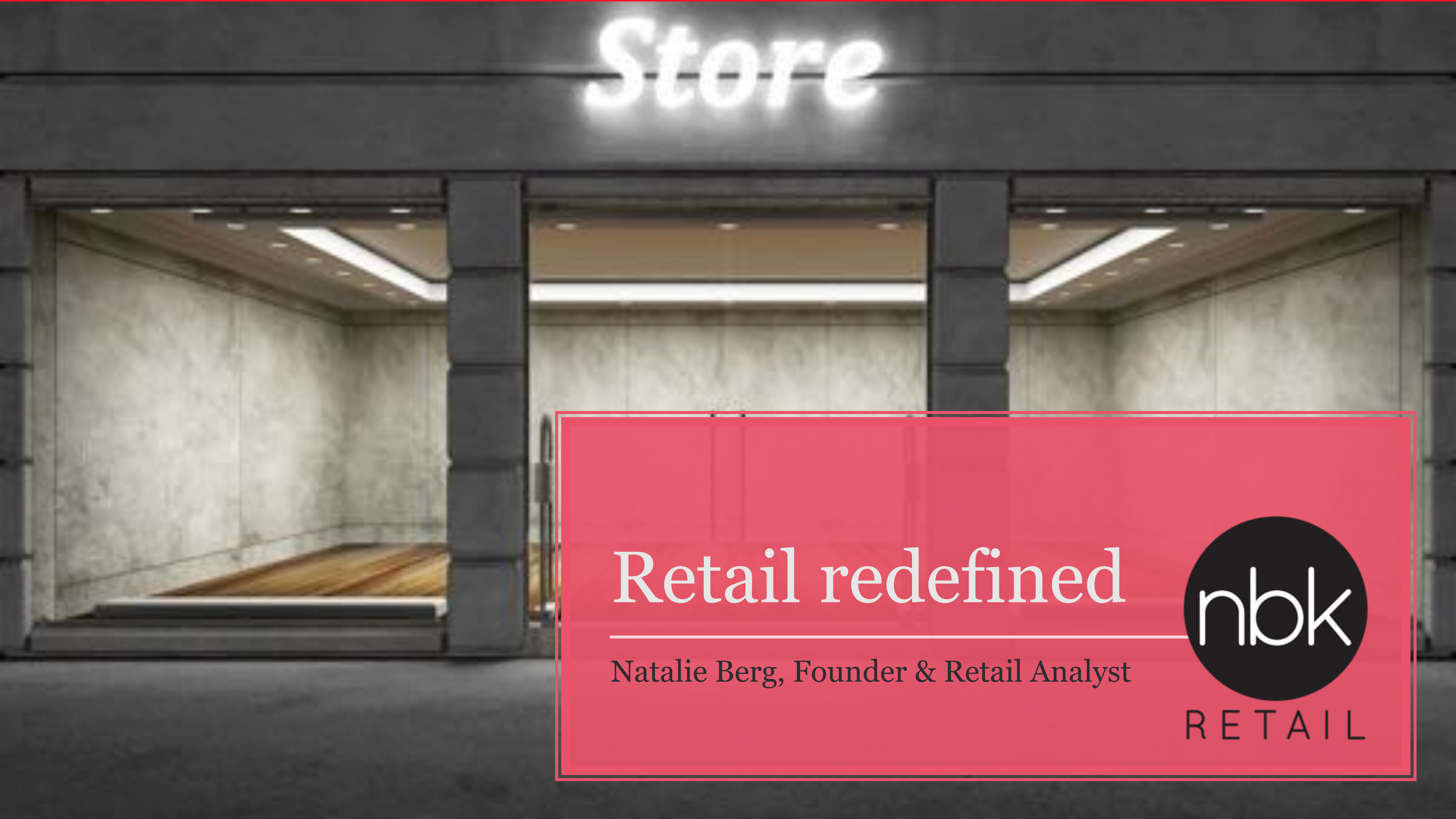

Retail redefined

Natalie Berg, Founder & Retail Analyst

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What is shopping?

“to **visit** places
where goods are sold
in order to **look at**
and **buy** things”

The path to purchase is no longer linear

‘On-my-terms shopping’ is now firmly embedded

Bricks & Mortar

Catalogue

E-commerce

Marketplaces

M-commerce

Voice

Simplified replenishment

Auto replenishment

Social shopping

VR

AR

A short decade ago...

The **iPhone** had its 1st anniversary.

Drones, robots & voice technology sounded like **science fiction**.

Under 1 roof shopping made sense.

Click & collect was virtually unheard of.

Multi-day lead times were acceptable.

Aldi & Lidl = 5% of market

Amazon was the 47th largest global retailer.

E-commerce was the **holy grail**.

The role of the store was **transactional**.

Ownership trumped access.

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"The retail market is bifurcating. You're disrupting or someone's disrupting you."
- Sir Terry Leahy

Retail apocalypse – reality or myth?

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Retail apocalypse

From Wikipedia, the free encyclopedia

The **retail apocalypse** is the closing of a large number of North American retail stores observed starting in the 2015[5] and expected to peak in 2018,[6] but which is a result of the delayed effects of the c. 2008 Great Recession.[7] Over 12,000 physical stores are affected from over-expansion of malls, rising rents, bankruptcies of leveraged buyouts, quarterly profits beyond holiday binge spending, competition and spending habits which have changed. North American consumers have shifted their purchasing habits due to various factors, including experience-spending versus material goods or better homes, lower fashion in relaxed dress codes, and the rise of e-commerce[8] and competition of companies such as Amazon.com and Walmart, which closed stores in prior years.

Major department stores such as J. C. Penney and Macy's have announced hundreds of store closures, and well-known apparel brands such as J. Crew and Ralph Lauren are unprofitable.[9] Of the 1,200 shopping malls across the US, 50% are expected to close by 2023.[10] More than 12,000 stores are expected to close in 2018.[11]

The retail apocalypse phenomenon is related to the middle-class squeeze, in which consumers experience a decrease in income while costs increase for education, healthcare, and housing. Bloomberg stated that the cause of the retail apocalypse "isn't as simple as Amazon.com Inc. taking market share or twenty-somethings spending more on experiences than things. The root cause is that many of these long-standing chains are overloaded with debt—often from leveraged buyouts led by private equity firms."[12] Forbes has said the media coverage is exaggerated, and the sector is simply evolving.[13] The most productive retailers in North America during the retail apocalypse are the low-cost, "fast-fashion" brands (e.g. Zara and H&M) and dollar stores (e.g. Dollar General and Family Dollar).[14]

A Kmart in Lancaster, Ohio closed in 2018

A Sports Authority store in Flemington, New Jersey, as seen on May 28, 2016. This location also has signs announcing the

Contents [hide]

Some truth to retail apocalypse narrative

- 12,000 US store closures and 22% fewer UK shops expected by end of 2018.
- US has 24 sq ft of retail space per capita.
- Mainland Europe & Asia less exposed though impacted by scaling back/collapse of global giants.

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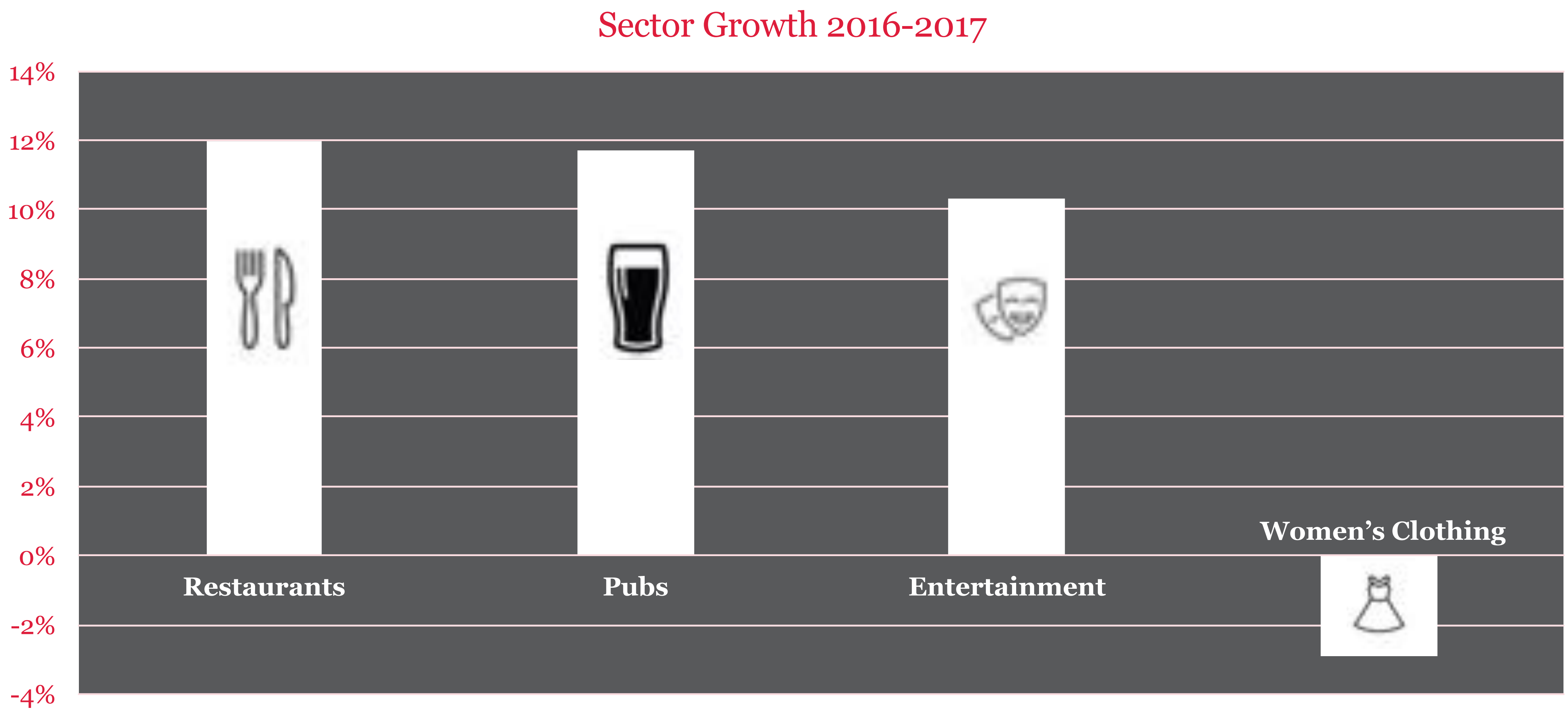
UK retailers facing perfect storm

- Rising costs, subdued demand and seismic structural changes.
- Inflation (cost of imports) hitting everyone from Maplin to Waitrose.
- Leading to one of 4 Cs:
  - Cost-cutting
  - Closures
  - Consolidation
  - Collapse

Fundamental shifts in **how** and **what** we're buying

- **How**: ubiquitous connectivity has led to growth of online/mobile and created today's 'on-my-terms' shopper
- **What**: discretionary spend increasingly going towards experiences over material goods

Rise in experiential spending has hit fashion chains hardest



Source: Barclaycard UK

But can’t just blame the pub for clothing sector troubles

Compounded by:

- Squeeze on disposable income
- Lack of new fashion trends in past decade
- Ageing population
- Growing awareness of sustainability
- More blended wardrobes as a result of more casual workplaces

No surprise stores are closing at record rates

Core category shift online

radioshack
STAPLES
BARNES & NOBLE
maplin
connecting brilliant ideas

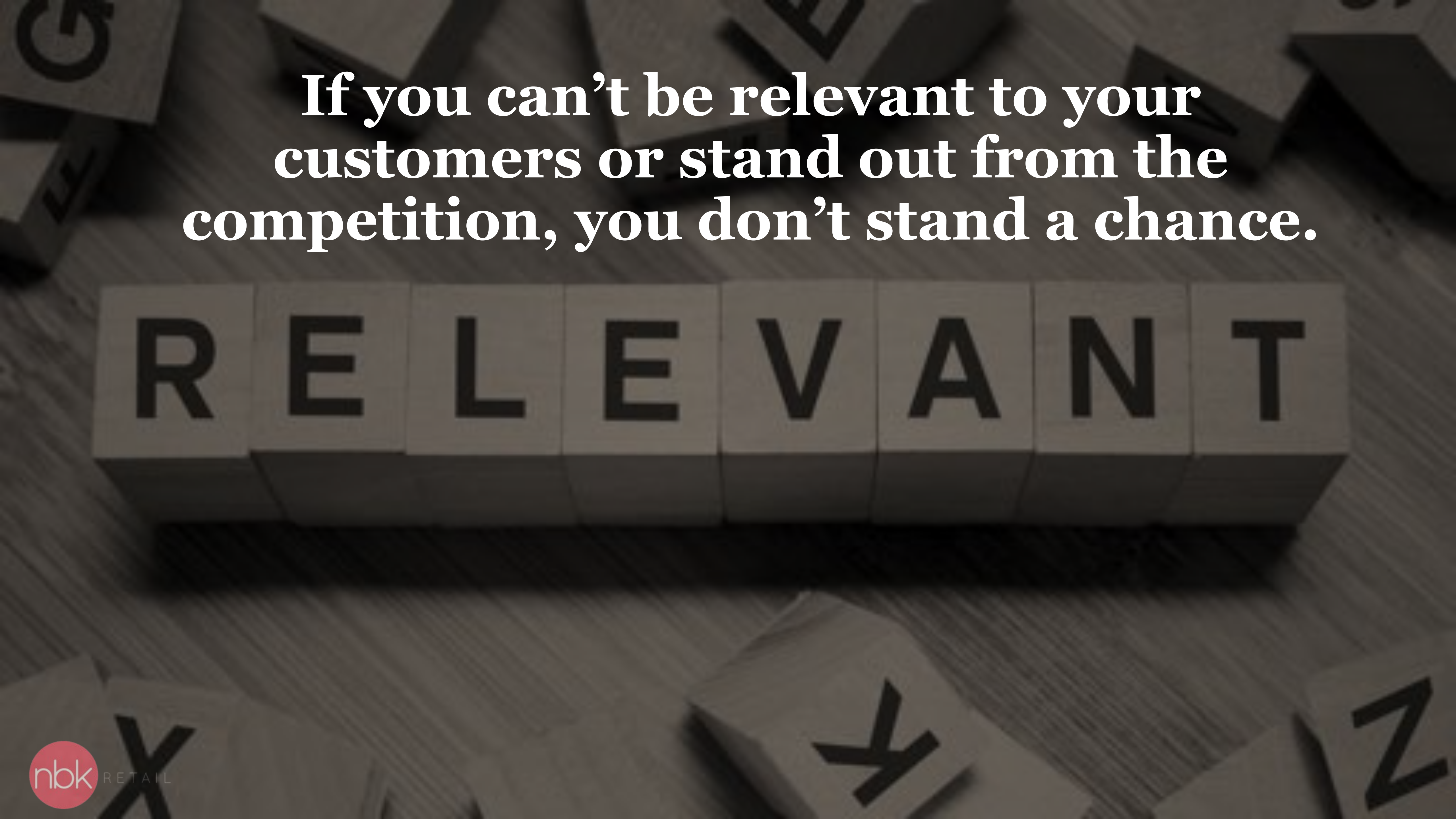
More nimble competitors

Abercrombie & Fitch
GAP
AMERICAN EAGLE OUTFITTERS
NEW LOOK
Toys R Us

Overspaced with questionable relevance

mothercare
M&S
EST. 1884
BHS
BRITISH HOME STORES
sears
macy's
JCPenney
HOUSE OF FRASER
DEBENHAMS

If you can’t be relevant to your customers or stand out from the competition, you don’t stand a chance.



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But death of the store is grossly exaggerated

- 80-90% of retail sales still take place in a shop
- Role of the store is evolving, not dying
- Undifferentiated will be exposed and underperformers weeded out
- But physical retail will emerge stronger, more connected, convenient and customer-centric

Meanwhile, clicks are looking for bricks

"Pure e-commerce will be reduced to a traditional business and replaced by the concept of New Retail – the integration of online, offline, logistics and data across a single value chain."

- Jack Ma, Founder of Alibaba

2015 prediction: death of pure-play e-commerce by 2020

amazon

Boden

SWOON EDITIONS

GILT

BONOBOS

Alibaba Group

WARBY PARKER

MODCLOTH

blue nile

JD.COM 京东

RTR

BIRCHBOX

MISSGUIDED PEACE, LOVE AND FASHION

wiggle

BRACK.CH

asos

ao.com

Why are online retailers moving on to the high street?

Technology is breaking down barriers between physical & digital

Mobile

Digitally integrated stores

Click, collect & return

Pervasive computing

"No consumer in the world gets up in the morning and says 'I'm going to buy some shoes online' or goes into an electronics store and says 'I'm going to buy a refrigerator offline'. - *Terry von Bibra, Alibaba GM of Europe*

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Having a physical presence also helps to:

- Offset rising shipping costs.
- Reduce cost of customer acquisition – act as a billboard for the brand.
- In Amazon’s case, drive adoption of voice technology and grow Prime membership.

"We would love to [open stores] but only if we can have a truly differentiated idea. One of the things that we don't do very well at Amazon is do a me-too product offering.

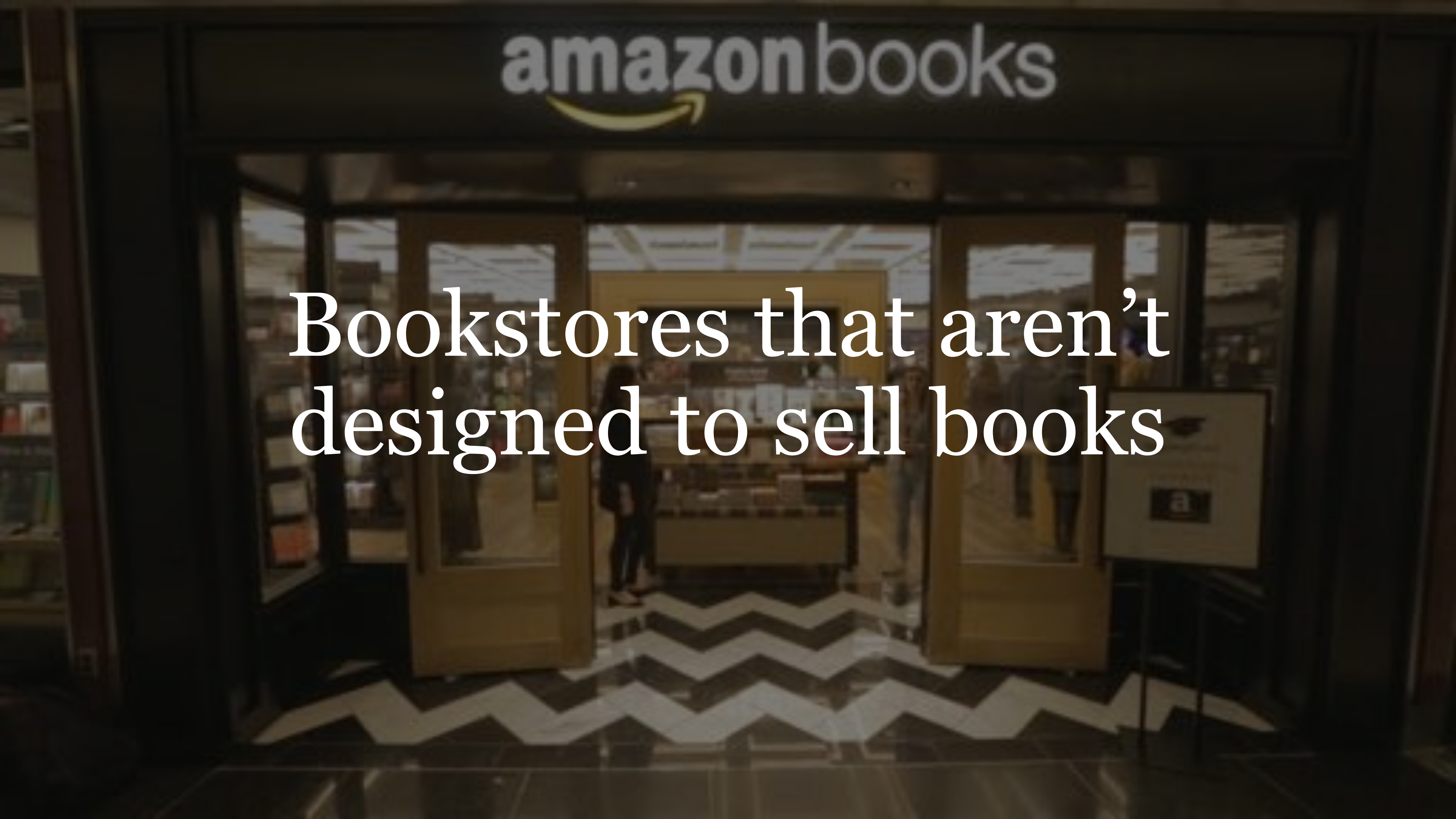
…The question we would always ask before we would embark on such a thing is: what's the idea? What would we do that would be different? How would it be better?"

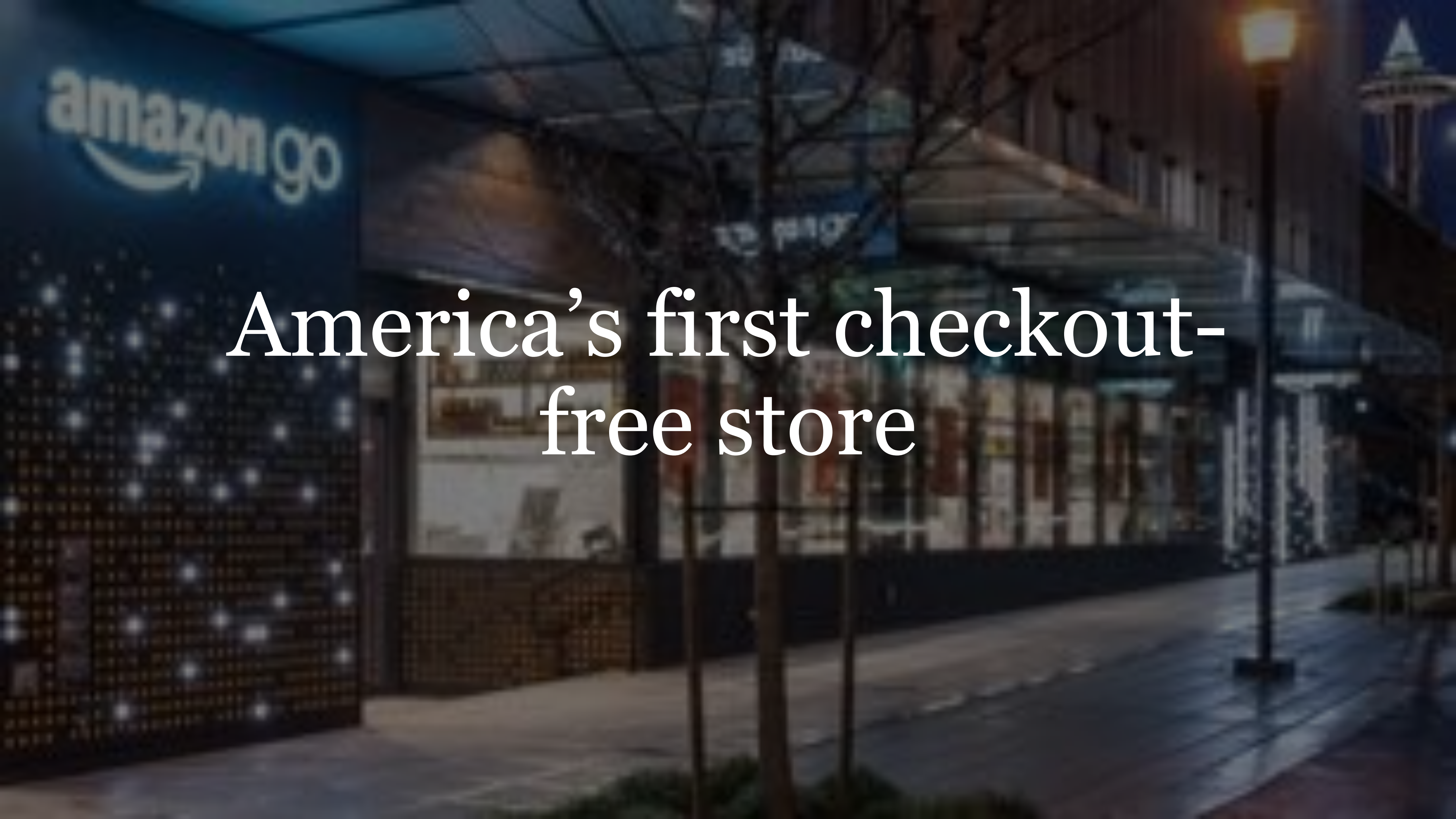
– Jeff Bezos, 2012

Since that interview, Mr. Bezos has opened…

Branded kiosks in malls across the US

Bookstores that aren’t designed to sell books



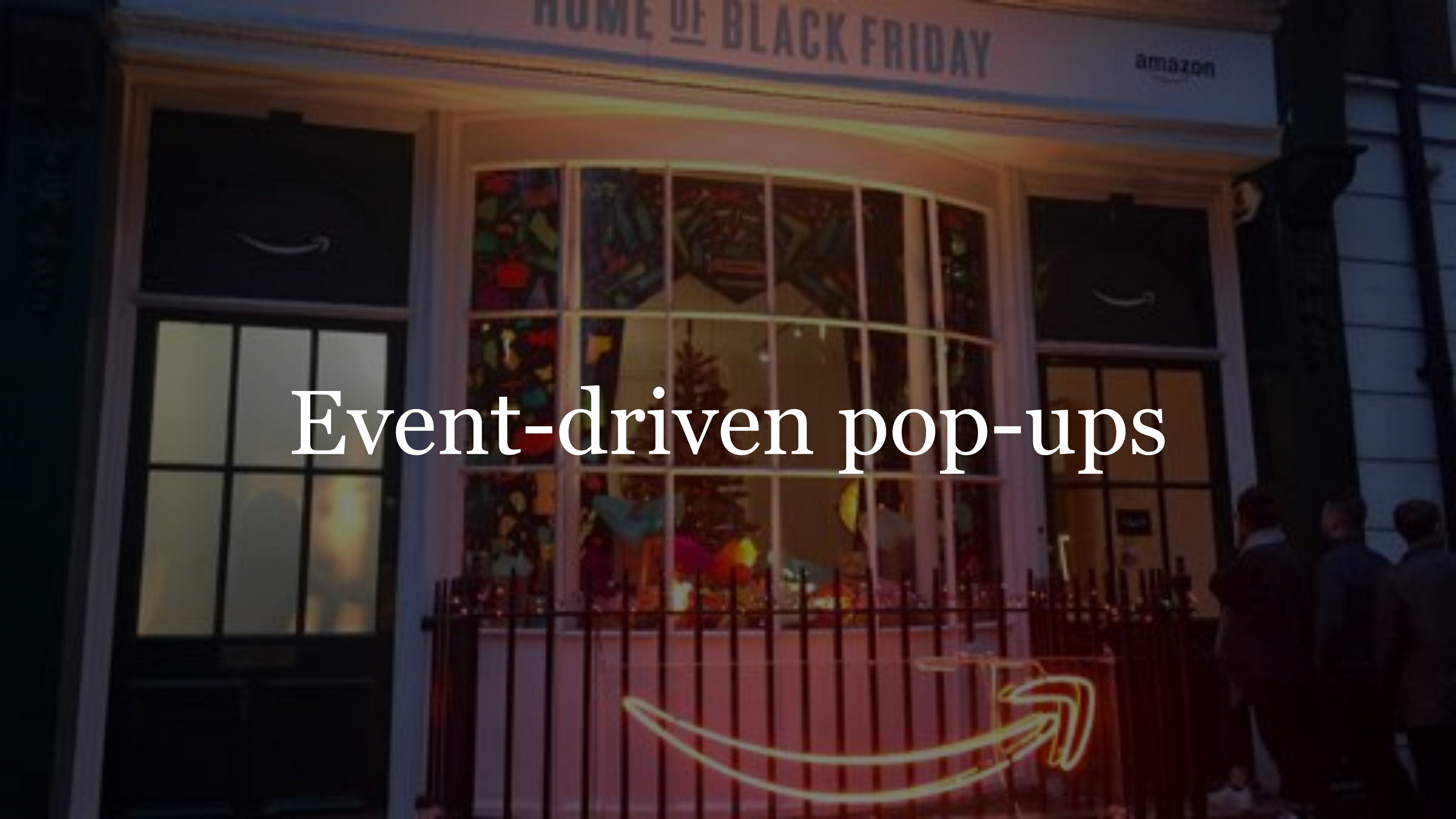


America’s first checkout-free store

A drive-through supermarket


INTRODUCING TREASURE TRUCK
A NEW WAY TO SHOP WITH AMAZON
amazon
TREASURE TRUCK
WHAT'S ON THE TRUCK TODAY?
At Treasure Truck, we hand-pick our favorite new, trending, local, or delicious items, load them on the Truck, then cruise around town spreading joy for everyone with a smartphone and an appetite for fun.

Event-driven pop-ups



Lockers in all kinds of unconventional places

Concessions in some of its most feared competitors’ stores


amazon
WHOLE FOODS MARKET
And dropped $14 bn on
Whole Foods Market

Amazon UK: what's next?

- Alexa integration.
- Prime Now expansion.
- Ink more supply deals: Morrisons, Booths…
- Acquire a UK grocer in next 24-36 months. **This should worry ALL retailers.**
- Co-opetition: department store partnership.
- Fashion disruption – addressing sizing and returns.
- Amazon Go launch.
- Prime to become even more attractive – and expensive.
- Bank of Amazon?

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Amazon will fundamentally change the way we shop for groceries.

Our homes will do the boring stuff.

Stores will have to get more exciting.

Where are we heading? A greater divergence between functional and fun shopping.

Role of store shifting from transactional to experiential

The Future of Retail Is Stores That Aren't Stores

Next bids to be the new John Lewis: After the toughest trading for 25 years, fashion chain opens in-store coffee shops, hairdressers, bridal service... and even a Ford car showroom

Is this the future of retail? Nordstrom unveils merchandise-free store

Meet You at the Apple...Town Square?

WeShop? WeWork preps a retail push

Disney Reimagines Its Stores to Be More Like a Vacation

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Redefining the retail space

Learn

Discover

Eat

Play

Work

Borrow

Experiential

Collaborative

Concessions

Digital brand partnerships

Value-added services

Highly personalised

Ease of navigation

No queues

Frictionless

Blended

Collect & return

Better visibility of store inventory

Same-day delivery fulfilment

In summary

- Urgency to act now. No second chances for retailers that fail to adapt.
- Retailers must stay in the game but avoid competing with Amazon on their terms.
- More bad news to come but high street will evolve to better reflect shifting consumer priorities.
- Collaboration, even ‘co-opetition’, to better serve the customer.

“Physical stores aren’t going anywhere. E-commerce is going to be a part of everything, but not the whole thing.”
– Jeff Bezos

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