How Retail Disruptors Drive Industry Change

Special Report

By Nikki Baird and Paula Rosenblum, Managing Partners

January 2018
Executive Summary

Key Findings

In this study, conducted in November-December 2017, RSR in partnership with JDA Software, set out to learn about “retail disruptors” – retailers that are defining the game of retail transformation. What we found will surprise you. We dispel several commonly held myths about who industry disruptors are and how they do it, and along the way also learned that disruptors share several characteristics: Disruptors “live” at the intersection of growth vs. scale; they focus on the best products, delivered in the fastest, most responsive way, through the best customer experience; and they deliver on their promises consistently and profitably.

The following are some of the highlights of our research:

- There are four major areas that disruptors focus their differentiation strategies on: unified commerce, informed insight, customer acquisition, and the role of the store. We discuss each of these in the section entitled Disruptive Behaviors.

- One myth about retail disruptors is that they must be digital pure plays. As even giant Amazon.com has come to recognize with their purchase of Whole Foods Market, this simply is not true. Disruptors are positioning the transformed store as an essential component of a unified commerce experience. Find out how in the section entitled The Role Of The Store.

- Disruptors think about technology in a different way than non-disruptors. They make judicious investments in technologies that keep them close to the customer and also support speed and efficiency. But disruptors are also more interested in a fast learning curve than they are in the “perfect” solution or a well-defined ROI from their technology investments. Read about how disruptors use technology in the section entitled How Disruptors Use Technology: What’s The Vision?

- Finally, we discuss What Happens As Retail Disruptors Mature.

The history of retailing has seen many retailers burst onto the scene in a blaze of glory, and burn out in the business equivalent of seconds. On the flip side, the past decade has shown us that staid retailers with long and storied histories can and will fail if they don’t adapt to changing times. As RSR always does in its benchmark studies, we offer several recommendations – this time to both non-disruptors and disruptors – to help them avoid burning out too quickly or moving too slowly in these changing times. Learn more in the section entitled Recommendations.

We hope you find value in this study,

Nikki Baird and Paula Rosenblum
# Table of Contents

Research Overview .......................................................................................................................... 1
Seeking Disruption ............................................................................................................................ 1
Disruption Myths Dispelled .............................................................................................................. 1
  Myth #1: Disruptors Are Very Large Companies. ..................................................................... 2
  Myth #2: Disruptors Are Small Upstarts. ................................................................................. 2
  Myth #3: Disruptors Come From A Specific Vertical Or Region Of The World. ....................... 3
  Myth #4: Disruptors Are Ecommerce Pure-Plays. ................................................................... 3
  Myth #5: Disruptors Are Technology Wizards, Invested In Every Latest Hot Technology. .... 3
  Myth #6: Disruptors Burn Through Cash Like A Year-2000 Startup. ....................................... 4
  Myth #7: Disruptors Are, By Definition, Over-performers ......................................................... 5
Retail Disruption Defined ............................................................................................................... 6
Methodology................................................................................................................................. 6
Survey Respondent Characteristics .............................................................................................. 7
Disruptive Behaviors....................................................................................................................... 9
  What Do Disruptors Do Differently, And What Really Matters? ............................................. 9
  Unified Commerce Matters ........................................................................................................ 9
  Data Doesn’t Matter – Informed Insights Do............................................................................... 9
  Relentless Customer Focus, Especially In Customer Acquisition .......................................... 11
  What Role For Marketplaces?.................................................................................................... 12
The Role Of The Store .................................................................................................................... 13
Surprise! The Store Lives On.......................................................................................................... 13
Getting Specific: What ARE The Stores Used For? .................................................................. 13
  ...And What Will They Be Used For Tomorrow? .................................................................... 15
What Will Drive Traffic To Stores In The Future? ...................................................................... 16
Another “Watch-out” – Aligning Incentives ................................................................................ 17
Taking A Look At Store Transformation .................................................................................... 18
How Disruptors Use Technology: What’s The Vision? ................................................................. 20
  Disruptors Race To Get Up To Speed, And Have Big Plans ...................................................... 20
  Disruptors Focus On The Customer For The Near Term ......................................................... 22
The Bottom Line: Disruptors Have Their Priorities In Order .................................................... 22
What Happens As Retail Disruptors Mature? ............................................................................. 23
Are Retail Disruptors Naïve Or Forward-Thinking? ..................................................................... 23
Recommendations.......................................................................................................................... 24
  What Can Disruptors Learn from Non-Disruptors? ................................................................. 24
    Look For Synergies Between Channels ................................................................................... 24
    Continue The Path Of Managed, Sustainable Growth .......................................................... 24
    Understand The Implications Of Going Global ................................................................... 24
  What Can Non-disruptors Learn from Disruptors? ................................................................. 25
    Be Open To Retail Transformation ....................................................................................... 25
    Don’t Be Afraid To Think Outside The Box ......................................................................... 25
    Find The Balance Between People And Science ................................................................. 25
    Embrace The Need For Speed ............................................................................................. 25
Appendix A: About Our Sponsor .................................................................................................. a
Appendix B: About RSR Research ................................................................................................. b
Figures

Figure 1: Disruptor Revenue Sweet Spots ................................................................. 2
Figure 2: Profitability Matters ................................................................................... 4
Figure 3: Unchecked Growth Is Not A Positive ......................................................... 5
Figure 4: Disruptors Live At Retail’s Core: Products, Customers, and Speed .......... 6
Figure 5: Disruptors Focus on Unified Commerce ................................................... 9
Figure 6: Insights Offer More Than Data Alone ....................................................... 10
Figure 7: Taste-Making Requires Confidence ......................................................... 11
Figure 8: Insights Offer More Than Data Alone ....................................................... 12
Figure 9: The Store Is Part of Most Disruptors’ Portfolios ........................................ 13
Figure 10: Disruptors’ Plans For Stores ............................................................... 14
Figure 11: Non-disruptors Less Likely To See Omnichannel Possibilities .............. 15
Figure 12: Looking Forward, Optimism vs. “Wait and See” ..................................... 16
Figure 13: The Biggest Traffic Drivers For Stores In The Future ............................. 17
Figure 14: A Lack Of Maturity Rears Its Head ....................................................... 18
Figure 15: A Glimpse Into The Future Of The Store ............................................. 18
Figure 16: Disruptors Have Plans, Non-disruptors, Not So Much ......................... 20
Figure 17: Getting Faster And More Efficient ....................................................... 21
Figure 18: Understanding Customers And Building a Solid, Efficient Foundation .... 22
Figure 19: Where Do We Go From Here? ............................................................ 23
Research Overview

Seeking Disruption

Retail is being disrupted. This is such an established fact in 2018 that there’s no point wasting the space to document all the ways it is true. In the end, technology – both consumer and enterprise – is upending retail to the point where retailers have three options: fail to adapt and go out of business, adapt and survive and hopefully thrive, or rewrite the rules altogether.

There has been too much focus of late on the retailers who have failed to adapt. Cries of the “retail apocalypse” come from those who choose to look only at the negative effects of disruption. Those who fail to adapt do create lessons to be learned, but they are truly only lessons on what to avoid.

How are retailers adapting? is a better question. However, adaptations tend to be incremental. Retailers who manage incremental adaptations will most likely survive disruptive transformation, but they are not guaranteed to thrive.

That leads us to the third option: rewrite the rules altogether. Many executives have stated publicly that they wished they could start their business over from scratch so that they could embrace the technology disruption that has upended their business models. But some also opine that they simply cannot start their business over from scratch.

The reality is, there is far more to be learned from those who are “disruption native” than there is to be learned from either incrementalists or failures.

And so, RSR, in partnership with JDA, set out to find “retail disruptors” – retailers that are making big bold moves while others hunker down – retailers that are defining the game of retail transformation. We found them, and we asked them for their perspectives on everything from Omnichannel to technology investment priorities to overall profitability.

What we found will surprise you – it surprised us. Retail disruptors are not what we expected them to be. But they do very much have a different perspective on retail transformation and how to position to take advantage of the disruption that is shaking the industry. And there are important lessons to be learned from that perspective.

Disruption Myths Dispelled

When we began crafting the survey that became the basis for this research, we tried to define the characteristics of a disruptor. But while it was easy to come up with great examples of disruptors, companies like Thrive Markets or Thirdlove or JustFab, it became much harder to distill these very different companies or business models down to common essentials. The more we learned about companies that saw themselves as disruptors, the more it became clear that what people may assume makes for a disruptor actually does not. We provide more details on survey respondents and the methodology used in the Methodology section, below.

In the end, most of what we assumed to be true about retail disruptors turned out to be something of a myth. The myths were surprising, until we dug a little deeper.
Myth #1: Disruptors Are Very Large Companies.
Amazon is obviously a disruptor. Many also argue that Walmart continues to be a disruptor. Walmart’s rise reshaped whole sectors of retailing in the last generation of retail. Since then, Walmart has itself been disrupted – by Amazon, and has been forced to respond and adapt. Has it adapted to the point where it is once again a disruptor? That is open to debate.

But those two very large retailers are more the exception than the rule. For the most part, large companies are not disruptors. They are too invested in the status quo to be willing to do the things that would disrupt themselves, and they have too much legacy – legacy technology, legacy processes, legacy thinking – that get in the way. Large companies are not typically disruptors, and our research found this as well.

Myth #2: Disruptors Are Small Upstarts.
In conducting our research, we anticipated that disruption would be found most often among very small retailers – those with $75 million or less in revenue. We were wrong. While many small companies aspire to be disruptors, the reality is, companies have to achieve a certain level of scale before the industry feels any impact.

In fact, we found that disruptors most often come from revenue bands of $250M-$500M or $500M-$1B in revenue (Figure 1).

Figure 1: Disruptor Revenue Sweet Spots

![Disruptor Revenue Sweet Spots](source)

Retail disruptors have to be large enough to have industry impact, but not so large they are unwilling to disrupt the status quo. That puts them right at the heart of mid-market retailing.

Unfortunately, mid-market retailing is a very precarious place. Throughout RSR’s decade-plus of research we have found that most retailers who occupy these middle revenue bands are really trying to exit those bands as soon as possible. These retailers have all of the challenges of very large retailers, and none of the resources to cope with those challenges. Or, to put it another way, they are too big to rely on the processes and technology investments that got them to mid-market size, and too small to be able to take advantage of scale to reach the next level of profitability and growth.
Retailers who figure out how to transform themselves from the small, nimble player to success based on scale are the ones that exit the precarious mid-market into mega-retailer size. And those that don’t either fade away or are acquired.

**Myth #3: Disruptors Come From A Specific Vertical Or Region Of The World.**

In seeking out disruptors, we found that no vertical is more disruptive than another. For example, there are dozens of case studies of upstart beauty companies that have been propelled to success via a clever and targeted Instagram strategy. But when we asked retailers to self-identify as a disruptor, and then to define the nature of the disruption they triggered, all four major verticals were fairly equally represented.

The same held true for geography. No one part of the world is more “disruptive” than another. Yes, retailers that operate in China or the larger Asia-Pacific region are more mobile-oriented when it comes to engaging with their customers. But they are not any more likely to be a disruptor within their region – not when they are facing other retailers just as adept at a mobile strategy. It’s worth noting that we did not survey Asia-Pac or Chinese retailers, just those who operate there.

Digital may very well play a role in leveling the field. One finding of note from this research is that even very small retailers operate on a far more global scale than in the past. Thanks to some language translation, affiliate or supply chain relationships, and a good payments strategy, even the smallest retailers can find their target customers anywhere in the world. The result is that no one geography is more likely than another to be the home of disruptors. Retail disruption is everywhere.

**Myth #4: Disruptors Are Ecommerce Pure-Plays.**

Retail disruptors are just as likely, if not slightly more likely, to operate stores than non-disruptors. We were surprised by this finding, but it makes sense. It’s very hard to reach a level of scale without investing in stores. Companies like Everlane, who built their model on an explicit pure-play strategy, are now finding stores a valuable part of their portfolio.

Consumers want to try on and touch. They want a connection with a brand. Stores, when done well, deliver on these expectations. Stores have higher conversion rates than online. And stores are still more profitable than online.

**Myth #5: Disruptors Are Technology Wizards, Invested In Every Latest Hot Technology.**

Disruptors don’t just go out and buy technology for technology’s sake. They invest in technology strategically. But one area where disruptors are very different than non-disruptors is in how they view technology’s role in their business.

To understand what we mean, we need to first go back to the idea that mid-market is a precarious place for retailers. They must transition from small and fast to big and efficient. A lot of retailers do not successfully make that transition.

Part of the reason why it used to be very challenging was because of technology. The tech investments that got a retailer to $250 million in revenue were not going to be the tech investments that got them to $1 billion.

As technology has evolved, what is required from retailers to use technology has also changed drastically. Technology solutions like price optimization used to require hiring econometrics experts, and data analytics solutions required data scientists, two very expensive labor resources. All of these technologies required sophisticated (and expensive) computing power that had to be
acquired, maintained, and regularly upgraded. That put most sophisticated solutions out of mid-market retailers’ reach.

Cloud computing and solutions-as-a-service have changed all that. It’s easier than ever to make sophisticated solutions (and the services that support them) accessible to mid-market retailers. It’s much faster to implement solutions – it doesn’t take years and millions of dollars. And it’s easier to buy and maintain flexible solutions that can grow with the business.

Because advanced capabilities are available at a much more cost-effective investment level, companies can think about technology differently. This is one of the most important findings from our research: **disruptors do not hesitate to jump in to new technologies.** They invest in a technology to figure out what it can do for them. They don’t figure out what a technology can do for them before they invest.

The difference between this and “technology for technology’s sake” is vast: technology is a strategy-enabler. Disruptors don’t go out and buy everything in the hopes something will work. **Disruptors view technology as an enabler of differentiation.** They seek differentiated experiences for customers, with the intent of defining the ROI as they go. Non-disruptors seek an ROI before they will make an investment – this shuts them out of a critical learning curve, both for technology, and for customer experience.

**Myth #6: Disruptors Burn Through Cash Like A Year-2000 Startup.**

Surprise! Disruptors are profitable (Figure 2).

*Figure 2: Profitability Matters*

<table>
<thead>
<tr>
<th>Expected Consistent Profitability</th>
<th>Disruptors</th>
<th>Nondisruptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>We already are profitable</td>
<td>66%</td>
<td>64%</td>
</tr>
<tr>
<td>Within 18 months</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>Within three years</td>
<td>6%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Disruptors are not any more or less profitable than non-disruptors, and in fact are slightly more aggressive about achieving profitability. This is also an important point: while disruptors are more interested in technology learning curve than explicit ROI, **profitability does not have to go out the window in order to be disruptive.** As we’ll see below, disruptors invest quickly in technology, but they also move on quickly if their investments don’t appear to have a path to a payoff. This helps them stay on top of costs and stay profitable, even as they grow.
Myth #7: Disruptors Are, By Definition, Over-performers

RSR looks at retail through the lens of what we call “Retail Winners”. These are retailers who outperform financial market expectations for retail growth, and do so through organic, comparable sales growth rather than through acquisition or rampant expansion of locations.

While it is true that disruptors tend to be high-growth (Figure 3), this does not necessarily make them over-performers. Winners sustain their growth over time. Disruptors have proven that they can grow, but they have not necessarily proven that they can sustain organic growth year over year.

Figure 3: Unchecked Growth Is Not A Positive

This has two important implications. First of all, thinking like a disruptor is not the same as thinking like an over-performing retailer. Over-performers tend to be more established. And while they, like disruptors, focus relentlessly on the customer, they have a sense of more time and more resources, and this shapes their investment priorities differently.

Secondly, disruptors may not survive their own impact. A competitor can enter a market with such rock-bottom prices that they lose enough money to go out of business. While the company may not last, their impact on customer expectations and the shape of the remaining competition could be long-lasting indeed. Disruptors appear to be aware of this. They believe the source of their disruption comes from having the highest quality products and service, followed very closely by a focus on speed and also a transformed customer experience (Figure 4, below).

As we’ll see later in this research, disruptors believe that product leadership is fleeting. This shapes their priorities: they understand that their current success has a potentially short lifespan, and they need to use their opportunities to quickly build something sustainable. This is why technology is such a strategic investment for them, and yet also one they are willing to change out quickly if it’s not delivering what they need.
Retail Disruption Defined
So, ultimately, what makes for a retail disruptor in today’s unsettled times? Our research identifies four key behaviors:

- Disruptors live at the very delicate intersection of growth vs. scale – and either one could kill their business if they aren’t prepared.
- Disruptors focus on three main things: the best products, delivered in the fastest, most responsive way, through the best customer experience.
- They focus on delivering on their promises consistently – and profitably.
- Disruptors’ attitudes toward technology are fundamentally different from non-disruptors. They will do whatever it takes to execute on their strategy, and they won’t let slow, old technology get in their way. And they are more interested in getting on the learning curve fast than they are in the “perfect” experience, or even a well-defined ROI.

Read on for the details, as well as recommendations for both disruptors and non-disruptors.

Methodology
RSR conducted an online survey that was fielded in November and December of 2017. We received 109 qualified respondents. We also conducted approximately 15 one-on-one interviews with executives from retail disruptors, those threatened by disruption, and those coping with it.

Our objective with this survey differs from our typical methodology and approach. In looking for self-identified “disruptors,” rather than defining the term ourselves, we asked respondents why...
they considered their companies to be disruptors, and then we compared their answers to respondents who believed their companies are not disruptors.

To validate that respondents were not over-inflating their perception of their companies, we looked at responses many different ways – across geographies, growth rates, revenue bands, and verticals. It was through this thorough examination that we came to understand how, for example, a very high-growth, sub-$75M beauty retailer might not consider themselves to be disruptive, while a $500M grocer growing at barely 5 percent could consider themselves to be disruptive.

Within the survey, we controlled for two things. One, the responses all came from executive levels within retailers, either C-level or vice president - those who are tasked with guiding company strategy and providing company vision. Two, we made sure to balance disruptors vs. non-disruptors, so that our response pool is nearly 50-50, while also making sure we had strong representation across all revenue bands.

The results are presented here.

**Survey Respondent Characteristics**

Respondent demographics are as follows:

- **Role**
  - Chief Executive Officer/President/Managing Director 32%
  - Chief Operating Officer 7%
  - Chief Financial Officer/Treasurer/Comptroller 4%
  - Chief Information Officer/Technology Director 20%
  - Chief Supply Chain Officer 3%
  - Chief Merchandising Officer 2%
  - Chief Marketing Officer 2%
  - Chief Digital Officer 1%
  - Chief Stores Officer 0%
  - Chief Customer Officer 2%
  - Business Owner 7%
  - Senior Vice President 17%
  - Other Senior Executive/C-suite 3%
• **Disruptors:**

  ![Pie chart showing 49% Yes and 51% No for Are You A Disruptor?]

• **Revenue:**

  - $10 billion or more: 13%
  - $5 billion to less than $10 billion: 10%
  - $1 billion to less than $5 billion: 15%
  - $500 million to less than $1 billion: 21%
  - $250 million to less than $500 million: 12%
  - $100 million to less than $250 million: 6%
  - $75 million - $100 million: 4%
  - Less than $75 million: 19%

• **Vertical:**

  - Fast Moving Consumer Goods: 28%
  - Fashion: 22%
  - Hard Goods: 22%
  - General Merchandise: 22%
  - Other: 4%
  - Brand Mfg: 3%

• **Channels Operated:**

  - Stores: 83%
  - Mobile: 69%
  - Catalog: 39%
  - Branded online channel: 65%
  - Third-party marketplace channels (e.g. Amazon, Walmart, Tmall): 42%
  - Social sites: 52%
Disruptive Behaviors

What Do Disruptors Do Differently, And What Really Matters?
While retail disruptors may do a lot of things differently than other retailers, not everything they do is something the industry can learn from. However, there are four major areas where disruptors focus their differentiation strategies: Omnichannel, informed insight, customer acquisition, and the role of the store.

Unified Commerce Matters
First things first, it’s important to address the most topical of the four areas: a harmonized (unified) commerce environment. Do disruptors focus more on a unified commerce environment than their peers? The short answer is yes (Figure 5).

Figure 5: Disruptors Focus on Unified Commerce

The longer answer is more nuanced, but reveals again disruptors’ focus on the customer experience. At the higher ends of unified commerce maturity (for example, “We’ve refined our Omnichannel offering to a point where we are profitable while fulfilling Omnichannel demand”), both disruptors and non-disruptors report parity: 38 percent vs. 39 percent, respectively (not pictured above). But while non-disruptors struggle at the other end of the spectrum, with nearly an equal percent of respondents reporting separate and distinct channels as reporting Omnichannel profitability, disruptors have made greater progress.

Some of this may come from starting from a cleaner slate of processes and technologies than non-disruptors. But disruptors are also putting customer experiences first, even if they don’t have all the capabilities in place to meet customer expectations reliably – a key theme.

Data Doesn’t Matter – Informed Insights Do
One key assumption about disruptors that we had going in to this research is that they are very data-driven. However, while it may be true that disruptors are hungry for data, what became clear in our results is that they are more interested in the combined power of data and human insight.
Disruptors value human insight, but they seek informed insights – informed via data (Figure 6, below).

Figure 6: Insights Offer More Than Data Alone

Disruptors’ Reliance On Data vs. Human Decision-Making

<table>
<thead>
<tr>
<th>Area</th>
<th>1 - Extremely data driven</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 - Completely driven by human decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct channel operations</td>
<td>17%</td>
<td>15%</td>
<td>10%</td>
<td>23%</td>
<td>6%</td>
</tr>
<tr>
<td>Store operations</td>
<td>15%</td>
<td>9%</td>
<td>40%</td>
<td>25%</td>
<td>11%</td>
</tr>
<tr>
<td>Marketing</td>
<td>25%</td>
<td>11%</td>
<td>40%</td>
<td>13%</td>
<td>11%</td>
</tr>
<tr>
<td>Sourcing / Procurement</td>
<td>17%</td>
<td>17%</td>
<td>34%</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Merchandising</td>
<td>21%</td>
<td>9%</td>
<td>34%</td>
<td>25%</td>
<td>11%</td>
</tr>
<tr>
<td>Product development</td>
<td>21%</td>
<td>21%</td>
<td>30%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Corporate strategy</td>
<td>21%</td>
<td>19%</td>
<td>30%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>IT</td>
<td>26%</td>
<td>15%</td>
<td>30%</td>
<td>17%</td>
<td>11%</td>
</tr>
<tr>
<td>Supply chain</td>
<td>19%</td>
<td>25%</td>
<td>28%</td>
<td>11%</td>
<td>17%</td>
</tr>
<tr>
<td>Finance</td>
<td>23%</td>
<td>23%</td>
<td>25%</td>
<td>17%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Non-Disruptors’ Reliance On Data vs. Human Decision-Making

<table>
<thead>
<tr>
<th>Area</th>
<th>1 - Extremely data driven</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 - Completely driven by human decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct channel operations</td>
<td>13%</td>
<td>29%</td>
<td>36%</td>
<td>14%</td>
<td>9%</td>
</tr>
<tr>
<td>Store operations</td>
<td>14%</td>
<td>21%</td>
<td>29%</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>Marketing</td>
<td>25%</td>
<td>18%</td>
<td>36%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Sourcing / Procurement</td>
<td>16%</td>
<td>21%</td>
<td>29%</td>
<td>23%</td>
<td>11%</td>
</tr>
<tr>
<td>Merchandising</td>
<td>21%</td>
<td>29%</td>
<td>16%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>Product development</td>
<td>9%</td>
<td>27%</td>
<td>28%</td>
<td>25%</td>
<td>11%</td>
</tr>
<tr>
<td>Corporate strategy</td>
<td>11%</td>
<td>29%</td>
<td>29%</td>
<td>18%</td>
<td>14%</td>
</tr>
<tr>
<td>IT</td>
<td>25%</td>
<td>21%</td>
<td>30%</td>
<td>16%</td>
<td>7%</td>
</tr>
<tr>
<td>Supply chain</td>
<td>21%</td>
<td>30%</td>
<td>16%</td>
<td>25%</td>
<td>7%</td>
</tr>
<tr>
<td>Finance</td>
<td>20%</td>
<td>25%</td>
<td>30%</td>
<td>14%</td>
<td>11%</td>
</tr>
</tbody>
</table>

*Note: the line indicates 50 percent, or the center of the spectrum.*

Source: RSR Research, January 2018

The black line through the middle of the charts above represents the halfway point between the two extremes of completely data driven and completely human driven. At the surface level it’s clear that disruptors put more emphasis on the human-driven side than the data-driven side. But there are only a few places, like corporate strategy, where disruptors are more likely to say they rely completely on human decision-making. Instead, they have a greater tendency to place emphasis on a balance between the data and humans.

There are a few key areas that stand out, however. In direct channel operations, non-disruptors are much more likely to rely on data-driven decision-making. The same is true for store
operations. Disruptors, on the other hand, are more likely to give more latitude to human decision-making in these customer-facing operations. We will find, as we turn to technology investments below, that they also are more likely to provide technology to front-line employees, to help get the data needed for decision-making closer to the people who need to make the decisions.

The other areas that stand out go back to disruptors’ key current strengths in product. Both merchandising and sourcing/procurement are much more likely to rely on data-informed human decisions for disruptors vs. non-disruptors.

This “taste-maker” perspective is driven home in disruptors’ plans for leveraging customer data across merchandising and marketing capabilities in the future (Figure 7).

**Figure 7: Taste-Making Requires Confidence**

Three areas immediately stand out on this chart, where disruptors are not planning on leveraging customer data analytics to the same extent as non-disruptors, and they all relate to products: what to buy, how to price it, and how to promote it.

Disruptors have a powerful product that is resonating with consumers. They trust the instincts and taste-making confidence that has gotten them this far. They aren’t about to “optimize” away those advantages.

**Relentless Customer Focus, Especially In Customer Acquisition**

Disruptors may cause disruption through products and speed to market, but the customer experience is clearly their highest priority going forward. This plays out in the Omnichannel promises they make, and it plays out in their customer acquisition strategies as well (Figure 8, below).

Disruptors’ top three high priority elements of customer acquisition strategy are: investment in engaging lifestyle content, investment in customer-focused events and activities, and investment in the customer experience. Non-disruptors also place investment in the customer experience as a high priority, but they actually give equal priority to greater investment in digital advertising, with personalized product recommendations third on their overall list.
The difference in perspective revealed by these priorities is stark: Disruptors are investing in the customer experience and its building blocks. Non-disruptors pay some mind to the customer experience, but are more focused on selling more stuff, rather than truly acquiring customers.

**What Role For Marketplaces?**

Marketplaces have been playing a larger role in retail, as both the number and size of marketplaces have grown, and the participation in marketplaces has also increased. This is also a place where disruptors have vastly different strategies than non-disruptors: 49 percent of disruptors report using third-party marketplaces, vs. only 36 percent of non-disruptors.

However, 17 percent of disruptors expect their use of marketplaces will decline in the future, vs. only 4 percent of non-disruptors.

When speaking to individual respondents about their point of view on marketplaces, it became clear that third-party marketplaces, and Amazon in particular, are viewed as very valuable for customer acquisition, but not as desirable long-term partners most likely because marketplaces create distance between the retailer or brand and the customer. Disruptors are happy to use marketplaces and the enormous traffic they aggregate in order to find new customers. But they are not happy to place the entirety of their customer acquisition in the hands of someone else.

As the CEO of an online specialty grocery retailer put it, “Product, manufacturing, fulfillment – these can all be streamlined. But the way you get your first customer, your one millionth customer – this is the way you define your business.”
The Role Of The Store

Surprise! The Store Lives On

As we mentioned earlier in this document, one myth about retail disruptors is that they must be pure plays, because stores are “so 20th Century.” Apparently, as even giant Amazon.com, with their purchase of Whole Foods Market, has begun to recognize this simply is not true (Figure 9).

Figure 9: The Store Is Part of Most Disruptors’ Portfolios

Stores provide several valuable functions: they act as a living, tactical brand ambassador; they provide shoppers the opportunity to touch and feel the retailers’ products; and they cater to the customer who is interested in assistance and the human touch to get things right.

This, of course, begs the issue of training. Had a customer walked into her first Warby Parker store, for example, and found customer service lacking, she might have lost trust in the brand. But the employees clearly know how to fit a pair of glasses. This enhances the brand, supports trust, and promotes the brand. Passersby have been heard to say things like “Oh, so that’s who they are…” It’s hard to put any kind of price on that opportunity.

Getting Specific: What ARE The Stores Used For?

We also asked our survey respondents to get specific, and identify what their stores are actually used for (the Omnichannel effect), and whether their store counts will rise or fall this year. The answers from both disruptors and non-disruptors are instructive, as we’ll see below in Figures 10 and 11.

First, Figure 10 shows expectations for uses of the store in disruptors’ plans.
Recalling that our respondents are all C-level executives from various sides of the enterprise, it’s surprising to find that 11 percent don’t know what percent of their store base will increase or close in the current year. This is an important “watch out.” Retailers should never be moving so quickly that they stop acting as a team and integrated whole. Siloed organizations will not be healthy for long, and frankly have no place in the 21st Century.

However, among those who do know, we can see a real sense of an Omnichannel world. We have stores opening and closing, with a significant amount of cross-channel activity.

Moving on to Figure 11 below, and non-disruptors, we can see the same worrisome lack of knowledge around current year store openings and closings.

In fact, a slightly larger percentage of executives from non-disruptors report they don’t know the number of openings and closings in the year to come.

We do see a smaller proportion using the store as an active node on their supply chain (with, as an example, 73 percent reporting less than 40 percent of online purchases returned to stores vs. 58 percent of disruptors reporting small numbers). Forty-two percent of disruptors see between 41 percent and 100 percent of products bought online being returned to stores.

This is both a blessing and a curse. Retailers always hope to see shoppers over-spend on returns, something that is far more likely to happen in stores than it is when a shopper just slaps a return label on a box and sends it back. The curse is around processes and losing track of inventory. It’s yet another watch-out for disruptors: ensure that processes are in place to manage your inventory.
...And What Will They Be Used For Tomorrow?

Looking out three to five years, we find some interesting insights based on retail maturity. While we can criticize non-disruptors for not knowing how many stores they’ll open and close in the coming year, it’s hard to criticize them for not knowing how far Omnichannel retailing will go in the future. While disruptors tend to be more bullish on the continued rise of cross-channel sales and returns, more mature retailers simply don’t know. RSR believes this is healthy. After all, no market is infinite, and retailers who have “been around” just don’t know where the ceiling is.

The one thing all retailers are sure of is that around half of transactions will involve a digital device of some sort. Whether that’s a mobile phone, voice commerce device or a desktop, digital is in the mix to stay. Its influence will only continue to grow.

We can see all this below for both disruptors and non-disruptors in Figure 12, below.
What Will Drive Traffic To Stores In The Future?

Given that stores will clearly still be around for many years to come, the next logical question to ask is, what’s going to stem the loss of traffic, stabilize it, and ultimately increase it? Our retail respondents definitely had a point of view. Interestingly, the greatest differences here did not come between disruptors and non-disruptors; rather it was dependent on retailer revenue as we can see in Figure 13 below.

### Store Percentages For Disruptors 3-5 Years Hence

<table>
<thead>
<tr>
<th>Question</th>
<th>&lt;40%</th>
<th>41-70%</th>
<th>71-100%</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>What percent of your store base will you increase?</td>
<td>57%</td>
<td>17%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>What percent of your store base will you close?</td>
<td>57%</td>
<td>23%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>What percent of online purchases will be returned to store locations?</td>
<td>51%</td>
<td>25%</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>What percent of online transactions will be fulfilled in stores?</td>
<td>55%</td>
<td>25%</td>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>What percent of transactions will involve a digital device?</td>
<td>45%</td>
<td>21%</td>
<td>28%</td>
<td>6%</td>
</tr>
</tbody>
</table>

### Store Percentages For Non-Disruptors 3-5 Years Hence

<table>
<thead>
<tr>
<th>Question</th>
<th>&lt;40%</th>
<th>41-70%</th>
<th>71-100%</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>What percent of your store base will you increase?</td>
<td>54%</td>
<td>20%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>What percent of your store base will you close?</td>
<td>57%</td>
<td>9%</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>What percent of online purchases will be returned to store locations?</td>
<td>59%</td>
<td>14%</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>What percent of online transactions will be fulfilled in stores?</td>
<td>41%</td>
<td>25%</td>
<td>21%</td>
<td>13%</td>
</tr>
<tr>
<td>What percent of transactions will involve a digital device?</td>
<td>39%</td>
<td>25%</td>
<td>30%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: RSR Research, January 2018
Figure 13: The Biggest Traffic Drivers For Stores In The Future

<table>
<thead>
<tr>
<th></th>
<th>Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;$75M</td>
</tr>
<tr>
<td>Cross-channel fulfillment</td>
<td>20%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>10%</td>
</tr>
<tr>
<td>Personalized marketing</td>
<td>40%</td>
</tr>
<tr>
<td>Interactive technology</td>
<td>60%</td>
</tr>
<tr>
<td>Loyalty programs</td>
<td>50%</td>
</tr>
<tr>
<td>Experiential offerings</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: RSR Research, January 2018

As we can see from the highlighted areas, expectations that cross-channel fulfillment will drive traffic increase with retailer size. The largest retailers hold out the greatest hope that interactive technology and other “experiential offerings” will create an experience worth shopping for, and mid-sized and larger see loyalty programs as a real opportunity.

The only fly in the ointment, in our view, is the lack of belief among retailers of all sizes that nearby restaurants can drive store traffic. Despite this belief, mall operators are continuing to add food halls and other “better restaurants” in the hopes this will provide the foot traffic retailers need to draw customers into their stores in the first place.

Another “Watch-out” – Aligning Incentives

Sometimes we find that young retailers, growing like weeds, haven’t aligned their metrics or incentives to insure harmonization of selling channels. This is a particular conflict around “who gets credit for the sale”. A disconnected, channel-centric view of the world sees online sales as cannibalizing store sales, while a more unified channel view sees them as interconnected and incremental.

We can see both points of view here when we compare the perceived impact of online sales on store sales (Figure 14, below).
While disruptors are more likely to see the complimentary effect across channel than their non-disruptor counterparts, they are also more prone to worry that either online will cannibalize store sale, or believe that online sales are purely incremental. Both thought processes are worrisome.

Since we’ve already established that disruptors are primarily mid-market retailers, and that they run both physical stores and digital storefronts, we expected to see a larger portion of disruptors seeing the channels as complimentary. It’s surprising that they don’t.

**Taking A Look At Store Transformation**

We asked respondents how they expect their stores to transform in the coming three to five years. Surprisingly, we saw very little difference in perspectives between disruptors and non-disruptors. Instead, we found the most significant differences across retail verticals (Figure 15).

**How Do You See Online Sales Impacting Store Sales?**

<table>
<thead>
<tr>
<th></th>
<th>Disruptors</th>
<th>Nondisruptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cannibalizing store sales</td>
<td>28%</td>
<td>20%</td>
</tr>
<tr>
<td>Online are net additional sales (no cannibalization)</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>Complimentary (some Halo effect across the channels)</td>
<td>41%</td>
<td>36%</td>
</tr>
<tr>
<td>Don’t know/ Not sure</td>
<td>7%</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Source: RSR Research, January 2018*

<table>
<thead>
<tr>
<th>How do you expect your physical store model to transform during the next 3 to 5 years?</th>
<th>Will Transform “To A Great Extent”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fashion</td>
</tr>
<tr>
<td>Showroom - Centralized Inventory</td>
<td>17%</td>
</tr>
<tr>
<td>Fulfillment Center - Decentralized Inventory</td>
<td>39%</td>
</tr>
<tr>
<td>Service delivery location</td>
<td>39%</td>
</tr>
<tr>
<td>Customer-facing events location</td>
<td>28%</td>
</tr>
<tr>
<td>Contraction of square footage</td>
<td>39%</td>
</tr>
<tr>
<td>Introduction of shop-in-shop / leased space</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Source: RSR Research, January 2018*
Retailers who sell general merchandise, whose products tend to be commodities and who see themselves as most vulnerable in the crossfire between retail giants like Walmart and Amazon, see themselves transforming the most. We can see their hopes of enhancing their offerings through service delivery, customer-facing events, leasing out space to brands and products they don’t necessarily understand and as a showroom for centralized inventory.

Even though they are most likely to see themselves as a showroom, they don’t see themselves contracting square footage more than most other retail verticals. A bit more than a third see square footage contraction vs. almost a half seeing themselves as a showroom, selling out of a centralized inventory pool. We can only suppose they expect that square footage to go to the leased departments they are so interested in.
How Disruptors Use Technology: What’s The Vision?

Disruptors Race To Get Up To Speed, And Have Big Plans

When retailers are growing at 11-15 percent per year, there isn’t a lot of time to back-fill technologies. They race to keep up with demand. Yet, as we’ve already seen, at least two-thirds of them are also profitable. The implication here is that they’ve implemented technologies to drive efficiency across the supply chain through the store, but likely have left some money on the table by bypassing other technologies.

Because they are generally moving so quickly, it seemed more appropriate to understand their appreciation of various technologies rather than just looking at existing usage. Responses are instructive. In Figure 16 we take a look at the percentage of respondents who say they have “no plans” to implement various technologies. Their answers are revealing.

**Figure 16: Disruptors Have Plans, Non-disruptors, Not So Much**

<table>
<thead>
<tr>
<th>&quot;The Vision Thing&quot; - percent Who Have &quot;No Plans&quot; To Implement Various Technologies</th>
<th>Disruptors</th>
<th>Non-disruptors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smart mobile devices for staff in stores</td>
<td>8%</td>
<td>23%</td>
</tr>
<tr>
<td>In-store Augmented Reality</td>
<td>11%</td>
<td>30%</td>
</tr>
<tr>
<td>In-store clienteling</td>
<td>13%</td>
<td>29%</td>
</tr>
<tr>
<td>In-store task management</td>
<td>8%</td>
<td>23%</td>
</tr>
<tr>
<td>RFID</td>
<td>9%</td>
<td>19%</td>
</tr>
<tr>
<td>Personalized mobile &quot;push offers&quot; in store</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Use of social media data in customer engagement</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>Collaboration across supply chain partners</td>
<td>4%</td>
<td>13%</td>
</tr>
<tr>
<td>In-store, customer-facing robotics or automation</td>
<td>6%</td>
<td>32%</td>
</tr>
<tr>
<td>Mobile-enabled applications</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Integration of IoT devices and data</td>
<td>6%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Source: RSR Research, January 2018*
Responses didn’t differ tremendously across retail vertical or revenue band; the differences were most stark when comparing disruptors and non-disruptors.

This quote from one of our interviewees helps explain disruptors’ positions. They are planning to invest in technologies that will improve their business. They may not be ready right now, but know their futures lie in continual pragmatic investment:

“Innovation for the sake of innovation is very unhealthy. If you’re driving just to create change all you’re doing is spending resources that could be used in a much better way. So you need to always be thinking ‘What problem are we trying to solve and how are we trying to make something – something very particular – easier.’” Chief Information Officer, multi-billion dollar vertically integrated fashion retailer

In other words, retail disruptors don’t invest in technology just because it’s new or becoming a buzz-word. While they may have a lot of plans, those plans are based on finding and solving real problems.

In fact, when we look at the technology-enabled processes disruptors have already put in place compared with their peers, we can see exactly how they make things easier (Figure 17).

**Figure 17: Getting Faster And More Efficient**

<table>
<thead>
<tr>
<th>Tactics To Be Used Over The Next 3-5 Years To Improve Speed To Market: Already Implemented And Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regionalized / Localized distribution centers</td>
</tr>
<tr>
<td>Partner collaboration with vendors</td>
</tr>
<tr>
<td>Increased visibility into available-to-sell inventory</td>
</tr>
<tr>
<td>Increased visibility in end-to-end supply chain</td>
</tr>
<tr>
<td>Near sourcing (Sourcing closer to the point of demand)</td>
</tr>
</tbody>
</table>

Source: RSR Research, January 2018

This data is telling us something very important. **Disruptors do invest early in processes and technologies to support efficiency.** Disruptors know that it’s imperative to keep the pressure on. Supply chain visibility, in particular, has proven to be difficult for some companies to achieve in an Omnichannel world. Retailers generally have a hard time quantifying how much of their product is available to promise customers. Disruptors report an edge there (38 percent to
32 percent of non-disruptors). But the biggest gap is more holistic than just focusing on the edge of the enterprise. **Disruptors are twice as likely to report having already implementing end-to-end supply chain visibility.**

**Disruptors Focus On The Customer For The Near Term**

Disruptors are relentlessly focused on their customers. Their near-term technology investments tend to focus on those customers, along with building a solid technology infrastructure (ERP system) that they can leverage for future investments. Efficiencies will follow, as we can see from the information in Figure 18.

*Figure 18: Understanding Customers And Building a Solid, Efficient Foundation*

![High Priority Technology Investments: Disruptors vs. Non-Disruptors](image)

It’s interesting to see that **disruptors are more bullish on bread and butter applications like space management, task management, and forecasting and replenishment than non-disruptors.** We would have expected to see legacy players recognizing that the world has changed, technology has matured, and a refresh of these applications is likely in order.

**The Bottom Line: Disruptors Have Their Priorities In Order**

One of the other real surprises of the study emerged in the area of technology. First, we learned that disruptors are more likely to be profitable than not. Now we have learned why. They make judicious investments in technologies that keep them close to the customer and also support speed and efficiency. As long as they can hold onto these tenets, they have the very real opportunity to succeed, and gain staying power that will see them beyond the current turbulence in retail.
What Happens As Retail Disruptors Mature?

Are Retail Disruptors Naïve Or Forward-Thinking?

We asked survey respondents which operational challenges they expect to have the most impact over the next five years. To some extent they seem very forward-thinking, particularly around the “gig economy” (or what some have called the “Uberization of the workforce”). To grizzled veterans, this might seem naïve. Yet they are surprisingly more concerned about rising labor costs than their peers (Figure 19).

Figure 19: Where Do We Go From Here?

In our thinking, disruptors hope that Gig Economy workers will help them keep a lid on rising labor costs. Non-disruptors have accepted rising labor costs (partially mitigated by a transient workforce that is ineligible for fringe benefits anyway), as a fact of life.

Still their openness to change is instructive. As one of our interviewees said:

“It’s not just about bringing up ideas. I’ve worked in cultures like that – nothing gets done. The companies where it works always have stick-to-it-ness” Chief Information Officer, multi-billion dollar vertically integrated fashion retailer.

In that context, it will certainly be interesting to see how these challenges actually play out. Will retailers really spend more time training employees? Will they really turn to the Gig Economy to help them control rising labor costs? Will today’s disruptors be seen as visionaries, or will traditional retailer perspectives win out? Only time will tell, and the industry will be waiting to see how it plays out.
Recommendations

Disruptors are clearly winning the day. And a profitable disruptor is truly a retail sight to behold. But sustained retail success requires winning more than one day. The history of retailing has seen many retailers burst onto the scene in a blaze of glory, only to burn out in the business equivalent of seconds.

On the flip side, the past decade has shown us that staid retailers with long and storied histories can and will fail if they don’t adapt to changing times. Iconic turn-around artist Mickey Drexler acknowledged in an interview with the Wall Street Journal, upon stepping down as CEO from J. Crew, that he had missed how quickly technology would change the retail industry:

“I’ve never seen the speed of change as it is today…If I could go back 10 years, I might have done some things earlier.”

A real disruptor in his day, Mr. Drexler acknowledged what some call the innovator’s dilemma – missing the next great innovation. “Retail time” was once considered really, really fast. Now it turns out to be generally too slow for consumers.

With that as backdrop, and fully recognizing that there are retailers how have been running very successful businesses for a long time, we present recommendations for both disruptors and non-disruptors.

**What Can Disruptors Learn from Non-Disruptors?**

**Look For Synergies Between Channels**

Overall, we find disruptors’ instincts to be really sound. Their focus on the customer and the use of technology to engage with her is critical. We would humbly suggest that these retailers also think more about processes and metrics and incentives that support synergies between selling channels. We found too much focus on single channels: either showing online as savior or cannibal of store sales. Non-disruptors have had the time to put new strategies and processes in place.

**Continue The Path Of Managed, Sustainable Growth**

While a few disruptors are growing at absurdly huge compound annual growth rates (certainly Amazon.com comes to mind), this comes out of a rare and unusually tolerant board, willing to accept losses in exchange for continued growth of market share. Managed, sustainable growth rates are a better strategy for most retailers. Non-disruptive Retail Winners may not be taking the market by storm, but they are delivering top- and bottom-line results to shareholders year after year. As baseball pitcher Roger Clemens used to say “Stay within yourself” as you are running your business. Don’t get ahead of yourselves.

**Understand The Implications Of Going Global**

More than one retailing giant has stumbled moving into different geographies. Whether it be Tesco’s attempt to bring Fresh N Easy into the United States, or Walmart’s attempts to attack the German market, there are nuances that can easily be missed. Insure you understand nuances around taxation, privacy laws and local tastes and mores. Being a global retailer is more than just having a translated web site. It’s about getting into the hearts and minds of local economies.
What Can Non-disruptors Learn from Disruptors?

Be Open To Retail Transformation
There are many lessons to be learned from disruptors. Today's retail transformation is being driven by technology-enabled customer engagement. Ask yourself if you are really using technology to generate interest and loyalty to your business. Is your Omnichannel house in order? Do you have end-to-end supply chain visibility? Do you have confidence in your “Available to Promise” across the supply chain in stores, distribution centers, vendor locations and on the water? These are important questions that disruptors have answered. Have you?

Don’t Be Afraid To Think Outside The Box
Conventional wisdom (and thousand-pound gorilla Amazon) tell us that market disruptors don’t make money. This report should have demonstrated to you that in fact, the majority DO bring dollars to the bottom line. The message here is straightforward: thinking outside the box does not mean profits go out the window. Heed the words of Mickey Drexler and always ask, with an open mind, what new technologies and ways of doing business can do for you. The world is moving too fast to tolerate mistakes.

Find The Balance Between People And Science
We did see that retail disruptors have a very healthy mix between people (gut feel) and technology (science). We applaud data-driven enterprises. We also applaud the art of retailing. In the past, the art was enough. Today, it sometimes seems like legacy retailers believe that the science is enough. Neither is true. Disruptors understand that. A great idea, supported by the underpinnings of efficiency in execution, is the linchpin of successful retailing.

Embrace The Need For Speed
While retailers in general have spoken about getting faster, speed to volume is still very long and improvements to date have been marginal. This must change by orders of magnitude. Embrace the notion of “failing fast” – trying something and then moving on if it fails – but also embrace the possibility of “succeeding fast.” This topic is not covered nearly as well in the mass media.

Retailers absolutely have to become more responsive to customers. Brand loyalty is hard to find and tenuous when you have it. Changing with a rapidly changing customer is imperative.
Appendix A: About Our Sponsor

JDA Software is the unmatched leader in retail and supply chain, helping more than 4,000 global companies optimize delivery to customers by predicting and shaping demand, fulfilling faster and more intelligently, and improving customer experiences and loyalty.

For more than 30 years, JDA has been providing customers with an end-to-end solutions portfolio to unify and shorten their supply chains, increase speed of execution, and profitably deliver to their customers. Running JDA, you can plan to deliver!

Visit JDA.com today to explore JDA’s retail solutions and industry insights that are helping retailers succeed.
Appendix B: About RSR Research

Retail Systems Research ("RSR") is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses

- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry

- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry