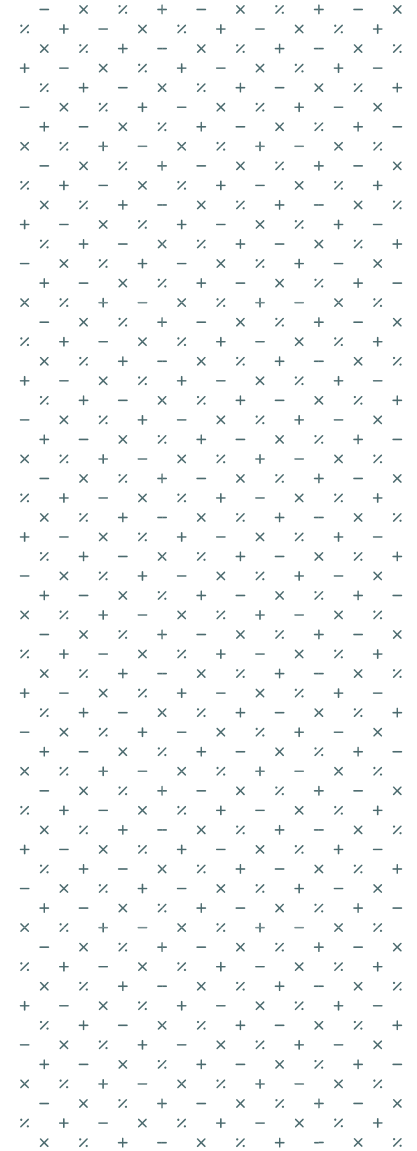




# 2017 Retail Outlook Trends & Strategies

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# 2017 Retail Outlook Trends & Strategies

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## THE VIEW LOOKING OUT



# Retail Marketplace: Staggering Stats

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- 2016 holiday shopping
  - **ONLINE SALES UP 11-17 PERCENT**
  - **ONLINE SALES 21-24 PERCENT OF HOLIDAY SPEND**
  - **FOR THE SECOND YEAR IN A ROW, AMAZON ACCOUNTED FOR OVER ONE THIRD (38 PERCENT) OF ALL ONLINE HOLIDAY SALES**



# Retail Marketplace: Themes

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- Relationship driven strategy is the next frontier
- Technology dominates
- The Amazon Age
- Personalization
- Leverage big data to personalize each customer relationship



# Retail Marketplace: Themes

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- In next five years, the industry will change more than it has in the last century
- One in four jobs in the United States is retail related
- Technology is changing the very core of retail
- Expectation of service is being set by digital even though most purchases still at store



# Retail Marketplace: Themes

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- The world is your storefront
- The marketplace is crowded
- Pace of change continues to accelerate
- Consumers willing to pay for speed of delivery



*NRF Big Show 2017, 5 year study by IBM on customer experience/3 mega trends*

# Retail Marketplace: Themes

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- Few consumers enjoy the shopping experience
- Consumers are highly knowledgeable about products forcing sales associates to up their game
- Consumers will take increased delivery speed even if they don't need it



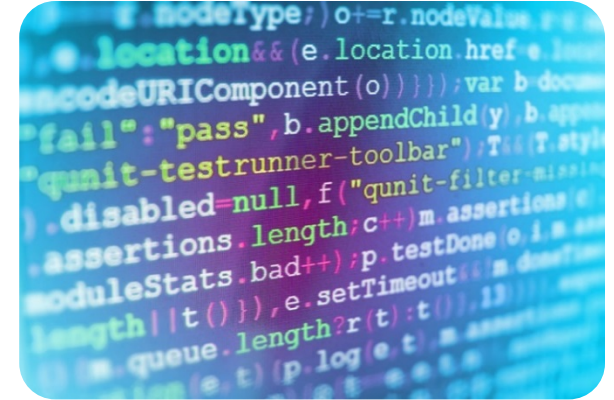
*NRF Big Show 2017, 5 year study by IBM on customer experience/3 mega trends*



# Retail Marketplace: Technology Landscape

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- Approximately 35-40 percent of jobs are at risk over the next 20 years due to automation
- Some experts believe many of these jobs will not be replaced
- We are in the age of exponential machine learning
- Artificial Intelligence (AI) is at the core of many company business models



# Direct to Consumer (DTC)

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- Paradigm shift causing hundred of store closures, a model that today's consumer prefers
- DTC will mortally wound the B and C malls
- Smart retailers are making the DTC avenue their primary focus rather than an after thought
- Brick and Mortar will continue to face increasing challenges
  - **OVERHEAD IS COSTLY**
  - **THE CONSUMER WANTS TO BUY DIRECT AT ANY TIME ANY WHERE, PERIOD**
  - **CONSUMERS DON'T WANT TO BUY AN ITEM FOUR MONTHS IN ADVANCE WHEN THEY KNOW IT WILL BE DISCOUNTED SOON**
- Nike, UnderArmour and even Tesla are moving to DTC model



# Innovation in Retail

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- 3D body scanning clothing store
- Handbag that detects toxic gases, barometric pressure and ambient temperature
- Shoes that tracks and interprets fitness data
- Self-driving cars
- Wearable technology powered by smart fabric
- Heated jackets
- Biometric hospital gowns



# Innovation in Retail

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- Pop-up stores
- Hologram is the new mannequin
- Use of technology to identify emotions
- Kohl's pay
  - FOR KOHL'S CREDIT CARD USERS, KOHL'S APP LET'S YOU PAY IN STORE
  - CREATES A SEAMLESS CHECKOUT INTEGRATING DISCOUNTS, COUPONS AND REWARDS
  - ALL TRANSACTIONS STORED ON PHONE MAKING FOR EASY RETURNS



# Innovation in Retail: Virtual Reality – Transforming the Shopping Experience

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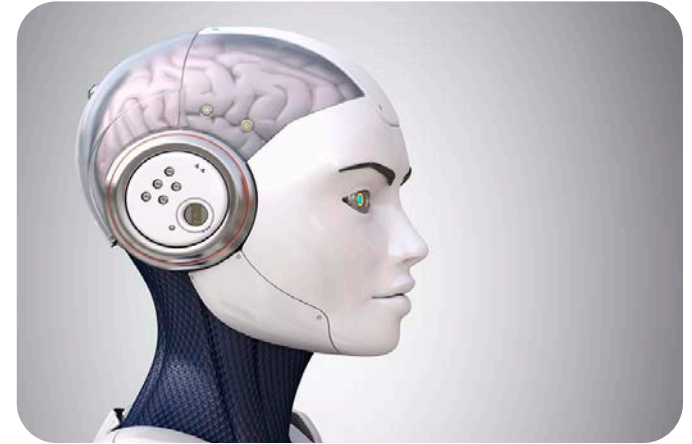
- Alibaba created a 3D brick and mortar New York Department Store
  - BUY+, A VR ONLINE SHOPPING EXPERIENCE
  - ALIBABA CREATED A VIRTUAL REALITY STORE SO CONSUMERS IN CHINA COULD SHOP AT MACY'S IN NEW YORK USING BUY+
  - EIGHT MILLION PEOPLE TRIED BUY+ IN THE FIRST MONTH OF ITS LAUNCH
- Miku Hatsune
  - VIRTUAL JAPANESE POP STAR HAD A TEN CITY TOUR IN NORTH AMERICA
  - 15,000 PEOPLE ATTENDED ONE CONCERT
  - OVER 900,000 FANS ON FACEBOOK
  - CORPORATE COLLABORATIONS WITH SEGA, TOYOTA USA, GOOGLE AND MORE



# Innovation in Retail: Artificial Intelligence (AI)

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- AI incorporates a variety of variables to understand and predict customer behavior
- Tracks a customer's location and recommends clothing or accessories for that location
- 1-800 Flowers.com GWYN gift concierge – Enter “Gwyn” in search box on 1-800 Flowers com website



# Innovation in Retail: Facial Recognition Technology

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- Facial recognition technology
- Loss prevention
- Retail security
- Business intelligence



# Influencers

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- Influencers are individuals who have influence over potential buyers and are a powerful form of marketing
- \$2.2 trillion retail dollars are influenced by digital/social media
- Influencers with large numbers of YouTube or Instagram followers can bring in hundred of thousands or even millions annually
- Take a look at the top 9 influencers





# Generation Z

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- Who is Generation Z?
  - BORN AFTER 1995
  - \$44 BILLION IN BUYING POWER
  - OUTNUMBER MILLENNIALS BY 1MILLION
- What they want:
  - SPEED IN TRANSACTION
  - STRONG ENGAGEMENT WITH BRAND
  - TO SPEAK IN EMOJI NOT FULL SENTENCES
- Most companies have focused efforts on millennials and are not ready for this “true digital native” generation



# 2017 Retail Outlook Trends & Strategies

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THE VIEW  
LOOKING IN



# Cybersecurity

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- Risk based approach to cybersecurity
- Cyber criminals have multiple ways to get to you
- Steps to fight cyber criminals
- Hire third parties to access risk
- Determine how much risk is acceptable



# Cybersecurity: Be Prepared

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- Make sure technology is up to date
- Look at PCI Standards
- Email Security: Becoming key doorway to network infection
- Focus on employees, the human firewall
- Security is a competitive advantage



# Big Data

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- Data is the new currency for retail marketers
- Big data is at the core of AI, VR, Predictive Analytics, Personalization
- Big data incorporates multiple variables to better understand the customer



# RFID

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- RFID captures inventory management, item journey and assists in personalization
- Increases inventory accuracy, revenue, and gross margin
- Retailers who have piloted or launched RFID experienced 32 percent YOY growth
- Disney wrist band



# Potential Tax Legislation

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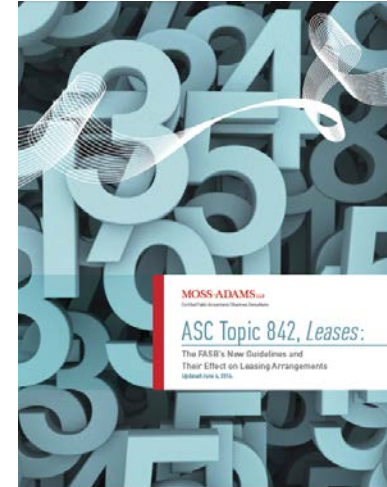
- **Marketplace Fairness Act**
  - **STATES TAKING MATTERS INTO THEIR OWN HANDS**
- **Border Adjustability Tax proposal**
  - **TAX BREAK FOR EXPORTERS**
  - **ADDITIONAL TAX FOR IMPORTERS**
  - **CONSUMERS WILL PAY**
  - **WILL BE TOUGH TO PASS DUE TO STRONG OPPOSITION AND HEAVY LOBBYING EFFORTS AGAINST THE PROPOSAL**



# Lease Accounting Update: One Year Closer

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- Refresher on new lease accounting standards
- Where to invest time and resources now
- Review lease portfolio
- Restructure leases if applicable
- Determine if you have the right resources internally to navigate guidelines and reporting requirements
- Determine if you have the right technology in place to be in compliance
- Identify team (internally or externally) to create action plan





# 2017 Retail Outlook Trends & Strategies

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## THE CONNECTION



# How Brick and Mortar Competes

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- Secrets to brick and mortar success
- Know your market
- Differentiate your product or service
- Be an expert in your domain
- Leverage how close you are to the customer
- Click here for snapshots of unique stores  
[download the app](#)



# How Brick and Mortar Competes: Transforming the In-store Experience

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## EATALY

EATALY offers an Italian culture experience through a combination of shopping, learning and tasting. Store includes a quick service cafe, live demonstrations, a grocery store and school.



## SONOS

Sonos store provides a variety of living rooms to test out the stereo equipment. Goal is to mimic the stereo experience you would have at home.



# How Brick and Mortar Competes: Transforming the In-store Experience

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## ZARA

Zara offers smart dressing rooms, equipped with iPads allowing customers to scan items and make requests for additional merchandise or sizes.



## LULULEMON

Lululemon has small boutiques with limited designs and people in the back making the clothes. Provides a collaborative feel to designing the clothes.

# How Brick and Mortar Competes: Employee Engagement

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- With highly educated consumers, knowledgeable, friendly sales associates are the key to the in-store experience
- Technology can enhance the sales associates impact through mobile POS and real-time inventory management systems that allow sales associates to instantly check for color, sizes and reviews
- Brick and mortar appointments for special events (interview, wedding), new wardrobe, or vacation wardrobe



# Personalization

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- Concept of 1:1
- Customization of a product or service to meet the needs of an individual
- Formula for success
- Before you personalize, you must understand your customer



# Personalization

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- Key is leveraging big data
- Privacy vs. personalization
- 74 percent of retailers who have adopted personalization as a strategy saw significant increase in sales



# Personalization

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- **Indochino**
  - **CUSTOM HIGH QUALITY GARMENT THAT FITS PERFECTLY AT EXCELLENT PRICE**
- **Shoes of Prey**
  - **CUSTOMIZED SHOES DESIGNED BY THE CUSTOMER RECEIVED WITHIN 2 WEEKS**
- **Entertainer UK**
  - **BIRTHDAY CLUB OFFERS SPECIFIC RECOMMENDATIONS BASED ON AGE OF CHILD, APPROPRIATE DISCOUNTS**





# Brand Devotion

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- Brand devotion is a measurement of how deep a customer connects with a brand
- Brand devotion can be authentic, personal or tribal
- Brand devoted consumers spend 50 percent more than those who aren't devoted



# Brand Devotion and Loyalty Programs

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- **Game Stop**
  - DATA DRIVES PERSONALIZED RECOMMENDATIONS
  - CREATED LOOT CRATE STORES FOR REWARDS MEMBERS
  - REWARDS MEMBERS DRIVE 3X MORE SALES THAN NON REWARD MEMBERS



# Mobile

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- Profile of the mobile customer
- Retailers must take full advantage of mobile technology's ability to improve shopping experiences and help store associates make in-store sales



# Six Needs of the Mobile Customer

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# Dynamic Pricing

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- Dynamic pricing is a change in pricing at least once a day
- By understanding the customer – what they want, urgency and willing to pay – a dynamic pricing model can be implemented
- Dynamic pricing will revolutionize the traditional buy and then markdown models



# Predictive Analytics

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- Predictive analytics works by leveraging big data, customer intelligence, transaction information, and browsing habits to predict customers future behavior
- Model allows retailers to:
  - RECOMMEND ITEMS BASED ON BROWSING OR TRANSACTIONS
  - IDENTIFY THE MOST ENGAGED CUSTOMERS, WHO IS LIKELY TO BUY AND WHEN
  - TARGET PROMOTIONS TO THE MOST PROFITABLE CUSTOMERS
  - OPTIMIZE PRICING



# Inventory Management

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- On-demand manufacturing huge paradigm shift from mass production
- Virtual inventory includes all of the products a store or business has on hand (retail floor, in a back room, or at a warehouse)
- Real-time inventory
- Shoe Carnival success story



# Buzzwords

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- **Personalization.** Engaging the individual customer in an experience based on their likes and activity patterns.
- **Customer-centric.** Placing the customer at the center of a company's marketing effort.
- **Artificial Intelligence.** The ability for a computer to perform human decision making processes.
- **Dynamic Pricing.** Pricing strategy is based on market demands.
- **Influencers.** Individuals who have influence over potential buyers.
- **Relevancy.** Meaningful to the consumer.





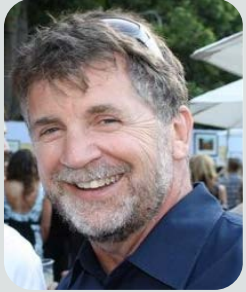
# Buzzwords

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- **On-demand Manufacturing.** Items manufactured on the spot to customer's specifications.
- **Virtual Inventory.** Inventory is kept across the organization but accessed via online.
- **Predictive Analytics.** Allows one to make predictions of future purchasing habits through data-mining and modeling.
- **Brand Devotion.** Strong relationship between consumer and a brand, based on truth and authenticity.
- **Machine Learning.** Type of artificial intelligence that provides computers with the ability to learn without being programmed.



# Your Team



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