



GLOBAL RETAIL ALLIANCE
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ShopTalk 2018, Las Vegas

Welcome to the **GRA Spotlight**. A quick highlight of where we have been or what we have seen.

From speeding up the supply chain, to adding personalization and making shopping more convenient — technology is fundamentally transforming the business. Here's what you need to know about ShopTalk 2018.

We tried to capture many of the highlights and "must-see" moments of the event that covers the rapid evolution of how consumers discover

Check this month's SPOTLIGHT for inspirational ideas from ShopTalk 2018*

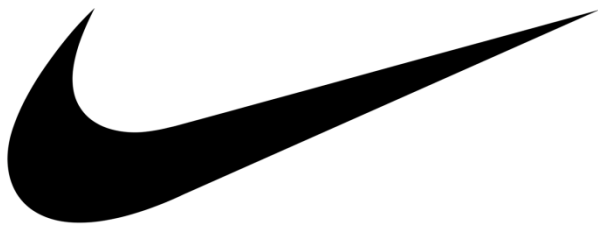
Lesson 1: The Power of Branding

Brands — store, direct-to-consumer and heritage brands — played a starring role at Shoptalk this year. There was an entire track of break out sessions devoted to the topic, and executives from **Nike, Levi's and Samsonite** offered insights into the challenging environment for brands today.

It's a balancing act for most, as they attempt to build e-commerce platforms, manage direct-to-consumer sales and maintain existing retail partnerships while facing the need to embrace and develop new marketing methods such as the growing reliance on social media influencers.

One of the most discussed and hotly debated topics of the week was the growing power of marketplaces. While many, including Samsonite Chief E-commerce Officer Charlie Cole, recognized the positive revenue stream marketplaces are producing, they also called out the risks.

Legacy brands shared the spotlight at Shoptalk with younger brands. Macy's is growing its private label assortment from 29% to 40% of merchandise mix in the next two years. And direct-to-consumer startups like Glossier are giving customers more of a voice than ever.



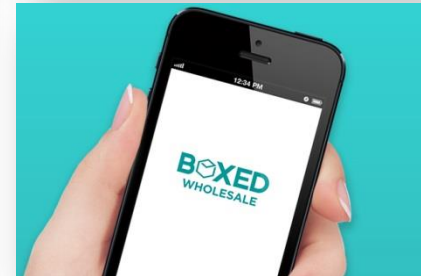
Lesson 2: Convenience Counts

Pricing is playing second fiddle to convenience at the moment, as concepts such as **Amazon Go**, **Boxed** and **Shipt** captured attendees' attention with tales of how they are solving this problem for customers.

In the case of Boxed, the online warehouse concept, what began as a solution to bring the cost savings of buying in bulk to a greater number of consumers has evolved into something else.

Amazon Go, for all its ground-breaking technology, is at its core a convenience store. The ability to pick up a product and just walk out is the ultimate expression of this.

Other tech startups at the conference showed off their work on the problem too: **Standard Cognition's** technology is similar to Amazon Go's but has fewer cameras, and **MishiPay** offers a tool that lets customers scan product barcodes on their phone before walking out of the store — an option that Walmart, Kroger and even Macy's are testing.

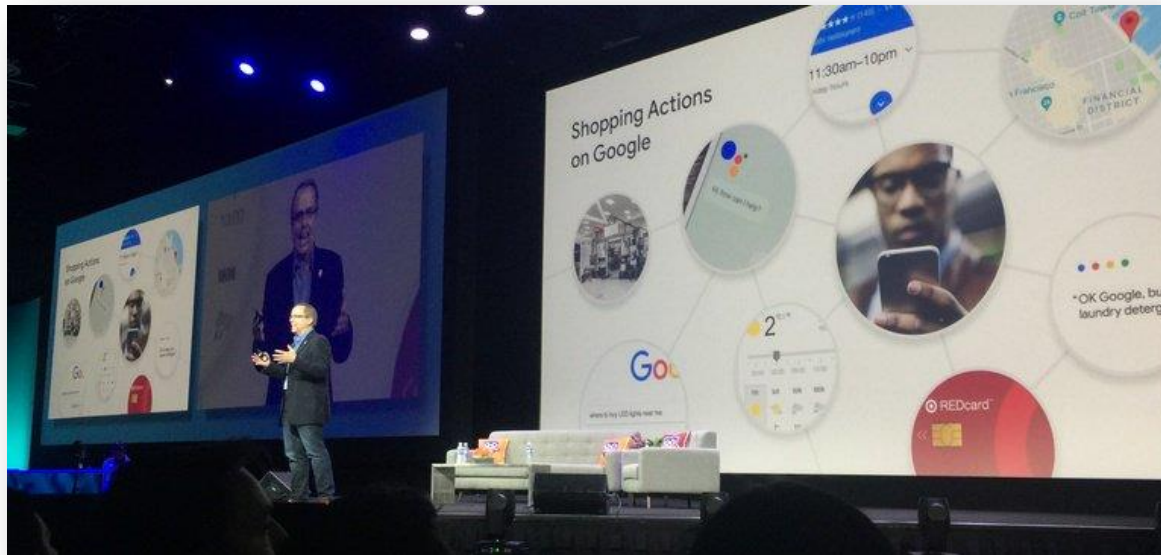


Lesson 3: Data is the New Currency

From talks on personalization and partnerships to omnichannel and loyalty, data was central to nearly all conversations.

Google announced a new product: shopping actions. Walmart, Target, Home Depot, Costco and Ulta Beauty are among the first to participate in Google's Shopping Actions program, which will also allow search results to link to the retailers' loyalty programs. Google will get a percentage of the purchases made through those links.

Ulta is using data in other ways too, especially when it comes to omnichannel and seamless experiences. To build meaningful relationships with customers, Eric Messerschmidt, SVP of strategic marketing, CRM and loyalty at Ulta, said the company focuses on three things: infrastructure for clean data, an engaging loyalty program and personalized interactions.



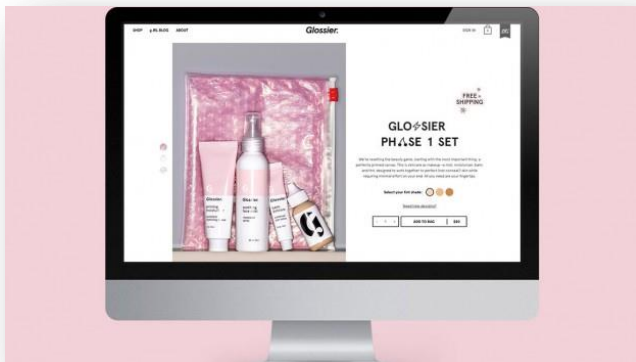
Lesson 4: Customer Centricity is Key

There are 400 billion bytes of data communicated every day, but humans can only process 2,000 bytes of data, Lowe's VP of customer experience design Ruth Crowley, said during a panel.

That's something that Bridget Dolan, SVP of omni experiences and innovation at **Sephora** knows well. Shoppers have different needs depending on their mood, so Dolan came up with three scenarios for the Sephora shopper: inspiration, mission-driven and quick stop. Each of these things requires a focus on merchandising in stores, expertise among beauty consultants and digital tools.

For customers buying in an online world, there are more choices than ever, but Emily Weiss, CEO of **Glossier**, argues they're starved for connection. For many retailers, solving this means making a big investment in employees and expertise so that associates can spend more time making sure shoppers get exactly what they came for.

Nearly 80% of Glossier customers are referred to the site from a friend. For a digitally-native brand, that means not just being a part of the conversation, but creating a platform for connections is key. Weiss said the upstart beauty brand allows customers to connect to share recommendations, dislikes and skincare routines, all while building the brand image.



Lesson 5: Mobile isn't an Afterthought

Thinking about a mobile strategy is no longer a job for a small team shoved in the back closet, it has become integral to everyone from the digital development to store operations teams. While several panels were dedicated to the topic, many executives offered up thoughts on how they use the channel to engage with customers and ease in-store checkout.

Phones are the entry point to the **Macy's** brand now, CEO Jeff Gennette said, and personalization will be a big part of the way forward. Mobile is also part of the answer to smoothing the checkout process, a particular pain point for shoppers. Mobile checkout — where customers can scan product barcodes to pay through the app, then visit a specific counter to get a bag and have product tags removed — will roll out to all the stores by the end of the year.

At Lowe's, 60% of in-store purchases are influenced by digital, Gihad Jawhar, head of digital development at Lowe's, said during a panel on mobile experiences. Customers don't think about channels, so neither should retailers. Instead, companies should think about the power a smartphone has to solve problems. For other digitally native brands, like **M. Gemi and Frank and Oak**, mobile has always been central to their expansion into the physical world.



Lesson 6: Prioritizing Private Label

Numerous panels and tracks focused on technology advancements in the supply chain.

Innovation in research and development in the supply chain will change the industry, Molly Langenstein, general business manager of **Ready To Wear** at Macy's, said during a panel on the rise of private label.

"Our biggest challenge is understanding with certainty and precision in a business that is not about precision, and the supply chain piece is a huge part that has just not changed in a very, very long time. This is still a handmade industry," she said. "The uniqueness consumers are demanding today is making it very hard whether you're a big company or a small company to provide that uniqueness with certainty and that is something we are all continuing to grapple with."

Making private label stand out means keeping the pulse on data and quickly tweaking merchandise to fit with what's selling and what's not. Through machine learning, Jan Wilmking, SVP of private labels at German e-commerce business Zalando, said on the panel that his teams develop predetermined modules on material, quality and price that can easily be adjusted in a few days.

Making them work requires a huge amount of trust between the retailer or brand and their suppliers, Wilmking said, as well as three key priorities: fashion, tech and fulfillment. The industry is quickly moving toward an on-demand future, he said, and data and flexible supply chains are key to building it now.