

Tuesday, 24 November

State of the Nation 26: Australian Retail Industry

Roy Morgan Research CEO Michele Levine this week presented the latest State of the Nation Report in Melbourne and Sydney, with a special Spotlight on Australian Retail.

The State of the Nation Report looked at the 'invasion' of overseas retailers like H&M, ALDI, Costco, Zara – and in 2017 online giant Amazon, the battle for the online shopping dollar across a range of categories, the vital importance to retailers of properly identifying their customers and the desire of many consumers to have an increasingly 'frictionless' retail experience.

Key findings of this in-depth industry spotlight include:

- The ascension of Malcolm Turnbull to the top job as Prime Minister just over a year ago has certainly had a positive impact on the Business Confidence of Australian retailers. From being significantly below other businesses Retailers confidence has increased about 20% to now be at 124.6 in October compared to All businesses at 114.6 (up just 4%). Over 70% of retailers now expect 'good times' for the Australian economy over the next 12 months; and nearly two-thirds (66%) believe the 'next 12 months is a good time to invest in growing the business.
- Australians spent nearly \$105 billion a year on *things* in the financial year to June 2015: from clothes and shoes to hardware, appliances and furniture, home entertainment products and devices to perfume, cosmetics and skincare, sporting goods, games and pet supplies. Although Australians spend this vast amount of money on such commodities, whether online or in-store, this overall figure declined 2% compared with the previous financial year (to June 2015).
- Over the year we buy around 1.1 billion of these items and during an average four week period, 55% (up 1% in a year) of us buy clothes, 22% (down 2%) buy hardware, DIY and plants, 22% (unchanged) shoes, 19% (down 2%) cards and stationery, 16% (down 1%) books, 16% (unchanged) music, movies or TV shows and 13% (down 1%) games or toys.
- Australians made a combined 1.43 billion trips to department stores, discount stores, hardware, homewares, clothing and music stores and newsagents over the last financial year. Although this figure is down around 100 million compared to five years ago, this figure has increased over the past twelve months – up 90 million.
- The biggest winners over the past year have been clothing stores and boutiques – up 33 million visits following the arrival of several high-profile international fast-fashion retailers like H&M, Zara & Uniqlo and hardware stores (up 32 million visits) – led by clear market leader Bunnings. Also increasing strongly have been discount stores (up 20 million visits), department stores (up 16 million visits) and home interiors stores (up 13 million visits). In contrast, newsagents have continued their decline in visitation over the past 12 months – down 18 million visits.

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- Australians spent an estimated \$41.3 billion online over the last financial year (up from \$37.8 billion a year ago (up 9.25%).
- The fastest growing online shopping categories by total dollars spent year-on-year are Baby & Nursery (up a large 42.8%) followed by Travel (up 21.9%) and Health & Beauty (up 14.5%). Other categories to grow at an above average rate include Sports equipment (up 12.1%), Pets & pet products (up 11.8%), Clothes & shoes (up 9.9%) and Food & Beverages (up 9.6%) – as a new trend of ordering ‘fast takeaway’ delivered by the likes of Deliveroo, Foodora and Ubereats takes off.
- As we revealed a year ago, online shopping is not the threat to local retailers it was once considered to be. Today an estimated 76% (up 4% from a year ago) of our online spend (around \$31 billion) stays in Australia, whether going to home-grown online-only sites or the internet offerings of local retailers.
- Traditional retailers were slow to catch on to the possibilities of online retail – in 2010 traditional retailers captured virtually nothing of the retail spend made online, despite companies like Amazon being founded more than two decades ago in 1994. However, over the past half-decade traditional retailers have made a strong entrance with their Internet store-fronts; now over a third of money (34%) spent online is for bricks-and-mortar retailers’ internet stores.
- The annual Grocery market is now valued at \$102.8 billion – the vast majority of which (\$89.8 billion) is spent at supermarkets. Woolworths’ market share fell 0.5% points from June 2015 to 2016 to 37.1% (although a much smaller faller than the 2.3% fall the year before) while Coles increased 0.2% over the year to 32.5% and ALDI was up 0.5% points to 12.3%. In the first half of 2016 ALDI continued its aggressive expansion opening its first stores in South Australia & Western Australia.

Michele Levine, CEO, Roy Morgan Research, says:

“Over the past year (most) in the Australian retail industry has performed well in the face of increased competition from overseas retailers entering the Australian market and the concerns many had for the Australian economy with the end of the mining boom. Of course, there are notable exceptions to this with the closure of Dick Smith and in the next few weeks Masters.

“Although overall spending on discretionary commodities did decline slightly, by 2%, over the past year, retailers are in fact more confident about the future now than they were a year ago – although it appears this very confidence is helping to attract more and more international retailers to ‘attack’ what they perceive as the ‘rich pickings’ available in Australia.

“Most notably, online ‘behemoth’ Amazon is widely expected to make its long-awaited entry to the Australian market in late 2017 and our State of the Nation Retail Report out now shows there are plenty of reasons to be worried about the disruptive force Amazon will have on a wide range of Australian retailers.”

For more information or to organise an interview with CEO Michele Levine, please contact:

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About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

| Sample Size | Percentage Estimate | | | |
|-------------|---------------------|------------|------------|-----------|
| | 40%-60% | 25% or 75% | 10% or 90% | 5% or 95% |
| 5,000 | ±1.4 | ±1.2 | ±0.8 | ±0.6 |
| 7,500 | ±1.1 | ±1.0 | ±0.7 | ±0.5 |
| 10,000 | ±1.0 | ±0.9 | ±0.6 | ±0.4 |
| 20,000 | ±0.7 | ±0.6 | ±0.4 | ±0.3 |
| 50,000 | ±0.4 | ±0.4 | ±0.3 | ±0.2 |