



Retailers' Christmas Survey 2020

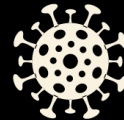
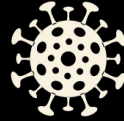
Stepping out of the bubble



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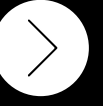


Introduction

Welcome to the ninth annual edition of the Deloitte Retailers' Christmas Survey. This year will be a Christmas like no other as COVID-19 disrupts the industry and supercharges innovation in online and last mile delivery, while dramatically shifting consumer demand.

In the lead up to this all-important Christmas trading period we surveyed a cross-section of executives and senior management from retailers operating in Australia about their expectations for Christmas 2020 and beyond.

This insights pack contains the detailed analysis from the survey and analyses retailers' sentiment for the Christmas period, key trends, expectations and priorities of Australian retailers for 2021.



Christmas expectations



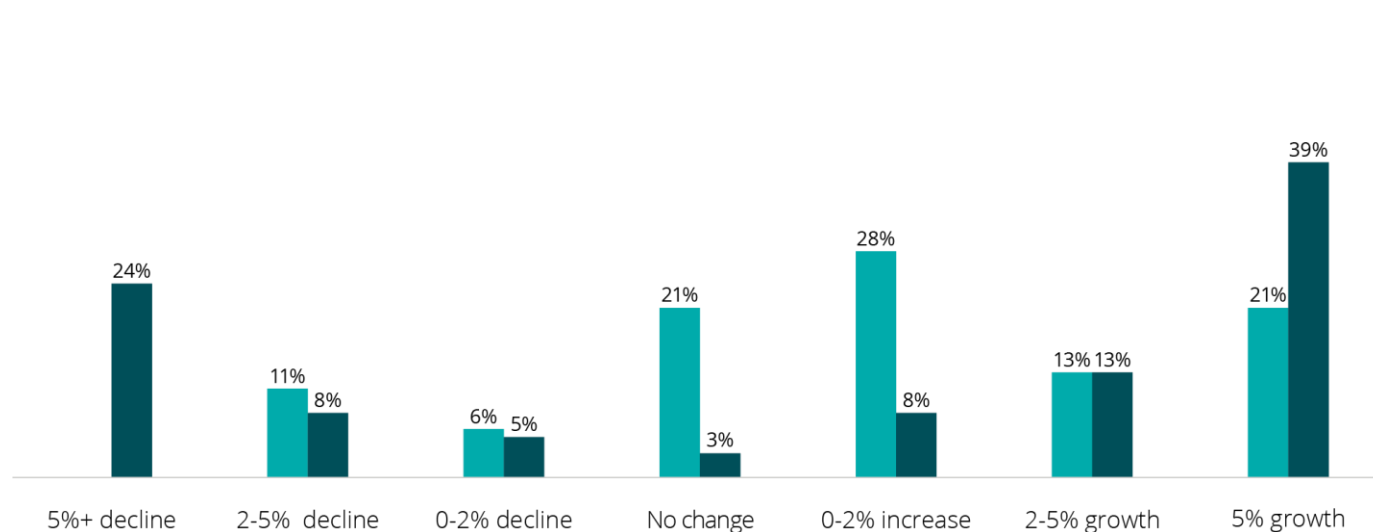
Stepping out of the bubble

For the first time in the survey's history, more respondents expect +/-5% sales growth than all other categories. The percentage of retailers expecting more than five percent growth this year has nearly doubled since last year, illustrating that whilst retail spending will likely be lower in 2020, many retailers are seeing supercharged demand for their products as consumers spend more time at home with the share of wallet for retailers shifting accordingly.

The retail sector has been polarised between the haves and have nots – some have benefited from border closures and consumers spending more time at home, whereas others in the services, apparel and catered food market have borne the brunt of the downturn.

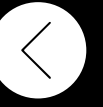
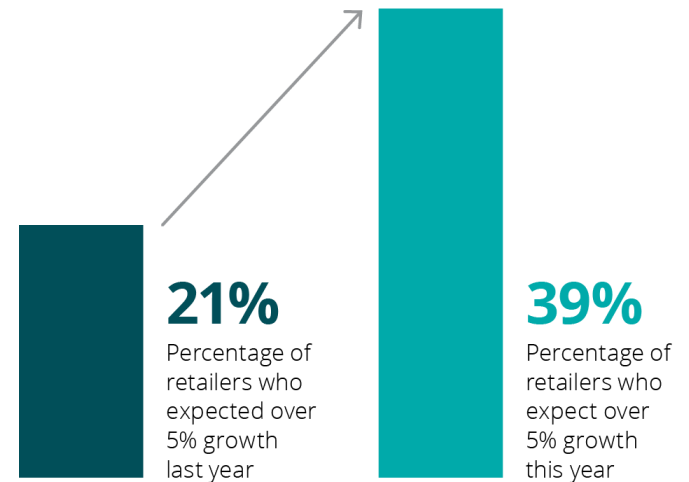
Do you expect Christmas sales to exceed the previous Christmas trading period?

● 2019 ● 2020



COVID-19 has caused a lot of concern with forced closures, but we have bounced back well after a refurbishment of the shop and sales have been consistently better. Customers are shopping local it would appear.

Survey respondent

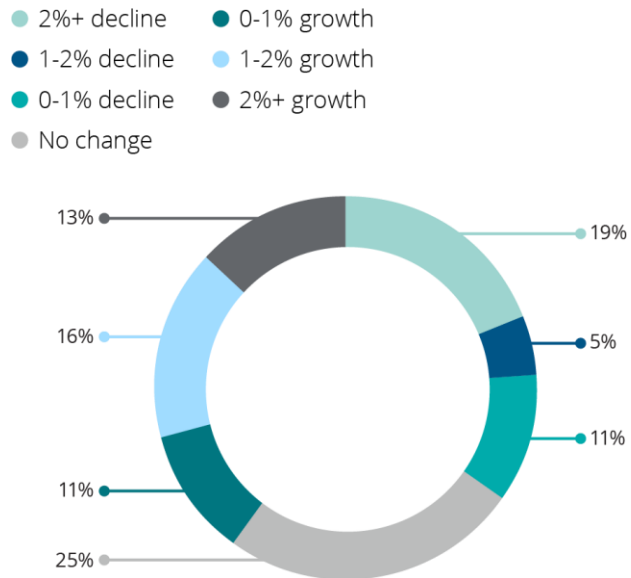


As for margins, the story is a little different. Whilst there remains a much larger proportion of retailers expecting margin declines of greater than two percent in 2020, in the main expectations are relatively consistent to last year.

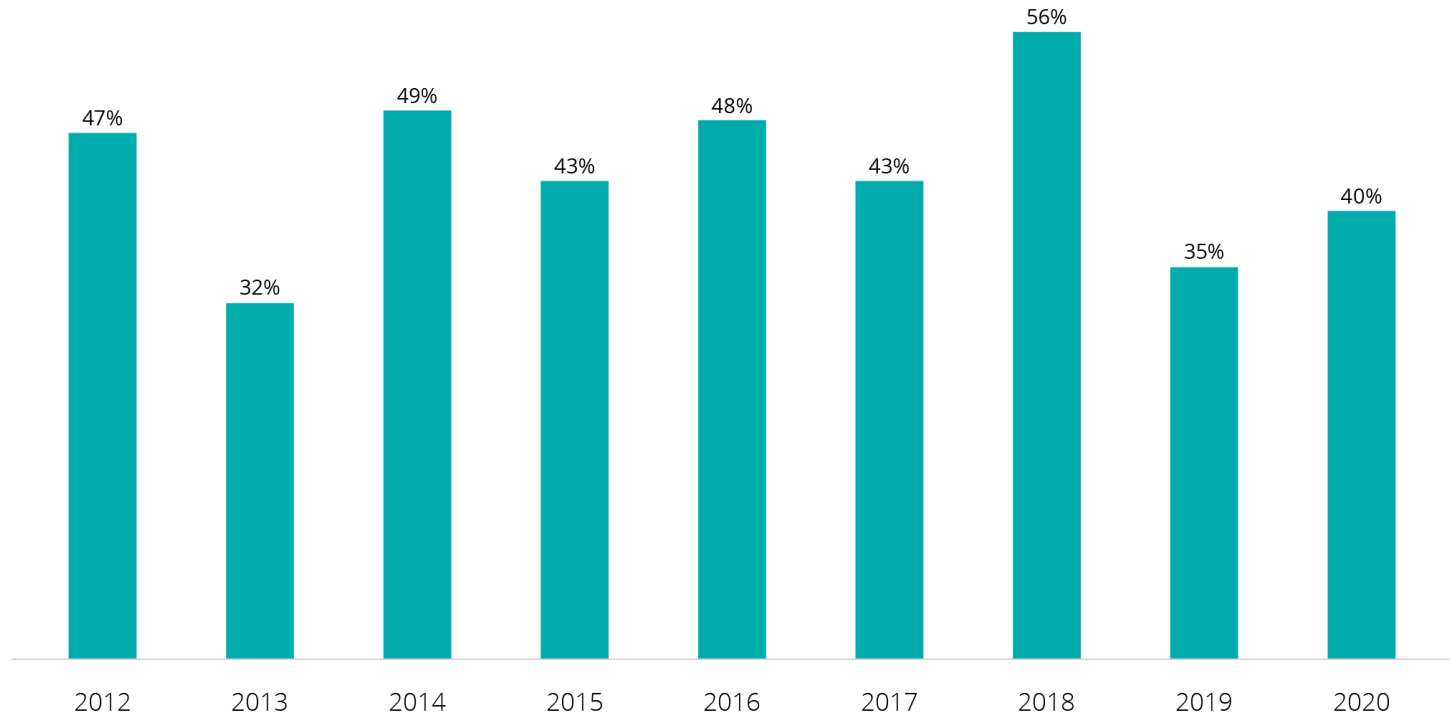
Of those respondents that are bullish about sales, half are expecting that the margins will increase by more than one percent, and of those expecting a decline in sales of more than five percent, none are expecting margin increases.

With some of our respondents highlighting that stock availability is an issue this Christmas, margins may hold up even if sales disappoint but it remains a risk particularly for those that are heavily impacted.

Do you expect margins for the Christmas period to exceed the previous year?



Retailers expecting margin increases – 2012 to 2020



COVID-19 turned normal operating procedure on its head for all of Australia, with retail hit harder than most. The retail sector employed 1.25 million Australians at February 2020¹, and many of these were stood down over the pandemic period as stores were closed and retailers small and large were caught up in the fallout.

Nearly three quarters of our respondents told us that JobKeeper helped avoid redundancies during the pandemic. JobKeeper has not only supported retail employees across Australia but provided those employees with money to spend in the economy during the hardest-hit period.

Time will tell whether the reductions in JobKeeper over the next six months precipitates the so-called 'fiscal cliff' and what impact this will have on retail spending. Retailers that are doing it tough will be hoping that the JobKeeper taper will be matched by a recovery in organic demand.

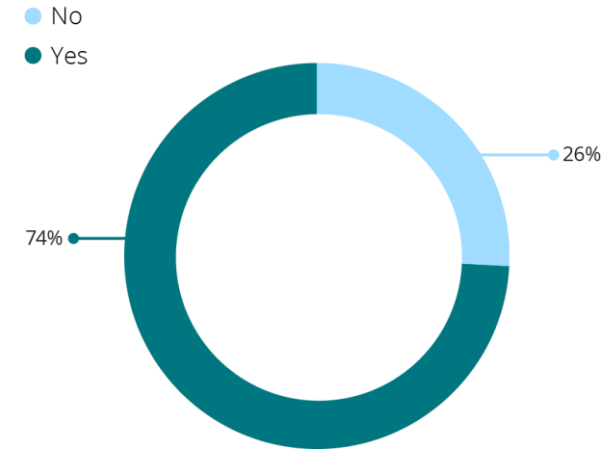
Whilst the majority of retailers haven't seen a significant change to weekly spending habits, nearly a third have had a shift in demand to weekdays. Consumers have largely shopped closer to home, and our respondents that cater to this market have done well over the year.

As a retailer in a local community we have increased our turnover 13-14% over last year, due to locals shopping locally.

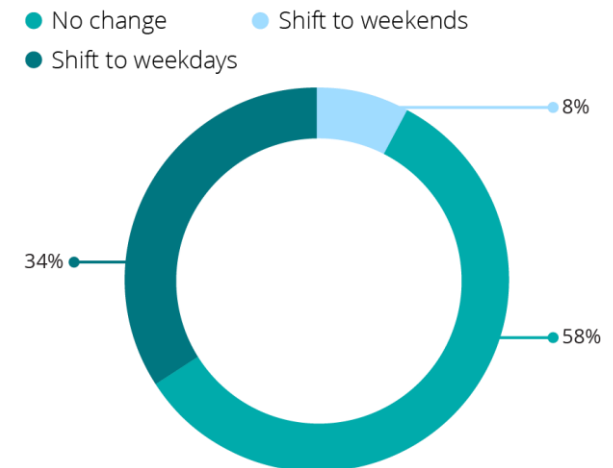
Survey respondent

¹ ABS Retail Trade data, February 2020

Have the JobKeeper benefits helped you avoid making your staff redundant?



Since the beginning of the pandemic, have you experienced a change in weekly sales patterns?



Immediate priorities to win this Christmas

So what will the next four weeks bring? This year we asked our respondents to highlight their key priorities heading into the all-important holiday period.

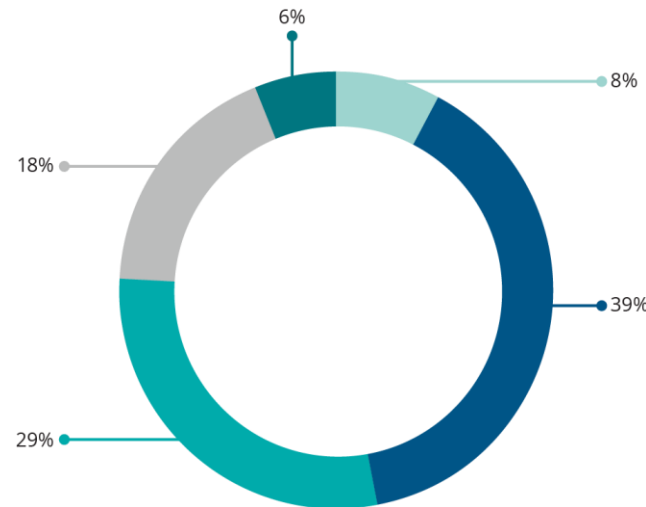
Over 68% noted digital and omni-channel and customer engagement and experience as strategic priorities in the weeks leading into Christmas.

This is not surprising given the huge growth in online market share throughout 2020 where the interaction between digital and customer experience has become a key criteria for success for any retailer, and never more so in 2020.

Interestingly, 73% of these respondents have said in-store purchases will remain the most popular distribution channel in the next four weeks which means retailers that leverage superior digital and omni-channel strategies as a complement to physical stores will be the ones that stand out from the pack this Christmas.

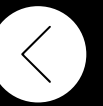
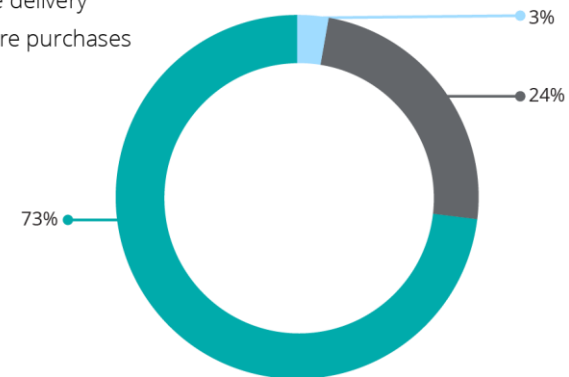
What do you see as your most important strategic priority in the next four weeks

- Acquisitive growth
- Customer engagement and experience
- Digital and omni-channel
- Efficiency and cost control
- Organic growth



What do you expect to be your most popular distribution channel for consumer purchases in the next four weeks?

- Click & Collect
- Home delivery
- In-store purchases

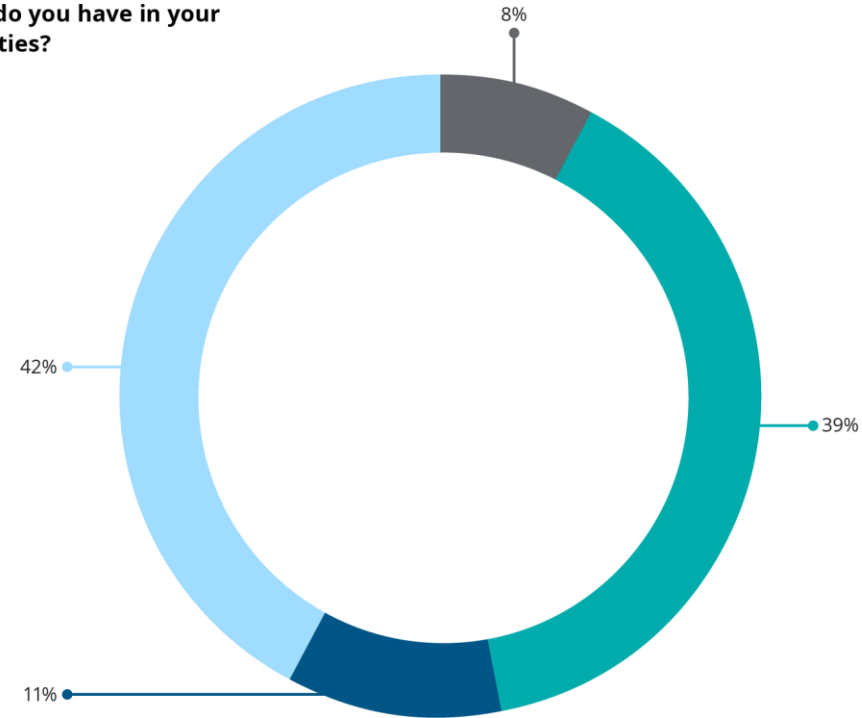


This Christmas, retailers are looking to seize both in-store and online opportunities to ensure they have the biggest find in their holiday stocking. A sure way of winning this season will be executing on partnering arrangements with courier companies to offer last mile delivery to existing and new shoppers.

Over 50% of our respondents are confident in their last mile delivery capabilities and retailers are investing in technologies that enable ETA track and trace, dynamic routing, autonomous delivery and pick-up / drop-off networks. This investment is enabling a more seamless experience for consumers.

What level of confidence do you have in your last mile delivery capabilities?

- High confidence
- Low confidence
- Moderate confidence
- Very high confidence



Retail trends



Omni-channel comes of age

Australia has lagged major overseas markets in the US and Europe ever since the early days of online retail. Necessity is the mother of invention and as stores closed around the country, consumers turned to the PC, tablet and mobile for many of their retail needs.

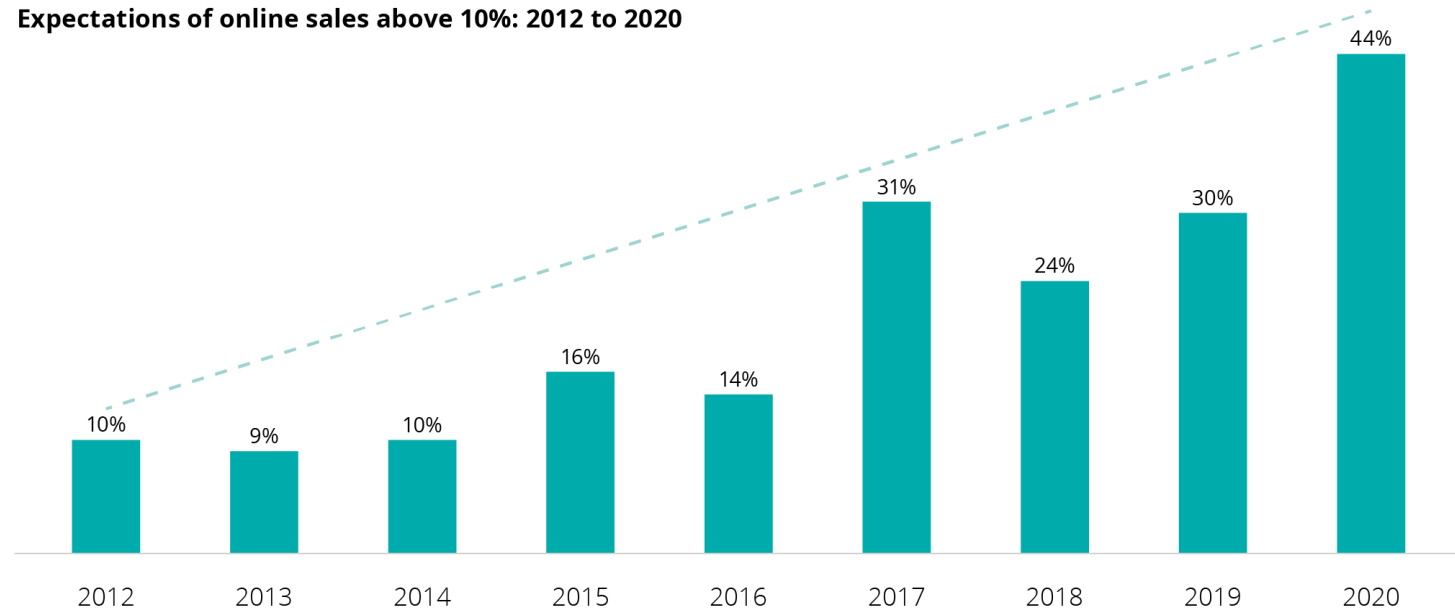
In the two months between February and April 2020, online sales share of wallet increased as much as in the previous four years, from 6.6% to 11.1%².

As stores have reopened, some retailers have seen a normalisation of online sales, and time will tell whether the surge will settle back to historical averages. It is likely that the shift to online will only continue as convenience replaces safety as the primary reason to shop online.

Our online sales have eased off slightly as Melbourne reopened, but we're still expecting that online will be strong up until the Australia Post cut-off for Christmas. After that we're expecting more foot traffic in-store, particularly in our suburban stores.

Survey respondent

Expectations of online sales above 10%: 2012 to 2020



² Deloitte Access Economics Retail Forecasts, September 2020



Reflecting the upending of the retail landscape this year, the survey results illustrate just how much online sales have accelerated. Since the beginning of the survey, no more than a third of respondents have highlighted more than 30% growth in online revenue.

This year? A full 47% of our respondents expect that there will be over 30% growth in online sales, with 13% of retailers expecting this channel to at least double this Christmas.

Adding in click & collect and other digitally-enabled in-store experiences, it's clear that Christmas this year will have a very different flavour than 2019.

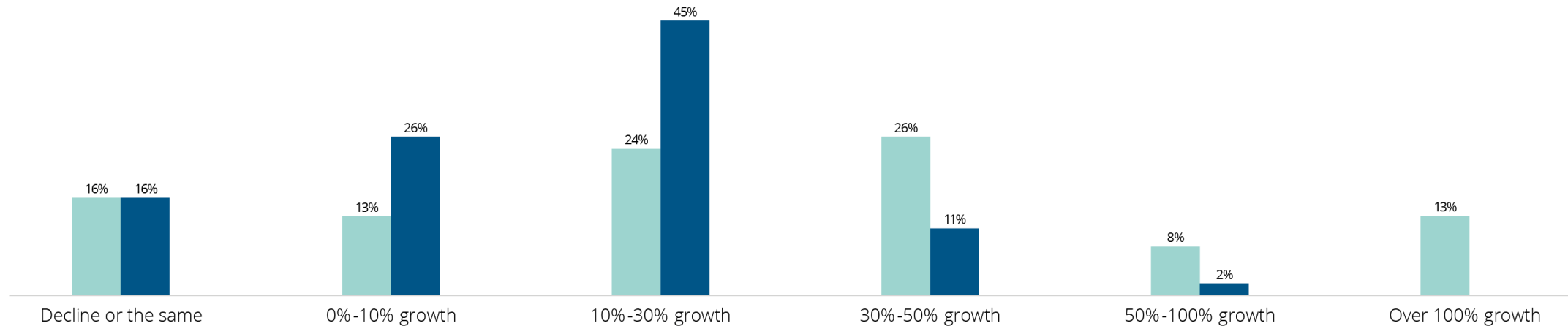
Overseas consumers aren't standing still – an incredible 64% of holiday spending is expected online in the US³, which remains well in excess of Australia. Whilst Australia is in a very different place with respect to COVID-19 cases than the US, retailers are continuing to invest in online and last mile capability to meet this trend.

I see an increase in demand for online purchasing and an improvement in foot traffic if the current situation does not deteriorate.

Survey respondent

By what % do you expect online sales for the Christmas period to exceed last Christmas?

● 2020 ● 2019



³ 2020 Deloitte holiday retail survey (USA)



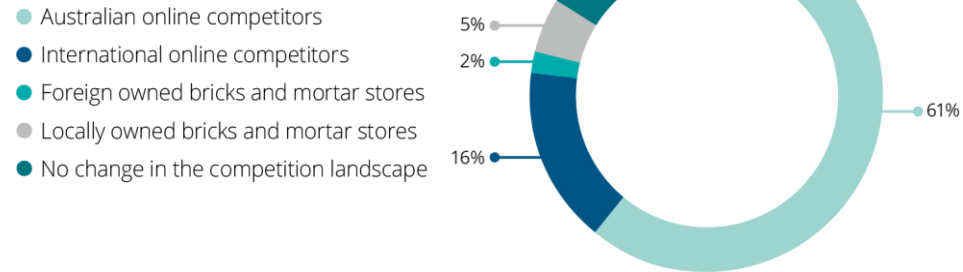
Meeting supply and demand

Australian retailers will be in a tug of war with each other this Christmas as they look to tap into consumer enthusiasm and holiday sentiment. The next four weeks will give retailers the opportunity to regain time and sales lost over the year, reconnect with existing customers and connect with new customers acquired during the year.

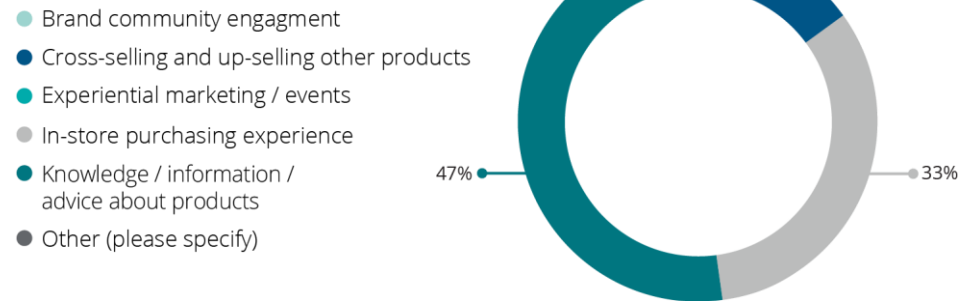
With the industrial action at ports causing stock delays, retailers will need flexible supply chain capabilities and dynamic pricing models – to match supply and demand this season and grab the biggest piece of the Christmas pudding.

From a physical footprint perspective, retailers have gone back to basics this year. Information and in-store experience lead as the most important purposes of the store while brand community engagement has declined from 22% to 4% which reflects the challenges around having customers gather in-store whilst adhering to COVIDSafe guidelines.

From which source do you expect to see the most increased competition?



Other than selling of product, what is the most important purpose of your physical store?



Products in our category have been sought after both domestically and internationally. This global demand has created significant supply chain issues and that remains the greatest risk for the coming Christmas 2020 season - not having adequate stock to supply the demand within the timeframe.

Survey respondent



Over the COVID-19 horizon

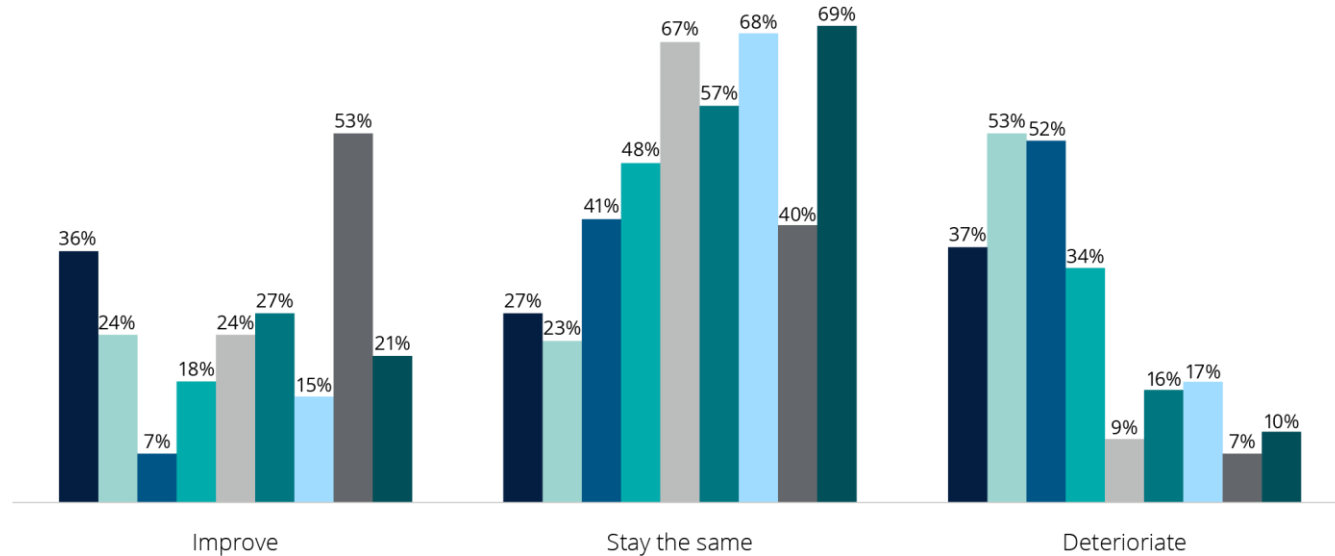
An almost equal number of survey respondents expect consumer confidence to improve and deteriorate in the next 12 months. The uncertainty of the responses is understandable given the current unpredictability of the health crisis.

Domestic recovery is largely contingent on a safe, widely-available vaccine but over the long term the reduction in net overseas migration may be a permanent handicap compared to pre-COVID-19 expectations⁴.

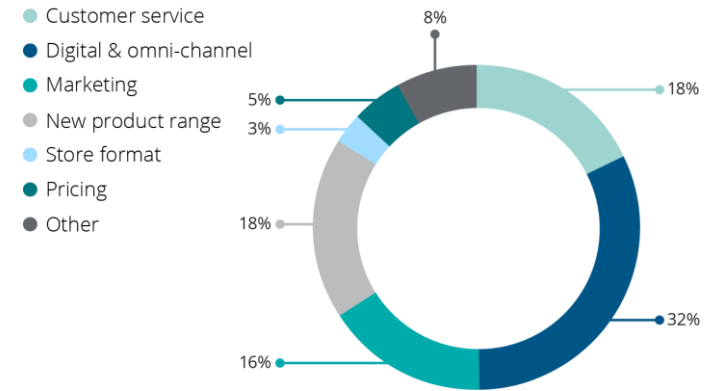
Retailers are focusing on making it as easy as possible for their customers to engage and transact. Although the survey indicates leveraging digital capabilities and marketing as the most important focus areas to boost Christmas sales, digital enablement of in-store purchasing remains a critical piece of the puzzle with 73% of retailers highlighting stores as the most popular sales channel in the holiday period.

What is your expectation of consumer confidence in the next 12 months?

● 2020 ● 2019 ● 2018 ● 2017 ● 2016 ● 2015 ● 2014 ● 2013 ● 2012



What is the single most important focus area of your business to increase sales this Christmas?



⁴ Economic scenarios for the COVID-19 recovery, Deloitte Access Economics



About the survey

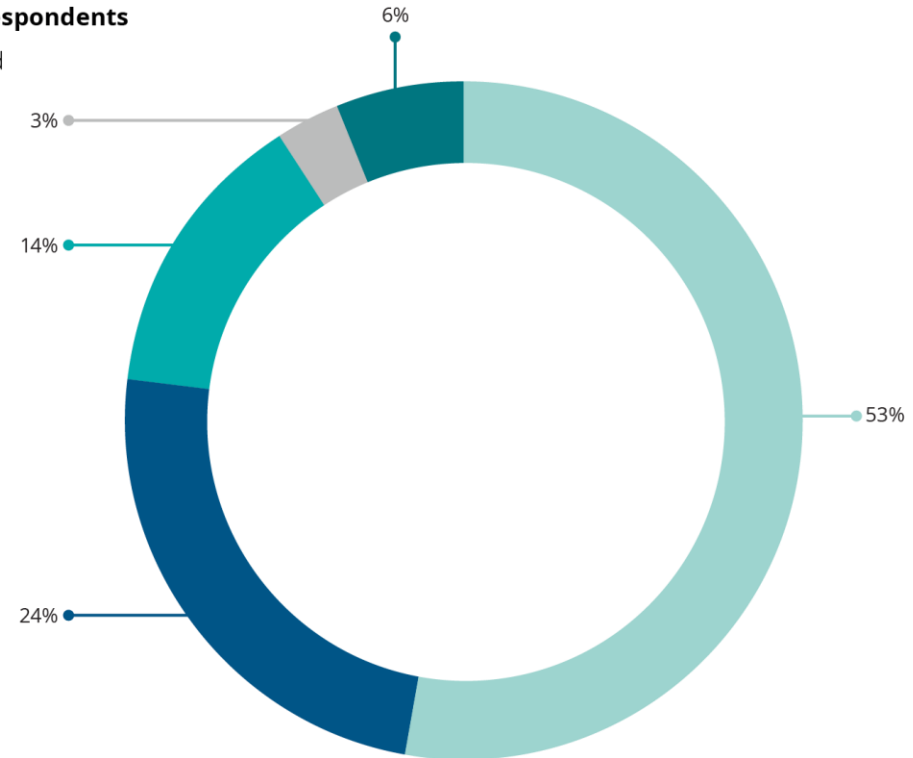


The Deloitte Retailers' Christmas Survey is based on a survey of senior executives of leading retailers in the Australian market.

The respondents are executive and senior management from a cross section of retailers inclusive of listed, private and foreign owned businesses.

Ownership structure of respondents

- Australian owner-managed
- Australian private / other
- Australian listed
- Foreign private
- Foreign listed

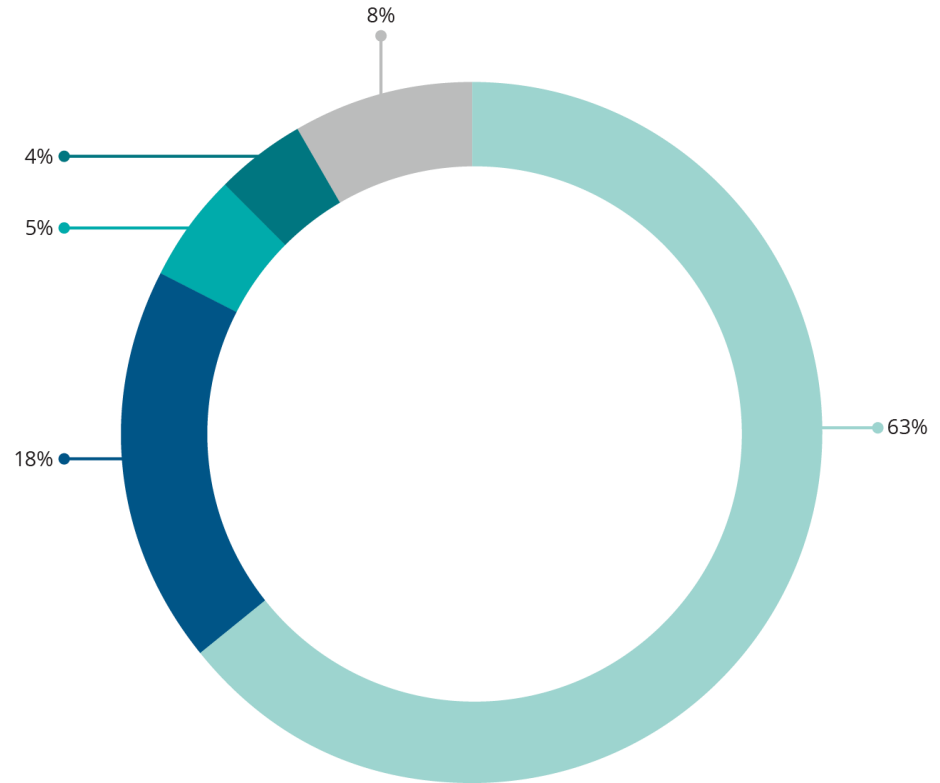


The selection of participants is intended to provide a representative sample of large and small businesses, with most participants made up of the sub-1,000 employee segment.

The geographic reach of participants is distributed between Australia, New Zealand and global retailers.

Number of employees

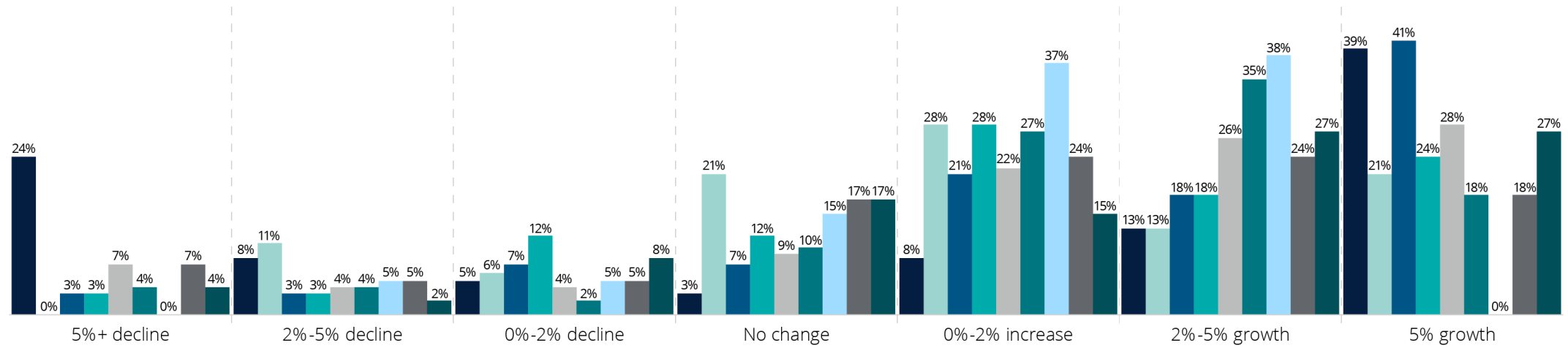
- 1-500
- 501-1,000
- 1,001-5,000
- 5,001-10,000
- 10,000+



Detailed survey data

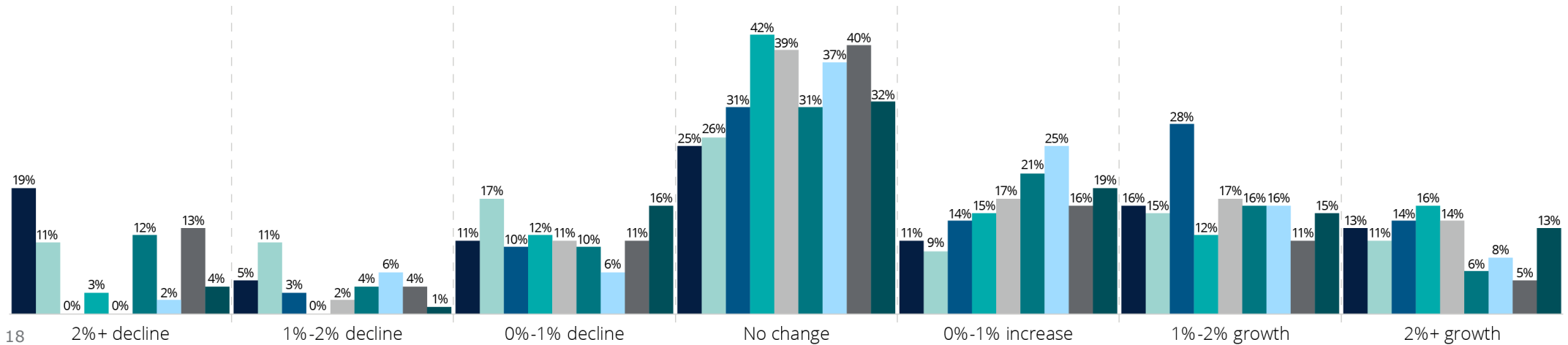
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● 2020 ● 2019 ● 2018 ● 2017 ● 2016 ● 2015 ● 2014 ● 2013 ● 2012



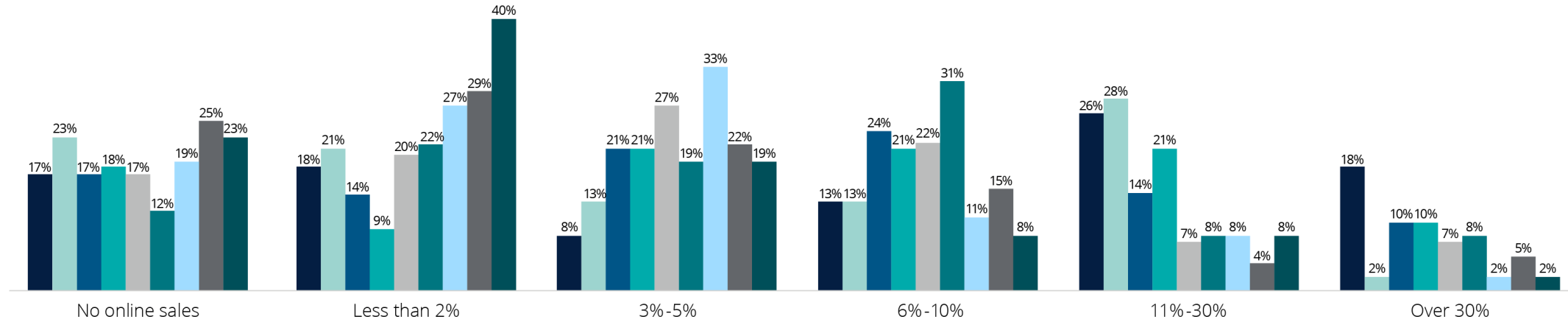
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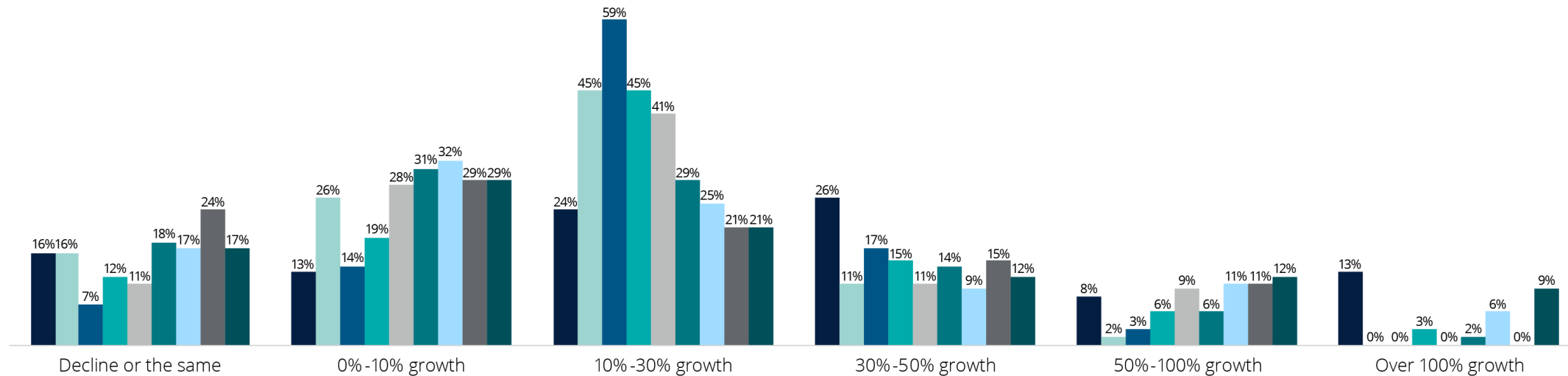
What percentage do you expect your online sales to be over the Christmas period?

● 2020 ● 2019 ● 2018 ● 2017 ● 2016 ● 2015 ● 2014 ● 2013 ● 2012



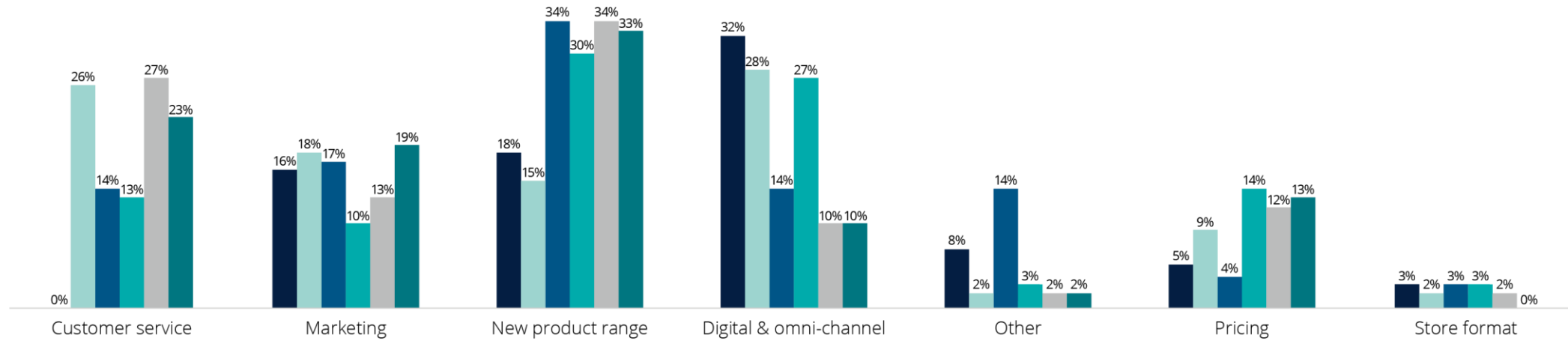
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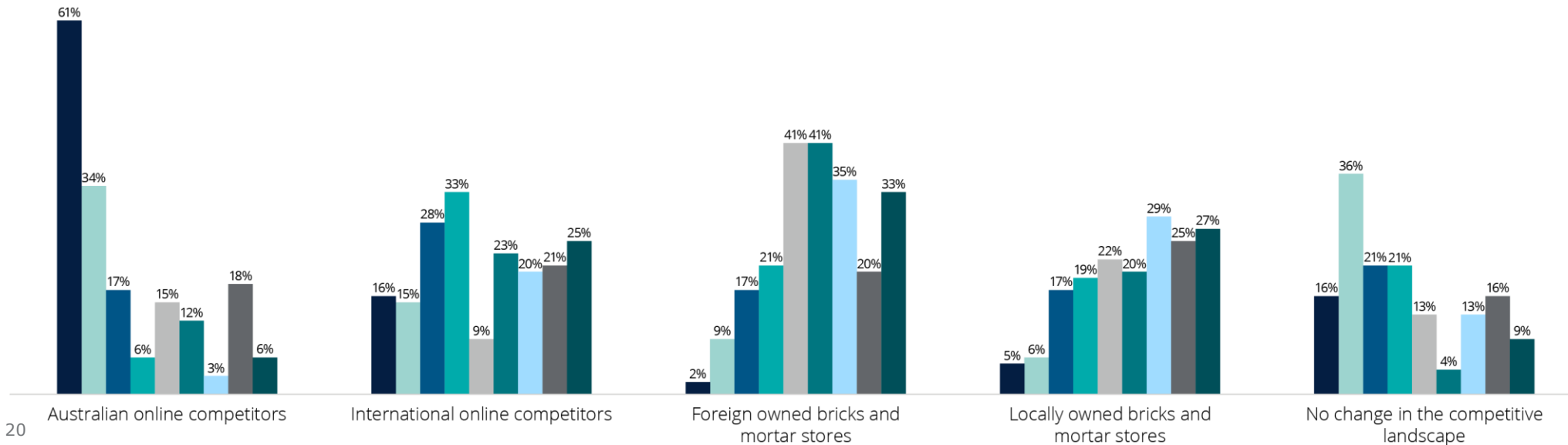
What is the single most important focus area of your business to increase sales this Christmas?

● 2020 ● 2019 ● 2018 ● 2017 ● 2016 ● 2015



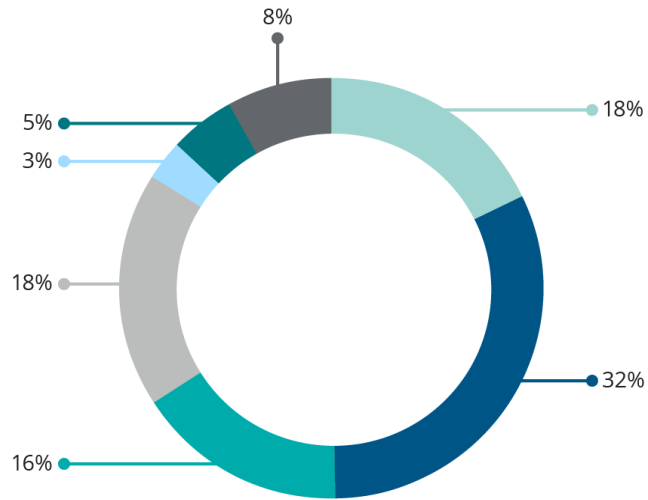
From which source do you expect to see the most increased competition?

● 2020 ● 2019 ● 2018 ● 2017 ● 2016 ● 2015 ● 2014 ● 2013 ● 2012



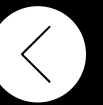
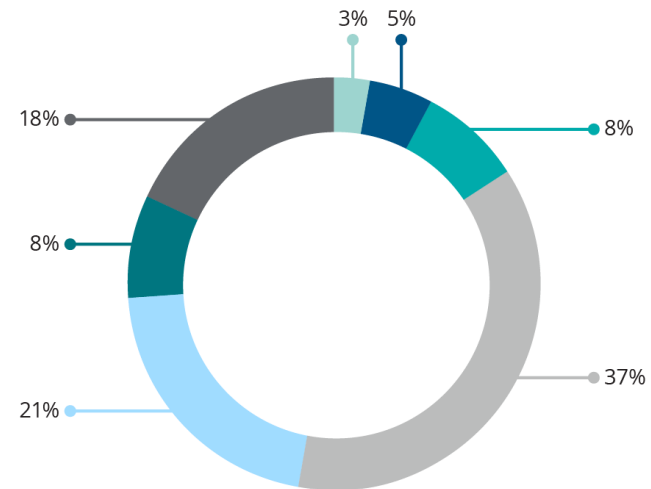
What is the single most important focus area of your business to increase sales this Christmas?

- Customer service
- Digital & omni-channel
- Marketing
- New product range
- Store format
- Pricing
- Other



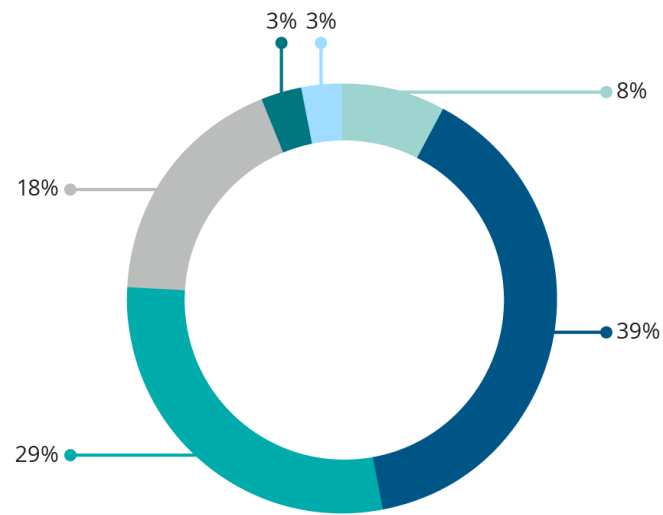
Compared to the last four weeks, how much do you expect your online sales to change in the next four weeks?

- 20%+ decline
- 10%-19% decline
- 1%-9% decline
- No change
- 1%-9% growth
- 10%-19% growth
- 20%+ growth



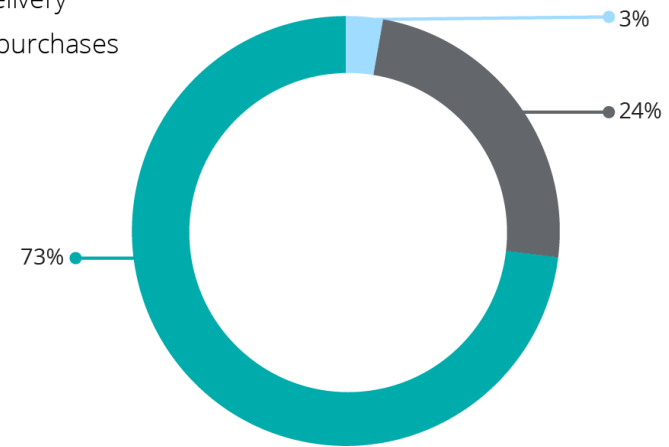
What do you see as your most important strategic priority in the next four weeks?

- Acquisitive growth
- Customer engagement and experience
- Digital and omni-channel
- Efficiency and cost control
- Organic growth
- Other



What do you expect to be your most popular distribution channel for consumer purchases in the next four weeks?

- Click & Collect
- Home delivery
- In-store purchases



Retail, wholesale & distribution group



Retail, wholesale & distribution group

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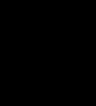
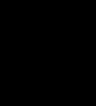
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Operationally, we can help you better manage your supply chain, improve processes and implement new technology – delivering practical solutions that rapidly build your efficiency and productivity.

If you would like further information about any of the topics in this report, or our advisory capability in the retail industry, please contact us.

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- Restructurings and turnarounds
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- Trade promotion management and control
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- Store operations and locations
- Logistics and warehousing management
- Store redesign and strategy
- Integrated cost reduction
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