Jumping Off the Bandwagon: *How to Get Innovation Right in Retail*

NRF workshop

AUGUST 8, 2016

DOBLIN Deloitte.

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To impart these lessons, today will be a highly interactive experience that will be part classroom, part inspirational lab, part Shark Tank and part "the Voice."

Inspire and Learn

- Inspiration from innovative ideas from within and outside industries
- Exposure to the frameworks and tools that Doblin uses in their innovation work.

Ideate on a Challenge

- Ideate on one of three retail challenges.
- Compete to come up with disruptive new business ideas.

Pitch and Judge

- Pitch your cutting-edge ideas
- Three Guest Judges will critique and choose a winner!

45 minutes

40 minutes

5 minutes per team

What we believe it takes to innovate successfully

Top **5** out of **20**

challenges CEOs are focusing on in 2012 and 2015[1]

$640Bn

2014 R&D spend by top 1000 firms in 2014[2]

but...

only **5%** of their innovation projects *actually* succeeded[2]

1: The Conference Board Review 2012, 2015 CEO Survey | 2: Strategy&, 2014 Global Innovation 1000 report , Doblin analysis

Which is different than invention

To us, our market or our world

Innovation is the creation of a new, viable business offering.

Creating value for our customers and for our enterprise

Ideally going beyond products to platforms, business models, and customer experiences

Innovation is plagued by many myths…

"Great entrepreneurs trust their gut—you can't study innovation!

It takes lots of ideas and experiments to get one good innovation…

INNOVATION = GREAT PRODUCTS

"Protect your patents—don't trust outsiders…"

Start with brainstorming!

"Speed is everything—we have to beat competitors to market!"

"Great innovators work alone…"

"Think outside the box!"

We believe effective innovators follow 4 important principles

1. Don’t be fooled by the mythical importance of creativity; **focus on discipline** instead.

2. **Reframe common beliefs** within the organization to see opportunities in new ways.

3. Drive innovation from a **user-centered lens** throughout the process.

4. Look **beyond product innovation** to transform other elements of your business system.

1

Don’t be fooled by the mythical importance of creativity; focus on discipline instead.


tools
incentives
process
metrics
Organization-led innovation is more than a dress code or space.

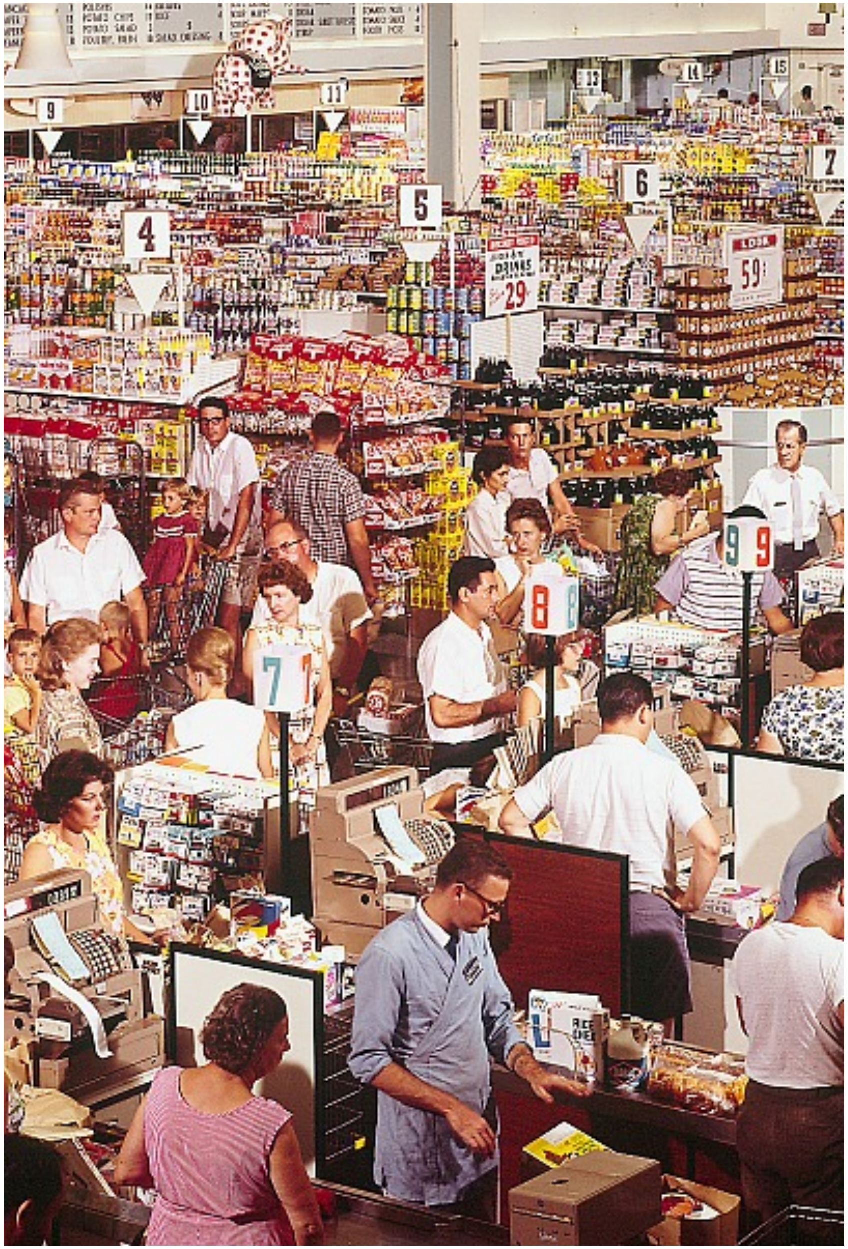
2

Reframe common beliefs within the organization to see opportunities in new ways.

Industries and companies tend to develop a set of habits and rules that shape widely held *conventional wisdom* over time—we call these rules *orthodoxies*.

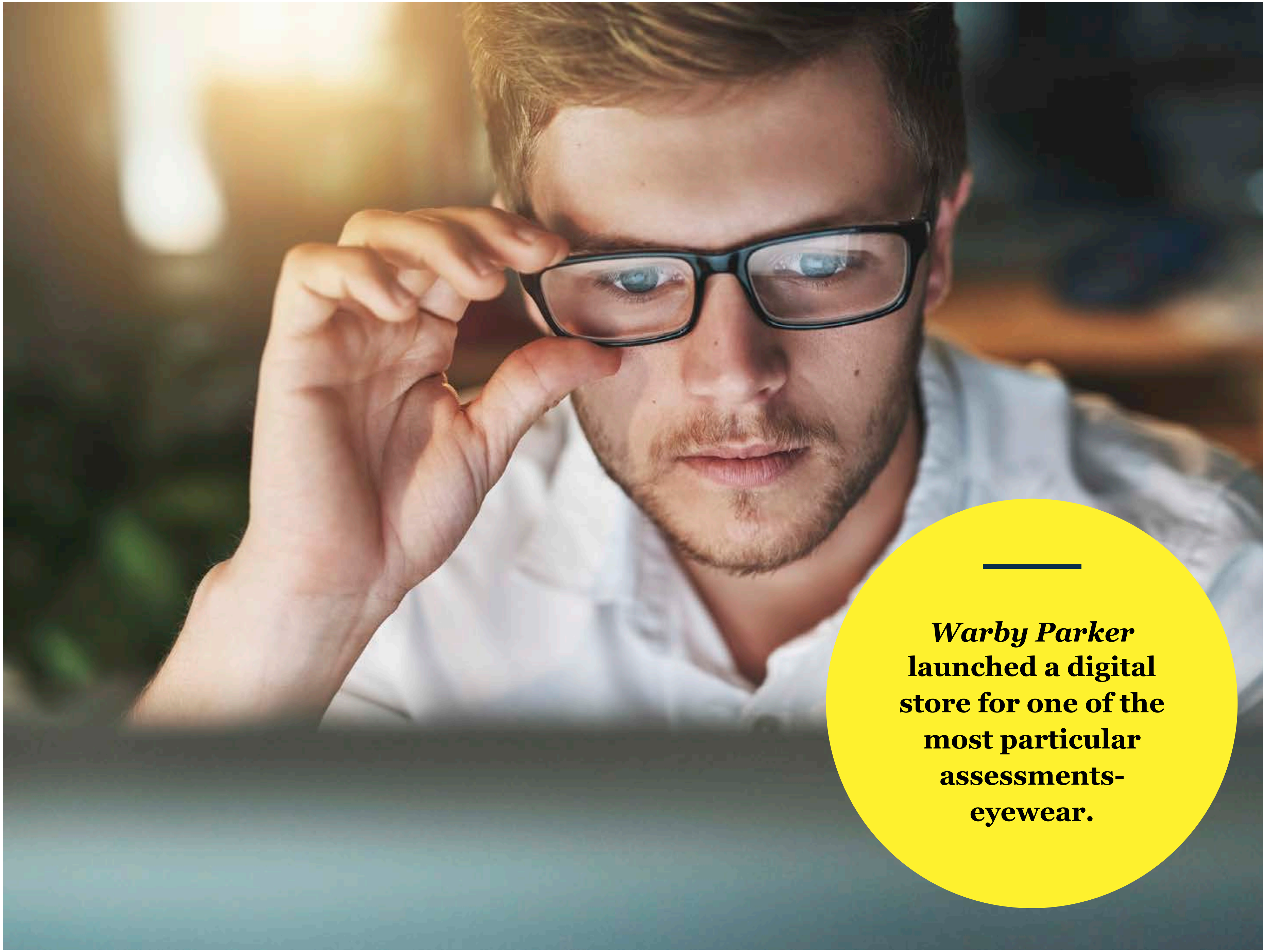
All companies and industries have particular beliefs and practices about *"how we do things around here"*

Orthodoxies can get in the way of breakthrough opportunities as they prevent unconventional solutions from being considered.



Consider the express line of a grocery store

Customers will go to the store to assess fit and quality…



Warby Parker **launched a digital store for one of the most particular assessments- eyewear.**

Significant marketing spend and retail presence is necessary to grow a brand presence…

Dollar Shave Club **disturbed the $13m shaving industry with no in-store presence or TV commercials.**

Look beyond product innovation to transform retail.

Successful innovators innovate beyond products and integrate multiple elements of their business system–thinking through the Ten Types of Innovation

TEN TYPES OF INNOVATION

Network
Connections with others to create value

Process
Signature or superior methods for doing your work

Product System
Complementary products and services

Channel
How your offerings are delivered to customers and users

Customer Engagement
Distinctive interactions you foster

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement
CONFIGURATION				OFFERING		EXPERIENCE			

Profit Model
The way in which you make money

Structure
Alignment of your talent and assets

Product Performance
Distinguishing features and functionality

Service
Support and enhancements that surround your offerings

Brand
Representation of your offerings and business

TEN TYPES OF INNOVATION

Some exemplars in the consumer space…

Network
Target works with renowned external designers to differentiate itself

Process
Zara's "fast fashion" strategy moves its clothing from sketch to shelf in record time

Product System
Nike+ parlayed shoes, sensors, apps and devices into a sport lifestyle suite

Channel
Nespresso locks in customers with its useful members' only club

Customer Engagement
Wii's experience draws more from the interactions in the room than onscreen

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement

CONFIGURATION | OFFERING | EXPERIENCE

Profit Model
Netflix's subscription model turned the video rental industry on its head.

Structure
Whole Foods has built a robust feedback system for internal teams

Product Performance
OXO Good Grips cost a premium but its "universal design" has a loyal following

Service
"Deliver WOW through service" is Zappos' #1 internal core value

Brand
Virgin extends its brand into sectors ranging from soft drinks to space travel

Three archetypal innovation approaches:

Platform-centric innovation
Reinvent or recombine offerings to *create* value

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement

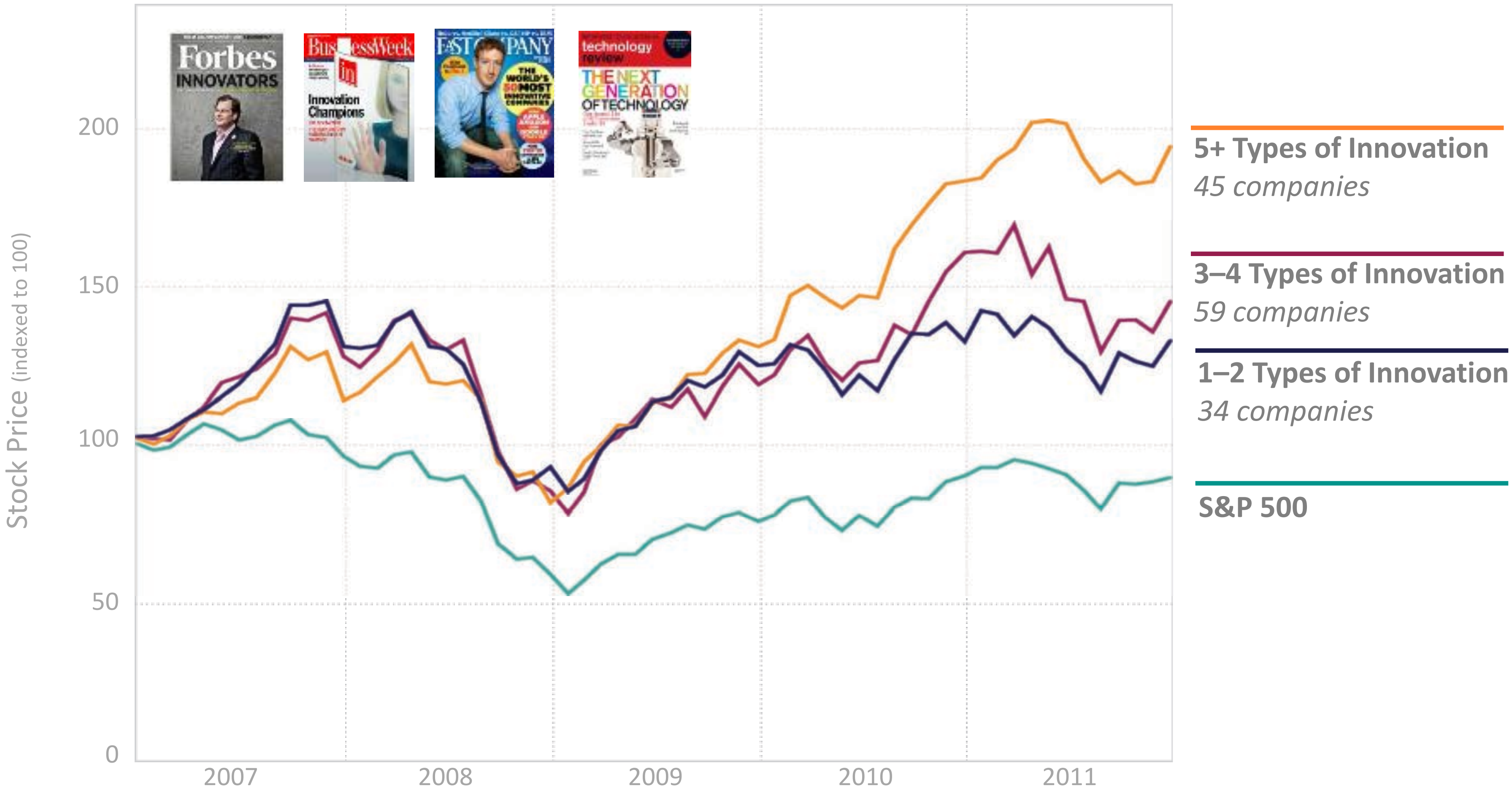
CONFIGURATION (Profit Model, Network, Structure, Process) — OFFERING (Product Performance, Product System) — EXPERIENCE (Service, Channel, Brand, Customer Engagement)

Business model-centric innovation
Configure assets differently to *capture* value

Experience-centric innovation
Engage customers differently to *deliver* value

Integrating more types of innovation delivers superior financial returns

5-Year Indexed Stock Price Returns of the Top Innovators vs. S&P 500



Innovation tactics: A better set of building blocks

CONFIGURATION

Profit Model
- Premium
- Cost Leadership
- Scaled Transactions
- Microtransactions
- Forced Scarcity
- Subscription
- Membership
- Installed Base
- Switchboard
- Auction
- User-Defined
- Freemium
- Flexible Pricing
- Float
- Financing
- Ad-Supported
- Licensing
- Metered Use
- Bundled Pricing
- Disaggregated Pricing
- Risk Sharing

Network
- Merger/ Acquisition
- Consolidation
- Open Innovation
- Secondary Markets
- Supply Chain Integration
- Complementary Partnering
- Alliances
- Franchising
- Coopetition
- Collaboration
- Crowdfunding

Structure
- Organizational Design
- Incentive Systems
- IT Integration
- Competency Center
- Outsourcing
- Corporate University
- Decentralized Management
- Knowledge Management
- Asset Standardization
- Crowd Research

Process
- Process Standardization
- Localization
- Process Efficiency
- Flexible Manufacturing
- Process Automation
- Crowdsourcing
- On-Demand Production
- Lean Production
- Logistics Systems
- Strategic Design
- Intellectual Property
- User Generated
- Predictive Analytics

OFFERING

Product Performance
- Superior Product
- Ease of Use
- Engaging Functionality
- Safety
- Feature Aggregation
- Added Functionality
- Performance Simplification
- Environmental Sensitivity
- Cons

Product System
- Complements
- Extensions/ Plug-ins
- Product Bundling
- Modular Systems
- Product/Service Platforms
- Integrated Offering

EXPERIENCE

Service
- Try Before You Buy
- Guarantee
- Loyalty Programs
- Added Value
- Concierge
- Total Experience Management
- Supplementary Service
- Superior Service
- Personalized Information
- User mmunities/Sup Systems
- r Loan
- ice

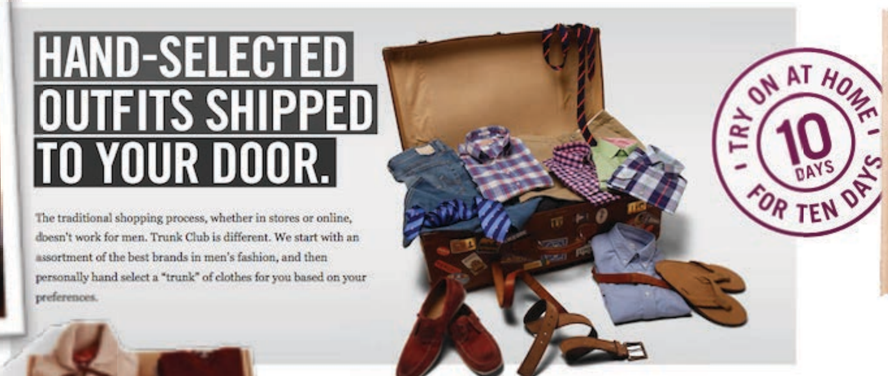
Channel
- Diversification
- Flagship Store
- Go Direct
- Non-Traditional Channels
- Pop-up Presence
- Indirect Distribution
- Multi-Level Marketing
- Cross-selling
- On-Demand
- Context Specific
- Experience Center

Brand
- Co-Branding
- Brand Leverage
- Private Label
- Brand Extension
- Component Branding
- Transparency
- Values Alignment
- Certification

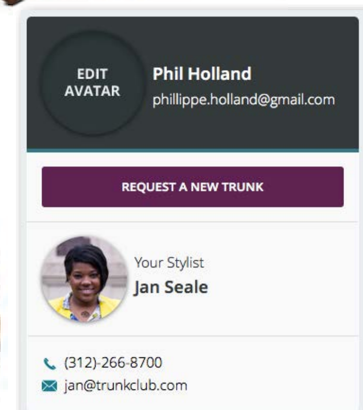
Customer Engagement
- Experience Automation
- Experience Simplification
- Curation
- Experience Enabling
- Mastery
- Autonomy and Authority
- Community and Belonging
- Personalization
- Whimsy and Personality
- Status and Recognition

This is also located in your workbook.

Collecting multiple user datapoints to deliver customized, curated collections for men who don't like to shop



TRUNK CLUB
MEN'S OUTFITTERS



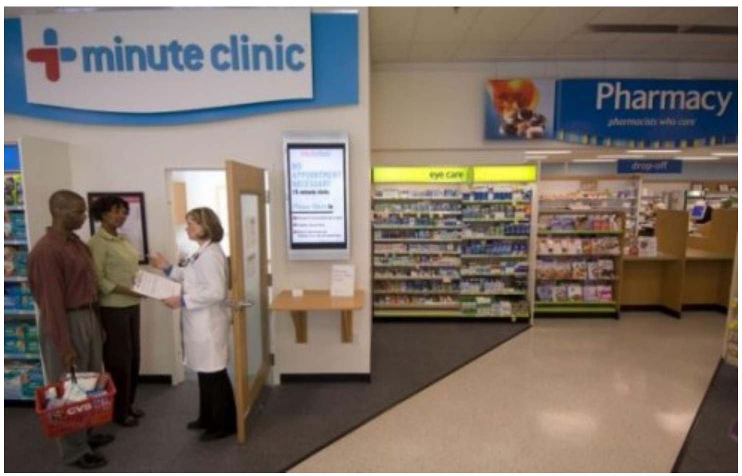
"[My stylist] asked me about my lifestyle, my work, what I do with my time, what sizes I wear and how I want to look."

7 TYPES:

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement

CONFIGURATION (Profit Model, Network, Structure, Process) — OFFERING (Product Performance, Product System) — EXPERIENCE (Service, Channel, Brand, Customer Engagement)

Providing convenient healthcare services with transparent pricing with technology support



6 TYPES:

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement
CONFIGURATION				OFFERING		EXPERIENCE			

INNOVATION ASSESSMENT: NESPRESSO

Nespresso revolutionized the coffee capsule category by leveraging 7 types…

NESPRESSO

NESPRESSO Club

7 TYPES:

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement
CONFIGURATION				OFFERING		EXPERIENCE			

Reveal, a mobile retail solution, bringing retail to the consumer

by REVEAL

8 TYPES:

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement

CONFIGURATION | OFFERING | EXPERIENCE

Lowe's, shifting from a configuration focus to experience-centric

…FROM

TO…

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement
CONFIGURATION				OFFERING		EXPERIENCE			

Business model-centric innovation

Configure assets differently
to *capture* value

Experience-centric innovation

Engage customers differently
to *deliver* value

Time for the challenge.

③

Drive innovation from a user-centered lens throughout the process.

THE CHALLENGE

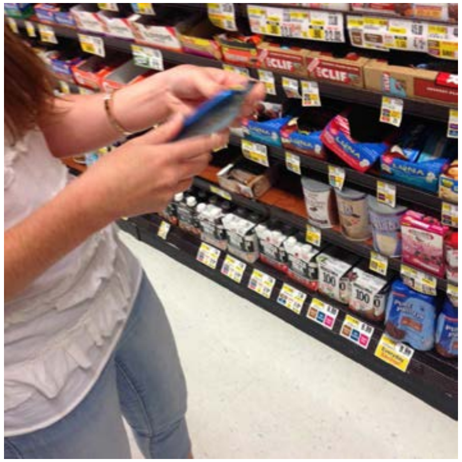
Each table has been assigned one of the three challenges.

1

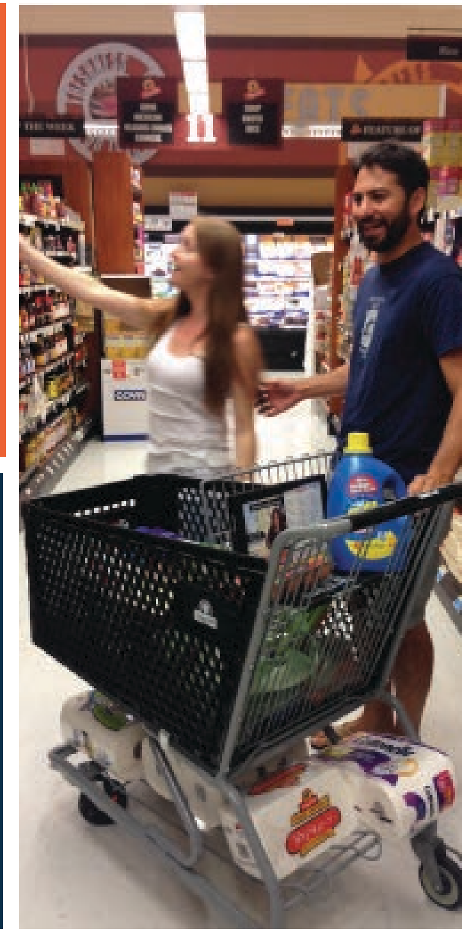
Shoppers have become increasingly health conscious. However, with nutrition considerations being top of mind for many shoppers (and increasingly retailers), grocery shopping can feel like a dull science experiment during which students are taught about all the ingredients they're NOT allowed to use lest they want things to explode!

Your challenge…

Build a grocery shopping experience that still caters to consumer desires to buy and consume healthy food, but that puts the fun back into food shopping and preparation.

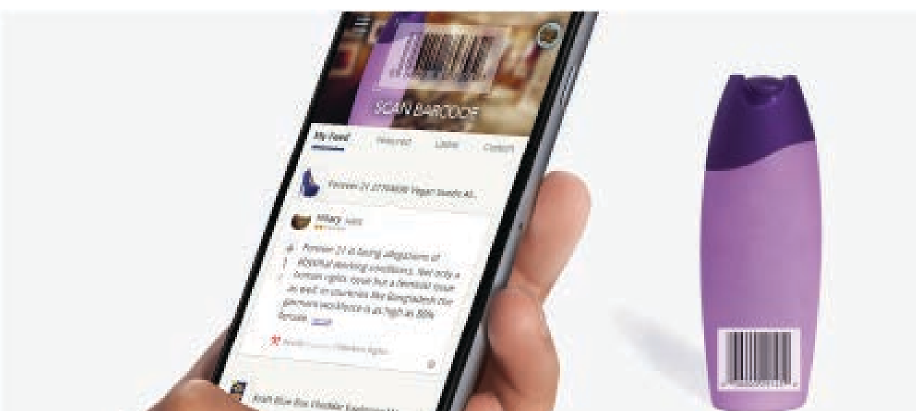


REMOVING CHOICE TO ENABLE DISCOVERY



LESS IS MORE

When faced with an overwhelming number of options, they experienced decision paralysis, often sticking with the products they knew. Offering limited options reduces shoppers' considerations and promotes trying new products.



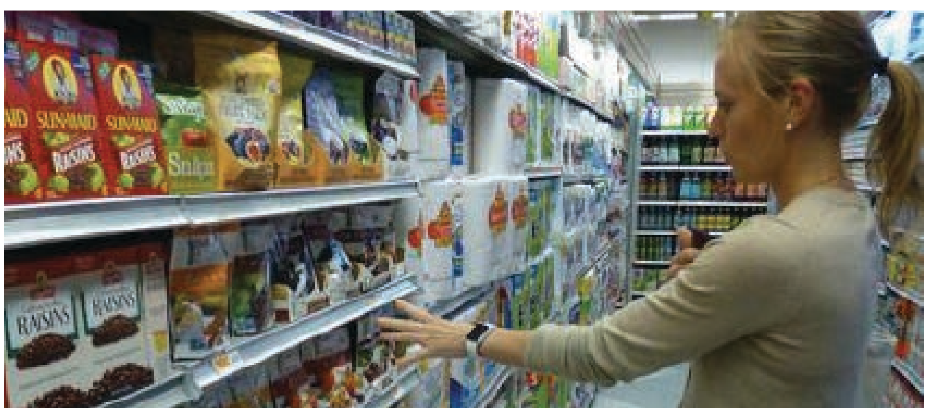
Adding new products to a bloated aisle won't help.

How might we find new ways to introduce items to shoppers?

SHIFTING PERCEPTIONS FROM “MASS” TO “TREAT”

SPECIAL MOMENTS

Participants found items in “center store” that held special meaning. Some participants bought products from childhood to share with their own children, while others bought products as a special treat for themselves or for others.



How might we drive the creation of new traditions and moments?

2

If there's one thing that the success of "deal a day" and popup retail concepts have taught us, then it's that shoppers love the experience of hunting for and making unexpected discoveries as they shop. Unexpected discoveries add fun, value, and meaning to people's experiences and purchases. At the same time, people are increasingly overwhelmed by the vast universe of retail options- inviting them to explore and hunt for opportunities. A purchase decision can sometimes feel paralyzing.

Your challenge…

Build a retail concept the caters to consumer's desire for serendipitous moments while at the same time giving them a sense that they are making foolproof decisions.

CHALLENGE 1

SUPPORT SEARCHING FOR MEANINGFUL INSPIRATIONS THROUGHOUT ALL CHANNELS

Michael visits menswear blogs on a daily basis, Put This On, This Fits Me, and Broke and Bespoke, to find inspiration.

SERENDIPITOUS MOMENTS

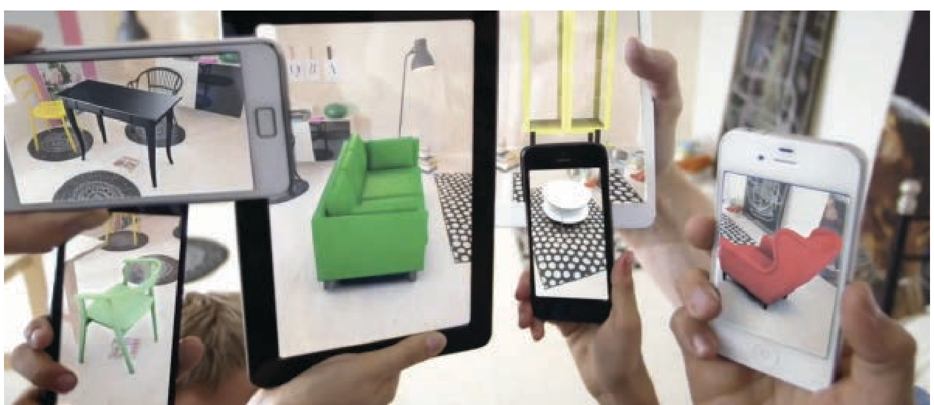
Unexpected discoveries add fun, value, and meaning to people's experiences and purchases. People search for serendipity when they don't know what they're looking for and they need inspiration.

How can we fill people's experiences with joy in unexpected places?

How can we provide relevant information to consumers to help them simplify their decision-making process?

FOOL-PROOF DECISIONS

People need help making good decisions and finding the relevant information among the fray. They are overloaded with information and need help finding the best reviewed, best costing item, supported by the validation that they made the right purchase.



3

The rapid evolution of e-commerce capabilities continues to put significant pressure on traditional brick-and-mortar retailing. In a world where on-line retailers can fulfill orders within hours (rather than days), where returns are free and where virtual and augmented reality are beginning to rival the "dressing room," the role of the physical store is increasingly in need of reinvention.

Your challenge…

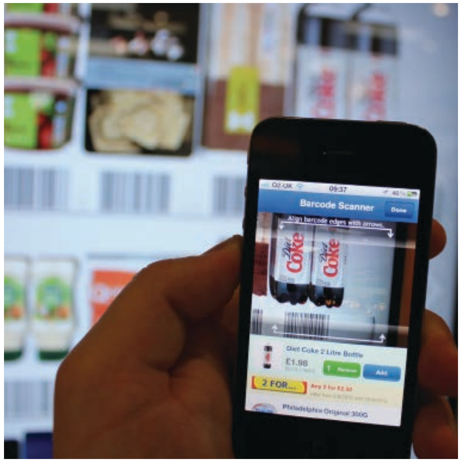
Build a highly experiential brick-and-mortar store that offers shoppers in-store experiences that will keep them coming back for more (vs. wanting to switch to on-line purchases after their first visit).

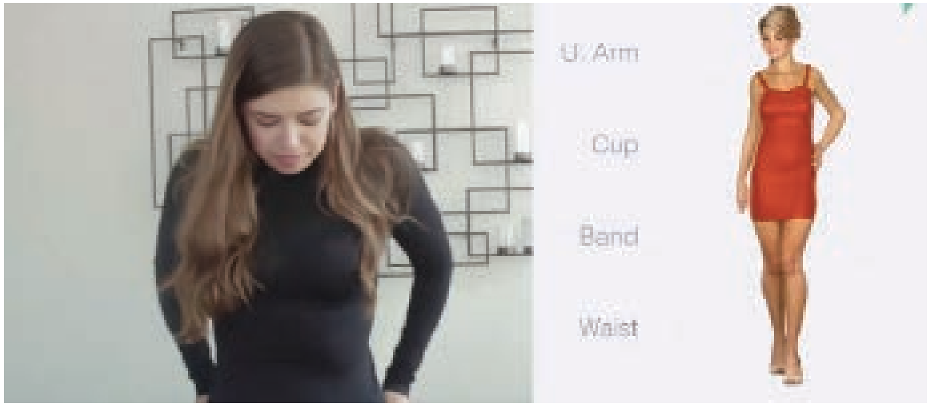
CHALLENGE 1

SUPER CONVENIENCE AS THE NEW NORMAL

SEAMLESS LIFE

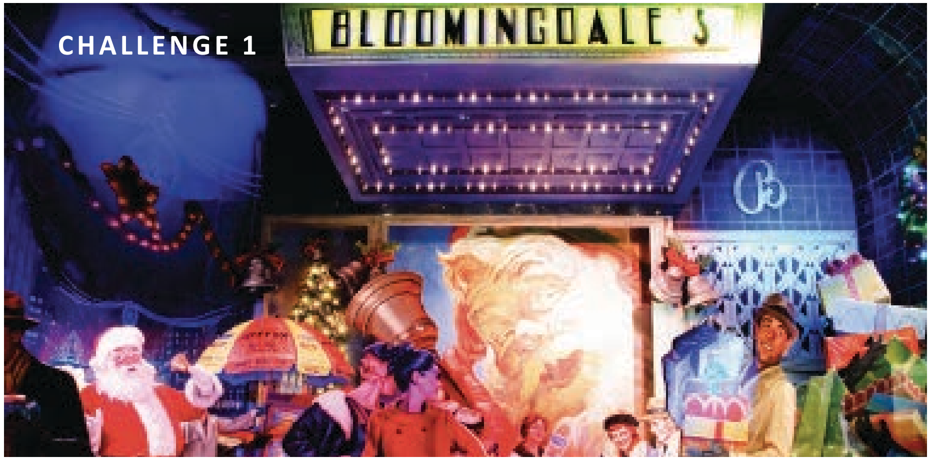
Consumers don't just want a seamless omnichannel experience, they want a seamless life—this is the social contract that consumers expect from retailers and service providers, and they don't know why retailers are not delivering.





How can we predict and eliminate potential hiccups and barriers in the retail experience?

CHALLENGE 1



How can we provide consumers with validation and opinions from others when making shopping decisions, even when shopping online?

MEMORABLE EXPERIENCES

Shopping traditions and rituals are changing fast, between busy lives and easy access to shopping online. Social interactions, added emotional salience, and intrinsic enjoyment of a shopping day have given way to shopping in bed on your phone at 2am.

EXTENDING THE EXPERIENCE

Your timing...

40 MINUTES

Prepare the pitch.

Imagine the new.

15 MINUTES

Your criteria...

EARN UP TO

10 POINTS — *Ability to frame problem*

10 POINTS — *Relevance to user*

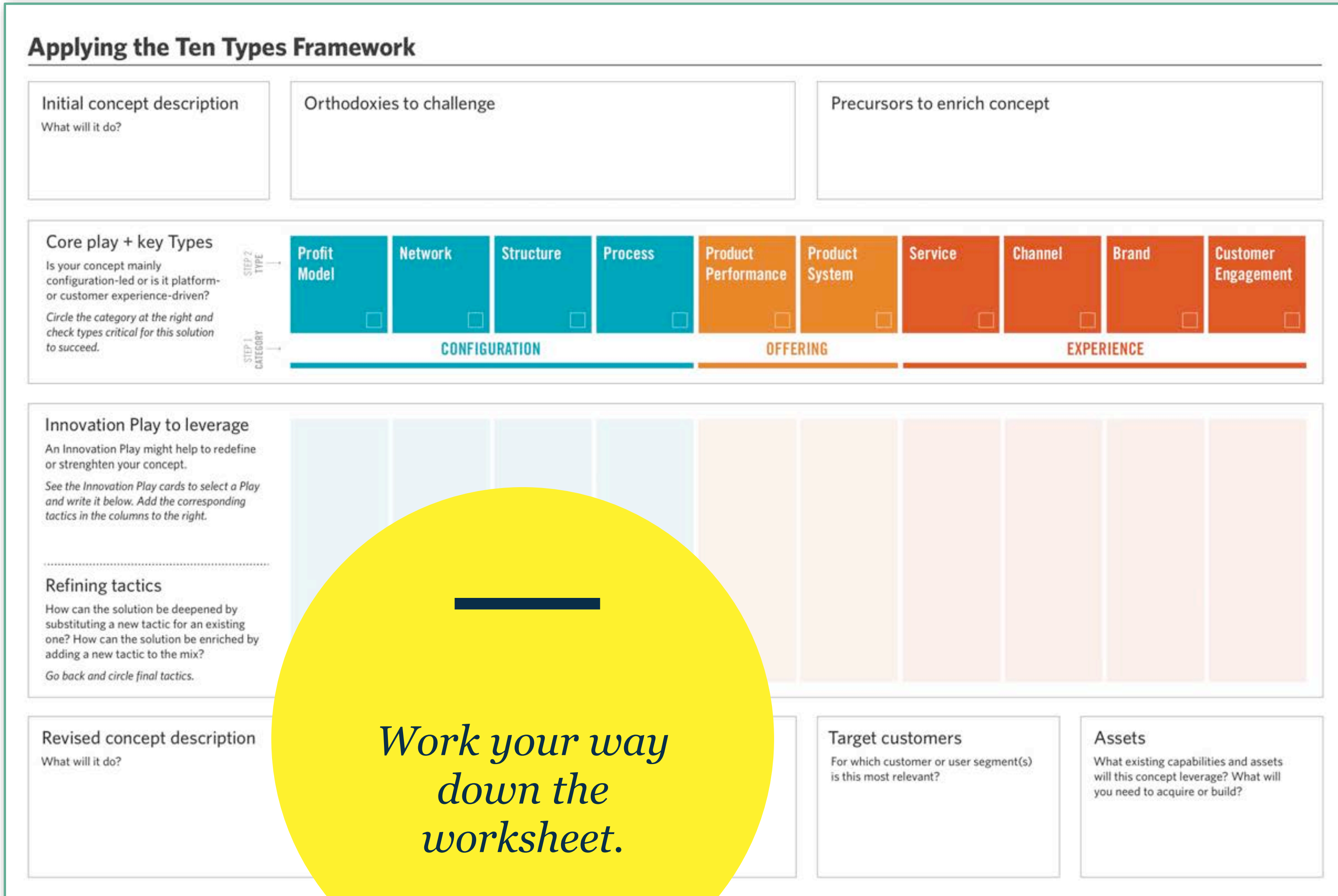
10 POINTS — *Employment of Ten Types*

10 POINTS — *Scalability of solution*

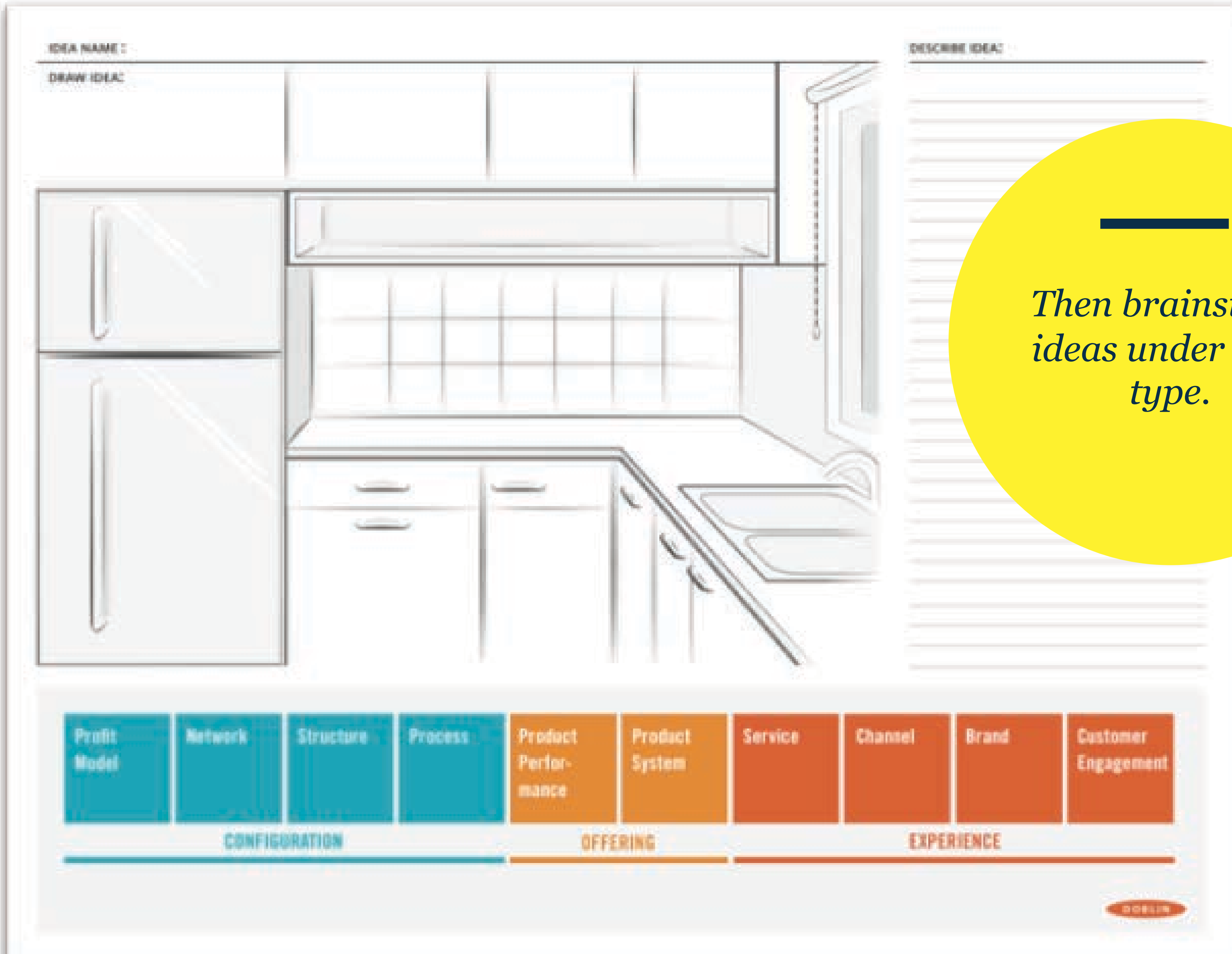
10 POINTS — *Cleverness of solution*

3 JUDGES	1 WINNER PER CHALLENGE	1 FINAL WINNER

Your award…



Work your way down the worksheet.



Then brainstorm ideas under each type.