



The first rule of disruption

Don't talk about disrupting

FINANCO



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uncommon sense

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OC&C recently hosted an event with Financo, the global retail and consumer sector investment bank, for retail leaders to share perspectives on the rapidly changing shape of the industry. We took the opportunity to probe the leaders of what the industry has coined 'disruptors' - businesses such as Amazon and Farfetch - on the secret to their success.

The main reflection is that these businesses do not self-identify as 'disruptors'. Their primary goal is not to 'shake things up' or directly plot the downfall of incumbent competitors. Their stated pursuit sounds far more noble - they are fixated on solving both under-served and un-met customer needs (even ones shoppers are yet to realise they have). Making long term investments, both in innovation and solution design, to achieve this. It is this long term view that from the outside, drives claims of disruption, as it empowers bolder actions.

These businesses also see themselves as part of a broader retail ecosystem. They acknowledge and embrace the need for physical retail and the growing importance of service, experience and theatre. For both Amazon and Farfetch, they are looking to plug themselves into this system to improve customer experience. Be it Amazon providing the operating platform for small independent businesses and buying chains of physical stores, or Farfetch acting as the glue to fuse boutique and digital experience in luxury products.

This is not to say they view themselves as charitable benefactors to the industry. Better serving customer need is directly linked to a crystal clear purpose to maximise financial returns. Every investment is judged on driving customer value.

It is just their mindset of how to achieve this is more expansive and set over a longer time horizon than many other retailers who are chasing the next quarterly update or delivering 5 year payback on new investments.

At the same time, it would be dangerous to characterise 'disruptors' as giants. There is a new wave of highly successful, but smaller, insurgents, businesses like BlinkBrowBar, embracing the growing appetite for services (in their case eyebrow shaping) and the growing consumer desire for convenience. With businesses in the room like Urban Massage (who are democratising wellness services by bringing them into its consumer's homes) or Skinny Dip (a next generation retailer, fully embracing social media and the new shopping behaviours of Gen-Z), it is clear that there are whole range of winning models. Far from bemoaning the seemingly impossible challenge of competing against the deep pockets of Amazon, retailers and brands feeling the pinch should reflect on whether they have really understood what their customers want, and how to serve their needs better, and whether they are nimble and agile enough to respond.

Whether you believe these businesses ride into the industry as white knights, or on steamrollers, this raises 3 critical questions for retailers.



1. ARE YOU SPENDING ENOUGH TIME WORKING ON YOUR LONG GAME?

In the face of competition placing large, long term bets, other retailers need to find an effective route to plotting their path over the same time horizon. Given the market context, the temptation to plan over a very short time horizon and chase rapid payback needs to be counterbalanced with a set of investments that assertively position the business for the future.



2. DO YOU HAVE A PLAN TO FULLY EMBRACE THE VALUE OF YOUR STORES?

The growing consumer desire for emotional engagement and physical experience is bringing the fight for supremacy back into stores - albeit with a heavy dose of digital influence. How retailers have the confidence to craft experience tailored to their target customers, and assertively invest behind this will be critical.



3. HOW DO YOU HARNESS THE BENEFITS OF LIVING IN THE SLIPSTREAM OF THE 'DISRUPTORS'?

The ever evolving landscape for partnering, and the growing power of the platforms presents both opportunities and threats for retailers. Avoiding stereotyping the 'disruptors' as purely a threat, but seeing the scale, reach and services they provide as a potential opportunity is possible. Whilst we would advise caution and careful consideration on how this is executed, it should be carefully considered.

For those retailers with clear and confident answers to these questions, the future can be bright. But in an unforgiving market, a lack of conviction will increasingly leave retailers exposed.

FOR MORE INFORMATION, PLEASE CONTACT

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