

BUILDING THE ONLINE CUSTOMER SHOPPING EXPERIENCE



The special report looks at key industry trends
and technologies from Shoptalk 2019

From the editors of Internet Retailer

Digital partnerships are helping Crate and Barrel reach more customers



CEO Neela Montgomery says early returns from working with firms like Zola and Fernish are broadening Crate & Barrel's reach

BY ALLISON ENRIGHT

Crate and Barrel is seeing positive returns in extending its sales and marketing channels beyond CrateandBarrel.com and its 107 stores. CEO Neela Montgomery, who joined the retail chain in 2017, has embarked on a series of marketing and sales agreements with other companies, including wedding registry site Zola, furniture rental firm Fernish and Gwyneth Paltrow's media/retail company Goop, to get more consumers experiencing and buying Crate and Barrel goods. And those relationships are bearing fruit.

Montgomery shared early results in a presentation at the Shoptalk conference Tuesday. More than 30,000 couples have registered for Crate and Barrel products through Zola since October, when the arrangement went live, Montgomery said. Zola is a registry that offers products from many brands and retailers, and couples can maintain a single

registry there rather than create registries with multiple retailers. Montgomery said the intent is to be where shoppers are and if that's Zola, it wants to be there. She noted that Crate and Barrel's own registry program is the fourth-largest registry business in the United States, and 80% of the retailer's registry sales are online.

Crate and Barrel is also working with startup furniture rental company Fernish. Fernish is active in Seattle and Los Angeles. 85% of Crate and Barrel's customers are homeowners, but the age of first-time homeowners is creeping upward. Montgomery said it's now 34, but consumers in their 20s and early 30s still want nicer furniture pieces, but don't want to commit long term if those pieces won't fit in their next apartment or eventual home. "We want those customers to like Crate and Barrel and CB2 earlier," Montgomery said.

A marketing arrangement between Crate and Barrel's CB2 brand and Goop also played out successfully, Montgomery said. It involved a co-branded marketing campaign that spanned print, digital and live events at CB2 stores, and involved 50-plus products. The Goop lifestyle may be polarizing for some consumers, but it drove positive returns. "People love or hate Goop, but it's one of the most successful collaborations we've ever had," Montgomery said.

Montgomery is focused on building up the experience consumers have in its stores and is doing

so in part by blending digital and physical assets. The retailer now offers one-on-one furniture and décor consultations in its stores through its Design Studio service. That service includes staff decorators creating digital renderings of how products will look in consumers' homes, and there's an augmented reality component as well. 76% of shoppers who use the Design Studio service make a purchase.

Montgomery said to expect to see the brand roll out more retail concepts that are service-based in its stores. "There will be more services and there will be more events," she said, noting how the retailer will open a full-service restaurant in its Oak Brook, Illinois, store this spring, its first foray into the space.

Today, 45% of Crate and Barrel's sales are online, and that's OK by Montgomery. She says the long purchase journey involved in buying items like furniture and other home décor items involves consumers doing a lot of research—on the website, on social media, in stores and more. "You may just be completing the journey online," she said, but all components work together to create the sale.

Crate and Barrel is owned by Otto Group, a privately held German holding company. When tallying together the online sales of its multiple retail holdings, Otto is the eighth-largest online retailer in the world, according to Internet Retailer research. ●

Modern omnichannel capabilities help retailers exceed customers' expectations

DEVANG PATEL

chief technology officer at Radial, a global omnichannel technology and operations provider



It wasn't too long ago that adopting an omnichannel fulfillment strategy seemed out of reach for many retailers. The complexities involved with shipping from physical stores, in addition to warehouses and distribution centers, presented a host of challenges. Most retailers didn't have the ability to see what inventory was available in real time across the fulfillment network and then ship those products quickly and cost-effectively from the best possible location. Because of those limitations, they were reluctant to put flexible store fulfillment programs in place.

In the last several years retail giants like Amazon and Walmart have raised consumers' expectations by making two-day or even same-day free delivery a reality. Those efforts have pushed retailers to follow suit to stay competitive.

"Retailers are getting savvy about finding options that allow them to ship from their stores—creating wider networks, rather than relying on the older model of only shipping from distribution centers," says Devang Patel, chief technology officer at Radial, a global omnichannel technology and operations provider. "They're also finding ways to do that while reducing the shipping or carrier costs."

The retailers that are succeeding today are incorporating modern omnichannel strategies into their operations, which include order management systems that provide accurate, real-time inventory and order visibility through highly scalable application programming interfaces (APIs), Patel says. "Inventory planning relies on optimally fulfilling orders from a specific location that can get the order to the customer in the fastest and most cost-effective way possible," he says. "But retailers can only do that if they can see all of their inventory at any given time across their entire operation through various demand generation systems such as their ecommerce store, apps and the online marketplaces they sell on."

Intelligent order routing is an important part of that process, Patel says. Traditionally, most order management systems have a basic configuration of proximity—meaning a product ships from the location closest to the customer. "But intelligent inventory routing capabilities allow retailers to adjust the system to ship products from a location that might be more optimal for other reasons," he says. For example, if there is a high stock of the particular product in one location vs. others, it would benefit the retailer to ship from the location with the over-stock to avoid markdowns.

Modern, cloud-based omnichannel technology is helping retailers successfully adopt these strategies faster than ever without the enormous total cost of ownership and resource commitments of on-premise software, he says. "Radial, for example, offers a multitenant SaaS platform in our private cloud," he says. That makes it possible to configure its offerings to fit the retailer's specific needs and provide them with ongoing support.

Athletic apparel retailer Hibbett turned to Radial to transition from solely a brick-and-mortar retail operation to an omnichannel business including ecommerce. Hibbett used Radial's technology to facilitate routing orders between its distribution centers and more than 1,000 stores in 35 states, as well as to dropship its growing product assortment.

Ninety days after implementation, the retailer generated 5% of its total revenue online. It also met its three-year revenue target by the end of the first year. Hibbett couldn't have achieved this level of success without modern omnichannel capabilities, Patel says. "Omnichannel is a reality," he says. "Retailers should be looking for a partner that provides modern architecture that can scale and expand with the market."

Radial's integrated commerce strategy is focused on providing a fully integrated platform consisting of configurable order management, omnichannel capabilities, payment processing, tax and fraud management, dropship, global fulfillment services, and transportation to large and midsize retailers globally.

Next-level innovation that Radial is focused on is machine learning-based advanced analytics across multiple domains, helping retailers to optimize their business through prescriptive analytics. ■



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Gap picks up Janie and Jack from Gymboree's ashes



The image shows a close-up of the white 'GAP' logo on a dark background. In the background, a blurred retail store interior is visible, showing shelves and a counter.

THE KIDS' APPAREL BRAND IS THE SEVENTH BRAND IN GAP'S NEWLY REVISED PORTFOLIO AND FOLLOWS THE RETAILER'S ANNOUNCEMENT LAST WEEK THAT IT WILL SPIN OFF OLD NAVY. PRESIDENT AND CEO ART PECK PROVIDED ADDITIONAL CONTEXT ON THE ROLE OF STORES AND DIGITAL IN GAP'S FUTURE IN A PRESENTATION AT SHOPTALK.

BY ALLISON ENRIGHT

Gap Inc. turns 50 this year and is getting a facelift to celebrate its birthday.

President and CEO Art Peck, giving a keynote presentation before several thousand attendees at Shoptalk Monday afternoon, walked through the company's history and its near-term future. He provided a bit of context around the company's recent activities, including the planned spinoff of the Old Navy brand and the purchase of Janie and Jack, a kidswear retail brand.

Gap announced the latter purchase Monday. Gap purchased the digital and store assets of Janie and Jack at auction for \$35 million from Gymboree Inc., which went out of business this year after filing for

bankruptcy. Gap will operate JanieandJack.com. The purchase price included more than 100 Janie and Jack stores. Peck welcomed the brand into Gap's fold as the seventh brand in Gap's portfolio but said nothing more about the purchase.

Gap's portfolio, however, will be smaller in about 12 to 18 months—the time frame Peck expects it to take to separate Old Navy into its own company. Peck said Old Navy is an \$8 billion brand today, with expectations it will soon reach \$10 billion. Old Navy accounted for about 47% of Gap Inc. revenue last year.

He said the \$1 billion Gap Inc. spends annually on infrastructure, technology investments and logistics across its brand portfolio is too unfocused to meet the needs of all the brands. Spinning off Old Navy will give Gap Inc.'s investments more focus. Beyond the namesake brand and Old Navy, the other brands currently in Gap's portfolio are Banana Republic, Athleta, Intermix and Hill City. Peck said the separation will make Old Navy and the other Gap brands “stronger than ever.”

Peck outlined several other factors driving the 50-year-old company today, the first being serving what he called the “converged customer.” That is, the customer who expects a seamless experience no matter the channel shopped. Yet, he said, many retailers serve up a diverged set of experiences. One way Gap addresses this is by showing online customers available inventory across its full network in real time. This also helps maintain Gap's margins

because it can connect inventory where there is the greatest demand, limiting the need for markdowns.

Peck also addressed the company's strategy for opening Gap stores. “I just closed 230 Gap stores last week,” he said. “Those were the wrong stores in the wrong locations.” The plan now is to place the right stores in the right locations—meaning not in malls with low foot traffic and conversions. “Traffic in malls is not productive,” Peck said.

Gap recently opened a store in Encinitas, California.

It is a smaller-format store next to a Trader Joe's grocery store, the point being to put a store where customers are already shopping. “We are inserting a store into her life,” he said. The location doesn't get a ton of foot traffic, Peck said, but the store converts shoppers at a rate of two to two-and-a-half times the rate of Gap stores in malls.

Gap is at the beginning stages of applying big data and analytics to improve services across the board, including optimizing inventory per store—such as stocking the sizes and styles in the right amounts based on what it can see from its data about that market. “We've only scratched the surface [of what we can do with data],” he said.

Considering Gap's 50 years in retail, Peck said many brands “burn hot and burn out.” For Gap to continue, Peck said, Gap must change or fail.

Gap is No. 20 in the Internet Retailer 2018 Top 1000. ●

Building the online customer shopping experience



Ecommerce technology will be the talk of Shoptalk 2019, March 3-6 in Las Vegas.

AS CONSUMERS SHIFT MORE OF their spending online, their expectations are rising. They expect to find what they're looking for quickly and easily. They expect a seamless integration between a merchant's website and stores. They expect fast and accurate delivery. And they expect a smooth, simple returns process.

That's driving retailers to open their wallets to pay for tools to bolster their operations. For example, on average, online retailers plan to invest \$2.6 million to optimize their ecommerce operations this year and more than half of that money—\$1.4 million—will be spent on technologies from outside providers, according to a January study conducted by web performance vendor Yottaa that was based on interviews with 141 ecommerce executives. The study finds that, on average, retailers will spend \$704,250 on custom site performance optimization and \$522,340 on search engine optimization and paid search.

The need for ecommerce technology spans many retail organizations, recent Internet Retailer research shows. An August Internet Retailer survey of 183 ecommerce executives found that at least 6% of retailers worked with a vendor to leverage a technology on their site or app in 23 technology categories that ranged from ecommerce platforms to customer service to fraud prevention.

TECHNOLOGY'S IMPACT ON RETAIL WILL be a focal point at Shoptalk 2019, March 3-6 in Las Vegas, says Zia Daniell Wigder, Shoptalk's chief global content officer. "Our Technologies Transforming Retail track runs all day on Monday and Tuesday," she says. "This track highlights tech companies with sizable funding that are leading in areas such as artificial intelligence, robotics and automation, and transportation and delivery."

For example, the conference will examine some of the

ways that AI is transforming retail, including marketing and personalization. Graham Mudd, director, product marketing for Facebook's ad products and solutions, for instance, will explain how AI is helping marketers better understand and connect with their customers. Mudd and his team guide product strategy and marketing efforts for Facebook's advertising products by drawing on its knowledge of customer needs and Facebook's role in the marketing ecosystem.

Shoptalk's technology sessions will also touch upon a number of other crucial areas of ecommerce, including transportation and delivery. For example, Ali Ahmed, founder and CEO of Robomart—a startup that is beginning to test a white-label service for wholesalers and big-box retailers that delivers groceries to consumers' doorsteps—will detail how Robomart may enable merchants to expand their reach without adding to their store footprint.

Retailers embrace technology

The percentage of merchants that have deployed a vendor-developed technology in the past year.

Ecommerce platform	48.0%
Email marketing	35.8%
Web analytics	27.7%
Social media	25.0%
Online marketing	21.6%
Mobile commerce	18.9%
Search marketing	18.2%
Customer ratings and reviews	15.5%
Content management	13.5%
Site search	12.8%

Multiple answers possible. Source: Internet Retailer survey of 183 ecommerce executives, August 2018

MANY MERCHANTS VIEW THEIR TECHNOLOGY investments as crucial to their long-term survival. That's why 54% of retailers interviewed in the Yottaa survey cited website speed and performance as a key initiative in 2019. Consumers aren't willing to wait for pages to load, which is evident by the 62% of merchants that said slow page load times hurt their conversion rates. To avoid losing sales, 70% of retailers spent time and/or money to improve their site performance in preparation for the 2018 holiday season.

There's still plenty of room for improvement among retailers—particularly small and midsized merchants. For example, 47% of retailers with less than \$200 million in online sales said their sites aren't fast enough. And 55% of those merchants said shoppers leave their sites because of slow loading pages.

However, consumers may be willing to put up with slightly longer load times among larger merchants as only 18% of retailers with more than \$200 million in annual revenue said slow load times impact their sales. Those merchants also have more resources to address any issues as 57% of larger merchants have at least four developers focused on site performance. That stands in contrast to the 11% of smaller merchants that have that manpower.

WHEN ONLINE RETAILERS WERE ASKED about their key technology initiatives, site performance was cited by 54% of respondents, according to Yottaa's report, which made it the second-most cited area, behind only ecommerce platforms (which was noted by 56% of respondents). 51% of merchants say personalization is a key initiative, the third-most common response.

The majority of retailers investing in technology are turning to vendors for help. 66% of online retailers said they would use a vendor to implement a new technology versus the 35% that planned to build their technology in house, according to the August Internet Retailer survey of ecommerce executives.

When it comes to all types of ecommerce vendors, retailers are shopping around, the Yottaa study finds. For example, 70% plan on swapping outside vendors this year. 61% believe they have multiple technology providers doing the same thing and this is impacting both spend and performance. That means vendors have their work cut out to retain retailer clients. However, there is a glimmer of good news for providers: 53% of retailers plan to add at least three new vendor technologies to their sites this year.

These findings paint a picture of online retailers that are hungry for the kind of technical knowledge available at Shoptalk. In addition to exhibiting at the conference, five technology vendors—Awin, ChannelAdvisor, Convey, Kibo and Radial—contributed to this special report. Shoptalk offers retailers and brands a range of options build up their ecommerce technology know-how to serve today's web-savvy shoppers.

As technology improves, so do customer expectations. That means retailers have to evolve constantly. ●



ADAPTING TO THE EVOLVING RETAIL LANDSCAPE

Five years after Shoptalk launched, the retail conference looks to keep pace with retail's latest developments.

BY ZAK STAMBOR

RETAIL IS RAPIDLY CHANGING.

In 2015, for example, e-commerce accounted for 34.4% of U.S. retail sales growth, according to Internet Retailer's analysis of U.S. Commerce Department data. That's a marked cry from last year when U.S. e-commerce sales accounted for more than a 42% share of total retail gains.

As e-commerce grows and evolves, new technologies such as artificial intelligence are taking hold. Those changes will undoubtedly be a topic of conversation at Shoptalk, which will take place March 3-6 in Las Vegas.

To examine how the show, which is in its fifth year, is evolving, Internet Retailer recently sat down with Zia Daniell Wigder, the show's chief global content officer. Among the topics discussed were Shoptalk's launch of Core Curriculum, a set of sessions that aim to cover fundamentals of retail, and Tabletalks, which are interactive peer-to-peer roundtable discussions.

IR: How has Shoptalk's content strategy evolved?

ZDW: While our agenda changes every year, we always adhere to two key tenets as we build it out. First, the content team at Shoptalk weaves together a tight narrative that covers all the key trends in how consumers discover, shop and buy. Second, our speaker lineup features nearly equal numbers of established retailers and venture-backed startups—it also includes representatives from dozens of venture capital firms.

Every year we test out a few new topics on the agenda to see what type of content resonates with our audience. Sometimes we get it more right than others: in year one, for example, we held dedicated sessions on topics like the internet of things that proved to be too far removed from our audience's core area of interest. By contrast, we were one of the first to put retail innovation from China front and center on our agenda—a topic that was a huge hit with attendees.

Going into this year, we decided to reduce the number of speakers and sessions—both to allow attendees more time to move between sessions and to introduce new programs like “Drinks with Speakers” and “Tabletalks.” We also extended the length of our Wednesday interactive workshops to allow speakers and the audience more time to engage. These shifts are intended to make Shoptalk more valuable by expanding the learning opportunities for attendees.

IR: What drove Shoptalk to develop the Core Curriculum? How and why were those sessions chosen?

ZDW: Event organizers often make the mistake of thinking they must shift to entirely different session titles and topics every year. However, many of the core issues that brands and retailers grapple with don't change that frequently: “New Store Formats and Footprints,” for example, or “Brand-Retailer Relationships,” aren't going away as key topics of interest for retailers. Therefore, starting in 2019, approximately half of the 40-minute track sessions at Shoptalk will form a standardized Core Curriculum. The same Core Curriculum course, or session topic, will be offered every year, but with updated, current perspectives.

Core Curriculum topics are those that are so essential to the changes in retail that they must be repeated every year. Other sessions on the agenda—those outside the Core Curriculum that may not be repeated in 2020—address topics that are just as critical, but may be covered differently in future years. Some of these address highly topical issues; others focus on very specific subjects. Others still may lend themselves to a variety of approaches, so we may take a different angle on the topic in future years.

IR: How important is AI to the future of retail? How is that importance reflected in the Shoptalk agenda?

ZDW: AI is core to the future of retail. We introduced AI as a key theme at Shoptalk in 2017, and it has only risen in importance since then.

This year we'll have a variety of sessions that look at the different applications of AI in retail. We have an entire track on Monday that looks at how AI is transforming retail in five areas:

'AI is core to the future of retail.'

ZIA DANIELL WIGDER, CHIEF GLOBAL CONTENT OFFICER, SHOPTALK

marketing, personalization, image and facial recognition, artificial emotional intelligence, and operational excellence. We also have an interactive workshop on Wednesday that dives into the top AI use cases in retail.

Discussions of AI will be woven into other conversations on the agenda, as well. Given that our speaker lineup includes companies at the forefront of AI like Amazon, Alibaba, Google and Facebook, we'll hear a lot about the technology beyond those sessions dedicated exclusively to the topic.

IR: What other technologies will attendees be talking about at the show?

ZDW: Robotics and automation are clearly a big focus for brands and retailers that are looking for ways to make online order fulfillment faster and more cost effective.

We'll be hearing from several innovative robotics companies that are tackling this issue in different ways. Takeoff Technologies, which recently signed a deal with Albertsons, is building microfulfillment centers inside grocery retailers' stores; meanwhile, U.K.-based Ocado Solutions is building massive automated warehouses for companies like Kroger.

Other ways we'll address automation are by featuring emerging technologies like cashier-less checkout and inventory-scanning robots. On the delivery front, autonomous delivery vehicles and robots will be a key focus. These

are just some of the exciting technologies that will be top of mind.

IR: Talk about a few of the retailers within "The new retail organization: Omnichannel" track and how and why they were chosen. What are they doing within their organizations that other merchants can learn from?

ZDW: On this track we have a variety of companies addressing how digital and physical experiences are merging. One session will feature the founders and CEOs of Glamsquad, Madison Reed and Suitsupply. These well-known startups are all digitally native brands that developed novel physical experiences as part of their own offerings, as well as with retailer partners such as CVS and Ulta Beauty.

Another session will look at how traditional retailers are blending digital and physical offerings—this session features the chief digital officer of BJ's Wholesale, the senior vice president and general manager of Old Navy Online and the senior vice president and chief digital officer of HBC. These three speakers were chosen based on the very different types of shopping experiences they provide—attendees will hear about what the future of omnichannel looks like at a warehouse/membership club, a mass-market apparel brand and a high-end multi-brand retailer.

Finally, a third session will look at how startups are transforming traditional retail

businesses. We'll hear from the founder and CEO of Handy, a provider of on-demand handyman services that has partnered with retailers such as Walmart and Wayfair. This session will also include the chairman and CEO of Movado, which recently acquired startup watch brand MVMT and the global head of e-commerce strategy and capabilities at AB InBev/ZX Ventures, the innovation wing of this consumer packaged goods giant that works with startups to revolutionize the business.

IR: What are Tabletalks and what role does technology play in these discussions? Why take that approach?

ZDW: Tabletalks are interactive peer-to-peer roundtables that enable a deep dive into topics by bringing together groups of five to eight attendees from retailers and brands to share insights, discuss issues and generate actionable takeaways that help drive their businesses forward. Over 1,000 individuals from more than 500 retailers and brands are expected to participate. We're launching this program at Shoptalk following its overwhelming success at our sister event, Groceryshop, in October 2018.

While other events offer roundtable discussions between participants, the scale and personalization capabilities of Shoptalk enable us to provide an entirely different experience to our attendees: Tabletalks participants at Shoptalk are matched using our sophisticated proprietary technology and personalization algorithms that ensure brands and retailers derive the most benefit from these conversations. Our technology creates each Tabletalks

group through a variety of different attributes, including the type and size of brand or retailer, the attendee's job title and seniority, the attendee's interest in and familiarity with our 10 discussion topics, and competitive concerns.

IR: What is the Annual Retail Education Certificate and why did Shoptalk develop this new product?

ZDW: Our Annual Retail Education Certificate is awarded each year to every individual who completes at least 10 credits of approved continuing education at Shoptalk. Credits are earned on-site during the event by attending our sessions—credits can also be earned through Tabletalks, Techtalks [ed: those are overviews of technological innovations that are presented by tech company executives] and through our Hosted Retailers and Brands program [ed: those are meetings with technology company executives].

The Annual Retail Education Certificate will help recipients distinguish themselves at a time when retail industry professionals are significantly divided in their knowledge of digital innovation.

We decided to launch this program in 2019 as a way for attendees to show their commitment to learning, for retail leaders to feel confident that their team's time is being well spent at the event and to provide a benchmark for attendees who are looking to understand how much time participants typically spend engaging with our content. [iR](#)