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 2015

As we reflect upon our blogs from 2015, there have been some clear trends.

Virtual Reality
Personalized Customer Experience
Smart Connected Products and Stores
Voice of the Customer
Digital Product Creation
Material Innovation
Mega-Themes to Carry Into 2016

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 2016.

First, it has become increasingly clear that the Voice of the Customer is being heard and as a result, product and service offerings are being shaped to respond. We have reported on brands who seek the Voice of the Customer early in development, even as early as crowdsourcing for product concepts or design. We have highlighted brands who have established their supply chains to react quickly to personalize or customize product offerings to their customers’ specifications.

Second, brands have made it a priority to find new ways to delight their customers with unique and improved customer experience. Brands with smart connected stores are interacting with their customers when they walk in the physical stores by texting or emailing offers right to their phones.

Finally, products have evolved, primarily with innovation in manufacturing or materials. Digital product creation, such as 3D printing, had originally hit the industry for prototyping purposes, but we now see it as an opportunity and differentiator for the manufacturing process.

We are excited and invigorated as we think about the industry’s progress in 2015, and look forward to the future of innovation in 2016!
NOTEWORTHY EXAMPLES OF INNOVATION

2015 Retail Innovation Annual Report

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Customer & Consumer Experience Innovation
Tommy Hilfiger Introduces In-Store Virtual Reality

Where do you go to find entertainment? The movie theater, sports arena, concert venue... retail store??? That’s what Tommy Hilfiger would like you to do. For several years now, brick and mortar brands have been losing the battle at the cash register to online shopping sites. Recent Black Friday in-store sales numbers reinforce this. So in an effort to increase foot traffic in the stores, brands have increasingly turned to technology to engage and excite their customers by providing a shopping experience they can’t find on a website.

Tommy Hilfiger is trying to pioneer the next phase of in-store technology through the use of virtual reality. They recently introduced Samsung’s GearVR Headsets in their 5th Avenue store in Manhattan. The headsets give in-store shoppers the ability to experience the brand’s fall fashion show that was held in New York earlier this year. To pull it off, they partnered with a company out of the Netherlands called WeMakeVR who filmed the show using special cameras to capture every angle. When users put on the headset, they can turn their heads and get a full 360° view of the action, just as if they were VIPs in the front row. Tommy Hilfiger plans to rolls out the technology at several of their flagships later this year.

This is definitely a unique way to give fans of the brand a way to experience something that most of them would never have otherwise. It will be exciting to see how this impacts the amount of customers coming to the stores, and ultimately what will be the next generation of this technology in retail.

Neiman Marcus Develops Smart Mirror for Shoppers

Ever wonder how the dress you are trying on in the fitting room looks from the back? Or if it might look better in another color? Neiman Marcus has found a solution for your problems with the launch of its new innovative technology called the MemoryMirror in their San Francisco store. The MemoryMirror enables customers to put on their own personal fashion show and see themselves as if they were on the big screen. It’s actually not a mirror at all, but rather a screen projecting images that are captured by an overhead camera. The MemoryMirror saves images of each outfit you try on, and can project them so that you are able to do a side by side comparison.

The mirror also has a 360-degree view so users can see how an outfit looks on their particular body types from all angles. A customer can also see how an outfit looks on them in every color that the store offers by just the click of a button. Lastly, in case you are shopping alone, users can send outfit selections to friends to get a virtual opinion. MemoryMirror is a great example of a consumer experience innovation that will likely increase conversion by giving customers more confidence than ever when making their fashion purchases.
PIRCH Creates a Meaningful In Store Shopping Experience

Headquartered in San Diego, CA with 14 locations nationally, PIRCH sells high-end kitchen, bath and outdoor products in an atmosphere where customers can literally make a day of it.

Upon entrance to an average 14,000 square foot store, which resembles more of a showroom, shoppers are greeted by a barista whipping up artisanal coffees from a $10,000 espresso machine.

If you are shopping for a new shower head and really want to test the water pressure before buying, feel free to take a shower right in the store! Privacy isn’t an issue as an associate will keep an eye out while you test the rainforest or chromotherapy settings and relax with spa music playing in the background.

The demo kitchen always has something simmering, and customers are encouraged to engage with chefs and try their creations.

While stores allowing customers to plug-and-play aren’t new - Apple being the leader of that model - this level of customer engagement has never been offered by a hard goods retailer. The company is currently listed as number 25 on the Forbes list of America’s Most Promising Companies, and has received accolades and awards for visual presentation and in-store communications by the Association of Retail Environments.

Target Makes TV and Print Ads Interactive with Shazam

In the September 2015 issue of Vogue, Target partnered with Shazam to provide users with direct access to the products featured in its 20-page insert. Using the Shazam app (with new visual recognition technology), readers could point their phone’s camera at an ad, and the app would link them to additional product information online. Target has also leveraged Shazam in its TV advertising. One of its new primetime commercials invites viewers to “Shazam to Shop Now” by using their app to pull up a Target page featuring products from the commercial.

Retailers have long struggled to bridge the gap between offline ads and online stores. With Shazam’s technology, Target has found a way to increase user engagement with their print and TV ads and drive traffic to their website. Whether TV viewers or magazine readers will adopt this new approach to advertising remains to be seen. But Target and Shazam have found an innovative way to bring traditional modes of advertising into the digital age.
Target Changes the In-Store Experience

Running to the store can be a daunting task; as you walk through the front doors, you realize you have no clue where your desired items might be. After ten minutes of aimless roaming, you finally muster the courage to ask an associate for help. What you originally planned as a quick and easy trip becomes a frustrating afternoon outing. Through new innovation, Target is on its way to changing this negative in-store shopping experience.

Target has introduced a new mobile app that makes it easier to get in and out of the store to find what you’re looking for. Showcased during Black Friday and the holiday shopping season, the app allows the user to view the layout of the specific store where they are shopping. Along with the layout overview, users are able to search for specific items as well as create a shopping list beforehand that will help navigate them through the store more efficiently.

If you’ve shopped on Black Friday, or this past holiday season, you will understand the frustration of not knowing where the deals are within the store. The Target app solved those frustrations, allowing users to find those special deals along with any other items quickly and proceed to checkout.

In an industry where ecommerce and showrooming continues to boom, innovation in new technology is key to securing in-store sales. Target’s efforts to blur the line between online and physical stores is a great example.

Quit Waiting in Line at Starbucks

In today’s fast-paced society, waiting is one of our biggest frustrations. We want email responses yesterday and decisions made now, while constantly being pressed for more time. Our morning trip to the coffee shop is no different. Regardless of your morning routine, arriving at Starbucks only to find that 100 of your closest friends had the same idea, can throw your entire morning into a tail-spin.

With Starbucks’ new Order Ahead Mobile app, you can say goodbye to the never ending lines, and put some time back into your day. Simply place an order within the app and you are instantly given a timeframe for when to arrive at your local Starbucks. Order, pay, show-up and be on your way, without interrupting your routine.

Small mobile innovations can make major impacts in our everyday lives. Whether time efficiency is your primary driver, or just enjoying simple convenience, we are excited to see how well consumers will adopt this process.
Can Data Update Outdated Malls?

With the headline “Death of American Malls” becoming more common every day, is there something that malls can do to keep up with their ever growing online competitors? We are becoming more reliant on our smart devices every day. This culture change opens up a new realm of communication possibilities for physical retail stores to interact with its consumers. Malls are starting to tap into this opportunity by offering free WiFi, Bluetooth and mall assistance apps. These provide consumers with conveniences that they have come to expect, and also allows the retailers to monitor a visitor’s mall experience. As a shopper, your entire experience can be reviewed and analyzed to reveal patterns and preferences.

This data gives the mall insight that can help increase the spending habits of each visitor. They now have the ability to send visitors coupons and flash sales while they are physically approaching a store to entice them to stop. Access to browser history can also help with deciding what stores or restaurants are most compelling to visitors. Interactive maps and advertising adds a layer of excitement because consumers like to feel that their experience was unique and caters to their individual needs, while click through rates provide more information about customer preferences.

This new wealth of information seems to be helping malls cater to the new needs of consumers. In 2014, malls as a whole actually saw an increase in sales. Moving forward, a mall’s level of successes depends on its ability to engage customers in a way that drives traffic. The use of data to analyze customer behavior and innovate the customer experience can make the difference between a mall that flourishes and one that dies.
Merchandise Product Innovation
Feetz to Offer Custom Fit, 3D Printed Shoes

Custom footwear has typically been limited to color, material, or embellishment options... until now.

Next year, Chattanooga, TN shoemaker Feetz will launch made-to-order footwear that will be customized for fit, color, and style. Customers will use the Feetz app to translate an image of their foot into a 3D rendering that will be used to custom fit the shoe. Then, customers will select from five style options, choose their color, and expect to have their shoe produced within 24 hours.

The shoes are printed in TPE, a material typically used in shoe soles. Initial costs will range between $200 and $300 per pair, and costs are projected to decrease over time.

3D printing has become increasingly common to reduce cycle times in concept or product development, but exploration into 3D printing as a manufacturing alternative is less common. The concept styles may seem futuristic in nature, but that of course fits the Feetz demographic, and makes these shoes something to talk about.

Nike’s Sports Bras and Footwear Trade Technology

Nike is developing a more supportive and lightweight sports bra by taking inspiration from their footwear business. The new Pro Hyper Classic Bra, to be launched in January, uses Nike Flywire technology to provide support and structure without the bulk and weight of traditional sports bras. In a design that draws parallels from a suspension bridge using a network of cables to provide support, Nike’s soft and seamless knit materials incorporate external silicon flocking in a crisscross pattern to provide flexible containment and compression in an ultralight product. If you have experienced Nike’s Flyknit footwear, you get the idea.

And in true category mashup style, Nike’s footwear business is returning the favor by applying bra technology to shoes. The molding technique used to mold bra cups to breast forms is being applied to heel support in Nike’s new Lunar Sculpt women’s footwear. The molded heels accommodate variances in heel width using a soft cup-like material to improve fit and help prevent heel slippage.

Customer-minded product innovation that leverages existing corporate technologies amplifies customer satisfaction, decreases new product development timelines, and assists in assortment cohesion-- and the margin benefit goes right to the bottom line. Inspiration comes from many places; sometimes it’s right in your own back yard.
Tanya Heath Offers Couture Shoes with Changeable Heels

Tanya Heath created her own brand of patent protected innovative shoes specifically for women who want to be fashionable but don’t want to suffer the pain of high heels. The shoes come with two pairs of heels, so that one pair of shoes will suffice for various activities during a day. The heels range from 4.5 to 9 centimeters and “eject” using a button inside the shoe. Her Paris boutique has a “heel bar” (think Apple Genius Bar) where patrons share their ideal heel concept and receive personalized service. These amazing shoes are also available online.

Prior to becoming a designer, Tanya worked in consulting and private equity and experienced the painful reality of walking miles in stylish heels. Tanya also worked as a professor at the university, l’Ecole Centrale Paris, teaching marketing of disruptive innovation to engineering students. After Tanya was unable to find a shoe on the market that met her needs, she decided to create one herself.

Tanya was told that her idea was technically unachievable but she did not give up. She hired industrial engineers and turned to fellow professors from l’Ecole Centrale who reverse-engineered and improved the mechanical heel using mathematical models and testing. It took several years for her team of over a dozen individuals to successfully create this shoe with adjustable heel heights.

Innovation combined with engineering and persistence resulted in a remarkable advance in fashion!

Because International Designs a Shoe that Grows

Because International took a unique approach to product innovation. They designed a shoe that could change size… and no, it’s not magic. But the things they are doing are magical. It all started when founder, Kenton Leewas, was working and living at an orphanage in Nairobi, Kenya. He saw a girl whose shoes were too small and came up with an idea – create a shoe that grows. It’s a shoe that can adjust and expand five sizes and last up to five years. What a great and innovative idea to help those in need!

Because International operates from three beliefs:

- Don’t Recreate the Wheel: Instead of doing the exact same thing other companies are doing, Because International strives to partner with these companies as a resource that is already working with kids in need.
- Listening: They listen to the thoughts, ideas, and dreams of those living in poverty to best accommodate their true needs.
- Practical Compassion: They focus on developing products that will fix problems people encounter in their everyday lives.

When developing a product, Because International puts it through what they call their “Process of Innovation”. This starts with listening (one of their main principles), and then identifying the idea they think will best achieve the desired goal. Next, they expand that idea by doing research and determining which direction they want to go with that idea. They then create a prototype and test the product in the local area where it will be used. After feedback from testing, the final product is manufactured.

Philanthropy and innovation? Now that’s a recipe for success.

Check out their next project that is still in the design stage: The Better Bednet
## Business Model and Process Innovation
Instacart Pushes the Cart Down the Right Aisle

Instacart is shaking up the on-demand grocery delivery business with a unique business model. Customers are connected to personal shoppers who hand pick ordered products from retailers and deliver them within the hour of purchase. What sets this grocery delivery startup apart from established giants like Amazon? Instacart’s infrastructure is not dependent on warehouses, vehicles or inventory.

In only three years, Instacart has quickly expanded to major US cities such as Los Angeles, Austin, Boston, New York City, and Washington, and has partnered with retailers such as Kroger, Costco and Whole Foods. Ranked America’s most promising company by Forbes, Instacart’s estimated net worth is $2 billion, and the company has received $275 million in funding.

Here is how the process works. Through the web or mobile app, customers order groceries or household items from one or multiple partner retailers. The delivery charge ranges from $5.99 for 1-hour delivery, and $3.99 for a timed, or 2-hour delivery. For a $99 annual fee, Instacart Express Membership eliminates shipping fees on orders over $35. Part-time contracted shoppers, who are previously trained, receive a notification with the order. They are stationed near the stores enabling prompt response. After shoppers collect the items that have been ordered, they pay the bill with Instacart’s prepaid debit card and deliver the groceries to the customer.

This innovative model has evolved to benefit all customer segments.

- **Customers** receive products rapidly, anywhere, avoiding the need of long lines.
- **Shoppers** benefit from salary and customer tips. Working schedule is flexible.
- **Retailers** have already reported significant increases in sales.
- **Instacart** earnings derive from delivery charges, Express Memberships and markup prices.

Instacart has earned customer loyalty and investors’ trust in a short timeframe. We expect them to continue paving the way with innovative concepts - not only nationally, but also internationally.
Farmer’s Fridge Offers Healthy Food Vending Machines

On a recent trip to Chicago, I was walking through an otherwise uninspiring food court in an office building when I passed an odd-looking vending machine. The machine was made of what appeared to be reclaimed wood, was surrounded by a patch of artificial grass and had a bright sign reading “Made fresh this morning.” Intrigued, I approached to find this vending machine stocked with salads and other healthy snacks.

The company, Farmer’s Fridge, is a local startup that was created by Luke Saunders who had been frustrated with the lack of quick and healthy food options available to people on the go. Farmer’s Fridge fills a niche in the fast food space by offering fresh and healthy meals in a convenient format. The food is prepared and delivered to vending machines every morning and anything left over at the end of the day is donated to a local food bank. The company sources the highest quality products it can (which are often locally sourced) and creates recipes that maximize nutritional value. Everything is then packaged in a way to keep the ingredients fresh for as long as possible. The resulting product is a beautifully stacked salad in a recyclable jar. With approximately 25 locations in Chicago and Yelp reviews of 4-5 stars, the concept has proven to be popular with consumers.

Although Farmer’s Fridge is currently only in Chicago, it seems only a matter of time before the concept spreads to other cities.

Neiman Marcus Rewards Customers for Turning Over Their Closet

Neiman Marcus has partnered with online luxury consignment retailer The RealReal to provide a unique opportunity for their customers.

The RealReal service includes pickup of luxury items that a customer wants to consign or sell. Rather than the traditional consignment agreements that payout cash, The RealReal offers Neiman Marcus gift cards for these items, at a value of 10% more than the cash payout.

The RealReal wins customers to their service who may otherwise have been unaware of the service; Neiman maintains their customer base when they come back to spend their gift card dollars. Customers win with the ease of service and the 10% increase from the cash payout.

The arrangement has been compared to the model to that offered by GameStop Corp, where the video game company will pay for games and electronics from customers with gift cards to their stores. While the buyback model itself is not ground breaking, the innovative twist is with the clientele—the Neiman/RealReal model may encourage customers to formalize their approach to turning over their closets, and reward them with gift card dollars when they do!
Clutch “Productizes” the New Car Experience

Clutch Technologies is pushing the envelope of tiered subscription models. We’ve all heard of subscription services that deliver apparel, accessories or beauty products to your doorstep - but Clutch has brought this ultra-convenient model to cars.

Clutch replaces the traditional models of owning or leasing. Clutch members build a dream garage by creating profiles of activities and their matching car preference. For example, the Toyota 4Runner might be your preferred car for the weekly commute and family activities but the Chevrolet Corvette is your ideal car for a beach getaway. Clutch then provides the opportunity for you to specify a “flip” in time for a weekend vacation by specifying the exact date and location to swap the SUV for the Corvette. A monthly subscription to the “Pioneer” or “Adventurer” plans provide unlimited flips and include all taxes, maintenance and insurance.

The Clutch concept has taken what is typically a large, infrequent purchase for most consumers and created an accessible experience. Drivers no longer have to default to buying the most practical (and sometimes most boring) vehicle for their overall lifestyle - now they can choose a car based on their exact needs for that day’s activities.
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