Happy customer, happy company

In the new retail landscape, best-in-class retailers know that if their business is not truly focused on the customer, they face an uphill battle to survive - much less prosper.

KPMG Connected Enterprise helps retailers deliver a customer-centric approach to digital transformation.

We work with retailers to connect every part of the business across its value chain, aligning the organisation to achieve a single, simple process.

Placing the customer at the heart of everything it does.
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From the editor

WELCOME TO THE AUSTRALIAN RETAIL OUTLOOK 2020, CO-PRODUCED by Octomedia – publisher of Inside Retail – and KPMG.

Another year, same challenges and even more difficulties have made retailing Down Under a tricky task. Just ask some of the latest retail casualties to enter administration or those suffering from the unprecedented bushfires that have ravaged the countryside.

But it’s not all bad news. Consumers have more paths to purchasing goods than ever before, and the increased competition has forced retailers in Australia and New Zealand to up their value proposition to keep pace. The result? Exciting partnerships, launches and innovative retailing by successful local retailers that are powering ahead in the new retail landscape.

On the flipside, those lagging behind on merchandise and service are falling by the wayside.

This year’s edition features the latest insights from some of the largest retailers operating in Australia. We speak to Coles CEO Steven Cain about the supermarket giant’s last 12 months and their current transformation journey.

Ebay’s MD Tim MacKinnon talks about the e-commerce conglomerate’s continued success in Oz, while Officeworks’ acting MD Michael Howard talks about the retailer’s plans for the next 12 months. Domino’s ANZ CEO Nick Knight gives us a glimpse of the pizza firm’s innovation focus and Swarovski’s MD Brett Spinks talks about the jewellery firm’s plans.

KPMG’s experts delve into the latest and largest trends in retailing while also offering their forecasts on the business landscape over the next 12 months. We also have the results from our industry-wide survey and much more.

I hope you enjoy this year’s edition and that it provides some valuable insights for the year ahead.

DIMITRI SOTIROPoulos
Editor,
Australian Retail Outlook

The year that was

2019 WAS ANOTHER MOMENTOUS YEAR FOR AUSTRALIAN RETAIL.

Headlines were made (often) for the wrong reasons as retail spending slumped to a 28-year low, the industry was further impacted by the challenge of employee underpayments and more retailers were forced to shut their doors, driven by a wave of consumer change.

There can be no doubt that the global retail sector is being impacted by hugely disruptive forces as consumers shift to digital and online as their preferred medium of engaging with their favourite brands.

The simple truth is Australian and New Zealand retailers are not immune from the changes impacting the rest of the world.

The pressure on retailers to remain relevant in the eyes of the consumer has never been stronger. Consumers are shopping differently, paying differently and their values are continuing to shift as sustainability and ethical retailing have taken centre stage.

Across the Tasman, the New Zealand retail market has remained resilient amongst a buoyant national economy. However, much like Australia, international entrants are driving competition and placing pressure on retail margins.

So who is doing well? JB Hi-Fi continues to dominate as the strongest player in the sweet spot of consumer electronics. The Universal Store continues to power ahead as a beacon for other local apparel retailers. Online players such as Kogan and Temple and Webster are producing good results leveraging data and digital to engage with consumers.

History has shown that, overtime, retail has a tremendous capacity to adapt to changing customer preferences and consumer behaviour. We believe that the next decade will see even more dramatic change in the retail sector as how we live and work further reshapes what best practice retail should look like.

Of course, with any significant change also comes significant opportunity. 2020 is likely to be another challenging year where Australian and New Zealand retailers will continue to adapt and look for that opportunity to differentiate themselves, reinventing their businesses and leveraging digital and data to engage with their target customer.
INDUSTRY IN FOCUS

COMPLEXITY AT THE CORE OF LOCAL RETAIL LANDSCAPE
It’s certainly been a tough year for retailers, and it doesn’t look like trading conditions are going to get any better in the immediate future.

IF ONE WORD HAD TO BE USED IN DESCRIBING THE CURRENT state of Australian retail and broader economy, perhaps ‘tempestuous’ is the most appropriate.

On the one hand, while some categories and retailers are thriving, others are failing and falling into obsolescence.

And then there’s the impact of unprecedented bushfires across the country. The costs from damage to property and wealth “will likely run into many billions” according to Dr Shane Oliver, Head of Investment Strategy and Economics and Chief Economist, AMP Capital.

“The Victorian Black Saturday bushfires are estimated to have cost $4.4bn, whereas the current fires have covered an area 15 times bigger,” he says.

Indeed, ANZ says consumer confidence fell 1.7 per cent in the first week of January to its lowest level in over four years – the ‘unusual drop’ reflecting the impact of the bushfires.

Meanwhile, in this year’s Australian Retail Outlook Survey [page 10], over half of the 610 participants from across the industry, of which 24.5 per cent are c-suite executives, owners or board members, think there will only be slight changes to trading conditions over the next 12 months.

It’s a view echoed by Dr Brendan Rynne, Partner and Chief Economist at KPMG, who in a must read economic update, says the trading environment facing Australia in 2020 is likely to be a continuation of the current tough trading conditions [page 52].

With consumer confidence already low due to the catastrophic bushfires; global economic factors and the volatile value of the Australian dollar; plus the
same old culprits of rental overheads and competition from both local and overseas retailers, it’s no wonder that retailing is expected to be tough in 2020.

But while this may sound very downbeat, there’s also been some positive news for retailers to herald a new decade.

CHRISTMAS KINDNESS
The first retail spending update from the Australian Bureau of Statistics (ABS) of the year and decade, is a positive one for retailers.

Buoyed by major online sales events, Black Friday and Cyber Monday, retail had its largest retail sales increase in two years, up 0.9 per cent in November to a record $27.9 billion – doubling the increase expected by economists.

There were rises for clothing, footwear and personal accessory retailing (3.1 per cent), food retailing (0.5 per cent), household goods retailing (1.2 per cent), department stores (3.4 per cent) and cafes, restaurants and takeaway food services (0.9 per cent).

“We have seen strong growth in Black Friday sales, both in areas such as electrical goods and online sales, but also in areas such as clothing and furniture,” said Ben James, ABS Director of Quarterly Economy Wide Surveys.

“While seasonal adjustment removes regular seasonal patterns associated with Black Friday based on prior results, the strong seasonally adjusted rises in a number of sub-groups this month shows that the impact of this Black Friday exceeded that of previous years.”

Online retail turnover contributed 7.1 per cent to total retail turnover in original terms in November 2019, up on the previous year which had an online retail turnover contribution of 6.6 per cent.

TECH IN FOCUS
While the fundamentals for successful retailing remain – effective merchandising, supply chain operations and enticing value proposition – technology has become a key area of interest for major retailers across Australia.

It’s also the case in New Zealand, where the country’s largest retailer is looking to overhaul its operations to compete with international platforms.

While the fundamentals for successful retailing remain – effective merchandising, supply chain operations and enticing value proposition – technology has become a key area of interest for major retailers across Australia.”

Has e-commerce hurt bricks-and-mortar, or simply weeded out the weak from the strong?
solution, from website to efficiently mapping delivery routes to get customers’ orders to their kitchen benches quicker and at a time that suits them [page 35].

Domino’s Australia and New Zealand CEO Nick Knight also expects 2020 to be full of more tech launches for the pizza firm, with e-bikes, fast bake ovens and world-first technology like the GPS Driver Tracker, Predictive Ordering and DOM Pizza Checker to be areas of innovation and iteration [page 44].

ONLINE TIPPING POINT?
With the rise of mega online sales events in November now becoming normal, and e-commerce continuing along its upwards trajectory, we may be on the precipice of a second digital boom.

That’s the projection by KPMG’s Jane Cohen, Partner, Global Strategy Group, who sees parallels between the current economic pressures and trends with the conditions that precipitated the Post-GFC e-commerce boom [page 28].

That’s good news for the likes of Ebay Australia and New Zealand’s Managing Director, Tim MacKinnon, who says the e-commerce giant already has 11 million unique monthly visitors to Ebay and remains the number one shopping destination in Australia [page 38].

As retailers continue to increase investments in e-commerce operations, and consumers become more comfortable with online platforms, 2020 could be the year of accelerated digital shopping and organisational transformation – separating the profitable from the liquidated.

Retailers that have entered administration in 2019-20 so far

Harris Scarfe
Bardot
Karen Millen (local arm)
Ziera
Ed Harry
Debenhams (local arm)
The Co-Op Bookshop
Napoleon Perdis
Shoes of Prey
Zanui
Jeanswest
Dimmeys
Stylerunner
Build-A-Bear (local arm)
Bose (local arm)
Colette by Colette Hayman

The historical Strand Arcade in Sydney’s CBD.
AUSTRALIAN RETAIL OUTLOOK 2020 SURVEY
Volatile consumer confidence and a struggling Australian dollar are keeping retail executives cautious in outlook and approach – here are the findings from our annual industry-wide survey.

Last year’s optimism – where there was an increase in retailers describing trading conditions as the best they’d experienced – has declined.

Whereas last year, over five per cent of retailers said that trading conditions were the best they’d experienced, 3.1 per cent of participants this year were of the same opinion. And at the other end of the spectrum, there was an increase of respondents asserting that the past 12 months were the worst they’ experienced, up from 6.9 per cent to reach 8.7 per cent this year.

The bulk of responses were somewhere in between – with the majority nominating the last 12 months of trading as ordinary [41.8 per cent]. There was a notable decline in retailers identifying trading as good [25.9 per cent, down from 38.3 per cent in 2019].

Meanwhile, more participants identified trading as poor [20.5 per cent, up from 12.9 per cent].
The negative trend continued, when considering comparisons of full-year results. The number of respondents claiming the last 12 months were significantly worse, rose to 11.2 per cent [up from 7 per cent in last year’s survey].

Worryingly, the number of retailers who said the last 12 months were slightly worse jumped from 19.7 per cent last year, to 32 per cent.

There was also a nearly 10 per cent swing from retailers claiming their full-year results were a significant improvement on the previous year, dropping from 17.4 per cent to 6.6 per cent.

The top three challenges facing the retail industry in 2020, are a mirror image of last year’s selections by participants. With respondents asked to select the three major challenges facing the industry in 2020, the major challenge identified by 56.4 per cent by executives was consumer confidence [up from 51.3 per cent in 2019].

Next was discounting with 42.1 per cent, followed by rental overheads with 44.9 per cent, consistent with last year’s results. Meanwhile, local executives are less and less scared of the threat posed by international e-commerce giants, with overseas entrants dropping from 34.1 per cent last year, to 26.7 per cent.

Global economic factors [28.9 per cent], labour costs [30.8 per cent] and the value of the Australian dollar [25.7 per cent] continue to weigh on executives’ minds.

Looking to the year ahead, most retailers expect slight changes to trading [52.3] per cent. A further 30.8 per cent think trading conditions will remain the same.

Just under 17 per cent said that the next 12 months will have significant changes in trading conditions. The figures are close in comparison to last year’s responses, where around half of the executives also only expected slight changes.

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Q.5 What will be the top priorities for your business this year?

When given three choices for selecting the top business priorities for the next 12 months, executives were consistent with their goals compared to last year. Again, mirroring the results from last year, increasing margin [54.3 per cent], increasing turnover [59.3 per cent] and e-commerce [44.4 per cent] occupied the top three spots.

Retailers are still keen to prioritise omnichannel initiatives [37.1 per cent], while entering new markets [28.9 per cent] and expanding product ranges [26.6 per cent] had increases on last year – indicating that executives are keen to find new avenues of growth.

Q.6 Do you plan to change your number of stores this year?

There’s been a reduction in retailers looking to increase the number of stores they operate, with 23.3 per cent, down from 28.4 per cent in 2019. More executives are now looking to decrease the number of stores, with 10.2 per cent [up from 9.3 per cent last year] planning to cull the amount of physical locations they operate.

Q.7 Does the influx of international retailers to Australian shores worry you?

It appears that international retailers entering Australia are not seen as a large threat to local firms’ market share. Executives are rather bullish this year, with 50 per cent asserting that they are not concerned about international entrants.

A further 22.3 per cent are less concerned than last year while the number of retailers more concerned, dropped to 27.7 per cent from [32 per cent last year].
Q.8 How do you believe the Australian retail market is placed compared to other international markets?

Mirroring last year’s findings, the majority of participants said the Australian retail market is in the middle-range, compared with overseas markets. Less executives said that Australian retail was in the lowest-tier, with 9.3 per cent down from 13.3 per cent last year.

Q.9 Did you find that you received more flexibility and help from landlords last year?

Always a hot topic of the industry, this year’s response to the flexibility and helped proffered by landlords showed that attitudes are perhaps changing for the positive.

The number of executives saying they had significantly more help rose from 3.6 per cent to 4.9 per cent, while slightly more also increased to 18.7 per cent [up from 15.7 per cent].

Meanwhile, 7.5 per cent of respondents said they had slightly less help, down from 10 per cent last year.

Q.10 How do you expect leasing terms to change this year?

Most executives expect leasing terms to remain the same, with 43.6 per cent expecting slight changes and 45.7 per cent anticipating no changes at all.

Interestingly, there was an increase of respondents expecting significant changes, rising from 7.8 per cent to 10.7 per cent this year.
This year’s response to the potential value and impact of the Australian dollar, again doesn’t point to much local confidence. Nearly 60 per cent [59.8 per cent] expect a negative impact from the Aussie dollar, while 29 per cent don’t think there will be any impact on trading conditions.

E-commerce continues to draw positive sentiment from the business community. The number of retailers experiencing a decline in e-commerce revenue dropped again [down to 3.4 per cent from 4 per cent].

More executives said that e-commerce revenue stayed the same [35.1 per cent, compared to 32.6 per cent], while 33.8 per cent said revenue slightly increased.

But while e-commerce continues to be a source of revenue growth, the overall contribution towards a company’s balance sheet appears to remain comparatively low. Over 43 per cent of respondents said that e-commerce represented less than 5 per cent of overall revenue.
Q.14 What is the best Australian retail brand for 2019?

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>JB Hi-Fi</td>
<td>7.9%</td>
</tr>
<tr>
<td>Bunnings</td>
<td>7.2%</td>
</tr>
<tr>
<td>Woolworths</td>
<td>6.6%</td>
</tr>
<tr>
<td>Mecca</td>
<td>4.3%</td>
</tr>
<tr>
<td>Aldi</td>
<td>3.8%</td>
</tr>
<tr>
<td>Coles</td>
<td>3.1%</td>
</tr>
<tr>
<td>Kmart</td>
<td>3%</td>
</tr>
<tr>
<td>Cotton On Group</td>
<td>2.8%</td>
</tr>
<tr>
<td>The Iconic</td>
<td>2.5%</td>
</tr>
<tr>
<td>Harvey Norman</td>
<td>1.8%</td>
</tr>
</tbody>
</table>

In terms of popularity contests, the typical big names featured prominently in the top 10 of most voted for retailers. Some executives weren’t sure, making comments including “none really, there is no retailer that is really standing out to the consumer”.

Q.15 Which are the most effective social media channels your retail business uses?

- Facebook: 72%
- Instagram: 66.9%
- LinkedIn: 25.3%
- Twitter: 6.4%
- WeChat: 3%
- Pinterest: 2.6%
- Snapchat: 1.8%
- Tiktok: 0.8%
- Don’t use social media: 7.2%

Facebook and Instagram continue to lead the way, in terms of most effective social media channels used by retailers.

Respondents were asked to select two platforms and Facebook [72 per cent] and Instagram [66.9 per cent] clearly came out on top. Interestingly, there was an increase in respondents that don’t use social media – up to 7.2 per cent from last year’s 5.5 per cent.

Q.16 What do you think consumer expectations will increase the most in over the next 12 months?

- Speed of delivery: 42%
- Online delivery options: 35.9%
- Online delivery speed: 34.9%
- Price: 32.5%
- In-store digital functionality: 13.8%
- Customer service: 14.7%
- Product quality: 7.1%
- Product variety: 14.4%
- Product freshness/relevance: 3.8%
- Other: 13.8%

Speed of delivery and increased flexibility in fulfilment options again came out on top, with consumers’ e-commerce demands continuing to rise. Online delivery speed [42 per cent] and online delivery options [35.9 per cent] were the frontrunners for consumer expectations in the next 12 months. Customer service is still deemed critical, nominated by 34.9 per cent of executives as a key area to watch in 2020.
THE FUTURE IS UNFOLDING

Lead the transformation with us.

To move forward and realise real growth opportunities, you need a 360-degree view of the customer.

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IRI offers a range of solutions covering everything from seizing an opportunity, ongoing performance monitoring and management, customer insights to strategic and tactical analytics that will deliver growth to your business.

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+61 2 8789 4000  
IRIworldwide.com.au
After a prolonged period of stability, the retail data market in Australia is currently going through some major changes, reflective of the global trends impacting our industry.

There are generally two approaches retailers are taking to sharing their data:

1. **Supplying more granular data to their suppliers more often** – sharing the challenge of creating faster, more actionable and measurable insights to drive incremental customer value.

2. **Controlling and limiting supplier access to data** – concerned about suppliers knowing too much about the inner workings of their business and the potential for competitors to access and leverage this data.

An important nuance for retailers who share data lies in their objectives. Retailers who recognise that to differentiate their offering and win customers requires genuine, insight-driven collaboration between themselves and their suppliers are visionaries. These retailers do expect a commercial return on their data sharing but this will not be their driving force. They understand that the long-term commercial benefits of sharing their data will far outweigh the short-term data revenue.

Many retailers do view the goal of commercialising their data as pure incremental revenue. If this is transparent to their supplier base and the cost is not exorbitant, this approach can work; there is still incremental value to be derived from the insights to inform product, pricing, promotional and channel strategies. However, if genuine collaboration is minimal, it will take far longer to have an impact and the ROI will always be questionable.

IRI holds a unique position in the FMCG eco-system. We have relationships with retailers and their suppliers. We generate revenue from data but our value to clients is the insights we provide and the decisions we support and measure. Our independence in the marketplace enables us to act as a true collaboration agent.

**SO WHERE SHOULD YOU SPEND YOUR BUDGET ON DATA SERVICE?**

When I look at the evidence from IRI’s strategic global retailer partnerships, where we work with the majority of the top 20 retailers in both the US and Europe, I believe those willing to collaborate on deriving insights will gain the greatest competitive advantage. By focusing on customer needs, they will truly enjoy a WIN/WIN/WIN (Customer/Supplier/Retailer).

They best way to achieve this is to offer a meaningful joint business planning process where both the retailer and supplier leverage common data sets and agreed KPIs, supported by new, faster, innovative methods of accessing data to generate impactful insights.

This is the winning criteria for data defined as an investment opportunity.
RETAIL TRENDS
Sustainable is the new ticket to play

Transitioning to a circular textile economy is both a sales opportunity and risk management strategy that can safeguard a retail organisation’s future.

**BY MYRIAM BENTLEY, Senior Account Manager, Clients and Markets, KPMG**

DID YOU KNOW THAT THE AVERAGE AUSTRALIAN BUYS 27 kilograms of clothing every year yet throws away (cough...recycles) 24 kilograms of apparel a year?

Approximately 65 per cent of the clothing we ‘recycle’ usually gets sent offshore to a developing country where it is sent to landfill.

And somewhere between California and Hawaii there is an island of plastic and floating rubbish known as the Great Pacific Garbage Patch – comprised of 1.8 trillion items of rubbish that is twice the size of Texas and three times the size of France.

Well you may not know it – but your customers sure do. Particularly millennials. And it is very important to them.

Unsurprisingly, caring for the environment has never been a hotter issue both for society and businesses. And right in the middle of the battleground is retail, which is a huge contributor to the environmental problems we face around the world.

In response to a global environmental disaster, the circular economy movement is gaining momentum as brands recognise that a sustainable environmental footprint is the new ticket to play in retail.

The circular economy gives new life to products and materials that would otherwise make their way to landfill, letting products have an infinite lifecycle through different uses.

Globally, governments and industries are developing initiatives to promote the circular economy, which they claim can potentially deliver economic benefits of $1 trillion globally by 2025.

In Australia, state and federal government initiatives have been announced, with $167 million being invested federally to contribute to the circular economy and recycling.

This is in part for funding a Circular Economy Hub developed through Planet Ark, planned to launch in 2020 where a marketplace will connect buyers with sellers in the circular economy.

**THE CURRENT STATE IN THE TEXTILE INDUSTRY**

While the majority of Australians believe they already contribute to a sustainable circular economy in textiles – via charitable donations, which is primarily recycled clothing – the reality is much different.

While charities have given a second or third life to over 285 million items of clothing and hard goods, there is still an estimated 62 million kilograms of textile waste exported by charities yearly. And these charities are spending around $13 million in landfill costs per year.

Globally, 85 per cent of textiles are sent to landfill, equating to around one garbage truck load of textiles being sent to landfill or burned every second.

When we then recognise that 60 per cent of textiles are made from polyester, what we wear as consumers can be compared to the plastic bottle waste the community is currently up in arms about.

**MOVING TOWARDS A MORE SUSTAINABLE INDUSTRY**

Retailers are starting to take sustainability more seriously, seeing it both as a sales opportunity and risk management strategy to future-proof their business.

Customers have shown that they care and sustainability is here to stay.
Yet the complexity for retailers to transition into a circular economy can be like navigating a labyrinth, making it difficult to action without sacrificing profitable business models.

Retailers should see the circular economy as an opportunity to be innovative, collaborative and explore new business models that connect with their customers. Partnerships are key in a circular economy, ranging from recyclers, resellers, repairers, manufacturers, distributors and customers themselves.

An example of a company that has taken the textile circular economy to heart is Nudie Jeans, which uses sustainable and recycled materials. The company has global repair locations for customers to maintain their jeans, as well as re-sell and recycle their jeans.

In 2018, the company reported they had repaired over 55,173 jeans, collected 10,557 jeans to resell or recycle, resulting in 44,000 kilograms of clothes being diverted from landfill and saving 386,000,000 litres of water.

**GLOBAL CIRCULAR RESOURCES**

If retailers are interested in undertaking the journey to becoming part of the circular economy, there are a plethora of resources available to assist them.

One of the largest organisations associated with the circular economy is the Ellen MacArthur Foundation, a valuable resource to get education and understanding of the innovative solutions and ideas that have started to form globally in the textile circular economy.

An initiative from the foundation called Make Fashion Circular has brought global leaders together from across the retail industry, including innovators, philanthropists, governments and retail brands to stimulate collaboration and innovation for the textile circular economy.

The primary ambitions of the initiative are to phase out substances of concern and microfiber release; increase clothing utilisation; radically improve recycling; make effective use of resources and move to renewable inputs.

**A CALL TO ACTION**

Retailers should seriously consider the impact of sustainability on the future of their organisations – that is if they aren’t already thinking about the circular economy.

Simple ways to engage with the circular economy could be to reduce packaging, identify additional ways to reuse transport material, incorporate sustainable clothing materials, explore with rental and reselling products or identify local partnerships related with the circular economy.

The most important step in any journey is the first one, you should consider yours if you haven’t already.
Social customer care:  
The new standard of customer service

Retailers that are proactive, instead of reactive, on social media are driving brand advocacy – and profitability.

BY LOUISE POGMORE, Director, Customer, Brand and Marketing Advisory, KPMG

THE UBICITY OF SOCIAL MEDIA HAS GIVEN CONSUMERS more ways to interact with brands. According to The Harvard Business Review, 67 per cent of people have shifted away from traditional customer service channels like phone and email, and are now using social media as their preferred channel.

With 18 million active users, social media is an integral part of Australian society and provided consumers with a platform to share their stories, both positive and negative.

Today, an issue has the power to trigger hundreds, if not thousands of retweets, comments, hashtags and memes – potentially damaging a brand’s reputation and bottom line in a matter of seconds.

Best practice retailers ensure they adapt so they can deliver consistent, convenient and quality customer service both offline and online.

When the number one customer complaint on Domino’s Pizza’s social media accounts was “my pizza doesn’t look like it should,” the pizza firm leveraged this insight alongside leading AI technology to ensure they could deliver the best customer experience and product quality.

Domino’s subsequently launched the DOM pizza checker – a smart scanner that sits above the pizza cutting bench and checks the quality of every pizza; working alongside team members to help them make and bake pizzas to perfection every single time.

Aside from providing convenience to the consumer, resolving customer issues via social media costs less than other channels. Optimising your social media channels to deliver social customer care has never been more important.

The difference between ‘customer service’ and ‘social customer care’ is subtle, yet critical. Customer service traditionally triggers when the customer contacts the organisation with an issue or a complaint.

Social customer care is about proactively meeting customers’ needs – where retailers not only respond to complaints, but are also actively listening to customers, and acknowledge their brand interactions across social media.

Leading the way, Nike has a dedicated Twitter account, Team Nike, providing social customer support 24/7 in six languages. When a customer mentions the brand on Twitter, @teamnike jumps in to provide support.

By providing a dedicated social customer care channel for all the support their customers require, Nike has demonstrated how committed and dedicated the brand is to addressing customer needs, and ultimately meet their expectations.

Meanwhile, Tesco in the UK make sure they can answer detailed queries immediately. The supermarket giant staffs their social channels with service agents, who possess detailed knowledge about products, deals or service – ensuring replies offer real value immediately.

“...best practice retailing is about being part of, and shaping the conversation to avoid reputational damage and negative impact.”

Whether you have a social media presence or not, from a B2B or a B2C perspective, your customers are actively talking about you – best practice retailing is about being part of, and shaping the conversation to avoid reputational damage and negative impact.

Social customer care doesn’t need to be onerous – there are four steps you can take to optimise your social customer care:
GOVERNANCE
Social media customer care governance is an essential foundation. Governance is about creating and maintaining an enterprise-wide framework for keeping a company’s array of social customer care touch points known, secured, accessible and operating within a set of standards. This approach ensures compliance is maintained and risk is mitigated.

RESPONSE TIME
Retailers would never ignore a customer who walked up to them in-store and asked about a product. Yet, brands respond to only half of social media messages. According to research conducted by The Social Habit, 42 per cent of consumers expect a response on social media within 60 minutes.

Answering a complaint on social can increase customer advocacy by as much as 25 per cent, while failing to respond can reduce customer advocacy by as much as 50 per cent.

HUMAN VERSUS TOOL
It’s not feasible to have a human answering social queries 24/7. However, it is important to have the right balance of human versus tool to foster connections with consumers.

In order to meet consumers’ expectations, firstly conduct a review to understand when and how often your customers are connecting with you on social media, which will enable you to determine what options you need deployed to meet their needs – whether that be self-serve, messaging service or AI powered chatbots.

CUSTOMER INTELLIGENCE
Actively listening to and synthesising actionable insights from social media data enables a brand to really optimise social customer care, giving you real-time insights when people are engaging with your brand, outside your own channels.

This empowers you to connect and engage with consumers when they least expect it – driving advocacy. Social customer care is an integral part of gaining, retaining and growing customers. Brands that are leading the way are ensuring their most public facing customer service channel is optimised to meet their customer’s expectations.
RETAIL BUSINESSES ARE FACING A WAVE OF BLACK TAPE IN THE growing and competitive Australian retail landscape, as the social licence to operate becomes a factor consumers are increasingly concerned about.

For retail boards today, the objective is not only revenue and profit growth but also how their organisation meets the new community standard, of what it means to be a socially responsible retailer today.

As a greater number of consumers shift their focus to social and environmental trends such as plastic pollution, climate change and public health, the spotlight is on retailers to reflect these changing values and respond to societal challenges.

With the green generation making sustainable shopping a priority, the need for ethical, social and environmental business models that underpin purpose-driven companies is critical.

New research by Unilever shows a third of consumers now choose to buy brands based on their social and environmental impact and one in five consumers say they would choose a brand if its sustainability credentials were made clearer on packaging or in the product’s marketing.

Today’s discerning consumers are more informed and now shop with their emotions and values, instead of just their wallets.

Retailers and consumer brands are presented with both opportunities and challenges with the rise of the savvy shopper.

Businesses that make meaningful sustainability commitments by ensuring environmental, social and corporate governance policies reflect these values are likely to be seen as favourable by consumers.

KPMG’s Customer Experience Excellence Report 2019 highlights the average customer experience excellence rating in the Australian market was 7.14 out of 10, with the grocery retail sector maintaining its leading position for customer experience and improving its overall score to 7.4.

The report shows community-centric brands are rated as customer experience leaders in Australia. These organisations exemplify authenticity through altruistic initiatives that reflect the intrinsic values of Australian society. As a result, a relationship of trust is instilled and perceived customer experience is elevated.

Failure by businesses to define and act on sustainability initiatives can significantly impact a retailer’s brand and financial performance.

Over the past year, a series of Royal Commissions and subsequent media coverage have placed integrity and the social licence to operate at the forefront of any great retail experience.

The regulatory landscape has also reinforced responsible business conduct with the threat of heavy fines for non-compliance. Stricter regulations to protect consumer data and privacy, safeguard employee welfare and ensure accurate and fair business reporting for shareholders have come into effect.

It’s also clear from recently introduced legislation such as the Modern Slavery Act, Notifiable Data Breaches Scheme [NDB] and the General Data Protection Regulation [GDPR], that retailers must be transparent about the impact of their business activities across a range of areas.

UNDERSTANDING THE REGULATORY ENVIRONMENT AND THE COST OF NON-COMPLIANCE

It’s known that regulations in retail have
been growing in number and rigour, with the cost of non-compliance on the rise. Placing compliance at the heart of a retail business can create a strategic advantage by helping retailers manage risk in their supply chain, protect customers and safeguard employees more effectively.

FOUR PILLARS TO ALIGN CUSTOMER VALUES AND COMPLIANCE REQUIREMENTS
To ensure compliance, protect your brand and manage financial risk effectively, every executive in a retail business has an important role to play.

KNOW YOUR CUSTOMERS
Consumers are becoming increasingly aware of the damaging effects of plastic pollution on land and marine life, and they expect retailers to take action.

The source of food produce has also become a hot topic whereby grocery retailers offering regional produce are seen to be supporting local Australian businesses. As consumers better understand the link between corporate activities and social impact, retailers need to consider the value their business can create for the economy and society as a whole.

Retailers need to focus on their supply chain and identify areas to improve environmental sustainability to reflect consumer values and allow them to make more informed choices. Nowadays, organisations cannot just say they have a sustainability strategy; they need to show the consumer that they are acting upon it.

PROTECT YOUR CUSTOMERS
Changes to privacy regulations in Australia are a top priority for businesses with regulations such as the NDB and the GDPR lifting the standard on security measures, organisation-wide data awareness and restoring trust of personal data with consumers.

Retailers should be aware of their data privacy obligations, while ensuring customers are at the heart of everything they do.

It’s critical that organisations understand data privacy changes and what action is necessary to comply with and how a data breach would be handled, especially as data breaches have potential for a significant brand and reputation damage.

PROTECT YOUR PEOPLE
An ever-growing number of household brands continue to fail to meet industry standards and regulations. In Australia, retailers must adhere to minimum wage regulations, national employment standards, as well as relevant awards and enterprise agreements.

According to The Fair Work Ombudsmen, more than $40 million in unpaid wages was handed back to Australian workers in the past financial year, with the Ombudsmen recovering money for 17,718 workers in 2018/19. Understanding wage requirements and ensuring robust payroll process are in place remain essential steps for organisations to uphold brand integrity and maintain trust in the eyes of employees and the wider community.

UNDERSTAND REGULATORY REQUIREMENTS
Organisations not only have to transform to remain relevant in this dynamic market, but must keep one step ahead of their obligations to prevent breaches across a number of potential exposures.

Retailers must define, identify and help mitigate conduct risks in their business and embed conduct risk management into daily operations and existing risk management frameworks. Failure to manage the continual changes can have costly consequences – such as fines, suspensions, loss of operating rights, loss of customers, or severe reputational damage.

As human rights and social risks become mainstream and are placed on the corporate agenda, the onus is on retailers to ensure they have a sound strategy in place to keep track of updates and mitigate risk. Effective compliance results in better outcomes for businesses, their customers and shareholders.

As consumers better understand the link between corporate activities and social impact, retailers need to consider the value their business can create for the economy and society as a whole.

Five key questions to consider for managing regulatory compliance

1. How well do you understand and prioritise regulations that impact your business?
2. Can you clearly articulate how your business complies with regulations to policy makers?
3. Do you have sufficient internal and external assurance to give confidence to regulators, the board and your customers, in the non-financial information you’re reporting externally?
4. Have you implemented strategic, cost-effective internal risk and control systems to ensure regulatory compliance?
5. Are you able to anticipate new regulatory developments and plan and implement new strategies to ensure compliance once they come into effect?
Cashless is king

The impact of new payment platforms on both consumers and businesses shows no signs of slowing down.

BY BRETT WATSON, Partner, Advisory, Management Consulting, KPMG

DISRUPTION IN CONSUMER PAYMENTS SHOWS EVERY SIGN of continuing, as new products such as buy now pay later (BNPL) grow rapidly.

There’s also the occasional big idea, such as Facebook’s blockchain-based digital currency – Libra payments network – which keeps everyone contemplating about longer-term alternatives.

In the medium-term, the payments landscape looks set to follow existing trends. Total card use continues to grow strongly, however millennials are showing an aversion to credit cards, also shown by e-commerce and alternative payments, albeit from a low base.

Despite these trends, the combination of digital payments and mobile is yet to disrupt the Australian retail landscape as significantly as it has in markets such as China.

AUSTRALIANS LOVE CARDS

In 2018, there were 9.4 billion card payments in Australia, with debit cards alone making up 50 per cent of all payments after growing at an annual rate of 13.7 per cent for the past five years.

Alongside this has been an enthusiastic take up of contactless, which in 2016 was estimated to account for 65 per cent of all card payments, with the value transacted via contactless increasing a further 50 per cent to 2018.

This trend has resulted in two key outcomes:

1. Faster checkouts: cards have allowed rapid checkout options at Woolworths, Wesfarmers-owned brands, fast food outlets and many more have introduced self-service options that improve customer experience, reduce staff costs and improve checkout times.

   Simultaneously there has been a rise in integrated payment terminals as digital payments allow greater communication between management software and payment services, further reducing check out times, reconciliation requirements and human error.

2. Least cost routing: while cards could arguably be cheaper than the cost of handling cash, the price of card processing has attracted significant attention from merchants. This was exacerbated by the rise of contactless, which automatically diverted payments down the costlier credit processing rails.

The RBA eventually acted by mandating the banks introduce least cost routing that allows merchants to divert card payments to the cheapest available option. These solutions are finally beginning to emerge.

Debit cards are our favourite payment method accounting for ~50% of all payments

Source: Reserve Bank of Australia
It is impossible to avoid the impact that Afterpay and its competitors are now having on the retail industry, and this trend shows no sign of slowing down.

Initially disrupting e-commerce, taking 10 per cent of e-commerce payments within two years of listing on the ASX, Afterpay has moved quickly into physical stores which now accounts for 21 per cent of its $4.3b in processed transactions.

Approximately 27 per cent of Australian millennials and 16 per cent of all Australians now have an Afterpay account alone, not to mention the myriad of other competitors such as Zip Pay, Humm, and LatitudePay.

Not only are more people using these services, they are using them more often. Afterpay recently revealed that its recurring users – users who have been on the platform for one year – made 4+ transactions which increased to 10+ after two years and 20+ after three years.

BNPL has become the modern example of a payment platform owning the customer relationship. Accepting these higher cost payment channels is increasingly demanded by customers who not only want to use BNPL for their purchases but will also use the provider’s platform to seek out retailers and make purchasing decisions.

PAYMENTS ON THE MOVE

The opportunity that digital payments provide is to make payments seamlessly anywhere in a transaction process.

Until very recently, Starbucks was the most popular payment application the USA, combining loyalty, pre-ordering and payments to create a seamless purchasing experience.

Amazon has also taken steps to integrate digital payments and the e-commerce experience into physical stores such as Amazon’s bookstore, which replicates its online store in a physical form, and Amazon Go, its cashier-less store.

In Australia, Woolworths has begun testing a similar experience with its Scan&Go application that allows shoppers to scan items as they move throughout the store, a move that has been followed by 7-Eleven trialling its own click-and-go store.

Within stores, mobile point-of-sale terminals are offering a simple, initial step to providing a more intuitive in-store payment experience by allowing attendants to complete transactions anywhere in-store.

Retail experiences such as those created by Apple remove the need for a single checkout location but instead allow personalised interactions and on-the-spot payment experiences.

As consumers begin expecting shopping experiences that replicate the ones they experience online, retailers have an opportunity to innovate their in-store experience to both improve efficiency and drive customer sales. So what’s next?

Digital payments will continue to support an evolving retail landscape in Australia. As we move further towards a cashless and digital-first society, payments will continue to support new, innovative customer experiences.
Is e-commerce priming to boom?

Cautious consumers under increased economic pressure and a system of investments to improve experience are setting the stage for the next wave of rapid e-commerce growth.

BY JANE COHEN, Partner, Global Strategy Group, KPMG

UNCERTAINTY IS NOT THE ONLY CERTAINTY FOR THE AUSTRALIAN retail industry in 2020. We also know that e-commerce will continue to outpace overall retail growth. The question is, how fast will it grow under the ongoing subdued economic conditions expected in 2020?

If past experience is any indication – in a market that is still so young – the answer is that it could accelerate. In the five years following the Global Financial Crisis (GFC), e-commerce boomed. While total retail growth fell to 3 per cent over the five years, e-commerce grew at 21 per cent – hitting peak growth in 2011 at 30 per cent.

Why? Because when you start battening down the financial hatches, you are open to not only consider, but act on changing your shopping behaviours. Cautious consumers do more research prior to purchase and will wait for sales events, favouring retailers with a strong online and social presence. This raises the imperative for traditional retailers to keep pace with disruptors to create compelling multi-channel consumer experiences.

In the wake of the GFC, Australians had permanently changed how they shopped and as the purse strings eased, e-commerce growth rates accelerated.

Of course, a mass change in consumer behaviour is rarely the result of a single factor. A system of factors were at play at the time, such as lower cost and easier access to high speed and mobile internet, a strong Australian dollar and media attention on the GST-free status of international inbound parcels.

These factors made the reward for changing your shopping behaviour in favour of online shopping even more enticing to Australian consumers.

The post-GFC consumer, predisposed to seek out opportunities to buy smarter during a time of financial insecurity, rushed online to experiment. Suddenly everyday Australians were shopping online. The savings and convenience available online had surpassed the consumer’s tipping point and offset the perceived risks regarding online shopping at the time.

There are some interesting parallels with today’s retail conditions that could be signalling that a new wave of rapid growth in online shopping is on the horizon for Australia.

A WANTING MARKET

Until recently, Australian e-commerce growth had returned to the level experienced before the boom. Yet even at a healthy 13 per cent CAGR, many observers of the industry continue to believe that there is strong potential for online shopping to accelerate once more.

Online retail penetration here is far from reaching the levels experienced in other parts of the world. In 2018, online sales penetration reached 10 per cent of Australian retail turnover excluding cafes,
restaurants and takeaway food services. Meanwhile, markets like the UK are reaching penetration levels three times higher. The UK is the leading global e-commerce market, and its growth is showing no sign of slowing down – with approximately 31 per cent of non-food retail spending made online in the three months to October 2019 according to IPSOS. Although there are some significant structural differences between Australia and international markets like the UK, such as population density and a public transport culture, examples such as this demonstrate the high latent demand for online shopping.

**A PRIMED CONSUMER**

Against the current backdrop of increasing consumer concern regarding the cost of living and the economy, even a small positive change in the perceived value or experience offered online could result in acceleration.

"As they strive to buy smarter, shoppers could be more receptive to making purchases from product categories that they have rarely bought online in the past.”

There is certainly evidence that e-commerce growth is building momentum. Online spending picked up pace in 2018 growing more than 20 per cent, and commentary regarding growth in 2019 is even more positive.

At the heart of this recent uptick is that Australians now have a strong grasp of the global online promotions calendar – increasing the perceived value for savvy online shoppers. For example, the day after the 2019 Black Friday promotional event, Kogan announced that its sales for the day were up over 80 per cent. The retailer was quoted by *The Age and The Sydney Morning Herald* saying, “Black Friday was massive. It’s clear that more and more Aussies are turning online for their Christmas shopping”.

**ALL HANDS ON THE EXPERIENCE**

Similar to the post-GFC e-commerce boom, there is a concurrent system of surrounding factors making online shopping increasingly more attractive to consumers – focused on the consumer’s end-to-end shopping experience.

The ubiquity of buy now pay later schemes, the growth of click-and-collect models, the proliferation of marketplaces, and increased access to easier returns and faster delivery choices, are expected to fuel the next wave of online growth.

However, perhaps the most positive sign of where e-commerce is headed is the scale of Australia Post’s investments in parcel capacity and capability. These include striking a $1 billion deal with Qantas to purchase three dedicated air freighters and secure priority access to cargo space. The postal corporation is also investing $900 million in parcel automation initiatives and has recently launched a new flat rate parcel product, If It Packs It Posts, that takes the guess work out of the cost of delivery.

**...AND A RACE**

Amplifying this further, is a race to build a winning ecosystem connecting all parts of the end-to-end online shopping journey.

Amazon Australia just announced the launch of Amazon Hub to the Australian market and a partnership with Zip, Ebay Australia and Afterpay announced a partnership, and we will be watching the recently combined Kmart, Target and Catch Group to see if they can accelerate their multi-channel strategy to create a winning ecosystem.

If these conditions do precipitate a second boom in Australian e-commerce it will look quite different to the first. Today 70-80 per cent of Australian households shop online and the Australian dollar is weak. Boom level growth will not come from more people shopping online or offshore, but from people shifting more of their shopping wallet online.

As they strive to buy smarter, shoppers could be more receptive to making purchases from product categories that they have rarely bought online in the past. Staple product categories that have been slower to shift online could accelerate such as health and beauty, recreational goods, liquor and groceries.

We are already seeing a significant uplift in the growth rates in some of these everyday product categories. Will we soon see everyday Australians buying more of their everyday products online?

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### A short history of e-commerce growth in Australia

![Chart: Total online retail spend (b) from 2005 to 2019](https://example.com/chart.png)

**Notes:**

- Online retail penetration calculated as total online retail spend divided by total retail spend excluding cafes, restaurants and takeaway food services.

*Sources: NAB Online Retail Sales Index; Australian Bureau of Statistics (ABS)*

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www.insideretail.com.au
RETAILERS DON’T HAVE INFINITE POOLS OF DOLLARS, TIME OR TEAMS TO DEDICATE towards all great ideas with customer experience enhancement in mind.

So where do you invest for the greatest bang for your buck? The key outcomes you want to strive for are the key levers to materially impact your brands advocacy; and also your customers loyalty – these are what we coin the six key pillars or the DNA for customer experience excellence.

Our six pillars provide a valuable prioritisation framework which can support a retailer’s CX program focus and shape a new way of organisational thinking.

The power in practice lies in supporting traditional pain and gain point analysis and building out customer-focused solutions. The framework enables retailers to develop the “on-stage” and “off-stage” delivery of experiences that are both co-ordinated and continuously optimised.

Too often organisations focus on the shiny “on-stage” programs, which of course are lots of fun.

However, these programs also command significant management focus while often lacking seamless connectivity to the middle and back of house functions that are critical to delivery.

KPMG’s Australian research is based on evaluation of 114 brands across 11 sectors, painting a clear picture of the outcomes required within each of the six pillars, to help ensure the brands products and service propositions are conveyed effectively.

NOT ALL PILLARS ARE OF EQUAL VALUE

In Australia, personalisation is the most important driver for advocacy and loyalty, followed by integrity and time & effort levers.

While the numbers speak for themselves, many c-suite executives still struggle to drive an enterprise-wide commitment to customer-led transformation, even when the economics stack up.

For instance our global research demonstrates:
• Customer-centric organisations are 38 per cent more likely to report greater profitability than competitors
• The revenue growth of the top 50 brands is 54 per cent greater than the bottom 50, at an aggregated level
• The EBITDA growth of the top 50 brands is 202 per cent greater than the bottom 50, at an aggregated level
• Customer-centric organisations are 38 per cent more likely to report greater profitability than competitors
• The top 25 CX leaders in the US achieved double the percentage revenue growth of the top 25 F500 companies
• The percentage revenue growth of the top 25 CX leaders in the US over one year alone was more than seven times that of the CX laggards – the bottom 25.

Then there are the people, which in retail is critical to service delivery. Organisations with great CX put employees at the centre of their CX architecture.

KPMG’s Six Pillars of Customer Experience Excellence

- Personalisation: Using individualised attention to drive an emotional connection
- Integrity: Being trustworthy and engendering trust
- Time and Effort: Minimising customer effort and creating frictionless processes
- Expectations: Managing, meeting and exceeding customer expectations
- Resolution: Turning a disappointing experience into a great one
- Empathy: Achieving an understanding of the customer’s circumstances to drive deep rapport

Source: KPMG Australia 2019
In Australia Personalisation is the most important driver for advocacy and loyalty, followed by Integrity (for advocacy) and Time and Effort (for loyalty).

HAPPY EMPLOYEES = HAPPY CUSTOMERS = HAPPY SHAREHOLDERS

Happy employees produce 37 per cent more sales and are 12 per cent more productive. The result?
- Companies with happy employees outperform their competition by 20 per cent
- The most engaged employees are 87 per cent less likely to leave the company, make 60 per cent less errors at work, and absenteeism rates are reduced by 37 per cent
- Companies that lead in CX typically have 1.5 times as many engaged employees
- Engaged employees are more motivated to go above and beyond to satisfy customers, leading to improved customer experiences.

Customer expectations are higher than ever before, are continuously evolving and are industry agnostic.

Excellence in retail service design can come from disruptors or financial services such as new payment platforms.

THE ECONOMICS OF CUSTOMER EXPERIENCE

The key challenge for retailers is ensuring the economic value is maximised when customer expectations or the brand promise is met.

Exceeding these unnecessarily through over investment can lead to minimal incremental ROI.

Expectations in an omnichannel retail world are anticipated to grow in overall service levels – think delivery options, speed and digitally-enabled, integrated seamless shopping operations.

We often say silos should remain on farms, but unfortunately they still exist across inconsistent channel delivery.

We believe retailers should prioritise removing friction, such as repetition of information that is requested and captured throughout the business.

The customers expectation is that once they share their information with you once, they shouldn’t need to keep sharing it (unless they choose too of course).

Moving from delivering a great CX to now predicting customer needs is “the new black”.

At its core, it’s a CX strategy that is underpinned by connected operations and data analytics across all channels to match business outcomes with the front-end design.

The economics of customer experience. Investment versus expectations
The power of putting customers first with advanced analytics

Retailers can use data to solve the questions keeping them up at night, not just push a sales algorithm.

BY DAVID EVANS, Director, Data Science, Deals Tax & Legal, KPMG

A ROBUST AND METHODICAL WAY OF COLLECTING, MANAGING and interpreting data, then linking those insights to better serve your customers isn’t something that’s only reserved for those retailers with deep pockets or dedicated analytics departments.

In fact, any retailer with a point-of-sale (POS) terminal or computerised stock system has the beginnings of being an analytics leader. And those who sell online have access to even more useful data.

Information such as where a retailer’s customers prefer to shop, what products they are buying at what times, or where and when they’re being disappointed by unmet commitments or expectations are several examples.

Availability and access to data is not the main challenge. What matters is the commitment to collect and store the right kinds of data to guide better decisions to benefit your business.

So as a retailer, how can you get the most out of data? Data alone won’t hold the answers. The key is to define the handful of questions about your business that are ‘keeping you up at night’.

Each question must be linked not only to your business strategy, but also to serving your customers’ needs, because ultimately all successful businesses exist solely to serve somebody.

Much of what is written about data science in retail often has an inward-looking focus on revenue and cost. However, with a genuine commitment to customers as your first priority, revenue and costs should move in the right direction as a natural by-product.

Rather than using algorithms to just push more ads to more people to buy more things, these examples take a more outward-looking approach and put your customers first:

• Staff rostering – using optimisation algorithms to construct the most efficient and effective schedules, given a set of defined constraints. For the best service, making sure you have the right mix of staff in the right locations at the right time.
• Quality and consistency – collecting operational and usage data to understand product quality and service consistency, then creating predictive models to take action on emerging trends opportunities before the market catches on.
• Customer behaviour – Collecting and mining raw POS data to understand what motivates your customers to remain loyal, so that you can provide the right incentives to maintain or improve your relationship with them. This is more than just product recommendations or discounts – you may be surprised why they stay or leave.

These are just three practical examples that can be used by any retailer, regardless of the goods or services you offer.

Executed properly, they will not only lead to lower costs, but increased customer satisfaction and the flow of revenue – hitting all three metrics that matter.

So, how can your data be used in your business to guide the decisions that best serve your customers? You’ll be surprised by the potential.

“Much of what is written about data science in retail has an inward-looking focus on revenue and cost.”
With Poplin, make data the fabric of your organisation

Data Strategy
Define and design your data vision and strategy; designing strategies for data first businesses

Data Governance
Building your data policies and governance frameworks; ensuring data privacy, compliance and security

Data Management
Partnering to solve and execute everything data, empowering teams so data becomes the key operational function of your business

“Poplin Data has the knowledge to facilitate, support and guide you through the process of getting your data right.”

Dr Liron Nehmadi, Chief Product Officer, Catch Group

poplindata.com/retailweek2020
Coles’ transformation journey gathers momentum

The supermarket giant’s four-year transformation journey is well under way – with technology investments and key partnerships giving the retailer confidence to meet challenges head-on in its second century of doing business. Here, Coles CEO Steven Cain talks about the year that was, and what to expect in the year ahead.

Coles has an important role to play in sustainably feeding all Australians. From food waste to a sustainable food chain, this year we set the foundations to ensure we’re here for another century, creating jobs, working with our suppliers and making a positive difference in our local communities.

HOW WOULD YOU DESCRIBE THE PAST YEAR AT COLES?
The past year has been one of major change at Coles Group, as the Australian food and beverage market continues to grow, and customer needs and our competitive set change faster than ever before.

In 2019, we set out on our four-year transformation journey, launching our refreshed strategy to become the most trusted retailer in the country by sustainably feeding all Australians to help them lead healthier, happier lives.

WHAT HAVE BEEN THE HIGHLIGHTS OVER THE PAST YEAR AT COLES?
Value and everyday low-prices remained central to our customer proposition this year.

We launched several new exclusive Own Brand ranges, including Wellness Road health products, Nature’s Kitchen vegan range and the allergy-friendly ‘I’m Free From’ varieties, offering customers more choices than ever before across Coles Own Brand.

To deliver on our strategic goals at pace, this year we focused on investing in new partnerships and agile ways of working. In the past 12 months we have formed new agreements with technology leaders including Microsoft,
We believe that when these distribution centres open in 2022, they will be the most advanced facilities of their kind in Australia.

Coles Group CEO Steven Cain says new technology and automation present significant growth opportunities. As part of our exclusive agreement with automated warehousing leaders Witron, construction began in October on the first of two automated distribution centres to be built in Queensland and New South Wales.

We believe that when these distribution centres open in 2022, they will be the most advanced facilities of their kind in Australia.

WHAT HAVE BEEN THE CHALLENGES?
The range of customer expectations is increasing rapidly. While time-poor customers demand healthier and more convenient solutions, there are also many in Australia who are struggling to make ends meet each week and we must continue to deliver better value and keep prices low.

The long-term effects of the drought are having an impact on our suppliers and has contributed to price inflation in FY19. Coles continues to play a collaborative role in partnership with our suppliers and committed more than $17 million to drought relief in FY19.

In the past financial year, Coles delivered a solid performance despite increasing competition and higher costs across the retail sector. Supermarkets, the biggest contributor of Coles Group’s revenue and earnings, continued to show resilience in an increasingly competitive market.

HAVE THERE BEEN ANY INTERESTING SHIFTS IN CONSUMER BEHAVIOUR IN THE PAST YEAR?
We know our customers are increasingly becoming time-poor, with 50 per cent saying they don’t have time to cook from scratch. That’s why this year we’ve significantly expanded our range of ready-to-eat and ready-to-cook foods, so they can grab breakfast on the way to work or make a fresh and delicious dinner without having to give up time with the family.

Our new ‘food for now’ and ‘food for later’ offer has now rolled out to more than 100 supermarkets, complementing our tailored store format strategy, aligning our store layouts and ranges to the needs of the local community, while making store operations more efficient.

Finally, strong double-digit meat export sales growth has cemented Coles as one of the one of the biggest meat exporters in Australia with customers in more than 40 countries. We are looking to develop this business further to build on the brand credentials we have already established in key Asian markets.

HOW HAS E-COMMERCE AFFECTED COLES’ OPERATIONS?
As customers increasingly shop across multiple channels, we are building a compelling digital experience that will enable us to lead in online shopping.

Our recently-announced exclusive partnership with online retailer Ocado will include an end-to-end online shopping solution, from website to efficiently mapping delivery routes to get customers’ orders to their kitchen benches quicker and at a time that suits them.

Ocado will also build two automated customer fulfilment centres, one in Victoria and New South Wales. These facilities will increase our capacity to fulfil online shopping orders from a wider range of products while reducing costs – solving a problem faced by retailers around the world looking to grow their online sales.

HOW WOULD YOU DESCRIBE THE AUSTRALIAN RETAIL MARKET?
The Australian food and beverage market is resilient and continues to grow, however it’s clear that new international entrants, rising costs of doing business and an ongoing shift towards online shopping present potential headwinds to the sector.

There has been incredible growth...
in meal kits and extreme convenience, which are becoming increasingly mainstream, as our customers choose for pre-prepared ingredients to cook effortlessly at home.

The market is also increasingly moving towards delivery services, offering instant gratification and complete meals delivered in under 30 minutes.

The adoption of new technology and automation, and analysing increasing amounts of data, present significant growth opportunities for the sector and retailers like Coles who are prepared to meet these challenges head-on.

WHERE DO YOU HOPE TO SEE COLES THIS TIME NEXT YEAR?
As we embrace the opportunities of the next 12 months, it is vital that we continue to maintain the customer focus and appetite for innovation that our customers and stakeholders expect from Coles.

In the next year, we will continue to execute our strategy at pace as we rise to the challenges of the increasingly competitive Australian retail sector.

The changes we are making to inspire customers are making a difference, and we will continue on this path to make our customers’ lives easier by lowering the cost of living.

We will continue our investments in new technology and partnerships, ensuring we progressively transform our capacity to operate quickly and efficiently. We’ve made good progress on driving sustainability in all aspects of our business, and the team will work to make great strides in this area over the next 12 months.

Very few organisations in Australia can lay claim to a history of more than 100 years, this energy and dynamism will help us to deliver over the next year, and indeed into Coles’ second century.

Coles’ partnership with Accenture and the rollout of new technology will deliver cost savings of $1 billion over four years.

Coles has significantly expanded its range of ready-to-eat and ready-to-cook foods, to cater for increasingly time-poor consumers.
HOW WOULD YOU DESCRIBE THE PAST YEAR AT EBAY?
It’s been a dynamic year; a big year. One which saw us launch Ebay’s world-first grocery offering, Coles on Ebay, providing even greater convenience, selection and value to Australian shoppers.
As a result, Coles has increased its reach to incremental customers.
In addition to Coles, we welcomed thousands of new major retailers to Ebay including a relaunched Toys”R”Us as their exclusive marketplace, Adidas, Cotton On and Best & Less.
As we continue to bring new selection and great prices, we have seen an acceleration in our buyer growth.
We have 11 million unique monthly visitors to Ebay and remain the number one shopping destination in Australia.

WHAT HAVE BEEN THE HIGHLIGHTS OVER THE PAST YEAR?
We have had some record shopping days like Ebay Plus Weekend in June and Black Friday which have driven traffic, promoted the sales and deals from thousands of retailers and grown Ebay Plus members.
Ebay Plus has continued to grow as a shopping membership where Australians can get millions of items with free shipping, free returns and exclusive discounts.
We have also built more partnerships to help our sellers compete. Last year we launched our Ebay fulfilment partnership with Australia Post helping sellers to lower their costs and improve their delivery speeds.
For sellers who want to use their own warehouse, we launched a lower cost and alternative shipping option, with sellers able to print Sendle labels in bulk and book deliveries directly from the Ebay dashboard – all at great rates.

WHAT HAVE BEEN THE CHALLENGES?
However, we have been strong acceleration in shopping moments like Black Friday, which for the first time was our busiest online shopping day and exceeded our expectations in visitors to the site and spending.
We get up every day with the ambition of growing Australian retail and the 40,000 Australian businesses on our platform, especially when times are tougher.

HOW WOULD YOU DESCRIBE THE AUSTRALIAN RETAIL MARKET?
Both dynamic and challenging. Australian retailers are facing more competition and a more challenging environment.
But overall, they are responding to competition better than other markets, they are delivering better prices and better selection than overseas entrants.

HAVE THERE BEEN ANY INTERESTING SHIFTS IN CONSUMER BEHAVIOUR IN THE PAST YEAR?
Despite all the fanfare about rival e-commerce players entering Down Under, Ebay is still the largest online retail concern in Australia and New Zealand – by a long shot. Ebay ANZ Managing Director Tim MacKinnon reflects on the year that was.
There are two factors that haven’t changed – with price and range still top of mind for consumers.

We have seen an acceleration of shifts that started in previous years like the importance of shopping events like Black Friday, increased importance of apps and app notifications along with click-and-collect.

WHAT PLANS DO YOU HAVE FOR THE BUSINESS OVER THE NEXT 12 MONTHS?
We have many exciting initiatives in the pipeline, including our partnership with Afterpay and enabling it as a payment option for our users in 2020.

It will be a game changer for both Ebay buyers and sellers.

DOES BRICKS-AND-MORTAR PLAY INTO EBAY’S STRATEGY AT ALL?
First and foremost, we are an online marketplace. However, bricks-and-mortar is an important component for our sellers as we offer shoppers the option to pick-up items in store from over 40 retailers like Myer and The Good Guys, which helps to drive traffic into stores, as well as offering parcel collection at Woolworths and Parcelpoint locations.

ARE THERE ANY KEY TRENDS IN THE E-COMMERCE SPACE?
Price and selection will remain the number one concern for consumers. However, shoppers are always looking for ways to get more value, and loyalty is the most significant shopping trend in recent times.

Our loyalty program, Ebay Plus, has grown as consumers look to be rewarded through savings and access to exclusive benefits. When retailers sell on Ebay, they get access to those customers who are loyal to Ebay.

In line with the growing trend for convenience, we expect to see more people using online to shop for everyday essentials such as groceries.

And then there’s the way people are shopping. We’re the most downloaded and highest rated shopping app in Australia.

More than 70 per cent of our shoppers access Ebay via their mobile phone – either Mweb or via the Ebay app. It’s a quick and convenient way to shop on the go.

WHERE DO YOU HOPE TO SEE EBAY THIS TIME NEXT YEAR?
This time next year, I hope Ebay continues to be Australia’s number one online shopping destination – for both buyers through our unrivalled range of products at the best price and sellers through our partnership and support.

“... We get up everyday with the ambition of growing Australian retail and the 40,000 Australian businesses on our platform, especially when times are tougher.”

Ebay is keen to cultivate customer loyalty with its membership program.
After another year of strong sales growth, Officeworks are set for a big 2020, with the continued rollout of its refreshed strategy. Here, acting Managing Director Michael Howard talks about the retailer’s expectations for the year ahead.

HOW WOULD YOU DESCRIBE THE PAST YEAR AT OFFICEWORKS?
It’s been a rewarding year of helping make bigger things happen for our team, our customers and in our communities.

WHAT HAVE BEEN THE HIGHLIGHTS OVER THE PAST YEAR?
We’ve had our safest start to the financial year. The safety of our team is always our absolute priority, as well as the safety of our customers.

We’ve built great momentum in this space and I’m proud of the real care and focus our team have given to ensuring our team go home safely. We’ve built great momentum in this space and I’m proud of the real care and focus our team have given to ensuring our team go home safely.

There is always more for us to do and we are absolutely committed to continued improvement.

We set new fundraising records through our Back to School Appeal in January, Round Up to Make a Difference and Wall of Hands initiatives in 2019, raising over $2.1m.

With the help of our customers, we donated over $1.5m to our national partners The Smith Family and Australian Literacy and Numeracy Foundation (ALNF).

With our planting partner Greening Australia, we have now planted more...
than 570,000 trees on behalf of our customers to help restore woodland and wetland ecosystems, improve habitats of threatened species and rejuvenate existing bushland.

WHAT HAVE BEEN THE CHALLENGES?
Consumers have been cautious and competitive pressure has been strong, but Officeworks remains well placed to drive growth in this environment.

Our job is to continue to execute on and invest in both our in-store and online offer to ensure we are able to serve our customers however they want to interact with us.

HAVE THERE BEEN ANY INTERESTING SHIFTS IN CONSUMER BEHAVIOUR IN THE PAST YEAR?
Officeworks has a diverse mix of customers; from parents, students and personal shoppers to micro, small and medium businesses.

Our customers come to us because they have a problem to solve, something they would like to create or an opportunity they would like to make happen.

While our customer’s core desire to be provided with a solution remains, technological advancements, economic pressures and generational progression means that their expectations are changing.

Our customers expect to be able to shop whenever and however they want, be it online, in-store, with one of our business account managers, or on their phone.

Customers often bring us problems to solve that are complex; increasingly these problems are not solved by individual products, but require knowledgeable advice and coordinated solutions.

The customers tell us they want to shop with a business that is making a positive difference in their local communities and for the environment.

Finally, customers have choice not just about how they shop, but also who they shop with, and therefore we must ensure our offer continues to deliver great value.

WHAT PLANS DO YOU HAVE FOR THE BUSINESS OVER THE NEXT 12 MONTHS?
We will continue to evolve and rollout our refreshed strategy with a focus on our team, customer experience, connecting with communities, operational excellence and growing our business.

We’re currently developing a health and wellbeing strategy and will have an increased focus on diversity and belonging, as well as training and skills development.

We will enhance our data analytics capability and upgrade our every channel functionality and features.

We will launch our Positive Difference Plan 2025 targets, including a continued focus on reducing our operational impact on the environment and sourcing responsibly, building closer connections with the communities we live and work in and continuing to do more to help educate disadvantaged students.

We are focused on modernising our supply chain and improving our inventory planning and stock management. We will also be implementing a new people management system.

We are ambitious in driving growth and will continue to evolve and expand product and service offers including growing the Geeks2U offer for our customers.

We will upgrade our print and copy online platform and also roll out our store renewal program, open new stores and invest in our click-and-collect offer.

HOW HAS E-COMMERCE AFFECTED OFFICERWORK’S SUPPLY CHAIN OPERATIONS?
Officeworks has a history of innovation and of listening to our customers, being responsive to their needs which has meant we’ve always stayed on top in terms of our range and relevance across every channel.

This relevance encompasses everything – from being one of the first large-scale bricks-and-mortar retailers in Australia to drive an online proposition, or our evolution to creating a true every channel strategy.

We put ourselves where we believe our customers expect us to be, whether that’s online, mobile, in the store, via phone or social media.

As part of our every channel strategy, we are modernising our supply chain network through distribution centre consolidation and the use of technology to ensure that we will have the capacity to meet the future growth, strategic requirements for both store and online fulfilment, with improved service levels and cost outcomes.

WHERE DO YOU HOPE TO SEE OFFICERWORKS THIS TIME NEXT YEAR?
Officeworks will continue to drive growth and productivity by executing its refreshed strategy, which will enable us to continue to grow and deliver strong results for shareholders over the long-term.

We see three major areas of future growth: education, business and services. We are already an important part of the education of future generations through our extensive Back to School range.

We can offer parents and schools even more of what they need to educate and grow young minds, including art and craft, online resources and learning aids.

Solving more and bigger problems for our business customers is important to us, which we can do by building on our base, such as evolving our successful print and copy business to become print, copy and create.

We are already working on expanding our services offering, with Geeks2U being a great example of a complementary service to help our customers with a broader range of technology-related needs.
HOW WOULD YOU DESCRIBE THE PAST YEAR AT SWAROVSKI?
2019 was a fantastic year for Swarovski Australia with record sales. The focus has been on people; our customers and employees.

Our customers come first, providing unparalleled service and delighting our customers is non-negotiable.

We’ve continued to build on our loyalty programs and 2020 will see the complete evolution of Be Swarovski to the Swarovski Club, a new style community and tiered rewards program. Customers can advance through bronze, silver, gold and platinum levels for new benefits and rewards with each tier level.

We’re also speaking to younger customers on their terms, reaching them via influencer collaborations, as well as increased presence on social media and digital platforms.

Driving talent development within the business is also paramount.

At Swarovski, we aim to empower each and every individual in the business to achieve their professional and personal goals.

Throughout 2019, our leadership team has evolved, we’ve recruited several new store managers and have had a number of promotions within head office.

We’ve generated an environment for collaboration across functions and teams, all united with one common goal for the business.

Australia and New Zealand continue to grow, offering us consistent opportunities and learnings across the board.

WHAT HAVE BEEN THE CHALLENGES?
The consumer landscape continues to
evolve at a rapid pace, it’s vital that we seize every opportunity to learn about our customers; the way they shop, consume media, follow trends and what they are looking for when they shop.

Black Friday is a great example, we’ve seen exponential growth in sales in 2019 in comparison to 2018. Swarovski remains agile as a retail business; we review and learn from each execution and program to continuously improve.

We’ve also experienced a shift and growth in our e-commerce business, we will continue to optimise this channel, but we are focused on doing this while growing and improving our bricks-and-mortar stores.

**HAVE THERE BEEN ANY INTERESTING SHIFTS IN CONSUMER BEHAVIOUR IN THE PAST YEAR??**

Our CRM programs, Swarovski Club and Swarovski Crystal Society, allow us to understand our customers’ behaviors and what motivates them to purchase.

With this information, we’re able to tailor promotions and benefits to retain loyalty and reward them for shopping with us.

Millennials are the fastest growing customer group in our loyalty program and we’ve seen a huge shift to self-purchase.

We’ve also seen growth in the number of Chinese customers, they’re more digitally exposed than ever and their shopping behavior continues to evolve.

**WHAT PLANS DO YOU HAVE FOR THE BUSINESS OVER THE NEXT 12 MONTHS?**

2020 is the 125th anniversary of Swarovski, it’s a significant milestone that celebrates 125 years of rich heritage and mastery.

We are the current day ambassadors of the brand and we want to bring Swarovski to life through our products and our people.

Development and engagement will continue to be a priority as we seek to empower and build trust within our team and with our customers.

We’re aiming for another record year in traffic and sales by remaining nimble and cultivating talent.

Daniel Swarovski founded this company with the strong belief that a business will only continue to thrive as long as the people and natural resources that it depends upon can also thrive.

Today, Daniel’s legacy lives on through Swarovski’s global sustainability strategy.

This strategy prioritises five key themes, including women’s empowerment, water stewardship, fair partnerships, conscious design and sustainable innovation.

Via this strategy, we are also implementing two key programs.

Firstly, there is the positive production program, an initiative that aims to ensure excellence in sustainability in all Swarovski manufacturing and production locations – from Austria and Serbia to India, Thailand and Vietnam – by 2020.

It enables us to invest in our workforce and make a positive impact on the planet, our people and the wider communities in which we operate.

Secondly, the conscious design program, which was developed and is being driven by Nadja Swarovski and the sustainability team.

This initiative focuses on how we can build sustainability into design through our engagement with in-house designers and through our collaborations with external designers and design schools.

This program inspires designers to adopt sustainable practices and we have provided the wider design community with over 6 million upcycled crystals in the last five years to promote the circular economy.

In addition to striving for sustainable business practices, Swarovski is always keen to play its part in society.

In 2000 we established the Swarovski Waterschool, an education program which has expanded globally and reached more than half a million young people to date.

Using innovative teaching methods, the program works with local partners to address global water and sanitation issues.

Its mission is to educate and empower future generations to treasure and protect the world’s most precious resource and inspire them to become leaders in sustainable development.

Sustainability is an ongoing commitment for us and will be a key focus in 2020 and beyond.

**HOW HAS E-COMMERCE AFFECTED SWAROVSKI’S OPERATIONS?**

There’s huge growth opportunity within e-commerce. Our Australian and New Zealand websites continue to grow.

Online partners such as The Iconic and Myer have also experienced growth.

Online shoppers have expectations and needs that we need to meet, the introduction of Afterpay and express delivery options are just a couple of capabilities we’ve introduced that do this.

**ARE THERE ANY KEY TRENDS IN THE JEWELLERY SECTOR?**

We create extraordinary designs for every day and every occasion.

We’ve certainly seen a trend and affinity towards personalisation.

Our advantage is that our products are truly unique and brought to life through our innovative technology – our engineering abilities, cutting-edge processes and expertise in making crystal, which have been perfected over the years.

“We’ve also seen growth in the number of Chinese customers, they’re more digitally exposed than ever and their shopping behavior continues to evolve.”

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Domino’s delivers: More innovation on the menu

After another successful year of business growth, the QSR leader is targeting a big 2020. Domino’s Australia and New Zealand CEO Nick Knight gives us a glimpse into the food firm’s plans.

HOW WOULD YOU DESCRIBE THE PAST YEAR AT DOMINO’S PIZZA?
This was another milestone year for Domino’s Pizza Enterprises Ltd (Domino’s) where we continued to expand our footprint, launch world-first technology, introduce innovative menu items and break records.

We are now the master franchisee for the Domino’s brand in nine countries, on three continents, with a combined population of more than 340 million people.

We have a significant opportunity for further growth and to bring more people closer through the world’s best bonding food – pizza.

WHAT HAVE BEEN THE HIGHLIGHTS OVER THE PAST YEAR?
Where do I begin? Working with an amazing team of more than 18,000 people; franchisees, team members and corporate staff, I’m so proud of everything we have achieved together over the past 12 months.

From opening our 700th store in Australia, to launching world-first technology like the New Pizza Chef with augmented reality, which allows customers to create their favourite pizza before their eyes.

Then there’s DOM Pizza Checker, which checks the quality of every pizza before it goes out the door and developing an award-winning plant-based pizza range so that everyone can share in the joy of pizza.

It’s certainly been a year full of highlights.

WHAT HAVE BEEN THE CHALLENGES?
The Australian retail environment continued to challenge many businesses in 2019, and ours was not immune to these challenges.

The economy has seen more and more Australians tighten their belts, with consumers
looking to pay less, for more. That’s challenging. To continue to succeed, we will keep listening to our customers and delivering an experience that is rewarding, and unlike any of our competitors.

**HOW WOULD YOU DESCRIBE THE AUSTRALIAN RETAIL MARKET?**

Customers are consistently demanding better quality, at better value, and we’re proud to deliver on that.

More than ever before, customers want honesty and transparency from companies and believe they have a right to ‘no more surprises’.

That means receiving the meal they ordered. A meal that looks like the advertisement. A meal that offers real value and can feed the whole family.

I believe that our latest innovation DOM Pizza Checker has provided a platform for transparency and is an innovative solution to this customer tension point.

We will continue to listen to our customers and give them more of what they love.

**HAVE THERE BEEN ANY INTERESTING SHIFTS IN CONSUMER BEHAVIOUR IN THE PAST YEAR?**

Customers don’t like surprises. While that’s always been the case, it’s more pertinent than ever before.

That’s why we launched our War on Charges campaign, offering customers any pizza delivered for $15, no hidden charges.

At Domino’s, we’re always looking for ways to enhance the customer experience, alleviate tensions and generate efficiencies.

Keeping a finger on the pulse of consumer needs, we are proud to raise the bar within the QSR industry, and drive change towards a more transparent, quality-focused approach to meet the demand from customers.

**WHAT PLANS DO YOU HAVE FOR THE BUSINESS OVER THE NEXT 12 MONTHS?**

Our strategy for the next 12 months remains unchanged; delivering high-quality meals to customers, at an affordable price, as quickly and safely as possible.

Our focus on Project 3TEN remains key to this strategy, which is why we plan to open more stores closer to our customers over the next 12 months.

These stores will almost exclusively be delivered by existing franchisees or store managers.

I often hear people mistakenly call us a ‘tech business that sells pizza’. However, we’re proudly a pizza business that uses tech to make things easier, and we want to ensure each of our stores is equipped with technology that benefits both our customers and team members.

This includes e-bikes, fast bake ovens and world-first technology like GPS Driver Tracker, Predictive Ordering and DOM Pizza Checker – which we will continue to innovate and iterate over the next 12 months.

We have also been trialling a loyalty program in Europe and Australia and look forward to sharing the results of this trial and the benefits it can provide to customers in due course.

Ultimately, 2020 is primed to be an exciting year for our business, and I can’t wait to share with everyone what we’ve been working on.

**HOW HAS E-COMMERCE AFFECTED DOMINO’S PIZZA’S OPERATIONS?**

“...I hope to see Domino’s continuing to crush convention, embrace challenges and push the boundaries of what’s possible for our customers.”
Technology and innovation are key pillars of the Domino’s business, and the company is committed to the e-commerce and digital space.

In FY19, Domino’s delivered $1.9 billion in digital sales, accounting for more than 65 per cent of all sales globally. Additionally, our online platforms processed 65 million orders, which is more than two orders every second. In Australia and New Zealand, we saw record usage of our online platforms, selling more than 2 million pizzas and sides in one week alone.

Retail is an ever-evolving industry and I’m excited to be leading a team committed to being at the forefront of industry innovation.

With the ever-increasing pace of emerging technology, we strive to keep our finger on the pulse and actively seek out opportunities to be first movers, and most importantly to always develop for, and evolve with, our customers.

ARE THERE ANY KEY TRENDS IN THE FAST FOOD SPACE?
Artificial intelligence and augmented reality continue to transform the retail industry.

We’re always looking for innovative technology solutions to increase efficiencies and improve the customer experience, and will continue to experiment in this space.

WHERE DO YOU HOPE TO SEE DOMINO’S PIZZA THIS TIME NEXT YEAR?
As a leader in the food-technology space, we’ve proudly achieved industry firsts in drone delivery, app ordering, voice assistants, artificial intelligence and augmented reality, and I hope to see Domino’s continuing to crush convention, embrace challenges and push the boundaries of what’s possible for our customers.

My hope is that, as Domino’s and our franchisees continue to succeed and grow our market share, we will continue to disrupt ourselves – making courageous decisions that propel both our business and the industry forward. Bold actions that transform challenges into exploration, and risk into reward.

They say fortune favours the brave – I hope that Domino’s continues to take brave, industry-leading steps that challenge the status quo and pave the way in the Australia and New Zealand market.
CONTACT DETAILS OF OVER 1,100 AUSTRALIAN RETAILERS

Access head office and key personnel:
Names • Addresses • Websites • Phone Numbers • Email Addresses

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EXPERT FORECASTS
Why do retailers fail?

Business owners and boards don’t always like hearing some harsh truths, particularly when they’re struggling. Here’s a deep dive into why retailers don’t survive.

BY JAMES STEWART, Partner, Joint National Leader, Restructuring Services, KPMG
GAYLE DICKERSON, Partner, Restructuring Services, KPMG
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Retail isn’t easy. Never has been. Never will be.
External challenges facing Australian retailers are well documented, record low wage growth, household debt, volatile housing prices, global uncertainty and stubbornly low consumer spending to name a few.

A common misconception is that a retailer’s success – and survival – can be a product of its external environment. Popular quotations expressed by management teams include, “consumers aren’t spending because the banks aren’t lending”; “online competition is really hurting us”; “we had a really warm winter...”.

In our experience, it is often a retailer’s failure to address factors within their control that ultimately makes the difference between success and failure in a tough market.

So, why do retailers fail?

BRAND RELEVANCE
The number one reason most retailers fail is because their brand, and by definition product proposition, loses market relevance.

Unfortunately it’s a harsh truth that is often difficult for business owners or management to see, much less actually acknowledge in the heat of battle.

Consumer expectations have changed. The evolution of online shopping, invasion of new competitors, both domestic and international, and the rapid pace of technological change has changed the game for Australian and New Zealand retailers.

Customers now expect more; more value, more engagement, and more from their shopping experience. They expect a seamless experience across the physical and digital world and they will vote with their wallets when they don’t get it.

Customers have a virtually unlimited landscape to search for new and fresh product, where ever it exists – on a global scale.

The days of bricks-and-mortar stores being a customers’ shopping temple are over. The physical store environment needs to be relevant to stay viable in the new retail world.

At its core, retailer relevance has always been about great product at a great price that resonates with the customer intuitively.

In the old world of retail, there was only one channel to market. The store.

So retailer relevance in the new world is still about great product at a great price, but now the channel to market is physical, digital and global.

So what are the symptoms of a brand losing relevance?

1 Product and product mix becomes fatigued
Unsurprisingly we see this in declining sales and margin. The customer has started to lose interest in the number one thing they care about – what the retailer actually sells.

2 Customer engagement fails
This is an interesting one. It used to be all about the store experience. Now it’s also about the digital experience. Think Instagram; Facebook marketplace and direct online channels. The digital world is the new world of measuring customer engagement.

3 Brand strategy and execution becomes confused
In reality, responsibility for this (and product mix above) rests with management. The most critical people for any retailer are the CEO and the head of merchandise (product); digital (customer experience) and marketing. This team is the heartbeat of retailer relevance. If they don’t understand their customer and what they want from the brand then a...
4 Technology is outdated
Technology (think digital) has become a cornerstone of retail success. Whether through the use of data to understand customer wants; or to drive product range selection; supply chain; sourcing and more recently how customers pay (think contactless payments technology) is now a serious strategic and tactical point of difference for best practice retailers. Many retailers have significantly underinvested in technology (customer facing and supply chain) over a long period of time, meaning they operate off antiquated legacy systems which do the job, but don’t deliver a customer experience that matches the expectation of what is possible. This just annoys the customer and eventually they drift off to competitors.

Each symptom in isolation poses its own threat, but in unison these can be truly detrimental to a brand.

Constant brand reinvention is more important now than ever before.

STRATEGY: DEVELOPMENT PLUS EXECUTION
A brand is guided by its strategy.
Developing a brand strategy is more than a few loose words on what the brand does and where it is going. Defining a brand strategy is the fundamental reason for being and creates a purpose, the why behind day-to-day activities. This establishes brand identity which customers intuitively engage with.

The importance of brand strategy is not lost on many in retail board rooms. While this is the case, it doesn’t mean retailers take the time to actively think about their brand in the market, how their customer is changing and the impact of new competitors.

Too often the heat of battle is all about the day-to-day execution and time is not made to consider the longer term position of the brand; the bigger picture. It is a lack of forward-thinking strategy where retailers often come undone.

Of course, execution is the link between planning and results. While planning and developing a strategy can be hard work, turning a plan into action, sustaining, and evolving that action can be even harder.

The successful execution of a strategy is highly contingent on the capabilities and effort of your senior management team. Execution of strategy can only be achieved if the management team driving it are equipped with adequate skills (and motivation) to sustain it. For retailers, this means identifying and filling key resource gaps to meet short term needs and ongoing investment in your people to ensure new and existing skills are continually developed.

Even if management possess the necessary skills, the challenge can often lie in their ability step back from day-to-day tasks and look at the bigger picture. This is where having the right mix of skills and experience on retail boards becomes increasingly important.

POOR PRODUCT PLANNING
At its core, product and range planning drives the range architecture, product mix, and qualification to produce your targeted sales and margin outcomes.

“...it is often a retailer’s failure to address factors within their control that ultimately makes the difference between success and failure in a tough market.”

Too often we see retail failures where product and range planning is too simplistic or lacks the attention and resources it requires. Retailers will select products and purchase a range purely based on last year, rather than with any strategic thought in mind.

The consequences can be damaging. A weak product planning process can see brands fail to meet sales and margin objectives as a result of fragmented ranges, poor merchandising, and lack or confusion of brand identity.

In our view, strategy execution is critical to a brand’s survival and success. Why?

It comes back to our earlier comments about consumers demanding more and having more options.

Changing consumer demands and increasing competition have created a generation of “serial switchers” and research indicates that nearly half of

Many iconic Aussie retailers have succumbed to market pressures recently.
shoppers are likely to abandon a brand after just one bad experience. For retailers, this means getting it right, and getting it right the first time, is critical to sustained success.

“ The physical store environment needs to be relevant to stay viable in the new retail world.”

WHAT CAN BE LEARNT FROM FAILURES?
The first lesson is that the customer is almost always not surprised. They can see what has been happening to their favourite brand from a long way out. They feel the slip in service or product standards often well before management does.

Secondly, brands need to continually reinvent themselves to keep up with dynamic modern consumers, adapt to market changes and maintain their relevance. This means ongoing engagement with customers, providing a fresh product and product mix, and ensuring technology within your business is able to meet the demands of today and tomorrow.

The challenge here is both strategic and financial. When a retailer is having a good run, that is the time to really double down on any strategic point of difference and invest further in maintaining their market differentiators, not just take the profits from the good times off the table.

Finally, a brand’s business strategy should be looked at as a dynamic piece of work. Something to be revisited and challenged regularly by more than just the management team.

Open and collaborative retail organisations function well because of the diverse range of inputs they get into what the customer wants and how to maximise customer centricity.

Execution, of course, needs to be delivered through the correct people, planning and resources.
IN MY VIEW, THE OUTLOOK FOR THE AUSTRALIAN ECONOMY going into 2020 appears weak; which is a significant contrast to our national experience of strong and uninterrupted economic growth for the past two decades.

The September quarter national accounts show the weakness in the economy is across households and businesses, with consumption and investment expenditure showing 1.2 per cent and -4.8 per cent over the previous 12 months.

Despite a significant rise in international geopolitical risks over the past few years, one area of strength in the economy has been our export sector, which has enabled Australia to record two consecutive quarters of current account surpluses – the first time in more than 40 years.

KPMG Economics are anticipating real GDP growth to lift as the year progresses, with annual growth to June 2020 forecast to be 2.1 per cent, and increasing marginally to 2.3 per cent by the end of the calendar year.

The implication of this macroeconomic outlook for the retail sector in particular depends on a confluence of factors, including whether, and by how much, wages grow; changes in employment; population growth; dwelling investment and churn; movement in interest rates, inflation, and exchange rates; and the level of household debt.

Australia, like most other developed, and in some cases emerging, economies has seen real wages growth decline over the past decade. Various commentators are suggesting the ‘wages bargain’ between employers and employees has broken down, with returns to labour losing out compared to return to capital.

Our analysis shows this is not the case, and that the relationship that drives wages growth, being productivity, the mix of capital and labour used by an industry, and the role of high tech capital in generating an industry’s output, continues to hold, albeit the role of high tech capital has become increasingly more important in driving wages growth during the past few years.

EXPERT FORECAST

Growth could be hard to come by at the start of the new decade – but it’s not all bad news.

BY DR BRENDAN RYNNE, Partner and Chief Economist, KPMG
This practically means for real wages to grow in Australia, and then get subsequently spent on goods and services, businesses need to achieve improvements in productivity, and look to employ a greater proportion of technology in their production processes.

AUSTERE SENTIMENTS
The latest multifactor productivity estimates prepared by The Australian Bureau of Statistics for 2017-18 shows negative productivity growth for the first time since 2011; which suggests wages growth for the coming 12 months will continue to be austere.

While how much people are getting paid is an important factor in the outlook for the retail sector, even more important is how many people are employed and earning a wage or salary to spend. Australia has maintained a robust labour market despite a general weakness in economic conditions, with more than 250,000 new jobs being created over the past 12 months to October 2019.

There are now nearly 13 million people employed across the nation, and there continues to be a positive sentiment towards the labour market by potential workers given Australia’s participation rate remains at close to a 40-year high.

The expectation however is that this strength in new employment generation will also wane over the coming year, with the unemployment rate stabilising in the low five percentages; a rate still too high for the Reserve Bank of Australia (RBA).

This, combined with the fact that inflation remains below the RBA target band of 2 per cent to 3 per cent, will push the RBA to continue to reduce the cash rate by at least one, most likely two, 25 basis point cuts in the first-half of 2020.

The challenge with this remains – consistent with research conducted by KPMG – that the stimulatory impact of monetary policy becomes more muted when the cash rate is already low.

This opens the door for unconventional monetary policy, like quantitative easing, but we remain doubtful that the RBA will go down this path.

Australia’s population will continue to grow not only through natural increases but also through the overseas migration, who generally arrive ‘spend ready’ to purchase a range of goods and services for living in a new country.

Unfortunately there has been a decline by 30,000 in the number of people eligible to participate in the Commonwealth Government Overseas Migration Program in 2019-20 from 190,000 in the year before; which is equivalent of around 10,000 to 15,000 households that aren’t drawing on the retail base of Australia compared to the previous year.

On a positive note however it seems the housing market in Australia has turned the corner and is now seeing accelerated price growth in most cities, especially in Melbourne and Sydney.

While this brings with it its own challenges in terms of pricing first home buyers out of the market, it is also likely to help the retail sector.

That is, as household wealth returns consumers will feel more confident and comfortable loosening their purse strings buying major items, such as cars and consumer durables.

TOUGH TIMES, BUT GLIMMERS OF GROWTH
Overall the economic environment facing Australia in 2020 is likely to be a continuation of the current tough trading conditions.

From a retail sector perspective household consumption is anticipated to remain weak, driven in part from a combination of low wages growth, reduced new employment activity, lower migration and soft new household formation.

On the bright side, as household wealth improves through the recovery in house prices consumers are likely to be more open to major purchases, like furniture, whitegoods and motor vehicles, albeit there is unlikely to be enough of this activity to drag the sector up.

This downbeat assessment though has the potential to be turned around quickly should the current tetchy global economic environment settle down and world trading activity rebound.

Australia, as a small open economy, gains when the world economy is strong, especially so when our major trading partners, including China and Japan, experience improvements in their aggregate demand.

While this outcome may seem remote, it is important to recognise the key economic factors in this equation can quickly change pace and position, and if this happens, Australia should be able to gain on the upswing.
MEDIA ARTICLES IN THE US AND UK ARE FULL OF HEADLINES proclaiming the retail market is currently facing a ‘retail apocalypse’, with record numbers of store closure and failures of prominent businesses including Sears, Toys “R” Us, Debenhams, House of Fraser, and Mothercare.

The key drivers of these global trends are the continued growth in online retail, cost pressures from wage growth, investment in online infrastructure, and the excess supply of physical stores.

While New Zealand has seen a number of recent failures such as Pumpkin Patch, Andrea Moore and Ziera, and the market remains challenging for retailers, the retail market appears to be relatively resilient by comparison to international markets.

Is the kiwi retail market an outlier or is it simply a matter of time before overseas trends manifest in New Zealand?

New Zealand’s economy has delivered consistent GDP growth with relatively low unemployment rates, supported by infrastructure investment, tourism and population growth.

The buoyant economy has helped deliver year-on-year growth in retail spend. Between 2013 and 2018, across core industries (excluding fuel and motor vehicles and parts) retail spend in New Zealand has grown annually by 3.8 per cent.

While this is partly attributable to growth in online retail, which is now estimated to be approximately 8 per cent of total sales value, domestic retailers account for approximately 55 per cent of total online spend.

Furthermore, domestic retailers are set to benefit from new sales taxes and

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NZ retail: Black cloud or Silver Fern?

The New Zealand retail market has been relatively resilient to date when compared to overseas markets - is it an outlier or will global trends manifest in the kiwi retail scene?

BY NICK MCKAY, Partner, Deal Advisory, KPMG
LEON BOWKER, Director, Deal Advisory, KPMG

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Actual retail sales value by industry

Source: Stats NZ
import duties on offshore purchases. At present, for goods sold below certain thresholds, foreign retailers have not had to pay GST or import duties but domestic retailers have.

This has created a competitive advantage for overseas retailers. In order to level the playing field, most overseas retailers will be required to charge GST on goods sold to New Zealand consumers from December 2019.

Over the last five years there has been, and continues to be, considerable investment in A-grade retail outlets, including Westfield Newmarket (~230 stores); Commercial Bay (~100 stores); and the Sylvia Park expansion (~60 stores).

While much of the expansion is focused on the Auckland region, due to strong recent population growth in the region, there is also investment in other regions including Tauranga, Christchurch and Queenstown.

The new retail space is proving attractive to retailers, with many established New Zealand retailers acquiring footprints in these new retail precincts, illustrating a degree of confidence in both the New Zealand retail market and new mall offerings.

Also, by comparison to international markets, New Zealand has a considerably smaller retail footprint; the US for instance is estimated to have more than five times more mall space than New Zealand (on a per capita basis).

Therefore, the investment in retail space largely represents a supply side catch up.

**BLACK CLOUDS ON THE HORIZON**

However, for all the positive signs in the New Zealand economy and increased retail spend, there are clouds on the horizon. While the retail market has continued to grow, this growth has not necessarily equated to an improved bottom line.

Increased competition (from foreign retailers entering the NZ market) and minimum wage growth has continued to impact margins for the sector. The Warehouse, for example, has delivered revenue growth annually between 2014 and 2018, but operating profit has declined over the same period, with rising wage costs a key driver of this.

The recent decision of the Employment Relations Authority that Mitre 10 must pay its staff a living wage (approximately $3 above the minimum wage) and industrial action from other retail staff suggest wages are likely to continue rising.

Globalisation has also resulted in the international expansion of large global retailers, including Zara, H&M, and Chemist Warehouse. Meanwhile there are rumours of others entering the market shortly including Decathlon, Aldi, Costco and Ikea, in addition to the looming threat of Amazon setting up a distribution centre in New Zealand.

These new offerings will undoubtedly impact the local retail landscape and put pressure on local offerings, many of which will struggle to compete with the supply chain and margin of these large players.

Lastly, while the growth in A-grade retail space will likely deliver growth for retailers located in these new spaces, retailers in sub-prime locations may struggle as shoppers are drawn to new locations which can offer an enhanced retail experience with a greater array of shops and food and beverage outlets.

**WHAT DOES THIS MEAN FOR LOCAL RETAILERS?**

With the threats on the horizon, domestic retailers need to review the potential impact on their business and look for opportunities to adapt and improve their business. Some retailers are doing this either organically via revised strategies or via M&A.

The Warehouse, for example, is undertaking a multi-year overhaul of its operations, including investing in its e-commerce platform and a new platform, The Market, which offers a platform for individual retailers to sell to consumers. The Warehouse is seeking to become a more efficient, omnichannel retailer with a local platform that can compete with international platforms.

Others are diversifying through M&A and we have seen several recent examples of portfolio expansion over the last year or so – Super Retail Group’s acquisition of Macpac, Carpet Court’s acquisition of Curtain Studio, Kathmandu’s acquisition of Rip Curl, and Barkers acquisition of Max Fashions.

While there are clearly black clouds on the horizon for NZ retail, best practice retailers are already adapting their business models and have no intention of being caught in the storm that may be to come.
The power of perpetual inventory

Poor, out of date supply chain management systems continue to plague retailers.

BY ANDY BUCKLE, Director, National Lead for Retail Technology, KPMG

IN TODAY’S FAST-PACED AND COMPETITIVE RETAIL environment, being at the forefront of technology has never been more important.

Technological advances are creating unprecedented opportunities for retailers to connect with their customers over a variety of mediums.

Consumer expectations have changed and offering an omnichannel shopping experience is now an expectation and considered the norm.

However, sustaining an omnichannel offering requires the support of a modern approach to inventory management. Retailers need to know what stock they have, where it is, and to make sure that information is accessible throughout the business, and as necessary, to customers.

Despite this need, inventory management is one of the most underinvested areas in retail.

Many retailers rely on legacy systems that do not provide a real time or accurate way of knowing what stock they have on their shelves, in backrooms, in transit and at the warehouse – that is, perpetual inventory – resulting in inefficiencies and potential misdistribution of stock.

Additionally, we often see legacy technology with multiple add-ons, complex customisations and workarounds.

The result is a technology system that is disjointed and not fit for purpose, restricting a retailer’s ability to meet the fast paced and agile demands of the market.

Very few of Australia’s top retailers have perpetual inventory – a near real-time and ubiquitous approach to inventory management.

The consequence?

A lack of accurate and up-to-date inventory management has ripple effects through all aspects of a business.

Many retailers have detailed plans for a new omnichannel operating model, but cannot enact the plan due to poor inventory systems.

VISIBILITY

For a number of retailers, manual stocktakes are the only time when they know what stock they have and where it is within their network.

The inability to instantly see and update inventories will often lead retailers to miscalculate their online inventory with stock that isn’t actually available and customers ordering items that are not available.

This can be damaging, informing customers they are unable to fulfil their orders and potentially issuing refunds.

HIDDEN COSTS

Online sales often involve hidden costs. For example, as goods move through the value chain, their cost can be inflated due to duty or freight charges.

Without accurate inventory management, those costs are not fully managed and the true item profitability is unknown. The implications of this are far-reaching and can influence pricing and product mix decisions.

FAILURE TO DELIVER

Consumer trust is paramount to the ongoing success of any retailer. Customers expect that when an order has been placed, it will be available, in the correct style and size, and delivered at a convenient time and location or ready for collection.

Every time a customer’s order is unfulfilled, it dilutes trust in the brand. This is why perpetual systems are vital.

With perpetual inventory, the technology tools enable a business to know where all of its stock is, in almost real time. Whenever a sale is made, or new stock arrives, it is immediately recorded, and the inventory ledger is updated across the retailer’s entire network.

The benefits for retailers are powerful.

LOCATION, LOCATION, LOCATION

Customers can go online, see a product, and use location services to see where the closest store is that has it in stock, in what sizes and styles as well as in what quantities.

They can order and collect from the local store immediately. This resonates with millennials and a growing generation of time-poor consumers.

ONLINE ORDERS

When a customer places an order, by looking at the postcode, a local store can immediately be allocated to provide the product.

This means the retailer doesn’t need to invest in a separate online warehouse for the purposes of dispatching online orders. Savings on capital expenditure unlocks greater investment across other parts of the business.

PREDICTIVE INSIGHTS

Smart systems and technology know when the goods are expected to arrive. The retailer has a better way of seeing what is coming and keeping the customer informed.

It is also much easier to track what is selling well, what stock needs to be quickly reordered, and what stock isn’t moving and could go on sale.

In an increasingly competitive and challenging landscape, retailers need to offer a unique value proposition to customers. This is supported through convenience and speed, ongoing engagement, and delivering on promises – the what, when, and where.

While addressing these areas can be achieved in different ways, the power of perpetual inventory should be not be lost on retailers.
E-COMMERCE CONTINUES TO BE A PRIME DRIVER OF RETAIL TRANSACTION VOLUMES.

As fundraising initiatives gather pace and availability of capital increases, private equity’s search for high quality, high growth and scalable investments have been largely directed to e-commerce businesses.

Online businesses have been highly sought after for their nimble and scalable characteristics including; a lower level of committed lease costs associated with a store network; and the ability to reach a larger, and often, international audience without significant infrastructure investment.

Additionally, e-commerce businesses have typically transacted on revenue multiples, which has catalysed high quality operating vendors to explore potential investment discussions.

Recent evidence in the market include US private equity fund Summit Partners’ investment in fast fashion online retailer, Princess Polly and Quadrant Private Equity’s investment in Australia’s largest online beauty retailer, Adore Beauty.

Traditional bricks-and-mortar retail sector M&A activity remains challenging as directional certainty have forced resources to be stretched.

Over the past decade, a wave of online businesses, including The Iconic and ASOS, followed by the entry of international retailers Zara, H&M and most recently the Amazon effect, have continued to keep traditional bricks-and-mortar retailers guessing on ever-changing customer preferences.

As these resource constraints become more pervasive, traditional retailers have focused on re-investment rather than mergers and acquisitions or expansion activity. A lack of appetite from financiers has exacerbated funding constraints, as financiers themselves navigate risk exposure and regulatory changes forcing traditional retailers to fund any investment or growth with their own equity.

Scarcity of available funds and low confidence in outlook have impacted valuations which is reflective in domestic-listed retailers.

SUCCESSFUL TRAITS

Some bright sparks have been observed in the private markets, where businesses have met the customer brief and continue to grow well in-excess of the overall retail sector and their listed peers.

Common themes surrounding these businesses include:

- Clarity on their target customer
- A customer focused approach, through the delivery of great products or services first and the use of marketing to convey the message (not the other way around)
- Data driven intelligence is at the core of business decisions to provide selling, up-selling and re-selling to the customer (not just growing the customer base)
- Technology used to improve business efficiencies
- Strong financial management, including the capacity to move inventory quickly
- An overall ability to be nimble and swift in decision making by adapting to new customer preferences.

Scarcity of available funds and low confidence in outlook have impacted valuations which is reflective in domestic-listed retailers.

Consumers are increasingly supporting businesses with purpose, putting the onus on the business owner to bring their brand to life.

Businesses have successfully done this through ethical sourcing, technical aspects or even providing a perceived lifestyle.

Most importantly, a collaborative approach to educate and empower the customer rather than marketing just to sell.
WE HAVE ALL HEARD THE SAYING BEFORE – ‘CASH IS KING’ and ‘profit is vanity but cash is reality’ and so on. However, despite all the slogans, many retailers still seem to spend an inadequate amount of time focusing on those parts of their business that make up working capital.

Reasons for this include:
- As a concept, working capital is often less tangible than other parts of a business – such as revenue or costs
- Many corporates and metrics within are not well understood
- Businesses often don’t have the capacity, skill sets, analytics and expertise to understand and optimise working capital.

THE CASE FOR CHANGE
Working capital optimisation is a free source of cash – every dollar released from working capital is one that a business doesn’t need to tap the debt or equity markets for.

Releasing cash from working capital can also be one of the fastest sources of cash in any business and achievable at zero or close to zero cost. For example, conducting an active internal campaign to collect customer debts aged beyond agreed payment terms takes very little cost to achieve and can provide cash quickly.

For many retailers, reducing working capital will continue to be important in 2020. Some of the many reasons include:
- Continued tough consumer spending conditions
- Ever growing margin and cost inflation pressures
- A constant need to keep investing in capex ranging from physical stores through to digital and e-commerce
- Increased market and stakeholder pressure on how well management is managing its capital employed.

TIPS FOR RETAILERS
Improving working capital is rarely straightforward and often one of the biggest challenges is knowing where to start. Here are some tips for retailers when thinking about improving their working capital.

1. Consider working capital improvement a journey and not a destination. As businesses grow and evolve over time, so do their working capital requirements and challenges.

2. Measure what matters – many corporates fail to have reliable visibility over the key working capital metrics. At a minimum, retailers should be monitoring key metrics such as Days Sales Outstanding (DSO), Days Payable Outstanding (DPO), Days Inventory Outstanding (DIO) and Cash Conversion Cycle. In addition to these metrics, ageing profiles of debtor, creditor and inventory ledgers are also key as they can be an early warning sign of operational problems in a business.

3. Focus on changing the cash culture. While this is often one of the most difficult areas of working capital improvement, it can be the most rewarding. Shifting the mindset of a business so that cash is just as important as revenue and profit is key.

4. Look widely at a business. There are many different ways to improve working capital. While many corporates default to focusing on payment terms, this is really just one of many strategies available. The best working capital improvement programmes will take a broad look at a business and deploy numerous strategies touching multiple different parts of a business.

5. Use data to dispel cash myths – when it comes to working capital there are often many myths that are shared throughout different parts of a business. Examples include assumptions regarding customer behaviour, inventory stocking policies and system related constraints that may be used to prevent operational changes to a business. Often, the best way to navigate these myths is to truly understand what is really happening via data analysis. Very often, there can be a difference between management’s perception of reality and what is actually happening in the warehouse or store. The best defence to any resistance to change is often the truth and an understanding of the data is a source of that truth.

EXPERT FORECAST
Leading retailers have one thing in common – they all constantly focus on cash and working capital.

BY VINCE DIMASI, Partner and Australian Lead – Working Capital Advisory, KPMG

How to generate more cash flow

Working capital optimisation is a free source of cash – every dollar released from working capital is one that a business doesn’t need to tap the debt or equity markets for.”

Adopting a long term view is key.

Leading retailers have one thing in common – they all constantly focus on cash and working capital.