Conversations That Matter: Building resilience in the new age of retail

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Welcome

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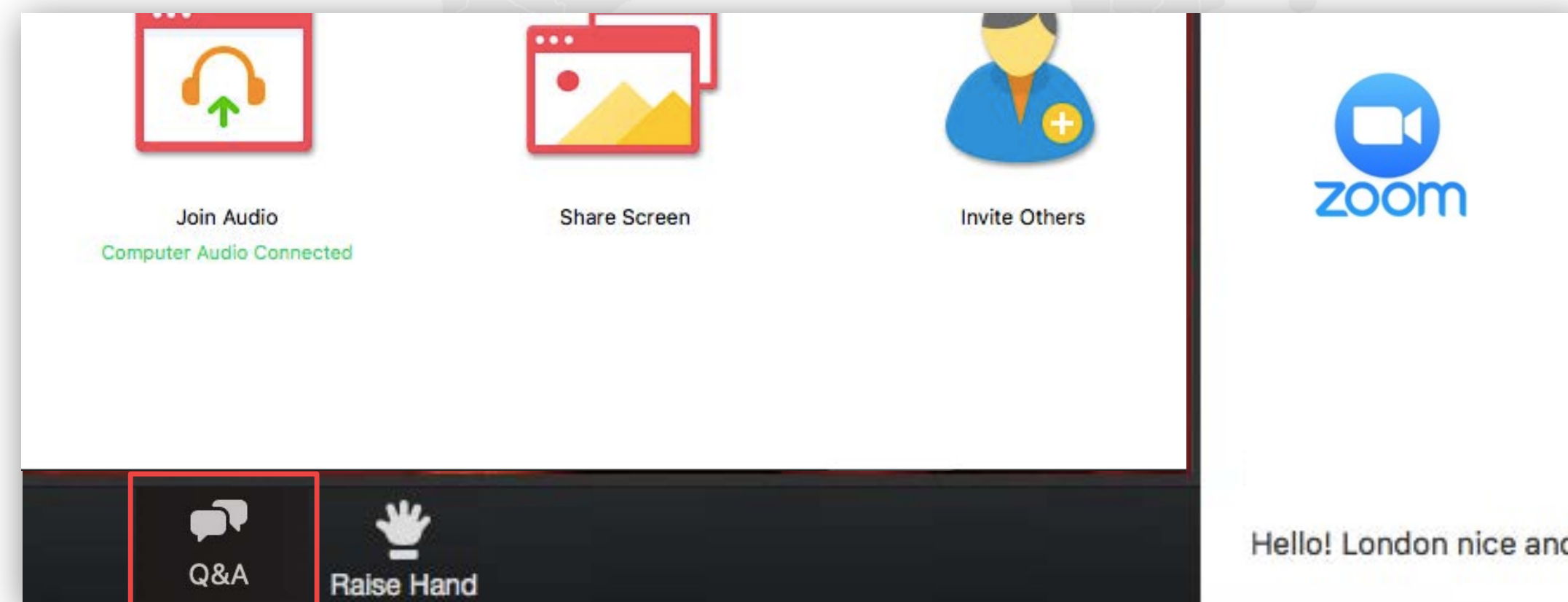CEO Coley Porter Bell
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Hello! London nice and

Q&A

Raise Hand

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Global Ogilvy Website

https://www.ogilvy.com/ideas

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Building Resilience in the new age of retail

2020 was a year of extremes for retail

Amazon third-quarter earnings soar as pandemic sales triple profits

- Company sees a 37% increase in earnings
- Revenues of $96.15bn were better than analysts expected

86% increase

3,500
3,000
2,500
2,000
1,500

Apr 2020   Aug 2020   Dec 2020

'Retail apocalypse' continued in 2020: JCPenney, GameStop, Gap and more than 40 other retailers closed thousands of stores

UK high street left reeling as Debenhams goes into liquidation

Nike posts $11B quarter and plans for 30 new stores

Who were the winners and losers?

Those who **won**

BJ's

Sales up 18.4% and net income up 95.5%

Nike

Digital sales up 82% in Fiscal Q1. Digital sales 30% of total sales

PEACEBIRD 太平鸟

4,600 stores fulfilled over 2M transactions per month

BEST BUY

Online sales up 242%. Total revenue up $800M YoY

TARGET

E-Commerce up 195%. Click & Collect up 273%

lululemon

E-Commerce up 155%. Net revenue up 2%

DICK'S SPORTING GOODS

E-Commerce sales up 194%. Net sales up 20%

amazon

Beat earnings every quarter with 37% increase in Q3 2020.

TESCO

Online delivered 28.9% rise in profits YoY. Doubled delivery capacity to 1.5M slots a week

ocado

£200M increase from May-Aug 2020 YoY. Grocery profits up £20M on forecast

Walmart

Sales up 79% in Q3 2020

Alibaba.com

Up 28.2% YoY

Why did they **win**?

1.
They understood the importance of digital and started their digital transformation early. They were already doing well.

2.
They've learned from their best across categories that are leading in customer experience

3.
They put the brand promise at the core of their evolution NOT technology

4.
They understood the importance of data and leveraged the right technology to deliver relevant omnichannel experiences

5.
Innovation was broad. They didn't just digitise processes and experiences, they digitalised their entire traditional business model.

6.
Digital transformation was led from the C-Suite.

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Those who **survived**

H&M

Store closures, drastic changes to business ops, turning locations as fulfilment centres. 10x higher profits than expected.

M&S

Profit loss for the first time in a century (doesn't include Ocado). Grew online 23% as it launched 5 e-com websites and partnered with Deliveroo.

Boots

Accelerated transformation. 100% online orders increase. Investment in state-of-the-art warehouse automatization.

Carrefour

New e-commerce platform in Brazil. Revenues up 377%. Launched Food & Beverage marketplace across markets

John Lewis

Minimised losses to less than 1%. YoY. 84% online growth Mar-May. Invested to increased delivery capacity 20%.

FNAC DARTY

100% increase in online orders in Q2

INDITEX

Investing $3B in e-commerce operations for all its brands. Online sales up 74%.

Why did they **survive**?

1.
They were already on the path to transformation so they had the sufficient structure to adapt and have the required resilience

2.
They had at least multi-channel experiences

3.
They were creative in the ways they used their assets (e.g. stores as fulfilment centres)

4.
They partnered to accelerate their digital capabilities

5.
Already had a culture conducive to adaptation

6.
They had strong brand equity and loyalty

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Those who **lost**

PRIMARK®

£1B projected sales loss
(still no ecommerce!)

Debenhams

Closed all store and in administration.
Online ops bought by disrupter Boohoo

J.CREW

Filed for bankruptcy

JCPenney

Filed for bankruptcy

Arcadia

In administration

Guitar Center®

Filed for bankruptcy

Why did they **lose**?

1.

They did not consider digital a core need for their business

2.

They had not started a transformation programme or if they had started, **they did not make it a priority** and did not have C-level support

3.

Failed to maintain brand relevance

4.

Business was single channel (physical stores)

It's **not** always too
late

" To both leverage our strength in the home category and capitalize on our market share growth opportunities, we are pleased to share that we plan to rollout e-commerce later next year."

Playing to win

How to **play**

Retailer responses to trading channel shifts and investments are increasingly difficult as margins keep on getting thinner year after year.

Retail EBIT margin, top UK retailers,[1]%

Total retail[2]

5.1	4.4	4.4	4.2	3.5	3.4

Grocery[3]

3.8	2.3	2.2	2.2	2.2	2.5

Non-grocery

5.9	6.4	6.1	5.1	4.3	3.9

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
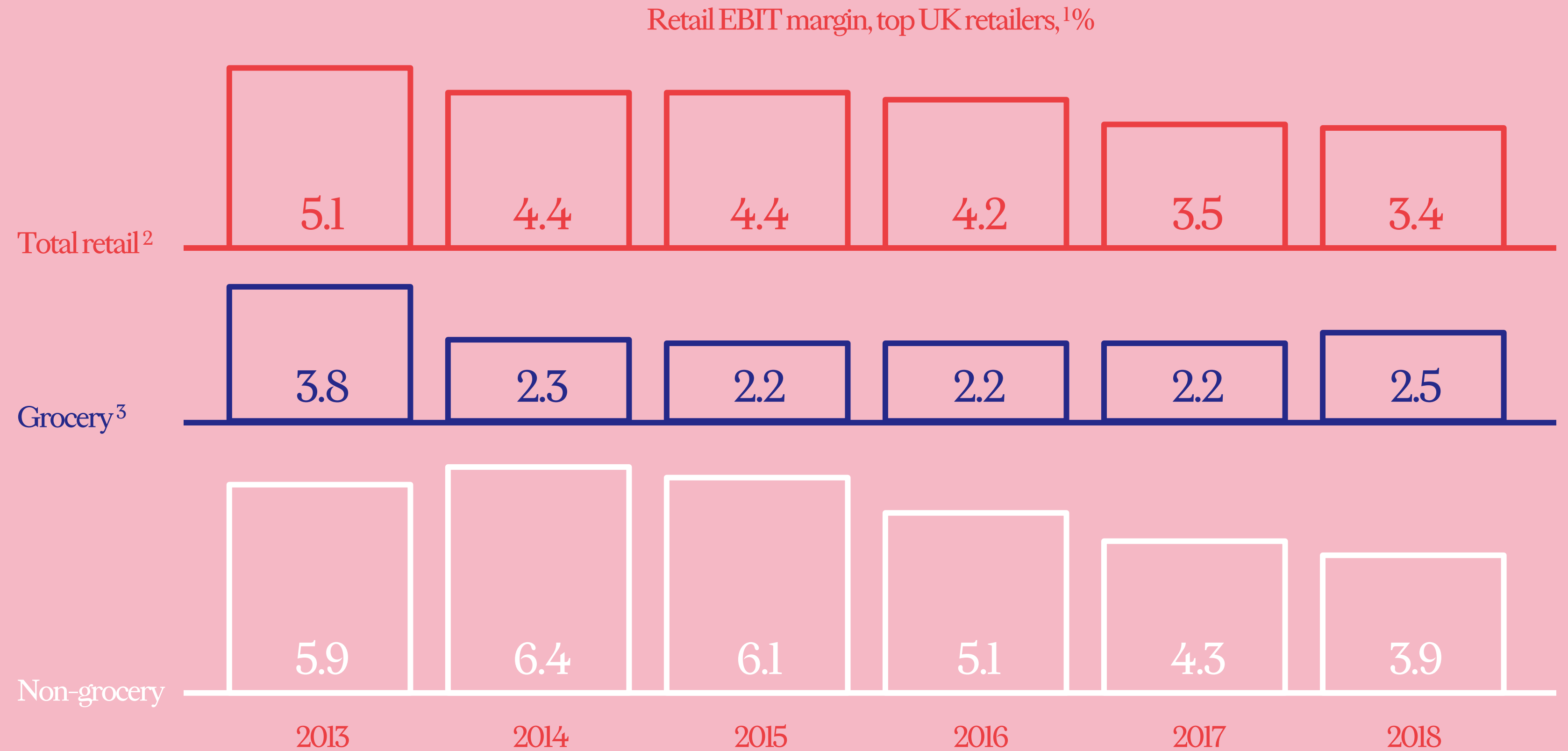
Source: McKinsey "Rebooting Retail. How Technology will shape the future of retail

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How to **play**

Traditionally retailers have had a few levers they can use to win.

Product

Price

Place

Promotion

Packaging

How to **play**

But things have changed as technology has brought innovation and new levers for added resilience

Product

Price

Place +

Promotion

Packaging

Martech

Logistics

Supply Chain
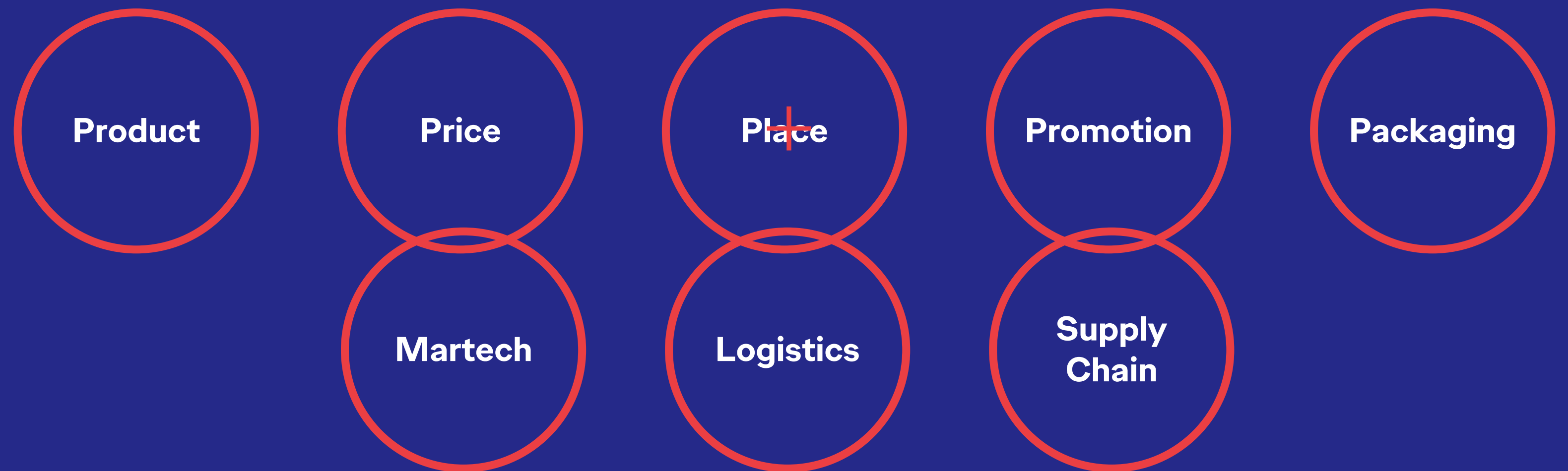
How to **play**

68% of retailers are planning to increase their technology investment in 2021.

Source: Brightpearl

Store Automation

E-Commerce Enablement

Personalisation & Loyalty Technology

On-Demand Logistics
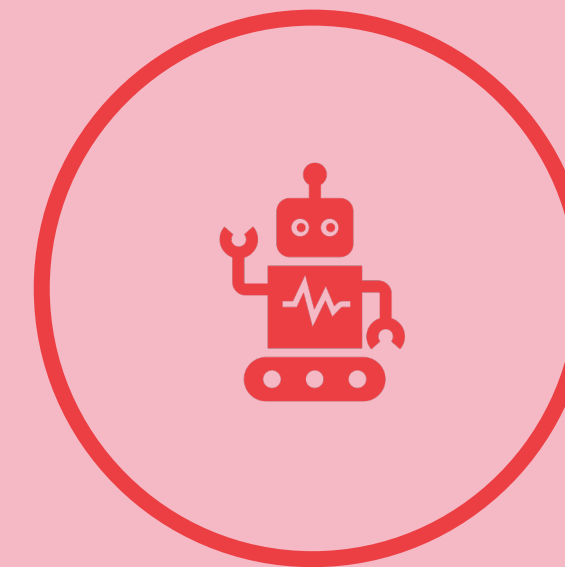
Supply Chain Robotisation

Business Intelligence & Reporting

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Store Automation

With the need to make stores safer, more efficient, and more productive, investment in In-Store retail technology increased 152% in H2 2020 vs. H1.

Funding increased 65% to $1.5B

Source:
National Retail Foundation,
CB Insights

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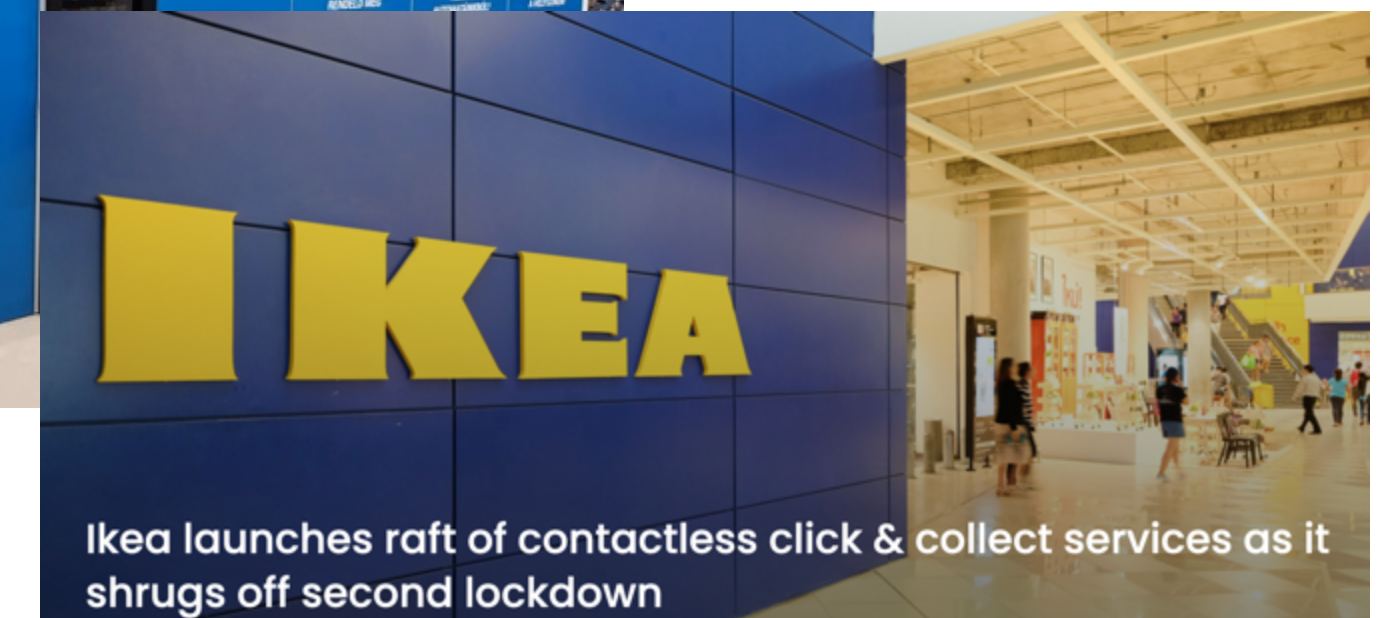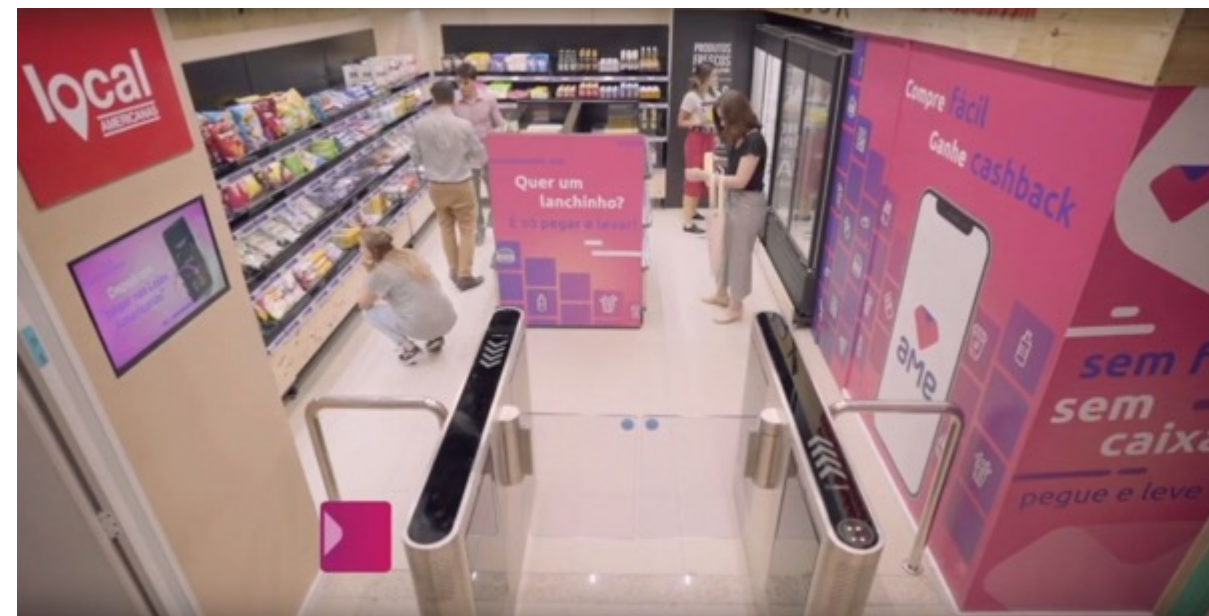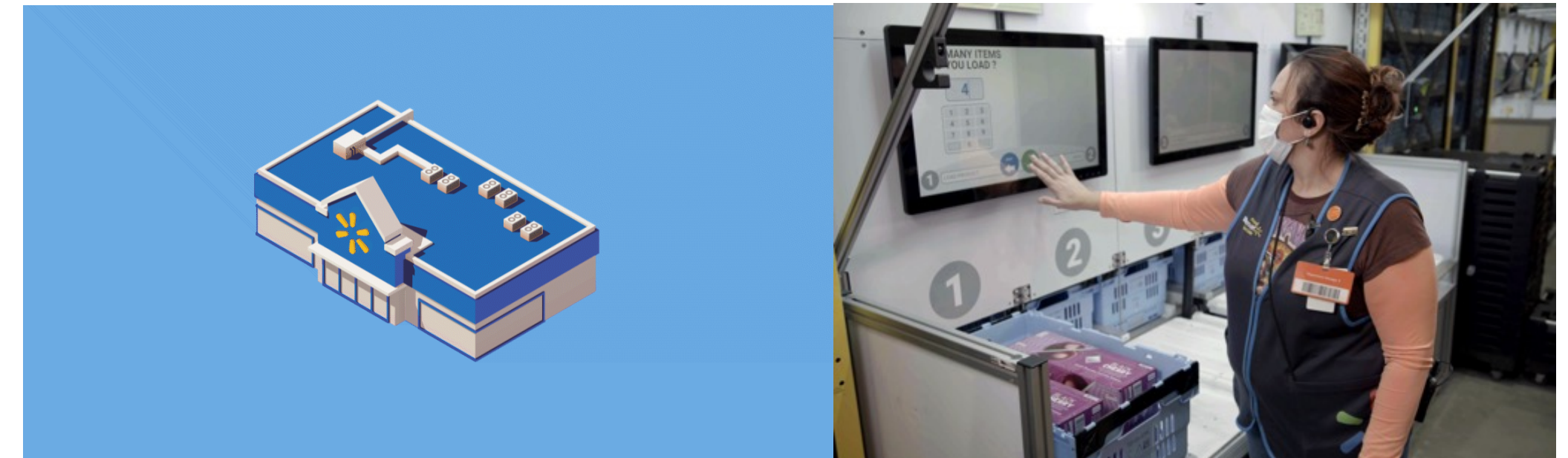
E-commerce Enablement

E-commerce has been on a constant rise and 2020 accelerated 5 years of forecasted growth into 3 months.

Funding increase 68% between H1 and H2 2020 to $10.9B

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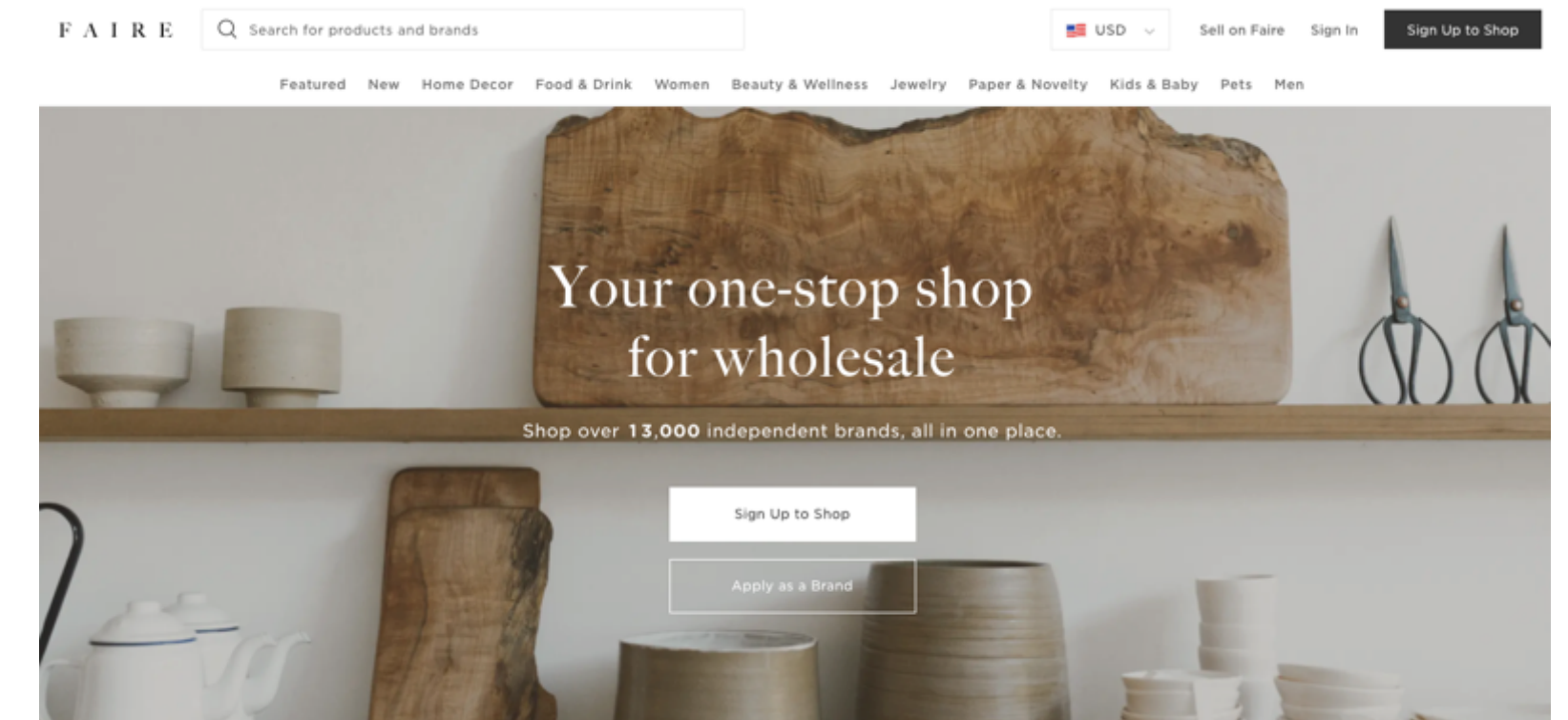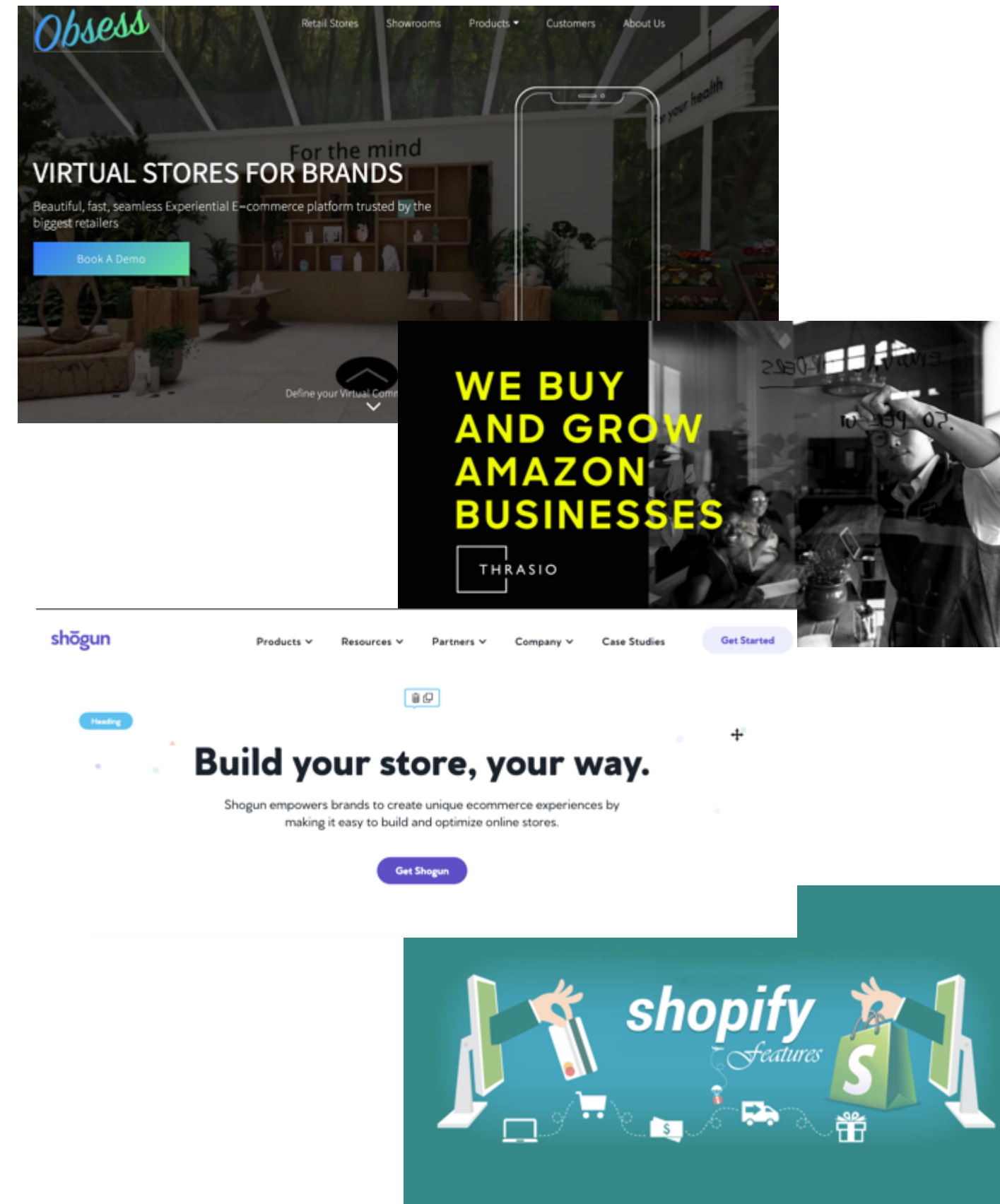
Personalisation & Loyalty

The shift to e-commerce has made acquiring and retaining customers critically important for retailers.

Investment on personalization and loyalty tools was valued at $760M

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On-Demand Logistics

On-demand and last-mile services have soared in 2020 due to the pandemic.

In 2020 alone, retailers spent $10B in improving their services either through acquisitions, development of their capabilities or partnerships.

Source: Frost & Sullivan

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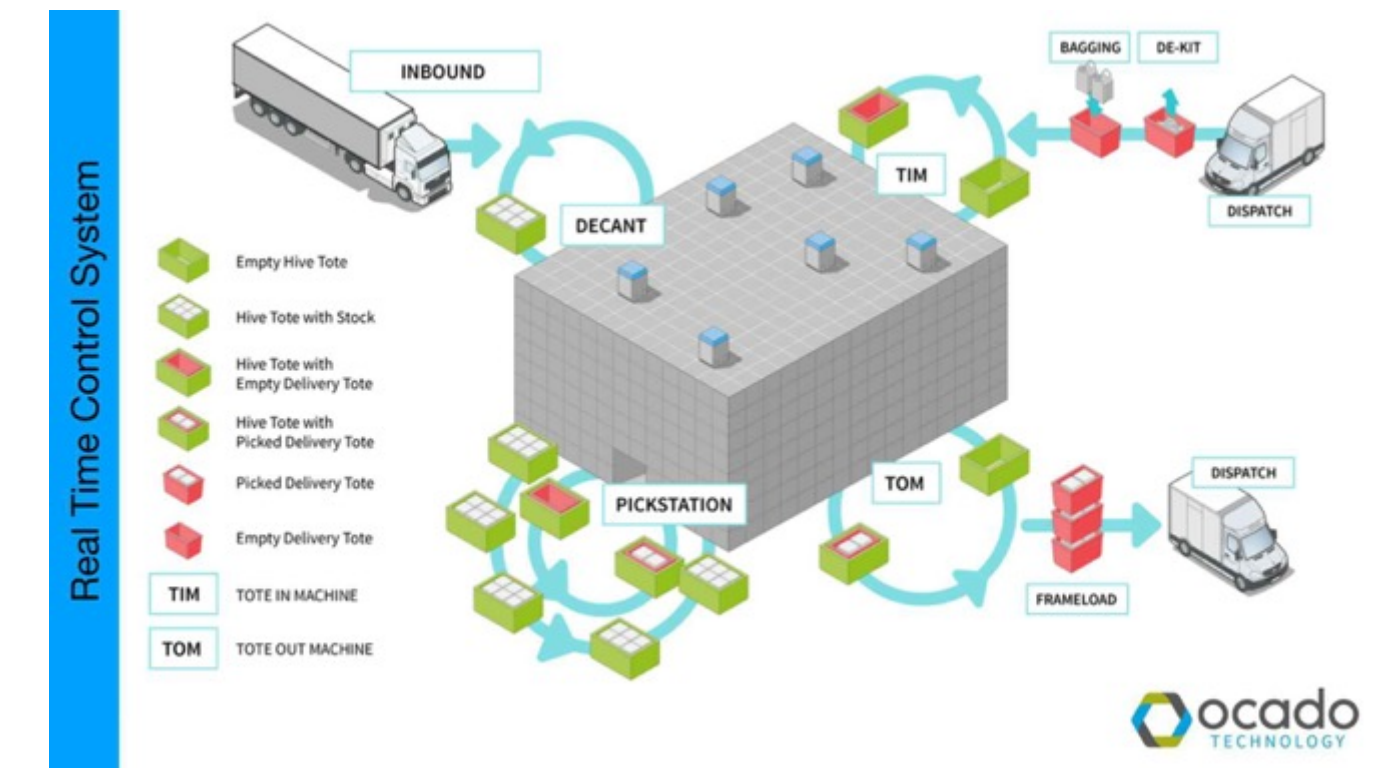# Supply Chain Robotisation

COVID-19 made it clear that supply chain can be disrupted.

In 2020 alone, retailers spent $11.7B in improving their logistics.

Over the next 4 years, spending on supply chain and logistics companies is forecast to hit $604B.

Source:
National Retail Foundation,
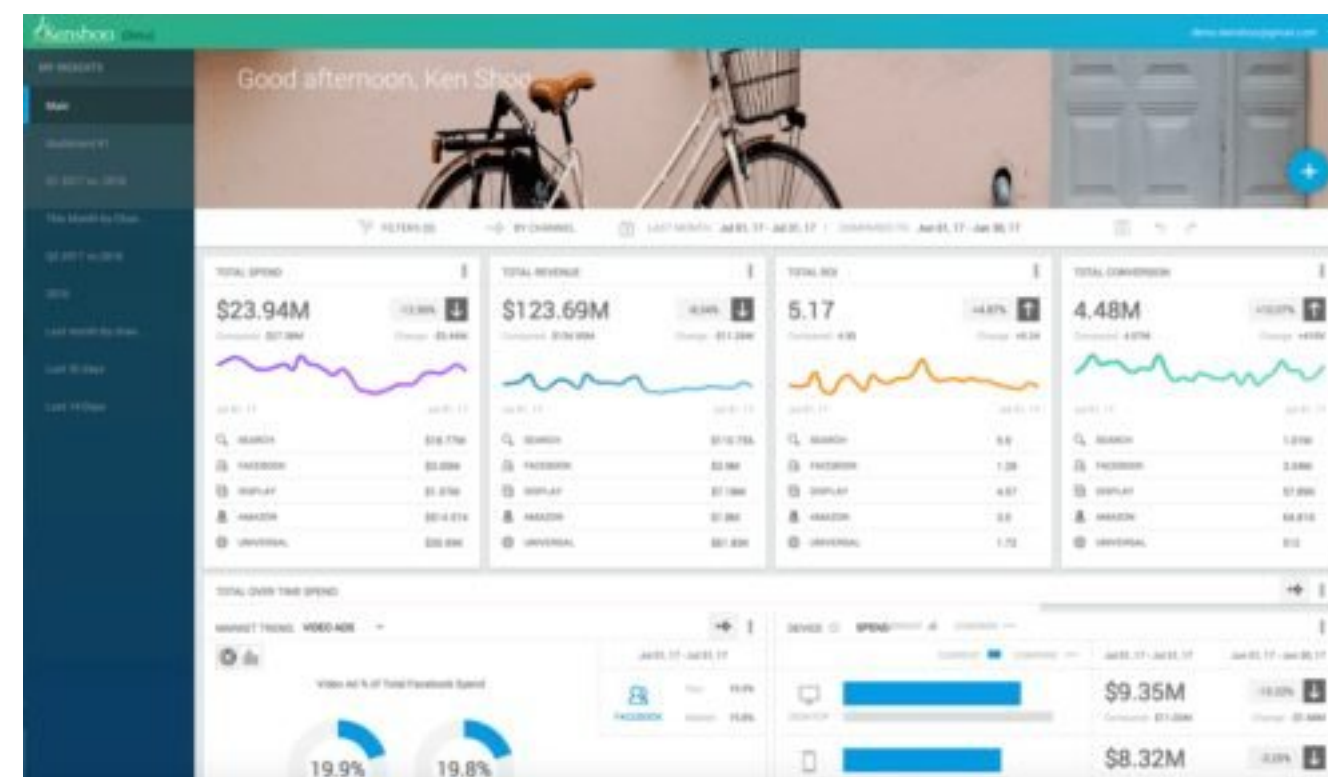CB Insights
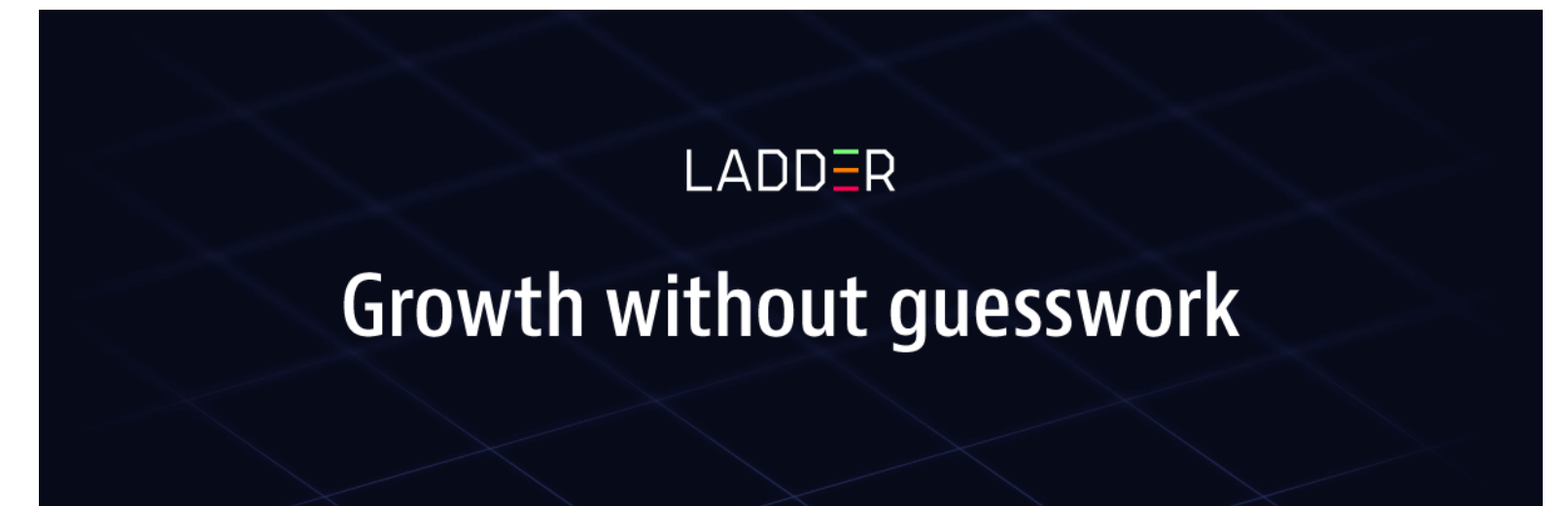Retail Dive

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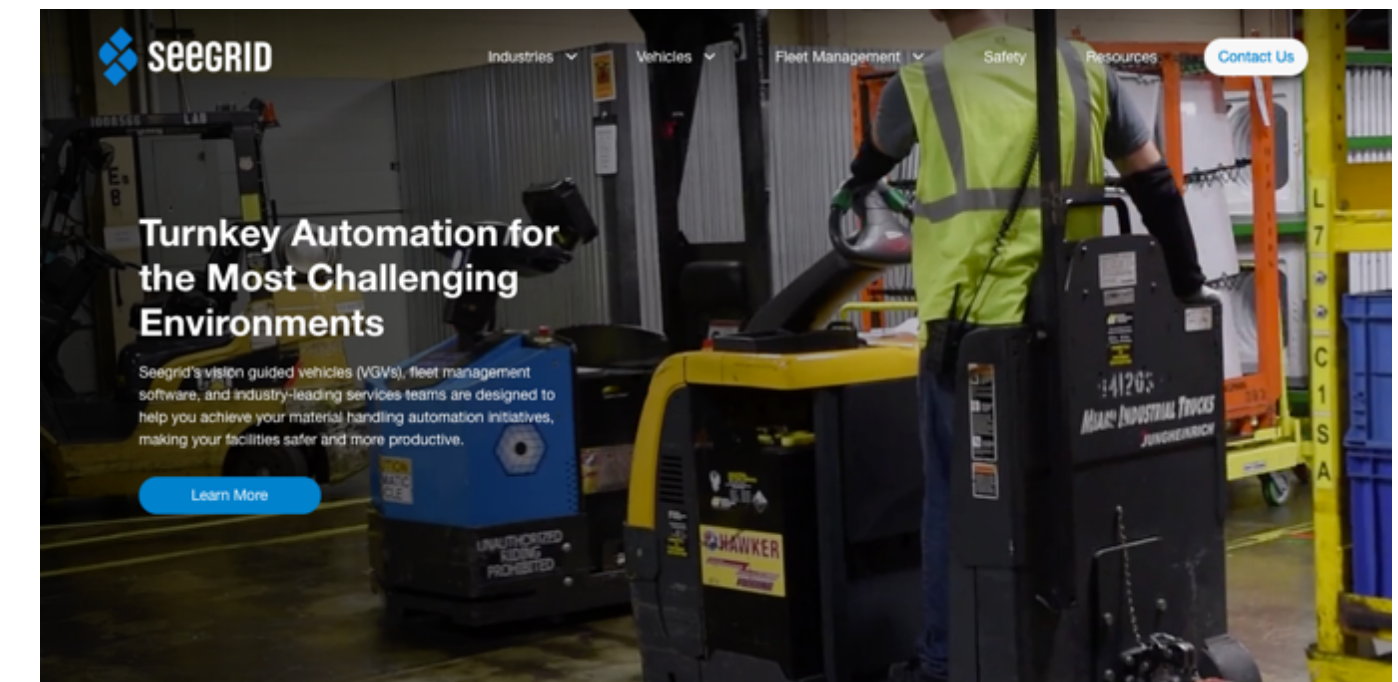
Business Intelligence

Business intelligence and reporting tools are becoming increasingly important:

- End-to-End visibility of the entire supply chain
- End-to-End visibility of the sales and marketing process
- Sales Growth platforms

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However...

All of these can be duplicated.

How do you stay ahead of the game?

How to **win**

Core retail value drivers in 2021

Relevance

...the carefully curated product, service, offer, the benefit of understanding the customer. Knowing what they want, when they want it, where they want it, the evolutive journey of influences and trends.

Convenience

...making life easier, saving time and effort, accounting for flexibility and a variety of lifestyles and needs.

Trust

...The quality, assurance and protection, knowing customers will have a positive experience. The care and purpose a brand has for its customers, society, and the world.

Personalisation

...the feeling of being important. Delivering both an expected and unexpected benefit

Experience

... how a brand shows up in all relevant aspect of a customer's life, delivering meaningful and unique interactions across their ecosystem
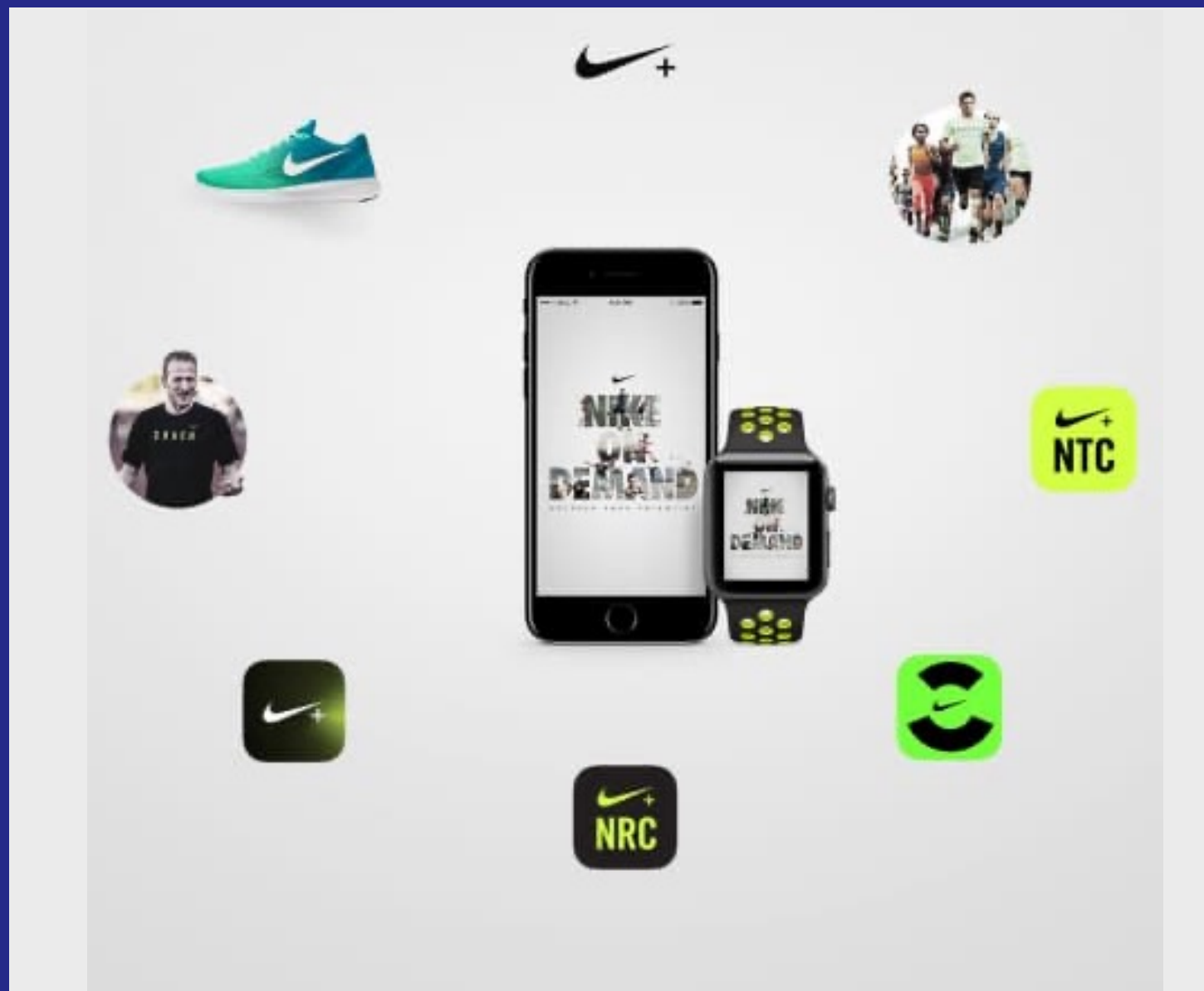
How can brand come to life for your customers through **relevance**

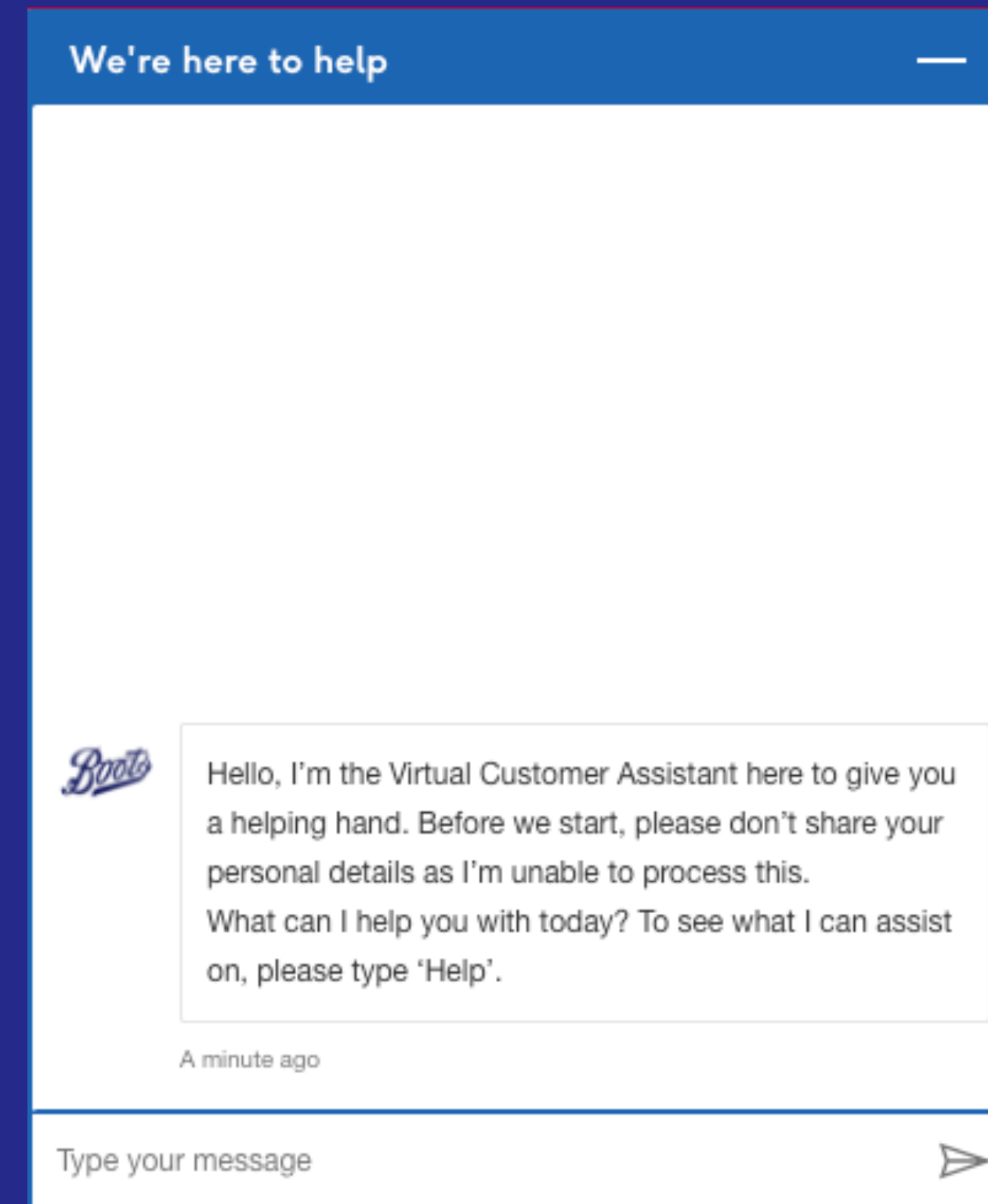Delivering hyper-personalized recommendations and content
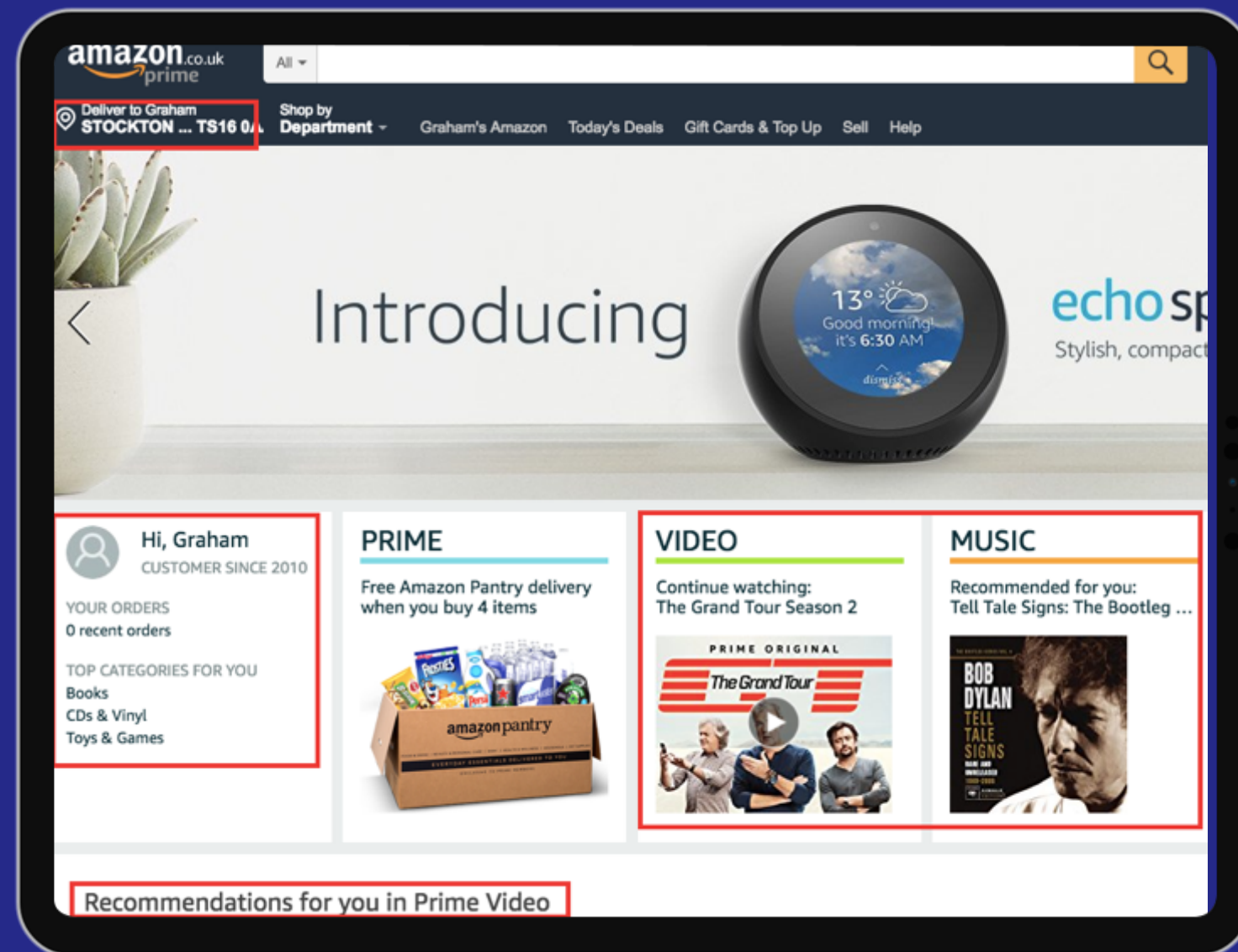
Curating to local tastes and connecting customers with the local community

How can brand come to life for your customers through **convenience**

Providing an ecosystem of products to drive people to "Just Do It" and be the best version of themselves.

Deliver the care and expert advice that it is known for across all its channels.

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How can brand come to life for your customers through **Experience**
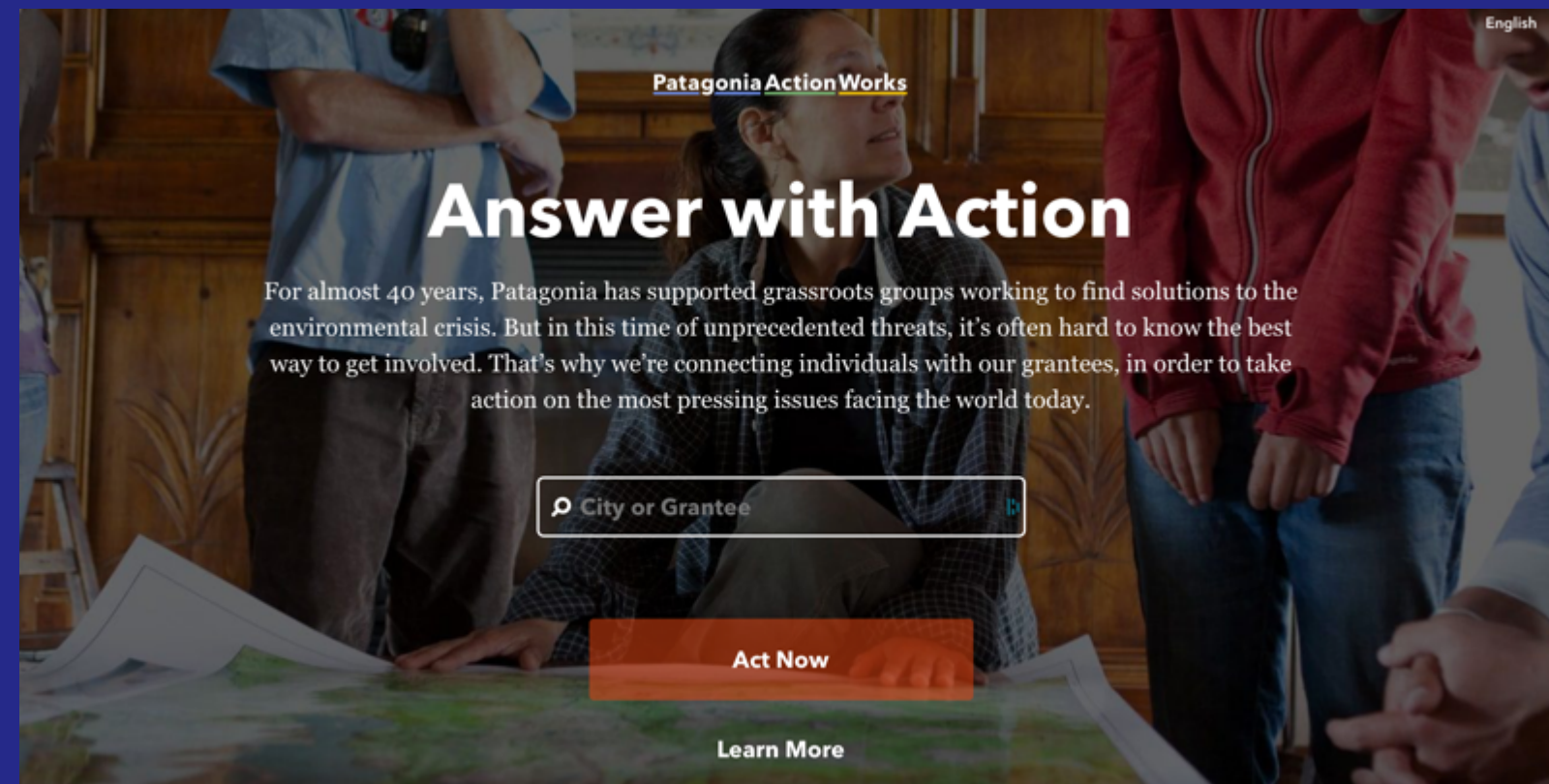
Being present and supporting your beliefs, purpose in the times that matters most to you.
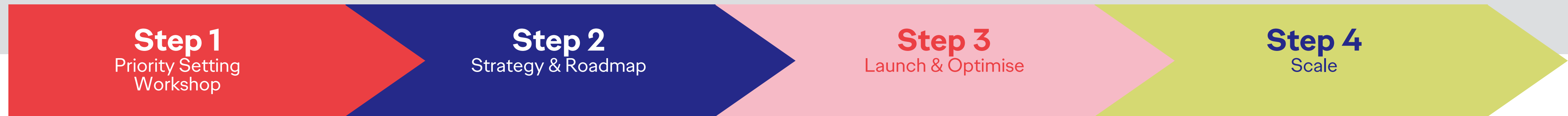

Removing friction from customer's lives wherever possible.

How to Get Started

The 'Retail Resilience' Process

Step 1	Step 2	Step 3	Step 4
Priority Setting Workshop	Strategy & Roadmap	Launch & Optimise	Scale

ACTIVITIES OVERVIEW

Step 1

Aggregate Insights
- Outside-in landscape analysis
- Growth value drivers and barriers identification

Priority Setting Workshop(s)
- Explore and evaluate growth value drivers and barriers
- Identify key values to focus on
- Identify and set business priorities
- Synthesise Outputs & Set Guardrails

Prioritise
- Weigh and evaluate key areas of focus and business priorities
- Prioritise outputs

Step 2

Ideation Workshop(s)
- Ideate areas of focus and identify potential PoCs to help achieve business priorities

Strategy
- Set PoCs objectives and KPIs
- Develop PoCs strategy
- Priorities against Effort v. Impact

Roadmap
- Map projects against short, medium & long-term business priorities

Sprint(s) Definition & Planning
- Define and plan PoCs sprints

Step 3

Sprint Development
- Develop PoCs

Deploy
- Launch PoC(s0

Measure
- Monitor and measure performance against KPIs
- Develop Insights and Findings Reports

Optimise
- Optimisations if necessary

Step 4

Scale
- Scale PoC across organisation/markets/audiences

Roadmap
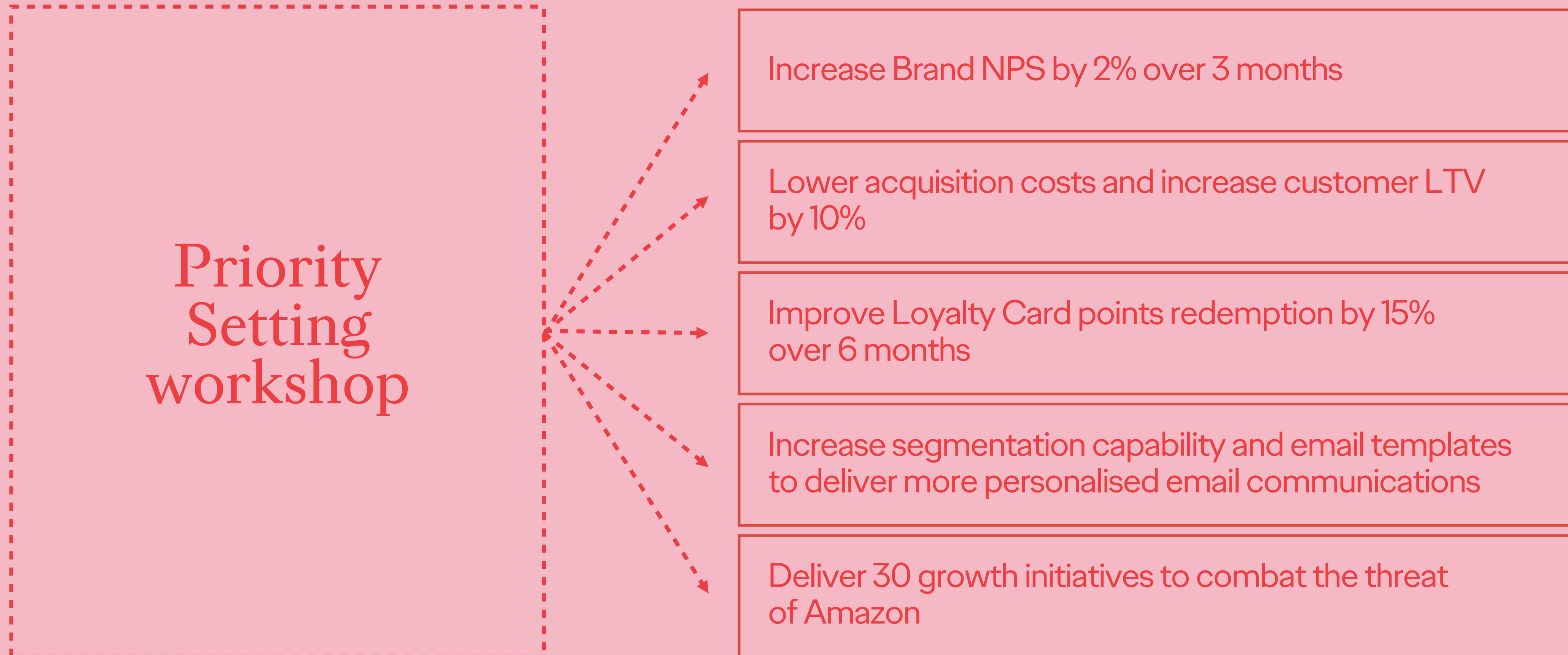- Proceed with PoC roadmap backlog

OUTPUTS

- Key Value Drivers and Business Priorities
- Prioritised PoCs Roadmap
- PoCs Sprints
- POCs Launched
- Learnings & Recommendations
- Measurable Business Impact and Speed to Value

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Project Process – Example **Business Priorities**

Priority Setting workshop

- Increase Brand NPS by 2% over 3 months

- Lower acquisition costs and increase customer LTV by 10%

- Improve Loyalty Card points redemption by 15% over 6 months

- Increase segmentation capability and email templates to deliver more personalised email communications

- Deliver 30 growth initiatives to combat the threat of Amazon

The types of **outcomes** we have seen

- Re-evaluating and refreshing the brand purpose for changing consumer needs

- Re-thinking in-store physical space to accommodate start-up brands

- Re-tool analytics dashboards to make critical decision-making faster

- Re-think partner trading ways of working

- Implement real-time segmentation to deliver more personalisation across 100+ markets

- Re-engineering traditional stores to give customers unique, value-added experiences

- Deliver the in-store 1-to-1 expertise and through online channels

- New packaging design to bust negative product myths

- Development of brand experience principles for distinctive omnichannel experiences

- Launching an e-commerce platform in 30 days

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Questions

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Thank **you**