




The Retail Formula for Success

Which business models are surviving the digitalization of Retail and why?

Joseph Clemson | Getty Images

Short introduction...



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Introduction Ecommerce Foundation

The Retail Formula for Success:

- Research reason & set-up
- The key findings
- First conclusions



Introducing the Ecommerce Foundation

Helping the world get better in e-commerce

Initiated by Ecommerce Europe, we now cooperate with 32 associations worldwide



In our view e-commerce knowledge is extremely dynamic & fragmented
Across countries, industries, companies & people




Our mission is helping the world get better in e-commerce
Because peace is the natural effect of trade*



* Charles de Montesquieu, Philosopher, 1689 - 1755

The Ecommerce Foundation offers several services

A stack of four reports titled 'Ecommerce Reports 2013' for Eastern Europe, Western Europe, Northern Europe, and Central Europe. Each report cover features a different regional map and a person's portrait.

40+ National Ecommerce Reports supporting members going cross border.

A blue and white commercial airplane in flight, angled upwards towards the right.

Every year a **C-level study delegation** is travels to an inspiring location. Previous trips include Silicon Valley, Seattle and China.

The logo for the Global E-commerce Summit, featuring a globe icon and the text 'GLOBAL E-COMMERCE SUMMIT'. Below it is the logo for the European E-commerce Awards 2014, featuring three stars and the text 'European E-commerce Awards 2014'.

The **Global Ecommerce Summit & awards** offer members insights into best practices across the globe.

The logo for Ecommerce Benchmark, consisting of a blue cube icon and the text 'Ecommerce BENCHMARK'.

The **Ecommerce Benchmark** allows members to compare & improve their ecommerce activities.

The logo for Ecommerce Wiki, consisting of a blue cube icon and the text 'Ecommerce WIKI'.

The **EcommerceWiki** is the online guide for ecommerce managers with templates, process descriptions, etcetera.

The logo for Ecommerce Reports, consisting of a blue cube icon and the text 'Ecommerce REPORTS'.

EcommerceReports curates all e-commerce related reseach accross the globe by adding an editorial board and peer review.

The logo for shopping tomorrow, featuring the text 'shopping tomorrow' in white on a blue rectangular background.

Lectures & presentations are offered to help members look into the future of shopping.

A blue and white globe with a magnifying glass over it, symbolizing research or investigation.

Custom research is done for a diverse set of topics both co-branded as well white labeled.

A large, blue, 3D question mark.


...

Every year e-commerce data is gathered for 40+ countries world wide
In order to drive and help countries and companies to go cross border



Content gathered per country:

- Demographic indicators
- Economic indicators
 - eGDP
 - Ecommerce jobs
- Sales per product segment
- Mobile commerce
- Cross Border commerce
- Social media
- Legal & Tax
- Payments
- Do's and Don'ts
- ...




Ecommerce

WIKI

The e-commerce handbook everybody can edit


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Wiki Experts (6) Video's

Product Information Management   

Product Information Management

Chapter 1 Product Information Management Basic

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1. What is Product Information Management?
2. What are the main benefits of Production Information Management?
3. What are the main challenges regarding Production Information Management?
4. What is included in a PIM system?
5. What is the position of PIM in the system landscape?
6. What are the latest trends with regard to Product Information Management?
7. Who uses a PIM system?
8. What are the core processes and features of PIM?
9. What are the most important PIM concepts?
10. What kinds of Product Information exist?

Chapter 2 Product Information Management Advanced

Continue reading

1. When should you consider a PIM system?
2. What organizational departments benefit from PIM?
3. What processes are included in a PIM system? How do they work and what are their points of attention?
4. How do you organize processes around PIM?
5. How to select a PIM system?
6. How to implement a PIM system?
7. How to structure data in a PIM system?
8. How do you manage the quality of data?

Chapter 3 Product Information Management Expert

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1. How do you enrich data in a PIM system?

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< Product Information Management | Product Information Management Basic

Wiki Experts (6) Videos

What is Product Information Management?

PIM (Product Information Management) actually stands for what it says it stands for: the management of product information. Wikipedia gives the following definition: "Product information management or PIM refers to processes and technologies focused on centrally managing information about products, with a focus on the data required to market and sell the products through one or more distribution channels".

The central concept is that product information is entered and stored once. This place is the "single source of truth" (also called the "Golden Record") and from here that information is distributed without being re-entered manually into a different system.

Concept of PIM

The concept of PIM started to gain momentum around 2003. Why is it applied? Due, to a considerable extent, to the rapid growth of e-commerce and the popularity of online stores. First of all, selling online requires companies to collect clear basic product information that consumers can actually understand. Without product information e.g. the name of the product, price and product category, the product could not be found and sold online at all.

Secondly, the Internet allows retail and wholesale companies to offer many more products online to their clients, often described as "long tail", than in physical stores. While it was possible to manage product information in a spreadsheet, most online stores now offer thousands of products. These products are offered via the Web and also via a large collection of channels such as mobiles, tablets, stores, printed catalogs, etc. This growth demands a specialized system to manage so much information so widely distributed. The world of distribution and selling of products is becoming more complex. Companies have multiple brands across multiple countries with multiple price lists and promotions and are working with thousands of suppliers. The complexity of this world can no longer be managed without advanced processes and systems like PIM.

The third reason to explain the rise of PIM, is that consumers demand more, better and consistent product information. In general, the more information, the more you sell. A detailed product description is rated as one of the most important features of a Web shop. To sell a product online customers want to search and compare numerous details and want to know all the specifications before they buy. People also buy services online, such as tickets and training courses and more consumers download their digital books or games. Likewise, they no longer accept a fuzzy picture but want high resolution photos, videos and 3D models.

A fourth and important reason is that companies are legally obliged to store more information about their products. Where are the materials sourced? How was the product manufactured? etc.

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The end of Retail... As we know it

The reports of my death have been greatly exaggerated. Mark Twain

Source: Joseph Clemson | Getty Images

American shopping mall traffic declines with 50% from 2010 to 2013

Foot traffic shrunk from 34 billion visits in 2010 to 17.6 billion in 2013



The average vacancy rate in the UK is 14% (up from 5% in 2010)
With Wales leading as region with 17% and some towns with 25% up to 37% vacancies



<http://www.bbc.com/news/uk-24032264>

Hong Kong's occupier sentiment is down at -24
Rent rates have dropped between 3 and 14% and vacancy rates are up to 10%



In Belgium 30.000 of the 80.000 stores are expected to be closed in the next few years
In the last 5 years 10.000 stores were closed, in the next 3 years 16.000 are expected to follow



<http://www.hln.be/hln/nl/942/Economie/article/detail/2717377/2016/05/28/Er-zijn-in-Belgie-30-000-winkels-te-veel.dhtml>

V&D, the largest Dutch retailer filed for bankruptcy on the 31st of December 2015

with 10.000+ employees losing their job

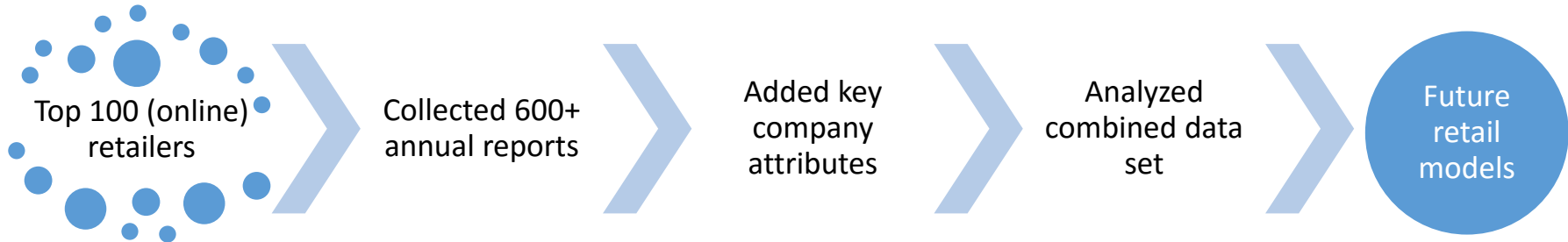




Research Set-up

Research is to see what everybody else has seen, and to think what nobody else has thought.
Albert Szent-Gyorgyi

Which business models are surviving the digitalization of Retail and why?



The Research Team



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Our sample consists of 108 (online) retailers world wide

- Several top X lists were selected (2010/2015)
 - Both traditional retailers
 - As well as online retailers
- Companies not included
 - Companies that do not share data publicly
 - Companies who merged/ceased operations



Warning: research findings are preliminary



What is the (hypothetical) formula of retail success?

- Success

 - EBIT Growth
 - Sales Growth
- Price strategy

 - Super low
 - Low
 - Medium
 - Premium
 - Super premium
- Service strategy

 - Trustpilot score
- Leadership

 - CEO score
 - % Women

$$S = SC^U * P^V * A^W * SE^X * C^Y * L^Z$$

- Scale

 - # Countries
 - # Stores
 - # Employees
- Assortment strategy

 - Only own brands
 - Mainly own brands
 - Hybrid assortment
 - Mainly 3rd party
 - Only 3rd party
- Channel strategy

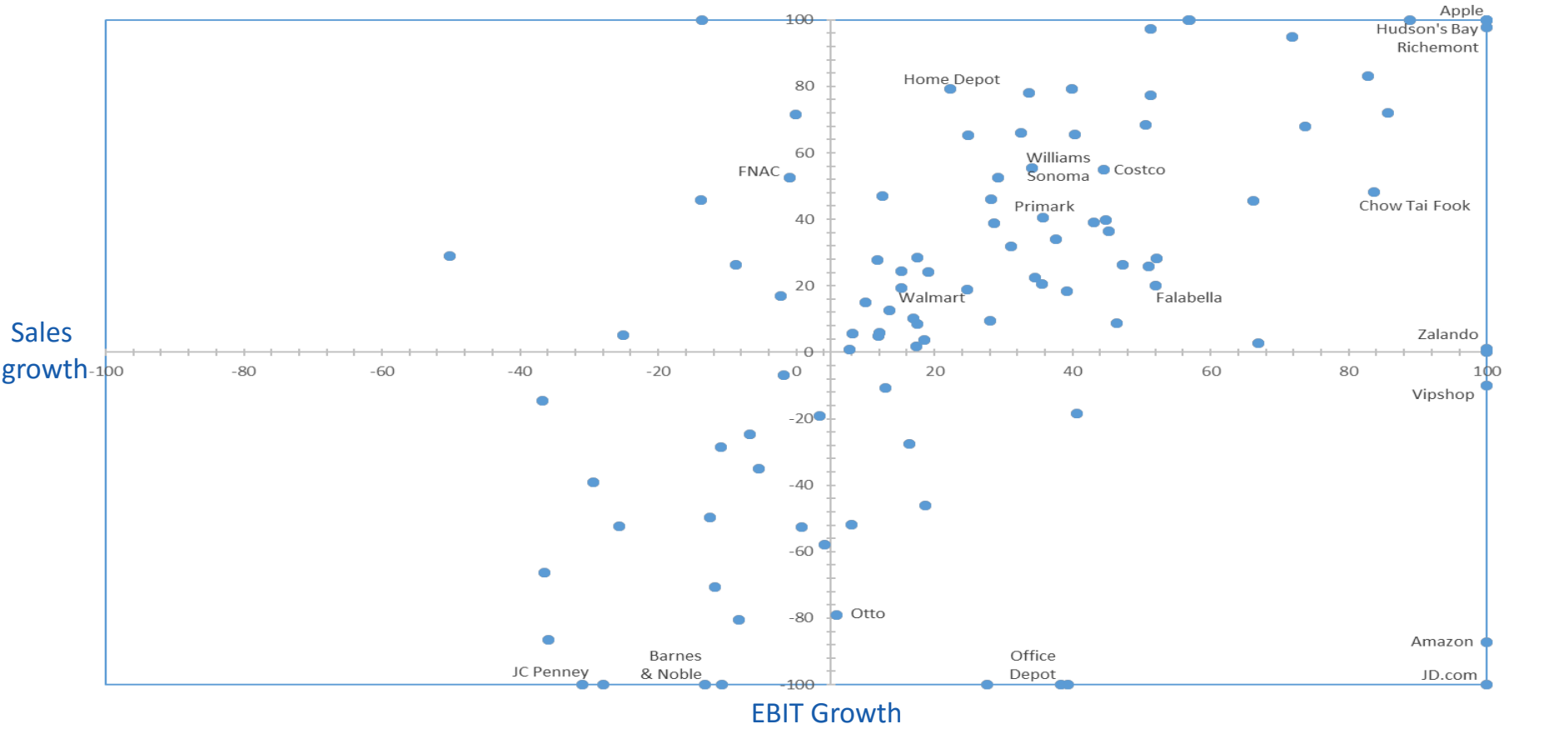
 - Pure Player (> 95%)
 - Mainly Pure Player (60 - 95%)
 - Omnichannel (5% - 60%)
 - Mainly offline (2% - 5%)
 - Offline player (0 - 2%)



First Key Findings

“There are three kinds of lies: lies, damned lies, and statistics.” Mark Twain

The top (online) retailers perform very differently regarding EBIT and sales growth



Scale: Big is still beautiful but...

Relationship between Size (# stores/countries/employees) & Sales/EBIT growth

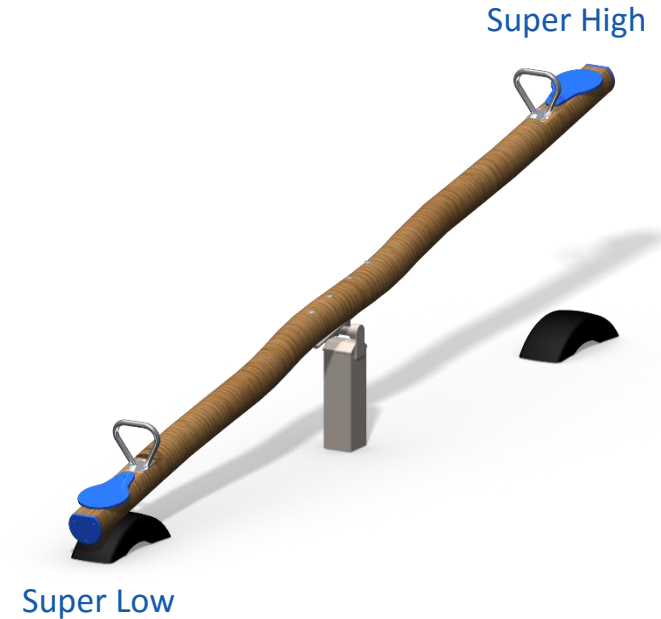
- The bigger (stores/employees) the more success
- Economies of scale still seem to apply
- However the effect is diminishing (especially for the number of stores)
- The sales per store diminishes as the number of stores increases (cannibalization effect)
- Geographical spread seems more related to the assortment strategy (own brands)



Price Strategy: Super premium outperforms all other price strategies

Relationship between Price Strategy & Sales/Ebit growth

- Super Premium performs better on EBIT growth
- However the effect has diminished in 2015
- There is no specific price strategy which results in a higher sales growth
- Premium is the 2nd best performing price strategy
- The Super Low pricing strategy does not perform as expected



Assortment Strategy: Having own brands has a positive effect on success

Relationship between Assortment Strategy & Sales/EBIT growth

- Having own brands or mainly own brands leads to a better Sales growth
- Mainly own brands has a better EBIT growth performance



Service Strategy: Happy customers have a clear effect on Sales & EBIT growth

Relationship between Service Strategy & Sales/EBIT growth

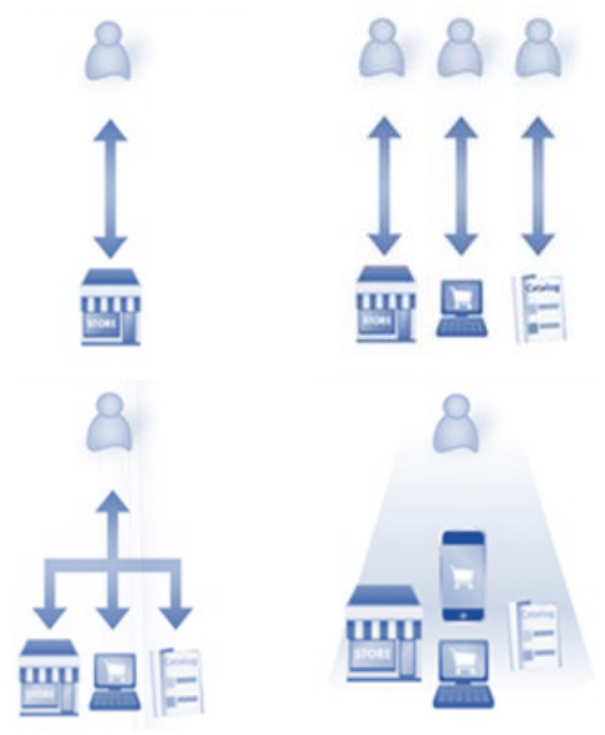
- A higher rating by consumers leads to both higher Sales as well as EBIT growth
- This confirms previous research which has lead to the Net Promotor Score
- Again the effect seems to be diminishing towards 2015.



Channel Strategy: Pure players go for growth at the cost of EBIT

Relationship between Channel Strategy & Sales/EBIT growth

- Pure players go for a low (or negative) EBIT growth
- Other channel strategy models have no impact on EBIT growth
- Pure players outperform all in Sales growth
- Other channel strategy models have no impact on Sales growth
- In 2013 (mainly) offline retailers even slightly outperformed omnichannel retailers



Leadership: The impact of strong leadership and women on the board remains unclear

Relationship between Leadership & Sales/EBIT growth

- The CEO score only had a positive impact on sales growth in 2015
- More likely the CEO score is determined by the success of the company
- Women on the board does not seem to have an impact



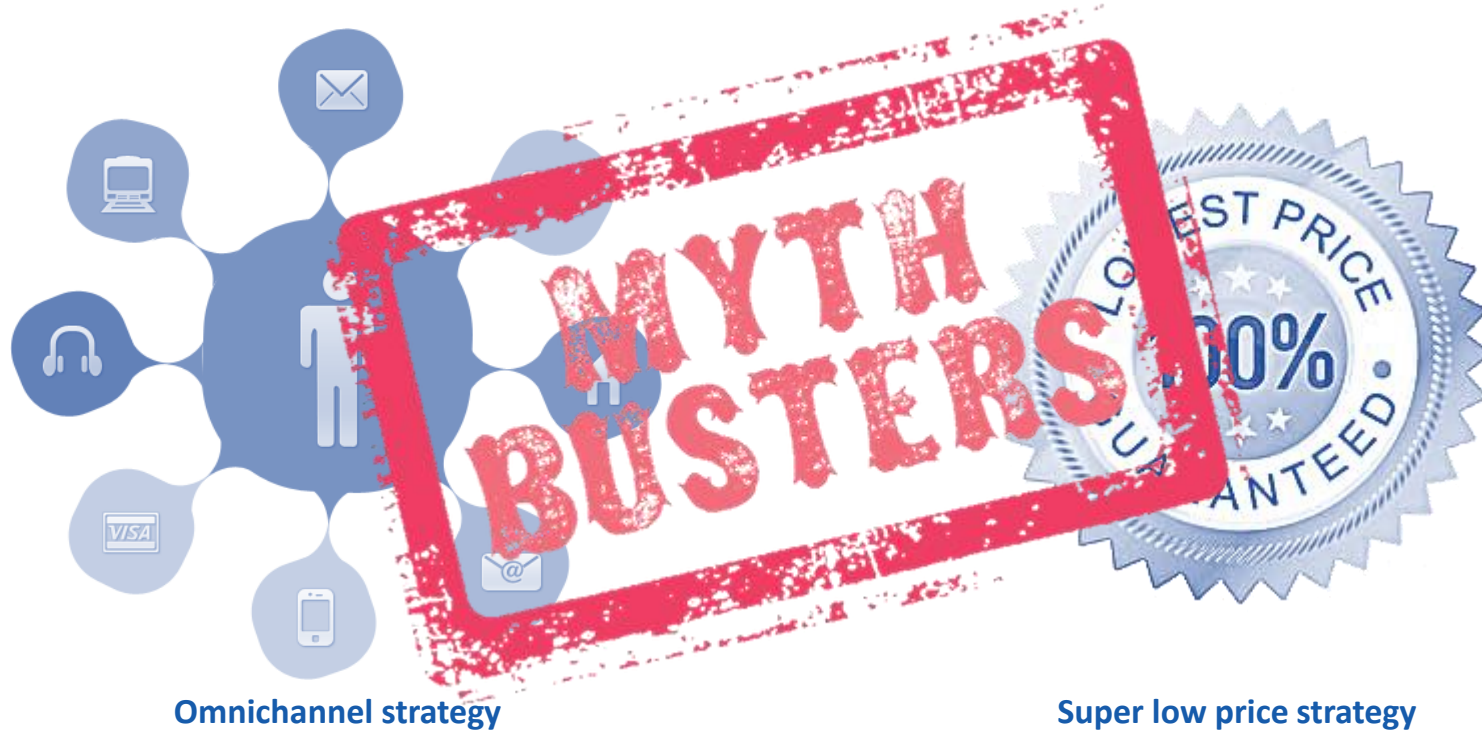
First (draft) conclusions: The Retail Formula for Success

Pure players show the largest sales growth while a focus on own brands leads to the largest growth in EBIT



Also some existing hypotheses have to be verified...


Having an omnichannel proposition or super low price strategy is no guarantee for success



Interested? Please feel free to contact me.
Or download all reports from the EcommerceWiki




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The logo for Ecommerce Europe, featuring a circle of twelve stars surrounding the text "Ecommerce EUROPE".

The logo for Ecommerce Foundation, featuring a stylized cube icon and the text "Ecommerce FOUNDATION".