

OUR EXPERTISE

OUR GOAL: Build ways of working that foster repeatable and competitive excellence

FOCUS AREA	PRIORITIES	ACTUAL PROGRESS		
		FY18 (last year)	FY19 (this year)	FY19 Progress
Understanding our customers	Use data analytics and insights to achieve better demand planning, product/market fit and more accurate forecasting			<ul style="list-style-type: none"> Reduced our aged inventory by 3.3% Maintained a stock turn of 4.3 Invested in capability and methodologies in our Data Sciences and Design teams to help drive insights to inform decision making Further developed a unified view of the customer.
Enterprise systems and processes	<p>Integrate and simplify business processes across the Group</p> <p>Innovate at the customer edge using customer-based thinking</p>			<p>This year we have focused on:</p> <ul style="list-style-type: none"> increasing the ratio of effort on systems and processes that add value for our customers. We have achieved a ratio of 34%, which is below our target of over 50%. The investment into a replacement back-office integrated system will, by the end of FY21, enable more focus on value-adding processes; increasing the number of standardised systems and processes across our brands. We have made a small amount of progress, reducing the number of bespoke systems by 2%.
Innovation	<p>Create leading customer experiences that drive demand</p> <p>Move towards a more collaborative operating model</p>			<ul style="list-style-type: none"> Innovation in Click&Collect with an automated distribution tower being trialled at Sylvia Park, continued rollout of self-service checkouts and ongoing innovation with the launch of TheMarket and mobile app features. Industry recognition for innovation in technology solutions (Elastic). Much of the workload is still waterfall in nature, with agile teams operating in the eCommerce domains. In FY20 we will focus on developing plans to move towards a more customer-centric way of working.

OUR PEOPLE

Key initiatives

Product is at the heart of every successful retailer. Customer is at the centre of every successful business. Our expertise combines our skills across product and customer 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. While we have invested in improving processes around range management, contracting, specification, quality and pricing, many of our retail processes, particularly those around data interpretation and editing product assortment, remain undocumented. This presents a risk and makes induction and consistency of operations a challenge. As processes are redesigned and improved, documentation and operational support materials will be developed and deployed.

Our strong store layout methodology is documented and is applied to all store types depending on store size, shape and product range. The format of our stores is a key part of the customer experience and we have a number of challenges ahead to manage relevant and modern experiences consistently across our store network.

Every Day Low Prices (EDLP) has made demand planning and price setting more important as there is not the same discounting mechanism to readily address slow moving stock. We are focusing

on improving our forecast accuracy and achieving better continuity of product to meet customer 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. Critical to getting this right is smart demand management. Right now, this is a relatively manual process. We have recognised the need to standardise, automate and document our processes, and while good progress has been made on assortment and range planning, most of the work on demand management is still ahead of us. We are currently focusing on building our expertise in price optimisation and assortment management.

As a group, we operate a number of businesses that use different systems and processes. Our strategy is to provide a more stable core platform of systems and common processes upon which the brands can accelerate their points of competitive differentiation. Across the Group, we currently spend 66% of our Information Systems development and support effort on our core systems of record, and 34% on systems of engagement. We are about to start 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.

Materiality

As a customer-focused business, we depend on the expertise of our people in so many ways. We are heavily reliant on the expertise of our team members and on old core systems that require complementary manual resources.

Automation will give us greater resilience because it will mean we are not so dependent on individuals' knowledge. We still need 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.



ROADMAP TO OUR GOAL			KEY RISKS	MITIGATIONS
FY20 (next year)	FY21	FY22+		
● Establish seasonal sell-through metrics	●	●	<ul style="list-style-type: none"> Concerns over data privacy. 	<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 Run customer loyalty programmes across the Group.
◐ Investment in and implementation of enterprise systems	◑	●	<ul style="list-style-type: none"> Complexity of moving from build to buy/ configure with some build at customer edge. Organisational resistance to change, moving to a Group standardised, consistent, highly visible and transparent approach. 	<ul style="list-style-type: none"> Develop pathways, retention and support for end of life systems decommissioning Manage end-of-life workloads Build capability to support chosen platforms. Support change readiness through leadership guidance and by shifting mindsets Standardise processes in line with best practice and new integrated solution.
◑	●	●	<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"> Establish collaborative and customer-centric design innovation capability and investment. Drive customer-centric ways of working in systems of engagement first (eCommerce).

Significance

To keep up with changing demands, we need to become better at executing what's relevant for the customer. Meeting their demands means we need to find new ways to deliver value faster.

While we have made some good progress on aged inventory and full price product sell-through versus our targets, we have only recently developed interactive reporting on optimum product inventory ranges. This is enabling data visibility and analysis in more in-depth detail than has previously been available. We are continuing to develop this to identify and maintain the right products at the right quantity levels that align with our customer demand.

We have a key person risk that we need to resolve. 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.

Old legacy core systems with lack of integration are not fully supported and some are not fit for purpose given the business growth and advances in customer demand for a seamless omni-channel experience. Having a large number of systems means integration is difficult and complex, consolidated data is not easily available. In recognition of this risk, the Board has approved an integrated solution discovery project, which is well underway. A decision as to whether or not to move ahead to implementation with a preferred supplier will be made in FY20.

Future focus areas

Over the next two to three years, we will be focusing on:

- standardising systems and processes by implementing an 'out of the box' integrated suite, completing implementation of our new warehouse management system and implementing a modern point of sale system across our brands
- systems and processes that add value to our customers, including upgrading our existing B2C eCommerce platform for the Group and a new B2B platform
- standardising our retail systems and documenting our processes across our brands
- monitoring and understanding product demand versus our forecasts to enable timely corrective action.