



UNIVERSITY OF
ARKANSAS
SAM M. WALTON
COLLEGE OF BUSINESS

WALTON MBA ALUMNI RECONNECT

DISRUPTION IN RETAIL

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WHO AM I

□ Dinesh Gauri

- M.S. in Mathematics & Computer Applications
- M.A. Economics
- Ph.D. Marketing
- Professor of Marketing (at Walton College since July 2016)
- Executive Director of Retail Information
- Associate Editor - Retailing Area, Journal of Business Research



WATCH YOUR DAY IN FUTURE



RETAIL IMPACTS EVERYONE, EVERYWHERE, EVERY DAY

★ RETAIL ★ — ACROSS — AMERICA

TOTAL RETAIL
EMPLOYEES

351,560



96%

RETAILERS
WITH LESS THAN

100

EMPLOYEES

RETAIL
COMPANIES

20% | 9% | 18%

FEMALE-OWNED
VETERAN-OWNED
MINORITY-OWNED

TOTAL RETAIL
STORES

24,203



NRF NATIONAL
RETAIL
FEDERATION®

nrf.com

#retailacrossamerica

RETAIL'S IMPACT

Close to **40%** of retail employees
work for small businesses.

95% of all retailers
operate just one location.

Retail supports
1 in 4
JOB
in the United States.

#1 private
sector
employer
• providing •
29 million
American jobs.

98 %
of all retail
businesses employ
fewer than 100 people.










Retail supports
at least
20% of jobs
in every state.

NRF® NATIONAL
RETAIL
FEDERATION®

nrf.com

#retailcrossamerica

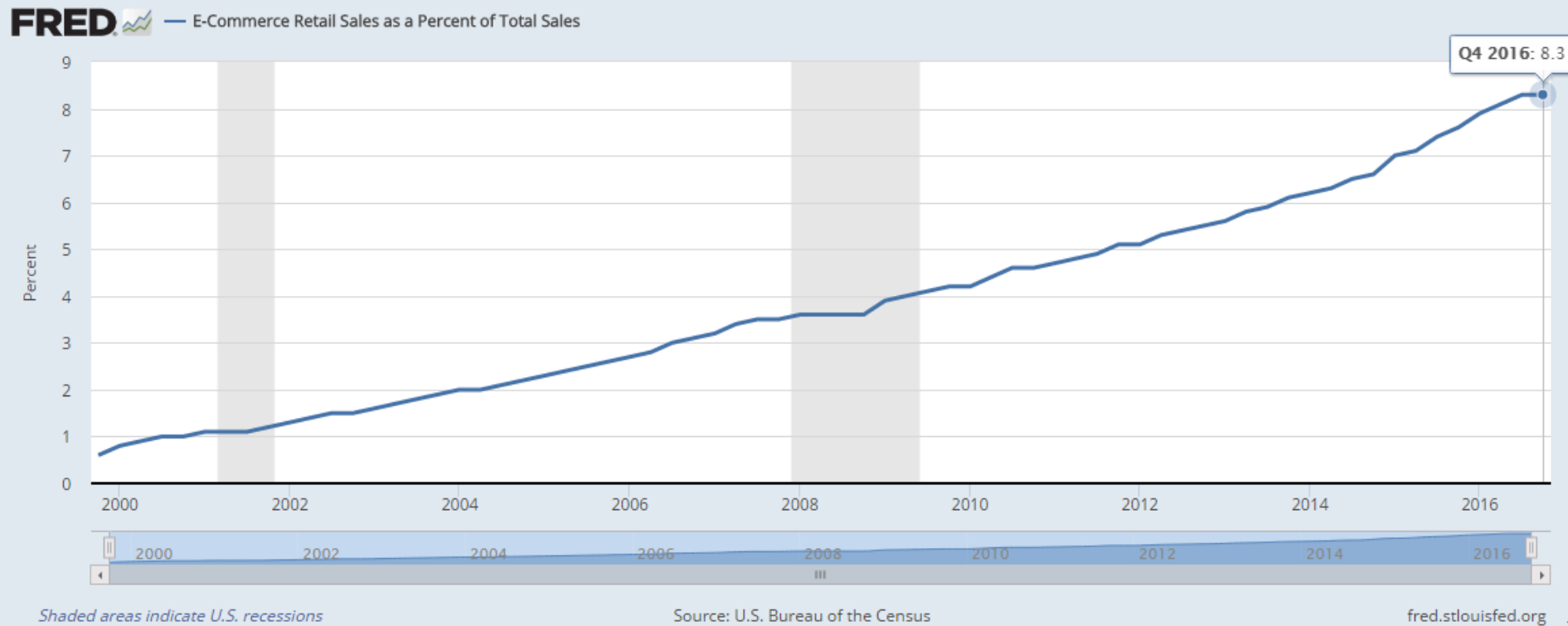
DISRUPTION IN INDUSTRY – OVER DECADE

Retailer	Market Value (2006)	Market Value (Today)	Change
	\$28.4 B	\$15 B	(47 %)
	\$18.1 B	\$ 1.9 B	(89 %)
	\$24.2 B	\$ 6.9 B	(71 %)
	\$24.2 B	\$ 9.1 B	(62 %)
	\$12.4 B	\$ 7.7 B	(37 %)
	\$27.8 B	\$ 1.5 B	(94 %)
	\$51.3 B	\$ 29.5 B	(42 %)
	\$214 B	\$ 222.7 B	4 %
	\$17.5 B	\$ 430.7 B	2361 %

LEADING TO OVER \$300B IN M&A OVER THE LAST 30 MONTHS IN CPG AND RETAIL ALONE

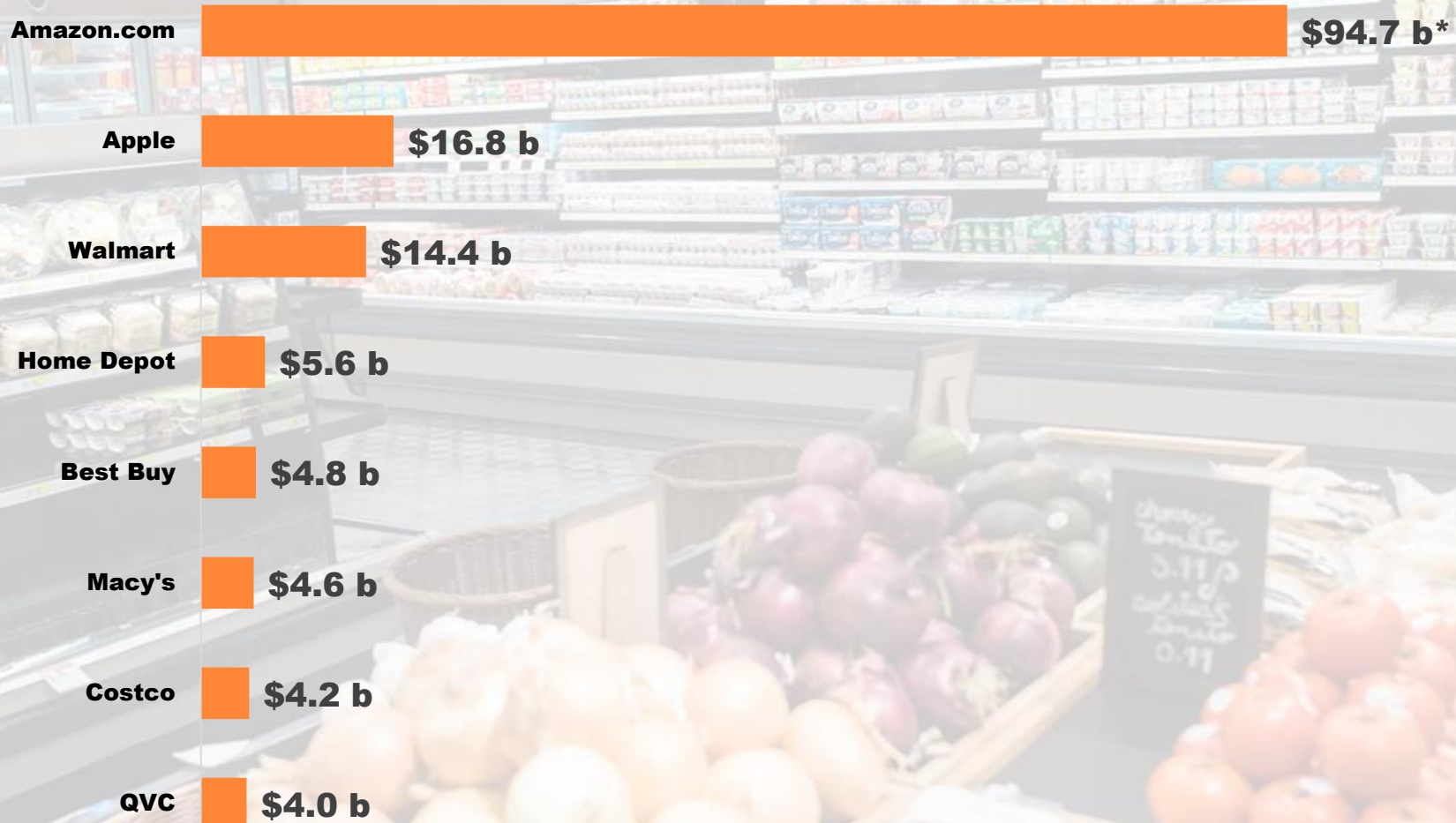


E-COMMERCE RETAIL SALES AS % OF TOTAL SALES



Ecommerce Retail Sales in 2016 - \$398 billion

BIGGEST U.S. E-COMMERCE RETAILERS



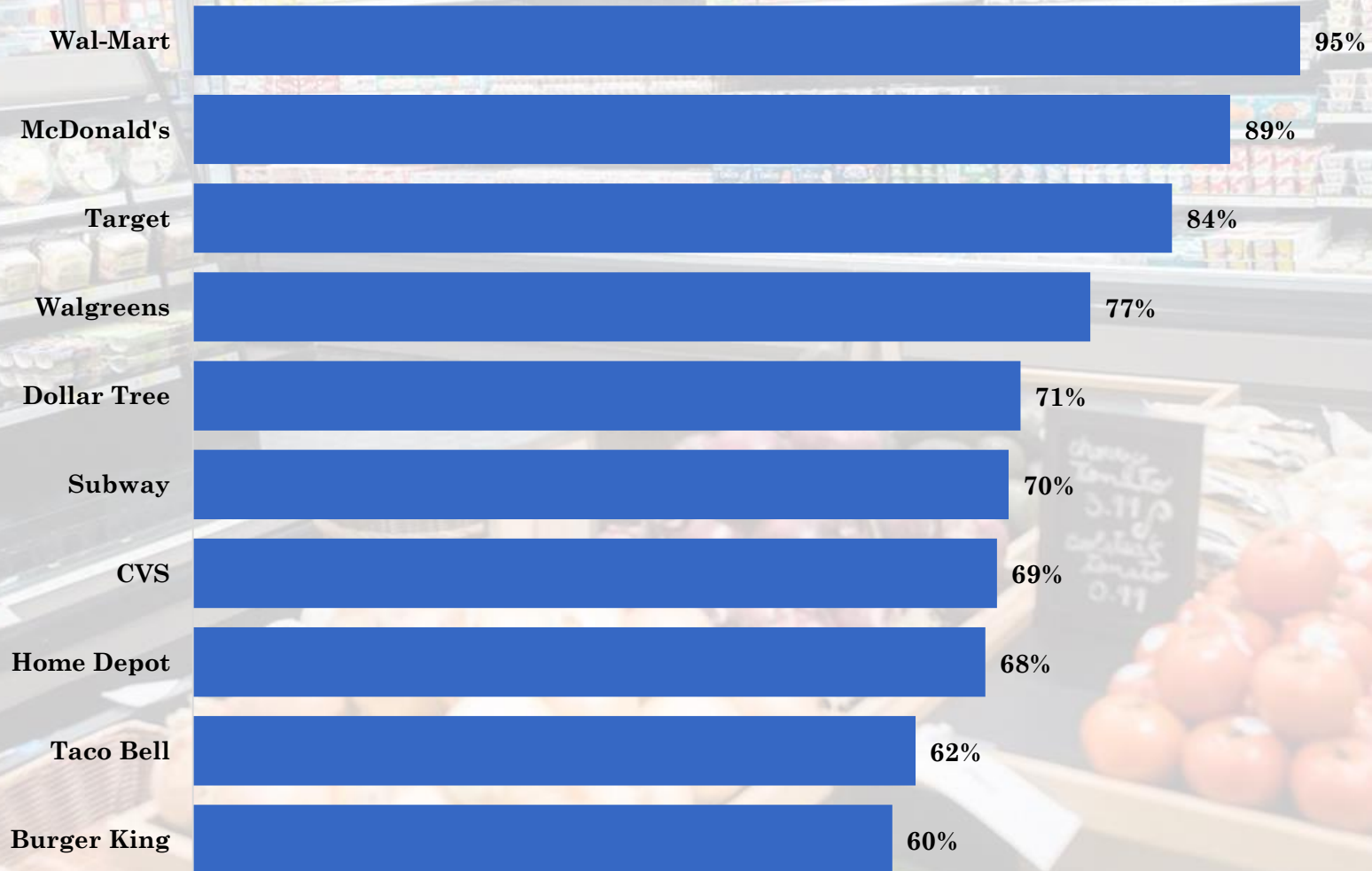
*Excludes Media and Services

Source: E-Marketer Inc.

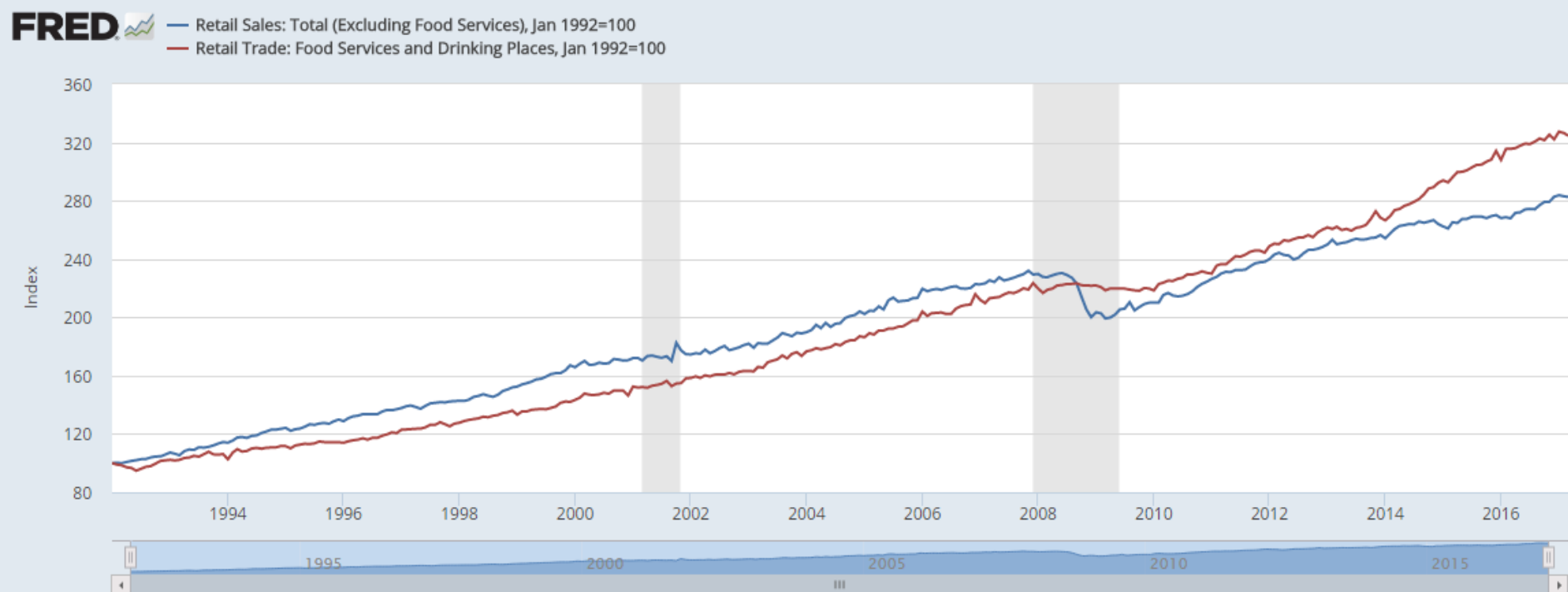
WHERE DO US CONSUMERS SHOP?

Top 10 retailers and restaurants

Penetration of US shoppers who made a purchase at one of these companies in 2016



NON-FOOD RETAIL VS. RESTAURANTS AND BARS: 1992-2017



Shaded areas indicate U.S. recessions

Sources: U.S. Bureau of the Census

fred.stlouisfed.org

RETAIL SPACE PER PERSON (SQ. FT.)



23.5



16.4



11.1

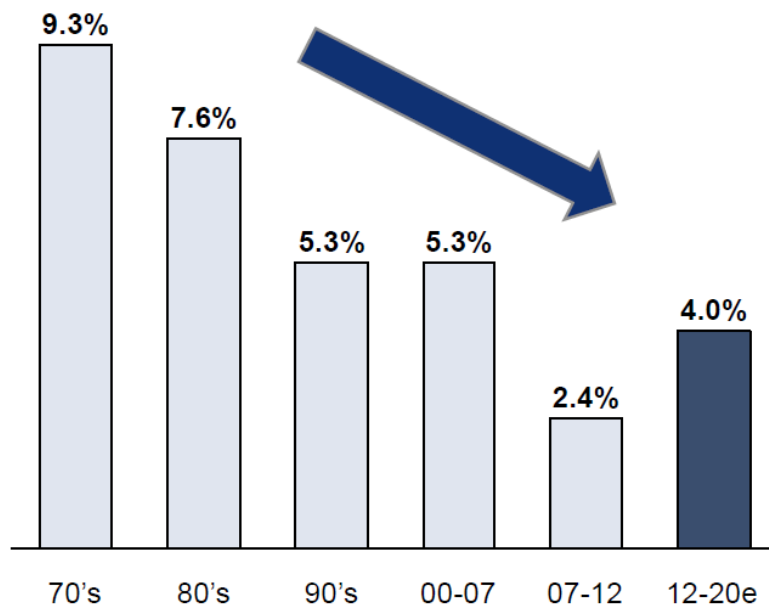


2.5

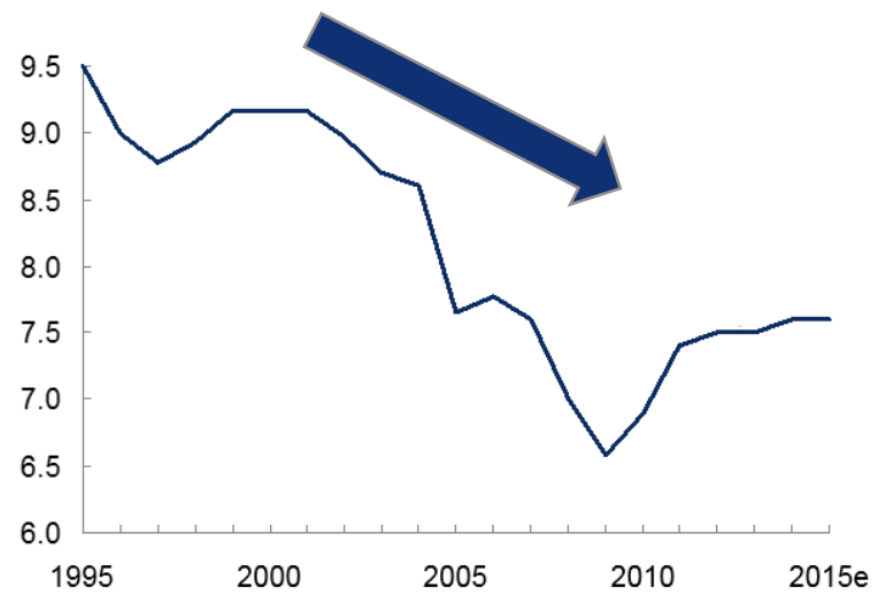


RETAILERS' ECONOMIES ARE CHALLENGED

**Worldwide Retail sales growth
CAGR**



**3-yr trailing average retailer ROIC
Percent**



WITH WINNERS AND LOSERS

% CAGR in market cap over last decade (B\$)

Losers

Electronics and office
(B\$)

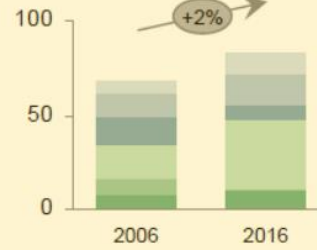


Department store
(B\$)



Defenders

Grocery
(B\$)

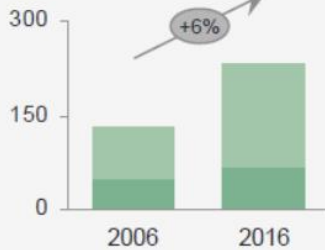


Mass
(B\$)



Growing

DIY
(B\$)

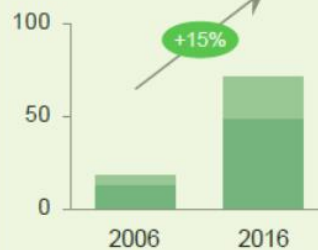


Drug
(B\$)

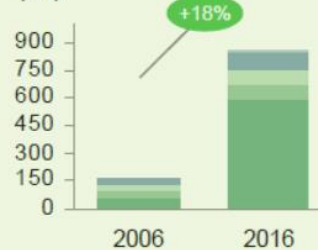


Winners

Off price
(B\$)



Vertical branders
(B\$)



E-commerce pure plays
(B\$)



TRENDS DRIVING FUTURE OF RETAIL



Empowered Consumer



Disruptive Technologies



Transformative Business Models

NEW EQUATION OF VALUE

○ Historical Equation

- Consumer Value = Cost + Choice + Convenience

○ Future Equation

- Consumer Value = Evolved Cost + Evolved Choice + Evolved Convenience + Control + Experience

IMPORTANCE OF SHOPPER EXPERIENCE



72%

of consumers want to
shop in stores



76%

of purchase decisions
are made in store



SHOPPER EXPERIENCE INNOVATION IS MORE CRITICAL THAN EVER

Shopper needs are changing rapidly

"...industry observers predict that retail will change more in the next five years than it has over the past century."

McKinsey & Company



Dynamic Technology
Shifting Economy
Consumer Trends

But they are still going to stores

"Brick-and-mortar stores are expected to account for about 85% of US retail sales in 2025"

according to McKinsey & Forrester

BASS PRO SHOPS



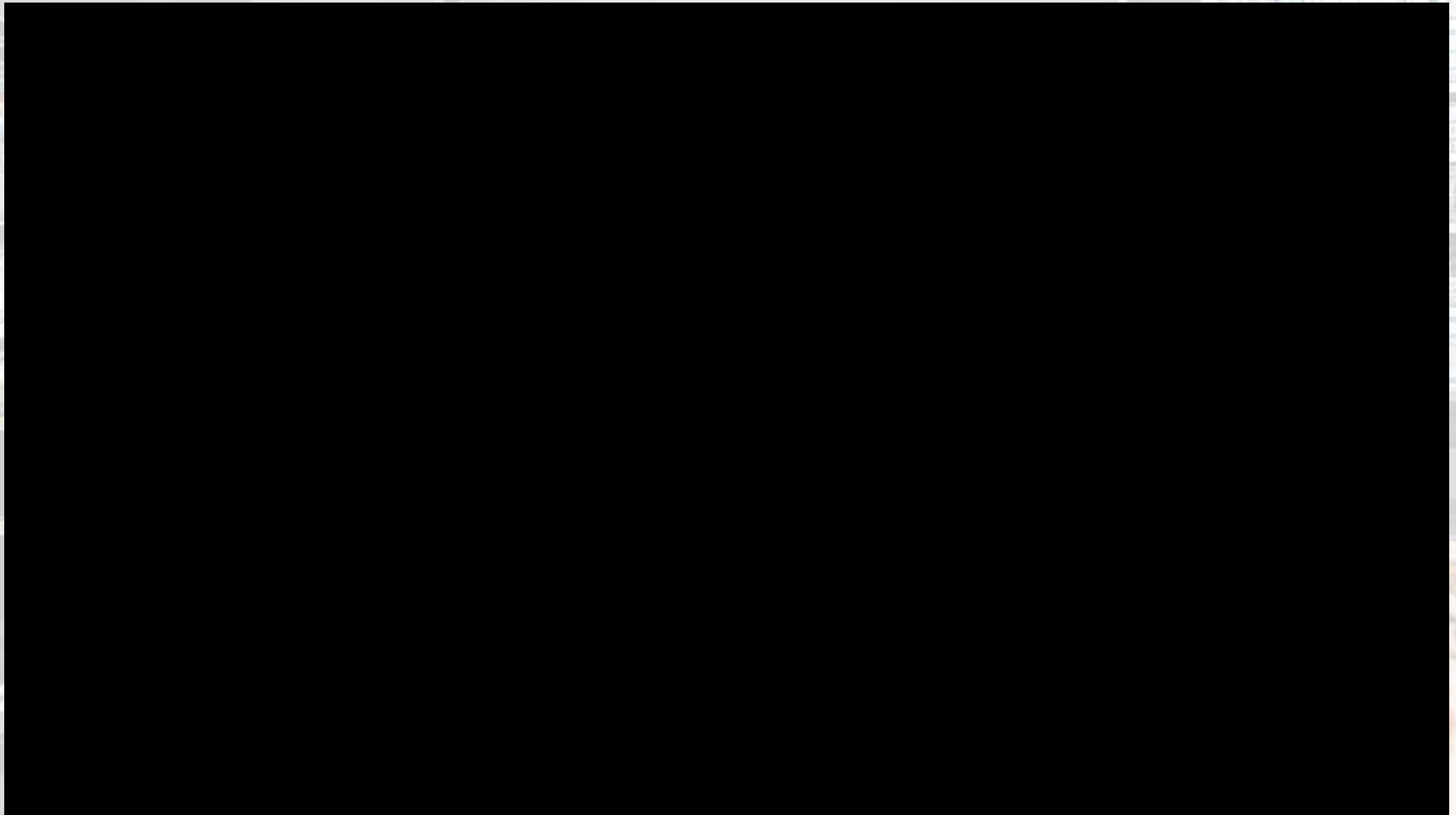
In-store Experience is extremely important

WEGMANS



In-store Experience is extremely important

EXAMPLE OF CREATING GREAT IN-STORE EXPERIENCE



- You have to give a compelling reason to shoppers to come to your store!



BONOBOS: HOW CAN YOU DISRUPT APPAREL PURCHASES

- E-commerce purchases have 30 % return rate
- Realized that only Online Experience will not be enough



TRENDS DRIVING FUTURE OF RETAIL



Empowered Consumer



Disruptive Technologies



Transformative Business Models

DISRUPTIVE TECHNOLOGIES

- Internet of Things (IoT)
- Autonomous Vehicles/Drones
- Artificial Intelligence/Machine Learning
- Robotics
- Augmented Reality/Virtual Reality
- 3D Printing
- Blockchain



RETAILERS CITE THE TECHNOLOGY TRENDS SHAPING THE FUTURE

PERCENTAGE OF RESPONDENTS PLANNING INVESTMENTS BY 2021



2021 70%

INTERNET OF THINGS

Giving a digital voice to people, processes and things to improve the customer experience, enhance supply chain visibility and expand revenue opportunities.



2021 68%

MACHINE LEARNING / COGNITIVE COMPUTING

Analytics and predictive models to help retailers personalize customer experiences and enhance inventory demand, forecasting and visibility.



2021 57%

AUTOMATION

Automation for packing and shipping orders, inventory tracking, checking in-store inventory levels and assisting customers in finding items.



Location based
services

2021 **75%**

PERSONALIZATION VIA IoT LOCATIONING TECHNOLOGY

35% **75%**

Know when
specific customers
are in store

30% **74%**

Know where
specific customers
are in store

27% **75%**

Real-time alerts deploying
employees to location in
store to assist shoppers

27% **79%**

Customize
store visit

25% **74%**

Alert when loyal customer
walks in the door

22% **71%**

Alert when customer
is in the parking lot to
pickup online order

INTERNET OF THINGS (IoT)

- 
- Carefour achieved 400 % increase in its digital application's engagement rate
 - 600 % increase in app users

AUTONOMOUS VEHICLES/DRONES

- Brings cost savings to retailer & faster delivery to customers

COMPANIES HAVE TO “DISRUPT” THEIR OWN BUSINESS TO SURVIVE

- 
- Cost is still a major issue
 - Drone deliveries estimated to represent less than 1% of commercial drone market by 2020
 - Gartner (2017)

ARTIFICIAL INTELLIGENCE/MACHINE LEARNING

- Companies are experimenting many interesting things

ARTIFICIAL INTELLIGENCE/MACHINE LEARNING

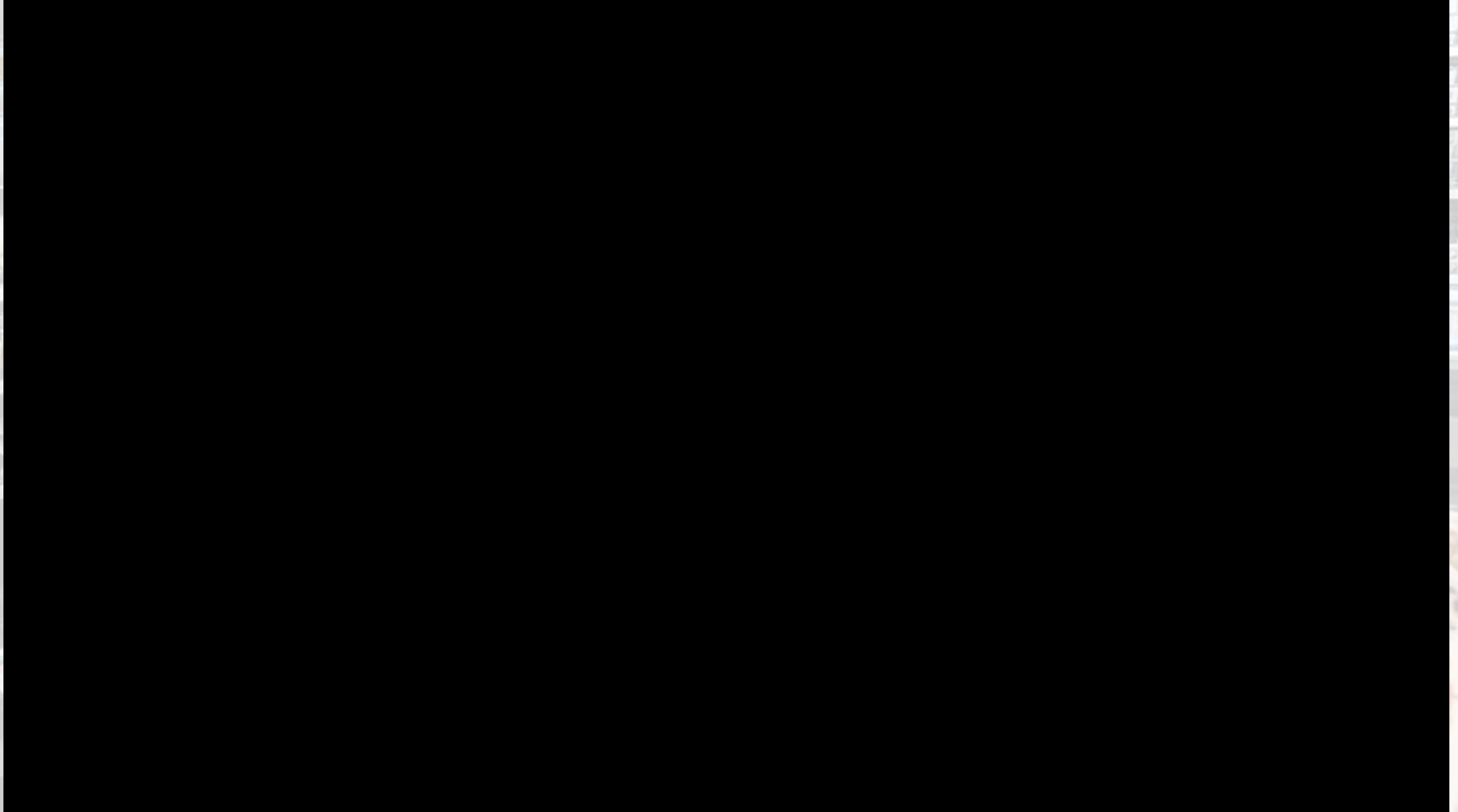
- Use of Chatbots has been increasing across many sectors

ARTIFICIAL INTELLIGENCE/MACHINE LEARNING



Casper's Insomnobot keeps you company at 4 AM in the morning.

ARTIFICIAL INTELLIGENCE/MACHINE LEARNING



TRENDS DRIVING FUTURE OF RETAIL



Empowered Consumer



Disruptive Technologies



Transformative Business Models

TRANSFORMATIVE BUSINESS MODELS

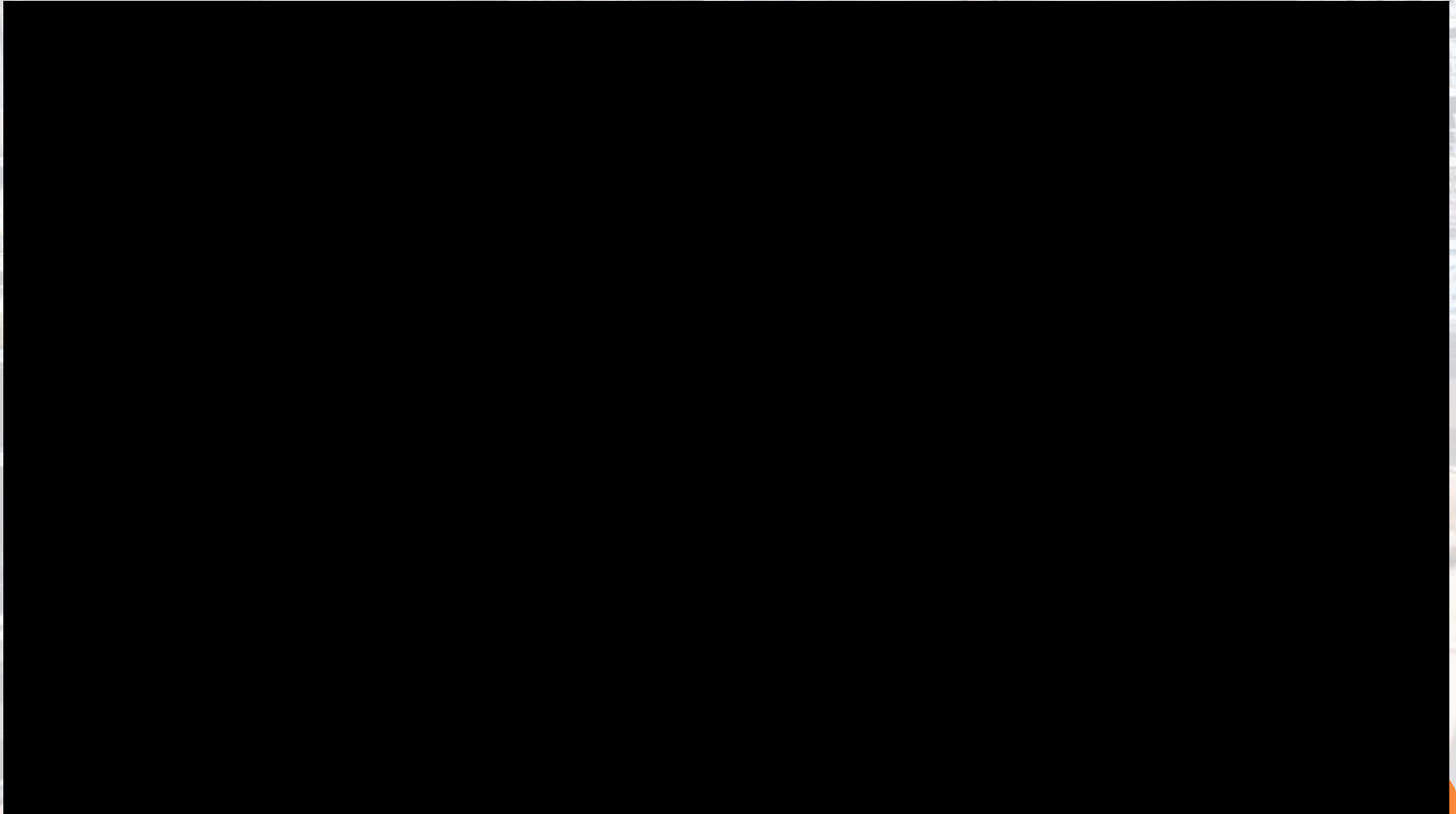
- Differentiated Consumer experiences
- New Frontline Workforce
- Physical Stores as Hubs for Social Interaction
- Ecommerce - Emerging Business Models
 - Personalization
 - On-Demand
 - Sharing Economy
 - Services



REBECCA MINKOFF'S STORE OF THE FUTURE

- 6-7 times increase in ready-to-wear sales due to enhanced in-store experience

AMAZON Go – CHECK-OUT FREE SHOPPING EXPERIENCE



EMERGING BUSINESS MODELS IN RETAIL

- Personalization
- On-Demand
- Sharing Economy
- Services



EMERGING BUSINESS MODELS IN RETAIL

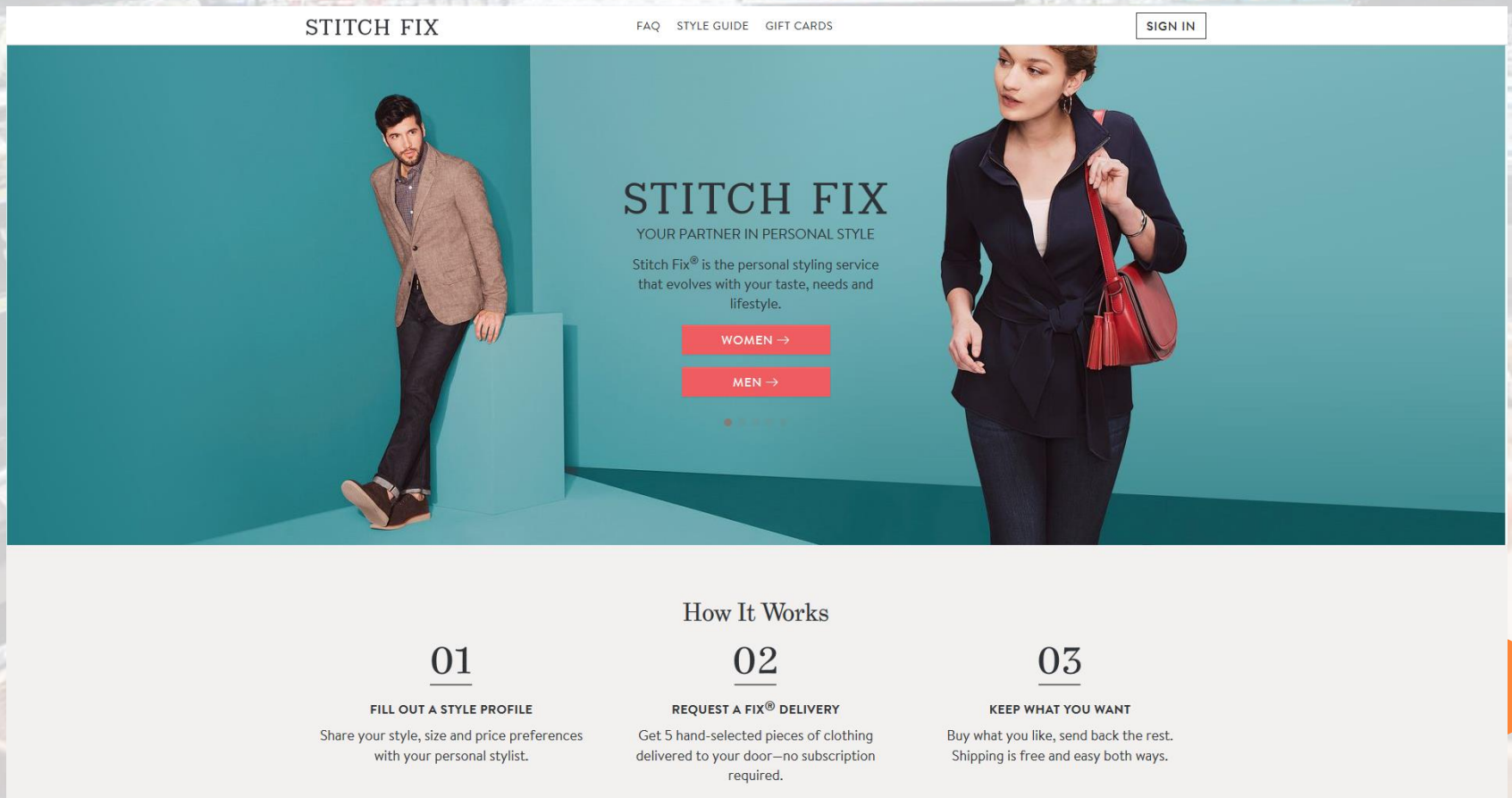
○ Personalization

- Expertly curated product customized to preferences of an individual, sent on an automatic schedule



PERSONALIZATION

- StitchFix
 - Personal shopping service sends individually selected clothing & accessories



STITCH FIX

FAQ STYLE GUIDE GIFT CARDS

SIGN IN

STITCH FIX

YOUR PARTNER IN PERSONAL STYLE

Stitch Fix® is the personal styling service that evolves with your taste, needs and lifestyle.

[WOMEN ->](#)

[MEN ->](#)

● ● ● ● ●

How It Works

01

FILL OUT A STYLE PROFILE

Share your style, size and price preferences with your personal stylist.

02

REQUEST A FIX® DELIVERY

Get 5 hand-selected pieces of clothing delivered to your door—no subscription required.

03

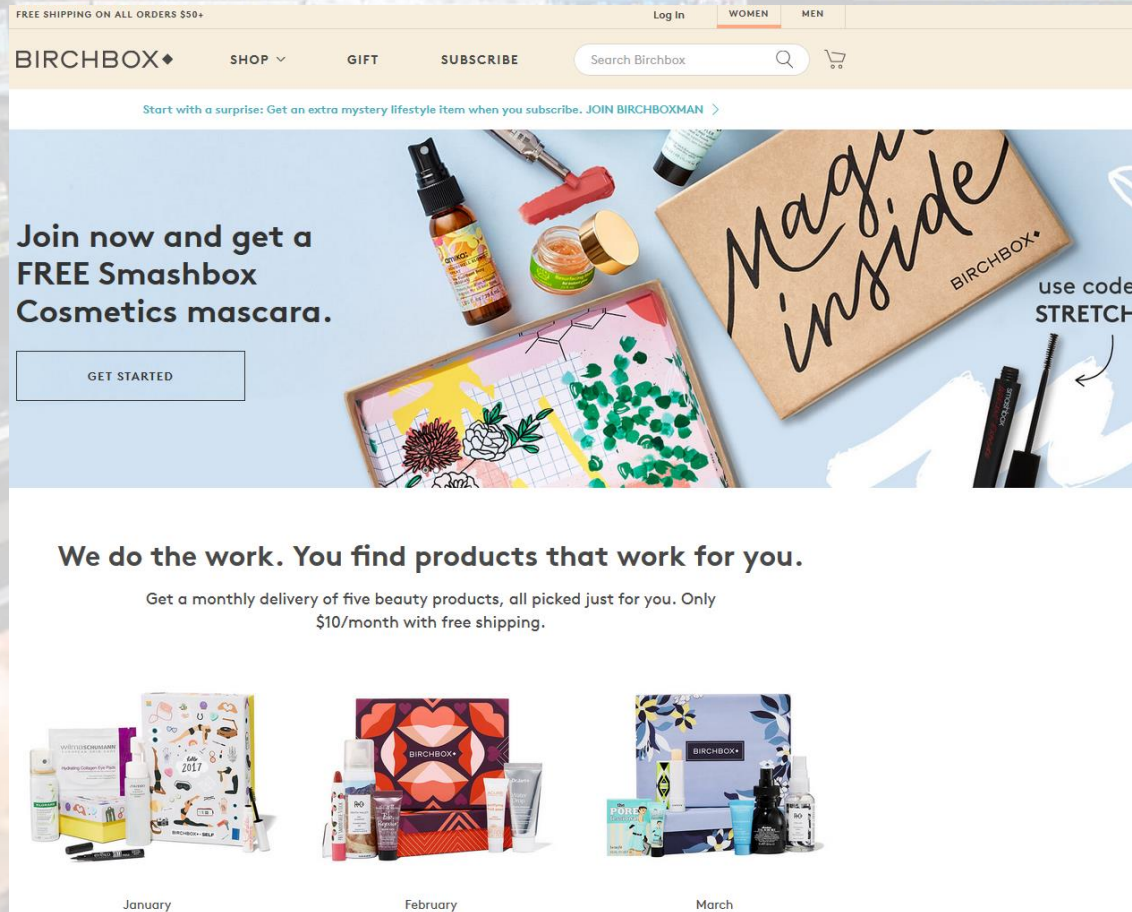
KEEP WHAT YOU WANT

Buy what you like, send back the rest. Shipping is free and easy both ways.

PERSONALIZATION

- Birchbox

- You can choose products based on the characteristics of skin, hair, age and other factors. Subscribers get samples of cosmetics for free. Can buy the “full versions” on the website



FREE SHIPPING ON ALL ORDERS \$50+

Log In WOMEN MEN

BIRCHBOX ♦ SHOP ▾ GIFT SUBSCRIBE Search Birchbox 🔍 🛒

Start with a surprise: Get an extra mystery lifestyle item when you subscribe. JOIN BIRCHBOXMAN >

Join now and get a **FREE Smashbox Cosmetics mascara.**

GET STARTED

use code **STRETCH**

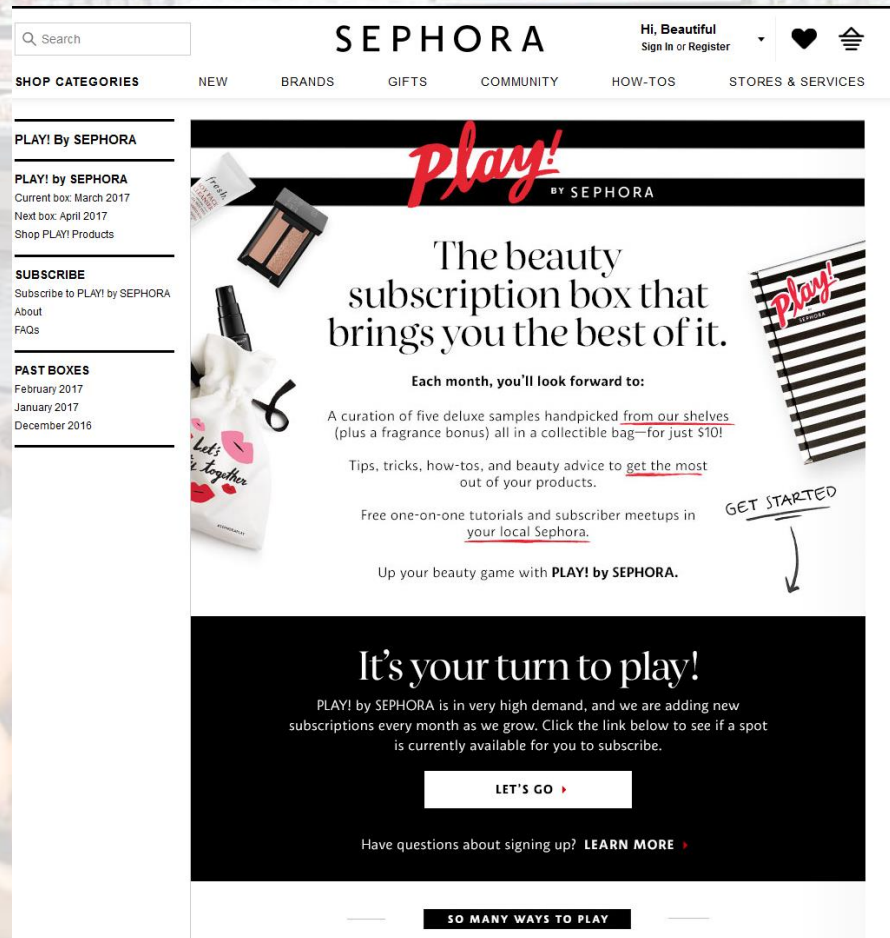
We do the work. You find products that work for you.

Get a monthly delivery of five beauty products, all picked just for you. Only \$10/month with free shipping.

January February March

PERSONALIZATION

- Sephora Play!
 - Sends makeup and beauty samples, plus bonus extras like Spotify playlists



The screenshot displays the Sephora Play! website. At the top, the Sephora logo is centered, with navigation links for SHOP CATEGORIES, NEW, BRANDS, GIFTS, COMMUNITY, HOW-TOS, and STORES & SERVICES. A search bar is on the left, and a user greeting 'Hi, Beautiful' with a sign-in/register link is on the right. The main content area features a large 'play! BY SEPHORA' header. Below it, the text reads: 'The beauty subscription box that brings you the best of it.' A sub-headline states: 'Each month, you'll look forward to:'. The main body lists three benefits: 'A curation of five deluxe samples handpicked from our shelves (plus a fragrance bonus) all in a collectible bag—for just \$10!', 'Tips, tricks, how-tos, and beauty advice to get the most out of your products.', and 'Free one-on-one tutorials and subscriber meetups in your local Sephora.' A 'GET STARTED' button with a downward arrow is positioned to the right. At the bottom, a black banner says 'It's your turn to play!' followed by a paragraph about the high demand for the subscription and a 'LET'S GO' button. A footer link 'LEARN MORE' is also present.

Q Search

SEPHORA

Hi, Beautiful
Sign In or Register

SHOP CATEGORIES NEW BRANDS GIFTS COMMUNITY HOW-TOS STORES & SERVICES

PLAY! By SEPHORA

PLAY! by SEPHORA
Current box: March 2017
Next box: April 2017
Shop PLAY! Products

SUBSCRIBE
Subscribe to PLAY! by SEPHORA
About
FAQs

PAST BOXES
February 2017
January 2017
December 2016

play!
BY SEPHORA

The beauty subscription box that brings you the best of it.

Each month, you'll look forward to:

A curation of five deluxe samples handpicked from our shelves (plus a fragrance bonus) all in a collectible bag—for just \$10!

Tips, tricks, how-tos, and beauty advice to get the most out of your products.

Free one-on-one tutorials and subscriber meetups in your local Sephora.

Up your beauty game with PLAY! by SEPHORA.

GET STARTED

It's your turn to play!

PLAY! by SEPHORA is in very high demand, and we are adding new subscriptions every month as we grow. Click the link below to see if a spot is currently available for you to subscribe.

LET'S GO

Have questions about signing up? [LEARN MORE](#)

SO MANY WAYS TO PLAY

PERSONALIZATION

- Bright Cellars
 - Online service pairs you with wines based off a quiz that matches your taste preferences to wines with an algorithm



The screenshot displays the Bright Cellars website interface. At the top, there's a navigation bar with a 'LOGIN' button and links for 'How It Works', 'About Us', 'Gifts', 'Blog', and 'Brand Shop'. The main heading reads 'DISCOVER YOUR WINE EXPERIENCE'. Below this, a paragraph describes the service as a monthly wine club that uses a taste quiz to provide personalized matches. A prominent red 'GET STARTED' button is visible. The lower section features three numbered steps: 1. TAKE QUIZ (Create your own unique taste profile), 2. VIEW MATCHES (Based on your taste profile, see four unique wines that you'll love), and 3. EXPERIENCE (Try four new wines matched to your profile for \$60 every month). Each step is accompanied by a circular icon: a laptop with charts for the quiz, a laptop with a wine bottle and heart for matches, and a wine box with a glass for the experience.

BRIGHT CELLARS

How It Works About Us Gifts Blog Brand Shop

DISCOVER YOUR WINE EXPERIENCE

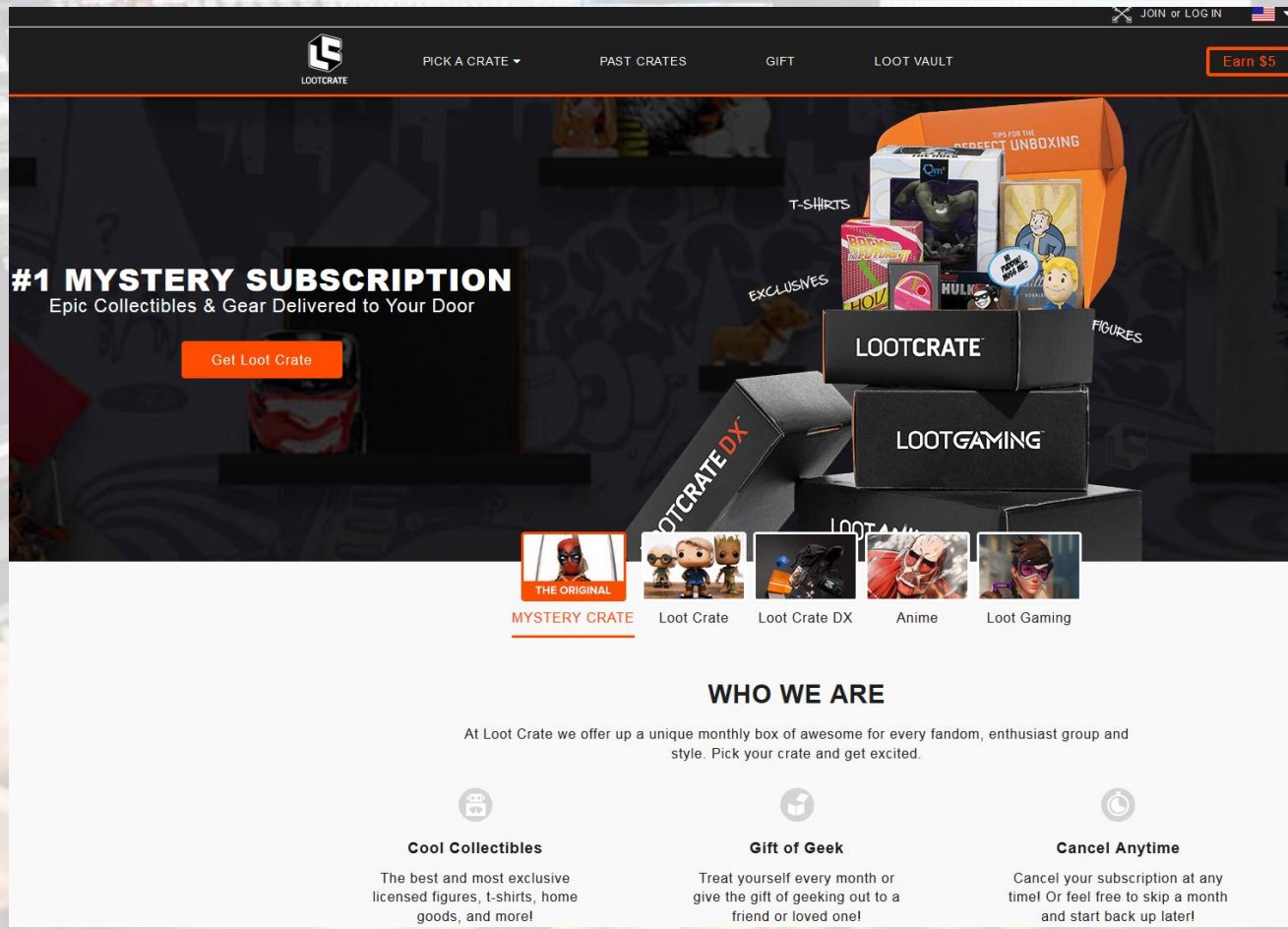
Bright Cellars is the monthly wine club that matches you with wine that you'll love. Take your taste palate quiz to see your personalized matches.

GET STARTED

- 1 TAKE QUIZ**
Create your own unique taste profile.
- 2 VIEW MATCHES**
Based on your taste profile, see four unique wines that you'll love.
- 3 EXPERIENCE**
Try four new wines matched to your profile for \$60 every month.

PERSONALIZATION

- Lootcrate.com
 - Monthly boxes of geek and gaming related merchandise



The screenshot displays the Lootcrate website interface. At the top, there's a navigation bar with the Lootcrate logo, links for 'PICK A CRATE', 'PAST CRATES', 'GIFT', and 'LOOT VAULT', and a 'JOIN or LOG IN' button. A 'Earn \$5' badge is also visible. The main banner features the text '#1 MYSTERY SUBSCRIPTION' and 'Epic Collectibles & Gear Delivered to Your Door', with a 'Get Loot Crate' button. Below the banner, there are images of various Lootcrate boxes and their contents, including t-shirts, exclusives, and figures. A section titled 'WHO WE ARE' explains the service: 'At Loot Crate we offer up a unique monthly box of awesome for every fandom, enthusiast group and style. Pick your crate and get excited.' Below this, three icons represent the service's features: 'Cool Collectibles' (best and most exclusive licensed figures, t-shirts, home goods, and more), 'Gift of Geek' (treat yourself or give the gift of geeking out to a friend or loved one), and 'Cancel Anytime' (cancel your subscription at any time or skip a month and start back up later).

#1 MYSTERY SUBSCRIPTION
Epic Collectibles & Gear Delivered to Your Door

Get Loot Crate

LOOTCRATE

LOOTGAMING

THE ORIGINAL
MYSTERY CRATE

Loot Crate

Loot Crate DX

Anime

Loot Gaming

WHO WE ARE

At Loot Crate we offer up a unique monthly box of awesome for every fandom, enthusiast group and style. Pick your crate and get excited.

Cool Collectibles
The best and most exclusive licensed figures, t-shirts, home goods, and more!

Gift of Geek
Treat yourself every month or give the gift of geeking out to a friend or loved one!

Cancel Anytime
Cancel your subscription at any time! Or feel free to skip a month and start back up later!

EMERGING BUSINESS MODELS IN RETAIL

○ On-Demand

- Automatic reorder (via sensors, replenishment/subscription program) of a product when level is low

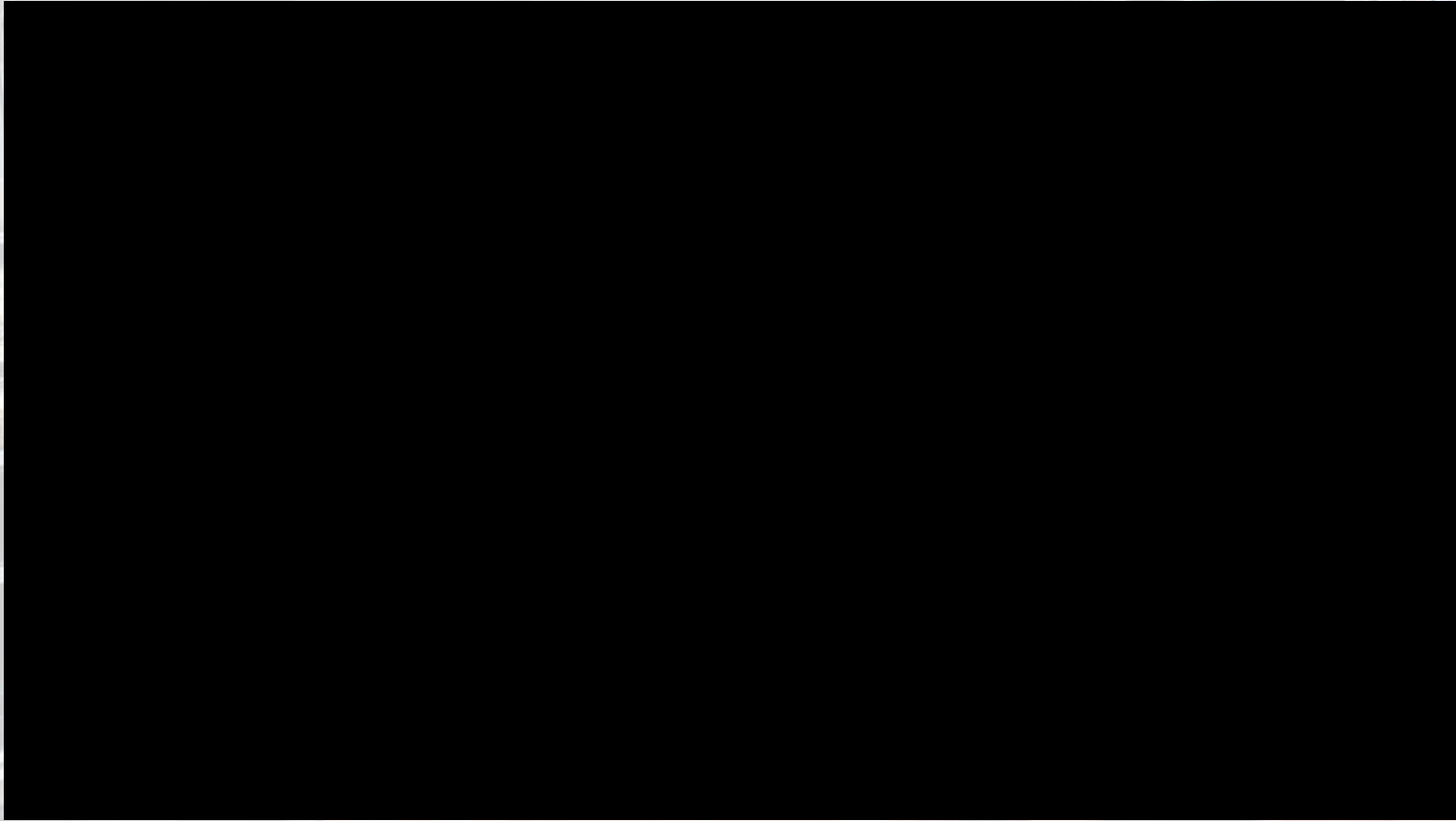
○ Amazon Dash button/Amazon Echo

○ Dollar Shave Club

○ Smart Refrigerator



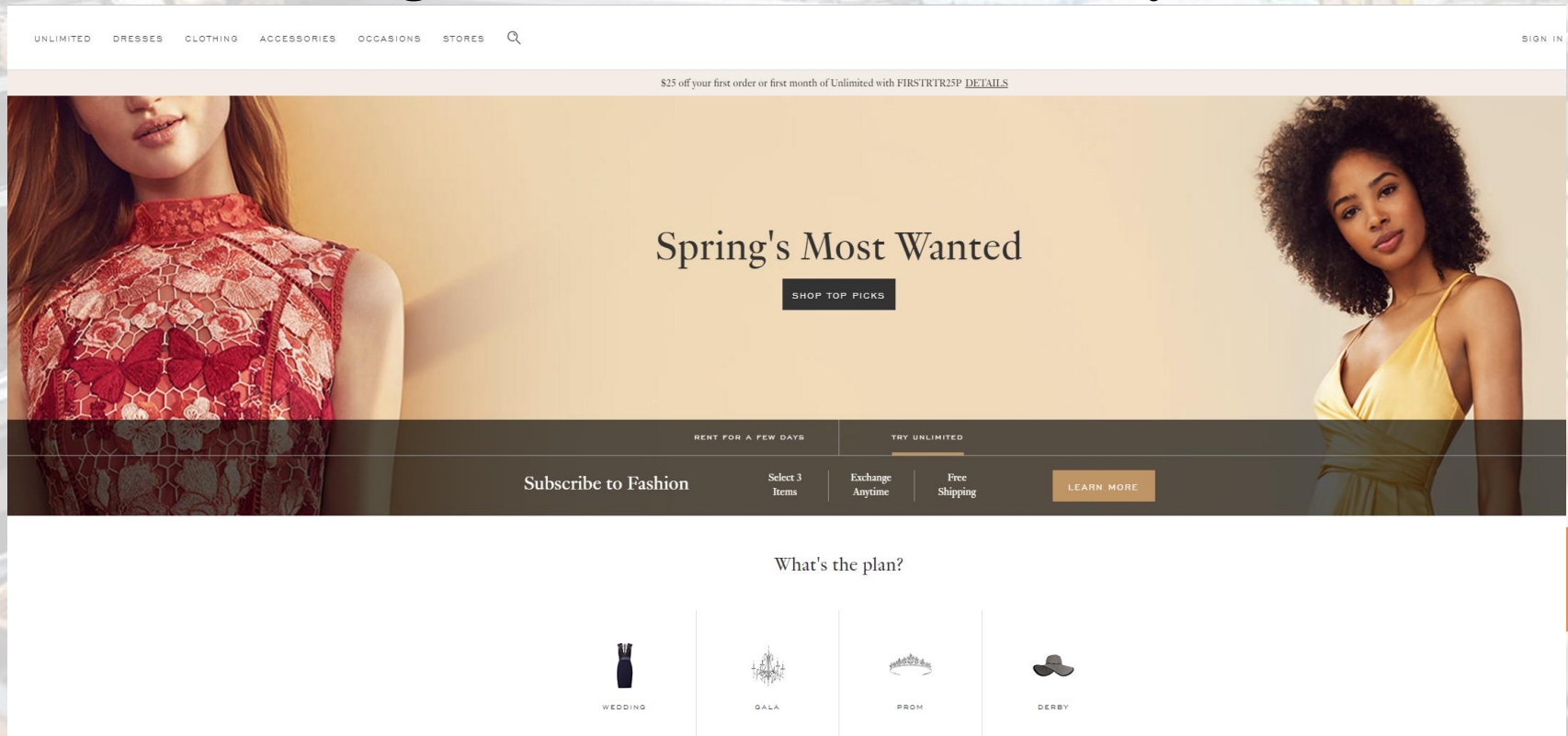
EMERGING BUSINESS MODELS IN RETAIL



EMERGING BUSINESS MODELS IN RETAIL

○ Sharing Economy

- Product rental for a fraction of retail price
 - Rent the Runway
 - Designer dress and accessory rental

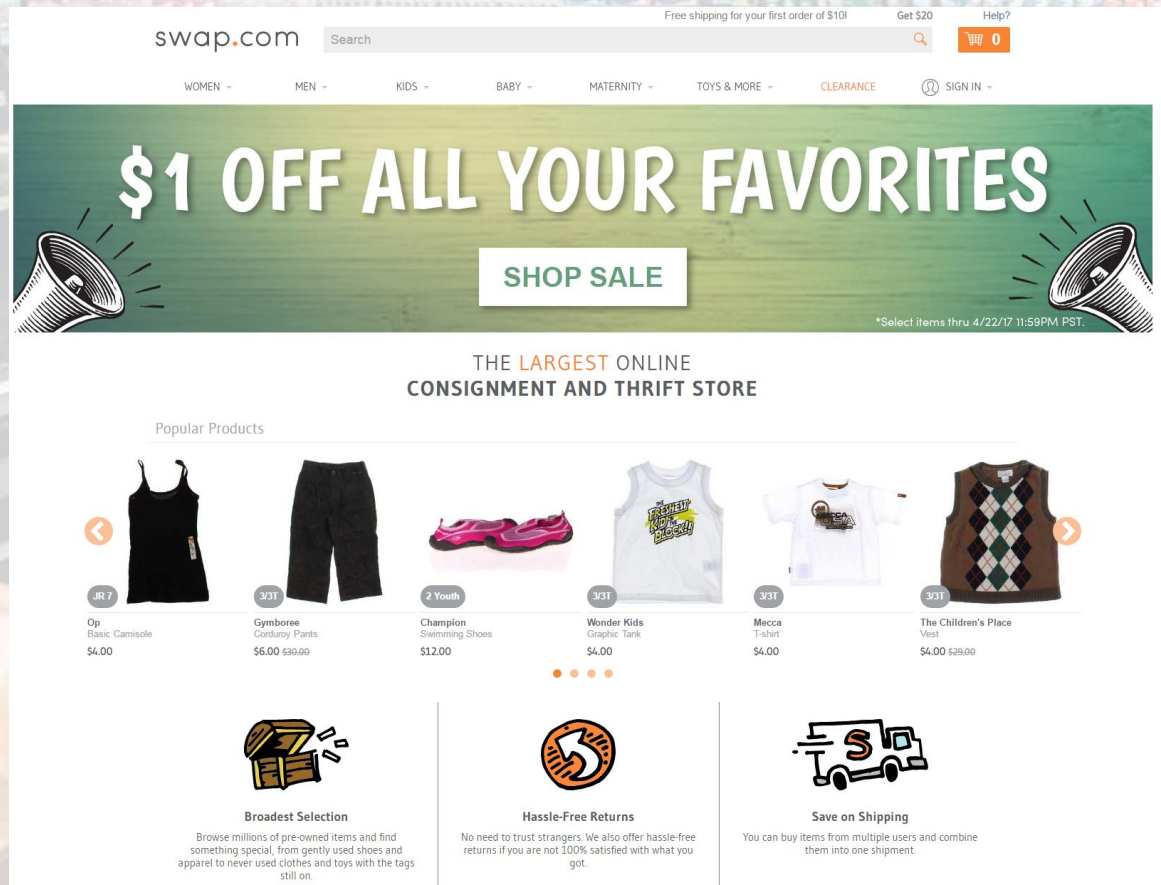


EMERGING BUSINESS MODELS IN RETAIL

◦ Sharing Economy

- Swap.com

- Online consignment store offering pre-owned apparel & accessories



The screenshot displays the Swap.com website interface. At the top, there's a navigation bar with the site name, a search bar, and links for shipping, pricing, and help. Below this is a large green banner announcing a "\$1 OFF ALL YOUR FAVORITES" sale, with a "SHOP SALE" button and a deadline of 4/22/17. The main content area features a section titled "THE LARGEST ONLINE CONSIGNMENT AND THRIFT STORE" and "Popular Products". This section showcases six items: a black tank top, black pants, pink sneakers, a white graphic tank, a white t-shirt, and a brown argyle vest, each with its price and original value. At the bottom, three icons represent key features: "Broadest Selection" (a treasure chest), "Hassle-Free Returns" (a circular arrow), and "Save on Shipping" (a truck).

swap.com Search Free shipping for your first order of \$10! Get \$20 Help?

[WOMEN](#) [MEN](#) [KIDS](#) [BABY](#) [MATERNITY](#) [TOYS & MORE](#) [CLEARANCE](#) [SIGN IN](#)

\$1 OFF ALL YOUR FAVORITES

[SHOP SALE](#)

*Select items thru 4/22/17 11:59PM PST.

THE LARGEST ONLINE CONSIGNMENT AND THRIFT STORE

Popular Products

Item	Price	Original Price
Op Basic Camisole	\$4.00	
Gymboree Corduroy Pants	\$6.00	\$36.00
Champion Swimming Shoes	\$12.00	
Wonder Kids Graphic Tank	\$4.00	
Mecca T-shirt	\$4.00	
The Children's Place Vest	\$4.00	\$29.00

Broadest Selection
Browse millions of pre-owned items and find something special, from gently used shoes and apparel to never used clothes and toys with the tags still on.

Hassle-Free Returns
No need to trust strangers. We also offer hassle-free returns if you are not 100% satisfied with what you got.

Save on Shipping
You can buy items from multiple users and combine them into one shipment.

EMERGING BUSINESS MODELS IN RETAIL

◦ Sharing Economy

- VestiaireCollective.com

- Recommerce website for pre-owned luxury fashion

✓ AUTHENTICITY GUARANTEED ✓ 100% QUALITY CHECKED SECURE PAYMENT HELP & SUPPORT

VESTIAIRE
[COLLECTIVE]

Search

Log in | Sign up

Shopping bag [0]

JUST IN READY TO SHIP WOMEN MEN KIDS LIFE & LIVING BRANDS COMMUNITY LE JOURNAL ABOUT US **SELL**

BUY AND SELL PRE-OWNED LUXURY FASHION

SELECTION

VINTAGE YSL

Iconic designs that have remained relevant.

SHOP THE SELECTION >

LUXE INVESTMENT PIECES

Our editor's picks.

SHOP NOW >

THE SELECTION

SANDALS

For when the sun comes out.

SHOP THE SELECTION >

BAG STORIES

Pastel Perfection

Lilac, soft yellow + pale pink.
Tone things down with the soft colors of spring.

SHOP THE SELECTION >

JUST IN

READY TO SHIP

MAISON MARTIN MARGIELA

Leather boots

Size: 41 EU

\$418.28

ISABEL MARANT

White cotton top

Size: 34 FR

\$203.78

MARTINE ROSE

White cotton t-shirt

Size: M International

\$160.88

VALENTINO

Silk blouse

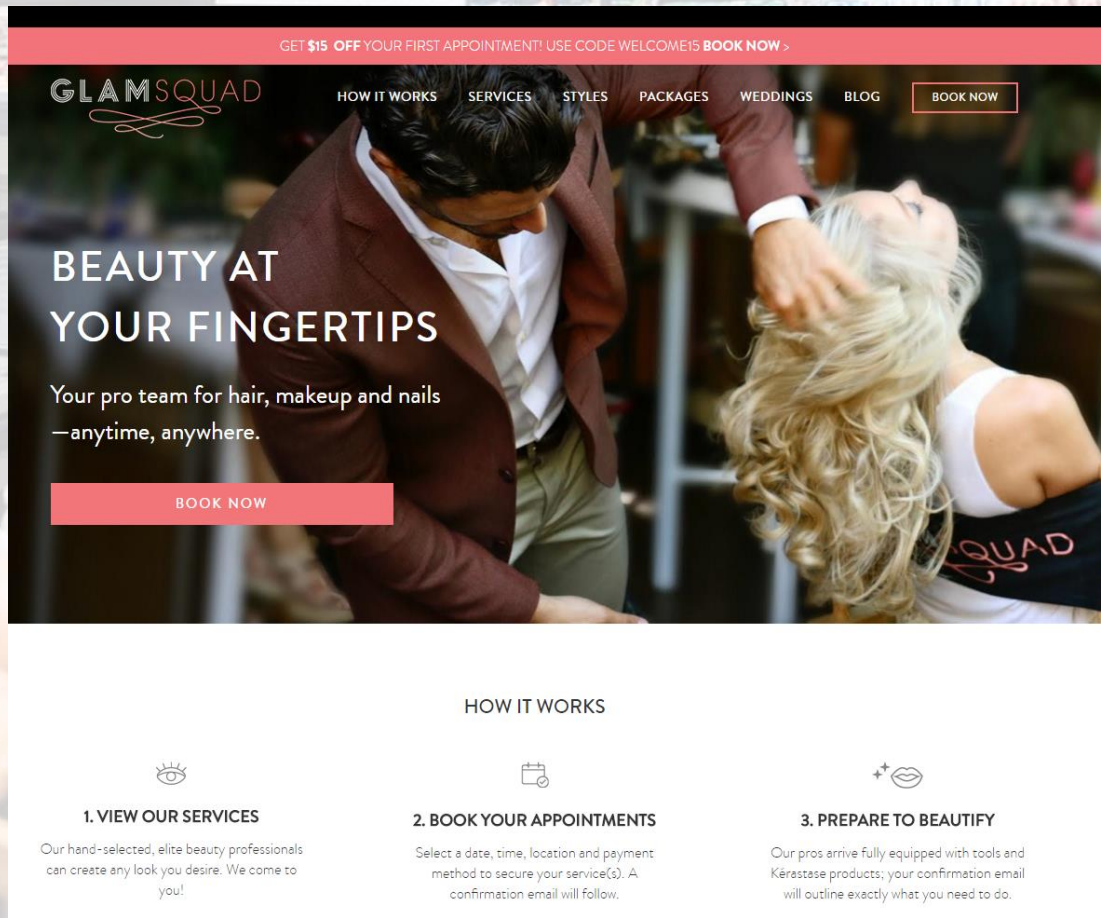
Size: 40 IT

\$536.25

EMERGING BUSINESS MODELS IN RETAIL

○ Services

- Customers can buy services that meet their need
 - Glamsquad.com
 - On-demand in-home beauty service that provides make-up and nail services



GET \$15 OFF YOUR FIRST APPOINTMENT! USE CODE WELCOME15 [BOOK NOW](#)


GLAMSQUAD [HOW IT WORKS](#) [SERVICES](#) [STYLES](#) [PACKAGES](#) [WEDDINGS](#) [BLOG](#) [BOOK NOW](#)


BEAUTY AT YOUR FINGERTIPS


Your pro team for hair, makeup and nails —anytime, anywhere.

[BOOK NOW](#)

HOW IT WORKS

- 

1. VIEW OUR SERVICES
Our hand-selected, elite beauty professionals can create any look you desire. We come to you!
- 

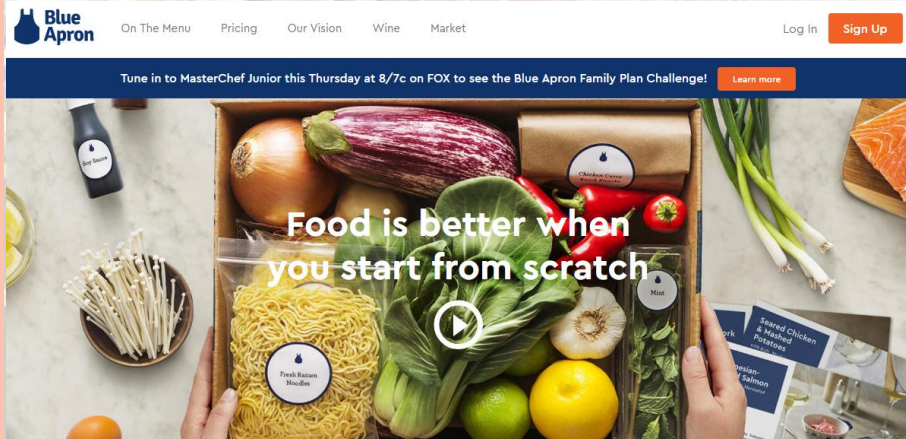
2. BOOK YOUR APPOINTMENTS
Select a date, time, location and payment method to secure your service(s). A confirmation email will follow.
- 

3. PREPARE TO BEAUTIFY
Our pros arrive fully equipped with tools and Kérastase products; your confirmation email will outline exactly what you need to do.

EMERGING BUSINESS MODELS IN RETAIL

○ Services

- Food subscription sites
 - BlueApron; Homechef



Dinner, the Blue Apron way



Our chefs and farmers work together

To make food more sustainable and recipes more delicious.

1

2



We send you higher quality



Your Choice

Choose between 13 easy-to-follow recipes, including carb- and calorie-conscious recipes, and recipes without gluten ingredients.



Your Schedule

Change your delivery day, adjust your meals, skip a week or pause your account whenever you need to.



Your Way

Your food made just the way you like it. And it doesn't have to be difficult to be delicious.

Home Cooking Made Simple

Home Chef delivers everything you need to bring more delicious meals and moments to the table. Every day.

Get Started

How It Works

EMERGING BUSINESS MODELS IN RETAIL

- Services

- Customer Service

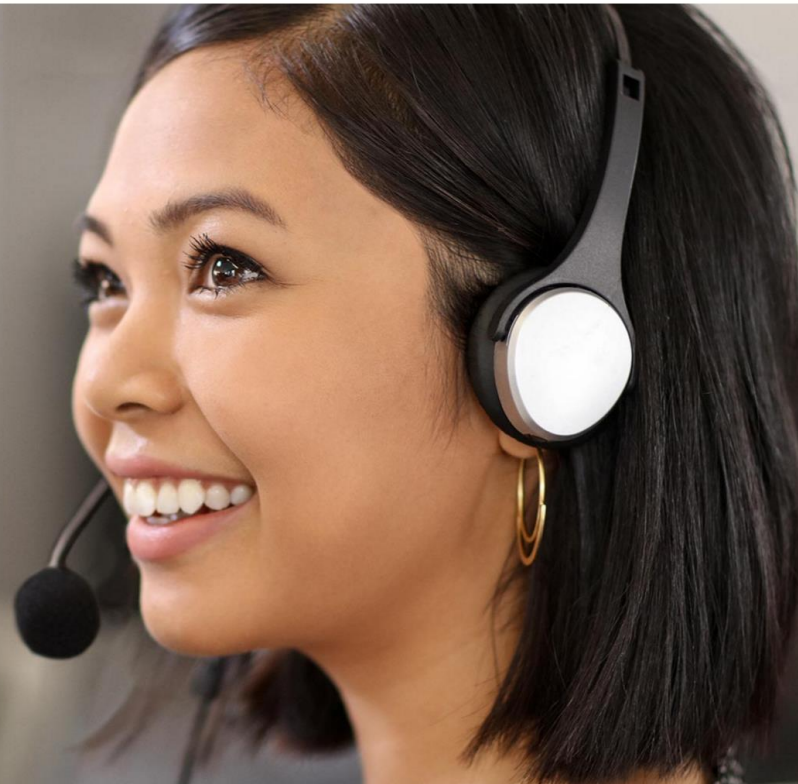
- Gladly.com



[Company](#) [Latest](#) [Careers](#)

[Let's Talk](#)

Your agents are
already champions.
With Gladly, they can
be heroes.



EMERGING BUSINESS MODELS IN RETAIL

○ Services

- Electronics – Delivery & Set-up
- Enjoy.com

**Free delivery and
Expert setup with
every purchase.**

[Shop Now](#)



Free Hand-Delivery

When and where you want it - as soon as 4 hours from right now!



Free Expert Setup

Up to one hour of personal set-up, instruction, and tips and tricks.



Free Support

Have more questions? You can call, write, or we can even come back.



[See How it Works](#)

RETAIL IS DETAIL..EASIER SAID THAN DONE

- Disrupt yourself before someone forces you to.
- Leverage technology in your businesses.
- Don't just collect data, analyze it!!
- Empower your employees to make quick decisions.
- Learn to fail quickly.



If you went to bed last night as an industrial company, you're going to wake up this morning as a software and analytics company.

- Jeff Immelt, CEO, GE

One of the things you learn operating in the technology industry is disruptions are occurring every day.

- Dick Costolo, Former CEO, Twitter

The reality is that Customers want everything - low prices, convenience and seamless interactions online and in person...Strategy is happening on a much faster cycle time now.

- Doug McMillon, CEO, Wal-Mart

Day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it is always Day 1 at Amazon.

- Jeff Bezos, CEO, Amazon

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