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HAVE WE REACHED PEAK RETAIL?

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Kantar

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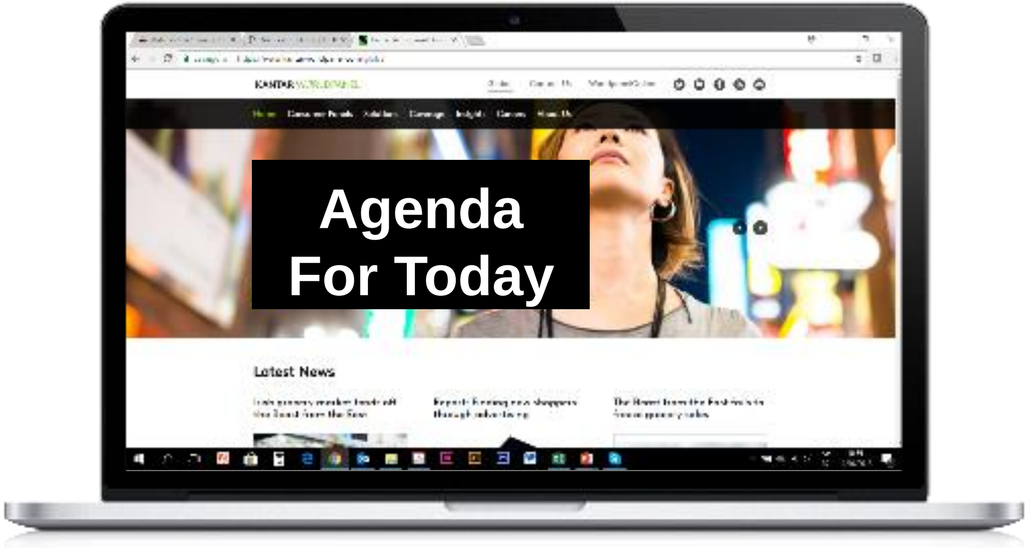


Agenda For Today

1) Decode of Disruption

2) Current Status

3) Looking Ahead

4) Insights & Implications

Tipping Points: The evolution of the retail sector

The OLD World
Pre-Global Crash 2009

- Distribution driven
- Top 10 retailers dominated property & logistics
- Strength through specialty

The world's top 3 retailers by GMV in 2009

The NEW World
Since 2009

- Top 10 companies massively disruptive
- Success achieved with multi-industry approach
- Retailers connect to shoppers' everyday life

The world's top 3 retailers by GMV in 2019

Tipping Point Work Ahead 2020+

- Business models will change
- Channels will blur
- Partnerships will become vital
- But physical stores will remain critical

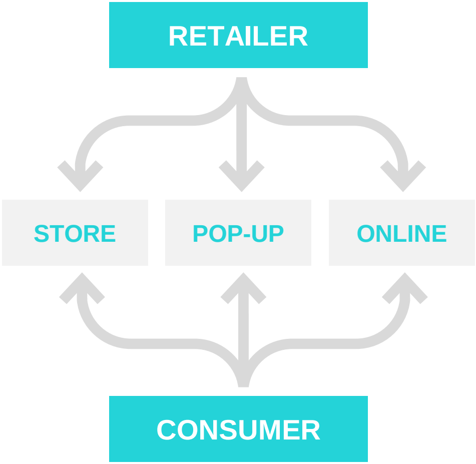
We're approaching a tipping point in how we reach consumers

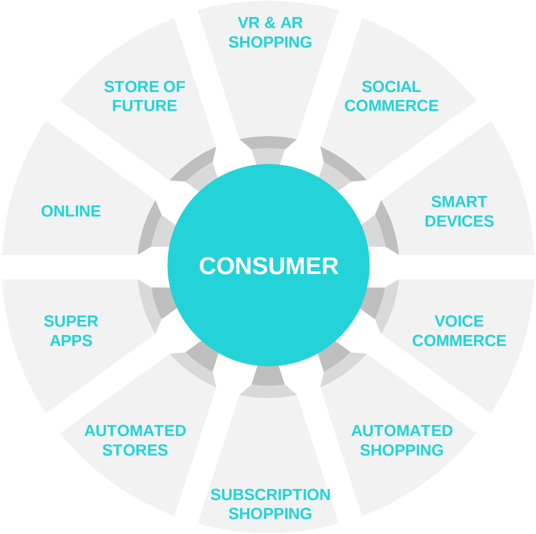
BEFORE

NOW

FROM:
Transactions limited by product availability in the retail place

FOCUS:
Fixed sales channels
Limited choices for consumers

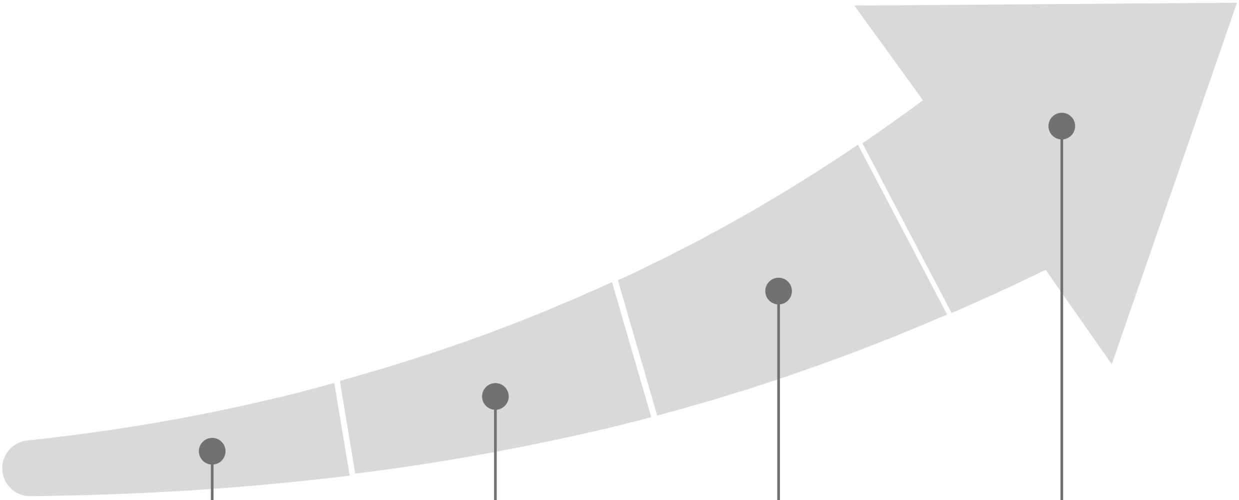




TO:
Consumer-centric transactions in any occasion-based place beyond time and location constraints

FOCUS:
Service consumers
Seamless shopping online and/or offline
Agile and fully-connected retail network

1) This is the ERA of the consumer



ERA of **Manufacturer**

Power comes from controlling mass production

ERA of **Distribution**

Power comes from controlling transportation systems

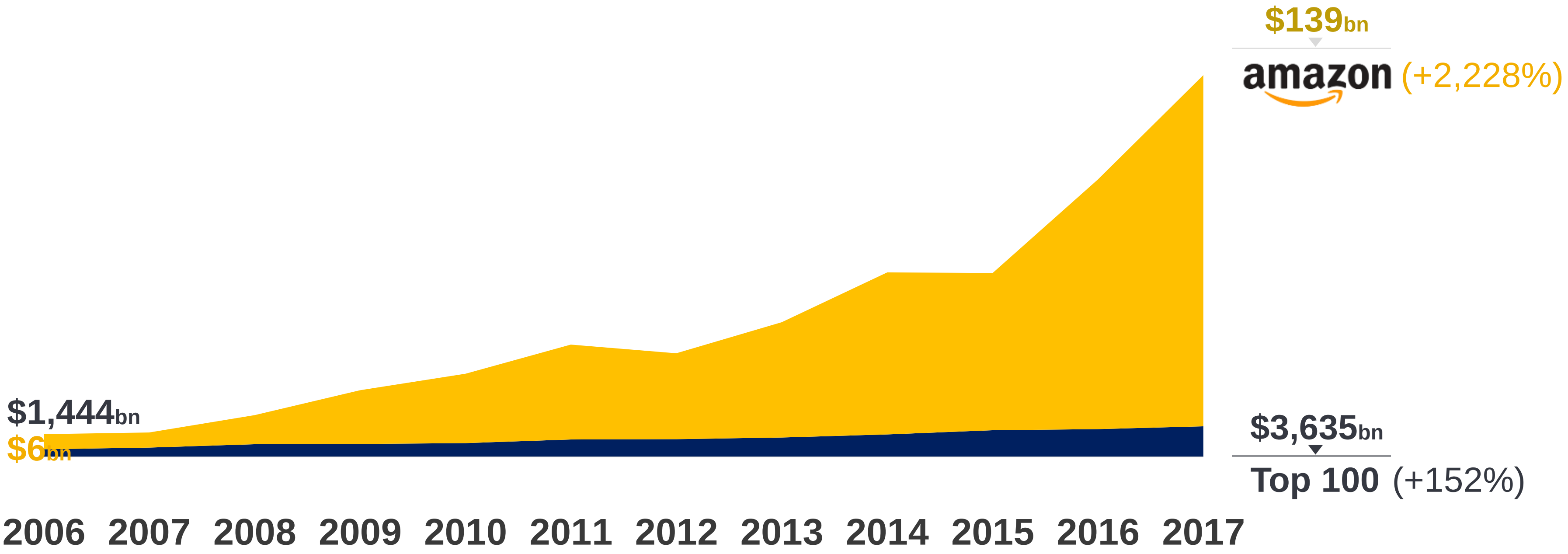
ERA of **Information**

Power comes from controlling flow of information

ERA of **Consumer**

Power comes from engaging with empowered consumers

2) New competitors have disrupted traditional retailing



3) Limited room for traditional retailers to respond

Walmart

1.0%

Costco Wholesale

2.2%

Kroger

3.1%

Walgreens Boots Alliance

3.4%

TESCO

2.1%

Carrefour

-1.9%

SPROUTS FARMERS MARKET Albertsons

Walgreens + RITE AID

future group india tomorrow

bharti

Carrefour

GROUPE Casino

TESCO

BOOKER

Sainsbury's

ASDA

Musgrave

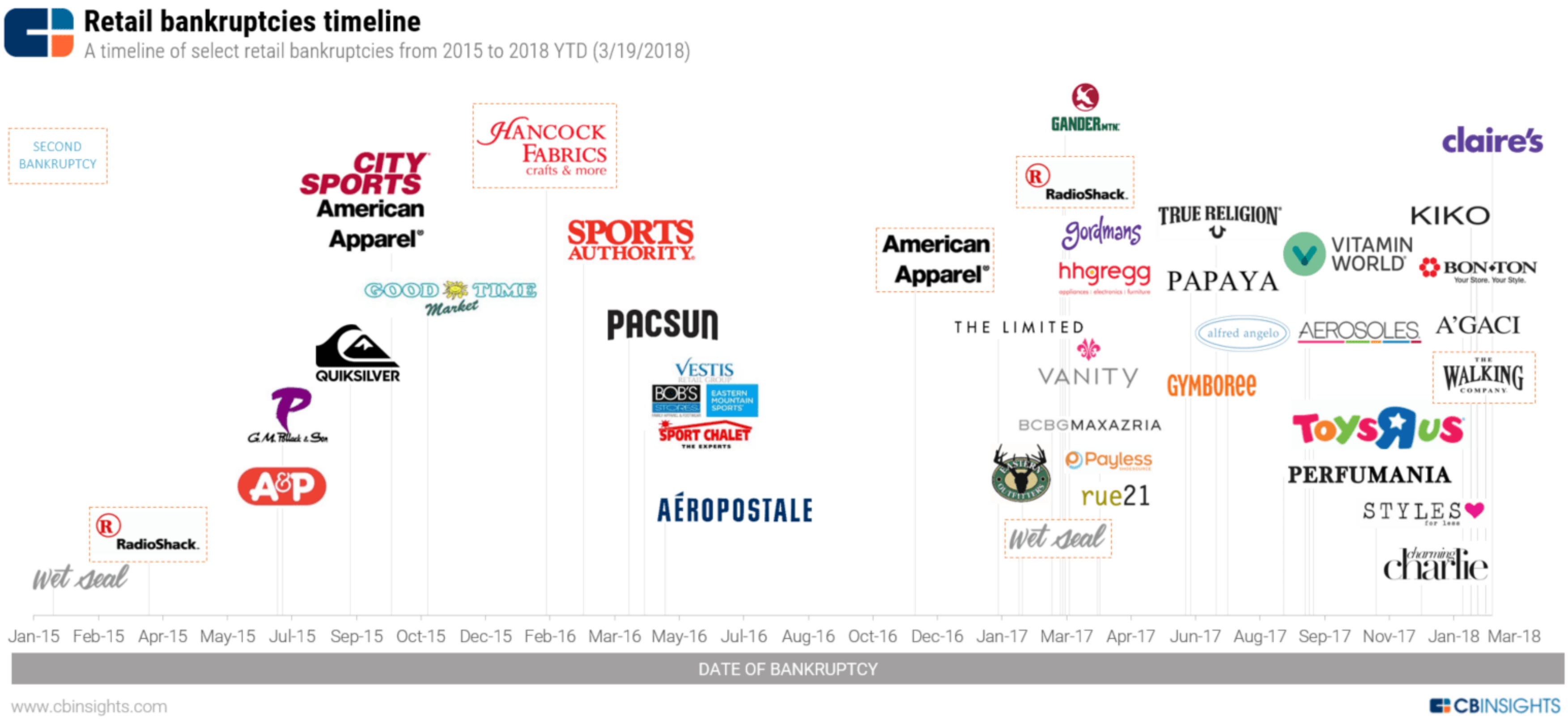
D|F DONNYBROOK FAIR

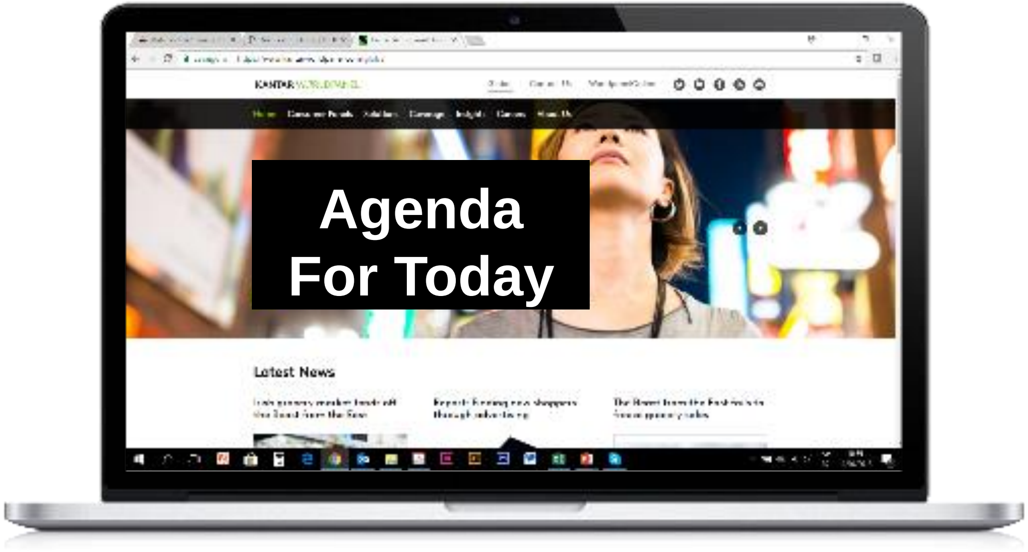
4) Consumer priorities have changed

90% believe that prioritising **EXPERIENCES** over material possessions is important in their personal life

'Funspree' Delivers Experiences Rather Than Things

5) There are fewer physical stores for consumers





1) Decade of Disruption

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Current state of retail sector across IRL/UK/US (2017)

	Sales	Growth	Share	Sales	Growth	Share
	€35b	2.8%	88%	€5b	15%	12%
	£306b	2.3%	84%	£60b	16%	16%
	$3,042	1.9%	87%	$453	16%	13%

Online growth will continue, potentially reaching 20% of Total Retail in 2022

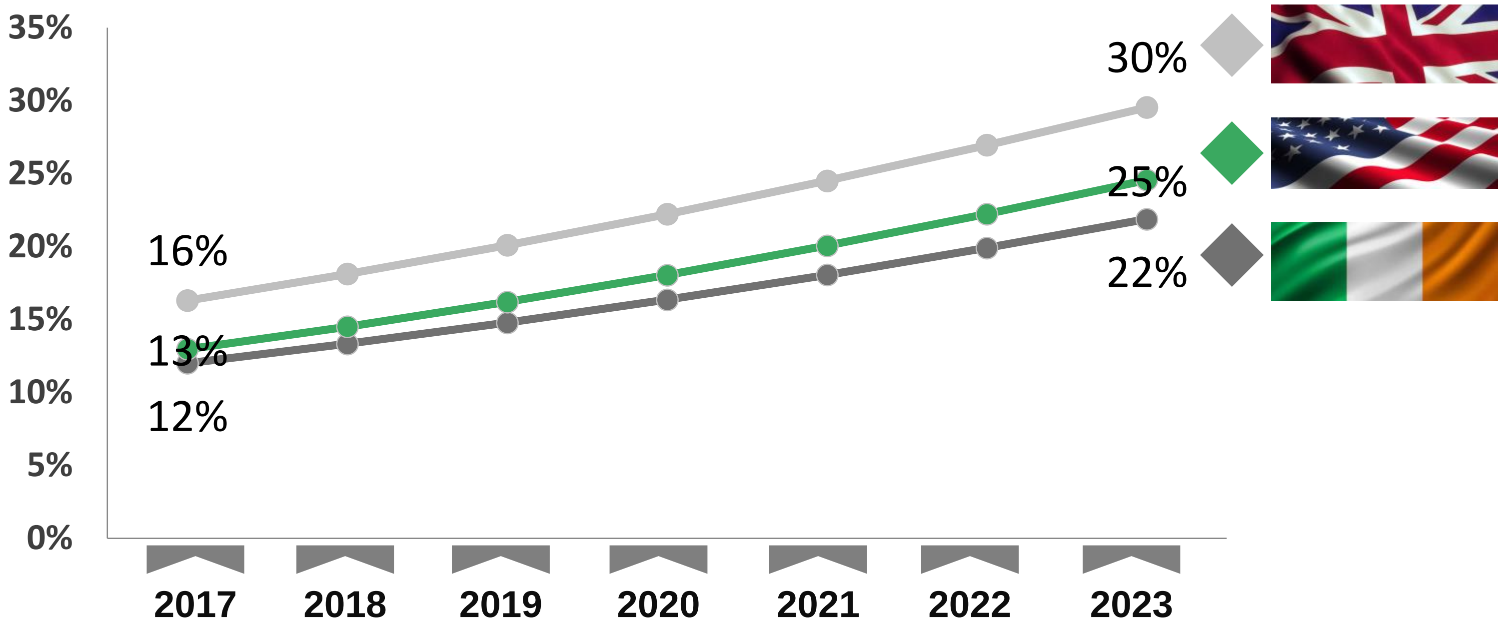
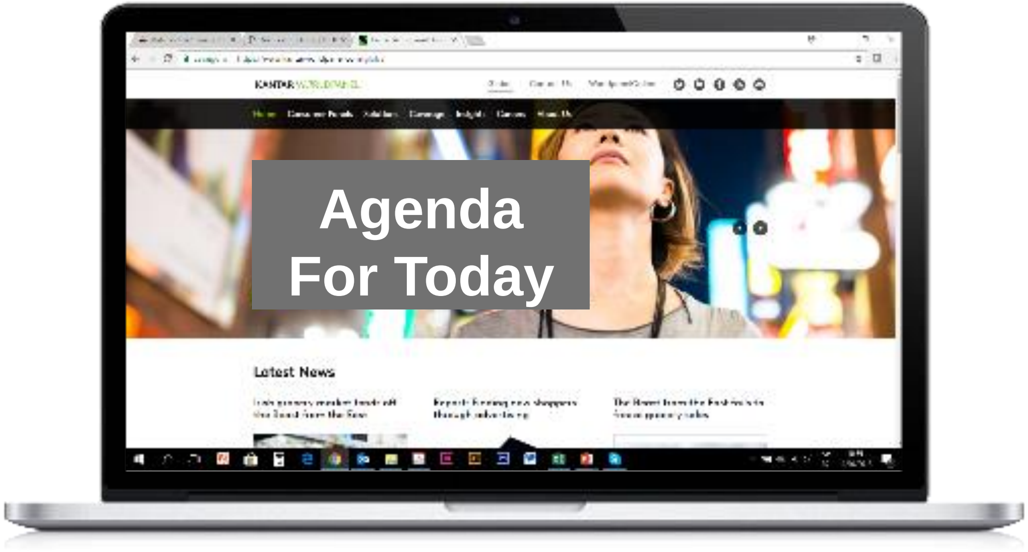


Chart Footnote



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Online retail will also evolve over the coming years

eCommerce is not like other Channels…

Old Marketing & Sales

FROM: Hit & Hope

…it is a whole new Way to Play

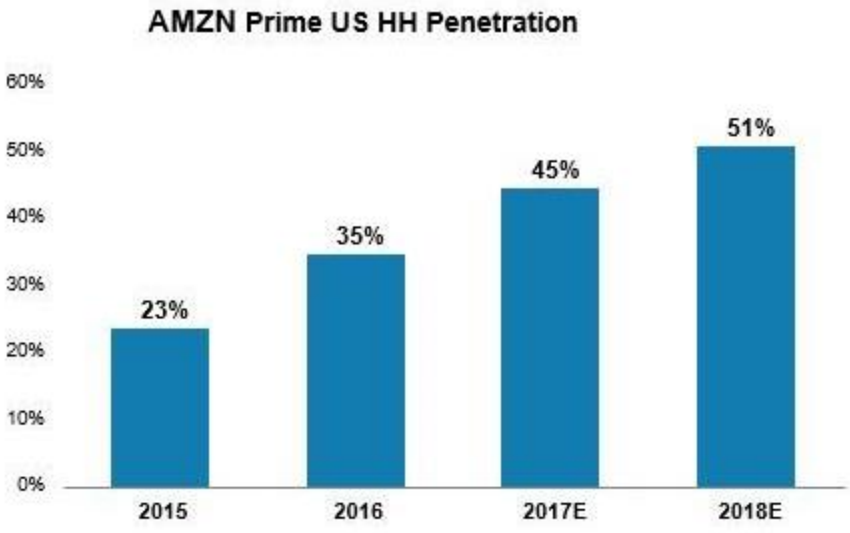
New Marketing & Sales

TO: Pick & Mix

Evolving retail economy

On-Demand Economy	Personalisation Economy	Replenishment Economy	Service Economy
deliveroo	THE CHXPXR	HARRY'S	ZIPJET

Evolving retail economy



Sources: Company Data, Morgan Stanley Research;, AlphaWise Survey

Amazon Prime members are 5 times more valuable to Amazon than Non Prime members

Pepsi Homemade cuts out retail intermediaries

Pepsi Homemade allows consumers to co-create their perfect soda at home, removing headache of shipping bulky items

Co-Op partnership with Deliveroo brings retail direct to the consumer

Retailer Co-operative partners with on-demand fulfilment provider Deliveroo to create a new route to consumer

Haagen Dazs NOW responding to impulse orders

Häagen-Dazs leverages geo-targeting and Facebook Messenger to facilitate on-demand orders of ice cream

So what about the future for physical stores?

Five key strategies for maintaining relevance

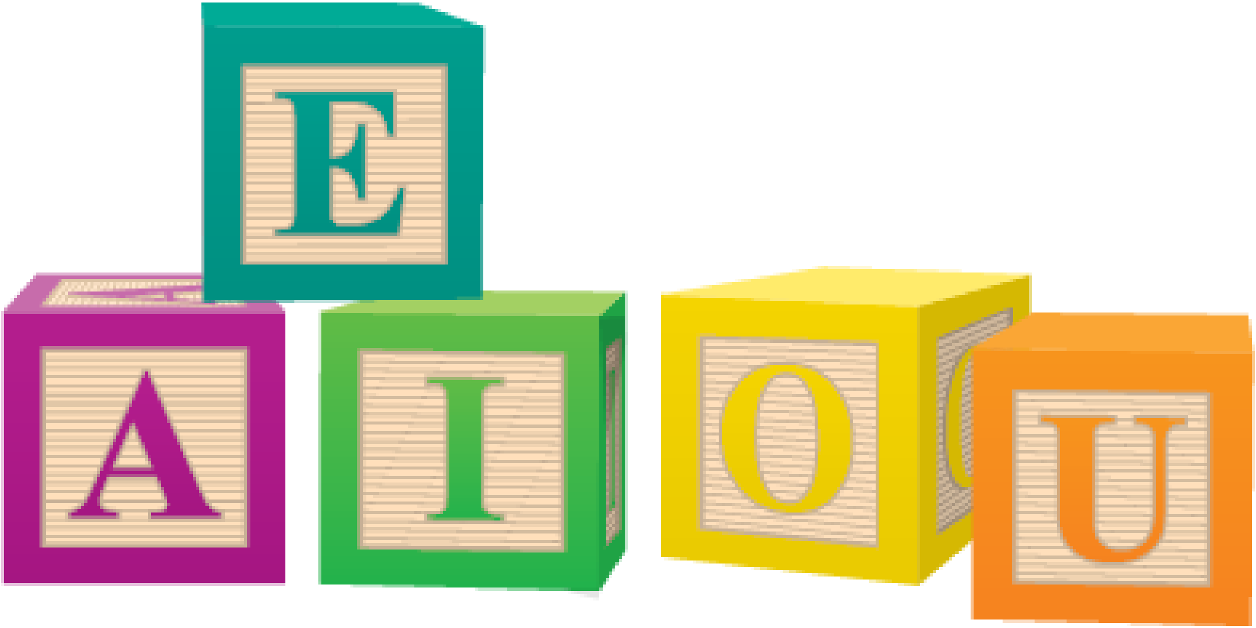
ASSETS

ENGAGEMENT

IMMEDIACY

OCCASIONS

UNIQUE



Stores: Five key strategies for maintaining relevance

Assets

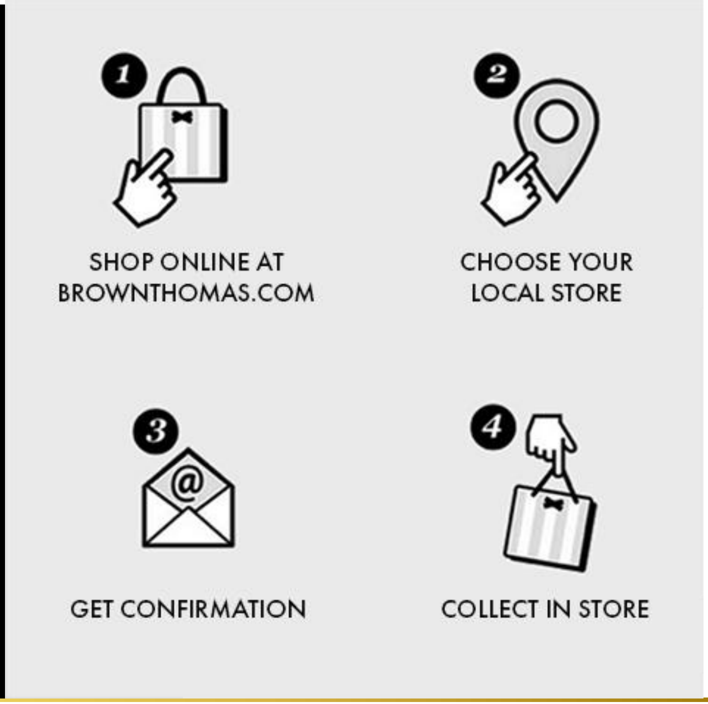
Function as assets for eCommerce/omnichannel operations

Assets: Stores function in support role for omnichannel operations

"Omnichannel retailing is sometimes presented in the media as online coming to the rescue. But we are investing to drive growth in bricks and mortar, and to drive growth online

BROWN THOMAS

STEPHEN SEALEY
NOVEMBER 2018



Stores: Five key strategies for maintaining relevance

Assets

Function as assets for eCommerce/omnichannel operations

Engagement

Experiences, education, events, services

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Engagement: ‘Make store shopping as fun as online shopping is easy’

Key is to offer experiences, events, education, and services that aren’t easily, if at all, delivered online

Experiences: Lifestyle Sports

Making Grafton Street store a destination

Free Coffee, Free Dyson Blow Dry and More This Weekend

Events: Harvey Norman

Weekly events in the build up to Christmas

Stores: Five key strategies for maintaining relevance

Assets

Function as assets for eCommerce/omnichannel operations

Engagement

Experiences, education, events, services

Immediacy

Maximize shopping efficiency

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Amazon Go the ultimate example, while Self Scan increasing speed at bigger retailers

Waitrose using speed to encourage repeat visits

Can Waitrose get urban shoppers to purchase three meals a day?

MORNING | **LUNCH** | **DINNER**

Stores: Five key strategies for maintaining relevance

Assets

Function as assets for eCommerce/omnichannel operations

Engagement

Experiences, education, events, services

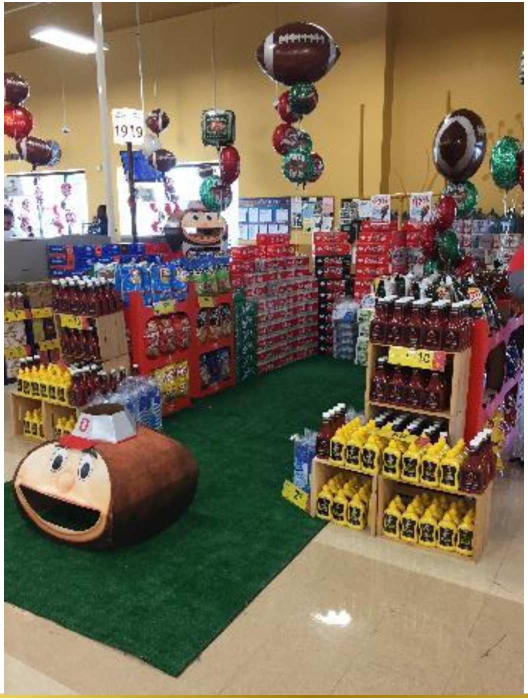
Immediacy

Maximize shopping efficiency

Occasions

Be a resource for shopping that is the opposite of "routine replenishment"

Occasions: Align to life experiences vs. pushing ‘trip types’

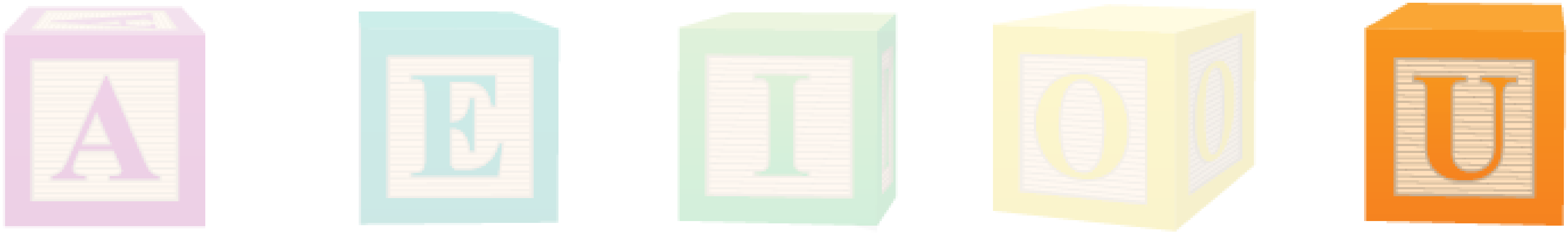


Kroger

GIANT EAGLE


dine in.
€14
SERVES 2
AVAILABLE IN STORE
13 – 19 MARCH
M&S
— FOOD —
ON THE MENU THIS MONTH
Cosy night in
MAINS
2 Rump or Sirloin Steaks
Rotisserie Chicken
Seabass Fillets
NEW Gastropub Creamy Chicken, Leek & Smoked Bacon Pie
Gastropub Chicken in Red Wine
Gastropub Cottage Pie
Pancetta Carbonara
Plant Kitchen Cashew Mac (VG)
SIDES
Frites
Chunky Chips
Rosemary Potatoes
Potato Rosti
Sugar Snap Peas
Quick Roast Courgette, Butternut & Pepper with Red Onion
Red Onion & Fontal Cheese Pantofola
Garlic Mushrooms
DESSERTS
Sticky Toffee Pudding
2 Tarte au Citron Slices
Bramley Apple Pie
Profiterole Stack
Strawberry Jelly Trifle
Fruity Fiesta
Cheese Selection
WINES
A selection of red, white & rosé wines
Soft drinks
NO RESERVATION REQUIRED
Choose a main, side, dessert and bottle of wine or soft drink.
All for €14 | SERVES 2
Serving suggestion shown. Offer runs from 13 – 19 March in selected ROI stores. Subject to availability. Range may vary per store. See in store for details. Choose from a selection of 1 main, 1 side, 1 dessert and a bottle of wine or non-alcoholic alternative for €14. Excludes Simply Food store at Heuston Station. Alcohol can be sold to over 18s only. Please drink responsibly. © Marks and Spencer (RI) Limited.
Get the facts. Be DRINKAWARE
Visit drinkaware.ie
UNDER 25?

Stores: Five key strategies for maintaining relevance



Assets

Function as assets for eCommerce/omnichannel operations

Engagement

Experiences, education, events, services

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Maximize shopping efficiency

Occasions

Be a resource for shopping that is the opposite of "routine replenishment"

Unique

"Flagship" experiences that are true destinations

Source: Kantar Consulting

Unique: Stores that are a true destination

FLAGSHIP STORES

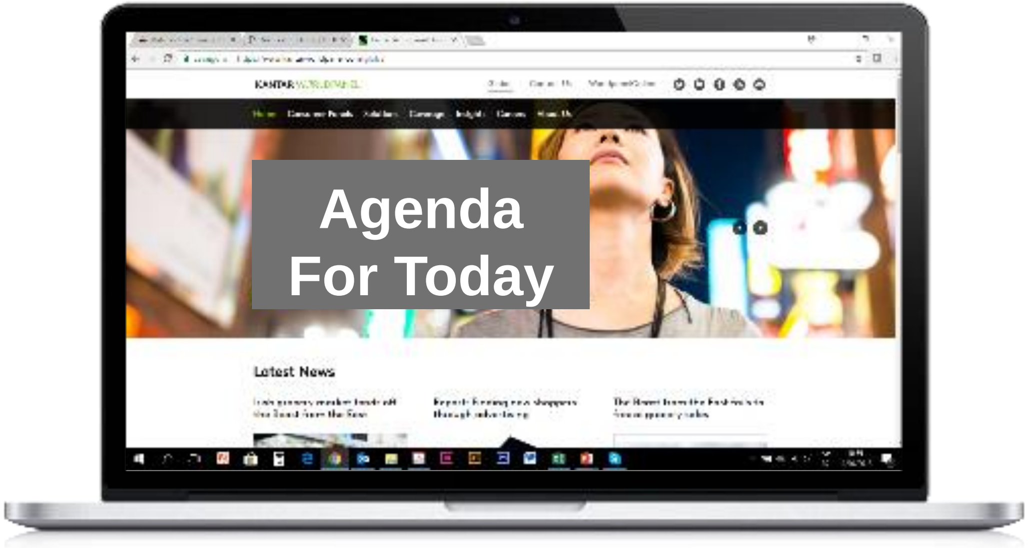
BRAND DISCOVERY POP-UPS

CONCEPT POP-UPS

The Macy's Beauty team has launched an immersive, experiential Instagram shop in our very own Herald Square in New York City! Macy's Beauty Scene: Beauty on Display is creating buzz and showcasing how we continue to evolve Macy's Beauty.

Amazon: Experimenting with a variety of its own store formats

Assets	Engagement	Immediacy	Occasions	Unique
Stores that function as assets for eCommerce/ omnichannel operations (e.g., click-and-collect)	Offer experiences, education, events, services that aren't easily, if at all, delivered online	Optimized for maximum shopping efficiency to serve shoppers' immediate quick-trip needs	A resource for shopping that is the opposite of "routine replenishment"	"Flagship" experiences that are true destinations; located primarily in large markets or tourist destinations with dense population/traffic
amazonfresh pickup amazon pickup locations amazon @ Penn Whole Foods Market	Amazon Experience Centers Treasure Truck Whole Foods Market amazon POP-UP amazon books	amazon go	Whole Foods Market amazon books	amazon 4-star



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Walmart an example of a traditional retailer responding to the challenge

- **Share price doubled since 2009**
- **2018 strongest performance in a decade**
- **Q4 2018 strongest in 15 years**
- **E-commerce +40%**
- **Grocery pickup in 1,800+ locations**

Source: ShopperScape®, January 2014-2019, retailer website

Walmart on track to expand Online Grocery Pickup to another 1,000 stores in 2019

"We've done the hard part [to expand OGP.]

— Marc Lore, October 2018

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Source: Kantar Consulting, company reports

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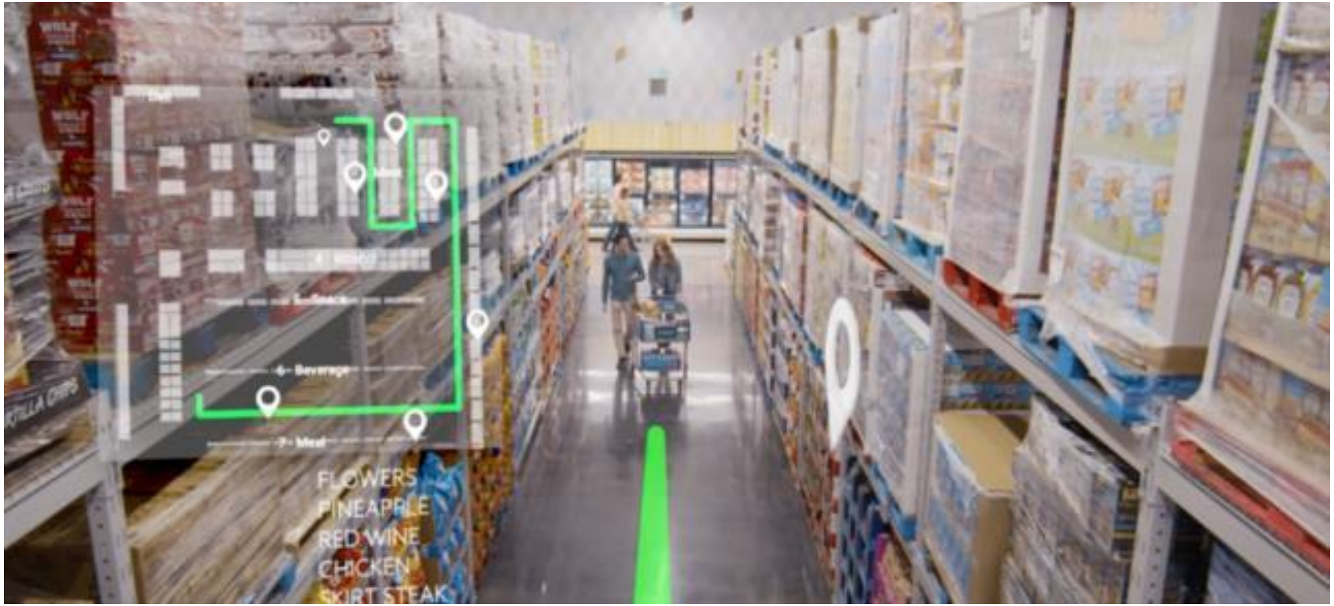
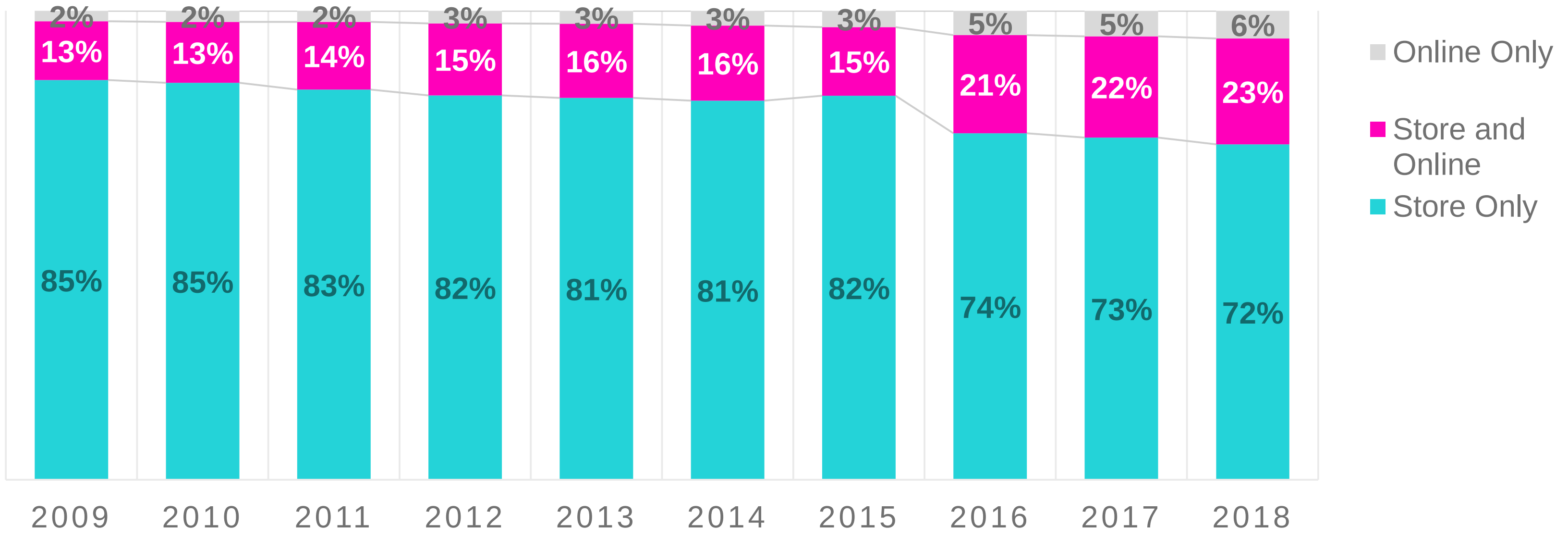


"It's where we will incubate, test and refine technologies to help define the future of retail"

Nearly one-quarter of Walmart shoppers shop both online and in stores

Share of Walmart/Walmart Supercenter Shoppers Who Shop Walmart Stores, Online, or Both During Past Four Weeks
(among past four-week Walmart shoppers)



Source: ShopperScape®, January-December 2009-2018

POWER IS SHIFTING TO THE CONSUMER

- What are you doing to improve how you engage with the consumer directly?

RETAIL CHANNELS NOW BLURRED

- How will you make sure your brands are more physically available in the new retail world?

PHYSICAL STORES REMAIN VITAL

- Do you understand your retail partners business and what can you do to help?