

## WIRED RETAIL 2016: KEY TAKEAWAYS



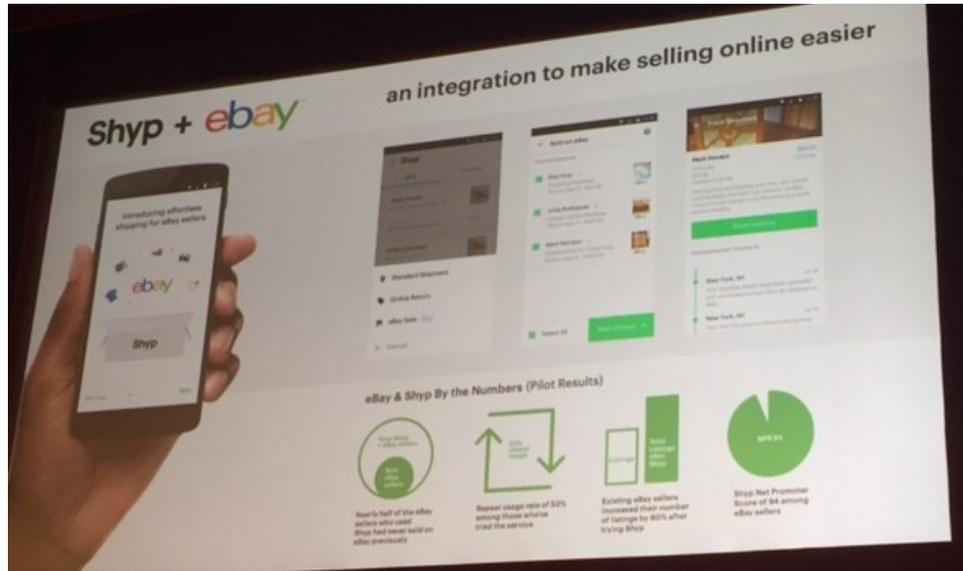
- 1) As e-commerce booms, companies are innovating to overcome the challenges inherent in sending and delivering online orders.
- 2) Amazon is launching private-label products based on the transaction data it gathers—and other retailers and brand owners will need to “own” data derived from purchase and use of their products.
- 3) Retail is set to see a dematerializing trend, with services such as virtual fitting rooms and augmented-reality apps taking the place of physical objects and services.

On November 16, Fung Global Retail & Technology’s London team attended the Wired Retail 2016 conference in London. Here are some of our key takeaways from the one-day conference.

### MAKING LOGISTICS MORE RESPONSIVE TO THE DEMANDS OF AN E-COMMERCE AGE

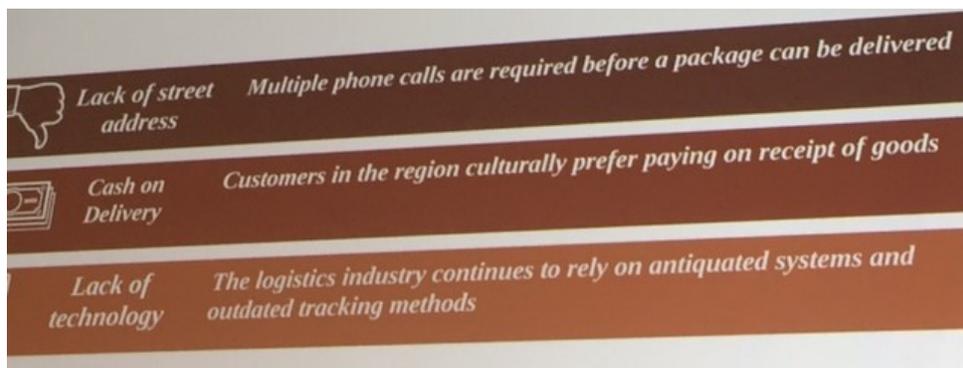
The conference kicked off with a session on some of the innovative logistics services that companies are introducing. Two standout examples are Shyp and Fetchr.

**Shyp:** Online marketplaces are booming, and Shyp focuses on the “pain point” for sellers using these marketplaces—shipping the products that they have sold. The company offers a service whereby sellers on sites such as eBay can have their product collected, then centrally packed by Shyp before being shipped through regular carriers such as DHL. Shyp CEO Kevin Gibbon noted that the company focuses on the “first-mile experience,” which can prove a major barrier to would-be sellers on marketplaces. Reflecting this, he said that half of Shyp users who sell on eBay had never sold on that platform before using Shyp. The service is now being rolled out to business sellers.



How Shyp works with eBay  
Source: Fung Global Retail & Technology

**Fetchr:** Focusing on the booming e-commerce channel in emerging markets, Fetchr also promises to help businesses overcome significant barriers—notably, the paucity of formal, recorded addresses that makes home delivery problematic. Fetchr uses the GPS signal from the recipient’s mobile phone to enable its delivery drivers to locate the recipient, bypassing the hassle of phone calls to the customer to ask for directions. Fetchr CEO Idriss Al Rifai said the company manages 97% same-day or next-day delivery.



Emerging-market challenges, according to Fetchr  
Source: Fung Global Retail & Technology

**THE INTERNET OF THINGS AND CONNECTED RETAIL**

Retail sees a disconnect between the highly tech-focused online channel and its low-tech physical stores, claimed Niall Murphy, CEO of software company **Evrything**. This is likely to change as more objects become connected to the Internet of Things—including the approximately 95% of the world’s total goods that are “high velocity,” such as food, drink and apparel products. Products will be “born digital,” Murphy said, with each item having a digital identity stored in the cloud.

The conclusion? Brands will need their own data to survive and flourish. Amazon is already launching private-label products based on the transaction data it has—and



brand owners and rival retailers will need to “own” data derived from purchase and use of their products.

#### NEW BUSINESS MODELS DISRUPTING RETAIL CATEGORIES

Many of our readers will have heard of Rent the Runway, a company offering fashion rentals in the US. We heard from its UK counterpart, **Chic by Choice**, whose CEO, Filipa Neto, made the argument that renting rather than buying clothes will become more common:

- Millennials are key: fully 46% of this age group are interested in renting clothes, with one in five willing to spend £200 per month on such rentals, Neto said.
- At the same time, only one-third of millennials are willing to buy items at full price.
- Fully 95% of apparel renters are trying a brand for the first time—which means that rental companies are giving apparel brands access to new customers.

Neto also outlined how Chic by Choice operates. It sources premium brands at wholesale, rents them multiple times and then resells them on consignment sites such as Vestiaire Collective and The RealReal.

We heard from US firm **Casper**, which has challenged the traditional model of selling mattresses. While mattresses may not be an exciting category, the company is a good example of how a firm can shake up a sector that does not work well for consumers. The experience of buying a mattress can be “terrible,” said Casper Co-Founder and Chief Product Officer Jeff Chapin. They are often overpriced, it is difficult for consumers to compare prices and stores often use hard selling techniques.

Casper shook up the category by:

- Launching as an online-only retailer, with a simple design and strong branding. Some 90% of its product is air, meaning that it is easily packable.
- Deploying in-market A/B testing of products, including tracking returns on different variations.
- Engaging customers in product development, such as in its Casper Labs program.
- Bringing online to the offline world, with a mattress showroom truck, pop-up stores and flagship showrooms that focus on hosting events rather than on selling product.

The result is a host of fans and celebrity endorsements, which have helped develop the brand through word of mouth and on social media. Casper’s revenues reached \$100 million in 2015 and the company is aiming for \$200 million in 2016.

#### NEW OPPORTUNITIES FOR RETAIL IN DATA

We also heard from several companies that are leveraging the boom in data to improve retail performance.

Consumer demand has become lackluster and the art of selling is disappearing in retail. Software firm **Rubikloud** promises to help retailers shift back to actively selling: it has helped a Chinese buying platform build a network of 200,000 and has assisted a US retailer in driving sales through machine learning.

**Blue Yonder** claims it can optimize up to 99% of decisions in retail, including what types of products to order and how to price them. The company has worked with German grocery and apparel retailers to help them grow sales, reduce returns and improve service.

**Black Swan** uses the Internet as a giant, global focus group to identify trends. It uses predictive analytics that are based on what people are saying, searching for and buying online. The company has predicted cold and flu outbreaks and forecast the popularity of various Disney characters.

E-commerce faces a big problem in persistently low conversion rates: just 3% of visits to an e-commerce site, on average, convert to a sale. **Sentient Technologies** thinks this is partly because websites require consumers to do all the work in searching or browsing for products. The company uses visual systems that break down the characteristics of a product and surface results based on the characteristics that shoppers browse. Sentient Technologies also offers evolutionary website technologies that test thousands of site variants live, which enables a continuous evolution of websites based on what proves most popular.



Visual search from Sentient Technologies

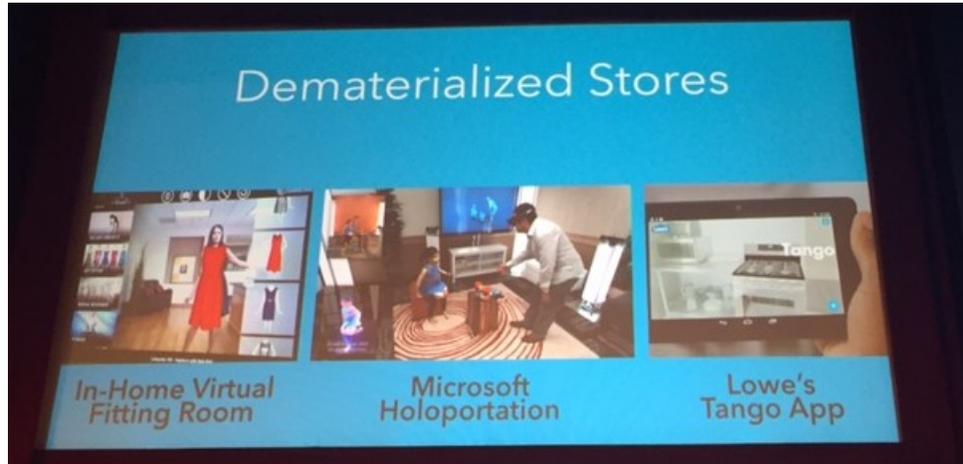
Source: Fung Global Retail & Technology

**EXPONENTIAL TECHNOLOGIES AND A DEMATERIALIZING WORLD**

Finally, Jody Medich, Director of Design at **Singularity University Labs**, outlined how disruptive technologies are set to change our everyday lives.

- Augmented reality is set to be “ubiquitous,” Medich predicted. She suggested that products such as contact lenses that can record and play back what the wearer sees and haptic technology—which allows users to virtually “feel” products—will be commonplace.
- 3D “native authoring” will change how we represent information visually—shifting it from 2D images to 3D visualizations. Innovations such as Google’s Tilt Brush, Autodesk for Microsoft’s HoloLens and 3D printing will add that extra dimension.

- We have seen our world “dematerialize,” Medich said. Objects (hardware) have migrated into software, such as that used in smartphones: we have seen this in music and photography, for example. Soon, we will see a similar dematerializing trend in retail, with virtual fitting rooms and augmented-reality apps replacing physical objects and services with virtual counterparts.



Stores could see a dematerializing trend, according to Singularity University Labs  
Source: Fung Global Retail & Technology



FLASH REPORT

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**Deborah Weinswig, CPA**

Managing Director  
Fung Global Retail & Technology  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**John Mercer**  
Senior Analyst

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**HONG KONG:**

8<sup>th</sup> Floor, LiFung Tower  
888 Cheung Sha Wan Road, Kowloon  
Hong Kong  
Tel: 852 2300 4406

**LONDON:**

242–246 Marylebone Road  
London, NW1 6JQ  
United Kingdom  
Tel: 44 (0)20 7616 8988

**NEW YORK:**

1359 Broadway, 9<sup>th</sup> Floor  
New York, NY 10018  
Tel: 646 839 7017

[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)