



Channel Mastery Podcast, Episode #60: Kristin Carpenter-Ogden Interviews
Chris Walton, Forbes contributor and CEO of OmniTalk and Red Archer

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- Kristin: [05:04](#) Chris Walton, welcome back to the Channel Mastery podcast. It is so great to have you here with us today.
- Chris Walton: [05:10](#) Thank you Kristin, and it's awesome to be here. I can't believe it's been a year since we last talked to each other.
- Kristin: [05:15](#) I know. And a lot has happened. This show is being recorded on early October 2018. And Chris was first on this show a year ago in early October. And he now is ... Well, he was at the time as well, but CEO and founder of Omni Talk. Which is literally one of my favorite podcasts and blogs, and all of the links will be in the show notes for this episode. You're also the CEO of Red Archer Retail, and a Forbes contributor. Let's start by kind of warming up the audience and letting them know all of the cool stuff that you and your team have been up to over the past year.
- Chris Walton: [05:47](#) Yeah, wow. It's been a blast. This last year's been kind of a whirlwind. A lot of it started around the time we first talked to each other. Like you said, it was back in October, but I literally started my blog, Omni Talk. It was just myself. I was sitting in a coffee shop one day, and I always really enjoyed writing. I always thought I had a kind of humorous angle that you put towards some of the stories that were going on in retail. I think as I talked on the last podcast sometimes we can take ourselves too seriously in the industry. I like to put a bit of a humorous slant on things. And I started writing, and you were one of the first people who's eye I caught. And some of the things I was doing, and then the audience has really just grown and built from there. Not only from the blog, but started writing for different magazines like Retail Dive, and Robert Report. My

business partners and I, Ann Mizinga, Carter [inaudible 00:06:43] I think you had on the show, all came together and just kind of super charged things at the beginning of this year with different videos, and podcast segments. Our audience and our subscriber base has just continued to grow.

Chris Walton: [06:56](#)

It all really culminated for me in ... I think it was May I started writing for Forbes. And that's been a great platform to contribute to that outlet on whatever's going on in retail for that given week. It's been a great platform. It's just increased our awareness for everything we're trying to do at Omni Talk. Which is really, just telling the stories that we think need to be told about how the future of retail's gonna unfold. How the blend of digital, and physical, and human interactions within a physical space will shape how retail's done in the future. And we've been super pleased. We've been podcasting like crazy. If anyone out there listening has been following us, and we love it. And it's all, actually, funny enough it's all our side work really. We started this, like I said, just as a side project. And we've been pleased with where it is, but ultimately Ann and I are still, and I think I mentioned the last time I was on the show, Ann and I are still entrepreneurs. We're still trying to open up our own retail concept. We are close. We hope by the beginning of the years we'll be able to talk about it more, but we are trying, or in the process of trying to open up our own retail tech lab here in Minneapolis.

Chris Walton: [08:07](#)

We believe that Minneapolis was once the epicenter of retail with the first shopping mall, with Target, Best Buy, and we wanna recapture that glory for the city that we live in. And we think a live retail lab open to the public that showcases how CBGs, how retailers, and even how retail tech companies can come together to think about and design new experiences in a more safe, demo-like environment can be a really valuable thing to help understand how the future of retail's gonna unfold. We're trying to get that off the ground, and hopefully here soon looking for partners to help us bring that to fruition. It's been a whirlwind that probably sounded like a whirlwind. Sorry for that straight out, long intro, but you can tell in my voice I'm excited to be back with you, and to share everything that's been going on.

Kristin: [08:54](#)

This is absolutely perfect. And today we get to actually get into the mind of Chris Walton on the top five trends that will shape retail in 2019. And then before we close the show we're gonna touch on holiday 2018 as well, but I think you just set a perfect platform up to basically dive into our main topic here today. Because you, basically talk about the things you want to incorporate into your lab. I have a feeling that a lot of what you

just said is kind of the underpinnings of the five trends you're about to share. Let's just dive right in.

- Chris Walton: [09:27](#) Yeah, it is. And this is great. This is actually the first time I'm really talking about this concept publicly in terms of the major overall macro trends that is shaping industry definitely over the past year. And I think that will continue to have an impact going forward. It will be fun to talk about it. I think what I would say, as the over arching halo, and I wrote a piece in Forbes about this in relation to Alibaba and new retail, but there's a new retail world coming I think. And by new retail, I mean specifically this. That is you look at the historical trajectory of retail, literally ever 30 to 40 years retail cycles. And you can go back all the way to the invention of the Sears catalog up through now, and you can see this pattern. It's every 30 to 40 years like clockwork.
- Kristin: [10:16](#) [crosstalk 00:10:16].
- Chris Walton: [10:16](#) And we'll go back just ... Yeah. I think it's fascinating. It's amazing just how often it happens like this. And if you stop and think about it as I'll relate, something's right around the corner that's gonna pop. And I know you and I personally, on the side, we've talked about Amazon going. And we can get into that too. 'Cause I think that's probably a key piece of this. But let's go back to 1950s and 1960s. And what you see is that at that time you had, I already mentioned it. You had the invention of the first shopping mall here in Minneapolis, Southfield shopping mall. And then in 1962, you had Walmart, Target, Kmart all starting in the same year. And you had really the rise of the mass merchant. And from those inventions around the same time, you have what I call the mass privatization of America. Which mean that mass amounts of products were now available to the American consumer for acquisition in a way that they never had been before.
- Chris Walton: [11:11](#) Now, the price of that though, was that those products were maybe available in a New Jersey shopping mall that looked exactly the same as a California shopping mall. Or a California Walmart and say a Walmart in Arkansas. It didn't really make a difference, it was the same experience. It was not a personalized experience, but it was a very efficient means for people to acquire products. But then, you flash forward about 30 years, you go to 1994ish, the middle of the 90s and you have the rise of the Amazon, Ebay. And what you see in that space is that the digital space allowed something different. It allowed, one. A broader selection, and the through the different personalization capabilities within the digital history you could actually tailor that experience unique to the individual. No one's shopping experience in the digital sphere has to be the same as anyone else's. You're not constrained by the rules of product

acquisition like you were in the past. And Amazon's fulfillment models have really challenged that as well.

Chris Walton: [12:08](#)

And in my mind then, if you [inaudible 00:12:11] that out, you're talking late 1990s, that puts you in 2020, 2030 where some [inaudible 00:12:17] big change is about to happen in retail. And for my money, I think you're gonna start to see this overseas. And we can talk about this more. But for my money I think you're gonna see the blends of what's happened in both. Where you have a physical world, and a personalized digital world, and now really the hands come together and you create truly, not only a personalized digital experiences, but personalized physical experiences. And those may not be stores, but they could just still be physical in some way, shape, or form. And that to me is mind boggling, mind boggling, excuse me when you think about it to say that physical space can be personalized to one individual over another to say that one individual's physical, personal experience is completely different than everyone else's. It's hard to believe, it's very minority report in a lot of ways, but I think it's coming. And we're not too far around the corner. And from my perspective, I think there's really five trends that show us that that's coming.

Chris Walton: [13:14](#)

The first one that I would highlight for you is what I call the virtual mall. And the best way to talk about that is if you look at the statistics, I think these statistics are staggering actually. 49% of all first product searches start on Amazon. You're adding Google, right? Another 36% of all first product searches start on Google. That means only 15% of the time people are actually searching for products on retailers or brand website. And that number continues to go down over time. That 15% number continues to get smaller and smaller every year. What means in terms of that historical trajectory, to me in my mind, is that why the shopping mall existed, it's reason for being is no longer the same as it once was. People no longer need it as a vehicle to search and acquire products. It's no longer needed as a vehicle for product acquisition.

Kristin: [14:15](#)

Right.

Chris Walton: [14:15](#)

And it's important. And in that way the mall has almost become virtual to us. Once we know what we want we no longer need to go to the mall. We can just go online, find what it is and we can acquire it. I keep using the word acquire, but we can acquire it very easily. And what that means in my mind, is that there's a definitive psychological break in why we shop in a physical world versus a digital world. And along that trajectory I think what's happened is stores always existed for five few reasons. They existed [inaudible 00:14:47]. It's almost endemic to the word. The word store. A store of inventory. Stores always existed to

be a place of inspiration, convenience, needing gratification, the idea of passion which is touching, feeling, trying things on. And getting confidence in your purchase. And then lastly the sheer social delight or memory of shopping, or being somewhere. And when E-commerce came around in the 90s, I talked about those first three things. The immediate gratification, inspiration, convenience.

Chris Walton:

[15:15](#)

E-commerce in a lot of ways said, "Look. We can do those things as well or better that you can." And the only things to remain in the purview of a physical place, are really the concept of passion, touching, feeling, trying products on, and the sheer social delight of being somewhere. And when you look at the malls, the malls were really predicated on a lot of what those first three things I talked about were. But those have gone away. And with the advent of social media, I think they've gone away even faster. And while people go to physical spaces, still venture out of their house, malls need to change significantly for people to recapture the glory of why people are going to those physical spaces. They really existed as just an easy means of [inaudible 00:15:56]. But that's really not the case so much anymore. And what it comes down for me is back to that statistic where it's really about, is it about search? Or discovery? 'Cause if it's about search, Amazon, Google, advances in Alexa and voice, chances are you don't need to leave your home anymore. You know what you want. But if it's about discovery, how's discovery gonna change? How is that gonna continue to evolve? And that's what I think the second trend is, because I think it's very interesting. Because that discovery aspect is both still digital, an untapped digital goldmine. But it's also an untapped physical goldmine too. And for me the second big trend that I think you're starting to see right now, is around the rise of social commerce. Not necessarily social media, but social commerce. The smart companies, the Amazon's, the Facebook's, the Google's. They get the [inaudible 00:16:47] signs of the joke of what I just said.

Chris Walton:

[16:50](#)

The battle for search as commerce as currently constituted has almost been won. Google and Amazon own that. The battle for discovery in the digital sphere, that's still very much up for grabs, and that actually has a longer term implication on search, which we can get into as well, but the way to think about it is, you have Facebook on one side, which is all about a social network. A networking community that you know really well. On the other hand, you have Amazon. Which is all about commerce. That's one long horizontal line, and those two worlds, the smart companies, the Amazon and Facebook worlds realize that, that horizontal line can be one long continuum to get you from start to end. What's really powerful about that is the data that's involved in understanding that horizontal line.

Because Amazon, on the one end of it is really great. We explicitly tell them what we want every single day, and they get it to us quickly, conveniently with basically no hassle. But Facebook on the other side of that line, Facebook has this really interesting advantage, or any social network has an advantage where not only can we explicitly tell that platform what we want over time, but they also know explicitly what we want.

Chris Walton: [18:02](#) My favorite thing is always the on this day I did this, this, this. One of my favorite things I do every day.

Kristin: [18:07](#) Yeah.

Chris Walton: [18:09](#) All I'm doing is putting an image on Facebook, or making a statement. But through time you can implicitly understand who I am without me actually taking an explicit action to tell Facebook what I wanna purchase. And it's that power of that data that makes Amazon see that Facebook, I think is a really formidable competitor in the long run. And not surprisingly you've seen Facebook start to go after this. They're putting more resources toward their marketplace, Instagram just announced their new shopping platform, because they see this is a real possibility for them. And Amazon and Google aren't sitting on the sidelines either. Amazon has opened up, they've been trying to do Amazon Spark for awhile, they just had a new Amazon Snapchat partnership that they're trying to do. I think Amazon and Snapchat's gonna be a really interesting thing to follow based on this whole line of logic.

Chris Walton: [19:04](#) And then Google. Google's trying to get into it too with their real shopping capabilities. Making their Google shopping capabilities more relevant, more social, adding videos, improving their ads. They're all trying to go after it. And at the end of the day Walmart's sitting out there too with this whole virtual mall concept. And they're trying to do it too. It's kind of their Lord and Taylor, and their [inaudible 00:19:26] those acquisitions, but they're so far afield from this that I don't see how they personally can catch up. It's gonna be one of the three big guys. Either Google, Amazon, Facebook. I gotta think Facebook with it's two billion, near two billion member social network advantage, really in the long run by 2030 has a really big leg up on this from a commerce perspective. In 2030, what does that mean? It means probably most of the discovery is happening through social media, and what's really fascinating about that is then where does the explicit search start to happen? If there's a new platform, let's say it's Facebook controlled or somebody else, does Google, and or Amazon still have control of that explicit search platform? At that time, possibly not. But it's gonna be really interesting to see how it unfolds.

Kristin: [20:14](#) Now that is definitely, it's making my mind stretch in all kinds of ways. And I'm gonna put links to a few of the shows. Let me back up for just one second. 'Cause I think your [crosstalk 00:20:24] show that you did with Carter and Ann, you did talk about the Google video ad, and you kind of talked about how and why they're ramping up. I'll put the link in for that. But you also did a show recently with Jamis Driscoll who's the Multon CEO?

Chris Walton: [20:36](#) Yeah.

Kristin: [20:37](#) And I'll put the link in for that. And you guys didn't talk exactly about this, but one thing you said in there really frames this for me nicely. Which is, basically the marketing versus the, "I have to buy this somewhere or some how." And merging that together. Because as some of my guests have said, most recently, Mike Massey of Locally.com. His assessment is the most successful brands today are kind of mashing together all the channels. There's one sales channel, right? And what I kind of heard you and Jamis kind of kicking around, what more like, "Okay. There's the discovery process, and why do we have to actually have to decouple how they buy from that?" And I think that's what you're talking about right now with the social experience and the social commerce side of it.

Chris Walton: [21:21](#) Yeah. I think that's exactly right. I think regardless of what is your brand, or retail, or what you're selling, you have to be ... It all comes down to psychology. It comes down to the psychology of, "What is the action of the consumer? Are they searching? Or are they trying to discover?" And whatever the answer to that question is, is that the physical space, or a digital space? And to your point, and what Jamis and I were talking about was really, that after discovery, it's all about story telling. And, the process by which people acquire those stories as their going about their discovery is not linear like it used to be. It's a very non-linear process.

Chris Walton: [21:54](#) And you have to be very flexible in, and this is what Jamis and his company focus on, basically the system's design about how you're gonna tell those stories. Right? Are you gonna tell them through an app? Are you gonna tell them through some type of placement via social media? Whatever it is you're gonna do, you have to think really cautiously about how it is you're going to do it. And you have to do it very quickly and very flexibly. And think about it in a non-linear fashion, but the days of saying, "Hey. I'm gonna do this television ad, and then they're gonna come into this store, and they're gonna take the product home. Those days are so long gone that you kind of gotta get on this new shit.

Kristin: [22:29](#) Oh my gosh. We talked about that a year ago. But now it looks a lot different. And my people, my awesome audience, in the markets we are, they're doing their darnedest, right? And I think if they can just focus on what the consumer is already kind of anticipating and demanding for how they live the rest of their life outside of their passions on the weekends, whatever it is that we serve for them as their identity, right? I just feel when I hear you say things like nimble, move quickly, etc. They're all working really hard to do that, but we also have this legacy product cycle that we're still dealing with. A lot of the older brands do anyway, and retailers have built their whole entire companies based on that. What you guys wanna build in Minneapolis would be fascinating and so good for us, but I just worry about how we get the speed of implementation in place more so. And I guess it's just a matter of making sure that you're keeping your ear to the ground and doing everything you can. Because right now we're in the budget window for 2019. And I just feel some of the things that you're talking about are, they're very important directional markers. Because things I think are gonna change even more precipitously this year.

Kristin: [23:42](#) Before we head into a couple more of the points-

Chris Walton: [23:44](#) Absolutely.

Kristin: [23:45](#) Do you have any advice you can give my people around how to maybe budget for this? Or if there's, I hate the phrase slush fund, but how should they be [crosstalk 00:23:54] this?

Chris Walton: [23:57](#) Sure. Sure, yeah. Absolutely. I mean I think it comes down to really, in my mind, two things. One is, I hate to say this, 'cause it sounds so trite in some ways. But you have to know your flywheel. And every time I bring this up, people sometimes look askew at me, but study Amazon's flywheel, and then say to yourself, "How does my company make money?" And under, How I Make Money, and you just mentioned it Kristin. "What is the most important story of my brand? What is my brand promise?" And then let me make sure I know what that is, and then I'm going to decide how I'm going to allocate capital and continue to make my company as formidable, excuse me, as it can be in the long run. The second part of that is, I think, every good leader has to be very conscious about how he or she is splitting out his or her investments. But one thing I feel a lot of leaders do when they're in this situation, is they're trying to lump everything together, and that becomes very confusing, it becomes very discombobulating, and a lot of times you don't have the right people assigned to each of the projects.

Chris Walton: [24:58](#) Even if you have small budgets you can start to make small steps forward, but you have to be very smart about how you're

allocating those resources. And the one thing I say, I just actually spoke about this at a conference last week, is you need to evolve your store. And whether that store is physical, or store digital it doesn't really matter. But you have to evolve your store in the future. And your store of the future can really mean one of three things. And that's how you portion your bets. Number one, it can mean, "What are the incremental changes you wanna just make to your current operation?" But your fundamental business model economics don't change. That could be things like online pickup at store, maybe it's a curbside initiative, maybe you're introducing new brands into both your digital and your physical landscape. Those are all possibilities. Now at the end of the day those are all new. They're different that what's happened in the past, but they won't change the fundamental business economics. But they may be important and they might give you some good return. You have to understand how much of that you wanna do.

Chris Walton:

[25:52](#)

The second thing is, "What's your North Star? Right? What is your belief in terms of where you'd like to get your business to?" And that's, too, what I think are the store of the future dynamics. That's things like give them credit. What Restoration Hardware did with their mega stores. Mega showroom tourist attractions. Or give Amazon credit. What they've done with Amazon Go. Those are businesses that run on entirely different business model economics. Now you might not have the capital to get there right now, but you should at least know where you think you wanna get to. Because number one, it's important to help you get there. But even more importantly is number three. And that's concept work. That's what you do more in, what I would say the auto industry did. The concept car. How do you just start taking small experiments, small bets, and seeing what works, and honestly being okay with what doesn't. Because the lessons you get from each of those can be funneled back into tracks one and two to help you evolve over time. And a great example of that, are again. Amazon Go was like that. It was closed and dark to the public for a year. It was only open to employees. Once they felt it was ready to scale, boom. They did it.

Chris Walton:

[26:58](#)

Nordstrom's local. They just announced they're doing more of those. Those are the types of things that help you understand where you need to go. And they don't have to be expensive. And you can choose how you want to get there. And the point, back to even what we were talking about with Jamis, there's even things you can experiment with in what was in the digital sphere. But at the end of the day what matters to your customers, first and foremost, where those universal truths that they believe in about you and about your brand, and what

tactics and things you want to deploy underneath that to reach your structure to try to go about it.

- Kristin: [27:29](#) I love it.
- Chris Walton: [27:30](#) And for my money any company that's worth its salt is thinking about all three of those things.
- Kristin: [27:34](#) Right. I love that you break it down to the three Chris. That's great. I've tried to get authors of huge books on here about entrepreneurial thinking, and it just, honestly. Our people are so short staffed and so busy, and managing so many things. This is good. Those three things are great, and back to your list.
- Chris Walton: [27:53](#) Sure.
- Kristin: [27:53](#) I want to make sure I'm respectful of your time and my audience's time. Let's continue to go through the top trends.
- Chris Walton: [28:01](#) Yeah. I'll hit the last two pretty quick. I think the fourth one, I'm sorry. The last three. We talked about the digital discovery. I think the third you're seeing is the physical discovery. And that's all by way of popular retail. We just did a podcast today where we had a company called Storefront that helps retailers find temporary popup locations. And his mantra was, "Short term is really the new long term." And I think you're gonna start to see this. And one thing I always caution is, "You shouldn't just use ..." This goes back to the last discussion. You won't just see popup for the sake of popup. You don't want just old retail models on shorter term leases. That's not good for anybody. But you can start to see things that transform how retail's done.
- Chris Walton: [28:43](#) I think the Macy's stores partnership's interesting on this front. Also interesting that they're now working with Facebook for all the reasons I said before. To help source and decide who those people are gonna be inside the markets at Macy's. You have companies like Storefront that I mentioned. A [inaudible 00:28:59]. And they you have digitally native brands that are now seeing popup retail show rooming as a way to get into the physical spaces to your point, at a very low cost. Very low risk, for a very short period of time. Brands like [inaudible 00:29:13], Away companies like that. And they're starting to use that as a very important tactic. But the fundamental question again just comes down to how the business model economics are gonna change, and that to me is where the last two points that I bring up from a trending standpoint come in. With number four being checkout-free shopping. You've seen evolution of this over time, so you can start to see it forming with say, [inaudible 00:29:36] and their guide shop model. Now, you're not really checking out

there, you're just ordering it for fulfillment out of a traditional showroom model, but you could start to see the digital native companies were gonna start to play around with this different. And the best example of that of course, is Amazon Go. And we could go into that in more detail. But the best examples are probably what you're seeing over in China. The best example being that HEMA grocery store or supermarket spelled H-E-M-A. But basically, you go into that grocery store, and you don't have to check out if you don't want to. But it's not through visual recognition like an Amazon Go, it's through scanning mobile applications where basically, like I said, you choose how you want to engage with that physical experience as a consumer. You can pick stuff off the shelf if you want and take it home yourself, stand in line and check out if you want. Or you can literally scan every barcode on every item you see in that store, and if you want to have that product delivered to you at your home or somewhere else of your choosing you can do that too. It's a completely choose your own adventure model similar to how you'd order coffee at a Starbucks.

Kristin: [30:39](#)

That's awesome.

Chris Walton: [30:41](#)

Yeah, it's fantastic. It's only a four and half minute video too. It's totally worth the watch. I think you're gonna start to see models of Amazon Go which is very small scale digital recognition checkout free. And then you have models like HEMA supermarket where you've got much larger footprints that are based on scanning ... I think you're gonna start to see hybrid models of those come together, and that's gonna create new business model economics around inventory, and payroll for a lot of these retailers. It's make some of these ideas much more sustainable in the long term.

Kristin: [31:17](#)

And then-

Chris Walton: [31:21](#)

The last trend I think [crosstalk 00:31:21]-

Kristin: [31:20](#)

And then, wait. Before you go in there, let's just quickly talk about the headline that just happened around the 3,000 Amazon Go's. Can you tell my audience, what timeframe are we looking at for that? And that is huge. I thought of it as its own show. You guys touched on it in a recent podcast. But tell us a little bit of your take on that before we get to number five.

Chris Walton: [31:40](#)

Yeah. I've been following this pretty closely. The recent rumor is they're gonna open up, Bloomberg reported, they're gonna open up 3,000 new GO stores by, I think it's 2021. Now, a lot of people have been skeptical about this. I'm not necessarily skeptical. A lot of people say Amazon does a lot for PR, but a lot

of what Amazon does in PR, it actually does start to come to fruition if you watch it closely. I think this is something people have to watch really closely. What scares me about it, is that it seems they've got this thing pretty well dialed in now at that 2,000 square foot range. And the way I always describe this is, "Think if a 7-11 were to mate with Whole Foods.

Chris Walton:

[32:22](#)

And you'd have this yuppie Nirvana that no one expected. Where you could see, it's a nicely laid out, beautiful place and you can walk in there, and you can just grab things off the shelf, and you walk out. And for people, especially in urban environments, if you've ever lived in San Francisco or New York. And you need that almost drug store convenience store trip experience where you just need to grab some deodorant, or maybe you want a drink and you just wanna get in and get out. It's a very formidable competitive play. Because those experiences aren't great. You have to wait in long line with people, the sales staff is not super welcoming, it's not a very engaging experience. You don't really need. Again, back to the point I was making in the beginning. You don't really need human interaction in that specific use case. I think as the footprints get bigger, that's a whole different question. And as the baskets get bigger, that's a whole different question. But in that specific use case, it's not required. And that's why I give this more credit than I think others do, because you've already seen them open up a few more here at a very rapid pace. I feel like they're opening up one a week right now.

Chris Walton:

[33:26](#)

And then the other thing I'd say is, "Don't forget back in its history when Amazon started, they didn't just open their own eCommerce browser. They also licensed their eCommerce browser to everyone else. And there's a lot of indication that maybe they're opening ... I don't know. Maybe they're opening up 3,000 GO stores all on their own? Or maybe they're licensing the platform to let other people use that technology to license the GO stores in the same manner. I don't know the answer, but I think growth is on the table. I'm about to go check out another Amazon installation at the Mall of America today where they're doing a kind of [inaudible 00:34:00] meet Scan and Go hybrid shop with Good Housekeeping. And I don't know where this is gonna go, but I think having to think about Amazon and the licensing play to stand up mom and pop retail or popup retail over the country is incredibly valid.

Kristin:

[34:13](#)

Yeah. That's awesome. Thank you for going into that point. And again. Each one of these points can have it's own show, but I just wanna encourage everybody to follow the Omni Talk podcast and blog, and your work on Forbes. 'Cause you do go into, I think, a lot deeper detail there. What's number five? I can't wait to hear.

Chris Walton: [34:30](#) Yeah. Five to close it out. Five's what I call micro warehousing. And I think you're starting to see this come about. Walmart has just announced that they're gonna begin doing it. They call it a test or the robots they're gonna put into their stores to do it in their test the Alphabot. They're doing it in a 20,000 square foot adjacent warehouse. And the idea here is that you're gonna start to have small, localized warehouse operations either inside front stores or adjacent to current stores. Another company that's starting to play around with this is a company called Takeoff Technologies. What they do, is they basically make the pitch to grocers, "Hey look. You've got unused real estate in your space. It's not as productive as it used to be. Let's come in and use warehouse automation principles to enable you to come direct the consumer faster through grocery. You know that activity is starting to happen fast and furiously. We'll come in and put these micro warehouses really close to your consumers.

Chris Walton: [35:32](#) And I think you're starting to see that. And what that means is that when you take the checkout free models, the showroom models, popup shop retail. What it means is you start to get this world where, and this gets really technical in some ways, but back of house operators can start to be divorced from front of house operations. And by that you can have a consumer experience that is inspirational and tactile, and all about the social experience of shopping whereas behind the scenes operationally, things can happen as almost an after thought to the consumer. As the consumer's shopping and padding through a store, in the background through micro warehousing things can start to be picked and packed as you go about that shopping experience. And that makes every place in the world the equivalent to an eCommerce store stop. If I'm shopping, and I want to have product delivered to me at the door of the store when I come out, I can do that. If I want a box in the trunk of my car I can do that. If I want it sent to my house when I get home I can do that. And we're not far away from that world.

Chris Walton: [36:45](#) It's kind of like, if you're old enough to remember, and I am, Service Merchandise back in the 1980s on steroids. It was their model, but now unlocking it through technology to make it even more attractive for consumers. And the best example that we have of it today, is imagine if IKEA. Imagine an IKEA where if instead of pencil and paper, and you having to write down everything you wanted to buy, you could use scan and go applications of the tools that are on display, in say, China, and you can shop for things as you go along. And in the background instead of going into that warehouse and having to pick everything yourself, someone through automation or advanced system of technology is doing that for you. And then it just arrives whenever you want it, however you want to receive it. I

think those days are coming, and as you start to see those models be more dominant throughout the landscape, then you're gonna start to see a very different working capital dynamics across the industry.

Kristin: [37:44](#)

And sourcing supply and manufacturing.

Chris Walton: [37:48](#)

Yeah. Changes the whole game.

Kristin: [37:50](#)

Right. And you just, I don't remember which show it was on now. I listen to all your stuff, but you mentioned something about when you went to a trade show recently, and you were kind of looking around, and you were, " Why in God's name does this even exist anymore?" And I feel there's a great opportunity to bring consumer experience, we see that already happening in our markets. We have for awhile. But I think one of the things that could really anchor this for my career listing, is talking about everything is so fast. And like you said, make a physical place like an eCommerce experience. Because that's what the consumer's expecting. Right? And I think that one of the biggest obstacles for my world is the factor of new, new, new. We have this product cycle that we have a legacy with in terms of where we manufacture, design, and all that stuff. And our whole go to market kind of ... It's so lengthy compared to what you're talking about here. You've touched on interesting things. Used retail, used clothing store concepts, you've gone into that. There's the idea of wrapping more experience around it, changing up dynamics in terms of size or experience at retail. But ultimately I think what we're gonna have to move toward is more new products drops, more nimble manufacturing. And that's not everything, but it's gonna be part of it.

Kristin: [39:08](#)

And we have seen some of our leading retailers, such as REI incorporate the used component already. It feels to me, my world might think that REI was doing that to say, "Hey. If I go into an REI and maybe find something in their used section, I have a better chance of making a purchase there." But I also think they're being very smart in how they mix up their assortment and create a sense of discovery. I feel there are ways of taking graft like your talking about here and put it into our world. Which, it has operated more slowly, I think, just because we make things like climbing shoes, and it's just ... I don't know. I can't [crosstalk 00:39:46] 3D manufactured any time soon, but I could be wrong.

Chris Walton: [39:49](#)

No. And the brands associated with those things still matter. I think that's where the art of retail comes in. I think I wrote about this recently too, that, that's where you can stay out in front of the data science. You can still make the market. It's hard for data to make the market. You can see the trends. To

make the market you can't really do that. Again, going back to the strategy. What are you're brand principals? What are the things you stand behind? And I think what you're touching on too, Kristin, there's just a new definition of the good, better, best assortment strategy if that's what you're talking about in terms of say, rental models, or used clothing models, or whatever it is. That's just a different version of that and what you've had in the past. Now is that a retro brand? Or is it not? But it's something you need to explore and think about. And it very well could be, or at least happen in a consumer segment that you've had in the past.

Kristin:

[40:37](#)

Right. And I just, again, I love having you on the show, because you bring this broader, and futuristic perspective. But you're always grounding this in things that are happening either in the news, or that you're actually going to see and experience. And I think that it's important that we distill everything that we can on what's moving forward, and the momentum, and the traction with the consumer. 'Cause that same consumer is in our world. Not all of them, but the ones that are into what we do. And you are always highlighting the demand that they're creating through the experiences that they're starting to demand. I love that you have Carter on there as your token millennial. And you always, [inaudible 00:41:18] the other day. He's kind of your digital first, then physical. Whereas maybe Ann and yourself are more physical than digital just from the demographic that you grew up in. Right? It's interesting.

Chris Walton:

[41:31](#)

Yeah. Absolutely. I said at a conference the other day. Part of the reason that Carter Jensen who works with us at Omni Talk is so valuable. He's my reverse mentor. He gives me a perspective that I can't get otherwise. We joke about Ann and I being GenX and he being a millennial. But he's really, really valuable. I went to a conference last week where, no offense to anyone, but it was just 50-year-old white men talking about the things that we were talking about. And the number one thing I said to them was, "Hey, you should find that reverse mentor. And who is that person who can help you stay abreast of the things that are going on? 'Cause you probably would like to change your thinking. You could just tell from the historical continuum of retail that something's coming. Someone else that knows different things than you do is probably gonna help you get prepared for that."

Kristin:

[42:20](#)

Well, this has been amazing. I mean I literally could talk to you for hours. But I know that you are probably tightly scheduled there Mr. Walton. And I just wanna say, this has been awesome. And I plan to have a probably more lengthy show notes than usual, and I'd love to be able to point people back to articles and different shows. And I wanna encourage everyone before

we wrap up, listen to the content that you guys are putting together. Because they aren't just looking into the future. You guys are also looking into what's happening to day. And with that, can you give us any takes that you have on holiday 2018? Because here we are, early October. I know that ball's in motion, right? But do you have any takes that you can share that might be important for my people to hear?

Chris Walton:

[43:06](#)

Yeah, that's a great question. From my perspective, I think holiday, we'll definitely be covering it every week. We do the Fast Five breakdown every week where we do a little podcast and just talk about all the news that's coming. We'll be ramping that up pretty hot and heavy for holiday. But I think for me, the think that I'm most excited about to see around the holidays is who captures all the lost volume. You've had a lot of retailers go the way of the dodo. Most specifically, Toys R Us. And what specifically is that gonna mean for Walmart and Amazon as we go forward here? I think that's gonna be interesting to see. Other than that though, you're gonna see just the new models start to dominate the landscape. And Amazon's doing this at a smart time, because the other retailers are just distracted with holiday. Whereas Amazon's probably got that pre-dialed in already. You're starting to see them use that time as a place for experimentation. Other than that, you get back to tried and true, I hate to say it, but foundational tactics for most retailers at this time. It's about having great data, having great plans for Black Friday, both digitally and physically. Stress testing your plans in the digital landscape, and then having good contingency plans on everything that can happen as I just found out personally from running stores on the Black Friday in your store. You've got to have all that ready to go. And then you can't forget the season's still is predawn and after Black Friday too. You've got to have great things to keep people coming into your stores. And what are your shipping plans in terms of still getting products to consumers as fast as humanly possible. Because it does make a difference. For the most part that's pretty foundational, but my big thing is, "Who's gonna win the battle now that Toys R Us is out of there?" That's going to be fascinating to watch.

Kristin:

[44:47](#)

It is. And I can't wait to have a front row seat with what you guys put together. Again, thank you so much, Chris Walton. You bring so much insight. And I think you guys need to know you really make a positive impact, and you kind of give us a light to go to our room. We're just feeling like, "Where in the heck should we be going? Because there's so much happening out there" You guys do a great job just kind of helping to focus and put the arrows in the right direction if you will.

Chris Walton: [45:13](#) Thanks Kristin. We would all say the exact same thing about you, so we really appreciate it.

Kristin: [45:17](#) Oh, thanks so much. All right. And I'd love to have you back on the show soon, and thank you for sharing your team with me on the Channel Mastery show as well.

Chris Walton: [45:28](#) 100%. You got it.

Kristin: [45:30](#) Thanks so much.