

PART ONE

Why the retail industry needs to reframe

In Part One we show why the retail industry is highly sensitive to change in the external environment. Failure to adapt to change can have disastrous consequences, but established retailers do not have a good record of being able to innovate.

We then discuss the reasons why retailers find it hard to innovate, which lie partly in the way their businesses operate. The nature of the retail trade means operators value execution over strategy and short-term thinking over long-term planning, and are driven by process. These characteristics can stifle innovation but we argue that they can be turned into an advantage if innovation is conceived as a process. The core proposition of this book is that retail innovation is not attributable to moments of inspiration or super-human leadership but to observable and repeatable processes.

We then provide an overview of our *ReFRAME* process of retail innovation.

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Why retail needs to be reframed

(GARETH)

Introduction

Throughout history, the retail industry has been defined by disruption and crises in the external environment. Whenever the external environment changes, it presents opportunities for the adaptable and threats for those who cannot or will not change. When the industrial revolution created an urban middle class, it created the opportunity for the department store format and began the long-term decline of urban markets. When post Second World War prosperity allowed families to buy automobiles, it created the opportunity for the supermarket and shopping mall formats and began the long-term decline of strip shopping. When the 2003 SARS epidemic meant many Chinese consumers were forced to try online shopping for the first time, it created the impetus for the growth of Alibaba and JD.com and the transformation of shopping in China forever.¹

As we enter the 2020s, the retail industry is arguably more disrupted than at any time in its history. Globalization has meant more of the world's best retailers are trading in geographies remote from their home base. Technology has created new ways for customers to shop and for retailers to serve their customers. The COVID-19 pandemic has created a shock to economic and social systems whose long-term effects are only beginning to play out. But the underlying problem facing the industry is not the disruption created by new technology, globalization, new forms of competition or the COVID-19 pandemic. The underlying problem for retailers is developing the organizational capability to innovate and reframe so that, whatever the disruption, it can be approached as an opportunity and not an existential threat.

The retail industry needs to be constantly reframed to be more relevant to its customers. Just like a favourite old family photograph comes alive when it's surrounded by a new, contemporary picture frame, so too the retail industry comes alive when it surrounds itself with what really matters to customers. Retailers who develop the capacity to innovate and reframe will thrive, while those that don't will die. In head-to-head contests, like Walmart vs Sears, Domino's vs Pizza Hut (Australia), Netflix vs Blockbuster or Mecca vs Napoleon Perdis, it will be the retailer who has the ability to innovate and reframe who wins.

In this chapter we will explain why retail is defined by disruption and crisis, why we think reframe is a better word than transformation to describe what the industry needs, why there is a difference between knowing what's going on and understanding how to change and why gaining the organizational ability to innovate is the biggest challenge facing the industry in 2020. Finally, we explain why, far from being risky, innovation is actually retail's new safe place.

Retail is defined by disruption and crisis: Adapt or die

Clayton Christensen in his classic book *The Innovator's Dilemma*² distinguishes between different types of disruption. He says that successful companies are generally good at dealing with evolutionary change in the environment ('sustaining innovation') but not at dealing with revolutionary change ('disruptive innovation'). In retail, every disruption in the external environment has the potential to pose an existential threat. The more fundamental the disruption, the more radical the reaction required.

Large disruptions in the external environment create an obvious threat to retailers who do not adapt. Failing retailers often cite economic crises as the reason for poor results, but in reality, these events are rare. Between 1995–2020, until the COVID-19 pandemic, there was only one recession in the USA (2008–9³) and some countries like Australia and China avoided recession altogether. When a genuine economic crisis hits it can be very hard to survive, but most of the disruption retailers face comes from factors other than economic crises. Even relatively small changes in the external environment can create an existential threat to retailers if they are unable or chose not to adapt.

Self-service supermarkets first emerged in the USA in the 1930s. By the late 1940s they had reached Britain, and by the 1950s they were seen throughout the western world.⁴ The first self-service supermarkets were not the 4,000 square metre, automobile friendly formats that became mainstream in the 1970s, but much smaller 150 to 250 square meter stores which were often re-purposed grocery spaces. The main innovation in early supermarkets was having customers serve themselves rather than be served by a grocer. This made self-service supermarkets much more cost efficient than a traditional grocer and that cost advantage was translated into lower prices.

As a young boy I remember shopping with my mother at a surviving grocer in my hometown. Cheese was cut, weighed and wrapped. Each tin or packet on my mother's list was picked from the shelf by the grocer and eventually packed in her bag and money exchanged. The shopping experience was similar to what you might expect today in a gourmet deli. When self-service came to my town the grocer didn't last long. Even though he was a very experienced operator and offered superior customer service, his offer was no match for the lure of lower prices on everyday items. The grocer chose not to change and it wasn't long before he didn't exist. I seem to remember the space he occupied on the strip was replaced by an electrical store (which also no longer exists!).

Consumers are like heat-seeking missiles for value. When retailers offer better overall value than their competitors consumers flock to it and there is little loyalty to previous shopping habits.

When an industry faces an existential threat, it does not mean the extinction of the entire species, which is also true for retail. Many businesses are able to reframe for the new environment. Australia's Holden motor company was originally founded in 1856 as a saddlery manufacturer, but successfully adapted to the automobile age by switching to the manufacturing of cars in 1908.⁵ Similarly, Japan's Fujifilm, as the name suggests, had a business founded in film technology, but successfully adapted by investing heavily in digital photography and leveraging its knowledge of film technology to diversify into new areas of business (notably medical imaging).⁶ Others operating in the same market were not so fortunate. The names of Holden's nineteenth century saddlery competitors who did not adapt are now forgotten, but Fujifilm's arch-rival, Kodak, is remembered as one of the greatest examples in modern business history of a failure to adapt to an existential threat.

Some established retailers adapt to disruption better than others. Large, established retailers such as Walmart, Target (USA), Nike, Inditex and Lush have thrived through the disruption created by globalization and the internet, while their competitors in the same sector struggle. The success of Walmart and Target (USA) contrasts starkly with the struggles of discount department stores, Sears and Kmart. Nike is kicking goals while sports retailers like Sports Authority are on the ropes. Inditex is soaring high compared with fashion retailers like Nine West and Jaeger. And the success of Lush contrasts with the demise of cosmetics retailers like Napoleon Perdis.⁷

Business failure in retail is a natural part of the competitive landscape. When a retail business serves its customers better and operates its business more efficiently than its competition, it will always win customers and be more profitable than its rivals. Eventually it might even close its competition down. This has been happening for thousands of years. However, when there is disruption to the environment, simply doubling down on the old ways of doing business will not work. When disruption comes along, retailers need to reframe their businesses to solve different consumer problems. Throughout this book we will demonstrate that the difference between success and failure in a disrupted environment is not down to the execution of retail basics, but the ability to reframe.

Some retail sectors may seem immune from threats facing the industry, but they are not. It is only a question of degree and time. Supermarkets, for example, still seem to be able to operate successfully under the old range, price and proximity paradigm. But while the internet has yet to take any significant share of traditional supermarket sales, online grocery sales are growing fast and far outpace the growth of sales in bricks and mortar stores. In Australia, for example, online grocery sales grew 24.5 per cent in 2018 and are predicted to experience compound annual growth in revenue (CAGR) of 10 per cent in the five years to 2023.⁸ In other countries, like South Korea, with superior internet speeds and last mile delivery infrastructure, online sales of fast-moving consumer goods (FMCG) items already exceed 20 per cent of the total.⁹ Those supermarkets that choose to continue to operate under the old paradigm will forgo growth opportunities and may find themselves unprepared to compete when environmental conditions, like those that exist in South Korea, trigger a behavioural shift by consumers in their markets.

The services sector is one area of retail that may be immune from technological threats for now. Many of the established stores that are closing on the high street or in the mall are being replaced by hairdressers, nail bars

and spas. These are hands on, pure services that are unlikely to be available online in the foreseeable future. However, even in these cases, the internet has had an influence. ‘Do it yourself kits’ accompanied by ‘how to’ YouTube videos¹⁰ are available for a number of retail services like hair styling but – so far – their influence has been minimal. The good news for the industry as a whole is that these pure service-based retailers keep foot traffic in shopping precincts, keep the habit of going out to ‘shop’ alive and give goods-based retailers with bricks and mortar outlets a chance to attract those shoppers to their stores.

EXERCISE

The impact of disruption

What this is

A self-survey to calculate how affected your business is by disruption in the retail environment.

Instructions

Rate yourself 1–10 on the questions in Table 1.1 then repeat the exercise for a retailer in another sector and compare the results.

TABLE 1.1 The impact of disruption

Question	Your response									
	<i>(scale is referenced in the question)</i>									
1. Does your mix of business consist of services, goods, or is it somewhere in between? (10 = purely of goods, 1 = purely of services)	1	2	3	4	5	6	7	8	9	10
2. Is competition in your sector based on range and price, on other factors, or is it somewhere in between? (10 = purely on range and price, 1 = purely on other factors that are not range and price)	1	2	3	4	5	6	7	8	9	10

(continued)

TABLE 1.1 (Continued)

Question	Your response									
	<i>(scale is referenced in the question)</i>									
3. How vulnerable is your business to online competition? (10 = highly vulnerable, 1 = not vulnerable)	1	2	3	4	5	6	7	8	9	10
4. How successfully did your business deal with the impacts of the COVID-19 epidemic compared to your competitors? (10 = very poorly, 1 = very well)	1	2	3	4	5	6	7	8	9	10
5. Rate your businesses' capacity to execute significant change (10 = very poor, 1 = excellent)	1	2	3	4	5	6	7	8	9	10
6. Are your sales in decline or on the rise compared with last year? (10 = steeply declining, 1 = steeply rising)	1	2	3	4	5	6	7	8	9	10
7. How would you rate your business' adoption of digital technologies, eg ecommerce, social media, digital marketing? (10 = very poor, 1 = excellent)	1	2	3	4	5	6	7	8	9	10
8. Has your business reviewed and changed its purpose in an effort to be more relevant to its stakeholders? (10 = not changed at all, 1 = completely changed)	1	2	3	4	5	6	7	8	9	10
9. Is your business's reaction to falling sales to try harder using existing techniques or try something new? (10 = try harder, 1 = try new)	1	2	3	4	5	6	7	8	9	10
10. To what extent is the culture of your business proudly traditional or 'old school'? (10 = extremely old school, 1 = completely innovative)	1	2	3	4	5	6	7	8	9	10

Results

- **Score 70–100:** Your business is locked into the past and does not take seriously the existential threat posed by disruption and crises. You urgently need to understand the new retail environment and acquire the ability to change.

- *Score 40–69:* There are some signs that the business recognizes the importance of adapting to disruption. You probably know what to do. It's time to pick up the pace of doing it.
 - *Score 10–39:* Congratulations! You have recognized changes in the environment and are making appropriate changes to address them. Be vigilant. The new world will be just as competitive as the old world. You need to be prepared for new competition that solves problems even better than you do.
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The biggest barriers to moving ahead with reframing your business are internal and external stakeholders who believe that there are no existential threats and the best way to solve any retail problem is by the better execution of traditional strategies. You may be one of them. If so, we hope this book causes you to question your beliefs, but we're not going to try to persuade you to change them. Instead this book is for retailers and their partners who recognize the need to change, want to change, but need to know how it's done.

What is a retail reframe?

I used to work for a company that manufactured and distributed picture frames to retailers. We also operated a retail outlet that sold our standard frames as well as offering a custom-made service. What I learned while I worked in the business is that the effect of reframing an old picture can be transformative, but only if the right combination of elements is selected. That's quite an art. There's the style of frame to consider. Should it be a decorative Italian style moulding or something more contemporary? What size, colour and style of mat do you want the picture itself to sit on and should the mat be single or double? What style and quality of glass do you want the picture to be displayed under and what style and quality of backing board should be selected? Getting the elements right is the difference between having something that looks great and something very ordinary.

While I worked for the business, I took the opportunity to reframe many of my own pictures. I was lucky to have a lot of help from work colleagues in getting the choices right. The new frames not only enhanced the pictures themselves, but also enhanced the look and feel of our whole home. At the same time, we also bought some new pictures – which of course came with new frames and set the standard for the reframing we had done. That was a while ago. Times have changed. Looking around the house today I think some of those pictures could be due for another reframe!

The established retail industry is like a picture hanging on a wall in a tired old frame. Many people find it unattractive because it is framed by attributes like range, price and proximity that are not quite as important as they once were. It looks especially tired hanging next to new retail pictures framed in all the bright, relevant attributes of the contemporary world like digital/physical integration, experiences and purpose. There is nothing inherently wrong with the old retail frame – in fact, the new retail frame incorporates the same basic attributes, but it is more attractive than the old one that hangs beside it.

We think ‘reframe’ is a better word to describe what needs to happen to the established retail industry than words other authors have used – think transformation, evolution, revolution and innovation. The word ‘transformation’ can be used interchangeably with reframe (and we do use it in this book), but it can also be used to describe creating something completely new. We do not believe that is what’s required. The old retail foundations of range, price and proximity are no longer enough to win in the new world of retail, but you cannot compete without them. The industry does not need to be transformed.

The word ‘evolution’ is also somewhat transferrable with reframe; however, evolution suggests change through a natural process. As we will see throughout this book, if traditional retailers are to survive it will be as a result of deliberate acts – not as a result of natural selection. In that sense, we are not seeing a retail evolution.

The word ‘revolution’ suggests that the old order must be thrown out completely, but we argue that there is no evidence that proves this is the case. Retailers like Walmart and IKEA who have reframed have not abandoned their traditional focus on price while Nike has not abandoned its traditional focus on product. Retail does not need a revolution.

The word ‘innovation’ is more useful to us, but it is a complement to the idea of reframing – not a substitute. While reframe describes an overall

outcome, innovation describes the deliberate acts retailers must make to achieve a reframe. Innovation is how you get a reframe done and that is the main focus of this book.

CASE STUDY

Reframing Walmart

The story of Walmart between 2010 and 2020 is a good example of what a retail reframe looks like. In 2002 Walmart surpassed Exxon-Mobil as the largest company in the world by sales.¹¹ It was already the largest retailer in the world by some margin. Walmart's customer proposition was based on low prices, a wide range of products (more than 20,000 stock keeping units (SKUs) in the average supercentre), and closer proximity to the majority of the US population than its competitors, Target and Kmart.¹² This was all underpinned by an emphasis on efficiency throughout the supply chain that made their cost of doing business lower than their rivals.

By 2009 things were beginning to change. Sales growth had slowed to low single digits, unlike the double-digit growth experienced earlier in the decade¹³ and, in the wake of the global financial crisis of 2007–08, Exxon-Mobil had regained their 'biggest company in the world by sales' title. More worryingly, the question was being asked, 'Is Walmart good for America?' This question was the title of a TV documentary first aired in 2004¹⁴ and the subject of a documentary film of the next year.¹⁵ Criticism ranged from suppliers being forced to source non-domestically due to low buy price requirements, high-paying American manufacturing jobs being replaced by low-paying service industry roles, labour union objections, poor working conditions and environmental concerns. This all came despite the fact that Walmart continued to deliver on its core customer promise of lower prices on a large range of everyday goods.

This began a journey for Wal Mart of adding social purpose and digital capability to their business model. Wal Mart now has sustainability goals. In 2017 it announced Project Gigaton, which has the aim of taking 1 trillion metric tonnes of carbon out of the system by 2030. Walmart had already taken out over 20 million metric tons in collaboration with suppliers between 2010 and 2015.¹⁶ In addition, Wal Mart has embarked on a programme to be supplied energy from renewable sources and in some countries has set a zero per cent waste goal.

Walmart has invested in improved pay, conditions and training for associates, gained a digital capability through the acquisition of Jet.com, Bonobos, shoes.com and others, is making investments in technology like AI to improve customer experiences and store efficiency, and continues to foster a culture of change in the business.

In 2018, Walmart reported its best comp store growth¹⁷ for a decade and online sales growth of 40 per cent. Walmart's customer proposition is still based on low prices, a wide range of products, close proximity (now physical and online) to the majority of the US population and is still underpinned by an emphasis on efficiency throughout the supply chain, but things have changed. In addition to those traditional attributes, Walmart now operates in digital as well as physical channels and strives to serve customers who use both. It has incorporated sustainability and ethical sourcing in its supply chain and has improved conditions for its associates. Walmart is still Walmart, but it has been reframed for the 21st century.

Making the case for a reframe

Some established retailers might believe that there is no need to reframe to compete. They look at new entrants to the industry and see operators who often have no retail experience, seem unable to make a profit and are more concerned with attracting investment than the nuts and bolts of running a good retail business. They may feel, as in the past, that as long as they keep doing what they have been doing well, they can see off this new competition. Unfortunately for them, the world has changed. New criteria will determine who wins and, without a reframe, traditional retailers are likely to be the losers.

Other established retailers may recognize what's going on in the industry but feel a lack of competition in their sector protects them from reframing for now. These retailers may have achieved a dominant competitive position through acquisition, by being better than their competition or by operating in such a specialized niche that it is unattractive for others to enter. All these circumstances are temporary because retail is an inherently competitive industry. It has few barriers to entry, consumers regularly switch their spend between retailers and between categories, competition between retailers is normally intense and overall sales are not concentrated in the hands of a small number of players as, say, in the telco, oil or banking industries. In fact, retail fulfils most of the conditions for an intensively competitive market as described by Michael Porter in his famous five forces model.¹⁸ In this environment, monopolies or quasi monopolies will not be tolerated. When Jeff Bezos tells other retailers 'Your margin is my opportunity'¹⁹ he is simply expressing the natural order in a competitive market.

How do you make the case for a reframe in your business? First think about how urgent the need is. Are you behind compared with your competitors or does your position in the market mean you have some time? This will determine if you need to be considered (you have some time) or passionately emotional (the platform's burning) in your approach. Next think about the reasons no action has been taken up to now. Is it symptomatic of an executive team and board who are supremely confident of their ability to handle threats the way they always have, are they unaware of why they need to reframe or are they in denial? Whatever your particular circumstances, research some cases, preferably from your sector and preferably from overseas (less threatening), where reframing has created big benefits or a failure to reframe has led to disaster (examples of both will be coming up later in the book). Wherever you sit in the management hierarchy, well researched and/or passionate exhortations to act are usually regarded as a sign of initiative and ambition and should enhance rather than harm your standing in the business. First prize would be getting to lead the reframing of your own business and how cool would that be! We know because that did in fact happen to one of the authors of this book. More on that later.

The difference between knowing 'what' and knowing 'how'

There has been so much written and said about the disruption of the retail industry that most retailers should understand what is changing in their world. Authors such as Robin Lewis and Michael Dart have explained the forces disrupting the current retail environment and put the whole of modern retail history into context so those waves of change can be understood.²⁰ Others such as Doug Stephens have explained what they think the future holds for retail.²¹ Consulting companies large and small have produced research aimed at explaining the changing retail environment. Vendors to the retail sector including transport and logistics companies, post offices, banks, real estate companies and tech vendors have produced whitepapers on how disruption in the retail sector will affect their customers. Others have produced indexes to track changes in the retail environment on a month-to-month or year-to-year basis.²² You will find all of the above – and more – speaking about the changing retail environment at retail conferences and, as if that's not enough, it's also possible to

attend formal retail study tours to see best practice from around the world for yourself.

While there is no shortage of available knowledge about the disruption of the industry, there has been a shortage of action. This is reflected in the poor representation of retailers in compilations of the world's most innovative companies. In annual lists like Forbes' 'World's most innovative companies', Fast Company's 'World's 50 most innovative companies' and BCG's 'Most innovative companies', retailers make up only 6 to 14 per cent of the total when, in fact, they make up a much bigger percentage of total businesses. More importantly, the gap between knowledge and action is reflected in the continuing failure and decline of well-known retail brands in the face of more innovative competition.

Knowing what is going on, but not knowing how to respond, can lead to feelings of helplessness. In the case of retailers who have tried to innovate and failed, it could be argued that they are experiencing feelings of learned helplessness.²³ Learned helplessness is a psychological concept first observed in dogs. It describes a failure to try to perform a task because of a learned, often irrational, fear of negative consequences. Retailers observing the seemingly inexorable rise of new competitors like Amazon, the failure of long-established retail brands, the daily negative media narrative about the retail industry – and conditioned by their own failed attempts at change – can give up trying. The purpose of this book is to give retailers hope. There is a way to compete in the new environment and that is by innovating and reframing your business. We will demonstrate that retail innovation is a process like any other retail process that any business with knowledge of where they want to head can implement.

EXERCISE

Knowledge and action

What this is

Ascertain the size of the gap between knowledge and action in your business.

Instructions

In Table 1.2, for each statement on knowledge, there is a scoring scale. Select the score for each one that is most reflective of you and add your score together. The results index is below the table.

TABLE 1.2 Identify the gap between knowledge and action in your business

<i>Knowledge</i>	<i>Score</i>
1. Have you and your peers read books about how disrupted the retail environment is? (Rate your knowledge gained from books on a scale of 0–10 where 0 = never have read a book on retail disruption and 10 = we have read many books on retail disruption)	
2. Have you read reports or seen presentations from consulting companies or your vendors about how disruption is affecting the retail industry? (Rate your knowledge gained from consultants and vendors on a scale of 0–10 where 0 = never have read or seen a presentation on retail disruption from a consultant or vendor and 10 = we have seen many of these reports and presentations)	
3. Do you attend conferences where aspects of retail disruption are discussed? (Rate your knowledge gained from conferences on a scale of 0–10 where 0 = we never go to conferences where retail disruption is discussed and 10 = we have attended many of these conferences)	
4. Have you taken the opportunity to observe and understand retail best practice, either independently or as part of a study tour? (Rate your knowledge gained from observing and understanding retail best practice on a scale of 0–10 where 0 = we never actively observe or seek to understand best practice and 10 = we regularly seek to observe and understand best practice and participated in study tours)	
Overall score (out of 40)	

Results

- *Score 0–10:* You really should get out more. The world of retail is constantly changing and the first step to competing is understanding those changes.
- *Score 11–20:* You understand at least some of the changes affecting your industry. Maybe you feel you know enough and need to concentrate on action in your business, and, if so, congratulations. Maybe you feel you haven't got time for reading books or reports, attending presentations or conferences or studying best practice. If so, you need to make time. Simply working harder won't be enough because the rules of the game are always changing and you need to learn them.
- *Score 21–30:* You are well informed about the changes in the retail environment. The next step is to turn your knowledge into action.

- *Score 31–40:* Retail disruption black belt! Industry colleagues probably look to you as a source of wisdom on what is happening in the industry. The question is: have you been able to turn your knowledge in to action for your own business or just into speaking engagements at conferences?
-

Whatever your score, it is now time to think about what your business is doing to turn the knowledge you collectively have about the disrupted retail environment into action. Is there a gap between knowledge and action and, if so, how big is it? If there is a gap, what do you believe are the main reasons for it? Has your business tried to implement change but failed? Is there a sense of helplessness about what needs to be done and your ability to do it?

If there is no gap or you are in surplus, it could either mean there's a deficit of knowledge in your business (unlikely) or that you are one of those uncommon retailers who already match knowledge with action. For the rest of us, we can start closing the gap with a few simple steps:

- The next time you read a book or report, listen to a conference presentation or see an example of best practice in action, take the time to write, in your own words, a short reflection on the knowledge you have gained. (We all mean to do this, but how often do we neglect to do it?) The act of writing it down will force you to think through what you just experienced and begin the process of articulating its importance to others in the team. It will also become a knowledge bank you can come back to at a later date. Put these reflections in folders in your computer with headings that mean something to you, such as store operations, merchandising, supply chain, payments, etc.
- Decide what parts of your new knowledge are important enough to be shared with the team. Don't share everything all the time. Your colleagues are busy like you. They will start to avoid you in the corridor if you habitually share absolutely everything you read, hear and see without a filter.
- Set up a time each month, either as part of your regular team meetings or as a separate session, to share knowledge you have all gained from any source in the previous period. Select any pieces of knowledge that, as a group, you feel need to be turned into action.

- Have your manager articulate your knowledge for action ideas in their own management meeting.

The biggest challenge facing the retail industry

The biggest challenge facing the retail industry is not the internet, the economy, COVID-19, globalization, new competition, new technology, government regulations or any other factor in the external environment, but rather acquiring the organizational ability to innovate and reframe. All the external factors ever do is give everybody the same opportunity. When a business gains the organizational ability to innovate, they can reframe to give themselves the best chance of adapting to any changes that may happen externally. Organizational ability to innovate means having embedded processes that ensure innovation can be operationalized quickly and the flow of new initiatives keeps coming. Without these embedded processes, any attempts to reframe are likely to fail. We argue that the inability to reframe is the underlying reason behind many high-profile retail business failures, empty shops and the parade of retail CEOs presenting their latest set of bad results. It's not the external environment that is causing these retailers to struggle because it's the same environment that's allowing other retailers to thrive – it's the lack of embedded innovation processes.

Some believe that innovation is about inspirational ideas and inspirational leaders, and not about organizational ability. There is nothing wrong with inspirational leaders or inspirational ideas, but they are rare. They are also often no match for organizations that simply don't have the ability to innovate. These organizations often have old ways of thinking so embedded in their processes and culture that innovation doesn't stand a chance. Match an inspirational leader and an inspirational idea with embedded processes of innovation and you have an unbeatable combination.

Conclusion

In this chapter we learned that the retail industry faces constant disruption from the external environment and retailers need to learn to adapt or die. Adapting means reframing your business for the new environment. Reframing doesn't mean throwing away traditional retail fundamentals – it

means adding new capabilities that respond to the changing environment. Knowing ‘what’ is happening in the retail environment is much less important than knowing ‘how’ to change because acquiring the organizational capacity to change is by far the most important challenge facing the industry. Those retailers who have it are thriving while those that don’t are failing.

There will be barriers to achieving change from internal and external stakeholders. Some will believe that retail does not need to be reframed, but that doubling down on traditional fundamentals is the way to cope with the disrupted environment. Others will believe that reframing simply means finding the best new ideas in the market or hiring an inspirational leader rather than building an innovation culture and processes in your business. It’s time to take on the responsibility of convincing stakeholders that the biggest challenge facing the industry is acquiring the ability to innovate.

In the next chapter we look at why innovation can be particularly hard for retailers, but how the blockers of innovation built into retail operating models can be turned into an advantage in your innovation quest. Innovation is risky and unfamiliar but it is the new safe place for retailers.

Notes

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