



Understanding your Customer

INSIGHTS INTO DISRUPTION

J.C. WILLIAMS GROUP

November 2017



Traders



Fairs



Towns

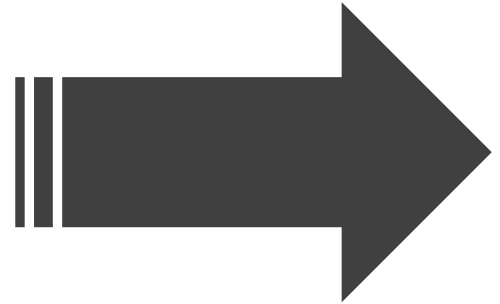


Stores



Catalogues

NOW



New Distribution Channel Has Been Created



NEW Shopping Patterns

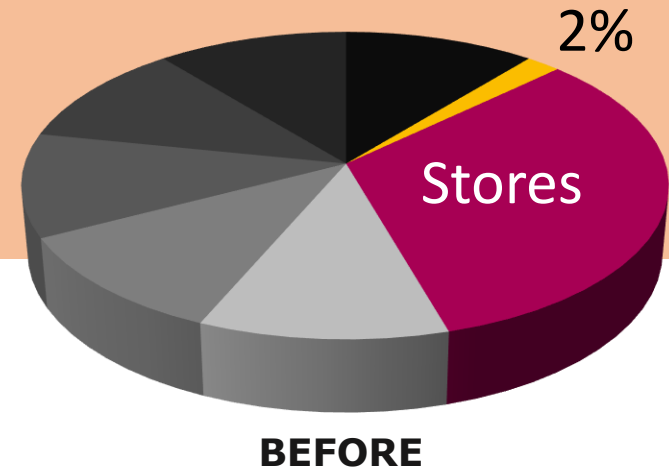
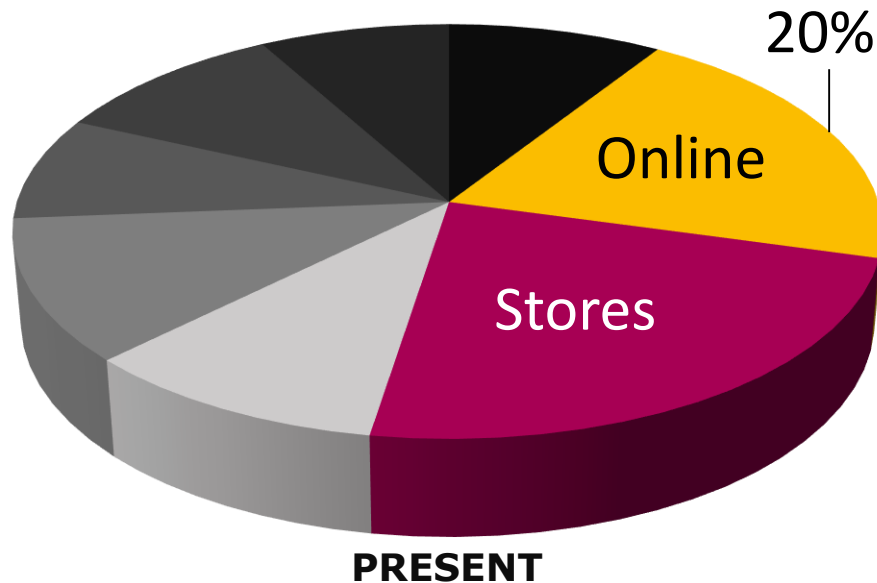
NEW Technology

NEW Operating Models

BIGGEST Single Business
Disrupter ... **EVER!**

New Channel is at a Tipping Point

- Select commodities are at 20% online
- Same size of market...different distribution!



The pie has **not**
grown
other channels
impacted!

THE CHANGING CONSUMER





**Changing
Population**



**Changing
Households**

DEMOGRAPHICS



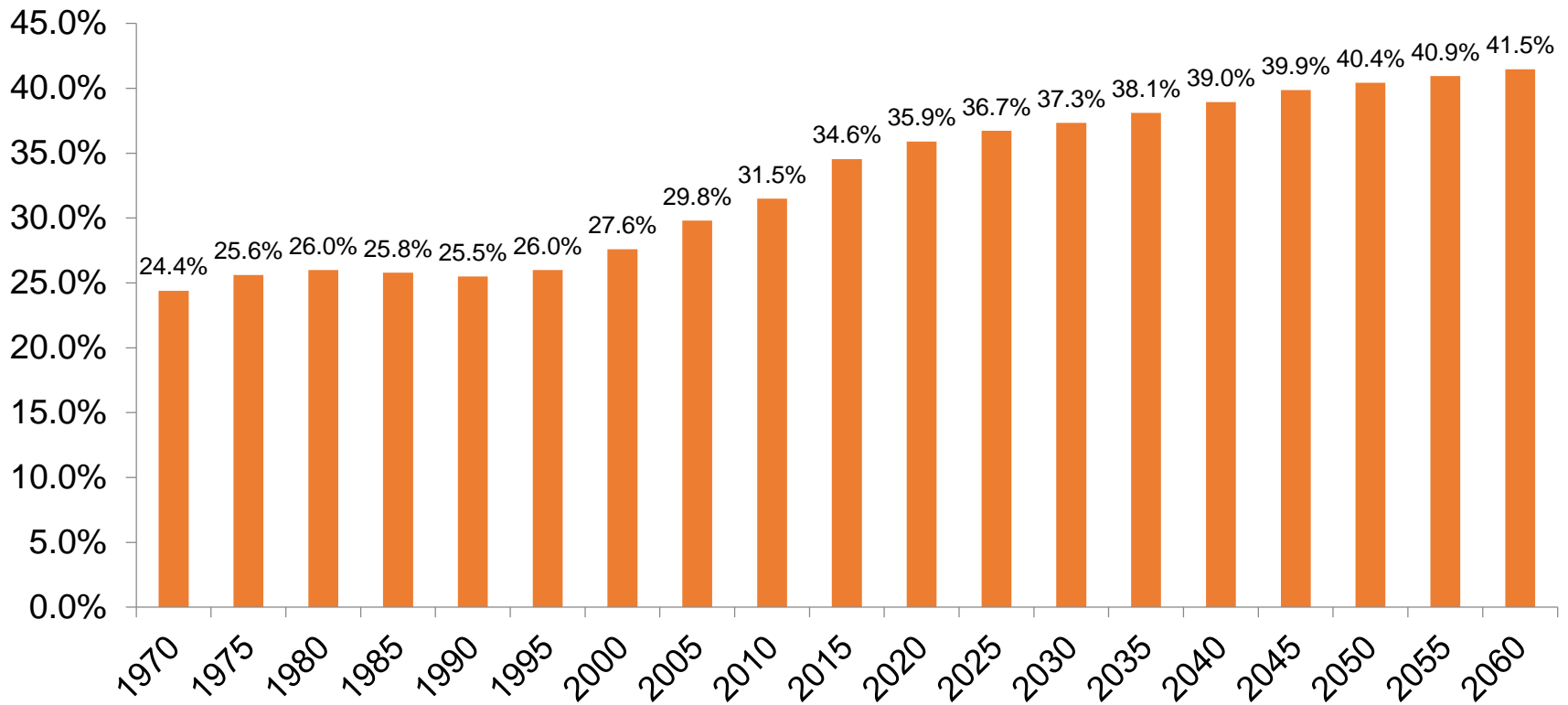
**Ethnic
Diversity**



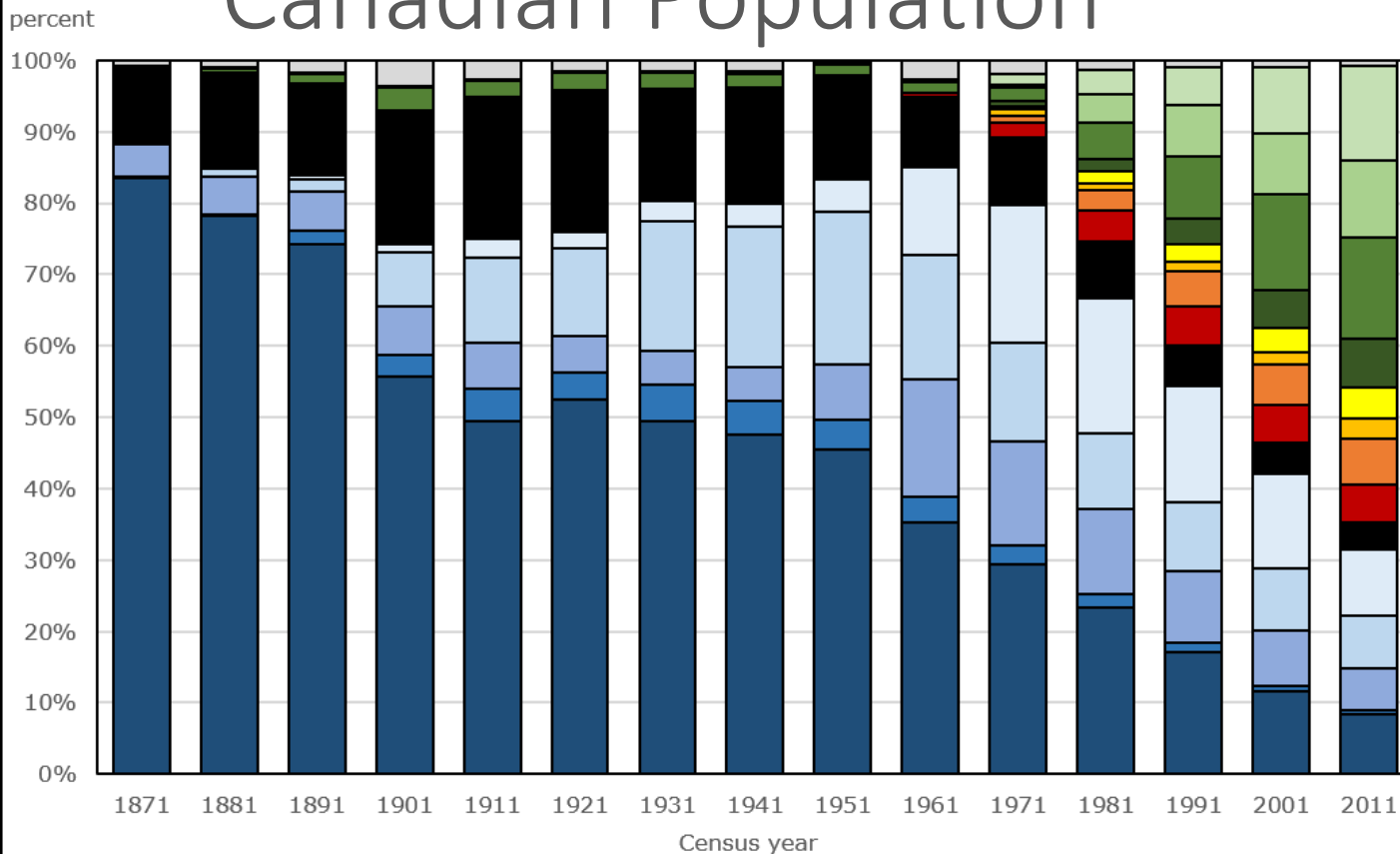
**Income
Polarization**



Percent of Population over 50



Changing Diversity of the Canadian Population



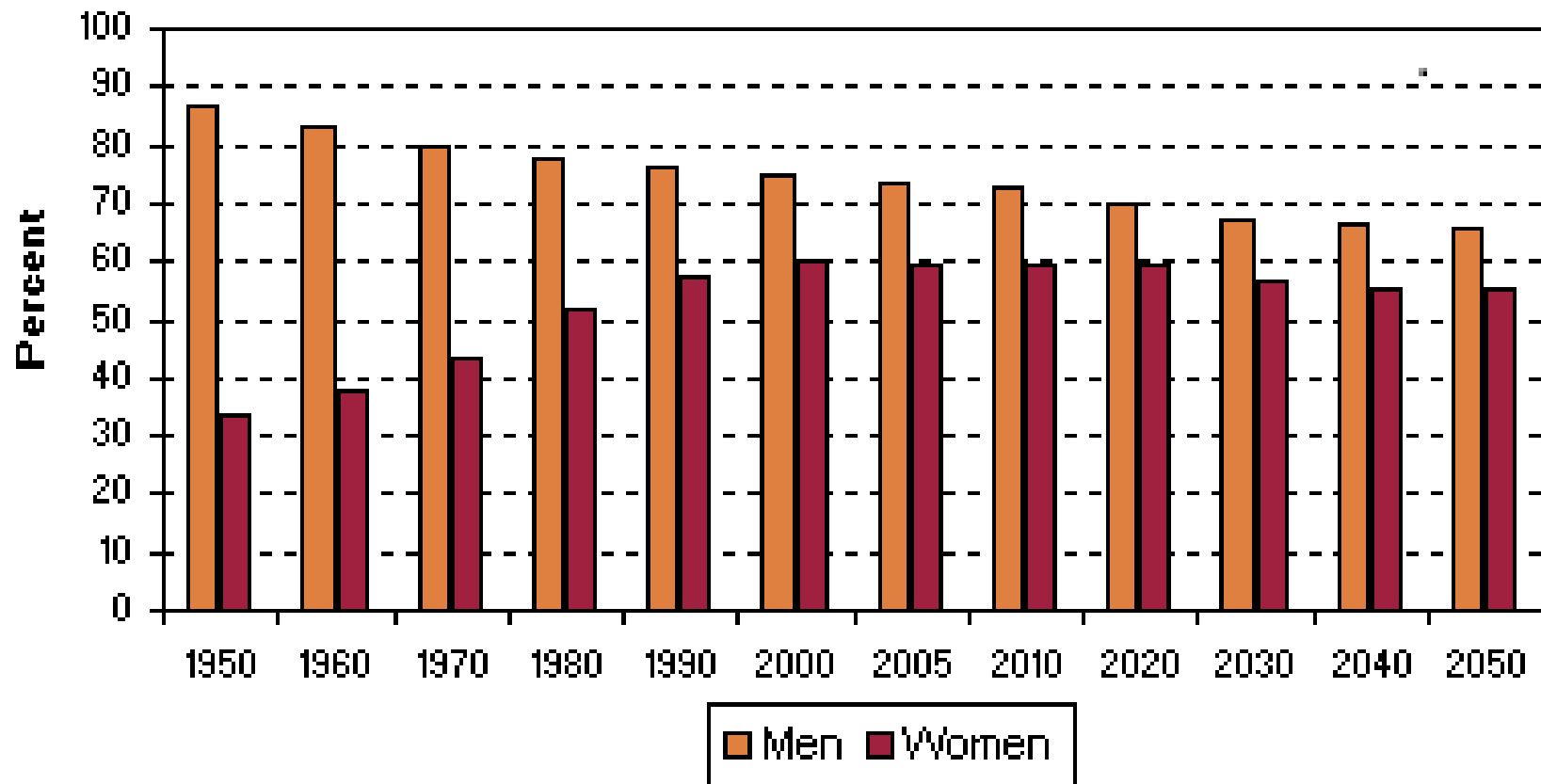
Distribution of Foreign-born Population, by place of birth

- British Isles
- United States
- South Asia
- Middle East
- Central/South America
- Caribbean
- Africa

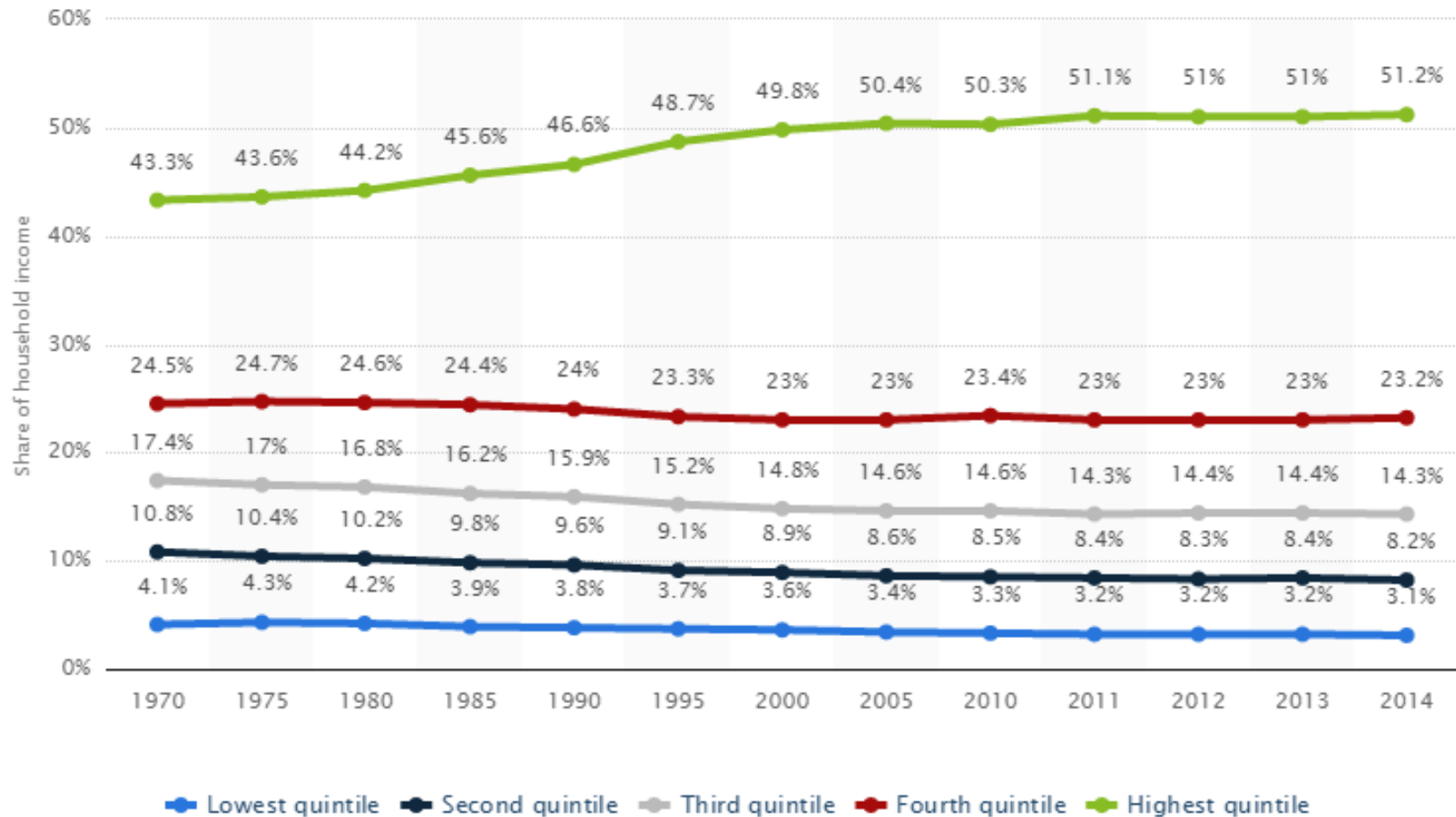
Sources: Statistics Canada, censuses of population, 1871 to 2001. National Household Survey, 2011.

Percent of Women Ages 20 to 64 in the Workforce

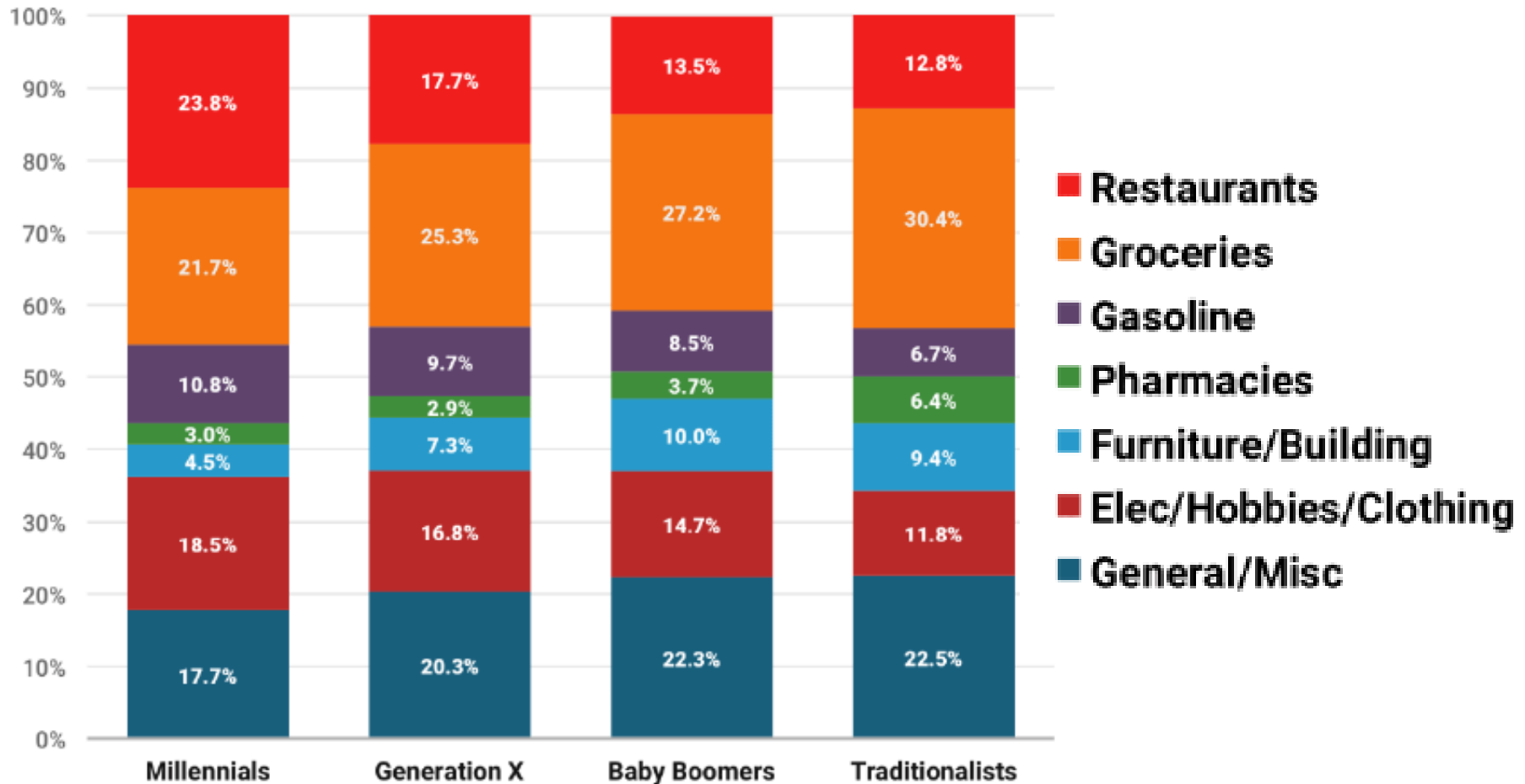
**Civilian labor force participation rates by sex,
1950 to 2005 and projected 2010 to 2050**



Haves & Have Nots Mean Household Income



Consumer Spending by Generation 2016



SOURCE: Bank of America Merrill Lynch

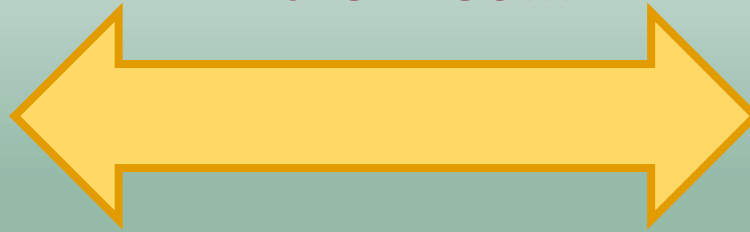
BUSINESS INSIDER



CUSTOMER BEHAVIOUR



Success Has Been In
Catering To The
Extremes...





Trading Up and Trading Down

Trading Up



WHOLE FOODS MARKET

CHANEL

BOSS HUGO BOSS

Trading Down



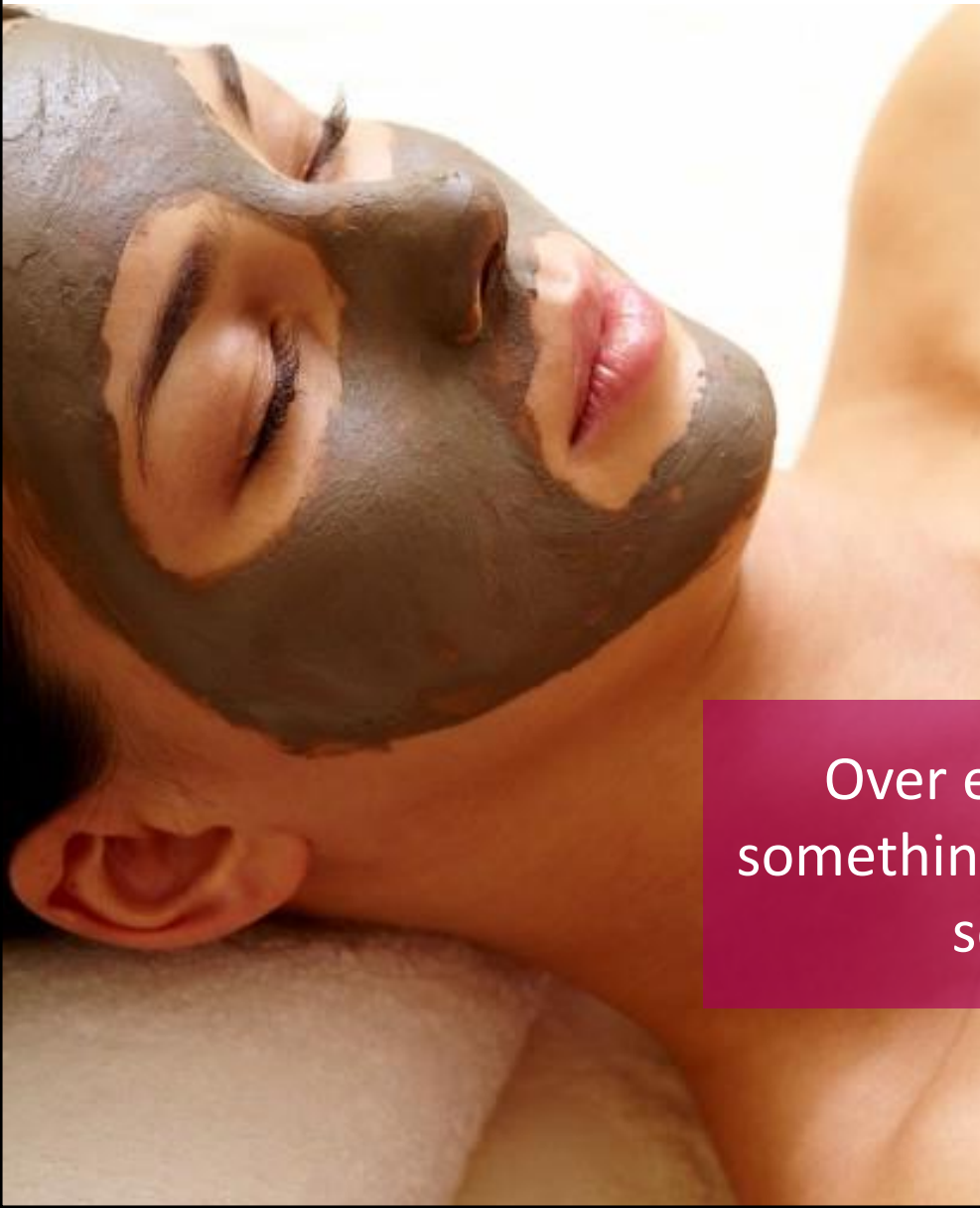
DOLLAR TREE

H&M

Walmart



Shifting Priorities



Customer Behavior

Adding shopping requirements beyond the initial selection of a product or service.

Over eight in 10 women prefer to “do something for themselves” rather than “buy something for themselves,”

Shifting Priorities

ITEM



SOLUTION



Home Storage and Organization

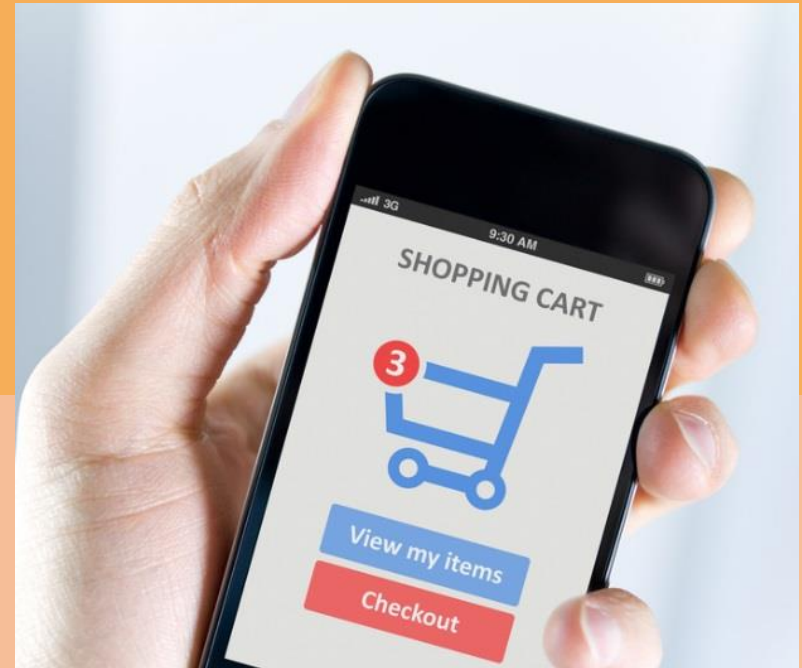
Factory Closet NYC offers a variety of storage and organization products for your home. Find solutions for your closets, pantry, kitchen, laundry room, garage or general...

Shifting Priorities

MASS



INDIVIDUALIZATION



▶ The New Sharing Economy

Millennials are...
Reluctant to Buy
Inclined to Share

- Cars
- Music
- Luxury Goods
- Real Estate

Want to own without the
burdens of **ownership**



So, the NEW consumer ...



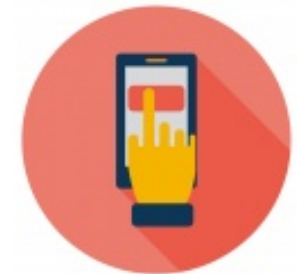
SAVE



FAST



NOW



DISTRUPTIVE





Pulse of the Canadian Retail Market

RetailWATCH

- Canadian E-tail Report – tracks 5,000 Canadian consumers’ digital shopping

Omni-Channel = Retail



Facts You Need

85%

Of Canadians researched information online last quarter before making a purchase

29%

Of Canadians are Amazon Prime subscribers

54%

Of all Canadians purchased cross-border in the second quarter of 2017

Of Canadians made a return during the second quarter of 2017

27%

91%

Of Canadians have bought a product online

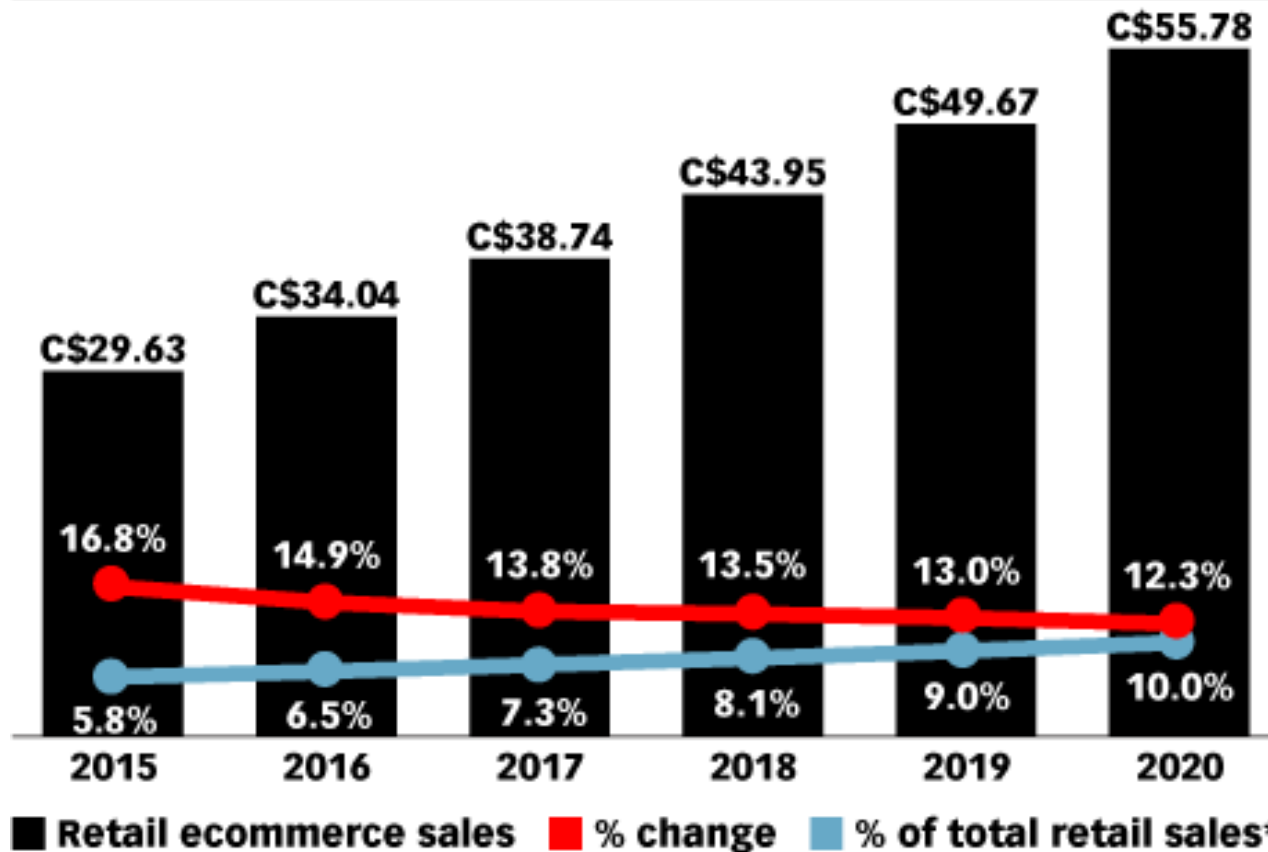


E-commerce – \$38B Industry

Growth rate: +14%/year (CAGR)

Retail Ecommerce Sales in Canada, 2015-2020
billions of C\$, % change and % of total retail sales

Penetration: 6–7%

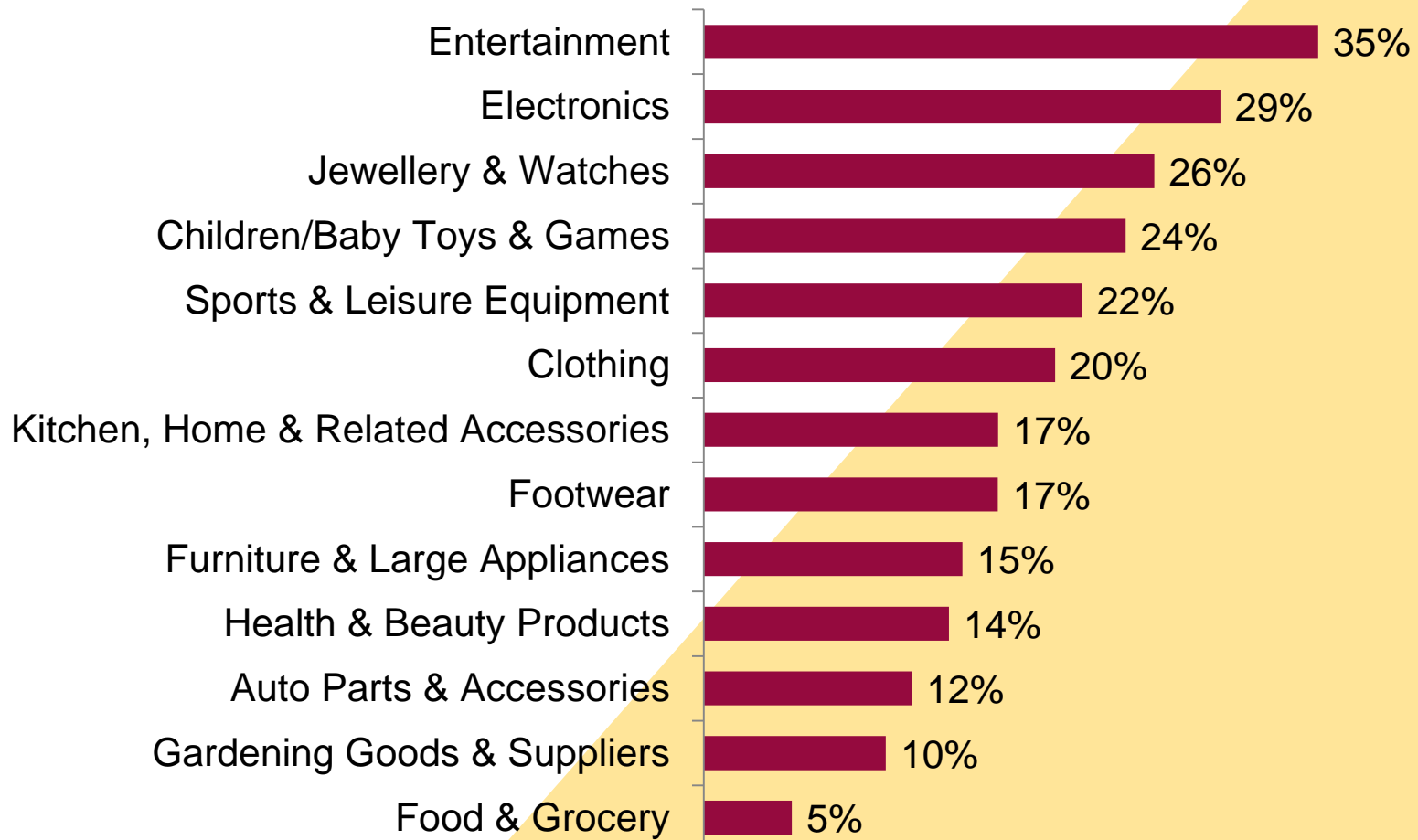




E-commerce Penetration Spend

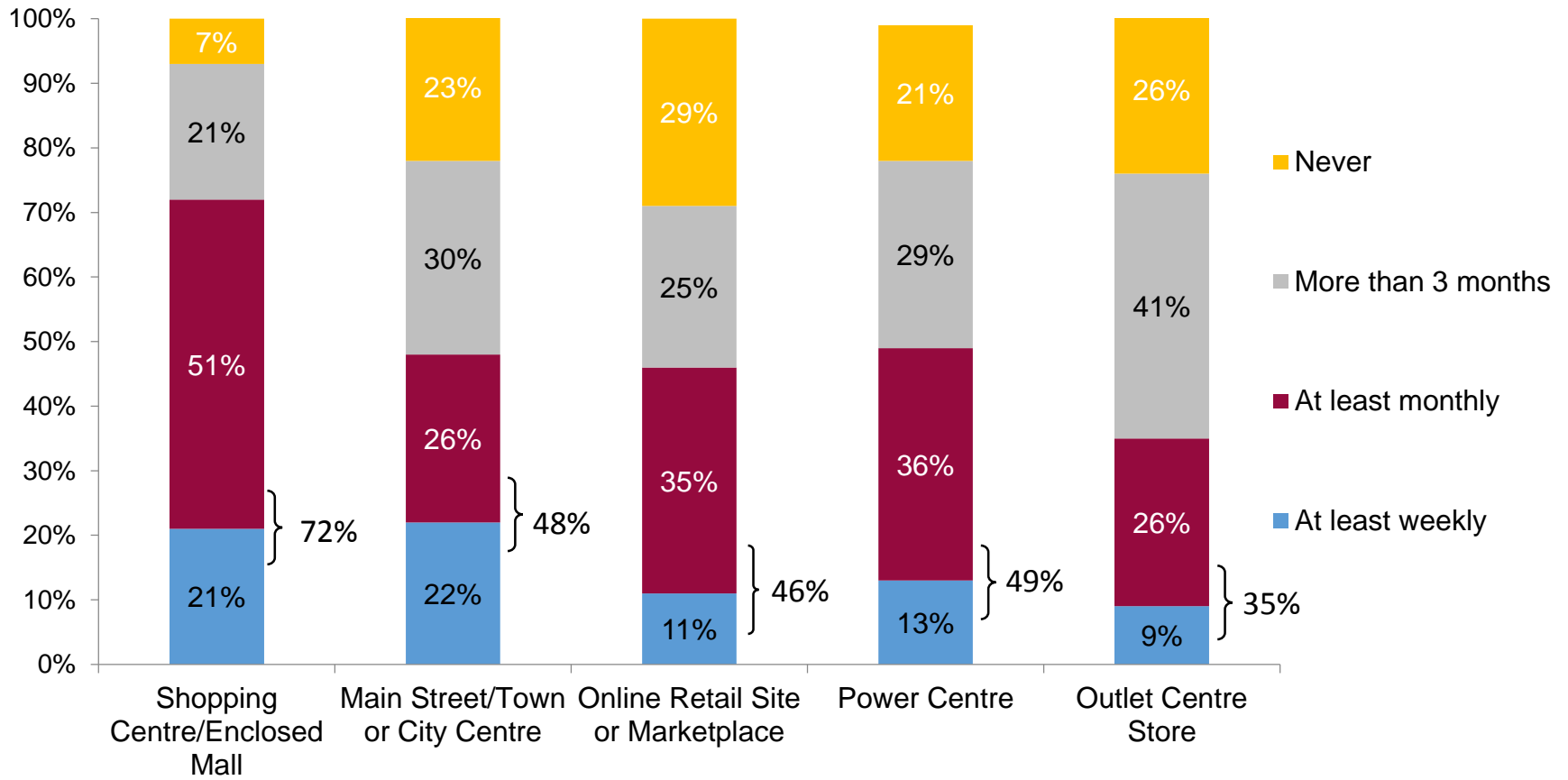
(by Category)

E-commerce Penetration (Q4-2016)



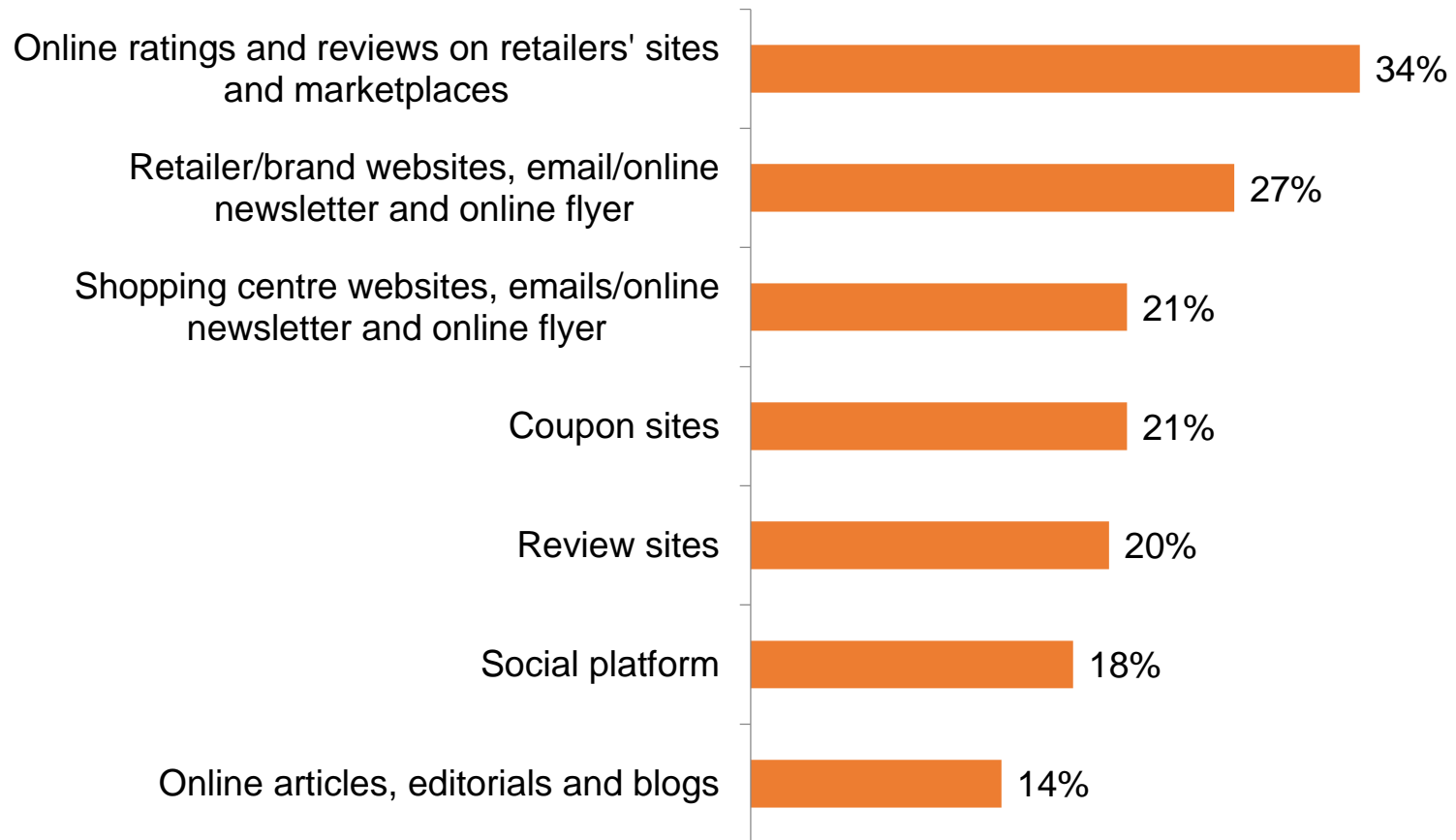


Shopping Location Visit Frequency



Non-traditional Influencers

Influence of Non-traditional Factors in Making Purchasing Decisions (% Influential /Very Influential)





Plotting Two Paths to Purchase

Necessity Based...

- On time, replacement, price
- Edited assortments
- Easy to buy
- Low price
- Branded – or not

Simple Solution:
Shop Online

Complex Options and Context:
Shop
Multi-Channel

Expression/Ego Based...

- Multiple options for product and environment
- Joy of product and search
- For ego/status
- Multi-dimension experience

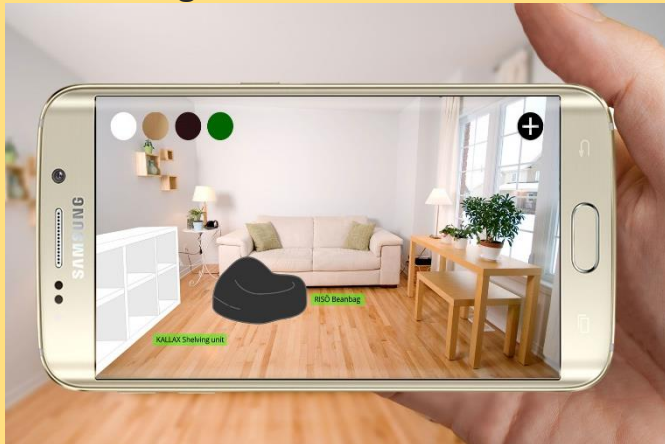


Emerging Technologies



Virtual/Augmented Reality (VR/AR)

Retailers are introducing consumers to unique, interactive and immersive experiences enabled by VR and AR technologies



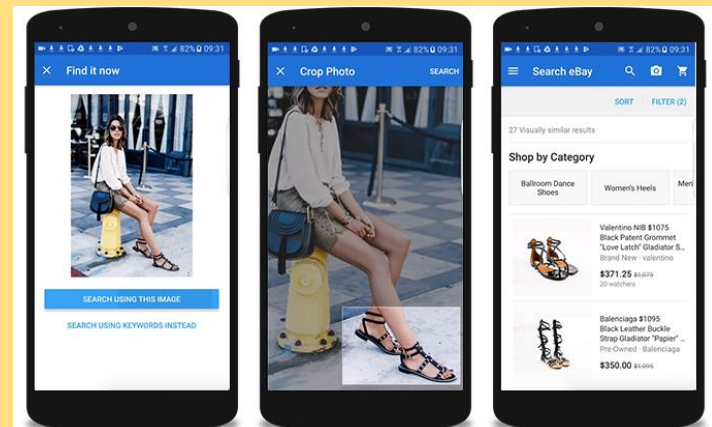
Drones

Amazon has been testing drones for Prime Air Services and aims to deliver packages in 30 minutes

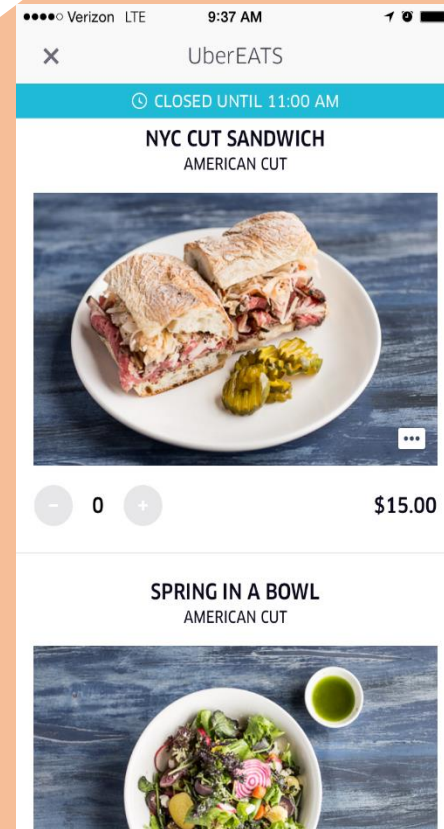
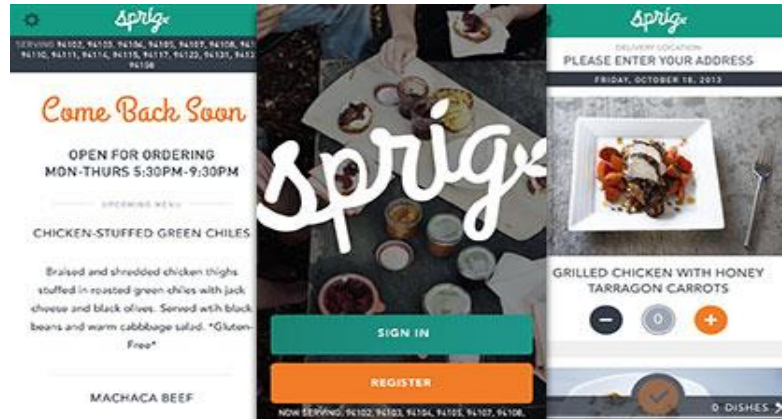


Visual Search

Using artificial intelligence to capture items and source the retailer selling in seconds



Uber Everything



Autonomous Vehicles

Assumption:

90% of the driving population will utilize AV for all car-travel



- Only 10% will want to own a car for specialty-purpose reasons.
- Urban will be affected more than rural.
- This will take 5–10 years to happen.



New Operating Models

Activity	Old	Now (Fast Fashion)
Create/buy	2–3 months	13 days
Delivered	4 weeks/3 days	1–2 days, 2 hours
Advertised	4 weeks/2 days	1 week, instantly
Sold	In stores	Anywhere

“NOW POWER” Drives Growth 

Metrics	Old	New
Growth	0–3%	20%
Time to market	2–3 months	13 days
Margin %	-40%	±60%
Turnover	4	20
Result	\$160	\$1,200



NEW Lower Expenses—for Some

	Old	Now (Fast Fashion)
Distribution Centre	Some handling Automated	Random location Drones Multiple DCs
In-store	Semi-self Full service cash (Some self serve)	Robots Same 30% payroll
Payroll	17–20%	10–15% 5% if club

In Summary...

SPEED



Save 2 Months

MARGINS



Add 10-20%

COSTS



Save 5-10%

GROWTH

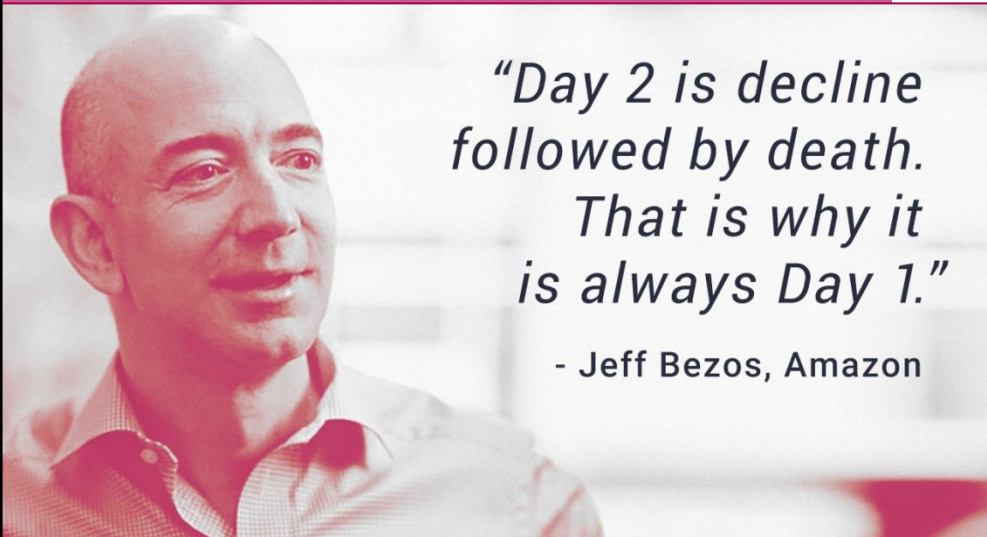


High Velocity 5-20%



▶▶▶▶▶ New Competition

amazon



*"Day 2 is decline
followed by death.
That is why it
is always Day 1."*

- Jeff Bezos, Amazon

- No rules
- Most liked
- Fastest
- 450 million SKUs
- Now Whole Foods

... More to come

Amazon Disrupts!

- Prime members: 60% USA; 30% Canada
- Impacts national brands
- Now 50% of E-commerce
- Driving all innovation (\$15 billion per year)
- Alexa and Echo voice enabled speakers





**Surviving the Perfect Storm of
Channel Creation**

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