CEO panel discussion

Technology and leadership in digital retail
Your speaker and moderator today

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Objectives of this session

Reflect on the relevance of global, digital Retail trends for the Russian market

Discuss the impact of digitization on the evolution of retailers

Outline essentials for survival in a digitized retail space

Assess the needs for regulatory constraints and incentives
Evolution is driven by the need to adapt to a changing environment
only the fittest will survive

To survive, *species need to adapt to the changing environmental conditions*, for example climate or predators

In the process of evolution, *species pass on favorable genetic characteristics in their DNA to their descendants*

… let’s apply this theory to retail!
Retail has evolved towards omnichannel models and “pure-players” are on the path to extinction – this evolution will accelerate even further.
The key driver for the retail evolution is digitization – it enables new business models and changes customer behavior and needs

Continuously increasing digitization…

- The **speed of adaption to new products and technologies has substantially increased** – it is hard to keep track!
- We screened 250+ technologies and **identified 10 essential emerging technologies** with the greatest impact in the next ~5 years

Drones  VR  Robotics  3D Printing  Cloud  AR  Block-chain  AI

…changes the retail environment

**Disrupted competitive landscape, e.g.**
- Rising dominance of two major online stores
- Surge of innovative retail start-ups
- Push of Direct-to-Consumer business models

**New customer behavior and needs, e.g.**
- Customization and personalization
- Sustainability and traceability
- Faster delivery times and options

**Retailers must adapt and evolve...**

**...or face obsolescence**

June, 2019
Globally digitization has already changed customer needs & behaviors drastically and will continue to do so

35% of consumers buy products online weekly or more frequently

Mobile channel further catching up to physical store (+15%) but in-store is recovering (+5%)

The dominance of Amazon & alibaba grows
88% of all shoppers shop with Amazon/Alibaba (11% only), part of most customer journeys

35% do already purchase groceries mainly online

50% are likely to purchase groceries online in the next 12 months

Product availability & quality, brand trust and location are the key reasons to shop offline

Top 3 improvement measures to improve shop attractiveness are digital:
product information, mobile shop navigation and digital payment (Top 5: Store-Wifi)
To stay competitive retailers need to digitize their DNA and undergo a holistic transformation! Not all will master this challenge!

**Digital DNA-Transformation**

**Customer Understanding**
Use data to anticipate customer needs before they even arise – then create an individual experience

**Winning Products & Services**
Personalize products and embed them in services that ‘wow’ the customer

**Operational Excellence**
Leverage technologies to increase efficiency and flexibility of operations

**Skilled Workforce**
Empower staff with the technologies to be excellent at their job and build new, digital capabilities

**Unique Culture**
Intensify collaboration and partnering, empower decision makers and embrace ‘launching and learning’

**Fueled by data & technology, retailers evolve**

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<td>Product-centricity</td>
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<td>Closed Shop</td>
<td>Open ecosystem</td>
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Your Panel – different perspectives on digital retail

Global Perspective
Retail  Technology  CPG
Jesper Brodin  Jean-Philippe Courtois  Neil Sturrok
President, CEO  Executive Vice President, President of Global Sales, Marketing and Operations  President in Russia, Belarus, Ukraine, the Caucasus and Central Asia

Online Retail
Alexandr Shulgin  Florian Jansen  Mark Zavadskiy
CEO  CEO  Vice President, Director of the Ecosystem Development Department

Local Perspective
Physical Retail
Igor Shekhterman  Jan Dunning  Vugar Isaev
CEO  President  Chairman of the Board

Regulation
Victor Evtukhov
Deputy Minister of Industry and Trade

IKEA  Microsoft  PepsiCo  ozon.ru  lamoda  Сбербанк  X5 RETAIL GROUP  SM  Снежная Королева  МНПРОМТОРГ РОССИИ

June, 2019
Key takeaways from this session

1. **The future is digital!** Building and mastering digital capabilities are crucial for survival

2. Only a few will be able to master this challenge alone, some will fail completely – **a new partner ecosystem is required**

3. **Regulation is crucial** to ensure the right economic & digital environment as well as an appropriate regulatory framework

4. **“It’s not faith in technology, it’s faith in people”** (S. Jobs) – engaging employees and consumers is critical for success
The future is digital. Let’s shape that future. Together. Reimagine the possible.