

SCANNED



TOWN PLANNING
AND URBAN DESIGN

PLANNING PROPOSAL

**Amendment to Willoughby Local
Environmental Plan 2012 to permit a
supermarket and liquor store (shop)**

17 – 19 Smith Street, Chatswood

for Fabcot Pty Limited

AMENDED PLANS
WILLOUGHBY CITY COUNCIL

24 JAN 2014

HELP & SERVICE
CENTRE

January 2014

PROJECT NO: 212.008

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DOCUMENT REVIEW SHEET

CLIENT: Woolworths Limited	
PROJECT: Planning Proposal to Amend Willoughby LEP 2012	
TITLE: 17-19 Smith Street, Chatswood	
DOCUMENT REFERENCE NO: 212.008	
PROJECT MANAGER MH	FILE NO: 212.008
SPELL CHECK (WP OPERATOR) BY: AC	SECTION:

Document Details		Preparation & Self Check	Independent Review By:	Corrective Action /Approved by:	Sent To/ Date:
Final Draft	Name: Date: Signature:	AC 20/01/2014	MH 20/01/2014	MH 21/01/2014	RA 21/01/2014
Final	Name: Date: Signature:			MH 22/01/2014	RA 22/01/2014
	Name: Date: Signature:				
Reviewers Comments:					

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EXECUTIVE SUMMARY

The Planning Group NSW (TPG NSW) has prepared and submitted this Planning Proposal (PP) to Willoughby Council on behalf of Fabcot Pty Limited, which a wholly owned subsidiary of Woolworths Limited. The purpose of this PP is to seek an amendment to the *Willoughby Local Environmental Plan 2012* (WLEP 2012) to permit a supermarket and liquor store (shop) at 17-19 Smith Street, Chatswood. The PP has been prepared in accordance with the requirements of Section 55 of the *Environmental Planning and Assessment Act 1979* (EP&A Act) and associated guidelines prepared by the Department of Planning and Infrastructure (DP&I).

The growth in online retailing has required traditional retailing to diversify and be flexible in its approach to satisfy market demands. Customers are no longer solely relying on traditional “brick and mortar” outlets to undertake their shopping.

Woolworths is seeking to adapt, and is changing the nature of how it fulfils its customers requirements by moving towards a hybrid retail model which places greater emphasis on the way Woolworths distributes goods to its customers from facilities which customers may never actually visit.

To fulfil these online customer requirements, these new Woolworths facilities are taking on the form of what is commonly seen as warehousing, distribution and logistics centres which need to be positioned in more accessible locations and have purpose built forms.

The Woolworths facility in Chatswood East seeks to take on these functions. This business model will be implemented here in a two stage approach.

The first stage of this approach for Chatswood East involves a “click and collect” function where a customer places an order online and collects that order from the site at a designated collection point which is not within the trading floor. The first stage also includes an “online fulfilment” function where a customer also places an order online but chooses the home delivery of that order which is managed by staff on-site who pick and package that order. The distribution of these orders is managed by a fleet of small Woolworths trucks. Woolworths seeks to operate these functions 24 hours a day, seven days a week. These functions are therefore best suited to the industrial zone and in close proximity to the major arterial road network.

However, the first stage also seeks the ability for customers to undertake traditional face to face retailing, which is shopping within the trading floor of the facility.

The second stage of the evolution of the facility is to build in capacity at this site to support a future “dark box” which Woolworths is in the initial phase of implementing. A “dark box” involves a warehouse and distribution centre to enable foodstuffs to be processed in significant volumes and in a timely manner to meet online orders – that is online only transactions, where Woolworths staff pick the customer order and facilitate its distribution. Chatswood East would have the ability in the future to provide a “staging point” for the freight and logistics components of the selected location of the “dark box”.

Therefore, the functions at Chatswood East will include a range of options for customers, due to the growth of online retailing which requires strong freight and logistics functions but also traditional face to face retailing.

The location at Chatswood East is the most suitable location for a number of important reasons, including:

- The location of the site is on a local feeder road which allows accessibility for online click and collect users to collect an order on their return journey home from work;
- Running a 24 hour facility with multiple truck movements is inappropriate in a traditional high-street and town centre location. The proposal will have longer hours of operation as a support function to the online retailing and “click and collect” which are more suited to industrial zoned land such as Chatswood East so as the amenity of adjoining properties can be maintained to a suitable level;
- To ensure truck distribution movements associated with the online retailing functions allow access to the arterial road network which filters movements to the local residential population in a timely manner;
- The staging point associated with the potential evolution of the site in Chatswood East as detailed above; and
- The shift in Woolworths’ business model is akin to a freight and logistics business with traditional retailing in a customer service interface, constituting a hybrid between a warehouse, a logistics distribution centre and a traditional retail facility which is appropriate in the industrial zoning of the site at Chatswood East;

Woolworths seeks the inclusion of an enabling clause in the Willoughby Local Environmental Plan 2012 (WLEP 2012) associated with subject site, on a number of grounds:

1. The business model requires access to the arterial road network in Sydney to enable the freight and logistics functions to operate at the optimal level;
2. The location for the freight and logistics component of the business model requires access to “industrial” zoned land as it is a traditional use of industrial land;
3. The business model requires a hybrid approach to enable the freight and logistics components to function smoothly with traditional retailing; and
4. Traditional planning regimes have not kept pace with new market demands associated with hi-tech businesses. The WLEP 2012 includes a number of site specific enabling clauses such as that requested by the proposal.

Further details of Woolworths online strategy can be found at **Appendix A**.

Woolworths have already worked with the RMS to achieve in-principal support for improvements to the local road network including the intersection of Eastern Valley Way with Smith Street. Refer to **Appendix C**. Woolworths are prepared to make a meaningful financial contribution to the intersection improvements at Smith Street with the Eastern Valley Way at the DA stage.

This Planning Proposal at **Appendix F** includes survey feedback which demonstrates that the proposal has broad community support and is desired by the community in the proposed location.

Essentially, Woolworths business is moving towards a form which is more warehousing and distribution lead driven by the surge in online retailing which necessitates a hybrid retail function. Therefore, the site at Chatswood East requires an enabling clause to allow all of these functions to be permitted under the planning regime.

Amending Schedule 1 of WLEP 2012 to permit an additional use on the subject site will accommodate the need and demand for convenience retailing such as a supermarket and liquor store in the Chatswood East industrial precinct and the surrounding area. The future use of a supermarket on the subject site will not impact significantly on the hierarchy of local centres. Rather, it will complement and support the existing industrial uses in the area while encouraging other industrial uses and businesses to relocate to Chatswood East.

Overall, the proposal will enable the establishment of a supermarket that will encourage and support the revitalisation and growth of the Chatswood East industrial area, and will not have any adversely impacts on the industrial character of the Chatswood East area.

The PP has strategic planning merit and Council is requested to proceed to forward this planning proposal to the Minister or his delegate for a gateway determination under Section 56 of the EP&A Act.

A site analysis and perspective are included at **Appendix B**.

1. INTRODUCTION

This Planning Proposal is submitted to Willoughby Council seeking an amendment to the WLEP 2012 to permit development of a supermarket and liquor store at 17-19 Smith Street, Chatswood. It has been prepared by TPG NSW on behalf of the proponent Fabcot Pty Ltd.

This Planning Proposal has been prepared in accordance with the requirements of Section 55 of the EP&A Act and the associated guidelines '*A guide to preparing local environmental plans*' and '*A guide to preparing planning proposals*' prepared by the (DP&I) and dated October 2012, which require the following matters to be addressed:

- Objectives or intended outcomes of the proposal;
- Explanation of provisions to be in the amendment to WLEP 2012;
- Justification for the proposal in terms of:
 - Need for the planning proposal;
 - Relationship to strategic planning framework;
 - Environmental, social and economic impact;
 - State and Commonwealth interests;
- Relevant maps showing the subject site, current land use zone and the proposed alternative zone; and
- Community consultation proposed to be undertaken.

Council is requested to forward this planning proposal to the Minister or his delegate for a gateway determination under Section 56 of the EP&A Act.

2. THE SITE

2.1 LOCATION AND CONTEXT

The site is located at 17-19 Smith Street, Chatswood as shown in **Figure 1** below. The site has an area of approximately 4,377m² and is located within the Chatswood light industrial area on the northern side of Smith Street (between Alleyne Street and Gibbes Street).

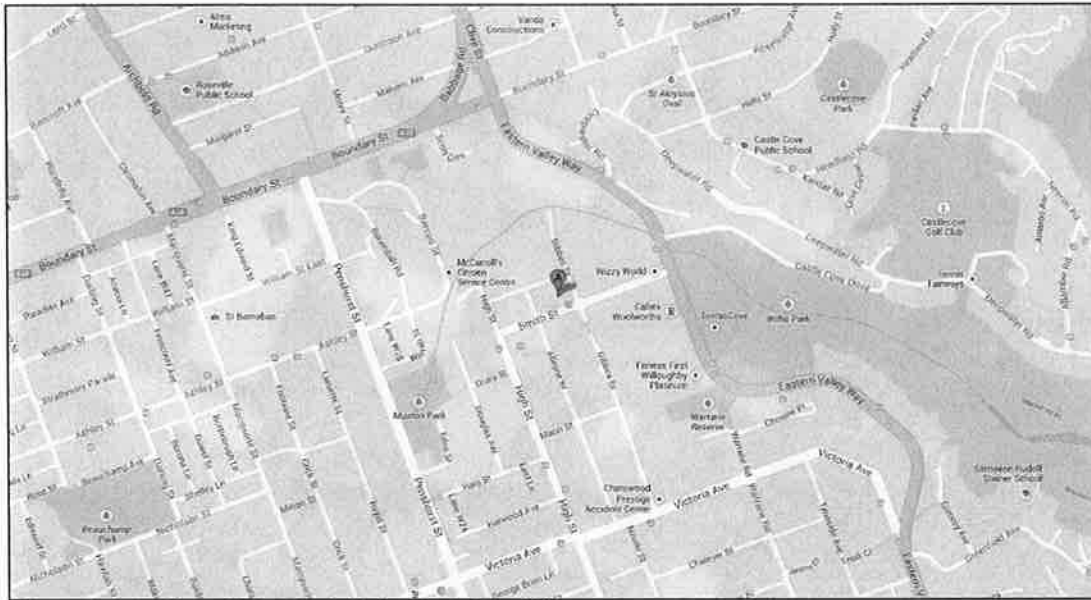


Figure 1: Location of the site (site indicated by 'A')
Source: Google Maps

2.2 SITE DESCRIPTION

The site is legally described as Lot 101 DP 714477. The site is 4,377m² and forms an ‘L-shaped’ parcel of land. It has frontage to Smith Street, Alleyne Street, Gibbes Street and Short Street.

The subject site is shown in **Figure 2** below.



*Figure 2: Aerial view of the subject site (site outlined red and shaded yellow).
Source: Spatial Information Exchange*

2.3 EXISTING DEVELOPMENT

The subject site was once used as a car service centre but has been vacant since early 2010. Access to the site is available from Alleyne Street to the east and Gibbes Street to the west. The building, car parking and landscaping for the care service centre remain on the site.

2.4 SURROUNDING LAND USE AND DEVELOPMENT

To the west of the site is on the opposite corner of Smith Street and Gibbes Street is a Bunnings Warehouse. Other major existing tenants within the area include The Good Guys, Petbarn, Fitness First and Subway. Chatswood East Industrial Area in which the site is located historically formed a main industrial precinct within the region however the nature of the industrial area has changed over time and now consists mainly of warehouses, large format retailers and offices.

2.5 CURRENT ZONING UNDER WILLOUGHBY LEP 2012

The site is currently zoned IN2 Light Industrial under the WLEP 2012 as shown in Figure 3.

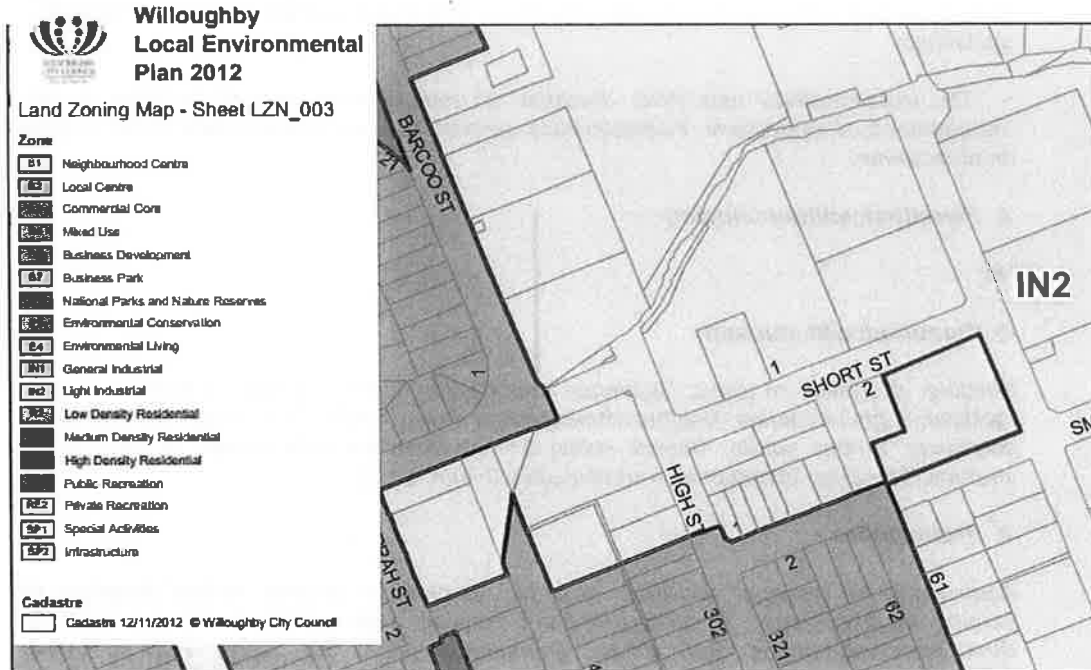


Figure 3: Extract from the WLEP 2012 Land Zoning Map (site outlined in red)
Source: NSW Legislation

The objectives of the IN2 zone and permissible and prohibited uses in it are as follows:

Zone IN2 Light Industrial

1 Objectives of zone

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities and to support the viability of centres.
- To minimise any adverse effect of industry on other land uses.
- To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- To support and protect industrial land for industrial uses.
- To identify and preserve industrial land to meet the current and future light industrial needs of Willoughby and the wider region.
- To accommodate industrial development that provides employment and a range of goods and services without adversely affecting the amenity, health or safety of residents in adjacent areas.

- To protect the viability of business zones in Willoughby by enabling development for the purposes of offices if they are used in conjunction with industrial, manufacturing, warehousing or other permitted uses on the same land.
- To improve the environmental quality of Willoughby by ensuring that land uses conform to land, air and water quality pollution standards and environmental and hazard reduction guidelines.
- To accommodate uses that, because of demonstrated special building or site requirements or operational characteristics, cannot be or are inappropriate to be located in other zones.

2 Permitted without consent

Nil

3 Permitted with consent

Building identification signs; Business identification signs; Depots; Industrial training facilities; Light industries; Neighbourhood shops; Pubs; Roads; Take away food and drink premises; Timber yards; Vehicle sales or hire premises; Warehouse or distribution centres; Any other development not specified in item 2 or 4

4 Prohibited

Agriculture; Air transport facilities; Airstrips; Amusement centres; Animal boarding or training establishments; Biosolids treatment facilities; Boat building and repair facilities; Boat launching ramps; Boat sheds; Camping grounds; Car parks; Caravan parks; Cemeteries; Charter and tourism boating facilities; Commercial premises; Correctional centres; Crematoria; Educational establishments; Entertainment facilities; Environmental facilities; Exhibition homes; Exhibition villages; Extractive industries; Farm buildings; Forestry; Freight transport facilities; Function centres; Health services facilities; Heavy industrial storage establishments; Helipads; Highway service centres; Home occupations (sex services); Industrial retail outlets; Industries; Information and education facilities; Marinas; Mortuaries; Open cut mining; Passenger transport facilities; Port facilities; Recreation facilities (major); Registered clubs; Research stations; Residential accommodation; Restricted premises; Rural industries; Sewage treatment plants; Signage; Tourist and visitor accommodation; Transport depots; Truck depots; Water recycling facilities; Water supply systems; Wharf or boating facilities; Wholesale supplies

In accordance with the Land Use Table of the WLEP 2012 'commercial premises' are identified as a prohibited use. The dictionary to the WLEP 2012 defines 'commercial premises' as follows:

commercial premises means any of the following:

- (a) business premises,
- (b) office premises,
- (c) retail premises.

Where 'retail premises' include:

retail premises means a building or place used for the purpose of selling items by retail, or hiring or displaying items for the purpose of selling them or hiring them out, whether the items are goods or materials (or whether also sold by wholesale), and includes any of the following:

- (a) bulky goods premises,
- (b) cellar door premises,
- (c) food and drink premises,
- (d) garden centres,
- (e) hardware and building supplies,
- (f) kiosks,
- (g) landscaping material supplies,
- (h) markets,
- (i) plant nurseries,
- (j) roadside stalls,
- (k) rural supplies,
- (l) shops;
- (m) timber yards,
- (n) vehicle sales or hire premises,

but does not include highway service centres, service stations, industrial retail outlets or restricted premises.

Note. Retail premises are a type of **commercial premises**—see the definition of that term in this Dictionary.

As the proposal involves a 'supermarket' and 'liquor store' both being 'shops' as the first stage of an online retailing strategy for the site as detailed in **Appendix A**, as both are prohibited forms of development within the IN2 Light Industrial zone, an amendment to the WLEP 2012 is requested. It is noted that the use of the site for 'warehouse or distribution centres' are permissible and therefore there is no need to amend the permissibility table to facilitate the second stage of the online retailing strategy.

3. THE PROPOSAL

3.1 OBJECTIVES OR INTENDED OUTCOMES

The objectives and intended outcomes of the planning proposal are:

- to cater for the need and demand for convenience retailing in that Chatswood East area due to the current lack of access to this type of retail;
- to complement the surrounding industrial uses;
- to allow for a flexible planning outcome for the land so as to accommodate online retailing as required into the future;
- to demonstrate that there are no significant impacts on the existing road network;
- to ensure that the type and scale of land uses permitted on the site would not have an unreasonable impact on the hierarchy of existing business zones in Chatswood; and
- to amend the WLEP 2012 to permit the development of the site for the purposes of a supermarket and liquor store by inclusion of a site specific enabling clause under Schedule 1 of the WLEP 2012.

The planning proposal is considered to have a net community benefit in the following respects:

- it will provide employment during construction and operation of the proposed use;
- it will reduce travel distances for workers and residents in the Chatswood East area to convenience retailing such as a supermarket;
- it facilitates clustering of industrial uses and multi-purpose trips at the one location;
- it will not set an undesirable precedent, particularly as it is a 'one-off' type of land use for the locality and that there is no other suitable land for the type of land uses proposed;
- it will not have a significant impact on the supply of land with potential for industrial development;
- there are no public infrastructure costs on the community; and
- there are no significant environmental effects of the proposal as the land has previously been approved for industrial uses.

3.2 EXPLANATION OF PROVISIONS

The PP is for an amendment to the WLEP 2012 to allow the additional use of a supermarket and liquor store to be permitted within the Light Industrial IN2 zone as per Section 2.5 of the LEP as follows:

2.5 Additional permitted uses for particular land

(1) Development on particular land that is described or referred to in Schedule 1 may be carried out:

(a) with development consent, or

(b) if the Schedule so provides—without development consent,

in accordance with the conditions (if any) specified in that Schedule in relation to that development.

(2) This clause has effect despite anything to the contrary in the Land Use Table or other provision of this Plan.

In particular, this PP seeks to insert an item within Schedule 1 to include a supermarket and liquor store as an additional use pertaining:

- solely to the subject site based on the site specific justification set out within this PP.

Land to which planning proposal applies

The LEP amendment is to apply to 17-19 Smith Street, Chatswood, which is legally described as Lot 101 DP 714477, as shown in **Figure 2** of this report.

Zoning and Permitted Uses

It is proposed to amend Schedule 1 – Additional Permitted Uses in WLEP 2012 to permit the additional use of a *Supermarket and liquor store* to enable development of a full-line Woolworths supermarket on the site.

There are already additional permitted uses contained within Schedule 1 of the WLEP 2012. Although the uses contained within Schedule 1 relates to a different context, it demonstrates that the planning system is sufficiently flexible for Council to set a precedent to reconsider prescribed land uses in terms of their broader implication and allow for other uses to in a particular location.

4. JUSTIFICATION

The following section of this report addresses the requirements identified in 'A guide to preparing planning proposals' which was prepared by the DP&I in October 2012, specifically part 3 – justification.

4.1 NEED FOR THE PLANNING PROPOSAL

4.1.1 Is the planning proposal a result of any strategic study or report?

The PP is not the direct result of a strategic study or report, but rather the result of investigations into sites in the Chatswood which could support the development of a supermarket.

The results investigations of these investigative studies and reports are discussed below.

Land Use Study

A Land Use Study has been prepared by Jones Lang LaSalle and is included at **Appendix D**. This study provides an independent assessment of the land use trends impacting on industrial property markets across Australia with specific reference to the Chatswood East industrial area which includes the subject site at 17-19 Smith Street, Chatswood East.

The study prepared by Jones Lang LaSalle identified that demand for industrial tenancies is relatively weak in Chatswood. Despite 300 business enterprises located in Chatswood the light industrial zone had 100 vacant tenancies in 2010, and as of January 2011 there were over 150 listings of industrial premises in Chatswood. Comparatively, the demand for a new supermarket in Chatswood is strong. As highlighted in Location IQ's Economic Impact Assessment and support information included at **Appendix E**, the land use study states:

...the residents within the Main Trade Area, and particularly within the primary trade area, are under-supplied with supermarkets and grocery stores.

For workers and residents in the Chatswood East area it is important to have east and convenient access to supermarkets which cater for their daily and weekly shopping needs without needing to visit regional shopping centres such as those in the Chatswood CBD. The PP can cater for the need and demand for convenience retailing in the Chatswood East Area by permitting the use of a 'supermarket' in the industrial area.

The land use study prepared by Jones Land LaSalle also acknowledges that while the Chatswood East industrial zone remains a significant employment zone, a broad range of land uses are located in the area including wholesalers, retailers, business services, community uses and some hi-tech industries. As such, the inclusion of a supermarket in the Chatswood East Area would not adversely impact the industrial nature of the area. Furthermore, the study acknowledges that “[r]etail uses such as supermarkets generate higher levels of employment than industrial uses” therefore the PP would contribute to employment growth in the industrial area than if the land remained purely for industrial purposes.

Chatswood East – Industrial Floorspace Study

Location IQ, prepared an Industrial Floorspace Study which is included at **Appendix E**. Similar to the findings of the Land Use Study prepared by Jones Lang LaSalle, the Industrial Floorspace Study prepared by Location IQ concludes that Chatswood East no longer represents a core industrial precinct but rather a mix of uses. Furthermore, there is a high level of vacancies (20%) in the area. Based on these trends the study concludes:

- iv. *Reflecting the trends indicated above, a supermarket within this precinct is proposed to provide 180 permanent jobs and would represent an optimal use of land for the surrounding population.*
- v. *A proposed supermarket development would help to rejuvenate the Chatswood East precinct, while still maintaining Chatswood East as a key employment generating region.*

As such, the subject site is considered highly appropriate for the use of a supermarket.

Report on the Traffic Aspects of Rezoning for Proposed Supermarket, 17-19 Smith Street, Chatswood

Colston Budd Hunt & Kafes Pty Ltd (CBHK) prepared a report on traffic aspects of the proposed rezoning for a supermarket at 17-19 Smith Street, Chatswood dated May 2010 and included at **Appendix C**. In regards to the traffic effects of the PP the report states:

In summary the surrounding road network will be able to cater for the additional traffic generated by the proposed supermarket with intersections continuing to operate at satisfactory or better levels of service in the peak periods.

Furthermore, the traffic report also concluded:

- i. *The site has good access to public transport;*
- ii. *Provision for parking, motor cycles and bicycles will be made in accordance with appropriate Council codes and RTA Guidelines;*

- iii. *Access to the site will be provided from Gibbes Street (car park) and Short Street (service area);*
- iv. *Parking layout and internal circulation will be designed to comply with AS2890.1-2004;*
- v. *Service arrangements will be designed to comply with AS2890.2-2002; and*
- vi. *The surrounding road network will be able to cater for the additional traffic generated by the proposed supermarket.*

An additional letter was prepared by CBHK dated 17 August 2010 and is included at **Appendix C**. This letter addressed additional matters to those addressed in the report prepared by CBHK in May 2010. This letter also concluded that the surrounding road network could accommodate the traffic generated by the proposed supermarket on the site.

In February 2011 CBHK prepared a Supplementary Traffic Report which is also included at **Appendix C** of this report to address the matters raised by Council with regard to the PP. The matters raised by Council and in submissions were summarised in the report as follows:

- *the proposed development would result in unacceptable traffic and parking impacts, in particular the impact on the operation of the intersection of the Eastern Valley Way and Smith Street;*
- *the site has poor accessibility to public transport; and*
- *increased traffic in Alleyene Street as a result of the proposed development.*

The supplementary report made the following conclusions:

- *the adjacent road network can satisfactorily accommodate traffic from the proposed supermarket;*
- *the intersection of Smith Street/Eastern Valley Way can satisfactorily accommodate traffic from the proposed supermarket;*
- *the different SIDRA results concluded by Council was due to the use of inappropriate input parameters;*
- *the proposed supermarket would result in a reduction in traffic travelling to Chatswood and Northbridge/Castlecrag and would result in a substantial reduction in vehicle kilometres travelled, with associated reduction in fuel costs, vehicle emissions and travel times;*

- *that capturing traffic within the local area would reduce traffic around Northbridge Plaza and Chatswood CBD, with consequent reduced traffic and parking impacts at these locations;*
- *the proposed supermarket is located close to existing bus services which provide links to surrounding areas;*
- *locating a supermarket outside of town centre location such as Chatswood would not result in significant increase in car trips; and*
- *with supermarket traffic in place, traffic flows in Alleyene Street will remain less than the maximum environmental capacity for a local street.*

Despite these traffic reports concluding that the surrounding road network could support the traffic generated by the proposed supermarket, Woolworths have been involved with ongoing discussions with the RMS who have provided 'in principle' support to the proposed upgrades along Eastern Valley Way, including intersection upgrades at Caste Cove Drive and Smith Street, Chatswood to improve the surrounding road network.

Woolworths Chatswood Research Findings

In May 2011 Woolworths undertook a study to investigate the support for a new supermarket at the subject site. This study is included at **Appendix F** of this report. Of the 400 residents interviewed as part of this fieldwork investigation 37% were strongly in favour of a new Woolworths supermarket in Chatswood while a further 31% were somewhat in favour. Of those in favour of a new supermarket 38% stated that their main reason for supporting the new supermarket was that *"it is convenient / to my home, work / closer than others"*. This highlights the need for convenience retailing in the East Chatswood area which could be facilitated by the PP which proposes an amendment to the WLEP 2012 to include a 'supermarket' as an additional permitted use at the subject site. Furthermore, of 400 residents who were surveyed, 80% said they would like to see this proposal for a new supermarket put forward for consideration and discussion within the local community.

Of those against a new supermarket in Chatswood the main reason cited was *"there's too much congestion now / it will make traffic worse"*. The traffic report included at Appendix C concludes that the surrounding road network can cater for the additional traffic generated by the supermarket sought by the PP on the subject site in East Chatswood.

4.1.2 Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?

Development for the purposes of a supermarket is currently prohibited in the IN2 Light Industrial zone. However, suitably sized parcels and the ability to occupy existing opportunities in the Chatswood CBD and its edges are limited for a supermarket. The nearest available and appropriately sized land on a bus route in an edge of centre location which will not affect the amenity of any adjoining residential development is in the East Chatswood industrial area where the subject site is located. Additionally, the PP is not seeking to change the zoning of the site from its current IN2 Light Industrial zoning.

As such, the planning proposal is the best means of achieving the objectives and intended outcomes identified in Section 3.1. of this report. This is because the PP, which seeks an amendment to the WLEP 2012 for the inclusion of a supermarket as an additional permitted use under Schedule 1 of the LEP, satisfies the demand for another supermarket in the Chatswood CBD and surrounding area while retaining the industrial character and employment lands of the Chatswood East industrial area in which the site is located and providing a use which is attractive to business to locate in Chatswood East.

4.2 RELATIONSHIP TO STRATEGIC PLANNING FRAMEWORK

4.2.1 Is the planning proposal consistent with the objectives and actions contained within the applicable regional or sub-regional strategy (including the Sydney Metropolitan Strategy and exhibited draft strategies)?

There are numerous regional and sub-regional strategies which apply to the subject site as follows:

Metropolitan Plan for Sydney 2036

On December 16, 2010, the NSW Government published the *Metropolitan Plan for Sydney 2036* (the Plan) to shape future growth in Australia's major global city. The Plan incorporates the fully funded \$50.2 billion *Metropolitan Transport Plan*. It seeks to make Sydney a more connected and sustainable city as the population grows over the next 25 years.

The publication of the Plan follows a scheduled five-year update of the 2005 *Metropolitan Strategy*. The Plan advises:

By 2036, Sydney will be a more compact, networked city with improved accessibility, capable of supporting more jobs, homes and lifestyle opportunities within the existing urban footprint.

The Plan seeks to address the challenges facing Sydney through an integrated, long-term planning framework based on a number of key directions and key policy settings, including:

Strategic Direction E: Growing Sydney's Economy

The Plan advises in relation to 'Growing Sydney's Economy':

The Plan will help maintain Sydney's strong and dynamic economy by

- *ensuring there is adequate land for economic activity, investment and jobs in the right locations using new subregional employment capacity targets*
- *promoting employment in Western Sydney by facilitating growth in Strategic Centres and developing greenfield employment lands with detailed land use and infrastructure plans*
- *establishing a new Employment Lands Task Force to promote and ensure the orderly development of employment lands*
- *ensuring an adequate supply of retail, office space and business parks focusing Sydney's economic growth and renewal, employment and education in highly accessible Strategic Centre*
- *delivering spatial components of the NSW Business Sector Growth Plan*
- *strengthening clusters of activity in Specialised Centres, particularly those for high growth and high value sectors, and supporting the emergence of new cluster*
- *promoting development of education, research and development clusters around TAFEs, universities and health infrastructure in accessible centres to foster skills development, capacity for innovation and lifelong community learning*
- *preparing and implementing measures to assist development of low cost space for creative industries and business start-up*
- *strengthening existing and emerging freight and industry cluster*
- *exploring options to increase the diversity and accessibility of higher education options in Western Sydney*
- *working with the Commonwealth to support Sydney's nationally significant economic gateways, including meeting future aviation infrastructure needs and building capacity in and around Sydney Airport and Port Botany*

- *planning for long-term capacity improvements for Port Kembla and Port of Newcastle, as part of the NSW Freight Strategy*
- *building the capacity of Sydney's rail freight network*

Strategic Direction E – Growing Sydney's Economy of the Plan focuses on strengthening Australia's largest economy, the Sydney economy. The NSW Government's vision for 2020 is that the economy of Sydney and NSW will be more than 30 per cent greater than it currently is, driven by growth in highly skilled, high-value added industries. According to Industry and Investment NSW the NSW industry base aims to be internationally recognised for its innovation, productivity, knowledge intensity and carbon efficiency. In order to achieve this outcome and maintain a strong and dynamic Sydney economy the Plan identified objectives and actions to be implemented by the public and private sectors.

Action E3.2 of this chapter of the Plan states as follows:

Action E3.2: Identify and retain strategically important employment lands.

The Chatswood East Industrial Area in which the subject site is located has been identified as strategically important employment lands. The PP is consistent with Action E3.2 of the Plan as it is not seeking to change the zoning of the site hence still affording opportunities for local industrial tenancies in the Chatswood East Industrial Area.

Draft Metropolitan Strategy for Sydney to 2031

The *Draft Metropolitan Strategy for Sydney to 2031* ('the Strategy') was released by the DP&I in 2013 for public comment. The Strategy sets the framework for Sydney's growth and prosperity to 2031 and beyond. It has five outcomes (balances growth, a liveable city, productivity and prosperity, healthy and resilient environment, and accessibility and connectivity) supported by 29 objectives which create the blueprint for a sustainable city.

Productivity and Prosperity

The Strategy advises in the 'Productivity and Prosperity' chapter:

This chapter sets policies and actions to promote and support Sydney's future productivity and prosperity and sets minimum job targets for the city and each subregion to help improve the distribution of jobs in Sydney.

It aligns with NSW 2021 priorities to make Sydney the number one business location in Australia and the Asia Pacific region and aims to build on Sydney's strong economic position. The city already accounts for almost one-fifth of Australia's total annual output of goods and services; its estimated Gross Regional Product (GRP) (\$296.8 billion in 2010-11) represents over two-thirds of the estimated Gross State Product (GSP) of NSW; and more of Sydney's income comes from converting knowledge and professional skills into high-value products and services than any other city in Australia. The policies and actions outlined in this chapter look to take advantage of these strengths and provide for greater investment and employment opportunities, right across the city.

Sydney's economy is built on sectors such as finance, business and property services that form clusters of economic activity. This chapter focuses on growing these clusters so that we can increase economic activity, enable businesses to access the best-skilled workforce and stimulate the flow of innovation and ideas.

Policies and actions will also support economic growth by ensuring adequate stocks of well-located commercial and industrial land are always available.

They will look at levers to boost economic development in areas of potential market demand, including:

- protecting land for strategic purposes, including buffer zone*
- zoning land to enable productive uses in strategic location*
- ensuring good transport links to and from areas of economic activity*
- providing other infrastructure like schools to service the areas of economic activity*
- widely promoting sites for investment and offering incentives where applicable*
- streamlining planning processes to facilitate development*

This chapter reflects the majority of feedback received on the Discussion Paper that suggested the Metropolitan Strategy for Sydney focus on generating new jobs and economic activity, concentrating employment in Strategic Centres and identifying new locations for economic activity.

The PP is consistent with the following sections and policies of the 'Productivity' chapter:

Objective 10: Provide capacity for jobs growth and diversity across Sydney

This objective seeks to build and diversify Sydney's economic base by linking land use planning with the Industry Action Plans development by NSW Trade & Investment such that "[w]ell functioning industry clusters can then act as a magnet to other companies to locate in the same area". The PP has the ability to facilitate this objective in the Chatswood East area as it provides for a use that is attractive to businesses and would encourage them to locate in the Chatswood East Industrial Area. This industrial area has a high vacancy rate and as such the relocation of more businesses to the area would improve the functionality of the industrial area and improve the capacity for jobs growth.



The PP is also consistent with Objective 11 of the draft Strategy which states:

Objective 11: Support the land use requirements of industries with high potential

This objective seeks land uses to support the growth of industries. There is no clear evidence that the existing policies in place for Chatswood East have supported the growth of local industries. This is demonstrated by the high vacancy rate (20%) and there having been no growth in local industry for a significant period of time. The PP is consistent with this objective as it seeks the inclusion of a 'supermarket' as an additional permitted use on the site which, as demonstrated by the growth of Macquarie Park and subsequent growth of Macquarie Centre, is a land use requirement for high potential industries.

Another objective which the PP is consistent with is Objective 13 which states as follows:

Objective 13: Provide a well-located supply of industrial lands

This objective seeks to ensure that well-located industrial land to provide local employment and meet industry needs for cost-effective transport and operations exists in Sydney. The Strategy recognises that continuing pressure for existing industrial lands to be rezoned to other uses and, under Objective 13, provides a checklist for rezoning of existing and industrial land to other uses. The PP's consistency with the Industrial Lands Strategic Assessment Checklist associated with Objective 13 is summarised in **Table 1** as follows:

Table 1: Responses to Strategic Assessment Checklist

Industrial Lands Strategic Assessment Checklist for rezoning of existing industrial lands	Response
1. Is the proposed rezoning consistent with State and/or council strategies on the future role of industrial lands?	There is no local strategy that has been endorsed by the Director-General on the future role of industrial lands.
2. Is the site either near or within direct access to key economic infrastructure or contributing to a significant industry cluster?	The site is near or within direct access to key economic infrastructure such as transportation, communication, power, sanitation, and water. The site is located just over 1 kilometre from the edge of the Chatswood centre and approximately 2.5 kilometres from Chatswood railway station, and is serviced by regular local buses. The established road network surrounding the site includes roads such as Eastern Valley Way, Boundary Street, Penshurst Street and Victoria Avenue. These roads provide



Industrial Lands Strategic Assessment Checklist for rezoning of existing industrial lands	Response
	<p>access to major roads such as the Pacific Highway, Gore Hill Freeway, Warringah Freeway and M2 Motorway. As such, the site is well connected to areas within Sydney's North Shore and Northern Beaches as well as the wider Metropolitan Sydney area.</p> <p>Chatswood East is a well established area in Sydney's inner suburbs therefore it has direct access to communication networks, water supply, power supply and sanitation. The site's location near or within direct access to key economic infrastructure makes it a suitable location for a supermarket. While the site does form part of an industrial area known as Chatswood East, this industry cluster is not considered to be significant. A majority of the premises located within the industrial area are offices and warehouses while only a small proportion are of an industrial nature. As such the industry cluster at Chatswood East is considered to be insignificant and the location of a supermarket in the area would not impact on the area's character as an industrial area.</p>
<p>3. How would the proposed rezoning impact the industrial land stocks in the subregion or region and the ability to meet future demand for industrial land activity?</p>	<p>The Inner North Subregion (comprising the LGAs of Ryde, Hunters Hill, Willoughby, Lane Cove, North Sydney and Mosman) has been identified in the subregional strategy as containing 194 ha of zoned employment lands with a large concentration of this land being located in Willoughby (94 ha).</p> <p>Of the 94 ha of employment lands in the Willoughby LGA, 26 ha form the Chatswood East industrial Area. The location of retail space on the subject site would mean that 0.44 ha of the 26 ha (or 0.017%) of the Chatswood East Industrial Area could no longer be used for future industrial uses. This is a very small proportion of land therefore the PP for the</p>

Industrial Lands Strategic Assessment Checklist for rezoning of existing industrial lands	Response
	<p>site would not have a significant impact on industrial land stocks in the Inner North subregion nor would it affect the ability of the subregion to meet future demand for industrial land activity.</p>
<p>4. How would the proposed rezoning impact on the achievement of the subregion/region and LGA employment capacity targets and employment objectives?</p>	<p>The employment capacity target for Willoughby, the LGA in which the subject site is located, is 16,000 by 2031. The proposal will have a net increase in employment of some 176 workers. The nature of some industries, in conjunction with advancements in technology, have resulted in increased productivity and decreased density of employment. As such a supermarket is likely to employ more workers than industrial land uses and will therefore assist Willoughby LGA in achieving its employment capacity targets for 2031.</p>
<p>5. Is there a compelling argument that the industrial land cannot be used for an industrial purpose now or in the foreseeable future and what opportunities may exist to redevelop the land to support new forms of industrial land uses such as high-tech or creative industries?</p>	<p>The subject site is currently zoned IN2 Light Industrial. Development permissible in this zone includes light industries, vehicle sales or hire premises, and warehouse or distribution centres.</p> <p>There is a degree of flexibility in the East Chatswood Industrial Area under the WLEP 2012 Schedule 1. This PP seeks inclusion under Schedule 1 in a similar manner as item 34, which makes bulky goods premises, garden centres, hardware and building supplies, and landscaping materials supplies permissible.</p> <p>A supermarket is also an appropriate addition to Schedule 1 as the site location is the nearest available and appropriately sized land.</p> <p>The subject site is located over 1 km from the edge of Chatswood's centre and is not located in an area that would affect the services offered by existing shops in the</p>

Industrial Lands Strategic Assessment Checklist for rezoning of existing industrial lands	Response
	<p>locality.</p> <p>Of the 410 premises in the East Chatswood light industrial zone, 48% are offices and warehouses and only 0.7% is of an industrial nature and essentially this is unchanged over the last 2 years. As such Chatswood East is not considered to contain significant industrial land and the development of a supermarket on the subject site would not change the industrial nature of the area.</p>
<p>6. Is the site critical to meeting the need for land for an alternative purpose identified in other NSW Government or endorsed council planning strategies?</p>	<p>One of the objectives identified in the draft Strategy is 'Objective 15: Provide for a good supply of retail space'. The location of retail, such as a supermarket, on the subject site would assist the State government in achieving its objective to provide a good supply of retail space, especially in an area where most retail space is located in the Chatswood CBD thus generating significant traffic and making it hard to get to.</p>

The PP is also consistent with Objective 15 of the Strategy which is:

Objective 15: Provide for a good supply of retail space

This objective acknowledges in its Policy that “[r]etailing in industrial zones can occur where it is ancillary to the main industrial use”. As such, the PP is consistent with Objective 15 as it proposes retailing in an industrial zone which is ancillary to the main industrial use of the land in the Chatswood East area which is warehousing and office space.

Furthermore, the Strategy states in regards to Objective 15 that “[a]ny proposal to use industrial land for retail purposes must account for operational and access needs of existing and future industry”. The PP is ancillary retailing to the main industrial uses in Chatswood East and will enable a higher per square rate of employment generation, which is consistent with Objective 15. Additionally, the PP provides for a use which is demanded by local industry but which is not easily and conveniently accessible to businesses operating in the Chatswood East area with the nearest supermarket located in the Chatswood CBD which is two kilometres away and experiences traffic congestion.

Draft Inner North Subregional Strategy

The relevant regional strategy is the Draft Inner North Subregional Strategy prepared in 2007.

The PP is consistent with the Subregional Strategy as follows:

Economy and Employment

East Chatswood is identified as “Strategic Employment Lands” under the Subregional Strategy which states:

East Chatswood (local Industry) provides 26 hectares of industrial land containing local services and a mix of manufacturing and ancillary office development, with a high tech focus. It evolved around Scotts Creek close to the intersection of Eastern Valley Way and Boundary Street. The area was predominantly home to tanneries and other heavy industrial activities.

The subregional strategy recognises that a hi-tech focus is sought for the East Chatswood industrial area. In order to achieve this strategic planning objective and attract suitable hi-tech industrial activities it is widely acknowledged that the right balance of suitably zoned ancillary uses are also necessary within a specific precinct to enable workers access to convenience retailing which is at present located almost 2km away in the Chatswood CBD. The PP can help facilitate this objective by providing for the use of a ‘supermarket’ to serve the needs of workers and residents in Chatswood East.

The importance of achieving a balance of suitably zoned ancillary uses is demonstrated by the growth of areas such as Macquarie Park, formerly known as North Ryde Industrial Area. Since 1981 this precinct has been supported by convenience retailing in Macquarie Centre which includes a full-line supermarket. The ancillary retailing continues to grow and support the transition of Macquarie Park from industrial uses which were once university lead research into high-tech activities as are seen today which are generally office lead in their research and development. Other areas that have experienced growth due to the location of convenience retailing ancillary to other uses in the area include Rhodes Peninsular, Norwest Business Park and the Balgowlah industrial area. Where ancillary retailing is lacking or non-existent areas have experienced decline such as Frenches Forest Business Park which has been unable to retain hi-tech businesses such as Apple and Ricoh because of a lack of access to ancillary services and facilities such as convenience retailing close to the business park.

Like Macquarie Park the industrial character of East Chatswood has already been undergoing a transition:

- Of the 410 premises in the existing East Chatswood light industrial zone, 48% are offices and warehouses and only 3 premises (0.7%) are of an industrial nature; and
- Of the 410 premises, 83 were vacant (20% vacancy rate).

As such, the provision of ancillary retailing in the form of convenience retailing such as a supermarket, like the PP is seeking, would help attract more businesses to the area thus resulting in growth of East Chatswood similar to the growth experienced by Macquarie Park.

Furthermore, the PP seeks the inclusion of a site specific clause for the purpose of permitting a 'supermarket' use at 17-19 Smith Street, Chatswood which would enable to the industrial zoning of the land to remain thus protecting this strategic employment land.

4.2.2 Is the planning proposal consistent with a council's local strategy or other strategic plan?

Willoughby City Council has developed the *Willoughby City Strategy 2013 – 2029* which provides a vision for the City and is the foundation for all Council operations over the next 16 years. It identifies the varied and rich aspects of community living, Willoughby's heritage, the natural environment and commercial centres, providing a clear direction for the City.

Council's vision for Willoughby as outlined in Willoughby's local strategy is as follows:

Willoughby, the vital hub of the region, where residential, cultural, economic and environmental interests are respected and balanced, and our communities enjoy a diversity of lifestyles.

The PP is consistent with the Council's vision identified in the *Willoughby City Strategy 2013-2029* in that it is in the economic interest of Willoughby LGA as it will revitalise the East Chatswood industrial area and will create jobs at both the construction and operational phases. It will also cater for the need and demand for convenience retailing in Chatswood East and surrounding areas while maintaining and improving its industrial character.

The PP is also consistent with the Council's strategic direction for 'Economic Activity'. The subtheme for Economic Activity is 'Sustainable Business Activity' the goal of which is:

To maintain and promote the City's employment opportunities and the range and quality of businesses, industry and services.

The PP is consistent with Council's goal for Sustainable Business Activity as it would have a net increase in employment of some 176 workers thus contributing to the employment opportunities available in the Willoughby LGA. Furthermore, the introduction of a supermarket would make locating in the Chatswood East industrial area more attractive to businesses thus leading to a potential increase in the employment opportunities available in Willoughby. The PP would also expand the range of businesses in the area while maintaining the industrial character of the Chatswood East area.

4.2.3 Is the planning proposal consistent with applicable state environmental planning policies?

The state environmental planning policies (SEPPs) that need to be considered are:

- *State Environmental Planning Policy No 55—Remediation of Land*, and
- *State Environmental Planning Policy (Infrastructure) 2007*.

State Environmental Planning Policy No 55—Remediation of Land

Clause 6 of SEPP 55 states:

6 Contamination and remediation to be considered in zoning or rezoning proposal

- (1) *In preparing an environmental planning instrument, a planning authority is not to include in a particular zone (within the meaning of the instrument) any land specified in subclause (4) if the inclusion of the land in that zone would permit a change of use of the land, unless:*
- (a) *the planning authority has considered whether the land is contaminated, and*
 - (b) *if the land is contaminated, the planning authority is satisfied that the land is suitable in its contaminated state (or will be suitable, after remediation) for all the purposes for which land in the zone concerned is permitted to be used, and*
 - (c) *if the land requires remediation to be made suitable for any purpose for which land in that zone is permitted to be used, the planning authority is satisfied that the land will be so remediated before the land is used for that purpose.*

SEPP 55 applies to the PP as it involves changing the land of the subject site from an industrial use to a commercial use. As such, following the support of the PP from Council a preliminary investigation of the land would be carried out in accordance with SEPP 55.

A summary of the PP's consistency with the SEPPs is included at **Appendix G** of this report.

4.2.4 Is the planning proposal consistent with applicable Ministerial Directions (s.117 directions)?

The PP is consistent with all applicable Ministerial Directions. A summary of the PP's consistency with the S.117 Ministerial Directions is included at **Appendix G** of this report.

An assessment against the relevant Ministerial Directions under Section 117 of the EP&A Act is provided below:

Direction 1.1 Business and Industrial Zones

This PP affects land in an existing industrial zone therefore Direction 1.1 is applicable. It is considered that the PP is consistent with the objectives of this Ministerial Direction which state:

1.1 Business and Industrial Zones

Objectives

(1) The objectives of this direction are to:

- (a) encourage employment growth in suitable locations,*
- (b) protect employment land in business and industrial zones, and*
- (c) support the viability of identified strategic centres.*

The subject site is considered a suitable location for a supermarket as the opportunities for this type of development in the Chatswood CBD are limited with full-line Coles supermarkets located within Westfield Chatswood and Chatswood Chase and Aldi in Westfield Chatswood. The nearest and appropriately sized parcel of land on a bus route in an edge of centre location will not impact on the amenity of adjoining residential development or the viability of existing centres.

The PP is also consistent with this Ministerial Direction in that it will encourage employment growth by providing employment for some 176 workers and encouraging the revitalisation of Chatswood East by making the area more attractive to businesses. This will contribute to making Chatswood East more viable as an industrial area. Furthermore, the PP is seeking an amendment to the WLEP 2012 to include a 'supermarket' as an additional permitted use under Schedule 1 of the LEP and as such will ensure that industrial zoned employment land in the Chatswood East is protected.

Direction 3.4 Integrating Land Use and Transport

This direction applies to all councils when a planning proposal is prepared that will create, alter or remove a zone or provision relating to urban land, including land zoned for residential, business, industrial, village or tourist purposes. The PP has been considered against the provisions of this direction and is considered acceptable for the site for the following reasons:

- The PP is consistent with the objectives of this Ministerial Direction. It is considered that this PP, if implemented, will:
 - enable provision of improved access to convenience shopping within walking distances of existing residential housing as the site is located within 400m of existing residential zoned land to the north, west and south of the site;
 - make provision for alternate forms of transport for workers and shoppers such as cycling facilities so as to reduce the dependence on cars;
 - reduce unnecessary trips and travel distances as it will serve the existing industrial area's workforce, nearby residential areas and has the potential to attract additional workers to the area, as this type of amenity is sought by workers, all of which can avoid the need to travel into Chatswood centre which is already congested;
 - have access to a number of bus services which traverse between a wide range of locations and a frequency as detailed in the timetables which has the potential to support the efficient and viable operation of public transport services; and
 - improve the efficient movement of freight and cars along Eastern Valley Way with the proposed augmentation of the intersection of Eastern Valley Way and Smith Street. These improvements have the RMS in-principal support (refer to the letter at **Appendix C**).

4.3 ENVIRONMENTAL, SOCIAL AND ECONOMIC IMPACT

4.3.1 Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected as a result of the proposal?

There is no critical habitat, threatened species, populations or ecological communities, or their habitats on the site. As such, an assessment of significance does not need to be carried out in accordance with Section 5A of the EP&A Act and the associated guidelines.

It is considered unlikely the PP will adversely affect critical habitat or threatened species, populations or ecological communities, or their habitats as the site and its surrounds have been cleared of any natural vegetation and are zoned for light industrial development.

4.3.2 Are there any other likely environmental effects as a result of the planning proposal and how are they proposed to be managed?

No other likely environmental effects are envisaged as a result of the PP. This PP is not located on land that is affected by any other land use planning constraints or on land subject to natural hazards. The subject site is not identified as bushfire or flood prone land. Nonetheless, the potential for other likely environmental effects arising as a result of the PP will be assessed in any future development applications for development on the site.

4.3.3 How has the planning proposal adequately addressed any social and economic effects?

The planning proposal will have the following positive social and economic benefits:

- Provide employment during the construction and operation phases of the proposed use;
- Revitalise Chatswood East by providing a use that is attractive to businesses;
- Add to the diversity of business and employment opportunities in the area;
- Meet consumer demand for an additional supermarket in the Chatswood area;
- Provide greater consumer choice for a supermarket in Chatswood and surrounding suburbs;
- Complement surrounding uses, mainly warehouses and offices; and
- reduce travel distances for workers and residents in Chatswood East and surrounding areas.

Accordingly it is considered that the PP will have a positive social and economic effect on the community.

4.4 STATE AND COMMONWEALTH INTERESTS

4.4.1 Is there adequate public infrastructure for the planning proposal?

The subject site is located in a well established area of Sydney in conjunction with being located close to the Chatswood CBD. As such, adequate public infrastructure is available in the locality.

4.4.2 What are the views of State and Commonwealth public authorities consulted in accordance with the gateway determination?

State and Commonwealth public authorities will be consulted following the outcomes of the gateway determination. Consultation can be carried out in accordance with the EP&A Act.

5. MAPPING

The PP does not seek to amend existing mapping. As described in Section 3.1, the aim is to amend the WLEP 2012 to permit to the development of the site for the purpose of a supermarket by inclusion of a site specific enabling clause under Schedule 1 of the WLEP 2012.

6. COMMUNITY CONSULTATION

It is anticipated that upon Gateway Determination formal consultation with the community and the relevant Government agencies in accordance with the provisions of the EP&A Act and Regulation will be undertaken in accordance with the requirements set out in Section 5.5.2 of *A guide to preparing local environmental plans* for community consultation.

The proponent for the PP has sought preliminary feedback from the community as detailed previously and included in **Appendix F**.

7. CONCLUSION

The planning proposal is considered to have strategic planning merit and a net community benefit in that the :

- it is consistent with the Metropolitan Plan for Sydney 2036, the Draft Metropolitan Strategy for Sydney to 2031 and the Draft Inner North Subregional Strategy;
- it is consistent with relevant S.117 Ministerial Directions;
- it will reduce travel distances for people working in the Chatswood East Industrial Area for convenience retailing such as a supermarket;
- it complements the uses and activities undertaken within the existing industrial area and will not impact on the hierarchy of centres in the Willoughby LGA nor will it compromise the role of other centres;
- it will have minimal impacts on the road network;
- it will provide employment during the construction and operation of the proposed use;
- transport and utility infrastructure are available in the locality and there will be no significant public infrastructure costs on the community;
- there are no significant environmental attributes, constraints or hazards on the land or locality that would preclude the proposal; and
- the site is the nearest and appropriately sized parcel of land on a bus route in an edge of centre location which will not impact on the amenity of adjoining residential development or the viability of existing centres.

The inclusion of an enabling clause as stage one for the site development as part of the online retailing strategy detailed in **Appendix A**, is complementary to the industrial area.

Given the above strategic planning merit, Council is requested to proceed to forward this planning proposal to the Minister or his delegate for a gateway determination under section 56 of the EP&A Act.

AMENDED PLANS
WILLOUGHBY CITY COUNCIL
24 JAN 2014
HELP & SERVICE
CENTRE

APPENDIX A
Woolworths Online Strategy

EXECUTIVE SUMMARY

The growth in online retailing has required traditional retailing to diversify and be flexible in its approach to satisfy market demands. Customers are no longer relying on traditional “brick and mortar” outlets to undertake their shopping.

Woolworths is seeking to adapt, and is changing the nature of how it fulfils its customers requirements by moving towards a hybrid retail model which places greater emphasis on the way Woolworths distributes goods to its customers from facilities which customers may never actually visit.

To fulfil these online customer requirements, these new Woolworths facilities are taking on the form of what is commonly seen as warehousing, distribution and logistics centres which need to be positioned in more accessible locations and have purpose built forms.

The Woolworths facility in Chatswood East seeks to take on these functions. This business model will be implemented here in a two stage approach.

The first stage of this approach for Chatswood East involves a “click and collect” function where a customer places an order online and collects that order from the site at a designated collection point which is not within the trading floor. The first stage also includes an “online fulfilment” function where a customer also places an order online but chooses the home delivery of that order which is managed by staff on-site who pick and package that order. The distribution of these orders is managed by a fleet of small Woolworths trucks. Woolworths seeks to operate these functions 24 hours a day, seven days a week. These functions are therefore best suited to the industrial zone and in close proximity to the major arterial road network.

However, the first stage also seeks the ability for customers to undertake tradition face to face retailing, which is shopping within the trading floor of the facility.

The second stage of the evolution of the facility is to build in capacity at this site to support a future “dark box” which Woolworths is in the initial phase of implementing. A “dark box” involves a warehouse and distribution centre to enable foodstuffs to be processed in significant volumes and in a timely manner to meet online orders – that is online only transactions, where Woolworths staff pick the customer order and facilitate its distribution. Chatswood East would have the ability in the future to provide a “staging point” for the freight and logistics components of the selected location of the “dark box”.

Therefore, the functions at Chatswood East will include a range of options for customers, due to the growth of online retailing which requires strong freight and logistics functions but also traditional face to face retailing.

The location at Chatswood East is the most suitable location for a number of important reasons, including:

- The location of the site is on a local feeder road which allows accessibility for online click and collect users to collect an order on their return journey home from work;
- Running a 24 hour facility with multiple truck movements is inappropriate in a traditional high-street and town centre location. The proposal will have longer hours

of operation as a support function to the online retailing and “click and collect” which are more suited to industrial zoned land such as Chatswood East so as the amenity of adjoining properties can be maintained to a suitable level;

- To ensure truck distribution movements associated with the online retailing functions allow access to the arterial road network which filters movements to the local residential population in a timely manner;
- The staging point associated with the potential evolution of the site in Chatswood East as detailed above; and
- The shift in Woolworths’ business model is akin to a freight and logistics business with traditional retailing in a customer service interface, constituting a hybrid between a warehouse, a logistics distribution centre and a traditional retail facility which is appropriate in the industrial zoning of the site at Chatswood East;

Woolworths seeks the inclusion of an enabling clause in the Willoughby Local Environmental Plan 2012 (WLEP 2012) associated with subject site, on a number of grounds:

1. The business model requires access to the arterial road network in Sydney to enable the freight and logistics functions to operate at the optimal level;
2. The location for the freight and logistics component of the business model requires access to “industrial” zoned land as it is a traditional use of industrial land;
3. The business model requires a hybrid approach to enable the freight and logistics components to function smoothly with traditional retailing; and
4. Traditional planning regimes have not kept pace with new market demands associated with hi-tech businesses. The WLEP 2012 includes a number of site specific enabling clauses such as that requested by the proposal.

Woolworths have already worked with the RMS to achieve in-principal support for improvements to the local road network including the intersection of Eastern Valley Way with Smith Street.

The original Planning Proposal at Appendix 5 included resident survey feedback which demonstrates that the proposal has broad community support and is desired by the community in the proposed location.

Essentially, Woolworths business is moving towards a form which is more warehousing and distribution lead driven by the surge in online retailing which necessitates a hybrid retail function. Therefore, the site at Chatswood East requires an enabling clause to allow all of these functions to be permitted under the planning regime.

1.0 BACKGROUND

Woolworths have been developing a highly confidential new strategy to match its supply chain associated with the picking and packaging of its freight and logistics to meet the growing demand of its online convenience retailing market. To this end, Woolworths seeks to implement a model to support its growing online retailing by providing approximately three (3) locations within the Sydney metropolitan region. The location at Smith Street, Chatswood East forms part of this new strategy. TPG has undertaken a number of due diligence investigations throughout the Sydney region over the last two years, in locations which have been strategically targeted by Woolworths as suitable to support their new strategy.

Within the Sydney metropolitan region, the lower North Shore and Warringah Peninsular support a population where a significant proportion of residents already have access to the internet/smart devices and often seek access to goods and services in conveniently positioned locations. Woolworths have undertaken research which conclude that shifts in lifestyle choices, longer working hours, lost time spent in increasing public and private transport congestion have resulted in many families becoming increasingly time poor.

In this regard, market feedback has demonstrated that an increasing number of households are utilising the internet to service their retailing needs, as weekend shopping is not always possible. The site's location in Chatswood East meets the demographic needs of the subregion and is an accessible location, enabling the supply chain element of freight and logistics services to access the site via an easily accessible arterial road network. The site's location will allow direct freight and logistics links to and from the Woolworths distribution centres to regions within the Sydney metropolitan region, supporting online retail orders for convenience goods. The following points form the critical elements of the process as described throughout this document:

- The growth of internet retailing, i.e., "online retailing" and how location can influence its growth;
- What Woolworths considers the best approach to support its online retailing strategy to ensure its success; and
- Access for the supply chain and its requirements.

This document has been prepared using information to demonstrate the role that land use planning frameworks have in the transition to alternate forms of retailing, including "online retailing" and that the location of these facilities are not appropriately located within traditional high-street and centres. This document also demonstrates that such facilities need to cater for face to face retailing where customers can access to collect an order and shop directly as well as packing and sending out for delivery of orders.

2.0 THE GROWTH OF INTERNET RETAILING

2.1 *The Growth of Internet Retailing or "Online Retailing" in Australia*

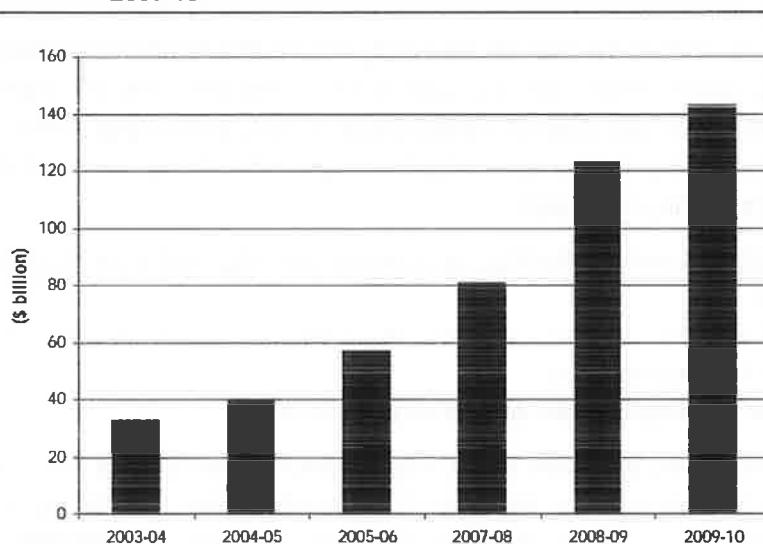
The Australian Productivity Commission released a report in 2011 titled "Economic Structure and Performance of the Australian Retail Industry", in which it assisted in defining "internet retailing or online retailing" in "Chapter 4 – Trends and issues related to online retailing" as follows:

Terms such as e-commerce or internet commerce have been developed to describe the process in which electronic transactions facilitate the exchange of, and payment for, goods and services between businesses, consumers, government and other public and private organisations using the internet, computer networks and portable electronic devices. The OECD definition of e-commerce further specifies that it relates to the ordering of goods and services over the internet, but the payment and ultimate delivery of the good or service can be conducted on or offline (ACMA 2010a).

Online retailing is a subset of e-commerce and refers to the purchase and sale of goods between consumers and retailers using the internet — also referred to as the business to consumer (or B2C) market. Other terms are interchanged for online retailing including e-tailing. Online retailing establishments can take the form of ‘pure plays’ in which businesses provide online only services in particular retail categories or as part of multi-channel establishments where online activities are combined with bricks and mortar operations. (2011, p.4)

The report also demonstrates the significant increase in levels of internet commerce investment occurring in Australia since 2003 (Productivity Commission, 2011).

Figure 4.1 Value of internet commerce in Australia, 2003-04 to 2009-10^a



^a Refers to purchases of goods and services online regardless of how payment is made and includes both Business to Consumer transactions (B2C) and Business to Business transactions (B2B). Data were not provided by the ABS for 2006-07.

Source: ABS (Summary of IT Use and Innovation in Australian Business, 2009-10, Cat. no. 8166.0).

Figure 1 – Value of internet commerce in Australia, 2003-04 to 2009-10 (Productivity Commission 2011)

In addition, this report advised in Chapter 8 “Planning and zoning regulation”:

- Land use regulation that centralises retail activity can be either competition-enhancing or competition-reducing, depending on how it is designed and implemented by the relevant planning authorities.
- To minimise the anti-competitive effects of zoning, policy makers need to ensure that areas where retailers locate are both sufficiently large (in terms of total retail floor

space) and sufficiently broad (in terms of allowable uses, particularly those relating to business definitions and/or processes) to allow new and innovative firms to enter local markets and existing firms to expand.

- *A number of overseas studies have examined the impact on the retail industry of some land use regulations that restrict the establishment of new large format stores. These studies suggest that restricting the development of larger stores lowers retail productivity, reduces retail employment and raises consumer prices.*
- *Overseas evidence also suggests that some land use restrictions raise property prices in residential and commercial markets by constraining the quantity (and location) of available space. These empirical results are useful directional proxies for the impact of planning and zoning controls on domestic retail property values.*
- *In its recent benchmarking study on planning, zoning and development assessment, the Commission identified a number of leading practices to support competition. While all these leading practices should be implemented to improve the competitiveness of the retail market, two are of particular importance:*
 - *Governments should broaden and simplify business zoning to remove the need for ad hoc changes to council plans to accommodate each variation in business model.*
 - *Governments should not consider the viability of existing businesses at any stage of planning, rezoning or development assessment. Impacts of possible future retail locations on existing activity centre viability (but not specific businesses) should only be considered during strategic plan preparation or major review. (2011, p. 215)*

The Australian Bureau of Statistics (ABS) released in August 2013 details of a recent survey associated with businesses that reported receiving orders via the internet titled "8129.0 – Business Use of Information Technology, 2011-12". This survey indicates that from the period 2009-10 to 2011-12 the growth of income for businesses in Australia providing "online retailing" has grown from approximately \$150 billion to just under \$250 billion. The information specifically states:

During 2011-12, 28% of all businesses received orders via the internet and the estimated value of income resulting from those orders was \$237 billion.

On 4 June 2013, Roy Morgan Research released a study which advised:

The number of Australians who shop online has tipped over the 50 per cent mark for the first time. (2013)

The report titled, "State of the Nation" examined the social trends of 50,000 consumers over the past decade. The report has a special focus on "online retailing" and points to a 12 per cent growth in the sector over the past year (2013). The report further found that in a three month period, some 50.3 per cent of Australians had shopped online (2013).

The report also indicated that online shopping is becoming increasingly mainstream, and acknowledges the role for traditional retailers to exist alongside online shopping with a view that the retail sector will need to adjust to the market as "retailers who play in both spaces will probably do extremely well" (2013).

Smart phone penetration is now running at about 50 per cent of Australians, and this means that people do not need to be home to order online; the emergence of smart phone price-checking and the use of smart phones to explore the availability of goods is now well-documented. The use of smart phones to make online purchases has grown 101 per cent in the past year (Roy Morgan Research, 2013).

In August 2013, NetSuite Inc. sponsored research conducted by Frost & Sullivan which had the support of the Australian Retailers Association, indicating the following:

- Although online sales have grown strongly in recent years, penetration in Australia is still only around 7 per cent of sales, which is behind comparable markets such as the UK and USA where online sales account for around 10 per cent of total retail sales.
- Many bricks and mortar retailers are currently missing out on market opportunities. Utilising a multi-channelled approach can offer many opportunities, such as lower operating costs, the ability to reach new customer segments, greater variety and choice of goods with the ability to operate with fewer geographical limitations.
- Retailers are increasingly recognising the advantages of multi-channelling and that these experiences are being increasingly demanded by customers (2013).

The ABS also completed a survey in December 2011 titled "8146.0 – Household Use of Information Technology, Australia" which indicated that 73% of households had access to "broadband" and 92% of all households had internet access. This survey also found the proportion of internet users that purchased or ordered goods or services over the internet was 68%, up from 64% in 2008-09.

It is Woolworths' position that in order for a model of online retailing of convenience goods to be successful, several factors need to combine, with the site at Smith Street, Chatswood providing the best opportunity to support a successful model.

2.2 World's Best Practice

As has been demonstrated by Tesco – one of the world's leading supermarket retailers – the need for modern retailers to keep pace with the most significant growth market is imperative. To this end, Tesco developed a model now referred to as a "dark box" in 2011. The "black box" is the location where freight and logistics bring convenience goods from the distribution centre to a warehouse variant of a supermarket, so as employees can pick and package internet orders which are subsequently distributed to or collected by customers. Refer to **Appendix A**.

<http://www.retailcustomerexperience.com/article/208269/Tesco-digital-pilot-brings-online-experience-to-in-store-shopping>

2.3 Australian Examples

A well known Australian example is that of Harvey Norman. For an extended period of time, Jerry Harvey indicated to the market that the growth of online retailing was adversely impacting the ability of his business to generate profits, arguing for the Federal Government to tax all goods purchased online. At that time, Harvey Norman did not have any online presence. Approximately 4 years ago, Harvey Norman changed their approach to match their competitors such as The Good Guys by providing customers with the ability to purchase online.

Another example of a business which did not see the initial need to have a presence online was David Jones. This attitude changed at the time of the GFC and the department store retailer changed its strategy to include online retailing to complement its stores. Refer to **Appendix B**.

<http://www.smh.com.au/business/david-jones-aims-for-10-of-sales-online-20120224-1ts1o.html>

3.0 WOOLWORTHS STRATEGY

The nature of retailing, including foodstuff retailing, has rapidly changed due to the growth of online retailing. Businesses such as Woolworths recognise the need to deliver services to cater to all their customers' needs. The needs of customers over the last 5 years since the GFC have shifted significantly in all areas of retailing, including foodstuff retailing. Convenience and flexibility are the key criteria for customers, and those retailers who did not kept pace with these desires and market dynamic have declined as a result.

Retailers such as Harvey Norman who were once sceptical of online retailing have now recognised that making an online retailing component available to customers is pivotal for their survival in the marketplace. The realisation that retailers need flexibility and convenience for their customers has led to an optimised hybrid model, with a mix of online retailing and point of sale purchasing.

Woolworths have already been exploring regional locations in Sydney to implement "click and collect" online retailing along with online ordering via distribution centres so as to complement traditional retailing in stores. This proposal for Chatswood East goes one step further by seeking to blend online ordering with traditional retailing as the market in Australia for online retailing of foodstuffs is not mature enough to support a standalone, online only retail facility. There simply will not be enough orders to support an online only facility in the current Sydney market on the lower North Shore and Warringah Peninsular, but the trend is continuing to grow and therefore a retailer such as Woolworths seeks to be a market leader in this area.

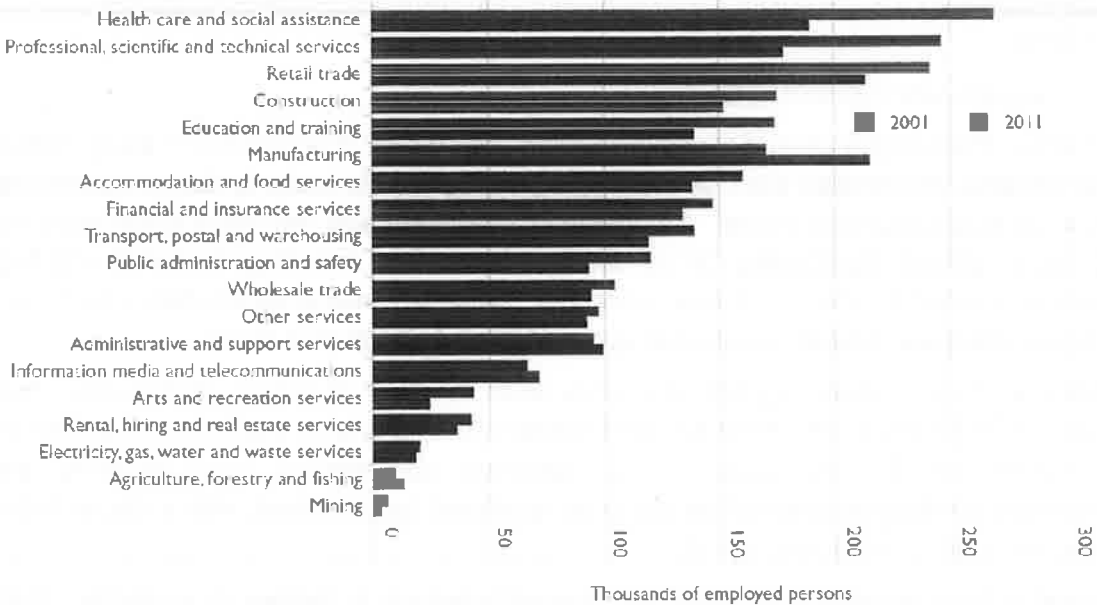
The site in Chatswood East is ideally positioned to enable this hybrid model to function efficiently and deliver foodstuffs in all its options to the lower North Shore, being a significant subregion of the wider Sydney metropolitan region. Woolworths' strategy is grounded by the knowledge that the site can perform functions associated with the transit of goods to and from the Woolworths distribution centre, and allow good access for freight vehicles given the site's proximity to good road infrastructure and the arterial road network.

4.0 FREIGHT AND LOGISTICS

Freight and logistics form an integral part of the new Woolworths business model. The volume of freight movements associated with the proposed facility at Chatswood is to be higher than those generally experienced in traditional businesses zones, and in order to support these freight movements the facility will have longer hours of operation. As such, the industrial zoning of the site is considered a more suitable location for the nature of the proposal.

The trend in industrial areas to incorporate logistics and warehousing uses is a dominant one not only in Sydney, but across Australia in a response to market dynamics and the

evolving needs of businesses in both the industrial and retail landscape. **Figure 2** below demonstrates the increases in the amount of employed persons in the Sydney metropolitan region across all sectors, and as can be seen, there has been strong growth in the transport, postal and warehousing sector, as well as the retail sector (BITRE 2012).



Note: Based on employed residents of Sydney Statistical Division (i.e. does not correspond to jobs located in the Sydney Statistical Division). Based on ANZSIC 2006 industry classification.
 Source: ABS Cat. 6291.0.55.003 (August 2011 issue), based on August quarter of 2001 and 2011 data.

Figure 2 – Employed persons by industry, Sydney, 2001 and 2011 (BITRE 2012, p. 167)

The location at Smith Street, Chatswood East is zoned IN2 Light Industrial under the *Willoughby Local Environmental Plan 2012 (WLEP 2012)*. The objectives of this zone are to:

Zone IN2 Light Industrial

1 Objectives of zone

- To provide a wide range of light industrial, warehouse and related land uses.
- To encourage employment opportunities and to support the viability of centres.
- To minimise any adverse effect of industry on other land uses.
- To enable other land uses that provide facilities or services to meet the day to day needs of workers in the area.
- To support and protect industrial land for industrial uses.
- To identify and preserve industrial land to meet the current and future light industrial needs of Willoughby and the wider region.
- To accommodate industrial development that provides employment and a range of goods and services without adversely affecting the amenity, health or safety of residents in adjacent areas.
- To protect the viability of business zones in Willoughby by enabling development for the purposes of offices if they are used in conjunction with industrial, manufacturing, warehousing or other permitted uses on the same land.

- *To improve the environmental quality of Willoughby by ensuring that land uses conform to land, air and water quality pollution standards and environmental and hazard reduction guidelines.*
- *To accommodate uses that, because of demonstrated special building or site requirements or operational characteristics, cannot be or are inappropriate to be located in other zones.*

The freight and logistics facets which support the supply chain are compatible with the objectives of the IN2 Light Industrial zoning, and as such, the site at Smith Street, Chatswood East is considered the most suitable location for the proposal.

5.0 CONCLUSION

In conclusion, it is considered that the most suitable location given the Woolworths' desire to ensure they keep pace with changing market needs, and the desires of customers associated with online retailing, so too the location in Chatswood East has been identified as the most appropriate location, and the industrial zone is most suitable given the model now proposed.

Therefore, an amending clause is sought to be included in the *Willoughby Local Environmental Plan 2012* (WLEP 2012) so as the planning regime facilitates the business model now proposed by Woolworths to be permitted in the IN2 Light Industrial zone.

APPENDIX A – TESCO EXAMPLE

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Tesco digital pilot brings online experience to in-store shopping

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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 complete 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.

Read more about [in-store media](#).

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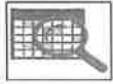
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APPENDIX B – DAVID JONES EXAMPLE

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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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