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Great Retail Around the World Better Take Notice!

John Williams
J.C. Williams Group and Ebeltoft Group
Toronto, Chicago, and Global Affiliates
www.jcwg.com

Why a Global Review?

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- Global firms are here
- Stagnant market = S.O.M. battle
- Need new ideas for growth

(Running harder won't work)

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1. Keep an eye on the future
2. Upgrade
3. Re-invent
4. Test
5. Invent
6. Shake up their industry
7. Think out of the playing field
8. Push the brand experience

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1

Keep an Eye on the Future

RFID is almost here!

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What is RFID?

- Radio Frequency Identification
- A minute tag with an embedded single chip computer and antenna
- A radio system communicates with the tag
- A variety of power and sizes in this system

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RFID

- Replaces bar coding
- Tracks an item from manufacturing to store to consumption
- Gives significant benefits to suppliers, retailers, and consumers

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Advantages of RFID

- Reads tag without line of sight: automatically
- Stores a lot more data than a bar code (i.e., dates, price, distribution points – 400 data points)

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RFID and Retailing

- Monitors supply chain ➔ cuts cost
- Aids security ➔ lowers shrinkage
- Reduces stock-outs/overages ➔ increases sales

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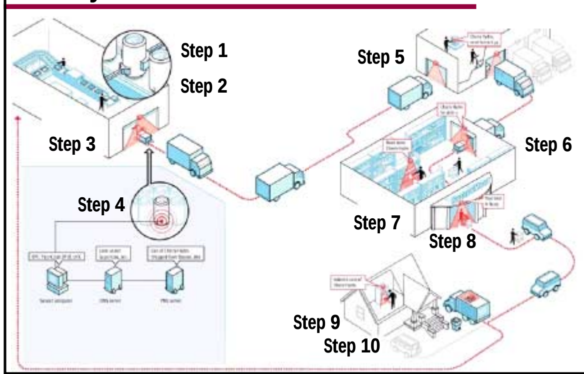
RFID System



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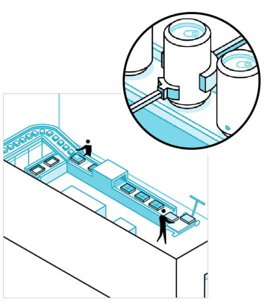
Auto ID System – Manufactured



Step 1

Cola tagged at cost of 5¢ (2006)

- Tag is the size of a grain of sand
- On every can/product

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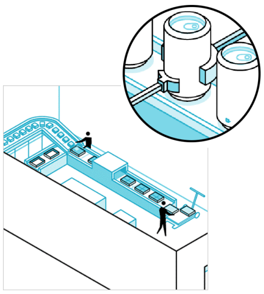
Auto ID System – Packaged



Step 2

Cases and palettes have RFID added

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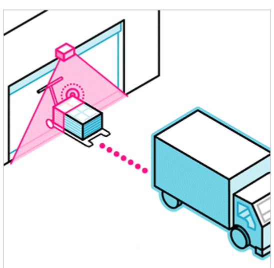
Auto ID System – Shipped



Step 3

RFID tags are activated as they leave the manufacturer

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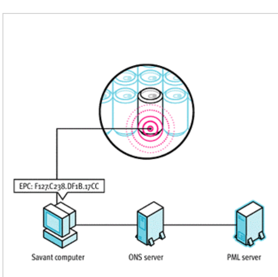
Auto ID System – Tracked



Step 4

Computers and servers monitor the RFID tag

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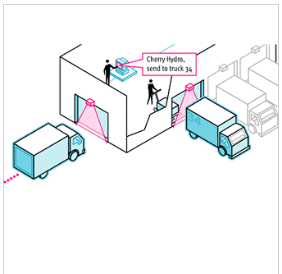
Auto ID System – Routed



Step 5

Cola is okayed and is routed to the correct store by truck

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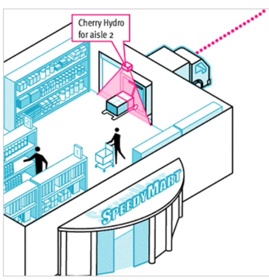
Auto ID System – In Store



Step 6

Delivery arrives; inventory is updated

- From back room to store shelves

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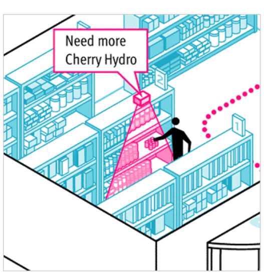
Auto ID System – On Shelf

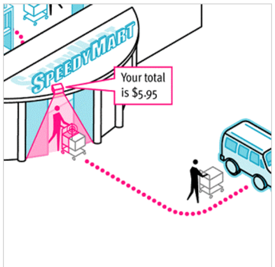


Step 7

Store reader

- Monitors stock on shelves
- Depletion and need to restock
- Need to purchase more
- Unusual purchase patterns

Auto ID System – With Shopper

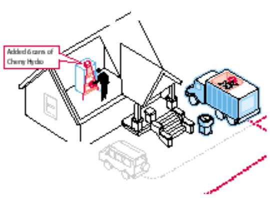


Step 8

No line up at checkout

- Walk through
- Pay by debit or credit card
- Need to deactivate?

Auto ID System – At Home



Step 9

Refrigerator adds cola to shopping list when depleted

Step 10

RFID automatically determines which products go to which recycling process

RFID: Auto ID

The future is now!

Are you ready?

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Upgrade

Food is being used strategically
by non-food retailers

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Le French Food Fight

Bon Marche vs. Gallerie Lafayette

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Gallerie Lafayette

- Upgraded the food experience (EATING and DRINKING) in every specialty section

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And the Winner is…

Gallerie Lafayette!

What **experiences** have you **added** to your stores? Websites? Catalogues?

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Re-invent

Monoprix – the French "Woolworth"

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Monoprix

- Variety store a dead concept?
- Yes, in the old way
- No!
  - Urban
  - Convenient
  - Contemporary
  - Well-edited


SALOPETTE
10.95€

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Old Dogs Can Learn New Tricks…

If they want to

What new tricks are you trying?

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4 Test

Metro Group Germany

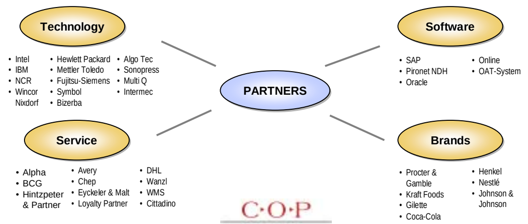
$50 billion in sales

Extra Future Store/Metro Group

- The concept:
  - A pilot project for the whole retail sector
  - Tests the use and interplay of different new technologies in real-world conditions
  - The initiative is taking up technical innovations that have only been implemented
  - As a “future workshop” these technologies are used together for the first time
  - Future Store is 40,000 sq.ft.

Extra Future Store – 40 Partners

- The Metro Group Future Store Initiative is a cooperation project of partner companies from the retail, information technology, consumer goods, and service industries
- The Partners are divided into four areas:



Technical Concepts in the Extra Future Store

1. RFID
2. WLAN – Wireless Local Area Network
   - Central communication element
   - Connects all mobile installation with servers
3. PSA
4. Info-terminals
5. Self check-out
6. Electronic Shelf labeling

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PSA – Personal Shopping Assistant

The Technology

- Handy mobile computer with a sensitive touch screen, as well as a barcode-scanner
- The PSA can be attached to the shopping cart

C·O·P CONSULTING PARTNERS

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PSA – Personal Shopping Assistant

Application in the Extra Future Store

- Customers can take advantage of many individual services, e.g.:
  - Recall their own shopping list comprising the purchases of the last few weeks
  - Shelf-scanning of products to accelerate the payment process at the check-out
  - Support to find a certain product in the store (picture 1)
  - Receive additional product and price information (picture 2)
  - Loyalty card tie-in

picture 1

picture 2

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Info-Terminals

The Technology

- The Future Store provides the customers computerized Info-Terminals
- They can be used without having a personal loyalty card

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ESL – Electronic Shelf Labeling

The Technology

- Presents goods on shelves that are equipped with electronic shelf labels
- The labeling is transmitted via the wireless local data network of the Future Store
- The system sends information directly to the displays

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CONSULTING PARTNERS

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Consumer Reaction is…

very positive!

What new systems are you testing?

With whom are you partnering?

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Invent

Magazine Luiza Virtual Store
Brazil

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Competition and Concentration

- Appliances:
  - Brazilian Market: $22 billion/year
  - 10 largest companies share: 53%
  - Concentration increase
  - Critical issue: 80% of sales on credit
  - Facing increasing competition from hypermarkets
  - Manufacturers developing own distribution alternatives

GOUVÊA DE SOUZA & MD

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Eletro Stores

CHALLENGE

"How to grow in crisis, with low investment, taking advantage of existing resources, in a short period of time?"

ELETRO STORES

Magazine Luiza

GOUVÊA DE SOUZA & MD

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Brazil Retail Issues

- Problem:
  - Credit charges 140% per year
- Solution:
  - Consumer "pool payment groups"
  - Monthly cash payment to pool for 1 year
  - Members chosen by a draw and purchase is made with cash
  - Get purchase within a year

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Eletro Store – No Products in Store

- First Eletro Store in 1992
- Products shown by videotape and slides
- Small cities distant from big urban areas
- From 50,000 to 100,000 inhabitants
- Store: from 1,500–3,000 sq. ft.
- 10 employees in the virtual store vs. 30 in a conventional one

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The Virtual Store

- First store in the country to operate through Internet
- 33 Virtual Stores in 2003
- Sales for Magazine Luiza 2002: $300 million
- Sales for Virtual Stores 2002: $35 million
- 3,000 SKU
- Formats: Virtual Store, e-commerce, and direct sales by phone
- Potential number of stores: 150 or $175 million
- Estimation of investment to open a virtual store: $360/s.q.m. (without inventory) vs. $450/s.q.m. (with inventory)

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Galzerano
Walita


Philips
Centro de Promoções

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Invent

Has your company invented something new that shoppers want?

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Shake Up Their Industry (i.e. LEAD!)

Fashion Fight in the UK

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Early Origins for Supermarket

- 1980s : Tesco "Home 'n Wear", Sainsburys (Savacentre), Carrefour, Fine Fare…
- Reasons for lack of success:
  - No appropriate brand reputation
  - Limited product development & supply chain skills
  - Limited buying power
  - Poor shopping environments
  - Consumer shopping preferences and behaviour
  - Restricted shopping hours

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Non-food Strategy Today

- Respond to changing customers (time/money)
- Find new opportunities for growth
- Enhance profit margins
- Achieve competitive differentiation
- Build brand reputation
- Increase store traffic and loyalty

✱ Lead by non-traditional management

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Consumer Perceptions of Superstore Clothes Shopping – Range Selection

	ASDA	Tesco
Very limited	9%	11%
Quite limited	12%	22%
Average	8%	14%
Quite wide	56%	50%
Very wide	15%	3%

Source: B.W.L.Su 2002

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Consumer Perceptions of Superstore Clothes Shopping – Price

	ASDA	Tesco
Very expensive	0%	0%
Quite expensive	0%	2%
Average	9%	34%
Quite cheap	75%	62%
Very cheap	16%	2%

Source: B.W.L.Su 2002

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Consumer Perceptions of Superstore Clothes Shopping – Quality

	ASDA	Tesco
Very good	33%	32%
Quite good	60%	52%
Average	3%	10%
Quite poor	3%	3%
Very poor	1%	3%

Source: B.W.L.Su 2002

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ASDA

- UK division of Wal-Mart
- 16.3% UK market share (= 2nd)
- 258 Superstores → Supercentres
- "George" (George Davies) launched in 1990. Also "Essentials" & "Mary-Kate & Ashley" (launched April 2002)
- 14m shoppers per week. 30% buy George

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"George" Drives Traffic

"There is a lot of evidence to suggest that the customers come to the store specifically because of the George brand… The £6 jean has become an icon that attracts customers to us."

Kate Bostock, Design Director

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ASDA

- Clothing sales $1.4b in 2001
- Target $2.2b worldwide
- George to be world # 2 brand after Levi's
- Extended to USA, Canada, Mexico, Germany
- Independent quality control laboratory
- 95% "sell through"

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"Fast Fashion" Capsule Collection

- Launched April 2002 - $5m budget
- Extended to menswear, Autumn
- Response to H&M, Zara… Customers visit weekly
- Team of 15 – four days to completion
- Design to store in six weeks

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ASDA's Supply Chain Competence

- "George" Prices down 20% in 2002. Benefits of being in the Wal-Mart group:
  - Fabric costs reduced by up to 60%
  - Buttons, zips, etc down by 15%
  - Operating efficiencies
- Quick Response. Sourcing…
  - 40% from Turkey
  - 35% from Europe
  - Only 35% (basics) from Asia

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Lead and Shake Up!

Is your ideal for design to delivery six weeks?

What sort of commitment have you made to innovative merchandise practices?

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Think Out of the Playing Field

TCHIBO in Germany

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TCHIBO Group in Germany

- $15 billion in sales
- Second largest consumer goods in DK
- 12% R.O.S.
- Fifth largest coffee co. in the world
- Coffee sold packaged and in shops
- Entering UK and Switzerland

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Problem

- Falling prices
- Slow growth
- Market saturation

- So what to do?

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Opportunity

- Lots of traffic!
- Strong brand respect

✱ Use traffic to sell merchandise
  - New store format and business systems
  - Link to Website and mail order

✱ 47% increase 2001/2000

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TCHIBO – "A New World Every Week"

- Weekly power-merchandised item promotions
- Total shop conversion and dedication to weekly theme
- Blow-through millions of dollars and units weekly
- Now going from merchandise to financial and travel products

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Totally New Thinking!

Have you had a revolutionary idea lately?

And what are you doing about it?

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Push the Brand Experience

Car Showrooms
Champs Elysées, Paris

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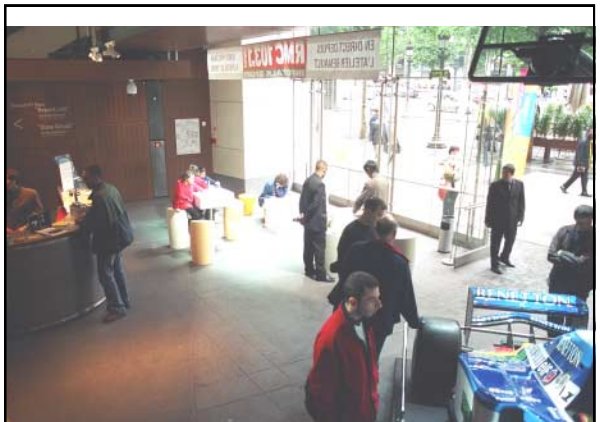
Car Showrooms → Brand Experience

- Boredom
- Not any more – Renault
  - High traffic locations
  - Showcase brand icons (racing cars)
  - Create a terrific experience for all
  - High target market focus




et précis et minuté
Challenge

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Push the Brand Experience!

What experience can you introduce into your customer's shopping trip?

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Global Retailing…

Are you part of it?

It's time to get moving!

Thank you and keep in touch.

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Toronto, Chicago
www.jcwg.com
(416) 921-4181
jwilliams@jcwg.com