



*2. Evolve into...*

*Agile Organisations*



## The new landscape for retail business communities

In the 'life & times of the essential retailer' we discussed the consumer world and the customers that now await every retailer in our saturated markets. We looked at how retailers need to connect both functionally and emotionally with customers, to deliver a proposition that is both personal & local, whilst having the integrity to be a worthwhile destination.

This new world has some profound implications in terms of how retail businesses are organised and structured. The evolution of the retail vision, and the formation of the retail organisation around it, are fundamental to being an essential retailer.

However, before delving into each function, it is important to consider how they all should fit into the wider business model. To see how the parts of our business need to work seamlessly together to deliver best practice retail, relevant for today's customer.

If we were retail tourists, planning a 'grand tour' of a best practice retail organization, then the itinerary we would plan today would be very different from the schedule we would have travelled even ten years ago.

In those relatively recent but otherwise distant times, the journey would have been straightforward in every sense. We would have followed a linear route that visited all the important retail departments, all the 'tour highlights and must-sees' in order, and independent of each other. We would have followed a path through the business functions that replicated the journey of the product, from buying to selling.

## Tour No. 1. The familiar landscape and the citadels of retail power

The familiar 'Ivory Towers' of traditional retail businesses reflect the 'Age of Discovery' in the history of retail evolution. This was the time of demand led markets and limited competition.

*Product was king. Buyers were the kingmakers.*

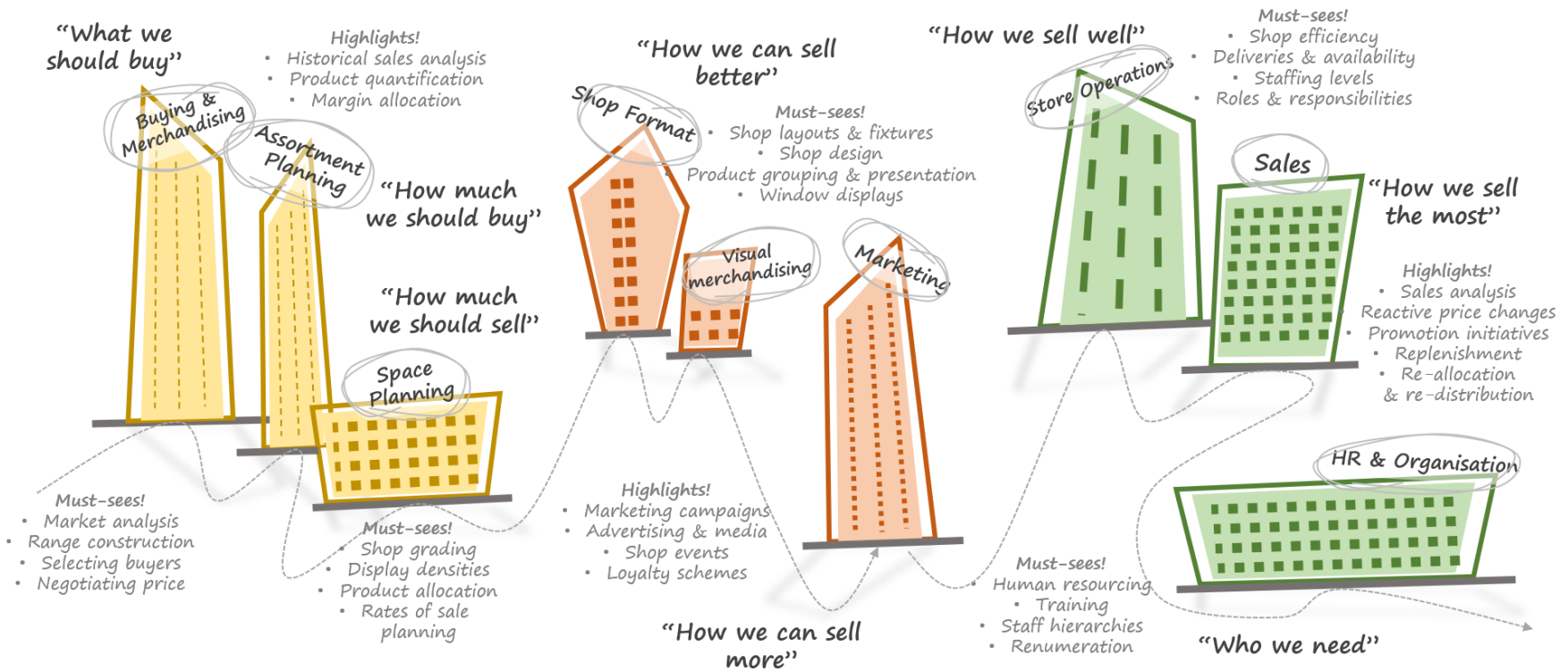
Naturally enough, the organisational structure and processes of many retailers are still built around the familiar product functions - buying, sourcing, merchandising and space allocation. Until recently, the drivers of profit related directly to how much product you could put into every square metre of your shops, and the initial and realised margins you could buy and sell your products for. To a greater or lesser extent, all other functions were there to support.

Shop formatting and design functions created spaces for product, visual merchandising made products look good, customer service assisted in the sale of products, whilst marketing and promotions teams stimulated the frequency of purchases and the amounts of products sold on each visit.

Store operations ensured the availability of product, and the availability of the staff to sell the product, whilst sales & commercial teams made decisions on price and promotions, on replenishment and re-distribution, to maximise the sales of every product across the assortment, in every shop.

# Tour No. 1. The Familiar Landscape of the Citadels of Retail Power

A one-way ticket from buying to selling



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## Sketch 20: The Familiar Landscape of the Citadels of Retail Power

The priority of the ‘retailer mentality’ follows the buying process. “What we should buy.” “How much we should buy.” “How much we should sell.” “How we can sell better.” “How we can sell more.” “How we sell well.” “How we sell the most.” and “Who we need...to sell.”

This is a sales focused, supply chain-based model, where the functions of sourcing and buying are supported by volume shop grading, volume operations and sales analysis.

The highlights and must sees of the tour are concentrated on sales and performance analysis which are historical and internal. Merchandisers are essential for tourists to meet on the tour as they talk about quantitative analysis, range construction, initial margins, allocation and price. The sourcing team and the buyers as negotiators are also ‘must-sees’ to understand the processes and principles behind the business.

The tour would see a ‘lightening quick dash’ through marketing and visual merchandising, to allow plenty of time for more meetings with the sales and operational teams. To learn about volume selling.

The tour is rigid and ‘set-in-stone’ but expect delays as the timing of the buying and selling teams can be unpredictable at times.

## Tour No. 2. The new land of retail business communities

Human resources, as a function, was largely seen as a support to the buying and sales functions. And in due course, the IT department has become the same, empowering the functional needs of buying and selling, often without an overall technology strategy, never-mind the vision of a digital-first business.

The result has been organisational structures which have evolved naturally, or 'more often than not' unnaturally, around the core buying functions.

Any initial or original vision or passion that existed, can easily be diluted or lost in a series of un-coordinated product-led developments to drive sales and profit. However, there has generally been no vision for the future of the business other than performance growth, and more of the same.

Certainly, the customer was not central to the vision, except in terms of body numbers. The proposition for them became confused over time as ad-hoc additions took the shopping experience in contradictory directions, and usually onto a lower trajectory of experiences and shopping enjoyment.

The organisations themselves started to feel the strain, particularly when the positive effects of growth began to wear thin. The coordination of teams, the efficiency of processes, the allocation of resources started to become unwieldy and unmanageable.

Employees, like customers were not at the centre of the vision. They too became confused, frustrated, and de-motivated. This is not how you build a vibrant and engaged workforce. This is not how you design and assemble an essential retailer fit for today's markets.

Today, the landscape around these retail citadels has changed dramatically. The 'ivory towers' are less prominent and recognisable as the revered places built by the original buying powerhouses of the retail industry.

Our journey, and indeed the path of the product, is no longer just linear. We need to see the end of the selling process as it feeds into the beginning of the buying process. We need to hear the opinion of the customer that defines the buying decisions.

The shining citadel is now the 'vision' of the brand at the centre of the organisation, permeating into every function of the process. It is strong and unyielding, yet continually refreshed by the flows of customer analysis, market research and product appraisal that surround its foundations.

The influence of the vision drives the buying and selling processes. The results of their labours wash-up at the feet of the encircling customer. And so, the cycle continues afresh.

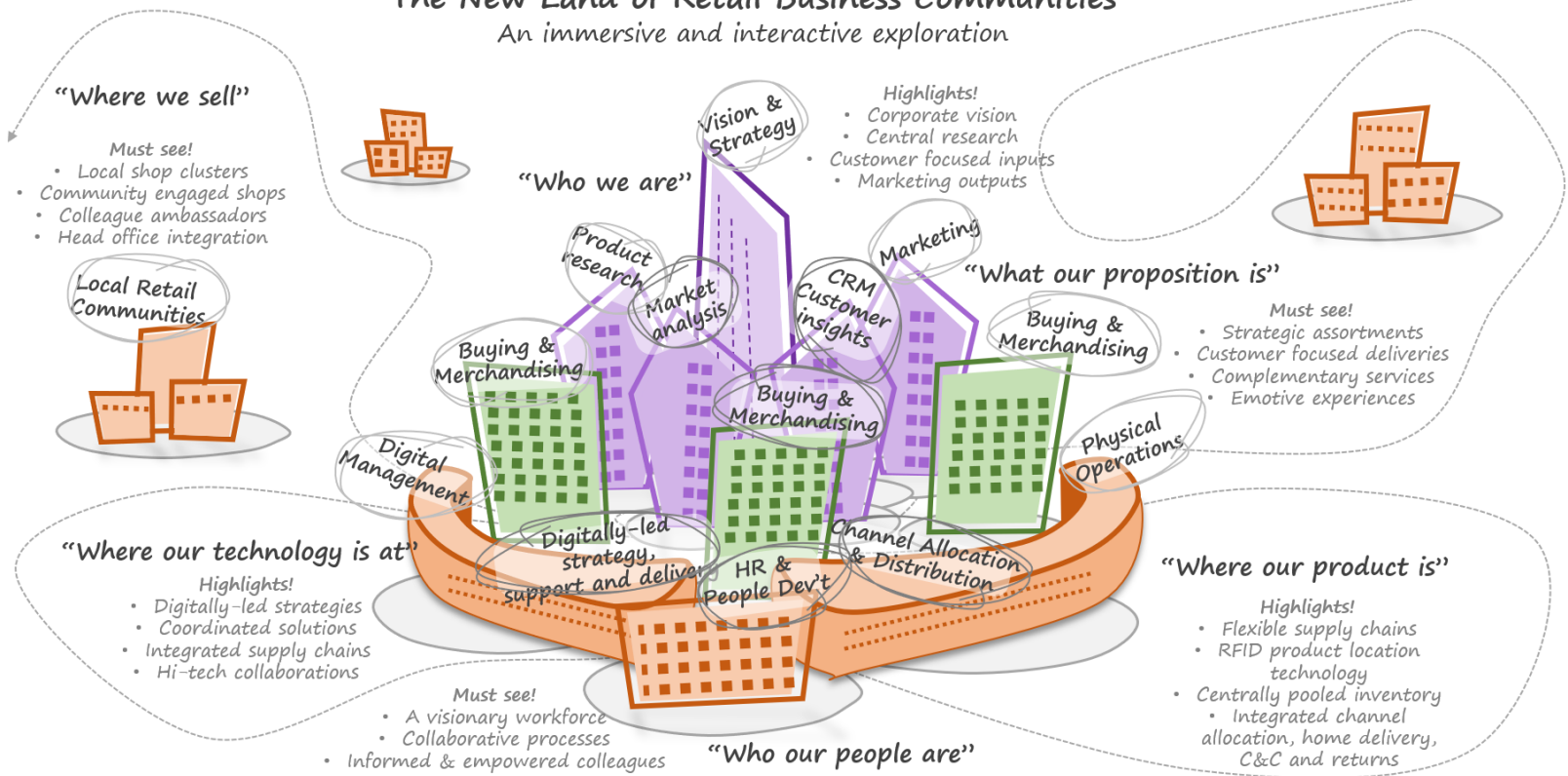
This is a transformed experience for the retail tourist, immersed in this new landscape. Some functions have merged into single entities, through alliances and organic growth. Others have diminished in importance, fallen into disrepair, or disappeared completely.

Entirely new functions have been built out of the empty landscape connected by super-highways and dynamic infrastructure to the centres of activity around them. And some places have been re-named, re-branded, or simply given 'place-making' treatments to make them suitable for today's retail dictionary.

The route maps, the buildings, the people, and the lifestyles of modern retail are changing with the times, responding to the saturated markets, stimulated by the new retail visionaries.

## Tour No. 2. The New Land of Retail Business Communities

An immersive and interactive exploration



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The new tour of retail landscapes is exceptionally well organised.

It must be as the route is not linear, and never quite the same. The itinerary is constantly and subtly changing and improving as the guides take constant feedback, they listen, and they modify.

The guides and the exhibits change for the customer. This tour experience is all for the customer. The route has flexibility to allow for the preferences of the tourists.

Immediately there is more life around the tour with many employees constantly moving between the functions. The whole campus is designed to allow for easy and perpetual collaboration. The people are friendly and always ask how things are.

The highest tower of the retail vision is resplendent. From here there is an unparalleled view of the business. The tower houses every possible source of enlightenment for the development of the vision, the product proposition, the range of services, the evolution of channels and customer touchpoints.

The doors are always open to employees from every corner of the new business communities. Its influence spreads down through the buying and merchandising processes, and to the physical and digital infrastructures. The selling community and the customer are always in view.

Expect many questions from the buyers to fuel their constant curiosity about the needs and wishes of the customer. There is always time for customer visits and interaction.

## Inditex: a very stylish revolution

At the beginning of my retail career. Not quite when retail dinosaurs ruled the earth, but certainly when they walked with a swagger in their step, I was told to go and visit a new format in downtown Madrid. It was called Zara.

Sadly, on my arrival it was half empty, in the throws of removing the old stock, still awaiting the new. Such missed assortment opportunities would certainly not be tolerated today. The shop was small compared to today's expansive flagships, about 150sqm in size, and it was 'made' from brown wood. In its first conceptual adventure, it was literally a wardrobe for fashion, dark and heavy, not our familiar white box.

My journey in retail has been synchronized with that of Zara and the Inditex group. I feel fortunate for that and humbled to have followed the rise of a brand that has quietly and stylishly, but utterly, revolutionized the way of working in fashion. A business that has inspired or forced so many other retailers to change their buying and merchandising principles, processes and operations.

It has been my pleasure to work with many ex-Inditex employees across Europe and the world. They always add expertise, professionalism, urgency and vibrancy to any business.

I would also go as far as to say that they bring a contentment, a piece of mind, a confidence in their skills and their purpose. They have an assurance that they have learnt principles and processes from the very best. Essentially, they have become the very best and most sought-after employees in the marketplace through the organization and processes that nurtured them.

From the beginning Inditex has been customer focused and has built its business and success around the customer.

It is certainly no coincidence for me that Amancio Ortega, founder of Inditex, on leaving school at the age of 14 found his first job as a shop hand for a local shirtmaker called Gala. This business still sits on the same corner in downtown A Coruña. Ortega learned to make clothes by hand.

What in effect he undoubtedly learned was to talk, to listen, to learn, respect and make clothes for his customer. He was at the sharp end, 'for better or for worse' and experienced the immediate and genuine reaction of the customer.

The design processes in Zara are both mythical and legendary. Rooms filled with stylists and designers finding stimulation amongst heaps of fabrics and garments, scattered across the floors between their squatting intensely focused frames. The process is undoubtedly inspirational however it is precisely supported by every kind of intelligence on the customer and the market that is available. Inspiration without a good commercial business case is cast aside amongst the other remnants.

What Inditex also has is fluid access to the shop managers and teams across their estates. The business is a daily flow of feedback and recommendations arriving in to the creative and commercial buying hubs. With new products arriving in shops twice per week, and a creative period as short as three weeks the flow of communication is continuous. Decisions are made quickly and production instantaneous.

This is what revolutionized the retail landscape those 35 years ago. A business was formed that understood the importance of putting the customer at the heart of every decision and reacting quickly to please them, again, again and again. Inditex built its organizational structure, its processes and its buying and selling dynamics around the citadel of the customer.

Inditex, through Zara, didn't kill off the dinosaurs, but they certainly made them work harder for an easy retail meal.

The Z to A of retail disruption