

4 CHARACTERISTICS OF RETAIL TECHNOLOGY LEADERS

Leading and inspiring technology change

Klarna.
Smooth payments.



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Editor's view

Retail thrives on innovation. It drives excitement, efficiency and improves the customer experience and therefore is a key factor for standing out from the competition and for commercial success. The stories shared by retailers who are top in their field in this whitepaper show just how inspiring it can be.

But innovation naturally also brings risk. It means trying something new and for retailers – especially the less agile ones where change can be hampered by legacy systems and sheer scale – that can be a tough ask.

But technology innovation itself is critical to surviving market competition. Put simply no retailer can afford to stand still when it comes to investing in retail technology. In this whitepaper, produced in association with our partner Klarna, we wanted to look at retail technology innovation and the leaders in the market and find out what it is that they do to lead and inspire change in their organisations.

What qualities do leaders in this market possess and what do they do to ensure change within their business happens and is successful?

Are they risk takers or simply grabbing market opportunity when they see it? What could others learn from them?

By identifying their four common characteristics we found the qualities that such retailers share and that are hopefully part of the secret of success. They include being innovative, courageous, inspirational and consistent.

Over the coming pages we share the proof of these characteristics through first-hand interviews with retailers leading their field.

They have kindly shared their experience and advice and hopefully by reading their words you too can better understand how to lead and inspire technology change in your retail organisation. Doing so will enable you to become a embrace technology innovation too - perhaps becoming a first-mover yourself.

Why retailers need to be as tech-centric as their shoppers

Consumers today are more tech-savvy and connected than ever before. In order to survive, retailers must be too.

The way people shop has changed dramatically over the past decade - transforming from a purely nine to five activity into something that can now be done at any time, in any place. In fact, research Klarna conducted with global analyst house Ovum shows that online retail sales are set to grow exponentially - with merchants expecting almost two-thirds of total sales (65%) to take place online by 2019.

While the 'always on' nature of online shopping offers huge opportunities to retailers across all sectors, it means additional pressure to keep up with competition and innovation. Digital channels are a key part of retail, so it's imperative that merchants adopt both the technology and the forward-thinking mindset needed to provide a frictionless online customer journey.

Retailers are already taking the right steps. Our research shows that a huge 94% are investing in new technologies to meet the needs of younger generations. This makes sound commercial sense when considering millennials and generation z account for over half of all online purchases in the UK. But 64% of consumers still believe retailers need to invest more in technology - and juggling the high expectations of millennials while not alienating other groups will be a tricky balancing act.

As a trusted payments provider to some of the UK's biggest retailers, we know that success depends on anticipating and understanding the needs of consumers. While we have seen big changes in many aspects of online shopping - from browsing through to delivery and returns - the payments process remained the same.

This lack of innovation was damaging sales, with 52% of retailers reporting that friction in the checkout was the biggest driver

of abandoned baskets. At Klarna, we knew there was a better way for people to pay for their items. So, we set out to re-invent the ecommerce experience by creating a mobile-optimised online checkout with integrated pay later and consumer financing options that took all the hard work off the merchant. Retailers who have taken the leap and added Klarna's Pay later option into their checkout - such as ASOS, Arcadia Group and Schuh - are not only disrupting online payments in the UK, they are reaping the rewards, with an average increase of 20% in purchase frequency and an increase of 15% when it comes to basket value.

Of course, integrating new technology into your business is only one part of the retail equation. Identifying and pushing for transformation comes first. Embracing a culture that cultivates innovation in your organisation will yield significant dividends. In the ever-changing retail market, it's the retailers who can be nimble and responsive to new technology who will survive and thrive.

LUKE GRIFFITHS

General Manager
Klarna UK





Innovative – they understand the need for change

One of the most important characteristics of a retail technology leader is the very fact that they are doing something new and different and that they understand that change is required. They strive for innovation. “In simple terms it’s an attempt to improve the prevailing standards by doing them in a fresh or new way,” says Sean McKee, director of ecommerce and customer experience at Schuh.

In retail the core KPI of any retail business is like for likes and total business performance so the need to continue to grow the business is always the driver for change,” says McKee. “If you aren’t moving ahead you will miss matching or beating that performance,” he says.

At Yoox Net-a-Porter Group Paolo Mascio, president, online flagship stores, says that technology is at the core of its offering. The company has delivered a number of firsts to both the retail industry and the luxury sector, including being the first ecommerce player in luxury and amongst the first to have mobile retail apps.

The thirst for innovation is a vital component of the brand experience for its customers, says Mascio. “It allows us to provide new features for our customers - from same-day delivery to curated content on mobile devices. Each of these features layers on top of one another to provide an unrivalled experience for the customer,” he says.

“Tech innovation is important because it is driven by shopper demand,” says Luke Griffiths, general manager at Klarna UK. “If consumers aren’t satisfied with one particular retailer, they will simply go elsewhere - and today’s competition is simply too high for merchants to ignore,” he says.

But how do retail technology leaders know what changes are needed? For many it’s about having a great grip on data and insight to recognise early trends – both in the market and amongst their customers – that can help them identify what their customers want and what they have to do to meet that new desire or customer need.

“You need to innovate to stay ahead of the competition, and so data-led decisions can help you navigate the field of emerging technologies and choose the right ones,” says Dan Nelson, head of Ocado Smart Platform Services, part of Ocado Technology, the division of Ocado developing the software and systems that power Ocado.com and the Ocado Smart Platform.

“We believe that there are five technology tidal waves gathering momentum: artificial intelligence (AI), robotics, the cloud, big data, and the Internet of Things (IoT). Where they collide with each other and with us, they are going to create a boom of new opportunities and

industries, along with the disruption of existing ones,” says Nelson.

PREDICTING THE FUTURE

Whilst sometimes such changes can be driven by a very definite customer need, at other times it's about predicting what customers want or need – perhaps before they even know it. “Change is driven by the customer, and we know that customers want to experience a brand on their own terms,” says YNAP's Mascio. “Real technology leaders constantly reinvent the customer experience as or before expectations evolve,” he says.

And for some markets – such as luxury – technology innovation has become an expected given to deliver new, enhanced experiences in the online world. “The digital experience needs to provide the same level of personalisation and exclusive service customers receive when they visit a store in person – and it is no secret that expectations are rising,” says Mascio.

In other cases it's recognising the need for a new way of doing things that will improve the customer experience - whether that's reducing friction in the sales or payments process or simply making purchasing with you a more memorable experience.

McKee says it's about making decisions “based on a reasonable prediction of the future.” Whilst crystal gazing isn't easy at the best of times – and even tougher in retail – stealing an early lead is vital as we reveal in the next characteristic.

DON'T INNOVATE FOR INNOVATION'S SAKE

Innovation can be addictive given the excitement and energy it evokes. True retail technology leaders however don't innovate for innovation's sake but can tie it back to a need within their business and – at a more micro level – align it to their strategy.

“Often, there will be simple signs that will indicate what customers want and need. If you see a rise of complaints about your payments or delivery service, for example, it's clear this particular area needs fine tuning,” says Griffiths. “Retailers can also benefit from directly asking their customers about their experience,” he says.

“We don't innovate for the sake of being an innovative retailer,” says Sally-Anne Newson, customer experience and digital product

director at Shop Direct. “Any new innovation has to solve a customer problem. It's the customer that is the most important person in this equation; that's why we put her at the heart of all of our innovation,” she says.

“We start with the question, not the answer. What is it that's stopping our customers from having the best experience possible? By using data and customer insight we identify the key problems and then we work collaboratively to find innovative new ways to solve them,” says Newson.

Defining the question also helps to define the level of input and investment needed to determine if a technology innovation is worth it or not. “You have got to be economic and have got to be able to identify the cost of innovation and the assumed level of return,” says Schuh's McKee. “You want the risk to be minimal but the return maximum. You need to look for an ROI – some sort of hypothesis that things will be better as a result,” he says.

Although retail technology innovation may be more associated with agile start-ups and entrepreneurs YNAP's Mascio says anyone can become a retail technology leader with the right focus. “The size and maturity of a company shouldn't dictate the willingness to embrace and drive innovation through all areas of the business,” he says.

“Often this innovation can take the form of small and steady product updates to more significant shifts like implementing artificial intelligence or driving the next wave of mobile technologies. We have teams focussed on using technology to deliver disruptive shopping experiences and an unparalleled customer experience,” he says.

HOW TO BE AN INNOVATIVE LEADER

- Understand the need for change
- Keep a constant focus on ‘could do better’
- Predict the future and what customers in your sector want
- Align innovation with overall strategy to ensure you can deliver ROI
- Don't be daunted by size or scale



Characteristic 2:

Courageous – they are brave enough to make the first move or do something different and are accepting of failure

Being innovative is about doing something new and as we've already said means that focus on the customer and sector to recognise the need or potential for change is vital. Waiting until customers are shouting for something is too late to move for advantage, says Schuh's McKee. "If you wait until a greater number of customers tell you they want something then you are probably a bit too late," he says.

First mover advantage is huge, particularly in the crowded retail space, according to Klarna's Griffiths. "The most obvious benefit of being first to market is that there is no competition - meaning there's a huge customer base there for the taking. There's also a chance to increase organic growth, as there are no other businesses to compete against. There's also the "kudos" - and often the publicity - that comes with being an early adopter, which is important from a brand and customer perspective," he says.

Perhaps nowhere is this more evident than at Yoox Net-a-Porter Group. "We have brought a number of firsts to our industry," says YNAP's Mascio. "We were the first ecommerce players in luxury, and our scale today is proof that moving first, before anyone believed in our business model, can yield great success."

As well as being the first ecommerce luxury retailer the group was also the first retailer on the iOS App store and one of the first companies to partner with WhatsApp for Business, working alongside the messaging app to test various features such as enhanced notifications.

"Sometimes moving first is seen as a risk, but we look at it as an opportunity to learn and bring better services to our customers. Furthermore, it helps your websites gain a credibility that will ultimately turn into customer loyalty," says Mascio. "Being a

first mover enables you to create behaviours rather than to have to follow another model that may not fit your business," he says.

It could be daunting then to assume that smaller companies face a bigger challenge in being a first or early adopter. McKee warns retailers not to get too hung up on this. He says smaller players shouldn't be too focussed on being first to the whole market, however, but rather look at being first in the retailer's particular niche, and then only where there is real advantage to be had.

"First mover sometimes is only useful if you are Amazon, John Lewis or an educator. Sometimes it's much better to see where the educators are heading and be early amongst the followers," he says.

PUSHING THE BOUNDARIES OF TECHNOLOGY

At fashion store group Oasis the retailer has long pushed the retail technology boundaries. It was one of the first fashion retailers to introduce iPads instore and all stores now have online tablets to help push sales via the instore channel. The company also has a 360 degree view of stock levels that enables ship from store functionality, as well as top-level views of all product available in any particular store.

The company has also recently introduced new payment functionalities such as Apple Pay. However despite such launches Oasis digital projects and innovations manager Ben Davies, like McKee, also warns not to be a first mover simply for first mover's sake but to understand how it works for your business. "It's not always wise to make the first move if it could disrupt the customer journey. Find out what your customer wants before making that first move because if it's not been done before and a customer doesn't know how to use it then you will run the risk of alienating customers," he says.

Where new technology is introduced for the first time however he says it's about bringing the customers as well as staff on the journey so that all can understand and embrace it. "It's about informing the customer and slowly introducing it rather than always diving straight in and adopting new technology and functionality. It's about how you make it about the customer rather than being a novelty and that can mean a need to slowly drip feed change," says Davies.

WITH BRAVERY COMES RISK

When it comes to doing something new or untried there is inevitably a risk associated with it. Not every initiative will succeed and so those that are courageous enough to embrace retail technology innovation also have the courage to accept and understand that sometimes – despite all the testing and planning in the world – things will go wrong or simply not work as expected.

That requires an understanding at board level that such failure, whilst not ideal, is allowed. "A risk-taking and testing culture is best driven top down, by example, repetition and leadership," says Griffiths. "Retailers should also encourage employees to see failure as a way to learn. Indeed, every test - no matter if it fails or succeeds - is an opportunity to learn and improve the business," he says.

Dave Elston, digital/ecommerce consultant and former digital director at Clarks says that retailers also need to react to innovations that haven't worked quickly. "You have to be able to set up to fail fast and move on so it's about how you pilot, test and get the data and insight back from some of those changes that's really important," he says.

Oasis' Davies says if things do go wrong it's also about being brave enough to be open about it. "People know things don't always work right first time but it's about being honest with yourselves and with customers. If you are in the age of innovating, you need to be open when it doesn't go right. The worst thing is trying to cover it up. Opening up and saying it hasn't gone right is just as good as testing new technology," he says.

HOW TO BE A COURAGEOUS LEADER

- Recognise the need for change and move early
- Understand that not everything works right first time
- Be willing to accept failure
- Be a first mover for the sake of their business not for first mover's sake



Characteristic 3:

Inspirational – They rally the troops to bring them on the journey of change too

Whilst innovation is all well and good it won't stick if it's not embraced as a whole by the retailer. Oasis' Davies says that news of any new technology change or project within retail should be constantly updated within the business. "It's about bringing the projects you are working on to daily or weekly meetings and letting people try and test it. It's not working on it as a surprise but about letting people have a hands-on experience with it," he says.

Within this leadership from the top is again important, according to Klarna's Griffiths, "It's hugely important to bring the rest of the organisation with you on the journey," he says. "After all, change doesn't happen in a vacuum. It relies on collaboration and sharing of ideas. Success will only happen if employees are engaged and involved," he says.

To help do this Griffiths advises encouraging employees at all levels to participate in transformation meetings and brainstorming, building a supportive culture that inspires innovation, and doing what can

be done to remove red tape and streamline processes.

At Shop Direct Newson says the company has made innovation and change part of the company's culture. "It means we don't come up against many barriers in order to get things done and we're constantly evolving the experience for our customers," she says.

"We've created this culture through extolling the benefits of test and learn, as well as through our values. They were selected by our people, who identified that 'innovative' is a behaviour we want to show and increasingly become."

And Newson says sharing that behaviour is a key part of her job. "As a leader, it's my role to encourage and inspire this culture, and bring in ways of working that help colleagues deliver customer innovation as efficiently as possible to benefit of our customers and our business."

EDUCATING AROUND CHANGE

YNAP's Mascio says education is vital so that

staff can see the benefits it will bring for both customers and the business as a whole. “Educating our workforce on the platform that powers our business allows them to imagine new possibilities and innovate with the capabilities available to them. That enables us to give our brand partners and customers all-new services, such as shared inventory or direct invoicing, or return in-store and multiple delivery locations,” he says.

The company has also invested heavily in its staff “None of YNAP’s recent success would have been possible without the incredible determination and creativity of our teams,” says Mascio. “Investing in their happiness and creating an environment in which they can fulfil their potential has been of paramount importance. For example, investing in new locations such as the London Tech Hub helps foster innovation, and hosting our first Hackathon last year encouraged employees to use new technologies to experiment and create new digital ideas,” he says.

But Newson says it’s being able to give them freedom to experiment too that really helps to drive innovation and innovative thinking. “Give people autonomy to make decisions, support when they need it, break down hierarchy, and don’t let red tape or road blocks get in the way of progress. Agile methodologies are starting to be well adopted in many areas of our business, which has been a great unlocker of value for our people and our customers,” she says.

Griffiths says such autonomy works wonders. “Empowering employees to make decisions and take action is a key way to incentivise and inspire teams. Taking risks and attempting new ways of working will drive the business forward - it’s important to give your employees the opportunity to do so. Tech leaders can also inspire their teams by remaining open and taking on feedback. Employees are on the frontline of user experience, product management or customer service - so their experience and insights are invaluable,” he says.

At Shop Direct Newson says agile working has been around for some time and has recently extended across more areas, including the delivery of improvements across the customer journey and early machine learning initiatives in customer management.

“It means we have small teams of people from a range of disciplines and levels, focusing solely on an individual part of the customer journey – for example, the checkout stage. The team has an agreed vision and goal built on deep customer insight and uses a test and learn approach; trying out new ideas quickly, gathering evidence and improving them at pace to reach the best solution,” says Newson.

“It means we work quickly to solve customer problems – including challenges in the mobile experience – that really matter. “We’re still at the early stage of this roll out, but the results have been really encouraging so far and it gives us great confidence for the future,” she says.

And this sort of culture also makes businesses tolerant that things – especially when it comes to firsts – won’t necessarily work as expected every time. “People will be tolerant of fails as long as there are successes too,” says McKee.

BUILDING BUSINESS EXCITEMENT

Elston says it’s about getting all those in the business excited about being innovative. “You have to understand what’s the outcome you are looking to deliver and what are the benefits to that – both to the consumer and to the people within the business as well. In some companies the people get naturally very excited about technology changes. Others are warier of it. It’s about understanding the audience and how you talk to them and what do you need to talk to them about. What’s going to drive their interest and passion?” asks Elston.

HOW TO BE AN INSPIRATIONAL LEADER

- Understand how to communicate with the rest of the business
- Get others excited about innovation
- Test and learn
- Give staff the freedom to grow and contribute



Consistency – They work hard to embed and sustain change

We have seen that retailers realise the importance of the need for innovation, identified that they are brave enough to make a first or early move ahead of their peers and that they inspire their staff and customers to come on the innovation journey with them.

But this is all pretty meaningless if the final part of the equation isn't met. This last characteristic is about reinforcing the successes that innovation has had.

It means being confident that your innovation and change will work – which means solid testing at pilot stage.

“Ensure your product is in fact ready for full rollout,” says Griffiths. “Are you confident in the AB testing that has taken place, all bugs are fixed and user feedback is taken onboard? Doing so will make the process much smoother for the business and give customers the best user experience possible. If appropriate, launch marketing - through social media or email - will also help raise consumers' awareness of new products or services and how they function,” he says.

Schuh's McKee says that inspiring teams to truly embed and sustain such innovation and change is not hard once staff have the end goal in sight? If you keep it about customer service and delivering sales and profit and you are clearly aligned with the rest of the business then it's not difficult to get people to allow you to resource innovation,” he says.

But he says for the change to be sustainable, and the leadership position to be maintained, then retailers have to have a very strong commitment to doing what the results tell them they should do. “We look for proof of concept and then we test in front of real people. Let the numbers guide you. Test and have a robust framework for determining success,” he says.

BUILD SUCCESS UPON SUCCESS

Elston agrees: “It ties in with data and insight. You need to measure the change you have made. It comes back to what's the company strategy? If the company is focussed on change and improving itself that culture should be there. By doing to introducing and it being successful that feeds it. You build success upon on success,” he says.

At Oasis stores Davies also believes that

constant monitoring is important – both to reinforce technology change but also to maintain that technology leadership position. “It's about talking to staff and customers and seeing how well it performed. Once it's in place it's about revisiting it rather than just let it sit there, otherwise it could be serving a purpose that is no longer needed,” says Davies.

CONTINUE TO PUSH THE BOUNDARIES

Retailers in a technology leadership position have to continue to push the boundaries. “Look at what's available in the market – not just in retail but benchmarking against other businesses on a monthly basis,” says Davies. “You can't do something once – it's got to be continuous otherwise it just looks like you are presenting a fad,” he says.

Griffiths says retailers have to do this to simply keep up. “Technology change is constant in retail, across all areas of the business - customer service, logistics, payments and more,” he says. “Evaluation of new solutions and services aligned to corporate strategy and KPIs will ensure you will propel your organisation even higher,” he says.

If retailers have adopted the three previous characteristics – most importantly bringing their staff with them – then change will be easier to sustain. “The change won't be immediate but having several core stakeholders on-board with this change will help embed it across the organisation,” says Griffiths. “Introducing a flat structure, if your business doesn't already have one, will also help encourage the open exchange of ideas and avoid silo mentality, which can rapidly stifle creativity,” he says.

HOW TO BE A CONSISTENT LEADER

- Ensure project is ready for solid rollout
- Measure and measure again
- Build success upon success
- Don't rest on your laurels - continue with innovation

Conclusion

Innovation is exciting, inspiring and fun. It brings fresh ideas, new approaches and potentially big wins.

But it's not easy. As we have seen in this whitepaper it takes a recognition of the need for change from the status quo, bravery to make change, determination to see it through and then sheer hard work to ensure it's a change that is embedded within the business and that the approach of innovation continues.

In this whitepaper we have focussed on innovation involving retail technology and what it means to be a technology leader in the retail space. But the truth is the same characteristics apply whatever form innovation takes.

We have had some fantastic retailers share their views for this whitepaper and for that are very grateful. We hope it's enough to get you excited about the potential for technology change within your organisation – and all the benefits it can bring.



CHARACTERISTIC 1: INNOVATIVE – THEY UNDERSTAND THE NEED FOR CHANGE.

- Understand the need for change
- Keep a constant focus on 'could do better'
- Predict the future and what customers in your sector want
- Align innovation with overall strategy to ensure you can deliver ROI
- Don't be daunted by size or scale

CHARACTERISTIC 3: INSPIRATIONAL – THEY RALLY THE TROOPS.

- Understand how to communicate with the rest of the business
- Get others excited about innovation
- Test and learn
- Give staff the freedom to grow and contribute

CHARACTERISTIC 2: COURAGEOUS – THEY ARE BRAVE ENOUGH TO MAKE THE FIRST MOVE.

- Recognise the need for change and move early
- Understand that not everything works right first time
- Be willing to accept failure
- They are a first mover for the sake of their business not for first mover's sake

CHARACTERISTIC 4: CONSISTENCY – THEY WORK HARD TO EMBED AND SUSTAIN CHANGE.

- Ensure project is ready for solid rollout
- Measure and measure again
- Build success upon success
- Don't rest on your laurels - continue with innovation



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