
THE

ROBINREPORT

RECAP OF 2018 SHOPTALK

The
NEW NORMAL
where
NOTHING IS NORMAL



MARCH 18-21, 2018



SHOPTALK



VENETIAN

LAS VEGAS

THE RECENT EVOLUTION OF RETAIL

By Robin Lewis

Just like the dramatic changes in the rest of retail, the industry's "events calendar" has been forever altered as Shoptalk completed its third Las Vegas event in March.

Over the past three years, Shoptalk's founder and CEO, Anil Aggarwal, has built the event into nothing short of a movement—one that's played a critical role in helping lead the retail industry through its recent years of upheaval. In the process, the former tech CEO and Google executive (and current partner in a billion-dollar investment firm) has become known for his commitment to building a platform that empowers the retail industry with education.

The Robin Report attended the latest Shoptalk event in force, and it was nothing short of epic. From its enviable lineup of executive-level speakers and thousands of curated on-site meetings to the incredible scale with close to 8,500 attendees, Shoptalk has established an entirely new scale and standard of conferences in the retail industry.

With Shoptalk already preparing for its 2019 edition, I met with Anil at his midtown Manhattan office to discuss the leadership he brings to retail. We were joined by Zia Daniell Wigder, who by the way, is also a major reason for Shoptalk's success. Among a wide range of topics, we discussed the Shoptalk view of the state of retail and what's in store for the future, including the new event launched by Anil and Zia called Groceryshop, which is focused on innovation specific to grocery and CPG, and will be held in October, 2018.



Zia Daniell Wigder, Chief Global Content Officer, Anil Aggarwal, Founder, Chairman & CEO and Simran Rekhi Aggarwal, Founder & President at Shoptalk

"Simply put, disruptive innovation is now the normal—everyone is doing it." - Anil Aggarwal

The State of Retail's Evolution

"At the beginning of this year, literally on January 1, 2018, the retail industry entered a 'New Normal' premised not on fear of the present, but on hope for the future," Anil told me when we met, echoing his opening remarks at Shoptalk. "That's a world apart from the 24-month 'Disruptive Period' of 2016 and 2017."

According to Anil, even with the changes we've already experienced, the greatest transformation of retail didn't happen during the Disruptive Period. Instead, he says, it's happening right now—during a subsequent time he calls the

'New Normal' which is distinct from the 'Legacy Normal' of 2015 and earlier.

"In the 'Disruptive Period' that's now behind us by more than five months, people were largely blindsided when the technologies and trends that define the digital age reached their tipping point. It felt like everything was happening to them in 2016 and 2017, and that made them uncomfortable and largely reactive," he says. "In today's New Normal, things have settled down and people have become comfortable with the uncomfortable, allowing them to be continuously proactive instead of intermittently reactive. This change in mindset is the most powerful driving force for transformation over the coming years, and it will result in change that scales to every consumer use case of the digital age. Simply put, disruptive innovation is now the normal—everyone is doing it."

According to Anil and Zia, the New Normal will last much longer than the two years of the Disruptive Period. It's here to stay for the foreseeable future, forming our new reality. And that's great news for Shoptalk because it makes the event even more relevant—to a greater number of people and for a greater degree of change.

Predicting Change

In the Fall of 2015, Anil predicted that the stars were aligned for retail to move into the Disruptive Period and that it would be followed by the New Normal. Very few others saw these changes coming and even fewer in traditional retail planned for them.

How did Anil know? Where did he obtain the crystal ball? Before jumping head first into retail, Anil was a successful consumer payments and financial services industry CEO. According to Anil, retail is transforming in a parallel way to consumer payments and financial services, with one key difference—retail lags by about four years. The disruption of payments, banking and all financial services—generally referred to as "fintech"—started in 2012, compared to retail's transformation which began in 2016. "The factors driving the change are the same—the digitization of industries as everything from mobile and generational shifts reach their greatest relevance and

impact." The tipping points, according to Anil, occurred at different times for the two industries because they each had a different genesis—the Great Recession for financial services and changes in consumer behavior for retail.

What it all Means

Reality squares with Anil's thesis as does common sense, which tells us that there are always two stages in the disruption of anything: the disruption itself and then adjustment or change to the existing order, eliminating some and elevating others. All industries are facing the same trifecta dynamics: new forms of competition, new consumer and enterprise technology waves and new consumer cultures. And as each industry's turn comes, the leaders feel the rumblings and know major change is coming, but they just don't know how fast and powerful it will be in forcing them to make fundamental, as opposed to incremental, changes to their businesses.

What I observed at this year's Shoptalk—and each before this one—was that it's the only event in sync with the realities of the industry. Shoptalk creates the

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FROM THE TEAM THAT CREATED SHOPTALK
ANNOUNCING:



THE NEW EVENT FOR CPG BRANDS & GROCERY, DRUG, CONVENIENCE, DISCOUNT AND OTHER STORES

educational content most needed at each point of the evolution of the industry, closely tracking how the old and new worlds are evolving in real time and identifying the issues, opportunities and challenges that should be addressed as key learning points.

Groceryshop

So, what's the new event, Groceryshop, all about I asked Anil and Zia.

"Groceryshop focuses on the changes in the grocery and CPG industries—grocery is the largest category in retail yet is still in the very early stages of digital disruption. We see enormous opportunities in this sector that are distinct from the evolution of the rest of retail," Zia told me. Not wanting to let the grass grow under their feet as they prepare for Shoptalk 2019, Anil and Zia launched Groceryshop within two weeks of Shoptalk and are holding the new event this Fall on October 28-31, at the Aria where they first launched Shoptalk in 2016. You can read more about that at www.groceryshop.com.

SHOPTALK's Framework for Retail

By Anil Aggarwal and
Zia Daniell Wigder

From the outset, we expected the industry to evolve through the following three major stages:

2015
& BEFORE

From a **Legacy Normal** that dominated retail for decades, where short-term wins were prioritized over longer-term investments and innovation was mostly incremental.

2015
TO
2017

Through a period of **Disruptive Change** caused by the convergence of disorienting shifts in consumer behavior, technology and competition. This stage saw the correction of previous missteps and initial implementation of disruptive innovation.

2018
& BEYOND

To a sustained **New Normal** where a mass of the industry embraces continuous disruptive innovation to satisfy changing customer expectations in a digital age.

We also anticipated that the sentiment in retail would shift from a state of *comfortable* during the **Legacy Normal** to *uncomfortable* in the period of **Disruptive Change**, and then to a state of *comfortable with the uncomfortable* during the **New Normal**.

Our thesis, which was published by Deborah Weinswig last June in Fung Global Retail & Technology, was modeled on a similar progression that started four years earlier in the disruption of consumer payments and banking—a sector now widely referred to as fintech that we helped lead from the beginning with the creation of an event similar to Shoptalk.

Consumers and Competition Changed Faster than Retailers, Sending the Industry into a Period of Disruptive Change

The retail industry's Legacy Normal stage ended in 2015, kicking off a period of Disruptive Change that encompassed all of 2016 and 2017. It was during this period that retailers began to realize they had not sufficiently prepared for the sea change in consumer behavior, preferences and expectations—especially when it came to younger generations. The Legacy Normal years leading up to the time of Disruptive Change had seen (1) the meteoric adoption of mobile by shoppers around the globe, (2) the rise of social media and interest in shareable experiences, (3) the continued migration of young, educated consumers to urban areas, and (4) the growing preference for socially conscious, healthier and more transparent products and a focus on wellness. Additionally, with Amazon revenues increasing and Prime memberships rising rapidly, culminating in an estimated 80 million households in 2017, not only had it become evident to the industry that shoppers were gravitating to Amazon, but the majority of US households had also gained access to two-day e-commerce delivery.

Retailers and brands were in no way oblivious to these trends: they'd built mobile sites and apps, established social media strategies, started to remove harmful or undesirable ingredients from their products and

offered faster delivery options. However, the industry changes were far more profound when they collectively reached the tipping point than most retailers realized or could address through their limited initiatives, especially given the crippling debt that plagued many retailers after private equity buyouts. Two years of Disruptive Change therefore brought to light the out-of-date nature of retail offerings.

The Period of Disruptive Change Lit a Fire Under Retailers

During the period of Disruptive Change, outdated industry practices and legacy methods of operating were first exposed as unsustainable and started to be addressed. The result was a seismic shift in traditional retailers' business models, a series of groundbreaking acquisitions of venture capital-backed tech and direct-to-consumer startups, and dramatically increased exploration and implementation of new trends and technologies. Both the US and Europe experienced Disruptive Change, with large retailers in some parts of Europe still working through this phase.

Change within established retailers and brands during this time was important, but also largely reactive and corrective of previous shortcomings. Innovators who championed new ways of doing things were the exception within their organizations, and initially faced internal and industry resistance based on deeply entrenched thinking and practices. We referred to these innovators as "Heretics" at Shoptalk in 2017.

More specifically, during this period of Disruptive Change:

- Retailers questioned their own legacy business models and started to address shortcomings. Retailers first tackled these challenges themselves. For example, many addressed excessive growth in store counts through aggressive downsizing of physical retail locations. Others launched new, smaller store formats to appeal to different types of shoppers and to reach consumers in dense urban areas, while some used bankruptcy proceedings to help manage their reorganizations. Retailers embraced what came to be known as "experiential retail", adding enhanced offerings like classes, social gatherings, cafes and restaurants to their stores. Some of the most ambitious looked outside their organizations for innovation, acquiring fast-growing startups such as Jet.com, Dollar Shave Club, Chewy, Shipt and TaskRabbit as well as numerous smaller startups with specific technology solutions like Outward, Body

Labs and Corrigan. All of these acquisitions helped retailers gain access to new technologies, business models and talent.

- Retailers also began to select and implement better technologies and processes. Rife with legacy systems, retailers also began to take advantage of advances in retail technology. Throughout 2016 and 2017, retailers addressed a wide range of technology shortcomings in order to emerge from the chaos intact. For example, many felt the sting of outdated merchandising practices and technologies. Poor inventory planning had resulted in subpar in-store experiences and reduced foot traffic: shoppers left frustrated when retailers were unable to keep popular merchandise in stock, while at the same time, retailers were saddled with excess unwanted inventory. During the period of Disruptive Change, retailers began to tackle core issues like stockouts and shortages, and invested to better leverage inventory across channels. Retailers also adopted more advanced approaches to customer insights, enabling them to understand and link online and offline shopper behavior. And retailers that had been operating their e-commerce sites on clunky platforms continued to implement newer, more flexible and cost-efficient options that enabled them to react quickly to customer needs.

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In the New Normal, Innovation is No Longer Reactive, It's Proactive

A combination of factors led to a strong 2017 holiday sales season, including a robust US economy, an optimal set of shopping days between Thanksgiving and Christmas, continued growth in e-commerce and improved last-minute delivery and pickup options before the holidays. As we enter 2018, this has given the retail industry some much needed breathing room to work through its ongoing systemic challenges as well as embrace new solutions.

The resulting optimism and confidence has allowed the industry to now move to its New Normal stage, the timing of which was previously the subject of much



speculation within Shoptalk. The period of Disruptive Change transformed the retail industry much more, but was somewhat shorter than we experienced in consumer payments and banking (24 months for retail versus 36 months for fintech).

The primary defining characteristic of this New Normal is that disruptive innovation is no longer simply reactive or something that a minority of people advocate. Instead, it is proactively embraced by the mainstream and a key priority throughout the ranks of retailers and brands, increasingly constituting part of the everyday work for a critical mass of the organization. Today, we refer to these individuals as “Catalysts” instead of “Heretics” as we did in 2017. Culturally, this New Normal brings in a new era where innovation, not protection of the status quo, is reflected in company’s hiring and training of new leaders and broader staffing. This is not an issue of breaking down internal “silos”—it is about empowering individuals and teams to be agents of change.

Additionally, the New Normal heralds in a new era of realism where hyperbolic terms like apocalypse and Armageddon are no longer used in describing the future of retail. And while pundits grabbed attention over the past two years by questioning whether retail stores and shopping centers even had a future, the demise of physical retail was never a possible outcome of the turmoil.

The New Normal Will Require Constant Improvement in Operations, Experiences, Products and Business Models

The New Normal is an extended period during which innovation is no longer an “if” or “why” but “who, what, when and how,” in order to meet and exceed the needs of customers as they discover, shop and buy physical goods differently in a digital era. Retailers will be in a state of constant improvement as they look to ensure everything from the supply chain to the online and in-store experience is optimized:

- Backend technology improvements will create new efficiencies—and expectations. During the New Normal, advances in backend technologies will have a profound impact on the retail experience. Shortened supply chains will mean faster access to cutting-edge fashion and design. Automated warehouses combined with new pickup and delivery options will reduce fulfillment times, changing consumers’ definition of immediacy. The returns process will be simplified, making it far less painful for retailers and consumers alike. Artificial intelligence and machine learning will be deployed across the entire supply chain, optimizing the most inefficient parts of retail. These changes will happen globally, with countries like China already well ahead of the US and Europe when it comes to logistics and fulfillment innovation.
- Shoppers will quickly come to expect many of the experiences that are cutting edge today. The backend technology shifts that will take place in the New Normal will be complemented by the adoption of new technologies that will directly impact the customer experience. With greater deployment of AI, for example, search results and customer service responses will increasingly be generated through natural language text and voice, and will nearly flawlessly match the intent and preferences of the shopper; visual search will be widespread. Consumers will expect personalized experiences both online and offline, while serendipitous discovery will become more common as retailers and brands better predict which products and experiences will delight each individual shopper. Technologies that enable shoppers to visualize products on their faces and bodies, and in their homes and gardens, will become the norm in categories like beauty, apparel, furniture, home improvement and more.

- There will be a far closer alignment of startups and traditional businesses. Large retailers and brands will not revert to the previous vacuum largely devoid of influence from early-stage companies. While retailer and brand accelerators and incubators gained momentum in 2016-2017, the New Normal will include partnerships between large organizations and startups that go well beyond these types of programs. As retailers look to differentiate their product offerings, they will turn to direct-to-consumer startups with new, revolutionary products as key suppliers. New business models rolled out by large retailers will be powered by startup partners. And as retailers move beyond talking about omnichannel and instead focus on determining the most optimal balance of digital and physical offerings in their businesses, startups will play a critical role in delivering the capabilities that will enable new shopping experiences.
- A wide range of new consumer products will cross the chasm. Finally, the New Normal has also ushered in an era where mainstream consumers are seeking out smaller brands with unique propositions and benefits. In past years, startup brands were typically supported by a small group of early adopters—today, new brands can rocket into the mainstream in months or years rather than decades. This New Normal means greater competition for established brands that must now be nimble enough to compete against these new rivals—it also means consumers will have more choice than ever as they make purchase decisions. Large brands and retailers will need to speed up new product development processes while also ensuring they cater to shoppers growing accustomed to seemingly infinite choice.

The Divide Between Winners and Losers Will Increase

The New Normal will last much longer than the period of Disruptive Change and result in an overall greater evolution of the industry—more transformation will happen because this stage is premised on hope for the future rather than fear of the present. Like the

shakeout during the period of Disruptive Change, change during the New Normal will continue to create a divide between the winners and the losers. Long-term success will be dictated not just by the nature of a retailer’s business or the strategy and technology adopted, but also by the willingness to embrace constant change and a culture of iteration in every aspect of the business. During this period, retailers are also less likely to be punished for investing in the future, with early indications suggesting that investors in larger retailers, including publicly traded companies, may be willing to forego short-term profits in favor of long-term gains.

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The Shoptalk-Led Narrative and Community is Now Relevant to the Many, Not Just the Few

If the current relative stabilization of retail is sustained, the New Normal is here to stay—although like all major economic shifts, it’s impossible to know for certain that it’s an ongoing trend rather than a short-term anomaly until it’s proven through time. The

role and importance of Shoptalk is at its height during the New Normal: The New Normal is the time when most—not just few—in the industry must educate and inform themselves about retail and e-commerce trends and technologies that are fundamentally altering their businesses.

By focusing relentlessly on the need for a fresh, intellectually honest conversation and community, Shoptalk has established an entirely new standard for events in retail and e-commerce. We maintain complete control over our agenda because it forms the basis of the industry’s narrative, and we have never outsourced content development or engaged in unhealthy practices such as pay-to-play content. We have reconstituted the industry’s digital community from scratch: with no legacy stakeholders, we ensure we bring together everyone that forms the relevant ecosystem—including startups, investors, equity analysts, media and more—many of whom did not previously have such a home. We have also evolved the event sponsorship model to focus more on curated interactions that can help retailers and brands with the changes they now must make.

WHAT'S SHAPING THE RETAIL REFORMATION

By Marie Driscoll,
Deborah Patton
Judith Russell and
Warren Shoulberg

Every industry needs a visionary or clairvoyant. These voices tend to make us uncomfortable and slightly confused. Do we have the right strategy? Are we shaping our future or just trying to catch up to it? We at *The Robin Report* believe these voices are critical to keep us honest and challenge us to raise the bar of the entire industry. So, using Anil's thesis as a stepping stone, we have assessed the industry and identified six macro trends that are informing and framing the future of retail. While these trends were pervasive at Shoptalk, they also transcend the conference and are bellwethers for the industry at large

1 | Power to the People

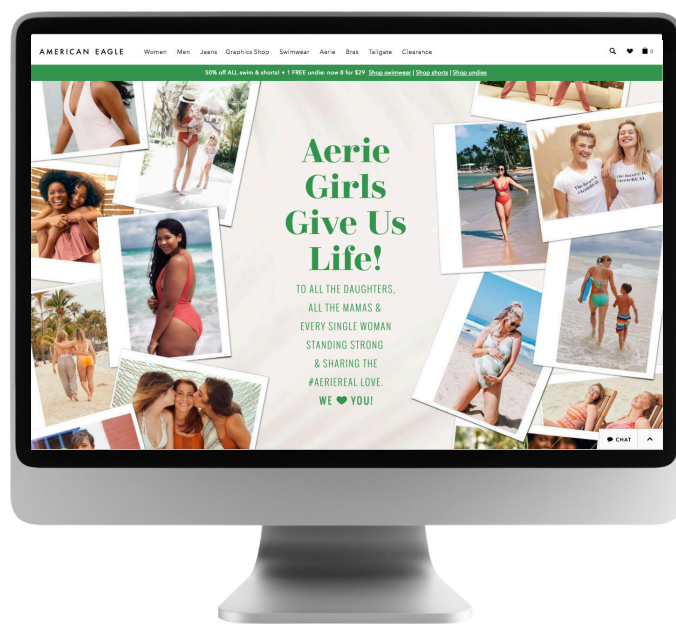
Key Words: Expectations, Ethics, Sustainability, Conscious Capitalism, Authentic, Transparent, Trust, Personalization, Community, 3Cs-Culture/Conscious/Cause; Brand Building

The consumer is the brand. Each is one of a kind, a unique product, personalized and customized, made affordable because of technology. Carolyn Everson, VP, Global Marketing Solutions at Facebook says there are three most-important things: "First: put the customer in the center. If a company has e-commerce and stores in separate silos (without seamlessly integrating them), then they're making it about them, not the consumer. Then mobile second. Mobile is the single biggest transformation in behavior. Third: Make your culture be about Test/Learn/Iterate/Scale—do this faster and faster." She adds that the purchase funnel, or the model that illustrates the theoretical customer journey toward purchase, is out the door. You can launch a brand and stimulate action in one transaction today. That is what customers demand.

Building a legitimate community for customers is non-negotiable. Adam Sussman, Chief Digital Officer at Nike says, "A finish line can inspire for a moment, a community can inspire for a lifetime." Nike has been creating communities on the track/football/sports field since its founding and with technology, can make the sneakerhead kid in Des Moines feel as lucky as his peer in New York City.

Listening is both art and science. Jennifer Foyle, Global Brand President of Aerie at American Eagle explains "You can't create a brand unless you listen to your customers; and just as important, everyone, from sales associates to headquarters, must be committed to a customer-centric strategy. You must have your whole organization wrapped around the idea; it's not easy. You can't expect these new generations to

celebrate authenticity unless you, your people and your headquarters do." Aerie Real is a new initiative (started in 2014), and according to Jennifer, the entire organization is walking the talk, mere everyday marketing is meaningless. Jennifer's mandate is that an Aerie product must feel good. "If she doesn't feel good, how is she going to feel real? You can't just post photos on Instagram and expect your customers to engage. You can't. You have to live with your customers." To bring customers



You can launch a brand and stimulate action in one transaction today. That is what customers demand.

into the brand, Aerie posts photos of them on the Aerie homepage.

The brand is evolving and becoming part of its customers' lives, they are the role models and they live the brand, a cultural phenomenon rallying around the simple filter of Be Real! Today, real women are the brand ambassadors, embracing individuality and style for the plus-size woman to celebrate body positivity. Since Jennifer's team began its customer engagement strategy, sales have doubled to \$500 million, with digital growing exponentially to 40 percent of total brand sales.

Authenticity and transparency are table stakes. And forget traditional advertising or marketing. This consumer shift is supported by Tomer Tagrin of Israel-based e-commerce AI technology provider Yotpo: "No one believes you. They believe what customers say about you." Carolyn Everson of Facebook adds, "Digital native companies build brands that consumers love and will talk about for decades. It's more about reaching the consumer than building the brand." Tina Sharkey, Co-founder and CEO of Brandless, agrees, "Today, it's absolutely no longer what a brand says about itself, it's what a friend tells a friend."

Honesty is even shifting the beauty business, traditionally built on fantasy and aspiration. Mary Dillon, CEO of Ulta Beauty says, "We are in a time of exciting possibilities,

for retail, for Ulta Beauty, for our guests, for our associates. More people have the ability to be accepted for who they are, and beauty will play a critical role in that."

There is a movement afoot that transcends the only-me market. Consumers are calling the social justice shots and demanding that retailers and brands put their products where good ethics are. Culturally we hit a tipping point when Barron's published Blackrock CEO Laurence Fink's annual letter to CEOs stating, "Without a sense of purpose, no company, either public or private can achieve its full potential. It will ultimately lose the license to operate from key stakeholders." He called for a new model of corporate governance, where companies ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world? Are we using behavioral finance and other tools to prepare workers for retirement, so that they invest in a way that will help them achieve their goals?"

Allbirds may be the brass ring winner when it comes to sustainability. Their fashionable eco-smart

shoes are not only capturing the hearts and souls of ardent nextgen conservationists, they are role models for "going green" throughout all levels of their organization. Online hair colorist Madison Reed founder Amy Errett speaks about the freedom to be "...authentically you, finding your voice, that you are perfect just as you are. That's empowerment and how your hair looks is directly correlated with confidence." Madison Reed has cut out harsh chemicals in an ammonia-free ingredient mix as part of its purpose-driven strategy.

2 | T3: Tech, Touch and Talk

Keywords: Machine Learning, Personalization, Touch/Voice/ Visual Search, In-Store Experience, Geo Fencing, Storytelling, Entertainment, Games, AR, Robotics

"Four years ago, I asked myself, 'How is it that in 2014, I can see something I like and not be able to tap on it and get it?' Millennials and GenZ get hundreds of images on their mobile devices each day. For them, it's a natural instinct to want to act on those images. It's intuitive. So, we built a business about doing that, so you can shop the world you see." That's Lihi Pinto Fryman, founder of Israel-based visual search technology firm Syte. Ai on the possibilities of visual search. Ben Silbermann, Co-founder and CEO of Pinterest adds,



“Years ago the mall was the place to shop, the place to be, the place to discover everything that was new. The element of visual discovery is not yet sufficiently integrated into the online world. Visual search and discovery will give people a better language for exploration and discovery. This will also help transcend language barriers.”

Universal Design theory is based on the concept that if you design buildings, products and environments for people who are older or with disabilities, you have solved design problems for the population at large. Conversational commerce is a voice-activation shopping solution for everyone. Larry Bohn, Managing Director of General Catalyst says, “In 2010 no one anticipated how fast mobile shopping would ramp, it’s the same for voice.” Peter Cahill, founder and CEO of Voysis says, “Voice removes huge friction in e-commerce, enabling shoppers to say what they want. The constraint is what is available in the format, not what customers are looking for!” According to Cahill, the average Amazon Echo owner spends \$500 more than the average Amazon Prime member. The trajectory is

only north with Echo ownership growth and expansion of product availability.

Machine learning is also redefining every aspect of commerce. Chatbots, love them or hate them, are personal shopping assistants powered by AI. What humans do naturally is seamlessly transition from audio modality to visual modality and back again. Not so for AI. To train AI to switch and understand visual clues is much faster than text. Users want to talk in emojis. AI needs multi-modality understanding all at once, and move back and forth artfully, send a photo, respond in voice. AI is, not surprisingly, the darling of the startup crew.

Ben Silbermann of Pinterest refers to AI, robot logistics and VR, “all this was science fiction a few years ago, and now it’s happening, it’s powering the future of retail.” Neil Ackerman, Senior Director, Global Supply Chain Advanced Planning, Johnson & Johnson, enthuses, “Artificial Intelligence isn’t artificial. It’s real.” Be that as it may, we are at the tip of the iceberg when we consider its potential. “AI is the buzziest buzzword right now. But it’s a broad term for a lot of things, and still very nascent,” says Brendan Witcher, Principal Analyst at Forrester. The engineers tend to be more grounded, saying artificial intelligence isn’t intelligence. It’s machine learning. And even more pragmatic, “AI, and data analytics— it’s just math. Let’s just call it math,” states Charlie Cole, Chief E-commerce Officer, Samsonite.

Tech tricks and toys are tools to exalt the customer experience. Nike partnered with Singapore-based BBH to build the world’s first LED track, where runners wearing sensors can compete against an avatar version of themselves. Adam Sussman, Chief Digital Officer of Nike says, “Technology is enabling the company to continue to achieve and scale the vision that its founder had.” Each day, through its stores, apps and websites, Nike connects with hundreds of millions of athletes in more than 190 countries across six continents. Nike’s customers aren’t buying footwear, they’re buying into their own potential, adds Sussman.

DSW is testing a new one-shoe-stop lab store in Polaris, Ohio, with new technologies: a handheld to navigate the store, a place to rent shoes, a service to be fitted with orthotics, an area to get a pedicure and have shoes repaired. Inscape is a meditation center launched by Intermix founder Khajak Keledjian. Lululemon, not to be outdone, is testing a health and home line, with meditation space in the store.

Tech is not just bells and whistles, it can support critical infrastructure issues. An interesting case is Philips Lighting, which is using LED lighting in stores as an indoor positioning system to get more accurate inventory and prevent loss, which makes the physical store as data-rich as the online store.

3 | High Touch ... Still

Key Concept: The Brick-and-Mortar Advantage

Diane Hoskins, co-CEO at Gensler, the world’s largest architecture and design firm, said 52 percent of shoppers still prefer brick and mortar, and 77 percent of Gen Z

shoppers worldwide prefer physical spaces for shopping. Walmart is taking the lead among traditional retailers, as Marc Lore summed it up with, “some of the great deals in-store just don’t translate online.” He spoke to Walmart’s ability to leverage its store fleet with 1,200 pickup locations and expanding U.S. grocery delivery service to 100 metro markets by 2018 year-end that will reach 40+ percent of U.S. households.

Physical synergy with online is the new reality. John Bejorik of WD Partners said, “When a store opens in a neighborhood, the online sales increase in that area by 52 percent on average.” On the flip side, after seven years, online brand Indochino started to open showrooms because they knew if they wanted to be a market leader in the \$7 billion men’s tailored clothing space, they had to scale faster and reach the consumer segments who needed more service for their introduction to the concept. With

22 showrooms today, they will have 35 by the end of the year. Drew Green, CEO of the Vancouver, Canada-based menswear company, said that this doesn’t mean they’re becoming a traditional retailer. It’s still got a digital voice, inspiring a generation of men to evolve from RTW to MTM (made to measure) and technology has played a huge role. They have reduced the cost of customer acquisition from \$140 to \$78 and have cut lead time in half. Now 82 percent of orders ship in under two weeks. The results: its fourth consecutive year of 50 percent year-over-year revenue growth.

New physical retail formats are trending, according to Anthony Simon, Managing Director of Retail at design firm Interior Architects. “We are living in an increasingly digital world that craves analog sensation. So be relevant to your consumers’ lives, be truthful to your brand, and hold experiences important to what lies ahead in the new retail environment.” He explains, “85 percent of consumers need the physical environment of brick and mortar,



but those environments are rapidly evolving to interesting new formats. Nomadic retail is True&Co.’s mobile unit, ‘try on truck.’ Toyota is developing an autonomous retail vehicle that can be a store that comes to you, a curbside mall in collaboration with Uber and Amazon. Showroom models include The Apartment, MediaMarkt, Bonobos and Indochino. Hospitality retail is embodied the Shinola Hotel in Detroit, in West Elm Hotel, Muji Hotel in Tokyo and John Lewis hospitality suite. These are branded retailers where you can sleep overnight.” Sleepovers are trending. There are innovations such as Casper pop-ups where you can go for a 30-minute nap; the Dyson demo store, and Xbox Stay and Play, a pop-up in Australia where you can spend the night on a couch playing Xbox.

Many physical retailers are re-introducing food service into their stores. The interaction of retail food is important because it attracts more traffic, encourages guests to stay longer, makes it more about experience and less about the transaction. Urban Outfitters acquired Pizzeria Vetri to enhance the experience in their lifestyle stores. Restoration Hardware has already added cafes and restaurants into its stores and



The human engagement is central to any brick-and-mortar experience, which has to be social and community-like, to attract the new young consumer culture.

has announced more to come. And Tommy Bahama has its own branded bar and grill.

Finally, and the most significant advantage in the physical world, are the old world “sales assistants,” trained and elevated to what we would describe as “brand ambassadors.” The human engagement is central to any brick-and-mortar experience, which has to be social and community-like to attract the new young consumer culture.

4 | Grocery in the Faster Lane

Key concept: The laggard food industry is trying to catch up

Supermarkets are fighting to avoid superficiality. If you looked closely enough during Shoptalk you could almost see the legacy supermarket brands circling their shopping carts around their territories. As one of the last consumer product goods retailing channels to feel the full impact of the e-commerce onslaught, they have been behind the curve, both in feeling the e-pain and in addressing how to adapt their business models to the new realities of retailing. Grocery is struggling to find the holy grail of the grocery category: fast, efficient and cost-effective home delivery of online orders of fresh food.

We are becoming a nation of foodies, with a younger generation creating a big food culture. Men are just as interested as women, doubling the engagement potential. There is tremendous latent demand, and younger

consumers don't have a problem with others picking out their food. In fact, an Oliver Wyman study found that 66 percent of U.S. consumers want to shop for groceries online, but are prevented due to the following:

- Service isn't good enough
- Too much hassle/friction
- Product assortment isn't big enough
- Prices are too high
- Delivery fees are too high
- Food isn't fresh enough

Because everyone buys groceries every week, and everyone has a smart phone, eventually these barriers will be broken. The convenience of getting product quickly and economically, delivered to your kitchen, will win out in the end.

People all over the world are uncomfortable about others picking out stuff for them. As these changes, the shift will accelerate. Migration to online is inevitable because it saves time, money and enhances food quality and freshness.

With Center Aisle departments melting down in the face of

the Amazon invasion and their prepared foods business being bombarded by the likes of Uber Eats, DoorDash, GrubHub and their brethren—not to mention the burgeoning meal kit purveyors—supermarkets see fresh food as their last best hope to remain relevant to the online shopper. Competition for dinner, and for the fresh food delivered quickly in the last mile, will get fierce.

Whether it's produce, meats, baked goods or dairy, stores are trying to shake off the traditional slow pace of change in the channel. According to Cooper Smith, Research Director of L2 Inc. (Gartner) “The tipping point that identifies true disruption in any consumer goods category is when 20 percent of those products are sold online. It started with books, then moved to tech and now apparel. It will take until 2025 when 20 percent of grocery is sold online. It's already happening in Korea at 20 percent.” Nielsen Group VP, Retail Commercial Strategy Laurie Rains added, “The tipping point is 20 percent and maturation is 70 percent. It can take 15 years to get to maturation.” But startups are always in a hurry, and they want to move that grocery horizon up to five to seven years from now.

As one of the last consumer product goods retailing channels to feel the full impact of the e-commerce onslaught, they have been behind the curve, both in feeling the e-pain and in addressing how to adapt their business models to the new realities of retailing.



The poster child for the new model for grocery could indeed be Ocado. UK-based Ocado is the largest online grocery retailer in the world, at \$2 billion, bigger than Asda, Sainsbury, and Waitrose. Ocado seems to have found the secret sauce to make the model work. Tim Steiner, the founder and CEO, said during his keynote at Shoptalk that because of the company's success, the online grocery business represents 7 to 8 percent of the UK market versus an estimated 2 to 3 percent in the U.S. “And it will be at 10 percent, \$100 billion, in four to six years,” he said. Ocado is well on its way, with 1.3 billion pounds (\$1.8 billion) in revenue last year and 580,000 active customers.

Three large automated warehouses, with 600 battery-powered robots that move at four meters per second, allow the shipping of an average of 1.3 million items per day. There is heavy use of machine learning in the supply chain with 99 percent item accuracy in shipping, resulting in very low levels of food waste.

Without physical stores, the company depends on massive distribution centers that serve more concentrated population centers, charging about \$2 for most deliveries. The centralized warehouse allows for 99 percent accuracy of orders, he said, with

a base of about 50,000 SKUs. Half its business is in fresh foods. And the company is profitable, Steiner said, adding that if U.S. retailers adhered to Ocado's business model, they too would be successful...and profitable.

The closest American operation to the Ocado model would be FreshDirect. Jason Ackerman, CEO and co-founder, also a keynote speaker at Shoptalk, said the company is doing about \$700 million in the greater New York market area, all from one distribution center. Calling grocery “a defensive industry,” he says, “fresh food is sexy,” indicating that fresh is the differentiating factor to the company's model.

Several themes emerged at Shoptalk as elements for successful strategies in the grocery business:

- Three key traits will define all successful commerce going forward: convenience, personalization and goodness.
- The increased use of AI in customer service: one Shoptalk speaker forecast that 80% of customer interactions will be handled by artificial intelligence machines by 2020.
- Loyalty programs, stressing rewards for frequent shoppers,

usually monitored and administered through smartphones.

- The possible resurgence of QR codes on products, driven by their huge popularity in the Chinese marketplace. Other smart label configurations will also gain in importance, giving shoppers the capability to find out more information on the products they are considering purchasing.
- Potential increases in online sales of wine as local shipping laws evolve, allowing for more intra-state deliveries and service.
- Conflicting forecasts for brands, one speaker citing research that says millennials are surprisingly loyal to brands their parents used while another—from the Brandless startup—claiming brands are no longer relevant when compared to price and ease of purchasing.
- Through it all, business leaders remained fearless in their ability to be competitive with the hulking giant invading their businesses. Said one, when confronting the possibility of a certain online juggernaut opening 10,000 physical stores: “To our friends at Amazon, we say bring it on.”



THE NEWEST KIDS ON THE BLOCK

There is a steady stream of startups, new companies and assorted fresh-face wannabes who are praying their latest and greatest business ideas make it to the finish line. While the vast majority of startups are from the online world, a fair number are suppliers with new goods and services and—amazingly—the odd physical store startup. Interestingly, nearly all-Shoptalk presentations were introduced, not with the creator's resume or their divine inspiration, but rather with the amount of VC funding they had managed to secure to date. As a measuring device for business soundness and success, that says more about the state of the industry than any of the actual presentations themselves.

The Robin Report collective is a tough judge and jury, and here are a selected few startups that caught our attention

Brandless

Only seven months old, but within 60 hours of launching last year on July 11, Brandless had already shipped to 48 states, which they do every day now, often before noon. Brandless is “trademarked white space.” Reimagining what it means to be a brand. Not anti-brand, generic brand, or invisible brand. Said founder Tina Sharkey: “Our intention is to make sense of modern consumption. People don't want value and price to not be related to each other. They want socially responsible brands that reflect truth, trust and transparency and build community.” The Brandless model is better products for less money. Pretty much everything is \$3. It specializes in food, home products, personal care and beauty. Products are of high quality,



organic, free of toxins and gluten and preservatives and all that nasty stuff, packing is simple and clean. We can't wait to try the tree-free toilet paper (made from sugarcane and bamboo grass). Brandless only sells Brandless products and the site is the only place one can buy them.

Winc (formerly Club W)

Wine sales are growing in the US, taking share from other spirits. It's a \$60 billion business, but only five percent Direct to Consumer and e-commerce. Winc is a vineyard with DTC distribution (they define themselves as a vineyard so they can ship interstate). They make wine exploration and discovery easy, selling over 100 wines on the site at great value.



Appear Here

The sharing economy plays out reframed real estate with pop-ups and shared spaces at Appear Here. WeWork fuses with Uber to offer concierge services to locate and rent nontraditional retail spaces in cities around the world that create commerce communities. Serving as a marketplace, Appear Here brings together a community of brands, entrepreneurs and creatives to space in the world's best cities. The pop-ups serve as innovation labs to experiment with store concepts and design.

Perch

You walk up to a Jo Malone display of fragrance. You lift a bottle to sample its bouquet, and voila, a screen comes to life with gorgeous animated picture of all the floral ingredients in the bottle. Take two senses: It helps you visualize a scent! You lift a Valentino pump off the display and a screen lights up with a history of the design craft and artisans who made the \$800 shoe. Perch is in-store messaging on steroids. Its touch screen, interactive glass technology unites the physical and figurative with a customer experience that goes beyond delight. If you're looking for creative customer engagement, Perch delivers.



Allbirds

The store in New York in Soho is jammed every weekend. The founders are charming and New Zealand provenance makes a strong sustainable back story with attractive sneaker-esque shoes made from wool, culled from all those Kiwi sheep, complete with sustainable farming and animal welfare standards. Sustainability is their ethical compass, and they are working on a new generation of shoes made from eucalyptus fiber—another New Zealand staple.

Sphero

How improbable is it that you make educational, app-enabled connected robotic toys that have an uncanny resemblance to the BB-8 droids in Star Wars sagas? Instead of



being squished by giant Disney, Sphero becomes part of the Disney Accelerator Program. The concept is to fuse physical robotic toys, digital apps, and entertainment experiences to unlock the true potential of play and inspire tomorrow's creators. Sphero promotes STEM and can be used as educational tools by teachers. Cloud-based technology enables powering these relatively inexpensive toys which are designed as “art toys” inspiring self-expression. The educational program encourages hands-on computer science; students can build their own, learn to code and join the community.

Everthread

Everthread uses a patent-pending proprietary 2D/3D image-rendering software to create high resolution customized views of products for its retailers and brand clients. Say goodbye to expensive photoshoots and excessive time in Photoshop. Everthread takes one rendition and generates thousands—color, fabric, size, hardware—all the choices that allow for personalization and customization. Everthread enables companies to market and sell new product without the accompanying inventory investment, thereby reducing inventory risk. At the same time, Everthread's ability to send suppliers production ready files of custom purchases unlocks the potential for an on-demand supply chain. Real-time consumer data and analytics generated by customer searches/configurations enable targeted marketing campaigns too. According to CEO and founder Nicole Mossman, Everthread's initial target market is home décor and furnishings, but the technology is easily applicable to apparel and accessories.

The Most Ubiquitous Buzzwords

There is a tribal vocabulary for startups, some of which are arcane, and outsiders may need translators to keep up. But there's got to be a limit to the repetition of key words that makes them so ubiquitous, and possibly meaningless with overuse. If the approx. 8,500 attendees at Shoptalk discovered anything, it might have been that if something was worth saying, it was worth saying over and over and over. *The Robin Report* team of erstwhile reporters compiled a list of the most commonly used—and abused—words and phrases in retail. These are the buzzwords emblematic of the startup culture, and what was said ... repeatedly.

In no particular order:

- AI • Personalization • Data Sharing • Platform Sharing • Engagement • Curated Members • Transparency • Sport of Retailing • Visual Discovery • Reveal and Squeal For Profit and for Purpose • Velocity • Use Case • CRM (hey, it's sales) • Authentic Existential Questions • Existential Crisis (no doubt prompted by the questions) • Having a Moment • Lean In • Community • Customer Journey • Frictionless Seamless Experience (that's frictionless) • Conscious Capitalism • Relationship

What the Industry Isn't Talking About ...

Whether by conscious omission or honest oversight, there are a number of issues that remain lurking around the retail and e-commerce world that fail to make it to center stage. We've gathered some of the more obvious—if not the most important—topics that remain behind the curtain in the new world of retailing.

New Metrics to Measure Success

As old measurements like comp store sales, ROI and sales per square foot continue to lose their relevance in the new age of retailing, there has yet to emerge a new science to reflect the state of the ROI art. We suggest recasting the metric to ROIC, return on invested capital. Diane Hoskins, co-CEO at Gensler, the world's largest architecture and design firm, has this to add, "For years we looked at year-over-year sales, footfall, units per sale, brand awareness, social impressions, and online sales lift per geographic market. As a result, Gensler created the Experience Index to identify factors that really define and build experience and quantify the impact of design on experience." Using a mixed-method approach of quantitative and qualitative data, Gensler built a model that defines what it means to create an experience from the factors that create experience, expectations interactions and space—a new ROI.

The Collateral Damage of Delivery Services and Packaging

One of the dirty little secrets of the online world is the environmental damage being done by the delivery systems. Use of excess packaging has emerged as standard operating practice. Convenience trumps sustainabili-

ty, especially as we use technology to create immediacy. In New York City, the last mile means the streets are populated with Instacart deliveries on bikes and skateboards, along with vans and trucks. Ubers and Vias are stressing the aging infrastructure and the streets are littered with Amazon, FreshDirect and countless other instant-delivery vendors' branded boxes. There's also the issue of waste in conventional grocery stores resulting from the fact that product is sitting in stores and subjected to double-handling, over-transportation is a main culprit here. Is food delivery the solution? In both cases, we are wasting valuable resources. Sooner or later the industry will need to deal with this issue, inevitably pushed by consumers themselves.

The Cost of Customer Acquisition for Digital and the Cost of Speed to Market

Consider what customer expectations have wrought. "I want it now where and when I want it" has created a distorted demand, only exacerbated by speedy Amazon who still doesn't have to show a profit in retail. Digital natives are opening stores largely because the online cost of customer acquisition is going to shutter their businesses. The legacies are scrambling to retrofit their models and invest in software solutions, a new army of digital engineers and delivery systems

to close the speed gap. In both scenarios customer expectations may be the death knell of retail as we know it. Corporate officers, boards, investors and Wall Street—you'd better expand the portfolio to cover your costs of simply doing your retail business.

The Retail Store

The term retail is centuries old. The term store triggers images of buildings filled with stuff. We need a new lexicon that embraces new and old-world commerce. Will the traditional "store" even exist in 20 years? Not so sure.

Ethics in Algorithms

Built-in bias, cultural profiling, insensitivity—these are a few of the issues emerging from an unmonitored group of engineers who are creating machine learning and robots. Data is another Wild West. A lot of retailers and brands hire an army of data scientists but are they asking the right questions and using the right tools? Wharton professor Peter Fader isn't so sure. "Most data scientists aren't scientists, they're data wranglers. But the science of data science is using data as a fuzzy window to propensities, going below the surface of the data and using it to make better informed statements about an individual 'X.' You can't do better than machine learning for classification and description; putting people in buckets and understanding why people are in their buckets." But machine learning has its limits. Fader elaborated, "We don't want to segment on demographics, psychographics or behavior, we want to segment on propensities. We can do that."

Do your Employees Mirror your Customers?

When you're in an enormous group of retail startups, you might want to look around and notice who's talking. As in so many other

businesses, we have to ask the question: does a retail company and its employees mirror their customers in diversity? On top of that, company after company is responding to the times with increased focus on initiatives for women. But seriously, how many retailers have a team of C-level leaders who are women?

Technology Shaping Behavior

While the Shoptalk agenda was chock full of business people, creative types and techies, what was perhaps missing was somebody to explain what it all meant in psychological terms. Because all of this technology is having a profound impact shaping human behavior. These paradigm shifts are changing our expectations and creating new realities for both the people who do this for a living and those who shop for the goods and services the retail world offers. The latest data breaches of a major retailer and Facebook reinforce the tenuous relationships people have with the businesses that serve them. In the meantime, the brave new world of blockchain—which up until a few months ago was solely thought of in terms of virtual currencies and fintech—is now exploding into the business consciousness and has the potential to do for the supply chain what the original worldwide web did for communications. Walmart is a forerunner utilizing blockchain: It is involved in a food safety pilot with IBM that enables the chain to trace products from the shelf back to the farm in a matter of minutes.

Our editors call out a few examples of how technology is impacting us in more subtle ways.

Jason Ackerman, CEO and Founder, says, "FreshDirect isn't about home delivery, but about how to build a better food business." More on

that: How do we supply quality fresh food that isn't double-transported and double-handled so that it can spend its life cycle in your refrigerator, not in the store? What will food shopping look like in five years?

Amazon Go reports customer anxiety about leaving the store without checking in with anyone. What does it mean to make a purchase when you can't see the transaction?

Narcissism rears its ugly head. In an all-about-me beauty culture, we could be living a "mirror, mirror on the wall" moment that puts us out of touch with what we really look like. Kudos to CVS for initiating beauty ads that are free from unrealistic Photoshopping. And Aerie, the division of American Eagle Outfitter, now known as the Body Image Positive Brand for lingerie is involved with an organization that helps combat eating disorders.

Speed kills. How quickly does anyone really need anything? Search on the mobile screen needs to show up within four seconds; a text must be returned instantly. FOMO has become an established psychological phenomenon. An online purchase? Customer expectations have reframed the business model to the extent that one hour may be 59 minutes too late. Given the option, apparently, we prefer not to get up out of our homes and take a walk. These expectations are putting a significant strain on businesses who have no choice but to fall on their knees at the often unrealistic and superficial whims of the consumer. We at *The Robin Report*, going against trend, suggest that we all slow down long enough to ensure the future of retailing healthy by thinking through solutions that are sustainable.



THE TAKEAWAY

Shoptalk is becoming an institution for innovation and education. Through the clear vision of Anil Aggarwal and the expertise of his team, this is one conference that you can rely on for the shape of things to come. You have random conversations with the most interesting people in the sessions, at meals and the receptions. You learn the latest dreams and aspirations of new world commerce. You worry about traditional retail in the face of such entrepreneurial optimism. And you are grateful that Shoptalk has taken upon itself the ambitious and necessary mission to help guide a hugely challenged industry. We're not convinced the VC cabal is going to save retail, but they are backing some inspiring, impressive, energetic endeavors that make Shoptalk so refreshing and relevant.