

Connected Retail is driving the evolution of a new operating model and new performance metrics will need to be defined to enhance customer experiences / April 2015

Connected Retail: Reshaping tomorrow's operating model and metrics





Using technology to recognise customers and develop relationships with them



Using customer insights for merchandise, space and inventory management decisions



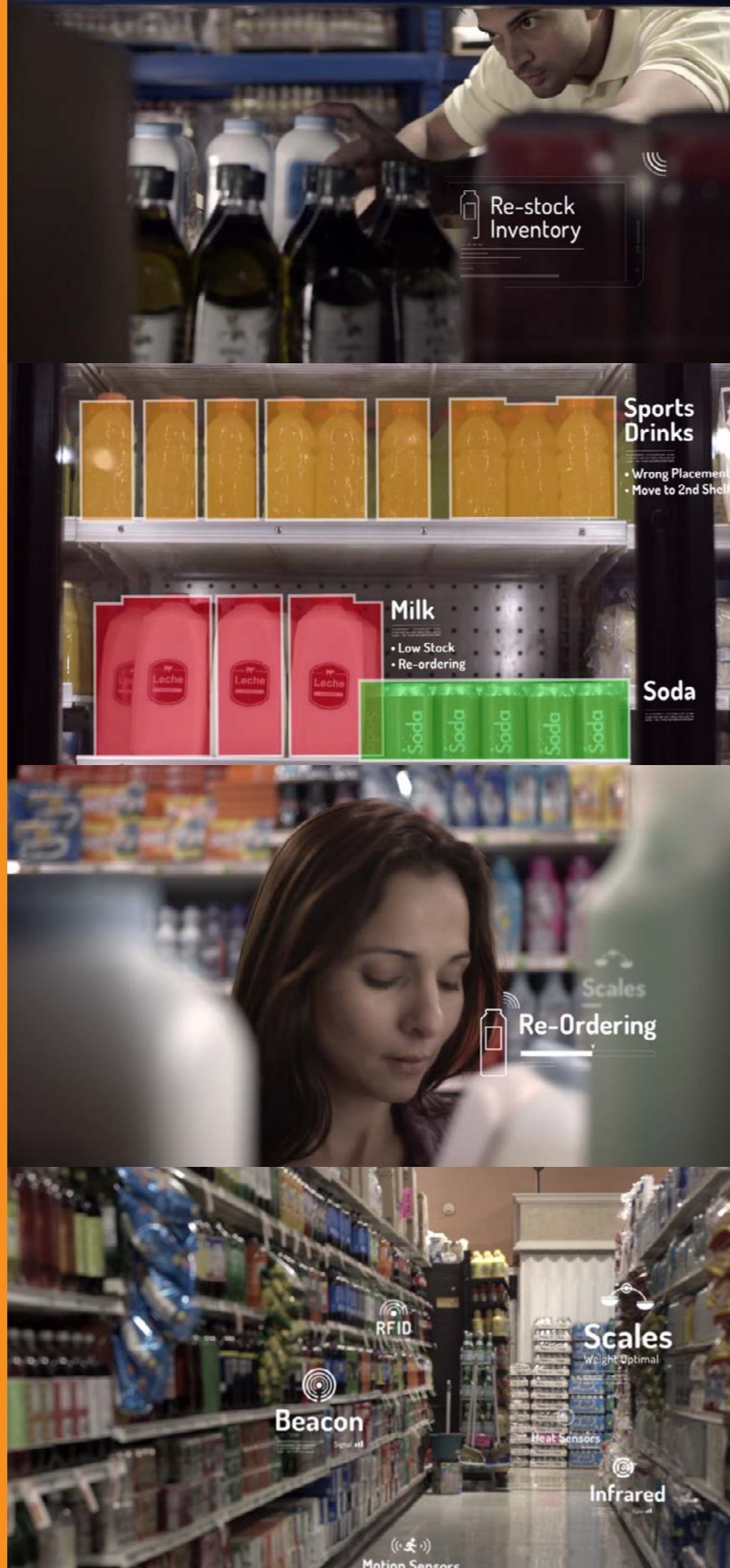
Using mobile devices to connect store staff with customers and provide them with data to be productive



Connected Retail, which means:

- Having a unified brand story across all channels that promises a consistently superior customer experience.
- Having an integrated back-office operating model driven by agile and innovative technology.
- Transforming the operating model to be customer centric and applying this across all business functions.

Explore how Connected Retail will be delivered in PwC's short film *Symphoni – The future of the connected enterprise.*



Redefining and simplifying for Connected Retail

Driven by the rapid acceleration of digital technology and changing customer expectations, retailers are continuing to transform their organisations.

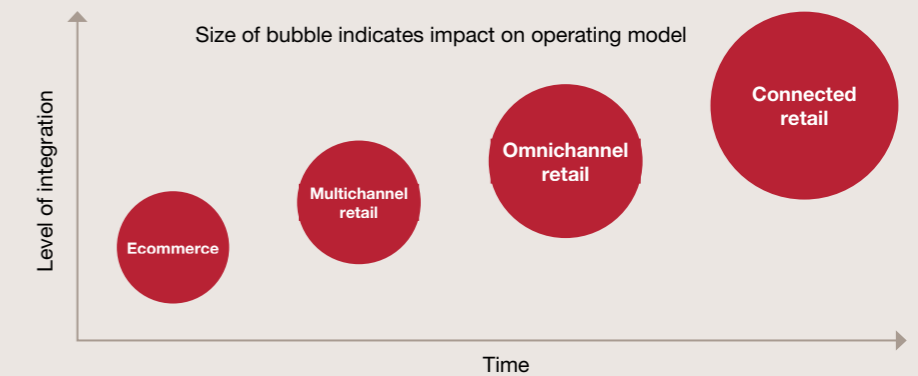
As highlighted in our report, *Connected and curated – Long live the store*, retailers are in a position to connect with customers through technology to offer a far superior experience – anticipating and surpassing their needs and expectations.

Connected Retail means connecting the customer seamlessly to personalised marketing, the physical store, the digital experience, supply chain, seamless payment options, and most importantly to help staff to deliver a **branded customer experience**.

Within the next few years, digital technology will be pervasive, so whether you are a customer, employee or supply chain partner, you will interact seamlessly with the physical and digital ecosystem of a retail environment in an efficient, rewarding way.

However in order to achieve this, retailers must continue to invest in technology to redefine and simplify their operating model and performance metrics.

Figure 1: The evolution of retail and its impact on the operating model



Although the approach to retailing has evolved to accommodate the changing needs of the customer, this evolution to date has had relatively little impact on the business model. Beneath the customer touchpoints, the level of integration, is often superficially joined up or getting by with inefficient workarounds and in many cases adding cost to the existing operating model. As illustrated in the above diagram, Connected Retail demands full integration and an entire transformation the retail operating model.

Connected Retail will require businesses to deliver a consistent branded experience that makes the customer feel:

- connected to a business and brand that knows them
- that they have the choice to connect into whatever retail channel they want to engage through
- able to access rich information about products, services, purchases, shipments and post-sales support
- easily able to connect to and use technology within stores
- connected to a retailer's employees and a broader community.

A new operating model, metrics and mindset

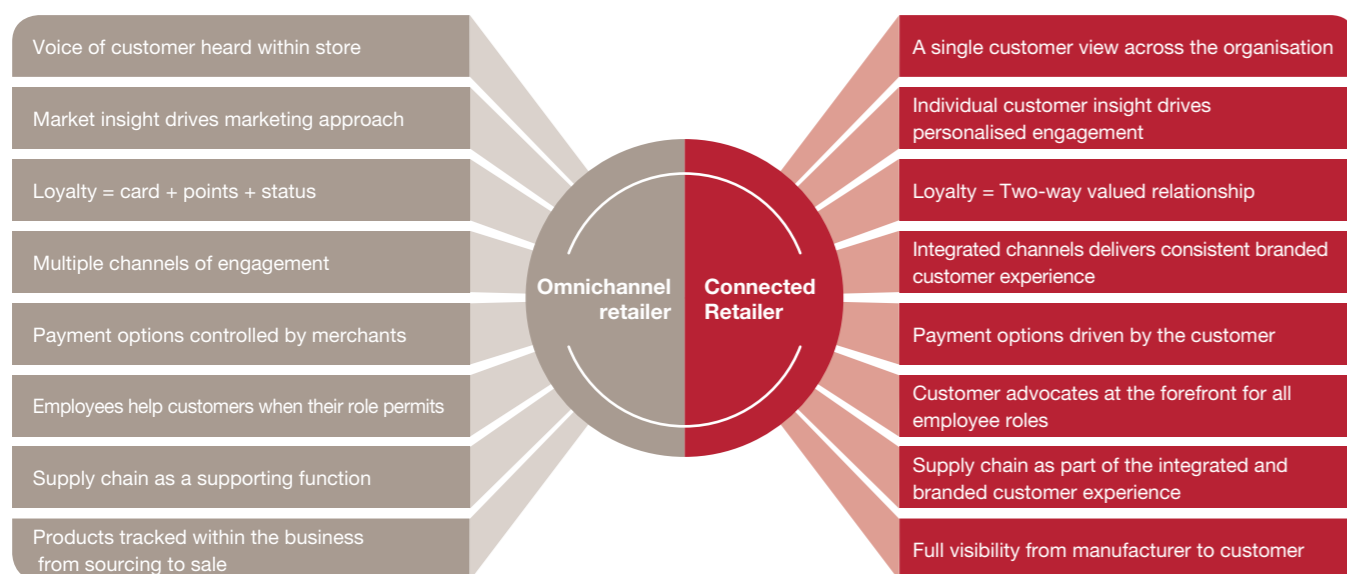
Delivering Connected Retail means transforming the business from the front to the backend and across the supply chain. It's no longer just about adding an online channel, **it's about a new operating model** that is customer centric, agile and powered by data and technology. It's now time to rethink operating

models, **starting with a change in mindset, reshaping organisational structures, changing the way business success is measured and employees incentivised.** Beyond this, retailers need to also factor in broader global, societal, environmental and community concerns – that will increasingly influence the bottomline.

We will focus on:

- Operating model
- Roles and responsibilities
- Metrics
- Bringing it to life

Figure 2: Key changes in mindset between omnichannel and Connected Retail



A changing operating model for consumer goods companies

It's not just traditional retailers that are facing a fundamental change to their operating model. Consumer goods companies also need to have an increased focus on direct-to-consumer interaction and experience to ensure that their brands retain value when competing with retailer's private labels. In the world of Connected Retail, consumer goods companies will need to focus on:

Consumer insights

Consumer goods companies will have direct engagement with consumers through digital channels. They need it to make sure they have at least as good insight into consumer needs as retailers if they are to have strong brands and avoid being displaced by private label products.

Direct-to-consumer sales channel

Retailers are the ultimate intermediaries, and evolved

historically because it was too complex and costly for manufacturers to interact with individual customers. However, digital channels have cut the cost and made the complex simple. With consumer goods suppliers also focusing more effort on branding efforts, this has driven a push with consumers who seek to interact with them directly. Higher value consumer goods companies are already well evolved with their own direct-to-consumer operations, but in the future we should expect direct to

consumer sales to become significant for categories.

Systems of engagement

Consumer goods suppliers will need to invest in many of the systems of engagement that retailers have if they are to gain insights and have a compelling direct-to-consumer sales channel. This investment needs to be made across brands to ensure optimum brand positioning is achieved.

Who's implementing tomorrow's operating model, today?

Apple (Consumer electronics)

"Apple Stores are the place to be ... Only 1 in 100 who visit the store buy anything." Ron Johnson, former Head of Retail, Apple.¹

Dan Murphy's (Liquor)

"We need to ensure all of our channels are working together as a total retail solution"²

Selfridges (Department store)

"Around a quarter of our weekly website visits are from outside the UK. Our brand needs to extend overseas so we need an international strategy with digital at the heart of it."

John Lewis (Department store)

"The biggest change in delivering omnichannel in John Lewis was when we aligned incentives across channels. Once that problem was solved, it all started working. Store Partners no longer feared recommending customers go to the website or use in-store kiosks."³

ASOS (Online apparel store)

"We'll measure success through, amongst other things, our share of online traffic, the number of followers we have on social media sites, and, of course, sales. We are creating the best experience for our customers so they return to us every day..."⁴

Wesfarmers (Diversified)

"...our financial success gives us the ability to employ more than 200,000 people, pay taxes, pay dividends, look after our environment and also contribute to the communities in which we operate."⁵

Connectivity and experience drives cross-channel conversion

Connectivity is increasingly blurring the silos between traditional retail channels. For retailers this means that the physical experience needs to be exceptional and the retailer needs to allow the customer to start and finish the purchasing journey across their channel of choice.

Even with limited physical presence, your market is global

Traditional borders no longer apply and those retailers not planning for internationalisation run the risk of becoming irrelevant and missing out on potential business.

Retail channels should be run together with the right KPIs

Change within business can be scary – not only to management, but to those on the ground. Understanding and planning for impact, aligning KPIs and clear communication of expectations is paramount to overarching success.

Performance metrics should deliver insight on traffic, conversion and cost to serve

ASOS uses granular KPIs to manage its retail operations and even reports many of them publicly, including:

- number of active customers
- number of active SKUs
- visits by channel
- number of click and collect locations
- sales transactions
- picking capacity per hour
- average transaction value
- labour cost per unit
- average units per transaction
- average selling price.

Societal, sustainability and community issues will influence performance metrics

Driven through digital connectedness and transparency, brands are increasingly being evaluated based on their actions beyond the confines of their business.



Operating model

Structuring for success

The scale of change required to reshape an organisation so that is competitive and profitable in the global market will take time. It is most challenging for the largest, longest established businesses, while some of the more nimble or recently established businesses are nearly there.

Fast forward a few years and the Connected Retailer will:

- have 'digital' capability embedded in all parts of the business – it will no longer be owned by one team
- use greatly enhanced customer insights to guide each department, whether it's the design of the product, what inventory is fast tracked through the supply chain, or how store employees are incentivised
- have a single owner for all retail channels (store, online) with consistent metrics that drive the organisation to interact with customers in the channel of their choice

- be staffed by employees who are empowered by mobile devices to help customers and be highly productive.

The most successful consumer goods companies will also look like Connected Retailers with the advantage of designing their store network from scratch and:

- have direct relationships with consumers
- operate a direct-to-consumer channel in addition to other retail channels.

Pacific Brands-owned Bonds, embodies this model. The brand has managed to successfully establish a direct-to-consumer engagement model through its various activities and launch its own digital and physical footprint, alongside its partnerships with other flagship retail brands.

Key operating model changes to consider:

1. Align physical and digital store operations under a single management team with incentives that are agnostic to channel of sale.
2. Put in place a flexible data infrastructure that is able to build a 'single view of customer' and deliver real time operations.
3. Start using sales performance metrics that are structured in terms of visitors, cost of acquisition, conversion rates and quality of customer relationships.

Taking a different perspective

The tomorrow's operating model will need to be supported with organisation capabilities underpinned by the following characteristics:



Disruption

Allowing business transformation through innovative models that don't exist in the market today.



Engagement

Enabling digital interactions with customers, employees and the broader community in a more engaging, seamless way.



Digitisation

Digitising processes to improve customer satisfaction, employee productivity and supplier interaction.



Trust

Ensuring secure information in a digital age to inspire trust by customers and all relevant stakeholders.

Roles and responsibilities

Changing the guard

A new operating model needs to be supported by a new organisation structure.

The most notable change, with digital becoming embedded in all parts of the operating model, it is no longer a discrete function; rather a tool and skillset that needs to permeate throughout every role within the organisation.

As illustrated in Figure 3, the Senior Leadership team is centered on four key roles of the Chief Executive Officer, Customer Engagement Director, Products and Services Director and the Chief Performance Officer.

The changes in roles and responsibilities, compared to the typical retailer are outlined.

Figure 3: The evolving Connected Retail organisational structure



The **Corporate Services Director** (CSD) needs to consider alternate business models to drive efficiency while delivering an increased level of service. The key roles within the function that offer the highest value and retain intellectual property should be internal, however the majority of the services should be delivered using more contemporary models and the best third party provider. With the advent of business model and process digitisation, enabled by technology, mobile, cloud, crowd sourcing and outsourcing there is an opportunity to drive efficiency, increase service and reduce cost.



The **Sustainability Director** (SD) has also been elevated in the organisation given the importance of implementing and monitoring sustainable sourcing. In addition to ensuring that the business is meeting government and industry standards, this role will work across the organisation to ensure sustained business viability. This role will greatly benefit from new technologies, such as sensors, which combined with external data will provide a richer view of a business' footprint and impact.



The **Chief Performance Officer** (CPO) is responsible for all aspects of finance however there is an increased emphasis on driving transformational change through the organisation as it shifts to a connected enterprise. Defining the new scorecard and driving digitisation across the business will be critical in reducing cost while increasing efficiency and the CPO will be the champion of that change.



The **Cyber and Privacy Director** (CPD) is responsible for inspiring trust by customers and all relevant stakeholders. As retailers move to a data and technology-enabled business model the reliance on technology increases, as does the risk of threat. Given the importance of privacy and cyber threats, this role needs to be elevated to ensure security is designed into the experience and actively managed.



Metrics

A new retail scorecard

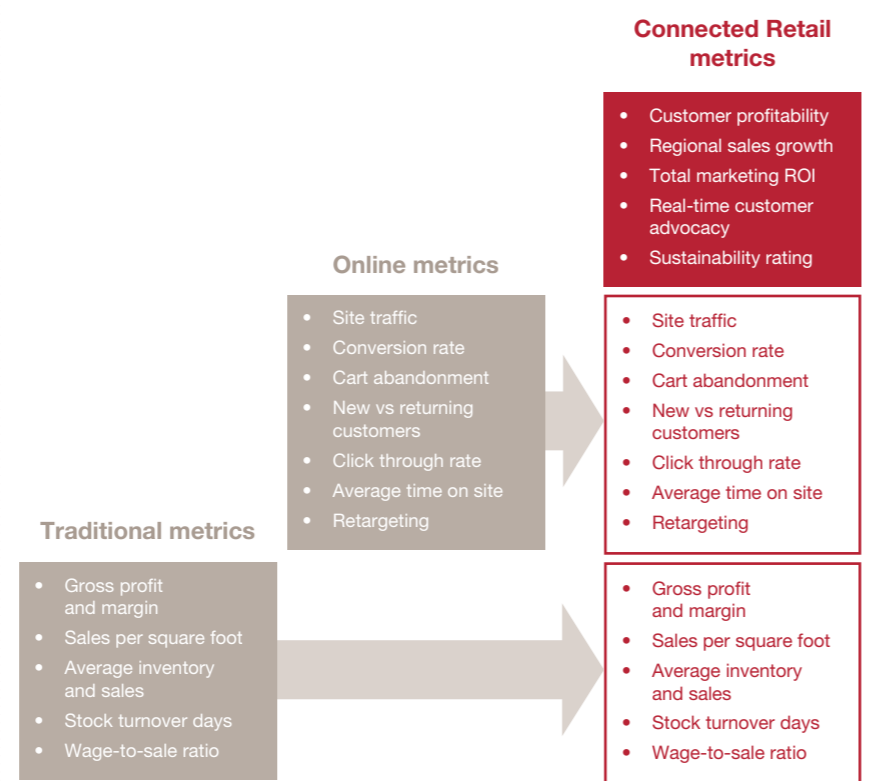
While a number of traditional metrics will still be relevant in the Connected Retail world (such as sales, margin, EBIT, ROC, CODB, etc), there will be a marked shift toward metrics focusing on customer advocacy (defined through tools such as, net promoter score and PwC's customer.mind) and profitability.

A Connected Retail business needs to:

- understand how the engagement channels work together to **attract** customers and **convert** to successful sales
- ensure purchases are successfully **delivered** to the customer how and when they expected: supply chain is part of the product
- measure the health of its **customer** relationships (both the immediate customer/retailer and the **end consumer**)
- understand how the engagement channels work together to **attract** customers and **convert** to successful sales.

These also apply to Consumer Goods companies since the boundary between retailer and supplier is breaking down.

Figure 5: Exploring a potential future-state retail scorecard, that combines traditional, online and Connected Retail metrics for a holistic view of performance



Connected and concerned: Measuring the worth of CSR

As the world becomes increasingly connected, there is an undeniable flow of information linking up individuals, communities and groups. It is this awareness of social, ethical, environmental and political issues and a sense of community that is beginning to become an important part of customer experience.

In 2014, a Nielsen Global Survey on Corporate Social Responsibility (CSR) highlighted that fifty-five percent of online consumers globally said that they were 'willing to pay more for products and services provided by companies that are committed to positive social and environmental impact' – with the results being strongest in Asia Pacific at sixty-four percent.⁶ These results demonstrating the level of priority that consumers attribute to CSR. Let's face it, if as a consumer, you know that you are 'doing good' through the choices you make – it's generally a no-brainer decision.

In terms of measuring business performance, metrics related to CSR are already a prominent part of reporting. In retail, where interactions are predominantly customer-driven and where brand reputation already plays a heavy role in driving overarching commercial performance, CSR will be a pervasive part of day-to-operations and metrics.

The most common metrics that are currently being measured to different levels of granularity, include:

- workplace safety
- diversity and inclusion

- ethical sourcing
- community contribution
- environmental impact and sustainability
- governance.

As consumers seek organisations that meet both their material and values-based needs, some of the more specific areas that retailers can focus on to measure and achieve success in these areas include:

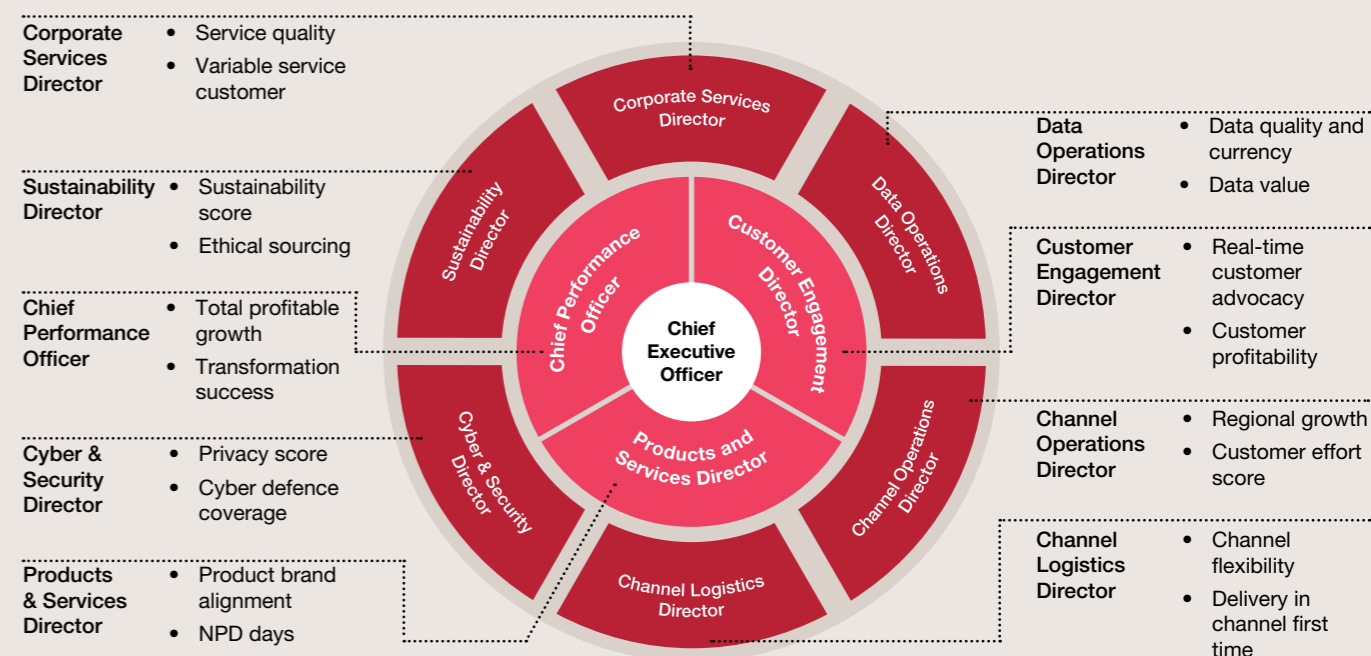
- proactive application of sustainability practices across the organisation
- compliance with global best practice principles
- increased transparency with social, environmental and sustainability information, particularly with regard to sourcing and environmental impact
- accessibility of digital assets (in Australia this has been mandated for government-owned assets, but will likely be regulated more broadly across the landscape)
- embedding CSR metrics into KPIs for individual roles (eg buyers, suppliers, etc)
- identification of relevant cross-sector partnerships that enable an organisation to utilise its resources for a 'greater good'.⁷

The key to ensuring that CSR metrics are correlated to overarching business objectives, it will be critical to ensure alignment of these with business, employee and customer values.

The scorecard for tomorrow's leaders

- For the CEO, customer advocacy will become the main forward looking metric. Gross margin growth will become more important than headline sales growth as retailers strive for profitably sales.
- An effective **Customer Engagement Director** will need real-time customer advocacy metrics across several customer touchpoints and segments. This role will be concerned with primarily building a base of loyal customers and keeping them.
- The Product and Services Director is likely to be inspired by and adopt metrics from fast fashion retailers, like Zara, that drive short focused development cycles.
- Retail Channel Operations **will live and die** by a granular understanding of conversion metrics across all channels and by each customer. They will use these metrics to tweak the offer down to an individual customer, their purchase stage, and known channel of choice.
- Technology like RFID that allows a 'single view of product' – where each SKU is at anytime and ultimately who bought it – will power metrics across the supply chain.
- Strategic suppliers will share production and inventory data to provide forward looking metrics and allow smart choices about customer fulfilment options.
- Retailers will share customer and demand data with strategic suppliers to help them make short and long term decisions about new product development, marketing and production.
- Metrics that pure play online retailers like ASOS are currently using, will be applied across physical stores too.

Figure 6: Key metrics for Connected Retail senior leadership



The scorecard for tomorrow's customer

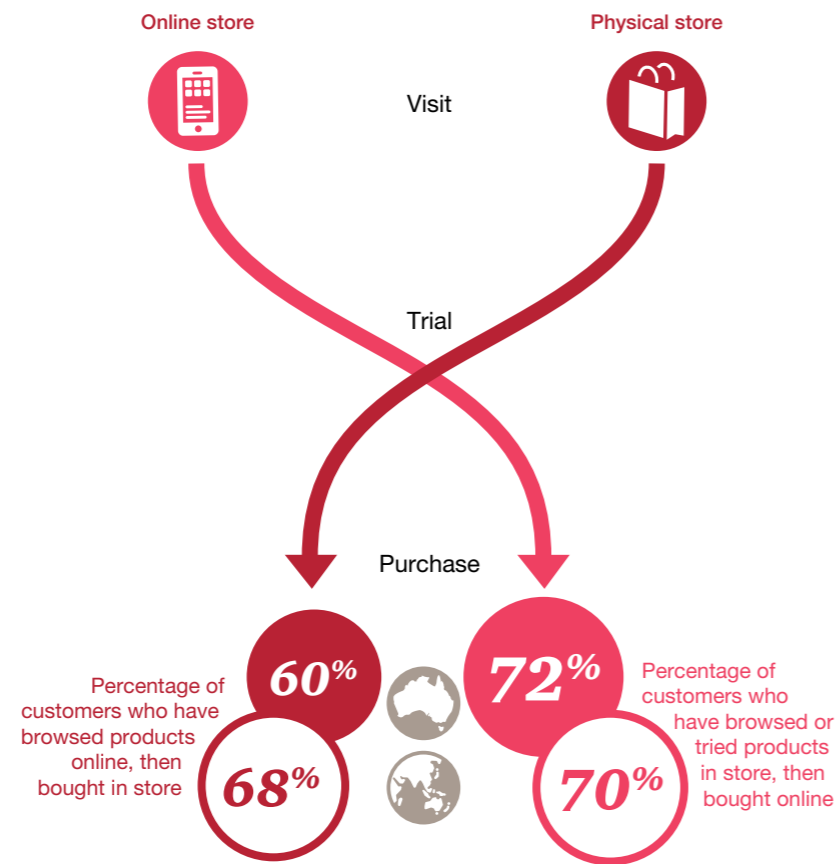
With customers at the heart of Connected Retail, having an understanding of customer interactions will become one of the cornerstones of retail metrics.

With this in mind, the key new metric for retailers to consider in the influence of sales is 'customer advocacy'. Advocacy is a forward looking measure that most effectively drives long term sustainable profitability.

Technology such as PwC's customer.mind (see *customer.mind provides a real-time view of customer voice* on opposite page for more information), enables advocacy to be tracked in real-time by observing a customer's digital footprint.

By focusing on acquisition costs, conversion rates and advocacy across all channels, Connected Retailers will find which channels are more efficient and cost effective at different stages of the purchase funnel.

Critical to success is cross-channel conversions ⁸



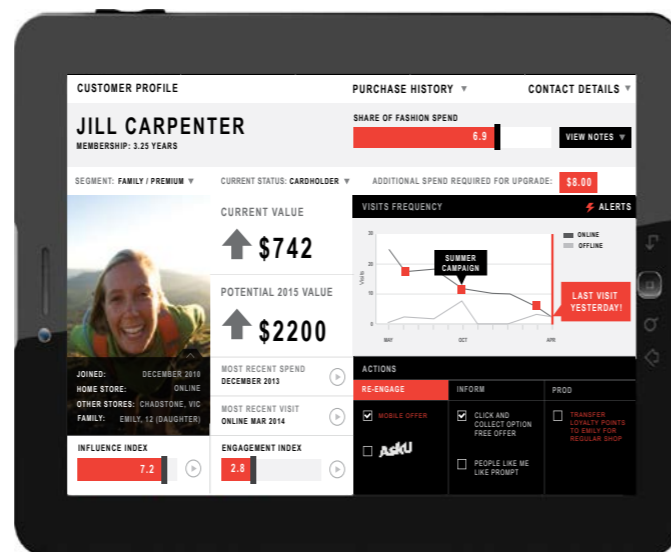
Connecting and empowering the shop floor

Data used to be the domain of finance. But technology is democratising data and allowing employees of all levels to choose the information and performance metrics they need to do their job well.

Connected Retail will empower in-store employees, allowing them to access to data through mobile devices so that they can make real-time decisions. The short and long term benefits of making this change to the business include:

- delighting customers with personalised service
- enable staff to build meaningful customer relationships
- opportunities for targeted sales and conversion
- providing customers with an incentive to become brand advocates
- drive an ongoing relationship and loyalty.

These devices also enable the digitisation of internal processes to deliver real-time information and efficiency across operational task management.



Unlocking Connected Retail metrics through customer tracking

Customer tracking technology will soon allow many key metrics to easily be measured. Most will be based on smartphone use, but will require the retailer's to gain customer consent through an app and/or privacy setting.

The key to making the most of these technologies and the insights from them will be through a robust data processing system and translation of these into actionable insights across the organisation.

Customer tracking technologies



GPS

GPS allows retailers to track customer's proximity to a store and can be used to send nudges to encourage visits. Generally not accurate enough for conversation tracking.



WiFi

Most retailers now have store WiFi which allows simple location tracking within store (eg which departments visited) and high level visit-to-purchase metrics or time-in-store metrics.



Beacon

Beacons are more accurate but require additional investment and can allow browsing by category, and therefore 'visit' to 'trial' to 'purchase' be tracked. Because known customers are tracked, their online activity and therefore cross-channel behaviour can also be measured.

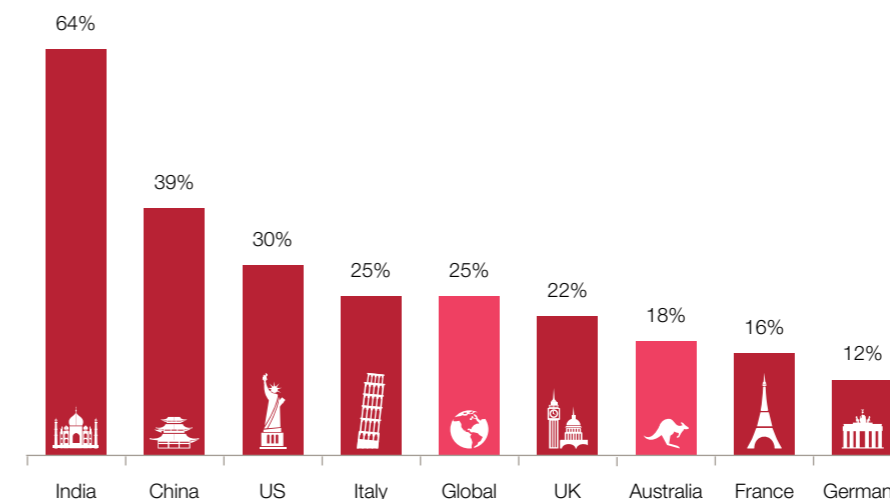
Other technologies enabling tracking while in-store, include: facial recognition, video, motion detectors and sensors, commercial or bespoke wearable devices (eg Disney's magicband) and digitised rewards/loyalty cards.

A matter of trust?

Whilst the recorded percentage indicates that only 18 per cent of Australians are willing to share their location through their mobile phone, the likelihood is that this number is much higher. This is due to the fact that many mobile users are unaware that their location services are turned on when browsing the internet and using various applications.

As illustrated below, Australians appear to be more conservative than many countries at allowing retailer's access to data like their location. Concerns about privacy and security may be driving this behaviour – making trust implicit to the retailer/customer relationship.

Figure 7: "I am happy for stores to establish my location through my mobile phone?" ⁹



customer.mind provides a real-time view of customer voice

Fuelled by the increasing amount of digital data, rather than speculate about what customers want – retailers have the opportunity to tune into what their customers are saying and gauge their 'actual voice' in real-time.

By tapping into multiple data sources¹⁰, PwC's customer.mind aggregates, structures and scores this information to establish the 'actual voice' of the customer.

Where traditional customer research has been episodic and siloed in customer or service departments, customer.mind lifts up these insights to enable a live, natural view of the customer ecosystem that can be utilised and actioned across multiple areas of the business:

Marketing

- Message development and response monitoring
- Content marketing support

Sales

- Sales optimisation support
- Influencer identification and advocate program support

Service

- Identification of service satisfaction drivers
- Real-time customer advocacy

Innovation

- Feeding ideation
- Test market response monitoring

Operations

- Fraud detection
- Collaboration support

Do you know your customer.mind? Contact PwC to find out more.

Bringing it to life

Imagine if stores and systems 'had a voice'

By 2020, the pace of technological innovation will have accelerated even more and mastery of new technology platforms will define the retail winners of tomorrow.

Today, the endless aisle is a reality and we're at the cusp of flexible delivery, digital wallets, social shopping, on-demand manufacturing and wearable technology becoming common place.

The question is, how will these technologies enhance the Connected Retail operating model and provide more granular insights to enhance success?

The technology ask

For retailers the use of new technology is likely to revolve around the following three business needs:



Deeper understanding of the data available on customers, business and the market to provide a detailed view of behaviour and the make predictions (Big Data).



Granular comprehension of product movement to meet regulations, reduce costs, increase safety, and mitigate risk and loss.



Perpetual connectivity and communication manifested by the rise of the internet penetration, smart devices, and social media.

The experience

Imagine if retailers could anticipate customer needs, so that they always had access to a full range of products at all times while in-store. This would deliver an extraordinary experience and increase advocacy.

With effective profiling, stores will be able to provide customer service employees with more comprehensive **Training** and information about shoppers' preferences and product benefits. If handled properly, this can streamline a sales process and make customers feel truly valued.

The **Endless Aisle** concept embraces a move toward true integration between what have 'traditionally' been regarded as off and online channels. With trends such as mass customization, 3D printing and virtual fitting rooms – retailers are in a position to reimagine the physical environment.

Real-time marketing effectiveness across the organisation driven by location-based data and predictive analytics, enable retailers to predict what a specific shopper will care about, based on the behaviour of their peers, and be able to present that offer when it's relevant.

With increased access to data retailers are in an opportune position to create **Customer Profiles** that provide a rich picture of customer behaviour and preferences. With this information they'll be able to offer benefits that are more meaningful and personalised.

Impact on process

The role of customer services will significantly change – with an impact on training techniques, competency models for hiring, and even compensation.

Stores will need to rethink their use of physical floor space to optimise for being a showroom, a fulfillment center, a manufacturer, or more. The concept of products may also change.

Up-to-the-minute information about the sales environment will allow marketers to adjust promotions and prices dynamically, based on activity, proximity, purchase history and preferences.

A richer customer profile will enable more meaningful, context-sensitive interactions. It will also help to understand customers at a more granular level.

The operations

Imagine if the store manager knew what was happening in every part of their store at anytime. If a retailer could have a real-time, live pulse across its teams, inventory, supply chain and operations.

Real-time tracking leads to real-time re-routing based on need as store sensors monitor product stock levels and signal stock outs.

Smart shelves combine sensors on shelves, equipment and products that send up-to-the-minute information to analytics applications that process to optimise sales.

Inventory Management technology, such as, digital tolerance meters and motion analytics, will enable growth in sophisticated displays that allow customers to access a retailers full range products, in a multitude of sizes, colours, and features, regardless of location.

Today planograms are based on a variety of assumptions about how consumers walk through a physical store. **Digitised Space Planning** will utilise both customer data and geolocational technology to evolve and make this process more efficient.

Impact on process

As information is exchanged digitally across the chain, retailers and their suppliers will make real-time inventory decisions, just as manufacturers have been doing.

Product and shelf sensors coupled with RFID can collect data throughout the entire supply chain – from dock to shelf. This could lead retailers to re-architect how operations and business intelligence capabilities are deployed.

Next-generation displays will aim to generate sales from wider selections. They'll also be able to predict trends by allowing retailers to capture more information about customer interests, and they may even allow real-time merchandising experimentation.

Store managers will need to update merchandising models to reflect new customer behaviors. This may change space allocation and placement fee revenue.

The performance

Imagine if a store was 'alive' and could communicate information about the health of its own assets and systems. If a retailer could plug in to a live feed, it could respond in real-time to improve performance.

Efficient **staff utilisation** will mean real-time customer support, personalised and delivered where and when it is requested. Digitisation and automation of resourcing will also translate to redefinition of roles, better streamlining and prioritisation of tasks to reduce costs.

With increased transparency across systems and customer behavioural data, the ability to provide **Curated Pricing** becomes a very real opportunity for retailers to improve conversion rates.

By opening up a richer store of information and real-time customer data, **Loss Prevention and Cybersecurity** will be a top priority for Connected Retailers. loss-prevention schemes.

Predictive maintenance means sensors embedded in manufacturing and retail equipment will self-diagnose for repairs, some of which can now be done locally by 'printing' parts.

Impact on process

With staff utilisation strongly reliant on data interpretation, skills required for customer service will be significantly impacted.

Retailers that manage curated pricing models effectively could see real gains in revenue and inventory management. This will mean having a clear single view of customer and working to understand the nuances and correlations between behaviour and pricing.

Retailers will need to anticipate a variety of risks and to mitigate against these threats across all channels. Risks in any one channel may represent a threat across all channels and the overall business.

Early warning signals for maintenance and repairs have the potential to shrink supply chains. At the same time, 3D printing can help reduce equipment down times.

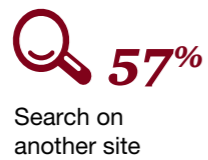
Bringing it to life

Fulfilment: today, tomorrow and beyond

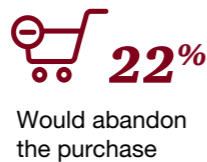
Australian customers are driving the need for a change in fulfilment¹¹

What do they do if...

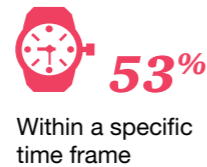
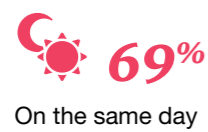
Products are out of stock while they are shopping online?



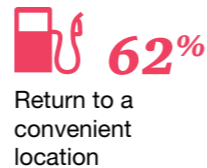
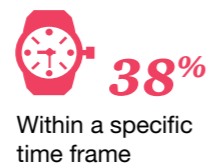
A live inventory count is not displayed?



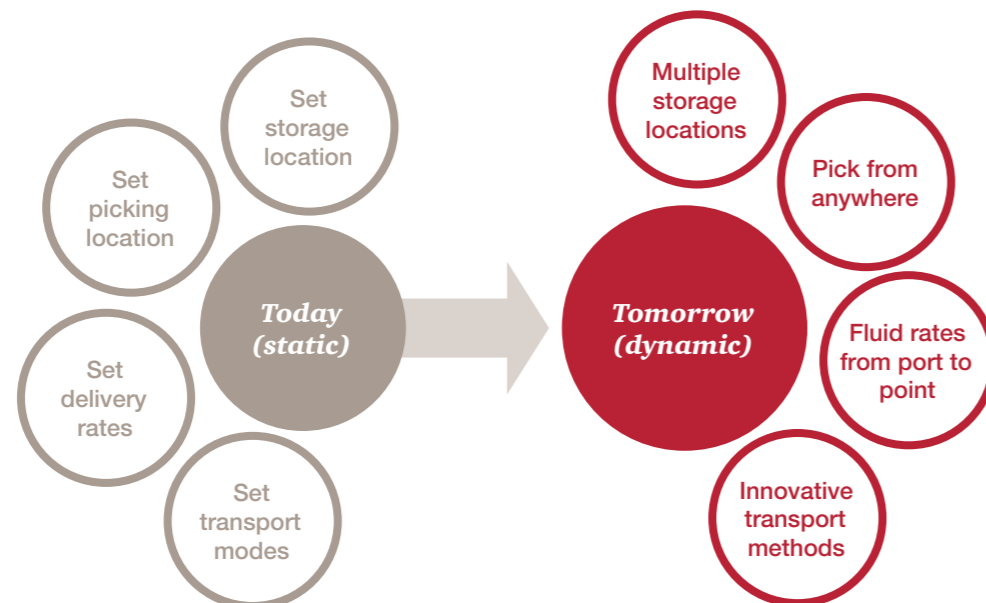
If basic delivery was free, they would be willing to pay for delivery:



The most important return options for online purchases include:



How we get there



Key considerations for tomorrow's fulfilment model

'Anytime, anywhere fulfilment' requires real-time, accurate stock visibility

In order to successfully offer the option of 'order from anywhere, fulfil from anywhere' retailers must have full and real-time visibility and availability of inventory, regardless of what point it is at in the supply chain. A more dynamic approach to inventory visibility lies in the adoption of technology to provide item level tracking and the ability to connect this through from manufacturer through to the customer. The need for dynamic inventory management is fuelling increased adoption of technologies like RFID and cloud-based solutions to achieve end-to-end transparency.

Fulfilling 'need it now' delivery expectations requires innovative transport solutions

Customers to date have been seemingly satisfied with a delivery lead time of a few days or at a stretch next day. This mindset is changing to 'need it now' – with tolerance for longer delivery lead times quickly diminishing. In order to meet this, retailers will need to consider innovative 'out of the box' delivery solutions that provide flexible options and can still be executed profitably. This demand for quicker and agile delivery is seeing trials with alternate modes of transport (eg drones and crowd-sourced delivery), as well as the emergence of drop ship arrangements.

'Whatever I want, now' requires dynamic order management systems

Dynamic order management technologies will underpin efforts to profitably deliver in the 'whatever I want, now' world. Dynamic order management systems will need to apply sophisticated algorithms to connect inventory location and shipping cost data to make timely decisions about delivery, in the context of meeting more complex customer service requirements, but not significantly increasing the cost to serve.

Who's already 'fulfilling' tomorrow's model?

Instacart: Delivering a magic experience

In a sector that is dominated by the heavy-hitting technology players, Instacart is making an impression with its 'managed crowdsourcing' online grocery delivery service. Founded in 2012, within two years the startup has received a US\$2 billion valuation and locked down US\$220 million in VC funding.¹²

Purporting to be 'the best way for people anywhere in the world to shop for groceries' – Instacart customers do their grocery shop through the company's app, selecting goods from a range of retailers (including Safeway, Wholefoods and Costco). Once the order is placed it goes through to one of Instacart's 4000 personal shoppers, across 15 cities (in the US)¹³ and they do the shopping and in some cases deliver the groceries to the customer, usually within the space of a couple of hours for flat delivery fee.

According to Founder, Apoorva Mehta (speaking to Business Insider Australia¹⁴) the key to the apps success lies in the intelligence of the app, which drives absolute efficiency "This app is extremely intelligent, when they [Instacart shoppers] are at the store, we know exactly where all the items are located, what department, what aisle, what shelf. The drivers are routed in the store as well as outside. We get as much efficiency as possible when we fulfil these requests."

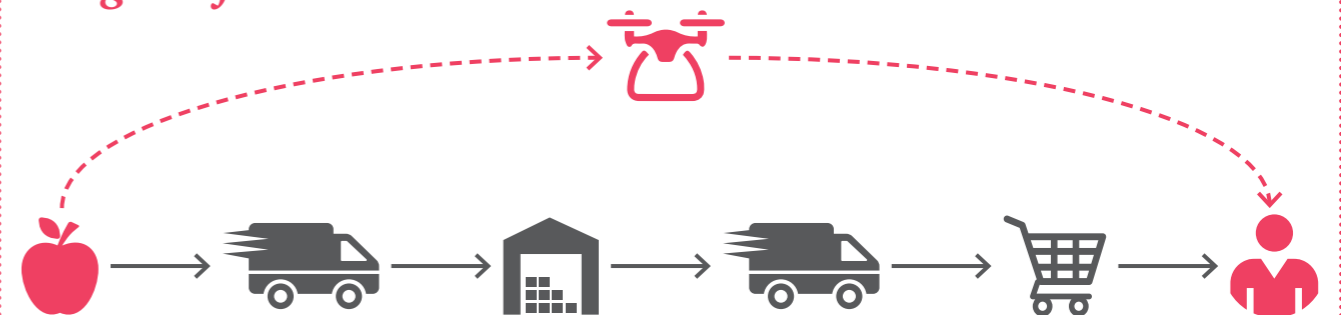
Amazon's drone army on the rise

With Amazon getting the go-ahead in the US from the Federal Aviation Authority to begin testing delivery through drones, a study from financial firm ARK Invest has revealed the cost-savings for the retailer.

The research suggests that drone deliveries could be charged out at as little as USD\$1 per delivery, with a delivery wind down of less than 30 minutes – meeting the increasing 'need it now' delivery expectations of customers.

"The breakthrough is the value that drones offer customers, in terms of the cost and the convenience," said ARK Invest analyst, Tasha Keeney.¹⁵

Imagine if...



What does the future of fulfilment look like?

Food for thought

Omnichannel retail is no longer enough to remain competitive and be successful in the retail industry. In the near future, we will see many retailers moving toward the next generation of retail, which is **connected**.

Connected Retail is about ensuring that the customer has a seamless experience across all interactions with the retailer – from marketing and supply chain, to the in-store and digital experiences. It is about being able to deliver a **branded customer experience** throughout the customer journey roadmap.

The essential elements of delivering Connected Retail include a **mindset change, reshaping of organisational structures** and changing the way in which **employees are incentivised**. The new operating model must be customer centric, agile, and powered by technology, data and analytics, whilst the metrics used for retail performance need to evolve, shifting away from just sales and toward customer advocacy.

It's not just retailers that will fundamentally change their operating models – suppliers of consumer goods will become Connected Retailers too. Particularly as digital platforms evolve, allowing manufacturers to interact directly with individual customers.

Imagine if...



Customers were recognised and greeted at the door of the store by name



They had a digital shopping assistant to help them navigate the store



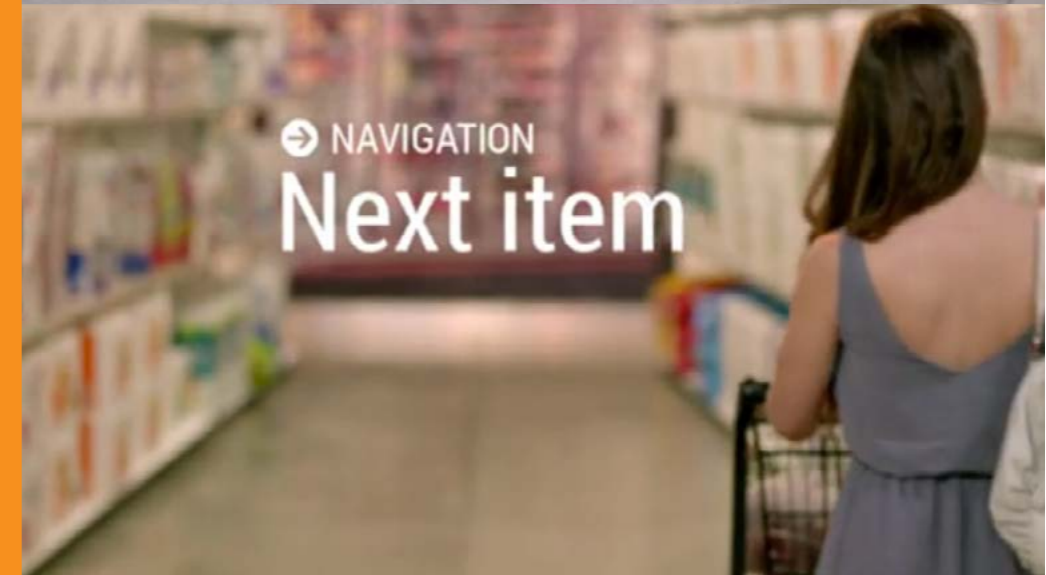
And could find out more about the products they were interested in through smart displays



Plus they received offers that were customised to their personal shopping preferences... while shopping.

Can you meet the needs of the 'always on' customer?

Explore how you can meet the needs of the 'always on' customer in PwC's short film [What if the store had a voice?](#)



Find out more about Connected Retail



Stuart Harker
Global Retail & Consumer
Advisory Partner
+61 3 8603 2280
+61 418 339 231
stuart.harker@au.pwc.com



John Riccio
Digital Change Leader
+61 3 8603 4968
+61 419 275 097
john.riccio@au.pwc.com



Richard Blundell
Director, Retail & Consumer
+61 3 8603 0086
+61 415 881 841
richard.blundell@au.pwc.com

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