



NOVEMBER 2017

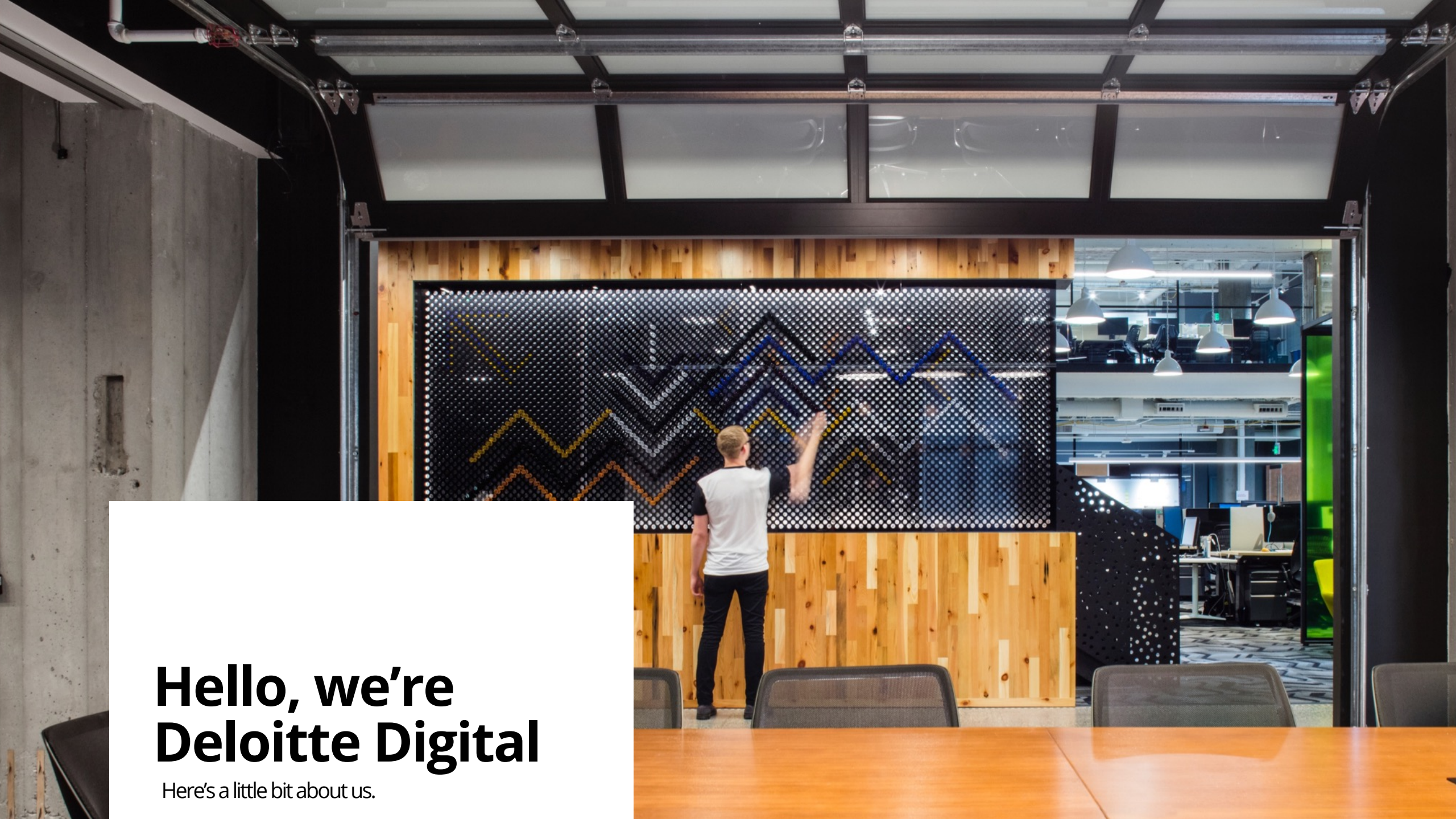
# Future of Retail & Travel

Prepared by: Bevin McArthur, Partner & Deloitte Digital Mexico Leader

@LatinCustoms







# Hello, we're Deloitte Digital

Here's a little bit about us.

# Deloitte Digital

———— WE ARE A ————  
creative digital consultancy.

———— WE BELIEVE ————  
everything is branding.

———— WE ————  
imagine, deliver, and  
run the future.





# A new model for a new age

## THE CREATIVE DIGITAL CONSULTANCY

By packaging the power of Deloitte, we're transforming the digital journey in ways an agency or traditional consultancy cannot.

A creative digital consultancy combines:

- Strategy, Innovation & Design
- Creative
- Technology & Operations
- Change
- Insights from Data
- Agile, Fast, Ambitious

Now leaders across client organizations can come to one place to have their ambitions brought to life.



**Look forward,  
explore broadly**

**Agile operations to  
create business impact**

**We imagine, deliver, and run the future.**

**Iterative concept refinement,  
prototyping, and planning**

Successfully evolving is the difference between failing or flourishing in the digital age, and our foundational philosophy to digital transformation underpins all of our client service.

An underwater scene with sunlight rays filtering through the water, creating a serene and ethereal atmosphere. The water is a deep teal color, and the light rays are bright and clear, creating a sense of depth and tranquility.

# Digital is an era.

A STEPPING STONE IN THE EXPONENTIAL EVOLUTION OF TECHNOLOGY

# The 8 great traits of a digital business.

**1**

## **Think Exponential**

Set bold goals to achieve factors of 10X impact. Defeat incrementalism within your organization. Allow failure.

**2**

## **Create Agile Execution**

Learn to develop and try ideas in short iterative sprints with empowered teams. Treat digital initiatives like R&D.

**3**

## **Acquire Capabilities to Catalyst the Culture**

Acquire and hire edge teams to bring design thinking, mobile, digital, creative, and disruptive ideas.

**4**

## **Protect The People**

Ring fence digital teams from layers of bureaucracy, policies or other compromises not found in a start-up culture.

**5**

## **Customer First**

Don't compromise on the customer experience. Make customer value and delighting the customer the #1 priority.

**6**

## **New Ideas To Solve Old Industry Issues**

Look for new ideas to solve old industry issues and customer problems. Don't be blinded by the status quo.

**7**

## **Design Thinking**

Design is the new differentiator in digital. Diverse teams led by design thinking will create an amazing impact.

**8**

## **Focus On Value**

Don't get distracted by all the digital shiny objects. Focus on revenue, key metrics and follow the money.



**To survive in this new world,  
businesses must learn to see things  
differently, do things differently,  
and deliver things differently.**

IT IS THAT **SIMPLE**. BUT IT'S NOT EASY.

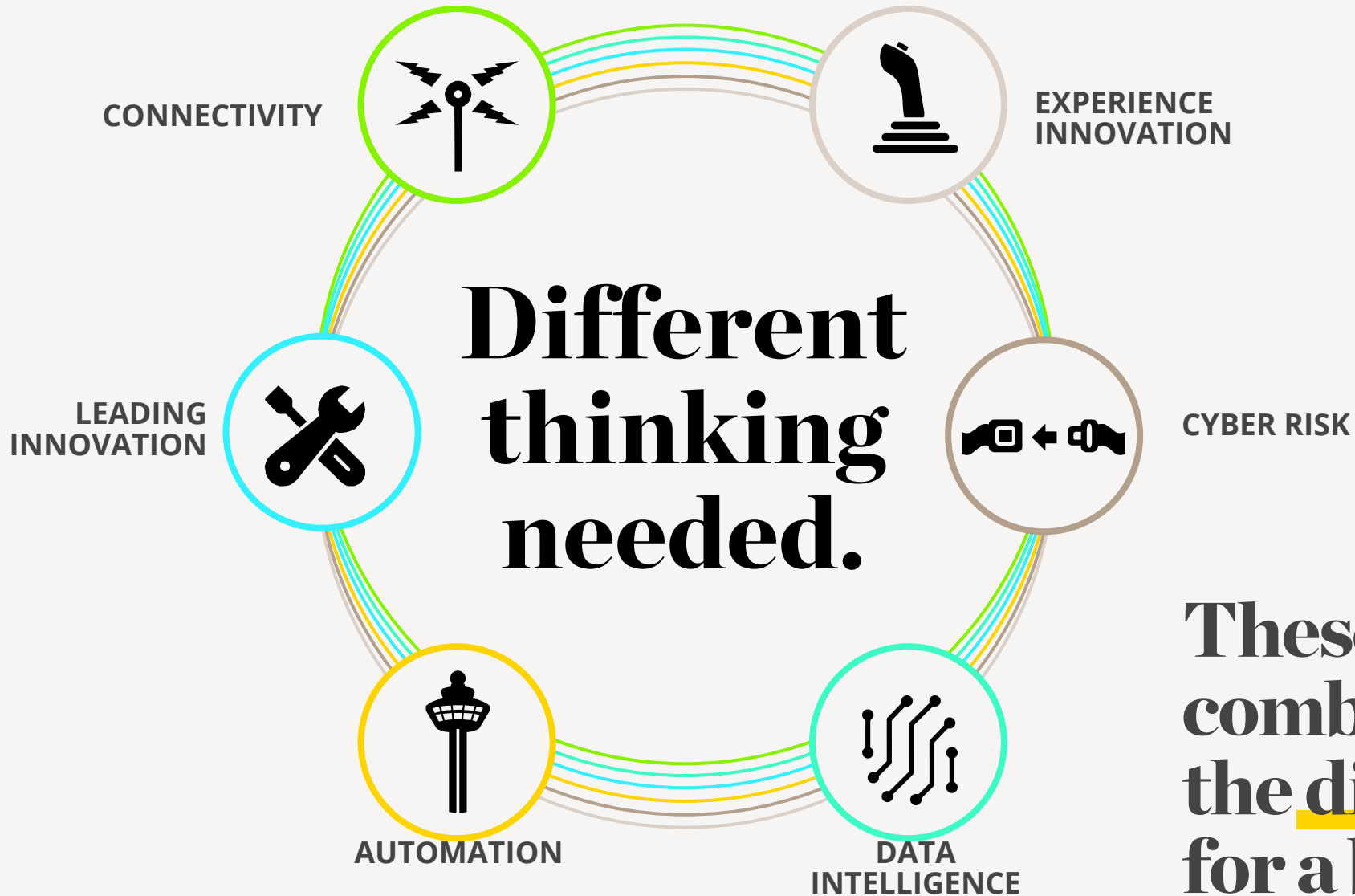
# How do we get there?

THINKING DIFFERENTLY

SEEING DIFFERENTLY

DOING DIFFERENTLY



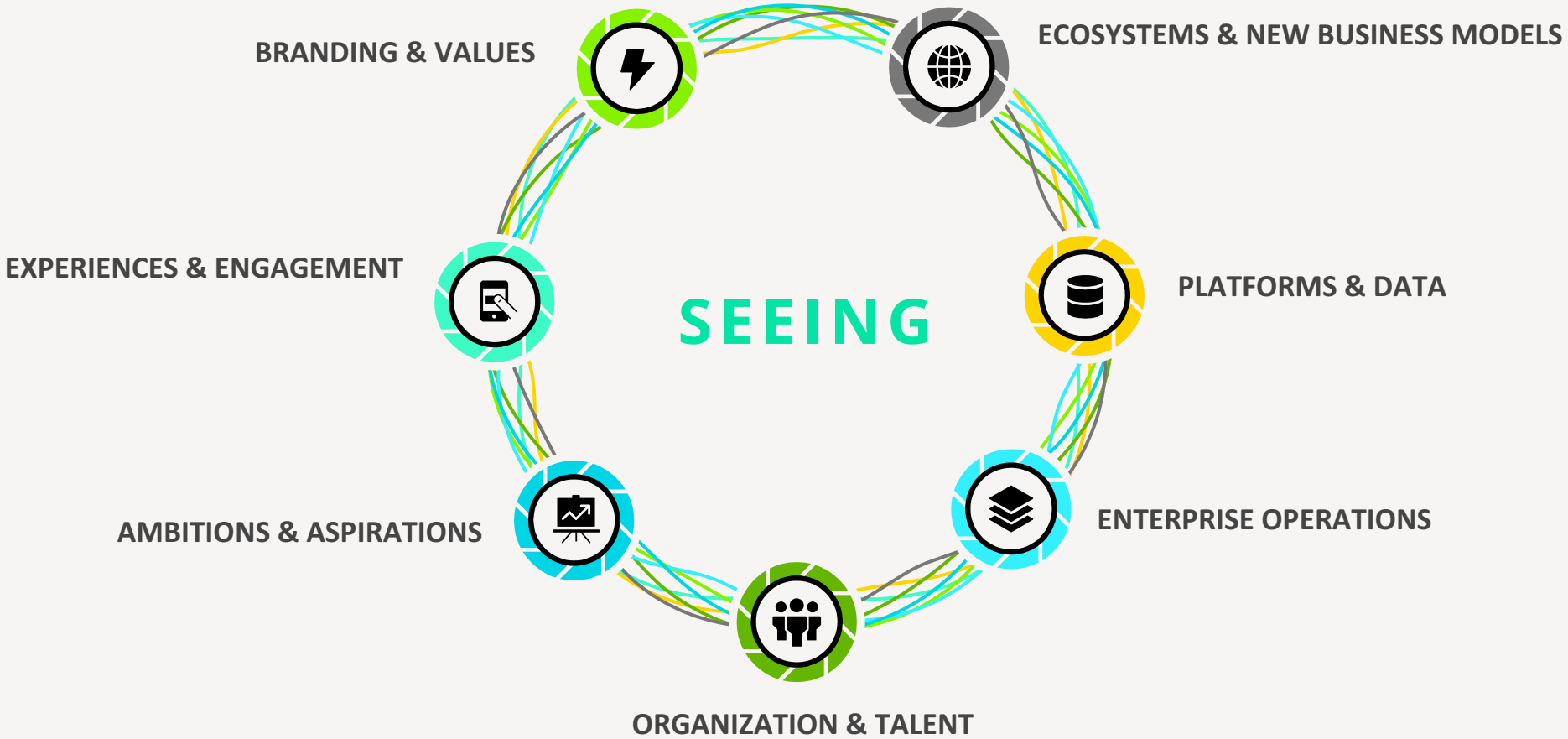


**These six, when combined, deliver the digital advantage for a business.**



# We see a business from multiple perspectives.

THE BUSINESS PILLARS.

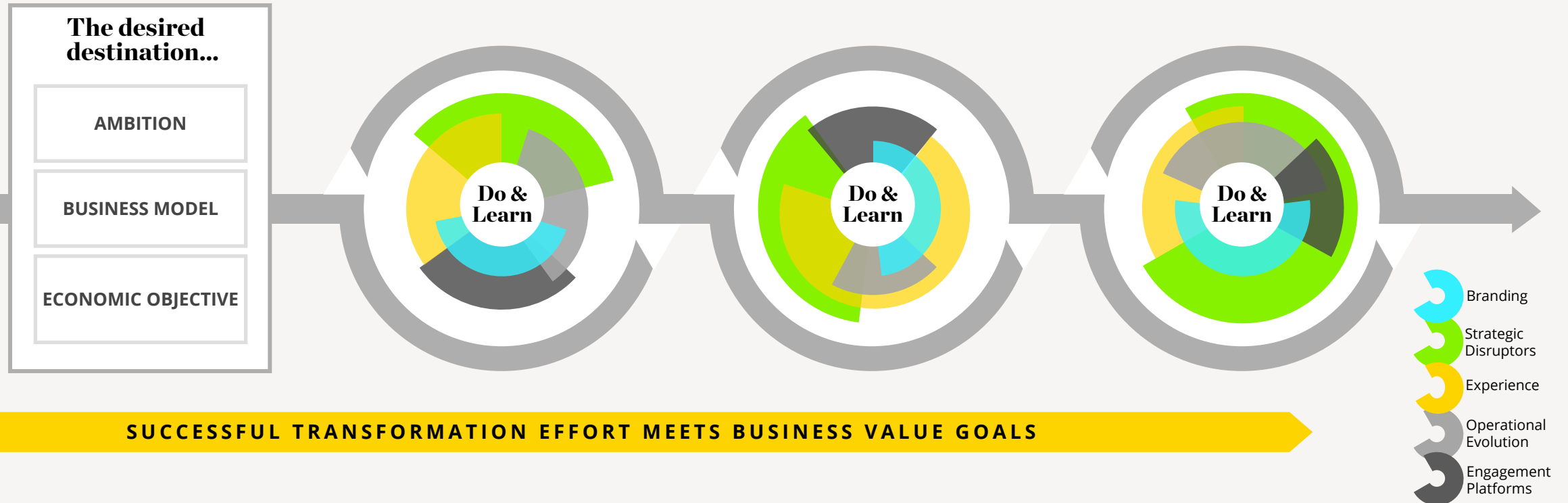


TRANSFORM IT

# Digital Agility is...

...how **Deloitte Digital** approaches imagining, delivering, and running digital transformations, backed by extensive resources that support any digital client ambition.

...Drives the transformational effort



# Everything is branding.

WHEN YOU UNDERSTAND THAT EVERYTHING IS BRANDING,  
EVERYTHING FALLS INTO PLACE:

The people who matter

**Customers**

The idea behind the brand

**Inspires everything**

Data

**Informs everything**

Technology

**Enables everything**

Creativity

**Fuels everything**







If you're a retailer, inventory  
management is branding.

So is the loyalty program, longform video  
and mobile app design. **Everything.**





If you're a hotel chain,  
thread count is branding.

So is hold music, reservation systems,  
and realtime content. **Everything.**



# Everything is branding



**Customer,  
Platform &  
Data Solution**



**Demonstrate  
Branding**

Show Vibes, ambitions and  
business model through the  
experience?



**Have a  
Competitive  
Customer  
Experience?**



**Linked in Core  
Operations**

Can we turn-on even greater  
value?

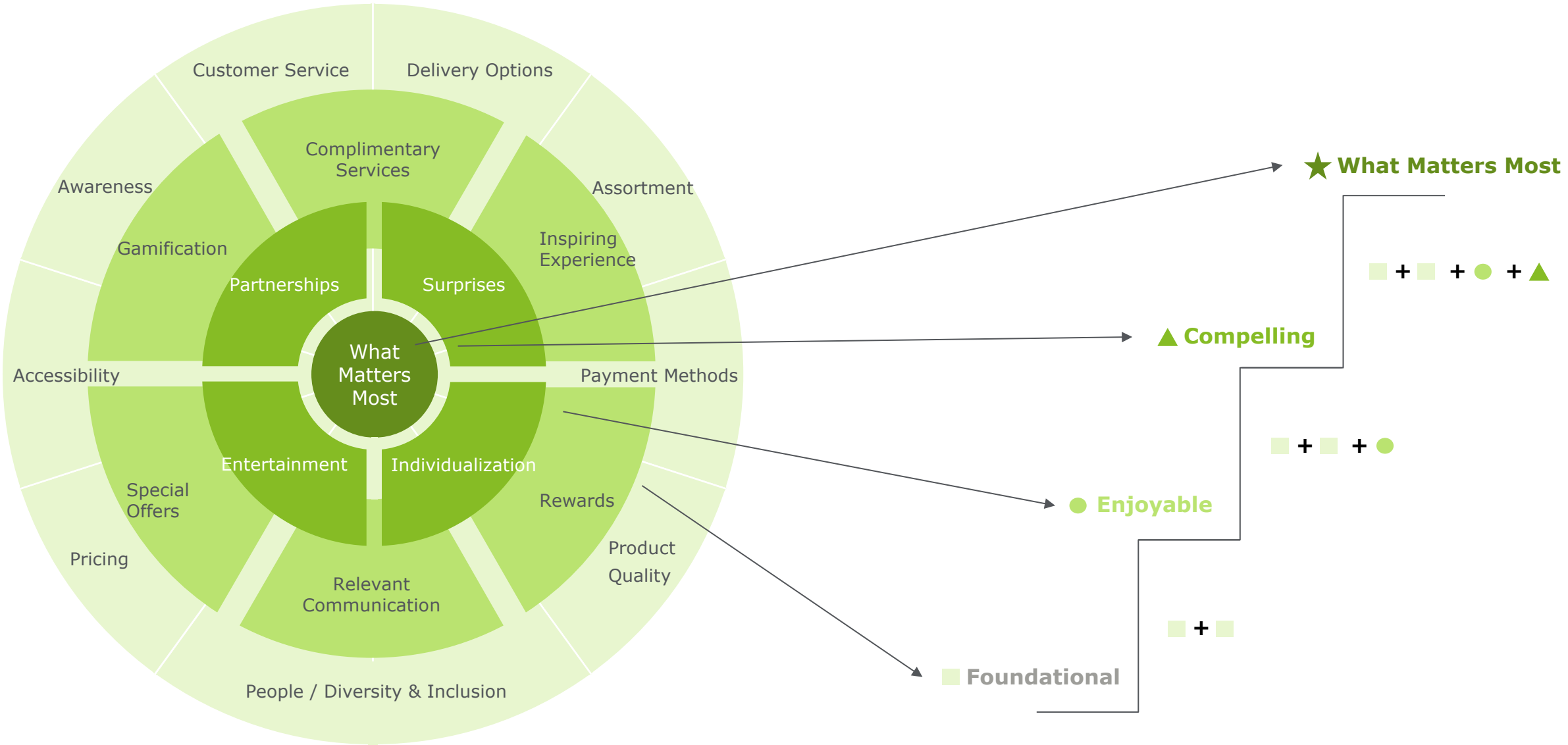


**Ambition &  
Business Model**

Is my business model  
ambitious enough?  
Are my investments  
transformational enough?

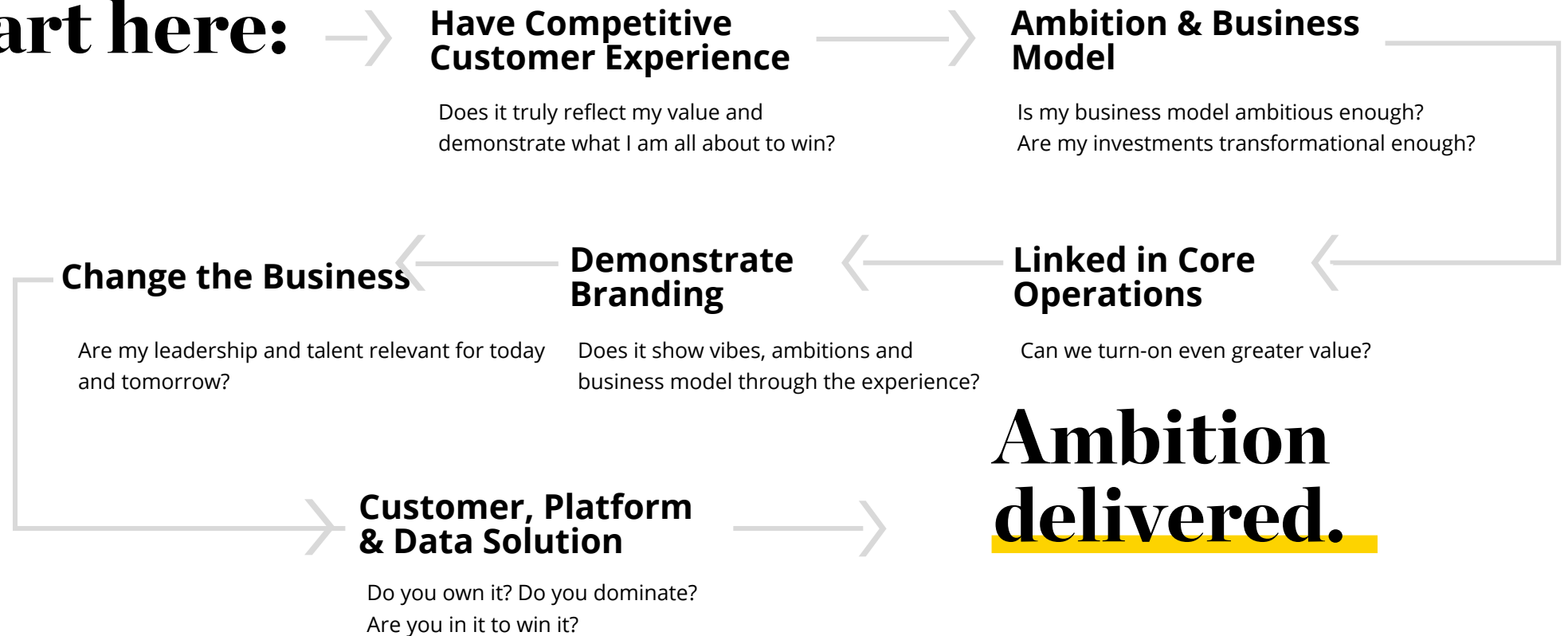
**A M B I T I O N   D E L I V E R E D**

# Brand rapport creates an agile customer experience through the deployment of hyper-personalized, individually relevant tactics



# Ultimately, we define and deliver your ambition.

**Start here:**

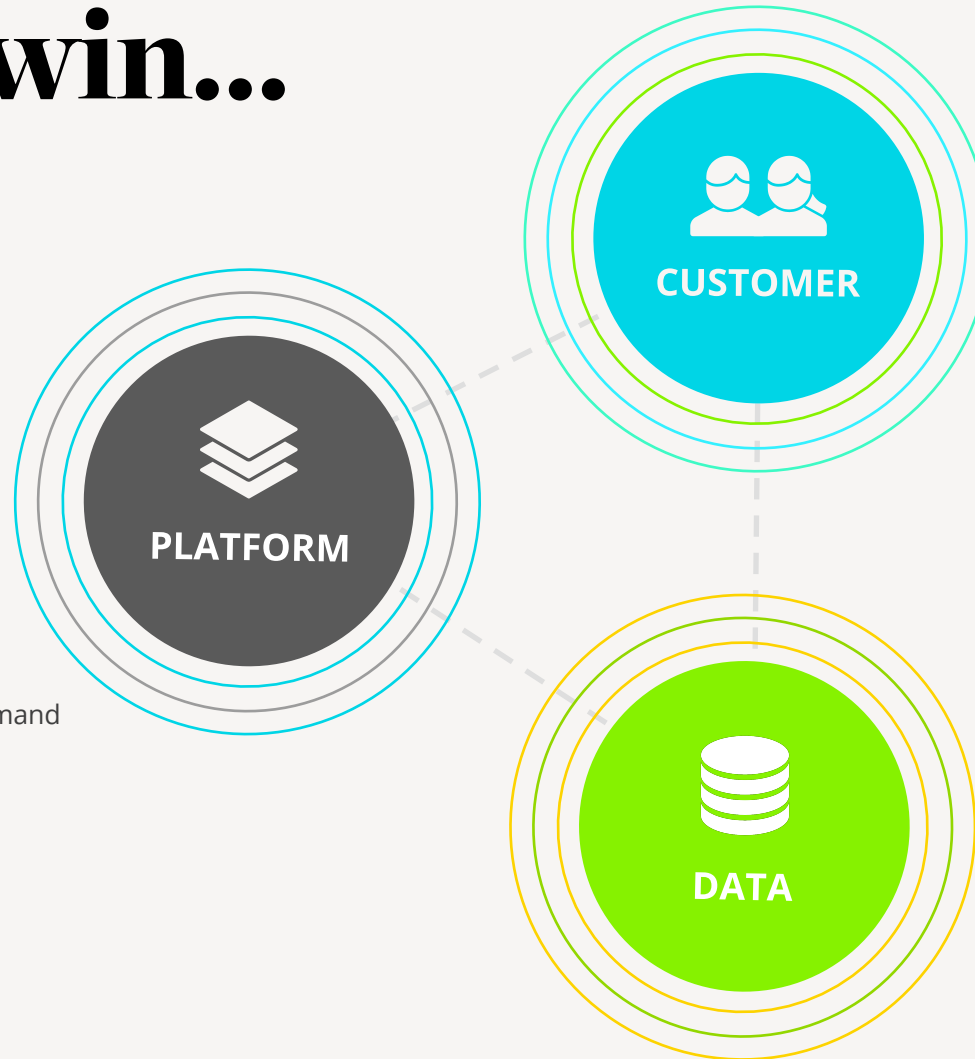




# What you end up with to win...

## CONNECT PRODUCERS & CONSUMERS TO EXPAND VALUE WEB

- Facilitate interactions across an ecosystem.
- Match and increase supply and demand in mutually rewarding ways.
- Change the role of players.



## RETHINK USERS, USES AND USAGE TO CREATE NEW VALUE

- Provide compelling solutions better, faster and / or cheaper than the competition
- Provide highly personalized products or services to build loyalty and followership



## HARNESS DATA TO ENABLE NEW BUSINESS MODEL

- Generate valuable insights that can inform better decision-making
- Utilize data insights to enable and drive outcomes



<https://www.youtube.com/watch?v=Oh6DcY7zoYI>

**BRINGING  
BURBERRY.COM TO LIFE**





# Future of Retail, Mobility, and Hotel

<https://www.youtube.com/watch?v=KTQLuIPUowE>

# THE FUTURE OF MOBILITY

**BEN'S JOURNEY**

## Hotel of the future

[https://www.youtube.com/watch?v=V\\_L65rWzeNM](https://www.youtube.com/watch?v=V_L65rWzeNM)



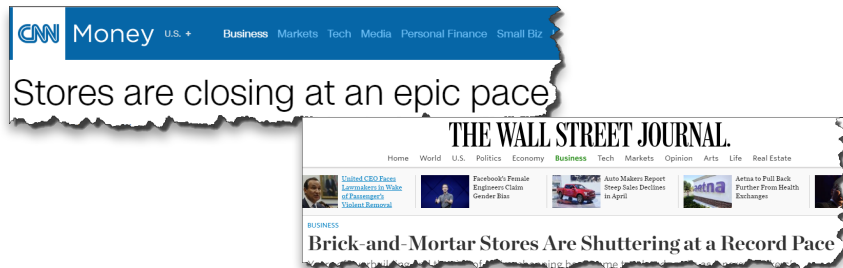
# Retail Disruption

<https://www.youtube.com/watch?v=XCc4u7KUctk>

# Headlines highlight a struggling retail marketplace...

## News Headlines

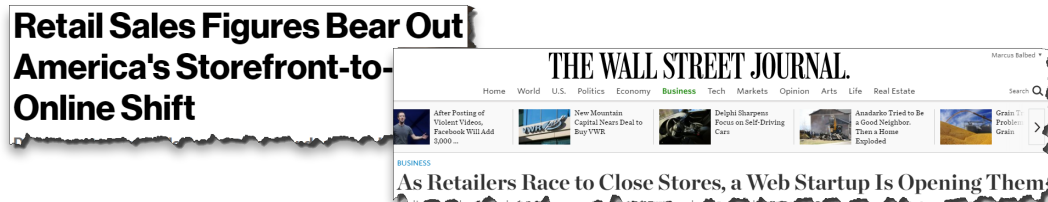
### Store Closings... Square Footage Decreasing



### Amazon Growing...Cannibalizing other retailers



### E-Commerce Exploding... Brick & Mortar Dying



## Reality on the Ground

- While there is currently excess retail square footage, net square **footage is expected to increase by 1%** per year
- While established retailers are closing doors, **emerging niche retailers are opening doors**
- Traditional **big box traffic is shifting** to discounters and smaller box stores
- **Amazon grew direct sales by \$44B** and gained 0.9% market share
- However, **Amazon enabled other smaller players to grow** retail sales (Amazon 3<sup>rd</sup> party) **by \$40B**
- Amazon and other **eCommerce** companies **opening physical stores**
- 90%+ of sales **still transacted in-store** rather than online
- **E-Commerce aids in-store purchasing** as 72% of shoppers research online before purchasing in-store
- Retailers that **differentiate customer experience grow sales 2x faster** than non-experiential retailers

# Digital influence through customer journey

eg. Mexico



## Find inspiration

- Rather than pushing information at consumers through advertising to inspire them in moments defined by the retailer, retailers should instead identify the steps in the shopping journey where the consumer is most likely to be inspired, and then deliver that inspiration through the consumer's preferred channels of engagement.



## Browse / Research

- Over 93% of consumers report using a digital device in the browse and research moment.
- 79% of Mexican consumers use digital devices to look for consumer / peer reviews, and 95% for detailed product info.



## Purchase / Pay

- This is a critical moment. Shoppers consider a quick and easy process two times as important as any other experience.
- 89% of Mexican shoppers use digital devices because of the ability to pay online directly.



## Select / Validate

- Helping customers to easily select and validate products may just be the most important customer interaction on the path to purchase.
- 92% of Mexican shoppers use digital devices because of the product selection.

## Post purchase / Service

- For 92% of Mexican shoppers, the return policy offered through e-commerce players is a factor to make an online purchase.

# Mexican online shoppers use and prefer online payment methods for online purchases



97%

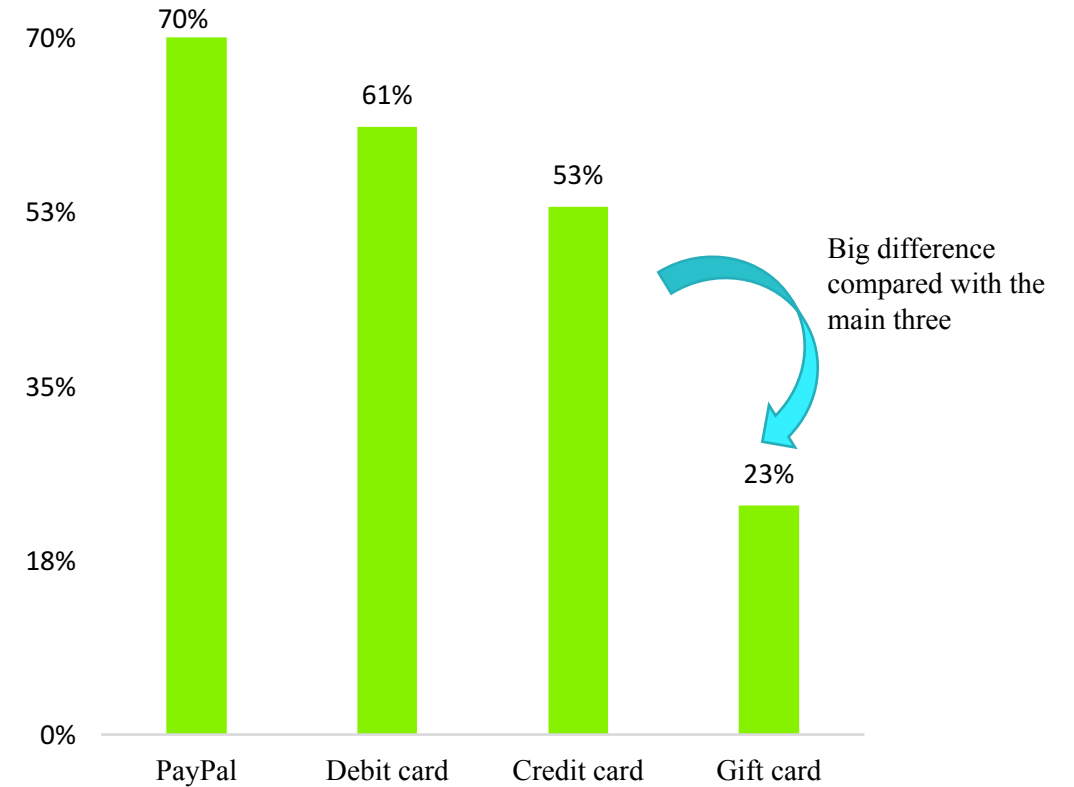
Almost all online shoppers used an online channel to pay for their purchases



48%

Purchased travel on a smartphone

Online Payments used by Mexican shoppers



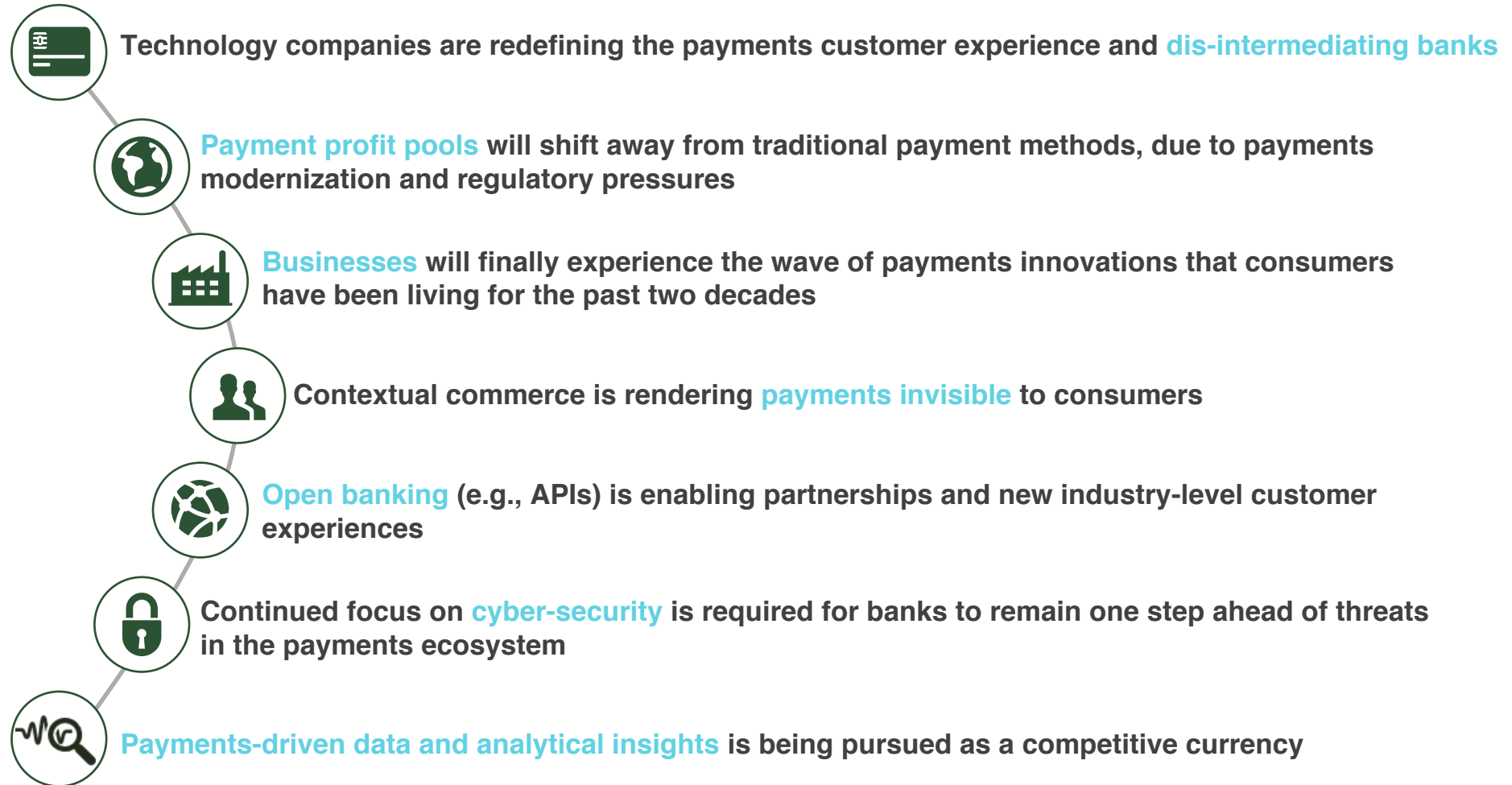
# mPay-at-POS ecosystem

- The ecosystem of companies must capture higher AOV transactions in order to thrive. The retailer's AOV represents a more lucrative transactional market for mPay-at-POS players.
- The widespread use of smartphones and mobile apps, the pressures for efficiency on retailers, and consumers' demands for simplicity, choice, and security and privacy all play into the growing role of mPayments in our businesses, communities, and lives.





# Payments Landscape Trends



The growth in digital commerce, along with the shift to digital payments, is influencing *how* consumers pay for *what* they buy.

# Retail trends

## FUNDAMENTAL CHANGES IN RETAIL

### THE CASE FOR CHANGE

Synopsis of underlying forces disrupting retail.



## HOW RETAILERS ARE RESPONDING

### LEVEL 1: EMERGING PRIORITIES

We've synthesized activity in the form of **five emerging priorities** or 'mega trends':

- 1 Retailing on Experience
- 2 Personalizing and Targeting Interactions
- 3 Going Global
- 4 Investing In Robust Enabling Platforms
- 5 Building Innovation Muscle & Agility

### LEVEL 11: UNDERLYING TRENDS & CASE STUDIES

Under each priority, we detail three significant underlying trends that specify what can be done to work toward a given priority. Each trend is supported with the following:

#### DRIVERS

Why this trend has become an important one to address

#### OPPORTUNITIES

What retailers can do about this trend

# FUNDAMENTAL CHANGES IN RETAIL

Two key forces are coming together to shape today's rapidly changing retail environment

## 1 THE INFORMED, CONNECTED CONSUMER

Information is increasingly decoupled from inventory: consumers do not need to visit a store or retailer-hosted website to learn about products



9 out of 10

people aged 6+ will have a mobile phone by 2020<sup>1</sup>

75% of consumers said product information found on social channels influenced their shopping behavior<sup>2</sup>

## 2 PROLIFERATING PRODUCTS & NICHE

The rise of the maker movement supported by the ability to produce and sell small-scale batches has led to increased product diversity and a proliferation of niche markets

### 3D Printing

Industry is expected to grow to **\$12.8B by 2018** and exceed \$21B in worldwide revenue by 2020<sup>4</sup>

Since **Kickstarter's launch** in 2009, over **10M** people have pledged a total of **\$2.1B** to "help bring creative projects to life"<sup>3</sup>

These changes require a shift in how retailers will fundamentally create value for tomorrow's consumer

Sources:

<sup>1</sup>Ericsson Mobility Report, 2014.

<sup>2</sup>Deloitte, "Navigating the New Digital Divide," 2015.

<sup>3</sup>As of December 2015, Kickstarter website.

<sup>4</sup>2014 Wohler's Report.

# 1 RETAILING ON EXPERIENCE

Retailers are recognizing the value of differentiating on experience; those successful in doing so have 3 and 4 percentage point higher comp and EBITDA, respectively<sup>1</sup>

## CATEGORY-FOCUSED SOLUTIONS

Niche players are creating category-specific **digitally-enabled solutions that focus on critical moments** within the customer shopping journey

- Delivering compelling experiences by offering customers a way to engage with one another and the brand through category-specific communities
- Recognizing that the “moments that matter” throughout the customer journey vary by category

## STORES AS EXPERIENCE BAZAARS<sup>2</sup>

Effective retailers are using stores to entice guests by **curating a fun, bazaar-like experience** while delivering on core functional capabilities

- Employing digital touchpoints to support a more mission-driven, purposeful shopper
- Integrating non-traditional attractions as well as complementary services in stores to increase traffic and time spent in-store

## REDEFINING ORG & TALENT

Leading players are redefining their org structure and practices to **establish an ownership mindset**, particularly as it relates to customer experience

- Rethinking org structure to better manage and influence the end-to-end customer experience across company and third-party owned channels / touchpoints
- Upskilling talent to create ‘experts’ and arming them with next-gen tools to deliver personalized experiences to customers

Sources:

<sup>1</sup>Relates to performance of retailers that differentiate on products as well as experiences; Deloitte Analysis: Reimagining the Store, Sep '15.

<sup>2</sup>The retail transformation: Cultivating choice, experience and trust, Deloitte Development LLC, 2015.



# CATEGORY-FOCUSED SOLUTIONS

Niche players are creating category-specific digital solutions that focus on critical moments throughout the customer shopping journey

## DRIVERS

Shoppers are **defining their own journeys** – in terms of how they find inspiration, browse, select and buy – and doing so at the category or even the **product level**

Technology has enabled **niche players to go directly to consumers** with category-focused solutions, and collectively, **steal market share** from general merchandisers<sup>1</sup>

## OPPORTUNITIES

COMMUNITIES BUILT  
AROUND CATEGORIES

Deliver compelling experiences by offering customers a way to engage with one another and the brand through category-specific communities that span in-store and digital channels

CATEGORY-SPECIFIC  
JOURNEYS

Recognize that customer journeys and specifically, the “moments that matter” vary by category; employ customer- and associate-facing digital solutions to solve customer problems in key moments at the category or product level

# CATEGORY-FOCUSED SOLUTIONS

## SELECT CASE STUDIES



- The Honest Company built its brand around ‘honesty’ in product design, social responsibility, and support (educational and community-building opportunities)
- Extensive and relevant **content spans the full customer journey and goes well beyond sharing product information**, starting with a company story that is relatable and compelling for new parents, enabling customers to feel intrinsically connected to the brand and community<sup>1</sup>



- All Lululemon stores hold events and classes, listed on lululemon.com, that are unique to their neighborhood and offer customers a chance to engage with one another through a **shared passion** for health and fitness
- Brand ambassador program selects “inspirational leaders” who are “respected and loved by their sports communities” to build **hyper-localized community experiences** centered around stores<sup>2</sup>



- Recognizing the important of inspiration on home products, OKL provides a **highly curated content experience** offering themed ‘shop the look’ community events, editorial content and hands-on style advice from design experts
- Tastemaker Tag Sales provide accessible products hand-selected by famed interior designers and celebrities from across the globe<sup>3</sup>

Sources:

<sup>1</sup>Honest Company website.

<sup>2</sup>Lululemon Company website.

<sup>3</sup>One Kings Lane Company website.

# STORES AS EXPERIENCE BAZAARS

Effective retailers are using stores to entice guests by curating a fun, bazaar-like experience while delivering on core functional capabilities

## DRIVERS

**People who use digital in stores convert** at a 20% higher rate compared to those who do not use digital as part of the shopping process<sup>1</sup>

Decreasing foot traffic and increased conversion rates suggests a more **mission-driven, purposeful shoppers** as compared to their casual browsing predecessors<sup>1, 2</sup>

## OPPORTUNITIES

DIGITAL INTERACTION AND  
ENHANCEMENTS

Integrate digital touchpoints as a key component of customer experience and interaction in-stores to support a more mission-driven, purposeful shopper

COMPLEMENTARY  
RETAILTAINMENT

Deliver non-traditional attractions as well as complementary services in stores to increase traffic and time spent in-store

Sources:

<sup>1</sup>Deloitte, "Navigating the New Digital Divide," 2015.

<sup>2</sup>US News, The End of the Aspirational, Middle-Class Mall Shopper?, Mar'2015.

# STORES AS EXPERIENCE BAZAARS

## SELECT CASE STUDIES



- UK-based sports retailer Pro-Direct brings its brand's online experience to life within the physical retail space through **immersive in-store digital experiences** and seamless mobile / web integration
- Grid systems of digital screens and product display panels create a digital environment to showcase brand product stories and themed collections; all elements update in real time with web-based content, demonstrating the store's **agility to adapt** with breaking news and live product launches<sup>1</sup>



- Tesla reinvents car buying by opening stores in locations with heavy foot traffic and engaging customers through a series of **hands-on, interactive touchscreen experiences**
- Featuring coffee bars, WiFi access / internet stations, friendly and informed product specialists, and an open service bay to watch technicians at work, stores are designed to lure customers for an **extended stay**<sup>2</sup>



- Representing its brand image of authenticity, community and a shared sense of adventure, REI stores offer highly interactive shopping experiences and **classes to build outdoor skills** in the in-store community room
- Shoppers are encouraged to weigh packs down with sand to get an accurate feel for them, try out climbing shoes on the rock wall, or stretch out in sleeping bags across the aisles; **employees are genuinely invested** in making sure customers leave with the right product for their adventure<sup>3</sup>

Sources:

<sup>1</sup>Retail Customer Experience, "Sportswear retailer Pro Direct store design goes high-tech," August 2014; Deloitte Client Visits, 2015.

<sup>2</sup>Tesla Motors Blog.

<sup>3</sup>REI Company Website.

# REDEFINING ORG & TALENT

Leading players are redefining their org structure / practices to establish an ownership mindset, particularly as it relates to experience

## DRIVERS

As sales move online and stores' point of differentiation is customer experience, **knowledgeable sales associates are by far the most important factor** to increase the likelihood of an in-store purchase<sup>1</sup>

70% of companies stated that customer experience is a strategic topic addressed at the top management level; nevertheless, half of all companies surveyed **have not yet defined a holistic, cross-functional customer experience strategy**<sup>2</sup>

## OPPORTUNITIES

### OWNERSHIP OF CUSTOMER EXPERIENCE

Rethink organizational structure to better manage and influence the end-to-end customer experience across company and third-party owned channels / touchpoints

### UPSKILLING & ENABLING TALENT

Invest in upskilling talent to create 'experts' across the organization and arm them with next-generation tools to deliver personalized and value-added customer experiences (e.g., concierge services)

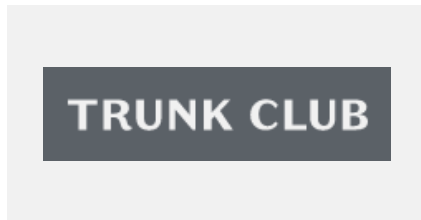
Sources:

<sup>1</sup>Deloitte's 2014 Annual Holiday Survey

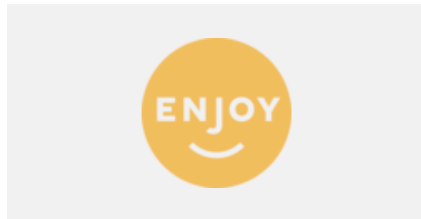
<sup>2</sup>Adobe "Holistic Customer Experience in the Digital Age," 2015. On behalf of Adobe, PAC surveyed 450 decision-makers of large companies in manufacturing, financial services, and retail & wholesale in France, Germany and the UK.

# REDEFINING ORG & TALENT

## SELECT CASE STUDIES



- Nordstrom-owned Trunk Club's **business model is built on providing expert styling services**; clothes are not marked up, there are no additional fees for service, and customers can request clothing from their stylist at any time
- **Stylists are being supported with an algorithm** that provides product recommendations based on the customer's location (weather), sizes, and price point<sup>1</sup>



- Instead of investing in stores, Enjoy **invests in its people**; focusing on the retain & service phase of the customer journey, Enjoy selects, trains, and prepares its 'Experts' to provide superior customer service
- Enjoy Experts **hand-deliver** high-end electronics to customers' homes in less than four hours; they provide personalized set-up and lessons on how to use items, creating an experience that is "better than a store, the same price as online, and faster than even Amazon Prime"<sup>2</sup>



- Known for its world-class customer service, Zappos empowers its Customer Loyalty reps to make decisions for customers, enabling reps to go to extensive lengths to generate an army of loyal customers and fans
- Zappos states that the goal of its Customer Loyalty Team is to "create a **personal emotional connection** with each customer who contacts the call center." Team members must complete a minimum of 7 weeks of training and are encouraged to participate in additional skill set programs to learn more about call center operations<sup>3</sup>

Sources:

<sup>1</sup>Trunk Club Company Website and interview with former Deloitte, current Trunk Club Employee, December 2015.

<sup>2</sup>Fortune, "Ron Johnson's latest act? Online retail with a side of personal service," August 2015.

<sup>3</sup>Forbes, "What Zappos Taught Us About Creating The Ultimate Client Experience," March 2013.



## 2 PERSONALIZING & TARGETING INTERACTIONS

With fast evolving consumer expectations for relevant and meaningful interactions, retailers are building personalization and targeting capabilities across the customer shopping journey

### PERSONALIZED INSPIRATION

Retailers are facilitating **customer-led discovery** of products through the creation of dynamic, real-time and personalized content

- Hyper-relevant content informed by predictive analytics and real-time testing
- Customized products designed by engaged guests

### RELEVANT SEARCH & SELECTION

Leading players are extending personalization efforts beyond inspiration to streamline the **browse and search experience**

- Predictive product recommendations based on past behavior and online profiles
- Enhanced store browsing enabled by digital tools and activity pattern data

### RAISING THE BAR ON LOYALTY

Through loyalty programs, retailers are building meaningful connections with their customers and in return, receiving valuable data for personalizing and targeting all customer interactions

- Loyalty programs that engage customers to fuel more robust data collection and foster meaningful interaction
- Strategic loyalty partnerships that compounds benefits for the customer

# PERSONALIZED INSPIRATION

Retailers are facilitating customer-led discovery and creation of products through the use of dynamic, real-time and personalized content

## DRIVERS

70% of consumers are **leading their own** shopping journey, suggesting a more **mission-driven, purposeful shopper**<sup>1</sup>

90% of mobile users are **not absolutely certain** of the specific brand they want to buy when they begin looking for information online<sup>2</sup>

## OPPORTUNITIES

HYPER-RELEVANT  
MARKETING

Create personalized content, including specific views, promotions, and product images informed by predictive analytics and real-time testing, across all channels; utilize data to continually refine interactions and tailor messaging, promotions and pricing

CUSTOMIZED PRODUCTS

Engage guests in designing or customizing their own products for faster delivery in order to truly “wow” the customer and grab their attention

Source:

<sup>1</sup>Deloitte publication Navigating the New Digital Divide, 2015

41 <sup>2</sup>Google Micro-Moments: Your Guide to Winning the Shift to Mobile, 2015

# PERSONALIZED INSPIRATION

## SELECT CASE STUDIES



- Zulily launches 9,000 new products each day and changes their entire catalog every 72 hours with their goal to provide “something special each day” for their customers
- Zulily’s personalization algorithms customizes its website to **create different content for every customer on every visit** based on extensive data including click / purchase history, location, time of day, and real-time A/B testing
- Using personal interest information from prior interactions, Zulily sends its guests a personalized email daily<sup>1</sup>

TOPSHOP

- At Topshop in the U.K., guests can **line up to a screen, create their design, and instantly print out** an item of their choice on an article of clothing
- Prints can be placed on t-shirts, crop tops, or leggings – virtually any item of clothing to help guests create their own custom-made outfit<sup>2</sup>

MADE.COM

- Made.com has made itself the marketplace of choice for customized products by providing exactly what customers want at economical prices taking products from **design to sale in as little as 4 months**
- Minimizes overhead by selling online, grouping orders of the same item, not owning its factories, and building close working relationships with factories and designers<sup>3</sup>

Source:

<sup>1</sup><http://www.bizjournals.com/seattle/blog/techflash/2014/10/zulilys-big-hard-challenge-a-different-website-for.html>

<sup>2</sup><http://www.bustle.com/articles/95409-yr-store-topshop-launch-interactive-design-stations-thatll-let-you-create-your-dream-clothing-instantly>

<sup>3</sup>Made.com Company Website

# RELEVANT SEARCH & SELECTION

Leading players are extending personalization efforts to streamline the browse and search experience online and in-store

## DRIVERS

**61% of shoppers are turning to search engines** outside of a single retailer's website to find the physical products that match their inspiration<sup>1</sup>

**85%** of consumers are more likely to shop at stores that offer **personalized coupons and exclusive in-store offers** that are relevant to their lives, tastes, and desires<sup>2</sup>

## OPPORTUNITIES

### PREDICTIVE RECOMMENDATIONS

Proactively shape guests' journey by **using contextual clues and data from real-time analytics** to tailor digital messages; provide relevant recommendations online **akin to personal shopping services** informed by customer profile, social media activity, and matching algorithms

### ENHANCED STORE BROWSING

Understand **in-store browsing habits and activity patterns** to tailor merchandising and layout; Use **complementary digital and associate-enabled services** (e.g. smart fitting rooms, clienteling support, etc.) to assist with product selection

Source:

<sup>1</sup>Deloitte University Press: Tech Trends 2015: Dimensional Marketing, 2015

<sup>2</sup>Google Digital Impact on In-Store Shopping, May 2014

# RELEVANT SEARCH & SELECTION

## SELECT CASE STUDIES



NORDSTROM

- Nordstrom uses **in-store tracking** to count foot traffic and identify shoppers' gender, age and shopping habits, data which then indicates what path guests most often travel and which displays result in conversions
- The store has piloted smart fitting rooms to provide **product recommendations based on what customers are trying on** as well as to compete with its online rivals in data collection through the browsing process<sup>1</sup>



TRUNK CLUB

- Trunk Club is disrupting traditional retail by **combining an algorithm** that recommends clothing based on a customer's self-reported style, location, size, and price point preferences **with the personalized touch of a stylist** who shops for a trunk of assorted products to ship directly to the customer's home
- Based on what the customer chooses to keep from trunk to trunk, the algorithm continuously learns and improves its product recommendations to provide better selection for the shopper's next trunk



amazon

- When customers go to search for something on Amazon and **can't find the product or find results of low relevancy**, Amazon technology measures **provides this feedback to their sellers** who carry similar products and recommend that they also begin to carry what these customers are looking for.<sup>2</sup>
- Amazon has now unveiled a **machine learning service** with which other businesses can build their own recommendation engines like the one Amazon pioneered

Source:

<sup>1</sup> <http://www.seattletimes.com/business/smart-mirrors-in-fitting-rooms-give-shoppers-a-different-look/>

<sup>2</sup> <http://www.wired.com/2015/04/now-anyone-can-tap-ai-behind-amazons-recommendations/>



# RAISING THE BAR ON LOYALTY

Through loyalty programs, retailers are building meaningful connections with their customers and in return, receiving valuable data

## DRIVERS

**434 M**, the number of US specialty store loyalty memberships, **surpassed airline frequent flyer memberships** in 2015<sup>1</sup>

Only **12 out of 19** loyalty program memberships are **being actively used by the average household**<sup>1</sup>

## OPPORTUNITIES

### MEANINGFUL ENGAGEMENT

Leverage loyalty data to **foster meaningful interaction and dialog** with customers, going beyond traditional coupon-based loyalty models to help retailers identify experience elements, personalize and target interactions, and assess the desirability of new products

### STRATEGIC LOYALTY ECOSYSTEMS

Form strategic partnerships with loyalty programs of other companies to attract new customers as well as **drive adoption and active participation** in existing programs, creating a loyalty ecosystem that compounds the benefits for customers

# RAISING THE BAR ON LOYALTY

## SELECT CASE STUDIES



- My Mothercare, the specialist mother and baby retailer's UK loyalty program, **engages mothers at any stage** by providing tips and insights fitting their phase in motherhood, bringing together experts and parents on social media (#2amClub), and using resulting online data to **inform topic-related events in stores**
- Mothercare uses its loyalty program to build community, emphasizing the importance of the **shopper's physical destination** and encouraging shoppers to sign-up for My Mothercare via e-receipts<sup>1</sup>



- The **coalition loyalty program**, Plenti, offers multiple ways for consumers to earn and use points across a range of well-known brands in different industries, including Macy's, Rite Aid, ExxonMobil, and American Express
- Plenti's customers – already over 5 million in number – can earn points by engaging with one of the participating brands or **activating special promotional offers across brands**, accessible through the Plenti online offer center<sup>2</sup>



- Beyond the traditional coupon-generating model, Kohl's "Yes2You" loyalty program seeks to create an **emotional connection** between Kohl's and its customers by demonstrating shared values through social media interactions
- For its one year loyalty program anniversary in Oct. 2015, Kohl's launched a campaign to "Say #Yes2You" to its inspiring customers, associates, and partners. Across Twitter, Facebook, Instagram and YouTube, the company shared heartwarming videos of 20 **personalized surprise deliveries** to select Yes2You members across the nation<sup>3</sup>

Source:

<sup>1</sup><http://www.rapp.com/case-studies/mother>

<sup>2</sup><http://www.businesswire.com/news/home/20150510005172/en/American-Express-At-ExxonMobil-Macy>

<sup>3</sup>Kohl's Facebook and website

# 3 GOING GLOBAL

With blurred trade boundaries and increased competition at home, retailers are in the race to capture global GDP

## DIGITALLY FUELED EXPANSION

Digital is **augmenting—and often leading—physical expansion efforts** to help retailers tap into new markets with varying degrees of investment

- Supplement existing offering with international shipping as a low-risk way to test consumer demand and shopping habits
- Counteract slowing growth rates in mature markets by building digital presence in faster-growing eCommerce markets

## OPTIMIZE PRODUCTION & INVENTORY MANAGEMENT

An agile global supply chain is becoming a powerful competitive differentiator to enable **flexible, cost-effective fulfillment**

- Form close relationships with suppliers or maintain in-house capacity to more nimbly manufacture and deliver products “on-demand” to stores and customers
- Leverage RFID for real-time inventory visibility and accuracy across the supply chain

## REACHING ‘LAST MILE’ CONSUMERS

Retailers are forging new models and partnerships to **reach the emerging middle class in Tier 2 & Tier 3 cities** that are driving growth within developing countries

- Partner with local marketplace to gain immediate access to sizable audience and overcome logistics challenges due to poor infrastructure for payments and delivery
- Understand local consumer preferences to adapt payment, customer care, and fulfillment options to meet expectations and drive purchases

Sources:

<sup>1</sup>The Economic Times, “Macro trends to add trillions of dollars to global GDP in 2020,” Bain, 2011.

<sup>2</sup>Deloitte, “From clicks to bricks: Generating global growth through eCommerce expansion,” 2014.

<sup>3</sup>IDTechEx

<sup>4</sup>Deloitte, “Navigating the New Digital Divide,” 2015.

# DIGITALLY FUELED EXPANSION

Digital is augmenting—and often leading—physical expansion efforts to help retailers tap into new markets

## DRIVERS

The US outbound **cross-border eCommerce market will grow at a 16% CAGR** from \$24B in 2014 to \$44B in 2018, a rate higher than that of the overall eCommerce market in the US (11% CAGR over the same period)<sup>1</sup>

**Global internet penetration reached 45%** in 2015, with developing countries boasting rates over 25%<sup>2</sup>

## OPPORTUNITIES

### CROSS-BORDER SHIPPING

With cross-border sales on the rise, supplement existing global eCommerce site with international shipping as a low-risk way to test consumer demand and shopping habits before making a more costly brick-and-mortar expansion effort into specific markets

### DIVERSIFY TO FAST-GROWING MARKETS

Counteract slowing growth rates in mature markets such as the US, Western Europe, and Japan by building digital presence in faster-growing eCommerce markets such as China and Brazil (20% CAGR between 2014-2019)<sup>3</sup>

Sources:

<sup>1</sup>Forrester, "Cross-Border eCommerce: The Opportunity For US Online Retailers," July 2015.

<sup>2</sup>Internet Usage Statistics: World Internet Users and 2015 Population Stats.

<sup>3</sup>Forrester, "Take Your eCommerce Business Global," November 2015.

# DIGITALLY FUELED EXPANSION

## SELECT CASE STUDIES



- Offers **customers around the world** access to **over 300 boutique retailers** “**located everywhere** from Paris, New York and Milan to Bucharest, Riyadh and Seattle”
- Carries **1,000+ labels** and prides itself in supporting independent fashion and uniting diverse buyers and sellers by crating a **seamless online shopping experience** with **international shipping and logistics** support



- EILEEN FISHER sells to 220 countries using Borderfree, which provides a **localized shopping experience**: onsite localized messaging, pricing in local currency, guaranteed rates for duties & taxes, and preferred local payment options
- By testing markets through Borderfree, EILEEN FISHER has built **stronger brand awareness** and been able to identify potential retail store opening opportunities in new markets



- Pure-play UK internet retailer Asos offers 8 **country-specific websites**, including Russia and China, and free shipping for orders >\$40; also offers delivery-to-store option at 12.5K locations across France, Spain, Belgium, and Luxembourg
- Recognizing its customers’ preference toward mobile, Asos created **localized versions of its Android and iOS apps** for France, Germany, Italy, Spain, Russia and China. In the UK and Denmark Asos also offers a ‘New In’ app showcasing latest product additions

Sources:

<sup>1</sup>Farfetch Company Website, “Farfetch Tries to Reach a Little Further”

<sup>2</sup>Borderfree website, EILEEN FISHER Case Study.

<sup>3</sup>Asos Company Website.



# OPTIMIZED PRODUCTION AND INVENTORY MANAGEMENT

An agile global supply chain is becoming a powerful competitive differentiator

## DRIVERS

In order to stay competitive, retailers are improving operations across the supply chain – from improving inventory management to becoming increasingly aware of transportation issues<sup>1</sup>

Retailers are using advanced analytical methods to track and manage inventory – allowing production and demand data to be exchanged from the floor to the factory in near real-time<sup>2</sup>

## OPPORTUNITIES

### FLEXIBLE PRODUCTION

Form close relationships with suppliers or maintaining in-house capacity to more nimbly manufacture and deliver products “on-demand” to stores and customers; manage inbound and outbound logistics (from packaging to transportation) to better serve customers

### REAL-TIME INVENTORY MANAGEMENT

Enable real-time inventory visibility and accuracy across the supply chain using RFID technology and similar tracking methodologies; optimize local and regional fulfillment leading to faster and cheaper delivery

Sources:

<sup>1</sup>“You are Everywhere: Mapping the new retail supply chain”

<sup>2</sup>“Analytics in the Real World: Use of Big Data in Retail”

# OPTIMIZED PRODUCTION AND INVENTORY MANAGEMENT

## SELECT CASE STUDIES



- Zara has been experimenting with using RFID tracking in its products since 2007 and is targeting full implementation by the end of 2016
- Zara has **increased storewide inventory frequency from every 6 months to every 6 weeks**, with the process previously taking 200 hours
- RFID technology also facilitates sales - employees can use a store's scanner to determine if an item is available in different colors or sizes at their own store, nearby stores, or online<sup>1</sup>



- Asos continues to make sizeable investments in logistics and warehousing with a laser focus on **reducing handling costs** (targeting ~35% in their UK warehouse) and **optimizing global stock management / fulfillment** capabilities
- Key improvements include mechanized picking at their Barnsley DC, optimized local/regional fulfillment and return logistics in Europe/US, and extending next day delivery services across Europe<sup>2</sup>



- Ikea maintains close relationships with its manufacturers; also, Ikea prefers to obtain additional production capacity rather than additional products, **allowing them to be flexible and release new and different furniture**
- Ikea engages in long-term contracts with suppliers, resulting in high volume and low cost (and lower prices)
- By shipping furniture in flat boxes, easily able to distribute materials globally<sup>3</sup>

Sources:

<sup>1</sup>The Wall Street Journal. "Zara Builds Its Business Around RFID," 2014.

<sup>2</sup>Logistics Manager, "Asos launches global fulfillment programme," April 2015.

<sup>3</sup>Ikea Case Study.

# REACHING ‘LAST MILE’ CONSUMERS

Retailers are forging new models and partnerships to reach the emerging middle class in Tier 2 & Tier 3 cities within developing countries

## DRIVERS

Developing countries have overwhelming growth rates: India’s online retail market, for example, is **projected to grow over 50%** between 2014 and 2019, with Tier 2 and 3 cities expected to drive economic boom<sup>1,2</sup>

Consumers are accustomed to a variety of local payment options due to fears of online payment security and prevalence of credit card fraud; payment service providers quote a **20 to 25% boost in conversion with localized payment options**<sup>3</sup>

## OPPORTUNITIES

### MARKETPLACE PARTNERSHIP

Partner with dominant local marketplace to gain immediate access to sizable audience, benefit from their advertising and marketing power to build brand, and overcome logistics challenges due to poor infrastructure for payments and delivery

### LOCALIZATION SPANNING THE CUSTOMER JOURNEY

Drive adoption by understanding local consumer preferences and cultural nuances in order to adapt payment, customer care, and fulfillment options to meet expectations and drive purchases

Sources:

<sup>1</sup>Forrester, “Take Your eCommerce Business Global,” November 2015.

<sup>2</sup>India Retailing, “Tier II and III driving Indian e-comm: eBay Census,” April 2015.

<sup>3</sup>Forrester, “Seven Must-Haves For Successful Website Localization,” September 2015.

# REACHING ‘LAST MILE’ CONSUMERS

## SELECT CASE STUDIES



- India's largest marketplace provides access to 30M+ registered users and works with 50K+ merchants, forming **partnerships with established players** such as electronics store Croma to launch Flagship Stores on its site
- Snapdeal offers various payment options for customers: installment payments for items over a certain value, cash-on-delivery, and soon credit card payments<sup>1</sup>



- MercadoLibre, Latin America's top online marketplace, offers a fully-integrated, cross-border trade program that enables US-based merchants to sell to online shoppers in Brazil and Mexico
- Sellers ship to a US-based warehouse and then MercadoLibre manages international fulfillment and offers **localized payment types** through MercadoPago offering; solution also allows sellers to list in local language, to calculate the total landed cost and to price in local currencies<sup>2</sup>



- Walmart **alleviates consumers' fears about online shopping** by educating shoppers on the process of shopping online and the privacy and security measures in place to protect their personal financial information
- On its Mexico site, Walmart has a help center section that includes a step-by-step guide called "How to shop," to help motivate initial browsing & research, as well as information on payment security<sup>3</sup>

Sources:

<sup>1</sup>Forrester, "Brief: The State Of India's Online Retail Market In 2015," May 2015.

<sup>2</sup>Forrester, "Cross-Border eCommerce: The Opportunity For US Online Retailers," July 2015.

<sup>3</sup>Forrester, "Seven Must-Haves For Successful Website Localization," September 2015.

# 4 INVESTING IN ROBUST ENABLING PLATFORMS

Retailers are making substantial investments to improve organizational capabilities & systems

## CLOUD-BASED ECOSYSTEM

Retailers are investing in cloud computing to **catch up with strong online players** and globalize their eCommerce capabilities, improving their ability to leverage high volumes of data through sophisticated partnerships with third-party cloud providers

- Quickly upgraded systems
- Automated delivery of new features & upgrades
- Enhanced customer experience across platforms

## 360 VIEW OF ....

Streamlined and accurate data management is now a competitive necessity, differentiating industry leaders who have a **unified and holistic view** of all business data

- Real-time analytics to inform mobile / social marketing and dynamic website content delivery
- Singular view of order information & inventory across channels
- Advanced clienteling tools to unleash the power of sales associates

## IMPROVING ENTERPRISE EXECUTION

Investments aimed at improving organizational agility and execution will be the defining factor of success in the coming years as the ability of retailer's to support **rapid scaling of innovative solutions** becomes crucial

- Infrastructure to centralize IT resources between new and legacy systems
- Sourcing of computing services to reduce time to market and lower costs
- Robust solutions to secure data, devices, and applications
- Investment in creating a talent pipeline of workers skilled at crafting and creating a digital enterprise



# CLOUD-BASED ECOSYSTEM

Retailers are increasingly using the cloud to support meaningful growth and technological agility

## DRIVERS

Shoppers expect retailers to **quickly adopt** new and trendy technological offerings

Retailers need enterprise technologies to support growth in a **rapidly changing** technological environment, **flexibility** of internal business resources, and **real-time data analytics**

## OPPORTUNITIES

TECHNOLOGICAL AGILITY

Quickly upgrade and adapt internal and customer-facing systems because cloud provider manages the physical systems and infrastructure, making it easier to leverage and integrate data from all products and channels

PARTNER INTEGRATION

Partner with cloud providers that provide services, such as analytics, that allow expansion of technological capabilities with relatively little initial investment of on-premises infrastructure and staff, ultimately scaling business and systems in meaningful and sophisticated ways

# CLOUD-BASED ECOSYSTEM

## SELECT CASE STUDIES



- Pier 1 has used the cloud to **quickly scale predictive analytics capabilities** for customers shopping online and in over 1,000 stores without expanding on-premises IT infrastructure and human resources
- Pier 1 can upload customer and sales data to their cloud provider from **several disparate sources**, including clickstream data. The external data scientists, using machine learning, then provide customer analytics and business insights to help Pier 1 send relevant messages and product recommendations to their customers<sup>1</sup>



- Chico's has implemented **a platform-as-a-service cloud technology** in their retail stores to allow them to integrate disparate legacy systems and rapidly implement new employee and customer-facing applications
- The cloud platform integrates data on customers, store sales, online sales, shared inventory, store replenishment, and loyalty accounts
- On the cloud, Chico's equips its sales associates with **relevant real-time customer data**, such as anecdotal customer notes from other associates, on iPads to empower them to cater to customers' unique buying preferences<sup>2</sup>



- Zulily, the flash sales website, launches **over 9,000 product styles daily**. They need real time data to support item replenishment and to match customers to the right personalized recommendations
- Using cloud platforms, Zulily successfully processes information from **over 4.5 million active users** and integrates clickstream data with structured transactional data to personalize each customer's experience
- Zulily's cloud strategy has **saved money and time** by not involving internal IT staff in expensive and time-consuming updating and scaling of legacy systems<sup>3</sup>

Sources:

<sup>1</sup>CIO, "The Cloud's Game-Changer is Competitive Advantage" 2015

<sup>1</sup>Microsoft "The Cloud that loves Customers" 2015

<sup>1</sup>Microsoft, "Pier 1 Case Study" 2015

<sup>2</sup>RIS, "What Makes Chico's the Omnichannel Customers Dream", Sep' 14

<sup>2</sup>RIS, "Chico's FAS: The Digital Future is Happening Now", Dec' 15

<sup>3</sup>Computer World, "A cloud platform helps merchandisers make inventory decisions in a hurry" 2014

<sup>3</sup>HortonWorks Case Study "Zulily"

# 360 VIEW OF...

Streamlining customer, vendor, and other business data is a competitive need, distinguishing those have a unified view of all business data

## DRIVERS

The rise in **omni-channel shopping** as well as **ambient computing** means **more data** coming in from **more sources** everyday. In fact, **87%** of people think brands need to work harder to create seamless experiences for customers<sup>1</sup>

Technology **has improved computing power and algorithmic accuracy** to enable easier gathering, analyzing, linking, and comparing of large data sets. Big Data providers now can offer terabytes of data processing for only 1/10 to 1/20 of the traditional storage and processing costs<sup>2</sup>.

## OPPORTUNITIES

### ENABLING IN-HOUSE ANALYTICS

Upgrade IT infrastructure to allow for easy storage, access, and combination of data sets to allow for bolstering of in-house analytics capabilities by building or reinforcing teams dedicated to generating customer insights

### DRIVING BUSINESS EFFICIENCY

Use a streamlined 360-degree view of customer, vendor, and business data to improve efficiency by eliminating duplicate analysis across disparate systems and simplifying the process of analyzing data, ultimately increasing the speed of business decision-making

Sources:

<sup>1</sup>Zendesk, "The omnichannel customer service gap"/

<sup>2</sup>Global Finance, 2015

# 360 VIEW OF...

## SELECT CASE STUDIES



- Kohl's has **overhauled its system of record for its 1,100 stores** to enable store-level and corporate leadership to make faster and better decisions with streamlined merchandising, inventory, pricing, and customer data
- **Kohl's can attribute 75% of sales to specific individuals**; they consolidate this sales data with other customer information such as past purchases, personal demographic information, and how they physically move and behave in Kohl's stores<sup>1,2</sup>



- Luxottica integrates data from 7,000 stores across 11 retail brands, as well as data from its wholesale eyewear business to help the company efficiently identify its highest value customers and the most effective channel to reach them with. Its consumer analytics team estimates a **30-80% increase in marketing ROI** from these efforts
- Luxottica's new enterprise-level decision engine provides a **360-degree view of shopper data**, including **non-traditional forms** of raw data such as photos of customers wearing glasses<sup>3</sup>



- Neiman Marcus's SoLoMo App **uses data to connect customers and sales associates**. Customers can mark their favorite items and preferred associate, make appointments, and scan store items and signs while shopping.
- The system **instantly alerts sales associates when the shopper enters**, and they can easily see data about the customer's store location, purchase history, and new favorite items, along with a Facebook picture to put a face to a name<sup>4</sup>

Sources:

<sup>1</sup>Journal Sentinel "Kohl's plans major changes, including personalized marketing", 2014.

<sup>2</sup>RIS, "Kohl's Overhauls Merchandising, Inventory and Pricing Systems" 2014.

<sup>3</sup>Data Informed "Luxottica Eyes Predictive Analytics for Customer Decision Engine" 2014.

<sup>4</sup>LinkedIn, "How big data and analytics are making retailers more customer-centric," 2014.

# IMPROVING ENTERPRISE EXECUTION

Investments aimed at improving organizational agility and execution will be key in adapting and supporting new capabilities

## DRIVERS

On average, **80%** of IT budgets are spent on **infrastructure** and maintenance<sup>1</sup>

Organizations that implement working IT systems typically **fail to deliver 75% of the business benefits promised**<sup>2</sup>

**42% of CIOs** believe their current IT organization **lacks the key skills and capabilities** necessary to respond to a **complex digital business landscape**<sup>1</sup>

## OPPORTUNITIES

### UNIFIED SYSTEMS

Coordinate legacy and new systems for simplified collaboration across IT initiatives and business departments. Housing critical domains like digital, analytics, and cloud all in one place prevents the formation of silos and redundancy in investments

### DIGITAL ORGANIZATION

Improve digital capabilities by changing organizational structure to empower resources throughout the entire organization, not just the IT department, to take ownership of the company's digital systems and offerings

Sources:

Deloitte University Press, "Tech Trends 2015: The Fusion of Business and IT," 2015.

<sup>2</sup>Computer Weekly.com, "The digital CIO: Making the business case for digital technology," June 2014.



# IMPROVING ENTERPRISE EXECUTION

## SELECT CASE STUDIES

### NORDSTROM

- Nordstrom seeks to expand and improve its internal digital technology resources and create a **robust pipeline of tech talent**. However, high quality tech talent often overlook brick & mortar employers
- Nordstrom invests in local tech training programs, like Ada Developers Academy, to attract future IT candidates, especially women who are already highly represented in the retail industry
- As of February 2015, over 70% of Nordstrom's recent tech hires have been external, and Nordstrom has been **recognized for its excellent eCommerce** and omni-channel developments<sup>1</sup>



- Fast fashion retailer H&M releases many sub-collections throughout the year, so its IT infrastructure must be agile enough to support **constantly changing product offerings**
- H&M has **completely integrated its IT** between its partners, suppliers, and its core offices so the entire organization can quickly adjust to produce on-trend clothing
- This integrated data is further used to forecast trends and deliver the right products at the right times<sup>2</sup>



- Under Armour has transformed itself from an apparel company into a digital giant by **ingraining digital technology** into its organizational structure. In December 2014, UA introduced Robin Thurston as Chief Digital Officer, and in March 2015, UA opened its first ever Connected Fitness digital headquarters in Austin, Texas
- Under Armour further expanded its digital presence by acquiring MyFitnessPal, creating the **world's largest digital fitness and health community**, and making UA the owner of one of only about 20 digital communities larger than 100M people<sup>3</sup>

Sources:

<sup>1</sup>LinkedIn "How Nordstrom is Reinventing Its Recruiting Strategy" 2015

<sup>2</sup>Forbes "The Future of Fashion Retailing, Revisited" 2015

<sup>3</sup>Baltimore Sun "Under Armour may be evolving into a fitness technology company," YEAR.

# 5 BUILDING INNOVATION MUSCLE & AGILITY

78% of retail executives place emphasis on innovative technologies and processes<sup>1</sup>

## DISRUPTIVE TECHNOLOGY

Retailers are testing emerging technologies in the race to build **desirable experiences as well as potentially disruptive solutions**

- Investing in technology as a means to innovate beyond traditional retail models
- Utilizing data from wearable devices to create more relevant customer solutions
- Testing 3D Scanners to provide fit and styling recommendations and 3D printers to provide made to order solutions

## NEW BUSINESS MODELS

Niche players are leveraging new business and operating models to provide **differentiated and streamlined experiences**

- Providing subscription-based and on-demand fulfillment
- Embracing increased transparency throughout the value chain to build customer loyalty and enabling organizations through crowdsourcing and collaborative consumption

## INNOVATION AS A CAPABILITY

With heavy competition from start-ups and VC funding, retailers are investing in innovation as a capability to foster an **innovative culture and incubate ideas**

- Setting up processes, teams, and mechanisms to enable rapid testing, implementation, and iteration of new ideas
- Recognizing the challenges of innovating within a large organization, retailers are partnering with incubators and leveraging start-ups to build technology solutions and operate within the broader innovation ecosystem

# DISRUPTIVE TECHNOLOGY

Retailers are testing emerging technologies in the race to build desirable experiences as well as potentially disruptive solutions

## DRIVERS

US sales of industrial **3D printers are projected to reach 42% of total industrial automation sales** by 2020<sup>1</sup>

**Wearable technology sales have increased by 133%** from 2014 to 2015 and by 2019 total shipment volumes are **forecast to reach 126.1 million units**<sup>2</sup>

## OPPORTUNITIES

### WEARABLE TECHNOLOGY

Enabled by increasing capabilities and user adoption, wearables are a key tool for retailers to create more valuable customer interactions and increase shopper convenience. Potential use cases include automated, frictionless checkout and enhanced oversight of store associates

### 3D SCANNING AND PRINTING

Disrupting markets and setting the stage for niche players, 3D scanning and printing technology enables enhanced made to order solutions, reduced manufacturing costs, and lower barriers to entry. Retailers are leveraging this technology to offer new types of customer experiences, such as providing customers increased input into product design

Sources:

<sup>1</sup>"The 3D Printing Revolution", Harvard Business Review, 2015.

<sup>2</sup>IDC, Worldwide Wearables Market Forecast, March 2015.

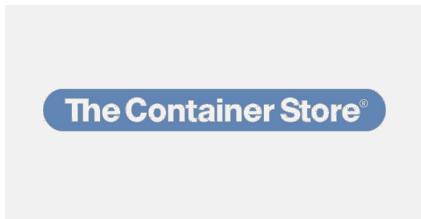
# DISRUPTIVE TECHNOLOGY

## SELECT CASE STUDIES



Bodi.me utilizes **pop-up body-scanning facilities** and **manual measurement entry** to match shopper measurements across brands and **minimize the sizing variation risk** while shopping online

Bodi.me is free for consumers, but charges retailers that use the service, suggesting that retailers can expect an **uptick in online sales and a decrease in returns**. Bodi.me provides sizing information for Tommy Hilfiger, Lacoste, Forever 21, GAP, Zara, Burberry and many more<sup>1</sup>



- The Container Store is now utilizing a lightweight, plastic wearable gadget from Dallas startup, Teatro, which allows for **hands-free voice communication and employee tracking**
- More than a high-tech walkie-talkie, if one employee asks the device to find another employee, the device can respond with that employee's location; this wearable device enables more efficient work time, **creates employee satisfaction which increases customer satisfaction**, and supports the bottom line<sup>2</sup>



- Wearable Experiments (We:eX), an Australian startup specializing in apparel wearable technology, has produced a **prototype wearable jacket which integrates GPS information into the garment** using haptic feedback and LED lights to guide a user's journey toward a destination providing **screen-free GPS**
- Another We:eX proto-type, the Action Shirt, is a the ultimate **fan jersey with sensors capturing the live, on-field action** of a sporting event and **sharing it with the wearer via vibrations**<sup>3</sup>

Sources:

<sup>1</sup> "3D Body Scanning: Bringing Perfect Sizing to Online Clothes Shopping", factor-tech.com, 2014.

<sup>2</sup> "How The Container Store Uses Wearable Tech to Think Outside the Box", CIO.com, 2014.

<sup>3</sup> "The Enterprise Wearables Journey", Forrester, 2015.

# NEW BUSINESS MODELS

Niche players and traditional retailers are leveraging new business and operating models as vehicles for growth

## DRIVERS

Lower switching costs, more dynamic consumer behavior, and increasing information accessibility are **decreasing brand loyalty** and **driving differentiation**

In today's retail marketplace, **design, sales, and support are less strongly linked** and small, niche entrants are drawing from a range of flexible options to execute these activities

## OPPORTUNITIES

### INNOVATIVE FULFILLMENT METHODS

Utilizing innovative fulfillment methods, such as subscription and auto-replenishment services, zero inventory models, click-and-collect delivery options, and product customization, retailers are seeing increases in customer loyalty and convenience, more predictable demand forecasting, and greater asset efficiency

### MINIMALIST AFFORDABLE LUXURY

Spurring an emergence of niche retailers, trends like conscious consumerism are offering consumers increased transparency throughout the value chain, affordable luxury options with simplistic design, and unique product assortments and shopping experiences



# NEW BUSINESS MODELS

## SELECT CASE STUDIES



- Julep, an online and salon cosmetics company, is shaking up the traditional cosmetics industry; Julep focuses on **new product innovation**, leveraging digital to solicit new product and improvement ideas from customers
- Through Julep Maven, its **monthly subscription service**, “Mavens” receive a custom-selected box of nail colors and other makeup at a discount. **Mavens provide quick feedback** on new products via blog postings, Facebook, Twitter, Pinterest, and Youtube<sup>1</sup>



- Everlane, an online retailer, sells its line of minimalist clothing to consumers at a reduced markup of just double production cost; the practice of "**radical transparency**" at Everlane means that in addition to **detailed price information**, Everlane shoppers see **care instructions**, the height of the model pictured, and **product origins**
- Everlane’s approach to transparency offers **value-conscious and socially-conscious consumers** alike piece of mind and the company is experiencing **increased loyalty and enhanced customer experience** as a result<sup>2</sup>



- Combatant Gentlemen, an online men’s clothing retailer, **cuts out middlemen** by sourcing wool from its own sheep and cotton from its own cotton fields; as a result, total production costs are dramatically reduced and the company is able to offer **affordable suiting options** in designs comparable to Tom Ford and Hugo Boss
- Further differentiating Combatant Gentlemen, its online store has a **proprietary technology to fit clothing** which uses customer BMI, neck size, and waist size information to calculate which size will fit best for each style<sup>3</sup>

Sources:

<sup>1</sup> “Omnichannel beauty brand Julep’s social media strategy pays off”, Retailing Today, 2014.

<sup>2</sup> “Everlane and Its Radical Idea of Fashion”, Inc.com, 2015.

<sup>3</sup> “Why Combatant Gentlemen Is the Warby Parker of Suits”, Inc.com, 2015.

# INNOVATION AS A CAPABILITY

Retailers are investing in innovation as a capability to both improve near-term results and incubate disruptive ideas

## DRIVERS

In the last five years, **the top 25 established retailers have lost 2% of their combined market share**, which equates to \$64B, while smaller players that have entered the market with digital at their core have multiplied<sup>1</sup>

Between August 2014 and August 2015, **stock returns of top US retail innovators outpaced the market and those of their peers** by 38% and 47%, respectively<sup>2</sup>

## OPPORTUNITIES

### FUEL SUSTAINING INNOVATION WITHIN

Building environments that foster sustainable innovation focused on incremental improvements and near-term results, retailers are driving improvements in existing products and developing complementary offerings to create more valuable customer interactions and promote loyalty

### ENABLE DISRUPTIVE INNOVATION

Recognizing that building innovation within is difficult, retailers are looking externally to build ecosystems of partnerships to accelerate innovation. By investing in and acquiring innovative startups, retailers can build and test new ideas outside of existing business frameworks

Sources:

<sup>1</sup>Deloitte University Press, "The Retail Transformation: Cultivating Choice, Experience, and Trust," 2015.

<sup>2</sup>Deloitte Analysis of Five Year Index Stock Returns of Top US Retailers by 2014 Retail Sales.

# INNOVATION AS A CAPABILITY

## SELECT CASE STUDIES

### WARBY PARKER

- A disruptive force in the prescription eyeglasses market, Warby Parker has earned a reputation as both an edgy brand and best-in-class innovator; by **circumventing traditional channels**, designing glasses in-house, and engaging with customers directly, Warby Parker is able to provide high-quality, designer eyewear at affordable prices
- Warby Parker has fostered an **internal culture of innovation** by encouraging open and honest observation and discussion of what is working and what should be improved; Warby Parker employees truly believe **it is everyone's job to innovate**<sup>1</sup>



- Simon Property Group, the largest retail real estate company in the world and the nation's largest shopping mall developer, has begun investing in innovative startup retail concepts through its investing arm, Simon Venture Group
- Simon's investment strategy is to find **startups to enhance the shopping experience** of innovative retailers that could develop a presence in Simon malls; the goal is to create innovation ecosystems where mall owners and retailers thrive<sup>2</sup>



- As part of P&G's new model for innovation, it uses a "**connect and develop**" approach to drive innovation within its R&D departments as well as externally through **suppliers, tech entrepreneurs and open networks**, such as NineSigma, InnoCentive and YourEncore
- P&G's secure IT platform creates and **shares a technology brief with suppliers** to seek innovative solutions; for example, a P&G chemical supplier may be able to make detergent perfume last longer, utilizing a brief to propose a solution<sup>3</sup>

Sources:

<sup>1</sup> "Warby Parker Sees the Future of Retail", Fast Company, 2015.

<sup>2</sup> "Simon Announces 'Simon Launch' Retail Startup Competition In Collaboration With Plug And Play Tech Center", PR Newswire, 2014.

<sup>3</sup> "Inside P&G's new model for innovation," Harvard Business Review, 2006.



# Thank you.

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