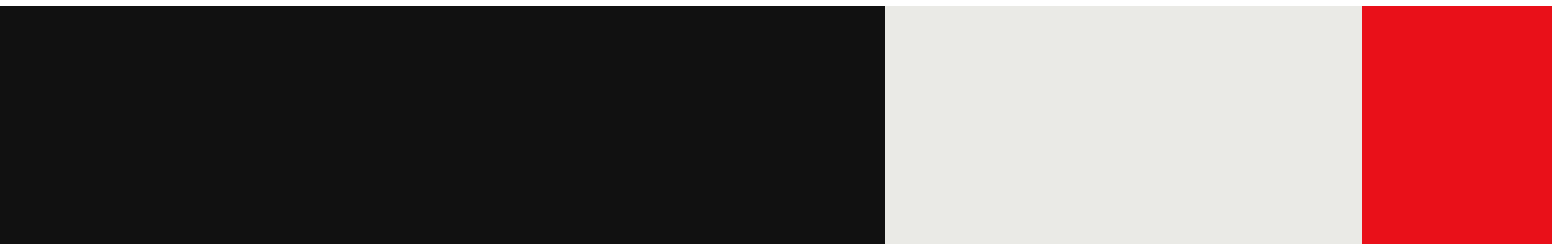


Reimagining Retail: The most—and least—important takeaways from NRF 2024

Audio



On today's podcast episode, we discuss this year's National Retail Federation event—the main takeaways, the best side conversations and booths, and the discussed trends we don't

see coming to fruition. Join guest host Marcus Johnson as he speaks with our vice president of content Suzy Davidkhanian, who was at this year's conference.

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Episode Transcript:

Marcus Johnson:

Hello, listeners. Today is Wednesday, January 17th. Welcome to the Behind the Numbers: Reimagining Retail Show and eMarketer podcast. This is the show where we talk about how

retail collides with every part of your lives. You're probably very disappointed to not be hearing Sarah's voice. I am Marcus Johnson, guest host filling in for Sarah Libo who's traveling slowly but surely, kind of. Hello, Sarah. Today's episode is about the takeaways from NRF 2024. I am joined today by one singular guest. That's all we need, right, Suzy?

Suzy Davidkhanian:

Absolutely.

Marcus Johnson:

VP of content, head of our retail desk. Just back from NRF, it's Suzy Davidkhanian.

Suzy Davidkhanian:

Thanks for having me. I'm so excited about today's episode.

Marcus Johnson:

I say just back from NRF. She took a train, okay? So it's not that she'd get on a galactic ship or anything.

Suzy Davidkhanian:

I took the subway-

Marcus Johnson:

Yeah, she took a subway.

Suzy Davidkhanian:

... in the snow to make it here on time to have this conversation with you guys in a lengthiest way possible.

Marcus Johnson:

I told Suzy this is supposed to be a short episode. She told me quite flatly, "No, I'll be speaking for as long as I want."

Suzy Davidkhanian:

Correct.

Marcus Johnson:

So, let's see how it goes.

Suzy Davidkhanian:

Because you know what is happening right now. We just missed it a little bit is Drew Barrymore is on stage and I missed it so that we can hang out.

Marcus Johnson:

Well that's why. Another reason to make it shorter, isn't it?

Suzy Davidkhanian:

Well, No, I had to come home.

Marcus Johnson:

Oh, you missed Drew Barrymore to be here is what your trying to-

Suzy Davidkhanian:

Yes, yes.

Marcus Johnson:

Okay, thank you so much. See what she does for you?

Suzy Davidkhanian:

You're welcome.

Marcus Johnson:

The sacrifices.

Suzy Davidkhanian:

Please let that translate into a weekly listen win. Please.

Marcus Johnson:

It won't.

Suzy Davidkhanian:

Please.

Marcus Johnson:

We start of course, with our first segment for this show, which is free sample. This is our did you know segment where we share a fun fact tidbit, or question. I say we, it's me. Sarah has sent me over this one. So over the last, this is a question, Suzy.

Suzy Davidkhanian:

Okay.

Marcus Johnson:

So buckle up. Okay. Over the last five years, how much money has Starbucks gained from unspent gift card and app balances?

Suzy Davidkhanian:

This is big.

Marcus Johnson:

How much? This is multiple choice. How much money has Starbucks gained from unspent gift card and app balances? A \$100 million, B 300, C 600 or D \$900 million. 100, 300, 600 or \$900 million.

Suzy Davidkhanian:

Worldwide? 600 million.

Marcus Johnson:

Yes, but no, that's not the right answer. The coffee chain has claimed 900 million. You were towards the top end. 900 million in unspent money according to the Washington Consumer Protection Coalition, which has filed a complaint asking Washington's Attorney General to investigate the company. So the context, Suzy, the complaint saying Starbucks is violated this act, the Washington Consumer Protection Act by tricking customers into loading more money than they otherwise would onto gift cards and the rewards' app, making it difficult for

consumers to fully spend their balances. So it's using dark patterns to trick folks. What'd you make of this?

Suzy Davidkhanian:

I am not surprised that this is happening. If you just think about your own behavior, sometimes we forget, sometimes we don't realize. It's not that there's \$100 left on people's cards, it's the \$2 here, \$3 there. It all adds and it's adding up, right?

Marcus Johnson:

Exactly right. Exactly right.

Suzy Davidkhanian:

What I think is a shame is that is sort of a liability for the retailer that they should be carrying throughout their lifetime, and Starbucks is still in business. It's different when it's like a Toys R Us that went out of business and had the gift cards and they're gone. That's understandable. But from a consumer protection perspective, there must be some sort of, and I'm not a Starbucks drinker, so I don't know, but maybe those gift cards have an expiry date and that's why Starbucks gets to hang on to so much money.

Marcus Johnson:

That's a great point. I'm not sure either. I do know that I have been part of a rewards program that they changed. It was an airline, it changed its rewards program and made it harder to spend the points that I'd accumulated. And so now I can't spend the points fast enough based on how much I'm spending on my credit card. That probably tells me about my credit card spending habits, but the fact that they changed it I think was, disingenuous is the right word, but it felt kind of underhanded and unexpected and as a consumer made me want to maybe explore other options. So you have to be careful because if the consumer doesn't think that there's a certain amount of value that they're still getting, maybe they don't sign up in the first place, but maybe current loyalty members pull back.

Suzy Davidkhanian:

Totally. And you're talking about loyalty points, right? So that's also a completely different thing. That's like a liability, like the fake money that you get rewarded, but it's not fake. It's like not really money you've spent, but you've quote earned it because you've spent a threshold.

So that too, I'm sure there's a lot that goes on claim. I just let one go. It was \$10. I was like, I'm not going to spend \$100 to get \$10. That just doesn't make sense. This stat is even more frightening, right? Because it's people who've bought, if I bought my niece a Starbucks gift card and she lost it or forgets about it or whatever it is, or there's \$3 left and she doesn't think about getting a bottle of water, that's the money that they're accumulating. So that's someone else's money that they're accumulating, that's adding to their bottom line. That's nuts.

Marcus Johnson:

Right? Real money and then, yeah, my example, earned money in rewards that's left on the table and this goes to a billion dollars. This is not pocket change.

Suzy Davidkhanian:

That's a lot of, yes.

Marcus Johnson:

So it's a significant amount.

Suzy Davidkhanian:

You know what I will tell you though? Sorry, I don't know if this works.

Marcus Johnson:

Started already. Go on.

Suzy Davidkhanian:

I know. Sorry, I can't help myself. I don't know if this is possible, but if it's not, someone should be doing this, we should be able to put all of our gift cards into digital wallets so we don't lose them. That way, we have a better chance of using the \$3 here, the \$4 there, and that could be a way to help the consumer, definitely not the retailer. The retailer wants you to shirk ... It's not called shirk. There's a special name for people who don't use their gift cards.

Marcus Johnson:

Do you mean mobile check deposit style? Take a picture of the gift card and it loads it magically.

Suzy Davidkhanian:

Maybe. Or put the numbers in. You know how if you're using the gift card digitally, there are numbers on the back with a little pin? There must be a way. I just got the omni card for the New York subway that there's a way to put that into your digital wallet. There must be a way, but this is probably why the Consumer Protection Board is getting involved because I'm not calling them shady, because they're not doing anything shady, but it's sad that we're leaving so much money on the table and we just need to remove the friction point so that we don't leave money on the table.

Marcus Johnson:

It's also interesting that there's nearly a billion dollars left on the table, but I wonder how much they would've made if they'd encouraged people or reminded people or send them notifications saying, "Hey, you still have money to spend." I've only got \$2 left. I can come in, use the \$2, spend three on the coffee, and I wonder how much they would've made had they encouraged people to use those dollars on gift cards as opposed to-

Suzy Davidkhanian:

100%.

Marcus Johnson:

Yeah. Holding onto them. Anyway, that's what we've got time for free sample. We move now to our next segment, National Retail Federation me this, National Retail Federation me that. We discuss an interesting retail topic. Sarah is never going to let me host again. Retail me this, retail me that's what it's normally called. Today's topic is NRF 2024, just the one segment today. So Suzy, you were just at the New York based NRF conference the past few days where tens of thousands of folks gather to talk about the upcoming year in retail. Let's talk about a key takeaway from a session. You probably went to a bunch, you're probably part of a bunch, but was there one key takeaway, one or two from a particular session or two?

Suzy Davidkhanian:

I'm so glad you threw in the two because I might have three.

Marcus Johnson:

I could [inaudible 00:07:48] three.

Suzy Davidkhanian:

No, but two really little ones. Little ones that we don't even need to have a conversation around. And then one that I would love to talk more about.

Marcus Johnson:

Okay. [inaudible 00:07:56].

Suzy Davidkhanian:

So the first one, which was, oh yeah, this too. There is in the snacking business and there was a big CPG snack branch with a supermarket sort of-ish type company. So they were together on stage and they think about snacking slightly differently because one has the end consumer versus the other one who's trying to reach the end consumer. And there is a tension I never really thought about in snacking, which is like people want to be healthy, but they also want to be indulgent. And so as the manufacturer, you have to think about your breadth of snacks in that sort of performance, fun, healthy, just healthy and then super indulgent as a I'm taking a KitKat break indulgent.

Marcus Johnson:

Yeah, snacks does have a negative connotation you could argue and trying to rebrand the title or the category of snacks, basically just having something in between meals that doesn't have to be things that are traditionally been themed or seen as unhealthy.

Suzy Davidkhanian:

Right. And so for me that tension was one I had not really thought about. And so I just wanted to highlight that because there's tension everywhere we go and everything we do and it's important to keep track of it. The other topic that is really, really important that I believe in strongly, which is sustainability, and there was another CPG company, Pepsi, who was talking about all the different programs that they do across the entire ecosystem.

And one of the things that we don't talk enough about, which I think is really important, and we talk about it on the apparel side, but we don't talk about it in the food area as much is the water is important. And as we have more and more drought and other weather climate issues, farmers are going to have a tough time. And a lot of snacks come from what farmers make. Corn, potatoes, garlic. And I think it's really important as a retailer to think about sustainability

with your partners, even if it's not visible to the consumer because everybody needs to work on this together and it has to be a joint commitment. And Pepsi was talking about how they're working with Walmart so that it's truly a much bigger than one company sort of commitment. And I think that was, for me, really important.

Marcus Johnson:

So this was the partnerships angle.

Suzy Davidkhanian:

This was the no one player can go at it alone. And so Pepsi and Walmart are working together.

Marcus Johnson:

I like that.

Suzy Davidkhanian:

For me, I think we always think about sustainability, we think about packaging, we think about the lights, the EV, the gasoline, the carbon footprint, and we don't often talk about water. And water is critical and we talk about water when it comes to jeans and how much water they need to make jeans. And it was maybe a fun fact of mine in one of the dinner party data situations.

Marcus Johnson:

Fun is generous.

Suzy Davidkhanian:

But I didn't really think about how the trickle-down effect for snacking and sustainability and climate goes all the way down to our farmers in the US who need help.

Marcus Johnson:

Yeah, yeah, that's a great point. The partnership thing is really interesting because you see coalitions of folks working together on so many other issues and there's so many different bodies set up to work together on different issues around the world. And when it comes to sustainability and companies, it does seem like they are all trying to go at it alone. And so I think that's a really interesting angle.

Suzy Davidkhanian:

Are you ready for my real one now?

Marcus Johnson:

They were the two small ones?

Suzy Davidkhanian:

Yeah, those are the two small ones. Ready?

Marcus Johnson:

[inaudible 00:11:14] to move on to the next question. Go on.

Suzy Davidkhanian:

No, so I thought the MOI Hennessy person who spoke on stage was brilliant. He was not only captivating and passionate, but he made me think about alcohol in a different way.

Marcus Johnson:

How so?

Suzy Davidkhanian:

Well, that's the thing, right? So he came from a luxury background. He has a bunch of luxury brands. So he talked through inflation and how for them, now that's their new context and that inflation for them happens at many different, the cost of making goods for them, the inflation increases are across their entire value chain. If you think about it in terms of glass costs more money, transportation costs more money, wages cost more money, everything costs more money. And so they work very hard to figure out price elasticity to see what is the right price that helps them with their margin and it absorbs as much of the increases as possible without it being too hard for the customer.

So already the fact that we were talking about price elasticity was really exciting. But what I thought was even more cool is that if you think about liquor, it's sold in a store and all the bottles are one next to the other and there's zero differentiation and it's all price point driven. And so they really rely heavily on brands. And then because it's a product, here's another tension, it's a product that has a lot of history and that has a formula that is there for a reason

and that's what people expect. They can't play around with that. So as they think about brand awareness and getting people on board for them and standing apart for them, partnerships are really important.

Marcus Johnson:

We're back.

Suzy Davidkhanian:

But this time it's partnership with stars you recognize and pop culture and icons and figuring out how do you bridge the gap between this heritage that you have and this modern sort of cultural, everybody knows who you are, so they come to you. And then he showed us some very cool videos of which there was this whole brand experience in London. I don't know if you've been at Herod's where it was a champagne cafe of sorts, but you could also buy bottles, which got our team, my team thinking through would you ever walk to or drive to a luxury boutique that only sold one brand of liquor?

Marcus Johnson:

Maybe.

Suzy Davidkhanian:

Yeah, I think we all had the same, well, I guess depends on the brand and Sky was saying, "Well if there's education around it, if there's a tasting or if there's some sort of activity around it, I'm more likely to go."

Marcus Johnson:

Experience. Yeah, definitely, definitely. Very nice. Very nice indeed. All right, let's move on to next question. You walk in around, you attend some panels, be on some panels and you're speaking to people and they're like, oh my god, is that, are you from that show? Oh my God, I recognize you. What's the most interesting side conversation that you had, apart from beating away the fans?

Suzy Davidkhanian:

I mean there were a lot, so I only have two.

Marcus Johnson:

It's tough out there.

Suzy Davidkhanian:

Are you ready?

Marcus Johnson:

Fans, two fans?

Suzy Davidkhanian:

No, I have a multitude. Countless.

Marcus Johnson:

Oh, you're talking about takes?

Suzy Davidkhanian:

Yeah. Only have two things that I thought we could talk about. One is there are a lot of vendors who, or suppliers or partners who talk a lot about how their solution will also help with fraud. And I think we're hearing a lot about that in the news right now in terms of understanding that margins and retailers are saying that they're not doing quite as well at the bottom line because of stealing and shrinkage and all these other things. So it was very cool to see all these different types of vendors that in addition to the other things they do, they're trying to help solve for fraud. And when I talked to one of the folks I was like, "Well, can you tell me more about ..." Because he was talking about fraud in the terms of credit cards.

So that was new for me. So I was like, "Can you tell me more about that?" And he was like, "Yeah, if you buy from one credit card and you return onto another credit card, that could be fraudulent." And I was like, "Oh, I never really thought about that." And then in the end we decided that bad behavior is bad behavior and if you're going to do bad behavior, you're going to figure out a way to get around all the systems. But I'm throwing in, it's important to have a really good vendor partner who can help you identify the signals of bad behavior.

Marcus Johnson:

Very nice. That's one.

Suzy Davidkhanian:

And the other one, I may or may not have been on a panel today and we were talking a little bit about the economy and one of the things that my panelists talked about, which we talk a lot and we were asked a lot about the economic indicators around what am I looking for to see if it's going to be a good year or a bad year. And everyone talks about consumer confidence, but I think if you've been listening to the show enough that we don't necessarily believe on the whole that consumer confidence is the right measure. It's lagging what people say they're going to do versus what they're going to do. And if you need something versus if you want something, it's not necessarily the best.

Marcus Johnson:

Disconnect.

Suzy Davidkhanian:

Yeah, there's definitely a disconnect. So one of the conversations we were having on the side was with the panelists for the media around consumer behaviors and what we're expecting for '24 was with ... Well, I was on the panel actually with our friend Jonathan Silver and Mark Matthews and we were talking about the different economic indicators. And one of the things that I always look for and think about more broadly is wage growth and is that growing faster than inflation and savings rate?

And the thing I hadn't thought about that Mark pointed out, which was really interesting for me was savings rate is great, but you should think about it in terms of dollars, how many dollars are people saving? But also really critical is the delinquency rate, right? Because we all know that I don't believe in buy now, pay later, I think we're just setting up people for disaster. But right now the numbers indicate that as people are borrowing, they're also returning the money quickly enough. And so the delinquency rates are not super high yet and that's what he keeps track of.

So one of the things we were saying is it's really important to think about high level, but then there are lots of other underlying metrics that you really need to get to the bottom of to have a really good picture of how the economy is doing.

Marcus Johnson:

Very nice. True story. What is one interesting booth that you saw?

Suzy Davidkhanian:

Okay, are you ready? I only have one. There were so many, but what really, really, really caught my eye was that JP Morgan was there.

Marcus Johnson:

Whoa.

Suzy Davidkhanian:

Yes. And I'm not going to do them justice. The minute I told them that I was going to be on a podcast and that I would like to talk about why they're here, the PR person came right away and I was like, "It's really very informal. I don't want to quote anything, I just want to talk about what you guys are doing." And she was like, "Okay, fine." So ready for this?

Marcus Johnson:

Yes. [inaudible 00:17:39] me sit down.

Suzy Davidkhanian:

Yes, please sit down again. So they're doing facial recognition at point of sale. So instead of using your credit card or your Apple Watch tap-

Marcus Johnson:

Oh wow. Glad I am sitting.

Suzy Davidkhanian:

Right? Can you imagine? Then he asked me if I wanted to test it and I said, "No thank you." So I told the PR girl who was lovely, "There's a small chance and I have to say that there are some barriers to entry on this."

Marcus Johnson:

Adoption questionable.

Suzy Davidkhanian:

Right? But I also don't have an Apple phone. And from what I understand, those who do have an Apple phone already use facial recognition to get into their-

Marcus Johnson:

Well, they use it on their phone that they trust their phone, they carry around with them all the time. If it was is this point of sale-

Suzy Davidkhanian:

Yeah, at the store.

Marcus Johnson:

A store would recognize your face and be like, oh, this is Suzy, paid.

Suzy Davidkhanian:

[inaudible 00:18:25].

Marcus Johnson:

Or oh, it's Marcus, he's broke. He has no money for this purchase.

Suzy Davidkhanian:

I tried to get to the bottom of this. So it's not like the Amazon scan and go type technology where you put your palm, you go into the store, you take the thing off the shelf and you walk out.

Marcus Johnson:

Just walk out technology. Yep.

Suzy Davidkhanian:

Yes, thank you. It's the truly a digital wallet enabler and instead of it being your palm or your finger, it's your face. So they feel like it's very secure that your face is much more secure and it is at the point of sale, literally at the point of sale, instead of tapping your card, you can show your face. So they are going to start or have started partnering with retailers because that changes some of the prompts on the pad so that that could be a component of it, which is also he was mentioning a great place for them to advertise. So I thought that was kind of a cool tie-in to retail media.

Marcus Johnson:

Oh nice. Yeah, that is good. Okay. So it'd probably be like, all right, would you like to pay with cash card your face?

Suzy Davidkhanian:

Correct.

Marcus Johnson:

And you would select the option. Got it, got it.

Suzy Davidkhanian:

So I got to see it, he demoed it, it looks very cool. It's just I think the small, now I only asked three people of which you're one of them. So two who would not do it if I interpreted your reaction correctly and one person was like, "Yeah, I think I would do it makes sense. I'm already doing it in other places."

Marcus Johnson:

It sounds terrifying, but yeah, I think people are obsessed with convenience. And what's more convenient than pressing the button that says accept and it's like e-passport gates.

Suzy Davidkhanian:

Yes. That's what my friend said.

Marcus Johnson:

Put your passport in. Yeah, you walk in, it scans your face and then you walk out. You don't have to go in long lines, you don't have to speak to people. It's quicker.

Suzy Davidkhanian:

Yeah, yeah.

Marcus Johnson:

So I can see people being apprehensive and then immediately doing it because it's quicker. So last question Suzy, what was one thing you heard that you disagreed with at the event?

Suzy Davidkhanian:

So there was a duo on stage with their interviewer and one of them, something that made me, I don't know what the right expression to use is, which was value always wins. And I was like, "What did he just say? That is absolutely not true. It's not just about the price point." But then his co friend on stage was trying to re-engineer that statement so that it was a little bit more accurate. So he really tried his hardest, but the other person was like really gungho about, nope, it's all about price. And so I do not agree with that. Like his co-presenting friend, I agree that value means different things to different people of which price is one of them, but value good quality for the price. It could mean make my life easier, help me save time. It means so many different things. And really understanding who the consumer that you're trying to target, how they define value, is critical.

Marcus Johnson:

What's a co-friend? We didn't have time for that, but Suzy, thank you so much for hanging out with us for this episode and telling us all about what happened at this year's NRF.

Suzy Davidkhanian:

Thanks so much for having me.

Marcus Johnson:

Thank you to Victoria who edits the show. Sarah will be back next week with another episode of Reimagining Retail, an eMarketer podcast, or Sarah lives at the airport now. I hope to see you tomorrow though for the Behind The Numbers daily, an eMarketer podcast where we'll be talking all about health trends in 2024.