Recently our Retail Hive Editor, Emma King, caught up with Miya Knights - one of three influential keynote speakers due to talk at **The Retail Hive Exchange: Engaging the Connected Customer**, on **March 12 – 13th.** They discussed Amazon: How the World's Most Relentless Retailer Will Continue to Revolutionize Commerce, the newly released book she has co-authored with Natalie Berg.

The book, which was published by Kogan Page on January 3rd is the inspiration behind Miya's keynote at the residential meeting: What Amazon Can't Do. #WACD

The Retail Hive: Is it possible for retailers to compete with Amazon?

Miya: Famously described as "The Everything Store" in Brad Stone's 2013 best-seller; Amazon is more concerned about how it sells a product, rather than what it sells.
When retailers are considering their competitive position in relation to Amazon, they should consider two things:

1. What Amazon sells - and therefore, what they (the retailer) sell by comparison; and, 2. How Amazon sells it - and therefore how they sell, what they sell...

What they sell: A retailer's core reason for being is to merchandise a keenly curated selection of goods, targeted at their ideal customer - appealing to as many as possible, but with a clear target of who they want to reach in mind. The art of curation is a skill that retailers can exploit to compete with Amazon, where retail has always been about the detail – this is where they can be stronger.
Niche and/or luxury retailers are exploiting their specialist knowledge and expertise, making this part of their brand DNA. This is competing on what they sell. Don't try to sell everything to everyone; try to sell a few things people want, really well!

> "The art of curation is a skill that retailers can exploit to compete with Amazon"

How they sell it: It is harder to directly compete with Amazon on how it is selling products. Retailers currently lack, more the means, and increasingly less so the will, to compete with Amazon in terms of how it sells.

I would contend that it is futile for retailers to try and compete with Amazon purely on technology development and digital innovation. Amazon famously outspent Apple, Microsoft and every other US firm technology R&D in 2017 (US$27billion).
However, retailers can take cues from Amazon's successes by using them, in addition to its failures, as strategic lessons on what works for customers (taking only those that would have a positive effect on their own business), and being prepared to be a fast follower.

A good example of this is Amazon's "1-Click" checkout patent, which expired in 2017. Setting the standard for slick and convenient eCommerce checkout, customers now expect to have a checkout experience that's enabled within one or two clicks if they're registered with a retailer. Other examples of emerging tech-enabled online shopping standards include Google's location-based search and Amazon's shopping search ratings and filters.

Now, Amazon has gone one step further by introducing "frictionless retail" with their patented "Just Walk Out" technology. Amazon Go has taken the customer experience from one-click, to no clicks! Customers that downloaded and registered with the Go app can literally walk into a physical Amazon Go store, pick up a product off the shelf... and walk out, to be charged automatically as they leave. This online-to-offline move via mobile is a key example of where retailers need to sit up and take notice of Amazon's pioneering efforts, and work out how this technology and its consumer adoption could be relevant to their businesses.

Retailers would do well to remember that Amazon will never invest in something that doesn't have a clear customer benefit and they are not afraid for their innovations to be misunderstood by the market for long periods of time.

The Retail Hive: Why is it important for retailers to embrace a culture of innovation?

Miya: It's important for retailers to embrace a culture of innovation because the digital-first players (that's not only Amazon, but also the likes of Alibaba & JD.com in China too), have all gained an advantage by using technology innovation to remove friction from the customer experience. This has exposed retailers with more traditional business models and customer experience offerings and left them lacking from a service proposition point of view.

"Retailers should embrace customer-centred innovation and foster customer-centric thinking and strategy"

Customers vote with their wallets, and are demonstrating that Amazon gives them more of what they want as its sales keep growing. So, retailers need to follow suit and do the same. While they might not be able to match the pace of innovation of digital-first players, retailers should embrace customer-centred innovation and foster customer-centric thinking and strategy throughout their businesses in the same way as their digital-first competitors do.

The Retail Hive: What collaboration opportunities are there available to retailers today with Amazon?

Miya: In the book, we talk about "Co-Opetition" (co-operating with your competition), or "working together to stand apart".

This refers to cases where it is definitely a good idea for retailers to explore working with Amazon – in new markets, or just as equally with branded label as with commodity items. But the general trend that I have seen is that the bigger the retailer is, the less likely they are to want to work with the behemoth as they see themselves more as in direct competition.

Unfortunately though, sometimes the choice can be taken out of their hands.

An example of this is Birkenstock who refused to sell, or to let their resellers sell, their products on Amazon. However, to combat a grey-market where its shoes were being illegally sold on the US giant's marketplace, it has now been forced to license resellers to sell via Amazon and has opened a new D2C channel through Amazon Marketplace.

In my opinion, if a retailer doesn't already have a direct-to-consumer commercial relationship – i.e. through physical store(s) or an online shop – then Amazon represents a quicker route to market where the benefit of collaborating largely outweighs the risks. However, traditional brick-and-mortar retailers and pure-plays, who want to maintain direct control of their customer relations, have more to lose by giving Amazon access to their customer data.

A good example of Co-Opetition is the move made by French grocer, Monoprix (part of the Carrefour group), which was arguably getting left behind in terms of rapid growth in the urban grocery delivery market and so decided to partner with Amazon by utilising its Prime Delivery offering in Paris.

On the flip-side; Walmart has officially announced its refusal to work with Amazon across all aspects of its business. It's a general given that none of Walmart's technology providers are permitted to run on Amazon Web Services (AWS), and its management even frown on sharing carrier space on delivery trucks with Amazon.

A lot of retail IT experts confirm that it can be a real blocker to securing retail clients if you're a startup and on AWS. This is often a key reason why technology providers choose to host their technology infrastructures using Google's or Microsoft Azure's cloud services.

In contrast to Monoprix for example, its parent company Carrefour recently signed a strategic alliance with Google to develop a Google Voice Assistant and Google Shopping capabilities creating an opportunity to compete with Amazon, predicated not just on what it sells but also on how it sells it.

The Retail Hive: What about technology? What has technology done in retail, for consumers, and how integral to a retailer's success is implementing new technology?

Miya: This comes back to how retailers are selling their wares nowadays. They should either learn from what Amazon has done right and replicate it; or try their hand at innovating in the gaps - although there aren't many left, in my opinion!

Over the past 30 years; digital, mobile, internet-based technology adoption has increased levels of speed, convenience, relevance, choice and transparency for the consumer. This first happened online with eCommerce – as a result of the global growth in access to the internet – and has since been accelerated by wireless, mobile technologies.

It is precisely this rapid consumerisation of technology that Amazon has taken advantage of in its 25-year history. Also, reverse engineering this point, retailers shouldn't bother to invest in new technology unless they can absolutely prove that its adoption or the resulting changes to their business or operating models, will add value to their customer's journey and experience.

There's absolutely no point in adopting technology unless it's going to provide extra speed, relevance, choice or transparency for their customer.

In this vein, if a retailer is clear on what their customer wants, and how technology can help the business better serve them, then this will help them to subdivide types of tech and digital applications according to the changes they foster in those digitally-savvy consumers who do adopt. This is why there are three major technology drivers that have impacted retail, as proven by Amazon's success:

1. Ubiquitous Connectivity: Always-on, mobile and wireless internet access, enabling constant contact with the digitally-savvy, "connected customer". Using mobile as an apex-example of this; levels of ubiquitous connectivity will only continue to increase in the coming years, with the adoption of 5G and more and more economies coming online via mobile-first (China, South America). Last year reached a tipping-point with half the world's population accessing the internet, with 60% of those accessing it via mobile.

2. Pervasive Interfaces: Building on mobile; the fact that customers no longer need a mouse, nor a keyboard! Retailers have started to experiment with more digital screens, signage and labelling across stores. However, some have found that sometimes these screens can act as a blocker, rather than an enabler – particularly if the device is being used by a customer service associate, who is constantly looking down at it… or it's the kiosk or signage is down due to a fault or maintenance.

Other experiments include "endless aisles" whereby, if a product is not available instore, a self-serve kiosk or associate can help a customer order directly from the website; enabling an eCommerce capability in the physical sales space – with digitised points of purchase. The challenge is making sure these interfaces are as pervasive as possible. Also, coming into the home is the Internet of Things (IoT), where embedded devices can controlled centrally using an app or voice controls.

3. Autonomous Computing: Artificial Intelligence (AI) Retailers are already really good at automating their back-office operations and have proven themselves more than keen and willing to invest in technology that will drive productivity and efficiency, especially in eliminating tasks – having no problem spending money to save money. Autonomous computing however goes a step beyond automation. Such systems aren't just about digitising manually intensive and error-prone tasks that take place at checkout or during stocktakes, for example; developing branches of AI, such as Machine Learning or Natural Language Processing, enable systems to make recommendations and potentially act on them with little or no human input or intervention.

A great example of Amazon embracing AI is in its Amazon Go convenience format, which uses "computer vision" AI-based camera software and hardware systems to capture and record a customer's movements around the store and infer purchase intent from their behaviour. The tech recognises whether customers are putting products in their pockets or bags or not and knows when to charge for payment, enabling a frictionless, digitally enabled and data-driven customer experience – which is only possible at scale thanks to AI.

In the coming years, more and more AI based autonomous computer systems will be used, not only to manage the blending of digital and physical ("Phygital") shopping experiences, but also to enable efficiencies in the supply chain, and warehousing including: "just-in-time shipping", "predictive shipping" and "predictive inventory management".

The Retail Hive: What will be the next biggest commercial impact in this field?

Miya: Artificial Intelligence! – you can't have voice-controlled search/commerce, 1-hour delivery slots or operate mixed replenishment and fulfilment services without AI…!

There is an increasing interest in the adoption of AI underpinned voice technology across retail, thanks to the increasing popularity of Amazon's Alexa and Google's Assistant.

However, anything "Amazon" will direct customers to the Amazon ecosystem. Alexa will not search Google Shopping results. So, the likelihood and success of a product returning a result through an Alexa voice-search will depend on whether the brand/retailer has a D2C relationship via Amazon Marketplace, and then how highly that product or store-front ranks. It will also depend on the search query; whether the customer is searching by brand ("Fairy Liquid"), or by product ("washing-up liquid").

Amazon has retrenched a little on thinking that it can sell a lot with Alexa. Consumers are proving that, whilst they are rapidly adopting voice technology, they're not necessarily using it for shopping.

With voice search, retailers are much better off having a D2C agreement with Amazon themselves, or through helping the merchants that sell their products via Amazon to optimise their search rankings on Amazon. My advice to these retailers would be to fold voice into their overall SEO strategy: however highly they want to rank - focus on that - and include voice into the overall optimisation of their digital brand presence online. It is more important for brands and retailers to make sure they're ranked in the top 3 search results via voice search and perhaps develop so-called relevant voice "skills," rather than to try to develop voice technology systems themselves.

> "My advice to these retailers would be to fold voice into their overall SEO strategy"

The Retail Hive: What are your thoughts on building technology in-house, vs. buying products "off the shelf"?

Miya: My main area of concern would be; is this company big enough to grow with me? Whilst many startups have amazing technology, retailers will need and want to know that the provider will do everything and anything for them. There is a balance to be struck by being one-of-many big clients and being the only big client. In the latter case, if the startup that a retailer is working with is suddenly acquired by the likes of an Oracle, when they are already working with Microsoft or SAP for example, the roadmap for that key technology that they're relying may be suddenly diverted…If I was a Tier 1 retailer, I probably wouldn't want to invest in a startup until they're beyond seed-capital stage and have signed their first big client, and which can prove a bit of a "Catch 22" for the startup.

> "Retailers will need and want to know that the provider will do everything and anything for them"

Miya: Amazon is a technology company first and retailer second. Retailers are retail-first and they shouldn't try to compare themselves to Amazon like-for-like; they're non-comparable, like apples and oranges.

There are certain aspects of Amazon's journey that retailers should learn from and seek to emulate. At the Retail Hive Exchange, I will share more insight into what these aspects are and how retailers can capitalise on Amazon's mistakes and build upon their successes. I will help retailers to understand what Amazon can't do and what that means for them.

"Retailers are retail-first and they shouldn't try to compare themselves to Amazon"

By understanding what Amazon does well, in terms of how it sells what it sells, retailers can really focus on utilising their brand DNA and USP to improve upon how they sell what they sell – retailers can't sell everything, and they shouldn't try to.

The Retail Hive is a closed-door global network for senior retail leaders. To find out more about The Retail Hive community and our forthcoming Retail Hive Exchange meeting contact;
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