How to Thrive in an Era of Constant Change

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Mike Ward, CEO, ThriftBooks
How to Thrive in an Era of Constant Change

In this session you will learn:

- Innovate at any size company
- Approach innovation with a goal-focused mentality
- Get started with hands-on, tactical tips
Introduction

- Oscar Castro
  - @ Sears & Kmart from 2006-14
  - Led Omnichannel & International ecommerce
  - Joined Big Lots in 2014
  - Led the launch on online business in ‘16
  - Founded Creare Ventures, focused on early stage digital investments

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What is innovation?

or

Types of innovation

- **Incremental Innovation**
  - Tweaks or enhancements to existing business or product

- **Disruptive Innovation**
  - Fundamental, radical change
Organizational Honesty

- Clear alignment on appetite
- What type(s) will the organization support
- Gauge commitment level
- Beware the immune system

Take a Portfolio View

- Resource allocation
- How will each be supported
- Skillsets & requirements: match for success
## Embrace Innovation Principles

<table>
<thead>
<tr>
<th>Fail Fast</th>
<th>Fail Small</th>
<th>Rethink Failure</th>
<th>Remain Committed</th>
<th>Remain Disciplined</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Think MVP (Minimum Viable Product)(^1)</td>
<td>• Conserve your ammo for success(^2)</td>
<td>• Failure of one hypothesis often reveals a different opportunity</td>
<td>• Don’t falter after first challenge – there will be failure</td>
<td>• Don’t over-invest; know when to cut losses</td>
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<tr>
<td>• Be first to learn(^1)</td>
<td>• Anything beyond required learning is waste(^1)</td>
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1) The Lean Startup – Eric Ries
2) The Innovator’s Dilemma – C.M. Christensen

## Rethink Governance

- **Goal Planning**
  - Learning plans & milestones\(^1,2\)
  - NOT assigned targets (rev, profit)

- **Org Structure**
  - Small opportunities => small teams\(^2\)
  - Leverage smallness & independence\(^2\)

- **Processes**
  - Insulate from existing processes
  - Create some independence

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1) The Lean Startup – Eric Ries
2) The Innovator’s Dilemma – C.M. Christensen

#shoporg16
To recap on today’s takeaways...

- Understand different innovation types
- Be honest with yourselves
- Plan your portfolio
- Establish an innovation culture
- Prepare to manage differently

Resources
Introduction

- **Mike Ward**
  - Joined in 2007 as CIO
  - Developer/Technologist
  - Took over as CEO/President in 2013
  - Focused on growth and technology as a source of innovation

ThriftBooks – Milestones

- Started in 2003 and operated from a storage unit in Kirkland
  - 2 founders would hand deliver books to the post office in the evenings
- In 2007 we opened our second warehouse
  - Rapid growth for the next 6 years
- Today we are the largest used book seller in the world
  - Over $95M in revenue
  - Over 700 employees in 11 states
  - Over 15M books shipped in the last 12 months
  - Our total Dev and Marketing Team is still less than 20 people today
Disruptive vs Incremental

- Video – Indycar 1950 vs 2013
- Disruptive innovation is rare – it may be a myth
- Given enough time, all incremental innovation starts to look like disruptive innovation
- You don’t have 63 years
Robot Wars

Dynamic Pricing

• Challenges/Considerations
  – Needed to rebuild our system
  – No bot wars
  – Not all books are created equal
  – Market moves quickly
  – Need to balance speed with consistency to customer
  – Had to be really fast: from days to minutes
Innovation Labs

- Some public sector labs
  - NPR Labs
  - DARPA
- Some notable closures
  - Google
  - Nordstrom Innovation Lab
Top 4 Innovation Principles

Summary of the innovation principles that the big labs all share:

- **Sense of Mission**
  - Convert problems to ideas
  - Think Big, 10X (Google)
  - Put a dent in the universe (Steve Jobs)
  - Do what you love (Steve Jobs)
  - Focus on customer
  - Remain committed

- **Trust and Autonomy**
  - Act Small
  - Form groups
  - Trust Management, Trust Each Other

- **Risk Taking and Tolerance of Failure**
  - Ship often
  - Iterate often
  - Fail well, fail fast, fail small

- **Process/System – you need one!**
  - Limited Tenure (DARPA)
  - Greenlight/Redlight
  - Small groups are the most productive
  - Master the message (Heilmeier Catechism)
  - Feedback loop and short deadlines
  - Remain disciplined

Principles

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Advantages for SMB

- Innovation is not isolated — only a select few authorized to innovate?
- Already the right size
- Direct access to customers
  - Most of your testing will be in the real world
- Culture becomes shared
  - No Dilbert politics
- ROI is measured directly and quickly

ThriftBooks’ Approach

- With these principles in hand we dove in
  - Multi departmental
    - Executive buy-in through attendance
    - Named the team: Pricing Committee
  - Well defined objective
  - Define deadlines
    - Allow for multiple quick iterations
  - Communication Strategy
    - Depending on your culture you may need to define ground rules of communication
  - Committee can be extended... or not
    - We planned for 2 iterations, with an option stop, reform, or continue
Pricing Committee

• Method
  – Write down a goal
    • Break goal into sub goals (speed, accuracy, framework)
  – Meet twice a month
  – Discuss results
    • Continue or stop
  – Creative brainstorming
  – Queue up additional tests
  – Modify pricing framework when insufficient for an envisioned test

  “Accurately set the price of every book at least once a day”

Dynamic Pricing - results

• Result
  – What used to take days now takes less than 15 minutes
  – The ability to make 10s of millions of price changes a day
  – Adaptive to a range of market conditions
  – Self-correcting by modeling customer behavior across more than 7M titles
Takeaways

• Four principles: Mission, Autonomy, Risk Tolerance, Process
• Begin today – most disruptive innovation is really incremental innovation in disguise

“Most people overestimate what they can do in a day, and underestimate what they can do in a month. We overestimate what we can do in a year, and underestimate what we can accomplish in a decade.”

- Matthew Kelly (or Bill Gates according to internet legend)

Credits

• https://www.youtube.com/watch?v=RRy_73ivcms
Questions & Answers

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