



RETAIL SUMMIT – PORT OF THOUGHTS 2015

THE FUTURE OF RETAIL:
CROSS-CHANNEL MARKETING





“Cross-channel marketing is the new normal. Take the ‘e’ out of ‘e-commerce’. It’s simply retail.”

Glen Bradley, ex-Vice President, Levi Strauss

Everyone is talking about the digitalization of retail. In 2014, 15.3% of non-food revenue was already generated online, says Manuel Jahn of GfK Geomarketing. What are the resulting opportunities and challenges for brick-and-mortar retail? For example, can digital offerings add value to physical stores? How should brick-and-mortar businesses and digital options for access be designed and integrated to ensure customer satisfaction? What are the basic habits of consumers? Which software, apps and devices should retailers concentrate on?

These issues are being hotly debated in the industry and were therefore the focus of the **“3rd Retail Summit - Port of Thoughts”** held in Hamburg, Germany, on October 1, 2015. Some 300 participants accepted a joint invitation to the event from the Eversfrank Group, an international media company; comosoft GmbH, a company specializing in database-driven media products; and Ebner Stolz Management Consultants.



*“Waiting time is
online time. And online
time is shopping time.”*

Olaf Schlüter, Otto.de

OMNI-CHANNEL MARKETING IS THE NEW NORMAL

“Omni-channel marketing will be as common as eating a hamburger,” says Dr. Gerold Doplbauer of GfK Geomarketing. This sentiment permeated nearly all of the presentations. Stacey Renfro, Senior Vice President E-Commerce at Pier 1 Imports, contends that “The sooner we drop the ‘e’ out of ‘e-commerce’, the better.” Studies show that customers continually switch media. For example, they do research on the way to work using their mobile phones, then in the evening visit a website on their desktops and shop in a store, or vice versa. Glen Bradley, ex-Vice President of Levi Strauss & Co.: “Sixty-seven percent of Americans use various Internet-enabled devices consecutively for a single purchase.”

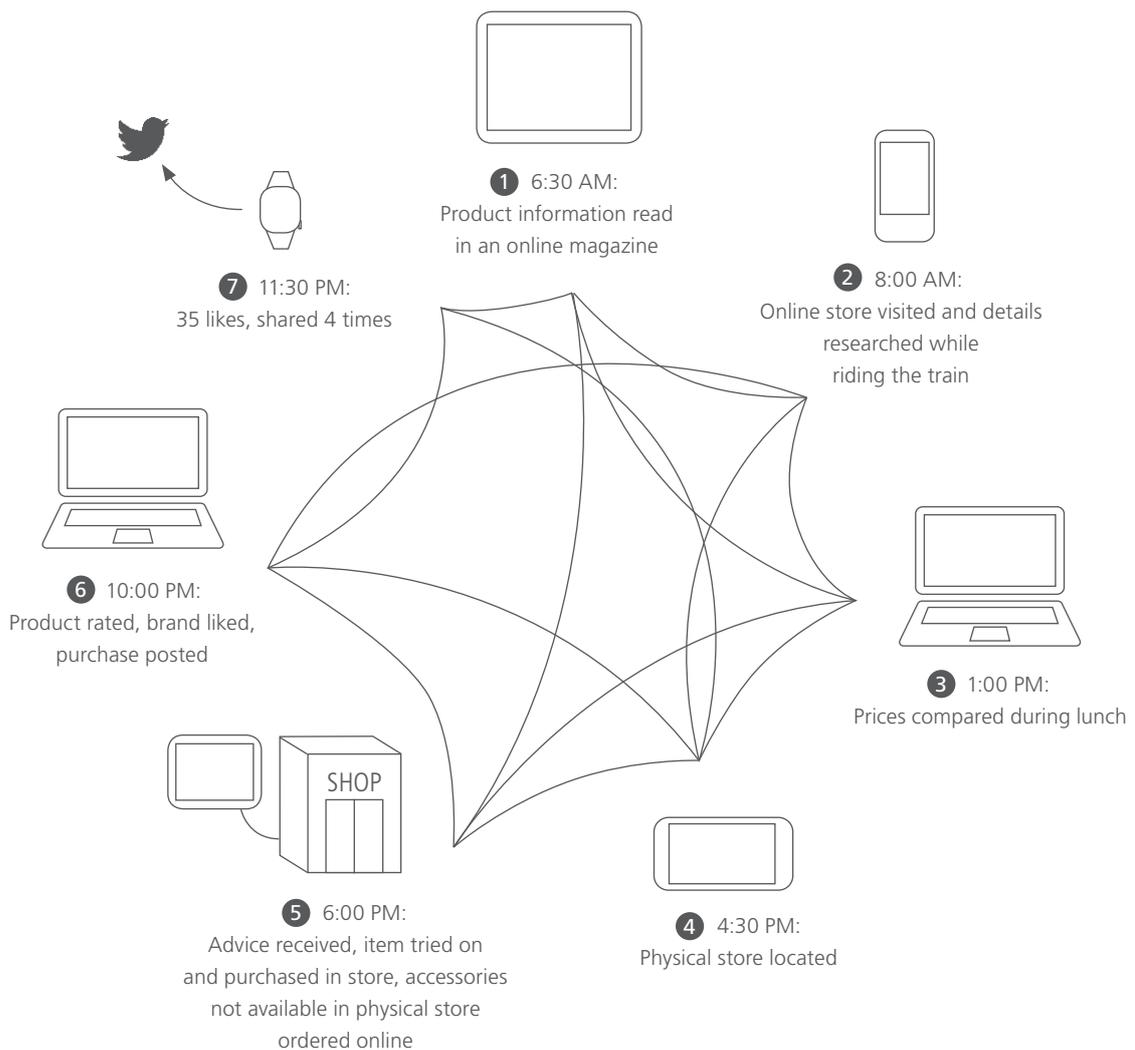
Retailers must engage with this constant change if they wish to participate in this trend. “Unfortunately, retail and media have long underestimated the digital revolution,” argues Otto Christian Lindemann, Partner at Ebner Stolz Management Consultants. The time for asking “if” has long since passed; the question is now simply “how.” And therein lies the rub. Simply setting up an online store is not enough. “Only companies that understand ‘digital’ and have anchored it in their culture will be capable in the long run to also deliver on their digital value proposition at all levels,” Dr. Jens Silligmüller of the Eversfrank Group believes.

NETWORKING ALL TOUCHPOINTS

Customers expect the same content and design in their shopping experience at all touchpoints from stores through desktop computers and tablets to mobile phones and apps. Transitions must therefore be as easy and unnoticeable as possible, since the channel used to successfully purchase the desired products is immaterial to customers.

“We have to wow customers and spoil them with a seamless shopping experience,” underscores Jens Diekmann, Director Cross Channel & Business Development at Douglas: “The aim is to network brick-and-mortar, online and mobile retail to such a degree that in the end it doesn’t matter whether customers come to us through our web shop, a physical store or using an app. The main thing is that they shop with us.”

THE 24-HOUR SHOPPING EXPERIENCE

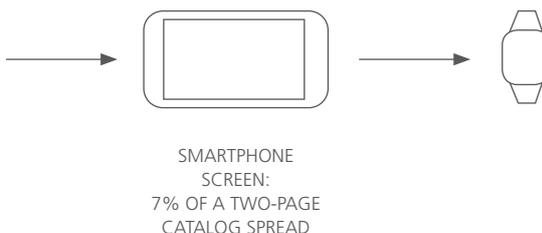


NEW BUSINESS MODELS

There is no getting around cross-channel marketing. Reaching out to customers through many channels also opens up numerous new business models and additional services that businesses can offer. One example is “click and collect.” Here, customers order online and have their orders delivered to a store. In the United States, this has been a great success, according to Glen Bradley. Seventy percent of customers there prefer this service. Diekmann notes that the rate in Douglas drugstores in Germany is nearly as high. One advantage: Most customers buy additional items



in the store when they come to pick up their orders. For the first time, a digital channel is prompting customers to enter a brick-and-mortar business. He also highly recommends the option of enabling customers to order online products that are not available right in the store. The message to customers is “We will solve your problem!” This allows brick-and-mortar stores with their naturally limited range of goods to benefit from the exponentially larger selection of products in an online store. When cross-channel marketing is well integrated, digital and physical channels do not just complement each other, they are mutually beneficial.



DEVICES ARE SHRINKING AND BECOMING MORE MOBILE

“Waiting time is online time. And online time is shopping time,” observes Olaf Schlüter, Division Manager E-Commerce at Otto.de. Statistics from the United States illustrate this development very clearly. Sixty-five percent of online purchases there begin between 6:00 and 9:00 AM, possibly on a train or subway, and most likely on a mobile phone. The devices customers use to make purchases online are becoming increasingly mobile and their screens smaller and smaller. It’s “everywhere commerce” to a tee. According to Tim Pitt, formerly Chief Marketing Officer for Jockey and now with The Retail Think Tank, in 2020 only 40% of

customers will use a desktop computer to make online purchases, while 60% will use their mobile phones. E-commerce is becoming m-commerce. His message? “Get mobile as quickly as you can.” In 2013, Otto.de radically changed its focus to “mobile first” for this reason. The resulting challenges are particularly evident in terms of space: The area available to mail order retailers on a smartphone screen totals only about 7% of an old double-page catalog spread. And attention is already turning to Internet-enabled watches as well.



DATA ANALYSIS AS A REVENUE DRIVER: KNOWING WHAT CUSTOMERS WILL BUY

Dr. Meeno Schrader and Nils Passau, both Managing Directors at meteolytix, demonstrated the importance of precise forecasts for optimizing retail sales. Meteolytix uses exact weather forecasts and a total of more than 200 other factors to make reliable predictions of things such as customer behavior. Based on this information, retailers can perfect store replenishment, purchasing and production planning; optimize personnel planning; and optimally plan and place advertising campaigns. The weather alone substantially influences purchasing habits in all channels. Schrader reported about information from a study conducted by meteolytix for Google and Thomas Cook. When the weather was pleasant in May, bookings in northern Germany dropped by up to half, while the situation was the opposite during rainy summers.

The fact that the weather is a significant factor in food retailing is underscored by another example: “Cake sells well during misty, rainy weather, but when it’s hot, bakeries don’t need to produce any cream cakes at all,” says Nils Passau. He illustrated what predictive analysis can do for retail by outlining a project using the company’s “Forecast Bakery” product as an example. Projecting product range shifts and item sales at an early stage enables retailers to optimize production and replenishment planning. Thanks to store-specific forecasts by meteolytix, a bakery chain boosted revenue by 3% while lowering the return rate by 20%, thus saving EUR 400,000 per year. This system is ideal in terms of sustainability as well: Forecasting cut food waste by 700 cubic meters. After all, if it doesn’t have to be produced, it doesn’t have to be thrown away.

THE CURRENCY OF THE FUTURE: ATTENTION

The time and attention of customers are becoming increasingly scarce resources for which the retail industry must fight. In 2014, smartphone users had an average attention span of four seconds. In Olaf Schlüter's opinion, brands must therefore become storytellers and must be able to tell stories across all touchpoints. Or, as Tim Pitt puts it, "If content is king, then context is queen." Only by injecting emotion and adding true value can retailers grab the attention of customers, states Schlüter. This is why in the future he is focusing especially on the issue of how to personalize products and services for customers. Retailers must know what customers need at any given time and what their individual shopping paths look like.

"In 2010, the attention span of smartphone users was 12 seconds. In 2014, it was only four seconds."

Olaf Schlüter, Otto.de

*"If content is king,
then context is queen."*

Tim Pitt, The Retail Think Tank

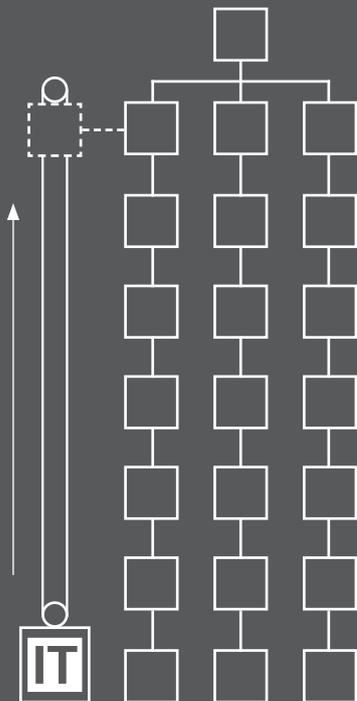
Gerhard Märtterer of the Eversfrank Group summarizes as follows: "We can't bombard consumers with numerous messages. We have to concentrate on what is important to the individual customer. Only highly relevant messages have a chance of winning the hearts and minds of consumers. Relevance trumps arbitrariness. Retailers who succeed in always reaching out to their customers with very personalized messages containing truly relevant content at the right time using the right media mix will have the decisive competitive edge in the age of multi-channel communication."



PROGRAMMERS ARE THE NEW HEROES

Mirco Freiberg, Head of IT at Blume 2000, dug even deeper into the topic of data as a revenue driver. He confirmed the opinion also held by the other presenters. The importance of IT is growing with the increasing digitalization of the retail sector. IT is becoming a basic core competence in this day and age. For this reason, companies must invest in talented professionals and/or must train their own employees.

The times have passed when the IT department had to eke out an existence in a side wing with barely any contact with the decision-makers in the company. According to Freiberg, IT is becoming a key player and is merging with marketing. This is why IT services, which are often outsourced, should definitely be brought back into the company. Freiberg also appealed to the audience to locate technology services close to management. Programmers must understand precisely what is needed and should also be confronted with specific customer complaints, for instance, why can't I use my online coupon?



WHEN THE DOOR TALKS TO THE ELEVATOR

“APARTIMENTUM”: A SMART HOME MODEL PROJECT

A coherent shopping experience is only possible if all devices, touchpoints and data are intelligently networked. Keynote speaker Lars Hinrichs, founder of Xing, demonstrated how this concept could be thought through to the end, more or less under laboratory conditions, in a presentation on his project, the “Apartimentum” smart home.

Ebner Stolz: “Mr. Hinrichs, as someone outside the industry, what led you to develop a smart home?”

Lars Hinrichs: “Everything around us is developing at lightning speed. But it’s different when it comes to our homes. We build them and live in them pretty much the same way as 70 years ago. And that’s despite megatrends like the shared economy, globalization, urbanization, digital convergence and connectivity via the Internet and smartphones, and new transportation and energy concepts. I asked myself how we could address these trends with architecture as well.”

Ebner Stolz: “What did you find?”

Lars Hinrichs: “For me, there are two fundamental, top-level rules: 1. Technology is a powerful driver of innovation that helps us to develop new business models. And that is true for houses as well. 2. Devices and objects are only intelligent if they can communicate with the Internet.”

Ebner Stolz: “What does that mean for your project?”

Lars Hinrichs: “There are a couple of sub-trends that can be subsumed under the ‘connected life’ concept. Everything that can be linked and automated is being linked and automated. Sensors communicate with the cloud; the number of

Internet-enabled devices is growing. In 2020, every person will own and use an average of 6.8 devices. And methods of communication are becoming increasingly complex: speech, touch, facial recognition, holograms, etc. Cities in particular—and houses as a component of cities—are becoming more and more networked. My intention was to run through this scenario with a model project.”

Ebner Stolz: “What distinguishes a smart home from a conventional house?”

Lars Hinrichs: “I believe that the house of the future will be 100% IP-based. Home servers will be a thing of the past; everything will be in the cloud. Objects will communicate with one another while taking into account a wide variety of factors, such as weather, time, activity, sensor information. However, smart homes cannot be complicated IT systems that overwhelm users. Regular users must be able to manage these houses themselves.”

Ebner Stolz: “Can you give an example of an intelligent, communicative object?”

Lars Hinrichs: “Take the apartment door. Instead of just adding functions and, for example, installing a camera, we made the door itself intelligent. The door needs two pieces of information to function like this: How late is it? And: Is the occupant at home? Our door opens without the resident having to take the key out of their pocket. The door identifies who is coming and knows whether it should let in the cleaning service or a friend, even if the occupant is not at home.”

Ebner Stolz: “Can you name other examples that demonstrate the benefits of a smart home?”

Lars Hinrichs: “A smart home is a more comfortable home to live in. Imagine driving into the underground garage and walking to an elevator

that is already waiting for you. Or you wake up at night to go to the bathroom and a small, soft light turns on instead of the usual bathroom floodlight.”

Ebner Stolz: “What influence does the smart home concept have on the energy and resource usage of a residence?”

Lars Hinrichs: “Intelligent devices tailored precisely to residents’ usage patterns save energy, like electricity and heating. For example, the heating turns on shortly before occupants return home and turns off automatically when they leave the house. If someone opens a window, the heating is also turned down automatically. And why light the entire stairwell when a resident is going to their apartment? In our building, a strip of LED lights

leads occupants to their apartments. Moreover, we integrated a fleet of electric cars into our model project which we can power ourselves at our own electrical charging station—incidentally the largest in Germany.”

Ebner Stolz: “Mr. Hinrichs, thank you for speaking with us.”

“APARTIMENTUM” FACTS AND FIGURES

Building: Original 1907 façade, rest of building new

Address: Mittelweg 169, Hamburg-Rotherbaum, Germany

Opening: February 2016

No. of apartments: 45

Apartment size: 37 to 230 square meters

Lease term: Temporary, six months to four years

Rent: Flat rate (standard amenities included, others can be added): EUR 10 to EUR 12 per cubic meter (ceiling height 3.70 meters), EUR 2,000 to EUR 10,000 per apartment

Target group: Expatriates working in Hamburg temporarily

Technology: Cloud, apps, 34 IPs, public WLAN in the building, fast LTE Internet in the building

Networked/intelligent devices and equipment: Elevators, all doors, washing machine, cooktop, dryer, oven, bathtub, heating, lighting, cameras, intercom, air conditioning, smoke detectors, thermostat, window handles, garage door, TV, wi-fi, routers, switches, air vents, heating pump, solar power system, car charging station, mailboxes, mailbox for packages, water and electricity meters, fiber optic cables

Energy: Ice storage cooling system, cogeneration (combined heat and power) unit, heat pump



SPEAKERS



Kay J. Evers (left)

Managing Partner, Eversfrank Group

Otto Christian Lindemann (right)

Partner, Ebner Stolz Management Consultants:

Welcome



Dr. Jens Silligmüller

Managing Director,

Eversfrank Group

Moderator



Manuel Jahn (links)

Head of Consulting, GfK Geomarketing

Dr. Gerold Doplbauer (right)

Team Leader Retail Real Estate Advice, GfK Geomarketing:

**“The Influence of Digitalization on Brick-and-Mortar Retail—
Innovative Concepts in 2025”**



Jens Diekmann

Director Cross Channel & Business Development, Douglas:

**“Intelligent Cross-Channel Retail—How Digitalization Helps
to Create a Seamless Shopping Experience for Customers”**



Stacey Renfro

Senior Vice President E-Commerce, Pier 1 Imports:

**“The Influence of Digitalization on Conventional Retail—
Insight into Pier 1 Imports & ‘Digital Retail Initiatives’ at
the University of North Texas”**



Dr. Meeno Schrader (left)

Managing Director, meteolytix

Nils Passau (right)

Managing Director, meteolytix

**“‘Data’ as a Revenue Driver—Experience with Forecasting Models
in the ‘Fresh Foods’ Segment”**



Mirco Freiberg

Head of IT, Blume 2000:

“Data’ as a Revenue Driver (Part 2)—Blume 2000’s Experience Where ‘Data’ and ‘Digital’ Meet”



Professor Dr. Michael Braungart

Professorship in Cradle to Cradle Innovation and Quality, Rotterdam School of Management, founder and scientific CEO, EPEA:

“Print’s New Role as a Result of Digitalization— The ‘Cradle to Cradle’ Approach in Designing Printed Products”



Gerhard Märtterer

Head of One-to-One Marketing Services, Eversfrank Group:

“Print’s New Role as a Result of Digitalization (Part 2)— New Media Formats Combining Print and Online”



Glen Bradley

Ex-Vice President, Levi Strauss & Co.:

“The Omni-Channel Phenomenon in the North American Retail Market—Channels at the Intersection Between Branded Products and Leading Retailers”



Olaf Schlüter

Division Manager E-Commerce, Product Management & User Experience Design, Otto.de:

“From the Online Store to ‘Everywhere Commerce’— How Mobile User Habits Are Changing Online Retailing”



Tim Pitt

Formerly Chief Marketing Officer for Jockey, now at The Retail Think Tank:

“The Digital Landscape and Its Influence on Retail Marketing— A Trip into the Social Media, E-Commerce and Mobile World”



Lars Hinrichs

Xing founder and Supervisory Board member, Deutsche Telekom:

“The Fifth Category of Housing—Insight into Apartmentum, the ‘Smartest Home in Germany”

ORGANIZERS



In 2015, the Eversfrank Group, Ebner Stolz and comosoft held the 3rd Retail Summit—Port of Thoughts in Hamburg, Germany



THE EVERSRANK GROUP— PRINTING. MEDIA. ENVIRONMENT.

The Eversfrank Group is an international media company with around 1,200 employees at ten locations. With revenue of EUR 300 million, the Group is an innovative partner in the printing, media and environmental sectors. The Meldorf, Preetz, Alzey, Neumünster and Berlin sites provide heatset and coldset web press printing, sheet-fed printing with extensive inline finishing options and strong processing expertise. In the media segment, Group company ppi Media operates worldwide and specializes in software, developing, marketing and installing workflow solutions

for the publishing and printing industry for more than 25 years.

Comosoft GmbH, which is one of the world's leading providers of PIM, content management and database publishing systems, is also part of the Group. In the environmental sector, the forestry company Evers-ReForest® supplements the Group's activities: The afforestation of mixed deciduous forests offsets greenhouse gasses generated by the production process.

Additional information is available at the company's website at www.eversfrank.com



**EBNER
STOLZ**

EBNER STOLZ: INTERDISCIPLINARY TOP TEN

Ebner Stolz is one of the largest independent, Mittelstand (small- and medium-sized) consulting firms in Germany, ranking among the top ten. With 15 offices in all important major German cities, the company represents and provides consulting to mainly Mittelstand clients. In addition, Ebner Stolz's expertise is in demand when larger companies tender prominent projects.

More than 1,200 employees and partners provide services with a special consulting approach: A single contact focuses on all relevant details and makes use of a multidisciplinary team of

auditors, tax advisors, legal advisors and corporate consultants. If necessary, other proven experts from Ebner Stolz can be consulted.

Ebner Stolz's high quality standards are evident in a far above-average number of staff who are qualified professionals. Pragmatic and forward-looking end-to-end solutions are developed individually, quickly and professionally.

Cross-border auditing and consulting engagements are conducted with NEXIA International partners. This worldwide network of consulting and auditing firms is also among the top ten in the industry.

Additional information on Ebner Stolz is available at www.ebnerstolz.de.



COMOSOFT AT A GLANCE

Headquartered in Hamburg, comosoftware GmbH is one of the world's leading providers of PIM, content management and database publishing systems. With its own software development department in Hamburg and partners who get the job done, comosoftware continually sets new standards for database-driven advertising material

production for e-commerce, printed catalogs and advertising inserts as well as mobile commerce and much more. Innovative products such as LAGO, portlight®, asim, Screens and the Marketing Cockpit have transformed comosoftware into the market leader in multi-channel commerce.

More information is available at: www.comosoftware.de

