

How technology helps businesses scale: retail, eCommerce, travel

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BRADLEY HOWARD (BH): Hello, everyone, and welcome to a new episode of Tech Reimagined, the Endava podcast. We're now in Season Two, aiming to tackle some of the big questions we have today around technology and the way that it influences our lives. I'm happy to welcome today a dear guest of ours, Brian McBride, to discuss the big questions around how technology helps businesses scale. Hello Brian, would you like to introduce yourself?

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BRIAN MCBRIDE, CHAIRMAN – TRAINLINE (BM): Bradley. Yeah. What am I currently up to? Well I chair Trainline, the booking app company that went public a couple of years ago. It's not been an easy year for anyone involved in travel, but we can talk about that later. I'm on the board of Standard Life Aberdeen, the big Scottish based asset management company. I'm on the board of Kinnevik, a Swedish Technology Investor, which owns shares in Babylon and Zalando and big companies like that. I'm also an advisor at Scottish Equity Partners and I am the lead NED at the government's Ministry of Defense Board. Prior to that, I've been involved in digital stuff for a large part of my life. I chaired ASOS before this one and I was Chief Exec of Amazon in the UK from 2006 to 2011, and worked for T-Mobile, worked for IBM, worked for digital. So I've been involved in stuff that involves bits and bytes and techy things for probably 25 years.

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BH: Well, it's an honour to have you on the show. Thank you so much. So let's get straight stuck into some of the questions. So without stating the obvious, what would have been some of the biggest changes that you've seen to the successful companies during the pandemic?

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BM: Well, I think obviously there's a bunch of universal challenges regardless of your industry, and that's really two things. One is keeping managements in good contact with each other and then keeping employees engaged and with their company as well. I think most people have now figured it out it was a scramble at the start, even for good, you know, well-endowed companies with great technology, just getting to work with, Teams and Google and Zoom and all of these things was a bit of a challenge, and of course, many of us still forget to put our mics off. But the basic bits like that I think were quite important in getting businesses, continuing to move and my view from seeing a number of different industries, it's worked pretty well. I think many people are itching to go back to the office. I think people do miss a little bit of the, standing around a flip chart or noodling or that kind of water cooler / coffee machine chats. But, you know, we've all survived. I think the bigger changes are probably in those industries that are customer facing and obviously the online players, your Amazons and ASOS and Boohoo, and all of these guys, they've done pretty well. They have reacted, and of course, if you're in the fashion business, nobody's buying, eveningwear or going out wear it's much more about, leisurewear and athleisure and stuff like that. So I think you've seen many companies respond very quickly to that. But even the traditional retailers, I mean, I think the big grocers, the big supermarkets have done very, very well to get their driver count up to be able to give a much larger number of customers online shopping, and again, of course, there was a month or two where it all got pretty hard. But I've been quite impressed with the way that much of the customer facing industry has scrambled and responded to what was very much an impending tragedy and turned it into a great opportunity.

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BH: Yeah, I totally agree there, and have you seen many changes to operating models or digital programs that have gone in some of those successful businesses?

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BM: If I use Trainline as an example, the minute that we saw that people weren't going to be traveling in trains, you know, it fell off a cliff overnight, almost. You have to think, what do we do here, in terms of still trying to invest in the app and invest for the future while also trying to make sure that you keep going, and so, you know, being a digital business, we didn't have factories and lots of physical assets, more bits and bytes than atoms based. Customer service, there's nobody complaining about tickets and wanting refunds and so on and so that workforce kinda drifted away from us. The tech teams we've kept at the same level, and actually, they have learned to work remotely very, very well. When I talk to some of our great tech people, they actually quite like the fact that there isn't this constant interruptions and they actually go on with doing their work.

So it's worked for us. I think our biggest challenge was we had lots of great plans, investing in the business in Europe where we do quite well. We wanted to accelerate that, to outwit it, and it was just having to balance, keeping your head above water and not getting too far into debt while having some sort of long term focus. I think we've come through pretty well. I think we'll manage that balance very well, and I think most companies did that, there was just a lot of prioritization. Did you want to get involved in taking government grants? Did you want to get involved in furlough schemes? They all seem like obvious or easy or natural things to do, but the minute you start doing that, you're then impacted in terms of what you can do in terms of paying people and paying dividends and stuff like that.

So lots of trade-offs to be made. I think most people have now realised that the future of work is probably not going to be everyone in the office Monday to Friday you know, a rush hour that runs from, 07:00 'til 09:30, and 16:30 to 18:30. So I think we're going to see the patterns of work changing, and I think that will change how companies go about things. So I think you're seeing development, tech development changing. It's been moving to a pretty agile format over the past five or six years, and that will continue, and I think those who have been stuck with, the old, mainframe legacy type systems are now going to have to figure out how do we get ourselves into a very different place, which involves being in the cloud, not having armies of IT staff just doing maintenance stuff instead of new stuff. I think this is all about how do you get very good feedback from customers? How do you respond to that, and how do you give them what they want much more quickly? If you're in the app business, that's just what you do. You're upgrading or getting the app refreshed probably three or four times a week. So I think what I've noticed is that pace has actually speeded up over the past year. It hasn't slowed down at all.

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BH: Do you agree with the adage that all companies have become technology companies?

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BM: Well, I mean, that's right. You know, because just being able to talk to people, you need a certain amount of technology there. Those who have been caught on, you know, old versions of you know, I still know people who are on things like Windows Seven etc, once you're caught in that old technology trap, you find it very hard to move the workforce onto modern technology, more modern means of communication. So, I do think that technology has become even more important to even relatively traditional companies.

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BH: What do you think the key technologies are at the moment in modern businesses? You mentioned cloud, for example, before.

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BM: I've been involved in cloud ever since my days at Amazon. Cloud was a great story and it was almost just a piece of serendipity, because if you're in the retail business, you gear up for a massive two weeks around Christmas time and you have to have all your staff in, your systems have to be able to cope with demand for those two weeks. You have to have warehouses ready to handle the inventory for those two weeks. So you end up stretching and scaling a business for a two week peak and you're left with that scale for the remaining 50 weeks of the year. When I was at Amazon, some of the tech teams in Seattle thought, well, actually we've got all of this capacity coming out of our ears but what can we do with it? So what we decided to do, what they decided to do is, 'Let's see if we can actually sell off or rent out some of these cycles, some of the storage and see if there's a business there'.

There was a big demand for it. So lots of little developers, lots of bigger developers, wanted just to store stuff or to write complex programs. It really grew like that, almost just a skunkworks within Amazon. They didn't have any billing system it was all on credit cards, and then it just grew and grew and grew. Eventually the Amazon business inverted where the cloud became the most valuable part of the business and Amazon's retail business ended up being the cloud's biggest customer. And now you get this amazing anomaly of Amazon's competitors in some of the spaces that they're in using the Amazon cloud, so you get Netflix and Amazon Prime, two great competitors, and yet Netflix is happy to run its business on Amazon's cloud because it's probably the cheapest unit cost of computing out there. So I think cloud is very much an infrastructure replacement product, you know, and it just means that you buy capacity it when you need it and you don't get back to that old Amazon model of having to buy capacity for a full year knowing that you weren't gonna use it for most of that year. So I think cloud is very important, obviously.

I do think that mobile and what's going on in mobile is absolutely the front end of your business. If you're a customer facing business, it's absolutely critical. For people who haven't got there yet, you might just be too late. I hear lots of people talking about what they're doing with a website. For many companies today, the website is still almost like an electronic brochure, and that's a kind of 10 year old thinking. I think it's all about mobile. It's all about how you understand your customer. It's through mobile that you get to really develop that intimate relationship with the customer. You look at a business like ASOS or Boohoo or - they know so much about their customers, they know their customers' dates of birth, they know their age. You know, they know their sizes, the colour of their hair, whether they wear glasses or not, and from that they can serve up a lot of very subtle and relevant recommendations. When you have get the challenge of being a high street department store, you know very little about your customer. They walk in off the street, if you're lucky. They buy something, they walk out the door and you may never see them again. So I think mobile and that relationship with your customers' mobile allows you to build a deep permission-based relationship with them.

In the middle of all of that, I think you've got, so if you think about the cloud as being your back end where your micro servers, architecture, probably your apps are, and then the very front end is the mobile where you're talking to customers. In between that, there's a lot of other stuff going on. That's really what you're into the world of you know, data, really big data, artificial intelligence, machine learning. Your customers are throwing off lots and lots of data. But the thing about Trainline, there are hundreds of thousands of train movements, every hour. You're getting data about how busy trains are, where there's capacity, where there's not capacity. You need to have some algorithm for actually processing that and making some sense of it. So, again, if I'm catching

that, especially nowadays, the 07:28 from Woking into London and it's one of the busiest commuter trains in Britain, I'd like to know when that twelve carriage train, where the space is, I don't want to stand up beside a whole bunch of people who are breathing all over me. So it will tell me, go to coaches, you know, 11 and 12 and you'll find, lots of seats. So data's out there, data and it's your ability to use data and serve up something of benefit for your customer. That is the key technology to me. So I think about cloud, I think about data and how you manipulate it, and then I think about the use of mobile and apps to have that engagement and lock in, hopefully, with your customer.

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BH: As a board leader, how do you recommend and encourage your senior managers to stay up to date with latest technology trends?

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BM: Well, I think there's two or three things. I think certainly you've got to eat your own dog food, you know, so at Trainline, you know, people are using the app all of the time. They're picking out things that are wrong or maybe we could do this better. So I think having your employees engaged in your product, if you can, if you're building, Rolls Royce aero engines or jumbo jets, you can't really do that. But I think if you're a consumer facing company, I expect the employees to know everything about what we're serving up to the customer. So I think that's pretty important. We do kind of teachings, and an hour at lunch and a quick podcast, webinar or whatever. So I think, people, you can't afford to and people don't want to go off on a two or three week course every time something new comes along. So I think you have to serve up bite sized modules where we're going, 'What does Blockchain mean', you know, 'Is Bitcoin going to be of interest to our customers of the future?' So it's keeping people up to date with trends, with enough information for them to have a view on it and have a sensible conversation, not to be a professor or an expert, and again, I just encourage people to read. I read lots of blogs, I read lots of stuff, and that's how I keep fresh. I'm a great testament, I think, to the fact that you're never too old to learn, and I just love reading about the latest cool stuff.

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BH: And where do you tend to find that new latest cool stuff?

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BM: Well, as I say, there's a whole shower of blogs and podcasts I listen to. I mean, and even, I still read some of the printed medium, daily newspapers and The Economist and business reading, Private Eye and stuff like that. But I'm quite voracious. I mean, I'd rather read lots of smallish articles than immerse myself in a big, long, deep book, you know? So to me reading about current affairs and technology is a pleasure. It's not a kind of burden.

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BH: And also, noticing how you're using other apps from competitors and other industries is always interesting as well, isn't it?

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BM: Absolutely. I've been a member of the government's digital advisory board for a number of years before I became the lead NED at the Ministry of Defense, and I look at what the government is doing in general and you look at the NHS Track and Trace app, which had a pretty bumpy start, you know, but I actually think it does provide a pretty good purpose today. You look at the general NHS app, and it's got your vaccine status on it. It's got a lot of your medical records, so even big government is starting to understand that serving your citizens through the mobile, is a pretty good

thing to do. We all know that there are probably about eight million apps out there today. There's about four million in each platform, Android and iOS, your average teenager or early 20s person will have, you know, less than 30 apps that they really use on that phone, and so for you to land your app on that very prized real estate, it has to be something that makes their life easier or more pleasurable. That's the kind of battle. It's easy to create an app. But getting people to download it and keep downloading it is the secret success.

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BH: Yeah, and back to retail for a second. What's your vision of the future of the High Street? You know, we're seeing lots of companies closing down on the High Street and especially banks as well. What do you think's going to happen?

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BM: I've always been the dark side for the traditional retail industry, you know, and I don't think that life is going to get any better. You look at the number of the number of chains and stores that have closed down over the past two or three years, in the USA, J.C. Penney, Gap, Victoria's Secret over here, Debenhams, House of Fraser, Mullock, the list is endless. I was reading an article this morning in The Telegraph, of all places, about the future of shopping malls in the USA. Today there's probably 1400. I lived in the USA and the shopping mall was very much a place where families went, at the weekend to eat, to look at stuff, you know, to just be together. That's disappearing because of COVID, because people just get so much more used to online shopping. I mean, American retail has lost half a million jobs over the past three or four years, and so take Britain as being a smaller version of that. We've certainly lost 100,000. I think that's going to continue, and it's not that retail is going to completely die, but it has to continue to reinvent itself.

I think there are far too many stores out there, you know and you're caught in this terrible financial trouble. You've got all of these stores, you're paying all of these rents, you're paying business rates, and yet footfall is declining. So I don't envy the financial problems that the traditional retailers' have got. Much of it's not of their own making, you're caught out with government and taxation and stuff like that. So there are going to be a lot less stores around. You look at the future of the high street, the future of a town. I live in a midsized town called Camberley and a lot of the great chains are just decaying or moving out. You know, there's very few anchored tenants there now. But there are lots of little individual shops, a lot of coffee shops and a lot of small boutiques, a lot of people doing mobile phone services, or nail bars and stuff.

So, I think water will find its own level. But if you're a traditional retailer, if you're a John Lewis or somebody with, a number of department stores, you see that they are taking very drastic action. That has to be the case if you're in retail today. I think you want to almost cut deeper than you thought you would have to and move even faster, because this is not going to get any better. Before the pandemic started, it was hard to get a number on it, but online retail was probably about 20 to 25 percent of total retail. I suspect that it's gone up now to in some cases, in some sectors, north of 50 percent. And I always thought that 50/50 was a kind of a nice, simple balance as to where it would even out. We may get to 50/50 sooner than I thought because some people will go back to physical shopping, now that they're allowed to.

But I do think that the move to online and the online share of the total retail pie has been increased and exacerbated by the pandemic, and you've heard that Google head, when he announces results, we've seen, 10 years' worth of disruption in the past year. I think that will be the case for many industries and retail is really charged, and the problems of retail are not about the pandemic, they were there before the pandemic, it's just accelerated them. I just think that way too many retail leaders who were - I wouldn't call them fat, dumb or happy, but they just didn't,

they didn't see what was coming around the corner. They thought that they were smart enough and good enough to weather this online storm. When I was at Amazon, trying to hire people in from some of the traditional retailers because they have got good trading and good commercial skills and good trading capability, and when you talk to the online head of some of these big companies, they're like the stepchild. You know, they're fighting with one arm tied behind their back. They're treated very often in some companies as a necessary evil, you know, we have to have this online stuff, but I'd rather just have another three or four stores. So I think now you get a lot of retailers start to embrace it and really go after it, in some of the big names. I mean, even people like Curry's are finally getting there. But I think it's taking quite a time. It's taken far too long. And I think that many of our retailers today still obsess about the wrong things. They want to just talk about likes and, what their numbers - and you've got to look at your numbers, of course. But some of our big companies used to see that as a kinda, great PR thing to talk about. You know, what's selling this week - the amount of money some of them spend on big Christmas adverts, big vanity projects that the customers don't care about. So think about the customer. What Bezos always taught us in Amazon was, start with the customer and work backwards. It all begins with the customer.

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BH: Well, thanks for leaving it on such a positive note there, I was worried we were going to finish on doom and gloom. But thanks very much for your time today. Really enjoyed the conversation. For all of you listening, I hope you enjoyed the show today. Make sure that you don't miss the next one by liking and subscribing for free to your podcast platform. If you want to reach out, please contact us at endava.com through the Contact Us button. Until next time.