

TEN THINGS WE LEARNED AT RETAIL WEEK LIVE 2017

#1: "Digital and retail: it's still Day 1" Ajay Kavan, VP, Amazon

Artificial intelligence and machine learning is already starting the next phase of the transformation of retail: not just to automate back office tasks, but to improve the customer experience – see the rise of virtual assistants (not just Alexa, Siri, Cortana, but also retailers such as Dixons Carphone to aid research and purchase). Call centres using AI machines to triage incoming emails (e.g. one answers 30% of all incoming emails and as the machine learns this % is likely to grow).



#2: Reasons to be cheerful about the long-term outlook for the UK economy – Roger Bootle, Economist



Despite short-term challenges (inflation due to the weak £ leading to a slowdown in consumer spending in 2017), longer-term prospects are helped by the decline in sterling improving our competitiveness (and reducing trade deficit), resilient City of London (single market applies more to goods than services), exit the CAP will reduce food prices. Our exports to the EU continue to decline as a % of total (60% in 1999 to 50% today). Bigger issues for EU than Brexit are ongoing economic issues in Italy and Greece as well as elections in France, the Netherlands and Germany in 2017.

#3: Retailers need to prepare for Brexit



- Plan to trade under WTO rules if a deal cannot be done in 2 years.
- Prepare for more regulatory change.
- Controls on EU migration will create a significant risk to staff recruitment for some retailers.

#4: Focus on what you are good at and where you add value



- "We aim to be brilliant at everything that is core to us" Trevor Mather, AutoTrader CEO – he also talked about the difficult task of agreeing what to STOP doing.
- "Disruptive players don't try and own the whole value chain. Be clear on where you will add value" OC&C.

#5: Retailers are consolidating to improve customer proposition and reduce costs



- Sainsbury/Argos
- Tesco/Bookers
- Boots/Walgreen

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#6: The better 'pure plays' will survive



Planet Retail predict online 'pure plays' won't exist in 2020 – Alex Baldock, CEO of Shop Direct presented a compelling alternative view. All growth in retail is coming from online and all online growth is coming from mobile. Retailers have 3 seconds to get the attention of their demanding customers shopping on their mobiles – increasing need to use video. Shop Direct with its Single Customer View can do this well (tailored content). Store-based retailers start with the wrong question: not 'what do customers want' but 'what do we do with all this expensive space?'. So much to do to improve the online experience that stores just add complexity and distraction. Online only makes testing, personalisation much easier. AI will help improve the online CX further. Average conversion on a typical site is 2.8%, Shop Direct achieves >4%

#7: A few things we learnt about Amazon: 4 Guiding Principles



• Customer obsession

New initiatives start with a mock press release, addressing the customer benefit (no powerpoint!)

• A passion for invention

Differentiate between 2-way door decisions (i.e. reversible decisions – so act fast, keep senior management out of the way) and 1-way door decisions (i.e. irreversible decisions – so need more thought and governance); their experience is that most decisions are 2-way door

• Thinking long-term

They pay limited attention to their quarterly numbers

• Operational Excellence

Think like Toyota (root cause analysis, defect reduction) in an endless search to become more efficient

#8: Retailers need to rethink the economics of home deliveries



McKinsey reported that for an average £80 basket it costs a grocery retailer £5 to pick and £8 to deliver. Given huge choice of delivery slots, on average retailers achieve 2 drops/hour. Pic Nic in The Netherlands only offer 2 delivery slots/week in a given area and so are achieving 14 drops/hour.

#9: Technology enables fast creation of scale businesses



- JD.com (China) launched in 2004 - 250m users, \$37bn sales
- Snapchat launched in 2011 – 10+m active daily users
- Alibaba launched in 1999 - \$485bn annual GMV in 2016, 443m active buyers
- Birchbox (USA) launched in 2010 – 4m customers globally



#10: If service makes the difference look after your people



"Difference between a 5* and a 4* review is due to human interaction" – AirBnB

"Area Managers' 2nd job is to get rid of poor performers – the best way we can

look after our people is to ensure they don't have to work with poor performers" – John Timpson

"We hire on personality and then teach them the skills" – John Timpson

Voluntary Living Wage can be self-funding – can improve engagement and retention

Old 'command and control' leadership style unlikely to thrive in digital world – empowerment is key