In the retail industry, innovations in business models, customer experience and new products happen every day.

Each week, our retail team finds a leading example of innovation and discusses the implications in our Retail Shout Out blog.
Trends in 2014

As we reflect upon our blogs from 2014, there have been some clear trends. As expected, a lot of the innovation this year focused on creating an omnichannel shopping experience for the customer. There’s also been quite a bit of innovation in how retailers are using social media to engage with consumers. In addition, a number of retailers are using analytics in interesting ways.
Mega- Themes to Carry Into 2015

There are three mega-themes that stand out. Innovations that fall into these themes are especially interesting because they indicate larger trends that we expect to continue to expand in 2015.

First is reimagining ubiquitous products that are already familiar to the consumer. We’ve seen this with everything from running shoes and soccer balls to ATMs and zippers.

Second is increasing consumer engagement/transparency to the retailing process – which can mean setting the price for themselves, getting involved in design, or knowing which mills or factories made the products they want to buy.

The last mega-theme is increased personalization and customization to help the consumer get just what they want.
NOTEWORTHY EXAMPLES OF INNOVATION

2014 Retail Innovation Annual Report

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Customer & Consumer Experience Innovation:
New or differentiated ways to engage with and delight customers across all touch points
Target Leverages Pinterest as New Storefront
by Kate Fletchall

Target is once again bridging the gap between buyer experience and social networking by harnessing the power of a strong Pinterest following. Their aptly named “Target Awesome Shop” refreshes daily with items that are most pinned on Pinterest and have top reviews on Target.com.

According to Tech Crunch, the value in sales of a pin on Pinterest has increased by 25% from last year. Target clearly recognizes this as they regularly maintain 45 updated boards on the site, including one that aggregates the top-pinned items.

Will Target Awesome Shop bring new value to customers and, more importantly, will the concept stick? There is certainly something intriguing about providing shoppers with information in this form. The site has a straightforward visual appeal and looks more like Pinterest than a shop front. Clicking on the picture opens an information box with reviews, prices and a button to view more details. Does seeing the item before the price decrease price sensitivity or increase likeliness to buy? Will customers find and regularly use this page in addition to Pinterest and Target.com?

Though there are questions around the effect this will have for both shoppers and Target, kudos to Target for testing out a new concept around consumer-experience innovation!

Chloe+Isabel - Jewelry or Tech Company?
by Sonia Parekh

From the outside, it may appear that Chloe+Isabel is yet another take on the Avon or Mary Kay direct sales model, but with a proprietary tech platform that includes analytics, a dashboard and communication tools, the company is quickly setting itself apart from the pack. And its newest launch – virtual trunk shows – give sellers the ability to host live events where customers join on their own mobile phones and tablets. Shoppers can simultaneously chat with one another, share wish lists, and order jewelry. Most importantly, guests can invite other friends through email, Facebook, Pinterest or Twitter – making the party even bigger and extending the reach of the brand.

Chloe+Isabel has innovated the shopping experience for its customers, many of whom are in their 20s and spend a significant amount of time communicating through social media and using mobile devices. Chantel Waterbury, the company’s CEO and founder says, “It’s crucial that the direct selling industry be updated for the present day, which means providing direct sellers with the online marketing support, technological innovation, and continuous education they need to be successful.”

With sales growth of 250% in the past year, it seems that Chloe+Isabel’s innovation on the direct selling model is paying off well.
Reducing the Wait at the Grocery Check-outs

by Hala Hassoun

One of the most frustrating things about grocery shopping is the wait at the checkout lines. Grocery stores are beginning to tackle this problem by leveraging technology to speed up their customers’ time at checkout. Meijer recently piloted a new checkout system (built by NCR) at one of its Michigan stores, which hopes to save customers’ time at checkout by automatically scanning merchandise on the conveyor belt. Once shoppers place their purchases on the belt, the scanner’s 17 cameras search for the barcode and scan it automatically. The products are then sent to one of three bagging areas, where the customer bags his/her merchandise. By eliminating the need to scan each item’s barcode, and allowing multiple shoppers to bag their groceries at the same checkout location, checkout time should be reduced for most shoppers. The program is still in its infancy, but Meijer believes this new checkout system could significantly improve customer experience.

Another grocer piloting new technology to reduce checkout time is Kroger. By leveraging QueVision technology to track customer shopping patterns in-store, predictive analytics, and real-time POS data feeds, Kroger can determine the current wait at the checkout line and predict the wait time in 15 or 30 minutes. This allows store managers to open additional registers in anticipation of a sudden rush at the checkout line. Since installing QueVision in more than 2,300 Kroger stores, the company has cut average wait time from 4 minutes to just 30 seconds.

In an industry with razor-thin margins, customer loyalty is essential to remain competitive. By reducing waiting times at checkouts, companies can improve the shopping experience for their customers and drive increased loyalty.

Sprinkle Cupcake ATMs

by Traci Stapleton

There’s a new trend called a mini splurge: consumers seek delight in specialized, individual items that offer tokens of accessible luxury. Individual serving snack options have become increasingly available in all types of foods. Subscription services like Birchbox and POPSUGAR offer customers monthly surprises of products catered to their interests and delivered right to their door. Retailers and product developers are finding success and staying power with products and experiences that represent a slice of indulgence.

The luxury dessert chain Sprinkles Cupcakes has found a way to bring the mini splurge to the customer at their convenience. Open 24 hrs a day and replenished and refreshed daily, Sprinkles Cupcake ATMs are popping up in various cities across the US. The stylishly pink Cupcake ATMs dispense individually packaged varieties of the day’s specialty flavors - black and white, cinnamon sugar and lemon coconut, to name a few - and not to mention a little something for our furry friends... doggie cupcakes.

The ATMs aren’t the first innovation for Sprinkles. Their first venture in non-traditional retail was with a traveling Mercedes-van storefront dubbed the “Sprinklesmobile”. Even their traditional retail outlets aren’t typical, with their flagship bakery designed by renowned architect, Andrea Lenardin. And their flavors are anything other than traditional, including ice cream in flavors like malted milk chocolate, pistachio, salty caramel, and red velvet and cookie floavors like salted oatmeal cornflake and peanut butter pretzel chip.

Sprinkles Cupcakes has embraced innovation - from their product offering to product presentation and retail venue - and they have presented new and evolving ways to delight their customer... maybe even as many innovations as cupcake flavors.
MTailor Enables Custom-Fitted Shirt
by Heather Arnold

In response to high demand for convenience, developers have created an app that enables customers to get fitted for a customized shirt right from their own home. The new app is called MTailor.

During the five minute tailoring process, skin-tight clothing is worn for accuracy and the customer rotates slowly so the smartphone’s camera can determine correct proportions and measurements. Customers can pick a fabric of their choice and can select the style of shirt, style of cuff, and even style of collar they want. As the shirt is created, email updates are sent to the customer periodically to show progress and status. Going to the tailor no longer has to be a “to-do” on the chore list. The integration of e-commerce and e-tailoring that MTailor provides is a huge improvement in efficiency for the retail industry.
Merchandise Product Innovation:
New or differentiated products or brands
**Nike Golf Introduces Modern Muscle Technology**

by Molly MacNeil

Although the game of golf originated in the 15th century, Nike Golf continues to accelerate in new product innovations. Nike recently unveiled the new Vapor Iron family with Modern Muscle technology.

Focusing on the voice of the customer, or as Nike refers to it as voice of the “athlete” was a top priority. Nike used their research center, the Oven, to partner with Tiger Woods to gather detailed insights on his swing and clubs. The team noticed that the wear pattern was directly on the center of the club face, not towards the heel where the majority of the club’s weight is carried. The Oven team began by drilling holes towards the toe of his irons and filling it with a weighted tungsten plug. An approach that changed the club’s center of gravity or CG, offering an enhanced hit for Woods.

Nike branded this new technology “Modern Muscle” because it achieves the same adjustment in center of gravity, but does so through geometry instead of a tungsten plug. This updated design method pushes weight to the toe of the club, shifting the center of gravity to the middle of the club face. Nike learned that the face-centered CG is right where it needs to be for optimum performance, precision, stability and ball speed.

This innovation has already seen victory when Rory McIlroy used the prototype Vapor Pro Combo 2-iron (MM Proto) and won the 2014 Open Championship. Nike continues to have success by teaming up with athletes and creating innovative solutions. The Nike Vapor Irons will be available October 31, 2014.

**Building a Brand with Loyalty in a Crowded Marketplace**

by Sonia Parekh

Beauty product subscriptions are popping up all over. Marketed at slightly different price points to overlapping customer segments, there is not much break out yet. Julep is on its way to changing that.

Outwardly, Julep is the beauty subscription for nail polish addicts. Julep is unique in that it actively listens to its fan base, called “Mavens,” as it develops, tests and launches new products. Jane Park, former Starbucks executive, started Julep as a few beauty parlors that she designed to encourage interactions between patrons and her staff. She asked her staff to listen for feedback on both the products and the experience. With feedback in hand, Julep’s Idea Lab quickly responds with new products and improvements. Not all new launches are successful, but Julep welcomes fast failures and continuous learning as part of the process.

Julep’s latest merchandise innovation comes from a pain point felt by all who dare to paint their own nails: it is hard to do yourself! Julep set out to create a nail polish wand to overcome this challenge. After developing prototypes, Julep invited its Mavens to test the wands. As a small company that lacks significant cash to invest in a markedly new idea, Julep again reached out to its fan base and launched a crowd funding campaign to bring the idea to life. Customer loyalty paid off: crowd funding doubled the goal Jane Park has taken her business into the e-commerce marketplace and continues to grow her Maven base with subscription beauty boxes. Julep’s boxes leverage recommendations from style surveys and are revealed online before they show up on doorsteps. Mavens have the option to swap out products or even gift their boxes to friends. Julep continues to listen to feedback and meet customers with responsive flexibility, all while growing a loyal customer base - something we have yet to see from other beauty box subscriptions.
Pants that Charge your Cell Phone

by Traci Stapleton

Successful innovation starts with a problem. Smart phones + not staying in one place for very long = the dying phone! I travel weekly, and I usually have two electronic chargers that can charge through a USB or a car charger. I always have my phone on me, and it’s always on syncing my email and calendar as messages come through. I’m also always wearing pants (or a skirt, or a dress) regardless of my deep south travel in the summer months. Lucky for me and my smart phone addicted/not staying in one place for very long lifestyle, there’s now hope for something that could keep my phone charged wherever I go and without another cord or object.

British fashion designer, Adrien Sauvage, has collaborated with Microsoft to develop a men’s trouser with the capability of charging a phone from the front pocket. The designer prioritized the aesthetic of the trouser, rather than prioritizing the technology, promising the customer that the product will deliver on style as well as function.

The trouser will be sold through Amazon, and will retail for over $340. With such a price point, the fact that it will be a ‘dry clean only’ pant should not inhibit sales. And while a ‘dry clean only’ $340 pant will not appeal to the masses, it certainly does point the way to further innovation in wearable technology.

Ringly Brings Fashion to Wearable Technology

by Sonia Parekh

For many women on-the-go, missing an important text, email or phone call is a constant frustration. With limited down time, and a cell phone that is buried in a purse, checking the phone may happen only a few times a day.

A new smart ring created by Ringly brings a fashion first approach to wearable technology in an attempt to meet the needs of a smartphone savvy fashionista. The ring is a fashion accessory, with hidden technology that would not be apparent to an uninformed onlooker. There is a small light on the side that blinks when alerts come through, along with vibration functionality – with four different vibration patterns to choose from. Set up involves downloading the app and connecting it to your ring via Bluetooth. The user then customizes what notifications should trigger alerts on the ring.

The ring can vibrate to let you know that your Uber cab has arrived, blink blue to remind you that you have an important meeting in 15 minutes, or blink pink to let you know that the babysitter just sent a text.

Founded by former eCommerce executives from Etsy and EBay, the company has already taken over $100,000 in pre-orders, and plans to ship the first products in November of this year.

Ringly integrates simple technology into everyday style to make life easier for women. It’s a great example of product innovation.
Electrozyme Takes Wearable Technology to Another Level

by Katherine Valentino

Do you want wearable workout technology that does more than track your heart rate? Here’s a smarter workout. For all you workout junkies out there, Electrozyme has the solution. Their wearable technology will analyze your sweat to create a personalized wellness profile for you with a minimal environmental footprint.

This wellness profile will let you know when to replenish lost electrolytes, give you personalized alerts when it’s time to rehydrate, and warn you when you’re at risk of heat exhaustion. That’s a smart workout. It’ll let you know when your body needs to take a break or grab some water even before you know. What makes them different? Most conventional wearable workout technologies use only physical sensors, such as heart rate. Electrozyme uses both physical and chemical sensors for a more in-depth analysis of your body’s needs. On top of that, they’re eco-friendly. According to their site, they “leverage widely deployed manufacturing processes that are scalable, very low cost, and have a minimal environmental footprint.” Electrozyme hopes to license their technology in 2015.
Business Model & Process Innovation:
New or differentiated ways to configure assets to do the work and serve the customer
Walgreens Clinicians Leverage Data Analytics to Make a Diagnosis
by Sonia Parekh

Leveraging data to make better merchandising, marketing and distribution decisions has become a common and essential tactic for retailers. But Walgreens has found yet another way to utilize data to better serve its customers. The company began equipping its clinicians with a predictive software called ePass, which guides health care providers through checkups by prompting them with questions or requests for lab tests depending on the patient's history. The software then accesses data from more than 100 million patients and uses predictive algorithms to suggest potential health conditions the patient might have. At the end of the appointment, ePass compiles a summary report of the check up and suggested treatment, and that report becomes a part of the patient’s electronic health care records.

Beyond that, the system also tracks patient behavior, flagging those who have not followed up to get prescribed tests or come back for regular checkups and alerting the clinician as necessary.

While it is an incredibly powerful tool, ePass is not meant to replace an actual health care provider, but rather to arm them with an accurate and complete set of facts. It’s an innovative use of customer data to improve the customer experience, and in this case, optimize overall patient care.

Everlane, a “Radically” Transparent Retailer
by Hala Hassoun

The online retailer Everlane entered the apparel market in 2011 with a simple objective: to be radically transparent about its products. The company gained significant attention when it began listing out the costs that went into producing its garments. By providing a clear cost breakdown of an item, the company showed customers that the price they were paying was only double what it cost to make – significantly lower than a typical retail markup, which can be up to eight times the original cost.

Everlane’s most recent push for transparency has focused on sourcing. The company is once again separating itself from the retail pack by becoming more transparent about its suppliers. The company is also devoted to ethical and responsible sourcing and its website has an entire page devoted to its suppliers. There, you can find a list of all mills and factories that produce the merchandise on the Everlane site. So if you’re thinking about buying the Seed Stitch Raglan sweater, you can learn about the three-story factory in Dongguan China that produced it, read about the factory’s owner, and browse through pictures of the factory and its workers.

At a time when consumers are becoming increasingly concerned about where their garments are being made, Everlane’s open and honest display of suppliers stands in stark contrast to retailers that claim responsible sourcing, yet make no effort to prove it.
Flea Market Fun
by Chelsea Leenhouts

The pricing game can be brutal for retailers and consumers alike. Retailers must anticipate the general market demand and pricing in an attempt to maximize their revenue over the life cycle of a product. Consumers must evaluate their own willingness to pay for an item based on unique factors that vary from shopper to shopper. Therefore, the standard retail pricing model introduces the product at a given list price which is then reduced over time to move inventory, as the product nears the end of its lifecycle. However, the extent of forecast accuracy will greatly impact average IMU (initial markup) or total profit that a retailer generates, as well as the average price we pay as consumers.

Nyopoly is a retailer that offers a different approach that they have coined as “Customer Engaged Pricing.” Nyopoly’s platform enables their shoppers to name their own price for current season products. In what they describe as the “fun of the flea market with the brands of your favorite department store,” their solution looks to meet the needs of the individual consumer without the brand or retailer having to take inventory wide markdowns.

Shoppers walk away satisfied that they have made a product purchase for a price that reflects their ultimate and unique willingness to pay. Brands and retailers earn loyalty through satisfied customers and reap the benefits of a price strategy that is optimized at an individual consumer level. Furthermore, the data that is captured by the Nyopoly tech platform provides analytics and insights that can support more accurate forecasting and decision making for future products. Everyone can walk away a winner in this innovative auction experience.

CARTE BLANCHE

Carte Blanche Leverages Crowdsourcing and Local Manufacturing
by Sonia Parekh

As consumers, we have grown to expect new merchandise every time we visit a store, and impulse purchases often result. But do we really wear what we buy? Clothing companies are using valuable resources to rapidly produce new styles every month, while at the same time, 80% of what we own gathers dust in our closets.

Carte Blanche founder, Monica Noh, believes that “fast fashion” is an addiction that is not making us happy, and is bad for the environment. She wants to reinvent the way clothing is made by involving the customer at each step along the way – from sketch to fabric to fit – and then by voting for what is actually produced. The hope is that the final product will be something more consumers want to wear.

Noh’s approach has been termed “slow fashion.” By spending time immersed in the design process, customers build an attachment to the product, and the clothing is sewn by local craftspeople in New York City.

From a business perspective, the model is more cost efficient. Gathering customer feedback throughout the process means resources can be directed to produce a smaller assortment of successful products, versus the need to overdevelop knowing you will have some winners and some losers.

Carte Blanche innovates the business model and the consumer experience to create a win for retailers and customers alike.
Machines that Knit Entire Garments
by Traci Stapleton

Since Adam and Eve donned the first outfits, innovation in terms of garment design has been incremental. Other industries might argue that there is no innovation in apparel - especially when compared to product development in industries like high tech and medical devices. However, most innovation in apparel is not around the garment, but around customer experience and in the manufacturing process itself. It was innovation in manufacturing process that gave us no-iron shirts, quick-dry performance active wear, and of course, hypercolor t-shirts (giving me away as a child of the 80s!)

Now, leading the way for the industry, Japan based SHIMA-SEIKI Mfg Ltd. has developed a knitting machine that can knit entire garments. The machine will link or sew all seams, so the process does not require additional handling.

This innovation is also capable of generating virtual samples that can be reviewed with 3D simulation for fitting, mapping, or modeling. Fewer samples means fewer fittings and increased cost savings.
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