

Disruption and Innovation in Retailing

The background of the slide features a dark, moody photograph of a laptop and an open notebook resting on a wooden surface. A black pen lies on the notebook's pages. The right side of the slide is partially obscured by a large, vibrant orange geometric shape that cuts diagonally across the frame.

Stephen M. Knopik, CEO
Beall's Inc.
Bradenton, Florida

A Brief Overview of Beall's

- ❑ Based in Bradenton, Florida
- ❑ Family-owned
- ❑ Celebrated 100th Year Anniversary in 2015
- ❑ Three distinct and independently run retail businesses
 - Beall's Department Stores
 - Beall's and Burkes Outlet Stores
 - Bunulu Stores

Beall's Department Stores

72 Stores located in Florida

- ❑ BeallsFlorida.com
- ❑ Key Competitors
 - Macy's
 - JCPenney
 - Kohl's



Beall's and Burkes Outlet Stores

444 stores in 16 states

- ❑ Bealls Outlet operate in Florida, Georgia and Arizona
- ❑ Burkes Outlet operate in 13 other states
- ❑ BurkesOutlet.com
- ❑ Key Competitors
 - T.J.Maxx
 - Ross
 - Walmart



Bunulu

Specialty retailing test concept
Three Florida stores opened in
2015

- Coconut Point, Estero
- St. Johns Town Center, Jacksonville
- The Gardens Mall, Palm Beach
- Bunulu.com



Beall's Inc.

Parent company and shared services provider

□ Key functions

- Administration
- Distribution and Transportation
- Finance
- Human Resources
- Information Systems



No industry has seen more
disruption than the retail
industry over the course
of the last 50-75 years

The Demise of Downtown

- ❑ Neighborhood Shopping Centers
 - Beall's partnership with Publix
- ❑ Enclosed Shopping Malls
 - Victor Gruen
 - Mall of the Americas
 - University Town Center
 - Westfield Mall at the World Trade Center
- ❑ What's Next?



Industry Consolidation

- ❑ The Macy's Story is the “*poster child*”
- ❑ Stores now called Macy's....
 - Bamberger's
 - Burdines
 - Carter Hawley Hale
 - Filene's Basement
 - Hecht's
 - Jordan Marsh
 - Marshall Field's
 - Robinsons



Specialty Stores, Category Killers and Superstores

- ❑ Gap, The Limited, Victoria's Secret
- ❑ Bed Bath and Beyond, Staples, Home Depot, Best Buy, Dick's Sporting Goods, and Bass Pro Shops



Discount Stores and Factory Outlets

- ❑ Walmart, Kmart and Target
- ❑ Nike, Carters, Geoffrey Beane, Izod, Van Heusen, Levi and Nautica



Supply Chain Innovation

- ❑ Walmart emphasized the supply chain and distribution functions as much as the retail functions
 - ❑ “Fast Fashion”
 - Forever 21
 - H&M
- From concept to the selling floor in 6-8 weeks



FOREVER 21



Digital Commerce

- ❑ The internet is really just one big department store
- ❑ Amazon.com
 - Very challenging competitor, some might say unfair
 - Stockholders have given them amazing leeway as they strive to “*eat the world*”
 - Phenomenal scale
 - Technical infrastructure
 - Physical distribution network
 - Will their size ultimately be their *Achilles’ Heel*?



The Economic Freeze of 2008

- ❑ The downward slide of the department store business
- ❑ The rise to prominence of the off-price business
 - TJX
 - Ross Stores
 - Beall's Outlet

The logo for HomeGoods, featuring the brand name in a red, cursive-style font with a registered trademark symbol, set against a white background with a thin red border.The logo for Ross Stores, with the word "ROSS" in large, bold, blue capital letters, and the tagline "DRESS FOR LESS" in smaller blue capital letters below it.The logo for TJ-maxx, with "TJ" in red and "maxx" in a stylized red font, all on a white background.The logo for Marshalls, with the brand name in a blue serif font and the tagline "Grand names for less. Every day." in a smaller blue font below it.

Disruptive Technologies

- ❑ Cash to credit cards – Does anyone accept checks anymore?
- ❑ Digital commerce – Many thought that people would never buy clothes on-line
- ❑ Mobile technology devices
 - The move to mobile has happened so fast that it might be described as “sudden”
 - Websites and emails don’t just magically convey to small screens
- ❑ Cyber criminals and hacking
 - Retailing is the “*face*” of the cyber risk issue
 - The payment card industry has imposed mega-requirements on retailers

Disruptive Technologies - continued

- ❑ Email Systems – Have transformed how we communicate with customers
- ❑ Social Media – The next wave that is impacting the way we communicate
- ❑ Network TV to cable TV to satellite TV to digital video – Still another sea of changes in how we get our message out

Harnessing the Power of Technology

- ❑ Big data
 - Business analytics
 - Customer systems
- ❑ Digital video
 - Our LOCC – A modern day solution to security and loss prevention
- ❑ Customer generated content
 - Reviews
 - Bloggers



Future Challenges and Risks

- ❑ New transportation paradigms
 - Uber and 3rd party for “the last mile”
 - Deliveries by drones
 - Unmanned cargo ships
- ❑ New distribution paradigms – Shipt, Instacart
- ❑ 3D printing
 - Will stores become manufacturing outposts?
- ❑ Virtual store visits
 - Virtual reality could speed the downslide of bricks and mortar stores
- ❑ The ever-changing payments space
 - This is will be a battle royale as MasterCard and Visa pull out all stops to sustain their monopoly position

Management Challenges...

- ❑ Committing to innovation while not chasing every “*shiny object*” that we see
 - Achieving the desired level of financial balancing
 - Balancing resources to “*keep the lights on*” while also focusing on the future
- ❑ Not giving up prematurely on “old world” techniques that have paid off

Management Challenges-continued..

- ❑ Finding ways to afford technology projects and investments
 - They are wildly expensive, especially those that are customer facing
 - Integration of new processes and systems into existing infrastructure is devilishly difficult
 - The “*half-life*” of most technology solutions is very short

In Closing

- ❑ *There's no magic formula for responding to disruption*
- ❑ *Maintain a position of financial strength – avoid leverage*
- ❑ *Devote time to watching what's happening and to thinking about the future*
- ❑ *Budget time and money for innovation*
- ❑ *Be willing to make some mistakes*
- ❑ *Understand your customer and what she wants*
- ❑ *Don't run too fast, Don't walk too slow*



THANK YOU!