

CONSUMER GOODS RETAILING IN AUSTRALIA



CATHRO & PARTNERS

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“The consumer retail sector is bracing for a very uncertain 2023 as the impact of high interest rates, inflation, supply chain issues and cost of living pressures is likely to see consumers reduce their spending particularly on discretionary spending items.”

CONSUMER GOODS

Consumer goods are products bought for consumption by the average consumer and are the output of a production/manufacturing process.

1.3% \longrightarrow **\$221.7 Billion**

A recent market survey reveals that over the next five years through 2026-27, the subdivision revenue will rise at an annual growth rate of 1.3%, reaching \$221.7 billion

Real household disposable income for 2022-2023 is expected to be \$597.3b, a 4% decline on the previous year which is likely to put downward pressure on consumer spending over the coming year.



KEY TRENDS RELATED TO THE AUSTRALIAN CONSUMER GOODS RETAILING:

1. With technological advances, there has been scope for growth in some retail industries. (for example, consumer electronics and software sales).
2. Profitability is expected to increase for those businesses that reduce retail wages and store operating expenses as consumers continue to embrace online shopping platforms.
3. Domestic firms have been developing multichannel sales platforms to migrate online.
4. Online-only retailers continue to put further pressure on traditional retailers driving down prices further.



HOUSEHOLD GOODS

Household goods account for **38.5%** of the Australian retail market.



Products include furniture, computers, hardware, housewares, domestic appliances and building supplies.

- People spent more time at home due to the COVID-19.
- New technologies have led to further increased demand for computers and software.
- Retailers specialising in home-based technology products benefitted due to technological advances.



CLOTHING, FOOTWEAR AND PERSONAL ACCESSORIES



Clothing, Footwear and Personal Accessories account for **27.9%** of the Australian retail market.

- Due to online platforms, there is an extensive range of clothing, footwear and personal accessories available that cater to the preferences of every consumer segment.
- Online retailers have lowered fixed costs like rent, maintenance, and store design, which help them offer products with heavy discounts.
- The performance of this particular segment has been negatively affected in recent times due to the decline in discretionary incomes and tough competition from online fashion retailers.

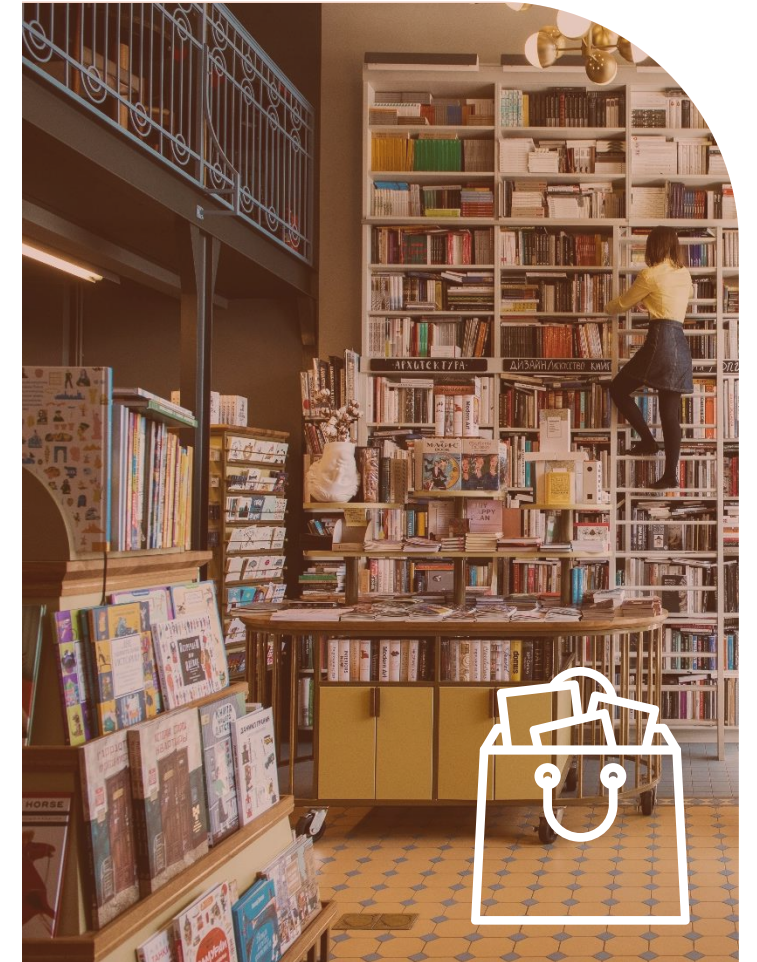
OTHER CONSUMER GOODS

Other Consumer goods account for **33.6%** of the Australian retail market.



It includes products like newspapers, books and stationery items, makeup products, sports and camping equipment, entertainment media.

- Retailers specializing in newspapers/physical books/stationery, continue to see declines in their sales/market share.
- Pharmaceutical retailers performed exceptionally well during and post pandemic.



CURRENT MARKET PERFORMANCE/FUTURE CONSIDERATIONS

Highlights:

1. The consumer goods retailing segment is growing at a slower pace than the overall economy. Average profit margins across the subdivision have fallen over the past five years and have continued to decline as COVID-19 restrictions eased.
2. Consumers are spending more on other channels, like travel, tourism and hospitality on the back of the reopening of the global economy.
3. The number of physical retail establishments is projected to decline over the ten years through 2026-27.
4. Many businesses are anticipated to close underperforming stores or exit the bricks and mortar retail sector altogether.

There are currently 140,000 retail establishments operating in Australia, contributing 10.7% of overall employment and 4.1% of the country's GDP. The retail sector has faced numerous obstacles due to competition in the past and will need to continue to develop and evolve to remain relevant.



MARKET DRIVERS

Real Income:

Real household disposable income trends have a direct impact on consumer demand. Consumers with higher household earnings have more money to spend on essential and non-essential retail purchases.



\$597.3 Billion

Real household disposable income is expected to fall by 4.0% in 2022-23

4% ↓

Online Spending:

Retailers of consumer goods confront escalating competition from online businesses that offer comparable goods. The world has been adopting digitalisation at a much faster rate.



23.4% YOY

The Surge in Online Shopping Demand

Australian eCommerce grew 23.4% YOY and continues to grow further

23.4% ↑

CPI/Trade Weighted Index:

The performance of the subdivision may be impacted by changes in the trade-weighted index, which tracks changes in the value of the Australian dollar.



62.8 index points

Trade-weighted Index Points

The trade-weighted index is expected to increase by 1.9% in 2022-2023.

1.9% ↑

CURRENT OBSERVATIONS

Retailers continue to grow at a slower pace than balance of economy

Further Impacts on spending as a result of inflation and interest rate rises

Numerous retailers have failed and continue to fall into distress

Ezibuy, Brosa, Alice McCall, Boozebud, Bobux, Sneaker Boy, Seafolly, Kikki K, Napoleon Perdis have all collapsed and/or been restructured over last three years.

Expectation that number of retailers will continue to decline through 26/27

As restructuring practitioners, we are often engaged to undertake investigating accountant's ("IA") reports to provide insights to stakeholders surrounding the ongoing viability of retail businesses.



CHARACTERISTICS AND LEVERS OF A RETAIL BUSINESS



Size /
locations /
markets /
channels



Products /
services /
brands



Supply chain



Workforce /
management



Processes /
systems /
technology

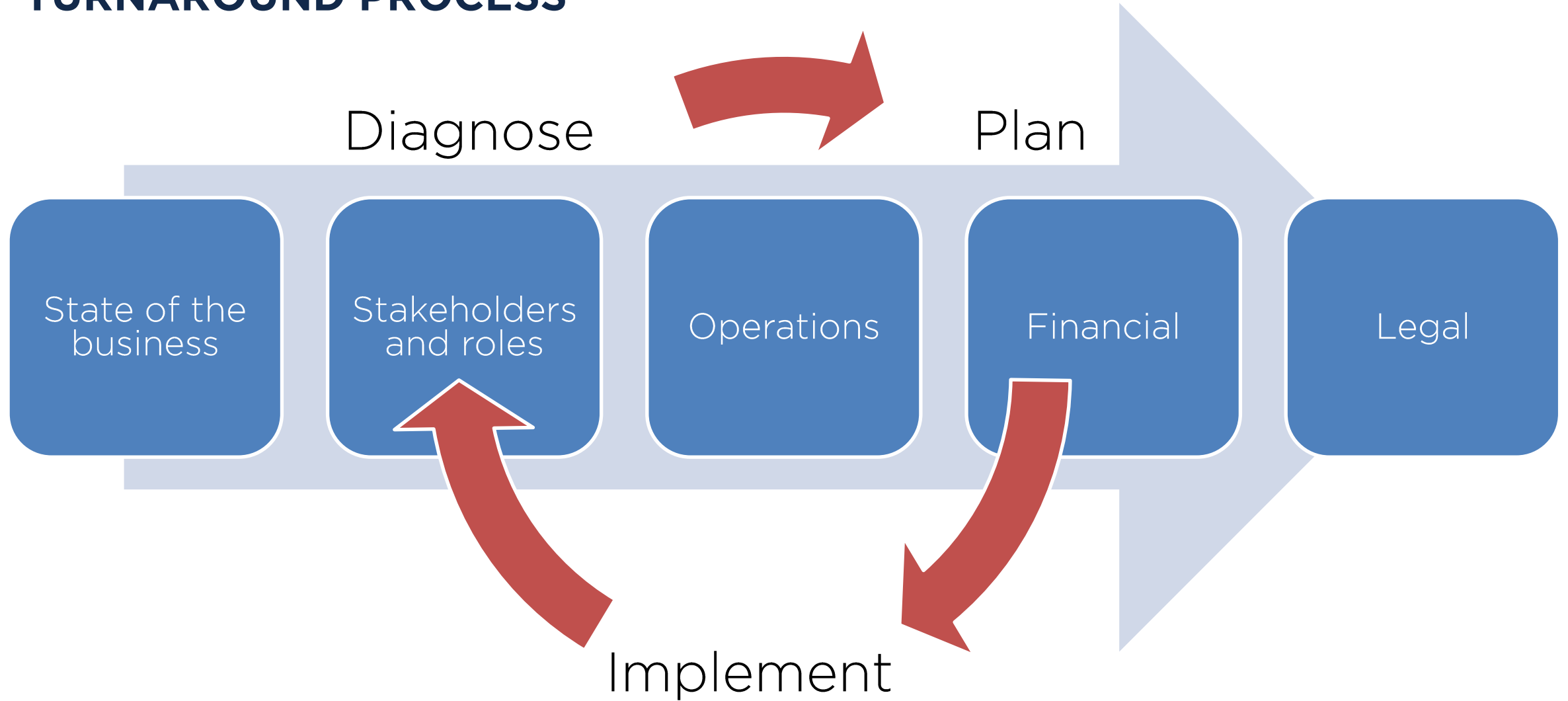


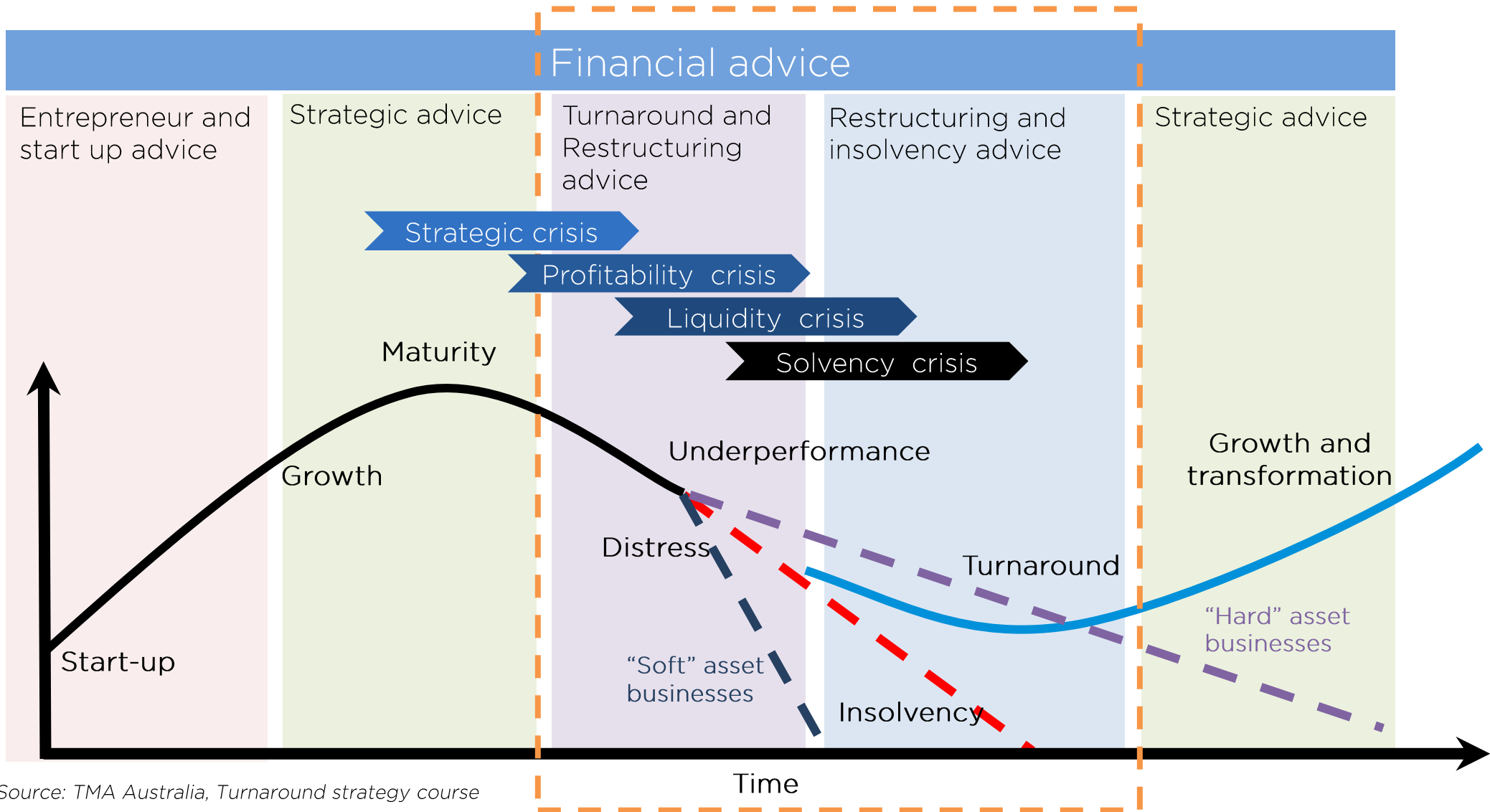
Governance,
structure and
risk



Strategic
position
(SWOT)

TURNAROUND PROCESS





Source: TMA Australia, Turnaround strategy course

TURNAROUND/RESTRUCTURING STRATEGIES

Potential solutions include:

- Financial – Internal funding (cash/working capital), External funding (PE, Debt), financial restructuring (debt compromise)
- Operational - Negotiating with landlords/exiting premises, terminating employees
- Carving out/selling off non core offerings – getting back to core
- Overlaying restructuring strategy with safe harbour engagement



I suppose the question I ask is why can't any business owner have the obsessive like focus that __ engage advisers to repeat on.

WHAT THE FUTURE LOOKS LIKE?

It is anticipated that the ongoing disruptions present both problems as well as possibilities for merchants.

In order to adapt, retailers must be ready for the new normal, plan efficiently, innovate rapidly, and reinforce their core processes.



Omni Channel Experience

Retailers need to embrace a multi-channel approach to offer customers a convenient way to interact with the goods and transact through their preferred platforms. Besides, omnichannel strategies also help reach a much wider target base and thus aid in business expansion.



THANK YOU

Questions?



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