis new “Normal”

2 FUTURE OF RETAIL – INDUSTRY SHIFTS

Re-invent your consumer value proposition



- Leverage your data and advanced analytics to re-segment and deeply understand the needs of core consumers
- Determine implications on product and service propositions, pricing, promotions, etc.
- Invent distinctive experiences

Revisit your asset base & make online profitable



- Ensure your digital channel is actually profitable and accretive to the bottom line
- Re-shape, re-size, and re-purpose your asset base, e.g. DCs, store formats and layouts, online fulfillment points

Shred complexity in anything and everything



- Zero-base the entire cost structure
- Redesign to keep complexity out while building flexibility and resilience into operations and the supply chain

Accelerate participation in open ecosystems



- Evaluate how to add more value to offerings (e.g., services, community)
- Leverage your own assets (e.g., data)...
- ...and identify critical partners (across various sectors) to access new capabilities, virtual scale and/or new profit pools

Crystalize the new pace of innovation & decision-making



- Reduce complexity in your operating model to allow for faster decision-making
- Embed agility into the way of working to transform for the new ‘normal’

Be your own activist



- Use an activist mindset to begin tackling bold moves
- Evaluate re-setting the overall portfolio (acquisitions / divestitures) or alternative ownership models

What is innovation?

“You can’t solve a problem on the same level that it was created, you have to rise above it to the next level”

Albert Einstein

“Innovation is seeing what everybody has seen and thinking what nobody has thought”

Dr Albert, Szent-Gyorgyi

“If you want something new, you have to stop doing something old”

Peter F Drucker

“Learning and innovation go hand in hand. The arrogance of success is to think what you did yesterday will be sufficient for tomorrow”

William Pollard

“There’s a better way to do it - find it”

Thomas A. Edison

Innovation isn't what you do: it's who you are

There is only one way to enhance the rate of innovation within your company: making it part of everything you do. Innovation is not an initiative in which you invest. It's not a priority, or a goal you set for the year. It needs to be part of your cultural fabric, part of everyone's job.

You cannot innovate by making it the job of a small innovation group. It only happens by giving power and confidence to your entire organisation - every level and every department - to come up with a better way to do things. Despite everything you read about companies like Google, the vast majority of big breakthroughs don't come from chasing moonshots, they are the cumulative output of a culture that value little improvements every day and by everyone.

Be daring

- Encourage and embrace individual contribution
- Facilitate active initiatives
- Give the foot soldiers a BIG voice
- Plumb the blockages
- Recognise and reward success
- Tolerate and learn from failure
- Innovation can be incremental

Innovate for a reason



The common objective of innovation is:

- **It has to solve a problem.** What needs to be fixed, what needs improving, where are the gaps in the shopper journey, what could we do differently, what are our frustrations? **(It could be the best idea ever but if people don't need it or want it then it's useless).**
- The wheel, the motor car, the aeroplane, all assisted in evolving human needs and solving multiple problems of transporting goods and services to a far wider market.

Sinclair C5 failed because it never solved any problems. It's battery was too weak to motor it up steep hills or to travel any great distance, it's design and safety facilitated it more dangerous than a motorbike, and you looked pretty funny in it too!

Innovate to simplify

Once you're certain it solves a problem, there are two things to achieve (either independently or both together)

If your idea doesn't do one of these things = don't progress it

Simplify

Remove friction from the customer journey, reduce pain points, make people's lives easier.

- Holiday Inn – Express check out
- Disney – Fast pass queueing system
- Nike – Contactless payment
- Nike – Virtual shop assistant



Innovate to resonate

Once you're certain it solves a problem, there are two things to achieve (either independently or both together)

If your idea doesn't do one of these things = don't progress it

Surprise and delight

The WOW moment, the one you're awed by, the one you will remember, the unexpected

- Lego AI
- Lego mosaic
- Disneyworld wrist bands
- Epcot test track

Lego augmented reality kiosks

Introducing self exploratory ar into the shopper journey gives shoppers an image of the final completed set, prior to purchase unassisted, convenient and easy everyone buys lego... parents, grandparents, children, siblings...Optional / for millennials, not necessarily silvers. Theatrical and visual. Handles objections, aids conversion clear role to play.



Lego mosaic

Purchase your very own, one of a kind, personalised Lego mosaic portrait.

The machine captures your image and in under 10 minutes, you will receive printed instructions and the bricks required to complete the LEGO portrait of yourself / friend. Novel / personalised / iconic / fun / re-introduction to Lego.

Free poster/ 3D printed emoji when you upgrade.

https://www.youtube.com/watch?v=Ih1DU_c-0ZY



Epcot Centre test track

- Immersive, interactive ride, where the queue becomes the biggest part of the ride.
- Design a sports car as you progress through the queue. Load the finished car to your Disney Wristband.
- Upload your sportscar to the actual ride when you board.
- High speed thrill ride testing your sports car against family and friends.
- Personalised, rewarding, thrilling.



Disney wristbands

Every element of your experience, personalised, automated and controlled by a wristband including:

- Park tickets / admission
- Hotel room key
- Fast pass bookings
- Store purchases
- Restaurants / bars

Disney now are almost totally paperless. Takes seconds to book / control / amend / pay / personalise.



We expect **more**

In 2019, experience is key. Today's shoppers place high importance on the shopping experience as **64%** of customers claim that "the experience a company provides is as important as its products or services."

Stressing the experience further, **65%** of customers have "cut ties with a brand over a single poor customer service experience," and **57%** of customers "have stopped buying from a company because a competitor provided a better experience."

- In the current climate, a standard retail experience is not enough
- People want and expect more
- We want to feel valued in every single shopper journey we make
- We want an emotional connection
- We want you to know us personally enough to understand what we need but not too much that it scares us

Insight led

Use science

1. Heat sensing cameras
2. Interactive digital touch points
3. Quant and qual research
4. Net promoter scores
5. Infrared footfall data
6. Epos data
7. Facial analytic data
8. Industry data

Test and trial

Start slow, to run fast. Data is king. Learn to mitigate risk and vastly increase the probability of success.

Thoughts on this from Jim Collins...

A successful blend of innovation and discipline principle comes from adopting the principle of bullets before cannonballs. If you are in a sea battle with another ship with limited gun powder you have two choices: you can take all the gunpowder and use it to fire one big cannon ball, but if it misses its target you are finished; or alternatively, you can use a portion of the gunpowder to fire off a bullet. If you miss, you can then adjust and modify your position so the next bullet hits your target.

Once you see an impact, you can then use all your remaining firepower and shoot a cannon ball, destroying your target.

Be brave

- Don't be afraid to try something new, to push boundaries
- Be pioneers for thinking differently
- Take calculated risks
- That's the beauty of testing on a smaller scale

It's ok to fail,
just fail quickly and
learn from it

Thomas J. Watson, Sr., who founded IBM, understood this deeply when he said:
“So, go ahead and make mistakes. Make all you can, because that's where you will find success: on the far side of failure.”

Some of the best innovations
have been born from failure
Celebrate productive mistakes

Viagra case study; the sildenafil compound was originally developed by Pfizer for the treatment of hypertension (high blood pressure) and angina pectoris (chest pain due to heart disease). During the heart clinical trials, researchers discovered that the drug was more effective at inducing erections than treating angina.

Work at **pace**

Review the insight gathered

What is the pain you cure with your solution? How did people react?

Adapt the innovation

Make changes based on feedback and re-trial

Discard the idea

Agree to take learnings and move on

Roll out

Roll out to a larger footprint for maximum impact

Summary

- Innovation should be part of the DNA of your business
- Agree on what it means to you
- Be brave and prepared to fail
- Use insight to identify a problem
- Create a solution to simplify or surprise and delight
- Test and trial
- Interpret the findings - adapt, roll out, discard
- Continually evaluate

The PLB approach and **why it works**

Able

Over 80 years of senior retail design, experiential, innovation and global shopper expertise

Agile

Small, dynamic and flexible. Bespoke solutions.
Effective scale up protocol

Agnostic

Work with all third parties and stakeholders, compliment existing relationships, manage preferred sub-contractors.
Technology sourcing

Accessible

Service-centric, quick and efficient consultancy, effective project management, always available

Achieve

Exemplary track record, award winning, strategic-thinking delivery experts

Thank You

