



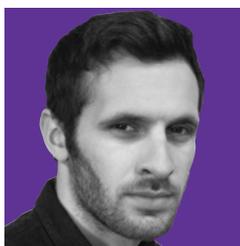
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Innovation in retail

Separating the genuinely innovative from the simply
new products and services

RETAIL WEEK FOREWORD



ALEX HAMILTON
HEAD OF RESEARCH, RETAIL WEEK CONNECT

The term innovation is bandied around the retail industry regularly, but what does it actually mean? How do the industry's leading creatives interpret the term? And how do they go about separating the genuinely innovative from simply new products and services?

These are just a few points covered in this report on innovation in the retail industry, in association with Criteo and to be launched alongside the Launch Pad stage at Retail Week Live 2016.

At a time when retail executives are fearful of the pace of change flowing through the sector, from digital transformation to post-recession consumer habits, the need to be agile as a business is hugely important. Businesses

are therefore looking at ways to adopt a more nimble-footed approach in order to grow in this environment and cover off competitive threats. Engagement with forward thinking, new and fresh businesses – start-up or otherwise – is increasingly becoming a key part of this consideration.

This is why we at *Retail Week* are proud to be running the Launch Pad stage at Retail Week Live this year – March 16 to 17 – as a means in which to showcase these fast-growing businesses to the wider retail community.

If you're attending the event, please come and see for yourself what some of the excellent businesses have to say over the course of what will be an exciting two days.



At a time when retail executives are fearful of the pace of change, the need to be agile as a business is hugely important



RETAIL WEEK CONNECT: CONNECTING RETAIL WITH CREATIVE INTELLIGENCE

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PARTNER VIEWPOINT



JON BUSS
MANAGING DIRECTOR UK & NORTHERN EUROPE, CRITEO

Three years ago a Londoner was bored of the takeaway options available to him, so he created a new service that would deliver his favourite restaurant food across the city. Today that company is called Deliveroo. It has raised \$200m in funding and has changed the way Londoners eat at home.

Even the simplest ideas such as Deliveroo can be truly innovative if they deliver new value to customers.

We're seeing a lot of disruptive change today because it's easier than ever to convert an idea into an innovative service. A laptop, a good idea and some crowd funding are all you might need to be the next big thing.

Retail – in particular – is an industry that is ripe for change. We're already seeing 3D printing services transforming the retail supply chain by digitising mass production. Facial recognition and sentiment analysis are being used to turbocharge customer service. Airborne drones and land-based robots are causing us to rethink what delivery should look like.

This kind of innovative thinking is also

changing customer expectations. We now expect tailored, seamless and personal experiences to be delivered cross-device.

According to Criteo's latest *State of Mobile Commerce* report, 46% of all transactions in the UK now take place on a mobile device and 40% of mobile transactions take place across multiple devices, and these numbers are only expected to grow.

In this increasing complex purchase journey, we might research interchangeably on our desktop, mobile, and tablet before buying in store. Or vice versa. Your service doesn't give me the experience I expect on the device I'm using at the moment? I won't come here again.

As established retailers attempt to navigate this new landscape, a people-centric approach is essential. You must be able to deliver real-time, contextual and relevant value to your customers, wherever they are across all aspects of the evaluation, buying and fulfilment process. It's not an easy thing to do, but the retailers that can get this right will be the ones that stand out as true innovators.



Even the simplest ideas can be truly innovative if they deliver new value to customers



INTRODUCTION

DEFINING INNOVATION

Innovation is the lifeblood of retail. The need to grow sales, better serve the customer and gain an advantage over the competition has driven game-changing innovations for generations. These include the first wave of self-service stores in the early 20th century to the magic mirrors and contactless payment systems of today, via breakthrough innovations such as RFID tagging, loyalty cards and click-and-collect.

But what do we actually mean by innovation? And what separates something genuinely innovative from something simply new?

Featuring some of the retail industry's brightest new innovators and disrupters, Launch Pad is the ultimate test of whether a new product or service passes as 'true' innovation.

Launch Pad is a conference, a discussion forum, a networking event and a competition. It generates and analyses new and innovative ideas that will shape the retail experience of the future.

It's also a great matchmaking opportunity – the Tinder of retail if you like – pairing retailers wanting to keep up with the fast pace of technological change with start-ups keen to impress influential decision-makers in retail.

LAUNCH PAD AT RETAIL WEEK LIVE 2016

Launch Pad is dedicated to bringing together the brightest minds in retail and the start-up community to generate new and innovative ideas, which will shape the retail experience of the future.

From keynote speeches, to panel discussions, pitching sessions and networking activities this is a must-attend programme for retailers wanting to keep up with the fast pace of change and start-ups wanting to impress influential decision-makers in retail.

At the heart of Launch Pad will be the Retail Week Pitch Perfect sessions, where start-ups vie to win over the judges and audience by pitching innovative propositions that promise to shape the future of retail.

THE FORMAT

- Twelve promising start-ups will pitch across three heats
- Each start-up will have three minutes to pitch their product
- Each start-up will go through five minutes of intense questioning from a panel of retail and tech judges
- The audience will then cast their votes and combined with the judges' score a winner will be decided.

THE JUDGES

- Tom Allason, head of local, eBay
- Daniel Bobroff, CEO, FashionTech Ventures
- Jon Buss, managing director UK & Northern Europe, Criteo
- Rob Chapman, managing director, Founders Intelligence
- Paul Clarke, director of technology, Ocado
- Briony Garbett, director of digital, Oasis
- Stuart Marks, chairman, L Marks
- John Pillar, chief technology officer, Arcadia
- Jonathan Wall, group ecommerce director, Shop Direct
- Scott Weavers-Wright, CEO, Haatch
- Paul Wilkinson, head of research and open innovation, Tesco Labs

■ IS THE TERM 'INNOVATION' OVERUSED IN THE RETAIL INDUSTRY?



SHUTTERSTOCK

Everybody loves to claim a first, but are we too eager to herald a new development, service or product as innovative?

“Definitely, and probably not just in the retail industry,” says Ocado director of technology Paul Clarke. He believes that many, if not most, companies set the bar too low, with their view of innovation being limited to relatively minor incremental improvements, rather than striving for truly game-changing opportunities.

Briony Garbett, director of digital at Oasis, agrees that the term is probably overused, often describing what the industry is actually improving and enhancing rather than innovating. “It’s important to remember that what feels innovative to the retail sector may not feel innovative to other industries, with ideas often borrowed or developed from other areas,” she adds.

L Marks chairman Stuart Marks believes there needs to be a re-evaluation of why innovation is needed and how this can be achieved. “Innovation has long been a buzzword and its use is quite circular,” he says. “To be innovative, we need to encourage innovation. Companies lose sight of the reason behind why they need to be innovative.”

And for Haatch chief executive Scott Weavers-Wright, innovation is simply about disruption and doing something special to create a point of difference in your retail proposition. In addition, “it has to be commercial”, he stresses.



“It’s important to remember that what feels innovative to the retail sector may not feel innovative to other industries”

Briony Garbett, Oasis

■ HOW WOULD YOU BEST EXPLAIN THE TRUE MEANING OF INNOVATION? WHEN CAN SOMETHING BE CONSIDERED TRULY INNOVATIVE?

If we accept that the term innovation is generally overused in retail then what is it that separates the best in class from the run of the mill?

For Ocado, innovation is all about how the online grocer stays disruptive by constantly looking for ways to leapfrog or disrupt itself. “All innovation draws or builds on previous ideas, even disruptive innovations. I’m not sure anything is ‘truly innovative,’” says Clarke.

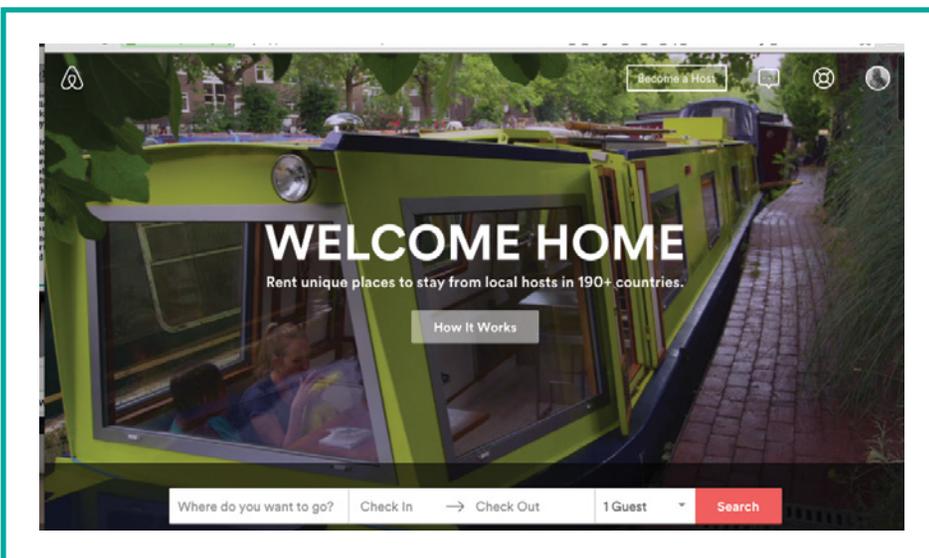
This idea of improvement on something that has gone before is also a key definition for Jonathan Wall, group ecommerce director at Shop Direct. “For us, innovation is when we have improved a current process or product that helps the customer with their engagement or journey and makes it easier compared with the existing one,” Wall says.

Arcadia head of software engineering John Pillar believes true innovation must fundamentally impact the way you go about an activity in a positive way. “I believe true innovation is only obtained when you see a person for the first time experiencing the ‘new thing’ and you hear the words “wow that was amazing” with a beaming smile on their face,” he says.

Disruption equates to innovation for Weavers-Wright, who declares himself to be worried about the short-termism prevalent in UK retail today. “Retailers only seem to worry about today’s trading and year-on-year trading results based on shopping habits of the past 10 years. Amazon has an R&D budget of £6.5bn, which is staggering. How are retailers future-proofing their businesses over the next 20 years – where is the consolidation to fight Amazon?”

In the eyes of Marks, innovation is the difference between staying relevant and dying. “A company that stands still in the face of emerging technology and disruption in their industry will inevitably fail,” he warns. “The ones that adapt, pivot, and collaborate with the disruption and disrupters will future-proof their business and thrive.”

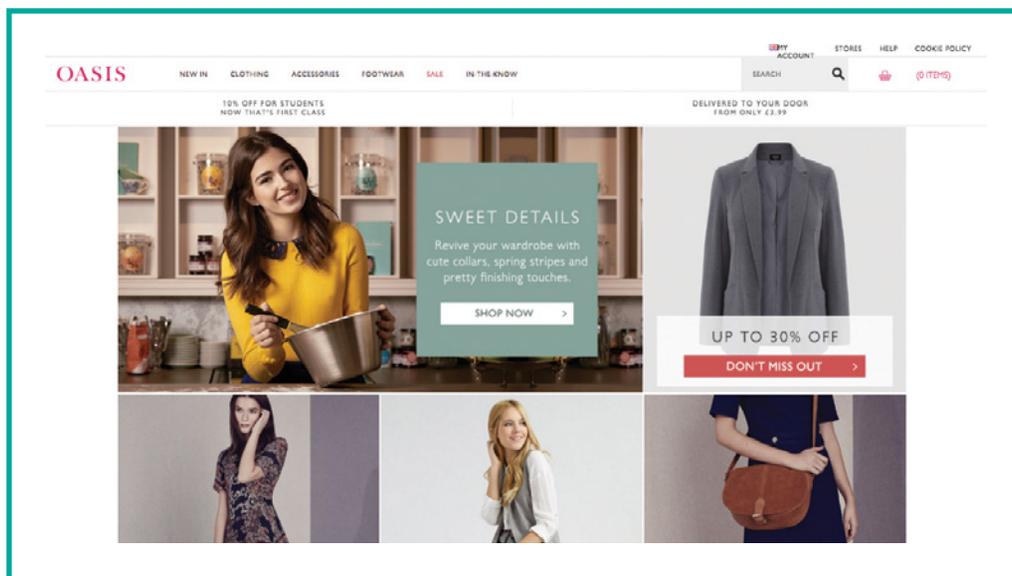
Marks makes the assertion that something is truly innovative when it completely rewrites the rule book. “Uber and Airbnb are two recent examples of this,” he says. “Neither owns any fleet of taxis or property, respectively, yet both have become the biggest players in their industry, causing huge disruption in the process.”



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Stuart Marks, L Marks

■ WHAT IS THE MOST INNOVATIVE PROJECT YOU'VE WORKED ON OVER YOUR CAREER TO DATE? AND WHY WAS IT INNOVATIVE?



Each of our judges has carved out a reputation for working on and, in many cases leading, innovative projects during their careers in retail.

For Wall, helping Shop Direct make the transition from a catalogue retailer to a digital retailer is the most innovative project he has been involved in. "It's not finished yet but we have certainly turned the business into a digital/mobile-first retailer and removed most of the catalogue heritage in the business," he notes.

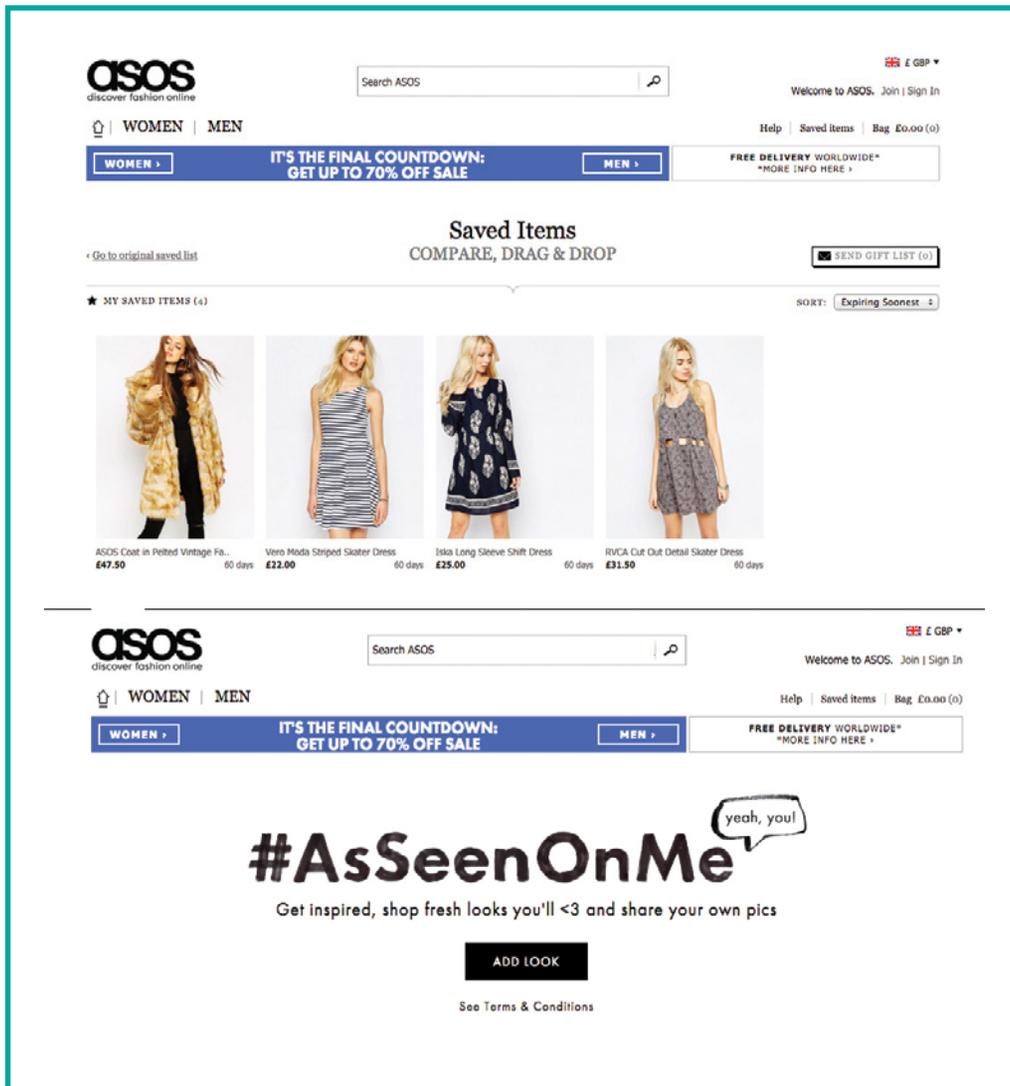
Weavers-Wright nominates former Pitch Perfect winner Elevate, of which he is chairman, for "truly changing the way supplier contribution is positioned between brands and retailers globally".

Garbett cites the replatforming of Oasis' new website – under her direction – to include lots of innovative and exciting elements that are new to online fashion as the most innovative project she has worked on to date; while for Ocado's Clarke, the technologies the business is developing to power its new generation of automated warehouses and Ocado Smart Platform are highly innovative. "For example, we had to develop a



"We had to develop a completely new communications technology to control thousands of machines in real time"

Paul Clarke, Ocado



Asos launched its 'save for later' online tool in 2009

completely new communications technology to control and choreograph thousands of machines in real time," he notes.

Where Arcadia's Pillar is concerned, the most impactful innovation he has been involved with came during his time at Asos, when the online clothing retailer launched its 'save for later' tool in 2009.

The technology enabled customers to place desired items into a wish list for up to 30 days if they were not ready to complete the purchase. If the item was out of stock or was reduced in price, Asos sent an alert to the customer informing them.

"The innovation was in how we were able to influence customer buying patterns by offering an open and highly personalised dialogue with the customer," Pillar reflects.



"We were able to influence customer buying patterns by offering an open and highly personalised dialogue with the consumer"

John Pillar, Arcadia

■ WHAT ROLE DO START-UPS PLAY IN DRIVING INNOVATION ACROSS THE SECTOR?

They may not have the scale, influence or financial clout of the big corporates whose custom and investment they covet, but one quality that start-ups have in abundance that large organisations often struggle to replicate is agility.

The ability to move quickly in responding to a changing consumer landscape is one reason why the judges are in agreement that start-ups have a critical role to play in sector-wide innovation, with Pillar going as far as to describe them as “the lifeblood of the retail ecosystem”. “They relentlessly keep attacking the status quo and do not give up,” he says. “Recently we have seen large organisations fall behind and be disrupted by faster, more hungry and nimble small businesses.”

Jon Buss, managing director UK & Northern Europe at Criteo, says: “In a complex, cross-device retail environment, there are lots of ‘old ways’ to challenge, and that’s what’s so exciting. Start-ups are there to find new ways of doing things. Without retail start-ups, we’d still be going to the butcher, the baker and the candlestick maker for our weekly shop. Even Sainsbury’s was a start-up once.”

Larger corporates facing disruption in their sector from young start-ups face a number of options, says Marks. They can simply ignore it and carry on as before, which he says will make them obsolete; or they can fight it and try to match the agile, fast-moving start-ups, which risks exposing their slow-moving corporate structure and size; or they can collaborate.

“We are seeing more and more corporates, such as John Lewis through JLAB [John Lewis’ programme aimed at fast tracking the growth of start-up companies], want to work with start-ups for mutual benefits,” he says. “By closely working with start-ups that can help them innovate in areas such as customer experience and operational efficiency, as well as access new markets, they are helping to change their culture and future-proof their businesses. The start-ups reap huge rewards from making that valuable close connection to a big corporate, as well as getting

“We are missing opportunities to create the environment and support structures to fuel more start-ups”

Paul Clarke, Ocado

“Start-ups exist because there is a problem that needs solving. Retailers are rightly focused on the day-to-day challenges, but start-ups extend their capability to create a competitive advantage”

Scott Weavers-Wright, Haatch



mentoring and potential funding.” Start-ups push boundaries and ask different questions, according to Weavers-Wright, who believes they are essential to driving innovation. “They exist because there is a problem that needs solving. Retailers are rightly focused on the day-to-day challenges but start-ups extend their capability to create a competitive advantage.”

Clarke, however, says that while start-ups’ role in innovation is significant it is arguably not big enough. “We are missing opportunities in this country to create the environment and support structures to fuel more start-ups and to prepare our schoolchildren for becoming entrepreneurs,” he warns.

■ WHAT ARE THE THREE AREAS IN THE RETAIL INDUSTRY WHERE THERE IS THE MOST INNOVATION?



Mobile payments, the internet of everything (IoT), delivery and the in-store experience are the areas in which our judges collectively believe there is most innovation in the retail sector.

“Apple’s mobile payment solution is amazing given how hard innovation is in this space,” notes Weavers-Wright.

Garbett, too, cites Apple Pay, along with Bitcoin and other forms of contactless payment, as innovations that are rapidly changing the retail journey, while she also highlights innovative companies such as Duddle, which are transforming package delivery services.

Buss says: “The areas we’re seeing most innovation in retail are those focused on experience, speed and service.

“There’s so much to explore as our online and offline worlds merge. By delivering fully dynamic experiences, complete with personalised messaging,

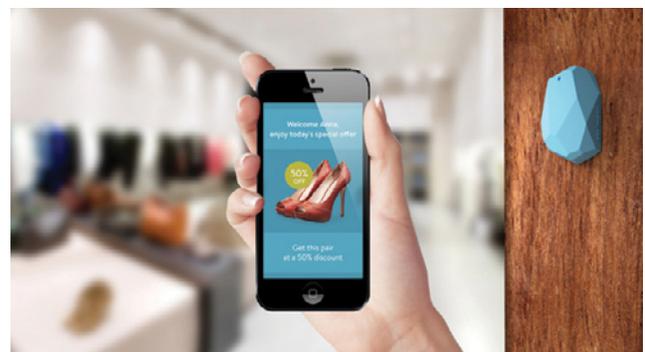
product and content recommendations, retailers can deliver more compelling user experiences. Small screens demand ideas that are agile, dynamic and personalised to us.”

Wall says the key area of interest for Shop Direct over the past 12 months has been social advertising and how the big social platforms have faced into commerce and are helping to drive it.

For Marks, meanwhile, it is beacon technology that is really capturing his attention. “Start-ups such as Localz are using beacon technology to help retailers improve customer experience. This technology has the potential to rapidly change the retail experience, such as customer-specific billboards, offers and store experiences,” he notes.

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Stuart Marks, L.Marks



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Scott Weavers-Wright, Haatch



■ WHAT EXCITES YOU ABOUT THE FUTURE IN TERMS OF NEW AND INNOVATIVE TECHNOLOGIES IN DIGITAL MARKETING AND ECOMMERCE?

The retail sector is in a perpetual state of change, largely thanks to continuous innovations in technology. For retailers there is no shame in thinking and dreaming big.

“Moors law has shown us that what we would have only dreamed about a few years ago can be made into reality,” says Pillar.

“Technology is evolving at such a fast pace that it can now keep up with our wildest imagination. Concepts such as the internet of things and machine learning are becoming commonplace and some exciting results are being driven from combining such technologies,” he continues.

For Weavers-Wright, personalisation technology is a source of great excitement. “I’m looking forward to the benefits of cross-enabled solutions working within content consumption and then providing deep product recommendations informed by my lifestyle choices. It’s time to move away from engines recommending me another TV.”

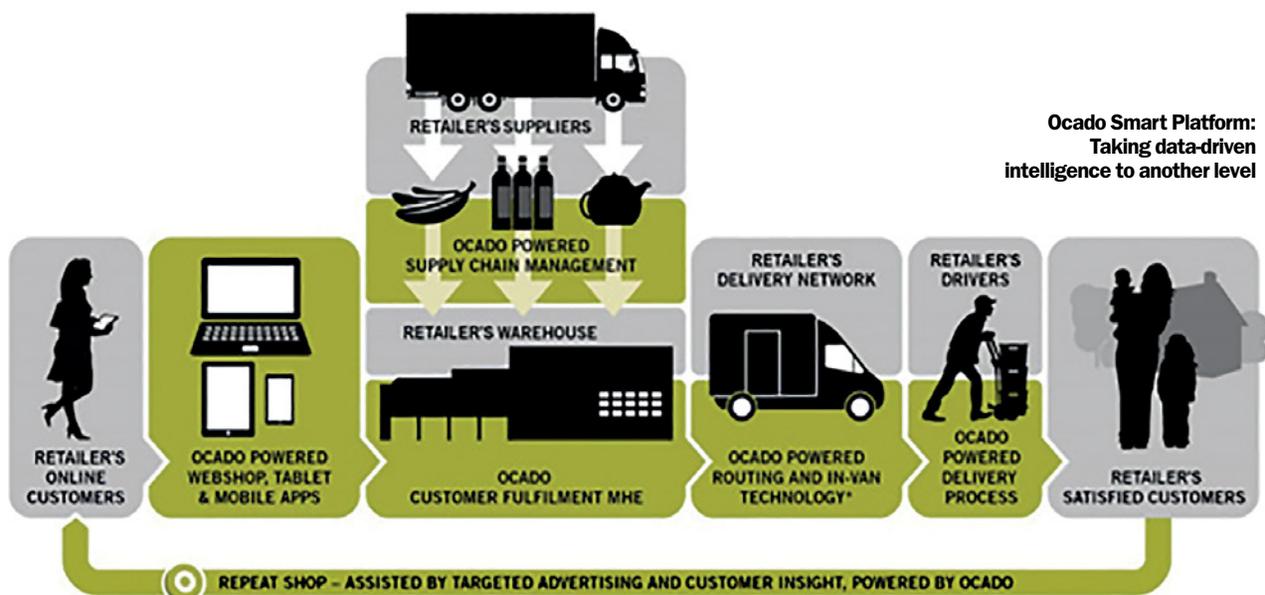
Data is also on the mind of Clarke, who is enthused by the prospect of using the huge amounts of data that Ocado collects to feed ever-smarter systems.

“Doing this within the Ocado Smart Platform for large grocery retailers around the world offers us the opportunity to take this data-driven intelligence to another level,” he says.

Buss says: “As we are able to understand more about online and offline buying behaviour and what the consumer journey looks like, we are likely to see an unprecedented wave of innovation in the retail sector.”

App capabilities and making it even easier for Shop Direct’s customers to buy online is where a lot of the retailer’s focus is going to be directed, according to Wall. He also tips platforms that assist social advertising as being “very hot to watch” in the future.

Marks, meanwhile, is full of enthusiasm for the potential of virtual reality. “I believe this will transform the shopping experience and how we spend our leisure time,” he predicts.



SOURCE: WWW.OCADOGROUP.COM/WHO-WE-ARE/OCADO-SMART-PLATFORM.ASPX



“More than ever, retailers need to engage with agile and innovative young companies that can bring new solutions to market at a pace never done before but matched to the needs of the consumer”

Stuart Marks, L Marks

SHUTTERSTOCK

■ WHY DO YOU THINK EVENTS SUCH AS LAUNCH PAD ARE IMPORTANT TO DRIVING INNOVATION ACROSS THE RETAIL SECTOR?

Now in its second year, Launch Pad has quickly become a vital bridge between the young, agile disrupters and the retail industry's largest, most established players.

Its function as a networking opportunity should not be underestimated, with partnerships often blossoming out of informal conversations on the sidelines.

"Launch pad enables start-ups to showcase their solutions to C-suite executives and this provides the opportunity to land their points," says Weavers-Wright.

The former Kiddicare founder, however, believes we need to raise the profile of start-ups in the UK. "They lack financial, business and, frankly, emotional support from the retail industry. We have some amazing businesses and people driving innovation and if we don't support them we will lose them. It's not a case of the best will survive – it has become so hard to break into the UK retail scene that some of the best technical solutions are going to the wall."

One of the aims of Launch Pad is to ensure that new technologies are not lost to the industry and start-ups are afforded their chance to shine. "As well as providing a fantastic opportunity for conversation, Launch Pad also provides the perfect platform for start-ups to gain exposure," says Garbett.

Pillar believes that events such as Launch Pad provide a mechanism for unknown companies to showcase their ideas and have them validated by industry and technology thought leaders.

But Launch Pad is far from a one-way street. Wall notes that not only does the event give start-ups the chance to get in front of many retailers in one go, but the retailers get a view of what is being developed and innovated. "It's a real win-win scenario," he says.

Buss adds: "It's incredibly exciting to be involved in events such as Launch Pad. Launch Pad provides a



"We have some amazing businesses and people driving innovation and if we don't support them we will lose them"

Scott Weavers-Wright, Haatch

forum where mainstream retailers and innovative start-ups can meet and exchange ideas and knowledge. It is in these forums that real change is considered, discussed, and implemented."

Ultimately, the question is whether influential retailers and agile start-ups can afford not to interact with one another.

"Retail is one of the most dynamic sectors and is experiencing change and disruption at an unprecedented rate, some of it controlled by the retailer but most of it based around the changing needs of the consumer," says Marks. "More than ever, retailers need to engage with agile and innovative young companies that can bring new solutions to market at a pace never done before but matched to the needs of the consumer. Events like Launch Pad offer the perfect showcase for these companies to demonstrate what they can offer."

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