

BBCG RUSSIA COLUMN

The retailing industry around the world is in a period of change that is unprecedented in terms of its scale, speed and impacts. In the last decade alone, entirely new retailing enterprises have emerged to positions of huge prominence and influence – think of Amazon and Alibaba; while other retailers, often established for a century or more, have gone out of business and disappeared from high streets and shopping malls.

As one of the World's most admired retail business executives, Sir Charlie Mayfield, Chairman of the UK's John Lewis Partnership (comprising department and grocery stores) has said: "This is not business as usual. It's not about running the same business model. It's about changing it in flight in order to serve customers in the way they want to be served in the future."

This is the new world of Retailing 3.0. Retailing 1.0 was the era when retailing was formalised into permanent shops and less around temporary markets and Retailing 2.0 was the era of the rise of shopping centres and the globalisation of retail businesses. Retailing 3.0 is the era of the shopper in control in their increasingly digital worlds.

Be in no doubt that technology is at the heart of the transformation of retailing. The impacts of technology are being felt in how shoppers want to engage with retailers as well as in the options that retailers have for how to run their businesses and how to engage with shoppers.

Technology change forces retailers to ask questions of themselves that go to the very heart of what it means to be a retail business. Certainly, physical shops are no longer needed in order for a business to be an effective retailer – Amazon and all of the other online retailers have proven this. Also, shoppers are no longer limited by geography in their choices of which retailers they engage with. It is perfectly possible today to live in, say, London and to shop with retailers in Paris, Milan, New York, Shanghai and so on.

Chief Executives of retail businesses very often say that the changes they have seen in the last few years are far greater than anything they have seen in their entire careers. This is almost certainly true. But it is also true that we are only in the early stages of the transformation of retailing around the world. Again, technology is to the fore. For example, 3D printing offers the real possibility for shoppers to buy computer code and then print out products at home. Entire cars and houses are already being 3D printed so this is most unlikely to be very far away. Furthermore, it is very reasonable today to ask the question of whether shoppers will even want to buy products to anything like the same extent that they have wanted to in the past. Many of the major developed economies, not least the UK, are seeing that growth in spending on services and entertainment far exceeds growth in spending on products as shoppers re-orientate their spending away from 'stuff' and far more towards 'experiences' such as travel, eating out and socialising. Cars are a case in point. There is a clear trend now in many of the major developed economies for the Millennial generation to not aspire to car ownership like earlier generations did and instead to hire at the point of need rather than purchasing outright.

As if fundamental structural change isn't enough for most retailers to cope with, the industry has been faced with extreme cyclical challenges in the last several years. Most specifically, the global financial crisis of the late 2000s has had impacts on consumer spending and attitudes to value which are still being felt. One thing which is very clear is that shoppers never emerge from difficult economic times with the same attitudes that they went into them with. Value matters more as do

absolutely low prices and engaging promotions. Retailers that are not able to deliver on the much more demanding value expectations of shoppers face challenges so severe that going out of business altogether is an entirely likely outcome.

Of course, retailing in Russia is at least as impacted as any other country by long term structural change and short term cyclical challenges. Russian shoppers are ever more internet enabled. Use of the internet and penetration of mobile devices is at least as high in Russia as in other major economies in Europe. Both are also far higher than in India and China which receive so much attention as key emerging markets. And Russian retailers have, of course, been seriously adversely impacted by sharp downturns in consumer confidence and retail sales, although there are now signs that better times lie ahead.

And so the agenda list of items to be addressed by CEOs and those tasked with running retail businesses and leading their organisations in times of great change and uncertainty is a long one indeed and while the rewards for success are high, the risks from failure are greater still.

Critical questions for business leaders include:

- What type of skills does the organisation need in order to be well placed for success?
- How do stores need to change in order to remain relevant to shoppers, many of whom no longer need to visit physical stores in order to make purchases?
- Where do the priority investment areas need to be in a world where there is no effective limit to how much can be spent, especially on technology?
- How can the cost base of the business be optimised to deliver on the twin goals of value for the shopper and profit for the business?
- How do you build the retail brand and build the relationship with shoppers in a world of highly fragmented media and almost infinite communication possibilities?

Important also at a personal leadership level is the attributes that business leaders themselves need in order to successfully lead their enterprises. Here, considerations include how much risk is the right amount of risk to take; how much change and how quickly is the right amount; and how to effectively set priorities and plans in a world where everything seems important, urgent, immediate and – crucially – uncertain.

Happily, there are many examples of retailers around the world in a wide range of categories which have successfully navigated through these challenging times and evolved – even transformed – their businesses so that they are valued by shoppers; delivering strong returns to investors and well-positioned for the future. Learning from your own mistakes is one way to take a business forward but better surely is to learn from the success strategies of others. Just a few of the highly creative, impressive and strongly performing retailers globally from which there is much to be learned include:

- John Lewis Partnership of department and grocery stores in the UK which has, over the last 10 years, transformed into a highly effectively and integrated omni-channel retailer combining full service stores with a fast-growing online business
- Shoes of Prey in Australia which is transforming shoe retailing by leveraging technology to give customers the ability to design their own shoes at affordable prices
- Shop Direct in the UK which has taken a group of old and tired catalogue and store based retail brands and transformed them into relevant, desired and profitable online businesses
- Walgreens in health and wellness retailing in the US which is a model example of how to effectively use customer data to deliver highly targeted promotions to individual shoppers

- Westfield in the global shopping centre development and management space which is showing the enduring appeal of very well specified and appealing tenanted large space shopping centres
- SPAR in global grocery retailing which has successfully developed a multitude of different store formats precisely targeted to the needs of shoppers in different locations and which leverage learnings between countries.

These themes will be discussed by Dr Alan Treadgold in his keynote presentation at BBCG's Russian Retailing Forum taking place in Moscow on 22 & 23 September. Alan is a London-based global consultant working with a wide range of retail and consumer products companies around the world. He is also a member of the Board of the Oxford Institute of Retail Management at the University of Oxford's Business School. He has recently authored a very well received new book, "Navigating the New Retail Landscape: A Guide for Business Leaders." His book is a practical guide to the nature of change in the retailing industry around the world and the opportunities for business leaders to position their businesses for enduring success in the new landscape of retailing. His book includes numerous case studies of retailers around the world that have successfully addressed their challenges and realised new growth opportunities.

САММИТ ИНДУСТРИИ RETAIL BUSINESS RUSSIA & EAEU 2016

September 22–23, Double Tree Hilton Hotel, Moscow

The 16th International Summit of Retail Industry Leaders of Russia and Countries of the Eurasian Economic Union:

RBR2016: TIRED OF SURVIVING, LET'S GROW! *= solutions for business modernization, strategies towards market rebound*

A new concept of the programme:

1 PERSONAL FOCUS SESSIONS with successful CEOs of the major retailers. One speaker, 60-minute onstage interview.

Participation in personal sessions has been confirmed by:

VINCENT GENTIL, General Manager, Leroy Merlin



DANNY PEREKALSKY, CEO, Ozon



PEDRO MANUEL PEREIRA DA SILVA,
President, DIXY Group



NIELS TONSEN, CEO, Lamoda



2 SPECIAL SECTIONS BY RETAIL AREAS. Each delegate gets his/her own program featuring special guests!

- Food business
- Fashion clothing and shoes
- Home improvement and household goods
- Manufacturer-owned retail stores
- Electronics and Telecom
- Online and multichannel retail!

3 THE SECOND DAY OF THE SUMMIT – ABOUT RETAIL TRANSFORMATION! Over 20 topics, including: session with world-renowned scientist Alan Treadgold *“Plan of retail transformation. How to successfully compete in a new reality?”* and session with Russian practices *“New retail in Russia. Successful innovation cases.”*

PROGRAMME

Opening of the Summit, plenary session:

9.50 a.m. – 11.15 a.m., SEPTEMBER 22

TIRED OF SURVIVING, LET'S GROW!

- HOW TO MAINTAIN A BUSINESS TODAY AND GROWTH POTENTIAL FOR TOMORROW?
- NEW CHANNELS AND NICHEs FOR SALES GROWTH.
- WHAT OPPORTUNITIES AND THREATS MAKE CHANGES TO REGULATION?
- HOW BOTH RETAIL AND MANUFACTURERS SHOULD STIMULATE BUYING ACTIVITY?

Market decline continues, but even today, solving a task how to survive, You need to choose **strategically** correct solutions! For there is stabilization and smooth but inevitable recovery ahead. The business summit opens with a discussion that will unite **retail leaders and manufacturers** of consumer goods. How do they **increase their sales**? What new niches do they discover? What distribution channels do they invest in? How do they assess **regulatory impact** on investment attractiveness of business? And how should both retail and manufacturers use the **most advanced marketing tools for buyer demand stimulation**?

PERSONAL AUTHORIAL SESSIONS OF CEOs:

For the first time ever, the industry's top-rank CEOs introduce in detail their vision for strategy and tactics of the further development of business and industry in general! Profoundly and precisely! Key notes, live interview and question and answer session.

- Authorial lecture, the first public appearance of **Pedro Manuel Pereira Da Silva, President of DIXY Group** **12.00 p.m. – 12.45 p.m., SEPTEMBER 22**
- Authorial lecture and onstage interview of **Danny Perekalsky, CEO, Ozon** **12.45 p.m. – 1.30 p.m. , SEPTEMBER 22**
- **Niels Tonsen, CEO Lamoda** **2.30 p.m. – 3.30 p.m., SEPTEMBER 22**
- Personal focus session with **Uber**.
“Uberization” of Russian economy. **2.30 p.m. – 3.30 p.m., SEPTEMBER 22**
- Personal focus session with **Vincent Gentil, General Manager, Leroy Merlin** **10.00 a.m. – 11.00 a.m., SEPTEMBER 23**
- Personal focus session with **Maurizio Patarnello, CEO Nestle Russia and Eurasia** **11.00 a.m. – 11.45 a.m., SEPTEMBER 23**

The Summit Plenary Sessions:

Plenary sessions discover key challenges and offer recommended practice for leaders of retail chains of all areas and manufacturing companies.

THE WORLD PRACTICE and RUSSIAN REALIA

OF CONSUMER MARKET REGULATION

2.30 p.m. – 3.30 p.m., SEPTEMBER 22

Trend analysis in regulation of manufacturers and retail industry. Research data and case studies from international practice. Assessment of regulatory impact of changes in Russian and EAEU legislation from the perspective of business. Solutions that may help to maintain and stimulate the industry's investment attractiveness at the forefront of economic recovery.

RETAIL TRANSFORMATION.

2.30 p.m. – 4.30 p.m., SEPTEMBER 23

HOW TO SUCCESSFULLY COMPETE IN A NEW REALITY?

Successful examples from Walmart, Carrfour, Kingfisher, 7-eleven, TOP Shop, and Argos

Exclusive lecture of world-renowned scientist **Dr. Alan Treadgold**. Visit to Russia and lecture coincide with world premiere of his new book written in cooperation with Jonathan Reynolds, Academic Director, Oxford Institute of Retail Management.

Special guest: Dr. Alan Treadgold!

EURASIAN RETAIL ASSEMBLY

10.00 a.m. – 11.30 a.m., SEPTEMBER 23

THE 2ND ANNUAL SESSION

NEW RETAIL. Successful innovation cases. 4.30 p.m. – 6.00 p.m., SEPTEMBER 23

Case studies. Best practices of new formats creation, sales development in new niches. Practice of digital transformation of a store and implementation of innovative technology. All made in Russia!

Specialized sessions by business areas

BEST PRACTICES. Summit has several parallel sessions held in separate halls, where each retail industry area presents its best practices and the most advanced solutions for business development. Despite the specifics, meaningful ideas will undoubtedly (!) be of service to the leaders of neighboring market sectors!

Group F. Food retail, drogerie chains.

MERGERS IN RETAIL INDUSTRY.

TIME TO CONSOLIDATE THE MARKET!

3.30 p.m. – 4.00 p.m., SEPTEMBER 22

Demand shrinking leads the market to a new consolidation phase – on the regional level. During the last 3 years, only few regional chains have managed to increase their capitalization. As a result, sale of a business to "strategists" is a poor deal today. At the same time, consolidation through purchasing alliances of retail chains also show limited efficiency. Full-scale associations and mergers create new opportunities for sales growth and business capitalization in real terms, as for example, the largest deal in history "Perekrestok"+ "Pyaterochka". New example is in focus today: "Slata" + "Krasny Yar", creation of a platform with over 100 billion turnover! How is it made? What are the prospects for similar deals in Russia?

HOW TO CREATE UNIQUE ASSORTMENT

5.45 p.m. – 7.00 p.m., SEPTEMBER 22

Successful completion with market leaders means making an exclusive offer to a customer. And clearly explaining what the uniqueness is. How to correctly **choose niches** in your assortment of unique goods? How to use b2b online platforms to choose unique suppliers? How to tell a customer a story about the Product? **Farm products** are ever more popular buyer's demands: how to work out this trend in your

stores? How to create **effective business process while working with small manufacturers** and to minimize costs? How to **directly import unique goods** effectively?

“MARKET”

12.15 p.m. – 1.30 p.m., SEPTEMBER 23

NEW PROMISING FORMAT!

New format = modern market, it quickly gains popularity among city folk. Its formula: fresh feeling, personal approach to a buyer, modern interior. We will analyze in detail: How does financial model work, including relations with lease holders. What locations will suit a new market? What IT systems are used? What should interior, navigation, window design, visual merchandizing be like? How to integrate a restaurant/a foodcourt? How to build market assortment in general? And finally, how to “entertain” a buyer?

Group D. Retail chains of home improvement and gardening goods.

DEMAND TRENDS OF HOME IMPROVEMENT GOODS

SUMMER-AUTUMN 2017

3.30 p.m. – 4.00 p.m., SEPTEMBER 22

Changes in fashion and lifestyle set the trends not only for demand for clothing – but actually, in all consumer market sectors. Especially nowadays, when a buyer cuts costs at every turn. What will be the features of summer-autumn 2017 season as to interior design, home and summerhouse improvement? And with regard to related categories of goods? What impact will have this increasing interest to growing and manufacturing food, spirits, and household goods on a do-it-yourself basis? How will the demand change affected by the trend to frequent interior changes? What practical conclusions should we make today to reflect changes in assortment and range of our services?

HOUSING DEVELOPERS – TO RETAIL!

5.45 p.m. – 7.00 p.m., SEPTEMBER 22

Prices rule the real estate market. Thus, today many developers develop housing projects in finished condition with minimal area. How will it affect the retail market of home improvement goods? How to arrange a cooperation between developers and retailers? How to sell turn-key ready apartments in a store, as Tesco does, for example? How in a close dialogue with retailers should developers agree upon architecture of future stores in houses and housing complexes when building new residential areas?

HOW TO ARRANGE B2B SALES IN RETAIL INDUSTRY

12.15 p.m. – 1.30 p.m.,

SEPTEMBER 23

Market leaders make over 30% of their turnover thanks to business customers. It is a unique opportunity for any retailer to increase its volume by means of b2b sales even at 3-5%! How to make it? Online, in stores, through retail center? How and where to gather clients and build their motivation systems? What is economy of b2b sales in retail industry? What niches are free today?

Group M. Fashion clothing and shoes.

GROWING BUSINESS in OUTLET CENTERS

3.30 p.m. – 4.00 p.m., SEPTEMBER 22

The price is the main sales argument. And it is for the long haul. Discount trade model is one of the only where sales growth remains unchanged. How to successfully operate your store in outlet centers? What are specific aspects of sales and assortment planning? What should be the your store in an outlet center? What are buyers’ expectations as to depth of discounts and special offers? How to increase sales and average check?

FASHION AGAINST FAKES!

HOW TO PROTECT YOURSELF from FAKE BRANDS? 5.45p.m. – 7.00p.m., SEPTEMBER 22

A sharp drop in purchasing power and decrease in volume sales made fashion brands to start an active

fight against Chinese fakes. Some companies have set up official pages at Alibaba.com, others have provided themselves with special software to search and block websites selling fakes online. We will discuss how global companies fight the gray market, and whether it's possible to limit sales of fake brands in small trade centers and show rooms.

FLAGSHIP STORE

SUCCESSFUL STEP INTO MULTICHANNEL BUSINESS SEPTEMBER 23

12.15 p.m. – 1.30 p.m.,

Consumer demand on fashion clothing and shoes keeps growing down. But successful brands grow their businesses even on such market using the model "Flagship store + Online". How does it work? What are modern requirements for brand offline flagship store? What is the size of investments, what is the economy of such store? How to develop online business on the basis of flagship store in each city/operations area?

Group E. E-com and multichannel retail.

MARKETPLACES and E-HYPERMARKETS

3.30 p.m. – 4.00 p.m., SEPTEMBER 23

HOW TO DEVELOP THIS NEW SALES CHANNEL?

Share of marketplaces and major online players increases steadily. And with a full-scale entry of new global giants into the Russian market it will keep growing! How does they compete with each other? How to develop online business along with them? What new opportunities open up today and what new services (in logistics, customer service, safety and billing) do they open for traditional chains? What is their economics in general and the price of customer attraction in particular? How the costs will change eventually?

MOBILITY!

THE MAIN TREND in BUYER BEHAVIOR

12.15 p.m. – 1.30 p.m., SEPTEMBER 23

Retail of the future is in mobility. In fact, everybody agrees with it. But how to follow the main retail trend even today? How to effectively arrange your presence and visualization on mobile devices? How to increase sales in practice? What are customer expectations as to the customer experience, range of services, delivery logistics?

ELECTRONIC PAYMENTS:

4.30 p.m. – 6.00 p.m., SEPTEMBER 23

HOW TO USE THE OPPORTUNITIES OF NEW TECHNOLOGY?

The number of e-wallets and their formats is growing at an exponential rate. Plastic cards market also keeps apace, cutting acquiring rates and implementing innovative services for retail industry. While there's revolution in the banking system lying ahead – blockchain. But on what technological solutions and on what partners should we place a stake to get maximum for the business and at the same time, to create strategic competitive advantage for the future?

Group C. Manufacturer-owned retail stores.

MANUFACTURER'S OUTLET STORE

3.30 p.m. – 4.00 p.m., SEPTEMBER 22

What tasks does manufacturer's store (chain) solve? How should the retail space be arranged according to goals set? What are the working peculiarities of manufacturer's store personnel? How internal procurement should be organized? Business (or marketing!) economics in a manufacturer's chain. How to

study consumer wants in your store and to manage Big data? How business in general should correctly respond to demands of a buyer using manufacturer's outlet store?

STORE in STORE.

OWN BUSINESS INSIDE ANOTHER CHAIN. 5.45 p.m. – 7.00 p.m., SEPTEMBER 22

How does a model for products of different categories work, what tasks does store in store solve for the manufacturer's brand? Modern standards of contractual relationship with lessor/chain. What are the effectiveness resources of joint business: how to work on sales increasing, how to cut costs together? Successful examples.

MANUFACTURER'S STORE ONLINE 12.15 p.m. – 1.30 p.m., SEPTEMBER 23

Choosing strategic direction of development for your own retail store online: working with online hypermarkets, aggregators or creation of independent platform and your own traffic. Solutions for logistics arrangement for an online store. Unique content, goods visualization and story telling on the internet. Creation of customer response system, the most effective ways to collect knowledge about your customers. Successful examples of online business arrangement from manufacturing companies.


PREMIER AWARD RETAIL GRAND PRIX 2016

Reception, industrial awards ceremony

7.00 p.m. – 9.00 p.m., SEPTEMBER 22

Retail Grand Prix has been a symbol of professional recognition in retail industry for over 10 years. This year, categories and decision rules will be announced on July 1.

The reception dedicated to the awards ceremony will feature presentation of Russian-language edition of the **“The Rocket” book! Our special guest, co-author of the book, managing director, BCG (Chicago) Michael J. Silverstein** will speak at the reception and deliver an authorial lecture. He will also officially open sales of the global bestseller in Russia.

	Business Summit RETAIL BUSINESS RUSSIA 2016 September 22 – 23 2016 WTC, Moscow	Executor: Nonpublic Joint Stock Company "Trinity Events" Legal address: 115114, Moscow, Derbenevskaya emb., 11, «Pollars» Corporate office: 115114, Moscow, Derbenevskaya emb., 11, «Pollars» Tax Reference Number 7725677057 / 772501001 Beneficiary account number: 4070297850000028398 at VTB 24 (PJSC) SWIFT код: CBGURUMM Beneficiary bank: VTB 24 (PJSC), Moscow, Russia
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