



Remodista
COLLABORATE. RESEARCH. ANALYZE.

STATE OF INNOVATION REPORT

2019-2020



“ Humans are hard-wired
for connection.

”

INTRODUCTION

Brene Brown, popular researcher, motivational speaker and humanist is quoted to have said, “humans are hard-wired for connection.” This includes the leaders who propel our businesses forward. But as we rise in the ranks, the opportunity to connect, engage and learn from each other diminishes. The fear of looking vulnerable is something most leaders avoid. But vulnerability is one of the founding principles we built the Collective Think on.

As opposed to a similar sounding, and pitfall-ridden “group think,” Remodista’s Collective Think gives leaders an impartial opportunity to explore ideas that impact retail organizations today. It opens doors to connect with other leaders who experience similar challenges, giving way to conversation that can cover topics like fear, hopes, and innovation.



Each time we gather between thirty-five and sixty retail leaders, technology service providers, press and media experts in a room, to ask questions such as “What do you know?” “What are you doing?” and “What does the future look like?” Then we take that information, parse the observations and create bold, honest and helpful insights that can help us build bridges without running up against career endangerment or competitive disclosure.

Ultimately, we strive to satisfy the intense need for connection among peers and professionals so we may all rise.

FOUNDING PRINCIPLES OF THE COLLECTIVE THINK

Foundation - Each topic we offer is designed to give our participants an opportunity to understand the foundation we all begin from.

Connection - The face-to-face nature reminds us that all leaders are human and we are all striving to connect and build relationships.

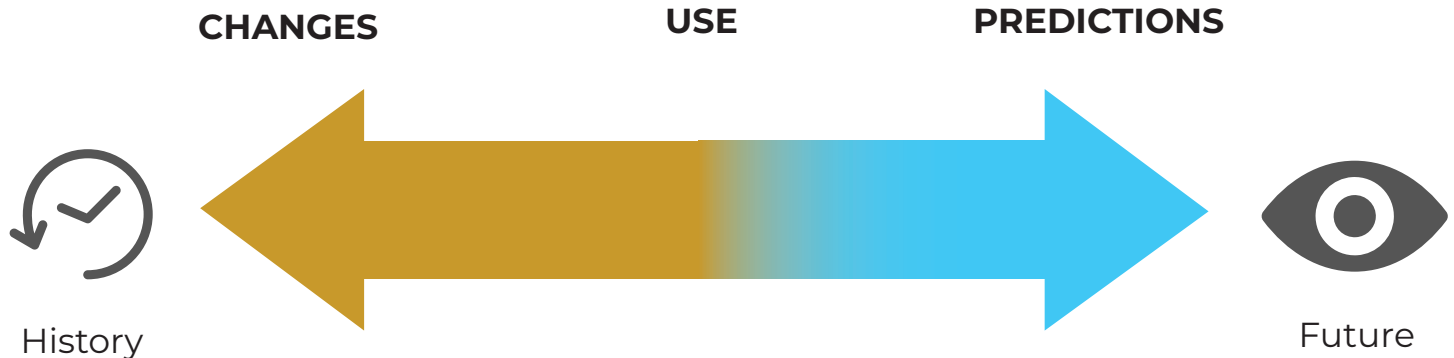
Innovation - After each event and through the process of capturing insights, we're able to get a sense for where we fall on the scale of Innovation.

SCALE OF INNOVATION

As a reflection of our learnings we've built a new scoring method to offer insights into where a particular group falls in their understanding of a topic.

Participant responses are broken out into three main categories:

- Changes - responses categorized here reflect historical comparisons around this topic and the shifts they're seeing the market.
- Use - responses in this group are focused on current use cases. Leaders are looking into the market to understand what's happening now, setting up critical foundations for future-looking perspectives.
- Predictions - responses in this group reflect a deeper understanding of the context around the topic.



365 LEARNINGS

From the past year, we've covered commerce, customer experience, internet of things, artificial intelligence, payment, security, and robotics as they apply to retail. Here are some of the notable themes we've seen emerge:



1

Customer experience and commerce are deeply intertwined.

2

Data privacy, IoT and artificial intelligence are facing an ethical revolution thanks to the possibilities that cryptocurrency are opening up.

3

Both siloed customer facing and internal technology are impeding the speed of innovation.

4

Next year, there will be a focus on dark web, security, sustainability, and diversity and inclusion.



“Tangible measurement
of innovation allows us to
understand growth pat-
terns and opportunities.”



MACRO INDUSTRY FORCES

Geopolitical impacts

The current administration's commitment to tariffs against China play into an underlying fear about a looming recession. Rising prices for “for everyday items like clothing, toys, home goods and electronics” are indicative of this friction. Although some say that the potential for a recession is overblown, data points like interest rates, rates of construction on homes, unemployment rates, and employment growth seem to point towards a possible recession. Top of

class retailers are in the process of bracing themselves for wide-spread changes in strategy to offset potential drops in sales.

Buyer behavior

Traditionally, buyer behavior isn't something that shifts overnight. Retailers see long, slow transitions into new behaviors. Much like the rise of mobile use until it overcame desktop, we're seeing the importance of personalization, payment options and the reinforced emphasis on customer service and consistency of experience.

It's also clear that online shopping and the in-person experience are not mutually exclusive, the latter of which continues to drive sales online and vice versa. .

Technology

The internet of things may seem like a drum we've been beating forever, but it turns out we're still seeing new ways it's being incorporated in-store. From internal infrastructure to external customer experience, there's still room for further innovation and exploration at the retail level. As we reported in the first and second quarter, robotics are making their way into mainstream stores and consciousness, from cashierless checkouts to behind the scene inventory stocking.

STORE CLOSURES YEAR-OVER-YEAR

2017 Store Closures

8,139

2018 Store Closures

5,864

2019 Store Closures

12,000

(estimated)

Source: Coresight Research



INDUSTRY INSIGHTS

From September 2018 to September 2019, we've been collecting data points from the Remodista community at our in-person events. In those events, we've covered everything from Artificial Intelligence (focusing on marketing and sales), commerce (including the challenges with cryptocurrency, data privacy, and payment), as well as customer experience (with a focus on connected stores and influencers), and finally, retail technology as a whole (IoT, privacy and robotics).

In the next few pages, we'll summarize what we have learned and where our groups fell, respectively, on the innovation scale.

PARTICIPANT STATS

137

Participants over
12 months

Roles

68.6%

Executive
leaders

21.8%

Senior
Leaders

10.9%

Mid-Level
Managers

Roles

53.2%

Retail

35.03%

Service +
Technology

12.4%

Other
Industries



ARTIFICIAL INTELLIGENCE

Focus Words: Will, Can, Use, People, Humans, Data, business, companies

The potential use cases still play a huge role in the ideation around artificial intelligence. Most of these are still largely theoretical due to resource issues and lack of strategy. Privacy popped up in every conversation we had with leaders across all business categories. Another common thread we observed pertains to a focus on humanity and people. It seems that across industries, leaders are confident that humans are enabling or benefitting from the automation we are working so hard to put into place. In contrast to the fear of robots taking jobs, it seems as though human capabilities are integral to their overall success. Instead, it is projected that we, humans and robots, will work side by side and see shifting skill sets.

COMMERCE

Focus Words: Marketing, Customer Experience, Strategy, Payment

Advocacy emerged as a critical theme from Collective Think to Collective Think. In an effort to provide an outstanding customer experience, the commercial experience must reflect the needs of the consumer. Whether it's offering payment options, handling privacy ethically, ethical sourcing in general or creating new ways of doing business (i.e. subscription models, plus size markets), expectations are forcing wholesale shifts in the way we're collecting, investing and processing money.





CUSTOMER EXPERIENCE

Focus Words: Personalization, Customer Service, Commerce, Channel Strategy

Rebuilding trust was a focus at the beginning of the year. Consumers struggled with overall perception of brands and the online-to-offline experience wasn't improving things. Similar technology challenges were seen internally as well, making data transparency one of the major barriers to the type of personalization customers expect. Most retailers are at a crossroads when it comes to evaluating the efficacy of influencers due to questions around authenticity. At the forefront of customer experience is experiential store moments, where retailers immerse their customers in the buying experience.

TECHNOLOGY

Focus Words: Customer, Want, Need, Data, GDPR, Inventory, Workforce

The theme of ethics wove through most conversations. Retailers have an opportunity to start planting the seeds of trust through ethical use of data and technology. Taking the high road with data privacy, as the US government formulates their policies, may put you ahead of the pack as well as create a better customer experience. Transparency around the use of IoT can open the door to insightful conversation with users and build steady relationships over time.

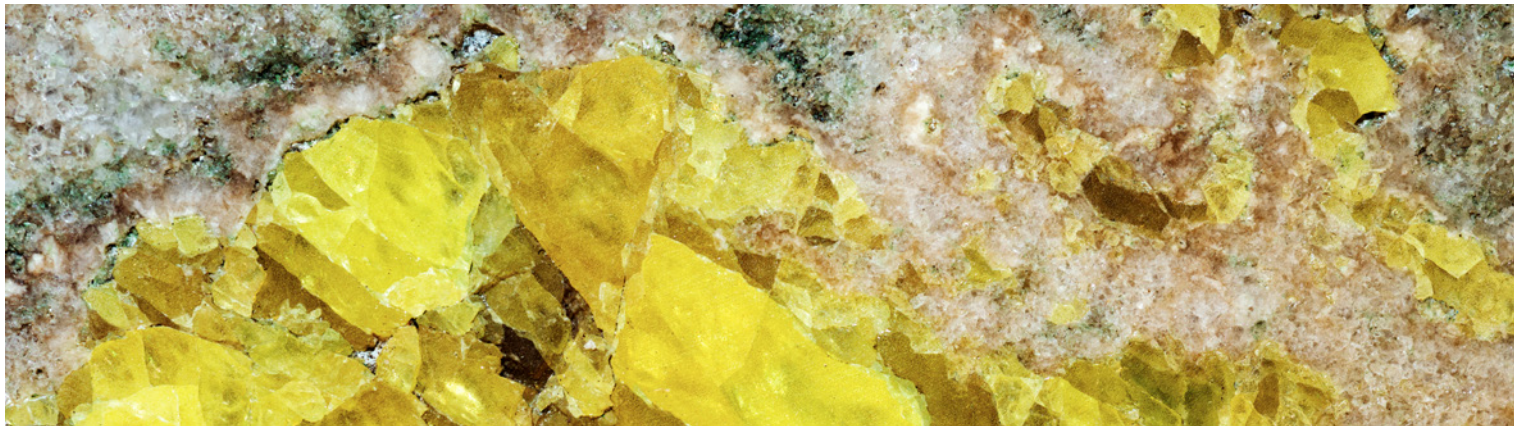


FUTURE OF RETAIL INNOVATION

Evolution is the name of the retail game. Combining strategic hindsight with emerging priorities, we'll have an opportunity to map success.

Dark Web

Because of the questionable content on the dark web, retailers aren't (and likely shouldn't) holding storefronts on the dark web. They are, however, impacted by this growing, and murky pool of goods. One of the often sold "merchandise" are credit cards, which is fueling the growing credit card fraud market. Fake coupons are also being sold by the batch as well. This type of fraud is "costing major companies at least one million dollars in coupons for 25 cents off two boxes of cereal."



Security

Thanks to emerging underground markets like the dark web, data breaches, cyber attacks, malware, phishing and hacking, the global cost of online crime is expected to reach \$6 trillion by 2021. As we conclude the conversation this year about customer experience and consumer trust issues, security and the protection around customer data is a clear priority.

Sustainability

With the threat of climate change edging towards irreversible, heightened awareness of how companies can be good stewards is on the rise. "Climate change, water

shortages, decreasing biodiversity, unequal distribution of wealth and economic opportunity, social unrest, and cyber-attacks are among the acknowledged threats to the sustainability of businesses around the globe." This isn't just a marketing stunt. "50% of CPG growth from 2013 to 2018 came from sustainability-marketed products."

Diversity, equality and inclusion

Although corporations have been talking about this issue for decades, the rise of diversity, equality, inclusive job titles and consulting organizations reflect the seriousness in which organizations are approaching this

topic as decades of racial inequity are uncovered by unstable political ground. “20% of companies don’t have women leaders, and nearly 50% don’t have people of color,” according to Quantum research. Yet, according to Pew Research, the best talent believes that companies need to do more to promote it.

MAPPING SUCCESS

The retail industry is no stranger to the pressures of industry. While things are changing, many retailers are navigating the fundamental shifts in technology and user experience. All the while, they’re being pressured to stay ahead of trends, risks and shifting socio-economic changes. Despite the challenges, those retailers who have the consumer at the heart of all they do are typical-

ly the ones that are deemed best-in-class. Our Collective Think gives retailers a chance to learn from one another in a sheltered, anonymous environment.

READY FOR MORE INSIGHTS?

Join us in HALO.

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disrupting industries
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