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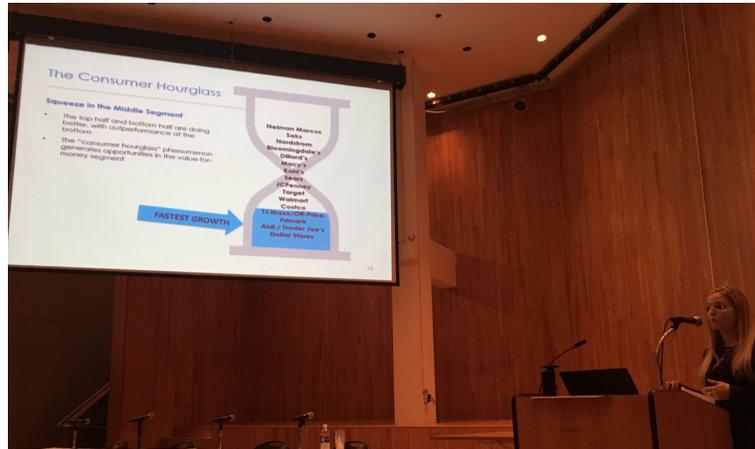
RETAIL MARKETING SOCIETY: THE FUTURE OF RETAIL: IT AIN'T WHAT IT USED TO BE JUNE 9, NEW YORK, NY

Our key takeaways from the Retail Marketing Society event include:

- Selfie culture is forcing a shift in the way consumers shop by driving up beauty and experiential sales over apparel sales.
- Stores are no longer enough to drive foot traffic, but enhanced experiences can bring customers back into stores.
- Social media is more than selling a brand because brands need to come to life through their outlets to better engage customers.
- Personalization is essential because customers want to feel more special and that the products they buy were made for them.

The Fung Global Retail & Technology team attended *The Future of Retail: It Ain't What It Used To Be*, a semi-annual half day conference hosted by the Retail Marketing Society in partnership with FIT Professional Studies in New York on Thursday. Fung Global Retail & Technology Managing Director Deborah Weinswig kicked off the morning with the keynote address *Future of Retail: Is It Coming Apart at the Seams?* focusing on changes in consumer behavior and the top 20 retail trends in 2016. The program continued with three panels exploring the changes that retail faces in the near future, including evolving consumer behaviors, innovative technologies, social media and the need for change in malls.

EVENT



Key takeaways from the event:

- **Selfie culture is forcing a shift in the way consumers shop.** With constant social engagement, consumers are buying more makeup and skincare products, greatly boosting sales in cosmetics. Consumers are also moving towards making fewer merchandise purchases. “Experiences trump things,” declared Deborah Weinswig. Consumers want to spend their dollars at shows and events over new apparel. She continued, “It takes a lot to get a consumer to buy more clothes these days. It needs to have a new functionality; otherwise, they already have it.”

- **Stores are no longer king, but experiences can bring customers back into stores.** The “bricks” of retail — the physical stores that once dominated the retail space — are no longer enough to drive foot traffic. Customers prefer experiences, and that is what will bring them back to retailers. “Malls are not going away,” Bob Beffa, Senior Vice-President of Real Estate at Macerich, commented, “but there will be winners and losers.”

- **Social media is more than selling a brand.** Social media should show the lifestyle and persona of a brand customers would want to engage with: retailers must be present to customers in an authentic way. Brandy Melville, a millennial-focused one-size-fits-all brand, for instance, has only 20 stores but rivals the social media engagement of top brands across the country.

Personalization is everything. Customers want to feel like the goods they buy are being made just for them. For retailers, this could mean big changes for their supply chains. “All the customer should know is that they are having the time of their lives buying your service or product,” commented Jodie Fox, Co-founder and COO of Shoes of Prey. Backend processes should be out of sight and mind to customers so that they can focus on a strong brand engagement throughout the transaction.

EVENT

KEYNOTE ADDRESS

Selfie Culture is Forcing a Consumer Spend Shift

Ms. Weinswig introduced her Four Quadrant Disruptors Framework to the group, a new concept presenting opportunities in the retail sector for innovative retailers and startups. The framework was formulated as a response to the “retail destruction” seen in the US recently, when several major retailers reported disappointing results. The concept identifies four categories of opportunity:

- New Retail Models
- All-Channel
- Experiential Retail
- Customer Engagement

Weinswig also highlighted consumer trends in 2016, including influencers and evolving pure plays. One key, and growing, trend is the shift towards more experiential purchasing over the purchasing of merchandise. This stems from the growing “Selfie Culture” also impacting the growth of the cosmetics industry.

- In the last five years, cosmetics sales have increased 3.2% annually, while apparel sales have only seen 0.6% growth.
- She also pointed out that US mall traffic has declined for the past 42 months — a fact addressed in the morning’s first panel.

PANEL DISCUSSIONS

The three panels were:

- Mall Stores: Will They Be the Graveyard of Retail?
- Traditional Marketing: Is it *Really* a Thing of the Past?
- Customer Experience: Will It Be Dictated by the Customer?

Stores Cannot Drive Foot Traffic Alone

The first panel, titled, *Mall Stores: Will They Be the Graveyard of Retail?* moderated by Jan Kniffen with panelists Bob Beffa of Macerich, Tom Chin of Telsey Advisory Group, Harold Bordwin of Keen-Summit Capital Partners, and Ken Nisch of JGA who shared their insights on the future of malls.

- Malls are not going away, however the panelists advised that not all of them will survive. As Beffa noted, “You can’t make a bad store good, but you can make a good store better; and the same concept applies to malls.”
- The panelists also mentioned how the age of social media is forcing retailers to evolve their strategies to maintain foot traffic in stores and malls.

Social Media is More Than a Brand

The following panel, titled, *Traditional Marketing: Is It Really a Thing of the Past?* presented a deeper dive into the social media conversation. Al Kelman moderated a conversation between David



EVENT

Rosenberg of IPG Media Lab, Marissa Shapiro of Trendalytics, and Karen Tillson of Bloomingdale's.

- The panelists mentioned brands such as Brandy Melville, a millennial-focused one-size-fits-all brand, which has just over twenty stores but rivals the social media engagement of top brands across the country.
- The panelists described the key to social media engagement as being present in an authentic way. To build that type of presence, Ms. Tillson recommended engaging millennials and young associates, and developing dialogue about what the brand can do to authentically meet their needs.

Personalization is Everything

The morning wrapped up with *Customer Experience: Will It Be Dictated by the Customer?* moderated by Nancy Marino. Jodie Fox of Shoes of Prey, Jared Schiffman of Perch Interactive, and MK Marsden of bricks + matter shared their thoughts on the customer experience.

- Ms. Fox, whose business allows customers to design their own shoes, commented, "All the customer should know is that they are having the time of their lives buying your service or product."
- Backend processes should be out of sight and mind to customers so that they can focus on a strong brand engagement throughout the transaction.



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