



# SHOPTALK™ DAY 2

the nextgen commerce event

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The Fung Global Retail and Technology team attended Day 2 of the inaugural Shoptalk conference on Tuesday. We joined more than 3,000 attendees to explore disruption in the retail industry, particularly in how consumers discover, shop and buy. We heard about the demand for online products by brick-and-mortar stores, how malls are embracing mobile technology, and views on venture-capital financing.

Highlights of the day's presentations, along with additional notes from Day 1 sessions, are below. Join us tomorrow for coverage of the final day, which features a full morning of startup pitches moderated by Deborah Weinswig, Managing Director, Fung Global Retail and Technology.

## RETAIL INNOVATION

To kick-off Day 2, the Fung Global Retail and Technology team attended general sessions including fireside chats with Katia Beauchamp, Brian Lee and Steven M. Lowy.

**Katia Beauchamp, Co-Founder and CEO, Birchbox**



Katia Beauchamp, Co-Founder and CEO of Birchbox, sat down for a conversation with Linda Shein, Managing Director at the Baker Retail Center at The Wharton School. Beauchamp discussed how her company had changed the way people shop online for beauty and grooming products. Yet Birchbox has recently followed the online-to-offline trend, opening physical stores. The decision to do that, Beauchamp said, was driven by Birchbox's desire to make discovery for beauty more enjoyable. The stores were first launched in a pop-up format and used as a way to devise best practices for omnichannel operations. The company began merchandising by price point rather than by category and started to accelerate the relationship with customers.

Beauchamp stressed that the most important aspect of the in-store experience is the store associate. Birchbox wants to “make store associates feel like superheroes,” she said. Retailers must learn how to best serve customers in the most holistic way and how to provide an entertaining experience that deserves the customers’ attention

*“Retailers must learn how to best serve customers in the most holistic way and how to provide an entertaining experience that deserves customers’ attention.”*

**Brian Lee, CEO and Co-Founder, The Honest Company**

Brian Lee, CEO and Co-Founder, The Honest Company spoke with David Bell of The Wharton School. Giving an overview of his business, Lee said The Honest Company now offers 100 products, going horizontal in terms of growth and product lines. The Honest Beauty line was launched six months ago. This year, however, the company is less optimistic about expansion and is instead focusing on winning in individual product lines.

The Honest Company occupies the number-two shampoo position in all of Target, which has led to offers of more shelf space. Similar to



Birchbox, The Honest Company has entered the offline space. Baby boutiques first asked to carry the products, Lee said, and the products sold very well. The company then received a call from Costco requesting a “family size baby shampoo.” Catalogs are another great acquisition channel, Lee noted. Brick-and-mortar stores or pop-ups are not planned for this year, Lee said, but he added that perhaps an organic café around a retail experience “will come down the road.”

The conversation then shifted to the market. As Lee put it, the core customer is, “any mommy who loves [her] baby.” They’re for the “cool mom” and speaking to today’s moms in less-traditional ways: through Snapchat and Instagram. The company has been taking share from other organic- and nature-focused companies, and from more traditional CPG companies, especially as it gets more shelf space at traditional retailers. In terms of challenges, Lee noted the difficulty of bringing in the right talent.

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**Steven M. Lowy, Co-CEO, Westfield Corp.**

Steven M. Lowy, Co-CEO, Westfield Corp. and Maghan McDowell, Technology Reporter, WWD, discussed the changing retail industry. Westfield Corp. has \$30 billion in assets and has been investing substantially in bridging the digital and physical world. In its efforts to change and adapt, the company is bringing new technologies to its business. It launched Westfield Labs in San Francisco a few years ago; hired data, analytics and digital infrastructure teams; and recently opened Bespoke in the San Francisco Center. Bespoke is a retail and technology community with more than 70 participating companies. Its purpose is to provide quick time to market, as well as to build and test technology. Westfield has also started accelerator programs with brands and is fast-tracking the retail and real estate infrastructure.

Lowy does not agree with the idea of “the death of the mall.” Rather, he feels that malls must become exciting spaces to experience. That requires an interactive environment incorporating not only technology, but also entertainment and leisure. The company has invested heavily in new and future developments in major cities such as London, New York and Milan. Smaller buildings that could not adapt to new needs were sold, Lowy said.

On the topic of introducing new technologies to the retail space, Lowy noted the concept of a “Searchable Mall” on mobile. This allows the consumer to order food in advance and be guided through the mall more precisely than with any GPS system. While shopping in Zara, for example, one may order a salad from a mall restaurant.

Retailers now are more focused on collaboration than competition, Lowy noted, especially through data sharing. The biggest shift in business is the changing mindset of retailers and real estate companies, he added—they now recognize the power of working together. In the end, he said, it is all about producing a better customer experience.

*“In the end, the common goal is creating a better customer experience.”*

## RETAIL AND CONSUMER INVESTING

### A Venture Capital Perspective

In a Q&A format, panelists discussed retail and consumer investing with [William Susman](#), Managing Director, Threadstone Advisors. Highlights of the session, with comments paraphrased and condensed, are below.

The panelists were: [Ajay Agarwal](#), Managing Director, Bain Capital Ventures; [Ben Lerer](#), Founder, Thrillist Media Group & Managing Director, Lerer Hippeau Ventures; [Dan Rosen](#), Partner, Commerce Ventures; and [Janie Yu](#), Partner, Fung Capital.

*“Never invest if you don’t believe the CEO cannot be the CEO of the business over the next 2-3 years.”*



**Q:** Over the next 12 months, do you see valuations going up?

**Bain Capital Ventures:** West Coast valuations are coming down

**Q:** What’s driving it?

**Bain Capital Ventures:** Public stocks and tech stocks are not doing well, valuations are coming down, and there is a disconnect between public and private valuations, which is scaring investors from investing.

**Q:** What does a company look like during the Series B & C funding rounds?

**Fung Capital:** We invest in early to growth stage, typically after the company has achieved market traction and customer traction, with proven ROI (return on investment). Typical investment is \$5-\$15 million.

**Q:** As an early stage investor, are you exiting when Series C & D rounds come about?

**Lerer Hippeau Ventures:** We don’t sell shares in subsequent rounds, although some angels do, but they expect the investment to run over 8-10 years (i.e., for the long term). Sometimes we sell in a round, but like to have flexibility.

**Fung Capital:** We prefer not to see founders/investors to sell to show commitment.

**Q:** What is the role of the founder to the investor?

**Bain Capital Ventures:** For a Series A investor, the founder and team is of huge importance. The company needs to be disruptive, game changing and patient, within the domain expertise of the founder. The goal is to get stakeholders rallied behind the founder, who must be able to articulate the company's vision.

**Lerer Hippeau Ventures:** The earlier the investment, the more important the founder.

**Q:** Have there been any situations where you make an investment and you know the founder is going to need to be replaced?

**Commerce Ventures:** "Never invest if you don't believe the CEO cannot be the CEO of the business over the next 2-3 years." A change would be very disruptive to the business; however, we have seen companies make the transition.

**Q:** What's your take when a company says it is "the next Warby" (i.e., Parker)?

**Lerer Hippeau Ventures:** The company must be able to articulate a vision that is not a copycat, but a disruptive category killer, with unique proprietary data.

**Q:** From a tech-enabled focus, please explain the definition of retail tech enablement and give an example in your portfolio.

**Commerce Ventures:** Tech companies that sell technology to retailers and brands (i.e., an IT sale).

**Fung Capital:** If you are a retailer or brand, a piece of technology that can improve your process is considered tech-enabled. Tulip (in which Lerer Hippeau Ventures, Commerce Ventures and Fung Capital invested) is an example: it provides a sales associate solution, and an in-store solution for brick-and-mortar retailers.

**Q:** Where most often is the top ROI for investment money going?

**Fung Capital:** In the growth stage, into sales and marketing.

**Lerer Hippeau Ventures:** Into early-stage companies—the first hundreds of customers must be earned, not bought. You cannot buy growth or users.

**Q:** Why should a company pick your firm over the others on the panel? How do you differentiate yourselves?

**Lerer Hippeau Ventures:** We are not investors; we are operators and investing on the side while running companies.

**Fung Capital:** The Fung Group opens many doors for startups because of its extensive network with retailers and its presence in more than 40 countries.

**Commerce Ventures:** We have more industry focus than others.



**Bain Capital Ventures:** Our focus is on the front end of the supply chain, from brick and mortar, to brands and fulfillment. We bring network and domain expertise.

## PRODUCT CUSTOMIZATION

### 3D Printing and Imaging

**3D printing technology is rapidly changing manufacturing, bringing the idea of customization to a whole new level and helping to solve the challenges of fitting technology. Pano Anthos, Managing Director, XRC Labs moderated a panel on Day 2 that explored when and how 3D printing will go mainstream.**

*Promising technologies must add value to the consumer or enhance the experience in some way.*

**Panelists included Gihan Amarasiriwardena, Co-Founder, Executive Chairman and Chief Design Officer, Ministry of Supply; Bill O'Farrell, Co-founder and CEO, Body Labs; Arden Rosenblatt, CEO, PieceMaker; and Kegan Schouwenburg, CEO and Founder, Sols.**

Gihan Amarasiriwardena of Ministry of Supply predicted that 3D printing would hit the B2C mainstream in three years. Clothing is the most likely area to incorporate 3D printing, he said, citing Nike's success with this innovative technology. While customization has not yet taken off, Amarasiriwardena described a process in which an individual's measurements are taken, sent overseas and a customized product arrives four weeks later. The whole supply chain will have to change to accommodate 3D innovations, Amarasiriwardena noted.

Bill O'Farrell of Body Labs predicted that all consumers will have a unique "shape ID" in the future. Body Labs created body models that "bring physical shape into the digital world," providing complete geometric measurements. O'Farrell explained that these "shape IDs" will allow consumers with similar shapes to share data on what they are wearing, how it fits and, ultimately, result in a 30%–40% reduction in return rates.

PieceMaker's CEO Arden Rosenblatt also predicted that it would take three years for 3D printing to go mainstream. Because many people do not have 3D printers in their homes, Rosenblatt sees stores serving as experiential gathering places where consumers can come to print products on demand.

Kegan Schouwenburg, CEO & Founder of Sols, predicted that it would be five years before 3D printing is adopted into the mainstream. He explained that getting big companies and consumers on board is challenging and will likely slow mainstream adoption.



## FOCUS ON THE CUSTOMER

### Innovations in Payments, Mobile Wallets and Point of Sale

Panelists from the retail and services industries noted in the Day 1 session moderated by **Andrew B. Morris, SVP, Head of Content, Money20/20** that consumers are willing to pay using various methods—if the process is convenient. They emphasized, though, that when making payments, consumers trust their banks much more than tech payment companies.

The panelists were: **Kim Fitzsimmons, Head of Global Ecommerce and Large Omnichannel Commerce Solutions, Chase Commerce Solutions; Chris Gardner, Head of In-Store Products, PayPal; Patrick Gauthier, VP, Amazon Payments, Amazon; and Spencer Spinnell, Director, Emerging Platforms, Google.** Key takeaways from their discussion follow.

Payment solutions include:

- **Chase net**, which is a closed-loop product and similar to Chase Pay. In February, Chase announced a deal with Starbucks to incorporate Chase Pay into the Starbucks mobile app, starting this fall. The core focus areas of Chase Pay are loyalty, the consumer experience and ease and security.
- **PayPal**, which is one of the leaders in digital payments, with 184 million users in 200 markets. PayPal's customers include retailers and consumers, and it shares its platform tools with its retail partners. Value-added services include offers, coupons and digital receipts.
- **Amazon**, which has 300 million customers and one of the most-trusted brands worldwide. The start of customer pain points is well articulated, and Amazon Payments uses tools that consumers are familiar with and trust, enabling transactions wherever the customer wants.
- **Android Pay** is a mobile wallet integrated into the mobile operating system.
- Other techniques that enable online commerce include:
- **"Check-in is the new check-out."** For example, users do not have to check out when using Uber; this interaction is handled early on in the transaction. Retailers should not focus on checking out, which is a "last-century problem."
- **One-touch technology to check in.** Otherwise, payments become the "caboose" in the long path towards a purchase.
- **Provide a personalized experience** that is adapted to the business.

In response to the question, "What is the gap you are trying to close with payment solutions?" panelists generally proposed cloud-based solutions. While Android Pay offers consumer ubiquity, questions remain about its channel and access to customers. With Amazon, the customer journey cuts across multiple touch points and the company makes the journey consistent across channels. Moreover, Amazon's

*Consumers trust their banks much more than tech payment companies.*



platform has the ability to exchange key data elements and aims to improve the experience continuously without friction or breakpoints, offering a customer-friendly approach.

## DRIVING MILLENNIAL ENGAGEMENT WITH CONTENT

**How do brands gain the trust and attention of millennial consumers? This was the tough question on the table for the Day 1 panel that explored the ever-evolving approaches to news, entertainment and other content that sparks Gen Y's interests.**

**Panelists included Cory Haik, Chief Strategy Officer of Mic; Amanda Hesser, Co-Founder and CEO of Food52; Karen Moon, CEO and Co-Founder of Trendalytics; and Brian Sugar, CEO and Co-Founder of POPSUGAR. Jeff Richards, Managing Partner of GGV Capital, moderated.**

The discussion kicked off with the topic of what to expect from social media use by millennials in the next three years. Hesser of Food52 predicted there is likely to be something that does not exist yet that will help brands reach Gen Y, although currently Snapchat is one of the most authentic ways to engage millennials. She noted that Everlane's Snapchat strategy is "personal and interactive," as exemplified by their series titled "Transparency Tuesdays." Sugar of POPSUGAR summarized the situation with an acronym, IPA: "Immediate, Personalized, Authentic." When combined, these three characteristics will help brands relate in a meaningful way through social media.

Haik challenged the audience to think about millennials seriously—they are often "underestimated"—but it would be a dangerous move for brands to "sell them short." Sugar agreed, noting that brands "need to do more than they've done in the past" to create experiences, similar to what SoulCycle or Drybar have done. Millennials are driving changing tastes; for brands, gaining their mindshare is equal to gaining their dollars.

*Millennials are transforming and driving changing tastes, thus for brands, gaining their mindshare is equal to gaining their dollars.*

## INNOVATIONS IN MOBILE, SOCIAL AND NEXT GEN MARKETING TACTICS

**#Ad and "Promoted" are both commonplace markers on Instagram, Facebook and Twitter these days, as advertisers shift their focus and marketing tactics evolve with consumer habits.**

**Marketing leaders Prama Bhatt, VP of Digital and eCommerce at Ulta Beauty; Byron Colby, SVP of Digital Commerce at Cornerstone Brands; David Heath, CEO and Founder of Bombas; and Shan-Lyn Ma, CEO and Co-Founder of Zola Registry took part in a panel on Day 1 that discussed how marketers are creating more impactful campaigns to get users' attention when scrolling through**

*"To be authentic, brands need to invest in apps that socialize the brand and create community."*





**advertisements. Matt McKenna, Founder and President of Red Fish Media, moderated.**

David Heath of Bombas noted the importance of merging both the online and the offline world to create meaningful brand engagement. Initiatives could include advertising adventure scavenger hunts on Instagram that then move offline, he noted. That type of social commerce is changing the architecture of retail, according to Bryon Colby of Cornerstone Brands. The customer is the new point of sale: “To be authentic, brands need to invest in apps that socialize the brand and create community.”

The variety of apps is constantly changing, and apps and platforms need to evolve with the consumer. For example, Shan-Lyn Ma said that a year ago his company, Zola, would have named Facebook as its main platform. Now, with the addition of the “Buy Now” button, Pinterest is its primary social platform. As new social apps are introduced—Snapchat, for instance—brands need to create meaningful customer engagement to spur brand loyalty in the initial stages of a social network’s growth.

The panelists had differing points of view regarding launching on new platforms. Heath said his company goes by an “80/20 rule,” where his team will “re-invest 80% in what’s working, and use the remaining 20% to test what’s new.” Ma’s company, Zola, only enters a social platform if his team believes the platform will enhance the company’s marketing strategy; the company is waiting to enter Snapchat until the marketing strategy is better refined. Heath shared that view: “Once you turn on a social platform, you need to populate it on a daily basis.”

## SOCIAL MEDIA FOR MARKETING AND SALES

**Customers want control and social media offers that, making it a strong tool for brands and retailers, representatives from Pinterest, Facebook and Google noted in discussions at the close of Day 1.**

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**Tim Kendall, President, Pinterest.**

Tim Kendall, President of Pinterest, focused on merchant opportunities on Pinterest and the future of the service as a platform for mobile discovery and commerce in a chat with Molly Wood, Host and Senior Tech Correspondent for Marketplace.

Pinterest’s Buyable Pins were launched last June—a topic that Fung Global Retail and Technology has covered extensively in our *Buy Button* and *Social Selling* reports. Pinterest Buyable Pins now offer 50 million products on Pinterest, Kendall explained. This compares to the 400 million SKUs available on Amazon. Increasing selection increases engagement—likely one reason more and more retailers now sell products on Pinterest. Those retailers, which include Bloomingdale’s, Nordstrom, Macy’s, Michaels and Neiman Marcus, do not pay to

*“Mobile has changed the way we shop and live.”*



participate, and Pinterest shares data with the merchants. Pinterest is also working on creating product pins with location capabilities, providing opportunities for in-store innovation. One possibility is to send push notifications when consumers drive by stores.

For Pinterest, Kendall said, Buyable Pins have brought more people to the platform in a more consuming and engaging way. That in turn provides more advertising revenue.

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**Nicolas Franchet, Director, Global Vertical Strategy, Facebook.**

Franchet discussed how we are entering a new era in commerce based on greater control by the consumer and greater availability of information about people. This is redefining how consumers rediscover and purchase products. He noted that Facebook has 1.65 billion users each day, and 91% are on mobile.

Retailers need to rethink how they interact with customers during the path of purchase, he said. Over the last few years we have entered the era of mobile-first commerce. This followed the “rule of stores” era, the birth of E-commerce and the rise of omni-channel. Now, 45% of all shopping journeys use mobile. The next step is recreating the shopping experience from home, through AR and VR, he added.

Franchet stressed that mobile is completely redefining many areas, including: discovery, personalization and ROI. Brands can tell stories around products and drive sales with Shop Now buttons, as well as cross-sell with carousel ads. Facebook data can combine with retailers’ data. He used Banana Republic as an example to discuss segmented communication: identifying prospects who haven’t ever made a purchase; top customers; and customers who haven’t bought anything in a while. This method provided an average of 4X return on investment over other channels, he said.

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**Jonathan Alferness, VP, Product Management-Shopping, Google.**

“Mobile has changed the way we shop and live,” Alferness stressed. For example, he noted that about 34% of all US online retail purchases are made on mobile and that YouTube is the #1 social platform for helping users make purchases. YouTube videos are now even shoppable, he added. Alferness also mentioned the new buy buttons at Google, known as Purchases on Google. They are branded by the retailer and hosted by Google, and offer control over which products trigger the buy button and which lead to a retailer’s website; both help collect marketing data. Machine learning is used to determine when it is and isn’t a good idea to show buy buttons. Companies like Ralph Lauren and Ugg are testing the concept, he said.



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