



Joe Berry Award 2024 Final

Presentation #1

Topic: 3 Question: Productivity- An In-store Perspective

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Pavlos' FMCG career commenced at the age of 16, working at his local Coles Supermarket. Currently, Pavlos is a Key Account Manager for Kellanova, driving joint category growth with Independent Retailers. Outside of work, Pavlos enjoys playing Squash and Golf (with fluctuating success) and is a passionate Formula 1 fan.

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Introduction

The true pioneer of modern day automation we see across retail stores today is highly contested. Some would argue that it had its origins in the North American grocery business, Piggly Wiggly, who offered the first true self-service grocery store in 1916¹. Others would argue it was even before that in Ancient Rome, whereby Roman retailers in ancient forums would develop and finesse processes² designed to attract customers and increase conversion rates.

The reality of such development has been as a result of innovation and entrepreneurship across a multitude of sources which has seen automation reach its peak as we see it today.

Central to the concept of automation within retail stores lies not as the replacement of humans with machinery. Rather, automation refers to the ancillary developments in software and processes to unlock greater efficiencies at store level. The result of such efficiencies, whilst not eliminating all bottlenecks, alleviates key shortages across all departments to ease relevant and pressing issues across the traditional retail platform, allowing for overall growth.

This essay highlights, discusses and evaluates key innovations across retail stores which provide automation to the daily operations of retail stores. It firstly identifies the “burning platform” – the case for change resulting in increased automation within the current macro-economic environment. Further, through leveraging local and foreign case studies across Shelf Optimization, On-Shelf Inventory Management and in-aisle shelf enhancement methods, it will be evidenced that all provide greater automation across retail stores. It concludes with automation methods used in tandem with humans, true shortages are alleviated, and businesses achieve greater performance relative to their metrics. Such results are further exemplified when discussed methods are used con-currently.

The “Burning Platform” for Change

Current macro-economic factors locally and offshore have resulted in retail stores being left with little option than to think differently and accelerate automation.

Led primarily by the numerous interest rate increases and inflationary pressures over the past 18 months³, Australia, along with key retail regions across the world, has fallen victim to a radical change in consumer shopping behaviour⁴.

¹ [https://www.mckinsey.com/~/media/mckinsey/dotcom/client_service/retail/articles/the_future_of_retail_grocery_in_digital_world%20\(3\).pdf](https://www.mckinsey.com/~/media/mckinsey/dotcom/client_service/retail/articles/the_future_of_retail_grocery_in_digital_world%20(3).pdf)

² <https://www.khanacademy.org/humanities/ancient-art-civilizations/roman/x7e914f5b:beginner-guides-to-roman-architecture/a/forum-romanum-the-roman-forum>

³ <https://www.roymorgan.com/findings/mortgage-stress-december-2023>

⁴ <https://retailworldmagazine.com.au/aussies-changing-shopping-behaviours-amid-cost-of-living-pressure/>

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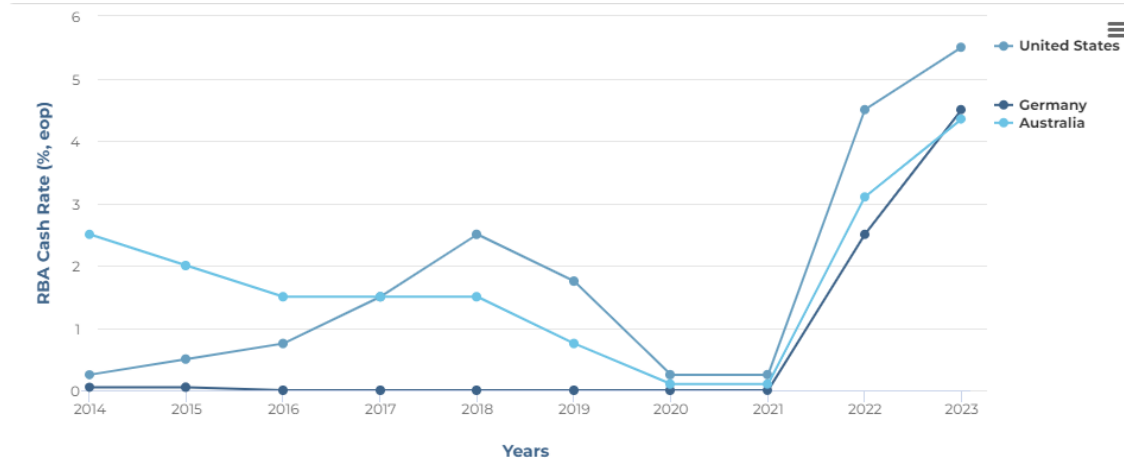


Exhibit 1: Australia has seen an on-trend acceleration in Interest Rates comparative to USA and Germany⁵

As a result, the Australian Supermarket sees on average 40% of its total lines promoted per week, making us one of the most highly price promoted countries in the world⁶. The result of such aggression, results in increased cost & labour pressure for retailers across the traditional bricks-and-mortar store.

Further, the increasing casualisation of the Australian labour force and wage growth-accelerated through the impacts of COVID-19⁷ have placed strain on the overall consumer experience. IKEA's Co-worker Experience Manager, Greg Day sees casualisation of employees as a hindrance to the overall consumer experience as "co-workers who join and stay are able to provide a high level of service to customers as they understand the products they are selling"⁸.

These factors, as well as on-going constraints across supply chain and shipping costs, combine to place further pressure on margins⁹. Therefore, automation is a necessity for the longevity of retail stores and the alleviation of such pressures.

⁵ <https://www.rba.gov.au/chart-pack/interest-rates.html>

⁶ <https://www.obesityevidencehub.org.au/collections/prevention/new-approaches-restrictions-on-price-promotions>

⁷ https://www.aph.gov.au/About_Parliament/Parliamentary_departments/Parliamentary_Library/pubs/rp/rp2122/TrendsCasualEmployment

⁸ <https://www.afr.com/companies/retail/retailers-need-to-be-smart-about-casual-conversion-20240131-p5f1cm>

⁹ <https://www.retailconomics.co.uk/retail-insights-trends/macroeconomic-factors-impacting-uk-retail-in-2022>

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Automation will have an impact on most elements of the merchant role.

Projected impact of automation by core merchandising activity

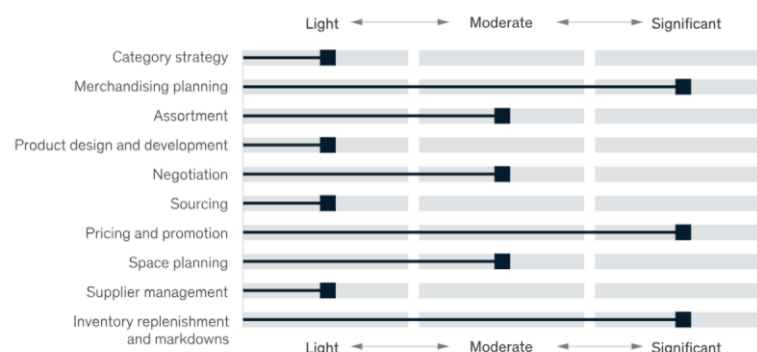


Exhibit: Current macro-economic factors reveal automation has greater impacts on some aspects of retail operations than others¹⁰.

On-Shelf Enhancement

The concept of Electronic Shelf Labelling (ESL) is not a new concept to the worldwide retail landscape. However, its success has previously been thwarted by a lack of accompanying technology and featured many errors in roll-out- a key metric meant to be minimized as a result of this automation.

Originating in New Zealand, OZESL is leading the Australian market in Electronic Shelf Labelling roll-out, with majority market share and over 5,000,000 labels being used everyday¹¹. With deep roots within grocery and hardware retailers, OZESL recognizes the increasing cost strains of retail stores and uses electronic shelf labelling as a cost-saving measure to drive efficiency, price integrity and shopper satisfaction.

Existing Consumables	\$	Freq.	Total		
Printing	\$580	Monthly	\$6,960		
Paper	\$3,000	Annually	\$3,000		
Last Yard Subscriptions	\$119	Monthly	\$1,428		
Green Shelf Edge Labels	\$742	Annually	\$742		
Labour Savings	\$27.45	Per hour (incl Super)	\$42,395	Installation Items	Total
**29 Hours Per Week				Wiring/Data/Electrical	\$20,000
				Digital Ticket Cost	\$190,000
		Operating Costs	\$53,526	Total Cost	\$210,000

Est payback period 3.92 years for full roll-out

Exhibit 2: Over the long-term, ESL represents compelling savings for retailers especially across their largest cost which is labour¹².

¹⁰ https://www.researchgate.net/figure/Figure-no-4-Automation-will-have-an-impact-on-most-elements-of-the-merchant-role-Source_fig3_334273729

¹¹ <https://ozesl.com.au/>

¹² OzESL Case Study Presentation

ESL ensures price integrity through labels being updated in real-time through a centralised automation system to alleviate significant labour cost and time for the physical actions conducted by an employee. Such automation saves countless costs from a store level as well as from a regulatory perspective. In 2020, New Zealand retailer Pak 'n Save faced 12 charges under the Fair Trading Act 1986 and was fined for charging a higher price at the checkout compared to the paper ticket being displayed in-front of the products¹³. In the context of today's pricing practices under the microscope with Australian retailers, it's clear that a centralised, automated process is unequivocally required to maintain consumer satisfaction. Conversely, retailers risk margin reduction by the pitfalls of the labour-intensive process of managing tickets.

Countless attempts have been made to increase the use of ESL across the retail industry. Many have been unsuccessful due to the advances in technology required for automation. These perceptions have rapidly evolved yet the roll-out of ESL and the growth across the Australian and European markets is testament to its success in alleviating labour shortages and enhancing customer service. Further enhancement through price integrity on shelf have enabled a place for ESL in the future of retail.

In-Store Inventory Management

We live in an age whereby supermarket retailers across Australia see as much as 5 million tonnes of fresh produce wasted annually¹⁴ - The Sydney Harbour Bridge weighs *only* 50,000 tonnes¹⁵. Creating this point-of-reference rationalises the heightened scrutiny across mass wastage- both from a sustainability stand-point as much as financially.

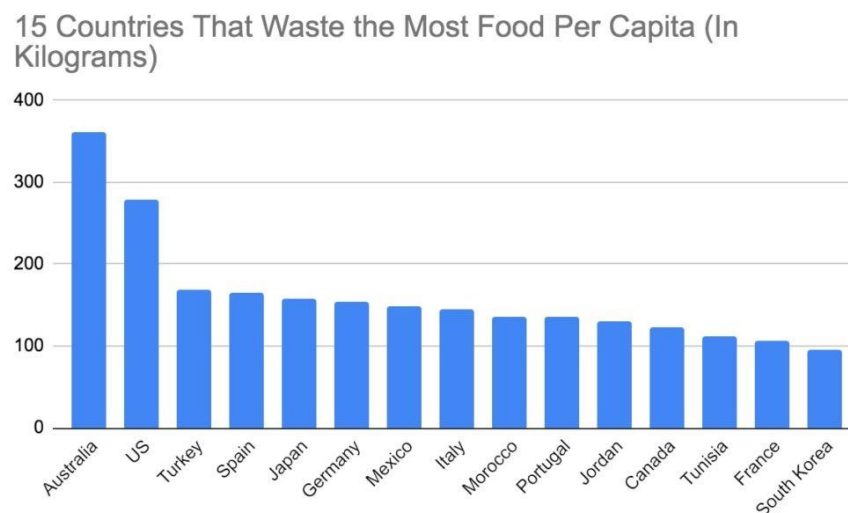


Exhibit 3: A graph of the 15 countries that waste the most food per capita¹⁶

¹³ <https://comcom.govt.nz/news-and-media/media-releases/2019/paknsave-mangere-charged-over-alleged-price-discrepancies>

¹⁴ <https://www.gut.edu.au/study/business/insights/powerful-supermarkets-push-the-cost-of-food-waste-onto-suppliers-charities>

¹⁵ <https://traveltriangle.com/blog/sydney-harbour-bridge/>

¹⁶ <https://earth.org/countries-that-waste-the-most-food/>

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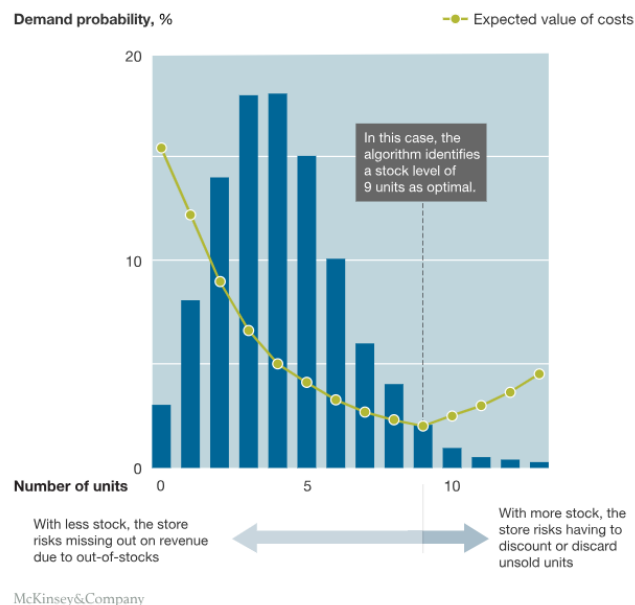
67% of Australians feel businesses which produce or sell food should be responsible for minimising food waste¹⁷. The result of such statistics has caused supermarket retailers to continuously develop initiatives to lessen the impact of wastage to their bottom line (donation and animal stock feed to only name a couple) ...a band-aid solution to an ever-growing issue at hand.

Key challenges surrounding fresh-food inventory management within retail stores include short shelf lives and the fluctuating demand faced from highly seasonable lines. Automation plays a key role in accurately managing stock levels and forecast demand.

As over 40% of fresh stock losses occur in retail stores across developed economies¹⁸, areas such as Europe and North America are key geographical locations to observe. Canadian company, Invafresh is leading fresh inventory management across Europe and North America. Partnering with over 350 retailers, the resulting streamlined inventory management system has seen¹⁹;

1. 40% food waste reduction,
2. An increase in sales growth,
3. Margin enhancement from reducing the number of mark-downs,
4. Reduction in inventory-holding costs, and a
5. Efficiencies from time taken to check dates of items

Research conducted by McKinsey into perishable food replenishment highlights the benefit of machine-learning algorithms, to determine optimal stock levels whilst addressing waste and lost sales²⁰.



¹⁷ <https://australiainstitute.org.au/wp-content/uploads/2023/09/P1432-Food-waste-in-Australia-Web.pdf>

¹⁸ <https://earth.org/countries-that-waste-the-most-food/>

¹⁹ <https://invafresh.com/>

²⁰ <https://www.mckinsey.com/industries/retail/our-insights/the-secret-to-smarter-fresh-food-replenishment-machine-learning>

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Exhibit 4: Machine-learning algorithms help businesses to determine the correct level of stock taking into account fluctuating demand, led primarily by seasonal lines.²¹

Furthermore, leveraging the benefits associated with Inventory management systems and working collaboratively with aforementioned ESL labelling will further enhance store personnel and shopper knowledge. This will alleviate key shortages within retail stores. After the inventory management software is updated, it will be updated simultaneously with the ESL system. Not only will it display product price information, but it can display inventory quantity, storage location, Best-Before-Dates and Use-By Dates.

Shelf and Range Optimisation

With the rapid rise of the e-commerce space across the retail market, there are far more links to the overall consumer experience and perceptions on the physical store layout. Whilst retailers continue to invest heavily in the online space, research from CACI indicates that 37% of online spending is attributable to the halo effect of retailers' physical store presence²².

Retailers' progression in planogram optimization has been steadily amplified over the past 30 years. In 1990, UK Retailer Tesco recognised an inherent gap in their systems and realised that the conventional approach to planogram production would not deliver the bottom-line results and market share gains they were inherently seeking²³. Key issues surrounded:

- Customer dissatisfaction with poor product availability
- Unique store configurations and assortments
- Limited resources- a merchandising team of 16

Through the implementation of automated shelf and range optimization processes across 150 merchandising groups²⁴, a number of key issues were alleviated; including:

- Compliance- increased from 30% across the categories to over 90%
- Sales- Across a full year period saw a blended +18.7% increase across all categories

There are a number of third party providers who indeed offer such space and ranging solutions for retailers. Blue Yonder, originally a Supply Chain focussed organisation based in USA is at the forefront of Space and planogram optimization at retail level across Europe and now into Australia. Partnering with leading retailers, support is offered to Retailers to optimize space & floor planning, planogram optimization and space allocation.

Utilising shelf and range optimisation as well as ESL concurrently creates time-savings initiatives. Updated planograms can be filtered down to digital tickets, creating further cost savings, optimising compliance and maximizing retailer opportunity.

²¹ <https://www.mckinsey.com/industries/retail/our-insights/the-secret-to-smarter-fresh-food-replenishment-machine-learning>

²² <https://pages.caci.co.uk/rs>

²³ <https://www.readkong.com/page/case-study-tesco-automated-store-specific-planograms-8237536>

²⁴ <https://www.readkong.com/page/case-study-tesco-automated-store-specific-planograms-8237536>

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Activity	Manual Hours 	Shelf IQ  SPACE PLANNING
Loading POS Data	5	0.5
Creating Initial Planogram Shelf	16	2
Create and Manage Floating Shelves	80	2
Add/Update Products	4	1
Fully Execute Assortment Changes	8	1
Mirroring Planograms	6	1
Create Product Distribution Report	5	1
Create Distribution Matrix	20	4
Full-Scope Project Reporting	5	0.5
Prepping Planograms for Turn-In	5	1
Total Hours	154 Hours	14 Hours

Exhibit 5: Leveraging Blue Yonder Planogram software, approx. 90% of time is saved as opposed to manual processes²⁵

Conclusion

The origins of automation in retail stretch back to ancient Rome and continue through modern day innovations. However, the contention of who can claim the title of pioneer is a reflection of the complex evolution of automated processes within the landscape.

Regardless of where it began, at the centre of automation within retail lies not as the replacement of humans with machinery, but rather in the enhancement of efficiency through the optimisation of software and processes. This essay has illustrated the vital role played by automation in addressing the issues faced by traditional retail platforms.

By examining case studies and evaluating key innovations such as Electronic Shelf Labelling, Fresh Inventory management and shelf optimisation methods, it is clear that these advancements not only alleviate shortages and bottlenecks but also drive overall growth and performance improvement. These breakthroughs lie within the shopper experience, price integrity, space efficiency, compliance and reduced wastage and greater forecasting. Through the concurrent implementation of various automation strategies, businesses can harness the full potential of their resources and metrics.

The journey of automation within retail is marked by continuous innovation, driven by the need for greater efficiency and competitiveness. As technology continues to evolve, so too will the ways in which automation transforms the retail landscape, shaping the future of the industry for generations to come.

²⁵ https://blog.nugleous.com/shelf-iq-save-time-with-planogram-automation-for-category-leaders?trk=article-ssr-frontend-pulse_publishing-image-block



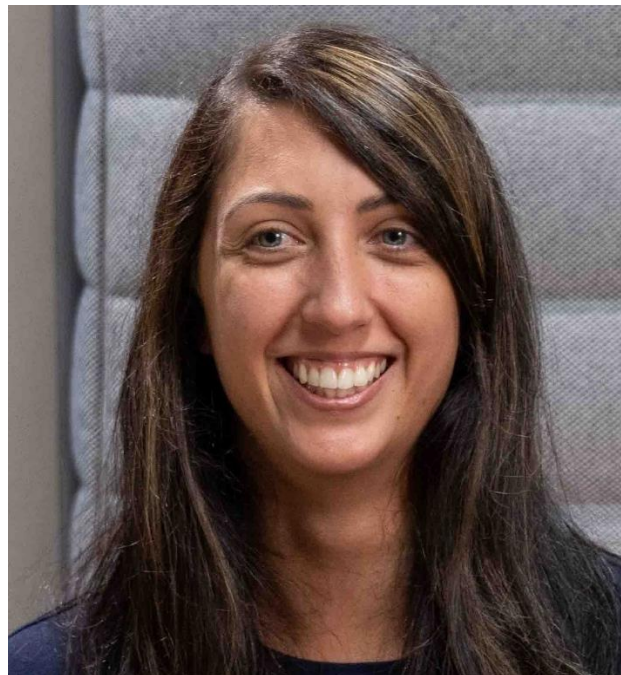
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Presentation #2

Topic: 1A Question: Retailer Media Supplier's Perspective

Olivia Grey

SunRice Sydney



Olivia Grey is a Senior Brand Manager at SunRice in Sydney, with a decade of experience in FMCG and six years specialising in food marketing. Her experience spans marketing, sales, and trade-marketing, with a keen understanding of retail and foodservice channels, shaping her as a versatile industry leader.

Entry – JBA-24-127

Executive Summary

With 75% of shopping decisions made online, and 80% of retail purchases in physical stores, omnichannel marketing must now form part of a supplier's marketing strategy.²⁶ Retail Media Networks (RMNs) allow suppliers to reach consumers in an omnichannel world, with two types of advertising available:

- a) On-network: branded advertising on a connected set of retailer-owned media, including online (e.g. sponsored ads on retailer apps) and in-store (e.g. POS)
- b) Off-network: targeted ads served programmatically around the web, leveraging retailer data but served through third-party publisher partnerships like Meta and YouTube.²⁷

Spending on RMNs in Australia is forecast to grow to \$2.1 billion by 2026, with a CAGR of 20% over the next five years (*Figure 1*).²⁸ The latest results from two major Australian RMNs, Woolworth's Cartology and Coles360, support this trend, with both reporting growth above 25% YOY,²⁹ and both increasing media inventory.³⁰ Interestingly, BCG estimates on-network gross margins to be 70-90%, with off-network margins between 20-40%.³¹ With retailers under growing pressure to manage pricing to consumers from their core business, growth in retailer media will help improve profitability for the major supermarkets.

Growth in RMNs is not just being fueled by growing inventory though, but also demand from advertisers. A recent Interactive Advertising Bureau (IAB) Australia survey of stakeholders involved in advertising spend revealed that 81% of respondents had used retail media, while a further 11% had plans to use it.³² This is reflective of several advantages, including access to first-party shopper data for better targeting and personalisation, focus on bottom-of-funnel sales conversions, and opportunities for collaboration between suppliers and retailers.

However, while RMNs are considered the 'next big wave in digital advertising',³³ suppliers must navigate several challenges: privacy concerns, access to timely and measurable results, ability to target the top of the marketing funnel and cannibalisation of marketing

²⁶ Coles360 Shopfully Brand Amplification 28 September 2023

²⁷ Circana: Retail Media Networks to replace cookies to help retail sector drive online growth in *Invigorate PR*. 17 August 2023, viewed 24 February 2024, <https://prwire.com.au/pr/110593/circana-retail-media-networks-to-replace-cookies-to-help-retail-sector-drive-online-growth>

²⁸ C Pash, PwC drops its annual media forecasts in the face of scandal' in *AdNews*. 28 June 2023, viewed 18 February 2024, <https://www.adnews.com.au/news/pwc-drops-its-annual-media-forecasts-in-the-face-of-scandal>

²⁹ D Song, 'Woolworths, Coles retail media earnings soar' in *Mumbrella*. 23 August 2023, viewed 18 February 2024, <https://mumbrella.com.au/woolworths-coles-retail-media-earnings-soar-798140>

³⁰ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 34

³¹ L Wiener, L Kelman, K Hungerson, and M Abraham, 'How Retail Media Is Reshaping Retail' in BCG. 28 March 2022, Viewed 17 February 2024, <https://www.bcg.com/publications/2022/how-media-is-shaping-retail>

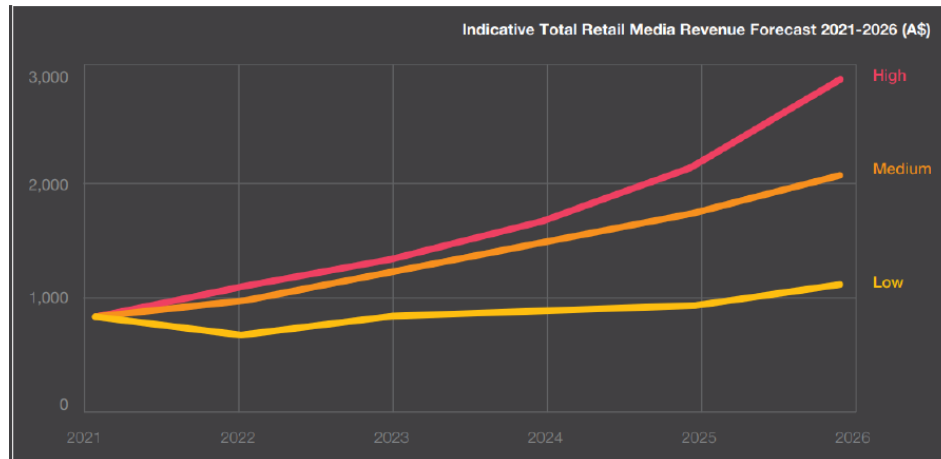
³² IAB Retail Media Industry Survey 2023 n=117

³³ J Myers, 'Future of retail media: disrupting the consumer purchase funnel' in *Mumbrella*. 27 April 2022, Viewed 24 February 2024, <https://mumbrella.com.au/future-of-retail-media-disrupting-the-consumer-purchase-funnel-734484>

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spend. This essay will explore these benefits and challenges, looking at opportunities for improvement and taking learnings from overseas markets where RMNs are more established.

Figure 1:



Privacy vs. performance

Undoubtedly, a key benefit of retailer advertising is access to first-party data, with half of advertisers seeing it as the top opportunity when partnering with RMNs.³⁴ Retailer advertising uses first-party data to measure campaign performance by matching ad exposure data to retailer purchase data to help demonstrate Return On Investment (ROI) – also known as closed-loop attribution.³⁵ The looming death of third-party cookies will make it more challenging for traditional media agencies to demonstrate campaign performance,³⁶ and so 6 in 10 advertisers see retail media as a critical component of advertising strategy moving forward.³⁷

Through the ability to create bespoke customer segmentation and analyse buying behaviour, RMNs can deliver brands a highly targeted audience and deliver consumers more personalised offers to help strengthen relationships, entice them into stores and increase dollars per order.³⁸ In *Figure 2*, Cartology promotes looking 'at over 100 data points of individual purchasing behaviour to capture and incentivize members',³⁹ (which is both sophisticated and slightly unnerving), while Coles 360 GM Paul Brooks sees first-

³⁴ A Leathwood, op cit.

³⁵ B Tatta, 'How retail Media networks are applying first-party data to connective TV' in *Operative*. Viewed 24 February 2024, <https://www.operative.com/resources/how-retail-media-networks-are-applying-first-party-data-to-connected-tv/#:-:text=Closed%2Dloop%20attribution%3A%20in%20addition,to%20optimize%20campaigns%20going%20forward>.

³⁶ M Brodherson, T Chen, J Flugstad and Q George, 'Commerce media: The new force transforming advertising' in *McKinsey & Company*. 05 July 2022, viewed 18 February 2024, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/commerce-media-the-new-force-transforming-advertising>

³⁷ IAB Retail Media Industry Survey 2023 n=117

³⁸ Circana 2023 FMCG Outlook Pt 1: Winning in the new age of customer experience

³⁹ Woolworths Group, Member engagement with Cartology Everyday, October 2023

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party data as the growth driver for RMNs.⁴⁰ And no wonder, when 9 in 10 online shoppers are signed up for at least one rewards program⁴¹ and 1 in 2 have an Everyday Rewards Card.⁴² Walmart has even started selling shopper behaviour insights to suppliers.⁴³

Sounds like a win for retailers, consumers, and suppliers. Perhaps not, with concerns over data privacy. Over 50% of Australian online shoppers are somewhat or very concerned about retailers' use of data from their transactions and loyalty cards.⁴⁴ According to a global Epsilon survey brands and retailers, data leakage and privacy risk was the top barrier to RMN adoption for brands.⁴⁵ And with 81% of retailers experiencing a rise in customer acquisition costs⁴⁶, these costs will be shared with suppliers to improve ROI of loyalty schemes.⁴⁷

However, there are good results to be had when brands and retailers collaborate and share data. A case study for this is the 2022 Bat.Bowl.Dettol campaign where Reckitt partnered with Cartology and Cricket Australia for an omichannel activation that leveraged customer insights to increase total Dettol sales by 200%.⁴⁸

Ultimately, suppliers will need to weigh up the cost-benefit of first-party data depending on their marketing strategy, leading to our next topic.

Figure 2:

Targeted Offers underpinned by **exclusive first party data**

Our sophisticated predictive modelling looks at over 100 data points of individual purchasing behaviour to capture and incentivise the **right members**, at the **right time** in the **right way**.



⁴⁰ B Coyne, "Nail CX, growth follows" – Coles 360 bids to reel in Cartology by lifting Tesco template, Ocado fulfilment model will 'double advertising opportunity', but FMCGs must align trade and marketing to win' in *Mi3*. 01 March 2023, viewed 17 February 2024, <https://www.mi-3.com.au/01-03-2023/nail-cx-growth-follows-coles-360-bids-reel-cartology-lifting-tesco-template-ocado-0>

⁴¹ IAB Australia and Pureprofile Australian Ecommerce Report August 2022 (n=1,000 per wave)

⁴² Woolworths Group Cartology Introduction 2023

⁴³ S Eikermann, Dr. M Schlemmer, J Langkammer, 'The ROI of customer data in retail; 'Highway to hell' or 'stairway to heaven' in PWC Strategy&. 27 April 2023, viewed 18 February 2024, <https://www.strategyand.pwc.com/de/en/industries/consumer-markets/roi-of-customer-data.html>

⁴⁴ IAB Australia and Pureprofile Australian Ecommerce Report August 2022 (n=1,000 per wave)

⁴⁵ Epsilon The State of Retail Media Survey 2023 n = 689

⁴⁶ N Jolly, 'Retailers need data, but shoppers have privacy concerns: Deloitte' in *Mumbrella*. 18 September 2023, viewed 17 February 2024, <https://mumbrella.com.au/retailers-need-data-but-shoppers-have-privacy-concerns-deloitte-800554>

⁴⁷ B Coyne & S Buckingham-Jones, *Retailer Media Next*, *Mi3*, 2023, page 71

⁴⁸ J Koning, Omnichannel, the new retail media frontier: Reckitt's Dettol sales surge 200%, showing FMCG marketers how to clean up; while marketing teams structure for e-commerce in *Mi3*. 29 March 2022, Viewed 18 February 2024, <https://www.mi-3.com.au/28-03-2022/omnichannel-new-retail-media-frontier-reckitts-dettol-sales-surge-200-showing-fmcg>

Funnel Vision

According to IAB, almost nine in ten advertisers are using retail media for lower-funnel sales conversion objectives,⁴⁹ while a study from digital measurement platform DoubleVerify revealed 37% of brands and agencies used RMNs to reach consumers at the point-of-purchase.⁵⁰

However, several industry voices caution against using retailer media at the expense of upper-funnel, awareness-driving tactics. While Yash Gandhi, CMO of Baiada, acknowledges that retailer media can help to drive trial, he warns that investment into brand building is critical, particularly for commoditised categories competing with private label alternatives.⁵¹ Similarly, for PepsiCo, which has brands with higher penetration, mass-reach channels are more critical than niche consumer targeting.⁵²

Professor John Dawes, of the Ehrenberg-Bass Institute, agrees.⁵³ He argues that while RMNs are growing, they are low-reach.⁵⁴ Investing in short-term conversion tactics will inevitably mean targeting existing category buyers rather than all potential buyers and will come at the expense of building long-term mental availability in high-reach channels, which is critical to brand growth.⁵⁵

On the other hand, US Media Ecologist Jack Myers is predicting the 'collapse of the funnel', suggesting advertising for awareness is less relevant in a world where consumers are moving through the funnel faster than ever before, and where RMN's are well placed to reach customers pre, during and post shop.⁵⁶ Cartology, for example, is already marketing itself as a complete funnel solution.⁵⁷

An area to watch will be off-network advertising, a large part of Amazon's RMN overseas. Australian RMNs see off-network as the next wave of growth, evidenced by Cartology's acquisition of Shopper Media and Coles 360's partnership with Meta and Zitcha in 2023.⁵⁸ Integrating retailer data with BVOD programmatic advertising can help shift retail media up

⁴⁹ IAB Retail Media Industry Survey 2023 n=117

⁵⁰ DoubleVerify 'The Rise of Retail Media: What to expect in 2024' Survey 2023, n = 401

⁵¹ 'Steggles and Lilydale CMO: The funnel is not collapsing, brand investment trumps everything' in *Mi3*. 22 March 2023, viewed 18 February 2024, <https://www.mi-3.com.au/22-03-2023/steggles-and-lilydale-cmo-funnel-not-collapsing-brand-investment-trumps-everything>

⁵² B Coyne, Pepsico CMO: Australia has 'long runway' before big marketing bucks shift to retailer media – but agencies, publishers must prepare for disruption' in *Mi3*. 28 February 2023, viewed 18 February 2024, <https://www.mi-3.com.au/28-02-2023/pepsico-cmo-australia-has-long-runway-big-marketing-bucks-shift-retailer-media-agencies>

⁵³ School of Marketing at the University of South Australia

⁵⁴ K Racovolis, 'The not-so-secret rise and rise of retail media network' in *The Australian Business Review*. 07 march 2023, viewed 20 February 2024, <https://www.theaustralian.com.au/business/growth-agenda/the-not-so-secret-rise-of-retail-media-networks/news-story/dbf61d774c18aea3c07d06fd68fb9922>

⁵⁵ Ibid.

⁵⁶ B Coyne, 'The revenue declines at Snap, Twitter, Facebook, even YouTube are down to retailer media' - who's next?' in *Mi3*. 30 May 2023, viewed 25 February 2024, <https://www.mi-3.com.au/30-05-2023/revenue-declines-at-Snap-Twitter-Facebook-YouTube-due-to-retailer%20media-whos-next>

⁵⁷ Woolworths Group, Member engagement with Cartology Everyday, October 2023

⁵⁸ Mediaweek, 'Coles 360 partners with Meta and Zitcha to integrate Managed Partner Ads' in *Mediaweek*. 15 November 2023, viewed 25 February 2024, <https://www.mediaweek.com.au/coles-partners-with-meta-and-zitcha-to-integrate-mpa/>

the funnel and improve its effectiveness as a marketing channel, as long as retailers can demonstrate accurate audience targeting further away from the point of purchase.⁵⁹ Interestingly, 26% of respondents in the IAB survey said they had not used off-network retail media but were planning to.⁶⁰

Suppliers will need to evaluate whether retailer media will help deliver against marketing objectives and Key Performance Indicators (KPIs), whether it be upper or lower funnel. This requires retailers to share clear benchmarks and post-campaign results, leading into the next discussion area.

The data dilemma

While access to first-party data is a benefit of retail media, a lack of data sharing and limited reporting of key success metrics are key pain points to using RMNs.⁶¹ The Epsilon survey reported that total sales and return on ad spend (ROAS) are the top metrics for retail media campaigns.⁶² Brands ranked RMN quality and performance as the top two factors when determining where to spend, with transparent and timely campaign reporting considered an essential RMN capability.⁶³

According to IAB, only 6 in 10 rated their experience with RMNs as good or very good, highlighting opportunities for improvement around proof of ad effectiveness.⁶⁴ Looking to the US, where RMNs are further advanced, only 6% fully trust retailers' reported media metrics,⁶⁵ and advertisers felt that search, email and social media all delivered better-perceived returns than retail media (*figure 3*).⁶⁶ Interestingly, most US RMNs receive a low Net Promoter Score (NPS), something not currently measured in Australia but worth considering as things evolve.⁶⁷

⁵⁹ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 61

⁶⁰ IAB Retail Media Industry Survey 2023 n=117

⁶¹ M Brodherson, J Flugstad, Q George, and J Trotter, 'Six secrets of unleashing the power of retail media' in *Mckinsey & Company*. 18 May 2023, viewed 24 February 2024, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/six-secrets-of-unleashing-the-power-of-retail-media>

⁶² Epsilon The State of Retail Media Survey 2023 n = 689

⁶³ Ibid.

⁶⁴ IAB Retail Media Industry Survey 2023 n=117

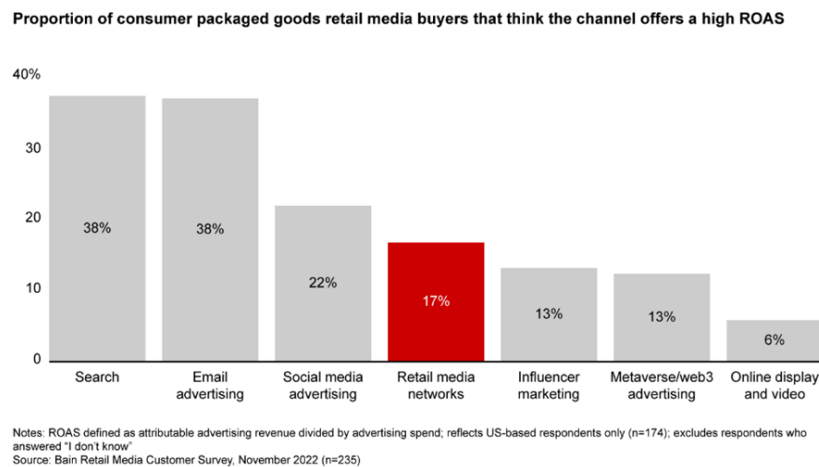
⁶⁵ S Mewborn, J Livesey, R Zöhrer, and N Alford, 'No More Easy Money on the Side: Retail Media Enters the Performance Era' in *Bain & Company*. 13 December 2023, viewed 24 February 2024, <https://www.bain.com/insights/no-more-easy-money-on-the-side-retail-media-enters-the-performance-era/>

⁶⁶ Ibid.

⁶⁷ Ibid.

Figure 3

Advertisers think retail media is lagging more mature channels on the key measure of return on ad spend (ROAS)



Brooks argues that closed-loop reporting is an advantage of RMNs over traditional agencies, but he acknowledges reporting and analytics as an area for improvement if they are going to be held to the same standards as traditional media agencies, with Coles360 recently partnering with IRI to bolster measurement.⁶⁸

RMNs could gain a greater share of ad dollars by improving post-campaign reporting, with 95% of US advertisers willing to pay more than a 10% premium for timely reporting and measurement accuracy.⁶⁹ One approach is for brands to invest in marketing mix modelling (MMM) to understand what tactics are delivering the best ROI; PepsiCo has done this in the US, with PepsiCo and Nestle initiating this locally.⁷⁰ Another is for brands to leverage traditional media agencies, which will be covered in the next section of this essay.

As spending increases for retailer media, costs will also increase for suppliers. And with marketing budgets under pressure to show a ROI, RMNs will need to collaborate with suppliers to understand their reporting needs and embrace third-party verification to help build trust and transparency.⁷¹

Budget Tension

Regarding budgets, the final consideration is where RMN investment should come from: marketing or sales budgets. Traditionally, these budgets have sat separately. However, when suppliers invest in off-network advertising to drive the upper funnel, where should spending sit? Jacobs Douwe Egberts (JDE), for example, considers retailer media as

⁶⁸ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 24

⁶⁹ M Brodherson, J Flugstad, Q George, and J Trotter, 'Six secrets of unleashing the power of retail media' in *Mckinsey & Company*. 18 May 2023, viewed 24 February 2024, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/six-secrets-of-unleashing-the-power-of-retail-media>

⁷⁰ B Coyne, PepsiCo CMO: Australia has 'long runway' before big marketing bucks shift to retailer media – but agencies, publishers must prepare for disruption' in *Mi3*. 28 February 2023, viewed 25 February 2024, <https://www.mi-3.com.au/28-02-2023/pepsico-cmo-australia-has-long-runway-big-marketing-bucks-shift-retailer-media-agencies>

⁷¹ DoubleVerify 'The Rise of Retail Media: What to expect in 2024' Survey 2023, n = 401

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marketing spend, because it is 'bought as media'.⁷² In fact, most advertisers consider RMNs to be part of holistic media mix planning.⁷³ Though for some FMCGs, like Nestle, retailer media sits separately from marketing, but marketing remains part of the retailer conversations around measurement and effectiveness.⁷⁴

According to Bradley Moran, founder of CitrusAd, retailer media is attractive to retailers because it allows them to tap into marketing and trade spend.⁷⁵ For Coles 360, 99% of revenue is from trade budgets. However, they are expanding into areas like recipe inspiration to tap into marketing budgets and drive incremental growth.⁷⁶

And incrementality is likely: according to IAB, 31% of RMN spending comes from new budgets.⁷⁷ Where spend is coming from existing budgets, it is shifting from trade and advertising budgets (*figure 4*).⁷⁸ Morgan Stanley predicts RMNs will steal 40% of traditional media budgets by 2027.⁷⁹ However, Aaron Wall, Marketing Manager at JDE, acknowledges that 'taking marketing budget away from marketers...can get a little bit heated'.⁸⁰

To tackle the debate, Goodman Fielder, as an example, combined trade-marketing and media marketing budgets and handed the spend to their media agency, Initiative, to manage. CMO Christine Fung, who follows Ehrenberg Bass principles, notes that traditional media agencies could help avoid duplication of reach across the two budgets, with a centralised budget driving accountability for advertising dollars.⁸¹ With expertise in managing publishers, and with access to measurement tools and data, media agencies could be well-placed help clients develop through-the-line media strategy and negotiate retail media costs.

However, Initiative has acknowledged that understanding trade rules and navigating non-standardised offers from RMNs has been challenging.⁸² The IAB survey revealed the top barrier to RMN adoption was RMN's not integrating with other technology;⁸³ interestingly differing from the Epsilon survey results noted earlier where the top barrier to adoption was

⁷² B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 37

⁷³ IAB 'Retail Media Industry' Survey 2023 n=117

⁷⁴ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 33

⁷⁵ B Howarth, 'What's driving the rise and rise of retail media' in *CMO*. 07 July 2022, viewed 26 February 2023, <https://www.cmo.com.au/article/699598/what-driving-rise-rise-retail-media/?pp=2>

⁷⁶ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 24

⁷⁷ IAB Retail Media Industry Survey 2023 n=117

⁷⁸ Ibid.

⁷⁹ K Welch, " 'We're cracking into multibillion dollar opportunity': Australian retail media gearing up for a big 2024' in *Mumbrella*. 20 December 2023, viewed 26 February 2024, <https://mumbrella.com.au/were-cracking-into-multibillion-dollar-opportunity-australian-retail-media-gearing-up-for-a-big-2024-810846>

⁸⁰ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 47

⁸¹ B Coyne, 'Goodman Fielder breaks ranks, hands trade marketing budgets to Initiative; CMO says retailer media 'a significant opportunity for agencies'; Initiative plots dedicated retailer division' in *Mi3*. 11 April 2023, viewed on 25 February 2024, <https://www.mi-3.com.au/11-04-2023/goodman-fielder-breaks-ranks-hands-trade-marketing-budgets-initiative-cmo-says-retailer>

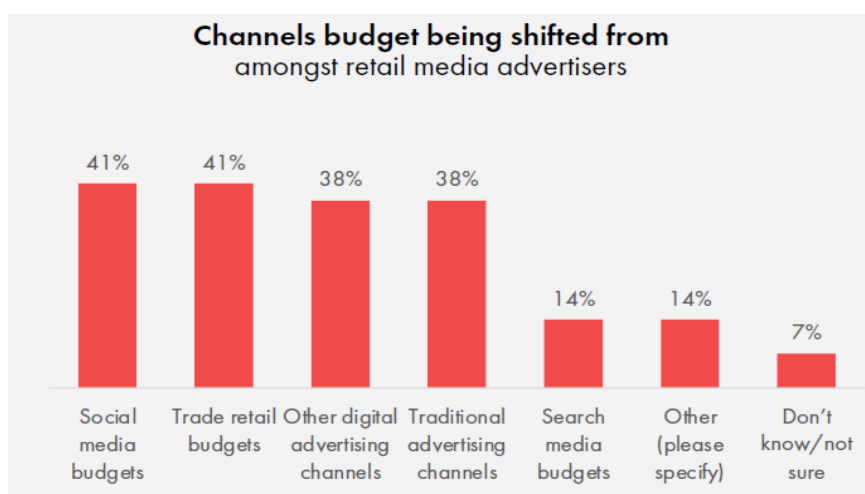
⁸² Ibid.

⁸³ IAB Retail Media Industry Survey 2023 n=117

privacy. Currently, there are no centralised ways to programmatically buy cross-retailer other than CitrusAd for e-commerce, leaving a gap for aggregators to play in this space.

While there could be some tension around budgets, this also creates an opportunity for better collaboration between marketing, sales, retailers and agencies. Nestle notes that the growth of retailer media has led to the development of new tools and ways of working between marketing and sales, with each team clear on its role in communications through the end-to-end customer journey.⁸⁴ Some businesses, like Reckitt, have even set up omnichannel teams. And according to Epsilon, 80% of retailers and brands feel that RMNs are essential for improving collaboration.⁸⁵

Figure 4



Conclusion:

As the cost of doing business increases, and consumers become savvier, the key challenge for suppliers is being able to reach consumers throughout the path-to-purchase in a cost-effective, measurable way. Retailer media is one solution to reach omnichannel shoppers, however this should be weighed up against other traditional channels as part of a brands' overall strategy, regardless of whether the budget sits with sales or marketing. This will avoid duplication of spend and reach, maximising ROI and encouraging cross-functional collaboration. Suppliers will also need to partner with retailers to extract meaningful insights, or ensure rigor in reporting, such as using third parties, to understand whether the channel warrants the additional investment retailers will be striving for.

⁸⁴ B Coyne & S Buckingham-Jones, *Retailer Media Next*, Mi3, 2023, page 33

⁸⁵ Epsilon The State of Retail Media Survey 2023 n = 689



Joe Berry Award 2024 Final

Presentation #3

Topic: 1A Question: Retailer Media New Opportunities

Erica Gillis

Simplot Melbourne



Food Technologist, Brand Manager and now Customer Activation Manager; Erica has embarked on a colourful career centred around creating delicious food for Australians to enjoy, backed by iconic brands. Outside of work Erica is equally passionate about food and loves to spend her weekends in the kitchen cooking up a storm.

JBA-24-131

Executive Summary:

Amid today's macroeconomic turbulence, retailers have been challenged with new ways to drive revenue. The emergence of retailers creating their own media houses has been a pivotal development; one with significant financial benefits.

Retail media – where retailers sell advertising to brands – is a strategic revenue channel with the power to dominate industry-wide media spend. As always, suppliers are looking to maximise their return on investment (ROI) and are now exploring what retail media can offer. This essay explores strategies retailers can use to set themselves apart when competing for trade and marketing wallets. These include improved performance tracking, first-party data informed decision making and addressing the omnichannel shopper. It also explores the considerations suppliers should weigh up when choosing where to spend their dollars.

The full impact of retail media in Australia will take longer than 5 years to be realised but if the strategies discussed are acknowledged and executed well, I predict almost half of today's investment into traditional agencies is at risk of being redirected to retailers.

Part 1: The Global Rise of Retail Media

Retail media is second to television as the fastest growing media channel⁸⁶. There have been structural shifts in the media industry globally over the past few years with traditional agencies in the US-FMCG market rapidly displaced by retail media. In the US, retail media is already worth \$45.15 billion with Amazon (75% of market) pioneering and dominating the space⁸⁷. *Whilst differing to the US, retail media in Australia remains a lucrative and expandable opportunity. The local implications will be just as significant with the duopoly of Coles and Woolworths establishing their own media houses setting fire to the Australian media market.*

In 2022, Woolworths recorded \$550 million from its retail media arm, Cartology, and Coles 360 made \$250 million in its first year of trade⁸⁸. *This strong growth and momentum from the beginning has analysts predicting a 40% leakage of media budgets away from traditional agencies like Seven, oOH! Media and ARN, representing up to \$1.1 billion of advertising revenue by 2027². With profit margins for retailers at 70-90% this means, if successful, Coles and Woolworths will inherit even more power within the Australian market. The impact of this redirection of revenue will disrupt the industry and lead to further concentration of Australia's grocery duopoly. This is one for the ACCC to add to their watch list.*

Coles 360 and Cartology are in their infancy, but suppliers are already feeling the pressure to buy in to retail media. With no other way to activate in-store, suppliers risk the

⁸⁶ [What's driving the rise and rise of retail media](#)

⁸⁷ [The power of Amazon's advertising](#)

⁸⁸ [Morgan Stanley: Retail Media will steal \\$1.1b from Aussie media owners](#)

opportunity cost of reaching shoppers at point of purchase. The immediate impact on perceived product listing opportunities⁸⁹ and Advantage Group survey results (AGS) from non-participation is being felt by suppliers.

As investments are scrutinized, the speed at which retailers steal market share will be stifled unless they can demonstrate how every dollar spent with them is more performant in comparison.

Part 2: How the Retailers can win against traditional media

To influence supplier investment, setting up campaigns must be seamless, efficient and more cost effective than alternate media agencies. Instead of operating retail media as a separate function to the rest of the business, if retailers can establish a business that productively engages in trade operations and advertising simultaneously this will be attractive to suppliers as fewer conversations are required for the same output.

a. Effective measurement metrics, to demonstrate strong supplier ROI

Once foundational ways of working are established, retailers should turn their attention to providing robust insights and evidence of ROI. There is a clear disparity of measuring metrics used across the media industry making it almost impossible for suppliers to compare campaign performance and make informed decisions⁹⁰. In January 2024, to standardise reporting across the industry, the *Interactive Advertising Bureau released a playbook on the general principles that should be followed*⁹¹ thereby creating a clearer navigation system for suppliers. *To win against traditional media, it is recommended that Coles and Woolworths adopt this language. Doing so would set them apart by demonstrating their genuine desire to provide suppliers with a clear ROI for their investment. Note that any action retailers take to deliver genuine value to suppliers will also work to build supplier's trust in retailer's product offer.*

What makes measuring ROI challenging is the array of factors that can influence the success of a campaign. Beyond the creative itself, any competitor supply issues, conflicting promotions, or even the impact of the cost of living can positively or negatively influence how retail media performs. This makes it challenging to understand the true impact of a campaign and the metrics used today are often based on standard uplifts or benchmarks for similar activity. To attract further investment, retailers should take responsibility for improving the metrics available using physical store environments to their advantage. With the large number of stores across the country available to test different techniques, activities such as store clustering, eye-tracking and motion sensors are examples of ways to accurately track the impact of advertising. Artificial intelligence can also be used to enhance data collection and determine advertising success.

⁸⁹ [Retail Media Networks – The Future Of Shopper Marketing Or A Retail Revenue Play?](#)

⁹⁰ [Retail media standardization could be detrimental to the industry](#)

⁹¹ [IAB/MRC Retail Media Measurement Guidelines January 2024](#)

b. Using first-party data to enhance campaign effectiveness.

The first step in influencing investment is to show the customer the data that can be measured from a campaign. The rich data pool from supermarkets can then be used to create more targeted, personalised advertising with better cut through.

With the demise of third-party cookies, now is the time for retailers to leverage their competitive advantage of their access to first-party data. Through credit card information and loyalty programs retailers have unlocked a treasure trove of information that can be used to yield better results. If retailers are willing to transparently share de-identified shopper data we will see a significant money shift into retail media (Figure 1)⁹².

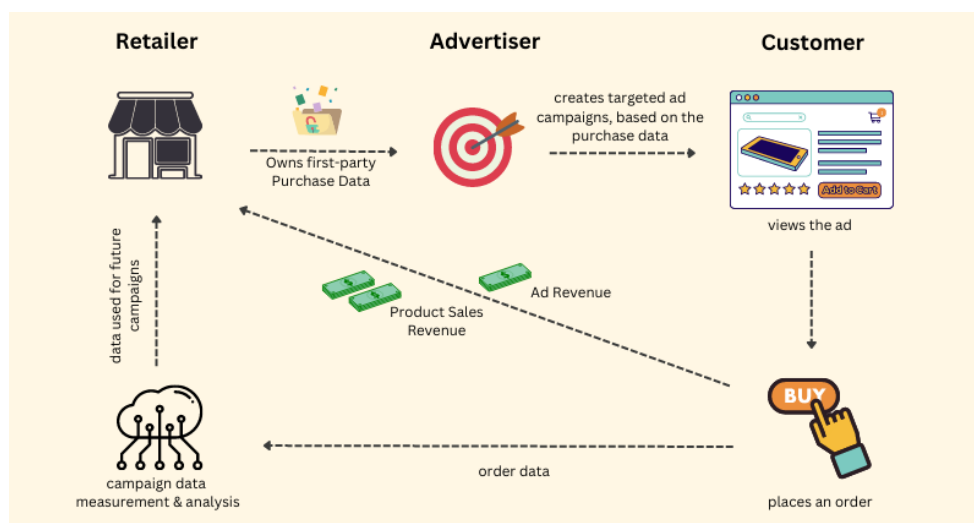


Figure 1: Retail Media Network: How it works

The depth and breadth of first-party data enables clear audience segmentation that is important to suppliers when making commercial investments. Over two-thirds of shoppers scan their loyalty cards in Australia⁹³ (Figure 2) giving retailers and suppliers access to invaluable intel for generating impactful advertising. For example, US grocer Kroger has reported 51% fewer impressions now required for the same sales impact by using first-party data to inform advertising decisions⁹⁴.

Do you collect the following points?



Chart: Finder • Source: Finder Consumer Sentiment Tracker, July 2022 • [Embed](#)



Figure 2: The use of loyalty cards to grocery stores in Australia, 2022.

The level of detail that first-party data can provide allows advertising to be dynamic and targeted. If retailers go further and re-invest revenue from retail media into personalized

⁹² [Retail Media Networks](#)

⁹³ [Supermarket statistics 2023](#)

⁹⁴ [Inside Kroger precision marketing's plans for retail media dominance](#)

pricing and loyalty schemes these will drive sales uplifts and brand awareness⁹⁵. First-party data is also helpful in connecting the dots between shopper behaviour online and offline. Leveraging this data in omnichannel marketing gives suppliers the opportunity to expand their audience reach and engage in all touchpoints. The dynamism this data unlocks makes retailers more agile and able to spend supplier's dollars more strategically.

First party data is a powerful mechanism that retailers should use transparently with their customers to win share of media investment.

c. Utilising retailer physical and online real estate

Given the insights first-party data can provide on the omnichannel shopper, retailers are now looking at how they can access the shopper journey from sofa to store⁹⁶ (Figure 3).

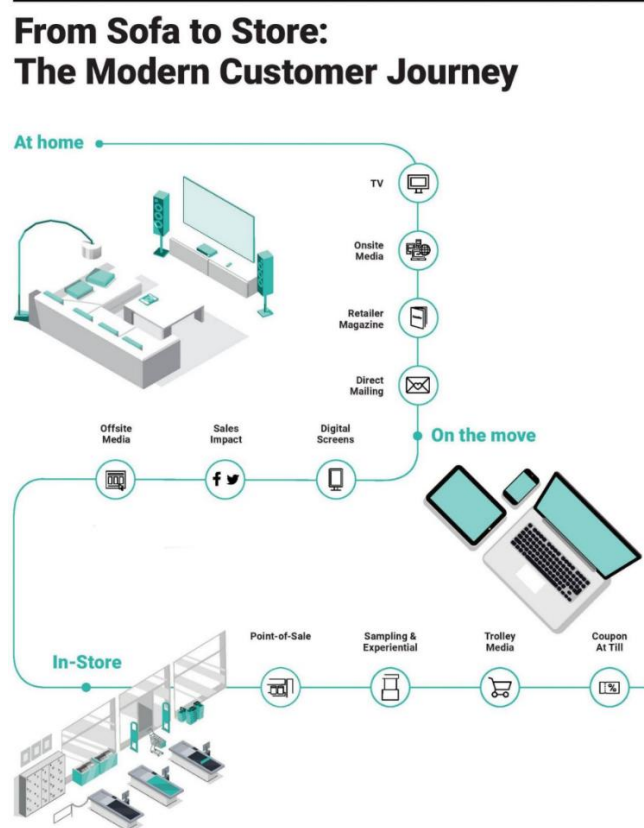


Figure 3: Examples of different touchpoints where retail media can be present along a shopper's journey.

⁹⁵ [First party data is the new FMCG retail battleground](#)

⁹⁶ [The power of personalisation for suppliers](#)

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Whilst expanding online and increasing out of home capabilities will help drive market share, the most significant competitive advantage retailers have over traditional agencies remains their physical store environment. As shoppers return to brick-and-mortar stores post covid (73% prefer instore shopping⁹⁷) the significance of point-of-sale advertising strengthens. As this is a unique feature retailers can offer compared to traditional agencies, we will see suppliers continue to invest in retail media in order to access all available touchpoints.

As retailers then extend their media reach to online, digital, and out-of-home advertising this will be a significant contributor to their projected future growth. By retailers creating more opportunities to build creative, targeted pieces of shopper engagement, suppliers will seek to invest for better continuity across the journey.

Cartology are already making moves to expand their digital footprint with their Vicinity Centres partnership⁹⁸. By increasing their digital presence across 5,300 screens Cartology will be able to reach over 400 million customers outside of their physical shop environment. This is a progressive development and one that will give Woolworths an edge when negotiating investment.

Unique omnichannel advertising packages offered by retailers is the biggest competitive advantage that puts traditional agencies at risk of being redundant as they cannot address the shopper at all touchpoints of their journey. This unique offering is set to disrupt the media industry, and shift trade and marketing wallets towards retail media.

Part 3: Treat your suppliers like real customers:

a. Don't punish suppliers for diversifying their investments

Whilst there are limitations to retail media reach and ROI evaluation, suppliers should continue to invest with both retailers and traditional media agencies. The changes required to take over 100% of media budgets would be complex and take several years and resources to get right. Retailers need to acknowledge these limitations and not punish suppliers for diversifying their investments for greater consumer reach.

In their study of advertising, Field and Binet suggest a balance of sales activation and brand building campaigns are essential for sustainable growth⁹⁹(Figure 4). Retail media predominantly focuses on short-term sales uplift with limited capabilities to grow the top of the funnel¹⁰⁰ (Figure 5). Traditional media however, is responsible for the bigger, broader, brand-building campaigns. With thousands of different brands looking to invest media

⁹⁷ [Back to the future as retailers reclaim bricks and mortar presence](#)

⁹⁸ [Cartology and Vicinity Centres partnership expand digital screen footprint](#)

⁹⁹ [The Greatest Hits of Binet and Field](#)

¹⁰⁰ [Building a marketing funnel that drives valuable action](#)

spend with Coles and Woolworths, fixed rate cards are used to manage the demand. Rate cards however do not allow for differentiation, and this is a key priority for brands looking to distinguish themselves in the market and grow brand awareness.

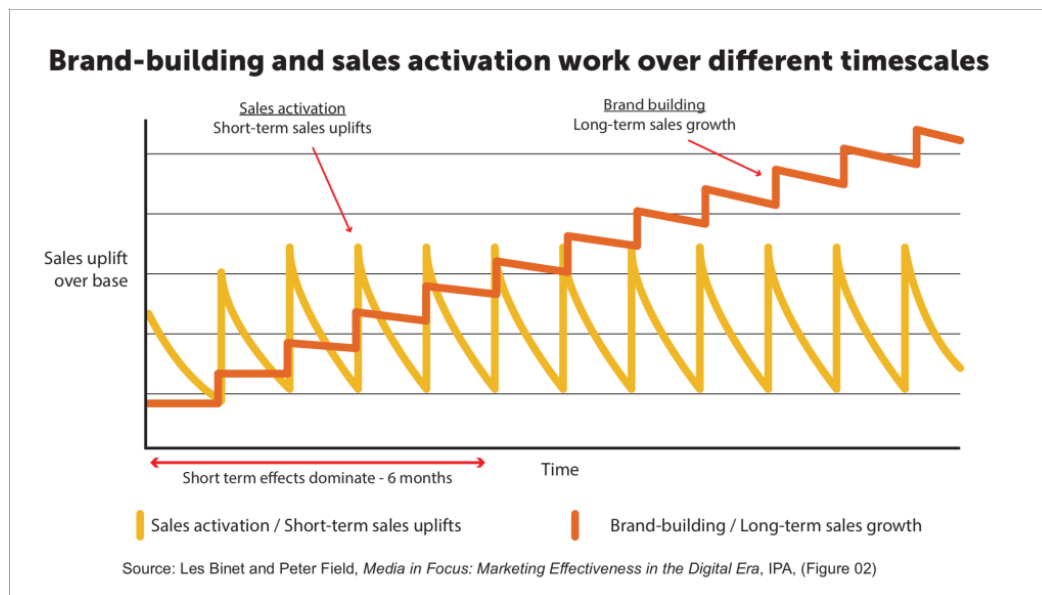


Figure 4: Field and Binet's study of sustainable brand growth.

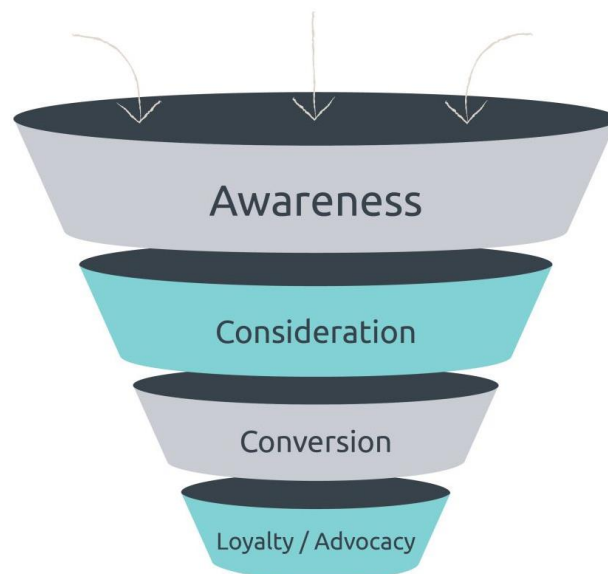


Figure 5: Four stages of a marketing funnel

Fundamentally Coles and Woolworths are grocery stores, not media agencies, so significant structural shifts would be required if the intention is to overthrow the entire media industry. What is more realistic is that suppliers engage retailers to maximise their short-term activation tactics and continue to work with traditional agencies on more unique, differentiating advertising.

b. Trust

If retailers are to win a share of trade and marketing wallets, they must build their retail media businesses upon a foundation of trust. The competitive tension for profit between suppliers and retailers is no secret; particularly since *that* Four Corners interview.

Behaviours that impact supplier trust include (but are not at all limited to); linking ranging opportunities or AGS results to a supplier's level of retail media investment, and limiting branding or retail investment opportunities because the supplier and retailer are currently in a disagreement about a different commercial issue.

As is often discussed, trust is the key to any strong relationship. The growth of retail media businesses will be limited if their success is underpinned by coercion rather than genuine, unbiased, value creation for both businesses.

Conclusion

From starting out as small variety stores, Coles and Woolworths operate as a powerful duopoly in Australia and have demonstrated their ability to corner the market and concentrate their bottom line. With the expansion into retail media, they now threaten the future of traditional media agencies. If retailers improve performance measurement capabilities, leverage first-party data, and use their access to the omnichannel shopper to their advantage, we will see a significant proportion of media spend shift in favour of retail media. The true intention of this business model is being questioned however, so to win over marketing wallets retailers must first prioritise establishing trusting, transparent relationships with suppliers. How is trust maintained in an economic crisis? Well, that's something I'll explore in next year's essay.



Joe Berry Award 2024 Final

Presentation #4

Topic: 5 Question: Risks in Digital Transformation

Steven Hunt

Coles Melbourne



Steven began his retail career and developed a passion for retail on the Coles shopfloor, starting as an in-store team-member, becoming a duty-manager, then joining Coles' Finance function. Since then, Steven has partnered Coles' eCommerce, Store Renewal and Commercial Business Unit functions and is currently Finance Manager – Bakery Business Unit.

JBA-24-085

Executive Summary

The continued development and acceleration of digital and technology has structurally changed the environment retailers operate in. It has created a modern, connected, 'phygital' retail and social environment enabling information, perspectives, and opinions to be shared with extreme pace. Retailers need to adapt to this new environment and manage heightened competition and risks which have the potential to impact reputation, market share and earnings. With the sector under extreme scrutiny, the risks posed from this change are high. This essay recommends retailers take three actions to minimise this risk; 1) embed a higher level of business-wide contextual awareness in decision making, 2) ensure behaviour and decision making always exceeds reasonable community expectations, and 3) build capability to react at pace to online content that has the potential to meaningfully impact their business. While there are large risks to respond to, there are also new opportunities that advancements in digital and technology are unlocking, including driving new product launch awareness and sales fuelled by authenticity on social media. Ultimately, this structural change has created an environment where retailers have less control over customer perception. It is vital retail executives embed strong customer obsessed cultures and controls, that limit the risk of their business falling short of reasonable community expectations.

Introduction

Large businesses can no longer afford to be tone-deaf. And in grocery retailing, where distrust is high, and switching costs are low, the consequences of falling short of community expectations are severe. When considering the impact of advances in technology and digital on the sector, direct impacts on operations through productivity improvements, ecommerce, retail media and AI logically tend to receive the most focus. However, indirect impacts from technological advances also need to be addressed, and arguably, there is none more impactful than the development and advancement of social media. It has fundamentally changed the way consumers live and shop. It has created a modern, connected, 'phygital' retail and social environment where the pace and quantum of information available, that would have previously been visible by few, is now rapidly visible to many. For retailers, this means that all decisions and actions have the potential to go viral. And of course, it's the decisions we don't get right that spread fastest.

To respond to this relatively new risk, all market participants need to adapt and, if they haven't already, take three actions:

1. Embed a higher level of business-wide contextual awareness in decision making where all team members consider unintended consequences of all decisions, no matter their perceived insignificance.
2. Ensure behaviour always exceeds both regulatory requirements and reasonable community expectations. Increased investment may be required where the risk of breaching customer trust is high.
3. Retailers and suppliers need to build a new skillset: extreme pace and agility, online. All businesses must be able to read, react and occasionally respond to brand damaging content at pace or risk the damage of an uncontrolled viral post.

While the risk imposed by advancements in social media is real, immediate and large, there is also the opportunity to harness it to drive growth. The most successful market participants will have a strategy that serves to mitigate emerging risks, while harnessing the power of social media to drive growth.

Embedding a higher level of business-wide contextual awareness in decision making

Branded water bottles and Australian flags. In the last six months both major supermarkets made decisions with good and commercial intentions, however both decisions didn't adequately consider the broader context and unintended consequences of how these might land. And in both cases, it was social media that was instrumental in spreading the news and driving negative sentiment. For Coles, it was the team member Christmas present of a Coles branded water bottle and \$5 to spend in a virtual giftshop. Internal communications which didn't mention broader employee recognition leaked to Reddit and the news and negative sentiment went viral¹⁰¹. In an environment where retail workers are

¹⁰¹ <https://www.pedestrian.tv/news/coles-water-bottle-christmas-gift/>

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being subjected to increased levels of abuse and risks to their personal safety¹⁰², alongside increasing political pressure on the size of supermarket profits¹⁰³ this did not meet community expectations.

And then came Woolworths' decision not to sell Australia Day merchandise due to declining sales.¹⁰⁴ In the broader context of pockets of Australia being divided on the celebration of Australia Day, the perception of this as a political statement was inevitable. In both cases, the intent was logical and well meaning, however both supermarkets failed to fully consider how these decisions would be perceived.

Both businesses could have avoided the ensuing social and political pile-on if greater consideration was given to how their team, customers, community and even politicians would perceive each decision, despite how well meaning or commercial the decisions may be. But most importantly, and the reason that all businesses need to embed a higher level of contextual awareness in decision making, was the unacceptable 50% increase in acts of violence in Woolworths' stores in the period following the news spreading on social media¹⁰⁵.

Due to the speed at which the decisions that aren't landed well now spread online, it is imperative to build a culture where all team members consider the unintended consequences of all decisions and are empowered to challenge decisions they don't think are right, no matter their perceived insignificance.

Exceeding community expectations must be the benchmark

The best risk mitigation of viral negative content online is eliminating the reason of the post all together. For both retailers and manufacturers, this means ensuring all decisions and standards of behaviour, across all areas of their businesses, are above and beyond minimum regulatory requirements and always exceed reasonable community expectations. This may also require prioritisation of investments in initiatives that address risk with low or no immediate direct financial returns.

Given the current scrutiny the sector is facing with multiple government and regulatory enquiries¹⁰⁶, ensuring reasonable community expectations are exceeded is vital. Failure to do so could very quickly result in severe consequences. A quick scroll of TikTok, X, Facebook or Reddit will show just how many are prepared to spread any shortcomings. And in the current environment, they would spread with pace straight to traditional media outlets, politicians, and regulators.

¹⁰² <https://www.aap.com.au/news/retail-workers-facing-increased-violence-and-abuse/>

¹⁰³ <https://www.afr.com/politics/federal/why-it-s-a-dangerous-time-to-make-a-big-profit-in-australia-20240222-p5f6w1>

¹⁰⁴ <https://insideretail.com.au/business/woolworths-to-drop-australia-day-merchandise-citing-cultural-sensitivity-202401>

¹⁰⁵ <https://www.youtube.com/watch?v=IVx9HkyGcg4>

¹⁰⁶ <https://www.abc.net.au/news/2024-02-21/what-will-all-the-inquiries-into-the-price-of-groceries-find/103474580>

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It is in this environment that investments in technical infrastructure and resourcing that may have been deprioritised in prior years, need to be reconsidered. Additional controls on shelf edge pricing, ethical sourcing and team member remuneration will now all have stronger qualitative benefits due to the increased likelihood of regulatory scrutiny and financial penalties. One can only imagine the impact of a similar announcement to Woolworths' 2019 \$300m back-payment to salaried team members¹⁰⁷ being announced in 2024 – the public is likely to be a lot less sympathetic. Restoring trust with the Australian consumer will be vital for the grocery industry across the next 18 months. Ensuring behaviour exceeds customer expectations, while minimising the risk of breaches of trust, potentially with capital investment, will be imperative.

Reading, reacting and occasionally responding to brand damaging content at pace

Modern social networks have become an integral part of consumers' lives; with 85% of Australians active on social media and spending an average two hours a day there¹⁰⁸. Given the coverage of population and volume of content being created and consumed online, the likelihood of potential or current customers viewing content that celebrates or criticises grocery retailers and the products they sell is all but certain. This makes monitoring social networks for sentiment and reputation damaging content now essential. Failure for a retailer or supplier to do so, could risk an organisation's mistakes going viral, and their executive team being the last ones to find out. And with anyone now able to post almost anything, the risk of brand damaging content going viral has never been greater.

An effective example of a retailer monitoring and responding to brand damaging content came in January 2024 when a Woolworths customer posted to Reddit that they were charged more than the cost of the products they purchased [Figure 1]. This post spread quickly, being shared more than 60,000 times, included comments encouraging referral to the Senate Select Committee on Supermarket Prices [Figure 2], and spread to traditional media outlets¹⁰⁹. Amid calls for boycotts and multiple government enquiries underway, this was exactly the type of post that could cause meaningful damage to Woolworths.

Woolworths acted with pace and issued a comprehensive statement to media addressing the issue explaining the “isolated incident at our Macarthur Metro store...due to a technical

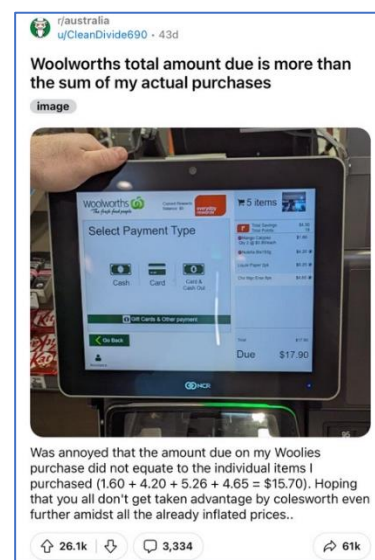


Figure 1

¹⁰⁷ <https://www.afr.com/companies/retail/woolworths-underpaid-staff-up-to-300-million-20191030-p535lb#:~:text=Interim%20back%20payments%20will%20be,and%20stretching%20back%20to%202010.>

¹⁰⁸ <https://ecommercenews.com.au/story/australians-spend-more-time-on-social-media-tiktok-leads-the-way>

¹⁰⁹ <https://7news.com.au/lifestyle/woolworths-responds-after-shoppers-warning-over-self-serve-registers-wild-overcharge--c-13224486>

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error”¹¹⁰. This stopped the post from spreading to further media outlets without context, and importantly provided reassurance to customers that the issue was not widespread. This is the type of approach that businesses should have in responding to damaging content online. While this post was focused on retail pricing, the scope of potentially brand damaging content could span any area of the sector which is why both retailers and suppliers need to implement a comprehensive strategy of when they do and when they don’t engage with damaging content online, with a tendency towards proactive engagement with the most brand damaging content. While businesses won’t be able to, and shouldn’t, respond to all negative commentary online, assessing the risk of content and responding at pace to the most brand damaging is vital in limiting damage.

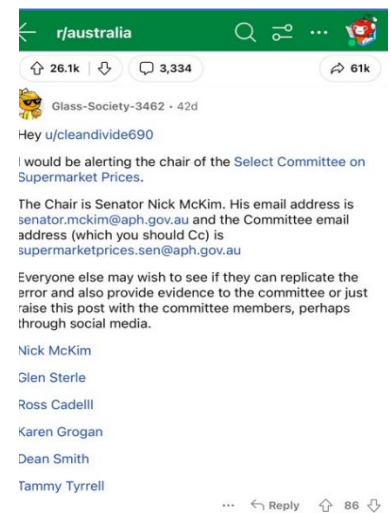


Figure 2

Harnessing social media to drive growth

While social media creates new risks for food retail businesses to address, it also creates logical opportunities for brands and retailers to increase awareness and drive sales growth. A particularly strong use-case is new product launches. Australian users are gaining millions of views sharing their authentic, unfunded, reviews of new grocery product launches which in turn is driving awareness and sales of new product launches [Figure 3]. Retailers and suppliers introducing new products should consider how they engage and partner with this new area of social media given the potential to make their new products go viral.

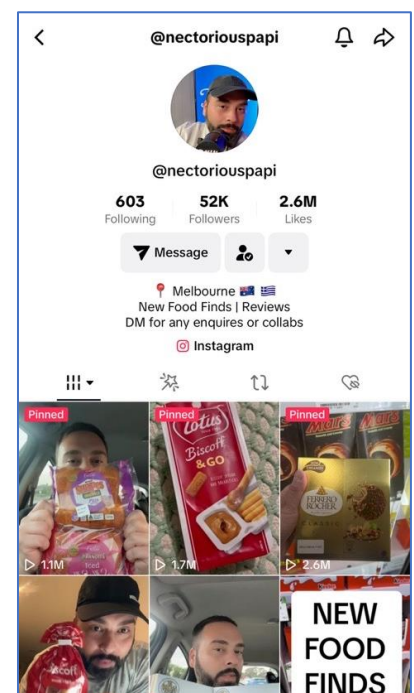


Figure 3

Conclusion

Retailers and suppliers are operating in a materially different environment to that of Joe Berry’s Brisbane Cash and Carry. Society, and retail, is now plugged into transparent, connected and dopamine driven networks that, for retailers and suppliers, have the potential to both damage and drive growth.

¹¹⁰ <https://www.dailymail.co.uk/news/article-12961145/Why-photo-Woolworths-checkout-screen-outraged-shoppers-supermarket-reveals-theres-simple-explanation.html>

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The retail sector will never be able to control the narrative online or completely mitigate the reputational risks associated with brand damaging allegations being made online. But there are ways to limit the reason for viral criticism. Embedding higher levels of contextual awareness in decision making and ensuring behaviour always exceeds both regulatory requirements and reasonable community expectations will minimise risk.

But with so much of day-to-day operations now able to be filmed and posted online, mistakes will be shared. It is vital for all businesses to be monitoring social media, and in the most extreme brand-damaging cases, responding at pace.

While the advancements driven by digital and technological have created a fundamentally dissimilar environment to that of Joe Berry's, one thing remains the same, and it is key in responding to this new and increasing risk, a strong culture centred around exceeding customer expectations will drive long term success.



Joe Berry Award 2024 Final

Presentation #5

Topic: 5 Question: Ai Driven Workforce Planning

Maria Tremoulas

Coles Melbourne



Maria completed a Bachelor Of Business Management at RMIT University and has held a number of roles within Operations and Marketing. She has been with Coles for over 5 years, working on a number of key strategic projects and initiatives across Central Operations and Transformation. Currently an Operations Transformation Manager, in Workforce Transformation responsible for project management, strategy, comms and change across a variety of projects.

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Introduction

The retail landscape continues to evolve at lightning speed; however, one constant remains for supermarkets: the value of having the right talent in the right place, at the right time, at the right cost. **The recent combination of a tight labour market post Covid-19, and a global economic downturn, has resulted in the highest increase in wages and earnings in Australia in more than ten years. Meanwhile, labour productivity growth continues to be low, with employees putting in more hours but generating less output.**¹¹¹

With the dynamics of the current job market, supermarket retailers are being forced to re-imagine and re-design their workforce.

Welcome to the future of workforce planning, where artificial intelligence (AI) is revolutionising how supermarkets optimise their operations through data driven insights.

Transitioning from intuition-driven decisions to data-driven decisions underscores the essential role of AI in workforce planning.¹¹² It offers increased productivity and accuracy on key components of a workforce plan that we will explore, such as rostering, recruitment, and the right workforce mix, just to name a few, whilst providing employees with more meaningful employment to improve engagement and reduce turnover.

To put it simply, it's like having a super-smart assistant that can take care of your workforce. Which supermarket retailer doesn't want that? The real consideration is not whether you have the resources to adopt it, but rather if you can justify not doing so.

Let's review AI driven workforce planning, the benefits it offers to supermarkets and leaders and how it can be integrated into a workforce plan.

What is AI in Workforce Planning?

Workforce planning is the strategic process of enhancing employee productivity, performance, and satisfaction. It involves planning, scheduling, forecasting, and analysing

various aspects of the workforce, such as skills, availability, preferences, and costs. Typically done over a multi-year horizon, workforce planning involves a six-step process.¹¹³ Graphically displayed in Figure 1.

¹¹¹ "Factsheet: Wage Dynamics in Australia." Australian Industry Group, November 16, 2023.
<https://www.aigroup.com.au/resourcecentre/research-economics/factsheets/factsheet-wage-dynamics-in-australia/#:~:text=Both%20the%20Treasury%20and%20RBA,overhang%20of%20unfilled%20vacant%20jobs>

¹¹² Workstatus. "The Impact of Artificial Intelligence in Workforce Management." LinkedIn, July 18, 2023.
<https://www.linkedin.com/pulse/impact-artificial-intelligence-workforce-management-workstatus>

¹¹³ "Business Strategy and Workforce Planning | Human Resources Management." n.d. Courses.lumenlearning.com.
<https://courses.lumenlearning.com/wm-humanresourcesmgmt/chapter/business-strategy-and-workforce-planning/>

Figure 1



Source: <https://signax.io/successful-workforce-planning/>

In dynamic and complex supermarket settings with evolving customer demands and fluctuating employee needs, workforce planning can be difficult and time consuming. The traditional approach is no longer suitable in today's rapidly changing environment.¹¹⁴

AI in workforce planning involves the use of sophisticated algorithms to streamline workforce management and coordination. This entails leveraging AI technologies to analyse data, forecast patterns, and potentially automate specific functions.¹¹⁵

In doing so, **"a supermarket can save up to 12% in labour costs and increased sales by up to 8%".**¹¹⁶ It is already present in workforce management, and it is causing a shift in the way we work.

What does it mean to be a data driven leader?

To drive successful workforce planning, a crucial component is data driven leadership. With data driven leaders, supermarkets significantly increase their ability to cultivate a capable and adaptable workforce, that consistently meets and surpasses long term objectives.¹¹⁷

¹¹⁴ Workforce Management. "What Are the Challenges and Benefits of Using AI and Automation for WFM?" How AI and Automation Can Enhance WFM, October 31, 2023.

<https://www.linkedin.com/advice/0/what-challenges-benefits-using-ai-automationadigc#:~:text=Using%20AI%20and%20automation%20for%20WFM%20can%20bring%20many%20advantages,and%20reduced%20costs%20and%20risks.>

¹¹⁵ Workstatus. "The Impact of Artificial Intelligence in Workforce Management." LinkedIn, July 18, 2023.

<https://www.linkedin.com/pulse/impact-artificial-intelligence-workforce-management-workstatus>

¹¹⁶ "How to Improve Supermarket Operations, Reduce Labor Budget and Enhance Customer Service." n.d. Wwww.linkedin.com. Accessed February 25, 2024. <https://www.linkedin.com/pulse/how-improve-supermarket-operations-reduce-labor-alberto-del-barrio>

¹¹⁷ "How Data-Driven Leadership Boosts Strategic Workforce Planning." MuchSkills. Accessed February 25, 2024. <https://www.muchskills.com/blog/how-data-driven-leadership-boosts-strategic-workforce-planning>

Leaders who are driven by data have a distinct advantage because they utilise facts to shape and advise strategic decisions, instead of depending on intuition and assumptions. However, this does not mean completely disregarding a leader's instincts. Whilst historical data offers predictions – not always accurate – of what will happen in the future, human reasoning and analytical thinking combined with experiences, remains essential for translating data into actions that are effective not only in theory, but also in practice.¹¹⁸

The Benefits of AI in Workforce Planning for Supermarkets and Leaders

Supermarkets have different departments that each drive different demands for work, tasks, and required skills. For example, the bakery department sells fresh bread and cookies. This requires employees to have the skills to operate an oven. The number of customer service team required, however, is not determined by how much bread is sold at any given time, but on the number of transactions completed. This can be broken down even further by defining the demand per time of the day. Bread may be more popular in the morning, while deli meats are sold more in the late afternoon.¹¹⁹

Each store and location has its distinct patterns. Making this clear distinction allows supermarkets to ensure they have the right team, at the right time and during busy or slow period across all departments. Implementing AI offers several benefits, including enhanced efficiency and accuracy, improved customer satisfaction and loyalty, higher employee engagement and reduced costs.¹²⁰

Furthermore, it can optimise the use of resources while minimising waste of time, money, and energy, mitigating the risks of overstaffing or understaffing, compliance issues, or even employee burnout”.¹²¹

“Outperforming companies are leveraging AI to create actionable insights and targeted human resource strategies, with workforce planning being a top area of performance differentiation”.¹²² Graphically displayed in Figure 2.

¹¹⁸ “How Data-Driven Leadership Boosts Strategic Workforce Planning.” MuchSkills. Accessed February 25, 2024.

<https://www.muchskills.com/blog/how-data-driven-leadership-boosts-strategic-workforce-planning>

¹¹⁹ “How AI-Driven Scheduling Improves Supermarket Operations.” Www.quinyx.com. Accessed February 25, 2024.

<https://www.quinyx.com/blog/how-ai-driven-employee-scheduling-improves-supermarket-operations>

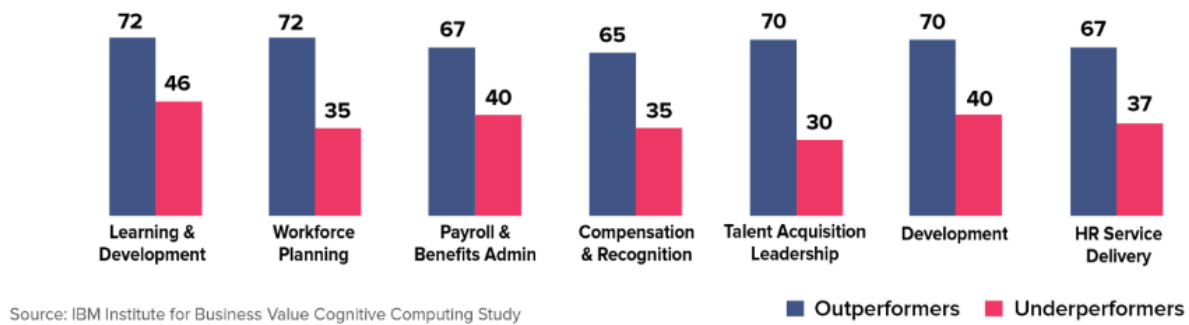
¹²⁰ “How AI-Driven Scheduling Improves Supermarket Operations.” Www.quinyx.com. Accessed February 25, 2024.

<https://www.quinyx.com/blog/how-ai-driven-employee-scheduling-improves-supermarket-operations>

¹²¹ Workforce Management. “What Are the Challenges and Benefits of Using AI and Automation for WFM?” How AI and Automation Can Enhance WFM, October 31, 2023. <https://www.linkedin.com/advice/0/what-challenges-benefits-using-ai-automation-adigc#:~:text=Using%20AI%20and%20automation%20for%20WFM%20can%20bring%20many%20advantages,and%20reduce%20costs%20and%20risks>

¹²² Millner, Dave. “How IBM Incorporates Artificial Intelligence into Strategic Workforce Planning - HR Curator.” HR Curator, July 8, 2020. <https://hrcurator.com/2020/07/08/how-ibm-incorporates-artificial-intelligence-into-strategic-workforce-planning/>

Figure 2



Source: <https://hrcurator.com/2020/07/08/how-ibm-incorporates-artificial-intelligence-into-strategic-workforce-planning/>

• Rostering and Scheduling: Right Talent at the Right Time

Basic automated rostering results in compliant, cost-effective schedules, reducing the workload for Store and Department Managers. However, advancements in AI rostering enable even more smarter scheduling options.¹²³

Demand based rostering means AI can adapt the schedule based on projected labour demand, calculated through a variety of methods: historical sales patterns, foot traffic, weather forecasts and employee availability to predict future rostering needs accurately. This enables supermarket retailers to create optimised schedules that align with customer demand, prevent understaffing during peak hours and reduce labour costs. Furthermore, AI creates personalised schedules that maximise productivity and employee satisfaction by factoring in employee performance metrics and preferences. Graphically displayed in Figure 3.¹²⁴

Figure 3



Source: <https://www.shiftlab.io/blog/how-to-harness-ai-for-retail-employee-scheduling-forecasting>

¹²³ "Automated Staff Rostering: How Does It Work and Why Do You Need It?" Humanforce. Accessed February 25, 2024. <https://humanforce.com/au/blog/automated-staff-rostering-how-does-it-work-and-why-do-you-need-it/>

¹²⁴ "Automated Staff Rostering: How Does It Work and Why Do You Need It?" Humanforce. Accessed February 25, 2024. <https://humanforce.com/au/blog/automated-staff-rostering-how-does-it-work-and-why-do-you-need-it/>

AI considers employees' skills, availability, and performance data to assign shifts that align with their capabilities, while meeting the overall scheduling requirements of the supermarket.¹²⁵ Furthermore, AI can constantly monitor and adapt schedules in real time according to fluctuating conditions, such as unexpected increases in customer traffic or unplanned leave requests or absences, ensuring retailers always have the right number of team at the right time.¹²⁶

- **Recruitment: Right Talent in the Right Place**

Accurately predicting, hiring, and retaining the correct number of employees in the right place is a complex task and often managed at the store level by Store Managers and Department Managers. Failure to get this right results in high levels of attrition, additional cost to business in unnecessary hires and poor customer experience.

When it comes to peak recruitment periods, such as Christmas, AI does the hard work by analysing historical data on employee performance, productivity, and turnover rates to predict future workforce requirements. It can provide accurate forecasts on the number of employees a store may need to hire (if any), the departments they are needed, and the employment type (casual, part-time, or full-time) required.¹²⁷

Whilst the default is to recruit new employees to fill the gaps, supermarket leaders should look to utilise their existing employees where possible.

AI can also assist in identifying opportunities for cross-training and upskilling employees to fill roles across multiple departments, reducing the need for external hires, whilst also fulfilling the desired work hours of existing employees, improving engagement and retention.

AI can recommend training opportunities or scheduling adjustments to better utilise the existing workforce, by identifying skills or shifts that are consistently understaffed.¹²⁸

- **Workforce Mix: Right Talent at the Right Cost**

Supermarkets can benefit from a flexible workforce with a mix of part-time, full-time, casuals and juniors. **Having the right workforce mix, at the right cost can make a big difference to productivity and profit, as well as culture, employee engagement and retention.**¹²⁹

¹²⁵ "AI for Workforce Management: Everything You Need to Know." Time Doctor Blog, September 27, 2023. <https://www.timedoctor.com/blog/ai-workforce-management/>

¹²⁶ "Artificial Intelligence Adoption in Retail Is Real!" LinkedIn, February 6, 2024. https://www.linkedin.com/pulse/artificial-intelligence-adoption-retail-real-rapidpricer-auiic?trk=organization_guest_main-feed-card_feed-article-content

¹²⁷ "The Role of AI in Workforce Management for Peak Performance." Data Science Central, February 24, 2024. <https://www.datasciencecentral.com/how-can-data-science-and-ai-help-hr-in-workforce-development-evaluation-and-retention/>

¹²⁸ "AI for Workforce Management: Everything You Need to Know." Time Doctor Blog, September 26, 2023. <https://www.timedoctor.com/blog/ai-workforce-management>

¹²⁹ "Which Mix of Staff Is Right for Your Business? - Coraggio." Coraggio | Business & Entrepreneurial Advisory Boards | Brisbane | Sydney | Melbourne. July 15, 2019. <https://coraggio.com.au/which-mix-of-staff-is-right-for-your-business/>

For example, utilising **junior employees can be a great strategy to reduce wage costs**, however due to lack of experience, they can require additional training and supervision, which impacts overall productivity. On the other hand, whilst casual employees offer flexibility and can help with fluctuation during peak trading periods, such as Christmas, they come with reduced employee engagement and loyalty.¹³⁰

While part-time or full-time employees may have higher initial costs, they can be more cost effective in the long run compared to hiring and training new casual or junior employees more frequently. Retaining permanent employees can reduce recruitment, onboarding, and turnover costs, creating a highly skilled and engaged workforce.¹³¹ How do you get it right?

AI can support supermarkets and leaders to conduct cost benefit analysis to compare permanent employees versus casual or junior employees. It can also determine the most cost-effective mix of employee types for different roles and tasks within a supermarket, by considering factors such as hourly rates, training costs, turnover rates, and productivity levels.¹³²

Barriers to Adopting AI in Workforce Planning

Whilst AI has the potential to transform the future workforce, its adoption is hindered by challenges, with managing data being a hurdle to overcome. "The most frequently cited barriers to AI deployment are data management (32%), outweighing challenges for security (26%) and compute performance (20%)."

Data integration issues may arise from disparate sources of information, making it difficult to compile and analyse data effectively. Additionally, poor data quality can lead to inaccurate insights, impacting decision making. Concerns regarding data privacy and protection are also significant, as the sensitive nature of workforce data requires robust security measures to prevent breaches.¹³³ Overcoming these barriers is crucial for supermarket retailers to effectively leverage AI in workforce planning and drive successful outcomes. Graphically displayed in Figure 4.

¹³⁰ "Is There Such a Thing as a Long-Term Casual Employee? - Bare Bones Consulting." 2018. May 13, 2018. <https://www.barebonesconsulting.com.au/long-term-casual-employee/>

¹³¹ "The Importance of Retention over Replacement in the Workplace." n.d. Www.linkedin.com. Accessed February 25, 2024. <https://www.linkedin.com/pulse/importance-retention-over-replacement-workplace-matt-wilkie>

¹³² "Which Mix of Staff Is Right for Your Business? - Coraggio." Coraggio | Business & Entrepreneurial Advisory Boards | Brisbane | Sydney | Melbourne. July 15, 2019. <https://coraggio.com.au/which-mix-of-staff-is-right-for-your-business/>

¹³³ Informatica. "Overcoming the 4 Key Barriers to AI Adoption: Strategies for Success." @Informatica, October 13, 2023. <https://www.informatica.com/blogs/overcoming-the-4-key-barriers-to-ai-adoption-strategies-for-success.html>

Figure 4



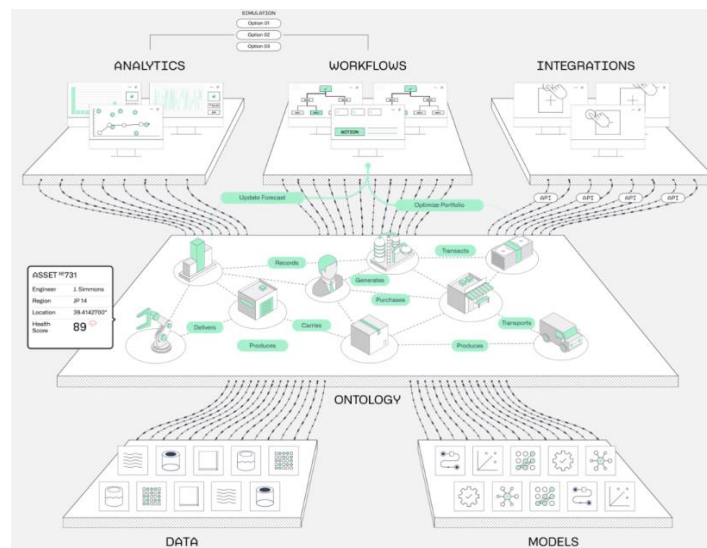
Source: <https://www.informatica.com/blogs/overcoming-the-4-key-barriers-to-ai-adoption-strategies-for-success.html>

How Coles Supermarkets is Adopting AI in Workforce Planning

Coles Supermarkets is taking the lead and bringing AI in workforce planning to life by announcing a 3-year partnership with Palantir Technologies, a leading provider of AI systems to deliver its workforce strategy and analytics tools. As part of the solution, Coles will utilise the vendor's Foundry analytics platform and AI platform AIP.¹³⁴

Graphically displayed in Figure 5.

Figure 5



Source: <https://www.palantir.com/platforms/foundry/>

¹³⁴ "Palantir Partners with One of Australia's Leading Retailers." 2024. Wwww.businesswire.com. February 1, 2024. <https://www.businesswire.com/news/home/20240201306532/en/Palantir-Partners-with-One-of-Australia%E2%80%99s-Leading-Retailers>

“By integrating data into one system, the suite of workforce tools will identify opportunities from over 10 billion rows of data, comprising each store, team member, shift and allocation across all intervals in a day, every day.”¹³⁵

Coles will deploy across its more than 840 supermarkets to support decision-making to optimise its workforce – including better workforce planning, shift efficiency, and a more granular understanding of spend as it relates to enhancing the experience for shoppers, including Bakery Production Planning tools for in-store bakeries and Ocado Fulfilment Centres. This means, Store and Department Managers will be able to make real-time decisions and use data driven insights to optimise costs and improve both customer and team member experience.¹³⁶

The collaboration between Coles and Palantir Technologies represents a significant milestone in not only the Australian supermarket industry but globally and highlights the significance of data driven decision making.¹³⁷

Conclusion:

In today's competitive retail landscape, supermarkets must constantly strive to improve efficiency and provide exceptional customer service, while also providing meaningful employment. What does the future retail workforce look like? One thing is certain, AI is set to play a significant role.

AI in workforce planning enables supermarkets and leaders to make data driven decisions to lead better scheduling, reduce unnecessary labour costs and increase productivity. It can assist supermarkets in identify patterns and trends in employee performance, enabling them to make smarter decisions when it comes to hiring, training, and retaining talent.

Furthermore, leveraging AI in workforce planning enables leaders to streamline their operations, maximise efficiency, and most importantly, free up their time to focus on things that really matter – creating a more engaged and motivated workforce and enhanced customer service. Happy employees and happy customers lead to increased satisfaction, loyalty, and ultimate improved business performance.

Despite barriers to adopting AI in workforce planning, such as data integration, quality, and privacy, it is critical and worthwhile investment that enables supermarkets to adapt to changing market conditions and stay ahead of the game. Supermarket retailers are entering a new era, characterised by a focus on efficiency and accuracy, creating opportunities for continuous improvement and growth. Predicting the future does not require a magical crystal ball, it requires utilising AI in workforce planning.

¹³⁵ “Palantir Partners with One of Australia's Leading Retailers.” 2024. [www.businesswire.com](https://www.businesswire.com/news/home/20240201306532/en/Palantir-Partners-with-One-of-Australia%E2%80%99s-Leading-Retailers). February 1, 2024.

¹³⁶ “Palantir Partners with One of Australia's Leading Retailers.” 2024. [www.businesswire.com](https://www.businesswire.com/news/home/20240201306532/en/Palantir-Partners-with-One-of-Australia%E2%80%99s-Leading-Retailers). February 1, 2024.

¹³⁷ “Coles Supermarkets and Palantir Technologies: A Data-Driven Alliance Transforming the Retail Landscape.” Bnnbreaking.com. Accessed February 25, 2024. <https://bnnbreaking.com/world/coles-supermarkets-and-palantir-technologies-a-data-driven-alliance-transforming-the-retail-landscape>

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Joe Berry Award 2024 Final

Presentation #6

Topic: 5 Question: Exceptional Customer Experience

Gabby Dunn

Ferrero Sydney



Gabby is a motivated sales professional and health enthusiast who holds a Bachelor's Degree in Human Sciences with majors in Public Health: Policy & Promotion and Marketing. Within FMCG, Gabby has diverse experience, working in Marketing and now Sales at Ferrero. She loves being creative and adventuring in the great outdoors.

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Executive Summary

In a competitive market, standing out is a necessity!

The true game changer? Exceptional customer experience (CX).

The need for a brand to stand out has never been more important. We've seen companies try various strategies to differentiate their brand and those coming out on top have truly mastered the art of CX¹³⁸.

Let's not forget that only a few years ago, CX looked very different with more emphasis on things like product features or pricing. The true test began, when the COVID-19 pandemic hit and businesses were forced, by accelerating digital platforms and tackling supply chain shortages, to adapt to evolving customer needs. Again, only those companies who were able to meet customer expectations found success.

So, what is CX? CX refers to the entire interaction a customer has with a brand including pre-purchase, the purchase itself and post purchase interactions¹³⁹. Keep in mind that there are four major components that play a part in a customer's overall experience: brand, product, price and service. Each purchasing stage plays a role on a customer's cognitive, affective, sensory and behavioural responses and eventually loyalty.

For Australia's 'big two' supermarkets and brands alike, customer loyalty remains a challenge, due to constant store-brand swapping. To remain competitive, they must go beyond mere product sales and adapt to the changing wants and needs of customers.

In this essay, we will explore the evolution of e-commerce, identify key challenges hindering a positive CX and offer strategic solutions that consider personalisation, technology, and cultural sensitivity as pivotal factors in shaping a customer-centric environment.

¹³⁸ Emilio, N., 2023. *Forbes' Top 10 Companies with the Best Customer Experience* [online] blog.kale.bismart.com. Available at: <https://blog.kale.bismart.com/en/10-companies-best-customer-experience> [Accessed 23 Feb. 2024].

¹³⁹ McKinsey & Co, 2022. *What Is CX (Customer Experience)?* | McKinsey. [online] www.mckinsey.com. Available at: <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-cx> [Accessed 28 Jan. 2024].

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Introduction

In the past, traditional selling methods and data-driven approaches were enough to win over customers. However, with the emergence of new technologies, a rise in online shopping and changing consumer preferences, it's clear that the sales landscape has seen a complete paradigm shift. The big question is ...should CX be special or easy, with a 'just get the job done' mentality?

Whilst companies are taking steps to enhance CX, it's important to note that one positive interaction doesn't define the overall relationship or secure customer loyalty. In fact, gone are the days of consumers simply buying a product or service. Now, people buy because of how it makes them feel. So whilst the easy route may cost less in retrospect, what's more important? One-off purchases or loyal customers?

To win customer loyalty, businesses must pivot towards customer-centricity, through building personalisation strategies, utilising technology and navigating customer cultures. Can your business afford to ignore the transformative power of mastering CX?

Building Personalisation

Personalisation has been a topic of conversation for years and the era of personalising, solely by addressing customer names in emails, or on a Vegemite jar, has come to an end. Companies may think they have their evolving personalisation strategies down-pat but the reality is, 'they ain't seen nothing yet!'

In E-commerce (1.0), customers were like treasure hunters, scouring the digital world for the perfect find¹⁴⁰. Fast forward to E-commerce 2.0, we've witnessed a complete shift where products don't wait to be discovered, they actively seek out customers¹⁴¹.

This takes us to today, with hyper-personalisation being the most current and advanced way brands can tailor their marketing to individual customers. Hyper-personalisation can be compared to having your own personal shopping genie. It involves leveraging advanced technologies, data analytics and artificial intelligence to tailor every interaction and recommendation to the unique preferences and needs of each individual customer through the right time, place, and channel¹⁴².

Think custom ads that speak directly to your soul, landing pages that feel like they were made just for you! Recommendation engines that know your tastes better than your friends! Trusty service chatbots, dynamic pricing and loyalty programs that make you feel like royalty.

¹⁴⁰ Sandstrom, D., 2023. *E-Commerce 3.0: The Future Of Retail Is Hyper-Personalized*. [online] Forbes. Available at: <https://www.forbes.com/sites/onmarketing/2023/08/23/e-commerce-30-the-future-of-retail-is-hyper-personalized/> [Accessed 17 Feb. 2024].

¹⁴¹ Sandstrom, D., 2023. *E-Commerce 3.0: The Future Of Retail Is Hyper-Personalized*. [online] Forbes. Available at: <https://www.forbes.com/sites/onmarketing/2023/08/23/e-commerce-30-the-future-of-retail-is-hyper-personalized/> [Accessed 17 Feb. 2024].

¹⁴² Jaffery, B., 2022. *Connecting meaningfully in the new reality*. [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/deloitte-analytics/ca-en-omnia-ai-marketing-pov-fin-jun24-aoda.pdf>. [Accessed 27 Jan. 2024].

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Take Netflix for example; its algorithm predicts user preferences, based on viewing history, behavioural attributes and predictive learning. It's no wonder 80% of viewers select a movie/show from the homepage recommendations¹⁴³! Less time searching, more time enjoying the good stuff – that's stellar CX.

Whilst a well-executed hyper-personalisation strategy can deliver 8x the ROI on marketing spend and lift sales by more than 10%¹⁴⁴, the future's competitive retail landscape, requires a more tailored approach. Introducing E-commerce 3.0 – where hyper-personalisation joins forces with cutting-edge technologies such as Augmented Reality (AR) and gamification to provide an immersive e-commerce and in-store experience that predicts customer needs and wants.

Using Augmented Reality

AR is like having x-ray vision that lets you see digital wonders in the real world via devices like smartphones, tablets, or special glasses¹⁴⁵. E.g., in sports broadcasting, AR enhances the viewer's experience by, providing additional information and visual enhancements:



In retail, this game-changing technology allows customers to visualise recommended products before purchasing online. Picture this, you're browsing online and found the perfect piece of furniture but can't shake the feeling it might not fit or match your home decor. Step into IKEA Place app and with just a few taps, you can virtually 'place' furniture in your home to gauge fit and style, enhancing the overall pre and post-purchase experience¹⁴⁶. Same goes for food and beverage. Ever been disappointed when your meal comes out smaller than expected? AR 3D menus fix that, giving you a real-time preview of

¹⁴³ Jaffery, B., 2022. *Connecting meaningfully in the new reality*. [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/deloitte-analytics/ca-en-omnia-ai-marketing-pov-fin-jun24-aoda.pdf>. [Accessed 27 Jan. 2024].

¹⁴⁴ Jaffery, B., 2022. *Connecting meaningfully in the new reality*. [online] Available at: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/deloitte-analytics/ca-en-omnia-ai-marketing-pov-fin-jun24-aoda.pdf>. [Accessed 27 Jan. 2024].

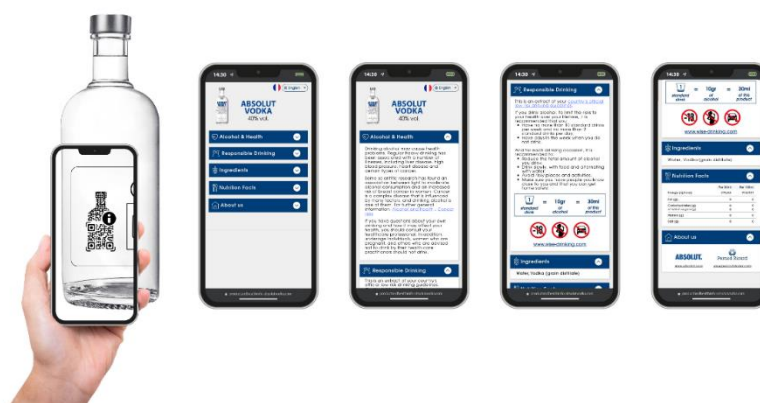
¹⁴⁵ Pearce, P., 2019. *How to Use AR (Augmented Reality) to Improve the Customer Experience*. [online] blog.hubspot.com. Available at: <https://blog.hubspot.com/service/augmented-reality-customer-experience>. [Accessed 8 Feb. 2024].

¹⁴⁶ IKEA, 2024. *IKEA Australia mobile apps*. [online] Available at: <https://www.ikea.com/au/en/customer-service/mobile-apps/>. [Accessed 8 Feb. 2024].

size and appearance¹⁴⁷. This aids in decision-making, minimises disappointment and creates memorable experiences for customers.

Brands can also stand out by leveraging digital labelling or AR grocery packaging, to address customer's growing interest in product origins, sustainable sourcing and ingredients¹⁴⁸. Offering customers extensive product information beyond what's possible on labels, including language customisation, can streamline support and remove language barriers. Brands could even incorporate gamification e.g. cereal boxes could come to life with interactive games or quizzes, teaching kids about nutrition or sustainability, to exceed parental expectations.

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While E-commerce 1.0 and 2.0 had a huge emphasis on products and customers, E-commerce 3.0 expands its scope to include creators – acknowledging social media's influence in today's omnichannel landscape. We're talking about a world where spotting a bag you love on a night out, isn't just luck, but a golden opportunity. With a quick QR scan of the product on your phone, you're instantly directed to the website, and can add straight to cart. This presents a unique opportunity for brands to capitalise on every individual, where everyone walking around are potential ambassadors for their products in a seamless and immediate way. Talk about shopping made easy!

But AR isn't just a blessing for online shoppers, it's a beacon of hope for those wandering lost in supermarkets or seeking staff assistance. So, imagine a retailer app tailored to each store's layout and AR that overlays directional arrows to pinpoint the exact location of a product from where you're standing. Coupled with a service chatbot answering queries on that product e.g., is it vegan? Brands can also join the app revolution and elevate their presence, by leveraging AR and interactive packaging to ignite customers on a culinary journey with recipe and usage ideas. Such innovative solutions exceed customer

¹⁴⁷ Reality, R.P., 2022. *The Top Use Cases of Augmented Reality in the Food & Beverage Industry*. [online] Rock Paper Reality. Available at: <https://rockpaperreality.com/insights/ar-use-cases/top-use-cases-augmented-reality-food-beverage/>. [Accessed 8 Feb. 2024].

¹⁴⁸ Cheng Wei, S., 2022. *Digital Labelling: The Future of Smarter Food Labelling in Asia*. [online] Available at: <https://accesspartnership.com/digital-labelling-the-future-of-smarter-food-labelling-in-asia/> [Accessed 21 Feb. 2024].

¹⁴⁹ Editor, W., 2022. *The power of digital labelling*. [online] FoodDrinkEurope. Available at: <https://www.fooddrinkeurope.eu/the-power-of-digital-labelling/> [Accessed 21 Feb. 2024].

expectations, show differentiation against competitors and offers a glimpse into the potential future of shopping behaviours.



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Introducing Gamification

Through gamification, companies can adapt personalisation strategies of today to meet the ever-changing expectations of tomorrow's customers.

Gamification involves using game-like elements (points, rewards and challenges) to make shopping fun¹⁵¹. The goal? To increase shopper motivation, engagement and loyalty. While online shopping offers unparalleled convenience, 24-hour access, and the ability to compare prices and reviews with ease, retaining customers on a single website remains a key challenge. That's why beauty brand Sephora tapped into their gamification toolbox and introduced "Swipe it. Shop it," like Tinder for beauty fanatics, making the shopping experience as addictive as swiping right on your next crush¹⁵². Genius right? It completely simplifies online navigation when you're unsure where to begin.

From an in-store perspective, while self-checkout aims to expedite the purchase stage, there are several pain points that detract from smooth operation and impact customer loyalty:

1. Equipment malfunctions - Anyone who has had to flag down an employee mid-shop, understands the frustration. Promised a seamless checkout experience yet interrupted with the 'unexpected item in bagging area.' In fact, 25% of customers will leave the self-serve area¹⁵³.
2. Theft – With reduced supervision, swapping price tags/ not scanning items have reached unprecedented levels¹⁵⁴.

¹⁵⁰ Pearce, P., 2019. *How to Use AR (Augmented Reality) to Improve the Customer Experience*. [online] blog.hubspot.com. Available at: <https://blog.hubspot.com/service/augmented-reality-customer-experience>. [Accessed 8 Feb. 2024].

¹⁵¹ Tyagi, R. and Singh, G., 2022. Gamification and customer experience in online retail: a qualitative study focusing on ethical perspective. *Asian Journal of Business Ethics*. doi:<https://doi.org/10.1007/s13520-022-00162-1>.

¹⁵² Samuely, A.A., 2017. *Sephora borrows from Tinder's playbook with swipeable mobile shopping tools* | Retail Dive. [online] www.retaildive.com. Available at: <https://www.retaildive.com/ex/mobilecommercedaily/sephora-borrows-from-tinders-playbook-with-swipeable-mobile-shopping-tools>. [Accessed 5 Feb. 2024].

¹⁵³ Rand, D., 2023. *Self-checkout at the grocery store: Reality bites*. [online] The Future of Commerce. Available at: <https://www.the-future-of-commerce.com/2023/10/16/self-checkout-problems/>. [Accessed 9 Feb. 2024].

¹⁵⁴ Heil, K., 2018. *Self Checkout: The Pros and Cons of Giving the Customer Control*. [online] Palmerretailsolutions.com. Available at: <https://www.palmerretailsolutions.com/blog/self-checkout>. [Accessed 28 Jan. 2024].

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3. Social media & word of mouth - E.g., the recent glitch at Woolworth's where they issued an apology after the customer warned others on social media of the inflated checkout total¹⁵⁵.

With these examples, we start to see how one unfavourable encounter, can result in loyal customers switching brands. What's the solution?

Whilst we know big American brands like Walmart and Blooms are leaving self-serve due to significant merchandise losses from customer errors and theft¹⁵⁶, immediate solutions to combat these issues and reduce wastage costs exist. Let's borrow a page from Japanese clothing brand Uniqlo who uses radio frequency identification chips (RFID), making scanning items unnecessary¹⁵⁷. To add a more personalised touch, retailers could leverage their rewards app to gamify loyalty programs, where customers can earn rewards and discounts for using self-checkout.

Looking into a more long-term solution, we can follow suit with Amazon Go's store technology and revolutionise the shopping experience. A simple phone scan upon entry grants customers the freedom to select products and exit seamlessly, with automatic billing in the background¹⁵⁸. Such technology may finally fulfill the seamless shopping promise and enhance customer loyalty.

A survey by Adobe Commerce further reinforces the importance of hyper-personalised experiences revealing that 67% of customers desire personalised offers and a whopping 72% of people bought more goods than originally planned¹⁵⁹ – effectively increasing basket size and demonstrating the power of hyper-personalisation done right.

Magnitude of Opportunity

Online customer engagement becomes increasingly important, with 45% of Gen Z and 43% of Millennials choosing online shopping as their preferred method¹⁶⁰. According to Harvard Business Review, a 5% increase in customer attention can result in a 25-95% boost in profit, making gamification a promising strategy for improving sales, brand awareness and customer loyalty, with over 87% of merchants wanting to employ it in the next 5 years¹⁶¹.

¹⁵⁵ Yahoo News, 2024. Woolworths explains self-serve checkout glitch as customer overcharged. [online] Available at: <https://au.news.yahoo.com/woolworths-explains-self-serve-checkout-glitch-customer-overcharged-033950112.html> [Accessed 1 Feb. 2024].

¹⁵⁶ Ilich, R., 2023. Walmart, Costco and other companies rethink self-checkout | CNN Business. [online] CNN. Available at: <https://edition.cnn.com/2023/11/13/business/self-checkout-stores-shopping/index.html>. [Accessed 8 Feb. 2024].

¹⁵⁷ Picoult, J., 2023. A Self-Checkout That Customers Love? This Company Created It. [online] Forbes. Available at: <https://www.forbes.com/sites/jonpicoult/2023/12/21/a-self-checkout-that-customers-love--this-company-created-it/> [Accessed 8 Feb. 2024].

¹⁵⁸ Amazon, 2023. Amazon Go. [online] Amazon.com. Available at: <https://www.amazon.com/b?ie=UTF8&node=16008589011>

¹⁵⁹ Brunker, T., 2022. Personalization is key to customer loyalty as inflation concerns rise. [online] Fast Company. Available at: <https://www.fastcompany.com/90773549/personalization-is-key-to-customer-loyalty-as-inflation-concerns-rise> [Accessed 28 Jan. 2024].

¹⁶⁰ Zwięglinska, Z., 2022. How gamification will impact the future of shopping. [online] Glossy. Available at: <https://www.glossy.co/fashion/how-gamification-will-impact-the-future-of-shopping/>. [Accessed 28 Jan. 2024].

¹⁶¹ Tyagi, R. and Singh, G., 2022. Gamification and customer experience in online retail: a qualitative study focusing on ethical perspective. *Asian Journal of Business Ethics*. doi:<https://doi.org/10.1007/s13520-022-00162-1>.

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Here's the kicker, companies who refuse to go beyond E-commerce 2.0 will be like dinosaurs in a world of smart phones. By 2028, AR is predicted to be worth \$16 billion dollars whilst gamification is expected to grow an additional 26% to the already \$19 billion estimated in 2021¹⁶². So, what's the bottom line? Businesses must jump on the tech train to address key challenges faced by customers and enhance their overall experience to infinity and beyond!

Navigating Cultural Sensitivity

Cultural influences are like spices in the intricate tapestry of CX. They enrich each interaction with depth and distinctive flavour. Retailers aiming to engage with diverse and culturally significant holidays like Easter, Ramadan, Diwali, or Lunar New Year must tread carefully. Coles (2017) faced customer backlash from a 'Happy Ramadan' sign and, Woolworths (2024) faced backlash over not stocking Australia Day Merchandise¹⁶³. Striking the right balance between meeting the expectations of culturally diverse consumers without upsetting loyal customers poses a considerable challenge for retailers and brands alike.

Importantly, embracing a futuristic personalisation-gamification strategy within E-Commerce 3.0, will revolutionise CX, bridging cultural divides to create unparalleled uniqueness and unity.

Conclusion

In today's modern world, it is apparent that CX is a dynamic and multifaceted phenomenon shaped by technological advancements, social trends and dynamic cultural shifts. As these areas continue to evolve, customer preferences and expectations are in a constant state of flux. Now more than ever, customers are quick to switch to competitors if their needs aren't met.

To stay ahead, companies must embrace new personalisation strategies fuelled by technology. Businesses that recognise and adapt to this evolving landscape will be better positioned to meet the ever-changing needs of the modern customer, fostering lasting relationships and ensuring sustained success in the dynamic world of retail.

Will you follow suit and transform the ordinary into something extraordinary?

Does your brand, product, price and service keep up with the market?

Mine does!

¹⁶² Marigold., 2023. *The impact of gamification on retail customer engagement*. [online] Inside Retail Australia. Available at: <https://insideretail.com.au/business/the-impact-of-gamification-on-retail-customer-engagement-202302> [Accessed 17 Feb. 2024].

¹⁶³ Admin, 2024. *Woolworths CEO responds to backlash over decision to not stock Australia Day merchandise*. [online] AMI. Available at: <https://ami.org.au/knowledge-hub/woolworths-ceo-responds-to-backlash-over-decision-to-not-stock-australia-day-merchandise/> [Accessed 28 Jan. 2024].