

## NRF Top 20 Takeaways

By Jordan K. Speer  
January 28, 2016

**1\* Bet on wearable tech.** Under Armour is "changing the way athletes live," says founder and CEO of Under Armour, **Kevin Plank**.

Most people know more about their cars than they know about their own bodies, he says. Can you answer these questions? How is your physical health? What is your blood type? How often did you get sick last year?

Via **ConnectedFitness**, Under Armour has set about to help people gain greater insight into their most valuable assets, and in the past three years has built the largest digital health and fitness community, with 160 million registered users.

"Three years ago we had fewer than 20 engineers," says Plank, but wanted to make an impact in this market, and acquired **MapMyFitness, Endomondo and MyFitnessPal**, essentially "buying a group of engineers," he says. One in five Americans has one of Under Armour's device-agnostic fitness apps, and 60 percent of users are women. Taking the apps beyond mere digital dashboard to a "call to action," UA recently partnered with IBM Watson to develop Just Like Me, an app

that compares your stats with millions of other people of the same age and gender.

"We're making a big bet on



tech, in terms of the convergence of fashion and tech," says **John White**, COO and EVP, **Fossil Group**. "Fossil competes in the **\$60 billion global watch market**," says White, while **wearables is a \$15 billion market headed toward \$45 billion.**" Most of the former sell for more than \$1,000. Most of latter sell for under \$1,000, he says. "Tech is impacting our market. Not just **Apple. Fitbit** too. How do we react to this? Despite popular belief, millennials wear

watches. They're also twice as likely to wear a wearable."

Fossil partnered with Intel to bring its Tracker, S.A.M. and SMART wearables to market in less than 18 months and also acquired a company called Misfit. "We're leapfrogging our abilities into this space," he says.

**2\* The point of inspiration has changed,** says **Rod Sides**, vice chairman, U.S. Retail and Distribution Leader, **Deloitte** LLP. "We used to be inspired when we walked in a store. Now that shopping experience is elongated, and it starts on a cell phone or on a couch." It's really a paradox. Consumers have a smaller timespan for shopping, yet they find inspiration across a much longer journey. What's

driving this influence? We're always online. We have connected devices that we wear, or have always at hand. Today, about **7 percent** of sales transactions are online, but **\$2.2 trillion in sales this year will be influenced by digital.** This is not just a U.S. phenomenon. In fact, the trend is higher in countries such as China, India and Mexico.

**3\* You've got to provide a fabulous in-store experience.** As **Chris Riegel**,

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founder and CEO of **Stratacache** says: "Why would I venture out in 15 degree weather if **Amazon** is going to get me what I need the next day and I don't have to leave my house?"

**4\* A fabulous experience requires a seamless blend of digital and physical in-store — as well as out.** A few examples:

In FY13, e-comm at **Nike.com** grew 26 percent and in FY15, it grew by 56 percent, said Christiana Shi, president, Nike Direct to Consumer, adding that the goal is to hit \$7 billion in e-comm sales by 2020. Nike is leading with mobile, adding style guides, elevating imagery, broadening assortments and improving site performance, while taking Nike.com to new markets. Currently it is in 30 markets around the world, with sites that allow customers to shop in their preferred language on any device in "locally relevant ways" and in their home currency.

Nike is also connecting e-comm with brick and mortar stores, and in the past two years it has connected all U.S. stores to one mobile checkout and digital service platform, says Shi. "The consumer can shop in-store and online at the same time on the same platform." Nike recently launched that same seamless commerce in the U.K., along with 18 pick-up locations.

As the world's largest franchisee and owner of the **Disney, Pixar, Star Wars and Marvel** brands, **Disney** raked in \$45 billion last year, and sees "unprecedented" opportunities for content delivery for its beloved characters and timeless stories, says **Paul Gainer**, executive vice president, Disney Retail, Disney Consumer Products. The company has consolidated its vertical brick & mortar and e-commerce divisions into one Disney Retail division, which allowed the company to create "centers of excellence" to work across its vertical business as well as retail. E-comm growth has more than doubled in the past three years, with an assortment expansion strategy that makes some characters and franchises exclusive to e-comm and on-site property stores. Currently, Disney has e-comm sites in 11 countries. Customers are using mobile as part of their purchase path, says Gainer, looking for user ratings and in-store events and experiences at neighborhood locations.

U.K. department store retailer **John Lewis**, which just passed its 150th anniversary and is owned by its 90,000 employees, raked in 40 percent of sales at John Lewis online and 15 percent of sales at its **Waitrose** nameplate online. "We think that is greater than any comparable retailer worldwide," says **Sir Charlie**

**Mayfield**, chairman, John Lewis Partnership. Additionally, 80 percent of its best customers shop across both channels, while 75 percent of purchases at John Lewis include some component of both digital and physical. The company has "reengineered [its] business in extraordinary fashion," says Mayfield, with a "whole new level of investment" in supply chain, logistics and technology to serve its customers. Now, for example, they can order online at 4:00 p.m. and pick up their order in-store by 2:00 p.m. the next day.

**True Religion** has brought an endless aisle to customers, fully integrating the **Apple Watch App** (which it has dubbed 'Band') with its **Aptos Mobile Store Point of Sale** and **Aptos Enterprise Order Management** solutions, while giving sales associates a new customer engagement tool they can wear on their wrists.

**5\* RFID enables a seamless digital and physical in-store experience.** Tagging apparel with item-level RFID enables a vast array of capabilities, from tracking inventory more accurately with less labor to quick replenishment on the floor to locating misplaced items for consumers. This tech also provides all sorts of enhanced experiences for the consumer, and opportunities for them to engage more fully with a brand or retailer — including in the

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dressing rooms, where consumers have the opportunity to learn more about the products they bring, request other sizes and styles, receive information about complementary products and much more. Dressing rooms equipped with RFID tech include those at **G-Star RAW (with RFID partner Impinj)**, which features an interactive fitting room to which customers can bring a clothing item to a screen and interact with it. Other brands featuring interactive dressing rooms include **Lucky Brand** (using RFID Retail Solutions from **Catalyst, a Li & Fung Co.**), **Levi's** (in collaboration with **Intel®** and its new **Retail Sensor Platform**) and **Rebecca Minkoff**, whose Connected Dressing Rooms use technology from **Avery Dennison**. You can read more about this [here](#).

**6\* Tablet and shelf-level technology are on the rise.** **Kevin Carbone**, CEO, **PRN**, says retailers are about to experiment with putting tablets on shelves to provide endless aisle, which is just as important for associates, he says. In one example announced at the show, **Kurt Salmon Digital** has partnered with **cloverleaf™** on a scalable digital shelf-level display that offers product information, pricing, promotional content, messaging, full-color animation, cross-branding and customer communication capabilities. This

not only improves the customer experience, but also reduces labor, helps with inventory tracking and loss prevention, and enhances advertising.

**7\* Moore's Law matters.** Moore's Law — that computing power doubles every 18 months — has opened the door for new, smaller, nimble players to compete with high-tech that is affordable — **analytics, AI, 3D printing, etc.** — while big established retailers wrangle with plans to integrate new tech into legacy systems. What's one way to be nimble and flexible? Answer:

**8\* Place small bets.** In today's fast-paced and very competitive market, you must move quickly, you must iterate to find out what's going to work, and you must leverage sales, distribution and retail partners, says **John White**, COO and EVP, **Fossil Group**, which owns or licenses 16 global lifestyle brands, has more than 600 brand stores and thousands of retail partners in more than 130 countries, and in 2015 raked in \$3.5 billion in revenue. "Balance investments. No one has an endless marketing or IT budget," says White, so place small bets to learn and use partners to get to market quickly. "We used hotspots, tablets in stores. We did things on shoestring budgets. It's important to learn, to iterate.

**Christen Sylvester**, director, merchandising systems, **Urban Outfitters**, which recently implemented a merchandise planning solution from **TXT Retail**, echoed this sentiment, and noted that if she were to go through the process again she would be more iterative in the solution design, rather than following a waterfall method. The \$3.4 billion retailer, owner of the Urban Outfitters, **Anthropologie**, **Free People**, **Terrain** and **BHLDN** brands, and most recently the **Vetri** family of pizzerias, opened 38 new stores last year, including 13 international, and expects to hit 600 stores by the end of 2016.

With a legacy planning system built for traditional brick-and-mortar retail that did not support omnichannel, the company supported diverse planning processes, "some top down, some bottom up, European planners doing their own thing." Additionally, some brands had separate planners for retail and direct to consumer, and it became difficult to have different planners for the same pool of inventory. Urban selected TXT in part because it had a platform in Excel, (which we all know is beloved by planners), and with TXT the company has designed a single solution for everyone that works for all brands but is flexible enough to display differently. "We can look at things separately but also

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bring [data] together and see big picture," says Sylvester. Today, it is better able to plan inventory, has fewer stock outs and fewer markdowns and is maximizing profit, she adds.

**9\* If you know someone with a man bun, he probably shops at Urban Outfitters.**

**10\* Marketing will be built on personalization.** With all of the data that it is collecting via ConnectedFitness, Under Armour has unprecedented opportunity to personalize. Amazon credits 40 percent of purchases to its recommendation engine, notes Plank. "Imagine if you have purchasing history. And imagine if you know what they actually do. ... We know how you slept, what you ate, how you felt." With this information, Under Armour can fine tune its personalization engines. To wit: under the umbrella of what it's dubbed "Math House," the company is building a partnership with **SAP** to allow it to predict, for example, that if people who have been on seven hikes, they are likely to be looking for hiking shoes, and then can offer up specific personalized offers to that group.

**11\* Products will be built on customization:** Think **NIKEiD**, which for the past decade has allowed consumers to personalize the style, color and fit of their shoes. Recently it's expanded

on that offering in the United States with rapid personalization of footwear using digital printing. "Nike has the most **passionate sneakerheads** in the world. Their shoe collections are a real source of pride," says Shi. So what did the company do? It develops a new **SNKRS APP**. It provides the latest shoe drops within seconds.

**12\* Don't make the customer the product!** Determining the sweet spot between positively strengthening personalization and being overly invasive requires fine tuning. Kevin Carbone, CEO of PRN, says it's too invasive when consumers gets nothing in return. "When a retailer suggests something I want, I'm okay with that. If I feel like I'm served, it was worthwhile." It's crucial to make sure that you are using the information you collect to serve the consumer better. "If you're making me the product, I'm not the one being served," says Chris Riegel, founder and CEO, Stratacache. Never lose sight of serving the consumer, because:

**13\* The consumer is no longer king. The consumer is an omnipotent god,** says **Patrick Bousquet-Chavanne**, executive director, marketing and international, **Marks & Spencer plc**, and that requires a new type of "collaborative relationship" that fosters a

strong sense of community and offers relevant and meaningful incentives that reward the total relationship. The world is going global and a sense of community is important to the consumer. "We all get bombarded with offers that are irrelevant," says Bousquet-Chavanne, but this is not what the consumer wants. "She wants a meaningful relationship."

To better engage the consumer, M&S decided to separate from Amazon in 2010, and went live in 2014 with its new infrastructure that has enabled the company to be very agile. Its platform is supported with new warehousing capabilities, and it now has **one of the largest robotized DCs in Europe**. Its loyalty program, **Sparks Club**, is soon to hit 3.5 million members and is focused on engaging the consumer through more than just product discounts, and recognizing them for more than just what they spend. It's interactive, built around emotional engagement via content and experiences and "designed to offer frequent surprises and delights," he says. Members get points ("sparks") not only for purchases, but for providing product reviews and for recycling clothes.

**14\* Speaking of emotional engagement, one in two Brits watched the Christmas commercial from John Lewis.** The company's annual

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commercial is eagerly awaited each year. Talk about brand building. You can view it [here](#).

**15\* Worry about the store of today.** "The worst phrase we hear is 'the store of the future,'" says Chris Riegel, founder and CEO, **Stratocache**. "Your [super high-tech] store in Times Square? You have one of those. That doesn't fix the problem of the other 1,999 stores. How are you going to move the needle 2 [percent] to 3 percent across your whole chain? That is significant."

**16\* Sometimes localization is about your employees.** Nike tries to hire **80 percent of employees from within five miles of a local store**, says Christiana Shi, president, **Nike Direct to Consumer**. There is more opportunity for connection when employees and customers come from the same neighborhoods. "At Nike, we have a long tradition of community stores," she says. For example, in its East L.A. store, the company is now integrating digital experiences that are specific to place. Also, customers can see and try on product that may not be available in store. They can pay in cash for digital purchases and can have orders delivered to the store. "The athletes we serve are always redefining their goals. We have to do the same," says Shi. **"We help consumers dream more and**

**do more. And there is nothing more disruptive than that."**

Upstart retailer **Shinola** has upped the ante on localization as a "Made in Detroit" company that is responsible not only for creating hand-made beautiful luxury products including watches, bicycles and leather goods, but also for reinventing the community where those products are manufactured — reinvigorating a previously downtrodden area of downtown Detroit, partnering with educational and workforce-related groups and providing hundreds of jobs for local workers, who are gaining new skills and becoming bona fide craftspeople, says **Heath Carr**, COO of the company. **Ken Nisch**, chairman of **JGA**, notes that smaller more off-the-radar communities across the United States are hotbeds for innovation and U.S. manufacturing because of their lower costs and unsaturated spaces. Consider, for example, Pittsburgh, New Orleans and Cleveland, he says.

**17\* If one customer shopping across three channels looks like three customers to you, you cannot offer a seamless experience.** You also won't have good insight into your business. Fifty percent of transactions draw a wavy line in and out of mobile, online and instore. That's one customer

and one purchase, but if you see three customers and one purchase, you think your conversion rate is 33 percent, says **Andrea Weiss**, founding partner, **The O Alliance**. A survey the firm conducted reveals that while the volume of data retailers will have to handle will double every year through 2020, many retailers are not equipped to handle it, with 72.5 percent of companies lacking or having underdeveloped capabilities when it comes to managing a cross channel experience; 64 percent not planning customer centric roles, 33 percent of companies reporting that they don't have enough talent to execute well and 29 percent reporting that organizational silos create challenges.

**Betsey Johnson**, purchased by **Steve Madden Ltd.** (\$1.3 billion in sales), turned to **Revmetrix** to get a 360 degree view of its customers across devices and channels, says **Mark Friedman**, president of e-commerce, **Steve Madden Ltd.** The company was challenged to understand its customers' cross-channel journeys and was dealing with fragmented data in a multitude of data silos, a channel-focused organization and difficulty in finding talent that fit its culture.

At Betsey, roughly 40 percent of purchases involve cross-device engagement, says Friedman. Working with Revmetrix proved



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what the company "intuitively knew," says Friedman — that conversion increases dramatically with each subsequent customer interaction. By the third visit, for example, the customer is five times more likely to convert. Knowing that conversion ticks up with increased online engagement makes the company more willing to spend more on engagement at that point, he says. "As a better picture of the customer emerges, we are turning insight into action," he says. Next steps include building on its cross-device views for attribution and targeting, expanding this approach to other Steve Madden brands, and collecting more customer information in stores.

**18\* More than 50 percent of all new product introductions fail,** says **Greg Petro**, president and CEO of **First Insight**, which provides real-time, predictive analytics. Why do new products fail? Because of 1) changing consumer preferences; 2) long product intro cycles; 3) inaccurate store testing results; 4) over- and underpricing of products; and 5) — the biggest cause — a faulty understanding of customer needs, he says.

**The Limited** is working with First Insight to gain a more scientific, client-driven approach to informing the depth of its buys. Having come out of

Limited Brands was "both a blessing and a burden," says Lois Huff, vice president, client insights, who says the company had a very disciplined approach based on historical financial information and a strong focus on design — the legendary Limited (now **L Brands**) chairman CEO **Les Wexner** himself introduced the "key item," but "we were missing the third leg — what does the client want?" said Huff.

The company moved to a new balanced, client-led approach, paying attention to preferences, priorities, POV, behaviors, need states, motivations and aspirations, said Huff. Getting feedback on what drives value perceptions has given the retailer more confidence around new buys and depth of buy, and increased discipline around how it approaches tests.

Now, pricing is largely cost-based and promotions largely reflect its financial goals, and market conditions. "We are working to better ... understand where we have 'wiggle room' on pricing, where we can pull back on markdowns, or where we can use velocity pricing to clear inventory," she says.

**Rebecca Minkoff** wants to walk a line down the runway and make it available immediately. "The consumer is tired of the fashion calendar ... [of seeing styles] in fashion magazines — and **Zara** — for

months [by the time they are available elsewhere]. We're moving to 'see now, buy now' brands for runway shows. ... We cannot make it work unless we can make better decisions about what's on the runway, says Craig Fleishman, senior vice president, corporate development & general counsel. The brand is working with First Insight to know with a higher degree of confidence what's going to work immediately. "The entire CFDA is likely to move to this paradigm," he says.

**19\* Collaboration is the new competition.** "Traditionally our industry has protected proprietary IP above anything else, but the world is changing, said **Steven Lowy**, Co-CEO, **Westfield Corp.**, developer of shopping malls. Think **Uber**, which shares rides, **Tesla**, which shares patents and the U.S. Government, which is making information available to entrepreneurs. "Companies are left behind because of their fear to share," says Lowy. "We can continue to be driven by historical thinking, or we can free data from silos and gain collective knowledge. The customer is not thinking about their relationship with one brand or store, or what data they've shared. Our data in this room is only 1/4000th as powerful as all of our data together," says Lowy, who instructed the

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audience at NRF to imagine arriving at a Westfield shopping center, "where you are directed to a parking space upon arrival, provided a curated shopping experience based on your browsing history and guided to the stores and products you are looking for.

"Data sharing is not about moving one customer from one retailer to another. It's about building the best experience possible," he says. In efforts to build better digital and physical experience, the developer opened **Westfield Labs** in San Francisco two years ago to research new ways to build ongoing digital and physical partnerships with its mall stores. It used to be that the real estate/store relationship would end when a store opens, said Lowy, but Westfield is working to turn that model on its head. "People flock to Apple stores for the amazing physical experience. Human interaction is at the very heart of what we all love." Said differently:

**20\* People matter.** Your employees. Your customers. And everyone else. "If you do your part, a lot of people around you are ready to do their part," said **General Colin Powell** in the show's opening keynote presentation. In his remarks, which touched on everything from **civil rights** to his **military service** and from the **resilience of Americans** to his relationship

with his family, Powell shared the story of his early years in retail, when he worked for a family that owned a toy store. After many years of helping out at the store as a youngster, the owner one day took him aside, but his arm around him, and told him that the store would pass to his daughter and son-in-law, that it did not hold a future for him, and that he should get a good education. "I had a boss who cared about me. That marked me for the rest of my life," he said. "It's important for everyone in this room to put an arm around a kid and say, 'you can go somewhere in life. Give it your best.'"

"The most important thing is your employees. They are vital to your success. You have an obligation to treat them well, educate them, give them the equipment they need, but most important, give them a purpose. We exist for our fellow citizens. Without them, coming through the door each morning means nothing."

Meanwhile, over at **Aptos**, the company has launched its **Commerce of Caring** podcast series, which tells compelling stories of the work carried out around the world by the people of retail and the charities they support, under the auspices of **RetailROI**. Its first episode tells the story of a project that started out with a goal to build a school a small town

in **Liberia** and grew to a mission to save lives in the epicenter of the **Ebola outbreak** of 2014, explains **Dave Bruno**, marketing director of Aptos, who was behind the creation of the podcast. Listen to the amazing story unfold [here](#).