

APPENDIX A – TESCO EXAMPLE

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Tesco digital pilot brings online experience to in-store shopping

Tags: Customer Experience, Digital Merchandising, Digital Signage, In-Store Media, Interactive / Touchscreen, Kiosks / Self-Service, Multichannel Retailing, Online Retailing, POS, Store Design & Layout, Technology
February 13, 2013 - Natalie Gagliardi

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Navigating the complexities of today's technology-driven retail landscape can be tricky. For a retailer, decisions must be made as to the amount, type and manner in which shoppers will engage with technology — all in a way that the shopper (hopefully) will find satisfying.

Fortunately for retailers and business owners, plenty of research hours have been logged in search of answers to these elusive questions. Recently, Cisco and U.K. supermarket giant Tesco teamed for a digital pilot that illustrates a solution to the growing demand for technological adoption.

Tesco is trialing an array of interactive technologies at three store locations across the U.K. The new customer-facing upgrades include a digital signage display that advertises clothing available through its F&F line, and a self-service touchscreen kiosk developed by **Retec Interface** where customers can peruse online items, use barcode scanners for product ratings, reviews and suggested accessories, and make purchases using chip-and-pin.

The move to couple the kiosk and digital signage was intentional, explained Retec CEO Graeme Derby.

"The kiosk is there to sell a broader array than what they have in the store, and it allows people to order sizes that are out of stock," Derby said. "The 46-inch Samsung screen then acts as an attraction to direct people to the kiosk, which is linked to the POS."

In addition to the kiosk and digital signage, Tesco also is trialing the Kids StyleMe Mirror, a creation by C In-Store that uses augmented reality in hopes of engaging even the most uninterested shopper. In this case, a PrimeSense camera captures a child's image and overlays it with pictures of clothing selected through a gesture-based interface.



Wrapping up the tech-heavy digital pilot is Tesco's virtual mannequin that alerts shoppers to the upper-level location of the F&F clothing line. The mannequin uses hologram-based projections and audio to attract and seemingly speak to customers.

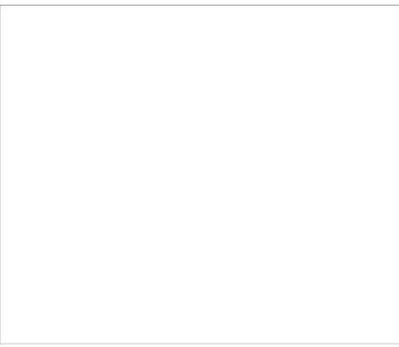
The combination of technologies such as the kiosk, mirror and mannequin drives engagement in a critical way: It brings the rich benefits of online shopping to the in-store experience, Derby said.

"We have seen it in our own application. People are looking for a broader range and a way that brick-and-mortars can compete with online retailers," he said.

'Catch and keep' digital shoppers

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Coinciding with the implementation of Tesco's new technology is Cisco's latest study that delivers extensive data on "how to deliver retail their way," looking at consumers' expectations and willingness to adopt new technologies.

The study found that 71 percent of shoppers want to access digital content in-store, and retailer touchscreens and shopper mobile devices are the preferred options.

In-store self-service is now the expected norm for consumers, according to the findings, with 85 percent wanting in-store self-service access to digital content. By contrast, only 4 percent of consumers reported a desire to receive help from store employees all the time.

And then there are the über digital consumers, which account for about 1 in 10 shoppers, according to the study. These shoppers are connected 24/7, and more than 90 percent use a smartphone or tablet to shop. They're predominately Generation Y, showrooming, deal-seeking addicts with a 60:40 male-to-female ratio. They are very interested in personalized digital experiences and willing to share more personal data. Cisco estimates that this subsegment leads the mainstream by 18 to 24 months in technology adoption.

Because 71 percent of consumers want in-store access to the types of digital content described above, retailers serving the mass market need to offer a range of mobile and touchscreen experiences and touchpoints, the study explained.

"It's now very clear, consumers prefer to shop through bits and bytes, with the majority of shopping behaviors and expectations shaped by online sources," said Dick Cantwell, vice president and global lead of retail for Cisco IBSG. "To shift shoppers into buyers, retailers need to merge online and physical services to meet the demands of today's digital shoppers."

Lisa Fretwell, director of Cisco's IBSG for retail, added that current feedback indicates a lasting and attainable ROI for those heeding Cisco's study findings.

"Cisco IBSG's pilot work with Tesco is a practical example of how retailers can turn the shopper insights from our latest research into a store implementation. The benefits for the retailer are additional sales both instore and online via the touchscreen order point, and the acquisition of new online customers from current store customers," said Fretwell. "Tesco customers have responded positively to the pilots and initial results suggest a payback of less than 12 months."

Tesco has been at the front lines of retail technology. In 2011, the company tested an augmented reality application that allowed users to generate a life-size 3D image of a product from its catalogue. They have used indoor positioning via Wi-Fi to help shoppers find their way around stores and offered remote QR code scanning in South Korea as an alternative to entering a retail location.

With the latest digital installation, Tesco has positioned itself even further ahead of the curve, Derby said, adding that "they are effectively putting a totally new concept out with how they will sell clothing."

Click [here](#) to see a slide show of Tesco's in-store technology. Photos courtesy of Cisco.

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APPENDIX B – DAVID JONES EXAMPLE

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David Jones aims for 10% of sales online

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Upmarket department store chain David Jones hopes to make about 10 per cent of its sales online as it tries to lure new customers and avoid closing stores.

Chief executive Paul Zahra would not reveal details of the company's new online strategy until next month, but he said he was not concerned about the prospect of major overseas-based online players entering the Australian market.

After David Jones posted a three per cent fall in second quarter sales on Thursday, Mr Zahra described the retail chain's new online venture as a "true opportunity".

He also drew comparisons between David Jones and upmarket US department store chain Nordstrom which was making about \$1 billion in online sales each year.

"They've been operating an online business for just over a decade and they're doing about 10 per cent of sales and about 20 per cent of EBIT (earnings before interest and tax) which has come from online," Mr Zahra told a media briefing.

"So it's a true opportunity.

"We'll describe how we are transforming the company to become a multichannel operation in March, but it is certainly a significant opportunity for the company."

Earlier this month David Jones signed up computer giant IBM to build a better web presence for the company and revive lacklustre internet sales which totalled just \$3 million, or less than 0.2 per cent of sales, in fiscal 2011.

Despite recent warnings from shopping centre giant Westfield that Australian department stores were having a tough time in comparison to specialty stores, Mr Zahra said David Jones would not reduce the size of its stores or terminate leases on less profitable stores in conjunction with the online launch.

"No, not really," he said.

He said the company had a "real advantage" with its relatively small portfolio of 37 stores in high value, high growth locations.

"From our perspective it allows us to leverage locations where a David Jones store doesn't exist or a business case for a bricks and mortar (store) wouldn't stack up," he said.

He added that he was not worried by the prospect of a dominant online player such as Amazon entering the Australian market.

"No, because I think Amazon is well known," he said.

Basing Amazon in Australia might improve shipping times, but the industry was under duress, he said.

"If you think about the music industry has all gone digital. It's not a huge part of our business".

In February David Jones contracted IBM, for an undisclosed amount, to develop and integrate its web design, online application development, social media, promotions, analytics and reporting.

IBM will also provide back-end capabilities for order and inventory management and sales fulfillment.

On Thursday David Jones reported that customers were spending more than they did before the financial crisis as second quarter sales fell 3.1 per cent to \$598.5 million.

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