

# WHAT DIGITAL IS & IS NOT FOR RETAILERS?

Arhi Kivilahti  
@ArhiKivilahti  
arhi@adafresh.fi  
050 316 1026

A?

# MY BACKGROUND





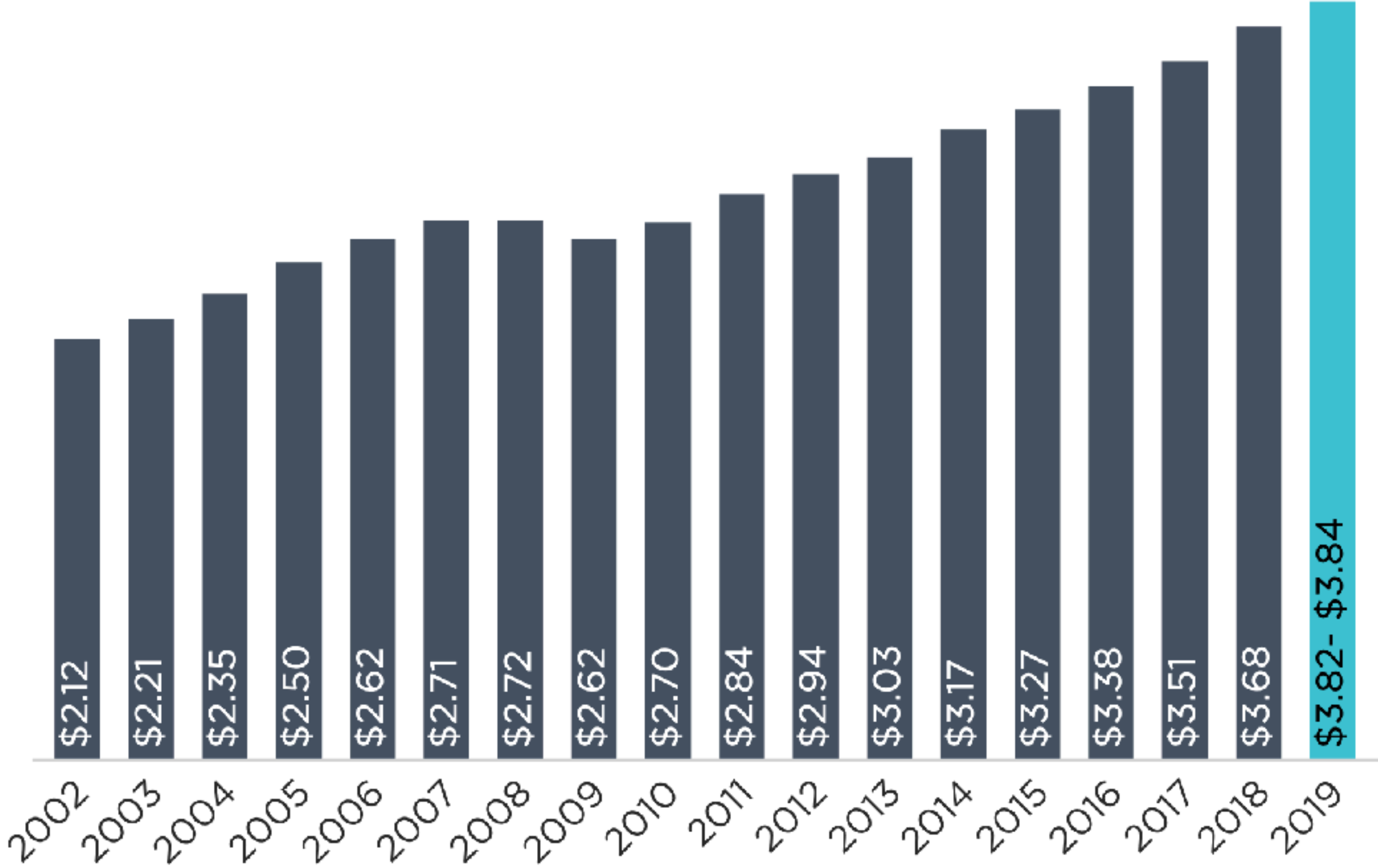
# RETAIL APOCALYPSE





# Historical retail sales (in trillions)

NRF 2019  
Forecast

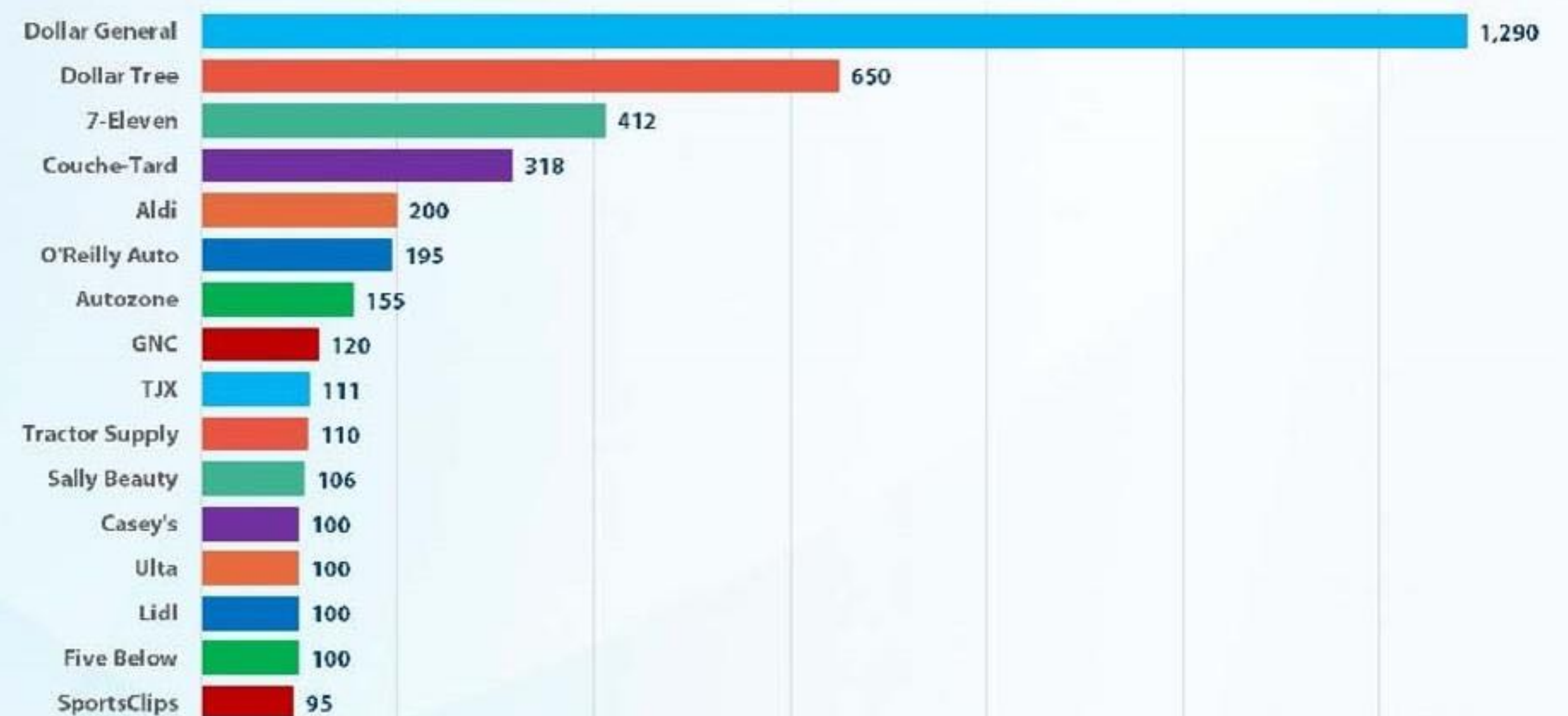




### Plans for 2017 Store Count Decline



### 4,162 New Stores From These 16 Banners





(14,248 opens 10,168 closures)

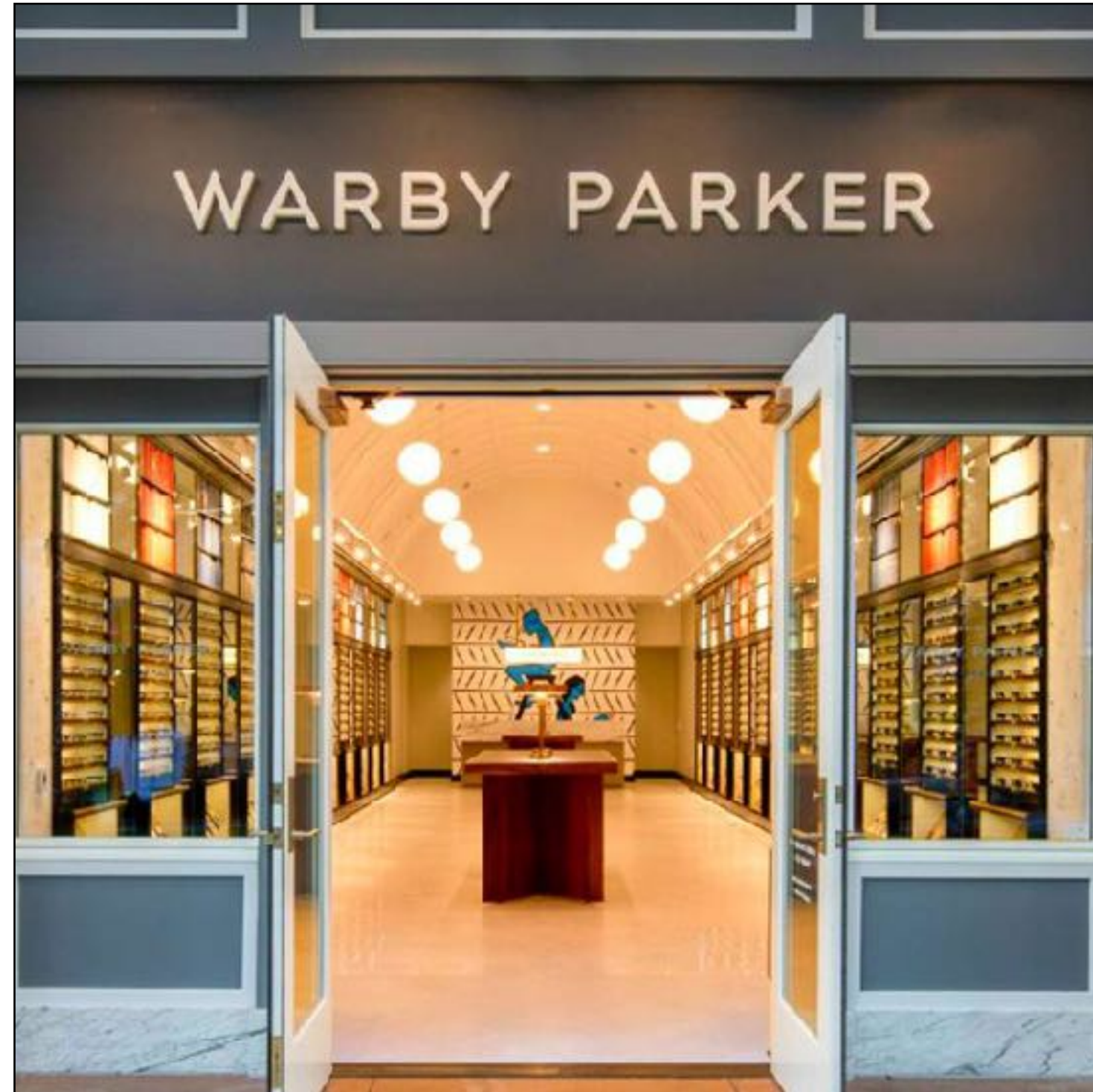
Segment	Net Store Growth
Supermarkets	674
Drug Stores	345
Superstores/WH Clubs	82
Department Stores	-400
Specialty Hardgoods	153
Specialty Softgoods	-3,133
Mass Merchandisers	1,905
Convenience Stores	1,700
Bar / Restaurants	728
Fast Food	2,026

**+4,080**  
**Net**  
**Stores Opening**





# STORES ARE NOT THE PROBLEM FOR RETAILERS





# BAD STORES ARE



**Neil Saunders** @NeilRetail · 22h

Too many stores, or stores that just aren't good enough? It's the latter, Macy's! #Macys

← 4 ❤️ 8 ⋮



**Neil Saunders** @NeilRetail · 22h

Too many stores, or stores that just aren't good enough? It's the latter, Macy's! #Macys

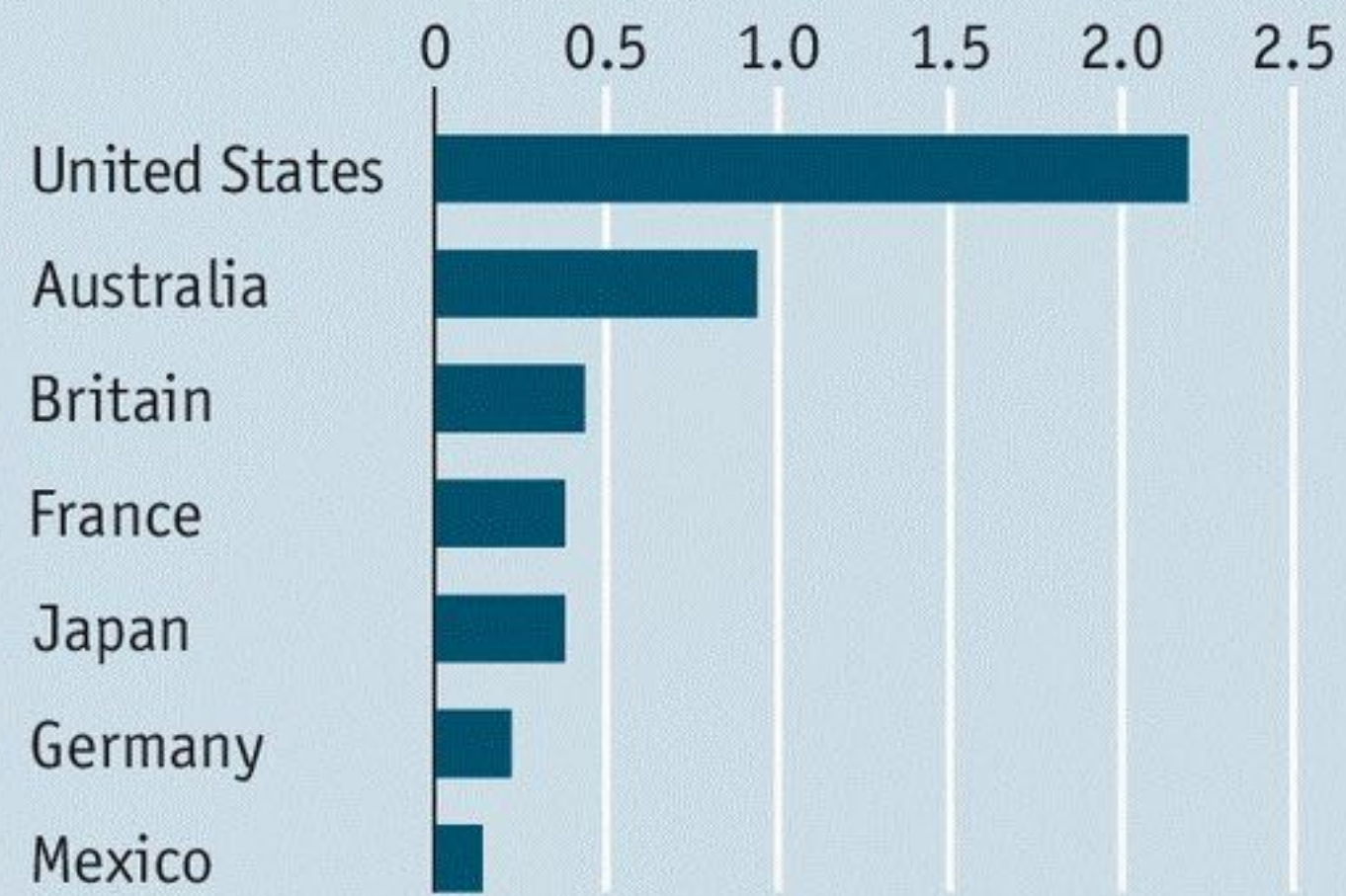
← 4 ❤️ 8 ⋮



## Miles of aisles

3

Retail space per person, sq metre

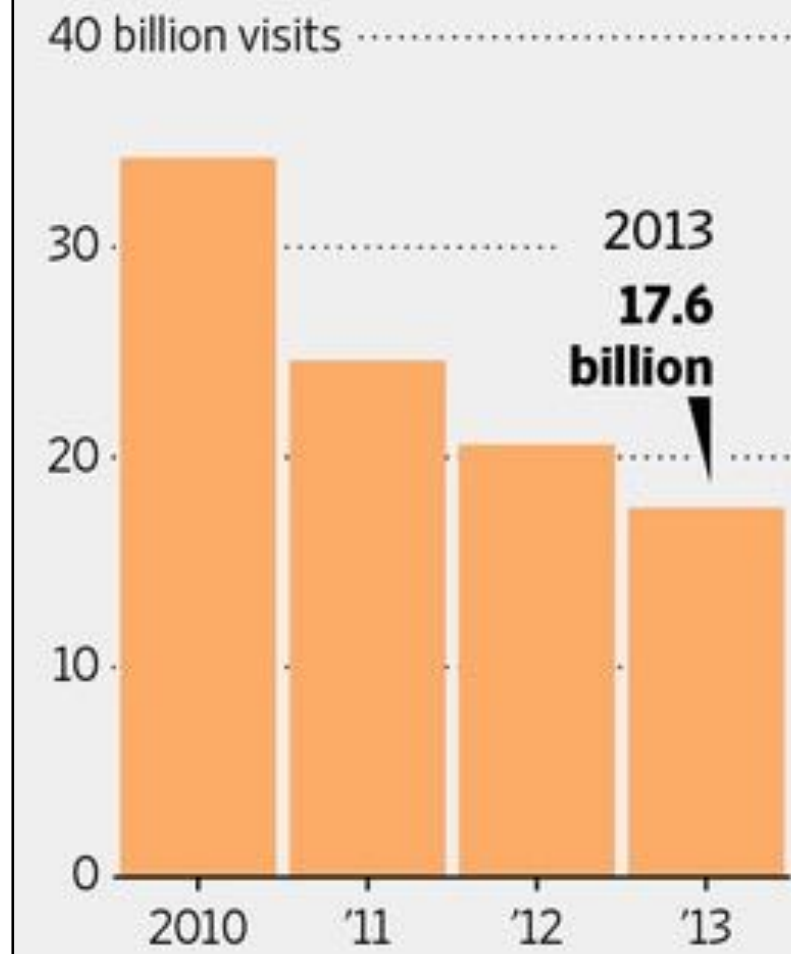


Source: Morgan Stanley

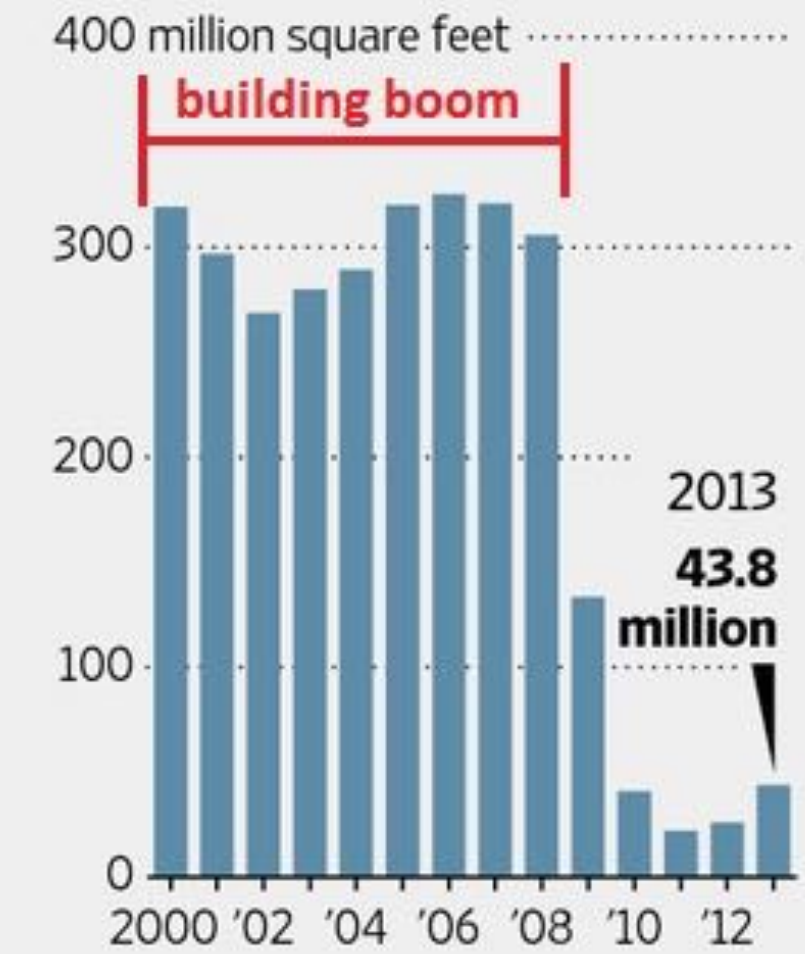
Economist.com

## Permanent Slowdown?

Total retail foot traffic for November and December



Amount of new retail space opened annually



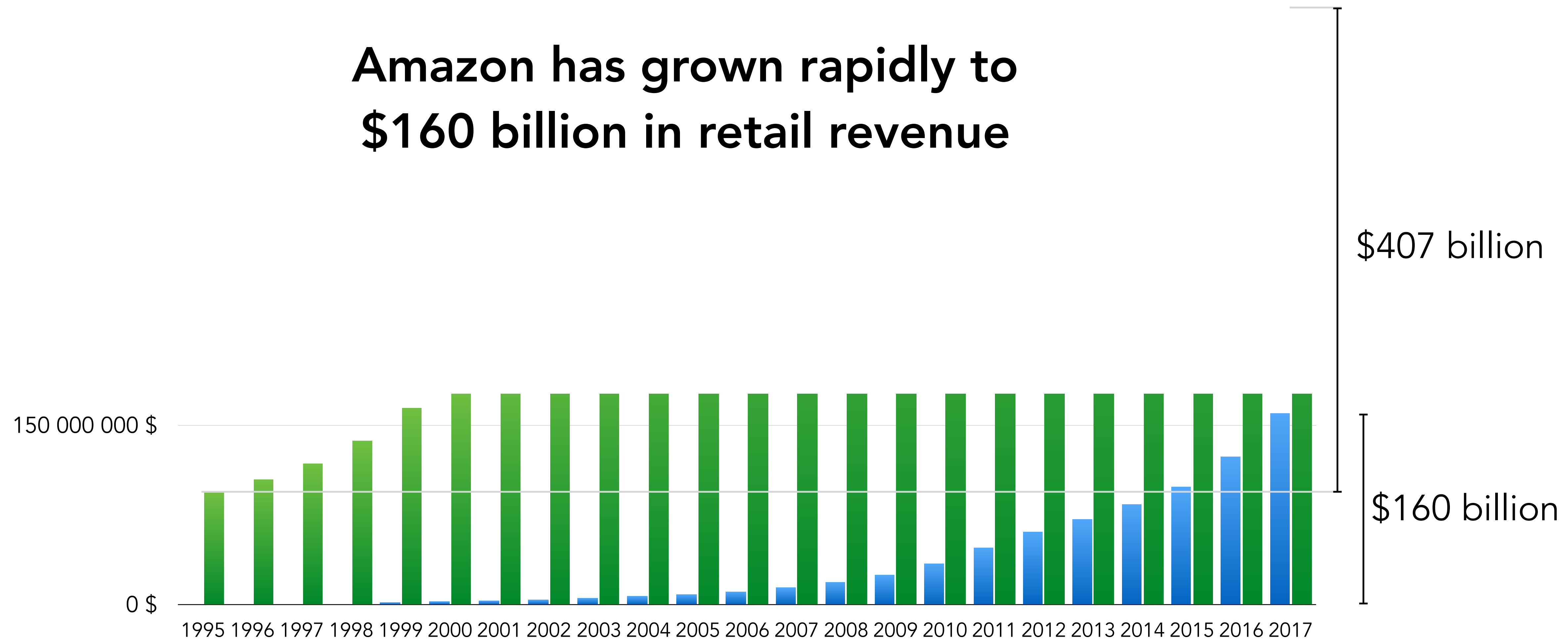
Note: Traffic data is collected from 60,000 traffic-tracking devices installed at malls and large retailers. Retail space is reported for 54 of the largest U.S. markets.

Sources: ShopperTrak (visits); CoStar Group (square footage)

The Wall Street Journal



# Amazon has grown rapidly to \$160 billion in retail revenue







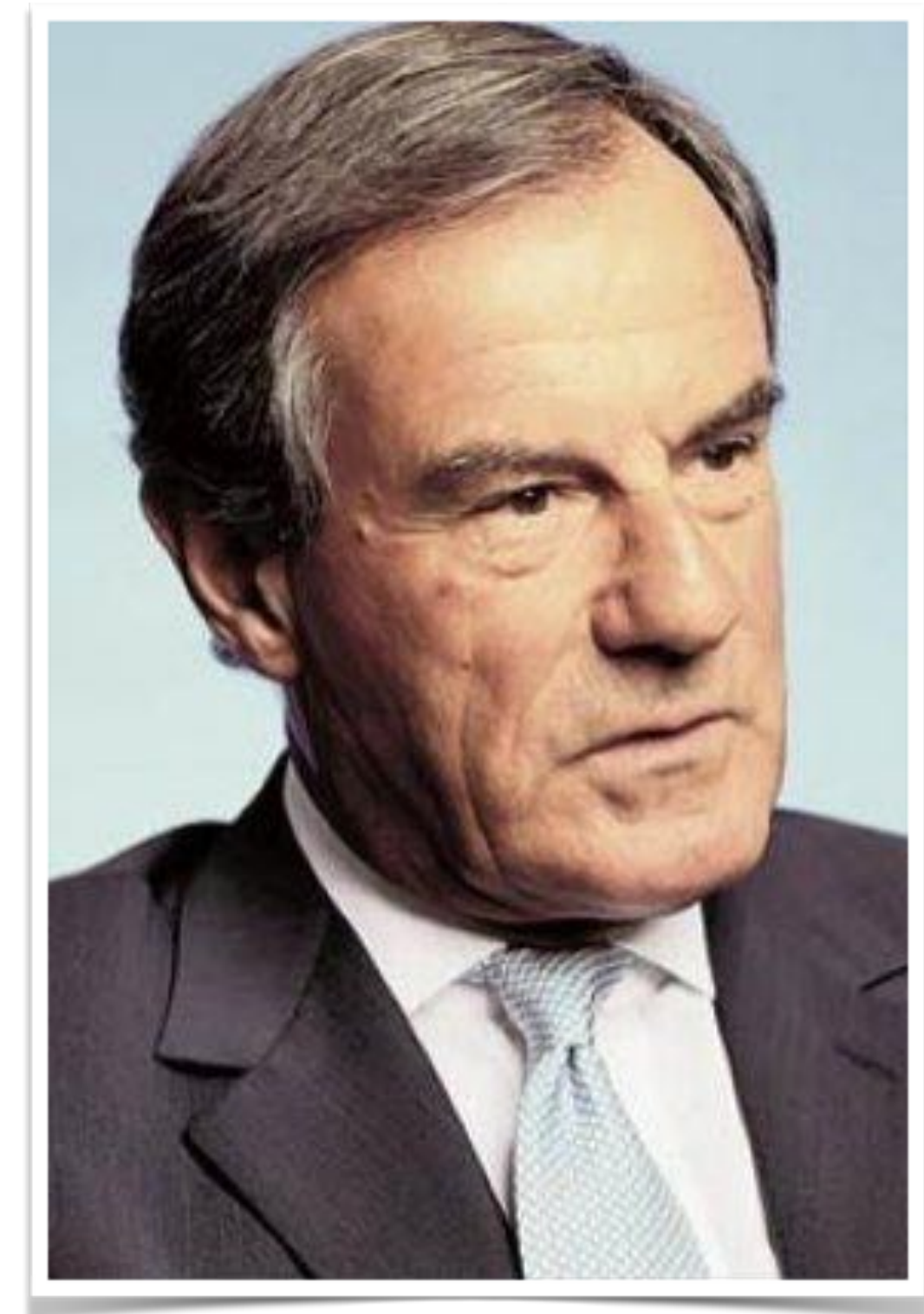
"The supermarket industry has changed more rapidly in the last 3-6 months than any time in my 30 years in the industry."

Mike Coupe, CEO, Sainsbury's



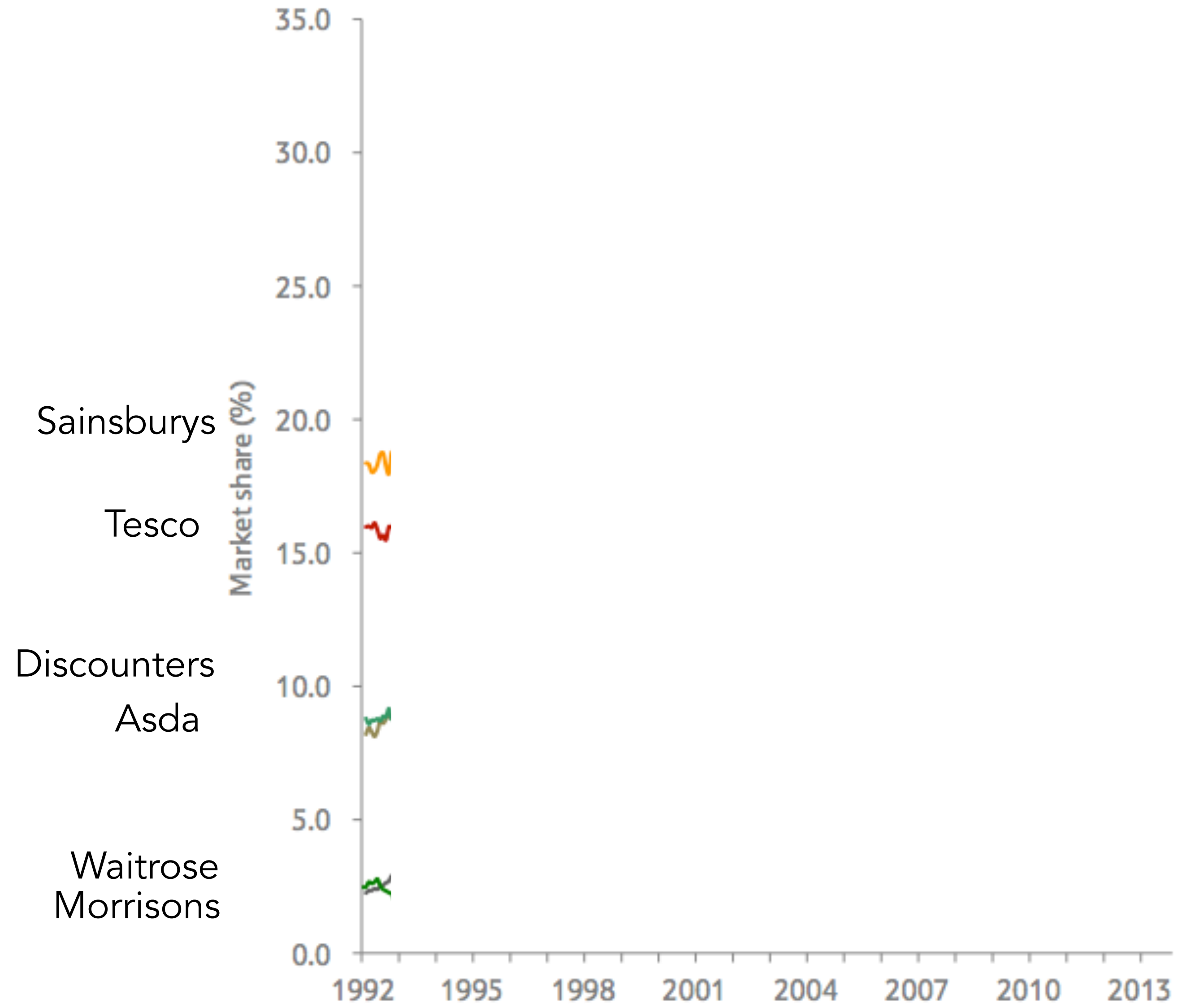
“I have been in this industry for 30 years and I have never experienced trading conditions like this before.”

Ian MacLaurin, CEO, Tesco 1992





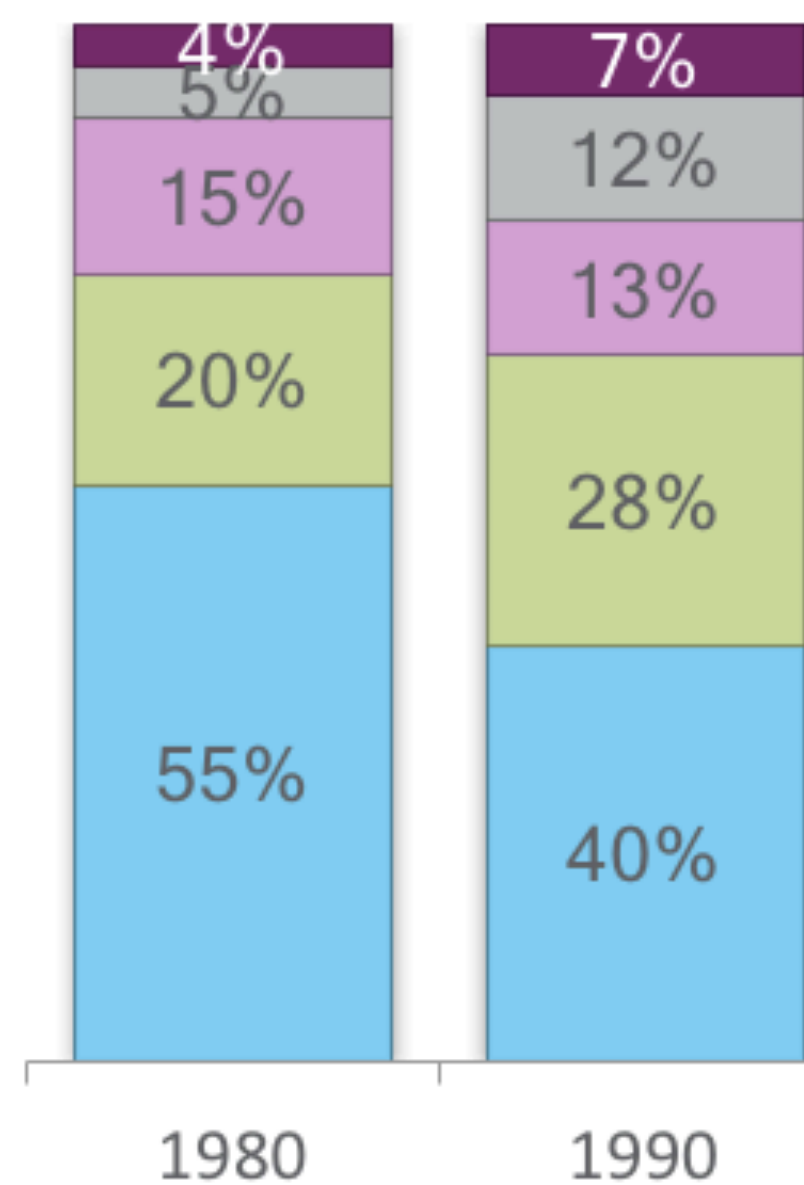
# UK market share 1992 to 2013





# MARKKINAOSUUDET (ARVO) MYYMÄLÄTYYPEITTÄIN

Vuosina 1980-2016



■ <400m<sup>2</sup>  
■ Tavaratalo  
■ Hypermarket

■ Supermarket, pieni (400-999m<sup>2</sup>)  
■ Supermarket, iso (> 1000 m<sup>2</sup>)



# WHO ARE SUCCEEDING?

ZARA

PRIMARK®

SELFRIDGES&CO



*Walgreens*

♥ CVS



T.J. maxx®

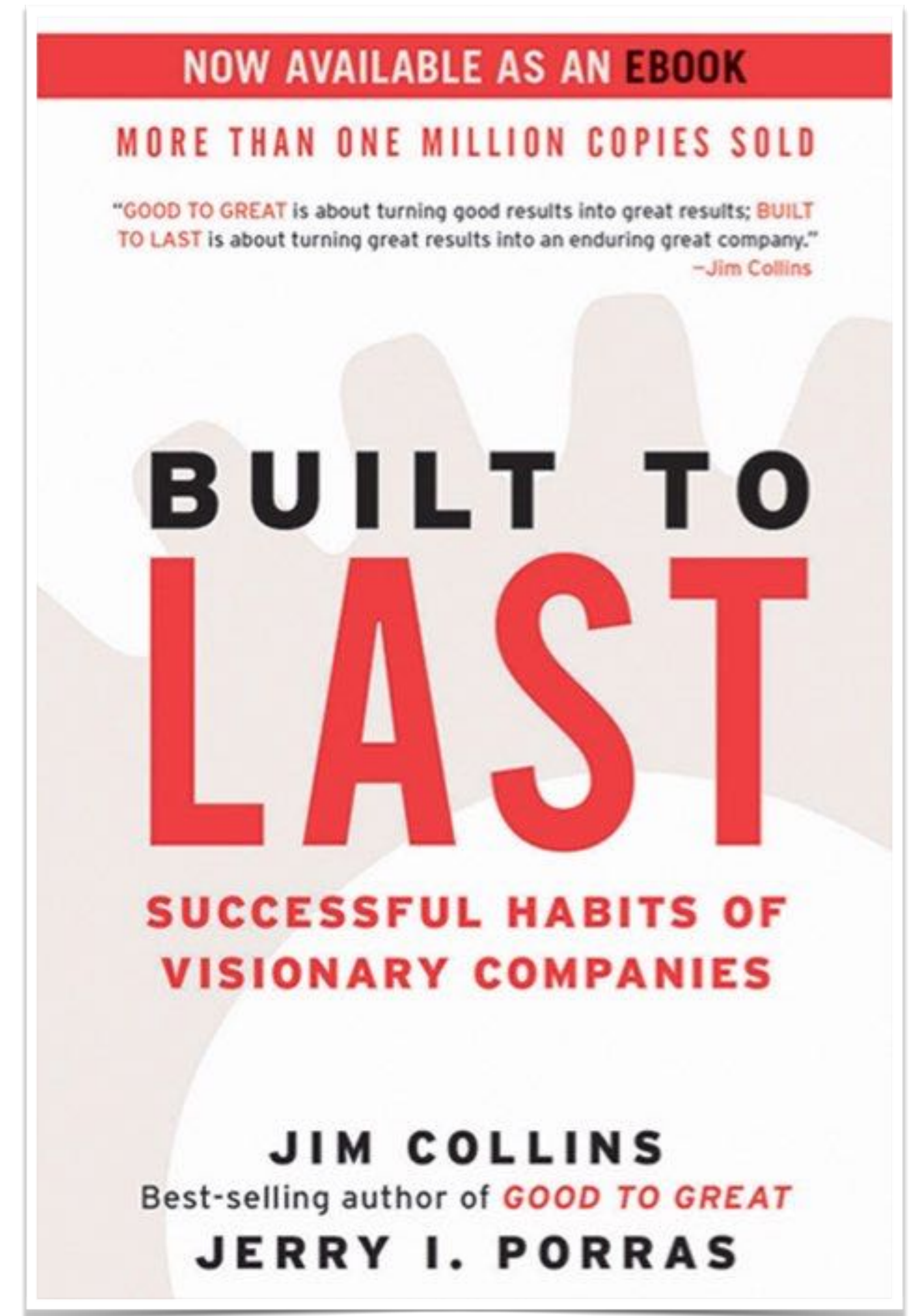
TESCO

COSTCO  
WHOLESALE

DOLLAR  
GENERAL



“Biggest problems facing organisations today  
...  
a lack of understanding the **basic fundamentals** and, most problematic, a failure to **consistently apply** those fundamentals.”





**WHAT ARE GOOD BASICS IN  
RETAILING?**



# **THE NEW ERA OF EXPERIENTIAL RETAIL**

NRF, 2/2016







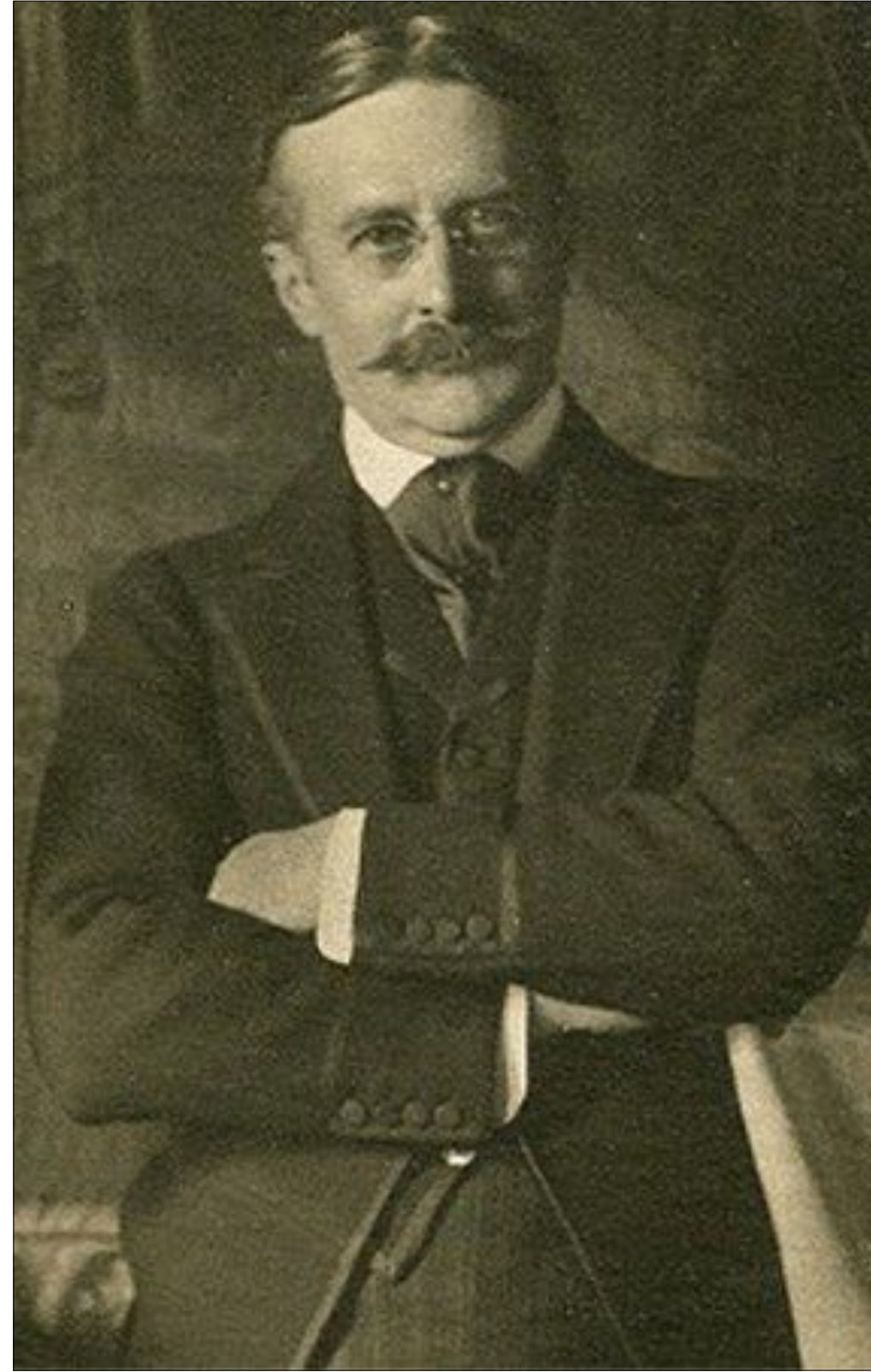
# THE AGE OF CUSTOMER EXPERIENCE







"Give the lady  
what she wants"  
Marshall Fields

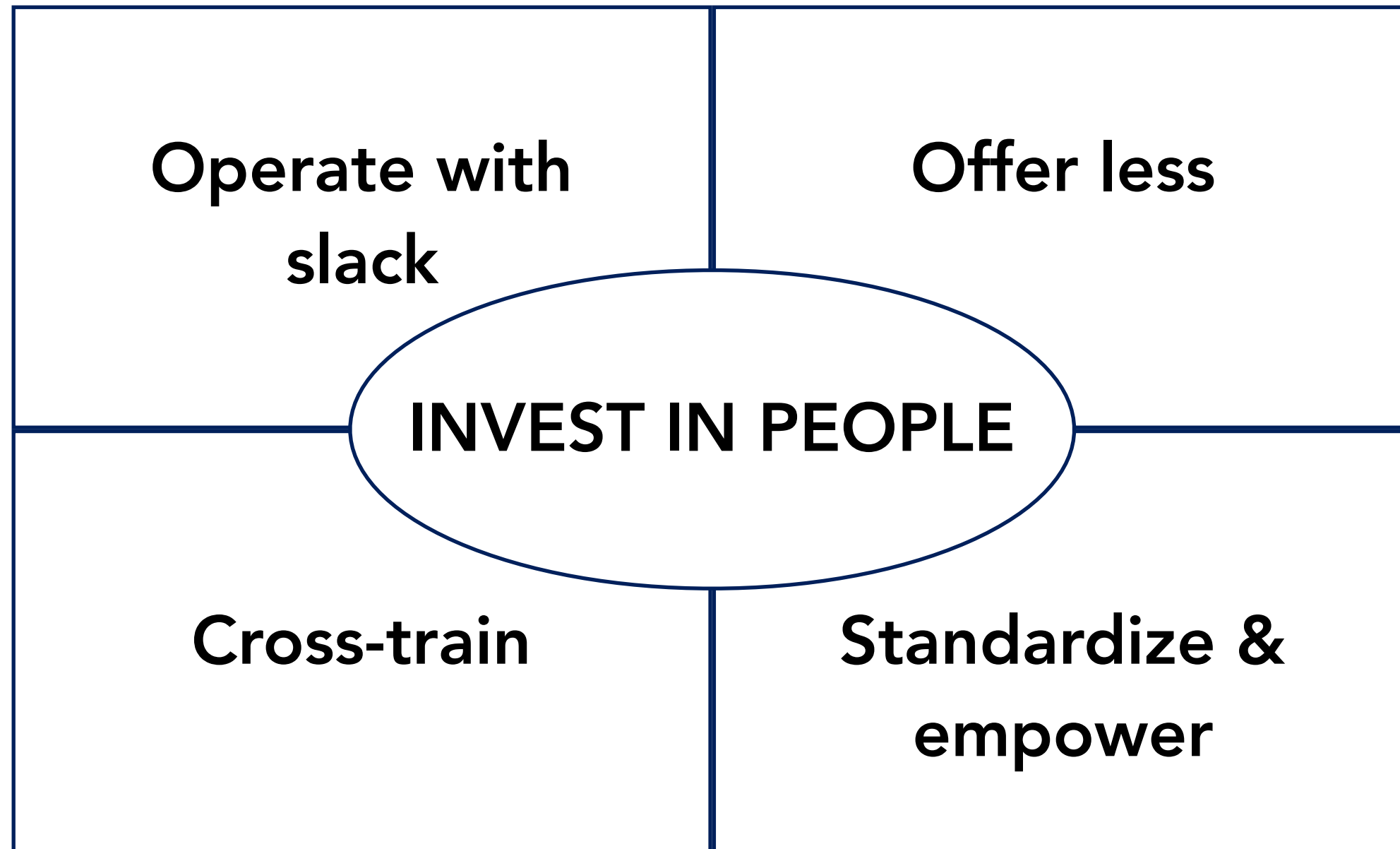


"The customer is  
always right."  
Harry Selfridge

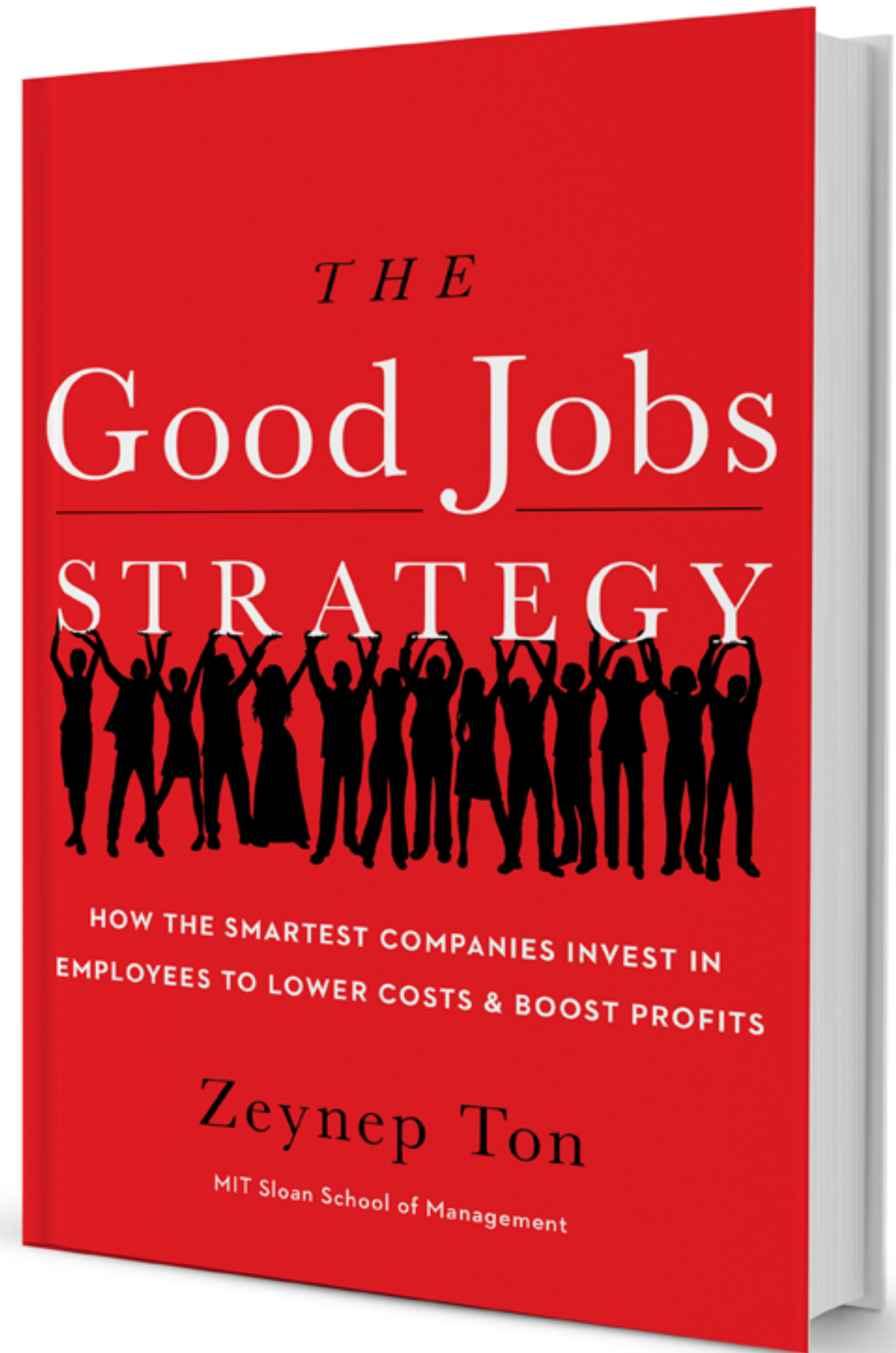


"There is only one boss.  
The customer."  
Sam Walton





Virtuous cycle of retailing





# **THE EVOLUTION OF ONLINE BUSINESS MODELS**



# Each era (and technology) brings new giants

Train



Car (& suburbs)





**WHAT ARE THE MAIN MODELS  
OF ONLINE GROCERY?**





## Warehouse picking

- Most expensive to build
- Largest assortment
- Most efficient picking
- Long distance to customers



## Click & collect

- Expensive to build
- Small assortment
- Efficient picking
- No home deliveries



## Instore picking

- Minimal costs to set up
- Large assortment
- Least efficient picking
- Close to customers
- With scale conflicts with the store operations



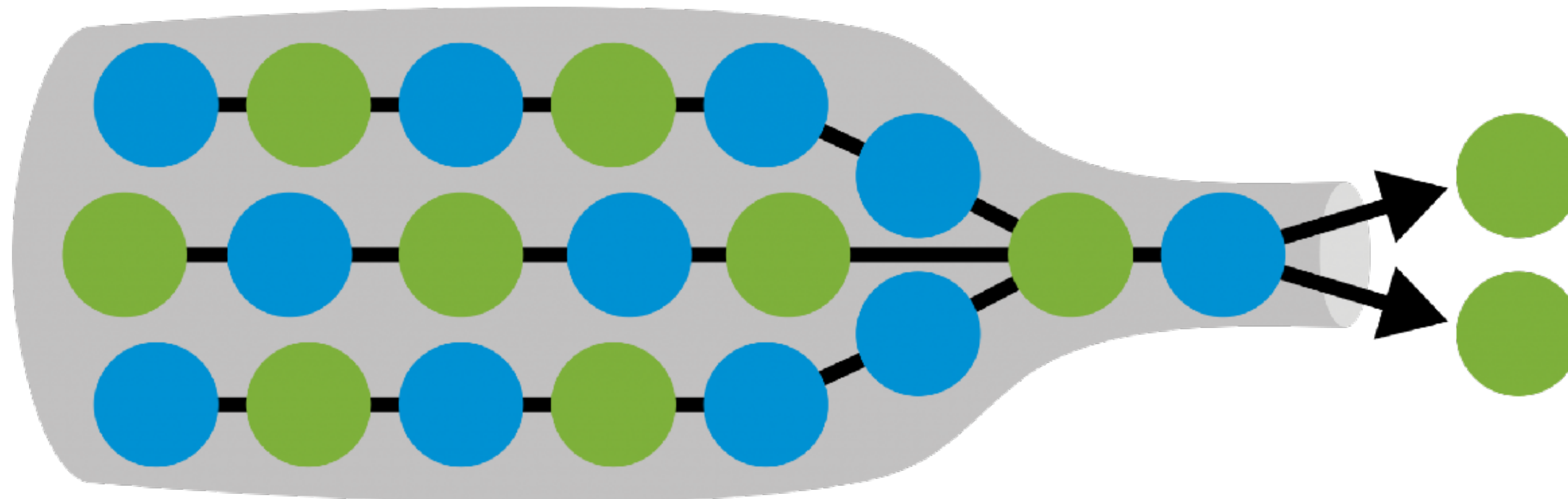
**DON'T FOCUS ON  
A SINGLE POINT IN THE PROCESS**

**FOCUS ON UNDERSTANDING  
THE ENTIRE PROCESS**



“What you have learned is that  
the **capacity of the plant** is equal to  
the **capacity of its bottlenecks**”

Eliyahu M. Goldratt, The Goal





# Two different approaches

KPI #1:  
picking efficiency

KPI #2:  
Drop efficiency

The traditional model of online grocery

Picking  
20–30 min

Storage  
90+ min

Loading  
30 min

Delivery  
60–480 min

**Total**  
**200–630+ min**

**Flow model**

Picking  
5–10 min

Storage  
0 min

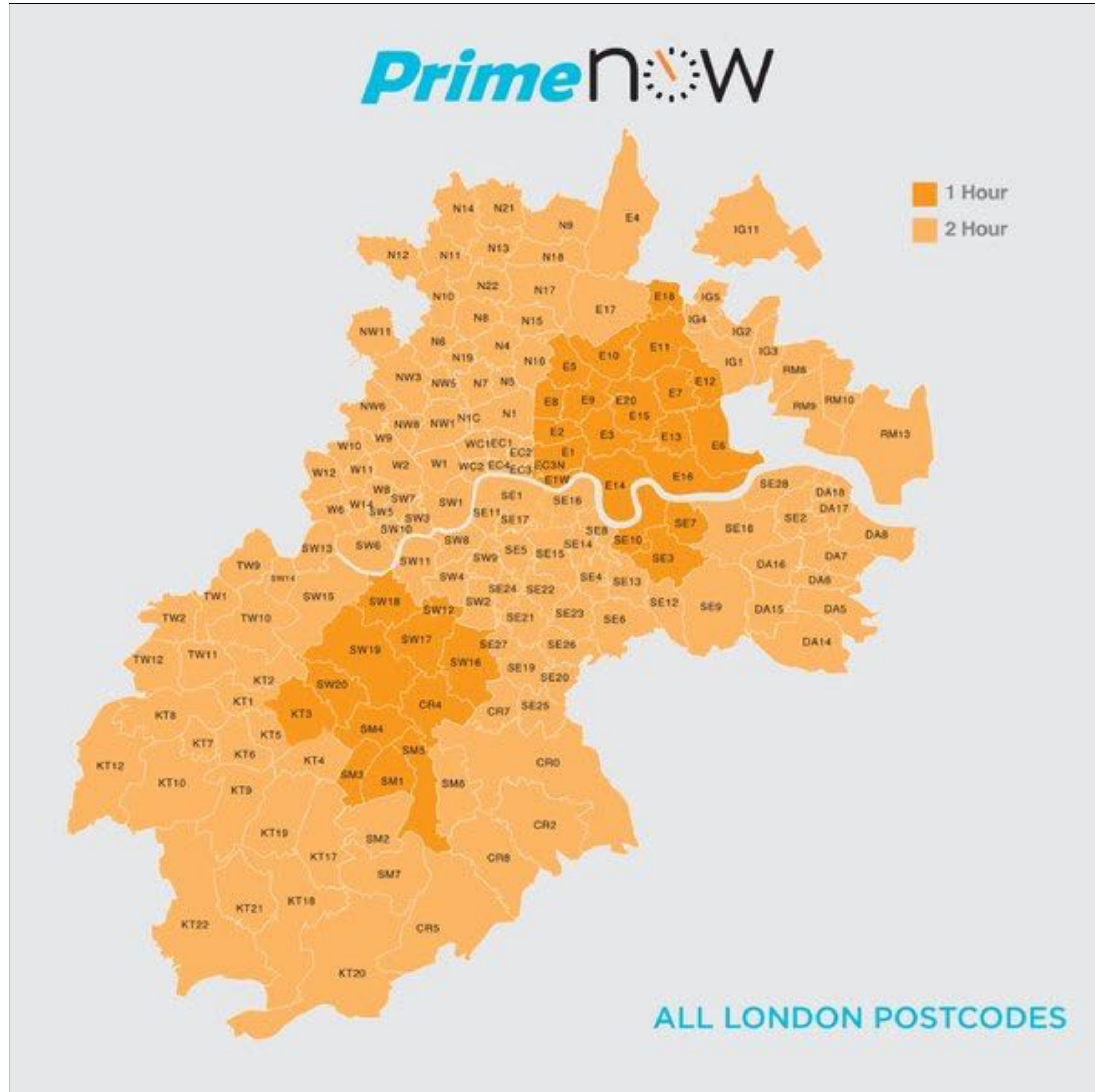
Loading  
2–3 min

Delivery  
5–10 min

**Total**  
**12–23 min**



# IMPORTANCE OF SPEED









# FAST TRACK

Look out for products badged Fast Track to get it today



## BUY ONLINE AND COLLECT IN-STORE

7 days to collect

Pick it up when convenient

Dedicated Fast Track counter in-store

## BUY ONLINE FOR SAME DAY DELIVERY

7 days a week

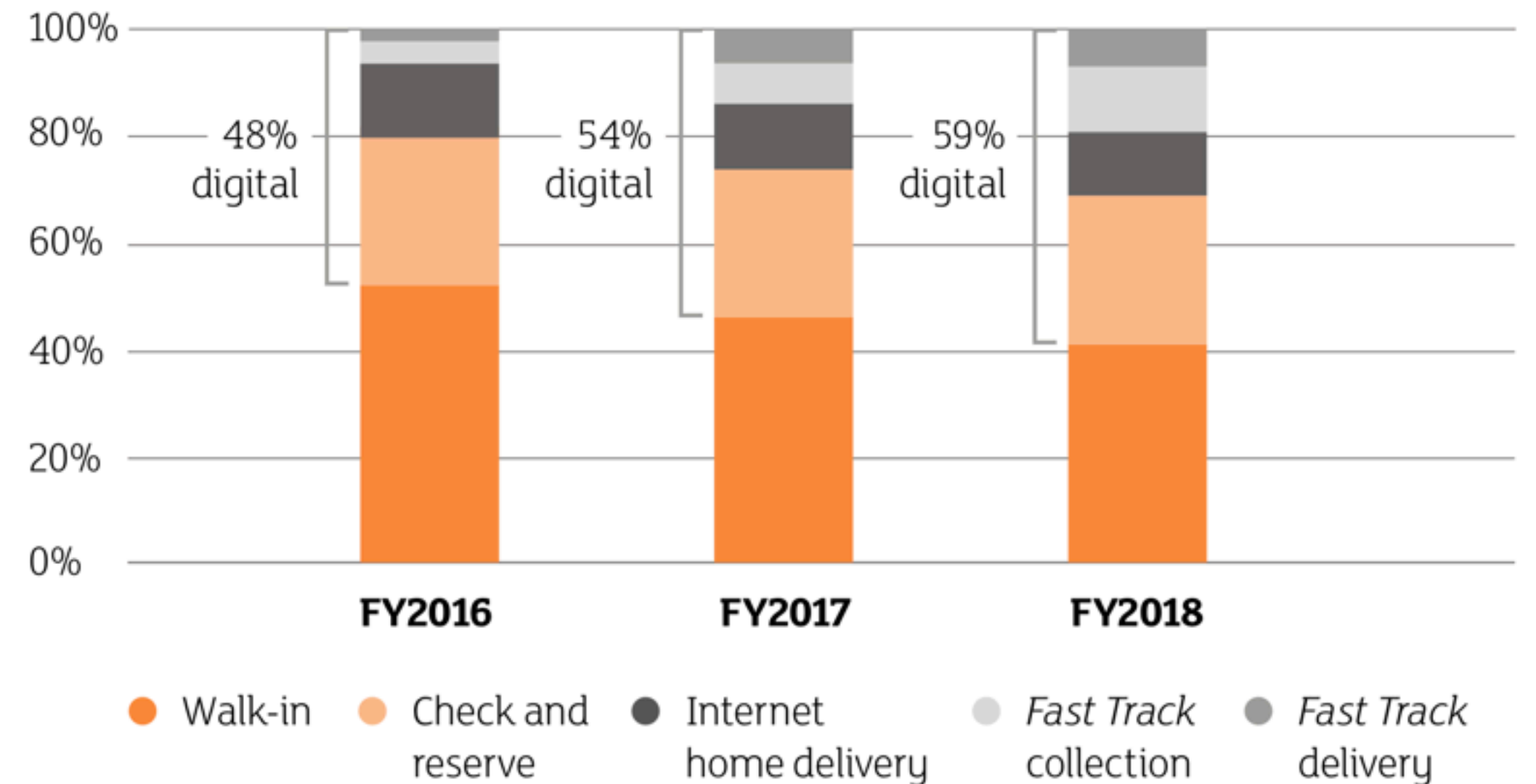
Buy before 6pm and we'll deliver by 10pm

Choice of 4 delivery slots

[VIEW MORE](#)

### Argos channel shift to online

% of sales





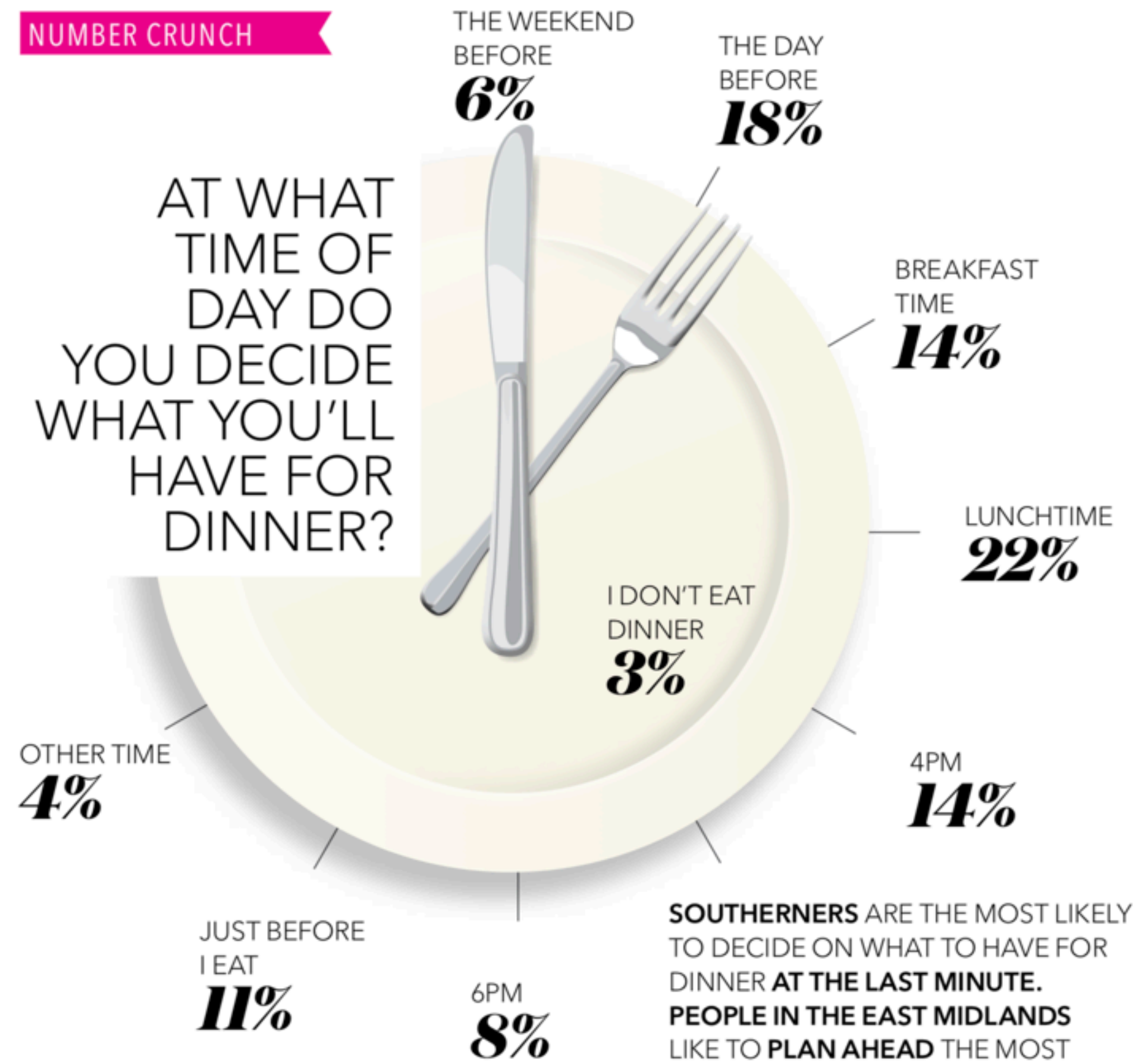
**HOW IS ONLINE (GROCERY)  
DIFFERENT TO TRADITIONAL?**



# Long lead times

Customer needs to order the evening before

That is not the way people live their lives



Source: Waitrose Food and Drink Report 2017-2018



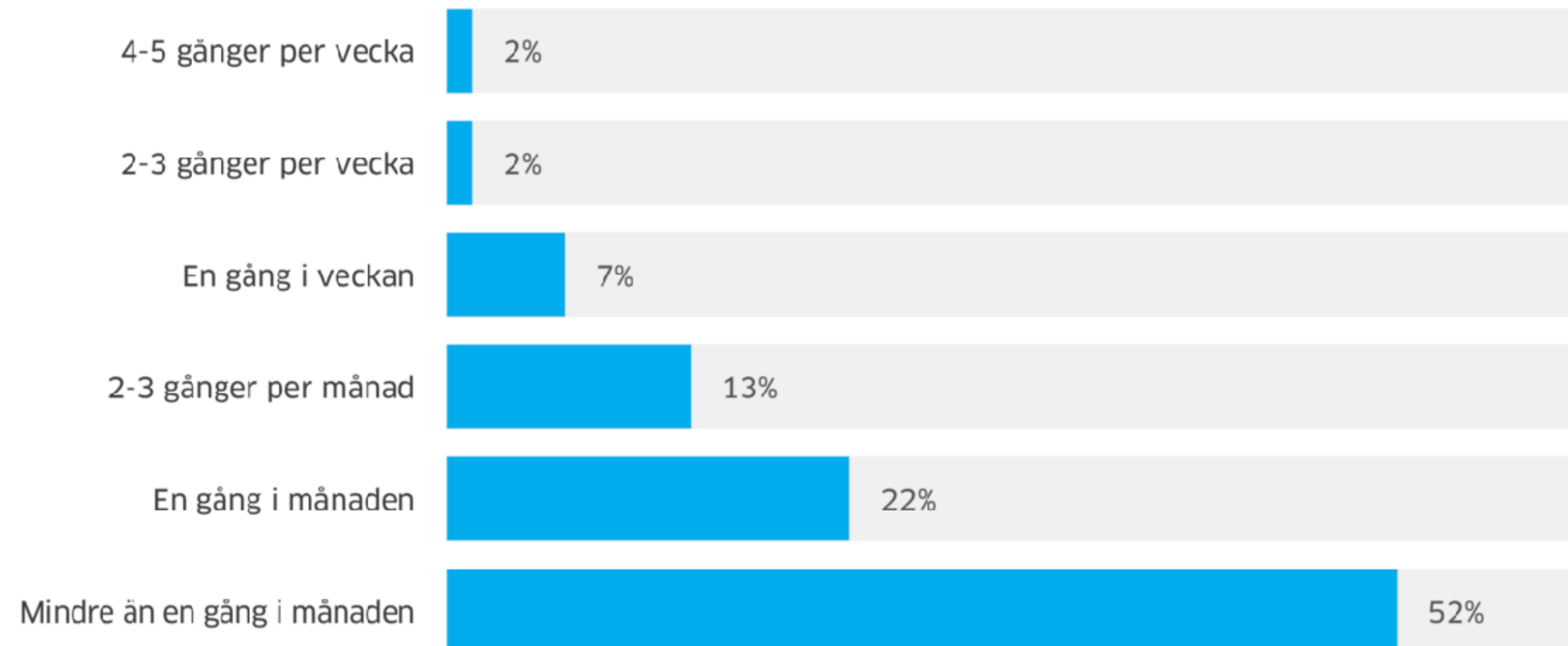
# High delivery fees (6-10 € per delivery)

Skews to monthly deliveries

Food is not bought monthly, but weekly

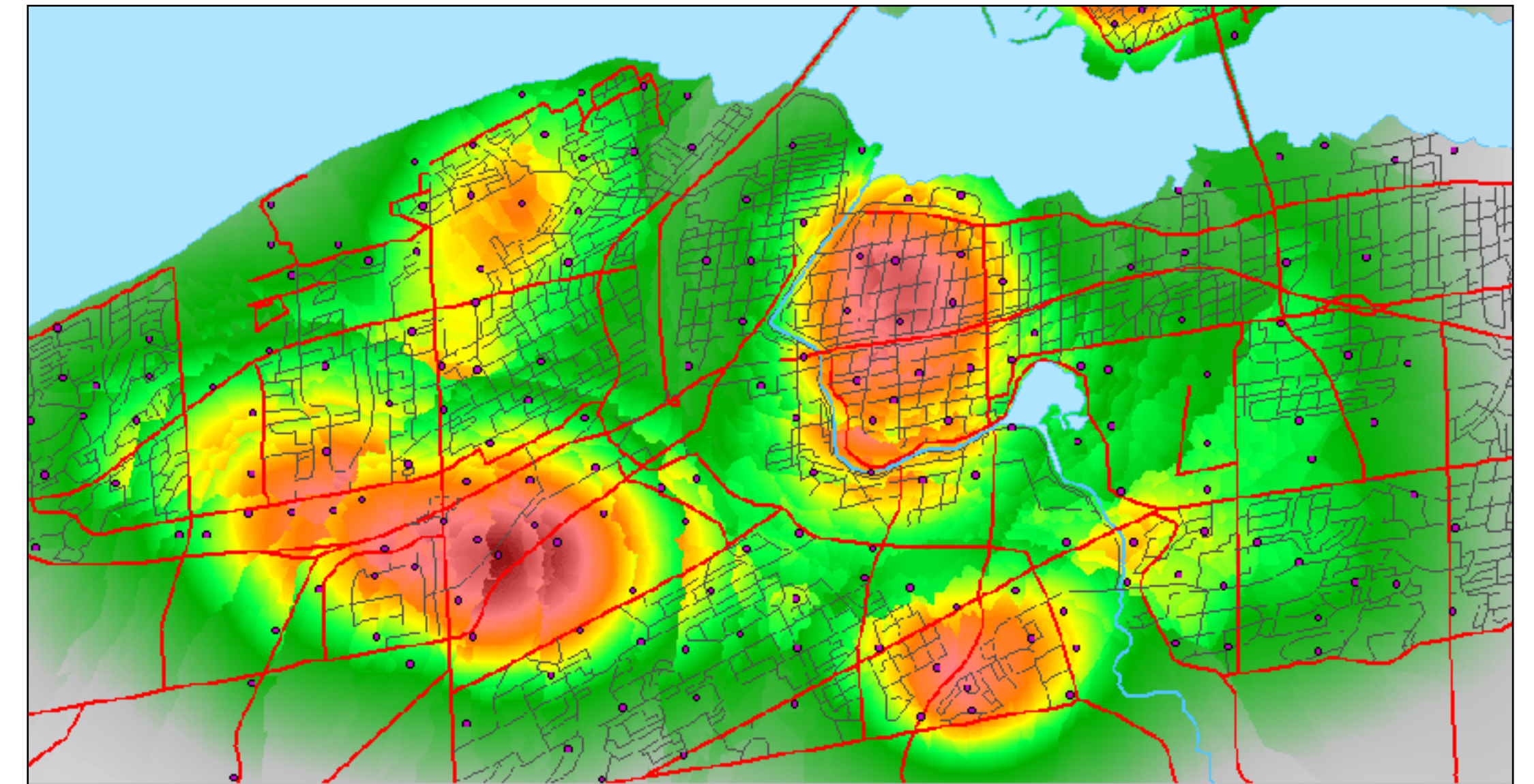
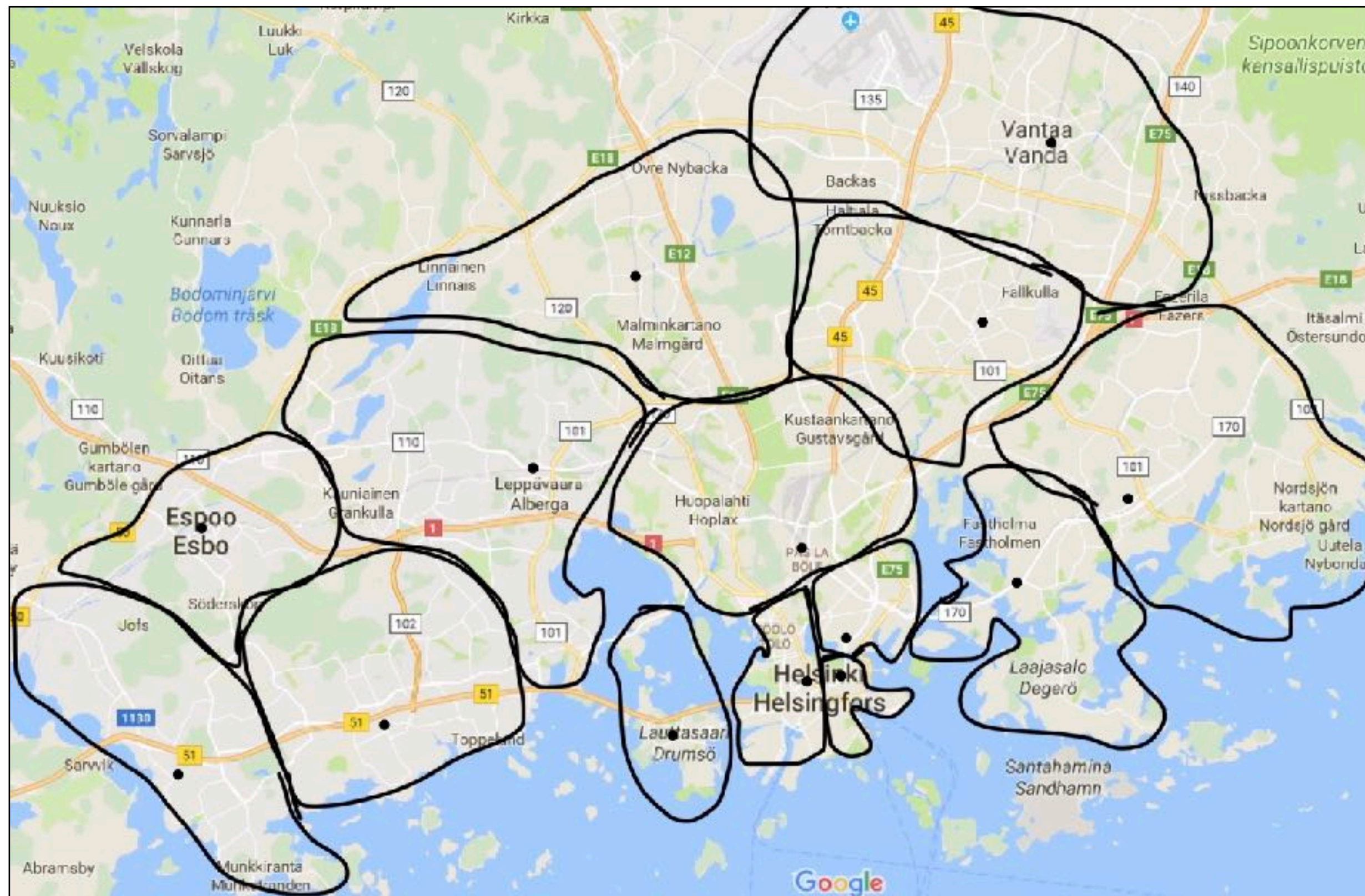
## Hur ofta handlar du i genomsnitt livsmedel på internet?

Bas: Har handlat livsmedel på nätet senaste året





# Hypermarket trade area without geographical friction





# ROLE OF IMAGES

Quantity and other info

Shelf visibility & physical product vs digital image

Product feed visually different



© Unilever



© Unilever



© PepsiCo



© Unilever



© Unilever



© Unilever



© Unilever



© Unilever



© Kellogg's

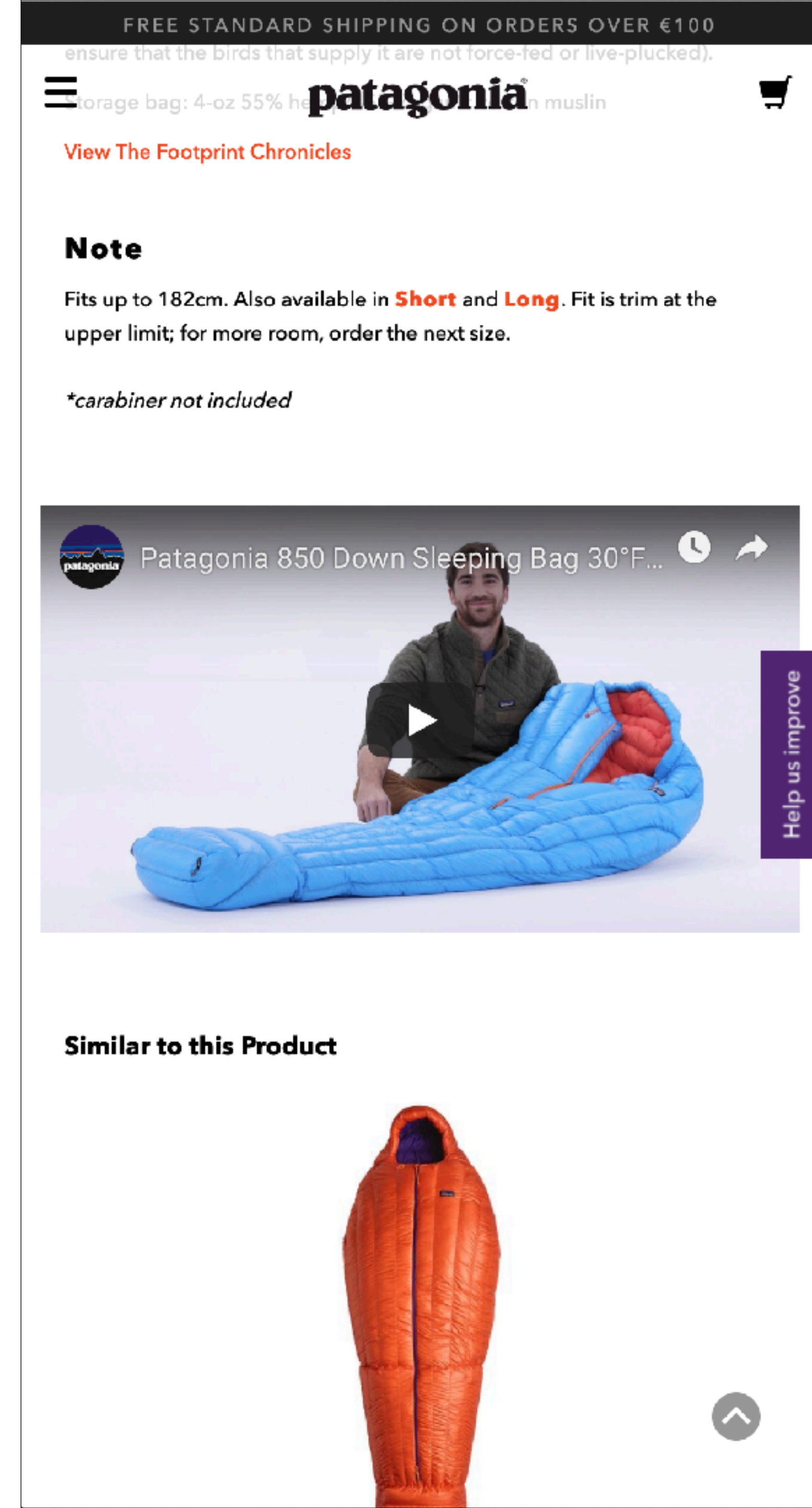
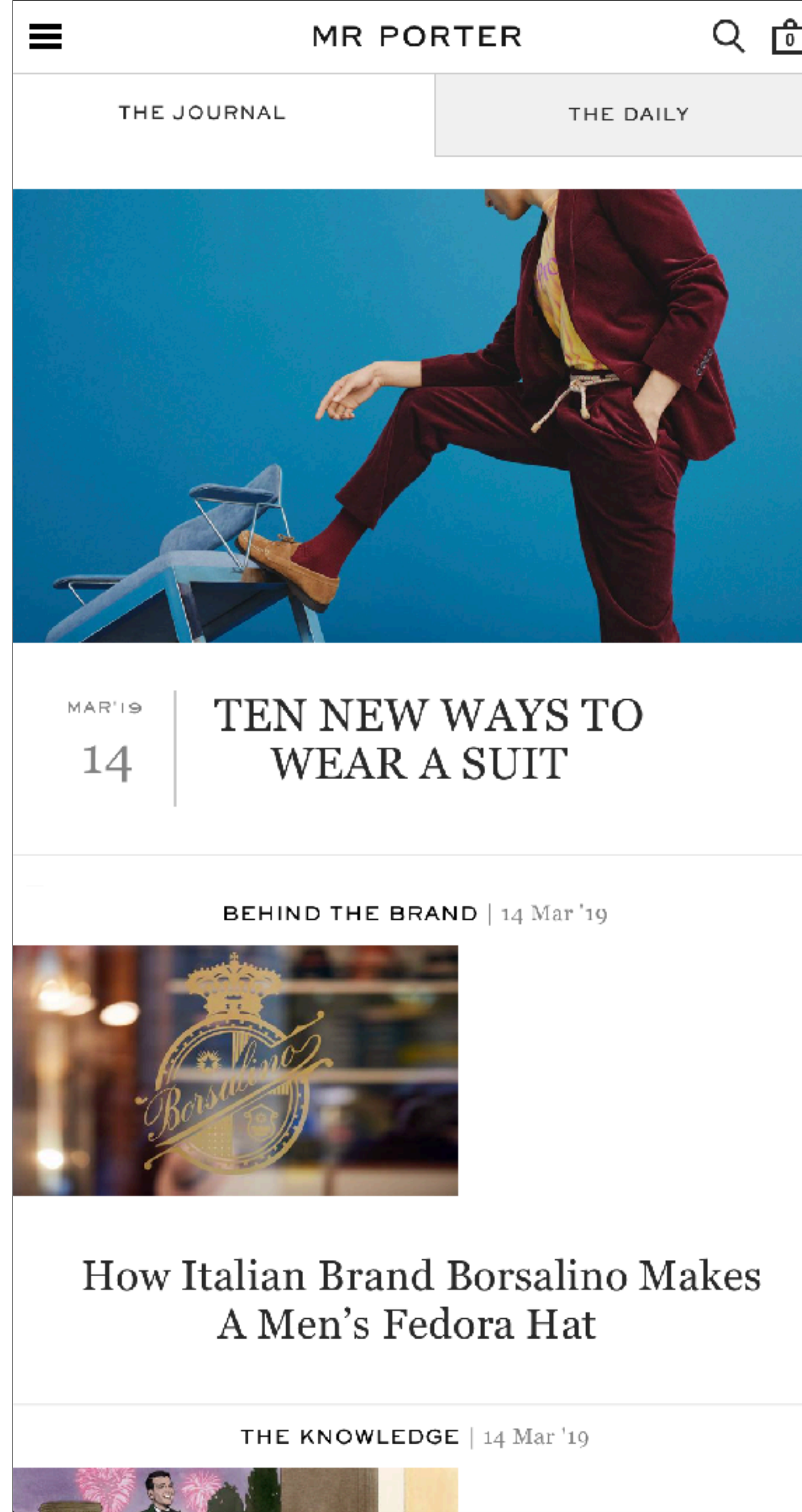


# PRODUCT INFORMATION & CONTENT

Several images

Use of videos

**Substituting the sales person**





# FINDABILITY OF PRODUCTS

Visual findability different

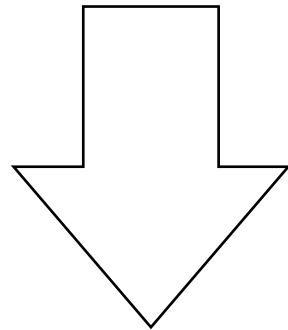
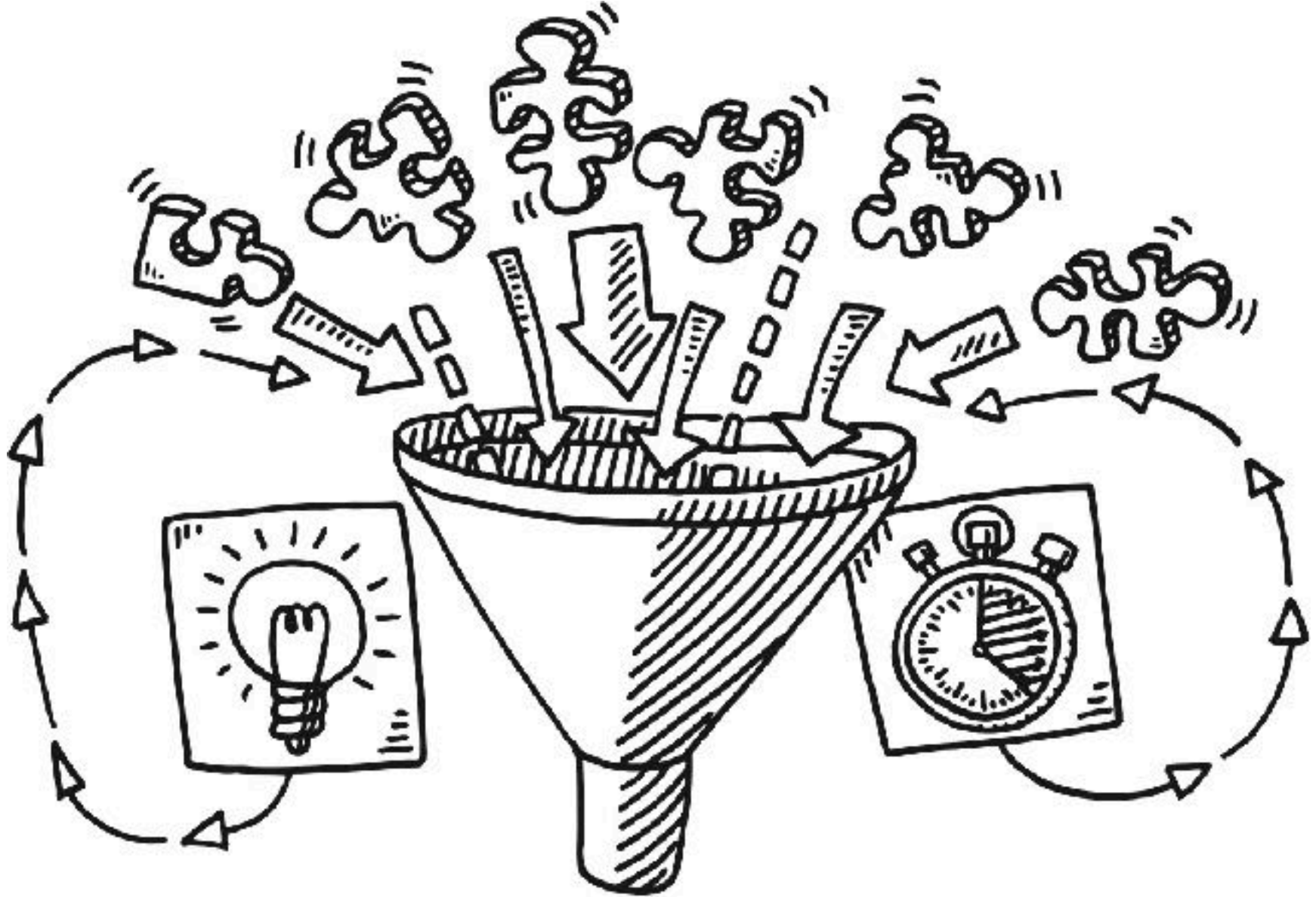
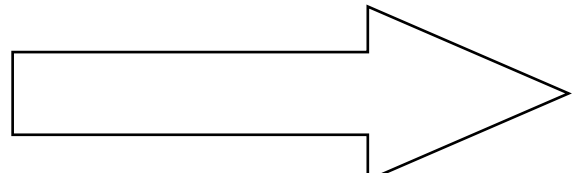
Narrowing of the assortment

80/20 => 4/64





# BIG DATA



**%**  
30 10 40 15



# CAMPAIGNS

The role of big piles and end of shelf is changing

Personalised individually and also contextually

Campaigns to more personal level





# PERSONALIZATION



Home > Balance Rewards for healthy choices™

Username  Password  [Sign in](#)  
[Forgot username?](#) [Forgot password?](#)  Remember me

Balance Rewards for **HEALTHY CHOICES™**

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**track**  
with our Graph View, which lets you easily monitor progress over time.

**earn**  
Balance Reward points – the more often you track, the more you'll save.

**connect**  
an app/device. Your points and progress will update automatically!

**discover**  
new ways to stay well, and share updates with friends.

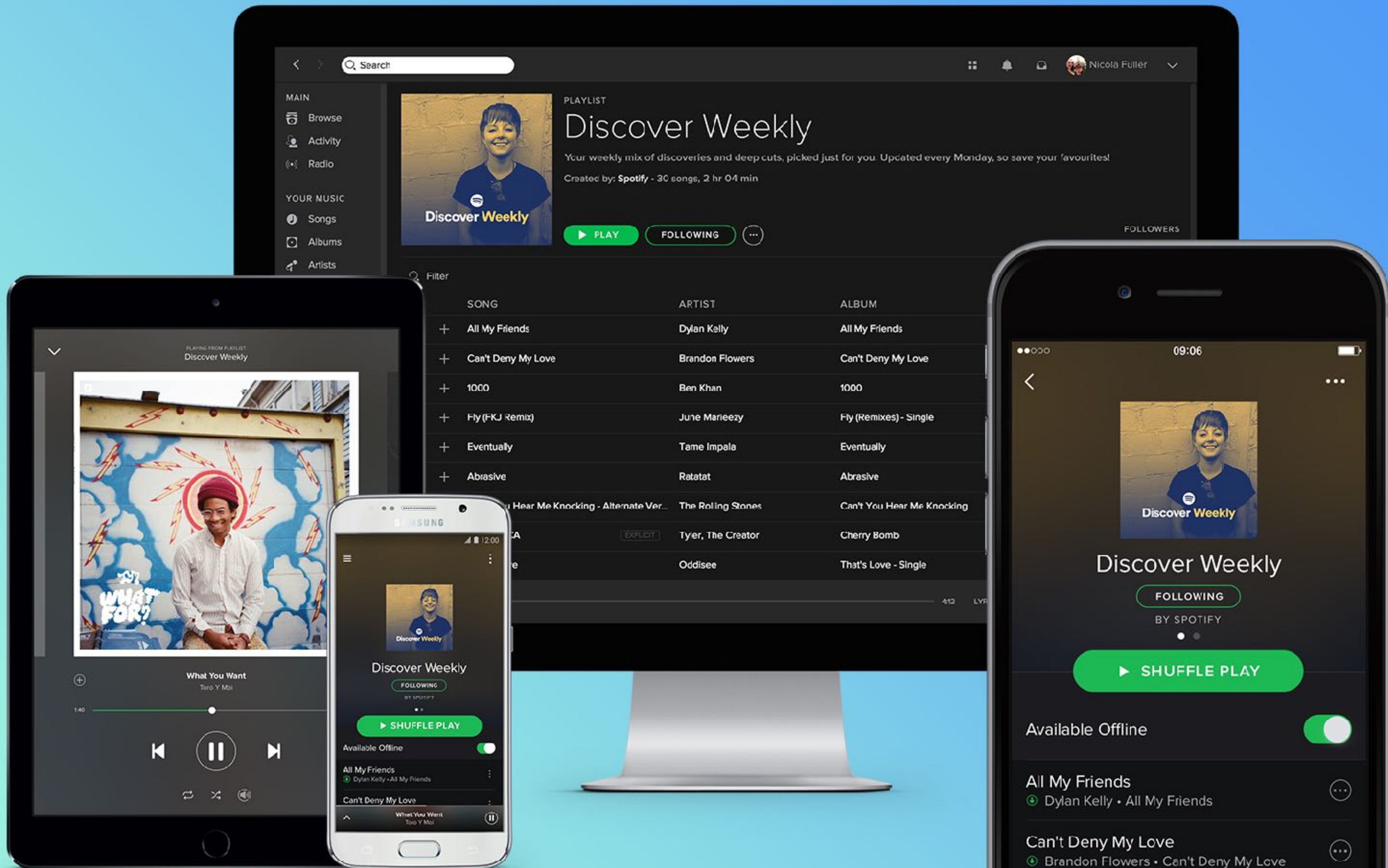
[fitness](#) [weight](#) [blood pressure](#) [blood glucose](#) [sleep](#) [pulse oxygen](#) [quit smoking](#)

[Program FAQs](#)

**Balance® Rewards points just for tracking your health.**  
250 points when you connect an app/device or set your first goal.  
20 points per activity.\*

[How points work](#)







**MANY PURCHASES  
ARE RECURRING**





**SHAVE TIME. SHAVE MONEY.**



**CHOOSE YOUR BLADE**  
We have 3 high quality options for you.





**TREAT YOURSELF**  
Pop on a fresh new blade when you want.



**ADJUST AS YOU GO**  
Blades and frequency – you're in control.



**EASY CANCEL**  
Seriously, we should make it harder.

**THE SMARTER WAY, DELIVERED.**

You'll never look back.

### Beauty Picked for You

- Get a monthly beauty box of five samples tailored to your skin, hair, and style.
- Monthly \$10/month (cancel at any time)
- Yearly \$110/year (\$99 with code BESTYEAR99)



**GET YOUR NOVEMBER BOX**





# BarkBox



A monthly box of dog goodies.





*“Alexa, ask Ocado to  
add carrots to my order.”*



JUST ASK  
amazon alexa





# **DIGITAL SERVICES IN THE STORE**

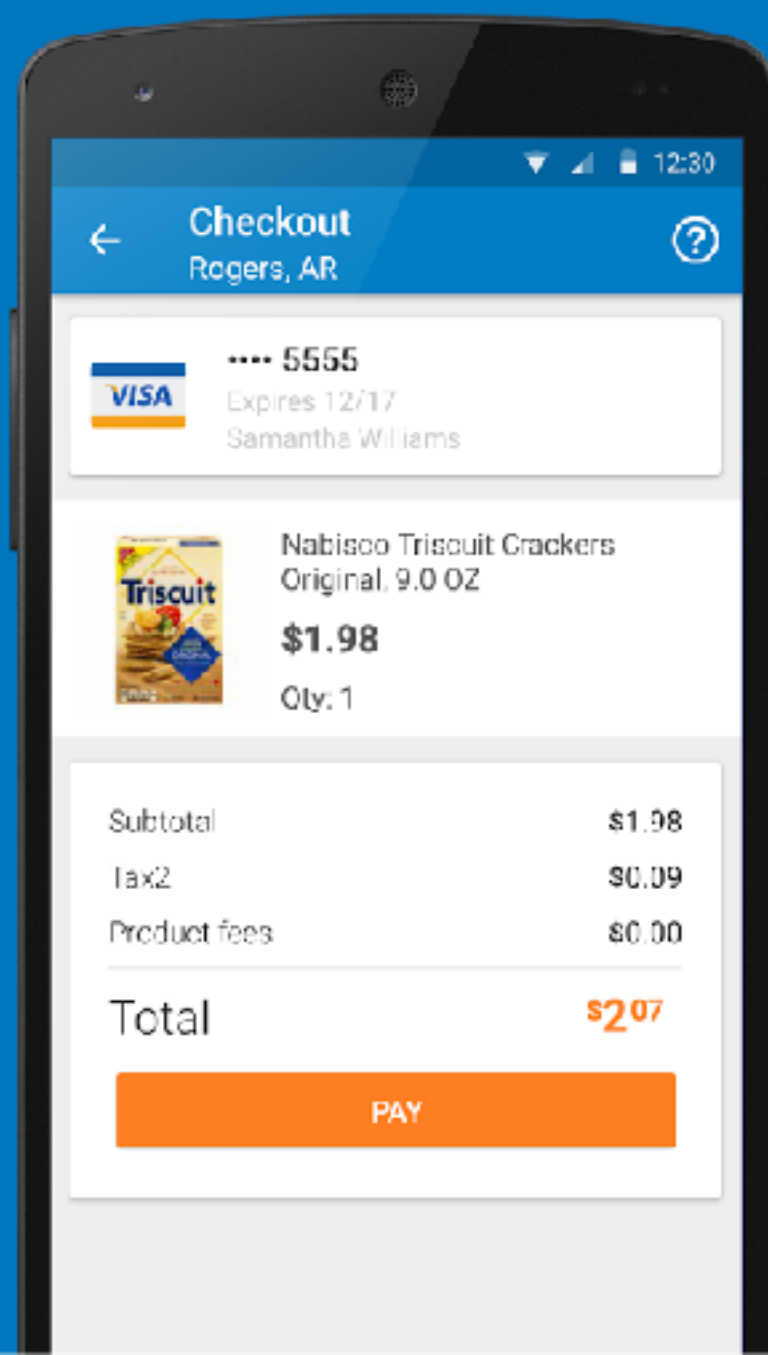
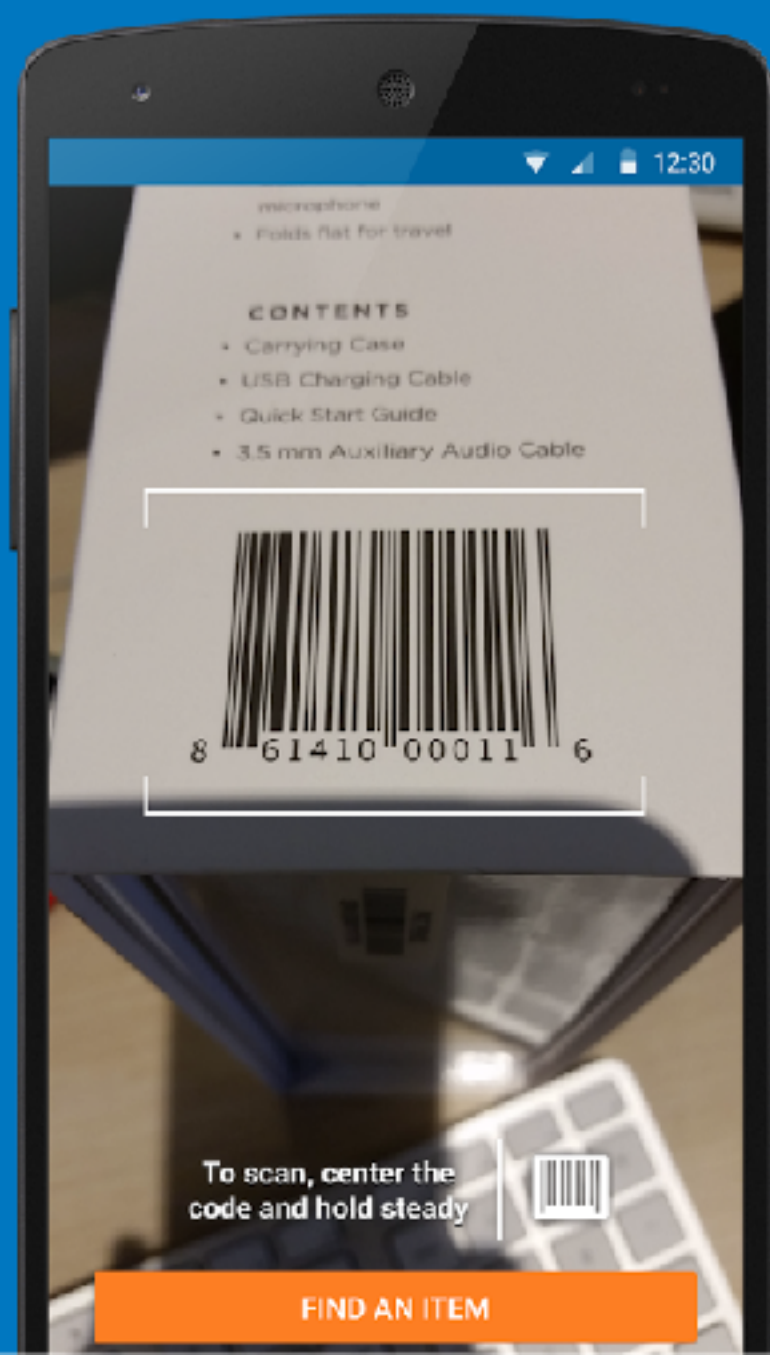
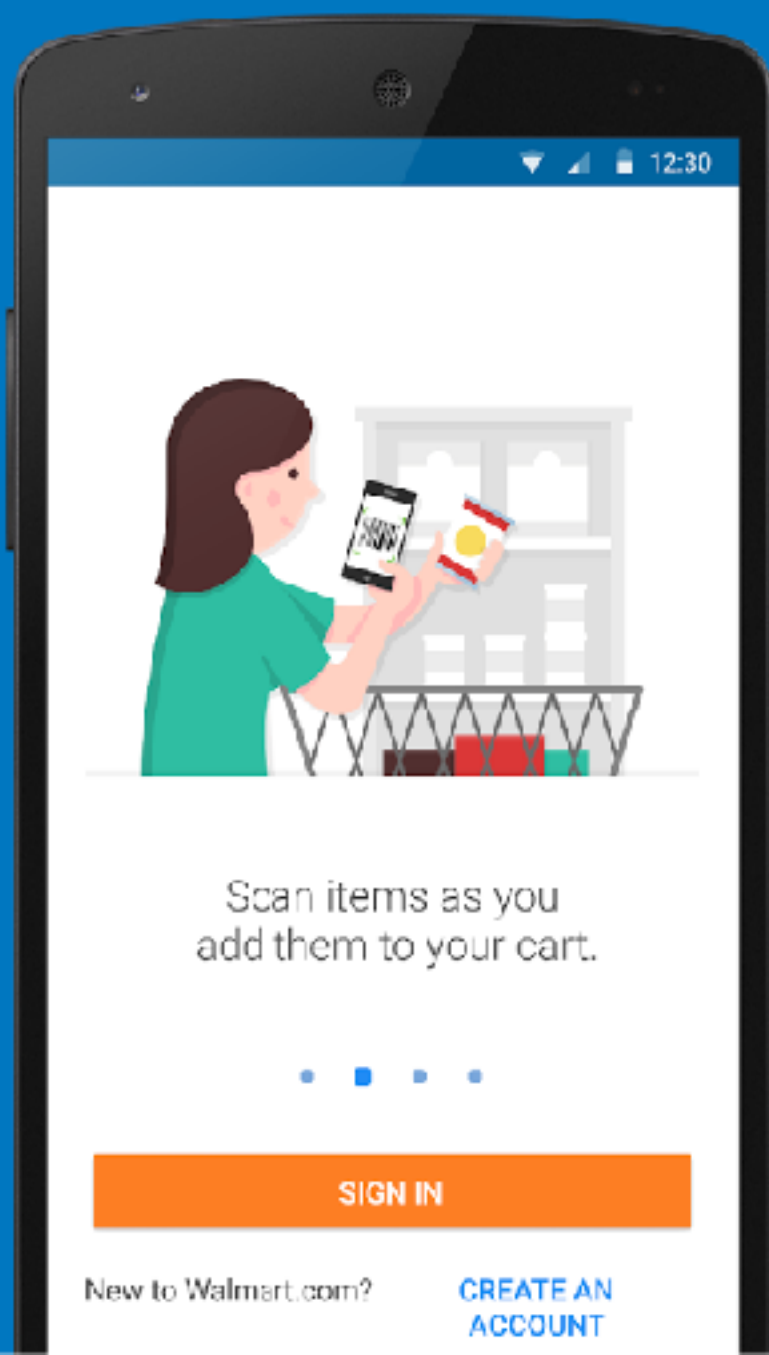




Skip the checkout lines!

Scan your items as you shop.

Pay via the app.





amazon go

amazon go

**NO LINES. NO CHECKOUT.  
(NO, SERIOUSLY.)**







Average c-store visit ~3,5 min

includes from and to the car

71 s picking products

42 s queuing

21 s paying







Average time spent in the supermarket  
**41 min** (not including driving and carrying)

*"targeting something as big as food deliveries would do far more good than cutting 50 seconds from convenience store visits"*

Bloomberg 23.1.2018



鲜生会员店

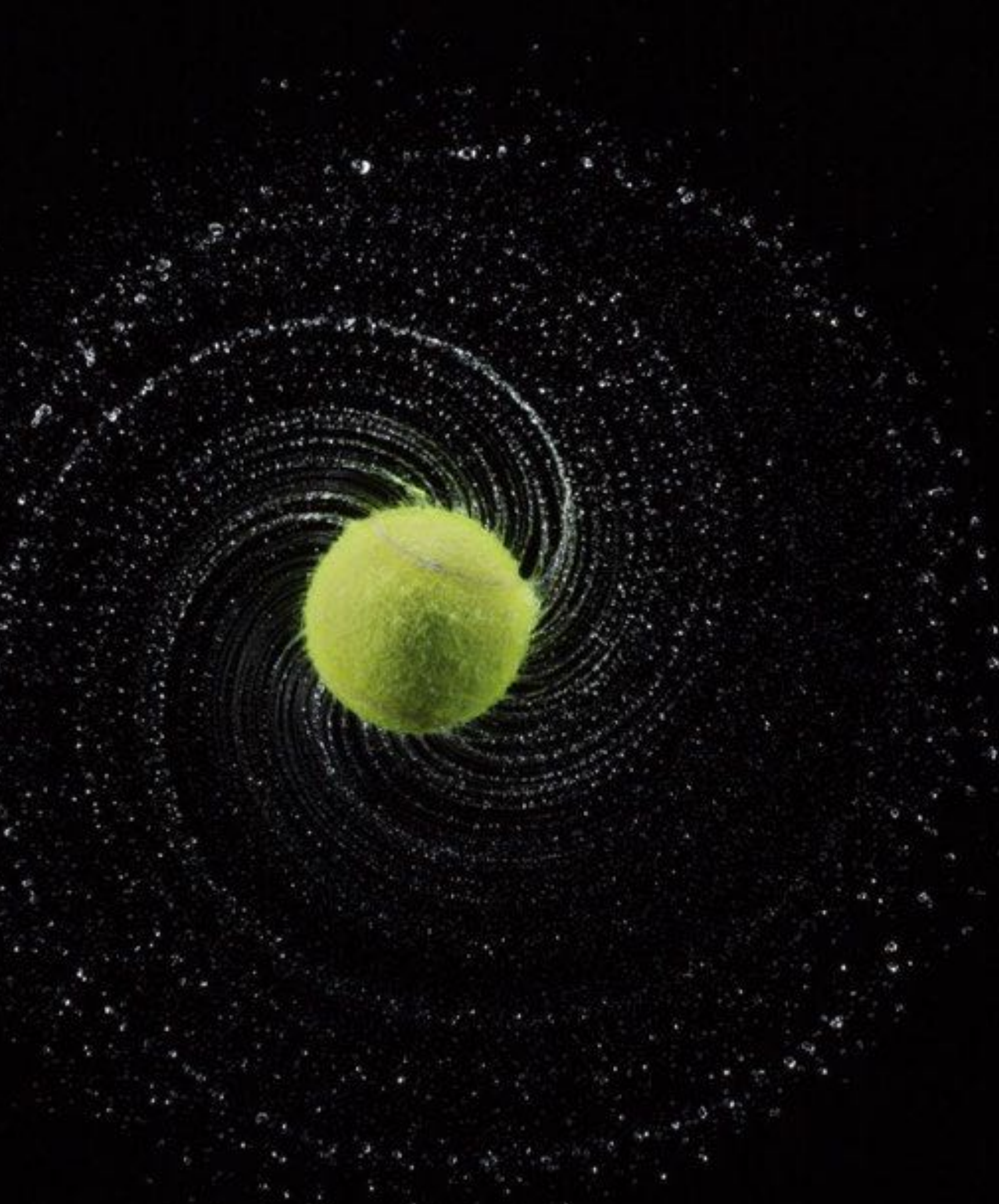
McDonald's





**HOW SHOULD THE RETAILERS  
GO FORWARD?**



A bright yellow-green sphere is centered on the left side of the image. It is surrounded by several concentric, glowing ripples that spread outwards, creating a ripple effect. The background is dark and filled with numerous small, white, star-like specks, suggesting a cosmic or digital space.

”Forget frantic acceleration.  
*Mastering the clock of business*  
is about choosing  
when to be *fast* and  
when to be *SLOW.*”

The Economist



“What is speed?  
The sports press  
often *confuses*  
*speed with insight.*  
If I start running  
slightly earlier than  
someone else,  
I seem faster.”

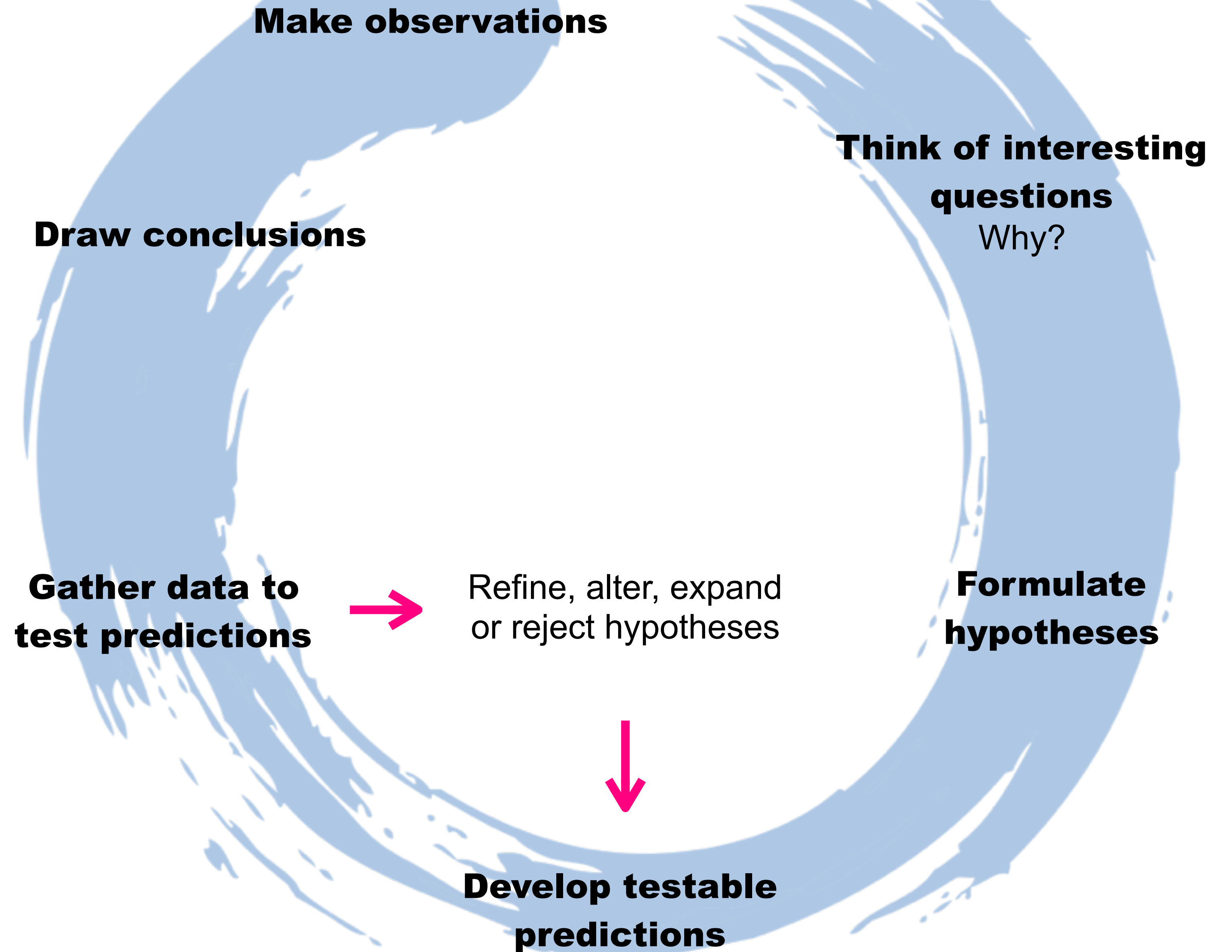




## Scientific method

"a method or procedure that has characterized natural science since the 17th century,

consisting in **systematic observation, measurement, and experiment**, and the formulation, testing, and modification of hypotheses."





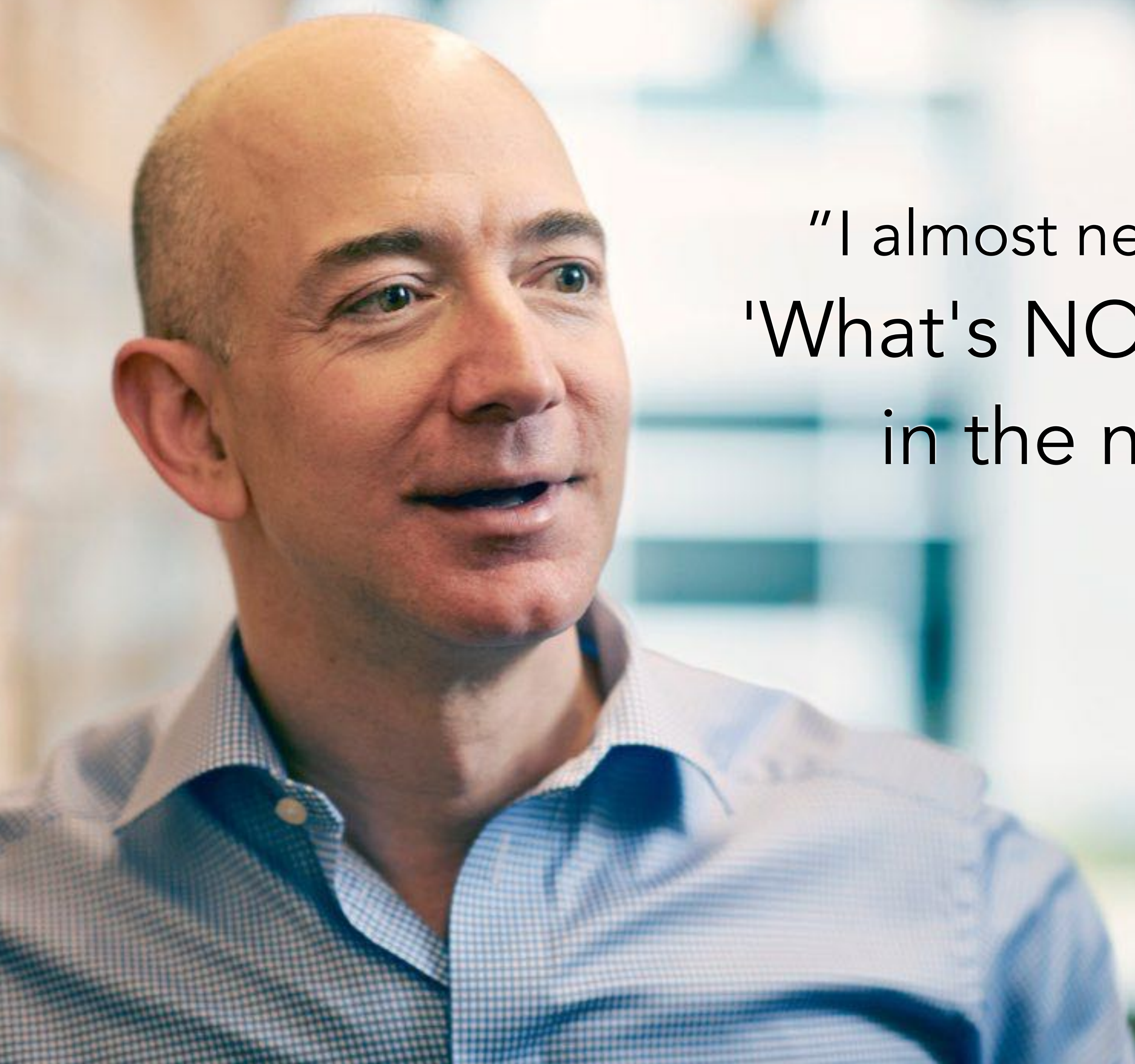
**DO WE HAVE THE COURAGE TO  
MAKE SMALL DECISIONS?**

**DO WE HAVE PATIENCE TO LEARN?**



**WHAT IS RETAILING ABOUT?**





"I almost never get the question:  
'What's NOT going to change  
in the next 10 years?'"









“It’s not about treating everyone else poorly but doing a better job focusing on *the ones that really matter.*”

Sir Charlie Mayfield,  
chairman of John Lewis Partnership



“Customers want to do business with those retailers who *understand their needs* and *desires* and are moving at *their speed*. ”

Blake Nordstrom, President of Nordstrom





“That is what merchants do.”

“We take something ordinary and  
*infuse it with emotion and meaning,*  
and then we tell its *story* over and  
over and over again, often  
*without saying a word*”

Howard Schultz, CEO of Starbucks









“Fashions fade,  
style is eternal.”

- Yves Saint Laurent