FLASH REPORT

Top Five Takeaways from the 2017 Golden Seeds Retail Revolution Panel

1) The Fung Global Retail & Technology team attended the 2017 Golden Seeds Summit in New York on January 25. Deborah Weinswig, Managing Director of Fung Global Retail & Technology, moderated a panel titled "The Retail Revolution" that focused on consumer products and applications.
2) The top five takeaways from the panel included: the number of malls will continue to decline and retail real estate formats will continue to evolve, a brick-and-mortar presence is necessary, enhancing the in-store experience, the difficulties of the online paradigm for low-margin retailers and the decision to buy versus build technology.
3) Enhancing the in-store experience via technology was a key point of focus among the panelists, who noted that retailers should continue to look for opportunities to remove friction during the in-store shopping experience by exploring evolving technology concepts.

About the Conference

The Fung Global Retail & Technology team attended the 2017 Golden Seeds Summit in New York on Wednesday, January 25. Golden Seeds is a New York–based angel investment firm that has invested over $90 million in more than 85 companies. Golden Seeds' angel network and early-stage venture funds invest in companies with at least one woman in the C-suite. This year's summit brought together more than 200 Golden Seeds angel investors from New York, Boston, Silicon Valley, Texas and elsewhere across the country.

At the summit, Deborah Weinswig, Managing Director of Fung Global Retail & Technology, moderated a panel on "The Retail Revolution" that focused on consumer products and applications. She was joined by Soozan Baxter, Principal at Soozan Baxter Consulting; Denise Incandela, Former President of Global Digital Ralph Lauren; Jan Rogers Kniffen, CEO of J Rogers Kniffen Worldwide Enterprises; and David Matthews, Founder of Trailblazer Capital and Mentor at Revtech.

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Key Themes from the Panel

1. Number of Malls to Continue to Decline and Retail Real Estate Evolving Formats

There have been a significant number of store closures in the last few years. Store formats are changing, and becoming smaller to serve shoppers' demand for convenience. Malls will continue to see reorganizations, more closures and tenants asking for smaller formats, according to Jan Kniffen. He said that strip malls have been outperforming department stores, but that they are not taking market share away from e-commerce.

Source: Fung Global Retail & Technology

As the department store channel shrinks, and more brands fight for less space, brands will need to be more creative, flexible and diversified in their approaches. One way brands can disrupt the more traditional wholesale channel without taking on the significant real estate risk that comes with opening their own stores is to open pop-up stores. With pop-ups, brands have complete creative control of the brand experience and how their messaging is communicated to consumers.

2. Brick-and-Mortar Presence Is Still Necessary

Companies such as Amazon, Bonobos and Warby Parker opened a handful of physical stores in 2016, and other pure-play e-commerce companies will follow suit in 2017. A brick-and-mortar presence is necessary, as consumers still enjoy the experience of going to the store, Soozan Baxter said. She also mentioned the importance of retailers balancing their brick-and-mortar and online presences and cited Sephora as doing a great job of that.

3. Retailtainment Is Essential in Driving Store Traffic and Bringing the Store to Life

Retailers must continue to look for opportunities to remove friction during the in-store shopping experience by piloting low-risk, low-investment technology concepts, according to Denise Incandela. She noted that some of the main sources of friction during the shopping journey include inventory management, merchandising and labor cost. During her time at Ralph Lauren, the company tested "magic mirrors" that allowed customers to order new sizes and check out merchandise from the fitting room. The company saw conversion rates increase during the pilot, which was very successful.

David Matthews discussed his recent experience working with an artificial intelligence solution that enables store associates to look up products in real time and recommends products via an earphone.

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4. Online Paradigm Is Difficult for Low-Margin Players, Especially Department Stores
Large-format stores are utilizing square footage and inventory more productively by doubling as fulfillment centers. However, as minimum wage costs rise, store labor that is being used to package offerings for ship-from-store and buy-online, pick-up-in-store services is becoming more expensive. It is more difficult for midmarket retail players to be profitable online due to their business paradigm, as it is driven by moderate average order values and gross margins. Rising labor costs are incentivizing retailers to decrease costs and boost productivity through greater investment in innovative technologies such as robotics, automation and artificial intelligence, according to Incandela.

5. The Decision to Build vs. Buy Technology
For retailers looking to innovate, the decision whether to build or buy technology is challenging. Building custom software can unlock benefits, such increased productivity, competitive advantage and faster reaction time. However, companies cannot always replicate the software or solution, and doing so takes time and can often require a level of technical proficiency that cannot be hired or found within the company. The panelists were in agreement that it is often smarter and more cost-effective to buy rather than build software, as emerging technologies are changing so fast. But if the needed technology is not going to evolve and is just a concept, such as the platform used by Rent the Runway, then the right option is to build.

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