

Retail's Rubicon

Speakers:

Julie Bornstein, former Chief Operating Officer, Stitch Fix

Steve Carlin, Chief Strategy Officer, Softbank Robotics

Christian Madsbjerg, Co-Founder, ReD Associates

Moderator:

Mark Bonchek, Chief Epiphany Officer, Shift Thinking

(Transcription by [RA Fisher Ink](#))

Kirkpatrick: All I have to do is introduce Mark Bonchek. Mark, who's a great retail and business transformation thinker and a good friend of ours, please take it away.

Bonchek: Thank you. So, please, if I could have my panel up here. Well, I think we had a great segue from John's talk about market transitions because if I look at industries going through a transition, we all experience that with retail every day. And I think it's also going to be a little bit of a microcosm for whatever industry you happen to be in, because it really is about the convergence of changing consumer behavior, disruptive business models, and digital technologies. So, to help us explore the new world of retail and how all those things come together, I'm really thrilled to have Julie, Steve, and Christian here. So, just a little bit of background on each of them.

So, Julia, until the recently, was the Chief Operating Officer of Stitch Fix. Before that, she was the CMO and Chief Digital Officer at Sephora, so a lot of the real innovations that have happened at Sephora were really coming out of Julie's leadership there. And I think particularly interesting, she was the Vice President of e-commerce for Nordstrom from 2000 to 2005—so, not a typo there—really early on.

Steve—fascinating background—current Chief Strategy at Softbank Robotics. They make Pepper. If you're not familiar with Pepper, it's a robot we'll hear more about it—but it can read human emotion. It's being used as a shopping assistant in stores. He was the global head of strategy for gaming at Facebook and marketing at Ubisoft, and then also was at Procter & Gamble—so, a CPG background, interestingly.

Christian Madsbjerg—cofounder at ReD Associates, which is a strategy consultancy based on the human sciences and they have anthropologists and sociologists and even art historians? Yes. And also, the author of *Sensemaking: The Power of the Humanities in the Age of the Algorithm*.

So, some really great perspectives here in terms of consumer behavior, technology, and retail. So, I just want to get us started with a few facts because this is the setting that all of them are operating in—and you probably experience on a daily basis, but it's really incredible to see these transitions. So, over 8,000 stores are going to close this year and over the next five years, one out of every four malls will be out of business. And since 2002, department stores have lost about half a million jobs and e-commerce has only added back a third of that. And then last year, 43 percent of all online retail sales in the U.S. went through Amazon and 20 percent of all U.S. consumers are Prime members.

So, we've got closing stores, closing malls, increase of e-commerce—it continues to grow rapidly—where do we go from here? What is the future of the store? Julie, you see—let's start with you. You've seen it from all different sides. Where is this going? Is it inevitable? Will there be something that turns it around?

Bornstein: I have always felt that shopping is a sport and human past time. And when you go back to the beginning of mankind, markets are not just a reason to go for getting physical goods, but also the socializing and the experiences is something that probably half the population enjoys, from studies that I've seen. I do not think physical retail is going away, I guess that is to say.

However, certainly the need to go to a store to get something you know you need no longer exists. And so, I think the way I have been thinking about it in different context is that, in the next five to ten years, it will sort of stabilize around 50/50 in terms of the consumer segments that I've worked in. I think it's a little bit different for some categories that really lend themselves more to online.

But, if you think about sort of the 50/50 of online versus offline buying, you think about the fact that there is definitely too much real estate out there—so there is going to be a shrinkage and there is going to be sort of a displacement and sort of a need to reuse that physical space. I just recently saw a picture of Rackspace's office in Texas and they took over an entire mall for their office. So, you know, I think the repurpose of physical space is definitely going to be an interesting one.

And then, the question is what's the purpose of physical retail? And, you know, there are some examples—certainly, at Sephora, we were really focused on making the reason to come into store—I'd say a couple of key tenets to it.

One is, it needs to be located in a place that you're either shopping on the street anyway—and so it's easy to pop into—or you can go and park. So, one of those two things are pretty core to it.

And then the second is, there are actually people in there that can give you help. And so, if you go to a majority of retail stores today, it's hard to find someone to help you and certainly the people don't have a lot of knowledge. Obviously Apple is the sort of, you know, ideal opposite—where the people are so trained and so passionate and you actually need their help—and so you go in and talk to them and get the help. And I think Sephora was an example of—we did a lot of work on training the associates in the stores to be able to actually teach you how to use product and be able to get free services in the store.

And the third is that, you know, it needs to be a pleasant experience. So, you can go into places that are just depressing. I was in a JCPenney. My 80-year-old mom wanted pink slippers and she wanted to go to JCPenney, which cracked me up. And I was like, "This is the problem with JCPenney but—" So, you know, we were walking around, there were no pink slippers to be found. It's sort of luck if they have what you want—and couldn't find a person to help us to save our life. So, obviously, that's not going to exist. There just weren't enough people in that store to make it pay for the few people that were working there.

And so, I think the standards change and you think about a physical retail location as "What are we going to do draw people in?" Why would people be coming? How can we add value? And then certainly, as technology sort of evolves, the role that technology plays in the physical environment is going to be really interesting.

The only thing in my time at Sephora that I really found compelling was actually a digital experience that we created with a device. We partnered with Pantone's technology arm and there was an actual device that can read the color of your skin. It's called Color IQ. It could then automatically match you to, among thousands of shades of foundation—the right foundation for you. That's makeup—a makeup product—for the men in here that don't wear foundation. And the benefit was then you could sort of save that—your Color IQ—in your account, you could buy online or in-store in the future. And that's not something you can yet do with your iPhone because it can't actually capture the perfect color. It was a pretty technical device.

But, you know, I would say all of the things that we tried around messaging on your phone to get you to come in and to actually be able to tell you what to do when you're in the store—all of that stuff, frankly, was more interference with the physical experience than anything. So, I think it will be really interesting and I'm excited to hear about the robot and how technology and physical environment will actually make the physical experience more compelling.

Bonchek: Okay, Steve. That's your cue.

[LAUGHTER]

Carlin: Okay, no pressure. So, I'll build on that a little bit around experience and if you think about why you want to go into a store, it's to get that experience. So the question becomes, how can we leverage the technology that's out there to augment that experience. And so, one

of the ways I would answer your question is, I think, you're going to see the notion of omnichannel really centering around the idea of what identity. And so, what she just said was, you can store that information in the system and it would remember who you were.

Well, identity becomes really important if you really want to get into omnichannel because, at the end of the day, you can't have omnichannel if you don't know who it is. And if you don't know who it is, you don't know what's contextually relevant to that person at that moment in time. It's a shotgun approach.

And so, I think some of that refinement of that \$225 billion dollars that the CPG industry spends just in North America retail is going to become really important. And what you'll see is— certainly you're going to see that the real estate close—but what's left will be hyper-efficient in how they go to market. The inventory for a lot of other services, not the least of which would be the likes of an Instacart or some sort of service that's going to pick it up for you. And so, where technology, like robotics, can play in is connecting identity with brand ambassadorship, if you will.

And so the ability to deliver the right marketing message at the right moment in time, at what Procter used to call "the first moment of truth" is everything for retail if you stop and think about it. So I think you're going to start to see some of these technologies being employed at shelf in a way that they've never been able to in a very engaging way.

And for those of you that don't know what Pepper is: Pepper is a 4-foot humanoid robot that has a face that's not quite too face-like, because that gets spooky. It has a tablet for two-way communication and it's got two arms that are really meant more to gesticulate because that's how we communicate, with our arms and our hands. And so, by mimicking how humans communicate, it creates a little bit more engagement, creates more empathy like the panel yesterday was talking about. And so again, that engagement is really important at that first moment of truth. And that's why robotics like ours can start to play a really important role in the retail setting.

Bonchek: So, Christian, I want to come to you about stores from more of the consumer perspective. So, just one data point though. So, it turns out that restaurants and bars have been growing twice as fast as retail and the view is that it's become more of that third place that Starbucks talks about. The mall is not the place where people go for that kind of sense of community. Are you finding that? What is the role of the store and the mall in people's social behavior?

Madsbjerg: I'm still trying to get over how big John Chambers was on France and on crickets.

[LAUGHTER]

Like, France has the best education system, really? And crickets? Yes, I've had crickets actually in Copenhagen and they have sort of a kafir lime sort of pop. I think at any volume, it'll be rather unpleasant. But—

[LAUGHTER]

Bonchek: So, cricket stores are not the future of retail?

Madsbjerg: I don't know. I don't know. I think we are trying to get started on trying to think about the future of retail. I think we're very, very early. I think a company like H&M is thinking about closing down half of its stores. I think if you walk up Fifth Avenue in Manhattan, I think you'd see a third of the stores there be closing down in the next eight years. I think it's really the implosion of a way of thinking.

So, it used to be that retailers—and I guess including Sephora—would be thinking about how much economic volume could be created on a square foot. And that logic, I think will go. The idea that there's a productivity for the store that can be counted in square feet. And the other one is that the funnel of retail is that you get people aware of a product and then you get them into a store, and then they buy something, and then they buy it again and then they end up loving the product. So, that sort of funnel logic that's been driving us for 30 years or so or more and have been driving investments is also falling apart. In my company, we were looking at people. Just how do they shop and how do they think about shopping, and so on. And it turns out they shop all the time.

But shopping is not just the square foot logic. It is figuring out things about the product and understanding things about the product. There's a trade somewhere in the system and then there is a testing and using it, and so on afterwards. So the shopping experience has been blown up to be much more. Which means that the store is just—I don't know—a third of the shopping experience. And figuring out the entire road from testing out things, to trading, to experiencing things and using them afterwards in order to inspire others, to start experiencing the things. That process is not necessarily a linear one anymore.

So, it used to be that you could invest in advertising and then people would come into the store and you would get money from them. Now, those things are off the hinge. You can spend a lot of time and money on stores, yet they might buy it somewhere else. Or you can spend a lot of time on creating experiences, yet they will buy it on Amazon or something like that.

In apparel, that is now 40 percent of the volume that goes that way. That's a lot. And that's why, if you walk up Fifth Avenue, that a third of the shops will go away. I think we will in the next six to eight months, [see] a lot of the big name brands, be either going out of business or in real trouble. And it's because of this changing nature of how people shop. And I think understanding that would be the beginning of anything.

Technology will be helpful, but the beginning would be, what are the patterns of behavior? What are the ways people get inspired? What are the ways people want to shop? And then think about what's the physical form and what's the technology, and so on. But it really is a fundamental rethink of how the business of retail is run.

Bonchek: So, building on that, Julie, perhaps you could talk a little bit about what you were doing with Stitch Fix, because that seems to fit in well here, which is moving an activity that normally would have happened in the store, in some ways, moving it into the home and bringing together the human and the technology. By the way, there's a great article in the magazine about Stitch Fix from Techonomy, so be sure to look at that. But perhaps just a quick primer on Stich Fix and what you learned there.

Bornstein: So just so everyone knows, Stitch Fix is like a retail department store in that we hold inventory of brands, hundreds of brands. Basically a customer comes on and fills out a profile of about 40 questions and then never sees the product beforehand, is assigned through an algorithm to a stylist. We have 3,500 stylists who work remotely and use our own proprietary system to style a customer. So a customer comes into their queue, they select five items that are already algorithmically scored for the customer and then write a note. Add a little human element to why—they type a note. They don't actually write a note. And then a box of five items is delivered to a customer and the customer tries on the clothes in the comfort of their own home and decides what they want to keep; [they're] only charged for what they keep and then sends back the rest in a really easy, already pre-labeled and prepaid envelop.

So, it's kind of a very seamless experience and now the business serves women of all sizes and also maternity and then men's also. So, if you haven't tried it out, definitely do, especially if you're in 50 percent of the population that actually doesn't love to shop. Because I think that is what is so interesting to me. My whole career was around creating great retail experiences. Nordstrom.com was sort of a creation of what I wanted as a consumer and I went to Urban Outfitters and Sephora and really helped all of those companies build these great online shopping experiences.

Then I got to Stitch Fix and I realized, as we looked at the data, about half the population doesn't like to shop or really even know how to. They look at a sea of clothes, whether online or in stores, and feel overwhelmed, and don't know what to do. And so, there aren't a lot of services—but everyone needs to get dressed, and actually, almost everybody wants to look good. So, the interesting thing about the Stitch Fix opportunity is it'sdoing a number of interesting things.

One is, data science is really at the core and so all of the algorithms built, whether they're to match consumers to stylists, consumers to product, pre-forecast inventory needs, do sort of automated re-buys or automated pricing, those things have all been built algorithmically and starting 2011 as a company, the ability to do that is something that is going to be impossible for a traditional retailer to try and retrofit as a business model. So there is an advantage there.

But the second thing is that it is serving a huge population of people who don't want to spend their time doing that. And we are seeing that, as the current generation gets more digitally connected, they want to spend their free time, doing experiences and spending more of it doing that.

And so, I do think retail can be experiential but for those who don't want to shop, this is a service that is really serving them. And the algorithm gets smarter of time and what we've found is people have said, "Great! Now I don't need to spend my time shopping anymore." And it has become kind of a new habit that we found the consumers love and there will be no physical experience at least, in the short term, it will be all online.

Bonchek: And what did you find with Stitch Fix—and also Steve, what are you finding with Pepper—in terms of what role the person plays and what role the algorithm or the AI or the robot [plays] and is that changing? What are we learning in retail about that kind of relationship between the person and the technology?

Bornstein: On the Stitch Fix side—and then I'll hear what Steve has to say—it is an ongoing journey. So, I would say that the primary algorithm that is determining match between consumer and product is going to take years to continue to improve and get better and better. And we would put new things into the algorithm and see an increase in keep rate as one of the metrics we use and then retention over time.

And so, what you can see is like in the early days the role of the stylist who is the human that sort of covers that last mile was greater. And over time, the whole theory that Eric Colson, head of data science, has said is, you want to have the machine do what the machine can do best and the human do what the human can do best. And so, I would say, the human has done a lot of confirming/correcting of the algorithm in the early days, but over time, they do less and less and they focus on what they're good at, which is emotion and relating and explaining in the note why they've done this and you know, that piece of it. And then also, hopefully the layer of their checking on what the algorithm is recommending gets smaller over time.

But there are certainly things that we believe machines will never replace, and we don't see getting to a place where it's no stylist. We think that stylist piece is important and it also is a big connection for our customers. So, about half the customers really actually care about who their stylist is, they have a relationship with them and that matters to them. There are other people that are just like, "Get me product I like and so, it's an interesting dynamic.

Carlin: I'd say, we're finding that what the robot can do is really address the low-level tasks in that setting. So, "Where is the restroom?" "How do I find such and such an item?" Greeting, that sort of thing. If you think about when you go into a retail setting, when somebody walks up to you and says, "Can I help you?" Nine times out of ten, what are you going to say? "No, thanks. I'm just looking." Right? And that has less to do with your actual need for help and more to do with the inherent baggage that we have as meeting together for the first time. So, the robot in that sense, from the shopper's perspective, allows for engagement much more quickly simply because there's no assumption that it's trying to sell you something and there's no assumption that I could somehow offend this person or be rude to this being, this robot. So, it immediately jumps past a lot of the hurdles that the human has in the store.

Then back to the question about the AI, certainly it learns more as it has interactions and so, just like the algorithm will learn, so too will the robot be able to understand better what is intent and therefore what it should respond to. And the algorithms are getting better and better at seeing faces and understanding the difference between a male of a certain age and a female of a certain age and what might better to engage with.

And then finally, I think as we all get more and more confident speaking to our devices, you'll find this notion of conversational UX becomes much more important. So, Google came out yesterday and said that 20 percent of their searches are done off of voice, so that bodes very well for the likes of companion robots in helping you disengage with this five-inch screen, putting it down and engaging back in your world. And so, I think that what we'll continue to see with the people in that setting is that conversational UX starts to become more and more important in a store setting.

Bonchek: Anything you want to add, Christian?

Madsbjerg: Many things.

[LAUGHTER]

Carlin: Does it have to do with the French education system?

Madsbjerg: Yes. I'm still baffled. No. I mean, there are two sides to this. There's the brutal side, right, where the Neiman Marcus and the Barneys of the world are seeing a really hard time in the future. And the companies that are challenging them are not making any money, right? So, if you look at Net-a-Porter or any of those, they're successful in destroying the old. They're not so successful in being successful companies, in that sense. So that's some of the negative side.

But the positive side, and the most attractive side that I've seen looking at this for the past couple of years, has been that the logic of retail is moving to other parts of society, particularly health. If you think about where I grew up, we could get Levi's jeans. If we ordered books, it would take two weeks or three weeks and they might get them for us and we could be lucky to get the first David Bowie album, when it came, but otherwise we would to wait three more weeks for the next batch to arrive. That's a little bit different today if you live [in] the same place in a small island south of Sweden.

So, a lot has happened in retail. And that sort of logic that you can get things and you can get them fast and you can get them with some precision, is now spilling into places like healthcare. So it's no longer okay to be a dealership and not send the medical devices out on time. And it's not okay to fill the boxes that you send out that might not arrive on time with the wrong things anymore. So, the people start expecting Amazon-level or retail-level service in all kinds of other parts of society, which means that the best part of retail, which is the efficiency of logistics and the service levels that, I guess, places like Stitch Fix has, becomes the baseline of experiencing

anything. And that puts a whole lot of pressure on places that should be under a lot of pressure, like the dealership system in North America. And that's great.

So, there's sort of a negative and a positive side. There's a destruction of things that might not need to be destroyed, but there are certainly destruction of things that ought to be under a lot of pressure.

Bonchek: Yes. So, we change the expectations.

Madsbjerg: Absolutely.

Bonchek: Well, we're going to questions in a minute, but before we do that, we have to talk about Amazon.

And in particular, two questions for you. One is, can you compete with Amazon or as a retailer, is it a matter of competing over whatever Amazon isn't doing?

And the second is, I don't know if it's an unfair advantage, but Amazon's retail is essentially subsidized by Amazon Web Services, right? Ninety percent of their operating profit comes from Amazon Web Services. So, can you make money as a pure play retailer anymore or do you need to find someplace else to make the money so that you can then deliver those experiences? Julie, if you want to start.

Bornstein: My friend, Andy Jassy, who runs Amazon Web Services, got mad at me for recently saying that AWS subsidizes their retail business—pointing out that they are making a lot of money in their resale business. So, just to stand corrected on that—but certainly, it helped when they got going and they're certainly making it on volume. Although, oftentimes you go to Amazon today and it's not the cheapest price either. So, they've done a phenomenal job of using technology and data science to really get that pricing right too.

It is true that Amazon has a massive advantage and it's only going to continue when it comes to broad commerce. The experience that they have trained the majority of households to just go and if you know what you need, type it and click and don't think again—is like, you know—nothing I feel like I've seen in terms of behavioral shift in commerce. And I think it is and will be very sad for consumers and brands if the rest of retail doesn't figure out how to survive in spite of Amazon. And I think it's going to come in a number of different ways but ultimately, it's wherever Amazon doesn't decide to be best at.

So, if you go to Amazon's site right now as we all know—if you actually don't know what you want, it's pretty hard to figure it out. Really, they are the best product search engine and logistics company. And so, whether it's introduction to new brands or whether it's trying to figure out the differences between something or you want something that's more. Beauty is a really interesting example. It's fine for replenishment, although they don't have a lot of brands because a lot of the brands, and at least the prestige beauty side—I'm talking about this example because of the years I spent at Sephora—understood that selling to Amazon was really

ultimately brand degradation. In a sort of brand segment where really, your original differentiation came from control of distribution—a higher end beauty is an example of that—Amazon is kind of the opposite of that.

And so, what happens, theoretically, is then the retailers and then the brand itself—the direct business—end up becoming those that invest in building the brand and telling the story best, but if the transaction is happening through Amazon, those companies won't be able to continue to afford to be in business. There's this interesting cycle that in some subsegments, I think, stayed away from Amazon. And fashion too—and certain luxury areas.

And so, I think it will be sort of interesting to see Amazon as actively trying to go after those, but they haven't really set up a model yet that shows how that's sustainable. So, I think that's one example of—I think being expert in certain categories, I mean—it was amazing to me to watch the department stores lose share of beauty as Sephora grew share of beauty—and the total beauty industry grew, but disproportionately through, sort of the focus of the specialty experience that Sephora provided.

And so, category expertise—I was with my daughter last night at Sunglass Hut. I was just sort of talking to her about how the truth is that there are still category expertise that makes consumer experiences better. And I don't think that's—at least at this point—where Amazon is focusing.

Bonchek: Best Buy, who people considered down and out, has really come back and changed things around. I'm sensitive—

Carlin: But—but—if I could just jump in.

Bonchek: Yes, please.

Carlin: So, a couple things. One, aspirational categories, like cosmetics—and I worked on CoverGirl for many years, so I know she's absolutely correct on that—and high consideration purchase categories are where Amazon's going to struggle to really be truly dominant. And so, if you think about where Amazon is so strong at, it's really three things.

One, we talked about. Identity. They generally know it's you—probably 95 percent of the time—if you log into your account, it's probably you, though sometimes it's not. As we've learned with Facebook lately, sometimes it's not really who you think it is.

Second is intent. They're very good at understanding what your intent is and therefore being able to deliver you recommendations.

The final piece is attribution. Knowing, through providence, that it really was Julie who actually made that purchase.

And those three things are where the physical retail really needs to step up a game. And by the way, financial institutions as well. So, from a technology perspective, one of the ways you're

going to need to address Amazon is through those three pieces. And the better the retailer is doing that, the better they are to fend them off.

Madsbjerg: We need stores though.

Carlin: Yes. Absolutely.

Madsbjerg: Our cities need stores. Our streets need stores.

Bonchek: Yes.

Madsbjerg: How boring is it if there are no stores? We need to make sure that the experience side, which I think Amazon isn't very good at it—I think they're a great logistics company, but they can't—

Bornstein: Their store literally looks like a mini Barnes and Nobles.

[LAUGHTER]

Madsbjerg: I know, and it's very confusing.

Bornstein: The lack of creativity is mind boggling.

Madsbjerg: Very confusing. So, the human side, I don't think they have a very good handle on. And identity and those kinds of things—like what kind of experience you want. But somebody needs to figure it out because we need stores.

Bonchek: So, let's get some of the audience. Here we go. Great.

Audience 1: This is a question and a comment. I've been thinking about this a long time. This is my shampoo and my mouthwash from this morning and if you look at these things, they are mostly water and glycerin. This stuff can cost you \$60 bucks for this little tube and I can buy glycerin from bulk apothecary for \$18 bucks for 24 ounces.

My interest is transforming education and also fostering entrepreneurship—and here's my comment question. It seems to me that you get a burst of entrepreneurship where you get disintermediation of an industry and I wonder about personal care products. I started going to Lush, which I loved. Lush cosmetics—they're amazing. The stuff is beautiful. It's ethically sourced. They don't test on animals. They tell you the village they went to get the nut—to get the oil and they make it. And the stuff is expensive. And we think, "Well most people couldn't afford this!" I wonder about a transformation of retail where something like the personal care industry gets disintermediated, because I could go to bulk apothecary and buy anything I want to make anything I want—and indeed I make my own makeup.

So, my question is, do you see a disintermediation in this business that allows more people to be entrepreneurs—i.e. small ones doing stuff out of their kitchen or maybe the retail stores, a bunch of pop-up shops with small entrepreneurs. Again, adding service to a product.

Bonchek: Well, and to build on that, it also relates—I'm curious your thoughts on the future of brand—because if you had the choice between a product on Amazon with a 90 percent five-star reviews, but a brand you never heard of, or a brand you knew but mostly three-star reviews, which are you going to buy? And so, if you've seen Brandless or Public Goods, where the brand doesn't matter anymore but the story of where it came from is what's important—so what do you think about this great comment/question?

Bornstein: There is a massive amount of innovation going on right now in the consumer—care, personal care, beauty industry. And what's fascinating about it is a lot of it is happening direct. It's happening through Instagram. It's also happening through Amazon. So, people are creating product around search terms. So, they're seeing, okay—organic SPF. We're going to create sort of a sun cream and businesses are growing to \$50 million dollars in a year or two because they're key wording, you know—they're looking at key words from Amazon.

So, I do think—I do think that there is a—DIY is niche. It just always is. So, you know, I think that the idea of building new brands and businesses that don't have huge barriers to entry and that take advantage of whatever—key evolving trends. I mean, I'm obsessed with—I think within the next five to ten years every single beauty product that has goop should come with replenishable compostable bag—I mean, the fact that we're replacing every container that we have—every whatever it is, month or three months, drives me bananas—I think there is going to be—I do think there is going to be innovation and more access.

I do think brand matters and I do think the only thing about brand that is changing is that people are experimenting with new brands—and their loyalty to a single brand is moving faster because they're direct access to learn about new brands through friends and social media in a much faster way. But, I think Brandless is a brand, so—

Madsbjerg: I think insight, too—we were part of changing Chanel No. 5 in the last year or so—and introducing a new perfume called Gabrielle—and they are based on insight into the lives of women today. And those women we met, when we met them all around the world, wanted something else than women wanted ten years ago. And the kind of urge and yearning they had about what it meant to be a woman and what life could look like was different than before. And I think one of the reasons why those are successful products is that we understood what was going on.

Is that brand or is that store? I don't care. It's insight into lives of the people we want to have a conversation with. And I think that's not about technology at all. That's just about understanding each other and I think that's still the heart of what good retail is.

McMann: Just to dovetail off of Christian's words, I'm Katie McMahan from SoundHound, a voice and AI platform company. People want to have a conversation with the brand and that brand truly represents your product, your service, what you are—so I just pause it out as you ask the question about Amazon. The shift to a voice interface and will your brand ship with an Alexa-branded interface to your thing to which that data then gets subsumed by a giant?

Bonchek: Yes. And it's a great point too about—we heard yesterday from Amazon about ordering batteries through Alexa. I don't know that I need to order batteries through Alexa, but to the point about the whole shopping experience, where is the role of voice in the whole experience, right? You know, whether it's with Pepper or the Stylist—how that all comes together so quick, it has to be—we're out of time. So quick on voice—conversation. Any thoughts on where that's going to fall?

Carlin: Yes. The conversation is absolutely going to be the next wave, I think, of interfacing with your technology. And so, again, what's so great about robotics is, it allows you the opportunity to put your device down and interact not only with the technology in the form of a robot, but also the rest of your world. And I think that trend will continue to grow—and to your point, brands then need to understand—how then do I create a brand, like Sergio Zyman used to say, through that technology and through that media platform, which is sound and voice.

Bonchek: Great. Alright. Well, we are out of time, but thank you. This is such an important area for all of us in our daily lives and thank you Julie, Steve, and Christian for helping shed some light on it.