

# TECHONOMY

TECHONOMY 2012 • NOVEMBER 11 – 13 • TUCSON, AZ

## Shopping Outside The Box: The Intersection Of Data And Dollars

### Speakers:

James Barrese, PayPal  
Dan Schulman, American Express  
Gibu Thomas, Walmart

### Moderator:

Erick Schonfeld, DEMO

### Video:

<http://techonomy.com/2012/11/techonomy-2012-shopping-outside-the-box-the-intersection-of-data-and-dollars>

**Kirkpatrick:** Now on to the session, the next panel, Shopping Outside the Box, is going to look at the whole tumult that's really happening around new kinds of spending, data and retail, new forms of consumer behavior. So Erick Schonfeld, our good friend and long-time colleague, take it away.

**Schonfeld:** Thanks a lot.

**Kirkpatrick:** I'm going to get my tea before I turn the stage over to you.

**Schonfeld:** Okay. Well, I'll introduce the panelists as they sit down. To my immediate left, James Barrese, the CTO of PayPal. And Dan Schulman from AmEx, and he runs strategy, M&A—he runs half the business there.

[LAUGHTER]

And Gibu Thomas, who is in charge of digital and mobile at Walmart.

So this panel is data and dollars. And we're going to talk about how all this new data is changing commerce. What's really new is mobile obviously and I want to get at mobile commerce, but I don't want to—we can talk about not just mobile, social is also changing the way people shop and the way that retailers and brands try to reach out to shoppers. And there's an interesting, you know, relationship between the two.

But we just take a step back and if you guys could just tell me a little bit about if you have to pick one technology, what technology is changing your business the fastest? Maybe start with you, Gibu.

**Thomas:** First of all, I just want to say I just sat on the Cyber Wars panel, so I want to reassure you that this panel there will be no mortal danger that will be discussed. It's just making money and making people's life better.

I think one of the biggest impacts for Walmart we think is the fact that a lot of our customers are coming into our stores with smartphones. And e-commerce was a big disruption that happened in retail, which brought our stores to the Web. But the possibility of mobile bringing the Web to the store is incredibly disruptive. When I talk about mobile, it's just mobile powered by big data and everything else.

And why that's interesting is, you know, I've been in the States for 18 years. And in that time, the way I have shopped in the physical store has not fundamentally changed. And people who have been here a lot longer tell me even before that, it hadn't really changed in a long time.

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But now there is an opportunity to actually change that. If you think about how people make decisions, discover products online, it's a very different process than walking the aisle and picking up the products and putting in the basket. Almost every part of our life has been transformed by a smartphone. The way we check into an airplane, the way we call a cab, the way we set our alarm. All of these things have been transformed by having this device that's incredibly powerful.

But when you walk into a store where over 90 percent of retail happens, it's like this place that is stuck in time, you know, 20 years ago. And so the opportunity to give the same kind of tools to customers to shop easily in a store, the same kind of tools that have been available to them online, whether that's search or recommendations or personalization, we think is incredibly disruptive. And it has an impact on obviously helping people shop better, helping people save money by budgeting better. But also on associate productivity. Because if we empower customers, then that's less work that associates have—or more time associates can focus on doing things that really matter, like having the right product on the right shelf at the right time.

**Schonfeld:** How would you answer that question? What technology is changing your business the fastest?

**Schulman:** I think there's the combination of the mobile phone, as Gibu just said. But it's tied together to a software platform and then linked together by data. And I think if you can do all of those things together, what we're really talking about is fundamentally changing the face of commerce, all phases of the commerce life cycle, from discovery to research, to purchase, to post-purchase.

So let me give you an example of that. And I think, by the way, it disrupts things like advertising, the way we traditionally think about advertising, the way that we target market. And so most people when they typically think about changing the face of commerce and they talk about E-wallets and that kind of thing, they are mostly thinking about tapping your phone on a point of sale and being able to use your phone as a wallet.

We actually think that it's much, much more fundamental than a form factor change. We think it's truly a value proposition chain, where instead of tapping your phone just at a point of sale, imagine that you tap your phone as you walk into a store, where you don't really even need to do that. You can do it through geo-fencing or any one of a number of ways.

And when you walk into the store, what you're doing by tapping your phone is basically on an opt-in basis exposing your personalized commerce identity, kind of the brands you like, the budget that you have, the SKUs that you want. And when you walk into that store, whether you are a first-time customer or a loyal customer, do you have loyalty or not, you then electronically exchange information with that retailer or that merchant. And that merchant can say, Oh, Gibu wants this exactly. You want this exactly. And we can now start to customize, specifically to an individual, deals, offers, couponing, digital couponing, to that person specifically.

And when we look at the payments industry and the commerce-enabling industry, like couponing, advertising, etc., that's a \$500 billion industry in the U.S. that's incredibly inefficient. Couponing is like 1 percent, open rates on coupons. You look at some of the tools that are out there that, you know, have one promotion for all of us in this room, whether it be, you know, 20 percent off salon services or hair replacement or whatever it may be.

But some of us need that and some of us don't.

What we're really thinking about is, how do we fundamentally change the way that consumers, merchants, and retailers interact with each other through the use of mobile phones, through the use of the data and through the use of software platforms? And that can really change every aspect of retailing today as we know it.

**Schonfeld:** So what's more valuable, the actual payments and transactions that go across mobile or the data, which is what you're really talking about? There's a lot of data associated with somebody walking into the store with that device. They may or may not buy everything they are going to buy in that trip, but you're collecting information about them, about maybe their preferences and you're creating a relationship over time. And you're learning more about them.

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So, like, I guess the question is, you know, there's—what's the value of that visit versus the lifetime value of that customer? And how does the data help you increase that?

**Schulman:** Well, I think when you start to think about digital commerce, which is kind of what we're naming this kind of view that I think everybody is going to be moving towards, that data is really the Holy Grail of digital commerce. That is where the value is truly created. You obviously can create value through a number of different ways, but data is what enables us to know whether advertising is effective, to track from online to off-line, to create loyalty programs that create interaction between a merchant, a brand, and a consumer.

So if I had to make a choice, it would be data for sure.

**Schonfeld:** How does PayPal think about that? You can do \$10 billion in mobile payments this year, up from like \$4 billion last year.

**Barrese:** \$4 billion and we keep on growing. We are seeing extremely rapid increases in adoption. Really the way we see it is the customer experience. So how do all of these technologies, mobile devices, data, better experiences—it all comes together, and consumers are adopting it. What we're seeing is there's a very rapid adoption by consumers of these new technologies. There's a huge willingness within the industry to invest and also support these new technologies. And it's creating an environment where now we're going to be able to create fantastic new experiences for the customers. And that's what we're focused on. What is that customer experience? And how do we actually make things simpler for them?

**Schonfeld:** Let's talk a little bit about payments right now. There's a lot of different payment mechanisms. One that was getting a lot of attention but not a lot of adoption was NFC. The near field communications—and Google Wallet was pushing that. Is there any traction with NFC? Is that just way too early? Do we even need it when you can basically use a credit card swipe and start to do a lot of the same things with payment mechanism everyone has in their wallet already?

**Thomas:** I think it's more than what technology is right. I think the question is, are you solving a real problem for the customer? I think that's where some of these models break down, right. If you look at what Starbucks has done, they don't use NFC, but they have been successful in getting people to adopt a mobile device as a payment mechanism because it provides convenience for the customer.

There's a loyalty component. The eleventh latte is free, but even more than that, folks want to know what their gift card balance is. They want to easily reload their gift card. So there was a lot of convenience associated with that wallet that prompted customers to adopt it. I think that's where all of these solutions are going to work.

And I think if you think about a retailer like Walmart, customers, they want help throughout every part of their customer journey, to the point that Dan made.

And one of the interesting tensions in the data conversation is if you introduce a new middleman in mobile payments, right, which is I think part of the reason why some of these wallets haven't gotten a lot of adoption with retailers is all of a sudden, a retailer is giving up control of their destiny of that data that they already have to a third party and then potentially introducing another mouth to feed in the value chain and increasing transaction costs which then gets passed on to the customer.

So it's a pretty nuancing. Our perspective is if you follow where the customer wants you to go and—then you'll get it right. And so people—we follow the space with a lot of interest. We are doing some things on our own. We are doing some things in payments in partnership. Obviously the Bluebird initiative that we have launched with AmEx is a really interesting proposition where you are giving an incredibly cost-effective alternative to a checking account to customers that is very much in the DNA of --

**Schonfeld:** Can you explain what that is, that partnership, the Bluebird.

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**Thomas:** Do you want to take it, Dan, since you did a lot of the work there?

**Schulman:** Yeah. So Bluebird, the best way I would think about it is it's sort of a digital wallet with a cost associated with it. So Walmart and American Express spent about a year developing this product. And it's basically an alternative to checking and debit, where there are about 70 million Americans today who are either unbanked or underbanked. Underbanked means that you may have a savings account, but you can't really afford a checking account because there's a minimum balance and you can't make that minimum balance.

And there are a host of fees that happen. Overdraft fees, consumers paid banks, I think it was, \$31.6 billion in overdraft fees last year.

And so we created a product using a digital platform that basically enables consumers to load that digital platform almost any way they choose. They can give cash at a Walmart cashier. And that cash is loaded onto a digital account. They can do --

**Schonfeld:** That's a card, a physical card?

**Schulman:** So it's actually a digital account, but you can take money off that digital account either through a card—swiping it at any retailer, using it, getting cash out of an ATM with that card, or doing E-bill payment off of that digital platform. So all the things that you might be able to do if you had a checking or a debit service you can now do on a Bluebird product with us without almost all of those fees. So we tried to make it fee-free and just make it a very simple and easy way for people to manage and move their money.

And it does a tremendous amount for both Walmart and for American Express. And it's a great example of not having to worry about NFC, but basically creating a digital account and linking a card because most point of sales today aren't NFC-enabled. You can just swipe a card, connect that right to your digital account.

And if Walmart wanted to eventually load in offers or discounts or whatever they may be, you can link them right to the card. Swipe your card and without any coupon, anything --

**Schonfeld:** Is there also a digital interface? An app?

**Schulman:** Yeah, the entire thing is you have a mobile app that you can manage and move your money. You can do P to P. You can set up subaccounts.

So I guess the point is you don't need to be able to tap your phone on NFC to be able to do it. As long as you have a digital platform, you can link a card to that digital platform because most point of sale accept cards today.

And in the future, if it moves to NFC, you can just tap your phone. If it goes to QR codes, you just swipe a QR code, whatever it may be.

**Schonfeld:** But can we just declare NFC dead right now? James?

**Barrese:** I think what we're after is being able to let consumers access their digital wallet from any—

**Schonfeld:** Yeah, I know that, but do you have an opinion on NFC?

**Barrese:** So I think as it goes there's not enough penetration, it's not—it doesn't—consumers want to be able to access their money through any vehicle and it's just not at a point where there's enough penetration to make it useful.

**Schonfeld:** Is it the consumers or is it the retailers who don't want a new piece of equipment? Right?

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**Barrese:** I think it's the cost of what it would take to install NFC. And also, look, technology is changing really quickly so there are new options available now that weren't when it was conceived. And I think the idea of geo-fencing or bar codes or other scanners are becoming more and more viable at a much lower cost.

**Schulman:** I think the jury is out on what that technology option will be. I think at one time there was a lot of hype around NFC. But just if you think about the typical technology upgrade cycle, so next year there will be maybe 40, 50 million smartphones in the U.S. that will have an NFC chip available in them. The upgrade cycle of point of sale is typically four to six years.

So right now there's almost a null set between those who actually have a smartphone with an NFC chip and a point of sale terminal. But if you look four to six years out, you could begin to see a tipping point with that if NFC—people see value in it. And if NFC is only tap your phone instead of swipe your card, then that's just a form factor change.

I think the real value will be if you can tap your phone, metaphorically speaking, as you come into the phone and then tap your phone at the point of sale. Because what that point of sale tapping of the phone does is allows a marketer to track whether their promotions were successful or not.

**Schonfeld:** Right. Yeah, I don't want to beat this with a horse because I'm curious. Does Walmart have any NFC pilots or plan any pilots?

**Thomas:** We don't in the U.S. But we have done some NFC pilots in other countries like the U.K. I mean, I think the reason why we're eager to declare NFC dead is probably because a lot of us took press releases as a proxy for customer adoption. And unfortunately, in the real world that doesn't happen. Otherwise a lot of us would be sitting on some beach somewhere.

**Schonfeld:** Sounds like a headline to me.

**Thomas:** I think the real key there is, again, to me is there real value to the customer? If you think about NFC as a technology in interacting with point of sale, it's incredibly frictionless. It's even more frictionless than scanning a QR code. I think the problem is the business model around that technology is not right. And so that's why I think there's been adoption issues. And the point of sale upgrade cycles and everything are important points, but especially if you are a company like Walmart with—if we wanted to do it, it's not—the economics are not the problem. It's the ongoing business model that I think has sort of work inflating to a different --

**Schonfeld:** Well, let's talk about something else. How does mobile specifically change consumer behavior? I know that it's changed my online shopping habits, you know. I think I shop a lot more for presents during holidays on my tablet, you know. I use the Amazon Windowshop app a lot more than I ever used Amazon, right. I was at my kid's soccer practice and, you know, one of the dads had this great L.L. Bean chair and I was, you know, standing for an hour and a half. And I was like, I'm getting that chair. And I actually, like, went to L.L. Bean site on my phone, put in my credit card number, right. I'm standing there for an hour and a half so I have time to do this. And I bought it. It was impulse purchase that I don't think I have ever really done an impulse purchase on my computer. I'm not a big shopper. There's plenty of people who do that.

I've seen just how it's changed my shopping behavior, and I've got to imagine it's changing—I'm not a really big shopper, so I've got to imagine the people who actually like to shop, it's doing it more. What have you guys seen?

**Barrese:** We're seeing a very rapid adoption. 50 percent of consumers now have a smartphone. And put that in perspective. That device in their pocket has more computing power than all of NASA and all of the space program that put a person on the moon.

And with Moore's law that we've been talking about today, what's going to happen in 18 months and 18 months? So we're talking about an extremely powerful device that people are carrying at all times that has a location, orientation. It's got people's

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credentials. It has access to the Internet. And so it's opening up a whole wave of innovation. And what we see is it's a really powerful channel.

And one of the things that we have done at PayPal is we have really adopted the mobile first view as well, where every single product, every single customer experience we're looking at it from the consumer with the mobile device or a tablet. And how can we ensure that all of our products and all of our experiences intersect well? So there's no longer a separate mobile business unit or mobile development team. It's all one. It's all core and part of --

**Schonfeld:** What percentage of transactions is mobile now?

**Barrese:** So we're doing \$10 billion in TPV this year. And we're seeing a dramatic increase. I don't know if—I --

**Schonfeld:** That's out of a total of what?

**Barrese:** We're betting it's going to over 50 percent within a few years.

**Schonfeld:** All right. I also want to talk a little bit about—before we go on, are there any sort of changes in consumer behavior that you're seeing because of mobile?

**Thomas:** I think certainly the idea of being able to shop in a store in a digital way is a really interesting area that we see as interesting. One of the things that we tried to do was the things that you care about when you come into a store trying to shop are very different than the things you care about when you're outside of the store.

**Schonfeld:** You have some very popular apps for iPhone and Android, right?

**Thomas:** Absolutely. And so one of the things that we thought about is the things you care about in the store are where is the product, what's the price, where is my shopping list, what's on ad this week, those kinds of things. And so when you're outside of a store, you're trying to find the store, you're trying to find product online, etc. So the access point that you mentioned is very important.

But even more than that, what we found is we implemented this idea of this auto check-in. So when you come to Walmart store, the app sort of switches into in-store mode and kind of flips over. And it has all these capabilities for store shopping, like what's the price and where is the item and so on. But if you want to do online shopping, you can just kind of flip, tap over and continue to do that.

And when we put that out there, we thought, you know, we think it's intuitive, but let's see how customers adopt it. And we found that within two weeks, 60 percent of our customers were using in-store mode, people who have a smartphone, the Walmart app. And we also found that 12 percent of the people of our online sales through mobile were coming through people who were in in-store mode, which meant they were in a store.

So when you talk about showrooming and things like that, it's sort of people are showrooming with Walmart, which is the advantage of having both channels.

And so we're seeing --

**Schonfeld:** People are going into the store and then shopping on the phone?

**Thomas:** Right. While people are going in the store, taking out their phone, to help them shop better because they have their shopping list, they can budget their trip better, they can find where the items are --

**Schonfeld:** 12 percent, that's actual commerce?

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**Thomas:** That's online commerce. So what is happening there is maybe that they are in the bike section and they saw the blue bike and they decide, no, I want the pink bike and the store doesn't carry the pink bike. So now they are able to just flip over and shop the entire online assortment.

So by making it frictionless, what you're seeing is that people are—you can break down the barriers between channels.

And one of the real challenges and historically for a lot of retailers is that, you know, you kind of have channel amnesia, right. When you're on the online channel, it's like the offline channel doesn't exist. When you're on the offline channel, it's like the online channel doesn't exist. And so now you are able to provide this kind of seamlessness to the entire assortment and the entire price. And that the customer is embracing.

**Schonfeld:** You bring that whole history and profile of online customer into the store?

**Thomas:** Exactly. And vice versa. There's a lot more transactions. 200 million people who shop with Walmart every week around the world, so being able to leverage that transaction data and personalize that experience in a cross-channel fashion is incredibly disruptive.

So that when we think about sort of the ability for mobile to disrupt, we don't think about it as sort of incremental to our online sales or incremental to our offline sales. We think of it as sort of game changing. It's sort of a step change from being able to combine two channels and provide a shopping experience that never existed before and that nobody else can do simply because of the fact that, you know, we by our scale and by the fact that we have both channels are able to provide a different experience.

**Schonfeld:** Right. You're getting another point I want to make sure we touch upon, is retailers, especially Walmart, pioneered all this purchase data, mining the purchase data and really creating customer profiles and segments based on that data, you know, kind of invented data mining back before anybody did it.

So in a way, a lot of this, you know, isn't entirely new to you. But I guess how much—and not just Walmart, but all retailers, right. Is there—does mobile and even social, which we haven't talked about yet, does that present a new, just sort of set of data that you pour into those data warehouses? Or is it a different type of data that you capture before the purchase and, therefore, it's, you know, maybe more intent as opposed to historical?

**Barrese:** It comes down to how are you using that data to improve the customer experience, to improve the conversion rate. It's what we're all talking about of presenting offers, incentives, understanding that customer to have them have a better experience and helping the retailer as well.

So this is a new and better way to help us do a better job engaging those customers, be they either they are at the store, they are near a store or they have a wish list. We are helping them connect with what they want to get.

**Schonfeld:** Right. And you talked a little bit before about sort of offers and, you know, I call it closing the redemption loop, right, which we saw in the—we saw with Groupon and LivingSocial, I thought was sort of the first initial step. I think when we talked on the phone, then you sort of characterized that as a blunt instrument.

Can you describe what you think is sort of the Nirvana there in terms of closing that redemption loop and, you know, instead of having one offer for 10,000 people, how customized that can become.

**Schulman:** Yeah, I think that advertising is going to move from right now it's push out and whether you may or may not want that. Like, for instance, you know, I may have just leased a car. All of that car advertising, to me, is wasted. But two or three months before my lease comes up, giving me customized offers is very relevant for me and something that I really do want to pay attention to.

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And I think what you have the ability with software platforms and commerce IDs now is to basically as a consumer say here's specifically what I want. And then for brands and merchants to basically customize, machine to machine, customize offers and deals specific to you.

But that customization doesn't necessarily have to mean, you know, price discounts. It could be inventory optimization for retailers. So, for instance, you know, I am a Heinz Ketchup lover, but the retailer that I'm walking into actually has excess inventory of Heinz Ketchup. And by taking a look at that inventory inbound, they know I am brand loyal to Heinz, they may need to give me have not any discount to buy Heinz. I'm always going to buy Heinz. But if there's an inventory imbalance, they might say, okay, I'm going to give him 30 percent off this to kind of even out my inventory.

So there are all sorts of ways that utilizing data and information can make this shopping experience much more customized, much more cost-efficient, take out wasted inefficiencies in the system. And those wasted inefficiencies are probably measured in the \$100 billion, \$200 billion range here in the U.S.

And it can be big and small. You know, how many of us have gone to our yogurt shop and gotten a punch card and it says your tenth yogurt is free. We never carry those around because how many can you carry in your wallet?

And once I get that punch card, there's no way that yogurt shop can ever communicate with me.

**Schonfeld:** And actually, that yogurt shop might want to give you the third one or fourth one free and there might --

**Schulman:** Right. If it's on a digital platform, in effect now that yogurt shop can say it's been two weeks since you've come back. We have run algorithms. If somebody doesn't come back in a week, they are not coming back. And so maybe we can give them a different type of loyalty and you can actually start to engage in a much different way through the use of platforms.

**Thomas:** I think one of the interesting things—

**Schonfeld:** Just hold on to answer that. If anyone has questions after this answer, I'm going to go to the audience, so think about some questions.

**Thomas:** I think one of the interesting things that mobile does in this is it introduces context to advertising or to dis-actions. When I go online and I see PG companies spend hundreds of millions of dollars if not billions of dollars advertising products online, and if I see a Tide advertisement or a Huggies advertisement online, I don't know what I'm supposed to do with that other than I see that advertisement. But if you are able to reach me when I'm in an aisle at the point of purchase, knowing that I buy diapers on a regular basis, that's incredibly powerful. And, you know, this is sort of the—and the amount, the data, it's about leveraging existing data in new and interesting ways, but it's also about new data, like location, like social, added to the mix as well.

**Schonfeld:** All right. Does anyone have any questions? This all sounds great. But right now, basically you're saying what if you can take all that targeting that's online and bring it into the offline world. And I imagine walking into Walmart and getting like 15 notifications, you know, buy Huggies, buy Heinz, buy Hunts.

**Thomas:** It's good and interesting tensions. First of all, Walmart wouldn't do that because we're an EDLP retailer, which means we don't give you specific offers to a specific customer. It's everyday low price for everybody.

Now, that said --

[LAUGHTER]

**Schonfeld:** I knew that was coming.

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**Thomas:** Now that said, I do think there is a balance between where you deliver customer value with that data and where you are just spamming people, right.

And so an example I gave you when we were having the conversation on the phone the other day was if I want to buy a toy for my 8-year-old nephew for his birthday, it's a really easy proposition online. Even if I don't have an 8-year-old boy, I can go and find toys and sort by best sellers and filter by, you know, 8-year-old boys and easily find two or three suggestions.

If I go to a toy aisle in a store, it's very hard to make that decision. I can't even ask an associate oftentimes. And so being able to leverage data and see what are the best selling toys in that store, which we know today, what are the other products people are buying with that toy, can just fundamentally transform the shopping experience.

**Schonfeld:** Let's go for a question. We have three and a half minutes.

**Ulanoff:** Hi. Lance Ulanoff, Mashable. So earlier, maybe it was yesterday, somebody said that they felt cool when they were using Square in the store, but they also felt as if it was—we are creating technologies for problems that don't exist.

[INDISCERNIBLE VOICE]

Yes. And so one, it sounds like that's what you are talking about with NFC. And I'm wondering if that is in fact the case? And also if you can give me a little perspective on Square, what you guys think of it. And if it is the kind of technology and innovation that's going in the right direction for consumers or if, as he said yesterday, this is just sort of cool gadgets that don't really solve actual consumer problems.

**Barrese:** You know, I think the key here is, again, what problem are you solving for customers? So the things that we're talking about is making it easier for people to find what they are looking for. Maybe there's an offer they can get, a relationship that they can have with the merchant.

In addition, these don't have to be discounts, either. So there could be things like you're in a particular store and you get a layaway offer or a credit offer, and it can automatically be in your digital wallet. So in the old days, you would go through and fill out forms and paperwork and hold up the line. Here that can just be seamless and easy.

So that the key is, how do you assemble all of these different aspects? Not just one form factor, not just one experience, but bring together everything people have in their wallet and make it all digital and make it all accessible and integrate in a way that provides a fantastic next-generation customer experience that actually improves and simplifies and speeds up what they—

**Schonfeld:** Does anyone have an opinion on Square?

**Thomas:** This is my personal opinion, not the opinion of Walmart necessarily. I mean, I was in Jackson Hole in the middle of the night, took a cab to our house and didn't have any cash, had a credit card. I was able to pay the guy, which I otherwise wouldn't have been able to.

And so I think there's incredible value in that access that it brings. And, you know, so I don't think that in that case necessarily that it's technology chasing a problem. I think it's leveraging technology in an intelligent way to take things that already existed and make it more accessible to people. And I think that's the power of mobile. That's the power that you are putting in the hands of consumers. So I like it personally.

**Schonfeld:** Another question. Does somebody else have a question? Raise your hands. Right here. No.

[LAUGHTER]

All right, go ahead, David.

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**Kirkpatrick:** Well, I just want to utter the word "Amazon." I mean, you know, people—you talk about showrooming in Walmart. I'm sure they are not only showrooming at Walmart's Web site. They are probably also comparing your prices to Amazon. And the mobile reality in Amazon's incredible tenacity and relentlessness and low prices potentially suggest that, you know, the combination of those two things could make them an even more powerful player. I'd just be curious what anything anyone would say about that. Because they also came out very well in that four-company panel yesterday.

**Thomas:** So what I would say there is that I think retail is evolving, right. And so different people have started in different places. We start from a point having 10,000 points of distribution, having 200 million people shop with us every week, which is Internet-scaled and offline world with a lot of data and everything that comes with it.

Amazon and other online retailers have started from another spectrum, which is we'll ship product to you. And it's converging. It's converging to a place where—and, you know, I think at the end of the day they are building warehouses today. They are trying to, you know, partner with companies in terms of putting lockers in Staples and things like that.

So there is incredible value in a hybrid model, where you have offline assets, which are proximate to a customer's home with online assets, which give you the breadth of assortment and everything else.

We have that today, right, and so they don't. And so I think that it's a race to see who gets there first. And I have my bet on who.

[LAUGHTER]

**Barrese:** One more point on Amazon is that they are competing with merchants and retailers, so in the case of eBay and PayPal, we're enabling. So there's the whole industry that can be enabled with this technology to compete, and I think one of the friction points that Amazon is running into is their technology, how much will merchants want to adopt a particular thing that they have knowing how that data might be used.

**Kirkpatrick:** A lot of the technology you guys have been talking about is ammunition for merchants to fight off the assault of Amazon, yeah.

**Thomas:** Well, I'll give you an example, right. So we wanted to launch same-day shipping. We just launched same-day shipping in three different markets going to five different markets, right, as a pilot because we wanted to see how customers would adopt it.

For us to do that, it took us about a month, right. And that's because we have a lot of physical assets we can leverage. And so the interesting opportunity—and we like sort of flying under the radar a little bit here. Although I may be bursting that.

But the idea of being able to apply technology to leverage the assets that we have better and fundamentally transform shopping experience, I think it's going to be a story to behold. And I think that retail, the transformation that retail will go through with data and technology and all the things that we're talking about, is going to be one of the most fascinating things to watch. And consumers are going to be the ultimate beneficiary of that. So it's a good one to watch as well from that perspective.

**Schonfeld:** All right. It gets back to that original what's more valuable, the data or the transactions. And they are obviously linked. But the data that you are bringing into the stores, particularly with mobile, kind of points to a future where you can do all the things and you can do online now in the store.

**Schulman:** There's a complete convergence between online and offline going on right now. You really almost can't distinguish them. People think of online and they say it's 9 percent of retail sales. It really isn't. That's what happens behind a PC or when you're at home. Every time somebody comes into a retail location, they are carrying exactly the same information overlay with them that they have behind their screen at home right now.

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And I do think that there are some very progressive retailers who understand that there is that convergence going on right now. But it's hard. It's hard for people to always change their business models that are going on.

So what Gibu is doing with Neil at Walmart, pushing that hard. And there are others that are getting hit quite hard with that, trying to figure out how do they allocate, you know, who gets credit for revenue if, you know, somebody gets a mobile sale in the store, which is ridiculous, right, because it's all coming together.

So I do think that data is the thing and the weapon that will be used for offline retail and for consumers and merchants to—to more effectively do commerce going forward.

**Schonfeld:** Thank you. We're over time. We can sit up here and talk about this for another hour, I think. Please give a nice round of applause to our panelists.

[APPLAUSE]

And continue the discussion offline.

**Kirkpatrick:** Thanks.