

Top 5 Takeaways from Day 2 of Global Retailing Conference 2017



The Fung Global Retail & Technology team attended the Global Retailing Conference 2017 in Tucson, Arizona last week. Attendees included over 450 retail executives as well as 150 students from the Terry J. Lundgren Center for Retailing at the University of Arizona. Here, we share our 5 key takeaways from Day 2 of the event.

- 1) Apple stores meant to serve a bigger purpose than as just a place to transact.
- 2) Kendra Scott shares her inspiring story which led to her business philosophy.
- 3) Macy's is working to address rapid change in retail under its new CEO.
- 4) Bluemercury is an example of successful disruption in the beauty category.
- 5) AR and VR help consumers visualize potential purchases in the home category.

1. Apple Stores Meant to Serve a Bigger Purpose than Just a Place to Transact

Interested in the opportunity to be part of a company that is changing the world, Angela Ahrendts, SVP of Retail at Apple, joined the company in 2014. Although Apple has roughly 500 stores, the channel represents just 0.2% of total distribution. The stores are meant to serve a bigger purpose than merely a place to transact, they are a gathering place for people where everyone is welcome. In fact, 64% of store headcount is spent on servicing and answering consumers' questions. The architecture of the store is the hardware, while the store experience is the software. Businesses are part of society and it is their responsibility to keep pace with the changes in consumer behavior.

Apple is updating its stores and, in many cases, expanding their size, as traffic has in some cases tripled since the stores were first opened (prior to the launch of the iPhone), as well as opening new stores. Part of the update to the new store design is a closer look at the accessories offered in stores. There will be more exclusive products as well as



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more curated assortments—what will be offered in-store is what the company views as the best products. All the elements of the new store design came from the new Apple campus, which includes some leather touches and other features to make the stores feel warmer and more inviting.

Another insight Ahrendts shared was the conversation and communication platform she launched that allows employees to share feedback with her as well as developing a two-way communication. The company took on board all the suggestions, boiling them down to seven suggestions, which it is currently piloting and testing. Some of the ideas revolved around the environment, accessibility and creating startups and entrepreneurs in the community. One tool Ahrendts used to communicate with store employees was doing weekly videos with three key takeaways in under three minutes, which, also, more importantly, helped established a dialogue. Basic human contact and connection makes people happier and ultimately do their job better. The company's retail channel has an incredible retention rate of 87%. It is a culture based in united values about serving customers, serving the community and treating each other well.

2. Kendra Scott Shares her Inspiring Story Which Led to her Business Philosophy

Kendra Scott, Founder of the jewelry company Kendra Scott, shared the inspiring story of how she came to start her company 15 years ago, as well as her personal story that got her to where she is today and inspired her company's philosophy and way of doing business. The core values of the company are family, fashion and philanthropy. It also revolves around a key phrase "you do good."

Family is a key component of the company's culture. The company has a philosophy it calls the "sister rule," which is to treat every customer as you would your sister. If your sister needs her jewelry fixed, would you fix it? Of course. It makes decision-making very easy. The company also hires nice, kind people and 98% of employees are women.

Scott is passionate about fashion—jewelry was something she did in her spare time in the past, as it was something she enjoyed doing. Fashion was always exciting to her. The company was born out of her need for high-quality fashion jewelry and mid-tier prices.

Scott's philanthropic philosophy is that no one get turned down who comes to the company for help or a donation. She has instilled that within her company because she believes it is the right thing to do. When you give, you receive so much more.

3. Macy's Is Working to Address Rapid Change in Retail Under New CEO

The presentation by Jeff Gennette—who recently became President & CEO of Macy's following the departure of Terry Lundgren—revolved around how Macy's is addressing the rapid pace of change in the retail industry and changing consumer behavior. Macy's has a strong brand heritage and 54% of US consumers shopped in a Macy's store last year. Some 70% of the company's consumers are women. Every day brings a new opportunity for Macy's to delight or disappoint its customers. The company is focusing on its best customers and putting the customer at the center of all of its decisions.

Gennette discussed two priorities: stabilizing the core business and growing the outperforming digital and mobile businesses. He outlined the company's five-point strategy to do so.

1. **The strength of the brand:** The Macy's brand has a strong connection to the consumer; it has played a role in people's lives and histories. New marketing campaigns will leverage this rather than sales messaging.

2. **Products she loves:** The company is focused on exclusive product and exclusive brands. One successful example of this is Tommy Hilfiger, which has benefitted from the partnership with Gigi Hadid and is also compelling product.
3. **Every experience matters:** Macy's has incorporated eateries, entertainment and special events into its stores, which have been well received. The question now is how to scale that.
4. **Technology + human connection:** It is a competitive advantage of Macy's to be able to combine technology, whether it be in-store or online, with a human connection to serve customers and make the experience personal.
5. **The critical role of the store:** Macy's continues to look for ways to drive traffic, but it believes in its stores. Three quarters of consumers prefer to return products in-store rather than online, and when they come back to the stores, they tend to buy additional items.



Source: Fung Global Retail & Technology

4. Bluemercury, a Successful Example of Disruption in the Beauty Category

Marla and Barry Beck founded Bluemercury, a high-end beauty retail chain and cosmetics brand in 1999. The company was initially set to be launched as an online-only company and was built out of a dissatisfaction with the way cosmetics were sold in department stores behind glass counters. The experience was intimidating and not very user friendly. The company went through challenging times, having launched right before the dot-com bust and came close to bankruptcy before making the decision to buy a store in Georgetown, Washington DC. In the end, the constraints of money made the company smarter and made it operate more cost efficiently. The company believes its people are its best assets, its differentiator and its "secret weapon." In 2014, Bluemercury was acquired by Macy's and it has just opened its 130th store.



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5. AR and VR Help Consumers Visualize Potential Purchases in the Home Category

Beck Besecker, Co-Founder and CEO of Marxent, talked about augmented and virtual reality (AR/VR) in the context of retail, specifically 3D product strategies for customers. For AR and VR to work in retail, the potential purchase has to be a high-consideration purchase such as a home or furniture, or something similar. It has been more challenging with lower-priced fashion items as products change very quickly and creating a 3D model is too costly. Marxent has not been able to generate a manageable return on investment in lower-priced products yet. Products such as outdoor decks are semi-permanent and do not change very often. In retail, returns are a major cost of doing business, particularly online, and with AR/VR technology, the company has managed to reduce returns by as much as five times. The technology allows the customer to “be in their space” and actually feel what it is like before purchasing.



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