

(R) TECH

center for innovation

POWERED BY RILA AND ACCENTURE



(R)Tech

(R)Tech is a new term that describes the confluence of retail and technology. An (R)Tech company embodies the strongest values of both industries – global and local, nimble and entrepreneurial – to delight profoundly empowered consumers. The term is meant to accelerate retail innovation and to invigorate retail’s reputation with innovators, the next generation of retail talent, policymakers, and the public.

This blueprint serves to describe the retail industry’s evolution to (R)Tech, the challenges and opportunities in it, and the path for retailers willing to blaze the trail. It also introduces RILA’s new (R)Tech Center for Innovation.

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DO YOU WANT MORE TOOTHPASTE?

DECLINE

APPROVE



01

THE EMERGENCE OF (R)TECH

Introduction

Since RILA's inception nearly half a century ago as the Mass Retailing Institute, we have ridden the tide of the industry's expansion to the chain store age of today. We observed, as the industry's leading partner and voice, the pioneering efficiencies and scale that characterize retail's current dominance. We saw industry behemoths grow from their earliest days. We have witnessed the difficulties of layoffs and store closings, and we have experienced the excitement of new retail channels being born and prospering.

Retail has blossomed into an industry that supports millions of store employees, tens of millions of people in ancillary industries, and hundreds of millions of customers. The mines, farms, and factories in its supply chains offer the opportunity to lift many millions of people out of poverty around the world. It is at the heart of our cities and towns, and is the lifeblood of global societies and economies. Retail is the place for people everywhere to access the future of everything from fashion, food, payments, cosmetics, and home goods, to experiences and increasingly healthcare.

But we have seen the industry change in the past, and we recognize the disruptive signals of change yet again. The pages that follow describe the pressures driving change and the specific changes we are seeing; they lay a foundation for our vision of the industry's future and the processes that retailers need to develop in order to get there. While no one can predict the future, leaders must recognize when the successful metrics and models of the past will not be the successful metrics and models of the future. Our retail world is changing; we hope that you will join us on that journey toward growth and new opportunity.

Why (R)Tech? Why now?

In the past few years, we have seen the seeds of a deep transformation to a new age of retailing. U.S. and global consumers are driving change at an unprecedented rate. Ubiquitous internet access, uncertain political dynamics, and changing consumer values, preferences, and lifestyles have led to disruption in virtually every industry; retail, perhaps more than any other. This digital revolution continues to transform the way customers buy and interact with retailers and products. And the pace and depth of these changes are accelerating. The new retail landscape poses risks, but also fertile soil for many new opportunities.

Today, retailers must innovate to survive and thrive in this emerging (R)Tech world by:

- Building the systems for transformative change
- Training the next generation of retail talent
- Fostering new ideas and partnerships
- Establishing rapid and continuous prototyping

This blueprint aims to lay the foundation for a new retail epoch: (R)Tech. It begins by defining the elements of (R)Tech and the transition path to (R)Tech. The paper concludes with insights into the organizational structures that leading retailers have already adopted to enable their (R)Tech future.

We hope this blueprint and RILA's subsequent activities lay the foundation for a changing and prosperous retail industry future.

Methodology for Generating This Report

This blueprint was developed through interviews with over 30 retail chief innovation officers; meetings with venture firms, entrepreneurs, futurists, and innovation consultancies; and secondary research. It is the culmination of ideas, philosophies, and learnings from both within and outside of the retail industry.

Sources:

- Innovation frameworks (A Heuristic Framework for Corporate Innovation, Framework for Organization Corporate Innovation, The 7 Immutable Laws of Innovation, The Innovation Value Chain, A Chief Innovation Officer's Actual Responsibilities, Why Sustainability is Now the Key Driver of Innovation, Meeting the Challenge of Disruptive Change, Before You Innovate, Ask the Right Questions, Google's Re:Work)
- RILA and Forum for the Future's Retail Horizons program
- Podcasts (a16z, Killer Innovations, and Innovation Hub)
- Corporate innovation course notes (MIT's Managing Innovation and Entrepreneurship, MIT's Managing the Innovation Process)

About RILA's (R)Tech Center for Innovation

About the Retail Industry Leaders Association

RILA is the trade association of the world's largest and most innovative retail brands. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

About RILA's (R)Tech Center for Innovation

RILA is launching its (R)Tech Center for Innovation, and an accompanying "(R)Tech" brand for the retail, innovation, and policymaking arenas. "(R)Tech" is a new term that describes the confluence of retail and technology. An (R)Tech company embodies the strongest values of both those industries – global and local, nimble, and entrepreneurial – to delight profoundly empowered consumers. The term is meant to accelerate retail innovation, and to invigorate retail's reputation with innovators, the next generation of retail talent, policymakers, and the public.

(R)Tech innovations are sprouting in all directions. Smart devices are opening markets for new categories of products, as well as generating operational efficiencies. Virtual reality is a channel for completely new and immersive experiences. 3D printing holds the potential for us to create anything, anywhere. Artificial intelligence, blockchain, the gig economy, big data analytics, FinTech for payments, and more are accelerating change in all aspects of the industry. Taken in sum, this is (R)Tech.

(R)Tech is the gravitational field to attract dreamers, entrepreneurs, innovators, and investors into retail's orbit. The first wave of these (R)Tech innovators are already creating retail's future. The (R)Tech Center for Innovation is designed to bring together key retail innovation ecosystem players to strategically address critical retail industry needs.

The (R)Tech Center for Innovation's mission is to help retailers navigate the industry transformation, and to spur the adoption of the "(R)Tech" term within the retail innovation ecosystem.

The (R)Tech Center for Innovation will address five key industry needs:

1. *Authoritative Research:* Retail innovation benchmarking, trends, and analysis
2. *Connecting to Innovation:* Connect retailers to innovative technologies, companies, ventures, and other models, both in the US and from around the world
3. *Fostering Innovation:* Assist the industry in creating cultures where innovation, creativity and change can flourish
4. *Activating Innovation:* Assist retailers in the process of moving emerging technologies, business models, or use cases from their innovation function into their broader business
5. *Burnishing Reputation:* Build reputation for retail in innovation hubs and with policymakers and retail talent

Visit www.rtech.org to learn more about the Center's activities and to engage in the conversation.

The (R)Tech Center for Innovation's structure

The Center is launching with a four-part structure. Each group represents critical stakeholders in the retail innovation ecosystem, namely retail executives, digital technology leaders, and venture firms connected to startups and innovators. Specifically, the groups are:



(R)Tech Advisory Council: will guide the strategy and set priorities for the Center. It will be composed of RILA Premier member and founding member chief innovation officers. It will act as a sounding board for the Center's activities and growth, and identify potential collaborative interests.



Digital Retail Council: will convene retail executives and digital technology firms to discuss e-commerce, omni-channel, and digital retailing. This will provide a forum for retail's digital executives to learn from digital technology leaders, identify future needs, and benchmark and share best practices.



(R)Tech Council: will be composed of retail chief innovation officers. Its role is to act as a pre-competitive forum to share best practices and identify potential collaborative interests and industry needs.



(R)Tech Innovation Network: will convene venture capitalists, incubators, and accelerators with a focus on retail technologies and innovations. The Network will allow the Center to keep a pulse on the latest ideas, technologies, and startups; it will be a source for content at the Center's events; and it will be a distribution channel for the Center's research on the industry's needs.



02

THE NEW RETAIL EPOCH: (R)TECH



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**EVERY ACT OF
CREATION IS FIRST
OF ALL AN ACT OF
DESTRUCTION.**

- PABLO PICASSO

Factors Triggering (R)Tech

Six mega-pressures are conspiring to transform the industry. These are the factors triggering this disruptive phase and the subsequent emergence of (R)Tech.

Today's customers want to shop anywhere, anytime—and across any channel convenient to them. They value transparency and healthfulness. And when it's time to purchase, customers are empowered to research and make decisions by ubiquitous access to information.

Customers are spending on experiences and services over products. Apps enable them to rent products, share ideas, and provide reviews. Experiences and authenticity drive loyalty; unprecedented social connectedness drives trustworthiness; time scarcity drives the desire for convenience. Individualization drives personalization – in marketing and product selection.

Companies now have access to more data than ever before about their customers, stores, products, suppliers, and supply chains. This availability of data enables retailers to deliver on a customized consumer experience, and also to identify operational and supply chain efficiencies at a rate never before imagined.

Leading retailers see these trends not as separate, disconnected issues, but instead as interconnected components of an emerging story. Retailers are adapting to the triggering factors by overcoming their legacy systems and building innovation cultures.



TECHNOLOGY

- Retail everywhere
- Augmented and virtual reality
- Distributed manufacturing
- Advancements in biotechnology



DEMOGRAPHICS

- Shifting demographics
- Urbanization in the U.S.
- Global economic shifts
- New approaches to health and wellbeing



BIG DATA AND TRANSPARENCY

- The ubiquity of data
- Radical transparency



NEW CONSUMPTION PATTERNS

- Self- and community reliance
- Rise of the sharing economy
- Empowered consumers
- Circular economy



RESOURCE CONSTRAINTS

- Decline in ecosystem services
- Water insecurity
- Resource scarcity
- Time scarcity



POLITICS AND ECONOMICS

- Geopolitical instability
- Energy transformation
- Privacy and cybersecurity
- Coping with climate change

THE INDUSTRY IS CHANGING

PERFORMANCE

MARKET AGE

- Diversity
- Wares
- Short supply chains
- Community hub
- Freshness

CORNER STORE AGE

- Convenience
- Service
- Intrinsic motivation
- Owner/shopkeeper

CHAIN STORE AGE

- Supply chain strength
- Standardization
- Low cost
- High volumes

(R)TECH AGE

- Customer-centric
- Customization
- Connected economy
- Store experience
- Customer experience
- Alternative business models

Big Data & Transparency

Demographics

Technology

New Consumption Patterns

Resource Constraints

Politics And Economics

TODAY

TIME

The Confluence of Retail and Technology

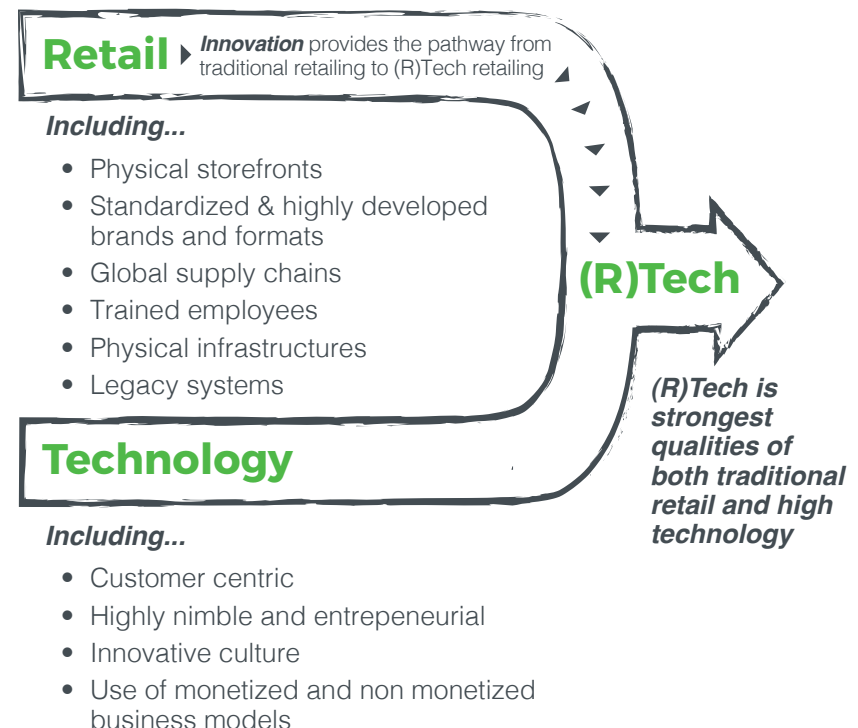
An (R)Tech retailer has a thirst for new business models and processes. It puts the customer at the center of a physical and digital universe; characterized by the strongest attributes of traditional retailing and high-technology companies.

(R)Tech is the convergence of traditional retailing with the flexibility and agility of technology firms. For traditional retailers to be successful in a tech-enabled world – governed by mobile devices, instantaneous access to information and reviews, radical transparency, and convenience and personalization – they must incorporate the next generation technologies and business practices. While innovation is the pathway by which traditional retailers can test and create the culture, systems, and business models necessary for an (R)Tech world.



Establish a ‘Think Differently’ culture and seek out innovations that will help meet internal goals.

- ELECTRONICS RETAIL

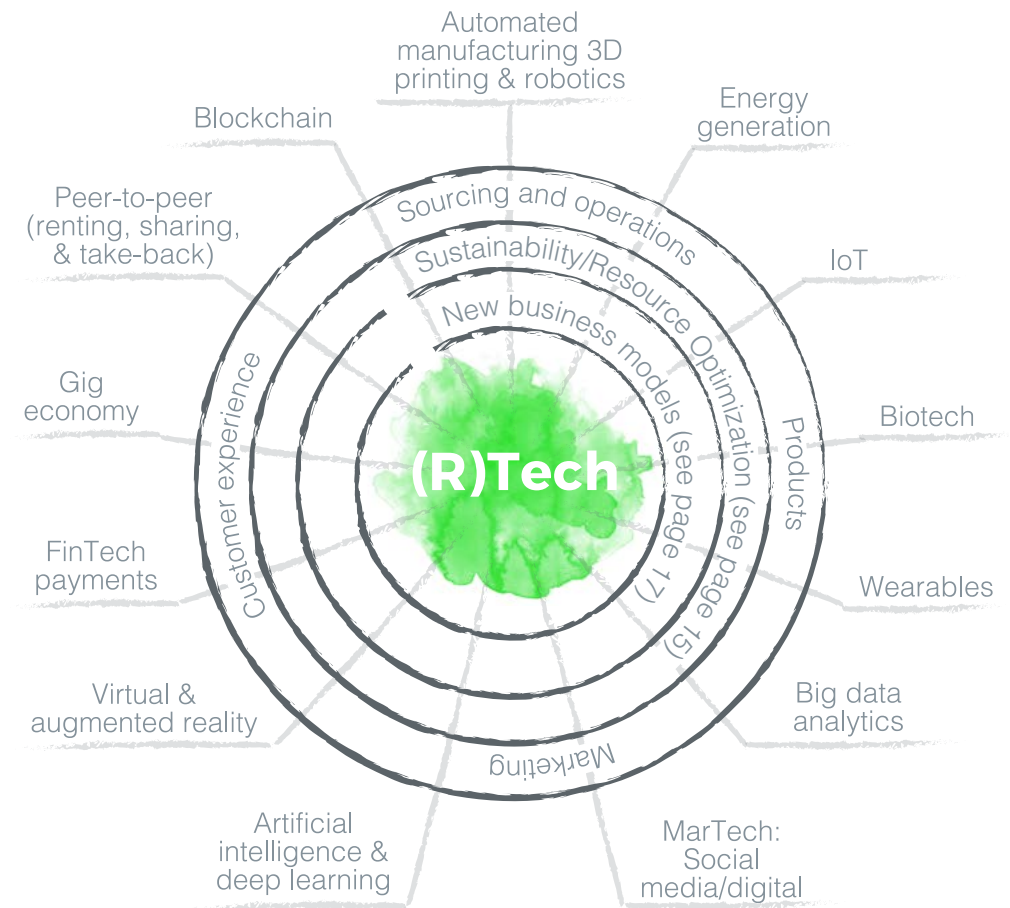


Enablers of (R)Tech

An (R)Tech retailer is enabled by many existing innovation spheres. Disruption in retail is being accelerated by a wide range of existing innovations, from smart technologies and automation to new business models, such as renting and sharing.

But the technologies are only the enablers, not the central ingredients. Instead, (R)Tech retailers are those with the mindset, leadership, and willingness to change. In short, it's a culture that promotes questioning and change. (R)Tech touches every existing business function within a retail company, requiring everyone in the company to adapt to this emerging future. It is even defining new retail functions like digital, experiential, personalization, and omni-channel retailing.

The foundation of (R)Tech is transformation of two types: sustainability (page 15) and business models (page 17). Sustainability – or resource optimization – is the framework and guiding constraint that ensures innovations will provide business value, and will be relevant, in the long-term business climate. Not all innovations are worth an investment, only those with the potential for longer-term sustainability. Business model innovations are by their very nature transformative, seeking growth and value in dimensions new to the company and industry.



(R)Tech's Foundation Of Sustainability

The brightest innovators see the big picture — the market dynamics, macroeconomic climate, political pressures, and lifestyle trends — and use those forces as tools to innovate.

Innovation for (R)Tech must be grounded in a long-term and systemic understanding the business context. For retail, there is nothing more fundamental to the business than the three elements on which they are wholly dependent: financial, human, and natural resources.

Sustainability – or resource optimization – provides a powerful framework to analyze these dependencies. The sweet spot for (R)Tech innovations are those that simultaneously address these three resources. Rather than seeing these as constraints to innovation, they are the fuel for which all (R)Tech innovations should focus and grow.

Capital is critical to any company's existence—not only as sales, but also as investment and development opportunities to grow the business over time.

People provide the knowledge, creativity, ideas, and productivity; they are critical components of every step of a retailer's supply chain



Necessity is the mother of invention.

- PROVERB

– beginning with the mining of natural resources and farming of agricultural products, through manufacturing, transportation, and sales.

But without natural resources and the commodities that nature provides, there would be no products. Cotton, metals, chemicals, gas, lumber, wool, minerals, diamonds, oil, and more are all the key inputs into every single product that is sold on retail shelves.

Leading corporate executives recognize the critical importance of these three ingredients and work relentlessly to optimize their value. Human talent can be nurtured; it can grow through training and development, and a never-ending focus on improving the health, wellbeing, and quality of life of everyone whose hands touch a product in its lifecycle. Doing so reaps benefits to the business through innovation, loyalty, and productivity. And the natural environment needs to be preserved, using every resource to its highest potential, and wasting nothing. Some of the leading companies have already committed to “zero waste” programs, vowing to take advantage of every resource that enters their supply chains, clearly lowering costs and/or increasing revenues.

New entrants have honed into innovation's sweet spot, creating whole new business models that are leading to transformative opportunities. Some of those new models include the sharing economy, and product reuse and take-back; leveraging technology to optimize the use of existing resources.

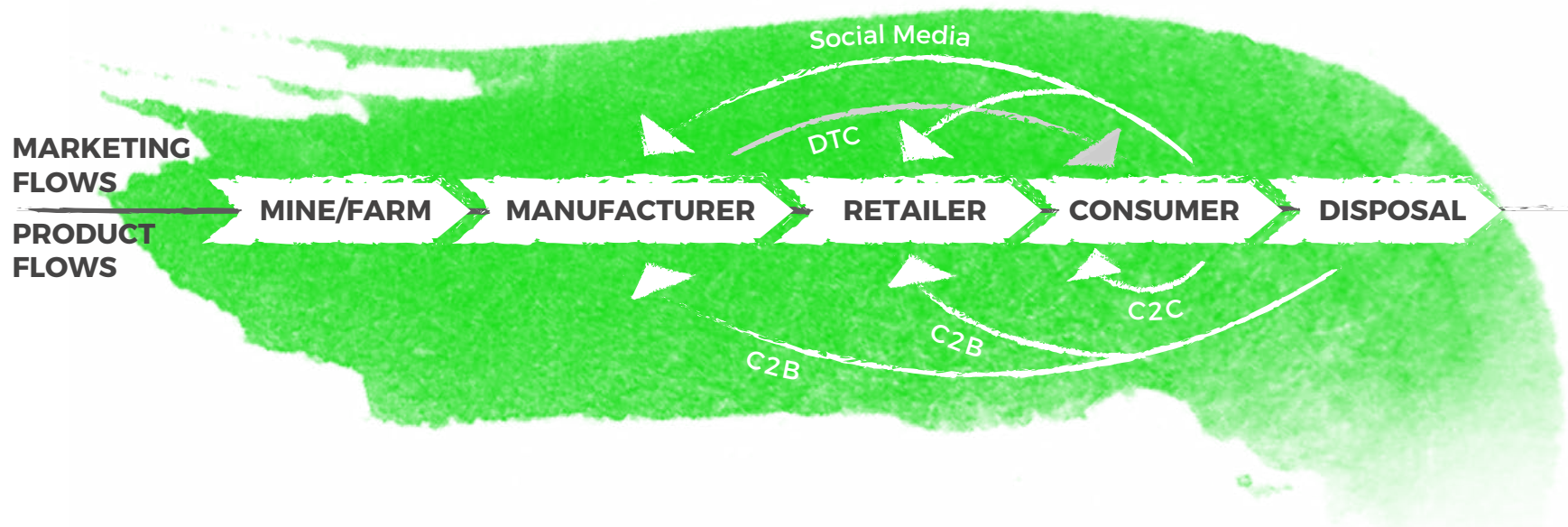


(R)Tech Business Models

With the emergence of connected devices and the sharing economy, (R)Tech is enabling a number of new retail business models.

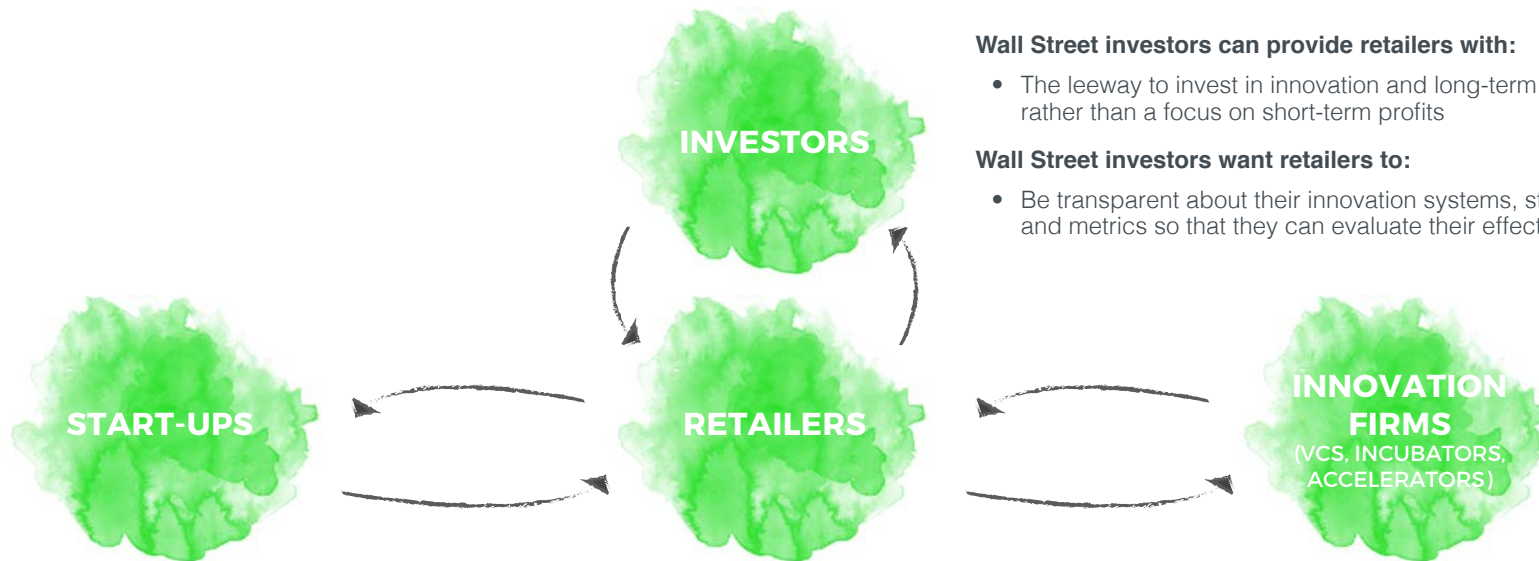
While traditional retailing is defined by B2B and B2C marketing and product flows, (R)Tech is enabling entirely new business models, such as renting and sharing. Those C2C and C2B models are reshaping the retailing landscape, providing more opportunities to touch the consumer throughout the life of a product while simultaneously addressing sustainability opportunities.

Many startup companies are defining the new C2C – also called “peer-to-peer” – and C2B spaces, but some traditional retailers have begun to experiment with new ways to engage their consumers. These new models will continue to grow with the proliferation of smart devices, as well as consumers’ acceptance of sharing and renting products.



(R)Tech Stakeholder Ecosystem

An innovation ecosystem has emerged around (R)Tech; each stakeholder has a role in creating retail's future.



Start-ups can provide retailers with:

- New solutions to save money or test new business models
- A new perspective on problems plaguing the business

Start-ups want retailers to:

- Be early adopters & have an appetite to pilot new technologies
- Help them navigate their organizations and introductions to relevant executives
- Inform enhancements to existing technology designs for broad-based application

Retailers want to:

- Develop a culture of innovation
- Achieve continuous improvement in their customer experience and throughout their enterprise
- Have a grasp on the industry's direction

Wall Street investors can provide retailers with:

- The leeway to invest in innovation and long-term growth, rather than a focus on short-term profits

Wall Street investors want retailers to:

- Be transparent about their innovation systems, strategies, and metrics so that they can evaluate their effectiveness

Innovation firms can provide retailers with:

- Access and introductions to their portfolio companies
- An outlook of emerging companies, earlier stage technologies, and funding trends
- Ability to invest in and test new ideas

Innovation firms want retailers to:

- Provide a more direct route to revenue for their portfolio companies
- Articulate their needs to gauge potential investments
- Provide mentors and relationships with marketing, merchant, supply chain, HR, and other executives

SALE!

03

THE TRANSITION TO (R)TECH

The Challenge: Overcoming The Legacy

Legacy systems are barriers for retailers to adopt an (R)Tech mindset and implement the changes necessary to succeed in an (R)Tech world.

By definition, to innovate is to change. However, change is one of the greatest obstacles for retailers to overcome. A significant part of that challenge is the same in any large organization: the ability to build change management systems that enable the organization's future success while managing today's business with its legacy systems.

Examples of legacy systems include:

- **IT systems** enable – or disable – employees from performing activities necessary to run and grow the business. These systems include inventory management, POS payment, customer management, vendor management, HR management, and more.
- **Organizational structures & cultures** are the systems that govern interactions and politics across the organization, ultimately driving mindsets and decisions.
- **HR, incentive, and training systems** attract, develop, and incentivize the talent and behaviors necessary to require retail functions.

- **Brands** are the intangible asset critical to the success of chain stores. But outdated brands that don't garner customer loyalty or connection pose a liability to the organization.
- **Physical stores** are also a critical retail asset, with locations placed convenient to customers. However, as consumer preferences and lifestyles change, the existing store portfolio can be a cost burden, pushing retailers to experiment with experience and layout of individual stores within the portfolio.
- **Supply chains** are the critical relationships and infrastructure necessary to bring products to shelves – or direct to customers' front doors.
- **Regulatory mechanisms** are integral to retailers' operations. They target the current business environment, giving startups and innovators – who are often not subject to the same regulatory burdens – a competitive advantage.

Compounding the challenges of legacy systems is that retailers generally operate on razor thin margins in a market with declining trip frequency and increasing competition. Therefore, a return on investment is crucial. This can paralyze some traditional retailers from being early adopters.

These existing systems hinder every company's ability to innovate. A change management mindset, driven from the top, plus devout attention to building a culture of change and concerted investments in change, can overcome the legacy.

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Having a sound change management system is key. Retailers need to be able to integrate new innovations across the company.

- PET SUPPLIES RETAILER

It can be very difficult at times to put new insights and innovations into action.

- CPG MANUFACTURER



Divergent Retail Paths

Developing a culture of innovation is the foundational step toward overcoming legacy systems and enabling a retailer's (R)Tech future. Two paths characterize either the success or failure of retailers to adapt.

Leading retailers that are building the systems and culture follow the **(R)Tech Growth Cycle**. Strong leadership creates urgency from the top-down, initiating momentum toward change. That raises awareness among mid-level management and associates for the need to change, fostering new ideas and management structures and cultures. Resources are invested in identifying new ideas and acting on them. The incentive systems and recognition programs begin to adapt to the evolving culture and priorities, enabling people to be entrepreneurial, test new ideas, and continuously improve. Failure is seen as merely a step toward improvement. This dynamic is self-reinforcing, building over time to result in a corporate culture adept at change.

Comparatively, other retailers are not instituting intentional processes that build a culture of innovation, thus leading to the plaguing **(R)Tech Collapse Cycle**. This cycle characterizes a company that is resistant to change and with only minimal investments in (R)Tech initiatives. As the competitive landscape changes, these retailers are forced to lay-off employees or close stores, lowering morale and increasing turnover. That dynamic further entrenches companies in the pattern, challenging the creation of the innovative culture necessary to stay competitive.

Some retailers have effectively overcome the (R)Tech Collapse Cycle by rapidly mobilizing resources, hiring critical talent, engaging investors and other stakeholders, and building incentives for people to change. Speed is critical.

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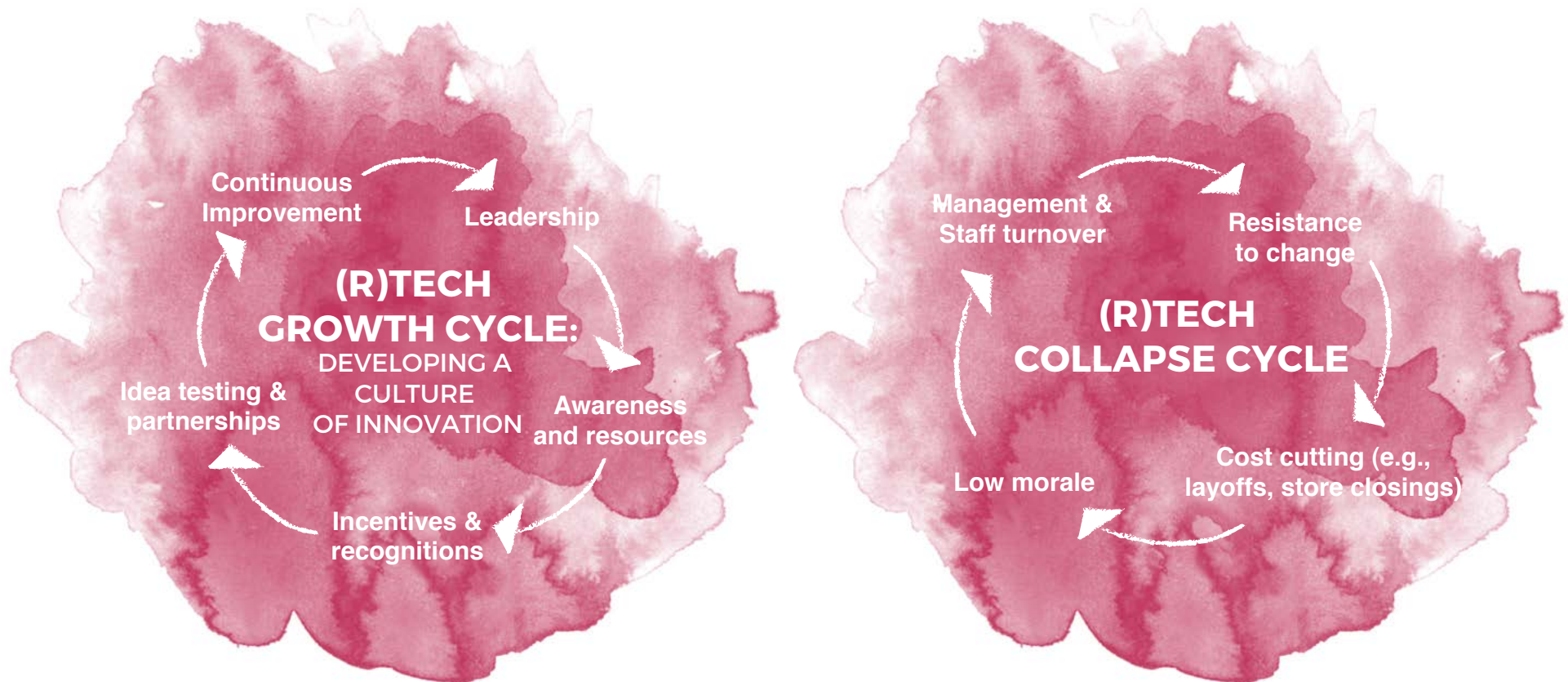
Having a culture of innovation starts at the top with the CEO's forward thinking and flows down through different lenses of innovation.

-GROCERY RETAILER

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**The enterprise that does not innovate ages and declines.
And in a period of rapid change such as the present the
decline will be fast.**

- PETER DRUCKER



A large, irregular blue watercolor splash serves as the background. Within this splash, there is a faint line drawing of a woman's face and upper body on the left, and a faint line drawing of a globe on the right. A white rectangular box with a thin border is centered horizontally, containing the chapter number and title.

04

ORGANIZING
FOR (R)TECH



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**GENIUS IS ONE
PERCENT INSPIRATION,
AND NINETY-
NINE PERCENT
PERSPIRATION.**

- THOMAS EDISON

Emergence Of The (R)Tech Innovation Officer

(R)Tech Innovation Officers, or (R)IOs, often called Chief Innovation Officers, are the torchbearers guiding their companies toward (R)Tech.

An (R)Tech Innovation Officer or (R)IO aims to shape a company's culture, putting the elements in place for the company to follow the **(R)Tech Growth Cycle**. While the chief innovator title is common in other industries, it is a relatively new role to retail. While the function has always been necessary, only recently have retail companies embraced this role as essential.

The (R)IO's role is multidimensional. First, the (R)IO builds a talented team to further internal relationships and navigate the external innovation ecosystem. (R)IOs open executives' eyes to the changing marketplace, exposing them to new ideas that may ultimately succeed or fail. What's more, the (R)IO creates the infrastructure to solicit and propel the best ideas from employees across the organization. A strong (R)IO works with the CEO and other leadership team members to instill a culture of innovation throughout the company.

The (R)Tech Innovation Management Model, beginning on page 28, documents a (R)IO's full role.



Curator of external networks.

- APPAREL RETAILER

Get people to open their apertures and encourage risk taking.

- APPAREL RETAILER

Two Classes Of Retail Innovators

The (R)Tech Innovation Management Model is used as guidance for building an innovation program in a retail company

Incremental Versus Transformative Innovation

Through RILA's initial research, it became clear that two classes of retail innovation cultures are emerging: the **incremental** and the **transformative**. The first characterizes companies that innovate close to their core, focused on addressing improvements in operational performance. The second type of innovation culture identifies, experiments, and executes on transformative business model innovations.

About the Model

Innovation is a defined business discipline, with academic research and identified best practices across sectors. The (R)Tech Innovation Management Model identifies 30 possible dimensions in six sections. However, not every company will want to employ each dimension. The model can be used to assess a brand's innovation strategy and to benchmark its program against others. It is RILA's working definition of a retail innovation program and will be refined with the input of the newly formed (R)Tech Advisory Council.

Model sections include:

1. Strategy & commitment (page 28)
2. Culture of innovation (page 29)
3. Specific innovation mechanisms (page 30)
4. Innovation integration processes (page 31)
5. Risk management (page 31)
6. Innovation outcomes (page 32)



We have [i]nnovation and [I]nnovation. Small changes and disruptive changes.

- FOOTWEAR AND APPAREL RETAILER

Pure innovation should disrupt, but incremental innovation is practical and helps us get better.

- GROCERY RETAILER

Strategy & commitment

Incremental innovation		Transformative innovation
1	Innovation strategy <ul style="list-style-type: none"> Defined innovation strategies focused on improving supply chain, omni-channel, product mix, store design, asset protection, and/or marketing performance (i.e., core opportunities) Specific strategy in place to determine whether new capabilities require investing, acquiring, incubating, inventing, or partnering Leverages adjacencies as the first step to new growth platforms Innovation time horizon of less than five years 	<ul style="list-style-type: none"> Portfolio innovation approach, with intentional mix of short-term efficiency investments and longer-term, “game-changing” investments Orientation towards innovations in full-system optimization (e.g., customer experience, services, and business models; seeking new market spaces and paving the business's future direction) Focus on promoting consumer health, wellbeing, joy, and trust; and corporate's transparency and sustainability Innovation time horizon of five years or longer
2	Opportunity identification <ul style="list-style-type: none"> Identifies existing innovations within and outside of company Defined processes to identify the greatest opportunities for efficiency improvements Benchmarks against other retailers 	<ul style="list-style-type: none"> Systematic process to identify specific business problems to address or new opportunities based on many factors (e.g., market research; future business direction; needs of shareholders, customers, regulators, activists; minimization of resource use) Benchmarks against other sectors (e.g., tech, restaurants, hospitality, entertainment) and geographic regions (e.g., EU, Asia)
3	Innovation goals <ul style="list-style-type: none"> Sets goals for efficiency/productivity improvements in traditional business functions (e.g., supply chain, sourcing, merchandising, operations) 	<ul style="list-style-type: none"> BHAGs (big, hairy, audacious goals) to energize employees to innovate and think big Goals touch all parts of the company and focus on the future business direction
4	Governance & executive engagement <ul style="list-style-type: none"> Periodic involvement of CEO Involvement of senior team on regular basis Clear and defined senior-level decision-making roles and accountabilities for innovation programs Regular innovation reviews with line leaders 	<ul style="list-style-type: none"> Consistent involvement from the CEO and senior team Coordinated senior-level, inter-departmental innovation steering committee that regularly reviews innovation initiatives and company's innovation plans Periodic updates to the board
5	Innovation team <ul style="list-style-type: none"> Chief Innovation Officer reports directly to CEO 	<ul style="list-style-type: none"> Innovation teams sized to address the company's innovation needs Organized to act on a suite of innovation mechanisms Entrepreneur(s)-in-residence
6	Funding mechanisms <ul style="list-style-type: none"> Project-by-project funding based on projected ROI 	<ul style="list-style-type: none"> Consistent funding to ensure longer-term planning and to signal the importance of the company's innovation platforms
7	Investor relations <ul style="list-style-type: none"> No specific investor communications about innovation programs 	<ul style="list-style-type: none"> Periodic investor updates on company's innovation roadmap and the need for innovation

Culture of innovation

Incremental innovation		Transformative innovation
8	Incentives for innovation	<ul style="list-style-type: none">• Compensation systems for senior- and mid-level employees that recognize, celebrate, and reward innovative employees and ideas
9	Department-level innovation & HR mechanisms	<ul style="list-style-type: none">• Compensation systems that recognize and reward failures to highlight that it is permissible to fail, so long as the company learns from it• Financial or equity compensation for employees that introduce or lead new, disruptive innovation projects
10	Place: the physical office building and office layout	<ul style="list-style-type: none">• Systematically uses mechanisms to bring together cross-functional teams to overcome silos• Working with senior teams and HR to re-organize company to support future business growth• Exposes senior leaders from across the enterprise to start-ups and new business models• Company's innovation platform is used to attract employees
		<ul style="list-style-type: none">• The physical office spaces are organized to maximize departmental efficiency (e.g., relevant departments are physically located near one another)• The physical office spaces are organized to fuel creativity, connection, energy generation, and "planned serendipity"• The office's location is in a place (city or neighborhood) that fuels further innovation and creativity



I failed my way to success.

- THOMAS EDISON

Specific innovation mechanisms

Incremental innovation		Transformative innovation
11	Defined innovation methods, processes, and events <ul style="list-style-type: none"> Internal processes to periodically gather competitive intelligence and generate ideas Organizes efforts outside the office to understand consumers' evolving needs 	<ul style="list-style-type: none"> Internal processes to periodically assess a broad innovation and creative landscape, well beyond the traditional retail industry Organizes sensory experiences, e.g. art galleries, theater shows, etc. for executives to spark creativity
12	Horizon scanning processes <ul style="list-style-type: none"> Mainly models innovation initiatives after competitor successes Periodically reviews and assesses consumer and industry trends Identifies how other companies are leveraging technology 	<ul style="list-style-type: none"> Systematic processes in place to monitor new technologies through conferences, tech shows, and other sectors or geographic regions; builds university, VC, and incubator partnerships
13	Internal idea solicitation <ul style="list-style-type: none"> Ad hoc processes to solicit ideas from employees across the organization, filter and prioritize those ideas, and then act on them Internship programs to help foster and incorporate fresh ideas 	<ul style="list-style-type: none"> Defined and well-communicated processes to solicit employee ideas and ultimately put resources behind acting on the most valuable ones
14	External idea solicitation (partnerships & collaborative involvement, open-innovation) <ul style="list-style-type: none"> Partners on one-off and opportunistic basis with startups, universities, or companies that have relevant offerings Participates in pre-competitive industry collaborations where appropriate Regularly attends relevant innovation events (e.g., CES, Shoptalk) Hosts problem-solving innovation events like "hackathons" or ideation sessions with employees 	<ul style="list-style-type: none"> Plan in place that distinguishes between the role of in-house innovations versus partnerships Partners with university labs, VCs, and incubators to maintain pulse on cutting-edge trends Hosts innovation dinners or other events to gather thought leaders and visionaries Strategically hosts "hackathons," ideation/open-innovation sessions, "X-Prizes," or other creative events to source next-generation business ideas
15	Innovation Lab <ul style="list-style-type: none"> No innovation lab in place Runs prototype store specifically to test new systems 	<ul style="list-style-type: none"> Highly invested & fully staffed innovation lab(s) located in U.S. or global innovation hubs Systems to connect innovation labs with the rest of the business so that the lab's output can be integrated into the business
16	Startup relationships & acquisitions <ul style="list-style-type: none"> Startups sought primarily for new products and operational process improvements Participation with accelerators or incubators to identify relevant startups 	<ul style="list-style-type: none"> Startups seen as a way to source innovative new experiences, services, and business models Mechanisms to identify and integrate startups into business
17	Future thinking <ul style="list-style-type: none"> Employs future thinking tools in ad hoc ways 	<ul style="list-style-type: none"> Employs future thinking tools like visioning, scenario planning, etc. to guide innovation plans and processes, and to identify future-proofing strategies

Innovation integration processes & risk management

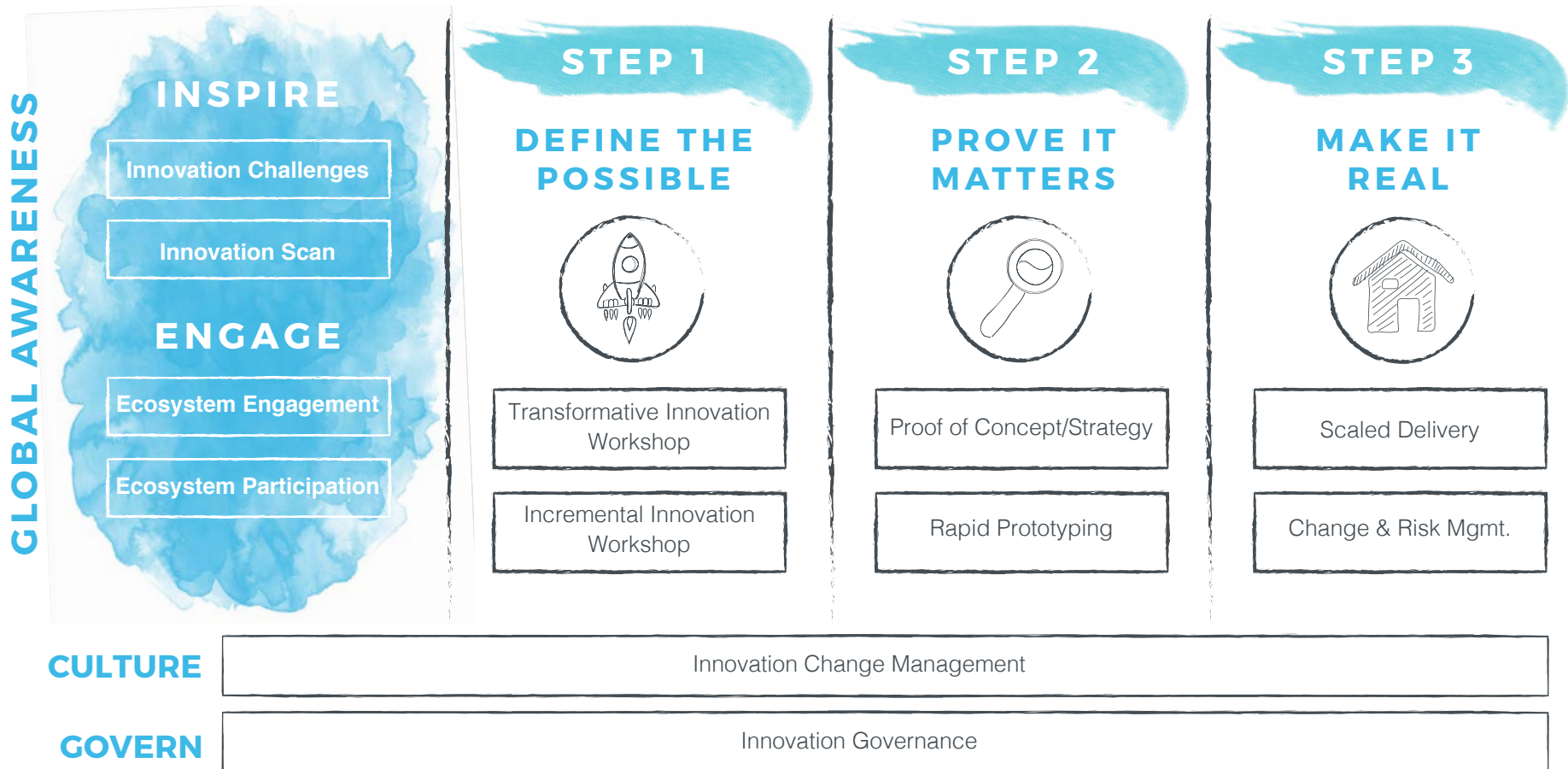
		Incremental innovation	Transformative innovation
Innovation integration processes			
18	Metrics & measurement	<ul style="list-style-type: none"> Utilizes existing retail metrics (e.g., same-store-sales, foot-traffic, sales per square foot, clicks) 	<ul style="list-style-type: none"> Defines new metrics that align with the future direction of the business (e.g., metrics relating to services, experiences, consumer engagement) Incorporates both "soft" as well as "hard" metrics into innovation planning processes
19	Reporting & communicating	<ul style="list-style-type: none"> Communicates the importance of innovation to the company employees and solicits innovative ideas from employees 	<ul style="list-style-type: none"> Communicates internally and externally (to relevant stakeholders) about the company's innovation objectives and processes
20	Experimenting & iterating	<ul style="list-style-type: none"> Design, build, test, learn cycles – not only applied to technology adaptation, but also to market learning (e.g., daily builds, alpha & beta testing) Leveraging design thinking processes that include rapid prototyping 	<ul style="list-style-type: none"> Specific processes and resources in place to rapidly test new technologies and business processes/systems Defined metrics to test/measure the success of innovation projects
21	Change management / scaling innovation	<ul style="list-style-type: none"> Integrates new technologies and processes into the business in ad hoc ways 	<ul style="list-style-type: none"> Change management processes in place to smoothly integrate new ideas or startups into the relevant business functions Executive team possesses the capabilities and processes to adapt and make changes rapidly
22	Physical retail store layout	<ul style="list-style-type: none"> Prototyping process in place to test new store formats, including urban, store-within-a-store, etc. 	<ul style="list-style-type: none"> The store layout is flexible and modular to rapidly test new formats and reconfigure the space based on changes to product mix
23	External communication	<ul style="list-style-type: none"> Ongoing consumer-facing communications to stay top-of-mind and garner feedback 	<ul style="list-style-type: none"> Connects with consumers and generates buzz about innovation program or new products/operations Hosts events related to product launches or new service roll-out
Risk management			
24	Risk & ethics management	<ul style="list-style-type: none"> Maintains firm understanding of relevant regulations Identifies potential risks on a project-by-project basis Implements ever-evolving cybersecurity processes & systems 	<ul style="list-style-type: none"> Has defined risk/ethical innovation protocols or policies in place Actively engaged in shaping relevant new legislation
25	"Black swan" event preparedness	<ul style="list-style-type: none"> Balancing risks and rewards with diversified portfolio of core and new growth initiatives / leverages core competencies 	<ul style="list-style-type: none"> Emergency preparedness plans in place for extreme events

Innovation outcomes

Incremental innovation			Transformative innovation
26	Corporate culture	<ul style="list-style-type: none"> Incremental improvements (e.g., supply chain, omni-channel, product mix, store design, asset protection, marketing performance) driven mainly by innovation teams Resource reductions achieved (e.g., material and fuel usage, energy consumption) Reducing operational costs 	<ul style="list-style-type: none"> Department-level improvements driven by functional teams, who are continually seeking performance improvement and cross-functional alignment, with support from innovation teams
27	IT capabilities	<ul style="list-style-type: none"> Internally, integrated cloud-based systems across the enterprise to enable 360-degree view of customers, vendors, stores, and products; executive dashboards for easy visualization of key metrics 	<ul style="list-style-type: none"> Customer-facing, a competitive platform for e-commerce, mobile, and digital
28	Consumer-facing innovation	<ul style="list-style-type: none"> Awareness of the new, multi-dimensional, and non-demographic consumers Seamless customer shopping experience across all channels Customers can interact with the company through apps & experiences that have game-like features 	<ul style="list-style-type: none"> Strong understanding of the company's consumer of today and its future consumer; capabilities in place to design products & experiences to reach those demographics Strong and growing focus on experiential shopping and services Focus on promoting consumer health, wellbeing, joy, and trust; promote corporate transparency and sustainability
29	Store associate innovation	<ul style="list-style-type: none"> Seamless access for customer-facing employees to product information via smartphones or tablets 	<ul style="list-style-type: none"> Service-oriented, knowledgeable associates trained in real-time using mobile and other devices,
30	Business model innovation	<ul style="list-style-type: none"> Opening the business to opportunities in new channels or sectors 	<ul style="list-style-type: none"> Actively identifying new market spaces and experimenting with new business models (e.g., pop-up, renting, subscription) Creating new offerings that are disruptive to the market; platform, rather than just product, innovations Reframing existing categories to fundamentally change the nature of product/sector categories

MANAGING THROUGH THE (R)TECH TRANSFORMATION

The (R)Tech Innovation Management Model describes the internal systems and processes for a retailer to prepare for (R)Tech. Each of the changes necessary can be addressed in three steps. While RILA can convene the retail leaders, Accenture's existing expertise and capabilities will target these three steps.



What's Next

RILA's (R)Tech Center for Innovation, launched in January 2017, will address retail's most critical innovation issues and build an (R)Tech community.

Specifically, the Center will address five critical retail needs:

1. **Authoritative Research:** Retail innovation benchmarking, trends and analysis.
2. **Connecting to Innovation:** Connect retailers to innovative technologies, companies, ventures, and other models, both in the US and from around the world.
3. **Fostering Innovation:** Assist the industry in creating cultures where innovation, creativity and change can flourish.
4. **Activating Innovation:** Assist retailers in the process of moving emerging technologies, business models, or use cases from their innovation function into their broader business.
5. **Burnishing Reputation:** Build reputation for retail in innovation hubs and with policymakers and retail talent.

The Center's initial three-year growth strategy follows the progression:

- **Year 1:** Building a Foundational Vision, Relationships, and Community
- **Year 2:** Growing Our Reach
- **Year 3:** Building Lasting (R)Tech Infrastructure

To learn more, visit www.rtech.org.

Key Activities

We want all innovators – those already working in retail and those who are new to it, those across the U.S. and those abroad – to know that retail is a powerful and dynamic industry, where all the best innovations are welcome. In the next several years, the Center will partner with universities to engage students brimming with the latest ideas. It will partner with incubators and accelerators to boost entrepreneurs' time-to-market. It will partner with policymakers, in DC and in statehouses across the country, to pave the way for retail's new path driving the 21st Century economy.

The Center will provide offerings to RILA members to help address their innovation needs. Some specific activities include:

- Inaugurating both, the (R)Tech Advisory Council, comprised of the industry's chief innovation officers, to guide the Center's development and the larger (R)Tech Council to network, share, and collaborate with one another
- Integrating innovation content into existing RILA events that reach the industry's CEOs, GCs, and executives from HR, supply chain, asset protection, sustainability, finance, etc.
- Building an (R)Tech Innovation Network to curate the best ideas and startups, and connecting them with senior retail executives

- Hosting exclusive, invite-only events designed to create opportunities to engage with VCs, startups, and key innovation-focused thought-leaders
- Launching research reports on retail innovation programs, best practices, etc.
- Facilitating the Digital Retail Council comprised of retail e-commerce and omni-channel leaders with technology and social media companies

- Opening an (R)Tech Innovation Outpost, a creative space in Silicon Valley for retail meetings, events, and outreach to the innovation community

We know this will be a long journey and the launch of these activities are only the beginning. But we are open to listening and learning along the way to build a future that the industry can be proud of. We hope you will join us as we enter the age of (R)Tech.



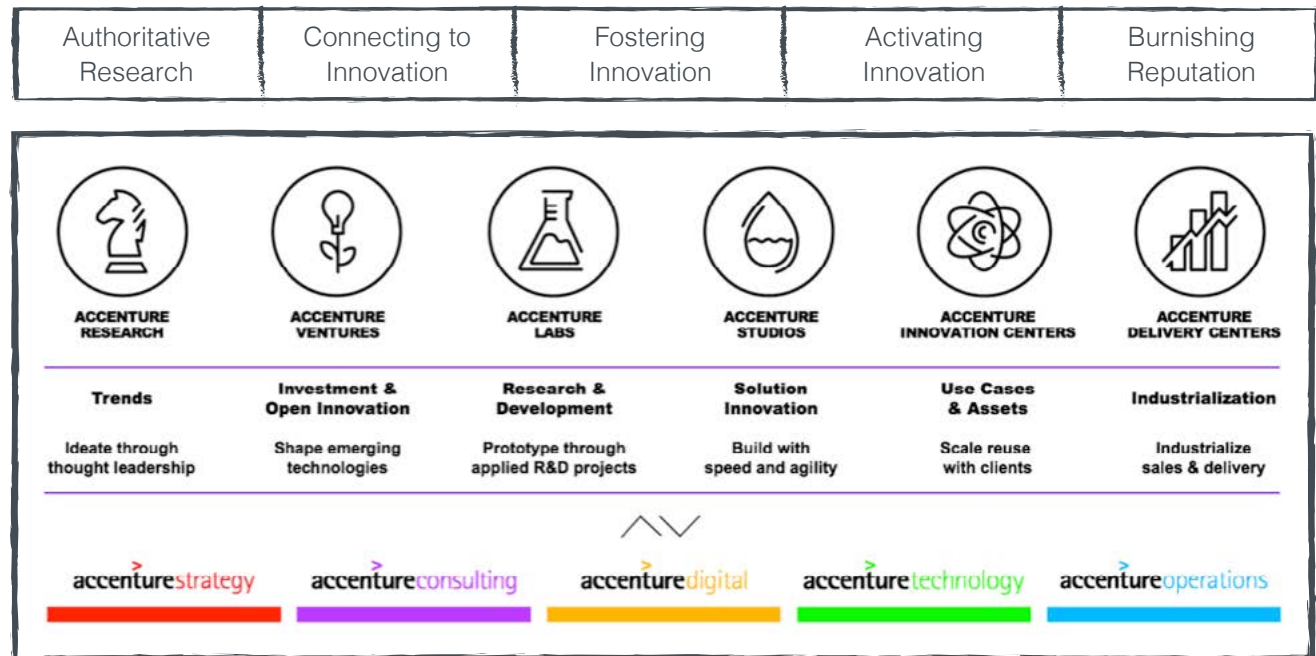
BRINGING RILA'S AND ACCENTURE'S RESOURCES TO BEAR

Teaming RILA's retail executive networks with Accenture's retail, technology, and innovation capabilities is a powerful combination to address the industry's transformation needs. Each organization provides a valuable suite of resources.

SOURCES OF INNOVATION

RILA community
Ecosystem partners
VCs, incubators, and accelerator
Start-ups
Universities

INDUSTRY NEEDS



RILA's assets

Trusted industry partner	Access to top executives	Access to benchmarking insights	Impartiality to innovation partners	Member-driven and agile
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Accenture's assets

Accenture Research Tech Vision Retail PoV	XRC Labs Open Innovation Labs	Labs Strategy Open Innovation	Open Innovation Liquid Studios Labs	Strategy Accenture Interactive
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APPENDIX OF (R)TECH

(R)Tech Technology Glossary

Everyday we read about a new set of technology trends that are entering the market or changing the way businesses operate. Below are some of the most relevant technologies disrupting the industry. Many have overlapping functions and therefore are in more than one category.

In-store Innovations

Augmented Reality | Beacons | Biometrics | Crypto-currencies | Gamification | Geofencing | Heat Mapping | Mobile Payments | Nanobots | QR Codes | RFID Tags | Robots | Sensor Movement Tech | Smart Mirrors | Store Design | Watermark Barcode | Virtual Reality

Operational Efficiency Innovations

3D Printing | Augmented Reality | Beacons | Chat Bots | Cognitive – Machine Learning | Compartmentalizing | Drones | Gamification | Mobile Payments | Nanobots | Optical Scanning | QR Codes | RFID Tags | Robots | Smart Mirrors | Virtual Reality | Watermark Barcode | Curbside Pickup | Home Delivery

Consumer Facing Innovations

Autonomous Cars | Biometrics | Chat Bots | Cognitive – Machine Learning | Crypto-currencies | Gamification | Geofencing | Internet of Things | Mobile Payments | Optical Scanning | Smart Mirrors | Social Media | Store Design | Virtual Reality | Visual Shopping | Voice Computing



THE EMERGENCE OF (R)TECH

A BLUEPRINT FOR THE CONFLUENCE
OF RETAIL AND TECHNOLOGY

Retail Industry Leaders Association

1700 N. Moore Street, Suite 2250,
Arlington, VA 22209

(703) 841-2300

www.RTech.org