

HIGH VELOCITY RETAIL

WINNING IN A HIGH VELOCITY WORLD -
A SEARCH FOR SPEED & DIRECTION



WORLD RETAIL ^
CONGRESS
BY ^SCENTIAL

HEADLINE REPORT PARTNER



OC&C
Strategy consultants

REPORT CONTRIBUTOR

eshopworld

HIGH VELOCITY RETAIL

We are living in a high velocity world

INTRODUCTION

When we were consulting with senior retailers about the key issues that they felt should feature in the 2019 World Retail Congress programme, the speed of change was the overwhelming topic mentioned by most retailers. From that important finding we developed our theme of High Velocity Retail. But an immediate follow-up question this raised was “what does a high velocity retailer look like?” To help answer this fundamental question, we are delighted to have worked with OC&C Strategy Consultants and our report contributors, eShopWorld and WPP BrandZ™. We believe this report will help frame much of the discussion that retailers need to focus on if they are to win in this high velocity world.



WORLD RETAIL
CONGRESS
BY ASCENTIAL



IAN MCGARRIGLE

Chairman
WORLD RETAIL CONGRESS

EXECUTIVE SUMMARY

Retail has been speeding up for a long time.

It was in the 1990s that Inditex ripped up the traditional rules of the supply chain to cut product lead times from six months to five weeks. It was only in 2009 that Amazon introduced same day delivery in the US. Ocado, and their automated warehouse solutions, will celebrate their 20th birthday next year.

But speed is not just an internal phenomenon. The customer is captive no more: expectations, information, choice – and therefore competition – have exploded. As a result, the barriers of entry to previously high-walled retail markets have been knocked down.

For retailers, good is no longer enough: being great achieves enviable success, but being average is punished hard. Retailers recognise change is needed: 75% of retailers believe their model needs to fundamentally change to keep up with the pace of evolution in the industry.

The path to success is captured in the title of this report: High Velocity Retail is not just about speed, but combining it with direction.

Winners are focussing on being the best at something that matters to customers: they avoid the pitfalls of going nowhere fast or trying to do everything badly.

High velocity retailers no longer simply speed up traditional processes, but work out how to completely short-circuit elements of traditional retail to improve both speed and efficiency. They selectively deploy capital against priority areas and select partners that provide capability outside their heartlands.

Delivering this means rewiring organisations to make decisions and deploy capital quickly, and defining new performance metrics that drive attention on their priorities.

This report explores six rules (see right) to follow in the world of High Velocity Retail and poses questions for retail leaders to give clarity on the direction of travel and the path to get there.

We would like to thank all those that took part in this research, and hope that it inspires thought, great debate, and change at the Congress and beyond.

In formulating this report, we interviewed the leaders of global retailers from across the evolutionary spectrum to understand how they are developing their businesses in this environment. We also analysed financial performance data for the world’s leading 800 retailers, WPP BrandZ™ valuation and brand analytics data and analysis, and OC&C Retail Proposition Index data on how individual retailers were rated by consumers across individual elements of their offers.



JAMES GEORGE

International Managing Partner
OC&C STRATEGY CONSULTANTS

HEADLINE REPORT PARTNER



THE SIX RULES OF HIGH VELOCITY RETAIL:

1 BE THE BEST AT SOMETHING THAT MATTERS

2 CHOOSING WHERE TO FOLLOW IS AS IMPORTANT AS CHOOSING WHERE TO LEAD

3 IF YOU'RE NOT A WINNING MODEL, YOU'RE A LOSING MODEL

4 BUILD YOUR RETAIL ECOSYSTEM

5 BE FEARLESS AND SET YOUR TEAM FREE

6 GO BEYOND BORDERS TO BUILD YOUR TRIBE

HIGH VELOCITY ECOMMERCE

The key success factors in executing global ecommerce

FOREWORD

The High Velocity Retail world explored in this special report identifies several distinct business models that are delivering shareholder value and strong returns. Whilst there is no single vision for success, the power of the digital revolution is a clear influence on all the models.

The digital revolution has enabled retailers and brands to sell across borders and geographies with relative ease and at less cost than opening physical space. As a result, the number of global online shoppers has grown to nearly 2 billion (Statista).

With the rapid growth of crossborder ecommerce has come greater complexity around logistics and delivery, as well as the



CYNTHIA HOLLEN

President US
ESHOPWORLD



THE NUMBER OF GLOBAL ONLINE SHOPPERS HAS GROWN TO NEARLY TWO BILLION

need to invest constantly in the technology and regulatory expertise that ensures seamless service for consumers, no matter where they are shopping. There are several best practices followed by retailers and brands who have been most successful in venturing into global ecommerce:

THEY CRAFT A HYPER-LOCALISED SHOPPING EXPERIENCE.

Shoppers should feel right at home when they land on a brand's website. This means they should see local currency, pricing, payment, and delivery options, ideally in their own language.

THEY DISPLAY PRICES, DUTIES, AND TAXES ACCORDING TO THE LOCAL MARKET.

International shoppers want to know that the price they see online is comparable to one they would see in a local store. They don't want to be surprised by fees like taxes and duties, shipping and insurance, whether those costs are clearly broken out or included in the product price.

THEY LOCALISE THE CHECKOUT EXPERIENCE.

The checkout should be a continuation of the localised experience, with consistent branding and appropriate address fields presented per region.

THEY PARTNER WITH LOCAL PAYMENT PROVIDERS.

Consumers should have a choice of payment methods that are familiar to them in their own country or region and that have the highest chances of successful conversion.

THEY OFFER FAST, EFFICIENT AND RELIABLE DELIVERY.

Today's online shopper expects international orders to be delivered almost as quickly as those from a domestic retailer.

And over a certain purchase price, most consumers expect free delivery and will abandon purchases if it is not offered.

THEY MAKE RETURNS EASY.

Regardless of location, international shoppers want to have the reassurance that they can return goods efficiently and confidently, ideally with the option to drop off items to a local store.

THEY PROVIDE EFFICIENT CUSTOMER SERVICE.

Clear online FAQs, fast email responses, and delivery tracking services all provide valuable transparency and confidence to international shoppers.

THEY BUILD A FULL BRAND EXPERIENCE.

While strategically outsourcing ecommerce capabilities is often a smart decision, brands must ensure that they keep their identities and relationships with customers intact. Shoppers should get a seamless brand experience throughout their entire journey, no matter how many third parties may be working behind the scenes to get the product from the website to their doorstep.

THEY FOCUS ON BUILDING CUSTOMER LIFETIME VALUE.

Customer data is an invaluable asset, and the smartest brands are ensuring that they can track customer behaviour around the world, allowing customers to accrue and use their loyalty points no matter where they shop, and marketing to them appropriately.

As more retailers and brands look to seize the opportunities offered by global ecommerce, these success factors will become even more important. In this High Velocity Retail world, retailers who get it right will race to the front of the pack, leaving others scrambling to catch up.

REPORT CONTRIBUTOR

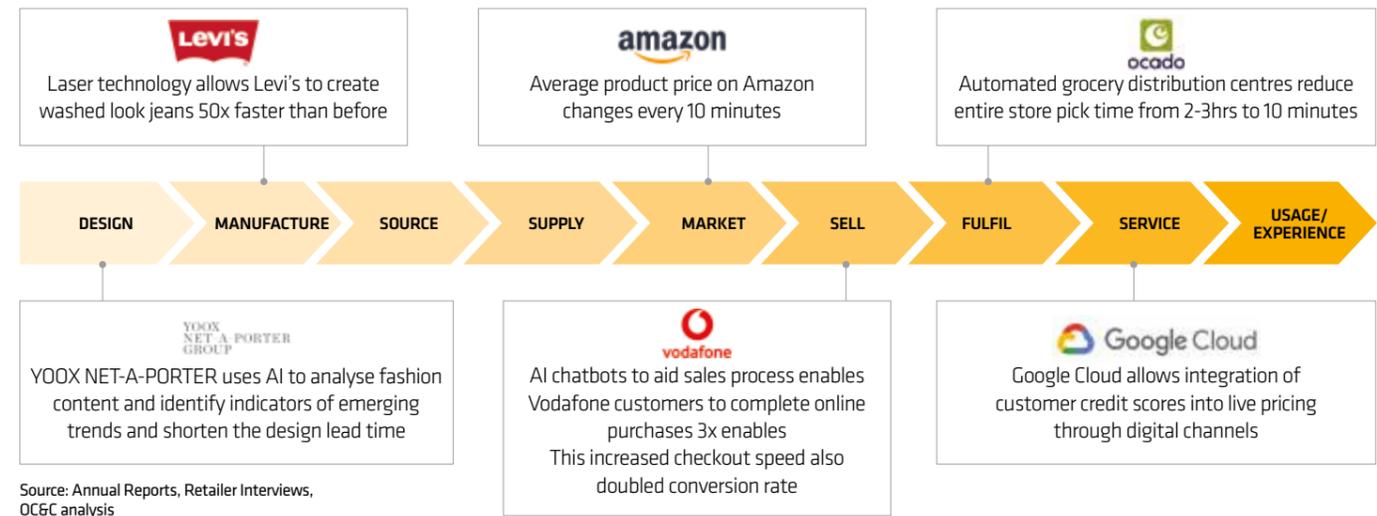
eshopworld

HOW FAST CAN YOU GO?

Retailers are continuing to find new ways to speed up their operations

SPEEDING UP THE VALUE CHAIN

It is now possible to speed up each individual step in the retail value chain. Machine learning, artificial intelligence and robotics have enabled material efficiencies in supply chain processes, store replenishment cycles, design processes and returns.



THE EVOLUTION OF SOURCING LEAD TIMES IN FASHION

If we look at product design and sourcing as an example, we can see how retailers have rapidly moved beyond the Inditex model of five-week lead times, brought one- to two-week fast fashion lead times into the mainstream, and are now shifting towards predictive or 'live' retail models.

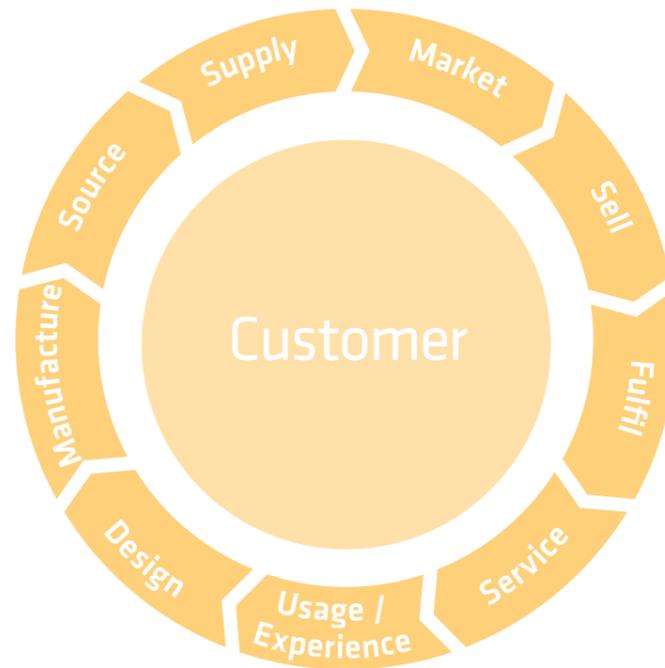


THE CIRCULAR VALUE CHAIN

Speeding up individual elements of a traditional retail process is no longer enough...

Retailers have now wrapped the retail value chain around the consumer, with customers able to influence decision making at every stage in the process.

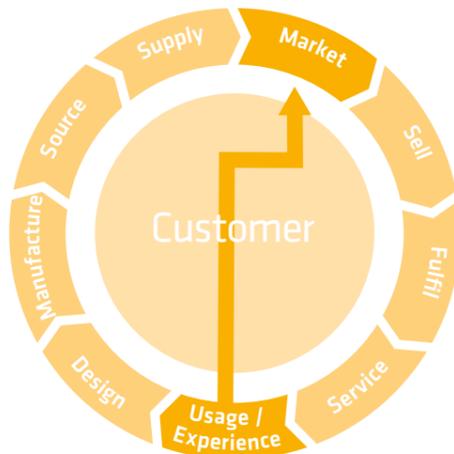
“**THE TREND CURVE IS BECOMING SO MUCH SHORTER... AS A RESULT WE ARE PLUGGING OUR PROCESSES AND TEAMS DIRECTLY INTO THE CUSTOMER**”



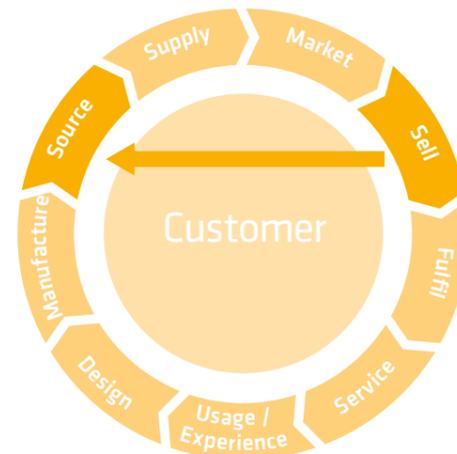
SHORT-CIRCUITING THE TRADITIONAL RETAIL MODEL

In this new world we are seeing models emerge that cut out entire segments of the traditional retail chain. These models further shorten lead times, innovation cycles and more fundamentally are blurring the boundaries of what a traditional retailer is.

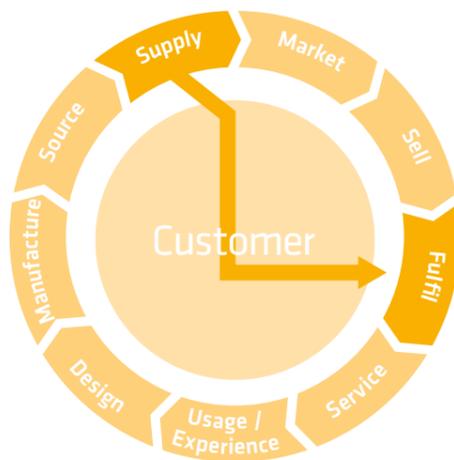
Glossier builds communities where customers post videos of make up tutorials using Glossier products on social platforms, providing free marketing and endorsement.



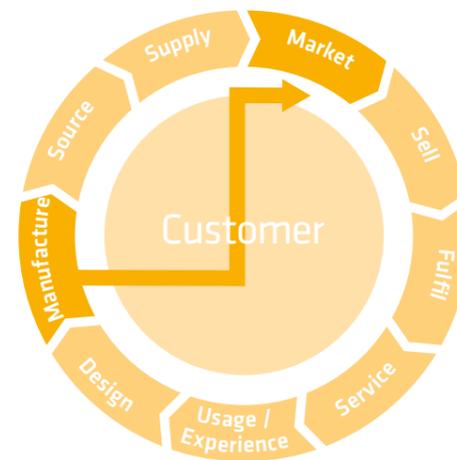
Otto uses AI and advanced analytics to predict consumer demand, short-circuiting traditional forecasting and trading activities within the commercial function.



Zero-click retail with Amazon Prime Wardrobe uses predictive analytics to gauge customer preferences and automatically delivers clothes.



Wish sells private label products directly from Chinese manufacturers to consumers, eliminating traditional retail source and supply functions.

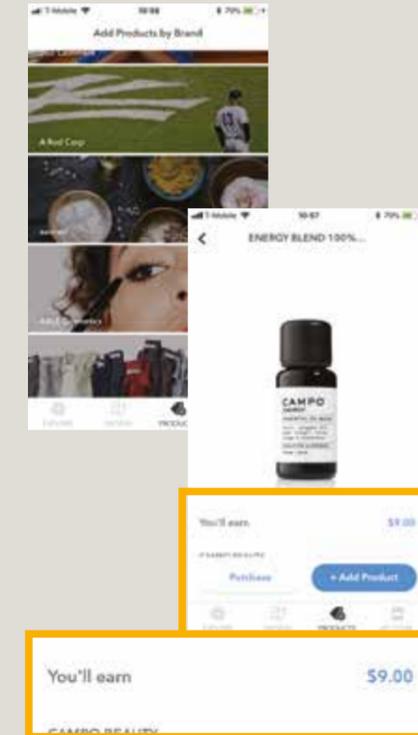


CASE STUDY: STORR

Storr is a model that allows anyone to create their own retail shop front, select their product range and launch it to the world. As part of developing this report, we launched our own Storr site and secured 3k views within a day.

1 SETUP

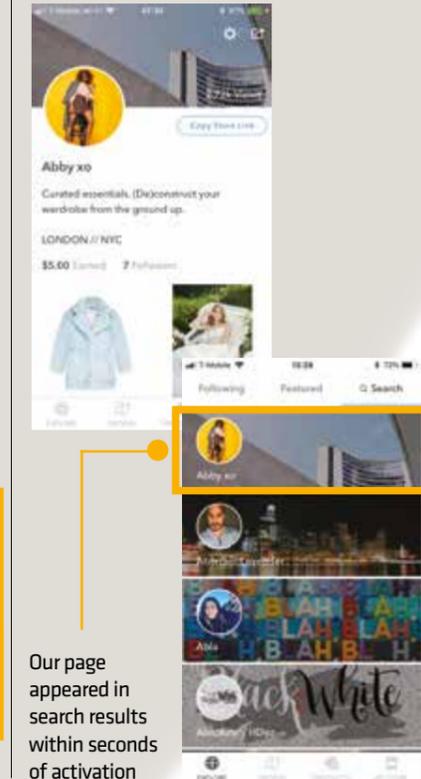
Sellers select from a list of partner products with pre-set margins



Source: Storr app, OCGC analysis

2 ACTIVATE

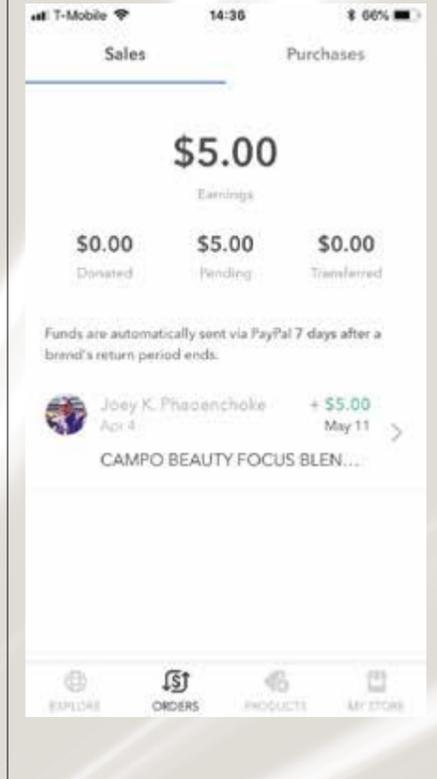
With one-tap activation, the page is instantly listed and viewable in browsing



Our page appeared in search results within seconds of activation

3 TRANSACT

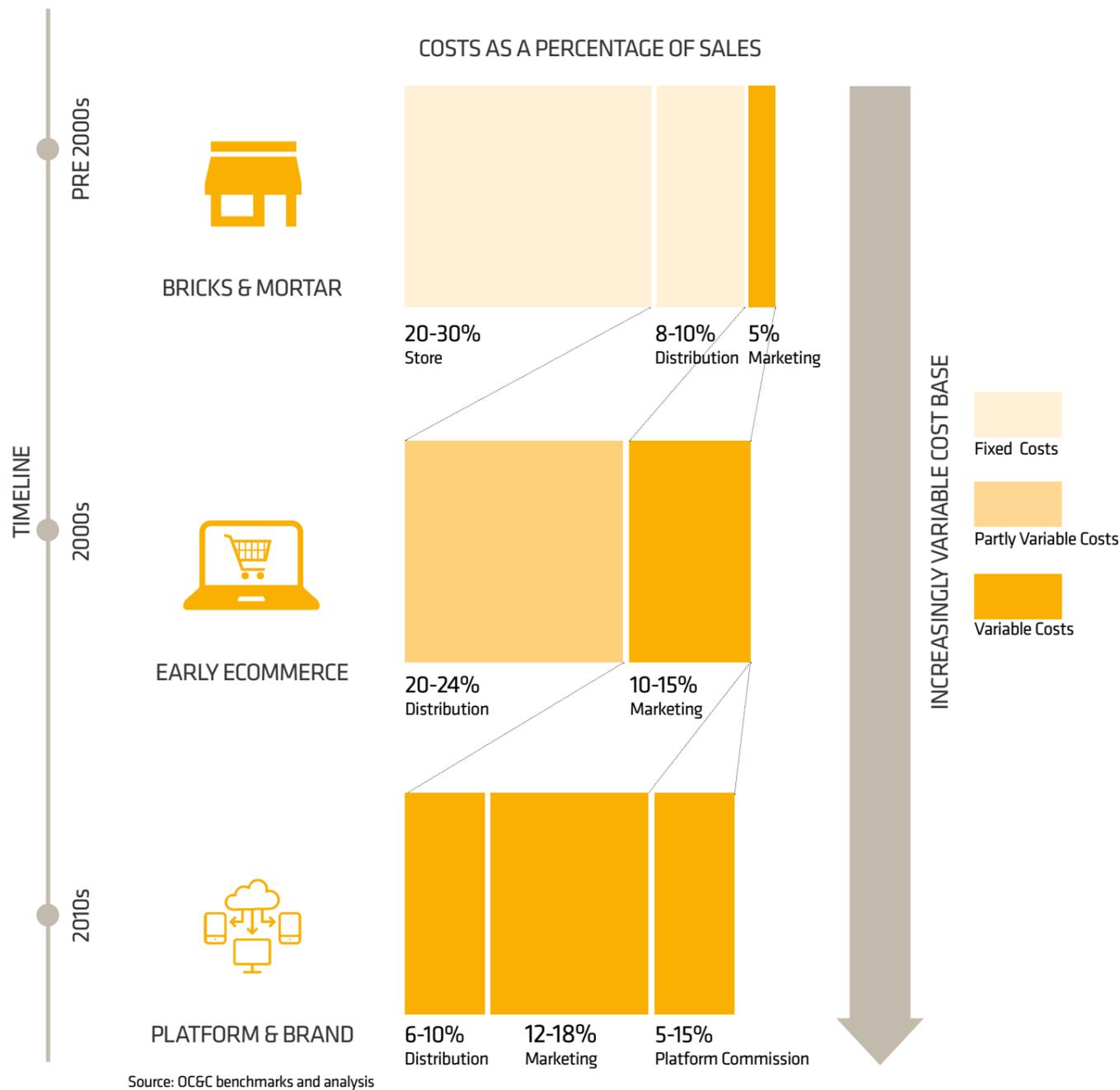
Sales are processed painlessly through Apple Pay and PayPal



“**THE TRADITIONAL BOUNDARIES BETWEEN THE ROLES OF BRAND, RETAILER AND CUSTOMER HAVE BROKEN DOWN**”

VARIABLE COST ECONOMICS

The Storr case study reflects a fundamental shift in the economics of retail. We are now working in a variable cost world that enables small players to participate more easily and scale more rapidly.

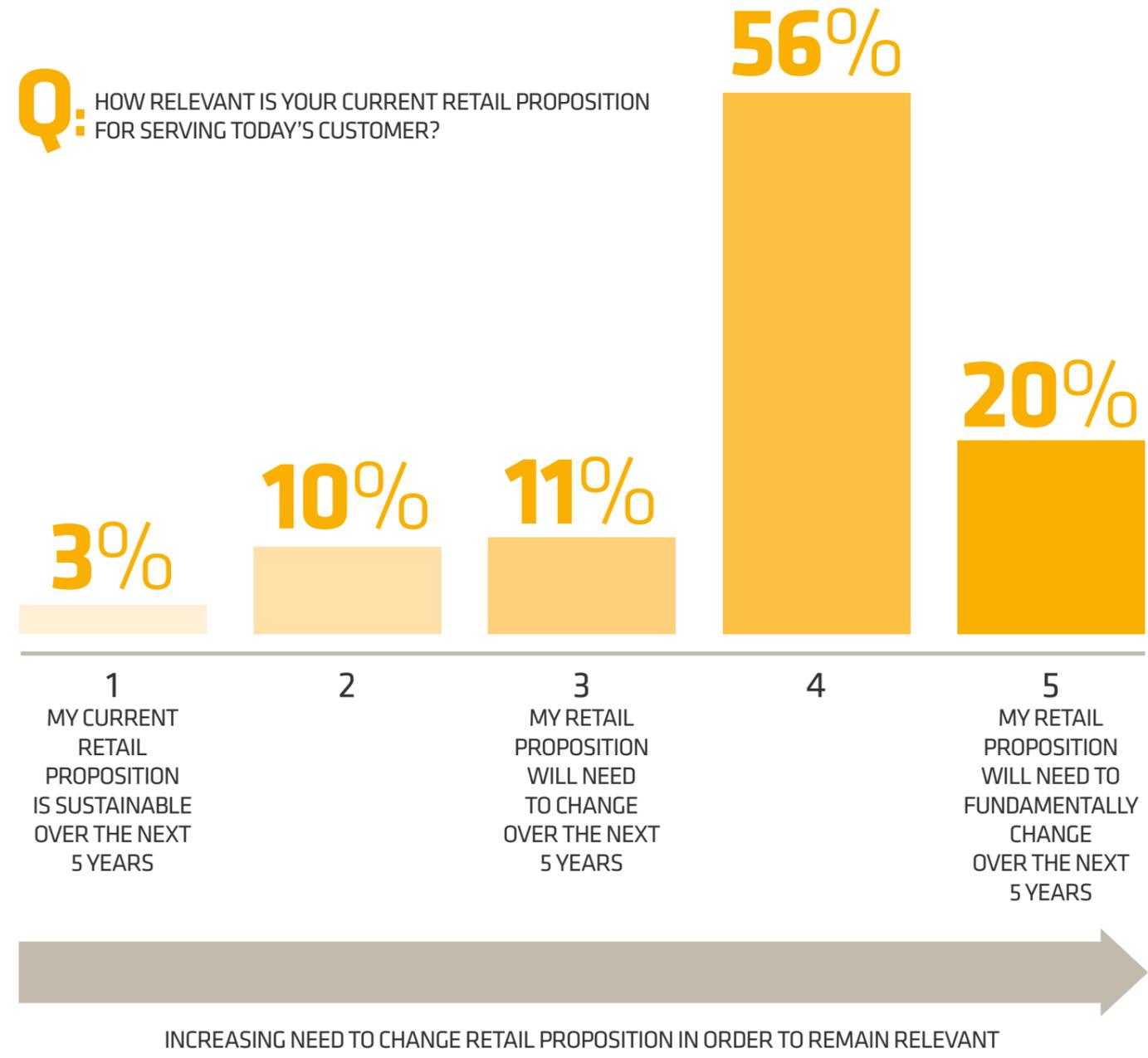


“**WE ARE IN A VARIABLE COST WORLD WHICH ALLOWS INSURGENT BRANDS TO ACHIEVE REACH WITHOUT SCALE**”
 FASHION RETAILER

“**LARGE PLAYERS CAN'T ELBOW OUT NEW ENTRANTS ANYMORE... EVERYONE IS INVITED TO THE PARTY**”
 DIGITAL RETAIL AGENCY

IMPORTANCE TO RETAILERS OF CHANGING THEIR MODEL

It is in this context that over 75% of retailers surveyed as part of this study doubted the sustainability of their current model.



“**WITH THE PROLIFERATION OF CROSSBORDER CAPABILITIES, BRANDS MAY DISCOVER THAT THEY HAVE NEW COMPETITORS HUNDREDS OR THOUSANDS OF MILES AWAY. TO BE A TOP RETAILER IN 2019, YOU NEED TO MEET THE CUSTOMER'S EXPECTATIONS, NO MATTER WHERE THEY LIVE**”
 CYNTHIA HOLLEN | President USA | ESHOPWORLD

WINNING IN A HIGH VELOCITY WORLD

There are six crucial rules for winning in a high velocity world

1

BE THE BEST AT SOMETHING THAT MATTERS

“ We focus on what we're good at and cut everything else to the bone ”

2

CHOOSING WHERE TO FOLLOW IS AS IMPORTANT AS CHOOSING WHERE TO LEAD

“ People will need to prioritise – all but the very large won't be able to develop the infrastructure ”

3

IF YOU'RE NOT A WINNING MODEL, YOU'RE A LOSING MODEL

“ There are only four fundamental models for retail success - you need to know which you are ”

4

BUILD YOUR RETAIL ECOSYSTEM

“ Partnering will be essential ”

5

BE FEARLESS AND SET YOUR TEAM FREE

“ Each team needs a distinct objective, a goal that they can influence ”

6

GO BEYOND BORDERS TO BUILD YOUR TRIBE

“ We now see that our top sellers are similar everywhere. Madrid is now more like London or any other international capital compared to regional locations in Spain ”

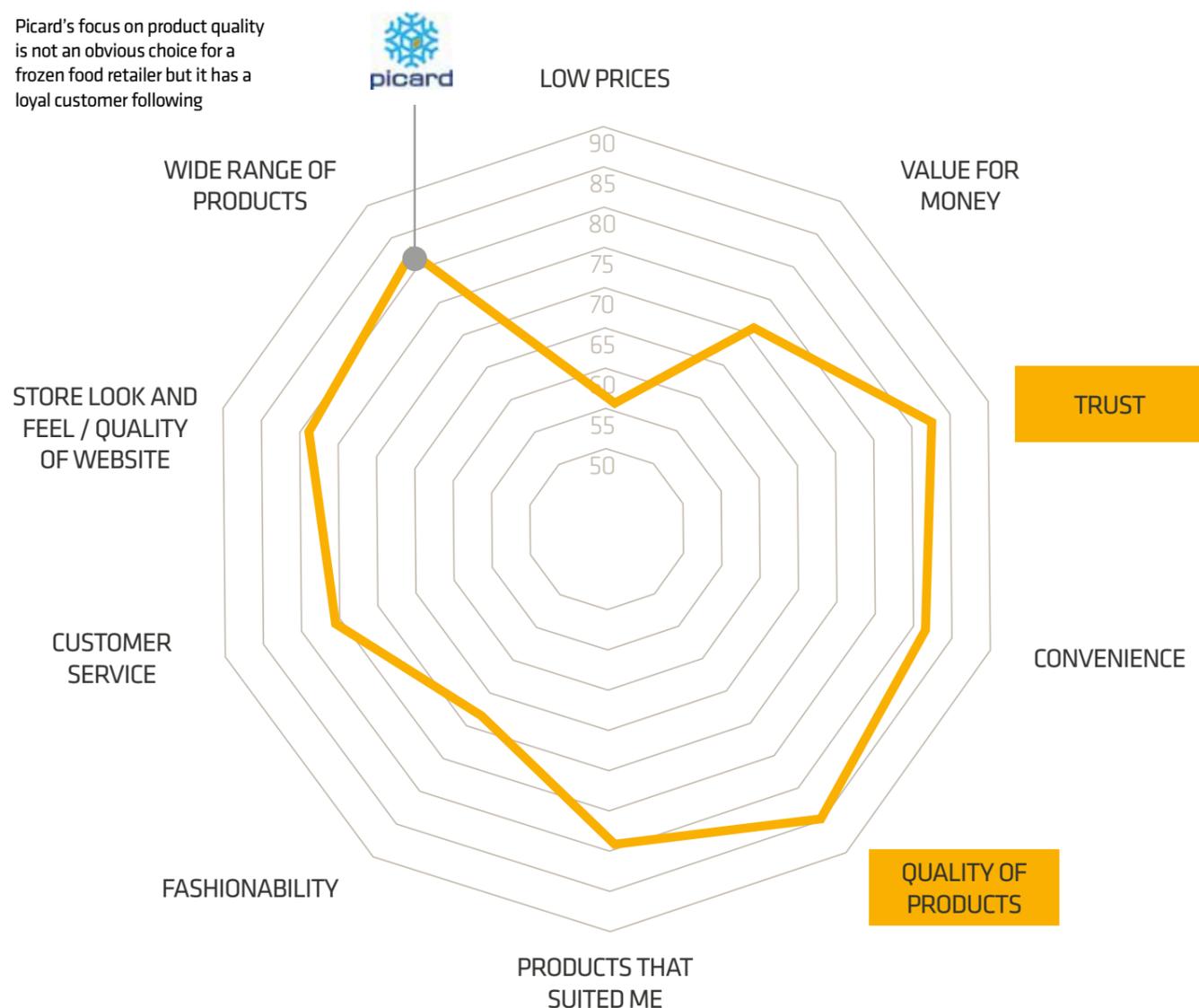
1 BE THE BEST AT SOMETHING THAT MATTERS

WINNING RETAILERS WILL PICK THEIR BATTLES

A considered strategic positioning remains vital. When we look at the retailers that are most highly rated by consumers globally (as measured in the OC&C proposition index) – the highest overall ratings are increasingly given to retailers that have distinctive strategic positions. This is not about pursuing a one size fits all solution but deciding how you are going to win, with whom and investing strategically. Speed will not cover up flaws or inconsistency in the underlying proposition. This is not new news... but as the world speeds up and barriers to entry fall, the challenge for retailers is to translate this clarity of focus into prioritised investment decisions that develop the dimensions that matter to your target customer

OC&C'S ANNUAL RETAIL PROPOSITION INDEX SHOWS THAT WINNING RETAILERS ARE MAKING CONSCIOUS CHOICES ON WHERE TO COMPETE

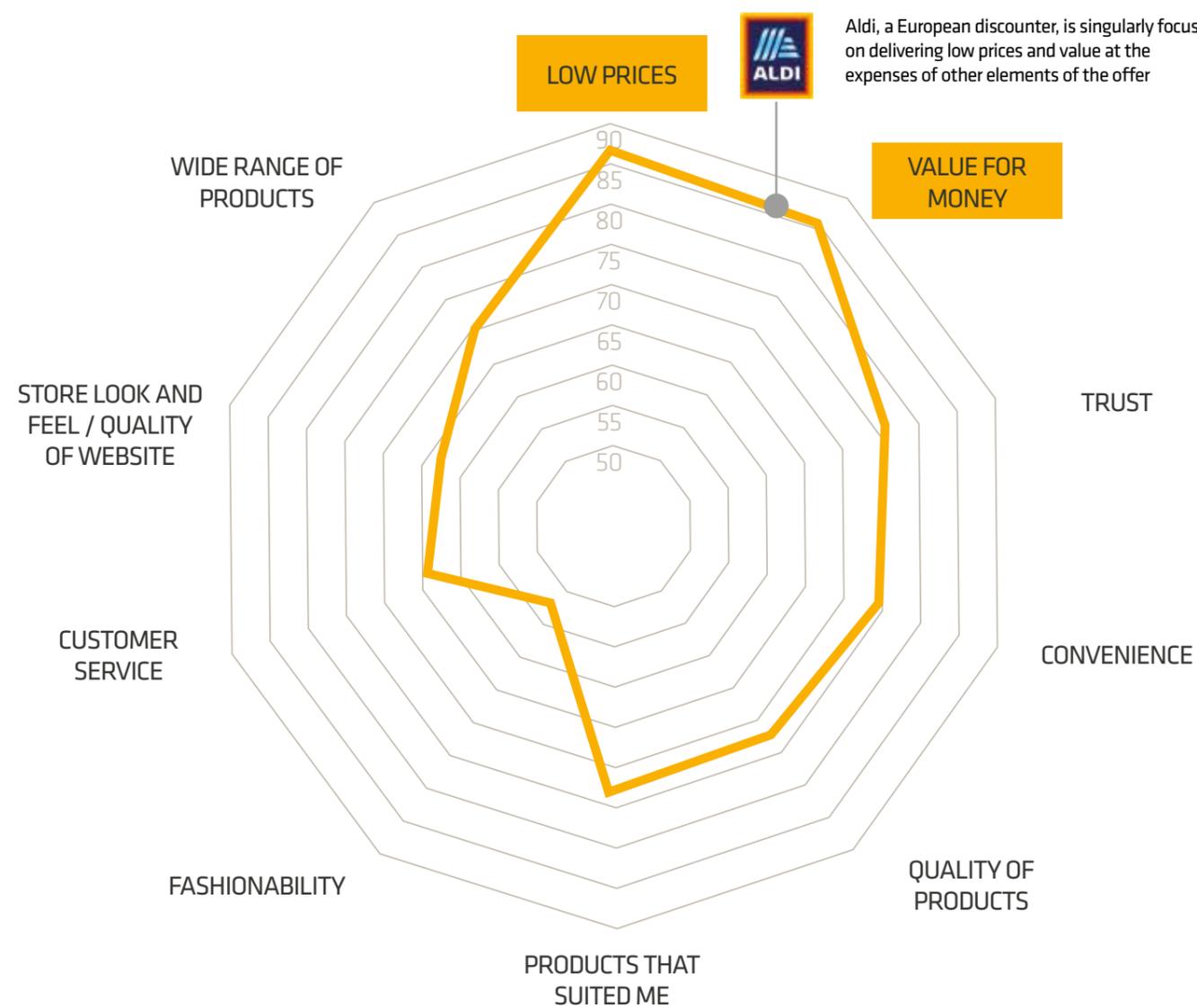
Picard's focus on product quality is not an obvious choice for a frozen food retailer but it has a loyal customer following



“EVERYTHING WE DO, WE ASK OURSELVES IF IT IS ON-BRAND; OUR FOCUS IS ON INVESTING IN PRODUCT AND KEEPING THE CUSTOMER ENGAGED TO MAINTAIN BRAND LOVE, RATHER THAN A SUPER SLICK SUPPLY CHAIN”

FASHION BRAND

Aldi, a European discounter, is singularly focused on delivering low prices and value at the expenses of other elements of the offer



Source: OC&C Proposition Index Ratings

2 CHOOSING WHERE TO FOLLOW IS AS IMPORTANT AS CHOOSING WHERE TO LEAD

THE INVESTMENT REQUIRED TO COMPETE ON ALL FRONTS IS EXCESSIVE

Operating at the frontier of innovation is expensive. Amazon spend over \$20bn annually on technology. Walmart spend over \$5bn in capex on ecommerce and technology.

It is just not possible for many to play this game.

A consistent theme from our research was that retailers are therefore being choiciful about where to invest and where to follow.

\$22bn



Operating spend on technology and content



\$5.6bn



Capital spend on ecommerce, technology, supply chain and other



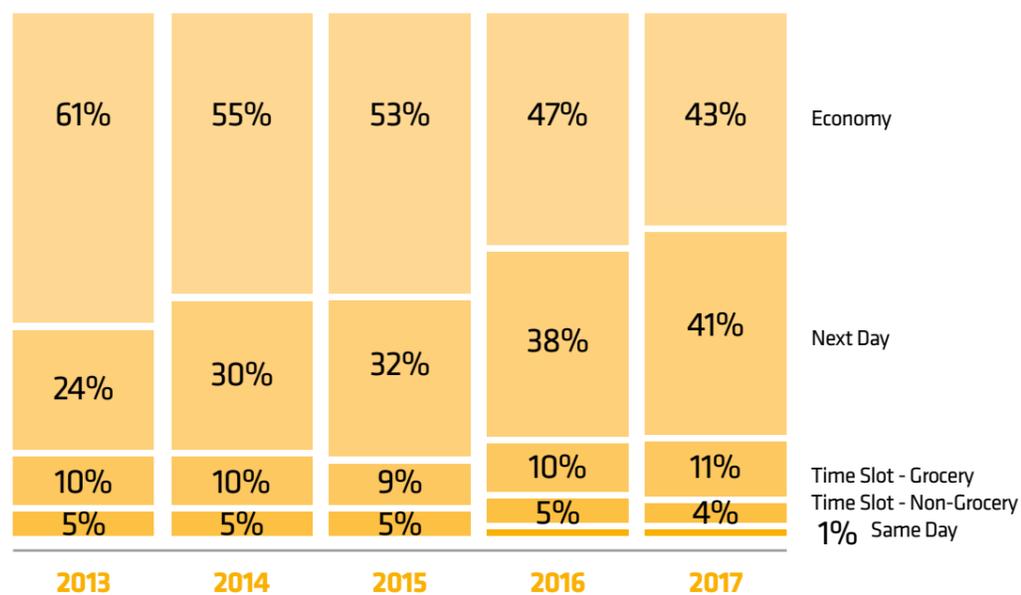
Source: Annual Reports & OC&C Analysis - Chart shows investment in technology in 2017/18

BEING AT THE FRONTIER OF SPEED IS NOT ALWAYS NECESSARY

We believe retailers should be making clear trade-offs about where they operate at the frontier, and where they will truly need to lead the market on speed.

As an example, while there is much written about speed of delivery - it is still the case that 40% of ecommerce delivery in the UK (one of the world's more developed ecommerce markets) remains via economy delivery channels (slower than next day). Going one stage further SHEIN, a Chinese retail brand, has developed a fast fashion proposition to millennial and Gen Z consumers that emphasises rapid production cycles, but slow fulfilment times, and has leveraged this fast/slow model to rapidly scale in a range of international markets. The moral of the story is to solve for your customer's specific needs - not to try and deliver everywhere.

ECOMMERCE HOME DELIVERY VOLUME BY ORIGIN AND DELIVERY TYPE IN THE UNITED KINGDOM (% VOLUME SHARE)



Source: GlobalData, Barclays, IMRG, OC&C analysis

CASE STUDY: SHEIN

Customer focussed with daily new product launches, SHEIN is a Chinese pureplay offering affordable fast fashion. But being at the frontier of speed is not always necessary.

FAST FASHION BUT SLOW FULFILMENT

SHEIN is a Chinese pureplay offering affordable fast fashion.

Customer-focussed with daily new product launches.

Fast design and lead times enable launch of c.500 new items daily.

Its products are targeted to Gen Z customers looking for unique products at an unbeatable price point.

SHEIN lets its customers feel savvy and fashion forward and has built a community of like-minded shoppers across social media channels.

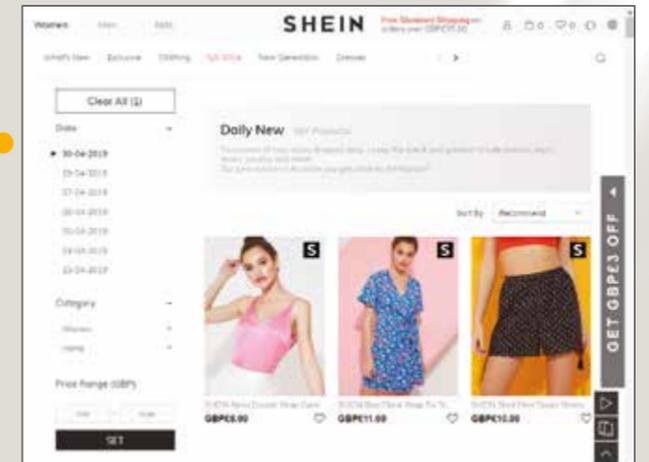
Its usage of fast marketing via influencers and social media has enabled tremendous growth.

Unlike other online fashion retailers, SHEIN does not focus on fast fulfilment.

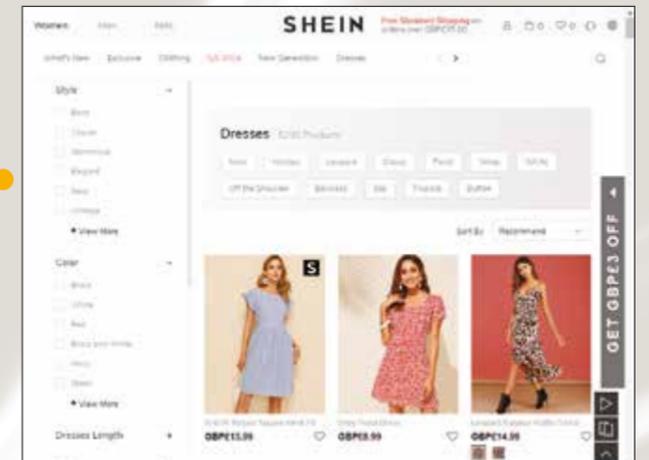
Standard shipping time is 7-10 days.

Customers are willing to wait in return for value and fashionability.

c.500 new items launched on website daily, with ability to search through historic new items by category



Dresses on sale from just £3.99, with ability to search by budget



Source: OC&C analysis

“PEOPLE WILL NEED TO PRIORITISE - ALL BUT THE VERY LARGE WON'T BE ABLE TO DEVELOP THE INFRASTRUCTURE”

FASHION RETAILER

3 IF YOU'RE NOT A WINNING MODEL YOU'RE A LOSING MODEL

There is no single model of retail success. Shareholder value is still being created by a range of distinctly shaped businesses. As part of this study we analysed the performance of over 800 of the world's leading retailers and identified four retail archetypes that are still succeeding in their own distinctive manner.

VALUE CHAMPIONS			CUSTOMER SOLUTIONS MODEL			
€93bn Revenue	5% Revenue Growth ⁴	2-3% Profit Margin ⁵	14% Revenue Growth ¹	10% Profit Margin	9% Profit Growth ¹	
RETAILER AS BRAND			PLATFORM MODEL			
14% Revenue Growth ¹	22% Profit ³ Margin	38% Profit ³ Growth	58% Revenue Growth ¹	-22% Profit ³ Margin	\$1.4bn GMV	\$6.2bn Valuation

¹ 2016-18; ² EBIT margin; ³ 2015-17; ⁴ Estimated based on combined revenues for Aldi Sud & Aldi Nord; ⁵ Based on analyst estimates. Sources: CapIQ, Press Statements, EMIS, BVD, OCGC analysis

MODEL 1 VALUE CHAMPIONS

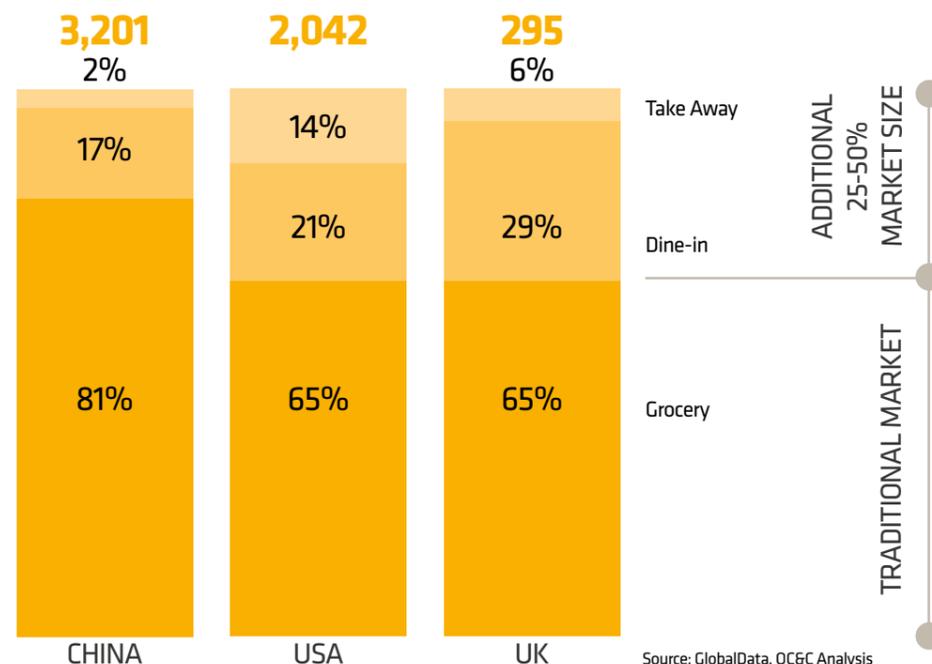
The first group of retailers are still able to leverage operational scale and vertical integration to create a value driven customer proposition.

But as digital transparency and globalisation push forward unbounded, there is increasing pressure for these players to redefine how they think about their markets to maintain and fuel their scale driven model.

The most forward-thinking players are not just driving market share in their current product markets, but are developing an 'end consumer' mind-set to create even greater opportunities to leverage their scale.

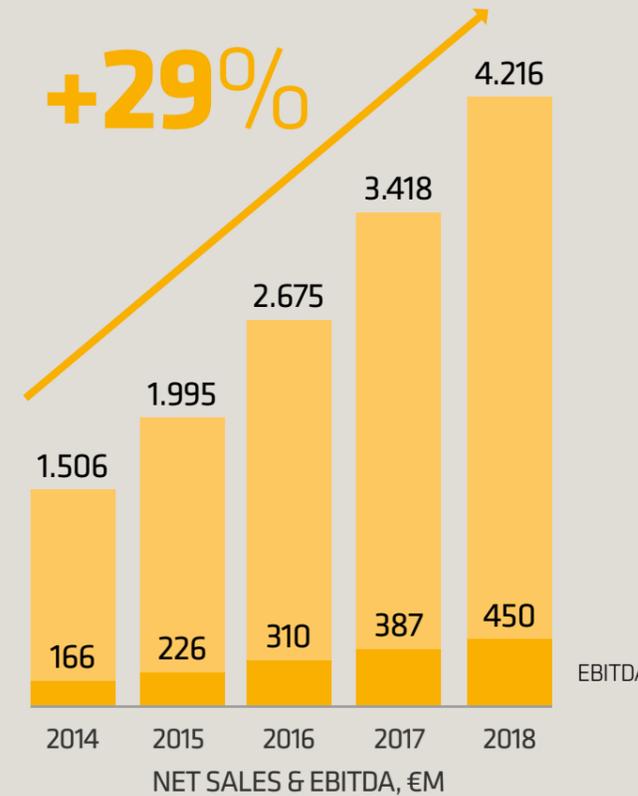
For example, this may mean not just thinking about your business as operating grocery stores, but about facilitating the consumption of food, whether that is served by a restaurant or an unbranded convenience store. This can add 25-50% plus to a grocery retailer's addressable market.

FOOD CONSUMPTION MARKET SIZE BY CHANNEL (\$US BN)



CASE STUDY: ACTION

Value focussed non-food retailer, who have honed their operations to deliver exceptionally low prices and a high product turnover. They have made clear choices on what not to do – which includes not doing ecommerce or expanding their range



Source: Action Update 2018

KEY ELEMENTS OF THE ACTION MODEL

- Standardised store processes
- Low overhead costs
- Low marketing expenditures
- Simple business model
- Buying large volumes
- No fixed assortment
- Efficient supply chain
- No highstreet locations

“ WE ARE A BUYING DRIVEN ORGANISATION AND BUYERS NEED TO PROACTIVELY MANAGE THEIR RANGE – IT'S 1 IN 1 OUT AND WE MANAGE THAT PROCESS CENTRALLY WITH ONE TEAM IN ONE LOCATION ”

“ WE KNOW WHAT MAKES OUR BUSINESS TICK AND INVEST AGAINST THIS RUTHLESSLY - RETAILERS HAVEN'T FUNDAMENTALLY INVESTED IN THE OPERATING MODEL ”

“ SOME ELEMENTS OF THIS REQUIRE SPEED – WE REPLACE ~200 SKUS EVERY WEEK AND 60% OF OUR PRODUCT RANGE IS VARIABLE AND CHANGING ACROSS OUR 14 CATEGORIES ”

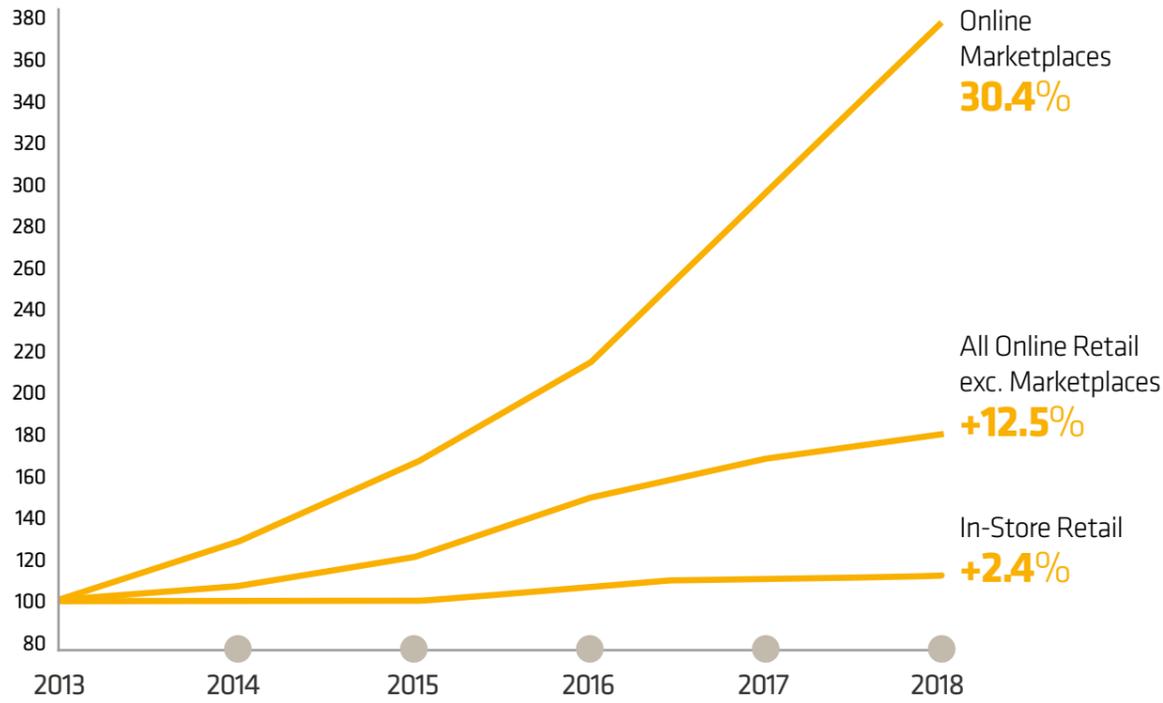
SANDER VAN DER LAAN
CEO | ACTION

MODEL 2 PLATFORM MODEL

Retail marketplaces have grown revenue at three times the rate of non-platform ecommerce players.

At the heart of the platform model is establishing front of mind customer awareness. Platforms are increasingly becoming 'the starting point' for online shopping missions and are disintermediating search-based platforms in customer acquisition. A core tool in this model is subscription, which effectively creates lock-in and ensures consumers do not have to be re-acquired on each individual transaction.

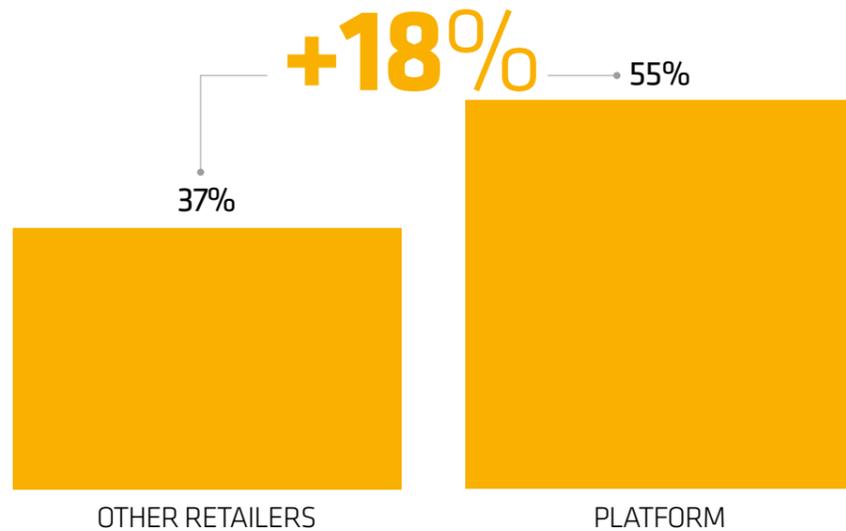
REVENUE GROWTH OF MARKETPLACES vs ONLINE AND IN-STORE RETAIL¹



¹ 2013 indexed to 100; North America and Northern European and Chinese Retail only. ² Based on revenue of Amazon, eBay, Alibaba, JD.com, Rakuten, FNAC, ETSY and Mercado Libre. ³ Includes online pure plays and online sales of traditional retailers. ⁴ Retail includes Grocery, Supermarkets and Duty Free

PLATFORMS ARE THE START OF THE CONSUMER'S SEARCH JOURNEY

DIRECT SHARE OF SITE VISITS 2016-18 (%)



OTHER RETAILERS

PLATFORM

5%

CHANGE vs 2016

11%

Platforms are building market-leading infrastructure (both digitally and physically) that can offer higher levels of service for the consumer than purchasing directly from the product vendor.

But equally as important as developing solutions for the end consumer is developing market-leading tools and services to enable their partners to drive their own businesses. We believe platforms will continue the pathway to becoming a retailer's friend rather than their enemy.

Alibaba operate 30+ independent platforms that aim to service different businesses and emphasise how they develop solutions with these customers in mind rather than the end consumer. They then orientate their business around key metrics that track performance of their customers.

Source: Similarweb, OC&C analysis.

MODEL 3 CUSTOMER SOLUTIONS

The traditional core competency of many retailers has been product curation. In the high velocity retail landscape curation alone will not be enough.

We believe that retailers will need to shift the conversation with their customers towards delivering outcomes rather than purely delivering product. Practically this means offering pet support rather than purely being a pet products retailer, becoming a clothing fit out service instead of a seller of dresses, or supporting a healthy lifestyle rather than being a food retailer.

This also implies a fundamental shift in business model. As increased price transparency undermines the ability of retailers to recoup the costs of these services in price these businesses will increasingly shift towards subscription and bundling in order to lock in clients to the service proposition on offer.

CASE STUDY: HEMA BY ALIBABA

Alibaba's Hema supermarkets have integrated digital into their 89 stores – creating a new retail experience that is seamlessly integrated throughout transaction, fulfilment and advice

COMPANY OVERVIEW

89

Stores Nationwide

14

Cities covered

10MN+

Customer Base

\$100K+

Daily Sales from Star Stores

NEW RETAIL EXPERIENCE AND NEW BUSINESS MODEL

HOLISTIC SHOPPING EXPERIENCE

Premium range: Numerous imported products
Fresh focused: 50% of assortment is fresh food
Dine In: Freshly cooked food from shelf and 3rd party automated restaurants

ONLINE + OFFLINE COMBINED

Offline retail supermarket: provides real experience on HMXS's offering incl. fresh seafood and restaurants
Online platform enables customers to place orders at home for through HMXS app, and the orders will be delivered in 30 minutes for customers within 3km.

MEASURED THROUGH TECHNOLOGY AND DATA

HMXS analyse customers' behaviours through app data: All purchases need to be paid through the app
Digitalized delivery system: Staff scan items in store and put into bags before placing them onto conveyor
Electronic price tags allow customers to scan the tag to obtain item info or add to basket for home delivery
In-store experience can be controlled through the Hema app



Source: Hema 2018 Sep Investor Presentation, Desk research, OC&C analysis

MODEL 4 RETAILER AS BRAND

Product-led retailers need to fully embrace the mentality of consumer brands.

Distribution is about control of the brand and maximisation of value, and not necessarily a core competence that needs to be owned and delivered by the business. Authenticity and connection to customers is critical.

This means that brands care most about getting their product to their consumers and care much less about the channel by which it gets there. Whether they bought it directly in an own-brand store or through a generic platform is no longer relevant. What matters is that the experience stays consistent with the brand identity and values.

We analysed the key drivers of performance for retail brands and two factors came out clearly as the primary drivers of outperformance.

1. A brand's distinctiveness and customer clarity.
2. Winners need to be authentic and consistent.

BRANDZ™ RANKING OF TOP DUTCH RETAILERS ON CUSTOMER CLARITY AND DIFFERENCE SCORE

GLOBAL BRAND	CATEGORY	DIFFERENT INDEX
IKEA	Home Furnishings Retailers	231
Albert Heijn	Grocery Retailers	229
De Bijenkorf	Home Furnishings Retailers	227
Picnic	Grocery Retailers	222
bol.com	Electrical Retailers	214
Coolblue	Electrical Retailers	211
Jumbo	Grocery Retailers	208
Lidl	Grocery Retailers	204
Amazon	Electrical Retailers	203
Action	Home Furnishings Retailers	203

Source: BrandZ™

“
CONSISTENCY OVER BRAND EXPERIENCE IS CRITICAL TO OUR MODEL”

BRANDZ™ RATES INDIVIDUAL RETAILERS ACROSS A BROAD RANGE OF BRAND DIMENSIONS

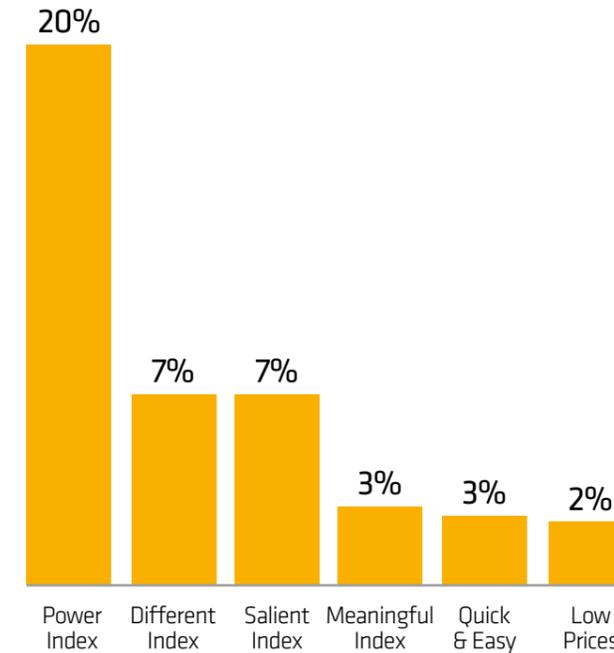
BRANDZ™ DIMENSIONS	KEY BRANDZ™ DEFINITIONS
Power Index	An estimate of what a brand's volume share would be if purchase decisions were made purely on brand association (indexed)
Premium Index	The price a brand can command based on its brand associations (where 100 represents the category average price)
Potential index	The probability a brand will grow value share in the next 12 months
Meaningful Index	Describes the strength of emotional connection and functional performance associations with the brand.
Different Index	Describes the dynamism and uniqueness of a brand.
Salient Index	Describes how readily a brand comes to mind.
Innovation Index	The average of Leading The Way (Index), Shaking Things Up (Index) and CharacterZ Attribute: Creative (Index)
Communication Index	Identical to: Has Great Advertising (Index)
Brand Experience Index	The average of Stand for something unique (Index), Have better online content (Index) and Meets Needs Index
Character Clarity Profile Score	A measure of the distinctiveness of a brand's character profile, the Clarity Profile is derived from the relative strengths and weaknesses on the CharacterZ personality profile scores.

KEY DRIVERS OF SUCCESS FOR EACH MODEL

Each of these four models have distinct set of requirements and success factors that distinguish the winners from the losers. We have analysed the key drivers of out-performance for each of these four groups of businesses, and leveraging a combination of data inputs from BrandZ™ and the OC&C proposition index have identified critical metrics for each model:

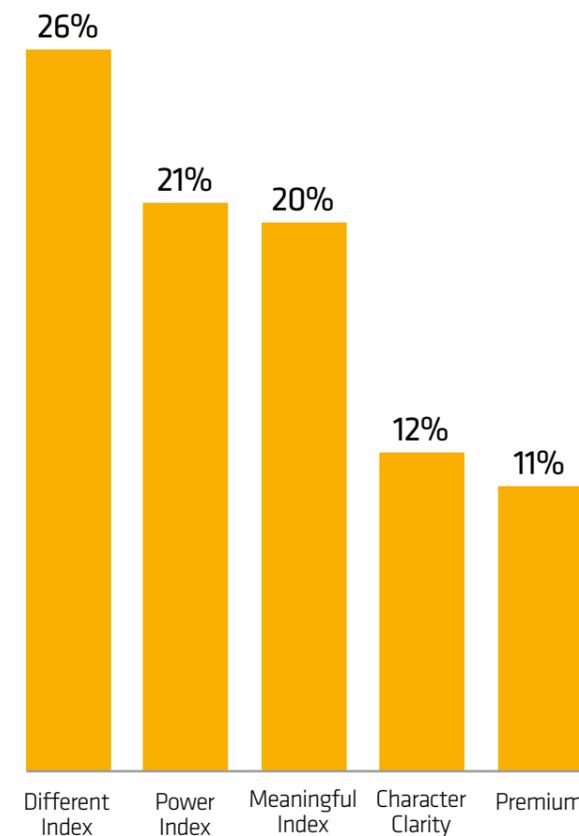
VALUE CHAMPIONS

A brand's power index – or proxy for relative market share – is the primary driver of success.



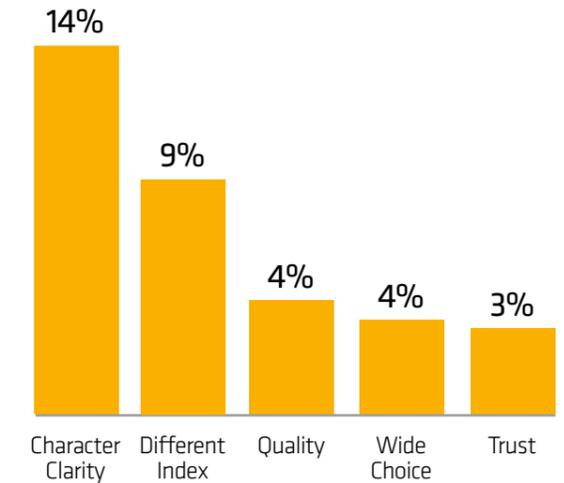
RETAILER AS BRAND

Winning retail brands are distinctive and meaningful.



PLATFORMS

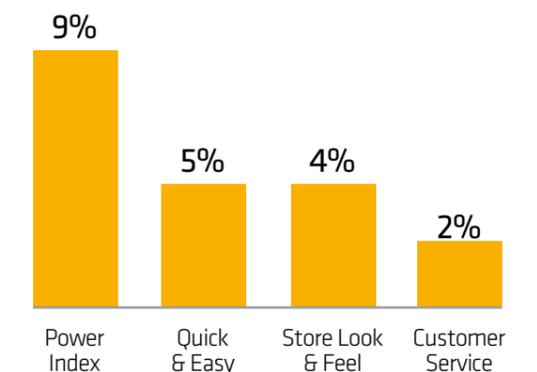
Winning platforms have a clear and trusted brand identity and front-of-mind awareness.



CUSTOMER SOLUTION PLAYERS

There is no one size fits all recipe for solution specialists – the drivers of success depend on the problem being addressed.

“
THE RISK FOR RETAILERS IS GETTING STUCK IN THE MIDDLE”



Source: Capital IQ, BVD, Due Dil, Similar Web, BrandZ™, *OC&C Prop Index, OC&C analysis. The Oc&C Proposition Index is a global retail survey capturing how shoppers rate over 650 of the world's leading retailers

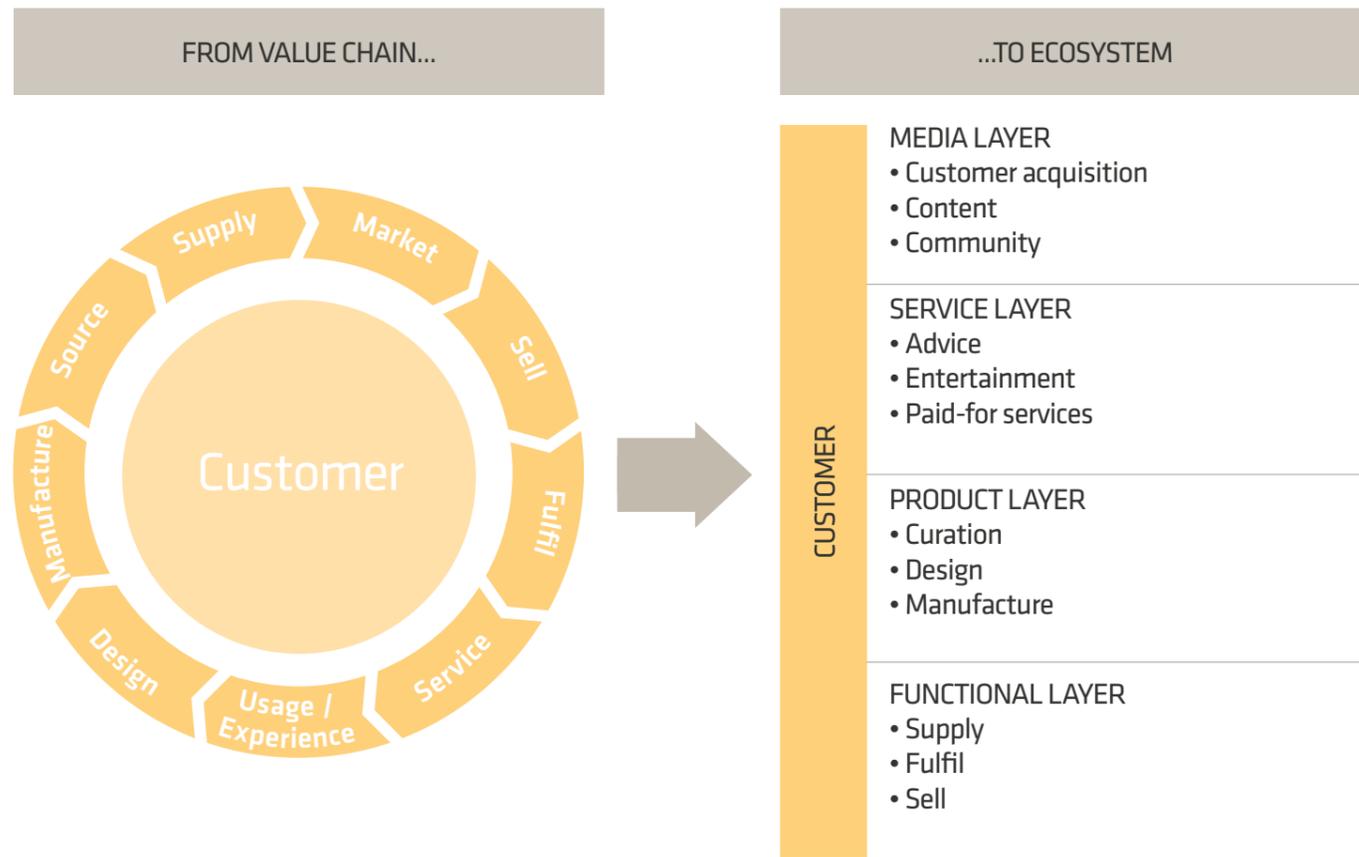
4 BUILD YOUR RETAIL ECOSYSTEM

Winning retailers are no longer thinking around their business as a linear value chain. Instead, they are developing dynamic ecosystems that leverage partnerships and integrate the skill sets and assets of third parties that can complement their own capabilities.

THE ECOSYSTEM MENTALITY

Practically this means shifting away from a value chain mind-set and managing your proposition as a set of interconnecting layers.

Winning retailers are creatively developing ecosystems that create joined up consumer propositions across these dimensions. Each making unique decisions around where they want to participate and how they build out their ecosystems



“**THE RETAILERS WHO WILL BE MOST SUCCESSFUL WILL HAVE CLARITY ON WHAT THEY STAND FOR, WHAT THEIR CONSUMER WANTS, BUT THEN ADAPTS TO THEIR GLOBAL MARKETS AND UNDERSTAND HOW THEY NEED TO PUT THEIR ECOSYSTEM TOGETHER TO WIN – THIS WILL LEVERAGE ALL THE TOOLS AND ASSETS AT THEIR DISPOSAL INTERNALLY AND EXTERNALLY**”

CASE STUDY: FARFETCH

Farfetch are a luxury focussed platform, and have developed an array of third party relationships to complement their core capabilities

THE FARFETCH MENTALITY		
CUSTOMER	MEDIA LAYER • INFLUENCER 'TIERS' • CONTENT PARTNERSHIPS	“ WE ARE LAUNCHING AN INFLUENCER PROGRAMME WHERE WE INTEGRATE INTO THEIR ONLINE WORLD, AND THEY HELP CONSUMERS NAVIGATE OUR RANGE. ”
	SERVICE LAYER • FACE TO FACE PERSONAL SHOPPING • OWNED CUSTOMER SERVICE	“ DELIVERY OF THE SERVICE LAYER IS CRUCIAL; SOCIAL MEDIA PLAYERS OFTEN FORGET ABOUT CUSTOMER SERVICE. ”
	PRODUCT LAYER • BRAND NOT PRODUCT CURATION • WEB COMMUNITY AS CURATION	“ CURATION IS MUCH LESS IMPORTANT FOR US... THE WEB HAS A FANTASTIC WAY OF HELPING THE CUSTOMER FIND WHAT THEY WANT SO THAT THE RETAILER DOESN'T HAVE TO. ”
	FUNCTIONAL LAYER • TRUE DATA SCIENCE • FARFETCH PHYSICAL STORE PLATFORM • OWNED PREMIUM FULFILMENT	“ WE ARE TRYING TO MODULARISE OUR ORGANISATION AND CREATE ZERO DEPENDENCY TEAMS THAT ARE SMALL POWERFUL OPERATIONAL UNITS. ”

Source: OC&C analysis

5 BE FEARLESS AND SET YOUR TEAM FREE

This relates to developing an organisation that can operate effectively in this high velocity world.

Winners are developing flexible and dynamic organisations that are responsive to customer needs across the following dimensions but at their heart maintain a common purpose and the ability to direct attention and investment to execute that goal.

CREATE AND MAINTAIN CLEAR FOCUS ON THE COMMON PURPOSE WITH A SINGLE CLEAR OBJECTIVE AND OPERATING AS ONE TO ACHIEVE IT

“

A vision of who you are and where you're going underpins everything. It is very difficult to do anything sustainably at scale. For us to move forward we had to do the really hard deep work on our purpose, how we are going to help the world, and what our 'impact manifesto' would be. ”

CREATING ZERO DEPENDENCY FLEXIBLE TEAMS WHO OPERATE ACROSS CHANNELS WITH P&L RESPONSIBILITY AND WITH ALL THE TOOLS AND ACCOUNTABILITY REQUIRED TO MAKE DECISIONS

“

We are trying to modularise our organisation – and create zero dependency teams. Why aren't engineering sitting within the merchandising team so that the hands are connected to the decision? Each team needs a distinct objective, a goal that they can influence with as limited dependency as possible – then it's the Board's role goes back to what it should be: allocating resources and selecting projects. ”

INTEGRATE NEW SOURCES OF DATA AND INFORMATION INTO CORE DECISION-MAKING PROCESSES AND OBSESS ABOUT THE DATA

“

There is so much predictive power in data but it often gets stuck at low levels of the organisation – why isn't search data being used to drive trading meeting decisions? ”

RIP UP TRADITIONAL AND UNIFORM PERFORMANCE METRICS AND MEASURE FOR YOUR SUCCESS

“

Our organisation is driven by the customer not by channel so LFL performance of a store is an irrelevant metric – we should be measuring in the offline world what we're able to understand in an online world – often the traditional retail org structure gets in the way of this. A retail operations function is responsible for running the stores not trading them. ”

6 GO BEYOND BORDERS TO BUILD YOUR TRIBE

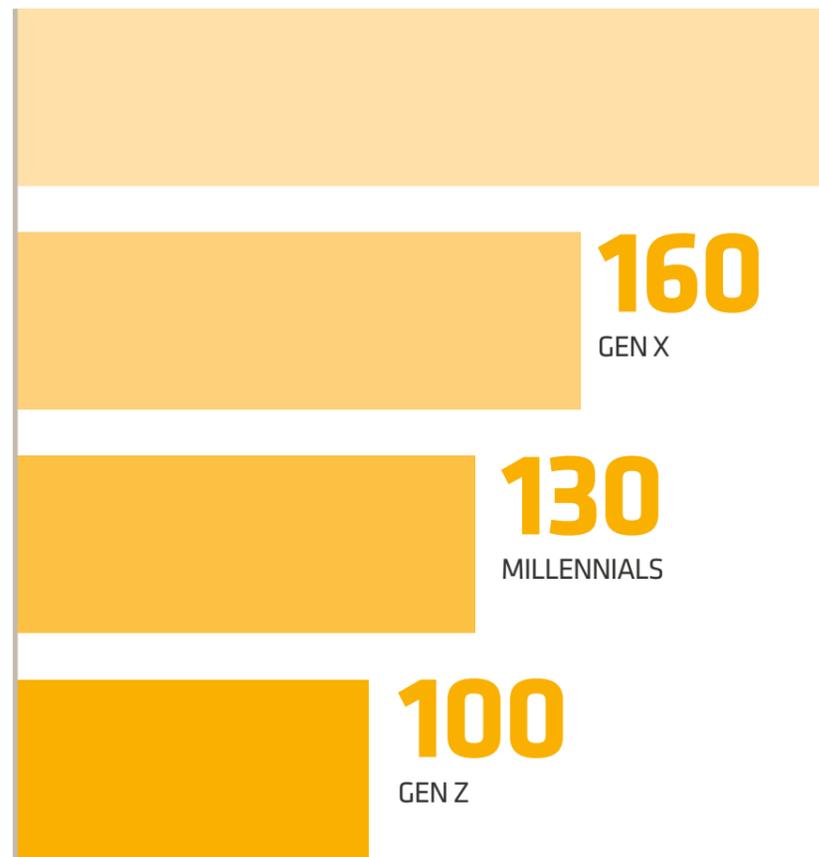
As the demand for online shopping grows around the world, retailers need to consider their strategy for attracting crossborder consumers. To win in local markets, retailers must extend their brands into shoppers' homes without compromising the end-to-end experience. This involves building a deep understanding of each market, from shopper preferences to marketing strategies. Friction must be removed from all points of the buyer journey, including returns, in order to ensure that the brand is on par with local competitors.

However, optimizing the cross-border shopping experience is not only a matter of getting products to shoppers. Retailers must also ensure that they retain visibility into the identities and activities of international buyers and can interact with them just as they do with domestic customers. If retailers give up this information, they are missing a big piece of the data picture and passing up potential marketing opportunities. Knowing what and how to sell to a shopper in Mexico is important—but it's more important to know what to sell to this shopper in Mexico vs. another.

As technology continues to break down borders, customer patterns can be seen across markets. Winning retailers are identifying these patterns and successfully pursuing these tribes.

THE BREAKING DOWN OF BORDERS ALSO OPENS UP NEW OPPORTUNITIES FOR BRANDS TO INTERNATIONALISE

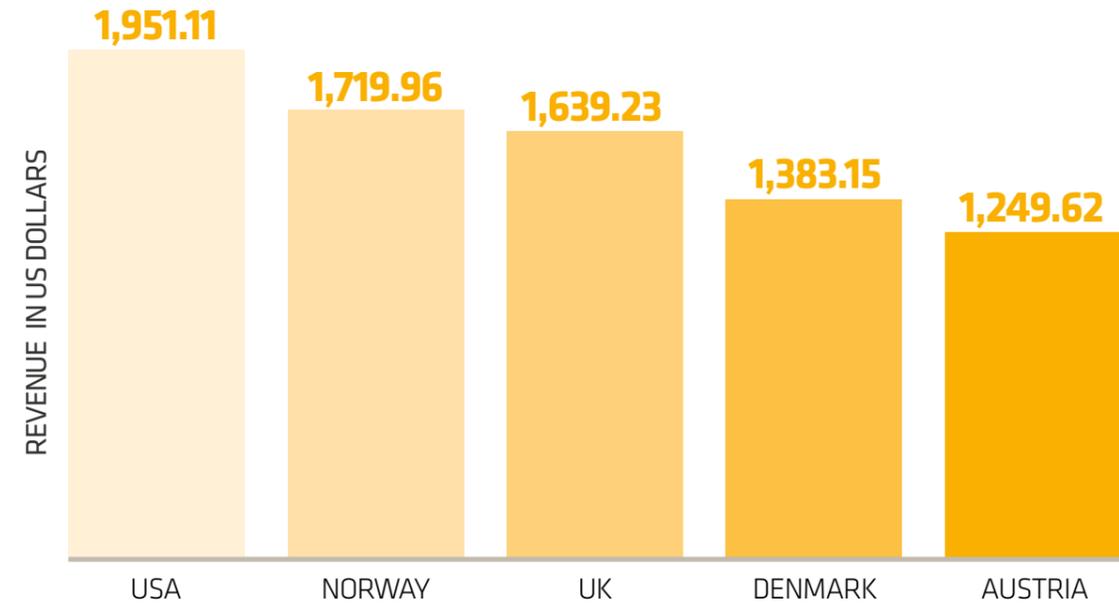
DIFFERENCES IN ATTITUDES: INDEX OF DELTA BETWEEN COUNTRIES



Recent research on the similarity of attitudes across international markets for different generations revealed that Gen Z (those born in this millennium) have substantially more similar attitudes than earlier generations

Source: OCGC Gen Z Survey, August 2018; OCGC analysis

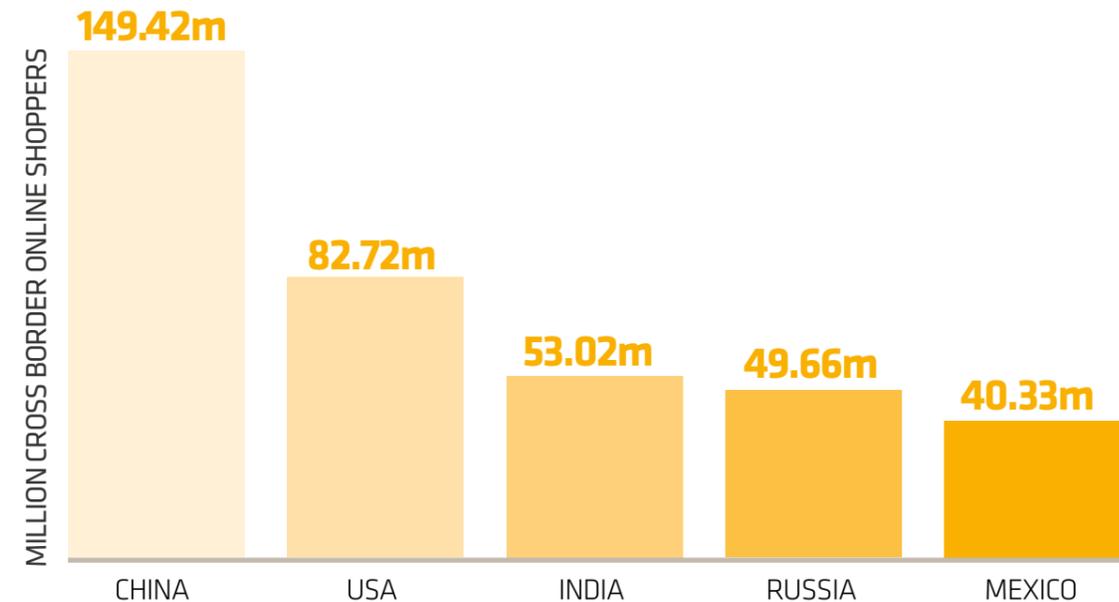
THE TOP FIVE ECOMMERCE MARKETS FOR REVENUE PER SHOPPER



THE GLOBAL INVENTORY MODEL NEEDS TO ALLOW FOR ORDER FULFILLMENT FROM MULTIPLE LOCATIONS DEPENDING ON WHAT IS CLOSEST TO THE CUSTOMER TO MAXIMIZE SPEED AND REDUCE COSTS. RETURNS NEED TO BE SEAMLESS, WITH THE ABILITY TO RETURN IN-STORE WHEREVER POSSIBLE

CYNTHIA HOLLEN | President USA | ESHOPWORLD

THE TOP FIVE COUNTRIES BY NUMBER OF CROSS-BORDER ONLINE SHOPPERS



Source: eShopWorld's Global eCommerce Market Ranking report 2019

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