

OUR EXPERTISE

Actual Progress				
Focus Area	Priorities	FY19 (last year)	FY20 (last year)	FY20 Progress
Understanding our customers	Use data analytics and insights to achieve better demand planning and product/market fit			<ul style="list-style-type: none"> Achieved a stock turn of 4.9 times (FY19: 4.3 times) Achieved stock keeping units (SKUs) reduction of 14% across The Warehouse and Warehouse Stationery Aged inventory¹ as a percentage of finished goods inventory increased from 23% as at FY19 to 28% as at FY20 Enabled a single customer view across the Group for activation at customer experience touchpoints Used data science to test prices with customers to balance sales and gross profit while maintaining price leadership.
Enterprise systems and processes	Integrate, simplify and standardise back-office business processes across the Group Deploy best-of-breed solutions across the enterprise from systems of record to systems of engagement and automation			<ul style="list-style-type: none"> Simplified, stabilised and standardised back-office systems through more effective governance over change control, backlog prioritisation, support desk, disaster recovery and Enterprise Architecture design Started deploying cloud-based Master Data Management (MDM) system to enable 'single version of the truth' Commenced design of back-office finance and inventory solutions to replace legacy Enterprise Resource Planning (ERP) solutions Deployed integrated Warehouse Management System across all distribution and online fulfilment centres.
Innovation	Create leading customer experiences that drive demand Move towards a more collaborative operating model			<ul style="list-style-type: none"> Deployed Nola (Customer Experience Digital Assistant) at the Noel Leeming Newmarket store and Noel Leeming online Established a Media Command Centre to transform the advertising engine which drives our portfolio of brands Commenced implementation of Agile ways of working at scale Designed to achieve results by organising tribes to solve customer problems, by removing unnecessary siloes and hierarchy, and by investing in our people.

Build ways of working that foster repeatable and competitive excellence

Key Initiatives

Product is at the heart of every successful retailer, and the customer is at the centre of every successful business. Our expertise combines our skills across product and customer management to drive value. We continue to use data driven insights to improve customer experience. Our merchandise teams align these with our design cues and market trends for product range and assortment planning.

We are also growing our expertise in services alongside our product offering. We are particularly focused on this area with our Noel Leeming product and service offering. Our growth in associated product services increased 19% on last year. Other milestones included the successful launch of our new Protection service plans, and the introduction of our free Tech Solutions helpdesk, which has helped over 18,000 customers.

We have made good progress improving our processes for assortment decisions and using data to identify the optimum range width, or SKU affordability. This will need further refinement to individual store location in the coming month, supported by the planned ERP implementation. Our new Agile structure will ensure a consistent and continuously improving way of working across all category areas, supported and led by the expertise of our chapter leads.

Our Every Day Low Price (EDLP) positioning continues to make accurate forecasting and price optimisation more important. Our forecast accuracy has improved and, combined with an overall SKU reduction and a move into more continuity ranges, the result is less end of season markdown and better availability to meet customer demand. The impact of COVID-19 was significant in the second half of the year with large changes in order volumes delivered in partnership with our local and direct suppliers to better phase products to match planned future demand. Initially our focus was on pushing orders out, but this quickly changed to pulling a significant number of supplier orders forward in response to COVID-19 changes in demand.

Mastering the sell-through curve is about finding the right balance of ongoing and seasonal stock and lowering our weighted average cost of aged inventory. We have recognised the need to standardise, automate and document our demand management processes. Good progress has been made on assortment and range planning, and we are currently focusing on building our expertise in price optimisation and assortment management. Demand planning will be supported by the ERP roll-out and remains relatively manual until then.

The Group operates a number of businesses that use different systems and processes. Our strategy is

Roadmap to our goal		Key Risks	Mitigations
FY21	FY22+		
		<ul style="list-style-type: none"> Concerns over data privacy Multiple instances of customers across different brands within the Group. 	<ul style="list-style-type: none"> Adopt a conservative posture and ensure an approach that is consistent and compliant with privacy legislation and best practice Consolidate Group customer loyalty programmes e.g. Giveit.
		<ul style="list-style-type: none"> Change management associated with migration from legacy to integrated back-office functions Integration between new and legacy systems through multiple middleware tools and architectures Availability of suitably qualified and experienced technical and functional resources. 	<ul style="list-style-type: none"> Ensure transformation to new Group and Torpedo7 ERP systems is business-led and not led by solution vendors and systems integrator Design multi-channel middleware integration architecture to ensure agreed standards are applied and upheld Contract suitably experienced service partners to leverage experience and augment scarce resources.
		<ul style="list-style-type: none"> New customer experience technologies do not meet customer demands Waiting for core systems to be upgraded before implementing change. 	<ul style="list-style-type: none"> Use Agile structure as the basis for establishing collaborative and customer-centric design innovation capability and investment Drive customer-centric ways of working in systems of engagement first (eCommerce).



to provide a more stable core platform of systems and common processes upon which the brands can accelerate their points of competitive differentiation. We have started a major systems and process modernisation investment to drive efficiency and common processes across the Group, supported by a modern technology stack that will enable future innovation.

Significance

Meeting customer demands means we need to find new ways to deliver value faster. Last year we made good progress on aged inventory and full price product sell-through versus our targets and created our first interactive reporting on optimum product inventory ranges. This year our data visibility and analysis has enabled us to refine our SKU count, focusing on key lines and building a narrower, more productive assortment. We are continuing to develop this to identify and maintain the right products at the right quantity levels, and at the right retail prices to align with our customer demand.

Expertise lies within our team members and should they leave the business, the knowledge leaves with them, so we recognise

that a focus on documentation and systemisation is a priority.

Our large number of old legacy core systems lack integration, are not fully supported, and are not fit for purpose given the business growth and advances in customer demand for a seamless omni-channel experience. In recognition of this risk, the Board has approved a significant investment in back-office systems, which is well underway.

Materiality

As a customer centric business, we depend on the expertise of our people in so many ways. Automation of systems will give us greater resilience by reducing dependence on individuals' knowledge, while retaining critical human judgements around negotiation, relationship building and so much more. We recognise that leading the customer experience through innovation, for example, will be important in terms of creating and measuring demand.

Materiality can be thought of in the context of reducing key person risk in areas where we create value for customers, and areas that are sources of competitive advantage and scale.

Also relevant is the time it takes for team members to be fully productive as well as the reduction of unplanned variability in our processes and outcomes.

Future focus areas

- Ensure all back-office functions are standardised, based on best practice and fully integrated to enable seamless end-to-end functions
 - Reduce the cost of doing business through seamless systems integration, best practices, information accuracy and common ways of working
 - Activate a single customer view across the Group to better personalise the customer experience and to operate our business in accordance with changing customer demands
 - Launch the B2C eCommerce platform in FY21 and continue the B2B platform journey
 - Automate our assortment process as much as possible
 - Remove product risk by weighting the range to more continuity products
 - Increase our speed to market.
1. Aged inventory is stock in store held for more than 26 weeks.