

IDEA 2018

UNDER FIRE | ON FIRE

EXECUTIVE SUMMARY





NPD's **IDEA 2018** event brought together in Austin, Texas 300 C-level leaders across 20 industries. The event included three keynote presentations, 14 breakout sessions, and plenty of networking time for brands and retailers to meet, establish and strengthen relationships, and identify new ways to grow the bottom line.

IDEA 2018 inspired executive attendees with fresh and imaginative concepts to improve the way they do business. The meeting's content examined the new realities of consumers, brands, technology, and commerce — sparking discussion about where we're all headed and how to make the most of opportunities that lead to real success.

Following is an overview of just a few of the many takeaways from **IDEA 2018**.



SPARKING COMMERCE

IDEA 2018 themes: Reinventing retail and direct-to-consumer experiences, removing friction, and the rise of marketplaces





“At Target, we have been able to reignite passion in the in-store experience...

At this point, even though some people think it’s crazy, I truly believe what’s happening in stores holds the keys to the future of retail.”

BRIAN CORNELL

Chairman and Chief Executive Officer, Target Corporation



Within and beyond the traditional brick-and-mortar store, retail is continuously evolving. The direct-to-consumer movement is blurring the lines between retail and brands, creating more competition but also more partnership opportunities. Now more than ever retailers and brands have to be everywhere their customers are and have to keep a close eye on where they’re headed next.

During his IDEA 2018 opening keynote presentation, **Target’s CEO, Brian Cornell**, spoke about his company’s efforts to build brand love and loyalty with its guests as consumer preferences and behaviors continue to change and evolve in this volatile retail landscape. He talked about the future of physical retail, the importance of experience, and how Target took what many thought was its greatest liability — 1,800 brick-and-mortar locations — and transformed it into one of its greatest competitive advantages. Today, Target’s stores are both showrooms and fulfillment centers and the key to unlocking the “last mile” in retail. Cornell also talked about how the company is betting big on private-label brands and making industry-leading investments in starting wages, and how human connections in a digital world are more important than ever.

The rise of online marketplaces was another key theme at **IDEA 2018**. Amazon's early work developing brand marketplaces has really caught on, not only with smaller retailers, but also with brands themselves — so much so that marketplaces make up over one-third of all e-commerce revenue.

"Amazon is actually two times bigger than you think it is, because of its third-party marketplace business," said **Scot Wingo, executive chairman, chairman of the board, and co-founder of Channel Advisor**. "While ostensibly Amazon is a \$200 billion retailer, \$200 billion more actually comes from these standalone marketplaces where smaller retailers and brands sell direct via the Amazon website, and Amazon pockets a cut. Plus, there are no expenses on the marketplace for Amazon, so it's a pure-margin business, attached to their existing low-margin business. It's proof positive that magical things happen, when you turn your focus to your customers' needs and experiences."

According to **Don Unser, retail president for The NPD Group**, whether offline or online, smart sellers and brands are making themselves available to customers wherever and whenever they want to shop. "We've reached an inflection point with retailer dot-com entities," Unser said. "Growth numbers are high, but you have to be available to your customers on all channels, on an equal footing. Good retailers need to be good everywhere."

Michael Dart, partner in A.T. Kearney's Consumer Products and Retail practice, says we are entering period of "de-massification" in retail, where the 20th Century mass market is declining and 21st Century convenience is winning the day. "Small stores are critical ways to get closer to consumers," he said. "The store of tomorrow is more like an interactive showroom — a place where shoppers go to create memories, as much as to buy products."

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MICHAEL DART

Partner in A.T. Kearney's Consumer
Products and Retail practice





BRANDS ON FIRE

Leveling the playing field and learning to speak transparently and with authenticity — especially to next-generation consumers



The internet and social media have leveled the playing field, so smaller niche brands now compete on more equal footing with big consumer brands. With more competition for consumers than ever, innovation is essential to ensuring survival and driving growth, including creating the favorable conditions needed to cultivate innovative ideas, reach ever-younger consumers, and foster groundbreaking new businesses.

According to Michael Dart of A.T. Kearney, the entire brand landscape is evolving “from Kraft to craft.” Where once it took millions in marketing spending, along with global (or at least national) corporate distribution, to ensure a brand’s success, now even the smallest niche ‘craft’ brands can identify targeted opportunities to connect with new groups of consumers, creating new spaces to blaze their own successful paths.

Take iRobot, for example. As the first-to-market company offering home robots, the iRobot brand is simultaneously on fire and under fire. iRobot’s key product, the Roomba vacuum-cleaning robot, is still growing by 50 percent while traditional vacuum brands are posting negative annual growth. Competitors are now entering the market. iRobot can’t just rest on its past and ongoing successes. The company has to look outward, in addition to upward.

“The simple truth is, when you create a powerful consumer brand — and especially a whole new category — and it starts growing rapidly, competition will naturally emerge,” said Christian Cerda, chief operating officer of iRobot. “Because the smart home environment is incredibly dynamic, it’s hard to say exactly where we might be in a few years. iRobot is always looking for new ways to reinvent ourselves, reinforce our core product leadership, diversify our product offering with new innovation, and widen our competitive moat. Our own game is constantly challenged and reinvented.”

Likewise, **Wendy Davidson, president of U.S. specialty channels for Kellogg North America**, knows from experience that if you want to reignite your brand, you first have to change your mindset. “This is critical in big companies, in particular,” she said. “You can’t ever be process oriented or risk averse, if you want to change the status-quo.” Structure matters too, she maintained, explaining that a separate incubator division, as well as other projects and models, are key to driving innovation.

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WENDY DAVIDSON

President of U.S. specialty channels for
Kellogg North America





IGNITING CONSUMER CONVERSATIONS

Consumer tastes are changing, and successful brands and retailers are finding new ways to put their customers first





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“Consumers want to be in control of the entire end-to-end shopping experience with no interference. We’re seeing that in very big way with the rise of mobile ordering in foodservice.”

POLLY FLINN

Senior Vice President and General Manager,
GetGo Café + Market, Giant Eagle

Changing consumer behavior and values, demographics, and technologies are all impacting the future of business. The theme of putting customers first cropped up regularly at **IDEA 2018**, and for good reason: with major demographics shifts occurring regularly, and as new technologies are added to the corporate arsenal, what worked to bring customers in last year won’t always work the same way this year.

“These days, everybody is in the business of saving time—they’re constantly looking for a frictionless experience,” said **Polly Flinn, senior vice president and general manager, GetGo Café and Market, Giant Eagle**. “They want to be in control of the entire end-to-end shopping experience with no interference. We’re seeing that in very big way with the rise of mobile ordering in foodservice.”

In the age of social media, transparency and authenticity are highly prized by consumers. This trend is especially apparent when retailers and brands communicate with younger generations, like Generation Z. Forward-thinking companies are already on the case, leveraging new and enhanced technologies and finding innovative ways to trigger as much demand as possible from this new breed of consumers.

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MIKE FASULO

President and chief operating officer of Sony Electronics Inc.



Blair Clark, president of Canyon USA, cautions that the days when a company had total control over its message are over, because the rise of social media has given every consumer a voice. Listening and engaging authentically with those voices are the keys to winning today. It’s important to treat even the most dissatisfied customers as opportunities — not only to make good, but also to connect with them on a deeper level.

Some of the most direct lessons in forging connections with Millennials and Generation Z came from industries for which young people constitute a large part of the market, including video games publishers and retailers. At Electronic Arts, a video game industry pioneer, “Player First” has become the rallying cry, both internally and externally. After being voted the “worst company in America” for two years running in 2012 and 2013, the company had to find a way to respond to consumer wants and needs in order to turn the business around.

“We had to change our traditional focus on sell-in retailers and think long and hard about what game players really wanted,” said **Zachery Anderson, SVP Global Analytics and Insights for Electronic Arts**. “Now our primary, unwavering focus is on bringing products to market that gamers love. While not every player loves everything we do, we work every day to understand why that is, and beyond that, we try to find innovative ways to change their perceptions, whenever we can.”

Mike Fasulo, president and chief operating officer of Sony Electronics Inc., also understands and appreciates the shift in what brands mean to a new generation of consumers. “Millennials actually have stronger relationships to brands than baby boomers do,” Fasulo said. “More and more, we are focused on interacting with young adult consumers at popular events, like South by Southwest in Austin. We are changing the way we market our products and letting younger consumers know we are going to be where they are with creative and useful products that are meaningful and cater to their needs.”

Dick Johnson, chairman, president and chief executive officer, Foot Locker, Inc. maintains that physical store experiences are part of the future. “Our core sneakerhead, the active youth consumer, still wants a physical store experience. Even as the demise of certain malls occurs, consumers do not lose their desire to have a physical experience with retailers and products.”

Johnson also sees a “mall clarification” looming on the horizon: “Foot Locker has closed 1,000 stores over last 10 years — but we also have plans to open 40 new stores this year, many that will be unique and dedicated to improving the consumer experience.”



TECHNOLOGY FLASH POINTS

How to catch the next tech wave, where leaders are driving innovation, learning to respond to new customer needs in “the last mile”



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“It’s crucial to identify the technological waves worth catching, but even more importantly, your organization has to make sure those emerging technologies are noticed and acted on, before it’s too late.”

ASTRO TELLER

Captain of Moonshots (CEO) of X,
an Alphabet company



As technology continues to advance at its breakneck pace, brands and retailers are harnessing the latest innovations to build their businesses, stir up their categories, and appeal to consumers in the “last mile” between the establishment and the consumer’s home. Industry leaders are finding ways to leverage artificial intelligence (AI), virtual reality (VR), augmented reality (AR), and more to gain a competitive edge, grow consumer loyalty, and build their businesses.

However, as **X CEO Astro Teller** explained, it’s the next set of emerging technologies that should be the main focal point, if companies want to remain on top of the competitive heap. While many companies are focused on incremental 10 percent growth, Teller is a proponent of big bets aimed at growing 10 times — or as he puts it, “10-X” — bigger. The best way to do that is to identify the emerging technologies that will get you there — and do that as early as possible.

“Technology waves are hard to catch. By the time they’re big enough to be obvious, it’s often too late to get any competitive edge for your business,” Teller said. “Even so, picking random nascent technologies and over-investing in them can also bleed a company dry. It’s crucial to identify the technological waves worth catching, but even more importantly, your organization has to make sure those emerging technologies are noticed and acted on, before it’s too late.”

That advice is especially true in the “last mile,” before customers reach the store. The explosion in e-commerce has dramatically changed consumers’ expectations about speed and the convenience of delivery, and those expectations continue to evolve rapidly.

IDEA 2018 explored how fulfillment and delivery experiences need to evolve to win, including one-hour delivery, in-store pickup, drones, lockers, predictive shipping, and delivery right to the consumer’s refrigerator or car trunk.

Peer-to-peer commerce is also on the nearby horizon, facilitated by 3D printing and blockchain. “Both technologies are at an early stage right now, but there’s a clear and widening path forward, for these types of commercial innovations in the retail environment,” said Dart, of A.T. Kearney.

Never before have there been more opportunities to reach, influence, and ultimately sell to consumers through myriad channels. Today’s consumers are interacting far differently with brands and products — from food to fashion to sports — making it harder to bet on what’s coming next in the direct-to-consumer world.



FROM THE ASHES OF FAILURE **RISES THE** **PHOENIX OF SUCCESS**



A man in a dark suit, light blue shirt, and green tie is speaking into a microphone. He is pointing his right index finger towards the left. The background is dark with some orange and red light on the right side.

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“I have a Ph.D in failing and a Master’s in getting back up.”

ALEX RODRIGUEZ

Founder and Chief Executive Officer of A-Rod Corp.

Perhaps the most common theme heard throughout the conference in keynotes and moderated sessions was the critical connection between failure and success.

In the branding game, you often have to fail in order to win in the end. According to **Tyler Smith, chief sales and marketing officer for Otter Products**, “A philosophy that our company embraces is two simple words: failing forward. We think it’s important to learn from failure, so if we fail, we fail fast, learn, and move on. If we hadn’t failed in the past, our company might not be in the strong position it’s in today.”

This counterintuitive, yet exceedingly simple, sentiment was echoed by **Alex “A-Rod” Rodriguez**, whose hopeful keynote presentation closed **IDEA 2018** on Thursday afternoon. “Sure, I might have hit 696 home runs and made the most grand slams in the history of professional baseball, but I’m also fifth all time in strikeouts,” he said. “Only four people in the history of the game have struck out more than me. I have a Ph.D. in failing and a Master’s in getting back up. We all have a choice to quit, or get out in the game and compete and be the best version of ourselves we can be. Each one of us needs to master and practice the fundamentals, as we push ourselves forward to do better every day.”

