



# Tomorrow's experience, today

## Retail sector insights



2018 KPMG New Zealand Customer Experience Excellence Report



# Welcome

**Tomorrow's experience, today celebrates the global organisations that are harnessing a true customer-centric approach and adapting new capabilities to create customer experiences that lock in an advantage today and in the future.**

This year's global study builds on the eight years of work from our global customer experience centre, which for the first time covers 14 countries (including New Zealand).

The leading global enterprises in our study, including New Zealand's Farmlands and Air New Zealand, demonstrate how the quality of customer experience maps to value – the top 50 brands studied deliver revenue growth that is 50% larger than the bottom 50% and EBITDA growth that is 202% greater.

These global organisations are responding to today's reality where new experiences, new competitors and new business models are continuously resetting customer expectations. They also lead the adoption of a host of new technologies such as artificial intelligence, machine learning, bots and predictive analytics, all which radically change the engagement and interaction experience with customers.

In retail, the leading global organisations such as Amazon, Nike, Apple, Lush, QVC and Ikea combine mastery of the fundamentals of customer experience with the ability to command a first mover advantage by seamlessly integrating technology into customer experiences.

These organisations are capable of putting new customer experience into practice – leveraging deep knowledge and understanding of the customer to predict future experience needs and then making these experiences a reality today.

Our study provides insight into the DNA of leading practice Customer Experience Excellence across Six Pillars; Personalisation, Integrity, Expectations, Resolution, Time and Effort and Empathy. Critically, there is insight into how these organisations are creating customer-centric organisations and adapting organisational models for the future while having the ability to balance commercial outcomes and experience expectations.

**Simon Hunter**  
Partner, Advisory

## KPMG New Zealand Retail and Customer Consulting Team



### Ian Williamson - Retail Consulting Lead

With an extensive background in global consumer goods and retail operations, I lead our team delivering accurate demand forecasting, integrated business planning, and distribution network optimisation to deliver sharper operational performance, driving enhanced consumer experiences.



### Sharne Usherwood - Operations Lead

I help retailers optimise their supply chain so they have the right product on the shelf to meet their customer's needs. Adopting a customer-centric approach to procurement and supply chain is a critical competitive advantage for today's retailers.



### Dylan Marsh – Customer Lead

Working across a number of sectors I help businesses design and deliver relevant customer experiences that drive engagement, and result in sustainable customer relationships.



### Baxter McConnell – Customer Experience Lead

My focus lies at the intersection of business and psychology, helping clients to create economic value through customer-centric solutions. Internationally and in New Zealand, I have worked with global leading brands to gain insights into how customers feel, what they expect and what they want in the future to drive top and bottom line growth.



### Nicola Owbridge - Organisational Effectiveness Lead

I help our clients gain a detailed view of their customer interactions, economics and pain points to guide strategic decisions about the effectiveness of their operating model, supporting business improvements and organisational design enhancements.

# About this research

**KPMG's Customer Experience Excellence Centre is an international think tank, dedicated to turning global customer experience best practice into effective business results.**

KPMG has drawn on its Customer Experience Excellence Centre methodology, supported by the centre's eight years' experience in the field, in its analysis of the customer market experience.

The Six Pillars are the DNA of every outstanding customer experience and the fuel that powers fast business growth. As the fundamental components of an ideal customer experience, The Six Pillars are the core structure around which this research is built.

**Research** for this survey was carried out in December 2017 via an online research survey sent to a nationally representative customer sample. To be able to answer questions about a brand, respondents were required to have interacted with that brand within the previous six months. 2504 consumers commented on 124 Kiwi brands.

At least 100 respondents per brand were required for that brand to be included in the final research results. 62 brands made the cut, and KPMG New Zealand also conducted primary research on selected companies from each of the sectors during the first months of 2018, to gather further customer experience insights.

**Customers** were asked to respond to questions relating to each pillar for each brand they had interacted with in the previous six months. Brands were then assigned a score out of ten for each of The Six Pillars and these were combined to give an overall customer experience score, followed by an evaluation of each brand's delivered customer experience.

**Targeted questions** enabled a more in-depth exploration of respondents' brand experiences when interacting through different channels i.e. online, by phone or face-to-face. Customers were also asked to indicate how likely they were to recommend a brand (Advocacy) and to repurchase (Loyalty) from them.

**This analysis** is based on quantitative research data, verbatim customer feedback and various brand interviews. Together, these elements offer a detailed snapshot of New Zealand's customer experience performance. The characteristics of the New Zealand market were then compared against global trends identified by the parallel research of 13 other markets, and incorporated into KPMG's international, large-scale customer experience study.

**Research results** were channelled to give an assessment of Customer Experience Excellence (CEE) in New Zealand. This includes a ranking of New Zealand brands by Customer Experience Excellence score as awarded by customers. This report presents the top 10 customer experience brands and shines a spotlight on both global and New Zealand customer experience insights across key industry sectors.

## The Six Pillars of Customer Experience Excellence:



**Personalisation**  
Using individualised attention to drive emotional connection.



**Integrity**  
Being trustworthy and engendering trust.



**Expectations**  
Managing, meeting and exceeding customer expectations.



**Resolution**  
Turning a poor experience into a great one.



**Time and Effort**  
Minimising customer effort and creating frictionless processes.



**Empathy**  
Achieving an understanding of the customer's circumstances to drive deep rapport.

## KPMG Global Customer Research:



**8** years of ongoing research



**170,000+**  
consumer interviews



**2,300**  
cross-sector brand reviews



**2 million+**  
consumer valuations



**14** markets covered by 2018

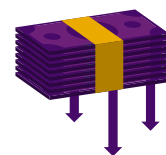
# Global insights from our research



140%

Additional amount spent over one year by customers who had great customer experiences.

Source: HBR & Medallia



63%

Of customers stop doing business with a brand due to poor customer service.

Source: Forrester



3.5x

More likely to repurchase for consumers who have very good customer experiences vs very bad.

Source: Temkin Group



30%

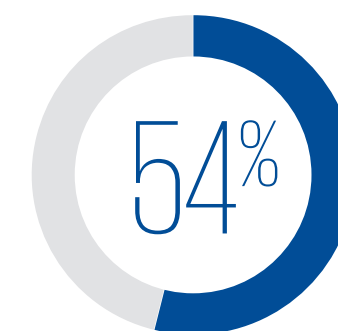
Higher customer lifetime value for customers who buy online and in-store vs those who only use one channel.

Source: Google/IDC

## The economics of customer experience excellence

### Outstanding experiences deliver outsized financial returns

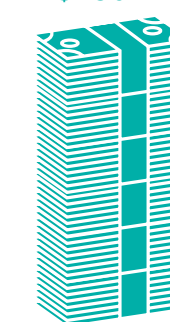
The leading companies in our global research demonstrate a clear understanding of the link between the quality of the experience being delivered and value created. When making strategic investment decisions, leading organisations factor in the economic and long-term impact of improved customer experience in a way that enables them to understand whether the customer experience they are delivering is under or over-engineered financially.



The revenue growth of the top 50 brands is 54% greater than the bottom 50, at an aggregated level.

Source: KPMG International

+\$25bn



Bottom 50 brands



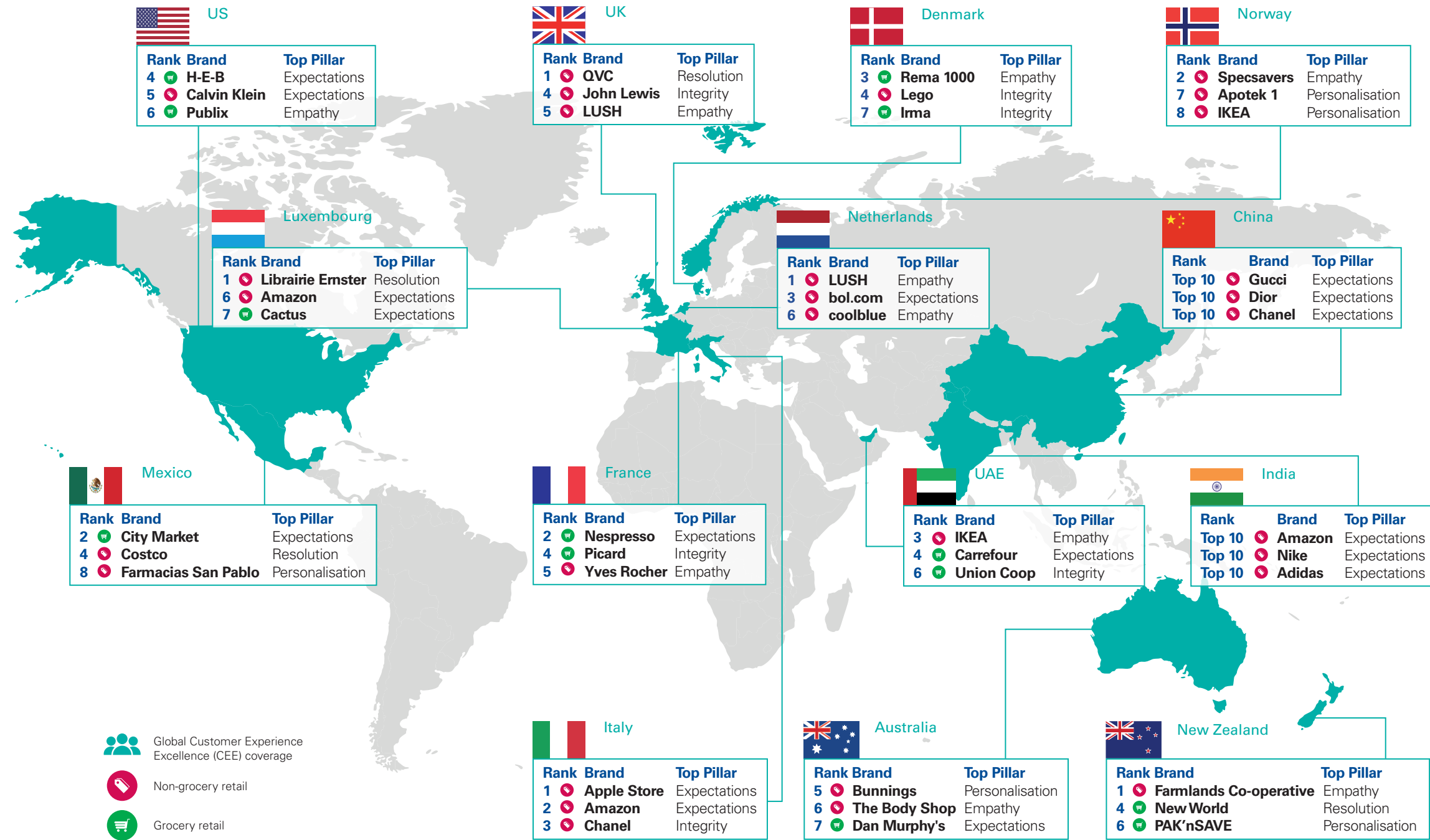
The top 50 brands generated \$25bn more in revenue.



The EBITDA growth of the top 50 brands is 202% greater than the bottom 50, at an aggregated level.

# Global customer experience leaders

The top three retail organisations by country





# The retail world we were promised has arrived

## New retail – the heart of all consumer touchpoints

'New retail' is the reinvigoration of in-person shopping, where new technologies are utilised to provide both more engaging experiences and increasingly streamlined and customisable transaction processes. It's seen in longer journeys that begin before the customer even steps foot in the store, extending well after a purchase is made. Organisations succeeding here are strategically managing all customer touchpoints, using every brand interaction to build a greater understanding of each individual customer. Through innovative store design, smarter packaging, and consistent messaging, the organisation, the product and the consumer can all share a relationship that is more deeply intertwined.



### Nike's latest store in New York is an interactive playground for people who love sports

Nike opened a new five-story, 55,000 square foot store in New York City. It features a mini indoor basketball court, a treadmill, a system that simulates runs in different locations, a small soccer enclosure, a shoe bar where shoppers can personalise a pair of Air Force One shoes, and coaches who put customers through drills to test out different pairs of shoes. It is as much a place to play as it is a place to shop. Nike is demonstrating that it understands how brick-and-mortar retail is changing in the age of e-commerce and also how to create a memorable customer experience.

## Instant expectations

Customers are now in the driver's seat – they have the power. Apps like Snapchat, Uber and WhatsApp show we are quickly moving toward a reality in which everything happens in real time. The natural outcome is that people want instant gratification, which strongly impacts customer expectations while placing strain on retailers. In a Salesforce.com report, 64% of consumers said they expect companies to respond to and interact with them in real time. The need for speed will only increase as technology enables and advances.

## It's all about the frontline – globally, big players are rethinking their labour models

The biggest talent risk to retailers right now is customer facing staff, whether that presence is in store or online. Large businesses are rethinking their labour models, now focusing on considering talent from the bottom up. Retail employees often make thousands of customer touchpoints everyday, every one of which will impact how a customer perceives a brand. If an employee doesn't feel cared for, it shows in their attitude and the level of service they provide. We can expect to see leading retailers' frontline staff become more empowered, more responsible and greater rewarded for positive customer outcomes. When staff feel cared for and valued, and when they believe in the brand, it will show and rub off on customers.

## The rise of the conscious consumer

A Global Corporate Sustainability Report published by Nielsen indicates that, globally, **66 percent of consumers are willing to spend more on a product if it comes from a sustainable brand.**

Millennials gave an even more impressive showing, with 73 percent indicating a similar preference. Simply put, customers want the companies they buy from to practice, and maintain strong ethical and transparent behaviours.

Today's customers have a well-developed sense of what is authentic and what is solely intended to drive sales. This has led to a rise in consumers who make values based judgements about what to buy and where to shop. These consumers believe their purchase habits have an impact on the world. To win customers today, businesses need to stand for something and reflect that message consistently throughout the entire business from senior leadership through to front line staff.

One third of UK consumers, for example, claim to be very concerned about issues regarding the origin of products. In another example, a study from YouGov and the Global Poverty Project revealed that **74% of those surveyed would pay a higher cost for their clothes if there was a guarantee that workers were being paid fairly and working in safe conditions.**



## Changing to meet the pace of today's consumer

As customers are now demanding faster speed and greater convenience, department store retailer Target has responded by investing heavily in supply operations, allowing them to roll out same day delivery across its US stores.



# Global retail leaders



## Lush

### Netherlands (1st, Non-grocery retail)

Non-grocery retailer Lush sees itself as a brand that is defined by its values and its products. Indeed, many customers view Lush as reflecting their own personal values and personality, bringing a unique level of identification. It also sees itself as a campaigning brand. From spearheading anti-animal testing campaigns, to working to minimise packaging or using ethical sourcing methods, customers in the Netherlands feel that each aspect of the Lush experience reflects the moral code that guides the business.

Stores are designed using a delicatessen motif. Staff are encouraged to be consultative and diagnostic rather than sales-focused; they are trained in detail as to what each product contains so they can advise customers on particular skin conditions, for example.

## QVC

### UK (1st, Non-grocery retail)

In 2011 QVC UK began to refocus on their customer experience. They started the process internally by focusing on their values. They focused on Empathy, from the presenters on TV, to their distribution center in Liverpool, through to how they delivered digital experiences. In support of this, QVC restructured the organisation and incorporated new technologies with the aim of getting closer to the customer. They focused on understanding customers' expectations and connecting their organisation across channels to deliver them. In the process they adapted their product range, based on how their target customers' expectations changed in response to seasons, events and times of the day. Consumers in the UK now rate QVC UK as the leading brand according to our research.

## H-E-B

### United States (4th, Grocery retail)

No store does more; that is the motto at H-E-B. And it shows. They jumped 12 spots to place #4 on the 2018 KPMG Customer Experience Excellence list and lead the grocery retail sector. With high rankings in the areas of Personalisation and Time and Effort, H-E-B's focus on customers is apparent. "Because people matter. We're in the people business. We just happen to sell groceries."

H-E-B began with one store in 1905. Emphasising hard work and the importance of taking care of customers, today H-E-B has more than 340 stores and more than 100,000 employees, serving 155 communities in Texas and Mexico. According to H-E-B, "We hire great people, offer customers the best service and sell only the freshest, safest products."

Serving customers is at the heart of everything H-E-B does, from the boardroom to the receiving docks. Their stated core values include:

"Service — We believe grocery shopping is more than an errand. That's why it's our pledge to always go above and beyond. Here, we think like the customer, not about the customer.

"Heart — People matter. Here, people are at the heart of every decision made and everything we do — no store cares more.

"Innovation — We're continuously searching for ways to serve our partners, customers and communities better and make their lives easier. Here, we are relentlessly dissatisfied with the present."

According to KPMG's Customer Experience Excellence findings, the top companies on the list know that the employee experience precedes the customer experience, and have strong people policies. H-E-B is no exception. In 2017, they were listed as a Best Place to Work by Glassdoor, Best Retailer from Indeed and Best Workplace for Women from Comparably.

## Ernster

### Luxembourg (1st, Non-grocery retail)

Ernster is a small chain of bookstores with a big reputation. Throughout Luxembourg it is seen as the focal point for those passionate about books. Established in 1889, the firm has long known that books can build bridges between cultures and so most staff can speak four languages. But it is those that demonstrate a passion for books ("L'esprit livre") and a willingness to smile that are most heavily recruited. And it is the smile that seems to have the greatest impact with customers. Their passion for books manifests itself in numerous literature events, signings and readings.

The company seeks out opportunities to allow their customers to not just buy and read a book, but to also understand the author's intent, the context that the book was written in and the deeper, more profound meanings. Not surprisingly, Ernster has a reputation for providing a deeper and more insightful perspective for those who are truly energised by reading.

Rapid service, advanced multichannel ordering systems and an almost legendary ability to source rare or out-of-print books ensure high levels of customer satisfaction.

# Tanishq

## India (Non-grocery retail)

Jewellery buying is a highly personalised experience and can take anywhere from 75 minutes to 7 hours in the first interaction for a purchase. In what is seemingly a short time to form lifelong bonds, Tanishq strives to make their customers feel like family.

Tanishq believes in the value of integrity and ensures that their customers trust the brand fully and completely. Melting gold in front of the customer so they get what they see, weighing stones and gold separately and having a 100% exchange value programme are some of the measures taken by them. They also organise diamond education workshops for customers to ensure their customers have adequate knowledge on the product to make an educated purchase decision.

Another interesting facet to Tanishq is their behavioural standard operating procedures document called 'Tanishq Way of Life' (TWOL); which goes far beyond being a regular SOP. They attempt to bond with their customer by celebrating customers' special days with them; there are stories of people getting married again on their anniversaries within their stores! Every religious festival is celebrated with much gusto among all employees and customers.

To cater to disgruntled customers, they have established service centres at every store, have well trained employees through a combination of classroom and on-the-job training and a well-established complaint management system. They have two objectives from this: do justice to the customer and protect their brand value. In case the customer is still not appeased, the higher management personally attends to the issue.



# JD.com

## China (Non-grocery retail)

JD.com, China's largest online and offline retailer (by revenue), placed in the top 50 of our mainland China CEE study. With heavy investment in the latest technology, the e-commerce giant scored strongly on all Six Pillars, particularly Time and Effort.

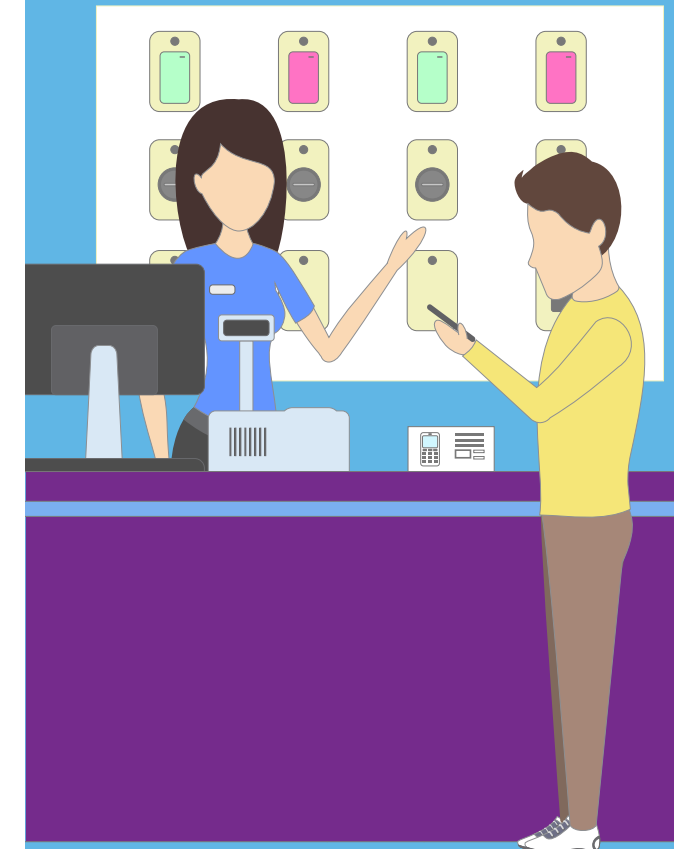
### Same/Next-day delivery promise

In the e-commerce world, JD.com is renowned for its nationwide logistics network and rapid delivery. Of the orders placed by their 300 million-plus active customers, over 90% can be delivered either on the same day or the day after the purchase. The speed of delivery and fulfilment is a clear differentiator in customer experience, especially within the e-commerce sector.

To enable this, JD.com has invested in developing its own logistics – with its own warehouses, sorting centres, delivery stations, fleet of trucks and delivery personnel – allowing the e-commerce giant to own the journey from 'click' and 'purchase' down to the last mile delivery to the customer. The efficiency in tracking and delivering packages is also supported by JD.com's automated sorting centre. The centre processes about 9,000 parcels hourly, and can handle more than four times the number of packages compared to manned centres, with enhanced accuracy and reduced error.

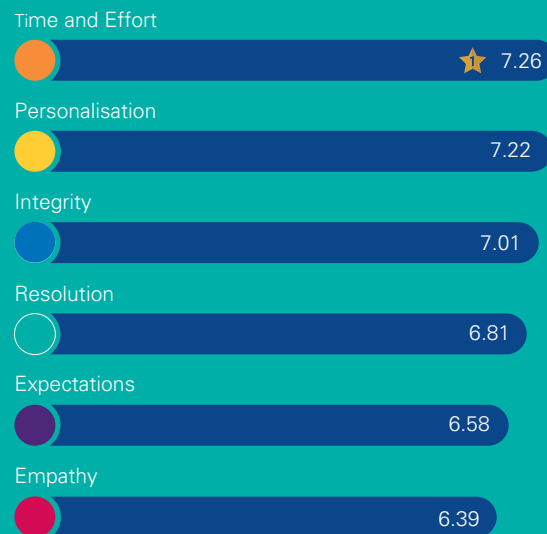
### Drone delivery in daily operation in rural areas

More recently, JD.com has been looking at new technology to improve the delivery process in China's rural interior, where complex terrain and poor infrastructure can make the last mile delivery a challenge. JD.com's self-developed fleet of delivery drones is used daily to dispatch parcels from regional delivery stations to JD.com's dedicated "village promoters" in each village, who then deliver parcels directly to customers. This allows customers in remote areas to benefit from the convenience of online shopping, and also helps JD.com shorten delivery times and save costs.





## New Zealand: Market average across The Six Pillars (maximum of 10 points)



## New Zealand Retail Sector Comparison (maximum of 10 points)

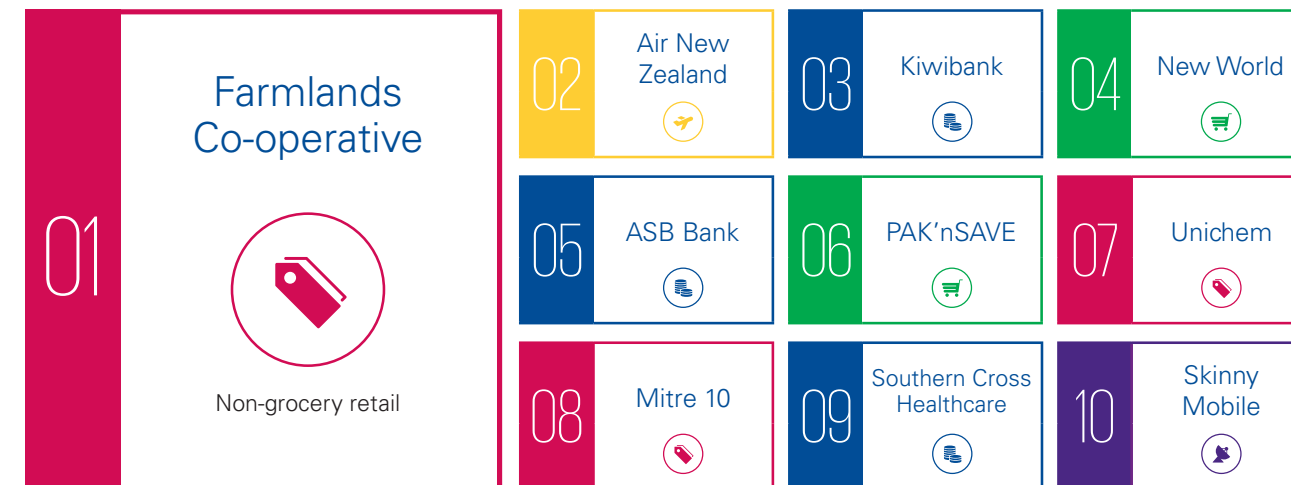


# New Zealand market overview

Of The Six Pillars, New Zealand performs best on Time and Effort. Our analysis shows that many companies are successfully using Time and Effort, and Personalisation, as a source of competitive advantage in the local market.

Time and Effort is the most important pillar in customer experience excellence for the New Zealand consumer. As in many other countries, customers in New Zealand are time-poor and are increasingly seeking seamless interactions. By removing unnecessary obstacles and red tape, New Zealand brands allow customers to achieve their objectives quickly and easily, boosting positive customer engagement as a result.

Empathy – the emotional capacity to show that you understand and care about another person's experience - is the weakest of The Six Pillars, both in New Zealand and the other 13 countries as well. Strong performance on Empathy requires brands to have a deep and comprehensive understanding of their customers' lives and circumstances, allowing them to reflect back to customers that their feelings and experiences are recognised and understood.



Leading Customer Experience brands in New Zealand

Customers embrace brands that show a distinctive Kiwi personality. Defining what is or is not a 'Kiwi' personality can be a tricky task, especially to Kiwis themselves, but when you look through the data a combination of factors can be seen working together for successful brands in the New Zealand market.

Customers interviewed about the leading New Zealand organisations, articulated a strong sense of pride in the brands they associated with. This pride was found to be highly correlated with positive trends towards loyalty for that brand. When you look at many of the top brands, there is an element of this Kiwi personality that goes beyond a name - it's an organisation's drive to personalise and customise offerings that resonates with the New Zealand consumer.

A uniquely personalised experience expresses a value placed on the customer from the organisation. In the best cases, how a customer experiences a service or product is part of how the brand innovates and enacts their core purpose.

It's akin to hosting someone well, coupled with an ingenuity to alter something standard in order to meet the current need.

Of all New Zealand consumer responses, brands that were perceived by consumers as offering excellent value were three times more likely to be a leader (top 10 overall) in customer experience across The Six Pillars. This relationship between creating value for the customer and a company receiving value from the customer is not just a short term economic benefit, but is also reflected in customer loyalty. New Zealanders have pride in the brands they connect with, and have a high degree of loyalty to the brands that provide personalised interactions and outstanding experiences in our changing market.

## Retailers performed well in New Zealand

- 5 of the top 10 are retail organisations
- 14 of the top 30 are retail organisations

# Top trends in New Zealand retail

## From retail to omni-channel

While many New Zealand retailers have invested in digital channels, many still struggle to provide the fluid levels of experience that customers are demanding. For Mitre 10, who scored 8th overall in this year's CEE report, creating great omni-channel experiences is a top priority. More and more Mitre 10 customers prefer to first research and review product online then see and feel the product in person, before making a purchase. Mitre 10 strives to dissect and understand these behaviours through detailed customer journey mapping, with the goal of creating a frictionless buying experience.

New World is another leader in New Zealand, delivering a digital grocery experience that rivals those of many international supermarkets. New World's mobile app makes it efficient for customers to quickly and easily shop online, having their groceries delivered or ready for pick up in store. New World collates customer shopping information and preferences, resulting in a personalised and more efficient experience as the service is utilised. For businesses to succeed in this area, they will need to follow their customer facing capabilities, moving divided inventory and back end models to unified systems that are synonymous regardless of the way a customer chooses to shop.

## Developing point of sale capabilities

More New Zealand retailers are utilising new technologies and moving away from traditional retail point of sale models. Staff are no longer check-out operators, but purchasing assistants, armed with technology, devices and data to be of more value to customers. Self-checkout stations and mobile payment technologies are allowing retailers to be more flexible, creating more streamlined experiences for their customers.

## International competition is more onshore than ever

The idea of importing a favourite product or buying duty-free is starting to dissolve as the global economy becomes more interconnected every day. With Amazon's recently launched 'International Shopping' Kiwis can shop over 45 million products that ship from the United States, while Alibaba's platforms are giving more Kiwis access to alternative offerings at prices local retailers often struggle to compete with.

## New models of consumption and new brand identities

Disruption is continuing to change the way Kiwis are consuming. New business models that are closer in tune to modern lifestyles are becoming more popular, as consumers are increasingly choosing convenience. This is seen in the rise of timely delivery services and subscription models that provide takeaway food, groceries, health products through to homewares. These brands are often utilising strong digital channels to interact and communicate with their customers, allowing for offerings that are more tailored to suit. They often leverage unique origin stories or stronger ethical and sustainable traits.

The emergence of many of these organisations, often with lower cost structures and clearer brand identities are all summing to volume that is putting increased pressure on traditional retail and the traditional brands they carry.



## Subscription services now delivering in New Zealand

**Dollar shave club** – monthly razor blade deliveries.

**Smartass** – 100% renewable toilet paper delivery service, with 10% of profits donated to tree planting projects.

**Necesse** – 100% organic cotton tampons delivered monthly, where every order also donates tampons to women in need.



# Top performing New Zealand retailers

Our analysis of New Zealand's highest scoring  
retailers in our 2018 research



## Farmlands Co-operative Society

Farmlands' success in customer experience can be attributed to their focus on their number one customer: the Farmlands shareholder. Their shareholders are valuable not because they are stakeholders, but because they are their loyal and repeat customer base. These shareholders rely on Farmlands for all of their farming needs, knowing that they will always deliver. There is an intimacy in the relationship the Farmlands brand has with its customers. They gain trust by being honest and open, and by making communication a two way dialogue.

By staying close with their customer, they have a strong alignment between customer expectations and what they deliver.

Their agri-focused people mean they are in truly tune with the needs of their customer, allowing for a high level of service personalisation and flexibility. This is where Farmlands distinguishes themselves from any other customer experience. Customers trust that no matter how unique their needs, Farmlands staff will understand their situation and go above and beyond to meet them.

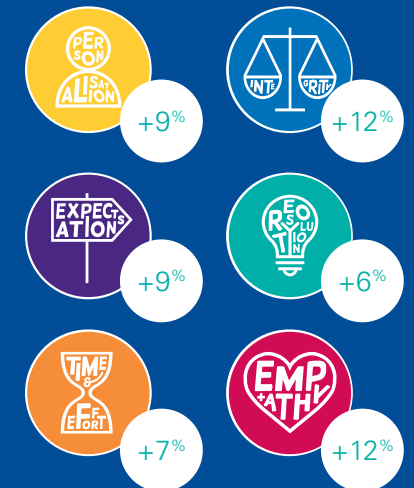
Farmlands' stores are specially designed to suit their customers' unique needs with drive-through bays and room for vehicles and trailers. Customers praise their wide range of stock catered to all farming requirements, making Farmlands a one-stop-shop. When visiting Farmlands, customer service and personalisation is taken to the next level. Not only do employees excel at the fundamentals, such as knowing customers by name and what their business is, they know how farmers' businesses operate. They understand which products and services will be in demand in which season, such as fencing products for use during wintering, or extra feed during adverse weather events.

Farmlands' extended commitment to customers can be seen through their interwoven presences as part of New Zealand's local communities. Their sites comprehensively service New Zealand's farming areas whether large or small, each carrying their own unique stories.

## Case Study

**2018 NZ CEE  
brand ranking: 1<sup>st</sup>**

The Six Pillars:  
Scores vs Industry Average



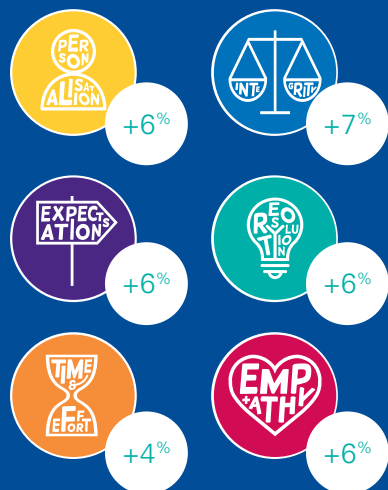
As a co-operative, we were formed by New Zealand's rural communities and we recognise and value the power of staying close to our communities.

**Peter Reidie**  
CEO, Farmlands

## Case Study

**2018 NZ CEE  
brand ranking: 4<sup>th</sup>**

The Six Pillars:  
Scores vs Industry Average



We take a structured approach to listening to what our data tells us, giving us real actionable insights. By seeing the way our customers respond to our products and offerings we have a clear understanding of what is resonating with the customer, how the customer is changing their attitudes towards, and where we most need to create change.

**Steve Anderson**  
CEO, Foodstuffs South Island Limited

## New World

Founded in 1963, the New World supermarket brand now includes over 140 independently owned and operated retail grocery outlets, connected through either their North Island or South Island Foodstuffs co-operatives. This structure enables New World's store owners to leverage the resources of a large organisation to better serve their customers' needs, while providing an experience tailored specifically to their local community.

New World is known by many Kiwis for their well-loved customer engagement campaign, the 'Little Garden' collectibles programme. These eco-friendly collectibles bring joy to adults and children alike. Another popular initiative began in 2017 when a \$0.05 refund was given to customers who brought their own reusable shopping bags. This not only delights environmentally conscious shoppers, but is also in line with the organisation's corporate responsibility strategy, which seeks to "constantly strive to serve the community better."

In addition to positioning themselves as a retailer who do the right thing, New World has made a real step-change towards becoming a truly customer-led and data-driven business. Understanding customer behaviour, wants and needs is a top priority, and they have invested in customer insights initiatives such as tracking Net Promoter Scores (NPS), a measure of customer satisfaction, and their Clubcard programme. By the end of 2016, one million actively engaged Clubcard members were scanning their loyalty card on an average of almost two thirds of all sales. These efforts allow New World to continually further its everyday customer experience through the refinement of its service and product offerings.

New World further recognises that valuing their customer's time and effort is an important part of the customer experience. To minimise the effort required to choose from New World's product selection, New World ran their own Beer & Cider Awards for the third year running and Wine Awards for the 14th year running in 2017. Customers' time and the importance of staying relevant were key drivers behind New World's emphasis on giving more flexibility to customers by launching 'iShop New World,' their mobile shopping app, providing a 'click and collect' or 'click and deliver' service.

## PAK'nSAVE

In recent years PAK'nSAVE has invested heavily in branding and refurbishment Programmes, demonstrating a commitment to exceed customer expectations whilst still living up to their policy of 'New Zealand's lowest food prices.'

PAK'nSAVE realises that their customers' world is changing. Rising household debt, 1-in-3 families having a solo parent and less planned and more frequent shopping habits have necessitated PAK'nSAVE to live up to their position as a retailer who knows New Zealanders well. But seeing the world from their customers' perspective requires more than strong brand choice, convenience and a consistent store experience. At Christmas, Stickman – the company's iconic mascot – became 'the Host with the Most for Less' reflecting the chain's empathetic respect for busy families who need to get all Christmas supplies in one place. To relate to their customers' everyday needs, PAK'nSAVE is also driven to personalise the grocery experience by launching their loyalty programme: 'Sticky Club'. This allows them to get the right shopping content to the right person through personalised deals and communications.

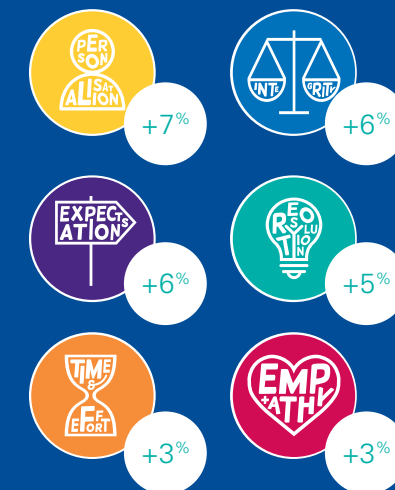
PAK'nSAVE knows that exceeding expectations is linked to the feelings and occasional memories created by the shopping experience. This is demonstrated through recent campaigns, such as on their birthday, where 'Stickman' creates a celebratory atmosphere where both staff and customers dressed-up for photographs with Stickman as 'the superhero of low prices'. For customers who prioritise healthier and environmentally-focused choices matters, brand standards have been introduced and PAK'nSAVE has sold an ever increasing range of both Fair Trade and free range products such as coffee, tea, chocolate and bananas. PAK'nSAVE has also placed emphasis on their support of Environmental Choice - the official environmental label in New Zealand, while also launching their 'NZ Made' marketing campaign focused on 'low prices on stuff made here'.

Demonstrating a commitment to their communities, PAK'nSAVE continues to support the Breast Cancer Foundation by selling pink grocery bags, raising awareness for men's health issues alongside the Movember Foundation, and donating an average of 1.5 tonnes of food per store each month to foodbanks, schools, community groups and food rescue organisations.

## Case Study

**2018 NZ CEE  
brand ranking: 6<sup>th</sup>**

The Six Pillars:  
Scores vs Industry Average



I did my Christmas shopping there and won a new BBQ. This was a great and memorable experience that I have told everyone about.

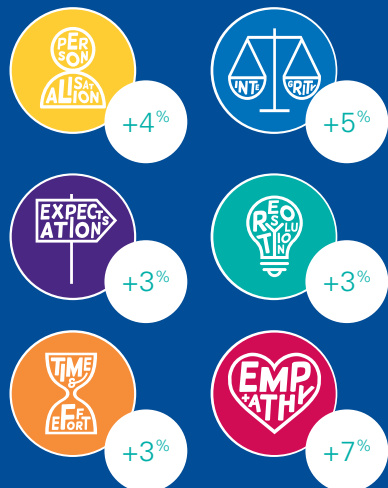
*PAK'nSAVE Customer*



## Case Study

### 2018 NZ CEE brand ranking: 7<sup>th</sup>

The Six Pillars:  
Scores vs Industry Average



“

“Our pharmacists are the health coaches in their community – there to keep people well, offering care and advice throughout their lives, not just help to treat them when they are sick.”

**Debbie Yardley, Group Manager**  
Customer Experience and Communications

## Unichem

Unichem is a nationwide network of over 290 pharmacies that provide prescription services, over the counter medication, health services, products and advice. It is the largest pharmacy brand under the Green Cross Health parent group, which has a strong commitment to the health and wellness of New Zealand. Its high rank in the survey is reflected in respondents' comments that note its friendly and knowledgeable staff as well as convenience provided by prescription and delivery options. It is a leader in New Zealand's non-grocery retail sector, receiving 2nd place.

Unichem positions themselves as health professionals – a trusted source of support and advice beyond simply a retailer of pharmacy products – through their 'expert care + advice' offering, and insightful medical knowledge demonstrated by staff.

Customers love the extent of care given and praise staff's ability to connect the right products and advice to suit each customer's specific health issues. This is shown in Unichem's high score in Personalisation, reflecting the level of individual and tailored support provided. Unichem staff are renowned for their friendly attitudes and commitment to happily go out of their way for a customer, with many elderly respondents valuing the extended time and support that staff give to them when they need it. Unichem customers also trust that when they go to Unichem, staff will be respectful of their privacy.

Unichem's Living Rewards loyalty programme has been a big hit with customers. With over 1.5 million members, Living Rewards members love being able to collect points on purchases and receive personalised, member-only deals.

Unichem leverages an owner-operator model, where an enormous level of community empathy is visible. In many instances, customers establish strong connections with team members, who understand and connect with their unique individual needs. Customer excellence is demonstrated through health services such as vaccination services, prescription reminder services and, in some pharmacies, prescription delivery.

## Mitre 10

Mitre 10 is a prominent New Zealand retail chain, specialising in hardware and trade supplies. It was established in 1974 and is a New Zealand owned and operated co-operative with over 350 stores nationwide.

Mitre 10's co-operative model gives each individual store's management the autonomy to create personalised experiences that resonate with local customers. Stores embrace the distinct culture of their regional area, hiring local staff who genuinely know and understand their customers.

Mitre 10 puts considerable time and effort into understanding their customers. By utilising captured data as a primary insight tool, they are able to understand behaviour drivers and in turn proactively meet their customers' needs. They break down customer journeys to eliminate friction points and create personalised service for distinct customer types.

This approach is not limited to the customer, as Mitre 10 recognises the value of empowering their team members, examining ways to remove the friction of store processes to create mutual benefit for customers and staff.

Mitre 10 maintains multiple points of engagement with its customers, connecting to the DIY attitudes of New Zealanders through their 'Easy As' instructional videos and connecting through their social channels.

Customers are continually impressed by Mitre 10's product offerings and their in-store and online shopping experience, while those specifically in the trade of building and construction have recognised the ease of doing business – often serving early morning customers before store opening times.

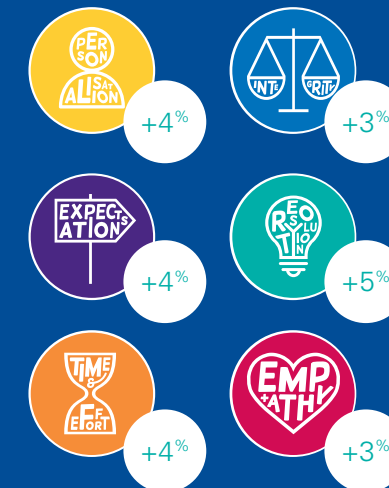
**“We have a very strong, insights-oriented customer experience programme that is centred around understanding what our customers' expectations are today and what their expectations will be tomorrow. We believe that you cannot excel at customer experience with a 'one size fits all' customer strategy.”**

**Jules Lloyd-Jones**  
General Manager Marketing

## Case Study

### 2018 NZ CEE brand ranking: 8<sup>th</sup>

The Six Pillars:  
Scores vs Industry Average



“

Probably my favourite store. I have never met an unhelpful staff member, and always look forward to going to my Mitre 10.

*Mitre 10 Customer*



# Future trends in retail customer experience

## Try before you buy

The convenience of online shopping will be further expanded as more companies become comfortable with expanding their returns policies. By 2020, one in four US retailers will offer a 'try before you buy' service – predicted by consultancy Brightpeal. Free and simplistic returns will allow customers to be more selective of products and make purchasing decisions on their own time. This will put pressure on smaller retailers not able to provide this level of service, as it will only succeed in organisations who are willing to think strategically about reverse logistics and the competences of their supply chains.



### Amazon Prime Wardrobe

Continued innovation from Amazon has taken the guesswork out of online shopping, allowing a customer to try on clothes before purchase in their own home. By leveraging the power of their online, inventory and supply network, they are able to deliver a service of selecting, sampling and returning goods in a process that is streamlined enough to meet the standards of the modern consumer.

## Consumer preferences driving product attributes

A world of faster fashion and shorter product cycles will allow more companies to take direct influence from the interests of their consumers. As trends and preferences are signalled in real time through social channels, companies will respond with products and messaging that are directly in-tune with their customer. This business model is only realisable by those willing to invest in more adaptable manufacturing and supply networks, alongside processes that are able to deliver faster turn-around times.



### Glossier

US brand Glossier is a direct-to-consumer beauty company that takes direct inspiration and content from their own shopping community. They rely on customers sharing recommendations and experiences on social media as the main driver in the creation of new products.

## Artificial intelligence will gain more clout

Due to increasing ease of deployment, instant availability and improved quality, chatbots will become more and more common to manage customer service queries and to make intelligent purchase recommendations. We will also see the rise of AI-powered conversational interfaces and voice assistants. Retailers can engage this kind of technology to answer routine questions and supplement human customer support with chat-based shopping or voice commerce.

Alongside having the technology available, retailers now also have a significant amount of data to power AI and deliver personalised, customised and localised experiences to customers. AI will be applied across the entire retail product and service cycle, from manufacturing to post-sale customer service interactions. Retailers using AI to its fullest potential will be able to influence purchases in the moment and anticipate future purchases, guiding shoppers towards the right products in a regular and highly personalised manner. We will see new partnerships and collaborations between retailers and technology companies emerge. Retailers recognise that building or buying the technology they need isn't the best use of their resources. Instead, we will see a rise retailers partnering with niche technology players – collaboration will be the key to success.



### Tacobot

Tacobot is Taco Bell's chatbot that will never let you go hungry. Tacobot is currently in private beta mode and requires a quick install. However as soon as it is installed, you can start chatting and ask it questions about the menu, recommendations, special offers and dietary requirements and even ask how Tacobot is feeling.

## Platforms of the future

Increasingly the internet will become the battle of the platforms as integrated ecosystems of related products vie for the customer's attention. There is a need for organisations to consider their own strategic position: do they become the owner of the platform or a participator in someone else's platform.

# Fragmenting customer journeys



**Customers are increasingly 'mixing and matching' as they unbundle and then reconfigure their buying experience to suit their individual needs. Organisations that react to the connected consumer and enable customers to re-bundle in unique and personalised ways are beginning to achieve a market advantage.**

The arrival of the internet has enabled customers to create their own customer experiences. This has been particularly true of the travel industry where customers have long been able to unpick components such as flight, hotel, car hire and transportation.

More recently, customer configuration has also hit the retail sector. Customers may walk into a physical store for information, but then purchase online and have the product delivered and installed (if necessary), all at a time of their choosing. The process may involve several different entities, but it is seamless to the customer.

The reality is that this digital democratisation of the purchasing process is fragmenting what has historically been a stable and predictable process.

The leading organisations in our research are those that are connecting their customer in unique and exciting ways by developing a network of ecosystem partners that enable and empower the customer to bundle services and products in ways that suit them best. These organisations realise they cannot do everything themselves, but they can create an integrated environment where consumers can construct seamless journeys using the power of connected digital technology.

Taking top spot in Australia, Singapore Airlines (SIA) can attribute their success to their ability to get closer to their customers and understand their needs and requirements at each stage of the travel life cycle. This has meant looking beyond the touchpoints that are managed or controlled by Singapore Airlines to understand how value is being added to the end-to-end experience regardless of who actually delivers the experience.

Investments into a customer experience management (CEM) system have allowed the company to listen and react to the customer's voice as they moved through this unbundling and re-bundling process. This, in turn, uncovered opportunities to improve their passengers' experience across multiple touchpoints. One of the areas it identified was a need to catch up with their digital experience. Recognising the emergence of the 'ultra-connected traveller', SIA set about creating an app that reconnected and re-

bundled different components of the on-board and pre-boarding travel experience for the benefit of its customers.

Here in New Zealand, food retailer New World aims to integrate both online and instore shopping. Examples include delivering healthy dinner kits, and instore demonstrations with competitions to inspire and incentivise customers to participate with the brand. Customers in New Zealand note that the brand demonstrates its Integrity through fair trade and a strong environmental focus.

Rebuilding and integrating customer journeys is a process of aggregation, selecting appropriate partners, orchestrating them and then presenting the options to customers in new and exciting ways. Many of the leading organisations in our research are using this re-bundling process to create a cohesive whole that delivers on the brand promise.



**"If I want to buy something from a store, I will look at their app/website first and if I don't like what I see I won't go to the store."**

*New Zealand retail customer*

# Creating the customer-centric organisation of the future

In the old days, when the primary thing CEOs wanted to achieve was consistent, low-cost output across their increasingly complex manufacturing processes, the traditional 'division of labour' approach was an unmitigated success. But, today – when even manufacturers are trying to think less like manufacturers – the old organisational paradigm is no longer enough.

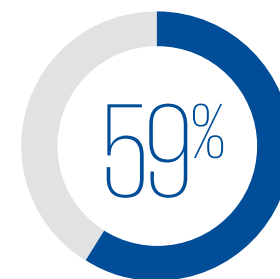
This is because today's businesses are no longer centered around the manufacturing line – they are centered around their customers.

Today's organisations are striving to be organised around ideas, concepts, individualised designs and unique personal experiences. In this world, success goes to those that are the most interconnected, intertwined and creatively juxtaposed. The winners recognise that it's about ecosystems, not functions; relationships, not divisions; and journeys, not structure.

The problem is that the vast majority of today's leaders still manage functionally, not cross-functionally. With commercial advantage now going to those that are the quickest to develop quality connections both internally and externally, the need for a centrally organised and unifying set of principles that both encourages collaboration and drives towards the overarching mission and vision is critical.

The challenges for CEOs and decision-makers will be considerable. Indeed, they will need to have one foot in the present and one in the future – and be able to shift their weight from one to the other – if they want to stay ahead of the game.

In this report, we leverage our consumer data to help CEOs and decision-makers bridge that gap – to find their footholds in the present and the future. We provide examples of how the leading firms are crossing this divide. We explore how they are addressing the need to not just connect things today, but to connect to the ideas and technologies of the future to gain competitive advantage.



**...of CEOs believe agility is the new currency of business.**

*KPMG Global CEO Outlook Survey, 2018*

What we found was that the firms that provide the highest-rated customer experiences tend to be those that excel across all of The Six Pillars of customer experience excellence. And they are often the ones that structure their internal and external connections to align against four key attributes:



A commitment to excellence and competitive superiority



High levels of staff engagement and employee experiences that connect with the customer experience



An obsession with high-quality execution



Clarity on the economics of experience

Obviously, there are no silver bullets for creating a more connected business. Rather, it requires organisations to take a holistic approach – to consider the organisation as a system with multiple connections that each need to be managed, nurtured and harmonised. It is the whole, not the parts, that matter.

We believe that – if organisations hope to prosper in tomorrow's customer-centric business environment – they will need to overcome the limitations of the 18th century organisational design. And they will need to start thinking more holistically about how they embrace the technologies of the future to deliver tomorrow's customer experience today.



**Life event drift and the redefinition of life stages affect not just customers, but employees too. These shifts are changing the rules for almost every organisation and impact the way they think about culture and the overall management of change. As such, the roles of managers and leaders are evolving rapidly.**

**KPMG Global Customer Experience Excellence Survey, 2018**





# CUSTOMER EXPERIENCE CHECKLIST

## Welcome

Do we recognise the customer from the start?  
Can we see their previous interactions quickly and easily?  
Are we able to see their omni-channel experience – have they just been on-line and called as a consequence?  
Are our people trained to greet and interact in a way that suits the customer's personality?

## Engage

Do our people know how to listen well?  
Do they have the questioning techniques to uncover the 'meaning' behind the words?  
Do we have the emotional intelligence to respond with the psychological response the customer is looking for – reassurance, sympathy or urgency?  
Do we track digital pathways to provide insight for customer experiences online?

## Respond

Do we make it easy for customers to update their preferences?  
Are we available to respond when and how our customers want us to?  
Do we have a central record of all insights pertaining to this customer?  
Can we quickly and remotely access information we need about a customer?  
Are our communications to customers required and desired?

## Solve

Do we make it easy for our people to go the extra mile?  
Do we empower them to make sensible judgements?  
Do our people have the detailed knowledge required to solve frequent issues?  
Do we recognise our people when they are 'heroic' in fixing things for the customer?  
Do we collect and use feedback to improve things for the customer?

## Close

Do we practice next-issue avoidance?  
Do our processes enable transparency with the customer?  
Do our people know the follow-on processes well enough to set customer expectations?  
Is our close warm, friendly and personal – or a standard "have a nice day?"  
Do our values resonate into our customer satisfaction programmes?

## Particularly in New Zealand

Are we testing and trialling new technologies?  
Do we review our customer experience data and often to enable smarter systems?  
Do we have a view as to the customer life problems we can fix?  
Are we developing our digital spine – uniting front, middle and back office and enabling customer self-service?



Today's customers are better informed, better connected and more demanding than ever before. Customer experience is overtaking price and product as the number one brand differentiator.

**Customer strategy:** Using innovative approaches to growth strategy, product development and new business models, KPMG helps clients on their customer and market strategy. Our accredited strategy practitioners help organisations answer the questions such as 'what to aim for' (strategic investment) and 'where to play' (market and brand strategy).

**Customer experience:** Using the KPMG Customer Experience Excellence Centre that has led this research, we create winning customer experience strategies. This includes customer journey redesign across digital and non-digital channels, customer loyalty and mastering CX economics to maximise customer lifetime value.

**Customer profitability:** KPMG's Customer Profitability team can take the traditional P&L of any business and derive insights into the hidden problems and opportunities. We accomplish this by using our multi-dimensional profitability tool to identify the most profitable combination of customers, products and channels.

**Marketing, sales and service transformation:** The KPMG team can help you to digitally enable and transform the effectiveness of your marketing, sales and service functions to create a connected enterprise – integrating front, middle and back office operation – to enable a more agile and responsive business.

**Customer pricing, analytics and insights:** KPMG's customer analytics solutions and decision engines can help you to understand customer and quantify customer insights. This includes leveraging customer experience insights to create more economic value through value-based pricing strategies.

**Customer-centric organisation:** KPMG's customer team can help you to cohesively mobilise your business around our customers. We do this through operating model optimisation to empower employees to proactively and efficiently serve customers.

**On-Shelf-Availability:** On-Shelf Availability (OSA) measures the availability of your products for customers to purchase, which is a direct inverse of out-of-stock rate. Very few retail businesses in New Zealand are effectively monitoring on shelf availability, and those that are do not have a comprehensive understanding of the root causes underlying out-of-stock events.

**Integrated Business Planning:** KPMG's Integrated Business Planning Operating Model balances demand and supply, integrating product lifecycle and financial goals, with key enabling processes and capabilities that support the operating model.

**Procurement:** KPMG Procurement Advisory provides a wide range of capabilities tailored to support your function in getting the fundamentals right (spend, process and performance management) and beyond, helping to cope with disruption and uncertainty.

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