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Leading At Amazon

Alexis DePree explains how her leadership style helps her team operate the e-commerce giant’s complex logistics empire.

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I’m excited to interview you, Alon

Looking forward to it, Alfred!

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**DAVID BELL**  
PROFESSOR, WHARTON SCHOOL OF BUSINESS, UNIVERSITY OF PENNSYLVANIA

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PUBLISHER-EDITOR, D&D DAILY

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Think Big In 2018: Why The CX Depends On It

One of my fondest childhood memories is going “downtown” to Wilkes-Barre, PA, with my grandmother. Every now and then, she and I would take the bus to “the Square,” a colloquial name for the center of town, to go to Boscov’s, where we’d spend an hour or two shopping. Our first stop was the kids’ section, followed by shoes and handbags. Once in a great while, she’d surprise me by taking me to the salon inside the store to get a French braid in my hair. On our way out, we’d stop at the food stand on the bottom floor to buy popcorn to eat on the bus ride home.

Thinking back, I remember how cool it was to shop and get my hair done and buy fresh popcorn in the same place. As a professional in the retail industry, I know that what my grandmother and I did wasn’t shopping; what we had was an experience. As we head into 2018, here are some things for the senior leadership team to consider as it crafts the future of the business by creating memorable customer experiences.

All They Need Is Less
The era of excess is over. Consumers no longer buy merchandise for the hell of it. They have switched to making thoughtful, calculated purchases of high-quality goods and sought-after experiences. For the C-suite, that means doubling down on the merchandising team to curate a product assortment that is snowflake different. But retailing today isn’t just about the products you offer. When considering what to put on the shelves in your store, on your e-commerce site, etc., think beyond what your customer buys from you and more about who she is and what she likes to do. That information is priceless, as what she does in her everyday life (i.e., hobbies, employment, etc.) will influence what she likes to buy and from where — and how — she will buy it. Pooja Agarwal, VP of operations at Birchbox, talks about the importance of knowing what your customers like to do and building a product assortment based on that information. Turn to page 18 to read all about it.

Reinvent the Store
Between the opening of Nordstrom Local and Apple’s now referring to its flagship stores as “town squares,” the retail store is changing based on who its customers are and what they like to do. Akin to Agarwal’s point about knowing customers’ personas, Nordstrom and Apple have evolved their vision to turn stores into “gathering places.” While this doesn’t make sense for every segment in all cases, every segment can implement creative, thoughtful changes to the existing store model. While the senior leadership team should drive and support the effort, quantifiable success comes from considering ideas from every employee in every department.

Speaking of Ideas...
Alexis DePree, VP of global supply chain, customer fulfillment at Amazon, stresses and fosters a “think big” culture among her team (read the full story on page 12). DePree offers a few tangible examples of the methodologies she employs regularly to promote the strategic thinking that generates new products and services such as Prime Wardrobe. And, don’t be intimidated by Amazon’s processes simply because it’s Amazon. DePree’s practices help operate the world’s most complex logistics empire, and they’re feasible for tier-ones to SMRs, too.

In some ways, everything in retail has changed since my trips to the Square with my grandmother. But in many more ways, nothing’s changed at all. My Boscov’s story is one that illustrates why and how retailers can — and must — provide the experiences their customers want beyond the products sold on the store floor. And that starts with retail executives surrounding themselves with big thinkers and letting the change begin.
Register today for the 2018 Retail Supply Chain Conference, February 25-28, at the Phoenix Convention Center in Phoenix, Arizona!

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Based on your recent research, what promising stats and/or data have you uncovered that can help retailers shape their customer engagement efforts in 2018?

IN OVUM’S ICT ENTERPRISE INSIGHTS 2017/18: GLOBAL INFORMATION COMMUNICATION TECHNOLOGY DRIVERS AND TECHNOLOGY PRIORITIES, when asked to identify the business challenges and latest technology trends driving ICT strategy and digital transformation maturity to better understand investment plans, many of the nearly 5,000 respondents across a wide range of industries (including retail) are taking digital transformation seriously. According to the survey, 30.7 percent are in the process of creating new digital products and services, with 15.1 percent reporting they’re already well advanced in this area. Furthermore, 28.2 percent are working on establishing a clearly articulated digital strategy, while 13.4 percent report they’re well advanced in that area.

MILA D’ANTONIO
is a principal analyst in Ovum’s Customer Engagement practice. She specializes in enterprise customer experience and omni-channel engagement, as well as digital marketing and customer service.

What is a key point retail’s C-suite should understand about blockchain?

THE TECHNOLOGY IS INTERESTING and promising, and you should definitely pay attention to it, but it’ll probably hit in retail in the supply chain around product provenance and maybe import letters of credit long before you really see it at the cash register. And don’t confuse blockchain with Bitcoin — not the same thing!

NIKKI BAIRD
is a managing partner at Retail Systems Research, an industry market intelligence firm specializing in retail and technology. She focuses on trends impacting the consumer-retailer relationship, along with their marketing and operational implications.

What should top retail executives now consider table stakes in retail innovation?

RETAIL IS STILL ABOUT DELIVERING what customers want, when and where they choose. All of the current focus on innovation is really about trying to keep up with how quickly the right answers to those things are now changing. Add rapid advancements in technology and software to the mix, and it is my opinion that retailers need some resources that are focused on pairing new capabilities with solving problems for their customers. I believe innovation resources should be tightly coupled with the traditional retail teams in an organization (marketing, operations, supply chain, etc.). The idea is to embed innovation into the organization rather than attach it as an extra appendage.

SCOTT EMMONS
As founder and head of the Neiman Marcus Innovation Lab (iLab), Scott Emmons is focused on innovation for the Neiman Marcus Group (NMG). He founded and built the iLab in 2012.

With 2018 right around the corner, what are some of the technologies LP professionals should consider for their organizations and why?

TODAY’S LOSS PREVENTION APPROACH should mimic the overall business strategy, which includes considering technologies that will benefit the entire business. For example, technology can not only support loss prevention but also aid in merchandising accuracy, inventory management, or customer engagement. Adopters of this approach are utilizing new technologies such as facial recognition, prescriptive analytics, and enhanced IP video. As retailers continue to build a deeper mobile and digital presence, LP professionals should also be engaged in partnership with IT security to consider and utilize technologies to mitigate fraud and protect against cyberattacks.

JANIE YU
Janie leads deal sourcing and manages portfolios at Fung Capital, whose investments focus on early- to growth-stage B2B technology companies that enable omni-channel commerce and improve supply chain efficiency.

DAVID JOHNSTON
Currently the senior director of loss prevention and corporate security for Dunkin’ Brands, Inc., David Johnston also serves on the NRF Loss Prevention Advisory Council and is a recent past president of the ALPSA.
# The Evolution Of The Strategic CMO

<table>
<thead>
<tr>
<th>EXPECTATION</th>
<th>REALITY</th>
<th>WHAT CMOs KNOW THEY NEED TO DO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketers today are expected to be growth drivers</td>
<td>However, they are lacking support to make that expectation a reality</td>
<td>48% say crafting GROWTH STRATEGIES</td>
</tr>
<tr>
<td>68% of senior managers EXPECT CMOs to be growth drivers</td>
<td>ONLY 31% say LOB leaders are SUPPORTIVE of marketing’s role as growth driver</td>
<td>44% say defining and SHAPING THE BRAND</td>
</tr>
<tr>
<td>42% say EXECUTING CAMPAIGNS</td>
<td></td>
<td></td>
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</tbody>
</table>

## WHAT THEY ARE STUCK DOING

- 45% are REVIEWING budgets, plans, content, and campaign elements
- 42% are ATTENDING meetings
- 37% are EVOLVING brand narrative

## WHAT ARE THEY NEGLECTING

- ONLY 8% are finding ways to RECOVER, REACTIVATE, and RE-ENGAGE customers
- ONLY 10% are EMBRACING new MONETIZATION programs
- ONLY 15% are MODIFYING MARKETING PRACTICES to optimize performance

## HOW CAN MARKETERS SHIFT TO OPTIMIZE BUSINESS LIFT?

- REGAIN CONTROL AND SHAPE CUSTOMER EXPERIENCE
- REALIGN TECHNOLOGY VISION AS AN INNOVATION DRIVER
- ACCEPT THE ROLE OF GROWTH DRIVER AND SHIFT THE CMO TO A REVENUE-CENTRIC VISION

The insights within this infographic are based on a new CMO Council report titled The CMO Shift to Gaining Business Lift. The report findings were gleaned from a CMO survey of over 200 marketing executives, conducted in partnership with Deloitte. For additional information or to download the full report, please visit www.cmocouncil.org/cmo-shift-report.
10 Questions To Gauge Your Omni-channel Readiness


1 FOR RETAIL FOCUSED ON CONVENIENCE
Do you help consumers organize their shopping needs? As with shopping lists or tools?

2 FOR RETAIL FOCUSED ON LOW PRICES
Do you keep a running total of how much the local community has saved at each store?

3 FOR RETAIL FOCUSED ON LIFESTYLE EXPERTISE
Do you provide lifestyle checklists? Like “how to pack for desert camping” or “new baby essentials”?

4 FOR RETAIL FOCUSED ON PRODUCT AVAILABILITY
How good is your online inventory visibility? Can you show customers projected on-hand?

5 FOR RETAIL FOCUSED ON CURATED PRODUCTS
How well do stores provide content that educates retailers about product categories?

6 FOR RETAIL FOCUSED ON EXCLUSIVE PRODUCTS
Do you keep a running total of how much the local community has saved at each store?

7 FOR RETAIL FOCUSED ON CUSTOMER SERVICE
Do you provide proprietary information that helps consumers evaluate quality vs. price?

8 FOR RETAIL FOCUSED ON CUSTOMER EXPERIENCE
Do you provide quizzes or configurators to help shoppers feel like the selection experience is tailored to them?

9 IS YOUR STORE STRATEGY ALIGNED WITH YOUR RETAIL BRAND PROMISE?
We surveyed retailers and found less than half have even moderate alignment.

10 DO YOU HAVE THE RIGHT TACTICS IN PLACE TO DELIVER ON BRAND PROMISES IN YOUR RETAIL STORES?
Find out in our StoreSTART omni-channel health check.
Alexis DePree, VP global supply chain, customer fulfillment at Amazon, explains how her leadership style helps her team operate the e-commerce giant’s complex logistics empire.


You get the point — Amazon’s services are seemingly endless. They’re in the news more often than not. If you’re not Amazon, you’re employing every business strategy in your playbook to compete with it. That’s because Amazon has the best long-term growth strategy available to investors today. Yet, Amazon still boasts only a 5 percent share of total retail sales, excluding food, across the country, according to data from the U.S. Census Bureau. But, CNBC recently reported that Amazon’s share of retail sales across the U.S. in key categories — sporting goods, clothing, personal care, and electronics — will only continue to accelerate. And, with the Amazon-Whole Foods deal in the works, traditional grocers will be forced to reconsider their strategies, too.

Much has and will continue to be written about Amazon and its next big thing, because whatever it is, we know it’s coming. But, what’s expected of the “Amazonians,” as they’re called, who show up to work every day to deliver on the company’s famous Flywheel philosophy? What is expected of Amazon’s executive leaders to deliver on its promise of faster, cheaper, better? According to Alexis DePree, VP of global supply chain, customer fulfillment at Amazon, an Ivy League educated and infectiously passionate retail luminary in her own right, her answer is roll-off-the-tongue simple: complete, unwavering customer obsession combined with solid leadership principles and methodologies.
Inside DePree’s Leadership Principles & Methodologies

Jeff Bezos is known for implementing his “Flywheel” philosophy as the company’s major tenet. The Flywheel philosophy is a cycle in which a company cuts prices to attract customers, which increases sales and attracts more customers, which allows the company to benefit from economies of scale, until, ultimately, the company can cut prices again. Undoubtedly, there are several principles and methodologies Amazon’s leaders practice and preach to fuel the Flywheel philosophy.

“Everyone assumes there are special tips or tricks to Amazon’s magic formula. It probably sounds sophomoric, but here’s the secret — we are completely customer-obsessed.”

Alexis DePree, VP Global Supply Chain, Customer Fulfillment, Amazon

“Everyone assumes there are special tips or tricks to Amazon’s magic formula,” explains DePree. “It probably sounds sophomoric, but here’s the secret — we are completely customer-obsessed. And, it’s our customer obsession combined with rock solid leadership principles and methodologies, such as pizza teams and working backward documents, for example, that help us find new ways to innovate.”

DePree explains that a pizza team is one such methodology. When she and her team are working on something innovative on which they need to move quickly — when they’re being intentionally scrappy — they have no more people in the room than she can feed with two pizzas.

“Here’s what I love about the pizza team methodology: Based on my background as an industrial engineer, and how I prefer to work in general, I have to think very hard about the skillsets I need around that table to solve the problem,” she explains. “I have to prioritize who gets each slice. Who’s taking the slice on driving the analytics? Who’s taking the inventory planning slice? Who has the outbound shipping knowledge I need in that room? It forces me and my teams to become crystal clear about what we’re trying to achieve so that we invite the right individuals who can help us solve the problem at hand, and those invites are not issued on a customary basis — they’re issued intentionally.”

That brings us to one of DePree’s constructive principles, the working backward document, which helps her team envision the goal first and craft the processes second. “Our working backward documents act as actual press releases — we literally write the title as it should appear in a newspaper of record,” she states. “In a one-page document, we explain the product and how it benefits customers, including how it’s going to make their lives easier or better. We craft the document section by section, word for word; we are responsible for writing it. Writing this document drives a level of clarity that other traditional tools such as PowerPoint can mask.”

DePree states that writing the narrative forces her team to clearly articulate the product’s purpose. “We view every word as if it has a price tag on it, and we spend our words wisely.”

DePree meets with her team on a quarterly basis to discuss the new press releases under development. “We bring together our most critical internal operational partners so they can hear some of our ideas firsthand. The operational partners share their questions with us to help the retail team make the press releases even stronger before they can receive full signoff to move forward with the project.”

Practical Methodologies for Supply Chain Vendors

It’s no secret that Amazon operates an endlessly complex logistics empire, as it promises two-day free shipping for all Prime customers and free two-hour Prime Now delivery in certain cities on tens of thousands of items. DePree explains that her team spends a great deal of time on the metrics needed to identify and understand what’s happening in Amazon’s upstream supply chain. By “upstream,” she means the activities that occur prior to items being received at an Amazon facility, which typically includes the activities undertaken by the vendors that are necessary to get product into the supply chain.

Therefore, she employs the same leadership principles and methodologies when collaborating with sup-
ers and brands will need to work closely together to offer a truly great global customer experience. More and more customers from Singapore to San Francisco are expecting to have similar service levels, such as two-day shipping and familiar products, but geographic regions have different readiness levels and infrastructure to support those expectations. “The balance then

BALANCING THE GLOBAL & LOCAL SUPPLY CHAIN

DePree uses various principles and methodologies in her role to impact Amazon’s complex global supply chain. Indeed, she states that while there are global flows occurring today, most customer-facing supply chains are still regional. Customers’ expectations for global shopping in the future will require an influx of global logistics options at a speed and ease that aren’t available today. At the same time, retail-

“Our working backwards documents act as actual press releases — we literally write the title as it should appear in a newspaper of record.”

Alexis DePree,
VP Global Supply Chain, Customer Fulfillment, Amazon
becomes choosing when we need to develop new capabilities to ensure a consistent experience for customers globally and when we should modify the experience to better fit the local capabilities,” she says. “A great example of balancing local with global is to consider customers in a remote community. Customers likely have a few traditional stores in the community, which may not have a broad selection. And, local stores in the same area have a fixed group of customers to purchase their goods. With global e-commerce, customers can have access to a broader selection at a low cost and fast shipping speed while the local small retailer will be able to sell goods locally and around the world. In this case, both benefit from a balance of local and global. To make a global offering a reality, the supply chains of retailers and brands will need to work closely together to offer a truly great global customer experience.”

Always embedded in DePree’s work are elements of the operation or the global and local supply chain that are important to that experience. “Consider our Prime Wardrobe offering, for example. A critical part of that experience is about making sure that returns are easy, because customers want to try on the garments. We accept that part of the business model includes returns. Part of making the returns process easy was having a box that can be resealed. My team worked diligently to understand the innovative packaging solutions that would ensure a great experience when the Prime Wardrobe package arrives on the doorstep and an equally great experience should they need to make returns.”

EMBRACING EMPATHETIC LEADERSHIP

DePree relies on the aforementioned methodologies and procedures to help her team to support supply chain execution. But DePree’s personal go-to management style revolves around what she refers to as empathetic leadership. She admits that her leadership approach has evolved in recent years, as she is now a full-time working mother of three. “People want to feel valued, no matter their level in the organization and no matter their age in your house,” she says. “People want to come to work every day and know that they have the opportunity to contribute based on their strengths and that I, as their leader, recognize, understand, and leverage their strengths. I stress the importance of diving deep and asking question after question to try to understand my team’s differing perspectives.” DePree does so by setting clear goals for herself and her team and fostering an inclusive, transparent culture. “I naturally take problems and break them into components to understand what is at the core and drive clarity around the desired outcome. Then, my mind works to find the most efficient path forward to whatever the problem or the opportunity at hand is. I think that’s my superpower both at work and at home — prioritization and a logical mindset help handle and make manageable complexity, whether it’s at Amazon or in my house.”

“I conduct a ‘5-Whys’ exercise to gain a deeper understanding beyond the numbers written on the board in front of us.”

Alexis DePree, VP Global Supply Chain, Customer Fulfillment, Amazon

“For example, I participate in white board reviews with my teams, whereby we walk through numbers to understand what we’re measuring and why. I ask my team countless questions — what would you do differently, depending on how that measure is performing? What are the tools we think our vendors need in order to be successful against that measure? How many of those tools do we think are providing them with those capabilities? I conduct a ‘5-Whys’ exercise to gain a deeper understanding beyond the numbers written on the board in front of us. For example, I recently received an email from one of my team members recapping the white board meeting. At the bottom of his email, he commented, ‘I’m very energized about the level of passion on this topic. I now have some new ways to think about how we want to pull in the data to really understand if we’re being successful.’ My empathetic leadership skills helped him understand how important I consider this project. And, the ‘Think Big’ part of our business drives my line of questioning. It also made him think about his role in the business.”

DePree and her team know that Amazon’s customers expect more selection and choice coupled with compelling value, and they’re always going to want things faster than they did yesterday. These are the fundamentals that force DePree to evaluate her team’s performance to determine what can be done differently and better for the customer. Being an effective, empathetic leader who thinks differently and encourages her team to think differently is no easy task. But, rest assured, executive leaders like Alexis DePree are a key component to Amazon’s success.
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**RetailITInsights.com** informs the burgeoning retail IT community on topics impacting IT and how IT can solve today’s biggest retail challenges.

Erin Harris | Chief Editor  erin.harris@RetailExecutive.com  814-897-9000 x303
Pooja Agarwal, VP of operations at Birchbox, explains her career path and how the pioneer of the subscription model remains on the cutting edge of the customer experience.

Birchbox was founded seven years ago by Hayley Barna and Katia Beauchamp, who envisioned a way for customers — just like themselves — to easily and efficiently try, learn about, and purchase beauty products online. They combined monthly deliveries of personalized samples with original editorial and an exciting e-commerce shop. The company is officially profitable, and that means scalability for senior executives such as Pooja.

Retail Executive: How did Birchbox come to be?
Agarwal: Birchbox was founded on the premise that buying beauty online is very difficult, because customers like to see and test the products before they make the purchase. Our founders had the idea to send products to the customer for her to try. We educate our customers about the products, and they can purchase the products on Birchbox.com. It’s this idea of moving beauty online shopping to the forefront and making it easy for her. Our founders also uncovered that a lot of people who shop for beauty already know about beauty. But, there are also many people who don’t shop for beauty, either because they don’t have time, or they don’t know much about it, as it can be a somewhat intimidating experience. Birchbox creates a way for the customer to test, try, and learn in the privacy of her own home while getting help and advice from our beauty experts. We created an extra level of comfort for subscribers in their daily beauty routine. And, so, we started with a box, and then we expanded to content, and then we further expanded into our e-commerce shop.

About two years later, we launched a men’s subscription, BirchboxMan, because we discovered that men also wanted to try this way of shopping online. We currently partner with 800 brands.

Retail Executive: You are a proponent of informational interviews. Explain how informational interviews have helped you shape your career in retail.
Agarwal: After graduating from the University of Michigan, I knew I wanted to work in retail. I moved to New York, and I did several informational interviews. As a result of one of these interviews, I was introduced to one of the founders of the Gilt Group. Before I knew it, I began interning at Gilt; I was there for seven years. Fifty people worked at Gilt when I started; I watched the company grow to more than 1,000 people.

What I learned in my time at Gilt is that one of the best ways to obtain real retail training is by being fully immersed in it. While I was there, I was part of the merchandising team, and then the sales operations
your work quality and productivity. I want to make sure I love wherever I am. It makes me want to work harder. It makes me want to adopt the customer as my own. And, as for the company, it really knows what it’s getting into on its end as well.

Retail Executive: Explain the culture at Birchbox.

Agarwal: Our culture is innovative — very innovative. We strive to empower every individual, every team, to truly innovate in each of its roles.

At some companies, people in junior roles are simply given a list of tasks to accomplish. We don’t believe in that at Birchbox. Our employees are not just executors. For example, two years ago, we were not proactively managing all of our packaging, because we were growing that quickly. We wanted beautiful packaging, but we also needed to keep up with the orders. Our employ-
BETTING BIG ON BIRCHBOX

By E. Harris

Executive

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have conversations every single day to talk through

Agarwal:

How do you foster this collaborative environment?

Retail Executive: You encourage your team to be “thought partners” while giving them the freedom to reach their goals in the way they see fit. How do you foster this collaborative environment?

Agarwal: There are 12 people on my team, and we have conversations every single day to talk through challenges, ideas, etc. But I try very hard to not tell them exactly what to do. That’s what keeps us running well. We have an extremely fluid group working with us, which builds a culture of collaboration. It also allows us to put multiple people in a room to think about a problem in a different way. I try to make sure that everyone knows how to do their job well while remaining a functional expert. We ensure that we’re thought partners for each other.

Here’s an example. As a company, we set a goal to save a certain amount of money. I translated that into an operations goal, which I then shared with my team, as we are fully transparent. From there, our fulfillment and warehousing manager then had the freedom to reach that goal as he chose. In fact, he’s already done so in a variety of ways. He identified that we were overbuilding boxes each month. By building fewer boxes and focusing the labor elsewhere he was able to reach his goal. The point is that he had the freedom to create the plan to achieve the goal he designed. He took ownership of the problem, which created a more realistic approach to the problem than I may have seen, because he’s the one closest to the issue.

Here’s another example. I challenged our technology team to create a more targeted experience for our newest subscribers. They leveraged technology to determine a specific subset of new users. My goal was to create special welcome boxes to make sure this specific subset of new users felt welcomed into the Birchbox experience. But I did not give the technology team a specific direction. Rather, I explained the desired outcome and let them run with the execution. I served as their thought partner by answering their questions and providing thoughtful feedback, skeptically validating their ideas and offering insight when necessary.

Retail Executive: In what ways does Birchbox help the user truly get to know, understand, and use its products?

Agarwal: We have several touchpoints with our customers whereby we educate our customers about their products, how to use them, the ingredients in them, and more. Every monthly box includes a card with information about each sample and directions for using it. Our social team develops dynamic content for all of our channels, including YouTube, Instagram, Instagram Stories, Facebook, Facebook Live, and our online magazine that’s designed to provide easy tips and tricks, trend insights, and useful info from our merchants. Our copy team also writes the product descriptions and how-to-use details for every single product on Birchbox.com. Putting things in the Birchbox voice is how we make beauty exceptionally approachable and relevant for our customers.

Retail Executive: How important are brand advocates to boosting the customer experience for your users?

Agarwal: It’s twofold. We will potentially partner with certain brands to create unique content for our customers. Also, we ensure that our internal “discovery specialists,” as we call them, are fully equipped to understand each and every product so that when someone calls us with a question, our fully trained team is able to provide the highest and best support.

Retail Executive: How do you rely on social media to operate the business?

Agarwal: This new generation of customers wants to hear directly from the brand in a very honest, human way. We rely on social media to deliver our honest messages. There’s something very pure about having someone in the company take over Birchbox’s Instagram Stories to showcase her beauty routine. Customers respond to that — they want to know real people work here and do the same things they do. Our Instagram Stories are different every day. Every couple of days, someone from one of the teams takes over our Instagram Story to share her life. I’ve used Instagram Story to offer a sneak peek of our warehouse. We’re not trying to keep any secrets here at Birchbox. We want to be transparent, so I gave them a tour. We view social media as a really wonderful way to remain a human brand and to stay in touch with our customers.
Retail Executive: We live in a subscription-heavy retailing world now. How do you keep going, and how does Birchbox differentiate itself?

Agarwal: Birchbox's innovation wasn't the simple concept of delivering a monthly box of beauty samples — it was understanding that although not every woman is passionate about beauty, every woman deserves to get the best products. This insight allows Birchbox to tap into an enormous group of underserved consumers and awaken their relationship with beauty by making it relevant, easy, and approachable. We personalize every box with five samples tailored to each customer's individual needs and preferences and offer the strongest loyalty program in the beauty industry so they can earn rewards while shopping full-size versions of their favorite products in our shop.

Retail Executive: Birchbox has been wildly successful. What's driving the success?

Agarwal: We are hyper-focused on profitability but also execution. As an operations executive, it’s my job to make sure we stay above water but also to determine how to deliver value. Part of my initial focus when I joined Birchbox was to determine how to create a quality experience that we may not be providing today because we’re moving so quickly. From there, it was about making profitably scalable. That's what I've been working on for the past year.

Also, we're successful because we listen to our customers. If you listen to your customers, you can hear what they want. That's ultimately what should drive your innovation. The space in between is what your customers are not asking for yet. Retail executives need to stay on top of other interesting players in the market. Yet, it's not even about staying abreast of other beauty players per se but rather identifying the interesting things your customers are doing in their lives that can help you learn more about them. You learn that by figuring out where else they are gravitating to in the market.

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Retailers: Pivot Or Perish

Based on survey data from Retail Executive’s audience, retail executives cannot rest on their laurels when it comes to quantifiable, radical transformation.

SUCHARITA MULPURU-KODALI

In the last year, there has been no shortage of culprits blamed for the poor state of retail: the growth of online sales, Amazon, changes in consumer consumption, product deflation, declines in mall traffic, the state of Sears, even the election of Donald Trump. One notable omission from that list, however, is the baffling optimism of retailers and the subsequent dismissal of radical transformation as a path to survival.

I conducted a survey with Retail Executive this past summer to measure the current sentiments of retail companies. Several dozen executives responded, and here are the key findings:

› Many retailers think they are on a path to growth. In spite of all the negative news about and by retailers, many (too many I’d argue) retail executives still see the glass as half full. Thirty-eight of 47 retailers surveyed said they thought their companies would grow in the next 10 years compared to only 2 who thought their company would not grow in the same time frame.

› Retailers believe their core assets will carry them. Andy Grove, the legendary founder and CEO of Intel, was known for the expression “only the paranoid survive.” If that is true, retail is toast. When asked a follow-up question on why they thought their companies were on a growth trajectory, the most common response (from 24 respondents) was that the respondent thought their retailer had a strong brand. An additional 19 respondents said they believed they had loyal customers. Nineteen also thought they innovated constantly.

### RETAILERS ARE OPTIMISTIC ABOUT THEIR FUTURES

| DO YOU THINK YOUR COMPANY IS ON A PATH TO GROW FOR THE NEXT 10 YEARS? |
|---|---|---|
| Yes | 38 |
| No | 2 |
| Not Sure | 7 |
Why, you may ask, is radical transformation so important? The simple answer is that in any industry where there is massive disruption (which is the case in retail because more shoppers are buying online and what they buy online often costs them less than in stores, which means share is shifting to pure plays AND the pie is shrinking), companies need to look beyond their current businesses. Look to technology companies as examples of companies that have embraced transformation which ultimately led to long-term growth:

Technology investments haven’t leapfrogged the industry. Companies appear to be confusing table stakes with transformation. While many retailers say they invest in technology, the specific types of investments are often “upkeep” expenses such as investments in web platforms or upgrades to software such as POS or order management systems. When asked what strategic investments they were making, the most common responses by retailers were e-commerce or omni-channel efforts.

Only 11 retailers surveyed said they have considered pivoting into new growth areas in retail (e.g. food, education), and 10 retailers said they have considered mergers and acquisitions as a way to sustain or grow their business.

Few retailers are diversifying their current offerings. Most retailers continue to “stick to their knitting.” Only 11 retailers surveyed said they have considered pivoting into new growth areas in retail (e.g., food, education), and 10 retailers said they have considered mergers and acquisitions as a way to sustain or grow their business. Seven said they actually completed a merger or acquisition of some sort in the past.

In 2000, Microsoft generated 80 percent of its revenue from Office and Windows. Now it is a conglomerate nearly 4 times larger, and it generates a significant double digit share of its revenue from cloud services, hardware, and social networking (through LinkedIn).

Apple generated 80 percent of its revenue from Mac devices in 2000. Apple now generates 10 times as much revenue, but only 10 percent comes from PCs and laptops.
In 2000, Amazon generated nearly all of its $2B in revenue from e-commerce, but it now makes $100B+ in revenue, which comes from a combination of e-commerce, cloud services, hardware, advertising, and original media content.

Google was heavily dependent on its ad network as recently as 2005 when 44 percent of revenue came from clicks on Google properties, but that figure is now only 16 percent as Google has acquired blockbuster properties of its own like YouTube, Waze, and others.

Admittedly, retailers aren’t like the companies above, but what does radical transformation mean in retail, and is it truly possible? Consider the following three possibilities:

SMART MERGERS AND ACQUISITIONS. While retailers have largely grown through organic means, usually by opening new stores, the dearth of great physical store locations now means that retailers should start to consider buying growth. In Escape Velocity, Geoffrey Moore, the renowned venture capitalist and consultant, talks about the importance of acquisitions as a path to growth. Without some new growth streams, often from other companies, he argues that a merger or private equity buyout is the only viable outcome for a company like a struggling retailer.

One company that has engaged acquisitions in a conservative but successful way is Gamestop. While Gamestop has many of the same challenges as the rest of retail, including an anemic market cap, it has survived in a hypercompetitive retail environment in part because it owns a number of AT&T reseller stores. These stores provide disproportionately higher profit than revenue, which helps to offset challenges in the company’s core video game business. Profit is key here. Many retailers have made the mistake of acquiring fledgling but sexy startups that end in big write-downs (Nordstrom and Trunk Club and Amazon with Living Social are two notable examples). For most companies, that wouldn’t be radical transformation; rather, it would just spell accelerated disintegration.

RETAILERS NEED TO CHALLENGE RETAIL ORTHODOXIES

- Can you sell more items without owning inventory?
- Do you sell your products only in your store?
- Do you know what is in any given store, and where it is located, at all times?
- Are you stuck in long-term leases with underperforming stores?
- Are you pricing items initially as well as you could, or are you leaving money on the table?
- Do you need to place orders for product nearly a year ahead of time?
- Are there bursts in store traffic that are mismatched to the number of store associates?
- Are there ways to generate revenue from stores other than selling merchandise?
- Do you have a way to know what a shopper is looking for when he/she leaves empty-handed but is looking for something specific?
to sell more physical books than ever. But it is important to distinguish between distraction and disruption. Too many technology services providers and vendors pitch products that don’t really solve pressing retail problems. And too many retailers make investments in features like faster shipping without making decisions that drive profit to offset the costs of those expensive programs.

There is no shortage of pain points in retail — vicious price competition, parking, long lines at checkout, out of stock products, and inconsistent store associates. The path to survival in retail means effectively solving at least a few of those problems while also finding new revenue streams. The retail survivors of the future will need to see what now constitutes 90 percent of their revenue becoming 50 percent or less of their revenue in the decades to come.

CHALLENGING RETAIL ORTHODOXIES. Retail has many challenges: static pricing, finite and expensive inventory in stores, excessive markdowns, painfully long lead times for manufacturing (see chart). Changing any of those would be enormous for the industry. Amazon, Etsy, Farfetch, and many others have broken the inventory ownership and assortment challenge with third-party marketplaces where companies sell huge assortments without taking inventory risk. Few of the biggest retailers in the U.S. do that (or if they do, to a far lesser degree), but I expect it will become commonplace in the future because it is such a cost-effective means of selling products. That’s scary for traditional merchants and planners because it could make them obsolete, but it’s a necessary innovation in 2017. Another disruptor is the company Softwear Automation, which has “Sewbots” that purportedly can make everything from jeans to bath mats far cheaper and faster than any other means of production within a domestic market. This could help retailers break their dependency on slow, distant overseas factories.

This isn’t to say that investing in one’s core business isn’t essential. Even Apple grew its core PC business more than threefold since 2000, and Amazon continues to sell more physical books than ever. But it is important to distinguish between distraction and disruption. Too many technology services providers and vendors pitch products that don’t really solve pressing retail problems. And too many retailers make investments in features like faster shipping without making decisions that drive profit to offset the costs of those expensive programs.

There is no shortage of pain points in retail — vicious price competition, parking, long lines at checkout, out of stock products, and inconsistent store associates. The path to survival in retail means effectively solving at least a few of those problems while also finding new revenue streams. The retail survivors of the future will need to see what now constitutes 90 percent of their revenue becoming 50 percent or less of their revenue in the decades to come.

METHODOLOGY
Retail Executive conducted a survey of retail executives during the summer of 2017. Forty-seven retailers responded. Thirty of the survey respondents were C-level executives within their companies (e.g., CEO, CMO). Respondents were from a variety of sectors including grocery, fashion, automotive, books, and others. Eleven of the respondents were with companies having 500 or more stores, seven were with companies with 50-500 stores, 17 were with companies with one to 50 stores, and 12 were internet pure plays.
Back To The Future: The Return Of The Store

The BOSS Model of retailing encapsulates four key principles for returning relevancy to the store.

DAVID BELL Retail Author (Location is [Still] Everything), Professor (Wharton School of Business), & Investor (Idea Farm Ventures)

In the early days of retail e-commerce, and until as recently as a few years ago, retail executives, analysts, and academics all viewed online and offline as “competitors.” When I started at Wharton during Web 1.0, I came across a leaked letter from the CEO of a major big-box retailer in the Wall Street Journal. The letter contained a thinly veiled threat to the executive counterpart at a major brand, to the effect of: “If you sell your product directly online, we will pull it from our shelves.”

More recently, that narrative has evolved into the idea that online will destroy offline. Stores are a thing of the past. Offline is dead. And so on.

In my estimation, this view that online and offline are naturally direct substitutes, and the corollary that offline is dead, have turned out to be completely and profoundly incorrect. Of course we can’t run from the numbers — Credit Suisse estimates that up to 9,000 stores might imminently close, and the U.S. retail market is clearly over-indexed both in number of stores and in store size. Still, that is only half of the story.

DYING AND THRIVING

The paradox is that offline retail is both “dead and dying” and “alive and thriving” at the same time. To unpack this a little, let’s turn to the new generation of leading-edge retailers termed the digitally native vertical brands (DNVBs) by Andy Dunn, Bonobos’ CEO, and arguably purveyor of one of the very first DNVBs.

Here in the U.S., DNVBs are all adding offline showrooms and stores and seeing, for the most part, great success. Everyone from Away (luggage, founded 2015) to Warby Parker (eyewear, founded 2010) is getting in on the act. Warby Parker, for example, after starting as online-only (WarbyParker.com), now has some of the most productive stores in the U.S. By some estimates, the sales per square foot are third overall in retail standings behind only those of Apple and Tiffany’s.

These stores, however, are not your grandfather’s stores. The store of old essentially tried to perform the two core functions of retail — the selling experience and the management of inventory and fulfillment — under one roof. The result was often a fairly mediocre in-store experience coupled with stock-outs and other logistical issues.

The store of the future is and will be a smaller store that decouples those two functions and places greater emphasis on customer experience. Consider the customer journey in a Bonobos Guide Shop viz-a-viz that in a department store or branded store. In the Guide Shop, the customer gets a personalized shopping experience. Products that are purchased by the customer are fulfilled from a central location and shipped to the place of the customer’s choosing. My own research shows a dramatic impact of this offline experience for customers. A customer who has had at least one Guide Shop experience, relative to one who is an online-only shopper, buys more per visit, returns less overall, and buys a greater assortment in future purchases, whether online or offline.

So, the new store of today offers customers great experiences, integrates technology into those experienc-
es, and anticipates customers’ needs. The DNVBs are leading the way, and the lesson is broadly applicable to all classes of retail, including established legacy retail. To see this, consider the difference between a Tesla showroom and the dealer lots of old with hundreds of cars (and arguably mediocre selling experiences and issues with fulfillment).

ONLINE-OFFLINE RECIPROCITY
Online and offline integration are occurring in two important ways. First, as I noted previously, DNVBs are extremely innovative in offline, successfully adding showrooms, movable pop-ups, and fully operational retail stores to their existing e-commerce operations. If you want a great retail experience, visit the Away showroom in London, the Bonobos Guide Shop in Chicago, or the Warby Parker flagship store in Soho in New York.

In the digital economy, it is the responsibility of brands and retailers to develop narratives that are ongoing and inherently shareable. 

Second, the U.S. retail giants, Amazon and Walmart, are getting serious about offline and online. The point of origin is immaterial; the destination is online + offline. Amazon is opening stores and just acquired Whole Foods for $13.4B. Walmart, the world’s leading retailer with gross sales of $483B, is grabbing online-first brands and trying to acquire “digital DNA.” On the day the Amazon acquisition of Whole Foods was announced (June 16th this year), Walmart acquired Bonobos for $310m.

This online + offline trend is by no means confined to the U.S., either. According to McKinsey, more than two-thirds of Chinese consumers are likely to use “buy online pick up in store” and one-third of consumers already have. More than half of all Chinese consumers intend to experience technology and virtual reality in store. In a move that parallels Amazon’s, Alibaba, the world’s leading e-commerce platform, has acquired several offline stores and is expanding its own Hema supermarkets to operate in 15 locations. Hema stores focus on customer learning and great experiences.

BOSS — BRINGING IT ALL TOGETHER
As a result of my experience as a retail researcher in a university setting, as an investor in the numerous U.S.-based DNVBs, and through recent visits to China, I developed a similar acronym for what I believe best-in-class retail now entails.

Successful retail, in particular, is always customer-led. The BOSS model of New Retail (no clue as to who the Boss should be!) encapsulates the four key principles.

“B” refers to “bonding” or connection and is distinguished from the old model of purely “branding.” A bond, by definition, is “a close relationship that occurs when experiences are shared.” In the past, retailers and brands were linked by transactions. Today and in the future, successful retailers will bond with customers in meaningful relationships. The bond becomes stronger when the retailer is authentic and transparent. The bond grows when the retailer uses shareable content to scale the customer community. For example, think about how customers respond to Dollar Shave Club (acquired last year by Unilever for $1B), versus how they might feel about a typical incumbent brand such as Gillette.

“O” refers to orators. All brands need customers, but in the digital age, they need orators as well. The orator is a “public speaker” who is “very eloquent.” The orator is an influencer or key opinion leader (KOL) who tells the story of the brand to their own fans. It is very important that all brands and retailers generate “shareable stories” so that they can help the KOLs spread positive word-of-mouth. In the digital economy, it is the responsibility of brands and retailers to develop narratives that are ongoing and inherently shareable.

The first “S” stands for “showrooms” rather than stores. A “showroom” is a physical space that emphasizes the customer experience. Customers learn about the products and the story of the brand; retailers and employees learn about the customers. A showroom is “experience-focused” rather than “fulfillment-focused.” It is a venue for building a relationship between brands and their customers. As noted earlier, in my own research, I have shown that customers who experience brands offline in showrooms also spend more online on those brands.

The second “S” stands for “science” rather than service. “Science” implies that customers’ needs are anticipated rather than requested. A customer’s digital footprint is a source of information that can be used to drive her to stores and to improve her in-store experiences. As a customer walks through a city and her offline environment, relevant information can be “surfaced” to her on her mobile device. For example, as she walks down Fifth Avenue in New York or Hualai Hu in Shanghai, she receives a message; “the Prada handbag you searched for online last Thursday is 120 meters away and available at a 20% discount.”

In the New Retail, the store is not dispensable or optional; it’s central and irreplaceable.
The Agility Imperative For Consumer Goods Supply Chains

Supply chain agility can be achieved by driving purposeful changes in the strategy, the operations, the technology infrastructure, and the organizational culture.

HARSHAD KANVINDE Principal, Slalom Consulting

The modern consumer has an abundance of options available to fulfill her every want and need. Increasingly sophisticated products are available at ever more affordable prices. She has choices for not only what to buy, but also where and how to buy those products and services. More personalization, larger selection, faster service, and cheaper prices are part of her default expectations, and they are no longer differentiators.

What all this means for consumer companies is that they need to carry more products than before that remain relevant only for a short while. They need to constantly innovate to meet the changing definition of consumer convenience. This is a tall order which cannot be accomplished if their supply chain is not designed for agility (i.e., speed, flexibility, responsiveness, and nimbleness).

Traditionally, supply chain executives have focused on driving down the cost of operations without heeding the needs of agility, which has resulted in supply chains that, at best, are cost-efficient in serving their biggest customers and channels, but are ineffective in adapting to the changing customer, channel, and competitive landscape, which is increasingly becoming dynamic and fragmented.

The core reason for the lack of agility in supply chains is not the lack of appreciation for the need. The challenge is the lack of a good blueprint to start from and how to achieve it without breaking the bank.

**WHAT DOES AN AGILE SUPPLY CHAIN LOOK LIKE?**

**Segmented supply chain**
The most visible characteristic of an agile supply chain is segmentation. Leaders in agility employ supply chain strategies that are optimized at a very granular level to address specific needs of different channels, customers, and products. They apply the segmented view to all the pillars of the supply chain including planning, sourcing, manufacturing, logistics, and returns. They understand that it’s not enough to segment their supply chains just by customers or products. They use rigorous, data-based mechanisms to segment the supply chain using a variety of attributes such as product velocity, margin, and demand volatility, to name a few, into hundreds of distinct supply chain requirements, which then allow them to optimize the supply chain strategy and design to meet the tailored product and service demands of the end consumer.

**End-to-end synchronization**
Another equally important characteristic of an agile supply chain is synchronization of activities across all trading partners — suppliers and customers. Agile supply chains are connected, and provide visibility to all members for effective collaboration.

A connected and transparent supply chain has two important enablers for agility — real-time information sharing among trading partners:
A synchronized supply chain affords better demand signals at the point of purchase and consumption, which in turn helps with better forecasting and planning.

- It provides increased visibility into supplier capacity, constraints, and inventory levels throughout the network to drive optimized order and inventory management.

and just-in-time execution:

- A synchronized supply chain helps all the connected parties to source, manufacture, and stock the right amount to meet the demand, thus driving down the overall inventory levels.
- It allows the entire supply network to bring the decision point closer to the demand signal and thus reduce the risk of obsolescence.

Segmentation and synchronization are the two engines of agility that feed off each other. The better the segmentation, the more effective the synchronization and vice versa.

HOW TO MAKE SEGMENTATION AND SYNCHRONIZATION POSSIBLE

Technology agility
Agility is already a reality for technology leaders like Amazon, which has had a strategic focus on making its technology platform extremely modular, by adopting the service oriented architecture (SOA), to flex it in any shape and form necessary to go after new business opportunities. Amazon is not alone in understanding the value of technology agility. The consumer market is ripe with startups such as Dollar Shave Club that are trying to upend industry heavyweights by redefining consumer experience with innovative products, business models, and operations. These startups are digital natives and are using emerging technologies to build agility as they grow.

Where does this leave the traditional nontechnology companies? Can they build technology agility with their existing infrastructure? The answer is yes, if they focus on the following two things.

- Leverage emerging technologies

Mainstream cloud platforms such as Google Cloud, Amazon Web Services (AWS), and Microsoft Azure have successfully brought four key technologies together — cloud computing, Big Data, Internet of Things (IoT), and artificial intelligence (AI). These platforms make it easy for users to create integrated, enterprisewide data ecosystems pulling data from internal and external data sources and leverage advanced algorithms to build scalable automated solutions to address age-old supply chain problems in innovative ways. Unstructured data sources such as weather data, news analysis, and social media can readily be used with machine learning algorithms to improve forecasting accuracy. Sensor data from manufacturing lines can be easily manipulated and used for doing predictive maintenance and product quality improvement in the manufacturing environment. Because the core computing infrastructure is abstracted and handled by the cloud service provider, building solutions at enterprisewide scale doesn’t cost as much money or time.

- Adopt the “product mindset” for developing new technology

It’s equally important to move away from the traditional IT service mindset — where business defines the requirements and then hands them over to IT for implementation — to the product mindset. Product mindset is characterized by a truly symbiotic relationship between the business and technology teams where both the teams maniacally focus on fulfilling the customer needs and are held accountable to the same business metrics. A product manager plays a critical role in making the product mindset a reality. A product manager is a mini-CEO who takes complete end-to-end ownership for the results of the product.

Culture and mindset of agility
Agility must be appreciated and demanded from the very top leadership of the organization and should be reflected in the way they think about new business opportunities, the way they organize their teams, the way they make decisions, and the way they learn from failures.

The most important cornerstone of an agile culture is tolerance for failure. Agile companies ideate constantly, get to the market fast to test their hypotheses with real customers, learn from mistakes quickly, and use that feedback to iterate to the next version of the solution.

Segmentation, synchronization, and technology agility feed the culture of agility, and the culture enables the other three pillars.

SUPPLY CHAIN AGILITY IS AN ACHIEVABLE NECESSITY

Consumer companies can’t rely on a few billion-dollar brands sold through a few big channels. Those days are over. To stay relevant and grow in today’s dynamic market supply chain, agility is a necessity. It rests upon four pillars — segmentation, synchronization, technology, and culture. It will take hard work and discipline to do well on all four, but it is necessary and it is certainly doable.
How GDPR Will Affect U.S. Retailers

The May 25, 2018, implementation date for the General Data Protection Regulation (GDPR) mandate is fast approaching. Here’s what you need to know.

KEVIN KEANE  Attorney at law, Kevin P. Keane

“Back in the U.S., Back in the U.S., Back in the GDPR ...”

With apologies to Lennon-McCartney, the above reworking of their lyrics from the Beatles’ 1968 tune, “Back in the USSR,” is most apropos as the global retail ecosystem stares down the barrel of the May 25, 2018, implementation date for the General Data Protection Regulation (GDPR) mandate across the eurozone and, by extension, the globe.

You can’t avoid it, ignore it, or hope it will go away. In fact, a retail consultancy in Britain observed in mid-May 2017 that even post-Brexit, retail in the U.K. is the one industry most likely to be impacted by the GDPR, both online and in-store. Being located in North America offers no absolution.

THE ACCIDENTAL TENTACLE
As Brian Vecci, technology evangelist for Varonis, says, “Most companies aren’t prepared at all. You’ve got companies sitting in the Midwest of the United States that because someone from the EU signed up for their newsletter are suddenly subject to one of the most onerous privacy regulations ever. That’s what’s so grand about the GDPR. It cuts across all verticals. It doesn’t just impact financial organizations or hospitals. If you have personally identifiable information (PII) from one of the 28 member states, then it impacts your organization.”

WHAT IS THE GDPR?
The GDPR is comprised of 173 recitals and 99 articles and is replete with exemptions as well as exceptions to those exemptions. It’s a complex tapestry that ignores borders and boundaries, and even though your main business is “Back in the U.S.” you are almost certainly stuck smack dab back in the GDPR.

In sum, the sweeping mandate of the GDPR is designed to regulate the processing and sharing of personally identifiable information. The GDPR covers the entire custody chain of PII data from the moment you collect to that moment when you delete.

Did you note the finer point in Mr. Vecci’s comment above? Despite the reference to data protection in the GDPR acronym, it is first and foremost a privacy regulation devised to protect the individual citizen-consumer.

The GDPR is a big gorilla, and a serious change agent that will remake the world of digital direct marketing. In a dramatic early example of how firms will deal with privacy under the GDPR and similar privacy rules and promulgations, one should note that the U.K.-based chain of nearly 1,000 pubs called Wetherspoons said no earlier this year, deleted its entire customer email marketing list, and told its customers it would no longer send email newsletters — even though the customers had opted in. Is it the first GDPR-induced hangover?

One of the most oft-cited alarms about the GDPR (beyond mandatory breach notification) is its heavy-handed fines for violations. You have likely seen the stats — up to 4 percent of your annual worldwide gross sales (turnover), or 20 million euros.

Elizabeth Denham, a Canadian, is in her second year as Information Commissioner in the U.K., and in August, she wrote:
“... this new law is about – greater transparency, enhanced rights for citizens, and increased accountability. This law is not about fines. It’s about putting the consumer and citizen first.”

Perhaps the U.K., Canada, and the U.S. are more likely to offer a hearty fist bump to economist Adam Smith’s long ago positing of the “invisible hand” of self-regulation in the markets; and perhaps one could muse that Europe is less trusting of such munificence.

I have long espoused the view that Europe is far ahead of us colonists in terms of proactively engaging in the realm of #Cyber-IN-Security and #Privacy, and we should all note the truth that cybersecurity and privacy have merged into the same holy crusade against cyber crooks. Nevertheless, an accurate aphorism for retail as practiced around the world is “data is the new oil” and to regulate “data controllers” and “data protectors,” in defense of individual citizens called “data subjects,” is the new reality in Europe and is coming soon to your commercial enterprise, too.

M-COMMERCE IS REMORSELESSLY ON TREND
In an effort to stay close to customers, who may only briefly tarry in a brick-and-mortar emporia, smart retailers have avidly embraced the use of data as a means to provide customization and personalization, delivered anywhere, anytime, on any device, using omni-channel marketing to seek meaningful connections with elusive consumers who seem to eschew the physical store more and more. Great retailers leverage search advertising, geo-fencing and tagging, beacons, augmented or virtual reality, and more — all great tools that run on gushers of hugely valuable oil otherwise known as PII.

Caveat emptor? Retailers obtain that data from their customers; from social media and websites and contests and sweepstakes; mobile apps; and from first-party or third-party purveyors of data. The plain truth is, that data is and forevermore remains under the construct of the GDPR, solely owned by that ever-more evanescent individual citizen-consumer.

FORGOTTEN, WHO ME?
Under the GDPR, individual consumers’ consent to use of their own PII data must be informed, active, and freely given. Clicking an irritating online consent box while in a hurry to place an order for a new frock is no longer acceptable, nor is salting the real use of PII deep in the mumbo-jumbo of website terms and conditions. The GDPR gives the wildcat consumers absolute power over their own “oil.” The consumer really owns the right to be forgotten.

YOU WON’T BE READY BY MAY 25, 2018. NOW WHAT?
Many retailers were not fully ready for the October 2015 PCI EMV liability shift deadline, and it is accepted opinion around the world that most companies will not be GDPR ready on May 25 next year.

But you must strive to get closer to compliance and to appreciate the massive change the rule encourages. The MarshMcLennan subsidiary Oliver Wyman predicts this:

“The GDPR grants EU consumers broad rights to access, correct, and delete their personal data. As a consequence, Oliver Wyman estimates that at least 90 million gigabytes of data may be implicated.”

What that stat must teach any retail company who may do business in Europe, even accidentally via an m-commerce app, is that you must be engaged with the goal of GDPR compliance. You almost certainly can’t do this alone; you will need expert assistance and probably European-based assistance. If you haven’t yet begun, commence now.

![Diagram of GDPR](source: GDPRcoalition.ie)
Are You Overthinking Innovation?

Why applying innovative thinking through the brilliant basics of retail will render success.

JENNIFER DIMOTTA  President & Owner, DiMotta Consulting, LLC

Headlines like “Retail Apocalypse” and “Disrupt or Die” ignite the need for retailers to innovate urgently, but the reality is that retailers are not positioned well for significant innovation. With tight budgets and executives focused on immediate impact to fight declining sales, innovation ideas are quickly put on the back burner. Innovation most often is associated to a project that includes high costs, long timelines, significant resource demands, and no guarantee of immediate payoff — bites most retailers cannot swallow. So how do you infuse an attitude for innovation in an environment dominated by the “tyranny of the now”?

Thinking innovatively to solve core and critical issues can be a more successful endeavor than large-scale innovation today. While innovative thinking still requires significant courage, confidence, and creativity, a deep understanding of the company, the customer, and the clear impact on results can be invaluable to infusing innovation into a challenged and operational-first retail environment. Below, I have provided a few key insights with personal examples, all of which I have gained throughout my 20 years of experience at companies challenged with budget pressures and heavy day-to-day operations.

KEY INSIGHT 1: INNOVATIVE THINKING CAN LEAD TO DRAMATIC RESULTS WHEN APPLIED TO SIMPLE, YET CRITICAL STRATEGIES.

When I led ReStockIt.com’s revenue-generation strategies in 2008, the office supplies retailer struggled with flattened revenue from the impact of the recession and increasing desire from big-box retailers and Amazon to own category share online. In addition, the retailer had a common challenge of thin margins from a drop-ship business model that led to lean investment in other areas of the business.

ReStockIt.com was in a Catch-22 situation that could easily impact its survival in the industry. They couldn’t profitably offer the standard free shipping over $50, and they couldn’t afford not to with all of the competition offering this table stake. I challenged the team to consider other options that were also as competitive or better. If we can’t competitively offer free shipping by order, can we do so by product? We had a core competency in knowing all of our costs by product, so I leveraged that skill. After analyzing the 200K drop-ship assortment, we found striking results. Over 100K items could profitably be offered with free shipping and accounted for 60% of current revenues.
we found striking results. Over 100K items could profitably be offered with free shipping and accounted for 60 percent of current revenues. In addition, these items shipped from drop shippers delivering product to customers within two days. Our value proposition was immediately intriguwing: many items, fast shipping, and no threshold on free shipping. ReStockIt.com was one of the first in offering “FAST & FREE shipping on over 100,000+ items.” From day one, the results were amazing. Not only did we recognize a 25 percent increase in revenue, but also we had comfort in knowing profitability would not be compromised. With considerable future upside, we had the energy to holistically think in innovative ways about other areas of the business.

KEY INSIGHT 2: VENDORS ARE AN EXCELLENT SOURCE OF INNOVATION IN RETAIL. DON’T BE AFRAID TO FIND INNOVATION FROM THEM.

Sports Authority was a challenged retail business when I joined to lead e-commerce in 2013, and in the following two years, e-commerce grew from $50M to $200M+ profitability. It was an invaluable experience working with a top-talent e-commerce team that was humble in success and consistently looking to do better. We had a few key hurdles, the biggest of which was our inability to make significant changes to the website. We overcame this hurdle by layering vendor tools that ultimately gave us more control over the website to deliver a better user experience.

XSELL Technologies, a live chat and technology vendor, was an impactful example of pervading innovative ideas from vendors. Their solution took live chat beyond the norm with compelling value. Focusing on the core business value, authoritative content (and talent) became tangible tactics that shaped Sports Authority by inviting XSELL’s sports enthusiasts to service our customers and in turn accomplish results well beyond our expectations, 10 times the conversion rate of an average online consumer.

Spending at least 1-2 hours a week with new vendors will give you inspiration for innovation.

Spending at least 1-2 hours a week with new vendors will give you inspiration for innovation. The key to prioritization is to align innovation wholly to core value propositions. There are too many technologies out there. Be well informed when narrowing down to the ones that matter.

KEY INSIGHT 3: LET ROADBLOCKS LEAD YOU TO THINK MORE INNOVATIVELY ABOUT HOW TO BE SUCCESSFUL.

In 2005, I moved away from my home, Nebraska, where I grew up among the cornfields and cows. I was ready to explore and be challenged personally and professionally. I was offered the head of e-commerce role at PHE, Inc., an adult products company in North Carolina.

With a strategy and plan in hand, I contacted key partners including Google, Paypal, and other e-commerce organizations. I received immediate rejections from every potential partner due to the nature of the category and the experience we had created. It would be nearly impossible to grow without partners like Google.

Every peer executive suggested I keep with the company’s current brand strategy and just “get used to rejection.” My research and gut told me otherwise. I went for it and built a new brand and marketing strategy online. It was a risk without buy-in (except from my boss), but I knew our roadblocks were a sign to think differently about the business. Within six months, we built a new site experience that was female friendly, viewer friendly (no “adult” imagery), and a high-end experience.

Every rejection turned into an opportunity, and within three years sales more than doubled. More importantly, women were our new primary buyers and we were twice as profitable.

Roadblocks are an invaluable occurrence forcing you to dig deeper about how you will move forward. Lean into roadblocks and use them to energize you and your teams to think about out-of-the-box solutions to success.

I don’t believe the above is rocket science but rather is grounded in smart solutions to the basics and fundamentals, which are critically underrated in regards to impact on results. Innovative thinking, applied in organizations struggling with the current state of retail, isn’t about shiny pennies but rather results.

**Jennifer Dimotta** is President/Owner of DiMotta Consulting LLC, helping retailers strategically grow their e-commerce business. Jennifer held high-ranking positions at Bluemercury, Sports Authority, and Hayneedle. She received Colorado’s Most Powerful Women Award in 2014.
Consumer Trust In A World Of IoT

As digital transformation continues to shape retail, so does cyber risk.

Eager to reap the benefits of stronger customer relationships and improved product experiences, businesses are often making digital innovation a top strategic priority. Many, however, are not balancing the remarkable benefits of digital transformation with the potential for increased cyber risk — particularly when it comes to the impact potential breaches can have on the delicate balance of trust today’s retailers have with their customers.

SENSITIVE CONSUMER INFORMATION:
RISKS AND REWARDS
Personalized experiences that drive lifetime consumer loyalty. Mobile functionality that enables seamless in-store and online shopping and buying. Connected experiences and products that offer improved, ‘smarter’ lifestyles. The future certainly looks bright for businesses willing to push technology to its limits. According to Deloitte’s survey, retailers plan to invest in the following technology initiatives at a healthy level. (See Figure 1.)

- Leveraging consumer analytics (55 percent)
- Establishing and securing digital identities and presence (46 percent)
- Transitioning to cloud-based technologies (36 percent)
- Securing devices connected via the Internet of Things (35 percent)
- Enhancing mobile payment options (33 percent)
- Investing in “store of the future” (29 percent)

Not surprisingly, all involve multichannel capture, analysis, and usage of potentially sensitive consumer information. (See Figure 1.) However, digital innovation in retail brings more than just profit potential.

New applications specifically designed for mobile devices, such as location-based social networking (LBS) applications, have been gaining notoriety. These applications combine location specificity and interactivity, allowing users to connect with others based on their current locations such as when shopping in a connected “store of the future.”

While these technologies have the potential to facilitate deeper digital relationships and interactions between retailers and their customers, they may simultaneously open new doors for criminal activity that could potentially tarnish those relationships. Surprisingly.
many companies seem to be moving full-speed ahead installing digital technologies (e.g., RFID, e-commerce, digital wallets, and platforms), without fully understanding how cyber-related breaches may negatively impact brand reputation, erode consumer trust, and trigger excessive remediation fees. At present, retail store of the future (62.1 percent) and integration of online and physical store (37.9 percent) for consumer experience enhancements are among the most mature. (See Figure 2.)

**STORE OF THE FUTURE: CONNECTED CONSUMER EXPERIENCES MAY BUILD TRUST**

In physical, virtual, and online stores, many of today’s consumers are finding themselves in new and unfamiliar territory. Thus far, demand for many types of experiential engagement, whether through mobile phones or other connected devices combined with fitness trackers and smart home devices, remains healthy.

At a “Store of the Future” event at London’s Design Museum in April 2017, e-commerce brands displayed connected clothing racks, touch screen-enhanced mirrors, and sign-in stations that helped bridge the gap between online and brick-and-mortar retail. For example, customers were able to scan their smartphones upon entering a retail location to allow sales assistants to view their profiles, including what items they might have previously bought or saved to an online wish list. Connected clothing racks recorded which items customers physically picked up, storing this information in apps that customers could later swipe left or right to edit their selections. Smart mirrors allowed shoppers to request items in another size, browse online alternatives, and even pay without leaving the dressing room. Retailers also demonstrated holographic displays that enabled customers to create and order custom shoes, experimenting with different leathers, skins, and colors.

However, tapping into digital, augmented, or virtual-reality engagements for long-term growth may well hinge largely on consumer trust. Consumers should feel confident these digital interactions not only operate flawlessly, but that they do not develop into new gateways for criminal activity. Our research found that more than one-third of retailers surveyed do not feel their current cyber-risk initiatives and practices around connected stores are effective, and yet few seem to be taking the steps required to alleviate their risk.

One only need reference recent headlines, where millions of American consumers continue to have sensitive personal information exposed in data breaches. In some cases, hackers accessed people’s names, Social Security numbers, birthdates, addresses, and, in some instances, driver’s license numbers.

News of successful hacking through these devices may not only threaten sales of a particular product, but may also tarnish broader perceptions consumers have toward the retailer who sold them — potentially jeopardizing billions in future sales growth.

**REIMAGINING CYBERSECURITY AS A COMPETITIVE ADVANTAGE**

In a highly competitive global marketplace, the importance of building positive, long-term consumer trust and managing brand reputation should not be taken for granted. Staying relevant in today’s consumer-driven environment often requires businesses to roll out technology initiatives on tight timelines and budgets — where mitigating cyber risk can become a challenge. Retailers should consider how decades of underinvestment in cybersecurity will impact long-term growth.

Data protection is something many consumers have come to expect, and investments in security are anticipated to create a competitive advantage in today’s world of growing cyberattacks.

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**Figure 2: MATURITY OF CYBERSECURITY PROGRAMS FOR KEY INITIATIVES: RETAIL**

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Beginning to think of security risks</th>
<th>Preliminary program in place for security risks</th>
<th>Mature program in place for security risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store of the Future</td>
<td>37.9%</td>
<td>62.1%</td>
<td></td>
</tr>
<tr>
<td>Seamless Integration of Online/Stores</td>
<td>17.6%</td>
<td>29.4%</td>
<td>52.9%</td>
</tr>
<tr>
<td>Consumer Analytics</td>
<td>7.3%</td>
<td>49.1%</td>
<td>43.6%</td>
</tr>
<tr>
<td>Digital Identity/Presence</td>
<td>6.7%</td>
<td>48.9%</td>
<td>42.2%</td>
</tr>
<tr>
<td>Artificial Intelligence/Cognitive Computing</td>
<td>7.7%</td>
<td>50.0%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Mobile Payments</td>
<td>12.5%</td>
<td>46.9%</td>
<td>34.4%</td>
</tr>
</tbody>
</table>

©2017 Deloitte. Retail sector only analysis adapted from “Cyber risk in consumer business.”
An Industry’s Evolution: The Blurring Lines Between Cybersecurity And Traditional LP

As both LP and IT security are fighting the same criminal, the escalating interconnectedness will require both skillsets to converge.

GUS DOWNING Publisher-Editor of d-daily.net and Executive and Newscaster on LPNN.net, the Loss Prevention News Network

Cybercrime is the number one risk of every business. Quite frankly, cybercrime is the only thing that can significantly negatively impact sales and stock prices in real time. Security issues of yesteryear, excluding active shooters, workplace violence, civil unrest, and high-shrink stores, have become nuisances that most senior executives don’t even want to hear about.

It security executives are front and center in this new and rapidly growing cyberwar, and make no mistake, this is an economic cybercrime war. Initial indications state that the Equifax breach — a leak we may hear nothing more about — was state-sponsored, and that the vast majority of hackers were Russian, Iranian, North Korean, and Chinese. These criminals are state-supported, state-sponsored, and state-motivated. Even if they keep the spoils of war to themselves, their governments certainly aren’t stopping or extraditing them.

Except for the occasional obligatory Chinese arrest, these organized crime gangs are disrupting Western economies, companies, and citizens to the tune of billions and billions of dollars.

Interestingly enough, while the security, loss prevention, and asset protection communities are struggling to answer the call to become more multidimensional and make a bigger impact, especially when it comes to how cybercrime is impacting their business, the IT security community has its own concerns and complaints. Similar to LP’s frustrations, many IT security executives question reporting to the CIO and feel relegated to second or third fiddle due to the massive technology demands put on today’s CIOs.

It’s rare to find retailers that employ a chief security officer or, even rarer still, a chief information security officer. Yet these executives feel disconnected from the business and somewhat isolated. But this might be more of an individually driven issue due to the leader’s inability to ensure the team is integrated in the total business.

Putting all that aside, the fact remains that similar to every other retail executive right now, we’re all, including the CEO, reinventing ourselves and retail. However, for the first time in history, we’re being led by technology as opposed to steering the future. We’re all trying to catch up, and it’s changing every job in retail, including LP. The key is to go digital.

So, how far does digital go? Scan-and-go and Amazon Go are the future of retail. Data breaches, phishing, and internal threats are growing, and real-time digital responses are an absolute necessity. Yes, we have cyber fusion centers and, yes, LP sits on a number of response teams. But how much further can we go, and do we eventually become one?

The answer is obvious, although I’m sure many will disagree. Technology will drive it; budgets will demand it; and academia will document it. As both LP and IT security are fighting the same criminal, the escalating interconnectedness will require both skillsets to converge on the same crime. The feds, states, and some cities are already there. It’s merely a matter of time before we’re all on the same team and the silos disappear, because that’s what drives efficiencies.
HOW INDUSTRY & RETAILERS ARE REDEFINING THEMSELVES

INDUSTRY
ASIS — New Strategic Plan to Guide Direction of the Society
This past year the American Society for Industrial Security (ASIS), the largest security association in the world, recognized that this is a transformational time for not just society, but for the profession as well.

“The blurring of operational and cybersecurity, the need for a business-first mentality, and challenges from Big Data to Internet of Things security to ISIS and rogue nation states remain unabated.”

To meet those challenges and opportunities, ASIS is infusing enterprise security risk management in all of its products and services and in its new strategic plan.

ASIS members are seeing the cybercrime impact on their businesses and functions and are recognizing the evolutionary mandate to expand and redefine their strategic plan for the industry as a whole worldwide to that of enterprise security risk management (ESRM), which is a risk-management process used to manage security risks regardless of reporting lines or organizational structures and vastly broadens the scope of risk assessment responsibilities for the security executive.

“Convergence relates to the degree of integration within organizational structures that combines physical security and information security teams. This could include the integration of processes, procedures, or tools for the purpose of aligning security responsibilities.”

ESRM does not define an organizational structure. ESRM uses risk-management principles to manage security-related risks across an enterprise.

But it does represent the very beginnings of two groups merging, with security assessing and integrating coming closer to IT security teams and totally eliminating silos throughout the enterprise.

It requires the executive, acting as an umbrella, so to speak, to integrate risk postures across the entire enterprise and build collaborative relationships well beyond traditional lines, placing the executive at the center of all risks and allowing the enterprise to benefit from its developed and intuitive subject matter expertise.

RETAILERS
RILA — Beyond Shrinkage, Introducing Total Retail Loss
Meanwhile, last year the U.S. retail industry saw the introduction of the Retail Industry Leaders Association’s (RILA) Asset Protection Leaders Council-commissioned study Beyond Shrinkage: Introducing Total Retail Loss.

Carried out by Professor Adrian Beck from the University of Leicester in the U.K., this study set out to provide the retail industry with a better understanding of what constitutes retail loss, moving beyond the traditional confines of shrinkage to develop the much broader concept of total retail loss.

Representing the first academic step in expanding loss prevention’s vision and impact beyond the traditional store-driven shrinkage measurements, Beck offered a clear definition of total retail loss as “events and outcomes that negatively impact retail profitability and make no positive, identifiable, and intrinsic contribution to generating income.” By formally incorporating e-commerce for the first time, this definition covers the entire retail business.

Providing a macro overview of all forms of loss allows current and future loss prevention executives the ability to maximize their impact and “reimagine their role within the business, providing them with an opportunity to remain a relevant, agile, and highly-valued function in a rapidly changing retail landscape.”

CYBERCRIME’S INTERCONNECTEDNESS
Cybersecurity responsibilities will inevitably grow as more and more businesses shift online and the interconnectedness of organized retail crime and cybercrime become more apparent. A large number of e-commerce fraud teams already report into loss prevention. It won’t be a big leap when scan-and-go, Amazon Go, BOPIS, and online returns begin to drive more crime at store level than the LP analytics team can handle. The LP executives and IT security executives will be working side by side literally 24/7.

I may be wrong, but in years to come, retail won’t need two groups, as normal shoplifting is processed and programmed out, and cashiers won’t exist. What’s left? 🇬🇧
Strressing LP Advocacy, Awareness, And Accountability To The C-Suite

The only way to reduce shrink and keep people safe is to attain advocacy from the top down.

A Q&A WITH MIKE KEENAN Managing Director, Retail Loss Prevention, TAL Global

LP has evolved over the years to become a critical component of the entire organization. Here, Keenan provides reasons why senior leadership teams must work closely with LP to lower shrink, increase profitability, and keep people safe.

RETAIL EXECUTIVE: What is an LP advocate, and how can the C-suite ensure that every employee becomes an LP advocate?

KEENAN: I believe that a well-run store equates to low shortage. By making every associate part of the C-suite’s strategies, stores will be operated better, and people will be safer. That’s why C-suite leaders must understand why it’s important to emphasize loss prevention.

That’s done by building loss prevention into the company’s operating policies and procedures. Therefore, when employees are trained properly from the beginning, they’re trained in the components of loss prevention. Employees don’t need to conduct loss prevention investigations. They really just have to be aggressive about following the company’s policies and procedures. I advise the C-suite to include loss prevention when it’s creating policies and procedures. Then, together, we can build in the loss prevention controls from the very start.

Retailers must maximize their resources. One of the ways to do that is to include loss prevention in all aspects of the business, because if that’s done, there is going to be, in my opinion, better profitability. If retailers can control loss — if they can maintain compliance with the approaches set forth by the business, and they can keep people safe — they will add to the overall profitability of the company.

For example, when it’s time to create a new receiving procedure, a committee is created to revise the existing policy. Invite loss prevention to these meetings. But traditionally, when asked to be included, LP receives a response suggesting that we need not be there because we have better things to do. However, that’s the wrong response. Not attending these meetings puts LP in a reactive position, when we need to be proactive. If LP is included in business conversations from the start, we can build in the controls to prevent all sorts of problems.

“ I advise the C-suite to include loss prevention when it’s creating policies and procedures. Then, together, we can build in the loss prevention controls from the very start.”

Every company has good, solid receiving procedures — counting every carton it receives at the store, for example. But without accountability for loss, consider the store manager who says, “You know what? We don’t have time. We don’t have the payroll. Just take the merchandise and accept it.” Well, if you start having shortage in that store, you would naturally start focusing all of your efforts in the store because you assume it is receiving all of the product allocated to it and, therefore, that the loss is occurring at the store level. However, due
to lack of proper receiving check-in, the shortage may actually be happening in the distribution center. You won’t be able to correct the problem because you don’t know it exists.

By making each and every employee an LP advocate — and adding accountability to their performance metrics — processes and procedures are better executed, shrink decreases, and profitability increases.

**RETAIL EXECUTIVE:** When you sit down with the members of the retail C-suite to discuss ongoing LP efforts, what titles must be part of the discussion?

**KEENAN:** The top LP person in the organization should be part of the senior leadership team. Many companies don’t include loss prevention on their senior leadership team because the meetings are “business discussions.” In these meetings, they talk about the business, what’s working, what isn’t working, what product is struggling, what stores are struggling, what markets are struggling, what regions are struggling, etc.

Part of what LP professionals have to do is to realize that if they want to be truly effective and be considered part of the business, they actually have to attend the high-level meetings that they probably aren’t attending now. It’s important to make sure that LP and the C-suite alike understand that LP is a critical component of a successful retail business operation. The more LP knows, the more we can help support company business initiatives. LP professionals should be business professionals with expertise in loss prevention. In addition to equipment and staff, I fight for accountability from the store manager level up. If the C-suite is an advocate for loss prevention, it will add value to the profitability and success of the business.

**RETAIL EXECUTIVE:** You’ve coined your “Wave Theory” with regard to shrink. Please explain.

**KEENAN:** The Wave Theory works like this. First, there’s the wave coming in. When shrink is high, LP leaders receive support and resources from senior leadership to address the profit drain. For example, one of my former employers had a bad shrink problem. I spoke to the head of stores about including shortage on field employees’ performance reviews. But you can put only so many metrics on a performance review. There was quite a bit of objection to it, but because shrink was high, we were able to include shortage in reviews. Once we did, there was an immediate increased focus on shrink. Sure enough, store managers and district managers began calling my team to inquire about how to reduce shrink. Once managers were being held accountable for the shortage, it became important for them to control loss. This is the first step toward reducing shrink.

The number one thing I have always requested from senior leadership is to enforce accountability down to the store manager level, because that’s where the shrink really occurs — at the store. I’m an LP professional, so I am able to easily sift through what’s real and what’s “showtime” when I visit the stores; store managers are good at showtime. But if store managers are truly invested and engaged in their stores, I am able to glean that simply by walking through the store, talking to the manager, noticing the condition of the store, talking to associates, etc. When you hold people accountable for shrink, the focus on controlling loss is noticeably better and profitability increases. Why? Because they execute the controls already built into the policies and procedures more effectively.

This leads to the “wave out” part of the Wave Theory. When shrink improves to an acceptable level, the wave goes out, meaning that the C-suite tends to reduce its focus on it. And, as a result, shrink is removed from employee performance metrics. In my experience, when you remove the accountability for shrink, shortage goes back up. Most of the senior leadership team members I have worked with in my career are very savvy, and they understood my point. The secret to consistently low shrink is to put accountability for shortage in place and keep it there.
Retail Apocalypse Vs. Retail Transformation

For retailers who are not well into their transformation to a ubiquitous, real-time retail customer journey, the key to survival is to redouble their efforts before the competition puts them out of business.

PERRY KRAMER Vice President and Practice Lead, BRP

With a flurry of bankruptcies and store closure announcements in 2017, the “Retail Apocalypse” phrase has become the topic of many conversations. While the doom and gloom of an apocalypse is not likely to be a reality, there is no argument that change, turmoil, and disruption is reshaping the world of retail.

To meet consumer expectations and avoid a potential retail apocalypse, successful retailers are transforming their retail and customer engagement models.

Retailers need to deliver this experience to thrive and, in many cases, increase their store count and profits. Retailers who are successfully meeting these evolving customer expectations are taking a holistic approach to defining their customer’s journey and understand that change is needed at almost every point in their enterprise. Critical focus points for success include optimizing customer engagement, adopting mobile technology, and achieving real-time retail across the enterprise.

CUSTOMER ENGAGEMENT

Top retailers realize that evolving and improving the way they engage the customer is key to surviving. According to BRP’s 2017 Customer Experience/Unified Commerce survey, 55 percent of retailers indicate that optimizing the customer experience is their top priority. Retailers realize they need a new approach to enable a unified experience, an approach that supports the convergence of the digital and physical worlds, as they engage their customers in a consistent and ubiquitous experience.

MOBILE

Consumers increasingly use mobile devices as a key shopping tool with statistics indicating that a whopping 84 percent of shoppers use their mobile devices in physical stores for competitive shopping, product information, or consulting with friends. For retailers not already leveraging mobile tools, the customer with a mobile device has more information than an employee without a mobile tool. With a wealth of information at consumers’ fingertips, retailers need to equip their store associates with mobile technology to access more information than their customers have. Mobile capabilities enable sales associates to never leave the customer’s side to “find a product or look up something,” which helps avoid customer abandonment, adds personalization, and saves the sale.

REAL-TIME RETAIL

To keep the customer as the epicenter of the retail transaction, retailers need to migrate to an environment that offers real-time access to enterprise-wide product information, customer preferences, and transaction history across all channels. To meet the new set of customer expectations, modern customer engagement, merchandising, order management, and inventory management systems must be integrated in real time and seamlessly accessible by the sales associate. Top retailers have adopted and implemented a unified commerce platform with real-time retail information at the fingertips of their sales associates.

Most retailers are working to meet these rapidly changing customer expectations, as 84 percent of retailers surveyed in the BRP survey indicated they would have real-time retail implemented within three years. Many retailers have implemented some pieces of this future-state requirement, but only the very successful have been able to extend the real-time technology so that it touches the customer consistently across all channels.

While retail is definitely going through challenging times, the transformation is exciting with new technologies and opportunities arising to enhance the customer journey. The next year will bring further transformation driving fundamental changes in retail. The time is now to innovate the customer experience by transforming retail operations for the new customer journey. The future of retail is here — ready or not.
ROI in print.

Reclaim the lost art of reading for (business) pleasure.
Winning Without A Playbook

Each future-fit leader embodies six distinct behaviors.

TREVOR HARDY  CEO, The Future Laboratory

We were in the age of certainty. Not so long ago we had all the answers. Google was “organizing the world’s information,” and we believed that all problems — even social problems — could be solved by tech. We would know what every consumer wants and, thanks to GPS, we would know where everyone and everything was. And with Wikipedia, we would also know the history of any event, person, or idea.

The world was a more predictable place, and we had models and methods and tricks of the trade that, if followed, would result in business growth. As long as we read the right books, followed the lessons of successful leaders, and stuck to the fundamentals laid out by the great management thinkers, business would proceed down its natural course toward inevitable success.

UNCERTAINTY IS BACK

In fact, uncertainty never went away. We just chose to ignore it, mistakenly believing that there is more value in certainty — more cultural currency in conviction — than there is in ambiguity. The digital evangelists had somehow convinced us that the world was rational, that we were rational, not unlike machines. Equally, they convinced us that the old analog world of emotions and frictions, affections and reactions, was irrational and could therefore be overcome through information and analysis.

Today, the rules of business seem to shift by the hour. What seemed to guarantee success last week only results in failure today. There is no playbook for CEOs any longer. And in this new age, with nothing to depend on except instinct, it is even more important to know everything as well as what’s around the corner.

Being a leader in any organization can be a lonely job. This feeling is only accentuated in periods of great acceleration and uncertainty. In times like these, preparation becomes an essential skill — not only preparation for the immediate and near-term, but also building a state of future-readiness.

Over recent years, as the pace of change and decision-making has increased, an organization’s outlook has become more fixated on the short term. In such moments, it is even more essential to take a long view: a long-term outlook is the best way to protect and grow a business in times of rapid change and uncertainty.

A long-term view, while valuable, is but only one element of a future-fit leader. Our research over the last couple of years into what makes some leaders more fit for the future than others has revealed that there are six key critical behaviors that leaders will need to exemplify to prepare for, and secure, the best possible futures for their businesses.

Future-fit leaders plan for change; they think about the future and take the long view. Secondly, they are continuously innovating, exemplifying a commitment to evolve, improve, and develop. Next, and probably more important than the ability to innovate, is the agility to act, which means that leaders should be able to quickly take practical steps to bring about changes in themselves or their organizations. Fourth is the permission in the minds of colleagues and stakeholders to stretch into new roles should opportunities present themselves. Next, future-fit leaders behave in a conscious way toward their community, environment, and planet and take significant steps to be aware of and reduce negative impacts. And finally, leaders who are fit for the future are ones who take good care of the ultimate resource — their employees. A future-fit leader not only strives for a highly engaged, motivated team, but also has high levels of diversity within teams and a high proportion of women in senior and board positions.

To be truly prepared, as fit for the future as one can be, a leader must excel in all of these behaviors. As in personal fitness, just buying the best gym kit is not enough — it must be combined with a good diet, exercise, mental toughness, and commitment. These six behaviors embody the future-fit leader. A leader who can succeed without a playbook and feel prepared for what’s next. Preparation is everything, especially if you want to turn uncertainty into opportunity.
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