



Joe Berry Award 2025 Final

Presentation #1

Topic #1 - Q1-A Evolving Retailer Formats – Changing Direction

Wade Rule

Coles NSW



With 16 years of retail experience, including nearly 8 years with Coles. My background spans supply chain automation, project management, and store operations, all underpinned by strong financial and commercial expertise. I thrive in complex environments and enjoy big-picture initiatives—leading commercially driven transformations that deliver lasting value and help shape the future of retail.

Table of Contents

<i>Retailer Format Changes – Is the Juice Worth the Squeeze?</i>	3
Executive Summary	3
Introduction: Are Retailers at an Inflection Point?	4
Infrastructure Underpinning Store Formats	5
Stores of the Future: Improving Productivity	6
Stores of the Future: Online Fulfillment.....	9
Stores of the Future: Redefining Customer Experience	10
Future-Proofing Supermarkets Formats	11
Conclusion: <i>The Juice is Worth the Squeeze</i>	11

Retailer Format Changes – Is the Juice Worth the Squeeze?

Executive Summary

The future of retail isn't just about changing store layouts—it's about transforming brick-and-mortar supermarkets into AI-powered ecosystems.

With rising labour costs within a global competitive landscape, can Australian supermarkets afford to operate without artificial intelligence (AI) at the core of their store operations? This essay discusses whether the strategic *investment in AI is truly worth the initial squeeze* or will retailers *risk drowning in data with little juice to show for it* over the next decade.

Drawing on insights from industry players and using real-world examples, this essay aims to showcase how retailers need to be planning stores powered by edge computing which leverages AI to improve productivity, optimise online hybrid fulfillment channels and re-define the customer experience.

The essay then evaluates how retailers need to find a balance integrating AI into store formats of the future to ensure *the juice — greater efficiency and redefined customer experience — outweighs the squeeze of costs, privacy and ethics*. Success hinges on a cohesive data strategy orchestrated by an AI Excellence Team who have lean testing and rapid prototyping principles front of mind. The outcome? The complete harmonisation of institutional logics unlocking shared value in existing and new market ecosystems.

Ultimately, the conclusion is clear: you can't do **retail** without **ai**. Retailers that strategically integrate AI into their operations will improve top and bottom-line margins, future proof business models and excitingly redefine supermarket economics over the next decade. In this case, *the juice is undoubtedly worth the squeeze*.

Introduction: Are Retailers at an Inflection Point?

At the 2025 National Retail Federation (NRF) Big Show in New York, a strong consensus emerged; retailers that fail to embrace AI tools and technology into their core operations risk being left behind in an increasingly global competitive and technology-driven market.

Microsoft CEO Satya Nadella reinforced this, stating, "*Microsoft have moved from talking about AI, to now helping our customers translate and implement AI into real tangible solutions*"¹. AI is no longer an emerging trend; it has become a fundamental requirement for staying competitive.

Azita Martin, VP & GM of Retail at NVIDIA, reinforced this shift at NRF 2025, stating, "*AI initiatives need to be top-driven; executives and the board must believe in it. To get started you need to focus on solving the biggest business challenges—store operations, e-commerce, and supply chain through AI that leverages vision, analytics, and data simulation technologies.*"

However, AI's rapid evolution comes with inherent risks. Ironically, just a week after Azita's comments, the launch of Deep Seek on January 27, 2025, wiped out \$600 billion of NVIDIA's market cap. This highlights how AI investments can become redundant overnight, *leaving organizations with little juice to show for the squeeze.*

This raises concerns about whether retailers AI strategies are being dictated by large foreign tech conglomerates, through meta-organizations like the NRF, which facilitate environments that push untested and uncharted AI solutions. This presents a critical decision point for Australian supermarkets—is AI just another hype cycle, or is it a non-negotiable imperative?

¹ S. Bransten, AI Built for the Future, Ready Now, Microsoft, 2024, <https://vimeo.com/showcase/11522530/video/1046198966>

Infrastructure Underpinning Store Formats

Retailers must design stores of the future as mini data centres which have advanced edge computing capabilities. Edge computing, powered by NVIDIA graphic processing units (GPUs) enables real-time, localised data processing which reduces latency, lowering bandwidth usage, and can improve operational efficiency ².

As shown in Figure 1, edge computing ecosystems encompass sensors, cameras and chips which are used to create new data streams. This data is relayed back to edge devices which can process and analyse data using AI vision analytics. Key insights are sent back to the cloud for storage. This is known as hybrid computing, blending the cloud and edge capabilities. All this data enables organisations to learn about their store operations like never before!

The edge computing ecosystem is comprised of four primary areas

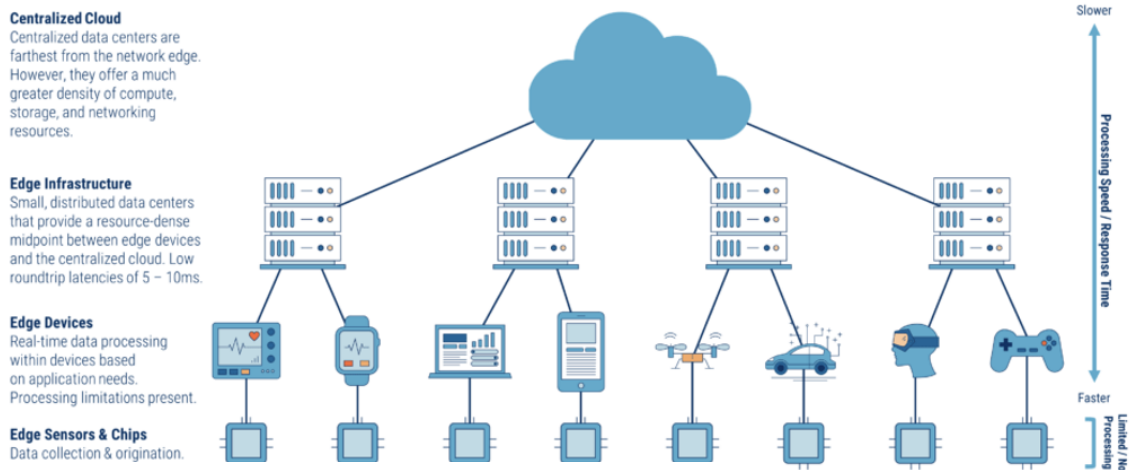


Figure 1: The Hybrid Computing Ecosystem

With the cost of hardware, implementation, and software dropping significantly due to breakthroughs such as Deep Seek, stores can be set up with market-leading edge computing ecosystems for approximately \$50K-\$100k per store³. *This investment is the initial squeeze* required to transform supermarkets into intelligent AI-driven ecosystems to improve productivity, maximising the role of stores in online fulfillment and re-define the customer experience.

² CB Insights Research, The Edge Computing Ecosystem: From Sensors to the Centralized Cloud, <https://www.cbinsights.com/research/edge-computing-ecosystem-sensors-to-cloud/>.

³ Informa TechTarget, The Future of Hybrid Cloud: What to Expect in 2025 and beyond, <https://www.techtarget.com/searchcloudcomputing/feature/The-future-of-hybrid-cloud-What-to-expect-in-2025-and-beyond/>.

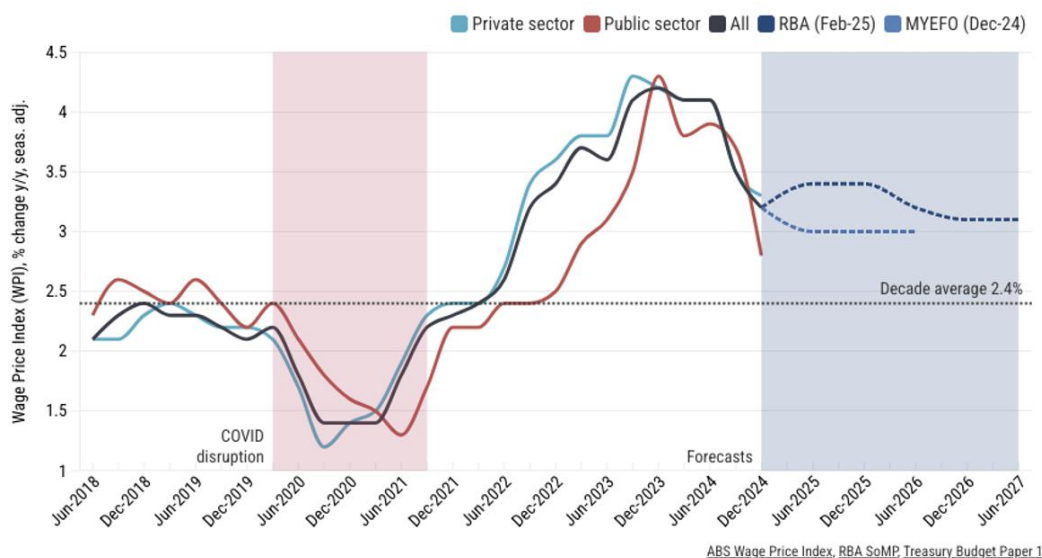
Stores of the Future: Improving Productivity

Australian supermarkets are at a historic inflection point. As forecasted in Graph 1, the compound annual growth rate for supermarket revenue is expected to be only 0.3% over the next five years ⁴.



Graph 1: IBISWorld Revenue for Supermarket & Grocery Stores in Australia: Total value (\$) & YoY change (%) from 2012 to 2030- and five-year outlook.

While supermarket revenue flatlines, the Reserve Bank of Australia (RBA) are forecasting wage growth to ease to 3.4% in 2025 and to 3.1% by the end of 2026 as shown in Graph 2. Specifically, private sector enterprise bargaining agreements (EBAs) are negotiating wage increases of 3.9%⁵.



Graph 2: Ai Group: Australian wage growth rates and forecast 2025

⁴IBISWorld, Revenue for Supermarket and Grocery Stores in Australia – Total Value (\$) and Annual Change from 2012–2030 with Five-Year Outlook, IBISWorld.

⁵Ai Group, Factsheet – Wage Dynamics in Australia, <https://www.aigroup.com.au/resourcecentre/research-economics/factsheets/factsheet-wage-dynamics-in-australia/>.

The risk of wage growth outstripping revenue growth is compounded by hostile unions disrupting customer perception in times of record profits and constant government scrutiny. These inputs, along with increases in electricity prices, mean retailers will need to absorb costs related to rising wages.

To address these rising wage costs, store formats of the future need to improve productivity. *Productivity is defined as the ability to maximise sales and operational efficiency per labour hour while minimizing waste and inefficiencies.*

Stores designed with AI-powered vision analytics can use heat mapping technology to start learning about individual store layouts, product placements and insights into inventory management by staff as shown in Figure 4⁶. By learning and analysing real-time customer and staff behaviours, AI can identify high-traffic areas, offering advice for high-potential product placements, new ways to use underutilised spaces, and identify bottlenecks in labour and inventory management⁷.

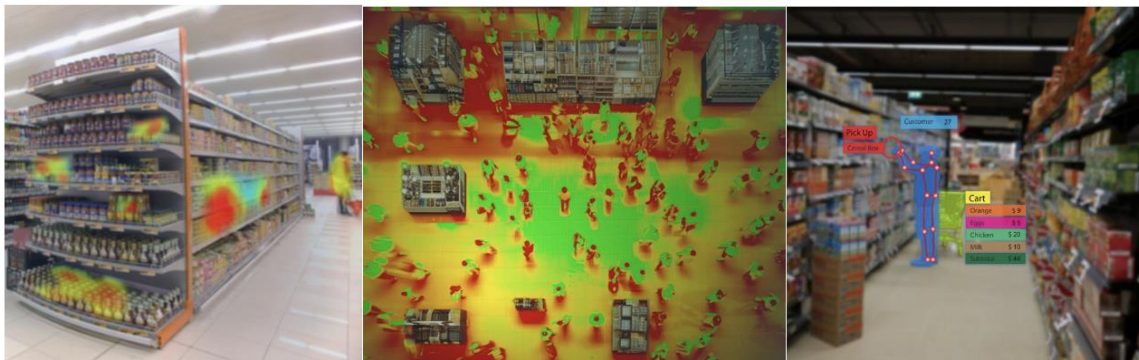


Figure 2: Three examples of AI vision analytics in retail showcasing heatmap and customer movement tracking technology

Using a practical example with real tangible benefits, one of the most time-consuming and labor-intensive tasks in retail is inventory scanning and stock take. The integration of edge computing with autonomous robots can automate this process⁸.

Backed by real-time edge processing supermarkets can unlock substantial labour cost savings while improving overall efficiency. Figure 5 showcases how AI directed robots can scan inventory to check planogram compliance and inventory differences, which is currently in use across Walmart stores in the US.

⁶ V7 Labs, AI in Retail: How Artificial Intelligence Is Transforming the Industry, <https://www.v7labs.com/blog/ai-in-retail>.

⁷ Vision.ai, Computer Vision for Retail Shelf Monitoring: Optimizing On-Shelf Availability, <https://imagevision.ai/blog/computer-vision-for-retail-shelf-monitoring-optimizing-on-shelf-availability>.

⁸ Voxel51, Using Computer Vision to Enhance Customer Experience in Retail, <https://voxel51.com/resources/learn/using-customer-experience-in-retail/>. computer-vision-to-enhance-c



Figure 3: An AI autonomous robot powered by edge computing scanning inventory levels and planogram compliance while customers shop and Team Members work.

AI-driven store operations are no longer a futuristic vision, they are a necessity as supermarkets navigate rising labour costs and shifting consumer expectations. These tools and technology can unlock productivity savings up to \$50,000 per store as modelled below using the inventory robot example.

Cost Factor	Amount (AUD)
Human labour cost (per shift on-costed)	\$ 205.48
Robot operating cost (per day)	\$ 70.25
Daily savings	\$ 135.22
Annual human labour cost (on-costed)	\$ 75,000
Annual robot cost	\$ 25,000
Annual savings per store	\$ 50,000

10 stores EBIT saving	\$ 500,000
100 stores EBIT saving	\$ 5,000,000
1000 stores EBIT saving	\$ 25,000,000

Table 1: Approximate EBIT savings on implementing AI robot to support with manual tasks in stores.

This is one of many examples which will enable organizations to make data driven decisions about each store individually and adapt the format to maximise sales and improve the customer experience based on specific demographics⁹. The opportunity for a true cost to serve model.

However, the rise of AI in retail comes with challenges, including conflicting institutional logics of regulation, privacy and consumer trust due to excessive surveillance. BCG cautions that constant monitoring could undermine employee independence and erode customer trust, making it essential for retailers to strike the right balance between efficiency and ethical risks *before squeezing the juice*¹⁰.

⁹ Netguru, Computer Vision in Retail: Use Cases, Benefits, and More, <https://www.netguru.com/blog/computer-vision-retail>

¹⁰ Boston Consulting Group, Australian Consumer Sentiment Snapshot #7, 2023, <https://www.bcg.com/publications/2023/australian-consumer-sentiment-snapshot-7>.

Stores of the Future: Online Fulfillment

Edge computing can also be used to enable AI-driven real-time inventory management to bridge digital orders with physical stock. Coles and Woolworths use a hybrid model, fulfilling orders through click-and-collect, home delivery via dark stores and automated centres, and same-day services with partners like Milkrun and Uber Eats. Stores of the future need to design with the hybrid model in mind.

Consumer demand supports this approach, with 39% preferring click-and-collect, 35% opting for immediate delivery, and 26% choosing scheduled delivery¹¹. As CEO Alexandre Bompard states, “*Online isn’t an add-on—it’s the battlefield*,” emphasizing the need for an attractive and reliable service, particularly for the key 35–65+ demographic, the largest market opportunity as highlighted in Figure 5.

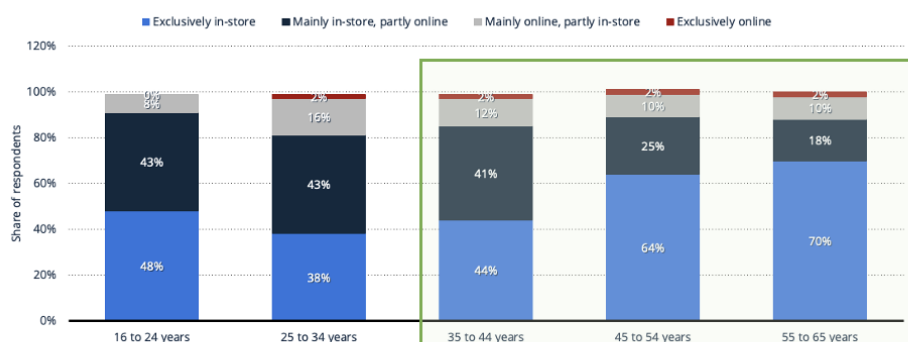


Figure 5: Statista: Distribution of grocery shopping channels used in Australia in 2022, by age group

Edge AI computing applications and devices can address the key reasons why consumers shop online vs offline; product selection, availability, value, customer service, and food quality as shown in Figure 6.

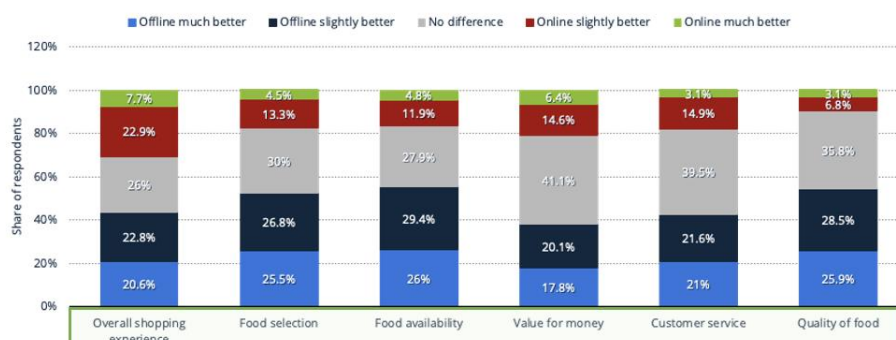


Figure 6: Statista: Reasons for grocery shopping online versus offline in Australia in 2022

¹¹ Statista, Online Grocery Shopping in Australia (Statista, April 2024), 36 pages, PDF, <https://www.statista.com/study/123456/online-grocery-shopping-in-australia/>.

Edge computing and AI analytics bolster physical stores' role in online fulfillment by enabling real-time inventory tracking, optimising pick-and-pack routes, and supporting staff with wearables and devices for swift order processing across the three hybrid models.

Stores of the Future: Redefining Customer Experience

The supermarkets of the future are also set to revolutionize customer experience by using edge computing to power AI to deliver hyper-personalisation, seamless convenience, and drive sustainability initiatives, aligning with the evolving demands of shoppers. Research from a 2023 McKinsey & Company report reveals that 71% of consumers expect personalised interactions, with 76% frustrated when these aren't met, a challenge AI is uniquely suited to address¹².

AI-powered smart carts, equipped with scanners and screens, analyses items as they're added, suggesting recipes tailored to dietary needs or past purchases in real time. Interestingly, these carts use QR codes in the ceiling to track customer movements. Kroger's collaboration with Microsoft exemplifies this, using AI-driven digital shelves to flash personalised promotions via shoppers' loyalty apps, while AI-guided apps pinpoint product locations and provide live tailored markdowns¹³.

Sustainability, too, gets an AI boost in future supermarkets, meeting consumer calls for ethical practices. A 2023 Forrester study found 68% of shoppers prefer eco-friendly retailers, and AI helps deliver¹⁴. Tesco's "zero-waste" stores use AI to track recyclable bin usage, rewarding customers with loyalty points for refilling reusable containers. In-store hydroponic farms, like Carrefour's Paris pilot, rely on AI to optimise water and light for growing fresh herbs in store to reduce wastage.

Collectively, these AI-infused features offer personalisation, interactivity and a focus on sustainability which enables supermarkets to become a vibrant memorable experience. *The juice is worth the squeeze for redefining the customer experience.*

¹² McKinMcKinsey & Company, "Next in Personalization 2023 Report. <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/next-in-personalization>.

¹³ Microsoft News Center, "Kroger and Microsoft Partner to Redefine the Customer Experience and Introduce Digital Solutions for the Retail Industry," January 7, 2019, <https://news.microsoft.com/2019/01/07/kroger-and-microsoft-partner-to-redefine-customer-experience-introduce-digital-solutions-for-retail-industry/>.

¹⁴ Forrester Research, "Forrester's Green Consumer Segmentation, 2023. <https://www.forrester.com/report/forresters-green-consumer-segmentation-2023/RES178745.pany>, "Consumer Expectations and Personalization in Retail," 2023

Future-Proofing Supermarkets Formats

The future of Australian supermarkets depends on strategic AI integration to navigate rising labour costs and evolving consumer expectations. AI is not just a tool for efficiency, it is a value driver that enhances profitability, operational effectiveness, and customer experience. Stores of the future need to be designed to capture as many data points as possible so AI analytics software can learn about trends and unlock insights about store designs and layouts not possible with the human mind.

A centralised AI Excellence Team needs to ensure consistency, governance, and ethical deployment while carefully managing conflicting institutional logics of privacy, ethics and regulation to maintain customer trust. The harmonisation of these institutional logics across the individual, team and organisational levels will be key to unlocking shared value across new markets and ecosystems.

By leveraging scalable vision AI, edge devices, and smart fulfillment, supermarkets can gain real-time insights and personalise customer experiences. As AI deployment costs decline globally by 20–30%, now is an optimal opportunity to invest in these technologies while ensuring that governance frameworks align with institutional expectations and consumer confidence¹⁵.

However, success depends on implementation and execution. The edge computing ecosystem enables a pipeline of growth initiatives to be built out over the next decade. Lean testing and agile prototyping allow supermarkets to start small and scale fast, turning AI-driven insights into top and bottom-line benefits.

Conclusion: *The Juice is Worth the Squeeze*

Meta-organizations like the NRF do play a key role in guiding AI adoption. NRF CIO Steve Randich stresses, “*Meta-organizations are the connective tissue between retailers and technology*,” promoting collaboration and ethical standards¹⁶. These networks help supermarkets navigate complex institutional logics balancing politics, ethics, customer experience, and sustainability, while ensuring AI adoption is strategic, scalable, and aligned with industry goals.

AI is not another hype cycle, it is non-negotiable. You can't do retail without **ai**. Supermarkets that embrace AI-driven transformation will not only survive but thrive, ensuring their place in the future of retail. *The juice isn't just worth the squeeze, it's key to decade long success.*

¹⁵ Gartner - Take This View to Assess ROI for Generative AI 2024 A
Available at: <https://www.gartner.com/en/articles/take-this-view-to-assess-roi-for-generative-ai>

¹⁶ National Retail Federation, “NRF Panel Discussion Retail Principles for Artificial Intelligence,” January 2025



Joe Berry Award 2025 Final

Presentation #2

Topic #2 – Q-2A: Innovation and NPD – The Cost of Entry

Holly Gregory

Arnotts Sydney



Working on Australia's favourite chocolate biscuit, Tim Tam, Holly is dedicated to creating delicious moments that delight consumers. Fuelled by passion (and the occasional biscuit), she champions brand initiatives that drive category growth and deliver retail excellence.

Contents

1. Executive Summary.....	3
2. Barriers to Innovation.....	4
3. Company Recommendations.....	7
4. Customer Recommendations.....	9
5. Conclusion.....	11

1. Executive Summary

You walk into a casino, \$1M stake in hand, ready to place your bet on a single roulette spin. Here is the catch, you only have a 24% chance of winning. Would you take the risk?

This scenario mirrors the gamble faced by companies entering new product development (NPD). According to a Nielsen study of over 12,000 new FMCG products in Europe, this is the likelihood of an NPD surviving the first year of launch: 24%¹⁷. The current economic climate in Australia adds complexity, with rising commodity costs, waning consumer trust, and the growth of private label brands¹⁸. Nevertheless, FMCG innovation is essential for long-term growth. It drives growth, penetration, category expansion and helps meet evolving consumer needs. The current financial and practical hurdles make it more prudent than ever that customers and companies collaborate to drive innovation that prioritises consumers. *Figure 1*¹⁹ illustrates this paradigm, where customer relationships are the primary source of competitive advantage, followed by innovation.

This paper explores the barriers to innovation and the actions companies and customers must take to drive enduring, consumer-centric innovation. Companies are urged to embrace open innovation, consumer preference testing, and balance innovation with core, while customers are encouraged to create mutual value, engage early in the NPD process,

Figure 1

¹⁷ Dijksterhuis, G. (2016). The Nielsen breakthrough innovation report: A closer look at the factors behind winning new products. *International Journal of Research in Marketing*, 33(2), 331-336. <https://doi.org/10.1016/j.ijresmar.2016.01.002>

¹⁸ Australian Retailers Association. (2025, February 26). President's address: Retail endurance – Seizing opportunities in change and challenge. Australian Retailers Association. <https://www.retail.org.au/news-and-insights/presidents-address-retail-endurance-seizing-opportunities-in-change-and-challenge>

¹⁹ de Jong, M., Banholzer, M., & Doherty, R. (2025). How top performers use innovation to grow within and beyond the core. McKinsey & Company. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-top-performers-use-innovation-to-grow-within-and-beyond-the-core>

Joe Berry Award 2025 Finalist's Essays

The biggest sources of competitive advantage vary by industry, but innovation is consistently in the top three.

Share of respondents citing factor as source of organization's competitive edge, %

Click to select industry



2. Barriers to NPD and Innovation: Customer, Company, and Consumer Perspectives

2a. Customer

One of the primary barriers to entry is competition **from private label** (PL) brands. Once perceived as generic, low-cost alternatives, PL's have evolved into highly competitive, consumer-focused products²⁰. In Australia, PL brands now account for 36% of the total FMCG market share²¹, with 55% of Australians believe PL brands are increasingly offering better quality products²². PL's are increasingly acting like brands, as seen with Woolworths' Macro Own Brand in *Figure 2*²³. The Macro range has strong brand positioning and a competitive edge by offering high-quality, organic, and wholesome food²⁴, directly competing with innovation from leading brands.



Figure 2

²⁰ Circana. (2025). From growth to transformation: Global private label.

²¹ Circana. (2025). From growth to transformation: Global private label.

²² L'Huillier, M. (2025). How brands can redefine value to connect with customers in tough economic times. EY. https://www.ey.com/en_au/future-consumer-index/how-brands-can-redefine-value-to-connect-with-customers-in-tough-economic-times

²³ <https://www.woolworths.com.au/>.

²⁴ Woolworths Group. (n.d.). Our history. Woolworths Group.

Increasing margin pressure is another key barrier to entry. In the duopoly-driven market, along with the growth of private labels, rising costs, and consolidation, retailers are placing margin pressure back onto companies. This is highlighted by a recent McKinsey study, which revealed that 70% of CEOs in the industry view addressing margin pressure as their top priority²⁵. From an Australian perspective, a recent IBISWorld analysis shows nearly 1% increase in average profit margins over the past five years²⁶. As retailers prioritise profitability and scale through core offerings, innovation frequently takes a second role.

This leads into the final barrier amid mounting margin pressures and an already concentrated market, **shelf-space limitations**²⁷. This barrier is evidenced in Coles' recent announcement of a double-digit product rationalization, which will see 10% of products delisted²⁸. The shrinking in-store real estate, alongside the expansion of PL offerings, make it increasingly difficult for companies to secure shelf space for NPD whilst maintaining core offerings.

2b. Company

Cost and financing barriers are the primary barriers hindering companies from pursuing innovation²⁹. These include lack of internal funds, lack of external financing and high costs of innovation³⁰. While external stakeholders and market factors play a role, the responsibility falls on companies to strike the precarious balance between funding core products and driving innovation. Companies are increasingly opting for low-cost, low resource NPD rather than investing in the necessary research, consumer testing, and go-to-market strategies needed for lasting innovation³¹.

The **low success rate of innovation** makes it increasingly difficult for companies to pursue innovation, especially as new products typically take two or more years to become profitable³². Psychological factors such as confirmation bias and the sunk cost fallacy further complicate decision-making. A notable example is Coca-Cola's

²⁵ McKinsey & Company. (2024). State of grocery Europe 2024: Signs of hope. McKinsey & Company.

<https://www.mckinsey.com/industries/retail/our-insights/state-of-grocery-europe-2024-signs-of-hope>

²⁶ IBISWorld. (2024). Supermarkets and grocery stores in Australia. IBISWorld. <https://www.ibisworld.com/australia/industry/supermarkets-and-grocery-stores/1834/>

²⁷ L'Huillier, M. (2023). How brands can redefine value to connect with customers in tough economic times. EY. https://www.ey.com/en_au/future-consumer-index/how-brands-can-redefine-value-to-connect-with-customers-in-tough-economic-times

²⁸ Harris, A. (2025, January 31). Coles calls in Bain as it slashes the number of products on shelves. Australian Financial Review. <https://www.afr.com/companies/retail/coles-calls-in-bain-as-it-slashes-the-number-of-products-on-shelves-20250131-p5l8l8>

²⁹ Carvache-Franco, O., Carvache-Franco, M., & Carvache-Franco, W. (2022). Barriers to Innovations and Innovative Performance of Companies: A Study from Ecuador. *Social Sciences*, 11(2), 63. <https://doi.org/10.3390/socsci11020063>

³⁰ Corchuelo Martínez-Azúa, B., & Sama-Berrocal, C. (2022). Objectives of and barriers to innovation: How do they influence the decision to innovate? *Journal of Open Innovation: Technology, Market, and Complexity*, 8(3), Article 63. <https://doi.org/10.3390/joitmc8030063>

³¹ Ordoñez-Gutiérrez, Á. V., Méndez-Morales, A., & Herrera, M. M. (2023). Barriers to innovation: A systematic literature review. *Trilogía Ciencia, Tecnología y Sociedad*, 15(29), e2614. <https://doi.org/10.22430/21457778.2614>

³² Govindarajan, V., & Trimble, C. (2014, June). No innovation is immediately profitable. *Harvard Business Review*. <https://hbr.org/2014/06/no-innovation-is-immediately-profitable>

introduction of "New Coke" in 1985³³. The product faced immediate consumer backlash, yet the company continued supporting it long after it should have due to the significant resources already invested. Coca-Cola's failed attempt to innovate by changing its core range underscores the challenge companies face in balancing innovation with the strength of established products.

2c. Consumer

Understanding consumer needs is paramount for successful product development. The inability to meet consumer demand results in persistent high failure rates of new products in consumer markets³⁴. This is heightened by the shift in Australia's economic and retail landscape in recent years leading to a **decline in consumer trust**³⁵. A recent Roy Morgan study highlighted that Australians have never been more distrusting of corporate Australia³⁶. This is exemplified by a recent ARA study, showing that 65% of retailers said consumer spending and confidence are the biggest barriers to growth³⁷. This climate makes it one of the hardest times to innovate as consumers are hesitant to try new products and gravitate towards the brands they know and love.

With consumer distrust persisting, what will compel consumers to spend their limited disposable income on innovation?

Changes that will satisfy both the manufacturer and retailer to successfully collaborate on NPD.

Once a new product is launched, the most consistent contributing factor in its failure is a lack of consumer focus.³⁸ This section outlines changes, as seen in *Figure 3*, that both companies and customers can make to adopt a consumer-centric approach and overcome practical and financial hurdles in the long run.

³³ Jones, K., Bertsch, A., Ondracek, J., & Saeed, M. O. (2016). Don't mess with Coca-Cola: Introducing New Coke reveals flaws in decision-making within the Coca-Cola company. *GE-International Journal of Management Research*, 4(10). https://www.researchgate.net/publication/316255186_Don%27t_Mess_with_Coca-Cola_Introducing_New_Coke_Reveals_Flaws_in_Decision-Making_within_the_Coca-Cola_Company

³⁴ Perttunen, E., Jung, S., Kirjavainen, S., Björklund, T., & Kim, S. (2021). The role of consumer influences in the new product development of packaged food and beverage ventures. *Proceedings of the Design Society*, 1, 3111–3120. <https://doi.org/10.1017/pds.2021.572>

³⁵ Rodrigues, D. (2024). Australian consumer insights. Mintel. https://clients.mintel.com/content/custom/australian-consumer-insights?fromSearch=%3Ffilters.region%3D17%26last_filter%3Dregion%26resultPosition%3D15

³⁶ Roy Morgan. (2023, August 31). Risk monitor: Moral blindness. Roy Morgan. <https://www.roymorgan.com/findings/9321-risk-monitor-moral-blindness-august-31-2023>

³⁷ Australian Retailers Association. (n.d.). *President's address: Retail endurance – Seizing opportunities in change and challenge*. Australian Retailers Association. <https://www.retail.org.au/news-and-insights/presidents-address-retail-endurance-seizing-opportunities-in-change-and-challenge>

³⁸ McKinsey & Company. (2022). *What is innovation?* McKinsey & Company. <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-innovation>

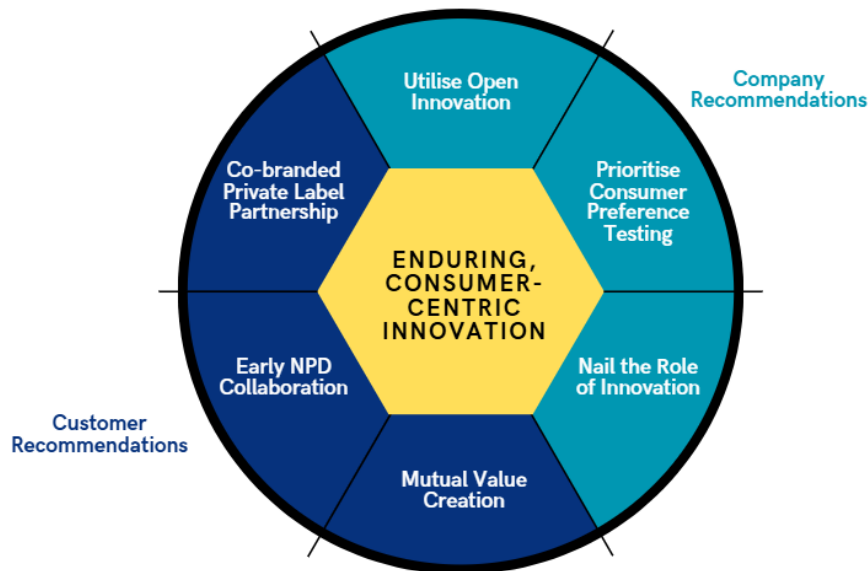


Figure 3: Recipe for Enduring Innovation

3. Company Recommendations

3a. Utilise Open Innovation

To remain competitive and meet evolving consumer demands, companies can no longer rely solely on its own resources³⁹. Open innovation (OI), as seen in *figure 4*⁴⁰ incorporates external insights from consumers, markets, and technology, differing from the traditional R&D vertical integration approach⁴¹. It demonstrates how innovation can thrive even with limited financial resources as it leverages the power of combining diverse bodies of knowledge to drive impactful results.

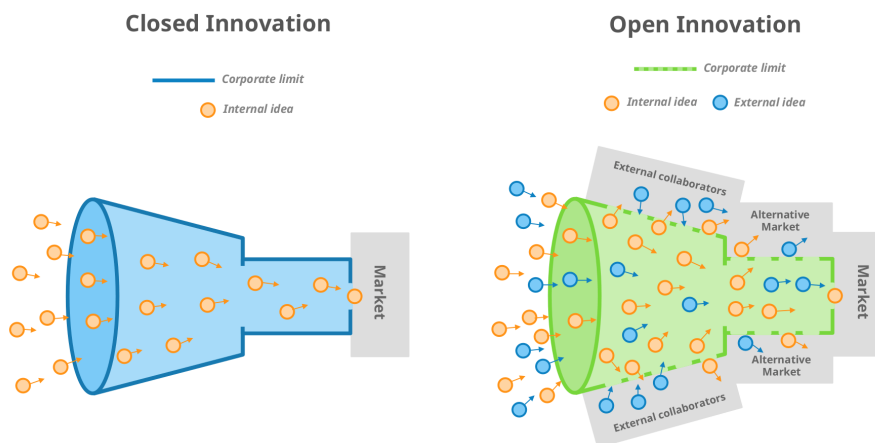


Figure 4

³⁹ Derqui, B., Fayos, T., & Occhiocupo, N. (2022). The virtuous cycle of trust: Unveiling clues to successful innovation in the Fast Moving Consumer Goods industry. *European Journal of Innovation Management*, 25(6), 1085–1104. <https://doi.org/10.1108/ejim-01-2022-0006>

⁴⁰ Chesbrough, H. (2003, January 1). The era of open innovation. MIT Sloan Management Review. <https://sloanreview.mit.edu/article/the-era-of-open-innovation/>

⁴¹ Billington, C., & Davidson, R. (2010). Using knowledge brokering to improve business processes. McKinsey & Company. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/using-knowledge-brokering-to-improve-business-processes>

A key example is LEGO, an early adopter of OI, launching Mindstorms in 1998 with MIT Media Lab⁴². LEGO's initial success with OI prompted the development of a crowdsourcing platform, now a 2.8-million-strong community that has generated 135,000 ideas, 40 of which have been launched⁴³. Other companies have also thrived with OI, including Unilever, using its platform to present challenges like oil oxidation technology to external innovators, IKEA's digital co-creation platform and Coca-Cola's co-creation efforts in local markets. This highlights how OI unlocks superior innovation, allowing companies to stay competitive and agile while managing costs effectively.

3b. Prioritise Consumer Preference Testing

Following an initial phase of OI, to successfully launch a lasting product that genuinely prioritises consumer needs, consumer testing is vital⁴⁴, more specifically consumer preference testing (CPT). Although CPT has higher upfront costs, it directly measures consumer opinions, behaviours and purchasing intent, providing real-world insights, and thus reducing the likelihood of a costly launch failure⁴⁵. However, other methods such as internal panel testing may be time and cost-effective but lack market representation⁴⁶. A compelling case study for CPT is Nestlé, which uses a 60/40 approach, requiring at least 60% of a large consumer sample to prefer its product in blind taste tests against competitors⁴⁷. This approach has yielded strong results as evidenced by the Nescafe Gold Origins launch⁴⁸. Nestle offered a product that provided a step-up in quality and experience, catering to coffee enthusiasts seeking a more refined option. By adopting consumer preference testing, companies can overcome financial and practical barriers by validating product appeal early, reducing the risk of costly failures, and driving more competitive and sustainable NPDP.

3c. Nail the Role of innovation

The final imperative is for companies to clearly define the role of innovation, ensuring it drives growth without compromising the integrity of their core range. A strong core is essential to any company's success, yet innovation is equally crucial as it fuels incrementality and growth⁴⁹. Companies are encouraged to look beyond what they

⁴² <https://www.mckinsey.com/capabilities/operations/our-insights/the-next-step-in-open-innovation>

⁴³ Beretta, M., Dahlander, L., Frederiksen, L., & Thomas, A. (2021, February 17). LEGO takes customers' innovations further. MIT Sloan Management Review. <https://sloanreview.mit.edu/article/lego-takes-customers-innovations-further/#:~:text=Lego%20has%20found%20productive%20ways,quality%2C%20safety%2C%20and%20buildability>

⁴⁴ Lawless, H., Heymann, H. (2010). Preference Testing. In: Sensory Evaluation of Food. Food Science Text Series. Springer, New York, NY. https://doi.org/10.1007/978-1-4419-6488-5_13

⁴⁵ Pellegrino, Gabriele. 2018. Barriers to innovation in young and mature firms. Journal of Evolutionary Economics 28: 181–206. [Google Scholar] [CrossRef]

⁴⁶ Ruiz-Pava, G., & Forero-Pineda, C. (2020). Internal and external search strategies of innovative firms: the role of the target market. Journal of Knowledge Management, 24(3), 495–518.

⁴⁷ Nestlé. (n.d.). Nestlé enhances taste and nutritional value. Nestlé. <https://www.nestle.com.au/en/media/nestle-enhance-taste-nutritional-value>

⁴⁸ Espinoza-Orias, N., Cooper, K., Lariani, S. (2018). Integrated Product Development at Nestlé. In Designing Sustainable Technologies, Products and Policies. Springer, Cham. https://doi.org/10.1007/978-3-319-66981-6_50

⁴⁹ Buffoni, A., de Angelis, A., Grüntges, V., & Krieg, A. (2017). How to make sure your next product or service launch drives growth. McKinsey & Company. <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/how-to-make-sure-your-next-product-or-service-launch-drives-growth>

conceptualise as traditional blue-sky innovation to other forms of innovation such as changes to pack format. A classic example of successful format innovation is Coca-Cola's Mini 250mL cans⁵⁰. Instead of launching a completely new product, Coca-Cola introduced a smaller, portion-controlled format to cater to the new consumer that wanted healthier, smaller, and more convenient servings. By balancing core offerings with strategic innovations, companies can drive penetration and new occasions while ensuring the stability and profitability of their core.

4. Customer Recommendations

4a. Mutual Value Creation

Innovation has never been retail's first language, yet it has proven essential for driving growth, consumer satisfaction and competitive advantage⁵¹. As a result, retailers are now compelled to invest in innovation to drive joint success and deliver lasting innovation. One of the most effective ways to achieve this is through driving in-store presence and trial, with in-store sampling as a key execution⁵². Hofstede's decades-old research shows that giving consumers the chance to try a product reduces uncertainty and perceived risk, which is critical in today's economic climate where consumers are more hesitant than ever to try unfamiliar products⁵³. Costco stands out as a prime example, using in-store sampling across global markets⁵⁴. In the US, this strategy has delivered impressive results; with wine sales rising by 300% and frozen pizza 600% during sampling period⁵⁵. Retailers often focus on such tactical support during the introductory phase to drive an inflated spike. This spike, amplified by company activities, is reflected in analysis showing that peak share for #1 FMCG products typically occurs just 24 days after launch⁵⁶. However, after the initial launch, retailers are urged to consider the product life cycle and invest in sustaining momentum and support beyond year one to drive innovation forward.

4b. Early Collaboration with Company's NPD

A further key recommendation for customers is to collaborate with companies at the concept development stage to shape NPDs that directly address shopper needs and fill category gaps⁵⁷. This benefits all stakeholders by tailoring innovation to customer shoppers, giving companies greater confidence in ranging decisions and better

⁵⁰ Chu, Bodi. (2020). Analysis on the Success of Coca-Cola Marketing Strategy. 10.2991/aebmr.k.201128.019.

⁵¹ Alshwayat, D., Elrehail, H., Shehadeh, E., Alsalmi, N., Shamout, M. D., & Rehman, S. U. (2023). An exploratory examination of the barriers to innovation and change as perceived by senior management. *International Journal of Innovation Studies*, 7(2), 159-170. <https://doi.org/10.1016/j.ijis.2022.09.003>

⁵² Mihăescu, I. (2020). Product sampling effect on purchase decision: Also by social aspects. *Marketing and Management of Innovations*, 15(3), 122-130. <https://doi.org/10.21272/mmi.2020.3-10>

⁵³ Hofstede, G. (2011). Dimensionalizing Cultures: The Hofstede Model in Context. *Online Readings in Psychology and Culture*, 2(1). <https://doi.org/10.9707/2307-0919.1014>

⁵⁴ Shastri, A. (2024). *Business model of Costco*. IIIDE. <https://iide.co/case-studies/business-model-of-costco/>

⁵⁵ Morgenstern, D. (2014). The psychology behind Costco's free samples. *The Atlantic*. <https://www.theatlantic.com/business/archive/2014/10/the-psychology-behind-costcos-free-samples/380969/>

⁵⁶ Stray Partners. (n.d.). 12-year analysis for new product launches. Stray Partners. <https://www.straypartners.com/cases/12-year-analysis-for-new-product-launches>

⁵⁷ Biggs, C., Tawfik, K., Aylwin, J., Jain, T., Gospodinov, D., & Zeller, A. (2025). How retailers use innovation to gain an edge. Boston Consulting Group. <https://web-assets.bcg.com/c8/2a/386f5c39419a8bf3877ddb853154/bcg-x-wrc-how-retailers-use-innovation-to-gain-an-edge.pdf>

meeting consumer needs. It also paves the way for exclusive launches and joint promotional plans that drive mutual success. A notable example of this is Sainsbury's collaboration with Unilever to develop exclusive ice cream flavours for the brand's magnum line⁵⁸. By collaborating at the concept stage, Sainsbury's helped co-create flavours that fit their consumers' tastes, such as the "Sainsbury's Cherry Magnum", helping both parties strengthen their market offering and drive sales. While exclusivity can limit scale, customers are still encouraged to share data to fuel NPD and avoid launching misaligned innovation.

4c. Co-branded Private Label Partnership

With Private Label (PL) emerging as leaders in innovation, a co-branded PL partnership offers a powerful strategy to capitalise on this momentum and overcome hurdles⁵⁹. From a company perspective, it leverages the growing consumer trust in PLs and supports a high-volume, low-margin strategy, while customers benefit from the company's established brand equity and consumer base⁶⁰. A key example of such a collaboration is the Coles Bakery x Arnott's Iced Vovo Hot Cross Bun collaboration⁶¹. This partnership leveraged Arnott's strong brand recognition, reinforcing the quality perception and unique product offerings of Coles' PL range. For Arnott's, it resulted in a 58% uplift in Iced Vovo Biscuits in bakery stores⁶². Such partnerships foster innovation and the joining of resources, helping to overcome financial and practical challenges.

5. Conclusion

The barriers to new product development and innovation in the FMCG sector are significant, however the importance of innovation for long-term growth and competitive advantage remains undeniable. To overcome the rising barriers, companies must prioritise open innovation, invest in consumer testing, and find a balance between core offerings and innovative products, whilst customers can drive innovation forward through continued in-store support, data-sharing and early collaboration. By embracing a collaborative, consumer-centric approach, both companies and customers can navigate the financial and practical hurdles limiting innovation and deliver enduring, consumer-centric innovation. Thus, the gamble of NPD becomes less about risk – and more about playing to win.

⁵⁸ Perusco, H. (2018). Sainsburys and Unilever to launch exclusive magnum flavour. The Grocer.

<https://www.thegrocer.co.uk/magazine/archive/sainsburys-and-unilever-to-launch-exclusive-magnum-flavours/554935.article>

⁵⁹ Beacom, E. and Bergin, A. (2024), "Private label partnerships with retailers: a risk or opportunity for producers?", International Journal of Retail & Distribution Management, Vol. 52 No. 13, pp. 16-30. <https://doi.org/10.1108/IJRDM-08-2023-0494>

⁶⁰ Beacom, E. and Bergin, A. (2024), "Private label partnerships with retailers: a risk or opportunity for producers?", International Journal of Retail & Distribution Management, Vol. 52 No. 13, pp. 16-30. <https://doi.org/10.1108/IJRDM-08-2023-0494>

⁶¹ Feiam, A. (2025, February 26). Aussie classic: Coles introduces Wagon Wheel-inspired hot cross bun collaboration for Easter. News.com.au. <https://www.news.com.au/lifestyle/food/eat/aussie-classic-coles-introduces-wagon-wheels-inspired-hot-cross-bun-collaboration-for-easter/news-story/1049303a5a63ad98a90b2254874c4518>

⁶² IRI-Aztec Scan w/c 29/01/2025



Joe Berry Award 2025 Final

Presentation #3

Topic 2A Q-2 Innovation and NPD – The Cost of Entry

James Gardner

Woolworths Sydney



Hello, my name is James Gardner. If I can change the mind of even just one executive and inspire a change in the innovation pipeline for just one business, I will have lived my purpose. I look forward to meeting you all in June.

Contents

Executive Summary:	3
Introduction – Learnings from the past:	4
Application to Australian Retail	5
Barrier 1: The Elephant in the Room - “Innovation in Australia is just too expensive”	6
Barrier 2: Manufacturers wear the risk; Shared Investment:	7
Barrier 3: Reduce the cost of failure; The Lean-Startup:	8
The Alternative Path: Private-Label Innovation:	9
Conclusion	9

Executive Summary:

The future of national brands is at risk.

Customer penetration in own brands is increasing⁶³, customer are progressively less loyal to brands, and switching behaviours continue to rise⁶⁴.

National brands run the risk of becoming irrelevant should they not react appropriately and step-up their game on innovation; reminding customers of the reasons to choose their product, or buying-in to the Private Label market.

To buck the trend we can consider four options:

1. Address the high cost of innovation and relatively small Australian market size⁶⁵. Offshore lower-cost innovation fed with localised data, and adjusted hurdle-rates
2. Share the risk of innovation; Retailers must entertain shared investment, longer contract-terms, and exclusive partnerships⁶⁶
3. Reduce the cost of failure. Adopt the Lean-Startup methodology⁶⁷: launch fast, launch small, test frequently, and scale with confidence.
4. Diversify your portfolio; De-risk your range and become the go-to private label innovation partner for retailers.

Insanity is defined as doing the same thing and expecting different results. Will the Australian Retail Market act with insanity and simply hope for the best?

⁶³ WW & Coles Financial Reports F23, F24, H1 ASX Announcements

⁶⁴ Shopper Intelligence; State of the Nation 2024

⁶⁵ [Build Australia; australia-becomes-the-fourth-most-expensive-region-for-construction](#) .

⁶⁶ Expert Interviews; Woolworths South Africa, Albert Heijn

⁶⁷ <https://www.ah.nl/over-ah/innovatie/labs>

Introduction – Learnings from the past:

In 1916 my Great Grandfather fell out of the sky. Flying a single-speed biplane, Pop' was pushing the limits. Catastrophically, his fuel pipe froze – free-falling some 200 feet through the air. By some miracle he landed on a chicken coup & survived to tell the engineers of the [near] fatal design flaw. This single incident revolutionized bi-plane design – innovation was thinking beyond where pilots had flown before and towards where they might fly in the future⁶⁸.

Fast forward almost a century, open any MBA textbook⁶⁹, and you will find a couple of well-known retail stories.

In 1997, Apple was on the brink of failure⁷⁰. Struggling with a fragmented and ballooning product line, declining revenues, and lacking vision - something had to change. The response? Investment in innovation through acquiring NeXT [Jobs' company]. With Jobs at the helm, Apple ruthlessly focused on the evolving customer need and pioneered a new category of computing; All-in-one 'plug-and-play' style devices.

On the contrary, Kodak, despite developing one of the first digital cameras, failed to embrace innovation⁷¹ and chose to prioritise film... but why? 1) Kodak assumed that customers would choose film quality and tangibility over digital, and 2) pursuing digital would damage superior film revenue streams. By missing the customer need and focusing on short-term profit they went into a tailspin and never fully recovered. Kodak filed for bankruptcy while Sony and Nikon rode the digital growth wave.

So what lessons must we take into our own context?

1. **Innovation is the act of deeply understanding and meeting customer needs;** Prolonged success means looking to where customer needs are going [Apple, Biplanes] over the success of the past [Kodak]
2. **Innovation requires investment;** Kodak had the answer at their fingertips through their ground-breaking digital prototype, while Apple invested in NeXT through takeover
3. **Innovation requires vision & executive mandate;** Jobs never allowed Apple to stagnate. Kodak intentionally chose to 'play it safe.' Pop' was living proof of a need to change.

So if you've heard the story... why are the Apple's of Australia so few and far between?

Let us dive into our own retail context.

⁶⁸ Family interviews & Personal Histories - 2025

⁶⁹ Out of Focus: The story of how Kodak lost its direction – John Larish, 2012

⁷⁰ <https://www.businessinsider.com/apple-comeback-story-2010-10>

⁷¹ [The CDO Times; Case Study: Kodak's Downfall—A Lesson in Failed Digital Transformation and Missed Opportunities](#)

Application to Australian Retail

Customer purchase patterns have changed since Covid, posing a significant risk to the prevalence of national brands, and the profitability of the industry; Price sensitivity has increased across categories⁷², customers are more promiscuous^{73,74}, and customer switching into private-label has increased⁷⁵. Without meaningful differentiation in quality [perceived or product attribute], customers will continue to choose price in a 'race to the bottom.' Compounding the challenge, we know that Australian innovation⁷⁶ & high cost-of-doing-business⁷⁷ put us behind our global peers⁷⁸ - we are playing catch up⁷⁹.

Figure1: Left; Innovation leaders compared through Asia – Australia ranks 17th Right; Australian labour costs are the 14th highest compared to 53 global peers



Considering this risk, it is essential that we buck the trend of under-investment and innovate immediately. To do so, we can apply the learnings of the Biplane, Kodak and Apple and examine three key barriers to innovation, providing solutions to help national brands and their manufacturing partners navigate this challenging landscape. As a kicker, you must consider the alternative path; becoming the go-to private-label innovation partner, diversifying your product and customer portfolio.

⁷² <https://ecommercenews.com.au/story/australians-prioritise-value-for-money-as-economic-pressures-mount>

⁷³ <https://www.foodmag.com.au/brand-switching-rise-putting-brand-loyalty-risk/>,

⁷⁴ <https://foodinstitute.com/consumerinsights/survey-88-of-shoppers-willing-to-switch-brands-to-save/>

⁷⁵ Simon Ford, Shopper Intelligence, State of the Nation 2024

⁷⁶ <https://theconversation.com/australias-innovation-problem-explained-in-10-charts-51898>

⁷⁷ Independent analytics on destatis data tables; https://www.destatis.de/EN/Themes/Countries-Regions/International-Statistics/Data-Topic/Tables/BasicData_LaborCosts.html

⁷⁸ <https://www.pc.gov.au/media-speeches/articles/great-productivity-divide>

⁷⁹ [The Australian Financial Review; /australia-is-now-an-economic-problem-child-mckinsey-](https://www.afr.com/australia-is-now-an-economic-problem-child-mckinsey-20230801)

Barrier 1: The Elephant in the Room - "Innovation in Australia is just too expensive"

Australia's small market size and high cost-of-doing-business create a significant hurdle for innovation⁸⁰. This drives local underinvestment & piggybacking of offshore innovations into the Australian market. The challenge lies in the success rate of these global innovations. Consider the launch of Starbucks in Australia; the American proposition did not resonate as strongly with the Australian local cafe culture leading to a closure of 2/3rds of its fleet by 2008⁸¹. In private label; low-cost imported furniture lines have struggled to compete with IKEA, falling short of Australian quality expectations⁸². While in food, US influencer-brand launches have tended to 'fizzle' quickly with low-repeat purchasing among Australians⁸³.

The answer therefore lies in disaggregation of the need... To reclaim their relevance as go-to-brands, Australian FMCGs need cheaper access to innovation, with a hyper-focus on the unmet local-customer need. Offshore innovation hubs fed by local data. The Philippines deodorant market sets an excellent case-example. At the turn of the millennia, P&G, with its Cincinnati innovation-centre, disrupted the market by introducing existing technology [dry-stick-deodorant] to the market. Unilever responded by identifying & addressing the root cause of the under-penetrated [<30%] market; unit price. Many Filipino households could not afford the purchase outlay. By deploying a small pack-size-format, tailored to local consumers, they re-captured the market⁸⁴. While Apple capitalized on the unmet-need of convenience and accessibility, Unilever brought the market to the customer [much like Twisties have done with their low-cost small-pack-size in New Guinea⁸⁵].

Taking a different angle, research demonstrates that innovation thrives when executives [and employees] are rewarded for successful-launches and protected when bets inevitably fail⁸⁶. How? Incentive-change. In the world of coffee, the Nespresso machine succeeded only 10-years after concept-development⁸⁷. We are clinically wired to avoid pain and failure⁸⁸ and often reward those who bring safe incremental benefit.

How then can we expect our Category Managers with annual incentives and 2-year tenures to not act as Kodak did? If we want to innovate as Apple has, we must organise and incentivize very differently.

So how do we drop the cost of failure? We overcome two key barriers...

⁸⁰ [Build Australia; australia-becomes-the-fourth-most-expensive-region-for-construction report/](#)

⁸¹ <https://www.castusglobal.com/insights/how-starbucks-missed-the-mark-in-australia>

⁸² <https://foodinstitute.com/focus/missing-the-mark-private-label-is-failing-at-target/>

⁸³ Interview; Australian Retailer – 2025 – Prime product performance interview

⁸⁴ Interview with SEA FMCG Exec – 2025

⁸⁵ <https://goodmanfielder.com/brands/twisties/snacks/>

⁸⁶ ANZ's Chief-Transformation-Officer argues that "CTO roles can be a poisoned chalice" and that transformation only takes place when incentives change – OPEX Summit 2024 Key Note Address

⁸⁷ <https://perfectdailygrind.com/2020/08/a-brief-history-of-coffee-pods-nespresso-keurig-capsules/>

⁸⁸ Simon Sinek – Youtube Series 2019 – Performance vs Trust

Barrier 2: Manufacturers wear the risk; Shared Investment:

The current model, where manufacturers bear the cost of innovation, is unsustainable. Costs impact margins on existing ranges, becoming unattractive to retailers, or manufacturers choose to under-invest in disruptive innovation. The solution involves longer contracts, exclusive innovation partnerships⁸⁹, or shared investment.

Let us look to the market-leading South-African retailer, Woolworths. Key innovation partners hold exclusivity contracts, generous 5+ year supply agreements, and innovations tend to have a 70-80% success rate⁹⁰. Suppliers invest in innovation [resource & capital] as they have come to expect strong support in execution⁹¹, and that failed innovations give room for their next big-bet.

From a local-perspective, consider the Coles-Finest Range in ready-meals. In 2020 Coles purchased Jewel of India manufacturing⁹², creating a vertically-integrated supply-partnership. Direct investment aligned incentives with their key manufacturing partner. With a guarantee in volumes, underpinned by tight cost & contract management, Coles & Jewel have taken market leadership in the private-label elevated tier.

So how do we emulate these examples? Retailers, you must step up and empower your category managers to lean into shared investment. Change DOAs on contract-terms, provide volume or range guarantees, and grow investment funds like those of Woolworths in the Dairy & Agriculture spaces⁹³. FMCG companies, your role is to elevate the conversation to the appropriate decision makers across the isle – an account manager will not succeed in this conversation at range-review time.

Solving for the root cause, however, is to drop the cost of failure – thus introducing the Lean-Startup.

⁸⁹ Woolworths Ferrero Exclusive NPD Partnership - <https://www.ferrero.com/au/en/news-stories/news/ferrero-gives-aussies-a-taste-of-new-frozen-dessert-range>

⁹⁰ Woolworths South Africa Retail interviews – 2024 – 70-80% success rate measured 12 months post launch – excludes projects cut pre launch with 70% of projects rejected during the NPD process

⁹¹ <https://supplychindigital.com/company-reports/woolworths-creating-lasting-legacy-south-africa>

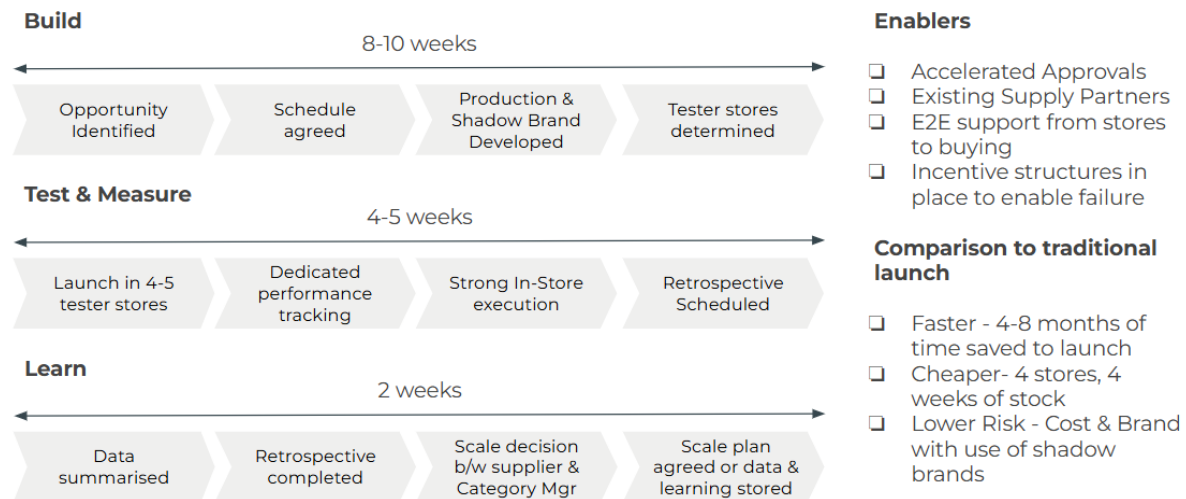
⁹² [Consultancy.com.au - coles-acquires-ready-to-eat-meals-producer-jewel-fine-foods](https://consultancy.com.au/woolworths-acquires-ready-to-eat-meals-producer-jewel-fine-foods)

⁹³ [Woolworthsgroup.com.au - woolworths-dairy-innovation-fund-.html](https://woolworthsgroup.com.au/woolworths-dairy-innovation-fund-.html)

Barrier 3: Reduce the cost of failure; The Lean-Startup:

In a similar vein to WWSA, Albert Heijn [AH] are market-leading innovators in the Netherlands. Despite a failure rate of up to 80% on new-news innovations, supply-partners continue to invest... and innovate - how & why do they do it? While large-scale launches are too risky and expensive, failing fast & failing cheap give all the upside without the downside risk. AH use the Lean-Startup-methodology.⁹⁴

Figure 2: The lean-startup development approach yields significantly reduced time and cost to launch, dropping the risk for all parties involved



The Build-Test-Learn cycle⁹⁵ materially reduces the time-to-launch and risks associated with failed innovation. Stock write-offs, brand damage, and resource or capital losses are reduced while manufacturers & retailers can be first to market. To give a little more flavour, Fresh products are created using advanced kitchen trials while LL products are purchased from supplier catalogues at higher unit-costs but negligible-volumes. The risk to brand damage is removed using white-labels and simplified artwork.

“Should the product fail, it doesn’t feel like failure or delisting”⁹⁶; The supplier is protected, and the retailer learns quickly. If the product is successful, the regular investment cycle is considered and economies of scale can be realised. Testing this among FMCG fresh suppliers in the AU market, one quote stands out from a Chief Commercial Officer “If Woolworths came to me next week and said they wanted to try something in a 4-store trial for 4 weeks? [I would say] Absolutely.”

Considering the simplicity of this concept, and the apparent appetite among manufacturers I am astounded that Australian retailers continue with their traditional waterfall launch-at-scale methods.

⁹⁴ <https://www.ah.nl/over-ah/innovatie/labs>

⁹⁵ The Lean Startup – Eric Ries - 2012

⁹⁶ Expert Interviews; Albert Heijn ex-Executive - 2024

The Alternative Path: Private-Label Innovation:

Taking a different approach, consider the product portfolio of a manufacturer as an investment portfolio. Warren Buffet's no'1 rule in investing is to "never lose money"⁹⁷, and that diverse non-correlated assets yield the strongest result⁹⁸. How can FMCG companies diversify their interests? A strong pipeline of sustaining innovation, an ambitious and separately managed pipeline of disruptive innovation [empowered by the options above]... and why not get a piece of the pie from your biggest existential threat... private label.

Manufacturers, through targeted investment, can become the driving force behind private-label innovation & capitalise on the trend of private-label growth. Developing exclusive-private-label products provides fixed-cost-dilution and a de-risked portfolio, while elevated 'better' tiers can still provide adequate margins. The conditions required for this investment strategy include choosing the right categories [where customers are actively trading into PL], the right retailers [who will share the investment], and the right timing in your capital investment cycle [retro-fitting lines for low-cost high-volume ranges is challenging]⁹⁹.

B&J, for example, play across three tiers of the ready meals market; My Muscle Chef on the premium health-conscious tier, Woolworths elevated ready meals, and the Woolworths entry level lasagnas. My Muscle Chef sells direct to consumer and through varied retail channels while the Woolworths ranges are exclusive. When consumers trade down from the premium offer, they are trading directly into another portion of the portfolio. The balanced portfolio provides B&J a unique advantage in the meals market.

Conclusion

And so, will you choose to look forward and beyond the horizon or lean on the success of the past? It is true that changing customer behaviours & the high cost-of-doing-business are significant headwinds but now is the time to innovate. Executive endorsement and sponsorship, dropping the cost of failure through shared risk & changed incentives, and reducing the cost of innovation through Lean-Startup principles and offshore innovation... by pulling these levers A-brands can keep their relevance, and protect their share & the premium which they charge. At the same time, FMCG private-label partnerships are few and far between... get in first and de-risk your portfolio.

Will we trust our existing models & hope for the best like Kodak or take a bet and invest like Apple? Insanity is defined as doing the same thing and expecting different results. Will the Australian Retail Market act with insanity and simply hope for the best?

⁹⁷ <https://www.marketwatch.com/picks/this-is-warren-buffetts-first-rule-about-investing-heres-what-to-do-if-your-financial-adviser-breaks-that-rule-01635799738>

⁹⁸ The Holy Grail of Investing – Tony Robbins- Warren Buffet Quotes

⁹⁹ Chief Commercial Officer Interview – Chilled & Dairy FMCG - 2025



Joe Berry Award 2025 Final

Presentation #4

Topic # 2: Question # Q2-A: Innovation and NPD – The Cost of Entry

Ellyn Bruce

S.C. Johnson Sydney



Ellyn is a seasoned marketing professional with over a decade of FMCG experience. She is the Marketing Manager ANZ at SC Johnson and her experience spans agency, category, innovation, brand and shopper marketing. Ellyn has a passion for building brands and inspiring the next generation of marketing talent.

Contents

Executive Summary	3
Disruptive Innovation: Expectation vs. Reality	3
Failure to Thrive: Why Does Innovation Fail? Who is Responsible?	5
The Need for Change	8
Grow the Core and Add Some More!	9
Conclusion	10

Executive Summary

The first step to solving a problem is to admit you have one. The fast-moving consumer goods (FMCG) industry is obsessed with innovation. Marketers are addicted to it, sales teams thrive on discussing it with customers, companies bank on its success to drive growth and retail customers dictate entire Range Reviews around it. While exciting, new and full of potential, innovation is also an incredibly **challenging endeavor**.

It's estimated 95% of new SKUs fail one year after launch,¹⁰⁰ and of the 5% that succeed, only 40% survive into the second year.¹⁰¹ Despite the time and investment in innovation, many large FMCG players derive less than 5% of their business profits from New Product Development (NPD).¹⁰²

Knowing this, innovation is *not* the solution for future growth. Manufacturers and retailers should *not* seek to overcome existing barriers to innovation. Instead, they need to focus on driving the core and its relevance. After all core is King. Yes, selective innovation has a role in FMCG; however, to future-proof categories, the industry needs to adapt a new perspective, expressed by Mark Brown of Hovis: a "*grow the core and add some more*" approach.¹⁰³

Accepting this, a fresh outlook on the role of innovation in FMCG is needed. Through this lens, I will examine why innovation fails, assign responsibility for this failure, and propose changes that could unlock better retailer and supplier collaboration, all the while making the case that driving the core business is more significant than innovation.

Disruptive Innovation: Expectation vs. Reality

"*Disruptive innovation*," which is entering white space to engage with new customers or serve unmet needs, has the highest level of failure.¹⁰⁴ Companies have grand plans to reap the benefits of incremental innovation growth (*figure 1*), yet the reality is only few survive.

¹⁰⁰ Mintel Consulting, 2024, 'The Role of Innovation in the Future of the CPG Industry,' *Mintel*, viewed 27 Jan 2025, <https://www.mintel.com/insights/consumer-research/role-of-innovation-future-cpg-industry/>

¹⁰¹ Victory, K, M, Nenycz-Thiel, J, Dawes & A, Tanusondjaja 2020, 'How common is new product failure and when does it vary?' *Ehrenberg-Bass Institute*, viewed 30 Jan 2025, https://sponsors.marketingscience.info/wp-content/uploads/sites/2/pda/c_pub/2021/01/2020-12-22-How-Common-Is-New-Product-Failure.pdf

¹⁰² Nielsen NIQ, 2014, 'Innovation or renovation: what really fuels growth?' *Nielsen NIQ*, viewed 27 January 2025, <https://nielseniq.com/global/en/insights/analysis/2014/innovation-or-renovation-what-really-fuels-growth/>

¹⁰³ Innes, M 2024, 'Grow core, add some more': FMCG brands on preparing for future success', *Marketing Week*, viewed 30 January 2025, <https://www.marketingweek.com/grow-core-add-more-fmcg/>

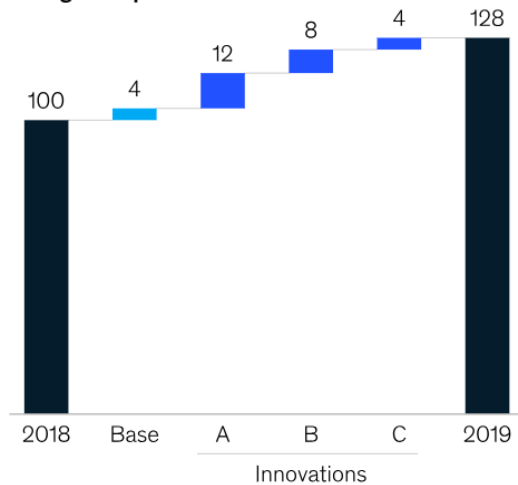
¹⁰⁴ Doshi, V, Hass, S & McClain, J 2020, 'Will innovation finally add up for consumer-goods companies?' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/will-innovation-finally-add-up-for-consumer-goods-companies>

Figure 1:¹⁰⁵

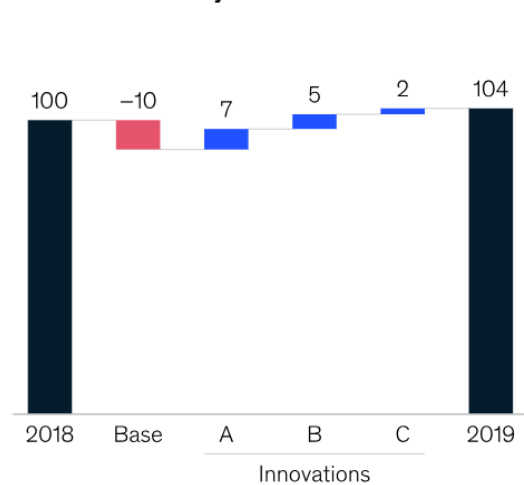
Consumer-goods companies face a different landscape than the one they imagined.

Portfolio sales, \$ (2018 = 100)

The grand plan . . .



. . . the hard reality



The first eight weeks following a launch are critical. Studies shows that 80% of disruptive innovations maintain their sales rank from week 8 to week 52.¹⁰⁶ If a breakthrough innovation performs post this period, it must generate 80% of the first-year trial in the second year to ensure long-term survival.¹⁰⁷ Why? Consumers slowly leak away from the buyer base, and new customer acquisition is needed at a faster rate.¹⁰⁸ It's a vicious cycle that absorbs resource and investment while diverting focus from driving established core business.

Further, NPD must work hard to overperform and take the place of existing core products as retailers optimise assortment according to KPIs and prioritise private labels.¹⁰⁹ If suppliers do manage to crack a winning idea, it's unlikely it immediately delivers incremental growth, with one in four NPD launches globally actually shrinking total brand sales.¹¹⁰

¹⁰⁵ Doshi, V, Hass, S & McClain, J 2020, 'Will innovation finally add up for consumer-goods companies?' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/will-innovation-finally-add-up-for-consumer-goods-companies>

¹⁰⁶ Nielsen NIQ, 2023, 'The CPG innovator's guide to vitality,' *Nielsen NIQ*, viewed 1 February 2025, <https://nielseniq.com/global/en/insights/analysis/2023/the-cpg-innovators-guide-to-vitality/>

¹⁰⁷ KANTAR, 2023, 'How to ensure your innovation doesn't fail after launch,' *KANTAR*, viewed 20 February 2025, <https://www.kantar.com/uki/inspiration/brands/how-to-ensure-your-innovation-doesnt-fail-after-launch>

¹⁰⁸ Sharp, B, 2015, 'The Hole in the Leaky Bucket Theory,' *Ehrenberg-Bass Institute of Marketing Science*, viewed 22 February 2025, [The Hole in the Leaky Bucket Theory | Ehrenberg-Bass Institute for Marketing Science](https://ehrbass.com/the-hole-in-the-leaky-bucket-theory/)

¹⁰⁹ KANTAR, 2024, 'Innovation or Stagnation: FMCG's Critical Crossroad' *KANTAR*, viewed 1 February 2025, <https://www.kantar.com/uki/inspiration/fmcg/wp-2024-innovation-or-stagnation-fmcg-critical-crossroad>.

¹¹⁰ Nielsen NIQ, 2023, 'Product innovation that breaks the mold: 3 key features of Breakthrough Innovation winners,' *Nielsen NIQ*, viewed 20 February 2025, [Product innovation that breaks the mold: 3 key features of Breakthrough Innovation winners - NIQ](https://nielseniq.com/global/en/insights/analysis/2023/product-innovation-that-breaks-the-mold-3-key-features-of-breakthrough-innovation-winners/)

These factors demonstrate the challenging nature of innovation in FMCG and highlight the importance of growing a strong core foundation, versus seeking the promise of innovation for growth. Growing 1% of the core business is typically going to outstrip *any* contribution from innovation.¹¹¹

Failure to Thrive: Why Does Innovation Fail? Who is Responsible?

The rationale for *why* the statistics above are the reality is complex. The truth is we: *manufacturers, consumers and retailers* are all responsible.

a) *The Mediocre Manufacturer*

Innovations do not fail because the products or ideas lack substance;¹¹² they fail because they are unclear about the consumer problem they are trying to solve.¹¹³ In an ideal world innovation is consumer-first, resolving an existing consumer tension in a meaningful way to align with key brand strengths. However, innovation is often used by manufacturers to address internal challenges and motivations like competitor pressures, Range Review calendars, holding shelf space, line time and corporate culture.¹¹⁴ As a result, innovation is often what the manufacturer can create, *not* what the consumer wants.

Should the innovation be accepted by the retailer, it needs to be supported with substantial long-term media investment, often diverted from the core. This is expensive¹¹⁵ and frequently unsustainable, with brands commonly reducing investment before the end of the product's first-year life cycle, as they do not yield intended results.¹¹⁶

Another contributing factor is speed. Despite its name *fast*-moving consumer goods, most organisations, have a two-year development process. This is too slow. The result is products created for the needs of today...are not ready until tomorrow!¹¹⁷

Furthermore, significant internal investment is required for innovation; from resourcing, concept testing, R&D support and managing the complex Australian

¹¹¹ Innes, M 2024, 'Grow core, add some more': FMCG brands on preparing for future success', *Marketing Week*, viewed 30 January 2025, <https://www.marketingweek.com/grow-core-add-more-fmcg/>

¹¹² McGregor, H 2024, *Innovation: Are you (still) looking the wrong way? Part 1: Big Brands Panel Discussion*, HMC, viewed 1 February 2025, <https://hainesmcmgregor.co.uk/blog/innovation-are-you-still-looking-the-wrong-way/>

¹¹³ Baird, N 2020, *Innovators Playbook*, John Wiley & Sons Australia, Great Britain

¹¹⁴ Karney Consumer Institute, 2024, 'New sensation. Demystifying innovation,' *Karney Consumer Institute*, viewed 1 February 2025, <https://www.kearney.com/documents/d/asset-library-291362522/kci-q2-2024-demystifying-innovation-brief>

¹¹⁵ KANTAR, 2024, 'How to ensure your innovation doesn't fail after launch,' *KANTAR*, viewed February 2nd 2025, <https://www.kantar.com/uki/inspiration/brands/how-to-ensure-your-innovation-doesnt-fail-after-launch>

¹¹⁶ McGregor, H 2024, *Innovation: Are you (still) looking the wrong way? Part 1: Big Brands Panel Discussion*, HMC, viewed 1 February 2025, <https://hainesmcmgregor.co.uk/blog/innovation-are-you-still-looking-the-wrong-way/>

¹¹⁷ McGregor, H 2024, *Innovation: Are you (still) looking the wrong way? Part 1: Big Brands Panel Discussion*, HMC, viewed 1 February 2025, <https://hainesmcmgregor.co.uk/blog/innovation-are-you-still-looking-the-wrong-way/>

supply chain. Launching an innovation is estimated to be anywhere between \$10,000 - \$10 Million¹¹⁸ and repeatedly this comes at the expense of core business.¹¹⁹

b) *The Cash-strapped Consumer*

In the current inflationary environment, the consumer is pressured. 51% of consumers are worse off financially than they were a year ago.¹²⁰ With 80% of Australians monitoring their spend,¹²¹ brand trust has never been more important. While a high proportion of consumers report they are willing to try something new and different,¹²² this does not translate to grocery spend behavior. Consumers thrive on guaranteed quality and lowest prices;¹²³ it's a stretch to ask them to buy new products when household dollars are scrutinised. This is worsened by the high cost of innovation, which results in higher recommended retail prices compared to core products, to drive profits.¹²⁴

Given the cost-of-living landscape, there has never been a better time to focus on driving the core business. As demonstrated in *Figure 2*, 62% consumers believe there are enough products to choose from in most categories.¹²⁵ Retailer assortment in supermarkets has doubled in the last 10 years, but selection remains at **350 SKUs** for an average family per year in basket.¹²⁶ Despite the increase in variety, this lack of basket expansion highlights consumers are *not* adding incremental SKUs; rather, focusing on products within their repertoire that meet their needs and budgets.

¹¹⁸ Yaquab, M 2025, '10 Product Launch statistics & Trends: A Must -know in 2024,' Business Dasher, viewed 1 February 2025, <https://www.businessdasher.com/product-launch-statistics/>

¹¹⁹ Ackerman, W 2024, 'From inflation to innovation: the tide is turning for FMGC,' The Grocer, viewed 2 February 2025, <https://www.thegrocer.co.uk/comment-and-opinion/from-inflation-to-innovation-the-tide-is-turning-for-fmcg/692325.article>

¹²⁰ Karney Consumer Institute, 2024, 'New sensation. Demystifying innovation,' *Karney Consumer Institute*, viewed 1 February 2025, <https://www.kearney.com/documents/d/asset-library-291362522/kci-q2-2024-demystifying-innovation-brief>

¹²¹ Real Insurance, 2024, 'The Real Struggle Report 2024,' *Real Insurance*, viewed 2 Feb 2025, <https://www.realinsurance.com.au/news-views/the-real-struggle-report-2024>

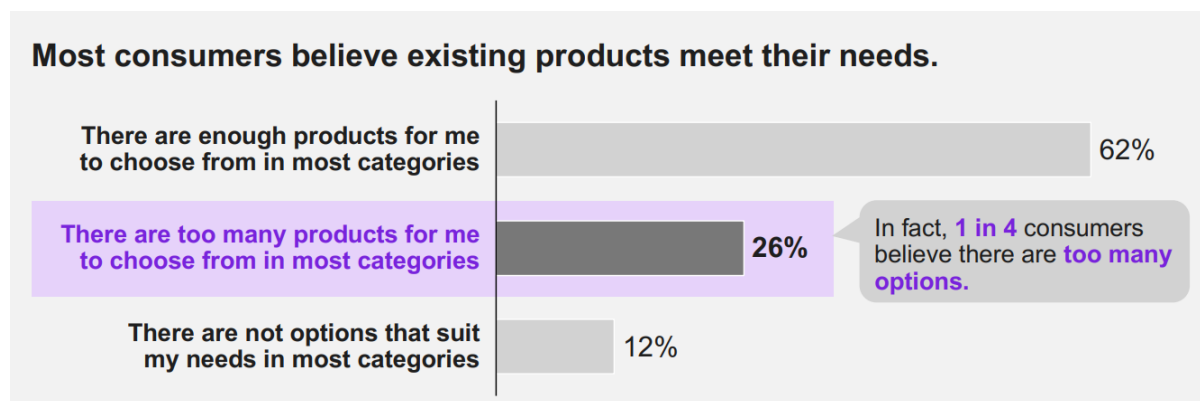
¹²² Doshi, V, Hass, S & McClain, J 2020, 'Will innovation finally add up for consumer-goods companies?' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/will-innovation-finally-add-up-for-consumer-goods-companies>

¹²³ Nielsen NIQ, 2023, 'How to preserve brand loyalty in FMCG despite falling consumer confidence,' *Nielsen NIQ*, viewed 2 February 2025, <https://nielseniq.com/global/en/insights/commentary/2023/how-to-preserve-brand-loyalty-in-fmcg-despite-falling-consumer-confidence>

¹²⁴ Sables, D 2024, 'FMCG innovation is worse than ever. Here's why,' The Grocer, viewed 2 February 2025 <https://www.thegrocer.co.uk/comment-and-opinion/fmcg-innovation-is-worse-than-ever-heres-why/699720.article>

¹²⁵ Karney Consumer Institute, 2024, 'New sensation. Demystifying innovation,' *Karney Consumer Institute*, viewed 1 February 2025, <https://www.kearney.com/documents/d/asset-library-291362522/kci-q2-2024-demystifying-innovation-brief>

¹²⁶ Stray Partners, 2025, 'A 12-year analysis for new product launches,' *Stray Partners*, viewed 12 February 2025, <https://www.straypartners.com/cases/12-year-analysis-for-new-product-launches>

Figure 2:¹²⁷

C) The Rationalising, Range Review Retailer

The demands for innovation are not solely consumer-driven, with retailers prioritising innovation, to help drive supermarket growth.¹²⁸ Retailers in Australia are showing increased interest in Innovation at AFGC 2024, with CEO of Coles stating, “We are always open to be first to market with innovations, no matter from where”¹²⁹ and former CEO of Woolworths acknowledging the challenges: “We are not keeping a good innovation narrative of new exciting products.”¹³⁰

There is pressure on suppliers to innovate or be left behind, with the expectation to attend Range Reviews with multiple innovations. Retailers are hopeful that waiting in the wings of the upcoming “ship to trade” is the next HiSmile or MCobeauty. However, with the increased focus on rationalisation by retailers like “Coles Double Digit Rationalisation,”¹³¹ innovation comes at the expense of the established core, as the fight for shelf space and profitable margin growth comes to a head.

Moreover, the growth of private labels is shifting retailer-supplier dynamics, with retailers investing more in their own brands and giving less priority to branded products.¹³² As a result, brands face weakening shelf positioning and increased pressure to innovate. With this threat, and to stay competitive, brands must focus on strengthening their position in market and delivering an exceptional brand experience.¹³³

¹²⁷ Kearney Consumer Institute, 2024, ‘New sensation. Demystifying innovation,’ *Kearney Consumer Institute*, viewed 1 February 2025, <https://www.kearney.com/documents/d/asset-library-291362522/kci-q2-2024-demystifying-innovation-brief>

¹²⁸ Rajagopal, A 2023 ‘Innovation, technology will drive grocery industry into the future,’ *Supermarket News*, viewed 12 February 2025, <https://www.supermarketnews.com/grocery-technology/innovation-technology-will-drive-grocery-industry-into-the-future>

¹²⁹ Weckert, L 2024, *Australian Food & Grocery Council (AFGC) Annual General Meeting*, Sydney, May 2024

¹³⁰ Banducci B 2024, *Australian Food & Grocery Council (AFGC) Annual General Meeting*, Sydney, May 2024

¹³¹ Glover, A 2025, ‘Coles to strip back number of products on shelves by ‘double digits’ to avoid duplication’, *9 News*, 3 February 2025, viewed 12 Feb 2025, <https://www.9news.com.au/national/coles-supermarkets-australia-to-slash-products-on-shelves/e13805e3-d524-4020-9d48-51a8496d535c>

¹³² Vaught, J 2024, The Top 8 FMCG Trends Your Brand Must Know, *SmashBrand*, viewed 2 February 2025 <https://www.smashbrand.com/articles/fmcg-trends/>

¹³³ Vaught, J 2024, The Top 8 FMCG Trends Your Brand Must Know, *SmashBrand*, viewed 2 February 2025, <https://www.smashbrand.com/articles/fmcg-trends/>

The Need for Change

With only 5% of innovation succeeding,¹³⁴ a statistic that's been hard to shift over decades, a change is needed from both retailer and manufacturer. There is an inherent need to reinforce a brand's core business for growth, and ensure this base business is stable enough to support innovation successfully.

Instead of engaging in the Range Review process with suppliers asked, "*What innovation do you have?*" a shift is needed to foster a core-first culture:¹³⁵ "*How is your base performing, is it growing, relevant and distinctive?*" Collaboration with retailer and manufacturers is needed to ensure the prioritisation of stable, high-quality core products over constant innovation. With more than 80% of total growth revenue derived from the core, achieving excellence in base business is crucial.¹³⁶

To foster a core-first culture, businesses should be more strategic in the composition of their teams. Brand Managers face many responsibilities, including growing the core *and* end-to-end innovation, a balance which is difficult to manage.¹³⁷ FMCG could look to the "*Tech*" industry for inspiration on team structures, where product managers have specific focus; one product manager per product or feature.¹³⁸ In practice, having one core team & one innovation team, would allow specific focus on brand health, equity and driving core, while another team work on selective, strategic innovation.

Even with a cultural mindset and market shift, innovation in some capacity is here to stay, with executives believing "*50% of their revenue will come from new products, services or business within the next 5 years.*"¹³⁹ Given the challenging nature of innovation, a fail-fast philosophy, where failure is part of the industry's DNA and processes built to speed the time to know,¹⁴⁰ could help reduce costs, leverage learnings and lead to faster success. What could this look like? Less structured Range Review windows, collaboration where proof of concept is tested in smaller

¹³⁴ Mintel Consulting, 2024, 'The Role of Innovation in the Future of the CPG Industry,' *Mintel*, viewed 27 Jan 2025, <https://www.mintel.com/insights/consumer-research/role-of-innovation-future-cpg-industry/>

¹³⁵ Birshan, M, Cvetanovski, B & Doherty, R 2022, 'Choosing to grow: the leader's blueprint,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/choosing-to-grow-the-leaders-blueprint>

¹³⁶ Birshan, M, Cvetanovski, B & Doherty, R 2022, 'Choosing to grow: the leader's blueprint,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/choosing-to-grow-the-leaders-blueprint>

¹³⁷ Indeed Editorial Team, 2024, 'What does a Brand Manager do? (Plus How to Become One)', *Indeed*, 8 May 202, viewed 12 February 2025, <https://au.indeed.com/career-advice/finding-a-job/what-does-a-brand-manager-do>

¹³⁸ Product Plan, 2024, 'Should You Structure Your Product Team Like Amazon, Spotify or Something Else Entirely?' *Product Plan*, viewed 14 February 2025, <https://www.productplan.com/learn/product-team-structure>

¹³⁹ Birshan, M, Cvetanovski, B & Doherty, R 2022, 'Choosing to grow: the leader's blueprint,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/choosing-to-grow-the-leaders-blueprint>

¹⁴⁰ Fioravanti, I 2021, 'Fail Fast, Succeed Faster,' *Forbes*, viewed 27 January 2025, <https://www.forbes.com/councils/forbestechcouncil/2021/04/02/fail-fast-succeed-faster/>

stores and more encouragement of minimum viable products¹⁴¹ (*simplest version of the product built to sell in market*).

Grow the Core and Add Some More!

Companies that focus on maintaining, evolving and developing their core and create meaningful, *selective* innovation grow faster than their peers.¹⁴² While the core should remain the key focus, innovation must be approached as a compliment not a substitute. Innovation needs to be treated like a tool in the marketing toolbox, not the silver bullet for growth! A ***grow the core and add some more*** approach is needed.¹⁴³

Growing the core is no mean feat. It can be perceived as monotonous, challenging and far less exciting to marketers and retailers than the prospect of first to market innovation. Before a brand is stable enough to “***add some more***” via innovation, a key focus on driving penetration and relevance is needed to “***grow the core.***”

Retailers and manufacturers should be asking has your brand:

1. **Renovated for relevance:**¹⁴⁴ evolved the base product and captured consumer needs and market trends?
2. **Increased mental availability:**¹⁴⁵ secured the brands presence in consumer's minds via consistent through-the-line investment, with always-on campaigns?
3. **Increased physical availability:**¹⁴⁶ increased distribution and closed market gaps, whilst ensuring forecast accuracy?
4. **Become distinctive**¹⁴⁷: is it unique and easy to recall?

If a brand can answer “YES” to the above with a strong, growing core, it may be able to “*add some more*” with innovation. However, selective innovation is key – not all ideas are good! McKinsey's “*Choosing to Grow the Leader's Blueprint*” (figure 3), examines that having a strong core is essential, however business that focus on core and expand into adjacencies are 20% more likely to grow.¹⁴⁸

¹⁴¹ Nidhi, R 2024, 'Minimum Viable Product (MVP) – What is it & how to start,' *Atlassian*, viewed 12 February 2025, <https://www.atlassian.com/agile/product-management/minimum-viable-product>

¹⁴² Buffoni, A, Angelis, A & Gruntges V, 2017, 'How to make sure your next product or service launch drives growth,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/how-to-make-sure-your-next-product-or-service-launch-drives-growth#/>

¹⁴³ Innes, M 2024, 'Grow core, add some more': FMCG brands on preparing for future success', *Marketing Week*, viewed 30 January 2025, <https://www.marketingweek.com/grow-core-add-more-fmcbg/>

¹⁴⁴ Nielsen NIQ, 2014, 'Innovation or renovation: what really fuels growth?' *Nielsen NIQ*, viewed 27 January 2025, <https://nielseniq.com/global/en/insights/analysis/2014/innovation-or-renovation-what-really-fuels-growth/>

¹⁴⁵ Sharp, B 2010, *How Brands Grow*, Oxford University Press ANZ, Great Britain.

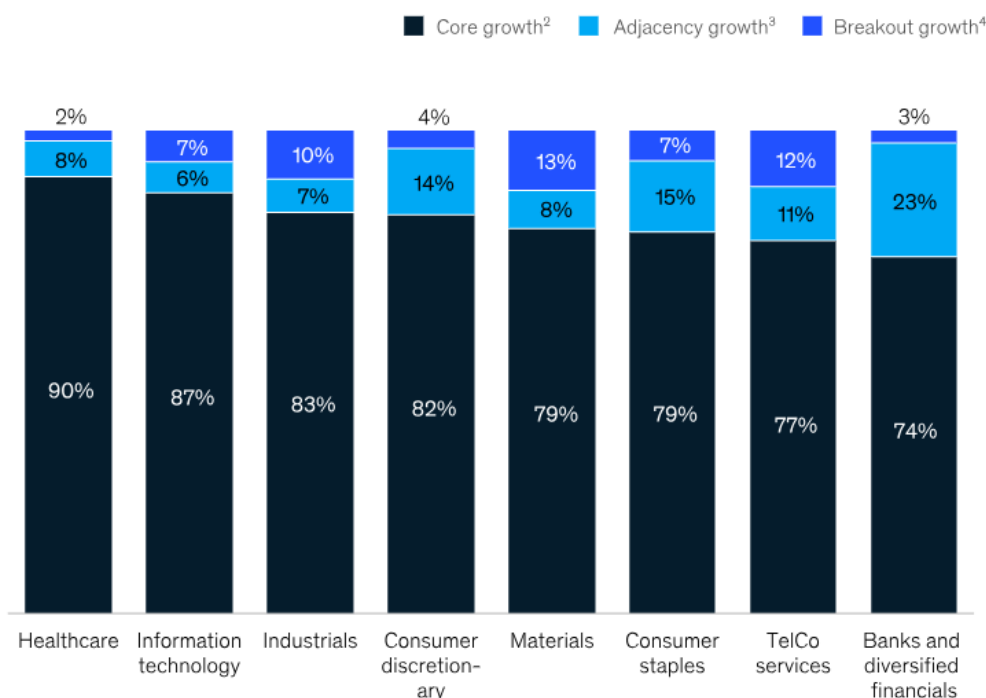
¹⁴⁶ Sharp, B 2010, *How Brands Grow*, Oxford University Press ANZ, Great Britain.

¹⁴⁷ Sharp, B 2010, *How Brands Grow*, Oxford University Press ANZ, Great Britain.

¹⁴⁸ Birshan, M, Cvetanovski, B & Doherty, R 2022, 'Choosing to grow: the leader's blueprint,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/choosing-to-grow-the-leaders-blueprint>

Figure 3:¹⁴⁹**Distribution of growth varies by sector.**

Share of total revenue growth, by industry



Expanding into adjacencies unlocks growth through expansion of the core,¹⁵⁰ it helps cater to a larger audience and diversify offerings. This can include tactical line extensions, flavor and fragrance news, added benefits, limited editions and partnerships.¹⁵¹ It's crucial, however, that should a core that's firing be able to support this path of innovation, an unmet consumer need must be paramount and strong execution plan in toe.

When seeking to innovate, adjacencies should be explored far more frequently before the tackling the mammoth task of disruptive innovation which yields the highest fail rate, investment and lowest return of growth.¹⁵²

¹⁴⁹ Birshan, M, Cvetanovki, B & Doherty, R 2022, 'Choosing to grow: the leader's blueprint,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/choosing-to-grow-the-leaders-blueprint>

¹⁵⁰ Birshan, M, Cvetanovki, B & Doherty, R 2022, 'Choosing to grow: the leader's blueprint,' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/choosing-to-grow-the-leaders-blueprint>

¹⁵¹ Doshi, V, Hass, S & McClain, J 2020, 'Will innovation finally add up for consumer-goods companies?' *McKinsey & Company*, viewed 1 February 2025, <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/will-innovation-finally-add-up-for-consumer-goods-companies>

¹⁵² Mintel Consulting, 2024, 'The Role of Innovation in the Future of the CPG Industry,' *Mintel*, viewed 27 Jan 2025, <https://www.mintel.com/insights/consumer-research/role-of-innovation-future-cpg-industry>

Conclusion

The FMCG industry is obsessed with innovation. Too often, it is seen as the key to brand and business growth, when the true driver of business success lies in the established core. The statistics are clear. Most NPDs fail within the first year & even fewer contribute significantly to base profits.¹⁵³ Manufacturers and retailers should *not* seek to overcome existing barriers to innovation. Instead, they need to focus on driving penetration and relevance of core products. Both retailers and manufacturers need to recognise their shared responsibility and foster a core-first culture, while creating a more agile environment for innovation test and learn... or to fail faster.

Ultimately businesses that prioritise their core ensure stability and create foundations for sustainable growth. By viewing innovation as a compliment rather than a substitute for core, i.e. ***growing the core and adding some more***, the industry can achieve a more balanced approach that achieves long-term success. After all, core is King!

¹⁵³ Mintel Consulting, 2024, 'The Role of Innovation in the Future of the CPG Industry,' *Mintel*, viewed 27 Jan 2025, <https://www.mintel.com/insights/consumer-research/role-of-innovation-future-cpg-industry/>



Joe Berry Award 2025

Presentation #5

Topic # 6A Free Choice - Duped to Death

Melissa Matteo

Coles Melbourne



Melissa is an experienced and passionate retail leader having spent over a decade in Head of Trade and Category Manager roles at Coles Supermarkets. She is passionate about offering customers amazing innovation, building world class relationships and leading high performing teams.

INDEX

- Executive Summary
- Introduction
- The rise of dupe culture within the beauty industry
- Is it a Private Label or a Dupe?
- The 4 Key Lessons for FMCG Brands – how to avoid being a dupe dummy.
- Conclusion

Executive Summary

Ongoing cost-of-living pressure and increasingly negative consumer sentiment towards the luxury market has seen a surge in the rise of 'dupes' or cheaper products that imitate those of the leading brands. Brands need to be highly aware that their trademark and the commercial viability of their products is under threat from others who have no qualms copying and marketing themselves as cheaper in price, but equal in quality. Nowhere has this been more pronounced than in the FMCG beauty sector where brands like MCo have grown into billion-dollar businesses by duping others. However, it isn't just beauty where dupe culture is a growing threat. Arguably, retailers like Aldi have successfully built their business model on replicating the look and feel of proprietary brands and other retailers have taken similar approaches through their private labels.

This essay recommends that brands employ four strategies to mitigate the risk of being duped and suffering sales and brand value erosion:

- 1) build strong retailer partnerships
- 2) offer customers the right value
- 3) offer unparalleled quality and innovation; and
- 4) better industry lobbying for the protection of trademarks

Whilst the threat of dupes is likely here to stay, improvements in the regulatory framework coupled with adopting these strategies can see brands avoid falling victim to being duped.

Introduction

The Oxford dictionary defines the word 'dupe' as to deceive or trick.¹⁵⁴ In today's era, dupe is no longer a dirty word. In its simplest form, dupe' (short for duplicate) means a cheaper replica of a luxury product.¹⁵⁵ Whilst the existence and marketing of cheaper alternative products to market leaders has long been the standard within a competitive marketplace, 'dupe culture' is different.

Dupes are blatant in their copying of a designer product, often replicating the ingredients and packaging to near identical standards. They aren't just offering a pink lipstick in a similar colour and efficacy to a market leading one, they offer identical packaging, shade and formula making it difficult to distinguish the original from the copy.

Consumers' attitude towards dupes is largely positive. Unlike the shame that has typically come with buying discounted items, consumers are actively seeking out dupes, predominantly through social media and proudly sharing their finds with friends, family and the internet at large.¹⁵⁶

The rise of dupe culture within the beauty industry

Dupe culture has been on the rise since the 2010s, when websites like YouTube became places where people could provide independent reviews and help viewers find cheaper, quality alternatives. This type of content accelerated in creation and viewership with the rise of social media like Instagram and TikTok that are highly visual and whose audiences are predominantly Gen Z and Millennials.¹⁵⁷ Appreciating what is unique about these consumers is key to understanding the rise of dupe culture.

One of the things that sets Gen Z consumers apart from older generations is that they place higher trust in influencers' advice and have low engagement in traditional marketing campaigns. There are over 1.5 million beauty influencers (or at least want to be influencers) and the industry is worth over \$21 billion globally.¹⁵⁸ In the 1990s and 2000s, models or actresses were the faces of the large cosmetic brands. Whereas today, Gen Z feels connected with beauty influencers who create credibility and authenticity by showing how they use a product and what they like about it. This style of content is less polished, more relatable and creates a level of connection that feels more 'real' for the average viewer.¹⁵⁹

¹⁵⁴ https://www.oed.com/dictionary/dupe_n1?tl=true

¹⁵⁵ <https://www.theguardian.com/media/article/2024/may/20/counterfeit-cool-high-end-brands-urged-embrace-dupe>

¹⁵⁶ <https://www.esquire.com.au/style/what-is-a-dupe-rise-of-dupe-culture/>

¹⁵⁷ <https://www.beautydirectory.com.au/news/influencers/the-most-powerful-beauty-influencers-revealed>

¹⁵⁸ <https://www.cosmeticsdesign-europe.com/Article/2024/12/17/working-with-beauty-influencers-in-2025/>

¹⁵⁹ <https://professionalbeauty.co.uk/gen-z-skincare-study-influencers-trends>

Secondly, dupe culture exists within an environment which is centered around a sense of virtual community. In this online community the sharing of knowledge is considered virtuous, and 'gatekeeping' information is discouraged.¹⁶⁰ In this context, sharing the 'dupes' that you have found is seen as a benevolent act that positively contributes to the community.

Thirdly, and most importantly, dupe culture has thrived during a cost-of-living crisis. Economists have long referenced the "Lipstick Effect" where during economic downturns, consumers purchase small luxuries like a lipstick instead of expensive luxuries like a designer handbag.¹⁶¹ Whilst historically this has been true, Millennial and Gen Z consumers are pessimistic in outlook. These generations say that the cost-of-living crisis is their single biggest concern.¹⁶² 77% of Australian Gen Zs face money worries, with women disproportionately impacted.¹⁶³ With women between 18 – 40, the primary consumer of the beauty industry, it's logical that they want cheaper alternatives.

The most famous example within Australia has been the meteoric rise of MCo Beauty which launched in 2020. MCo's entire business model is 'duping' category leaders, copying their packaging and formulations nearly identically. Within 5 years, MCo has become Australia's fastest-growing beauty brand and the largest in Woolworths and BIG W.¹⁶⁴ Its recent \$1billion valuation made headlines with expectations of international expansion this year. Whilst many adore their products, the brand is not without controversy, having twice settled lawsuits out of court for trademark infringement.¹⁶⁵



166

¹⁶⁰ <https://www.refinery29.com/en-au/gatekeeping-perfume-fragrance>

¹⁶¹ <https://www.smh.com.au/business/companies/the-lipstick-effect-how-our-5-9-billion-beauty-splurge-became-a-necessity-20240805-p5jzlh.html>

¹⁶² <https://www.weforum.org/stories/2023/08/cost-of-living-crisis-affects-young-people/>

¹⁶³ <https://www.9news.com.au/national/finder-young-australians-under-immense-financial-pressure-new-study-reveals/3690acf2-2ba3-4e66-8584-c1f8e6be7073>

¹⁶⁴ <https://mcobeauty.com/pages/about-mcobeauty>

¹⁶⁵ <https://www.afr.com/companies/retail/zero-to-1b-in-five-years-mco-deal-caps-meteoric-makeup-rise-20250130-p5l88t>

¹⁶⁶ <https://www.missmakeup.com.au/post/affordable-mcobeauty-dupe-for-high-end-makeup-products>

There are emerging shifts in consumer sentiment towards the brand following its recent valuation. Given that it is no longer a small brand taking on the big, but a big brand blatantly copying others, many are questioning whether MCo's dupe strategy is at best unoriginal and at worst illegal.¹⁶⁷

Is it a Private Label or a Dupe?

As the influence of social media grows and cost-of-living pressure remains, consumers will continue to seek out cheaper alternatives. This is well evidenced by the continuing marketshare growth of Aldi in Australia to over 10% and whose strategy of own label products is not entirely dissimilar to that of MCo's.¹⁶⁸

It is estimated that Aldi's own label brands represent over 75% of their sales, compared to just 20% at the major supermarket retailers.¹⁶⁹ Unlike Woolworths and Coles private labels which utilise consistent brand cues and colours (such as Woolworths Essentials or Coles Red Tab), Aldi's approach has been to replicate the category cues of the leading proprietary brand and leverage their credibility. As the discourse around 'dupes' has entered the mainstream, 'Aldi Dupes' have become popular with the "Aldi Mums" Facebook group having a staggering 358k members.
170

Aldi's branding approach is controversial. They have successfully defended several legal claims in Australia, however recently lost a landmark trademark infringement case in the Federal Court. In November 2024, judgment was found in favour of Hampden Holdings, the owner of Baby Bellies infant food. The Court ruled that the packaging of the Aldi product was too similar to the Proprietary original (image on left) based on the font, imagery and colour used by Aldi (image on right) and could easily confuse customers.



Image: Federal Court of Australia in Hampden Holdings LP Pty Ltd v Aldi Foods Pty Ltd [2024] FCA 1452

171

¹⁶⁷ <https://www.abc.net.au/news/2024-07-02/mcobeauty-charlotte-tilbury-beauty-dupes-trademarks-lawsuits/104019774>

¹⁶⁸ https://www.accc.gov.au/system/files/ALDI-Public_Redacted.pdf

¹⁶⁹ <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2022/cpg-private-label.pdf>

¹⁷⁰ https://www.instagram.com/wholesavers/p/C5ExGO_h1mK/?img_index=1

¹⁷¹ <https://questlegal.com.au/the-legal-maze-of-copycat-products-navigating-dupes-and-protecting-your-brand/>

Whilst the judgment is recent and other large cases are yet to be tried; it will be an important test to understand the consequences for other brands in the Australian market.

The 4 Key Lessons for FMCG Brands – how to avoid being a dupe dummy.

There is no higher compliment than for a product to be duped. It cements its status as high quality and desirable. Despite the flattery, it is never beneficial for a brand's profitability to see customers buy a cheaper competitor. Smart brands that want to maintain relevance and ensure their long-term commercial success should employ strategies that make them harder to dupe. I propose that there are 4 strategies a brand should utilise.

1) Retailer partnerships are integral.

Picking the right retail partner and building strong relationships is critical. Retailers have limitations on their SKU count and are always seeking to minimise range duplication. Inherently, dupes are duplication and often devalue a category through price depreciation, going against the core principles of category management. Range duplication is particularly contentious with Coles recently making headlines for their simplification objectives.¹⁷² Dupes only become appealing for a Category Manager when the existing brands are not delivering on the sales, profit and customer value ambitions of the retailer.

Brands can limit the appeal of dupes through partnering to offer compelling commercial and customer plans. This can include first to market and exclusive ranges, compelling retail media and omnichannel activations. Creating a long-term and sustainable partnership for mutual growth and profitability is a key enabler for brands to stay relevant for retailers and stop them looking for growth elsewhere.

2) Offer Customers the right value and accessibility and recognise that this will evolve.

FrankBody is an Australian startup that launched in 2013 with a small budget but found instant success with its impactful social media campaigns. They launched in several retailers, including premium Australian beauty retailer Mecca and have expanded globally.¹⁷³ FrankBody's unique selling point is its range of body washes which are differentiated but premium in price, creating space for dupes to compete. In 2024, Frank launched a cheaper sub-brand called 'Everyday By FrankBody' which

¹⁷² <https://www.afr.com/companies/retail/coles-calls-in-bain-as-it-slashes-the-number-of-products-on-shelves-20250131-p5l8l8>

¹⁷³ <https://www.vogue.com.au/vogue-codes/news/frank-bodys-cofounder-on-how-coffee-and-resilience-built-a-global-beauty-brand/news-story/1287a272146b6001570f79bd9a85efb8>

offered a similar product but at a cheaper price and stocked in Coles and Priceline.¹⁷⁴

This approach leveraged the credibility they had built in the previous decade whilst making their brand more accessible, particularly to Gen Zs who make up the majority of their customers. Picking retailers with a high number of distribution points meant they were able to unlock scale for the launch, ensuring commercial success. The very deliberate choice of retail partners for the different ranges has enabled Frank to protect its premium offer whilst engaging customers who might otherwise have been lost to cheaper competitors.



175

Through acknowledging the cost-of-living pressure on their customer base, FrankBody was able to successfully diversify their product range, go-to-market approach and retailer partnerships to grow. The key learning for other brands is to understand what their customer value proposition is and how they can position themselves to maintain their premium credentials, whilst maximising their customers and distribution.

3) Offer unparalleled quality and innovation.

Dupes only succeed when they offer the same quality as the original. By offering a product that is unmatched either through recipe, packaging or format is the best way to ensure that competitors cannot replicate your product. Whilst this seems obvious, it sits at odds with the reality of many FMCG companies who have reduced R&D budgets to manage growing costs.¹⁷⁶ Compounding this, the long lead time on R&D, often driven by bureaucratic internal processes, can stymie the pace of development, creating the opportunity for more agile brands to move faster on trends. The opportunity is for FMCG companies to strike the balance between cost control, investment and pace into R&D to ensure their products remain unparalleled.

4) Stronger industry lobbying.

¹⁷⁴ <https://7news.com.au/best-picks/how-to-get-rid-of-body-acne-brand-behind-pimple-clearing-wash-launches-in-coles-gives-silky-smooth-skin-c-13643264>

¹⁷⁵ https://www.tiktok.com/@brookewarne_/video/7338313026644282632

¹⁷⁶ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/will-innovation-finally-add-up-for-consumer-goods-companies>

Industry groups play an important role in advocating for the interests of its members and they must challenge the growth of dupes to regulatory bodies and lawmakers. Without a unified approach, brands are left relying on a patchwork of trademark infringement cases which are difficult to prove and costly to prosecute.¹⁷⁷ That only two brands have successfully reached an out-of-court settlement with MCo Beauty, despite more than 50 mainstream products being duped, is evidence of how challenging the current regulatory framework is, even for global and well-resourced brands.¹⁷⁸

Stronger protection for IP would further benefit brands by enabling them to more confidently invest in R&D, knowing that the products they develop would be better protected and less likely to be successfully duped, further supporting the third strategy advocated for.

Conclusion

Whilst dupe culture has had a meteoric rise, its long-term prospects are far from certain. Emerging changes to the legal landscape which make it harder for brands to infringe on the trademarks of others will play an important role in limiting this practice. However, ongoing cost-of-living pressures, particularly for Gen Z's, will continue to create the right economic conditions for dupes to thrive.

Brands should be wary of their competitors and protect the equity that they built. There are four strategies that brands can employ to prevent being duped to death by 1) build strong retailer partnerships 2) offer customers the right value and accessibility; 3) offer unparalleled quality and 4) create stronger industry advocacy. Smart brands that employ these strategies can look forward to enjoying a long and prosperous future.

¹⁷⁷ <https://www.abc.net.au/news/2024-07-04/mcobeauty-explains-beauty-dupe-process-product-development/104052268>

¹⁷⁸ <https://skinsort.com/products/mcobeauty/dupes>



Joe Berry Award 2025 Final

Presentation #6

Topic #4 – Q1- Automation - Techniques and Opportunities

Jay Allison

Amazon Sydney



My name is Jay and I'm a Category Manager for Books at Amazon. I started my retail journey three years ago as a Brand Specialist within Amazon's strategic vendor services program, helping grow partnerships with multinational camera and smartphone companies. Prior to that I worked as an executive recruiter in Tokyo.

Index

Executive Summary	3
How Automation Is Transforming Australian Retail	4
The Digital Evolution of Retail Automation	6
Workforce Transformation and Redeployment	8
Reinvest in Customer Value	9
Conclusion	10

Executive Summary

The retail industry is undergoing an unprecedented technological transformation. Automation has progressed from a competitive advantage to a business necessity, with the global retail automation market projected to reach a value of \$US 44.3 billion by 2029, growing almost 10% annually.¹⁷⁹ Driven by recent advancements in AI, the automation levels of the retail sector could grow from 40% today to up to 65% in the next four years.¹⁸⁰

Using case studies from the Australian retail landscape, this essay examines how supply chain automation has evolved and how cost and productivity savings can be reinvested for further growth.

The following points will be emphasised:

1. Since the COVID-19 pandemic, retail automation has skyrocketed, delivering both financial and non-financial benefits
2. Rapid technology advancements, including artificial intelligence, have created new frontiers for retail automation
3. Freed labour from automation must be redeployed to strategic areas
4. Operational cost improvements should be reinvested into customer value

The discussion concludes that retailers and suppliers must utilise the correct automation solutions for their business needs while ensuring workforce transformation and customer experience remain paramount.

¹⁷⁹ <https://www.globenewswire.com/news-release/2024/10/23/2967822/0/en/Retail-Automation-Market-Size-Share-Growth-Analysis-Trends-Driving-Industry-Expansion.html>

¹⁸⁰ <https://www.precedenceresearch.com/retail-automation-market>

How Automation Is Transforming Australian Retail Through Improved Financial, Sustainability, and Safety Outcomes

The retail landscape underwent a drastic shift when COVID-19 lockdowns expedited online shopping, reminding brands of the critical importance of D2C channels. On another front, rising labour costs intensified the pressure on retailers to improve their profit margins. In response, the industry turned to robotic fulfillment centres, which allow businesses to keep up with e-commerce demands through improved productivity while lowering costs.

Woolworths is an outstanding example, emerging as the leading supermarket during the pandemic. Since 2018, they have invested almost \$AU 1 billion in omnichannel stores and automation,¹⁸¹ with last year's results reporting 15% of sales being made online, a massive increase from 5% in 2008.¹⁸²

Analysts predict that automating a fulfilment centre can reduce costs by about 60% and improve efficiency in 70% of routine tasks.¹⁸³ One effective approach to achieving this is by incorporating Automated Guided Vehicles (AGVs) into operations, as seen in Figure 1 below.

Figure 1: An AGV in action at Amazon Australia's Kemps Creek automated facility¹⁸⁴



AGVs reduce the space required in a warehouse to pick inventory, while being faster, more resilient, and flexible than human labour. This increases speed and efficiency in warehouse operations, such as storing inventory and picking and

¹⁸¹ <https://www.woolworthsgroup.com.au/au/en/our-newsroom/latest-news/2021/woolworths-group-starts-build-of-next-generation-supply-chain-hub-at-moorebank.html>

¹⁸² https://www.accc.gov.au/system/files/Woolworths_Final.pdf

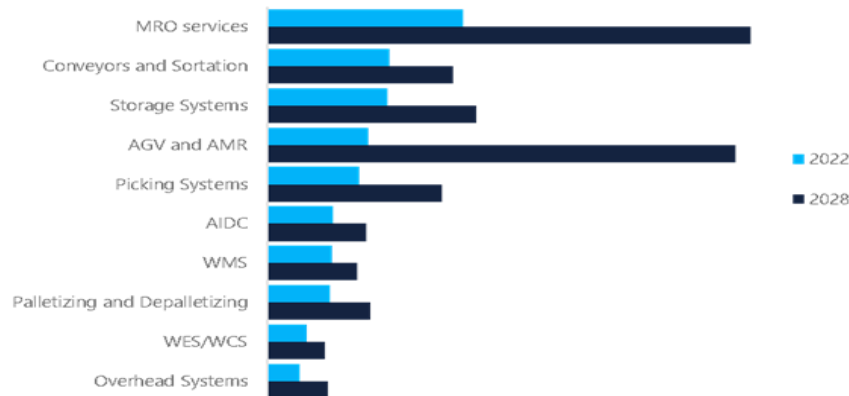
¹⁸³ <https://www.morganstanley.com/ideas/retail-technology-trends-2024>

¹⁸⁴ <https://www.smh.com.au/business/companies/amazon-s-robot-army-is-headed-to-melbourne-20230808-p5dups.html>

packing orders for delivery. For smaller businesses, AGVs can even be rented on a per-unit-per-period basis, unlocking cost consistency and predictability.

AGVs are one of the fastest growing examples of warehouse automation technology, along with maintenance, repair and operations (MRO) services and conveyor and storage systems. Figure 2 shows how AGVs are expected to grow, along with other warehouse automation technologies, by 2028.

Figure 2: Global Warehouse Automation Growth by Technology¹⁸⁵



In Australia, there has been an industry-wide rush in the retail sector to adopt technology to automate warehouse operations for both financial and non-financial benefits. For example:

- Mars Wrigley partnered with Toll to build a distribution centre (DC) in Melbourne's west, equipped with 17 AGVs. The robotics system allows for an additional 31,000 pallet spaces (or over 700 million Mars bars).¹⁸⁶
- Officeworks' Derrimut semi-automated customer fulfillment centre increased productivity by 30% and throughput capacity by over 100%.¹⁸⁷
- Arnott's Group opened a \$AU 65 million automated DC in Western Sydney, which now houses almost four times its previous capacity. The DC is also fitted with 2,464 solar panels, generating 1,500 GWh of renewable energy to reduce its carbon footprint.¹⁸⁸
- Coca-Cola Europacific Partners invested \$AU 17.4 million into an automated storage and retrieval system which opened up 12,000 additional pallet spaces in its Mentone DC. Combined with their other automated production line infrastructure in Moorabbin, it allows them to cut their annual CO2 emissions by 830 tonnes.¹⁸⁹

¹⁸⁵ <https://www.researchandmarkets.com/reports/5174357/warehouse-automation-market-by-technology>

¹⁸⁶ <https://supplychainchannel.co/toll-and-mars-open-automated-dc-in-truganina-featuring-driverless-forklifts/>

¹⁸⁷ <https://www.afr.com/companies/retail/retailers-lead-the-way-on-productivity-push-20230607-p5deoy>

¹⁸⁸ <https://www.australianmanufacturing.com.au/arnotts-group-opens-65-million-automated-distribution-centre-in-western-sydney/>

¹⁸⁹ <https://www.cocacolaep.com/au/news-and-stories/ccep-reveals-state-of-the-art-can-line-in-victoria-to-boost-manufacturing-in-southern-states/>

Automation also drives non-financial targets relating to sustainability, carbon reductions and improved safety. Amazon, usually seen at the forefront of retail robotic innovation, accounts for safety incident metrics when measuring the success of automation. They reported 15% lower incident rates at robotic sites versus sites that didn't utilise the technology, due to decreased human error.¹⁹⁰

The importance of safety improvements is a view that's shared widely in the industry. A survey of industrial robotic leaders showed that 86% believe automation will positively impact workplace safety as it evolves.¹⁹¹

As well as incident reduction, a safer environment lowers the risk of employee malaise and turnover. 90% of workers using automation reported higher job satisfaction, and 80% found more time to deepen relationships with customers and other stakeholders.¹⁹² This shows that automation can not only protect workers but also transform their roles from repetitive tasks to higher-value interactions.

However, while automation delivers a range of benefits, it does incur high upfront costs and has a high failure rate. For example, Australian retailer Booktopia invested in a \$AU 12 million robotic warehouse facility, initially forecasting distribution improvements. Even after completing the new facility, the company suffered a 22% revenue fall in the first half of FY2023.¹⁹³ Their shift to an automated model actually reduced inventory levels, resulting in longer delivery times and unhappy customers.¹⁹⁴

This underscores that businesses looking to explore warehouse automation must find the right solution to fit their objective. They must also consider seeking out an experienced partner who can focus on delivering a custom solution rather than automating for automation's sake.

The Digital Evolution of Retail Automation

A common misconception is that supply-chain automation is merely warehouse infrastructure. Modern automation, however, extends beyond physical systems to encompass software solutions and digitised manual processes. The impact can be

¹⁹⁰ <https://www.aboutamazon.com/news/operations/amazon-introduces-new-robotics-solutions>

¹⁹¹ <https://www.mckinsey.com/industries/industrials-and-electronics/our-insights/unlocking-the-industrial-potential-of-robotics-and-automation>

¹⁹² <https://hbr.org/sponsored/2023/04/how-automation-drives-business-growth-and-efficiency>

¹⁹³ <https://www.itnews.com.au/news/booktopia-in-administration-after-troubled-automated-warehouse-move-609381>

¹⁹⁴ <https://powerretail.com.au/booktopia-hits-record-low/>

substantial. Implementing an AI demand forecasting solution can lean out inventory levels by 20-30%, thus improving free cashflow and warehouse capacity by 7-15%.¹⁹⁵

Standout examples of digital automation in Australia include:

- Kmart is using robots and Radio-Frequency Identification (RFID) technology to count inventory 10 times faster, improving inventory accuracy.¹⁹⁶
- Arnott's Group, Asahi Beverages, Kellogg's, and several other retail giants use AI-driven demand forecasting and trade promotion optimisation, automating scenarios and saving time on revenue management.¹⁹⁷
- IKEA use a "demand sensing" AI forecasting tool and machine learning to improve stock integrity, allowing a leaner warehouse and improved availability. This has maximised customer purchasing potential and reduced operational costs.¹⁹⁸
- Woolworths uses an automated staff rostering system, RT3 (right team, right task, right time), to ensure labour is efficient yet lean.¹⁹⁹

While these examples demonstrate successful automation adoption in Australian retail, this represents a beginning of enormous innovation. Generative AI particularly will spur further advancements.

Glimpses of the future of Australian retail automation can be found overseas. Amazon's planned expansion of drone-based fulfillment to northern England, promising deliveries in 60 minutes or less, highlights the direction of innovation.²⁰⁰

Figure 3: A package being loaded into one of Amazon's automated delivery drones²⁰¹



¹⁹⁵ <https://www.mckinsey.com/industries/industrials-and-electronics/our-insights/distribution-blog/harnessing-the-power-of-ai-in-distribution-operations>

¹⁹⁶ <https://www.afr.com/companies/retail/retailers-lead-the-way-on-productivity-push-20230607-p5deoy>

¹⁹⁷ <https://www.complexica.com/software/decision-cloud>

¹⁹⁸ <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2024/australian-retail-outlook-2024.pdf#page=40>

¹⁹⁹ <https://www.afr.com/companies/retail/retailers-lead-the-way-on-productivity-push-20230607-p5deoy>

²⁰⁰ <https://www.aboutamazon.com/news/transportation/amazon-first-drone-delivery-uk-prime-air-location>

²⁰¹ <https://www.aboutamazon.com/news/transportation/amazon-drone-delivery-photos>

Last-mile delivery will likely remain a focal point for technological advancement, particularly given Australia's unique geographic challenges. The country's vast size and sparse population outside of metro areas creates high variable costs. However, companies with limited financial resources and lower risk tolerance must prioritise enhancing their existing omnichannel fulfillment systems through emerging AI and data processing technologies.

Significant capital investment isn't always required. Even more accessible, low-code options, such as an Application Programming Interface (API), can help retail businesses automate simple supply chain tasks. APIs can help streamline operational activities like raising purchase orders, creating contracts, and tracking merchandise.

While more than two-thirds of enterprises have adopted low-code options to improve their supply chains, the remaining third still has a significant opportunity for improvement.²⁰²

Workforce Transformation and Redeployment

Automation has helped many Australian companies to improve profits, workforce efficiency and productivity, safety and sustainability. However, automation is no longer a competitive edge but a baseline to succeed in today's retail landscape. Companies that transform the benefits of automation into long-term strategic advantages will shape the success stories of the future.

One of the ways companies can do this is by using automation to free up staff to focus on high-value tasks. Bunnings exemplifies this, having used stock replenishment technology to save and redeploy 2.4 million hours of staff time since 2020.²⁰³

It's also worth noting that companies require skilled employees to operate automation technology. Businesses face a choice between retraining staff on a new expertise or hiring external talent. Research from McKinsey notes the former costs less than 10% of their annual salary, while replacing staff with an automation-proficient external hire can cost 20-30%.²⁰⁴

The reinvestment is worthwhile, as it demonstrates commitment to people, not just technology. Fostering career development for staff to become champions of automation drive more efficiency, as workers encouraged to invent and simplify will identify further opportunities to automate. The result is a virtuous cycle of innovation.

²⁰² <https://kpmg.com/xx/en/our-insights/ai-and-technology/supply-chain-trends-2024.html>

²⁰³ <https://company-announcements.afr.com/asx/wes/b9abb2c7-fe6d-11ed-b1c2-c23e55714225.pdf>

²⁰⁴ <https://www.mckinsey.com/industries/retail/our-insights/automation-in-retail-an-executive-overview-for-getting-ready/>

While not everyone can transition to advanced projects, staff can still add value in key business areas. Last mile is a prime example of strategic redeployment, where customers often use AI assistants to check order status. 49% of Australian consumers are frustrated by ineffective smart chatbots,²⁰⁵ and 53% of customers expressed they would switch in favour of competitors that don't use AI for customer service.²⁰⁶ Businesses can protect customer loyalty while enhancing employee satisfaction by moving menial labour into meaningful interactions.

Reinvest in Customer Value

Automation is clearly valuable for businesses. But how can it benefit consumers?

Customer sensitivity to million-dollar corporate profits has never been higher, as seen by the ACCC's inquiry into the grocery sector. With 83% of Australians feeling the cost-of-living pressures,²⁰⁷ companies must direct operational savings into customer value or risk losing consumer trust. This matters even more now, as online shoppers have access to transparent price comparison tools.

Industry leaders are already demonstrating this customer-obsessed approach:

- IKEA reinvested \$125 million from automation gains to reduce prices across 3,000 products, offering customers discounts up to 20%. This saw unit sales increase by 23% in 2024 as a direct result.²⁰⁸
- Metcash's IGA endorsed a maximum pricing standard across three states,²⁰⁹ reported the same day as the opening of their new \$AU 300 million Melbourne automated distribution centre.²¹⁰
- Coca-Cola European Partners has been marking products with recommended prices since the pandemic lockdowns, aiming to help retailers support customers suffering from CPI pressures.²¹¹

Not every retailer will want to pursue lowering prices, but they can create customer value through personalised experience. Modern loyalty programs provide bespoke promotional offers, with 49% of Australian consumers preferring to shop where they are presented a tailored experience, and 40% of consumers purchasing more.²¹² As

²⁰⁵ <https://retailtechinnovationhub.com/home/2024/7/18/ey-research-consumers-return-to-stores-for-personal-service-even-as-retail-technology-boosts-online-shopping>

²⁰⁶ <https://www.gartner.com/en/newsroom/press-releases/2024-07-09-gartner-survey-finds-64-percent-of-customers-would-prefer-that-companies-didnt-use-ai-for-customer-service>

²⁰⁷ <https://www.accc.gov.au/system/files/supermarkets-inquiry-2024-2025-interim-report.pdf> page 30

²⁰⁸ <https://www.ikea.com/au/en/newsroom/corporate-news/ikea-australia-sees-visitation-increase-to-stores-and-online-and-51-3-million-profit-in-fy24->

pub8b505030/#:~:text=In%20FY24%2C%20IKEA%20Australia%20achieved,more%20visitors%20to%20IKEA%20Australia

²⁰⁹ <https://www.greatlakesadvocate.com.au/story/8819362/iga-talks-shop-over-cheaper-prices-at-supermarket-probe/>

²¹⁰ <https://bigriqs.com.au/2024/11/14/iga-supplier-opens-new-300m-distribution-centre-in-melbourne/>

²¹¹ <https://www.betterretailing.com/coca-cola-reduces-rmps-across-price-marked-range/>

²¹² <https://ecommercenews.com.au/story/new-report-finds-49-of-aussies-prefer-personalised-shopping>

brick-and-mortar stores already automate pricing using electronic shelf labels, soon smart analytics will automate promotional offers.

Retailers can leverage the valuable insights beyond automated bespoke promotions. Sharing the data with suppliers can help evolve branding, product development, and even schedule manufacturing for a win-win. Collaborating will minimise common pitfalls including waste and margin erosion, while driving conversion through improved products and customer value.

Conclusion

With Australian companies already implementing a mixture of robotic infrastructure and automation software, it is no longer a question of if and how to automate the supply chain, but rather how best to maximise both financial and non-financial benefits.

Success stories across the industry highlight three critical lessons. First, automation must be implemented thoughtfully, with clear goals and experienced partners to avoid costly missteps. Second, the human element remains crucial, and companies that invest in workforce transformation and labour redeployment see better results than those focused solely on technology. Finally, the true power of automation emerges when efficiency gains are reinvested into customer value, whether through competitive pricing or enhanced shopping experiences.

As AI and emerging technology advances, Australian retailers and suppliers will face opportunities and challenges. The organisations that will thrive will automate holistically, balancing innovation and employee development while ensuring customers are still centric to their strategy.

Automation is not just a tool for efficiency, but a catalyst for endless transformation.