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What really drives innovation

New research confirms the conventional wisdom that "necessity is the mother of invention" and that retailers don't need the biggest budgets to innovate.

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‘Pricey’ not necessarily better

New research confirms what has long been conventional wisdom: there is no correlation between bigger budgets and better innovation, meaning limited resources may actually fuel creative thinking.

By Heather McIlvaine

McDonald’s Australia’s newest restaurant at Sydney Airport is a feast for the eyes as well as the palette.

The two-storey structure features an upstairs kitchen with see-through walls that allow customers to watch staff cooking and packaging their orders from below, like so many busy bees in a hive, while bags of food are transported to the ground floor on a mesmerising, looping conveyor belt.

In a food court environment, where it is often hard to stand out, McDonald’s storefront is impossible to ignore.

You may think the innovative design was the inevitable result of a sizable budget and partnership with a top-tier architecture firm, but according to Josh Bannister, senior development director for McDonald’s Australia, the concept came about due to a lack of space more than anything.

“The new Sydney Airport restaurant is unique for McDonald’s in Australia,” Bannister told *IRW*.

“Working with limited space, we needed to be creative in how we designed the restaurant to present our customers with the best possible dining experience.”

It is a cliche that many innovative companies started in someone’s garage, where limited resources forced the founders to solve problems in creative ways. But new research confirms the conventional wisdom that “necessity is the mother of invention”.

No correlation between budget and innovation

Released yesterday, the *Canon Business Readiness Index: 2018 Innovation Edition* reveals the factors driving innovation in Australian businesses, as well as the forces preventing innovation based on a survey conducted by GfK Australia in April of more than 530 senior executives in more than a dozen industries, including retail.

And while half of all survey respondents cited a lack of budget as their biggest barrier to innovation, Gavin Gomes, director of Canon Business Services, said there actually is no correlation between an organisation’s budget and its ability to innovate.

“In fact, many smaller organisations are able to fail fast and can innovate faster than larger organisations,” he told *IRW*.

Gomes noted that two-thirds of the barriers cited as preventing innovation are internal barriers, including bureaucracy and company culture, and emotional factors, such as reluctance to change and conflict between stakeholders.

In fact, 70 per cent of large businesses across industries said conflict was a key reason their innovation initiatives failed, while half of all respondents said doubt led to the failure of innovation initiatives.

“In Australia, where ‘fair go’ and ‘having a crack’ are important social attributes, we need to do better. Americans tend to have a lot of self-belief. From an Australian business point of view, we can be more like that,” Gomes said.

Retail more innovative than average

On the flip side, respondents rated technology, including platforms and systems, as the most important of three factors in driving innovation. The next most important factor was people, including employee skill sets and company culture, followed by policies and process, including recruitment policies and an innovation strategy and framework.

When it comes to investing in technology, Gomes said executives are looking for faster paybacks and clearer business cases.

“The criteria have become a lot stricter and there’s more frugality when it comes to investing [in technology],” he said.

“What we see from the most innovative companies – no matter how big or small – is that they have the drive and discipline to measure the execution of their initiatives and whether they’re being impactful for the business or not.”

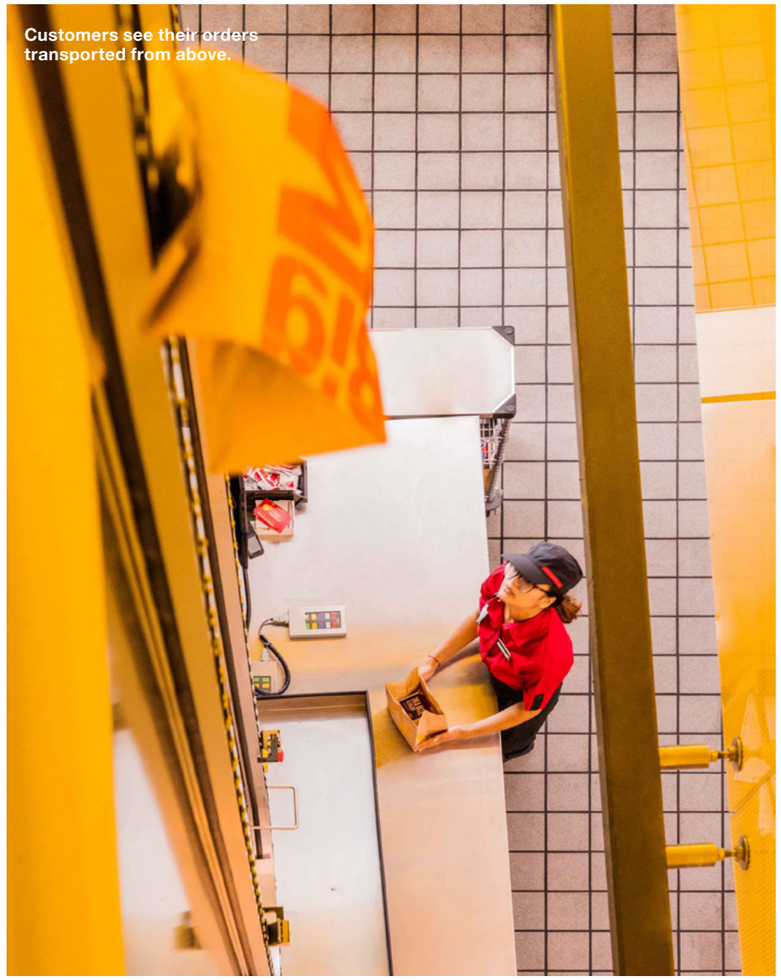
But the survey reveals a significant gap between executives’ understanding of the importance of innovation and their execution of innovation initiatives. While 78 per cent of respondents said innovation was important in their industry, only 38 per cent rated themselves as innovative.

The retail industry is slightly ahead of the curve, with 80 per cent saying innovation is important and 46 per cent rating themselves as innovative. Gomes attributes this to the need to keep pace with customer demands and the relatively high level of choice and competition in the retail industry.

“Retail is an industry that’s been going for thousands of years,” he said.

“This isn’t something new. Retailers that have innovated have always come to prominence, while those that haven’t invested enough time, money and thinking [in innovation], haven’t survived,” he said. IRW

McDonald’s Sydney Airport store was brought about by a logistical problem.



Customers see their orders transported from above.

This week’s Top 10

Our most read stories from the past week at insideretail.com.au.

1. Noni B acquires Katies, Millers, Autograph and Rivers for $31m
2. Lew: Myer’s “entire future at risk”
3. Myer warns on fourth quarter profit as sales decline
4. ‘A theme park for fashion’: General Pants shoots a three
5. Noni B charts turnaround for former Specialty Fashion stable
6. Woolies to open new Melbourne DC in fresh push
7. Steinhoff seeks debt extension amid creditor standoff
8. Walmart boosted by new website
9. Warm weather hammers clothing stores
10. Metcash inks deal with Chinese retail giant

Comment of the week

“I cannot believe that the shareholders are still putting up with the board, I totally agree with Solomon Lew. Myer is beginning to get into very deep water without a boat or a life jacket, one wonders how long this incompetence will continue, one way or another, it won’t be long.”

Peter - *Solomon Lew: Myer’s “entire future at risk”.*

ANALYSIS

Shrinking to greatness

There's many issues yet to be addressed by Myer's incoming chief and top of the pile is rightsizing the retailer's lacklustre store network.

By Matthew Elmas

Myer is facing a wide range of challenges, but none will be more prevalent for new chief executive John King than landlords.

With more than 60 stores across the country, management, analysts and shareholders all understand the need for the business to free itself of the weight of rental costs, which were a key factor holding back previous Myer CEO Richard Umbers' efforts to turnaround the business for several years.

Landlords such as Scentre Group have indicated publicly that they don't intend on giving retailers that are seeking rent relief, the benefit of the doubt and in the case of Myer, have already prepared alternative scenarios that would see empty space in a closed store re-leased to several tenants.

UBS analyst Ben Gilbert, who cut his earnings per share (EPS) forecast for Myer by 10 – 16 per cent in FY18-20 last week, said Myer will need to close more stores.

"They need to shrink to greatness," Gilbert said. "The issue is you're still operating a business that has too many stores and are too big."

Before leaving last year Umbers laid out a plan to close several Myer stores and downsize others, although it remains unclear what approach King will take once he takes the reigns.

The performance of the store network has been lacklustre so far this year. Citi analysts estimated that bricks-and-mortar like-for-like sales growth fell by five per cent in the third quarter.

This comes as online sales increased by 49 per cent, moving to six per cent of total sales.

Former chief executive Bernie Brookes, who oversaw Myer's public float in 2009, is also of the view that department stores like Myer need to shrink to greatness by embracing online to capture more sales.

Either way, it's unlikely landlords, Myer's largest shareholder and vocal critic Solomon Lew or increasingly apathetic customers will do King the service of a little faith. The former UK retail executive will have to sink or swim from day one.

King will walk in the doors of the department store's Melbourne headquarters in June armed with a board-issued license for change.

The former House of Fraser chief is no stranger to distressed retail businesses, but this won't be the first time a new boss has walked through the door with a plan for a new Myer and he's unlikely to get the benefit of the doubt.

His predecessor Umbers was shown the door in February after delivering three profit downgrades in twelve months – but King may only be a few weeks into the job before having to take his first to the market.

Delivering Myer's third quarter sales figures last week, Myer's executive chairman Garry Hounsell, who stepped in for Umbers as an interim boss, warned that fourth quarter profits may suffer from an inability to move winter stock due to a warm start to the cold season.

"The unseasonably warm start to winter has impacted sales, particularly in winter apparel, shoes and accessories, which may impact profit in the fourth quarter," Hounsell said.

It's unusual for publicly listed retailers to include profit information in quarterly disclosures, which critic Solomon Lew was quick to seize on.

"Hounsell's lack of money-making expertise is about to be demonstrated in embarrassing detail. He will have to announce both a downgrade and a full year loss, all of which has occurred under his stewardship," Lew said in a letter to Myer shareholders last week.

Lew, who acquired a 10.8 per cent stake in Myer through Premier Investments last year, has been campaigning to oust the department store's board and bring in three of his own nominees for a turnaround plan.

Lew is not alone in recognising a potential downgrade in Myer's near future – analysts also believe it is a distinct possibility amid declining sales, which were down 3.1 per cent on a like-for-like basis in the third quarter.

Further deterioration would do more than just ramp up the pressure from activist shareholders though, analysts believe Myer is at risk of breaching its fixed charge covenant if like-for-like sales decline by more than around three per cent while gross margin continues to fall.

Gilbert said that Myer's third quarter result had increased the risk of a covenant breach in fiscal 19.

Citi analyst Bryan Raymond said Myer's third quarter was credible in a challenging environment, but that uncertainty over the direction King would take and covenants left an unfavourable risk-reward equation for investors.

"The risk-reward equation remains unfavourable in our view, without visibility on the new strategic direction and relief from covenants, which are constraining investment in the near term," Raymond said. IRW

Myer may need to close more stores.

'Modern retail' courted by firm

Denim and streetwear label General Pants has opened a megastore at Westfield Parramatta in Sydney, which features a basketball court last week.

The 800sqm location, described as a theme park for fashion by one customer, features sports vintage arcade games, hip hop murals and a basketball half-court that's already been broken in by NBA championship player Andrew Bogut.

General Pants Co. chief executive Craig King said the brand is focused on showcasing a modern take on retail that's all about local, customer-focused design

"If your store isn't becoming more interesting, more creative and more compelling to your audience then you're going to leak footfall and sales," King said.

"The sheer volume of discounting from pure play online retailers is high and being multi-branded there are a number of our brands that appear on pure play sites.

"We're basically trading out against price, so if we can't provide enough theatre or reason to come into store [we'll] get exposed," he said.

Parramatta is the fourth megastore the denim and street wear business has opened in in the last twelve months as it looks to ensure its offer remains relevant in the eyes of consumers.

Metcash partners with JD.com

Grocery wholesaler Metcash has signed a deal with Chinese retail giant JD.com to expand its fresh-food convenience concept into the world's most populous country.

Metcash's Fresh Pantry brand will be launched on JD's e-commerce platform under the deal, delivering its range of Australian and New Zealand products to Chinese shoppers.

The move is a step-up in JD.com's investment in Australia after it launched its local office in Melbourne earlier this year, while Metcash while gain a foothold in China that will diversify its business beyond Australia's lower growth market.

The concept currently trades across two physical locations in Australia, and although there are no plans to extend the brand further locally, Metcash believes Chinese e-commerce could be a lucrative vertical.

"The store on JD Worldwide will look to become the pre-eminent platform for Australian and New Zealand products and deliver an authentic Fresh Pantry shopping experience to consumers in China," Metcash's head of China operations Will Zhao said in a statement.

Fresh Pantry sells a range of in-demand Australian food, household, baby and maternal, wine and healthcare products.

Toys 'R' Us enters admin

Toys 'R' Us Australia and sister brand Babies 'R' Us have fallen into voluntary administration, following the collapse of US-based Toys 'R' Us Inc.

Insolvency firm McGrathNicol was appointed as administrators after a bid to purchase the Australian business was withdrawn.

McGrathNicol said in a statement on Monday that all Toys 'R' Us Australia stores will continue to trade as options for a potential sale of the standalone Australian business is explored.

The 44 Australian retail stores and approximately 700 permanent staff are caught up in the administration.

Toys 'R' Us Inc has been seeking to offload its international businesses for several months amid a liquidation process that is seeing more than 700 stores wound down in the US.

It has already entered into agreements to sell its Canadian and European businesses, while its US operations remain in play.

Toys 'R' Us Inc has also said that multiple offers have been made for Toys 'R' Us Asia, which it owns an 85 per cent stake in.

The Australian Toys 'R' Us business has been struggling for some time, booking millions in losses in recent years, but was being expanded under the leadership of Dianne Guerreiro, who as of late last year was actioning plans to open new stores.

2018: The year visual search goes mainstream?

Visual search, or the shopper's ability to see and scan something anywhere and buy it immediately, is ramping up. But is it only for a small portion of the retail market?

By Norrelle Goldring

Over the past 12 months in Australia we've been hearing a lot about voice in retail, using platforms including Amazon Alexa and Google Home. The assumption is that this will eventually translate into voice commerce, as it has in the USA and elsewhere.

But what seems to still be under the radar here, despite its significant growth in 2017 elsewhere on the planet, is visual search and commerce.

Here is an outline of the commerce history for visual search plus the opportunities – who's currently using it and which sectors it's best suited to.

What is visual search?

Visual search serves as the link between spotting desirable items offline in 'real life' – whether in public places or magazines etc – and instantly shopping for them online.

Visual search instantly presents consumers with the desired products, in addition to similar products of interest at different price points. It can save shoppers time, as it spares them from having to scroll through pages of products that moderately fall within the parameters set by keyword typing, or from having to figure out how to verbalise an item that is difficult to describe.

Early pioneers

- In a classic case of technology waiting for a use, visual search capabilities have been around since the early 2000s. Smartphones and mobile ecommerce have increased the technology's relevance, and v-commerce applications started appearing in 2014.
- In November of 2013, a Latin American telecommunications company, América Móvil, invested $60 million in Mobli, a mobile, image and video sharing tool.
- In mid-2014, UK-based Imperial Innovations invested £1.5 million in Cortexica, at that time one of the largest visual search companies, whose main product, FindSimilar, delivers clothing inventory search results when a user snaps a photo of clothing or accessories.
- US luxury fashion retailer Neiman Marcus introduced its "Snap. Find.Shop" app in October 2014 using the Slyce platform.

2017: The year visual search gets serious

- February 2017: Pinterest Lens launches. The goal was to offer a camera search that helps consumers discover online what they come across in the offline world. A related app 'Style the Look' provides ideas for what else to wear or match the scanned/desired item with (clothing, furniture etc), and thus upsell opportunities. In a 'retro' twist, as part of the one-year anniversary of Lens, in February Pinterest commenced rolling out a new 'add text' feature for the tool in the iOS version of the app.
- August 2017: UK retailer Asos launches its Style Match tool in select markets (predominantly UK). In March 2018 Style Match launched in all Asos markets.
- September 2017: Target USA incorporates a Pinterest-Lens style visual search into their registry system. Fulfilment via both online and bricks-and-mortar stores.
- October 2017: Ebay launches an image search function for iOS, which surfaces listings that are a close match or visually similar to an uploaded image, as well as 'Find It on Ebay' functionality when browsing another website including Pinterest and blogs, by sharing the URL with Ebay.
- Nov 2017: Asian-based online fashion powerhouse Zalora launched a visual search app, the result of a partnership with AI company ViSenze
- Google released an update to its image search on mobile devices, which features badges on image results to let viewers know upon first glance whether the item featured is available for sale, among other options.

Other users in 2017

- American Eagle integrated Pinterest Lens into a chatbot messenger campaign.
- Tommy Hilfiger launched visual search at a fashion show and are expanding capabilities by launching standalone apps focused on visual search for items seen in print, online and in real life.
- Urban Outfitters launched a scan-to-shop app
- Kim Kardashian's Screenshop app allows customers to take a screenshot on Instagram, Facebook, Snapchat or any other app with photos, and identify shoppable apparel and accessory items in the photo.

But it's not just about apparel

A business intelligence report using visual search technology provider Slyce data from late 2017 indicated that 39 per cent of visual search was for fashion, 31 per cent for furniture/home decor, 24 per cent for appliances and technology, and 6 per cent for FMCG and other consumer goods.

Non-apparel users include:

- West Elm launched a Pinterest Style Finder, powered by Clarifai, that can understand users' styles by connecting to their Pinterest boards. In 10 seconds, the system returns with a shortlist of furniture, rugs, curtains, mirrors and other items that reflect and appeal to the consumer's individual aesthetic.
- US based online home furnishings and decor retailer Hayneedle launched an app, including visual search capability enabled by Slyce .The app also allows users to search based on their style preferences, save items to a favourites list and complete their purchases via Apple Pay. Users are also offered access to Hayneedle's best prices and limited time offers in the 'Deals' section of the app.
- Another US based home furnishings online retailer, Wayfair, in May announced the launch of "Search with Photo," a new feature that allows shoppers to quickly and easily find matches and similar styles from Wayfair's selection of more than 8 million products.
- Home Depot uses a visual search app for the brand's 35,000 in-store and 1 million online SKUS.

Platform providers are key

Aside from Google, Ebay and the aforementioned Cortexica and ViSenze, major platform providers retailers can tap into include:

- Slyce: as at end 2017, was working with around 40 retailers.
- SyteAI: clients include Marks & Spencer, and Kohl's. After raising $8m from investors including top Asian tech firms NHN, Line Corp. and Naver, SyteAI has a new API that makes adding visual search accessible to more e-commerce sites. 'Visual Search for All' is a white-label feature which can be integrated into retail websites or apps within 24 hours and lets shoppers upload photos saved on their phones.
- Alibaba Cloud: is working with a number of its customers to roll out the company's visual search service. Australia's The Iconic was the first customer using this service, dubbed 'Snap to Search'.

What are the pros and cons?

Pros: Visual search saves shoppers time and closes sales. It provides incremental sales via inspiration from real life. It can help upsell via functionality such as 'style the entire look'.

V-search provides a helpful means to collect consumer data and understand how they are using the functionality, eg brands can track if shoppers actually click on the provided links and make purchases, and examine which styles they considered.

Cons: Likely best for retailers with a large range across specific categories. Currently designed as an app for mobile devices, not laptops.

May appeal more to millennials and Gen Zs than older age groups. Certain brands and categories lend themselves better to visual search than others. Caution required not to confuse shoppers by overwhelming them with too many discovery methods. Shoppers may require a previous relationship with a retailer and have downloaded that retailer's search app.

Where to from here?

There's enough scale in rollout – among US and UK retailers at least – to suggest that this is neither niche nor a passing fad, and is set to grow further. I suspect that as younger generations (millennials, generation Z) continue to move away from acquiring things and into experiences, visual search facilitates inspired easy shopping, they can get what they want, instantaneously, without really having to even look for it. IRW

Norrelle Goldring has 20 years' experience in retail, category, channel and customer strategy, marketing and research, working in and with global retailers, manufacturers and research houses.

Amazon presses Go button

Amazon is set to open more queue-free grocery stores in Chicago and San Francisco, marking the first expansion of the concept after its launch earlier this year.

The company has begun posting job openings for store managers in both cities while an Amazon spokesperson confirmed that the company is opening the locations, although no timetable was provided.

The grocery concept garnered global attention when it was unveiled in late 2016, primarily because the store has no check-out and instead uses a range of intelligent cameras to charge customers automatically when they pick up items and walk out of the store.

It has been dubbed as Amazon's attempt to re-invent the supermarket amid the company's ongoing efforts to claim a greater share of the global grocery pie.

Starbucks' massive China plans

Starbucks China plans to open a new store every 15 hours for the next five years, doubling its store count to 6000.

During its first-ever China Investor Conference in Shanghai, the US-headquartered coffee company said it plans to more than triple sales and more than double operating income in China by the end of 2022, compared with last year's levels.

At the end of last year, Starbucks China had about 3000 stores. The company promised to open 600 annually from this year through to 2022.

"The power of our brand in China, the strength and momentum in our business, and the world-class Chinese leadership team give me great confidence in our ability to capture the enormous growth opportunities ahead in this dynamic market," said Kevin Johnson, Starbucks president and CEO.

Royal look into the future

A British institution standing for tradition and protocol came face-to-face with the future of work and commerce in London last week, as Their Royal Highnesses, The Prince of Wales and The Duchess of Cornwall, toured Yoox Net-A-Porter (YNAP) Group's new Tech Hub. Opened last year, the Tech Hub is part of the YNAP Group's £1 billion investment in technology and operations and serves as a centre for digital expertise, employing over 500 technologists.

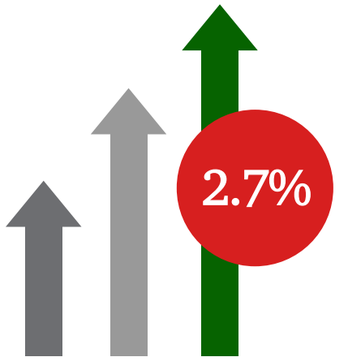
During the tour, YNAP Group founder and CEO Federico Marchetti showcased some of the e-commerce company's latest innovations, including the use of artificial intelligence (AI) to personalise the Net-A-Porter homepage to each individual shopper.

The company brought the concept to life with prototypes for Their Royal Highnesses, featuring a curated selection of luxury fashion, fine jewellery and watches suitable for their upcoming engagements.

The prototypes showed how data such as weather, location, purchase history and more could, at a customer's request, be used to recommend precisely the right products, services and content, creating the ultimate luxury shopping experience, all powered by AI. IRW

US$120.7 billion

(Walmart's total first quarter revenue)



15.3%

Year-on-year rise in retail store sales during April.

Source: CBA Business Sales Indicator

44

Number of empty shops on Melbourne's Chapel Street - formerly the city's prime shopping destination.

Source: Beller Commercial

$635.3 million

Myer's third quarter sales decline.

600,000

Amount of meals that meal-kit company HelloFresh ships across Australia each week.

Retales

There's a new big fish at the negotiating table between landlords and rag traders this week after Noni B agreed to pay $31 million for Specialty Fashion Group's Katies, Millers, Crossroads, Autograph and Rivers brands.

All in all, the deal covers around 750 stores, which is around 74 less than the portfolio had by the end of December.

Noni B chairman Richard Facioni is unsurprisingly pleased with the $43,000 per store deal, even if the portfolio will be a drag on earnings in FY18.

Big plans are in motion to break even by FY19, and then book a tidy little profit (hopefully).

But chief executive Scott Evans said last week that plan wouldn't necessarily involve closing stores.

Retales reckons that's unlikely, especially given Specialty Fashion chief Daniel Bracken's view that the clear majority of the portfolio is grossly undercapitalised and unloved.

Evans did not reveal what they plan to invest in righting the ship, although it probably makes the $31 million Specialty Fashion agreed to part with the brands for, look a bit more reasonable.

Baptism of fire for Myer's King

The ailing department store's new chief certainly has a task on his hands when he assumes control, in arresting the decline of the iconic Aussie retailer. **OPINION** | Jared Dickson

John King, the incoming Myer CEO faces a baptism of fire when he formally takes up his position on June 4.

Myer's appointment of King in April was, in large measure, based on his turnaround strategy success with the British department store, House of Fraser, between 2006 and 2014.

Although there has been some question marks over the sustainability of the House of Fraser turnaround, under his tenure King and his management team consistently grew revenues and pre-tax earnings.

He also reduced debt, launched an online business, refurbished 70 percent of the stores and differentiated the merchandise offer and implemented a vision, values and culture program.

It was inevitable that Myer would need to look overseas for a CEO to replace Richard Umbers and in King they have recruited an executive who actually brings department store retail experience, after more than a decade under leadership from other retail channels.

King will need every ounce of his 30-plus years of experience across department stores, specialty retailing, premium global brands, wholesale apparel and discount retail if he is to revive the fortunes of the venerable but ailing Myer.

Indeed, the Myer job presents as a tougher assignment than House of Fraser, which was acquired by the Chinese conglomerate Sanpower in 2014, allowing King to undertake consultancy projects and assist a number of startup businesses in the United States.

King is taking over a business that has been in a downward spiral for many years, albeit encouraged for a brief period under private equity ownership and in the early period of its float on the Australian Stock Exchange.

Sales and earnings are continuing to tumble, investor confidence is at a bargain basement low, management ranks are thin, customers are confused about what Myer stands for and what its merchandise proposition is and the retailer is sailing perilously close to breaching its banking covenants.

If that is not enough, King will have to contend with shareholder and market unrest stirred by Myer's largest shareholder, Solomon Lew, who has laid siege to the retailer's board of directors over the poor trading performance and a turnaround strategy that has provided little indication of success.

Lew is also critical of the lack of retail experience on the board and has argued in the past week that King can expect little guidance from directors on the market conditions and Myer's immediate and long-term challenges and opportunities.

Lew rocketed off another missile to Myer shareholders after the retailer issued its third quarter sales last week, results that recorded a further decline in revenues and a seemingly inevitable further fall in profits.

Demonstrating how bad Myer is actually going is the fact most analysts noted that the poor trading results were, at least, not as bad as had been anticipated.

Despite a 'sell recommendation' on the stock from a number of leading analysts, including Citi and UBS, investors obviously also cheered the fact that the third quarter results could well have been worse by lifting the share price to the princely sum of 45 cents.

Myer's total sales for the third quarter to April 28 were $635.3 million, down 2.7 percent on the same period in 2017 but alarmingly down 3.1 per cent on a comparable store basis.

> "It would not surprise if, as was the case with the Coles supermarkets turnaround when it was acquired by Wesfarmers in 2007, King picks up the phone and calls in some of his former retail colleagues in the United Kingdom."

Total year to date sales of $2,355.0 million are running 3.4 percent down on the 2017 financial year and down 3.0 per cent on a comparable store basis.

The only promising result for Myer in the third quarter was a 49.4 percent lift in online sales to $35.9 million. Online sales year to date are $141.1 million, up 49 per cent.

Myer executive chairman Garry Hounsell claimed a renewed focus on product, price and customer service announced in February had delivered encouraging results during March, but his enthusiasm quite possibly overlooked the timing of Easter.

Hounsell blamed the unseasonably warm start to winter for lower than expected sales of apparel, shoes and accessories.

Examining the Myer third quarter results, Lew and some analysts are now forecasting a further downgrade on profit projections for the full 2018 financial year.

Hounsell himself warned that there may be an impact on profit in the fourth quarter as a result of the apparel, footwear and ►

accessories trading results.

In his letter to shareholders after the release of the latest results, Lew said they should be prepared for a fourth profit downgrade for FY2018 and a massive loss in September as the retailer moves to reconcile trading results with its balance sheet and likely further writedowns.

Lew said further profit downgrades are inevitable as a result of discounting and the flawed turnaround strategy pursued by Richard Umbers, who vacated the CEO chair on February 14.

Perhaps a little bruised from the 'death by a thousand cuts' and the ammunition provided to Lew in his criticism of Myer leadership and performance, Hounsell has indicated the retailer will not continue to provide quarterly sales updates in FY2019.

In a bid to blunt Lew's attacks and to retain investor confidence ahead of the release of the third quarter results, Hounsell told shareholders in a letter on April 27 that King understood the Myer product mix and the complexity of retailer's operations.

Hounsell assured shareholders that King understands fashion retailing, particularly department stores, and brings a new perspective to Myer and has been issued "a full mandate by the board to deliver an improvement in the financial performance".

King certainly faces some pressing issues as he settles into the CEO's chair in Myer's Melbourne headquarters.

The most pressing issue is quite possibly a review of senior management ranks, which appear to lack depth and crucial experience.

It would not surprise if, as was the case with the Coles supermarkets turnaround when it was acquired by Wesfarmers in 2007, King picks up the phone and calls in some of his former retail colleagues in the United Kingdom.

The second priority is to genuinely do something about customer service levels in stores.

Who could possibly quantify the lost sales (and theft) in stores resulting from the wide open spaces, without a single salesperson to torment, unless of course you count staff from the concession store within store outlets who, surprise, surprise, aided by counter staff continue to outperform Myer's own departments.

Mind you, there is also a need for King to pacify those concession operators who are becoming increasingly concerned about the uncertainty of Myer's direction, falling foot traffic and store closures.

> "...there is also a need for King to pacify those concession operators who are becoming increasingly concerned about the uncertainty of Myer's direction, falling foot traffic and store closures."

Suppliers could also do with a bit of a hug at this time and they are crucial to decisions that King must make on the merchandise and marketing strategies vital to any turnaround in sales.

Operationally, King will need to review store performance and determine the optimal store network as well as the continued development of the online sales platform and Myer One loyalty program that has just been relaunched and customer services.

King has already visited a number of Myer stores and provided a pep talk to staff whose morale has suffered, particularly in the past 12 months.

Those staff, like investors, suppliers and customers, have seen a lot of turnaround plans over the years and they will be hoping King can do what his predecessors have been unable to do, to rebuild Myer as a sustainable, contemporary, relevant and dynamic department store. IRW

John King (left) and Garry Hounsell are under scrutiny.

What's the big idea?

Sticking to polished processes and protocol may look good on paper, but won't help to reignite a retailer's fortunes.

OPINION | Peter James Ryan

John F. Kennedy famously committed the United States of America to a big idea – landing on the moon.

Martin Luther King dreamt his big idea of every person being treated equally, regardless of the colour of their skin or the religion they chose to follow.

In the marketing world – while arguably a little less lofty – Apple's big idea was to use technology to enrich people's lives.

The history of retail has always showed that winners are fundamentally driven by a big idea. Selfridges was designed from day one to make the shopping experience magical. Walmart's single-minded proposition was to deliver the lowest prices to consumers every day. Zara championed the idea of cheap chic and disposable fashion. Whole Foods told powerful stories of the commitment, passion and love that their growers brought to the nurturing of food. And Louis Vuitton's big idea was to deliver the best 'value for money quality' in original luxury design.

The sad truth for the vast majority of current retail and marketing effort is a distinct lack of a big idea. A great deal of the blame for that outcome lies with our mistaken belief in process.

I have a colleague whom I continually disagree with on one major point – I do not believe you can train people to be creative nor use process to deliver creativity.

You can certainly produce something slick and well finished but while the execution is high quality, due in no small part to technology, at its heart most output today lacks the creative flair that produces emotional connection. The kind of connection needed to change behaviour and build strong brands and leverage profit uplift.

Process can't crack it. If it could then Myer, Big W, Target and countless other retailers would be in robust good health for they have spent millions of dollars on well executed, process-driven change management programs that have done nothing to create sustainable profit growth.

Beyond the boring

A big idea – capable of reigniting a successful retailer – does not come from process alone.

It takes people who are capable of genuine creativity given the space, time and support to generate an idea that will inspire all stakeholders to change what they are doing now.

Kennedy, King, Jobs, Vuitton, Selfridge, Walton, Ortega – these leaders all had one thing in common. They breathed life into big ideas that motivated others to follow the processes necessary for implementation leading to sustainable gain.

All great retail businesses need creative people at some point in the mix. Today we seem stuck in regurgitation and exploitation in an endless cycle of production efficiency that does not tolerate the compromises necessary to support big ideas. But as declining margins prove – and what Sam Walton was quoted as saying – "What doesn't change has to get cheaper."

You want to make things better – you need big ideas. You need big ideas – you need to involve the people who can deliver them – outside business as usual, outside normal process and often outside your current talent pool. For your business right now, what's the big idea? IRW

Peter James Ryan is chief executive navigator at Red Communication Australia, and has 25 years of marketing and business experience.

Apple's big idea was using tech to enrich people's lives.

Leading by design Down Under

After leading retail operations for several major UK retailers over a 20-year career, this week's featured executive now calls Australia home – and has her sights on raising the local profile of an iconic label.

By Dimitri Sotiropoulos

Alison Evans credits her early career with Marks and Spencer as the catalyst to an enduring love for all things retail, which now spans over 20 years. After working at Home Retail Group and Argos in the UK, Evans made the move to Australia five years ago. Based in Melbourne, Evans previously worked for brands including Target and Kathmandu, leading their retail operations, before joining global fashion brand Karen Millen.

Currently the director of Australasia for Karen Millen, Evans jumped at the chance to lead the iconic London fashion label's brand Down Under. Evans has always loved and worn the label since it first launched on the high street and relished the opportunity to run a label that was close to her heart, also looking to expand her knowledge beyond her retail operations, format and VM expertise.

Her current role also leads marketing, digital and merchandise planning teams, and it's this diversity of remit that really excites Evans, one day dressed to the nines, hosting a PR event the next, or in a hard hat and high vis vest touring a container ship at the dockyard.

Alison's passion for retail is all about the people. The buzz of getting it right for customers and the privilege to lead great teams both in-store and the office. A great believer in only being as good as those who surround you.

Designed in London, and with stores in over 60 countries across six continents, Karen Millen is renowned for creating beautifully crafted female fashion. Inspired by couture, Karen Millen's mission is to create distinctive style-led pieces that resonate with women of all ages and imbue confidence in the wearer.

Inside Retail Weekly: How has business been over the last 12 months for Karen Millen?

Alison Evans: It's actually been really exciting for us and a real year of change. It's also been quite challenging. We have a new leadership team in place and as a business have had an unrelenting focus on stabilising our business and returning it to overall profitable growth.

There have been a number of strategic changes made that are having a really positive commercial impact, which is great. We've been very focused over the last 12 months on the digital part of our business, which has been revitalised and are actually experiencing significant year-on-year growth digitally.

Another area that we've been really focused on is our client-first mentality, which is something that has been introduced under Beth Butterwick's leadership [global CEO]. We're seeing a real shift from being just a label that sells a collection of products, into a brand that has its own persona and offers a total brand experience.

So moving from being UK-centric to becoming much more of a global brand and much more client-centric as oppose to product-centric. There's been a real cultural shift in the organisation over the last 12 months, which has been a fantastic thing to be a part of.

There's also been a very extensive review of our product offerings and we're starting to see some really positive outcomes from that in current ranges hitting our stores. We've tried really hard to get back to having a confident purpose in our product.

In Australia specifically, we've done a lot here in market to set the business up for success in the years ahead. Strategically we have reviewed the bricks-and-mortar proposition for Karen Millen here in Australia, which over the last 12 months – yes has seen us close some stores – but it's also seen us open and relocate others.

In addition to our presence in Myer we also put our first David Jones concessions.

We are investing heavily in our digital strategy, which is something that's been done globally, and will be launching imminently onto a new web platform, which I'm super excited about.

We've also grown our Karen Millen database here in Australia, with the acquisition of new VIP clients and we've done that through a much more social approach to our marketing.

Over the last 12 month, myself and our leadership team have spent a lot of time ensuring that we've built a strong team in market. I'm a real believer in the greatest legacy any leader leaves behind them is their team. We have a very collaborative, autonomous approach to how we do business at Karen Millen and for me that really places well, in terms of being able to deliver for our customers, which is our overarching goal.

I've worked in retail longer than I care to admit, and I have to say, the calibre of our store teams is very genuine and invested in the Karen Millen brand, all have the desire to please our customers – it's a real asset and for me having spent a year now with the brand, it's real retail gold.

Karen Millen is focused on quality, not quantity.

IRW: Tell us about KM's history in Australia and what the brand's value proposition is.

AE: It's a global brand, London-based in 60 countries and six continents. The Karen Millen business started out with a roll of white cotton and its shirts were the legacy of where it all started. We've been in Australia over eight years, the business actually started out in this market as a franchise business and then we bought it back and it became company-owned again six and a half years ago.

We have our product offering and proposition, our online business here and also have full stores represented in most states. We have outlet stores and concessions present in both Myer and David Jones. That's the brief history of the brand and while I would say that although it's nearly a decade-old, brand awareness is something that we're trying to work really hard on, in terms of that Australian consumer awareness of the brand and what we offer.

We really want to work quite hard in consolidating our position as a key bridge brand – sort of between that high street and luxury – and so building product awareness of our product offer. From a consumer perspective, I think Karen Millen within the Australian market is well-known for its occasion wear offering and particularly dresses, which is the lifeblood category for us. And that's obviously a strong part of our heritage and what we are about.

One of the things that I'm trying to do is build our credentials in workwear, weekend and relaxed clothing. Because we actually do offer a broad range of clothing options that can meet the requirements of our clients for every event in their lives.

We're also looking to continue building the presence across our concession portfolio and stores.

> "Who better to showcase our products and what they stand for than our clients that are genuinely wearing them?"

IRW: How have Aussie consumers responded to the brand?

AE: We have a very loyal VIP client base here in Australia and as mentioned, have grown that quite substantially in the last 12 months through our approach to social. We've found social has played a really important role in driving our brand awareness because of the authenticity that comes with it as well.

Who better to showcase our products and what they stand for than our clients that are genuinely wearing them? That's worked really well for us. Our brand purpose is all about confidence through distinction and we don't make any apologies for that, it's all about making our customers feel confident in everything that they do and that real distinction comes from our atelier ethos.

In our London head office, we have a dedicated in-house atelier and I think that really cements our position as that bridge brand between high street and luxury. The response to our brand has been very positive and those that know our brand are very invested in it.

But for us, it's really about how we drive that awareness further and as ever, acquire more clients to the brand. I think we know that women today want exceptional style and couture craftsmanship without having to necessarily pay the high end designer prices. That's really a key area focus for us in terms of fulfilling that need. ►

IRW: In that context, and all the reported 'toughness of the market', do you think the fashion sector is simply consolidating and those that don't really stand for anything are the ones suffering?
AE: I really do feel that is the key point. For sure, conditions are undeniably tough at the moment, particularly in the discretionary fashion space for sure, we all have to work really hard to grow our businesses.

It's imperative that the businesses who continue to evolve and succeed in this market are those that genuinely understand who their customer is, and therefore continually evolve their retail model and product offering to make sure that their keeping that customer firmly at the centre of what they do.

I know that can sound simple, but in practice it's challenging to deliver. From my business, I certainly feel that's where we are quite well-placed to continue, because we want to continue to be known and deliver great product with fantastic quality that's completely reflective of what we understand our client wants.

There is that element of product exclusivity customers look for and we continue to respond to that need by introducing unique, limited edition pieces and we've seen those resonate really strongly here in the Australian market.

The in-house atelier is a real differentiator for our brand – the sketching, hand painting of prints that they do in-house – I've visited it multiple times now and it's so fabulous to see that, the intricacy of what they do, the amount that is done by hand with our embroidery and lace is so different in today's market.

Being mindful of sampling and the fitwork they do to ensure that all the adjustments are made is one of the things that Karen Millen is known for.

That is our unique proposition, the design integrity and careful construction of what we do and therefore in many ways, it is true investment dressing. You've got to have that differential and really not lose sight of that and then continue to evolve your model to meet the needs of your customer.

Another challenge that I don't necessarily have the answer to but we do face is navigating how distressed and discount-led the market has become here in Australia. I think having a compelling value proposition and that sort of unique quality-led offering does help in this market. It gives you that differential to encourage clients to not necessarily shop your brand based on getting discounts.

IRW: How important is sustainability for the company and what are some initiatives that the company has embarked on?
AE: Our corporate responsibility strategy is something that is very much developing. It's continually being reviewed and we have just recently appointed a new role in the business, a sustainability and ethical manager for our company, and that's literally hot off the press.

One of their first key areas of focus is really pulling together a strategy for our business moving forward. So we are looking at ways to integrate environmental sustainability into what we do, as well as a review of our ethical trade practices and also community enhancements. Those are all areas of key focus for the business. It is early days and a strategy that is developing.

IRW: Is Aussie fashion still a season behind global counterparts?
AE: I wouldn't class it as being a season behind, I would describe it as being seasonally appropriate for market. For us here in Australia, we aim to ensure that the ranges are climatically relevant as best we can.

We also take into account those major events that we know our clients love and are really important to us. A good example of that would obviously be the Spring Racing Carnival, Spring weddings, Christmas parties all of that from an occasion perspective and ensuring that we have all the appropriate options for occasion wear for customers to choose from when they want it.

In relation to the climate aspect, we need to make sure we're phasing our intakes of product in, in readiness for those shifts. So I think it's more about being seasonally appropriate.

From a fashion stakes perspective, we are very design-led and like to have unique product offerings, but not necessarily pursuing the latest trends. Therefore that fast fashion immediacy of trends is not quite as relevant for our brands. However, we do bring in unique limited edition fun pieces into the mix of what we offer but we're also very true to our product DNA and what we know our Karen Millen client looks for.

> "...we have a dedicated in-house atelier and I think that really cements our position as that bridge brand between high street and luxury."

The other bit, which is great for me here in market, is I do have my own in-country merchandise planning team and their work's invaluable for me in ensuring that we get the phasing and intake of lines timely to make sure that we do maximise commercial trade periods.

I'm personally working on building the approach to our buy plans for Australia, just to ensure that we do get the right depth on key lines.

We also have a Melbourne-based distribution centre, which is great, particularly for fulfilling products to our online customers as well, so there is some immediacy as well.

IRW: What is KM's digital strategy and how does e-commerce tie in with that merchandising piece?
AE: We are really focused on delivering a true omnichannel client experience. It's been part of our growth strategy and plan and something we have invested in globally and in this market.

We are about to launch onto a new web platform here in Australia, which is imminent, and currently designing that website to make sure that it's reliable, flexible and fully mobile optimised. That will undoubtedly deliver an exceptional customer experience for both our Karen Millen Australia and New Zealand customers.

We are doing that with a known platform that we're aligning to the global platform – so working with a really agile partner and I'm super excited about that and the opportunities for future growth that it provides in increasing the reach of our brands.

Within the digital strategy, we are really focused on creating content that really adds value, understanding what our customers need, we've spent a lot of time on this in the last year.

Through our digital strategy, we've been able to give customers more guidance, expertise and a much more personalised experience.

Moving forward, we are starting to do much more online storytelling and then trying to embed some innovative experiences throughout the shopping journey. It's a really exciting time for our brand in that regard and certainly a part of our business where we've been seeing some fantastic growth on the back of the strategy.

IRW: What are expansion plans for Karen Millen?
AE: The review over the last 12 months has been about trying to set the brand up for success in the years ahead here in the Australian market.

Directionally in the years to come, there are a couple of key areas of focus for us in regards to expansion. We certainly see further opportunities in the concession space for the brand and that's an area that we would be looking to expand for the brand.

We will also continue to investigate other digital host sites to have the brand through. Currently, we are on The Iconic and also on the David Jones website. We will review further opportunities there.

We also have our outlet proposition, and currently have one at Melbourne South Wharf DFO. That's another part of the strategy to look at in terms of expansion, in providing the opportunity to acquire the Karen Millen brand at a really great and acceptable price. There's also the investment in the digital platform itself and the continued online growth is a major driver of our growth plans in the 3-5 year plan ahead.

IRW: What other initiatives are on the cards?
AE: I want to mention our Women Who Can campaign, which is something we launched a couple of months ago and with some real success. We have a simple mission at Karen Millen, which is about giving women the confidence to be their best self and have done quite a bit of storytelling around products.

What I'm most excited about is we are now starting to share the stories of local Australian women and successful women who are within our client base and KM community.

And so it's really telling their stories and celebrating strong, dynamic women. Really sharing their successes but also vulnerabilities. From a brand perspective, it's about the great product we sell, but we also want to have more meaning behind the brand.

The Women Who Can campaign is really starting to open up a two-way conversation between us and our clients and we're doing that through editorial content and social activations plus also running in-store events.

We held a recent Women Who Can event in our flagship QVB store and partnered with Business Chicks, whose CEO Olivia Ruello was our inaugural woman featured. It's a global campaign, the opportunity to localise that in market and really drive relevance here in Australia is really important.

For our upcoming and busiest season ahead, which is our Spring racing season, we have an exclusive collaboration with Royal Ascot this year. The exclusive collection is being beautifully crafted and will bring a number of pieces to market. I'm quite excited about bringing in some of the UK heritage from Royal Ascot to the Australian racing community.

We are also going to have some continued range expansions in coming years, building on our proposition from an occasion wear to workwear and into weekend wear. Within workwear we successfully launched an essentials workwear tailoring campaign and there is fabulous product coming through there.

For our Spring Summer season, we are also going to be introducing for the first time, a real high Summer and holiday

collection, which obviously for the Australian market is going to be super relevant. That will see new pieces like swimwear brought into our range, cover up for beach and crochet tops.

Final thing I'll mention for expansion plans is, we are continuing to evolve as a brand from that British women's fashion brand into a global lifestyle brand and one of the things that will play a key part in that is licensing moving forward. We have gone into partnership with IMG and that will really see that continued range expansion into a much wider range of things like swimwear, leisure, luggage and gifts. So there's a lot happening in the product space.

IRW: Given your experience across multiple sectors at the likes of Marks & Spencer, Argos, Kathmandu, Target, I'd love to get your comparisons between the UK and Australian markets.
AE: I've been in the Australian market five years now and in retail nearly twenty years back in the UK.

The speed of adoption back in the UK for all things digital and mobile was just huge and therefore so was the trajectory of growth of digital in that market. Therefore here in Australia, it's going to be our biggest area of opportunity for retail in the coming years. From a KM perspective we already trade quite strongly online, so 14 per cent of revenues are online already, which places us quite well.

But if I were to align with the UK on that, our opportunity is double that, to even start to get close to the level they're hitting. I think that's probably one big area of difference and therefore massive upside and opportunity for us in the Australian market.

More from my Argos background, is the whole demand and customer expectations in the UK around speed of fulfillment and of products, with same day, one and two hour windows in cities.

So the expectations from the UK are exceptionally high in that space and I genuinely see that it's already started to happen here, and will become ever more prevalent here in the Australian market. I'm sure will pose some real challenges for many retailers around how to respond to that.

From a Karen Millen viewpoint, between the two markets and my knowledge of both from a consumer perspective, it's broadly consistent in terms of the women we speak to globally, a modern woman with a very busy lifestyle, so from a product perspective of what sells well in the UK tends to sell well here. The attributes of the best sellers tend to be global. IRW

Data dump: GDPR takes effect

The European Union will begin enforcing a major new data policy on Friday and research shows most Australian businesses are unprepared.

By Heather McIlvaine

On Friday, May 25, the European Union (EU) will begin enforcing the much-anticipated general data protection regulation (GDPR), which places strict requirements on organisations that handle the personal data of EU residents and extends new rights to EU residents over their data.

Adopted in April 2016, organisations around the world have been given a two-year transition period to make their business GDPR-compliant, but according to recent research, most organisations outside the EU are nowhere near ready.

A February report from global professional services firm EY revealed that a mere 18 per cent of Australian firms have a plan in place to comply with the new legislation.

> ...non-compliant firms face penalties of up to 4 per cent of their worldwide turnover, or €20 million ($31.7 million)...

Still, that is slightly better than the 13 per cent of firms in the Americas and 12 per cent of firms in Asia-Pacific that said the same. In comparison, 60 per cent of European firms said they have a plan in place to comply with the new legislation.

The implications of this lack of preparedness are significant, since non-compliant firms face penalties of up to 4 per cent of their worldwide turnover, or €20 million ($31.7 million), whichever is higher.

Deakin University lecturer in the faculty of business and law, Claudio Bozzi, believes this sense of complacency among Australian organisations is due to the fact that many companies falsely believe they are not affected by the GDPR.

"It's probably surprising how many retailers will be impacted, and the compliance effort is going to be more burdensome than they might realise," Bozzi tells IRW.

"It's not just a question of changing consent forms online or posting new privacy or cookie policies. Those changes are merely formal," he says.

A single set of rules

The GDPR replaces what was once a patchwork of different data protection and privacy laws across the EU with a single set of rules that applies to every member state. It requires any organisation that offers goods or services to consumers in the EU or monitors their behaviour to comply with these rules, no matter where the organisation is located.

Even though most Australian retailers do not have bricks-and-mortar stores in the EU, many retailers do have a presence in the EU online, and many have some EU-based followers on social media, who they may be retargeting with digital advertising.

Starting May 25, such retailers – dubbed 'data controllers' by the GDPR – must obtain consent before collecting any personal data from EU residents, and they will no longer be allowed to use long, illegible terms and conditions agreements to do so. Under the new rules, consent must be given in an easily accessible form, in clear and plain language and with the purpose for data collection attached to that consent.

Retailers will also be required to encrypt or tokenise personal data of EU residents that is stored, so it cannot be attributed to a specific individual. And they must inform the supervisory authority within 72 hours after becoming aware of a data breach.

If retailers pass on personal data of EU residents to customer service platforms, cloud software providers or other third-party vendors – 'data processors' in the language of the GDPR – those firms will need to comply with the new rules too.

The GDPR also grants EU residents certain 'rights' to their data, including a right of access, meaning data controllers must provide an overview of the categories and purposes of the data being processing, how it acquired the data and who it shared the data with, as well as a copy of the actual data, upon request.

The regulation also gives EU residents the right to have their personal data erased on any one of a number of grounds and the right have their data transferred from one system to another without interference from the data controller.

All of this will take a great deal of cooperation between data controllers (retailers) and processors (technology partners) and a level of technological sophistication that many Australian retailers, especially smaller businesses, have not previously needed, according to Bozzi.

"You have to think about the implications of these rights. There might be links to affected data or copies of affected data, back-ups, that are dispersed throughout multiple folders. If you're trying to be very streamlined and contain customer data in a way that makes it portable and delete-able, you're going to have to retool entire systems," he says.

Redbubble leads the way

Melbourne-based online art marketplace, Redbubble, is among the estimated 33 per cent of Australian organisations, according to EY partner in digital law Alec Christie, that may be subject to the GDPR on Friday.

Redbubble's in-house lawyer, Paul Gordon, who is leading the compliance initiative, says he has spent a significant amount of time working with every functional team across the business to become GDPR-ready over the past 12 months.

"Our in-house team has also worked extensively with Redbubble's EU external legal advisers through this compliance initiative," Gordon tells *IRW*.

> It's probably surprising how many retailers will be impacted, and the compliance effort is going to be more burdensome than they might realise.

One of the most basic changes Redbubble has made relates to the level of detail it provides about the collection and use of customer data on each of its local language sites.

But the e-commerce company has also worked with its technology partners, many of which are based in the US, to ensure it meets the new requirements around the transfer of customer data outside the EU, including verifying 'Privacy Shield' certification for relevant suppliers.

While only a portion of Redbubble's customers fall within the jurisdiction of the GDPR, the company has chosen to apply the principles of the legislation across the entire business.

"Like many other businesses we see the GDPR as the new global standard in privacy regulation," Gordon says.

Indeed, Bozzi believes it is only a matter of time before Australia and other countries outside the EU adopt GDPR-level policies, if only to simplify the reality of cross-border shopping and data sharing.

"Data and data processing are clearly global processes, so there's a real incentive to harmonise laws around data," Bozzi says.

"We know the internet is a borderless zone and internet users are becoming increasingly concerned about what's happening with their data." IRW

Redbubble has been working for 12 months to be GDPR-ready.

Are services the new food courts in shopping centres?

The advent of the super neighbourhood shopping centre.

By Michael Haddrick

The Australian shopping centre landscape is changing rapidly as the rise of online services continues to literally 'eat' into the traditional markets of many centres.

Combined with residential and lifestyle-based developments, new shopping habits and demographic changes, some medium-sized centres are struggling to find a new point of difference.

An answer lies in the booming services sector, which includes finance, travel, beauty and health – a strategy that has proved highly successful and created a new class of "super" neighbourhood shopping centre.

When Comac advised on the $50 million redesign of the Lutwyche Shopping Centre in Brisbane, they analysed the data and found 59 per cent of the retail spending in regional centres is on food, liquor, groceries (FLG) and food catering.

When we studied the Lutwyche catchment further we realised the approach to fashion, food, parking and services needed to be changed.

Cafes and restaurants have increased their presence in the last decade to 14 per cent of the market but, in many instances, it is not the solution for medium-sized centres.

Lutwyche had been struggling in the shadow of larger centres and combined with the overall reduction of discretionary spending, Comac was challenged by the new owners (Abacus) to make the centre relevant again.

The new POD for Lutwyche has been the reinforcement of FLG and the creation of the "services precinct" to capitalise on the growing boom in personalised businesses.

On completion, the centre will be one of a new breed of super neighbourhood centres that caters to community needs in a new and relevant manner.

The decision was made to relocate Aldi in place of the traditional, poorly performing sprawling food court in the centre.

The "food precinct" concept was created – the struggling food court reinvented, relocated and reduced to just five food businesses with a strong local flavour to add authenticity.

Its new location, next to the new travelator leading to Coles, significantly boosted foot traffic and provided a new option for the approximately 600 office workers upstairs, healthy food for the gym market and a natural place for the community to congregate for coffees.

In addition to the Coles and relocated Aldi, a new Woolworths will be introduced by mid-2019.

We expanded the community services component to draw people into the centre. Existing Commonwealth and Westpac Banks and Australia Post have been underpinned by other services including finance, health beauty and travel.

The final layer will be to reintroduce value add fresh food retailers that provide an alternative offer from the three supermarkets. Artisans that set themselves apart from the improving offer being delivered by the majors.

This has culminated in what will be a new category of shopping centre: the "super neighbourhood" for daily destinations.

The focus on health, such as optical and dental, plus removal of fashion is very unusual for a centre of this size, but it is working very well.

Comac continues to monitor other services that are expanding included audiology, laser treatment, plastic surgery and beauty such as day spas that are evolving into shopping centre ready services to cater for the boom in personal consumer demand. IRW

Michael Haddrick is the managing director of Comac Retail Property Group.

Artist's impression of the new food precinct at Lutwyche.

Former DJs director joins Stockland

Melinda Conrad has joined retail landlord Stockland's board as a non-executive director.

Conrad has over 25 years of expertise in consumer-related industries, including as a retail entrepreneur and CEO, and roles at Colgate-Palmolive and Harvard Business School.

She is currently a director of the ASX Limited, Caltex Australia Limited and OFX Group Limited (formerly OzForex).

The executive formerly held directorships at David Jones, The Reject Shop and APN News and Media Limited. Conrad is also a non-executive Director of The George Institute for Global Health, The Centre for Independent Studies, and is a member of the ASIC Director Advisory Panel and the AICD Corporate Governance Committee.

"Melinda is a highly respected and experienced director, with strong executive experience in retail and consumer-related industries," said Stockland chairman Tom Pockett.

"She will bring a wide range and depth of expertise to the board in a number of important areas, and I look forward to her contribution."

Deliveroo makes staff shareholders

Deliveroo has decided to make its permanent employees shareholders, giving them equity in the UK-based company that is valued at over $2.6 billion.

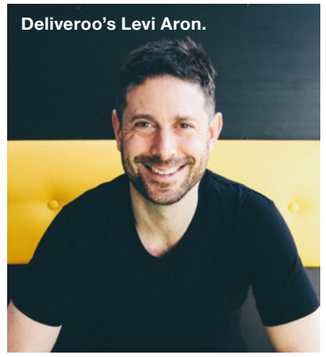
The move will see most of Deliveroo's 2,000 staff employed in 12 markets across the globe, including 80 staff in Melbourne, Sydney, Brisbane and Perth, receive equity, but not the 35,000 riders who deliver food to customers' doorsteps.

Deliveroo founder and CEO Will Shu said in a statement to employees that he wanted all of the staff "to be owners" and that the share options were "his way of thanking staff at the company a way of making sure this truly is our company in every way".

"Employees at Deliveroo have made the company what it is today, and what sets us apart is our immense hunger to win, strong focus and care and a clear vision for the future," Shu said.

When asked why riders were left out of the decision to give employees equity in the company, Deliveroo's country manager for Australia, Levi Aron, said that riders were not included because they are not permanent employees.

"Riders are self-employed; able to choose themselves when, if and how much they work. They tell us this flexibility is the most important part of working with Deliveroo," he said. IRW


Deliveroo's Levi Aron.

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