2024 Retail Holiday Report

Charting a course for growth

Navigating consumer sentiment and an uncertain retail outlook this festive season

Contents

Executive summary

Welcome to the 13th annual edition of our Retail Holiday Report, featuring data-driven insights from surveys of Australian retailers and consumers.

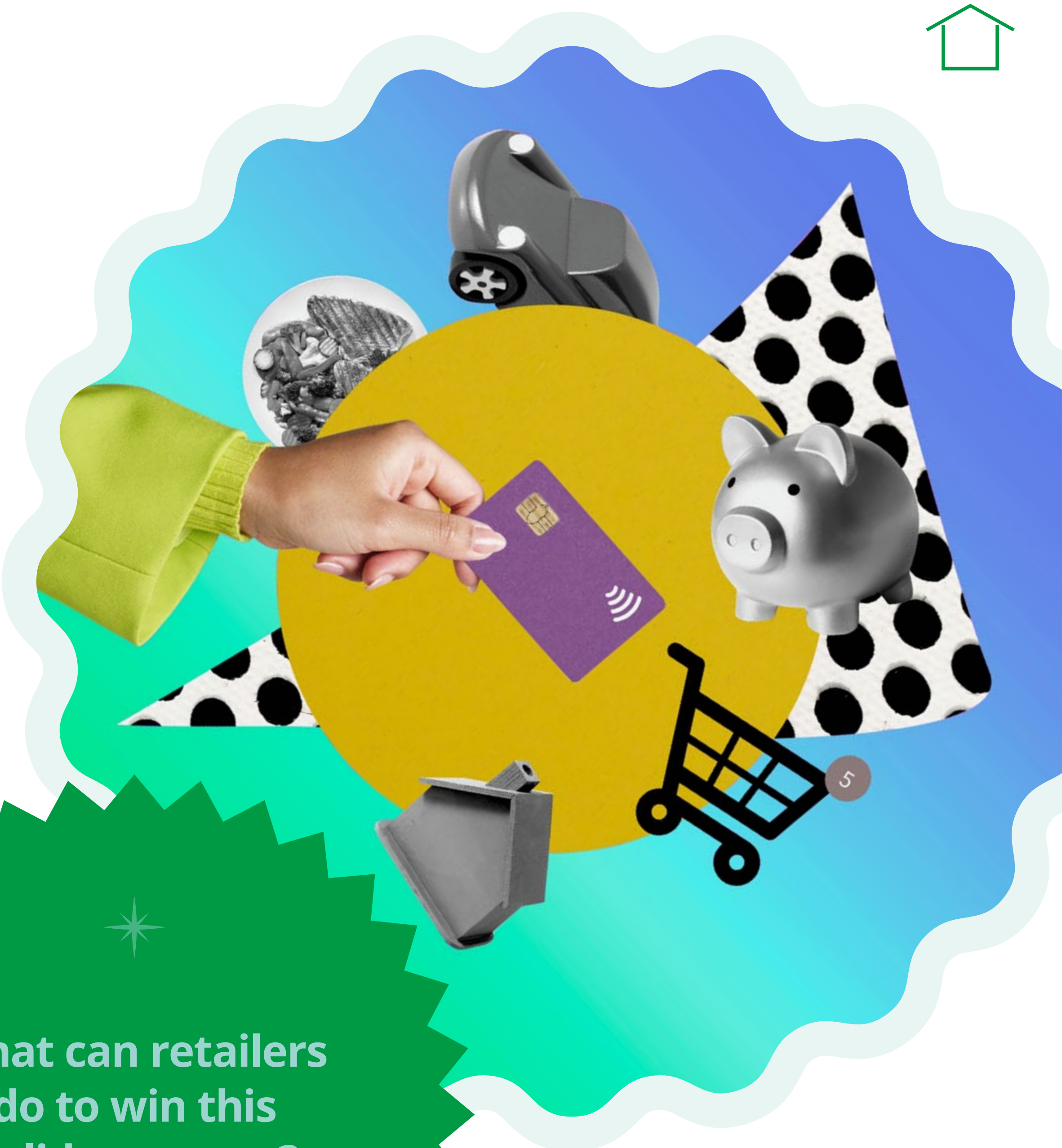
For Australian retailers, there's been no avoiding the stormy weather in the last 12 months. But while they batten down the hatches for the challenging economic conditions of today, retailers are preparing for clearer skies tomorrow and we're seeing opportunities for growth and innovation to chart a course for a more prosperous 2025.

Retailers are adapting to market conditions by lowering prices, focusing on affordable and value-driven products, creating better in-store experiences, and embracing innovation to attract new customers.

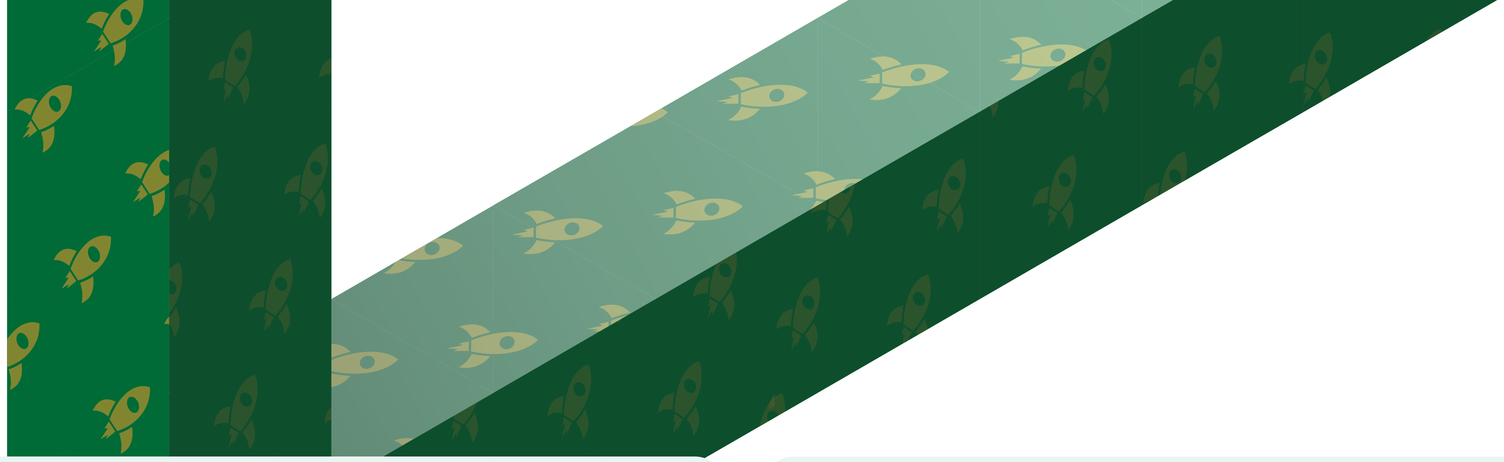
As for consumers, they are worried about the state of their finances as cost of living pressures impact when, where and how much they spend. The higher cost of living is even having an impact on major life decisions, with half of consumers putting off these milestones due to their financial uncertainty.

Still, there are opportunities for retailers to succeed in this market. Consumers will spend with brands they trust and are less likely to take a chance on poor-quality imitations or where they feel like they are being exploited. It's a tightrope, but one the most successful retailers will walk confidently.

With that in mind, what can retailers do to win this holiday season? For the first time, we have separately surveyed Australian consumers – and they offer some compelling clues.



What can retailers do to win this holiday season?



The cost of living is driving spending habits.

A whopping 95% of consumers are actively seeking the best deals, and 87% are staying at home more often. Retailers should meet the customer where they are, aiming to surprise and delight with those little luxuries that put a smile on one's face. Indeed, 67% of consumers are still looking to splurge a little on themselves despite the headwinds. By getting the offer right and providing value, your customers will reward you.

Be smart with technology.

While consumers may at first be sceptical about new technologies like artificial intelligence (AI) chatbots and augmented and virtual reality (AR/VR), retailers that deploy and integrate them seamlessly will drive better customer experiences, conversions and satisfaction. The Australian consumer is savvy, genuine and sophisticated, and they expect the same of their retailers. When consumers interact with AI, they expect truly generative interactions that blend smoothly with human connection. Similarly, as more retailers build marketplaces to expand their product range and target new markets, consumers are intrigued; but differentiating the marketplace without compromising its identity, values and customer expectations is a challenge in itself.

Trust is more important than ever.

Over the last 12 months, data security breaches, allegations of price gouging, unethical behaviour and poor treatment of employees have significantly impacted consumer sentiment. The best retailers are the most trusted, and consumers will absolutely reward them. 69% of retailers and 52% of consumers say product quality is the most important driver of trust. Fair pricing comes out on top for 19% of consumers, though just 8% of retailers are on the same page. Businesses must have a strong grasp of what builds trust with their customers: it's easily shattered, and consumers will punish any breach of confidence.

Practices should be sustainable *and* cost-effective.

Consumers are looking for sustainability in their purchasing decisions and care about the reputation of the organisations they interact with – particularly in younger age groups. But while climate change is the top concern for 24% of millennials and 25% of Generation Zs in Australia,[1] the cost of living is considered more pressing (40% and 43% respectively). Retailers need to put sustainability at the core of their business practices and value chains and find innovative ways to combat climate change, but without increasing the production cost and subsequent retail price of their offer.

2024 has been a tough year for both retailers and consumers, and it may be some time before they find relief from high interest rates and cost of living pressures.

Even so, retailers can still make a meaningful impact on consumers and the broader society. Australians want to create special moments at home and spend quality time with loved ones these holidays. The scene is set for retailers to play a pivotal role and make it a magical time for consumers.

The seas may be rough this holiday season, but now's the time to trim the sails and chart a course to a brighter 2025.

Damien Cork
Partner,
Consumer Products and Retail
dcork@deloitte.com.au

Elise Sharpley
Partner,
Consumer Products and Retail
Lead Australia
esharpley@deloitte.com.au

Discover previous Holiday Reports

Introduction

For 13 years, we have surveyed a cross-section of executives and senior management from Australia's leading retailers on their expectations for the all-important holiday trading period.

This has been incredibly valuable, but we've been missing a major piece of the puzzle – what are consumers thinking and feeling as the holiday season approaches? How well are retailers attuned to the minds of their customers, and are there any blind spots they need to focus on?

To address this, we have for the first time commissioned a separate survey of 1,000 Australian consumers. Taken together, the results of these surveys paint a holistic picture of the retail landscape this holiday season.

In the pages ahead, you'll find detailed analysis of these results, along with deep dives from our leading experts into the key trends and expectations.

By understanding these trends, retailers can position themselves for success in the upcoming holiday season and beyond.

Industry Perspective

From Paul Zahra, Chief Executive Officer

Australian Retailers Association

It's been an undoubtedly tough year for retailers, with the cost-of-living crisis, rising business costs and high interest rates affecting traders around the nation. Small businesses in particular are feeling the pinch. The ARA and American Express 2024 Small Retail Index[2] research shows that more than half of small retailers feel they are performing below their expectations this year, and many more are experiencing the mental toll of ongoing financial strain.

While the retail sector faces numerous challenges as shoppers reign in their spending, we are also seeing new opportunities emerge around delivering customer value. This year more than ever, Australians are focusing on sales events such as Black Friday to stock up on bargain goods. We're seeing many shoppers choose to start buying Christmas gifts early to make sure they snag a bargain and get the best price possible- getting the most out of their household budget.

Some say that discretionary spend is being impacted by spend on travel, however, those same shoppers may have more to spend on little luxuries closer to home.

Retailers who prepare for these opportunities may be rewarded with a welcome boost as shoppers look to treat themselves over the break.

Other customer trends continue to change the face of how we do business. With an increasing focus on the environment, many Australians are actively searching for long-lasting, higher quality goods that contribute to a circular economy. Many retailers are championing this change, and it makes financial sense to do so. Circular business models have already demonstrated tremendous potential for increasing efficiency and profitability while reducing the environmental costs to the planet.

The trend towards the connected shopper is reaching new heights as customers of all ages take more time to research products and services through digital channels – including social media – before purchase. Many do this in-store on their mobile devices and use that information to engage with in-store teams.

A low-friction, integrated experience is key. Smart retailers are seeing this digital engagement as an opportunity to more deeply engage customers and increase brand loyalty. Retailers are improving the customer experience through boosting online platforms, offering additional product lines and improving in-store services. They're also embracing new technology, including AI tools, to help reduce overheads and administrative tasks and improve service.

We know that customers want to find competitive prices, ethical brands and items that will stand the test of time. And as we head into the all-important Christmas holiday period, we encourage retailers to focus on building trust and longevity with shoppers. The current tough times will not last forever, and those who use this period to strengthen the relationship with their customers will see the rewards continue into 2025.

Key findings

Sales and spending

Unwrapping data-led insights for the festive season

Australia's cost of living pressures have led to some of the most difficult retail conditions in a generation, which are expected to continue through the holiday season.

Last year, our survey showed retailers were on the precipice of what was expected to be a very challenging holiday season. Consumers had been hit hard with 13 interest rate hikes since May 2022 and inflation rates which peaked at 7.8% in December the same year.[3]

This year, the outlook remains subdued – but there's some optimism that we might be at the bottom of the cycle.

51% of retailers expect to see some growth in sales these holidays, down from 57% last year. Despite this drop, the share of retailers expecting no change in sales has risen from 5% to 18%. Smaller retailers are doing it particularly tough, with only 45% expecting revenue to grow.

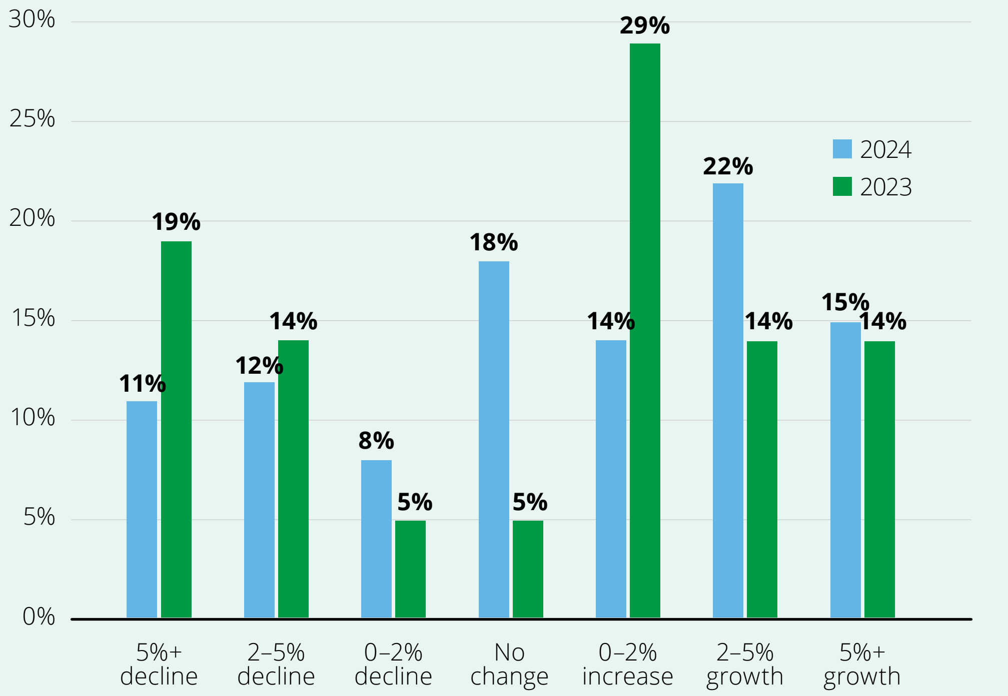
After such a challenging year, retailers seem to know what to expect, and some are hopeful of a more stable 2024 holiday season.

A similar trend emerged among consumers: 42% expect no change to their overall spend, 34% plan to spend less and just under a quarter expect to spend more.

However, there's a clear divide across income demographics. Only 20% of consumers with incomes below $50,000 expect to increase their spending this year, as spending on the basics eats into more of their household budgets. In contrast, higher-income earners are more likely to increase spending with 50% of high-income earners expecting to splurge more this year.

Clearly, higher interest rates and inflation are impacting Australian consumers unequally, and the most vulnerable sections of the community are doing it toughest.

***Retailer survey:** Do you expect holiday sales to exceed the previous holiday trading period?*

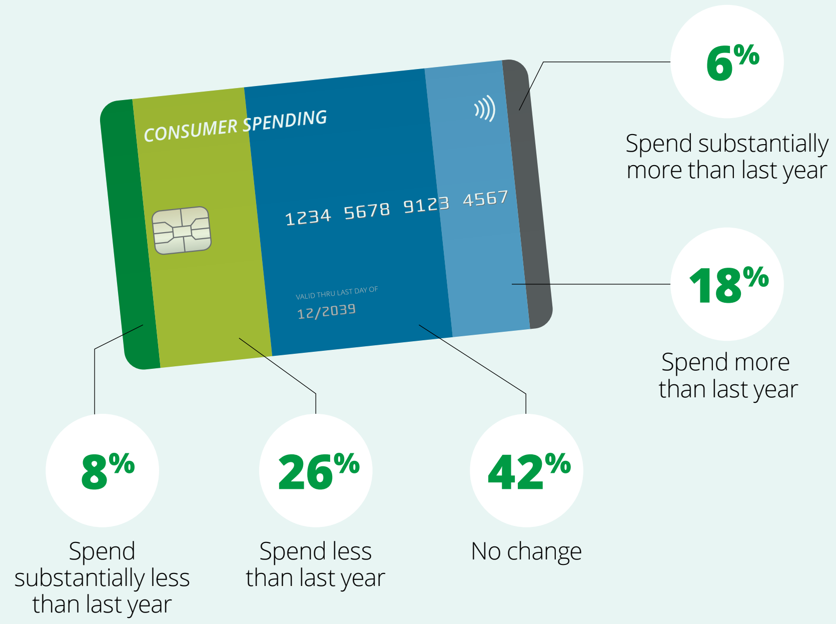


Higher-earning consumers are more likely to spend more than last year

***Consumer survey:** Share of respondents expecting to spend more than last year these holidays (Excludes those that did not report their income level).*

Consumer spending expectations remain subdued

***Consumer survey:** Do you expect to spend more or less than last year these holidays?*



Sales and spending

‘Tis still the season to spend

Both retailers and consumers believe early December, Christmas and Boxing Day will dominate sales this holiday season. But they also expect plenty of activity during the November flash sales events of Click Frenzy, Black Friday and Cyber Monday – a sign of the United States’ growing influence on Australian sales campaigns. With 32% of consumers prioritising value for money when they buy, and 19% favouring promotions, these flash sales events are clearly significant. And this year, it’s all to play for.

Around one in two retailers expect the biggest rise in competition to come from domestic online rivals, up from just one in seven last year. In what may be a blind spot, they don’t expect international online retailers to add more pressure than past years, despite 39% of consumers looking to buy from overseas sellers.

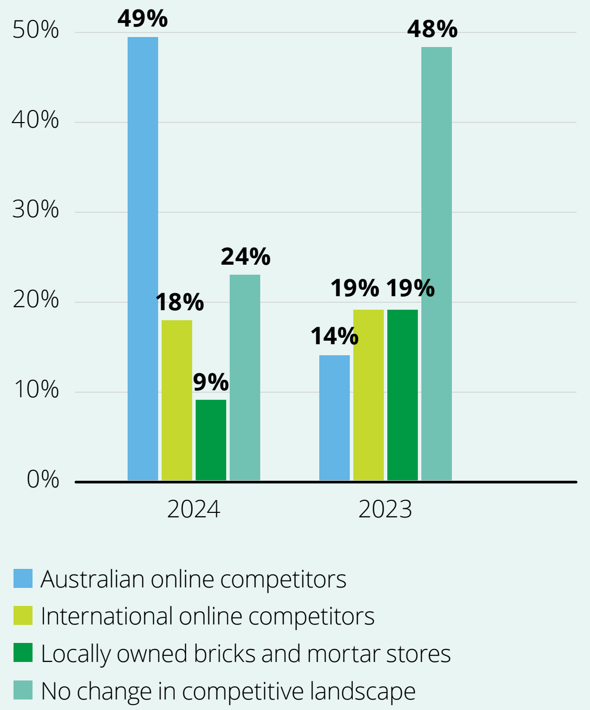
Around half of consumer respondents are not expecting to change their online purchasing habits, with 20% of those with household incomes under $100,000 expecting to spend more compared to 29% of those with household incomes above $200,000, largely consistent with overall spending intentions.

There is also a gender divide, with 28% of women expecting to spend more online this year compared to only 19% of men. In fact, women appear to be more diverse in their spending intentions overall with 30% looking to spend *less* online than last year compared to 23% of men. Retailers will need to think smartly about how to engage their female customers where and when they want to shop.

Australian retailers have seen international and multinational competitors come and go over the years. However, local players remain steadfast on what they do best: an exceptional customer experience, easier returns and after-sale service, and integrated digital and physical retail.

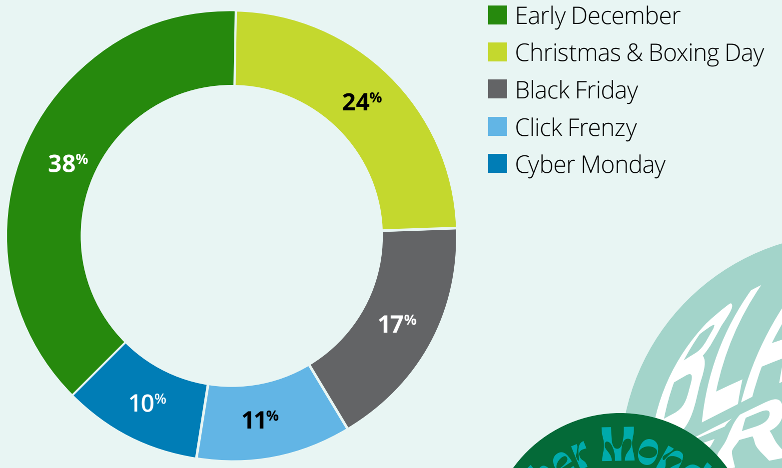
Nearly 50% of retailers expect rising competition from Australian online rivals

Retailer survey: *From which source do you expect to see the most increased competition in the next 12 months?*

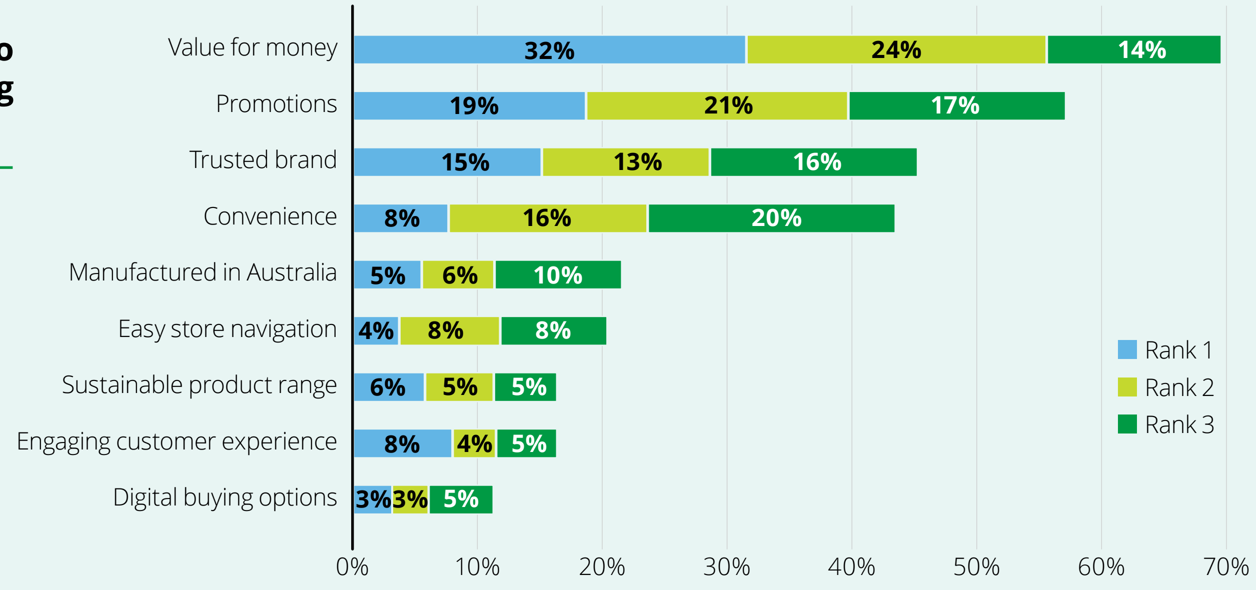


Early December, Christmas and Boxing Day are tipped to generate the most sales

Retailer survey: *Which period do you expect to generate the most sales these holidays?*



What is most important to you in making your buying decisions these holidays?



Sales and spending

...but will Santa deliver?

As we dive deeper into consumer intentions for the 2024 holiday period, a key question emerges: how and when are they likely to spend their money?

Our survey shows consumers plan to spend an average of $1,002 these holidays, down from $1,192 in 2023. This 18.9% decline signals a more frugal holiday period may be on the way.

Once again, spending patterns vary across demographics. Older generations tend to gravitate to gifts and other spending, while younger generations often value experiences more than material possessions.

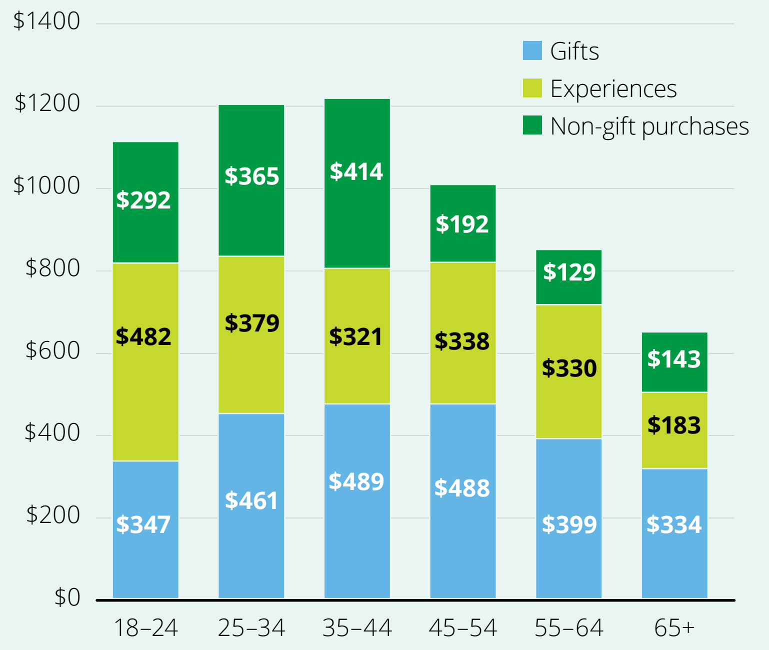
That said, consumers expect to strongly cut back on experiences, including travel. Non-gift spending is only expected to fall 4.2%, suggesting people will entertain at home this year. Retailers that tailor their offer to this consumer may take more than their fair share of the market these holidays.

Whilst consumers will be belt-tightening this year, they are still holding out for that must-have gift. Only 12% tell us that it is not important to obtain the exact product they want and 62% believe it is important even if they have to pay full price. This is evident across all income groups but especially in the lower income cohort.

It seems that whilst consumers may be spending less and looking for great deals, if they can't find the product they want then they might just do without. The challenge for retailers this holiday season is to convince customers that their product is the one to splurge on.

From spirited spenders to seasoned savers, holiday spend varies with age

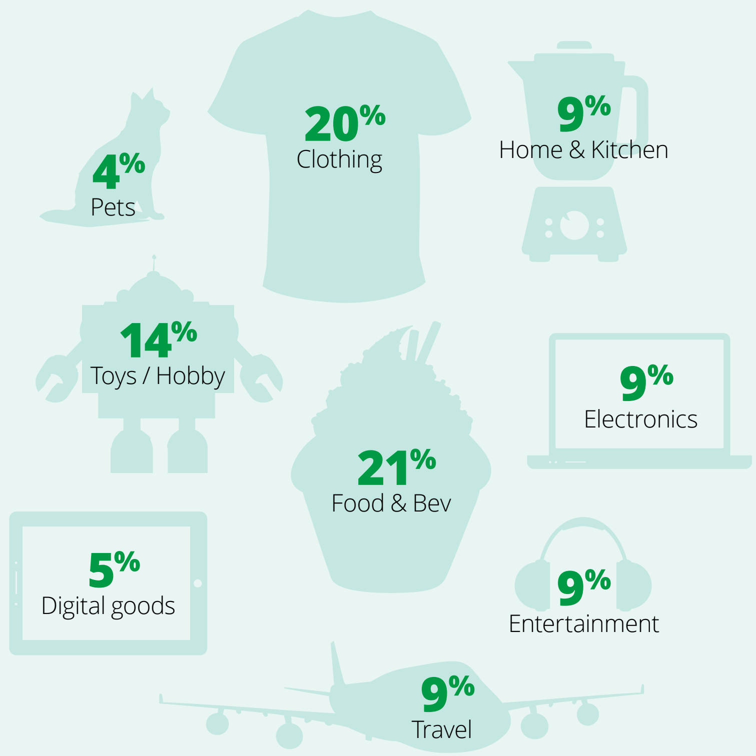
Consumer survey: *Expected spend across key categories by age group*



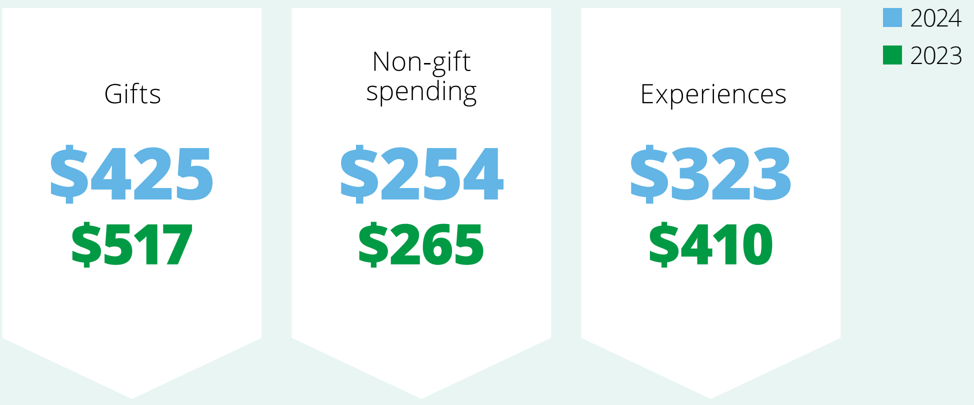
Non-gift purchases include clothing for family and self, home furnishings and holiday decoration.Experiences include entertainment, travel and socialising including restaurants, movies and other experiences that are not given as gifts.

Socks, undies and chocolates: the hottest gifts in town?

Consumer survey: *What percentage of your gift spend will be allocated to the following products and services these holidays?*



Consumer survey: *How much do you expect to spend across the following categories this year?*



Profit and purchase volumes

Or will the Grinch steal retailers' Christmas cheer?

Sales uncertainty is flowing through to margins, with 40% of retailers believing margins will improve this holiday season, down from 43% last year.

While the share of retailers expecting lower margins has fallen to 34% (down from 52%), there's a catch: more than a quarter expect no change in margins, compared to just 5% in 2023. It's a worrying sign after a significant slowdown since last year's holiday season and suggests relief from tight discretionary spending remains elusive.

Even so, the discounting wars continue to ramp up. 40% of retailers believe consumers won't pay full price for goods, and 32% of consumers said a lack of discounts would see them walk away from purchases.

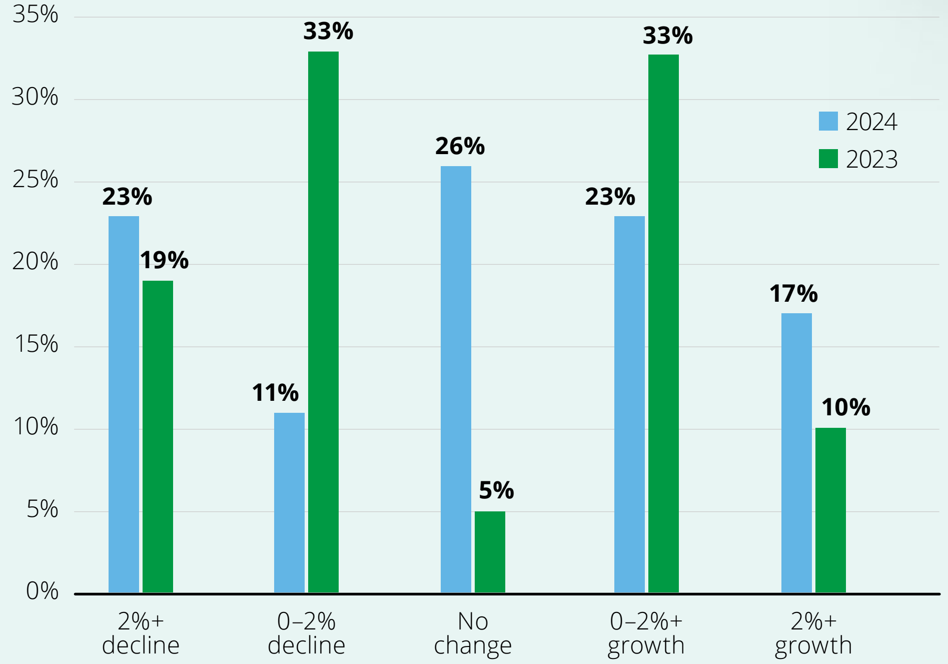
The consumer view is similarly subdued. While 24% expect to spend more this year, 42% plan to spend the same and just over a third expect to spend less. Combined with inflation and cost of living pressures, it's therefore unsurprising that nearly half (48%) of consumers expect to buy fewer goods and services. The clear response from consumers will certainly have a downstream impact on margins for retailers heading into the holidays.

When we asked retailers, 55% say their customers have cut back purchase volumes in response to inflation and are seeking value by price matching and substituting (13%), opting for home-branded options (11%) and looking for the best deals through discounts (9%), among other strategies. Only 11% of retailers say their customers have maintained their prior spending habits.

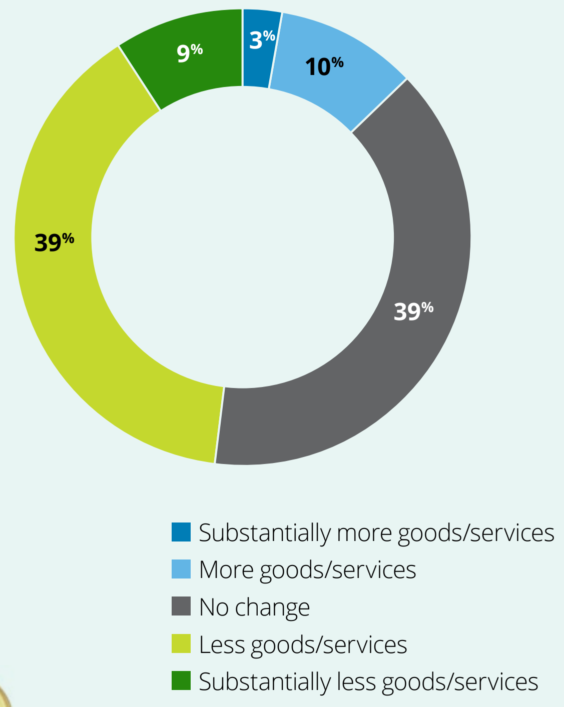
Even if retailers avoid passing higher costs on to their customers this holiday season, it's important not to overlook what else consumers value: 45% say a trusted brand is a top three factor in their purchasing decision, with 43% consider purchasing convenience.

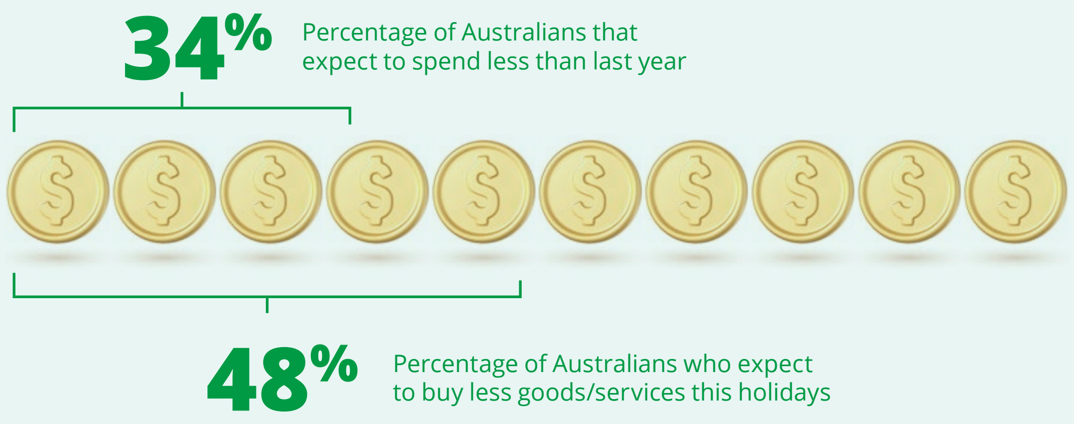
Retailers are less optimistic in margins for this holiday period

Retailer survey: *Overall, do you expect margins for the 2024 holiday period to exceed 2023 (on a same store basis where applicable)?*



Consumer survey: *Given inflation and cost of living pressures, will you buy the same amount of goods/ services these holidays compared to last year?*





The shopping experience

Unwrapping the holiday buyer's journey

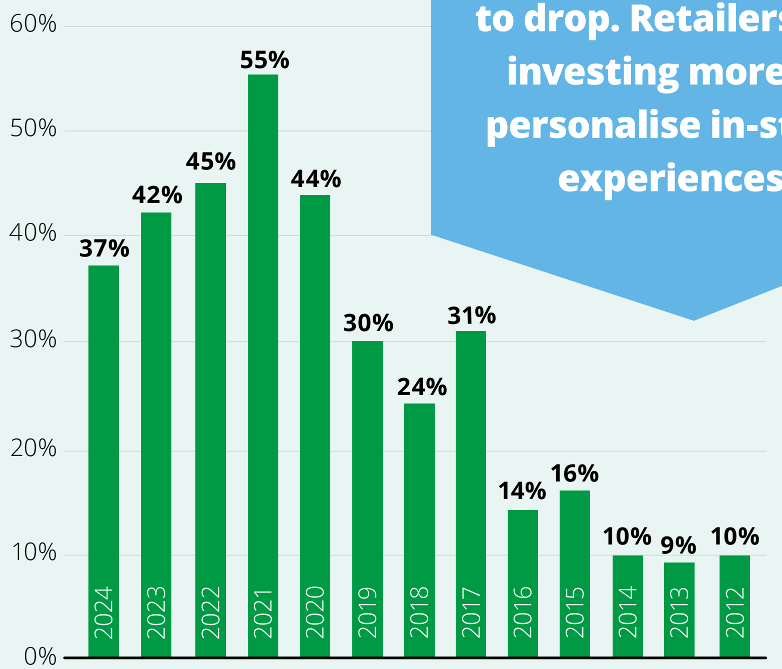
Online sales continue to slide as customers return to in-store shopping experiences. Retailers are recalibrating their strategies to meet customers on their terms.

The online share of wallet continues to shrink, with nominal online sales stagnating from June 2021 to May 2024. Retailers expect them to decline further as a proportion of overall sales, with only 37% expecting them to exceed 10% of the total. This is the lowest share for online sales since its 2021 peak in the COVID-19 era, and it shows a continued trend back to in-store shopping.

Our consumer survey reflects this shift: only 24% plan to do more than half their shopping online, and 45% expect to do less than one fifth. So, what's driving it? Consumers told us the most important factors in their buying decisions are value for money, promotions and dealing with a trusted brand. As belts tighten, shopping in-store lets consumers see, touch and try the product before they buy. Despite online shopping innovations like free parcel drop points, there's still an inconvenience premium when issues arise during transactions.

In terms of the buying journey, consumers use search engines as the first point of research and put little value in advertising or marketing emails (6% and 1% respectively). Our survey results suggest the typical customer journey starts with search engines and social media (58% first preference), then the retailer's website (35% second preference) before hitting the store in person. Consumers are clearly looking for authentic interactions with the brands they shop with, and retailers should consider a tailored strategy to replicate the in-store experience and captivate the consumer – outside of mass-generated marketing emails, and before they walk through the door.

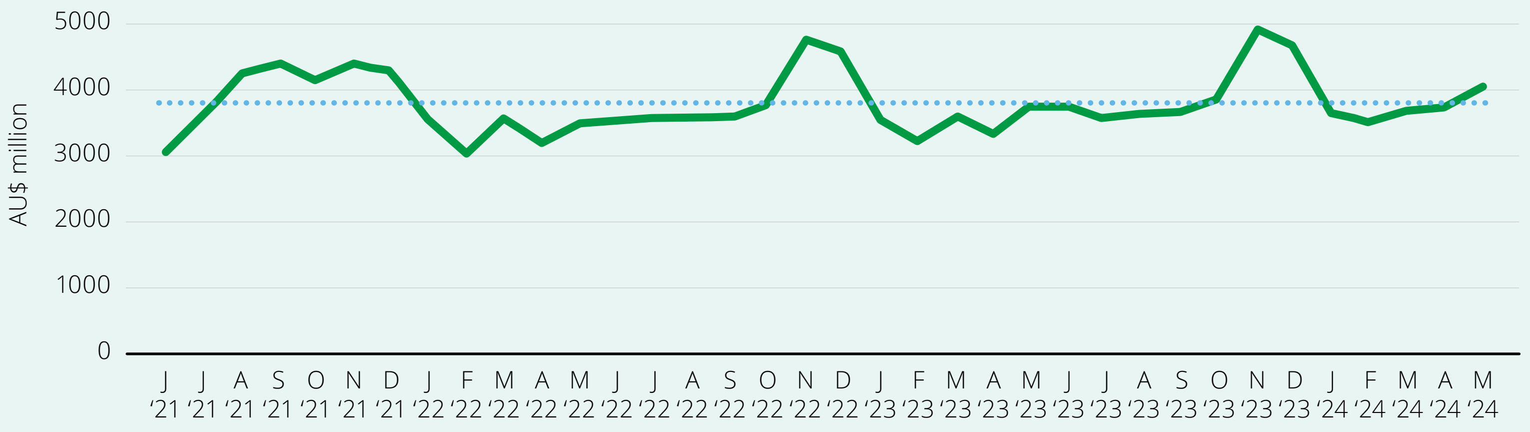
Online sales continue to drop. Retailers are investing more to personalise in-store experiences



Retailer survey: *Share of respondents expecting online sales to exceed 10% of total sales in the upcoming holiday period.*

The typical customer journey starts online and finishes in store

Online retail trade: June 2021 to May 2024[4]



CASE STUDY

The retailers locking down loyalty with a one-stop workshop

In 2024, retailers have well and truly integrated into the everyday lives of their customers. The pandemic introduced new touchpoints into homes, workplaces, and digital environments, setting the expectation for seamless purchasing anytime, anywhere. With rising costs of living adding pressure, retaining customer attention and loyalty has become increasingly challenging. Customer acquisition costs have risen, and the competition is well and truly on for retention.

Our research shows that in 2024, consumer decisions are primarily driven by value for money, promotions, and dealing with a trusted brand. So, which brands are delivering on all three, and how?

We are seeing the rise of ecosystems, where retailers build digitally evolved platforms that bring consumers into the fold of a trusted brand environment, rewards their loyalty with discounts, and delivers personalised offerings – creating sticky relationships that endure long beyond the initial purchase.

Super Retail Group

Super Retail Group (SRG) offers a blueprint for an established retail ecosystem. With brands like Supercheap Auto, Rebel, BCF and Macpac, SRG's portfolio of brands has carved out a stronghold in the lifestyle category, catering to Australians who love to get outdoors whether it be for sports, auto, or leisure activities. For those who picked up those outdoor hobbies that exploded in popularity over the pandemic, such as camping or fishing, SRG provides convenience under one umbrella. Customers can get new auto parts from Supercheap Auto for a weekend drive into the bush, walking shoes from Rebel to reach their campsite, a new tent from BCF to camp in, and a backpack from Macpac to house all their gear. SRG supports its customers at every turn, fostering loyalty through a comprehensive range of offerings at multiple touchpoints.

A key element of SRG's strategy is its highly connected loyalty programs. Millions of active loyalty club members enjoy tailored experiences and exclusive offers, keeping them engaged across brands.[5] The program provides personalised recommendations based on past purchases and preferences, delivering regular 'hooks' that encourage customers to return, strengthening long-term retention and ecosystem loyalty across all SRG brands.

'We are leveraging digital tools like AI to enhance our loyalty programs and make sure we are meeting our club members' needs, at every touchpoint across the network. By using advanced algorithms, we can generate hyper-personalised experiences that deliver tailored content and recommendations that resonate more effectively with our customers.'

David Burns
Chief Financial Officer
Super Retail Group

CASE STUDY

Pet Circle

Pet Circle has effectively brought customers into its ecosystem by tapping into the comprehensive needs of pet owners. With the pandemic-driven surge in pet ownership—jumping by 10%, now nearly 70% of Australian households own a pet[6]—Pet Circle has positioned itself as a one-stop shop for all pet-related needs.

Customer loyalty is the cornerstone of its strategy. Recognising that decision-making is currently value-led, Pet Circle offers Auto Delivery discounts for customers that set up recurring orders and checks competitor prices daily to provide the best prices across thousands of products. They also provide free online vet advice and have created a WOW Moments program that surprises and delights customers with thoughtful gifts and memorable experiences, such as providing essential supplies to those facing hardships or curated gifts for highly engaged customers, providing further value and fostering loyalty. Pet Circle's ecosystem extends beyond products and links directly to owned services such as a pharmacy and insurance, ensuring that customers can find everything they need in one place. This seamless integration strengthens the connection between Pet Circle and its customers, making it easy to find value, products, and services under one trusted brand. This holistic approach enhances the customer experience, making it more rewarding, and likely to retain customers.

Nike

Nike has taken a different approach to bringing consumers into their ecosystem, launching their app, Nike Run Club (NRC), as a new channel that adds value to their offering beyond mere product ownership. The gamification of fitness presents new opportunities for connection with the brand and between consumers themselves, building a community while driving growth. This approach exemplifies how traditional brands can adapt and thrive.

Capitalising on the rise of running clubs, NRC has been designed to offer runners an engaging and motivational experience. This is not just a fitness app; it's a meticulously crafted ecosystem designed to integrate into users' lifestyles. With features like guided runs, customised coaching plans, and social sharing, NRC transforms solitary exercise into a communal experience. As noted by one user,[7] the app's sophisticated use of gamification keeps users hooked, making fitness a part of their daily routine.

Nike's strategic deployment of NRC aligns with broader market trends.[8] The app's success is indicative of a shift towards digital engagement where consumers seek value beyond mere product ownership. Nike's free workout apps are pivotal to its high-end pricing strategy,[9] creating a unique value proposition that justifies premium pricing through added services. The app's global community further bolsters Nike's brand presence and fortifies loyalty. Platforms like Reddit[10] showcase an active user base that shares achievements, tips, and support, reinforcing the brand's image as not just a retailer but a lifestyle enabler. This community-driven approach is a strategic masterstroke in an age where consumers crave connection and authenticity, and the strategic pivot underscores how blending technology with thoughtful consumer engagement can yield substantial rewards, even in challenging economic climates.

Ecosystems are key to customer retention, building and maintaining connections with customers, and holding on to them through market fluctuations. By providing personalised, seamless experiences and integrating into the daily lives of their customers, retailers like Super Retail Group, Pet Circle and Nike ensure they remain relevant and valuable for the long haul.

Retail trends

Frugal festivities

Belts are tightening, and the plum pudding isn't to blame

Inflation and cost of living pressures, which began in 2022, took hold of consumers throughout 2023 and have persisted into this year. Real retail turnover per capita has shown no quarterly growth for seven consecutive quarters from June 2022 to March 2024.[11]

Against this backdrop, consumers are changing the way they shop, how much they purchase and the type of products they buy. A substantial 45% of those surveyed aren't confident in their finances, and a massive 76% are cutting back on spending.

In June, our Food Frugality Index[12] showed Australian consumers were navigating higher food prices by buying and wasting less, and by purchasing lower-cost and home brand products.

However, there's still good news for retailers. 95% of consumers are actively looking for the best deals and discounts, and 67% are willing to splurge a little on themselves. Further, 87% are opting to stay at home over travel, giving retailers an opportunity to entice their customers with those little luxuries that embrace the 'staycation' trend. With substitution and value on-trend this year, retailers can tap into this market and win a greater share of wallet.

So, how do retailers see the landscape? Those we surveyed say 55% of their customers are responding to higher prices by reducing purchase volumes. Our ConsumerSignals index[13] tracks consumer behaviour and drivers over time, and as of July 2024, it showed at least 55% of consumers continue to expect price rises in key retail categories. Clearly, they think the pressure will persist for the foreseeable future.

More concerning is the impact on broader behaviour and decision-making. 50% of consumers are postponing major life decisions such as marriage, buying a house and starting a family because of financial strain, all of which can compound challenges in the future. Government, retailers and consumers are hoping for inflation to moderate within the RBA's target range so interest rates can start to fall.

Deloitte Food Frugality Index

July 2024

- **49%** Saving by reducing at-home food waste
- **30%** Purchasing mostly store brands
- **35%** Purchasing low-cost ingredients
- **24%** Buying less than wanted
- **33%** Purchasing lower-cost meats or cuts
- **33%** Buying only essentials

Hunting for deals, staying home and cutting back on spending

Consumer survey: *To what extent do you agree with the following statements?*

	Agree	Disagree
Looking for best deals and discounts	95%	5%
Splurge a little on myself	67%	33%
Stay at home	87%	13%
Cutting back on spending	76%	24%
Confident in finances	55%	45%

Retailers say consumers are reducing purchase volumes

Retailer survey: *How have your customers responded to higher prices this year?*

Trust and transparency

The reindeer in the room

An overwhelming 84% of consumers consider trust as either important or critical to their purchasing decisions, highlighting its pivotal role in consumer behaviour and loyalty.

So how can retailers build trust? 52% of consumers say product quality is the biggest factor, while 19% say fair pricing is most important. Empowered by easy access to information and comparison tools, consumers are increasingly savvy and value fair pricing as a cornerstone of trust, value and loyalty.

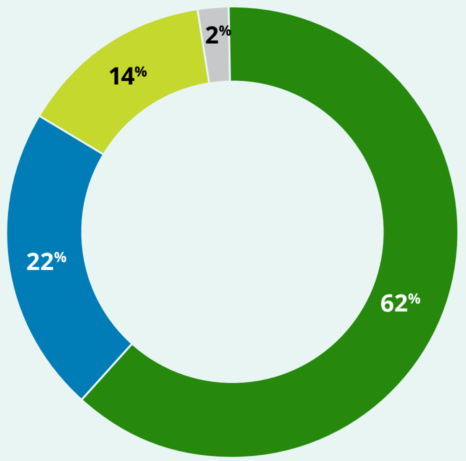
Fair pricing also intersects with broader ethical expectations: consumers increasingly see it as a reflection of corporate integrity and respect for the customer. Conversely, price discrepancies or perceived exploitation can erode trust, diminish brand reputation and drive away customers.

With ever-increasing economic pressures, consumers are more cost-conscious than ever. Transparent pricing builds trust in retailers, which is crucial for long-term loyalty. Customers can accept price increases if they believe the retailer has their best interests at heart; but by the same token, they will likely expect prices to fall when temporary pressures ease.

Interestingly, an even greater share of retailers (69%) share the sentiment that product quality is the cornerstone of trust. But fair pricing and reputation sit at just 8% each, notably lower than among consumers. Is this a blind spot for retailers as they consider and communicate their pricing promise this holidays?

84% of consumers say trust is important to their purchasing

Consumer survey: *How much of a priority is trust in your decision to purchase from a brand or a retailer?*



- Important
- Critical
- Neutral
- Not important

52%
of consumers consider quality the most important factor in building trust

69%
of retailers consider quality the most important factor

Trust can be lost through many sources, but the result is the same

Retailer and Consumer survey view: *What is the biggest factor that destroys trust?*

	Consumer	Retailer
Price gouging	23%	18%
Poor customer experience	20%	24%
Unethical behaviour	17%	16%
Data breach	17%	14%
Product quality issues	17%	22%
Sustainability concerns	6%	6%

When we asked consumers what is most damaging to their trust in retailers, price gouging ranked highest (23%) followed by a poor customer experience (20%). These concerns are compounded by issues like product recalls or quality issues (17%), unethical behaviour (17%) and data breaches (17%). With this wide range of results, it is clear that retailers need to focus on all aspects to maintain trust with their consumers.

While retailers also give weight to customer experience (24%), just 18% emphasised price gouging. To maintain consumer confidence, businesses need to prioritise service excellence and fair pricing in their operations, along with consistent quality and ethical practices.

As digital channels multiply in the retail space, businesses should consider the trust dynamics between online and in-store experiences and evaluate the impact of their digital presence.

Looking ahead, retailers will need to navigate a complex and ever-changing marketplace, along with the evolving consumer. The intersection of trust, technology, and consumer behaviour will continue to redefine retail dynamics: embedding trust as a core value and operational principle will not only mitigate risks, but also build enduring customer relationships, foster brand loyalty and strengthen a retailer's position in an increasingly competitive landscape.

To meet consumer expectations and succeed this holiday season, retailers should focus on the key pillars of trust, transparency and responsibility:

Quality assurance
Ensure rigorous quality control and transparency in product offerings and sourcing practices.

Ethical standards
Uphold ethical practices in all aspects of your organisational operations, from sourcing to data management, advertising, employee training and workforce decision-making.

Customer experience
Prioritise seamless customer service and positive customer experiences, every day and in every interaction. Acknowledge mistakes and make it right with the customer.

Transparency
By being transparent in pricing and operations, retailers demonstrate integrity. Transparent communication about sourcing, sustainability initiatives, and labour practices builds trust. When consumers trust a retailer, they are more likely to remain loyal.

Fair and transparent pricing
Fair pricing is not merely a pricing strategy, but a fundamental element of a retailer's value proposition. It shows commitment to providing value and forms a solid foundation for attracting and retaining customers.

Responsible innovation
Embrace technology responsibly to enhance consumer trust, particularly in data management and AI applications.

What gets measured gets done
Put the correct mechanics in place to measure trust and loyalty in your brand, and regard it as a valuable asset. Include internal and external validation measures (such as internal workforce measures, monitoring of product reviews, news articles and social media platforms), leverage tools such as Net Promoter Scores and act on these insights.

Retailers and consumers mostly agree on what establishes trust

Retailer and consumer survey: *What do you consider as the most important factors in establishing trust with brands and/or retailers?*

	Consumers	Retailers
Product quality	52%	69%
Fair pricing	19%	8%
Reputation	10%	8%
Buying local / Australian made	10%	7%
After sales support & warranties	3%	5%
Responsible use of data / information	3%	1%
Sustainability credentials	2%	1%
Dealing fairly with suppliers	1%	1%

SPOTLIGHT

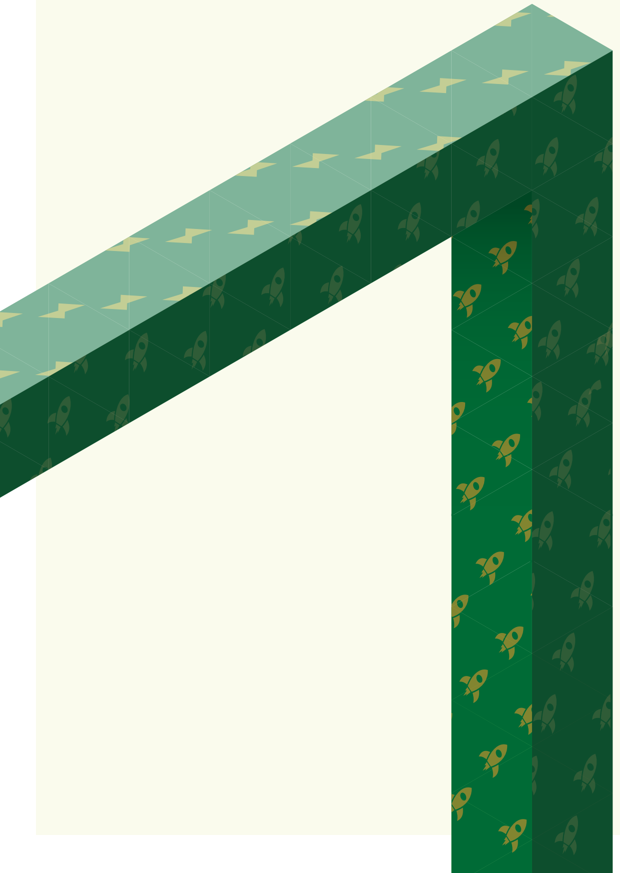
The discount dilemma

Flash sale strategy in a cost of living crisis

Over the last 10 years, Black Friday has marked the dawn of the Christmas season. But what if, this year, things were different? What if the usual frenzy of consumer spending is instead a time of caution, restraint and even a hint of scepticism? As the dynamics shift amid a cost of living crisis, retailers could unlock success with three key moves.

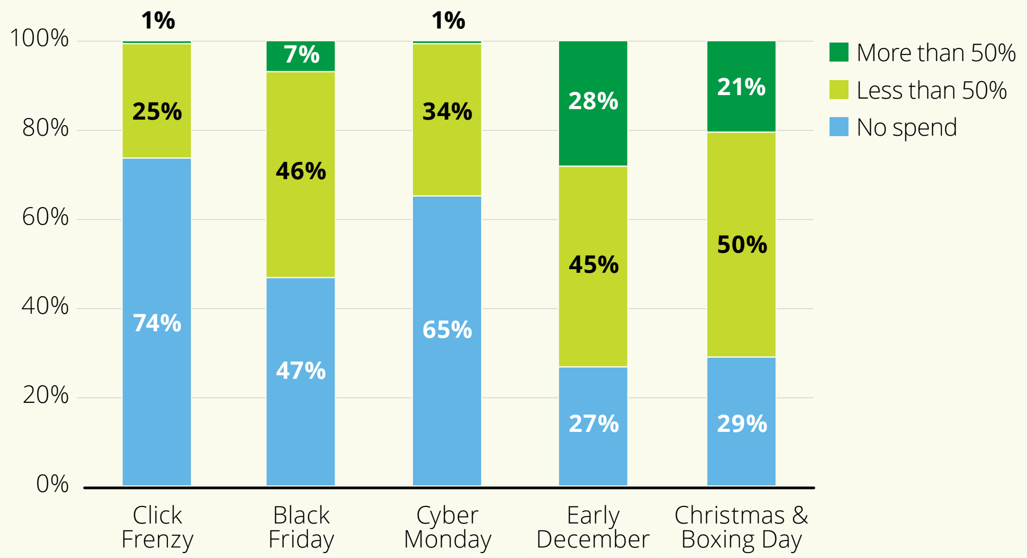
Red to black, or back to red?

The term 'Black Friday' was first coined in the 1950s and popularised in the 1980s, when American retailers marketed significant discounts to move their profits from 'the red' into 'the black'. The rise of high-speed internet saw sales extended to Cyber Monday, and from 2013, both events gained traction in Australia. By 2023, Australian consumers were spending around $9 billion[14] on these sales, with businesses moving swiftly to outdo one another. Retailers offered an average discount of 27%[15] last year, and 40%[16] of participants started promotions two to three weeks in advance. This competitive pricing strategy raises the question: is this trade period still driving profits into the black, or has it devolved into a vicious race to the bottom?



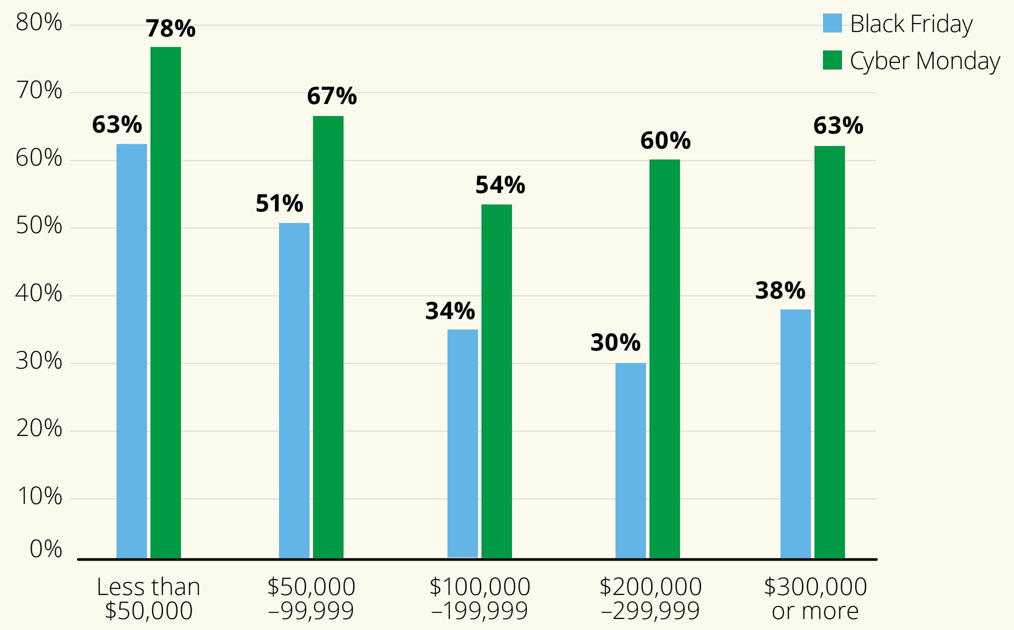
Allocation of holiday spend (% respondents)

Consumer survey: *What percentage of your total holiday spending do you expect to spend over the following periods?*



No spend allocated (% respondents) by income level

Consumer survey: *Consumers who did not allocate spend to these trade periods*



SPOTLIGHT

The cost of living squeeze

Australia's cost of living crisis has intensified over the past year, worsened by a prolonged period of high interest rates. In June 2024, the Deloitte ConsumerSignals Index[13] which measures spending intent, indicated near-record lows in categories such as clothing, electronics, household goods and home furnishings, compared to similar periods in 2022 and 2023. This survey also shows that many consumers plan to reserve their spending for early December, rather than participate in Click Frenzy, Black Friday or Cyber Monday. The results suggest that consumers:

- View early trade periods as discretionary compared to the 'mandatory' nature of Christmas gifting
- Are re-allocating cash from discretionary spend to everyday essentials
- Are conserving cash for as long as possible to support personal cash flow
- Recognise that product ranges for Black Friday and Cyber Monday differ from those in December, and show a preference based on these distinctions.

Unsurprisingly, a greater share of consumers in lower income brackets expect to opt out of Black Friday and Cyber Monday sales this year – a divide we expect to sharply define this holiday season:

- Lower-income consumers are most likely to reallocate their discretionary spend to household essentials and only part from savings at the last possible moment
- Higher-income consumers will have the luxury to capitalise on historically aggressive discounts and potentially shop early for Christmas.

For retailers, the outcome of this divide will vary dramatically depending on their target customer.

The bar has been lowered, but is it low enough?

Most retailers don't expect Black Friday or Cyber Monday to drive the bulk of their holiday earnings. However, more than half still anticipate Black Friday to generate up to 25% of total holiday sales, and one-fifth expect up to 50%.

Retail game board

For illustrative purposes only

RETAILER B \ RETAILER A	Non-discount promotion	Discount less	Discount more
Non-discount promotion	Niche competition	Retailer A takes more share, better margins	Retailer A takes more share, lower margins
Discount less	Retailer B takes more share, better margins	Moderate competition, low margins for both	Retailer A takes more share, but with low margin
Discount more	Retailer B takes more share, lower margins	Retailer B takes more share, but with low margin	Heavy competition, very low margins

With consumer sentiment down, and lower-income earners unlikely to spend during these flash sales, retailers need to ask themselves some critical questions:

Is a large share of our customers from lower income brackets, and if so, have we overestimated their ability to spend this year?

Are Black Friday and Cyber Monday still profitable trade periods for us? If not, must we still play to gain or retain customers?

Is there a way to participate differently and/or put more emphasis on the early December trading period?

SPOTLIGHT

To play or not to play

For some retailers, competing is simply the only option. It's easy to understand when you consider the game theory of aggressive discounting: any discounting in a sufficiently competitive and profitable market will always drive businesses to the most extreme scenario.

Even so, for other retailers, the juice is no longer worth the squeeze. In a period once defined by high sales and moderate margins, they are now lucky to break even. But some global retailers are choosing to play differently, rather than not at all:

Amazon defined their own trade period which now rivals Black Friday and Cyber Monday; this year, US consumers spent US$14.2 billion on Prime Day across 16 and 17 July, an 11% jump from 2023[17]

IKEA replaced Black Friday with 'Green Friday', promoting sustainability through its buyback program and free assembly parts[18]

Patagonia uses Black Friday to support environmental charities and promote Worn Wear, its platform for reselling pre-owned clothing[19]

Ulta Beauty increased loyalty points, offering members 5x points on purchases during Black Friday and Cyber Monday[20]

Etsy refocused on 'Small Business Saturday' on the day after Black Friday to encourage consumers to shop local via their platform.

Magic 8 ball, what do I do?

In 2023, subdued consumer sentiment didn't prevent strong sales on Black Friday and Cyber Monday. This year, sentiment will be tightly linked with the Reserve Bank of Australia's (RBA) approach to interest rates. It's likely a surprise rate hike would further reduce and delay spend until Christmas, while a cut will boost confidence and discretionary spend in earlier trade periods.

Regardless, retailers must evaluate whether these sales periods still provide acceptable profits or serve a broader strategic goal to retain or acquire customers. If not, they may be forced to pursue alternative strategies – or simply not play at all.

For retailers questioning this trade period, consider these three key moves:

1

Leverage loyalty programs

Instead of offering broad discounts for single purchases, use loyalty programs with enhanced rewards to better engage with customers and increase lifetime value.

2

Reward high-value customer segments

Target your high-value customer segments with personalised offers on high-margin or strategically important categories.

3

Establish independent trade periods

If your brand equity allows, create your own trade periods to avoid direct discounting with retailers during Black Friday and Cyber Monday, allowing for tailored promotional strategies.

By **Harsha Maddipatla** *Partner Deloitte Australia* and **Jo Jericho** *Director Deloitte Australia*

CASE STUDY

Bunnings' formula for holiday success:

Trust, value and community engagement

In today's volatile economic climate retailers are under immense pressure to build consumer loyalty and maintain trust. Rising cost of living pressures and inflation have made consumers more price-sensitive, demanding greater value for their money. Additionally, there is heightened consumer awareness about pricing, with many shoppers growing distrustful of fluctuating high-low pricing tactics commonly used by retailers. In this competitive market, where trust is paramount, retailers like Bunnings face the task of standing out while ensuring transparency and reliability.

Bunnings has successfully navigated these challenges by focusing on a few core strategies that revolve around building and maintaining consumer trust. Every consumer in the country already knows the jingle – if we said 'lowest prices are just the beginning,' it is highly likely that you are humming the Bunnings theme right now. Unlike other retailers who rely on fluctuating high-low pricing tactics, Bunnings' commitment to offering everyday low prices is a cornerstone of their approach. This transparent pricing strategy builds trust, especially crucial in today's climate where every dollar counts. Ryan Baker, Chief Operating Officer, explains:

'Trust isn't something we take for granted. Every interaction you have with the customer, you are put to the test. It's an everyday and every time you interact with someone proposition, whether it's through fair pricing, handling customer concerns, product quality, or community involvement.'

Understanding that trust goes beyond competitive pricing, Bunnings has also introduced free in-store family experiences and activities. These initiatives provide added value, allowing families to enjoy quality time together without financial strain. Offering these experiences alleviate some of the pressures associated with the cost of living and fosters a sense of community. Along with the ubiquitous community-sponsoring sausage sizzle, examples of such initiatives include free kids' workshops, DIY project demonstrations, and seasonal events and activities. Their approach to trust-building includes active community involvement, supporting local causes, and engaging with customers on a personal level, allowing them to be an integral part of the community.

Clearly it is working; for the second year in a row, Bunnings has been crowned Australia's most trusted retail brand by Roy Morgan Research.[21] By adopting similar principles, other retailers can not only navigate the current economic challenges but also create a festive shopping experience that resonates with their customers, fostering loyalty and trust that extend beyond the holiday season.

Sustainable shopping

Buying in to a better future

Sustainability is an increasingly dominant theme in retail, and its importance will only grow as businesses grapple with evolving reporting obligations. How is this shift shaping consumer behaviour, and how are retailers responding?

Our survey shows that 44% of consumers believe environmental, social and governance (ESG) matters are important or critical to their purchasing decisions, while the same share of retailers say it's critical or important to the perception of their brand.

Consumers may feel a sense of pride and satisfaction from buying sustainable products, viewing them as a positive contribution to a greener future. For instance, they might feel that buying organic and locally sourced produce supports local farmers and reduces their carbon footprint.

But are consumers willing to pay more for sustainable products? While 38% of consumers would pay up to 10% more than the price of a comparable product, only 4% are willing to go further. The overwhelming majority of those surveyed (58%) wouldn't pay more for a sustainable product at all.

As price sensitivity continues to significantly influence purchasing decisions, retailers need to find the right balance between sustainability and affordability to cater to a broader consumer base. This will become increasingly important as cost of living pressures constrain consumer spend.

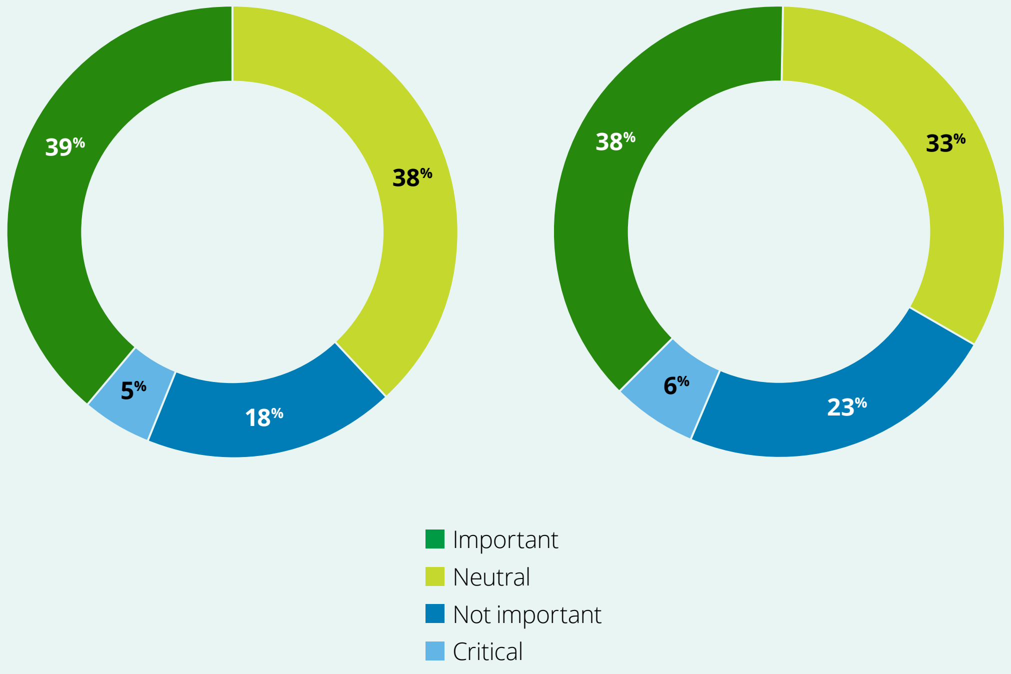
The growing focus on sustainability is likely to significantly impact spending patterns as consumers increasingly favour brands and retailers that align with their values.

Integrating sustainable practices can lead to cost savings for both retailers and consumers. For example, using energy-efficient technologies, reducing waste and optimising supply chains can lower operational costs, which can be passed on to consumers. Retailers that manage to make sustainability synonymous with affordability will not only appeal to eco-conscious consumers but also those who are budget-conscious.

44% of consumers weigh sustainability in their buying choices – and the same proportion of brands view it as important to their image

Retailer survey: *How important is ESG to the perception of your brand?*

Customer survey: *How important is ESG to your shopping decisions?*



But there's a limit to how much more consumers will pay

Consumer survey: *How much more are you willing to pay for sustainable products?*

58% **No more than a comparable product sold by another business**

38% **Within 10% of the price of a comparable product**

4% **More than 10% of the price of a comparable product**

Retailers that don't integrate sustainability into their business model, or fail to effectively communicate these efforts, may see a fall in sales and miss out on boosting customer loyalty and their market share.

While sustainability is important, consumers will continue to value price and quality, and retailers need to find ways to balance all three to remain competitive in the market.

Deloitte's 2024 Gen Z and Millennial Survey[1] shows climate change is the top concern for 25% of Gen Zs and 24% of millennials; but the cost of living is capturing greater attention, ranking highest for 43% and 40% respectively.

Our survey of Australian consumers shows 56% of GenZs and millennials would pay more for sustainable products, but only 6% are willing if the premium exceeds 10%. This compares to 31% and 3% respectively among older age groups. Retailers targeting these demographics should tailor their sustainability strategies to meet these expectations.

Retailers are investing in a wide range of sustainability practices

Retailer survey: *How are you addressing and integrating ESG*

Practice	%
Waste reduction	63%
Improving packaging sustainability	52%
Ethical sourcing & supply chain	38%
Product circularity	23%
Investment in clean energy	19%
Diversity, equity & inclusion programs	17%
Societal impact programs	12%
Decarbonisation programs	9%
Taking a stand on political / social matters	7%
Other	4%

Top concerns

Australian Gen Zs		Australian Millenials	
Cost of living	43%	Cost of living	40%
Climate change	25%	Climate change	24%
Mental health of my generation	24%	Mental health of my generation	21%
Unemployment	20%	Health care / disease prevention	21%
Economic growth	16%	Economic growth	20%

How Gen Zs and millenials are driving climate action through their consumer behaviour

	Gen Zs - already do / have done	Gen Zs - plan to in the future	Millenials - already do / have done	Millenials - plan to in the future
Avoid buying fast fashion	31%	25%	38%	32%
Reduce air travel	25%	20%	33%	31%
Research companies' environmental impact before buying products from them	29%	32%	33%	34%
Eat a vegetarian / vegan diet	28%	19%	29%	33%
Purchase an electric vehicle	16%	35%	21%	48%

Exponential technologies

Guiding the sleigh with smart innovations

New technologies aren't just shaping the future of retail; they're already enhancing today's shopping experience. Retailers are evolving their ecosystems and digital engagement strategies with these innovations, making customer relationships more robust and 'sticky.'

Retailers are increasingly adopting customer-centric technologies and data investments to build loyalty and influence consumer behaviour. These efforts aim to make the shopping experience easier, more convenient, and more personalised. Retailers are wholeheartedly embracing generative AI and other advanced technologies to entice and enhance these customer interactions. Generative AI is being used to improve operational efficiency in data analysis and inventory management while also enhancing consumer-facing applications like chatbots and virtual assistants.

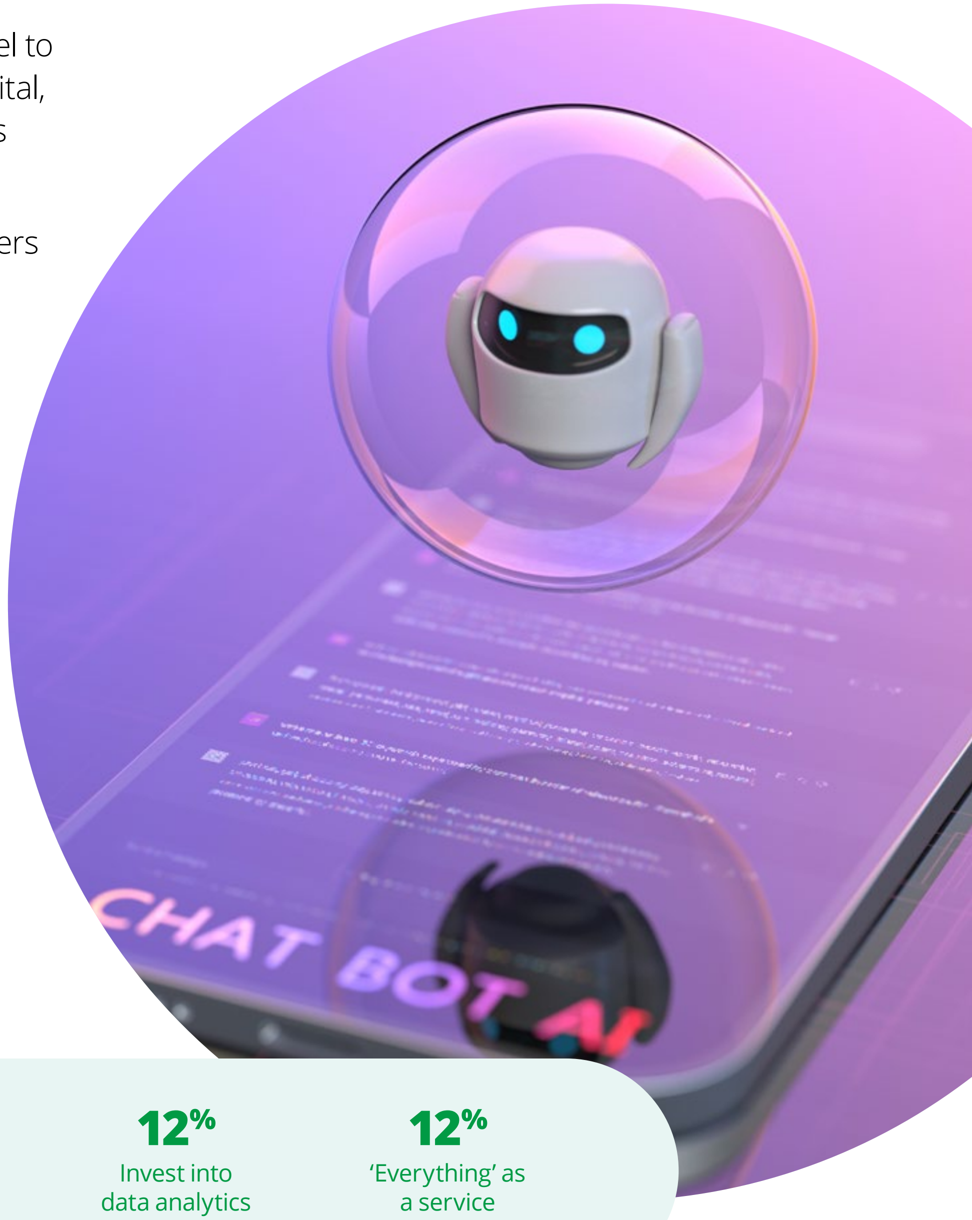
Smart retailers are creating innovative ecosystems and marketplaces to expand their product range while reducing inventory and working capital investments. These marketplaces leverage the core brand's existing online platform investments and provide valuable data for crafting digital personas of customers. This approach allows retailers to learn more about their customers and deliver more targeted experiences throughout the buyer's journey. From mass to micro, at scale, this strategy aligns with consumer interest, with 36% interested in marketplaces and 24% in personalised design.

Personalisation and targeted experiences are becoming the norm, driving innovation and boosting customer loyalty. Loyalty programs and Retail Media Networks (RMN) are essential for maintaining and building customer relationships with technology simplifying and enriching the shopping experience for consumers.

While retailers embrace new technologies, they should also seek to understand consumer preferences and expectations. Our findings show that consumers are sceptical about certain technologies, with only one in eight interested in each of AR, VR and AI assistants. The challenge for retailers is to ensure these technologies are integrated seamlessly and to meet consumer expectations.

The coming decade will see technology blur boundaries and transcend historical models, moving from siloed forms based on industry and channel to 'multi-moment', 'as-needed', 'on-demand', and 'instantaneous'. Physical, digital, and hybrid forms of goods and services will be seamlessly accessed across global, digitally Balkanised, national, regional, or individual audiences.

Several case studies illustrate these advancements, showcasing how retailers are embracing tech innovation and the rise of innovative ecosystems.



Consumers are intrigued by a range of technologies

Consumer survey: *What technologies are you most interested in trying?*

36%	28%	24%
Marketplaces	'Everything' as a service	Personalised design

Going by investment, retailers are too

Retailer survey: *What technologies have you employed within your business?*

30%	29%	22%	16%	12%	12%
Generative AI	Payment options (buy now pay later, finance, bundling, subscription services)	Product personalisation	Supply automation	Invest into data analytics	'Everything' as a service

CASE STUDY

7-Eleven's 5-year growth journey

How 7-Eleven is innovating to succeed amid economic pressures

In 2019, the 7-Eleven board challenged the Customer Digital team to be bolder: *how can we leapfrog our competitors and lead the market?* This has taken 7-Eleven on a transformation journey over the past five years, toward their aspiration to be at the forefront of retail innovation, leveraging cutting-edge technology to enhance customer experience.

7-Eleven recently launched their 10-store trial with Grabango to become the first Australian retailer to launch the computer vision enabled technology.[22] By integrating Grabango's advanced checkout-free technology, 7-Eleven aims to minimise traditional checkout friction, offering customers a streamlined shopping experience. AI-driven technology allows customers to pay for their items without scanning and automatically via their app or a tap of their credit card as they exit the store.

We sat down with **Stephen Eyears**, General Manager Strategy and Technology at 7-Eleven.

Tell us about the trial of Pay & Go 2.0 technology in Australia…

Pay & Go is a feature within the My 7-Eleven app to enable customers to skip the queue and pay directly in the app when shopping in-store or when filling up fuel at a participating 7-Eleven store. The My 7-Eleven App also includes the incredibly popular Fuel Lock, and the ability to earn rewards and special offers.

In recent weeks we have launched a 10-store trial of Pay & Go 2.0, powered by Grabango. This version allows customers to pay without needing to scan individual product bar codes. The technology utilises astounding computer vision to see every product in the store and automatically adds selected items to a customer's virtual basket, charging the My 7-Eleven App or a single tap of a credit card when they leave the store.

How does this fit into your overall strategy?

Being customer focused is in our DNA at 7-Eleven, and we recognise that being on the go, speed of service is particularly important to many customers. We want to help them get what they want as quickly as possible. So strategically, we think being obsessed with the customer's experience and enabling a mechanism for digital engagement that they value is a key part of how we differentiate.

In what ways do you think digital technology like Pay & Go impact store operations, employee roles and future capabilities required within 7-Eleven?

We think about store technology in terms of customer experience. The question is always about how we eliminate friction in everything from back of house operations to directly facing customer technology. I have always thought about doing whatever is possible to free up time to allow our front-line colleagues to do what is most valuable, serve our customers. Friendly face-to-face customer interactions with customers is not going away.

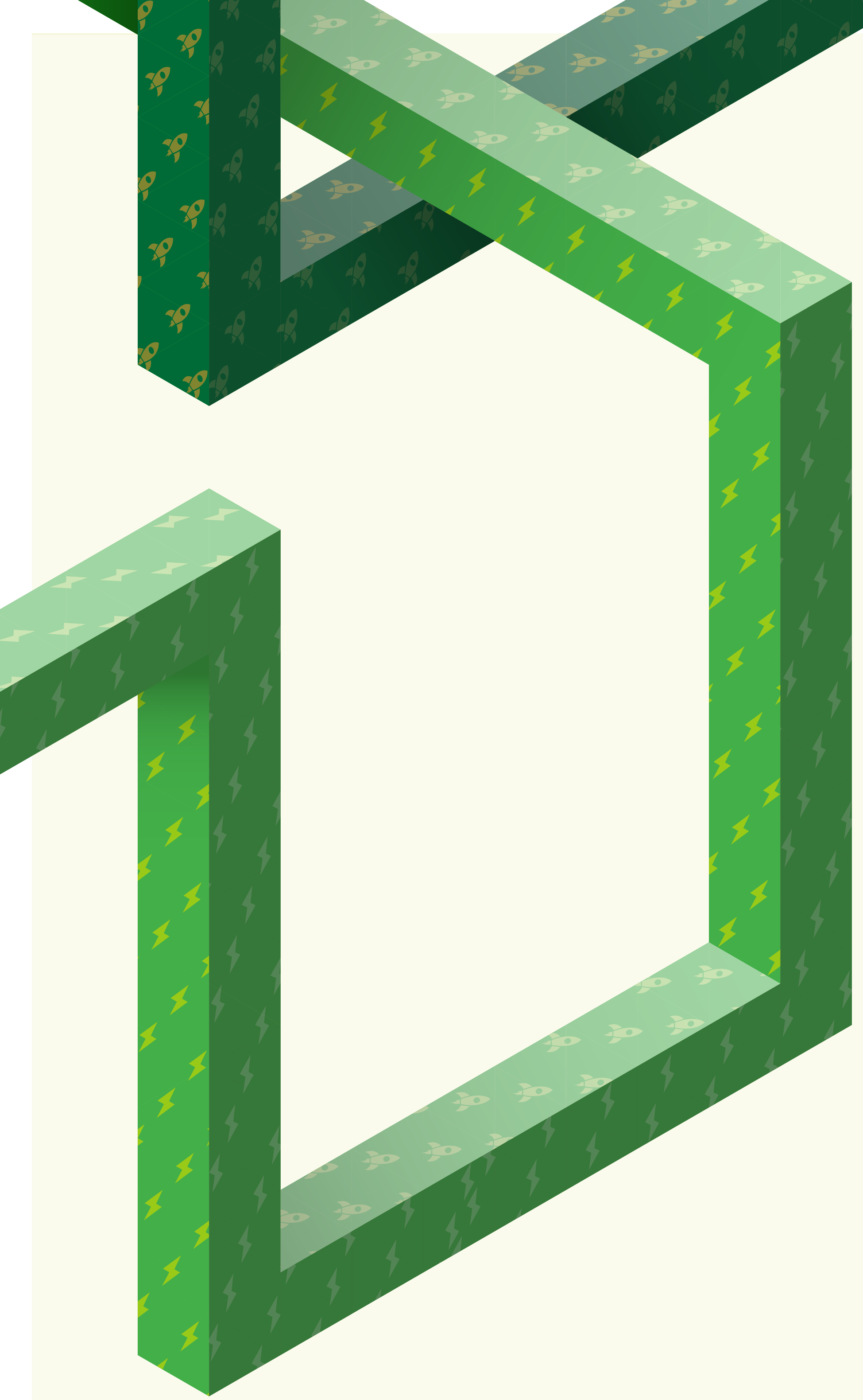
What impact has the changing economic environment had on your rollout?

It hasn't been an easy economic environment for anyone in the last few years, and we were actively developing Pay & Go 1.0 during COVID. In terms of investing, it's always about finding the right balance, investing for today and investing in the future. We don't operate on endless amounts of investment, and I like that. It forces us, and particularly our technology team to be hyper-focused on choosing the right technology, implementing with speed, and eliminating all forms of waste.

However, our business case for this technology was built entirely on customer benefits not a reduction in costs. This is what it means to be obsessed with customer experience.

How do you see this technology evolving over the next five years within 7-Eleven stores?

We have a suite of innovations to come. We won't stop innovating. There has been an enormous amount of investment in our technology stack and the total technology team behind it, particularly regarding our digital capability and how it interacts with our core technology. This enables us to move more quickly than our competition.



SPOTLIGHT

Retail Media Networks:

Unlocking new revenue streams to drive holiday sales

Retail Media Networks (RMNs) are digital advertising platforms operated by retailers, allowing brands to target consumers directly at the point of purchase. Every consumer is familiar with advertising on the online stores they visit. However, RMNs leverage data, personalisation, and AI to dynamically present ads, curated search results, and recommendations that meet specific customer needs.

This curated content can direct shoppers to the retailer's own products or to partner products, thereby leveraging site traffic to earn advertising revenues in adjacent categories. Additionally, the data collected through site traffic, search terms, and click-throughs can be monetised by offering valuable insights to external advertisers.

RMNs therefore typically comprise:

- Advertising inventory within a retailer's owned environment (digital or physical) usually sold to the retailer's existing vendors, such as in-store ads, magazines, or online search
- The commercialisation of digital audiences. This involves selling audience data to external advertisers, such as automotive or travel brands.

With limited topline growth, increasing costs, and so many global competitors just a click away, Retail Media Networks (RMNs) present a promising opportunity to drive incremental margin through existing infrastructure.

In this piece, we explore the ease of establishing your own RMN, the key factors for success, and the safest entry strategies amidst the competitive Australian market.

Retailers often start by trading their own inventory, building the commercial foundations before expanding to external audiences. While this approach sounds logical and certainly helps establish administrative aspects of the media venture, the skills required for success in the initial stages often differ from those needed later on.

The key challenge many are facing in the Australian marketplace is first-party data quality, and high quality, end-to-end first-party data is crucial. This is one of the reasons loyalty programmes are prioritised by many retailers as they help form actionable, commercial datasets.

Globally, there have been mixed results in launching RMNs, raising questions about the scalability and sustainability in Australia. How many RMNs can the market sustain, and what model works best? Although public data is limited, it's evident that many retailers have faced significant challenges during their initial attempts at establishing this business model. Key obstacles include developing effective go-to-market strategies and operating models, as well as attracting above-the-line (ATL) spend from buyers whose budgets are already under pressure. These challenges have led many retailers to re-evaluate and refine their approaches multiple times.

Internationally, we've observed that those trying to commercialise often let confidence bias get in the way leading them to underestimate the behaviour change requirements of buyers and their agencies.

Let's set aside commercialisation for a moment and focus on operationalising RMNs. Establishing data assets, consent frameworks, enhanced cyber security layers, B2B self-service platforms, brand protection requirements are all essential. Additionally, retailers need the commercial assets and talent needed to sell, invoice, and manage clients effectively.

While the journey may prove challenging, it is filled with significant opportunities and rewards. Successfully navigating this path, especially competing with some of the world's largest organisations, can lead to substantial growth and innovation.

Our advice: Prioritise risk management by considering the role of partnerships with other retailers and media tech businesses. Leverage these partners to ensure commercial leads remain focused on core business activities rather than getting distracted by non-core ventures.

Many retailers choose to outsource initially to ensure a quicker time to market, to leverage existing expertise and technology. This approach may lead to dependency on external partners, potential misalignment of brand values, and data privacy concerns. For many retailers, a hybrid model may be ideal, starting with outsourcing and gradually transitioning to insourcing as internal capabilities are built and confidence in managing RMN operations grows. Retailers should consider the scalability of their RMNs, ensuring they can handle increased traffic and demand.

As we approach the holiday season, with peak shopping periods like Black Friday and Cyber Monday, RMNs could be a game-changer. By driving urgency through promoting exclusive offers and limited time deals, retailers can enhance their margins, whilst also providing an enriched and personalised customer experience. Retailers can run targeted campaigns that capitalise on periods of increased consumer spending.

By **David Phillips**
Partner Deloitte Australia

The next 12 months

Navigating the future

Looking for the green shoots

The road ahead for Australia's retail industry may be challenging, but it's defined by a prevailing sense of resilience. By strategically looking forward, embracing innovation and putting the consumer first, retailers can chart a course toward sustained growth and profitability in 2025.

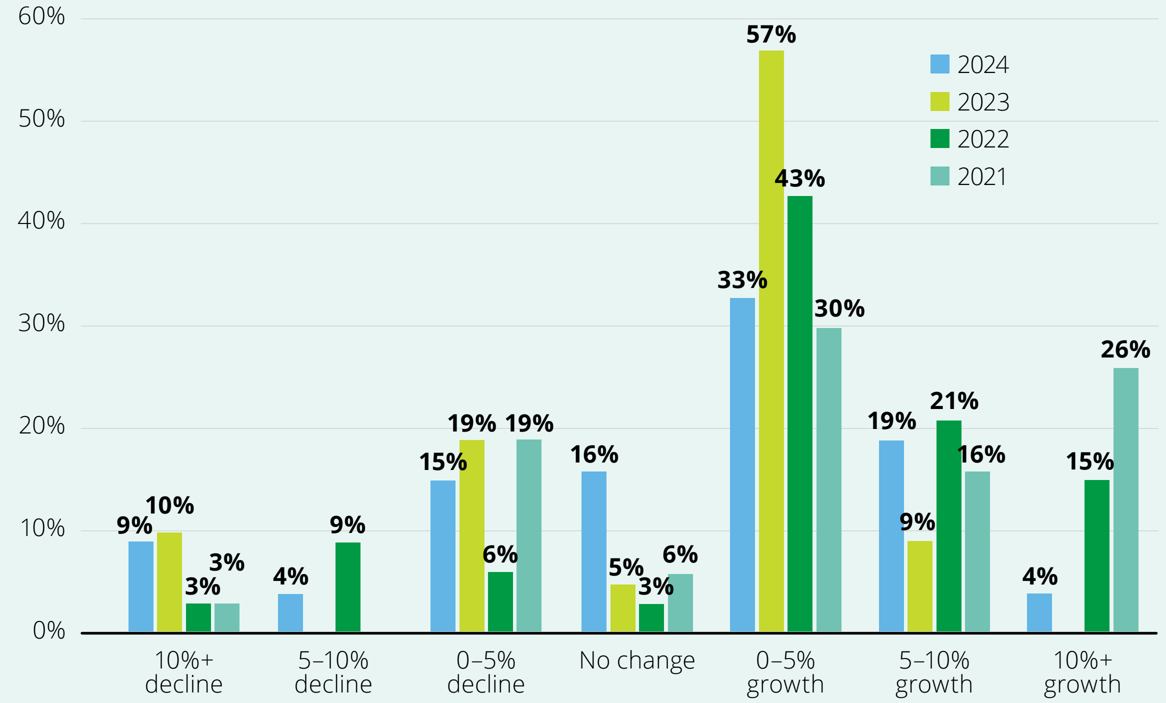
While there are clearly concerns about the holiday season, there's more optimism in the bigger picture. More than half (56%) expect growth in sales over the next 12 months, and 4% even anticipate a double-digit rise. There's still caution amid evolving consumer behaviours and economic expectations, with the share of retailers expecting no change in sales rising from 5% to 16%. Nevertheless, there are signs of hope that the worst will be over by the end of the year, with clearer skies to arrive in 2025.

More positively, 41% of retailers now expect consumer confidence to improve over the next 12 months. It's a profound shift from the 10% seen in 2023 – a testament to the challenges of last year, and the expected recovery in the next.

Additionally, the share of retailers anticipating a decline in consumer confidence has plummeted from 61% to 26%. This shows businesses have a more buoyant outlook, aligning with broader economic indicators that suggest consumer sentiment will strengthen once there's relief from interest rates. When that will occur is highly dependent on inflation. If inflation rises, we may see rates increase before the tightening cycle ends.

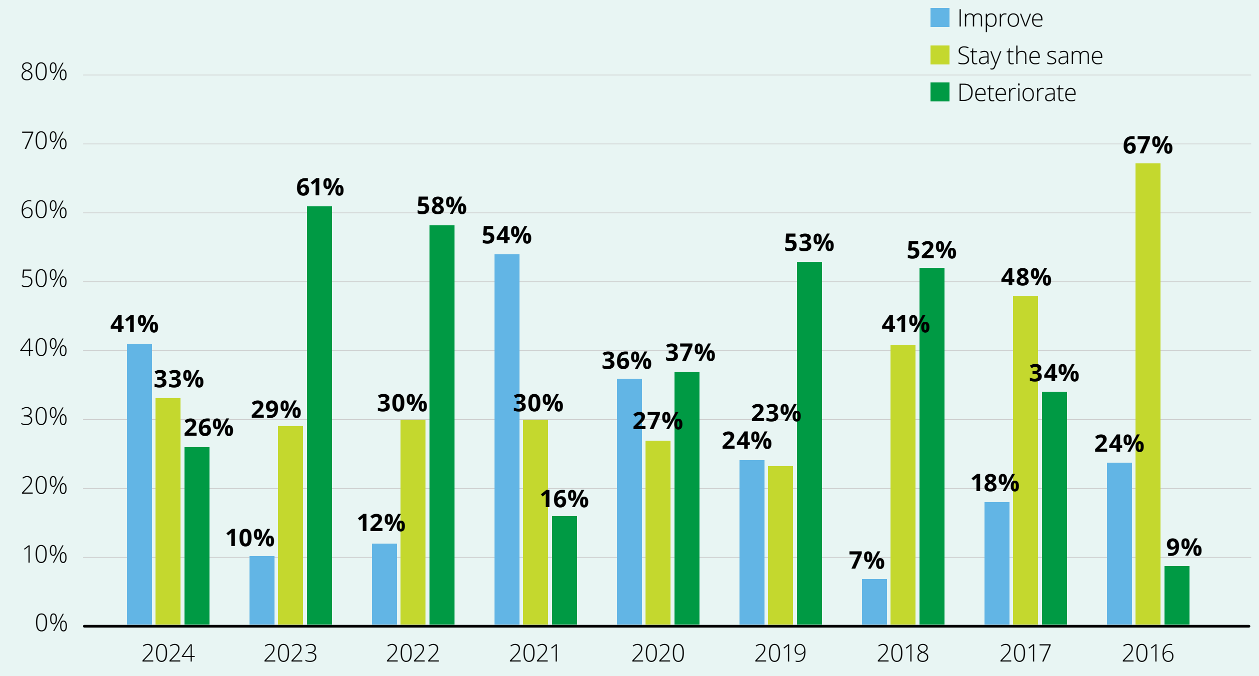
Retailers are cautiously confident of a recovery next year

Retailer survey: *What do you expect to be the overall sales growth in your business in the next 12 months?*



And expect consumer confidence to bounce back

Retailer survey: *Compared to today, what is your expectation of consumer confidence in the next 12 months?*



Despite the encouraging signs of optimism, challenges persist, and retailers cannot become complacent. Businesses should remain cautious and consider appropriate pricing and marketing strategies, given just 26% of consumers feel optimistic about their financial position over the next 12 months. Only 24% say they will spend more these holidays than last, and the vast majority still consider factors like pricing and discounts as critical to purchasing decisions.

Cost pressures are unlikely to ease, with 37% of retailers surveyed highlighting these as their primary concern, reflecting the lingering effects of inflation on the broader economy. It's a notable increase from previous years, highlighting the need for operational efficiency and cost-effective strategies to stay profitable amid rising input costs.

Existing competition also remains a focal point, with 34% of respondents citing this as a significant risk. This sharp rise from previous years underscores intensified market dynamics, where differentiation and customer-centric strategies are pivotal to capturing market share and maintaining customer loyalty.

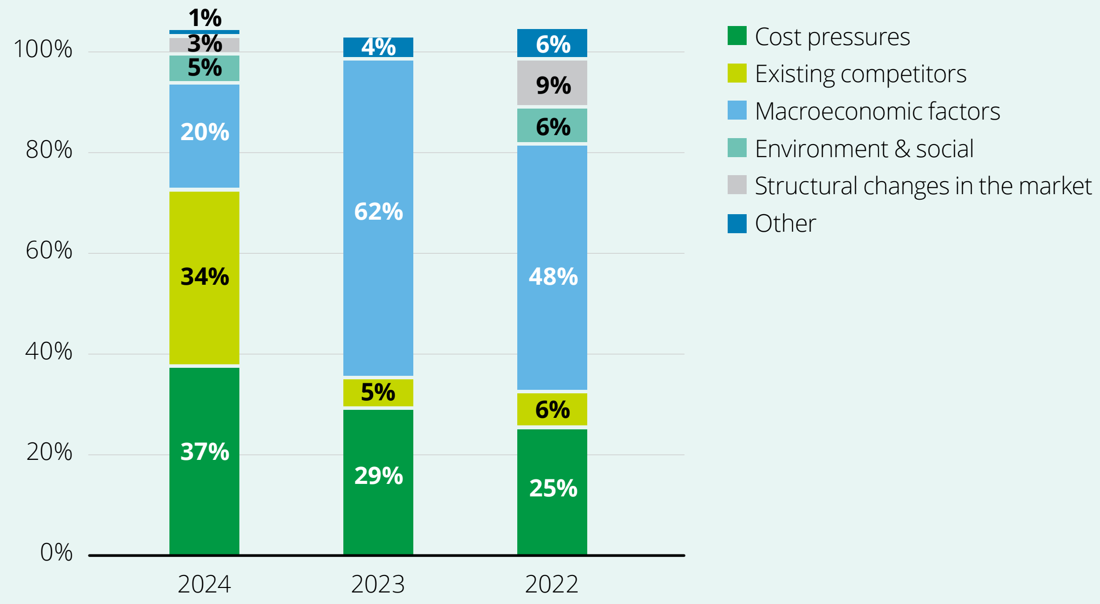
While macroeconomic factors loom large throughout this year's survey results, only 20% of retailers highlight economic factors as the greatest risk to their business. Reflecting the scrappy landscape, there's greater focus on cost (37%) and competitors (34%) as retailers fight for every last dollar that consumers spend.

Individually, flash sale events aren't as significant as the peak sales period in early December. But taken together, they equal it, amounting to 38% of expected holiday sales, showing that November – and Cyber Monday on December 2 – is just as important as the early silly season to the holiday sales cycle.

The evolving dynamics of holiday sales highlight the importance of being agile and responsive to consumer demands and expectations. As retailers embrace a multi-channel approach and leverage data-driven insights, they are well-equipped to optimise sales performance and create better consumer experiences through the festive season and beyond.

Retailers are less worried about macro conditions getting worse, but are concerned about competitors and rising costs

Retailer survey: *What do you consider to be the greatest risk in your business?*



Retailer survey: *What percentage of your total holiday sales do you expect to come from the following periods?*

	2024	2023
Early December	38%	38%
Christmas & Boxing Day	24%	25%
Black Friday	17%	17%
Click Frenzy	11%	10%
Cyber Monday	10%	10%

SPOTLIGHT

Better days ahead

After a punishing two years, brighter days lie ahead for retailers with a return to sales growth. But household budgets will remain stretched, meaning businesses still face a tough battle to encourage consumers to spend again.

Household budgets pushed to the limit

The last two years have brought little joy for Australian consumers and businesses as inflation, interest rate rises and weak demand have weighed on economic growth. While inflation is now trending downward it remains above target, pushing out the timing of interest rate relief.

Consumer confidence remains extremely weak with household budgets decimated by cost of living pressures. For the first time since 2008, households saved less than 2% of their income over the past year. And while consumer spending increased slightly in early 2024, this was only because of Australia's surging population. Per capita, spending has fallen in each of the last five quarters.

This spending squeeze has fed through to businesses. Those focused on financial discipline have prioritised cost control as they navigate the economic headwinds. But profit margins have still been hit, and insolvencies have surged in recent months as the economic reality has set in.

Retailers feeling the pinch

Retailers in particular have felt the squeeze on household spending. After a brief respite in late 2023 supported by strong discounting, retail turnover fell by 0.4% in the first quarter of 2024. Retail sales per capita fell by 1.0% over the same period and haven't grown for seven straight quarters – reflecting how much the average consumer has pulled back on spending.

Spending trends have varied across different goods and services. Persistently high price growth for essentials like housing and food mean almost all consumers are spending more on these items. In turn, many have cut back on discretionary retail spending.

Patterns also differ across age groups, with the pullback in spending strongest for younger Australians who face the most acute cost of living pressures. Research from the Commonwealth Bank of Australia found that to meet rising housing costs, those aged 25–29 have cut both essential spending (excluding housing costs) and discretionary expenses. Those aged 30–60 have only cut back on discretionary expenses, while those aged 60 and above – who are more insulated from rising housing costs – have been spending more on most categories, especially travel.

SPOTLIGHT

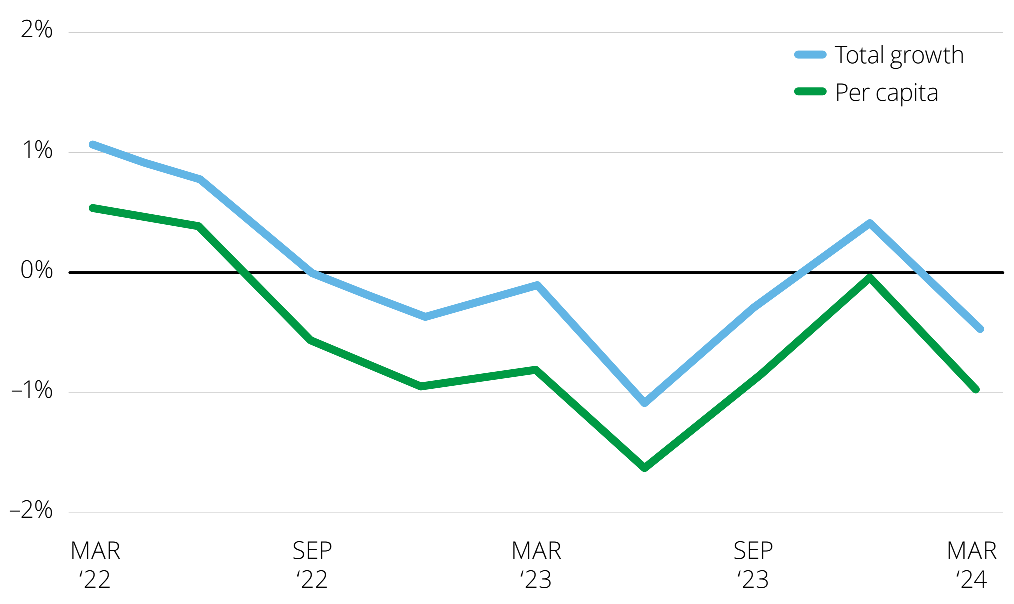
Brighter days to come

Despite the gloom, there's a strong case to be made that the worst of the economic pain is behind us. Australian workers are now seeing real wage growth after several years of inflation outpacing wage increases, while July brought a series of measures to relieve households. These included the Stage 3 tax cuts, which alone will add one percentage point to real household income growth in the coming year.

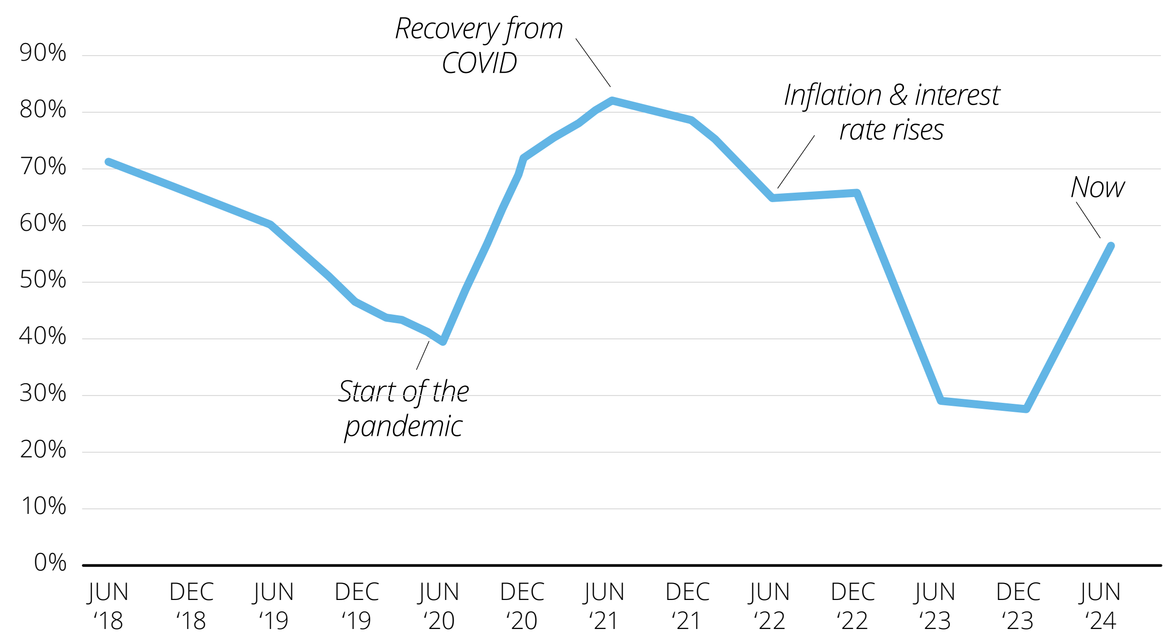
These shifts will provide much-needed support to the retail sector. Deloitte Access Economics expects real retail turnover (inflation adjusted) to show no growth in the 2024 calendar year, before growing by 2.3% in 2025.

Businesses are also feeling better about the future, with the latest edition of CFO Sentiment[23] showing a notably sunnier outlook. CFOs' net optimism about their business' prospects (+56%) has risen 28 percentage points since late 2023 – the first substantial increase in three years.

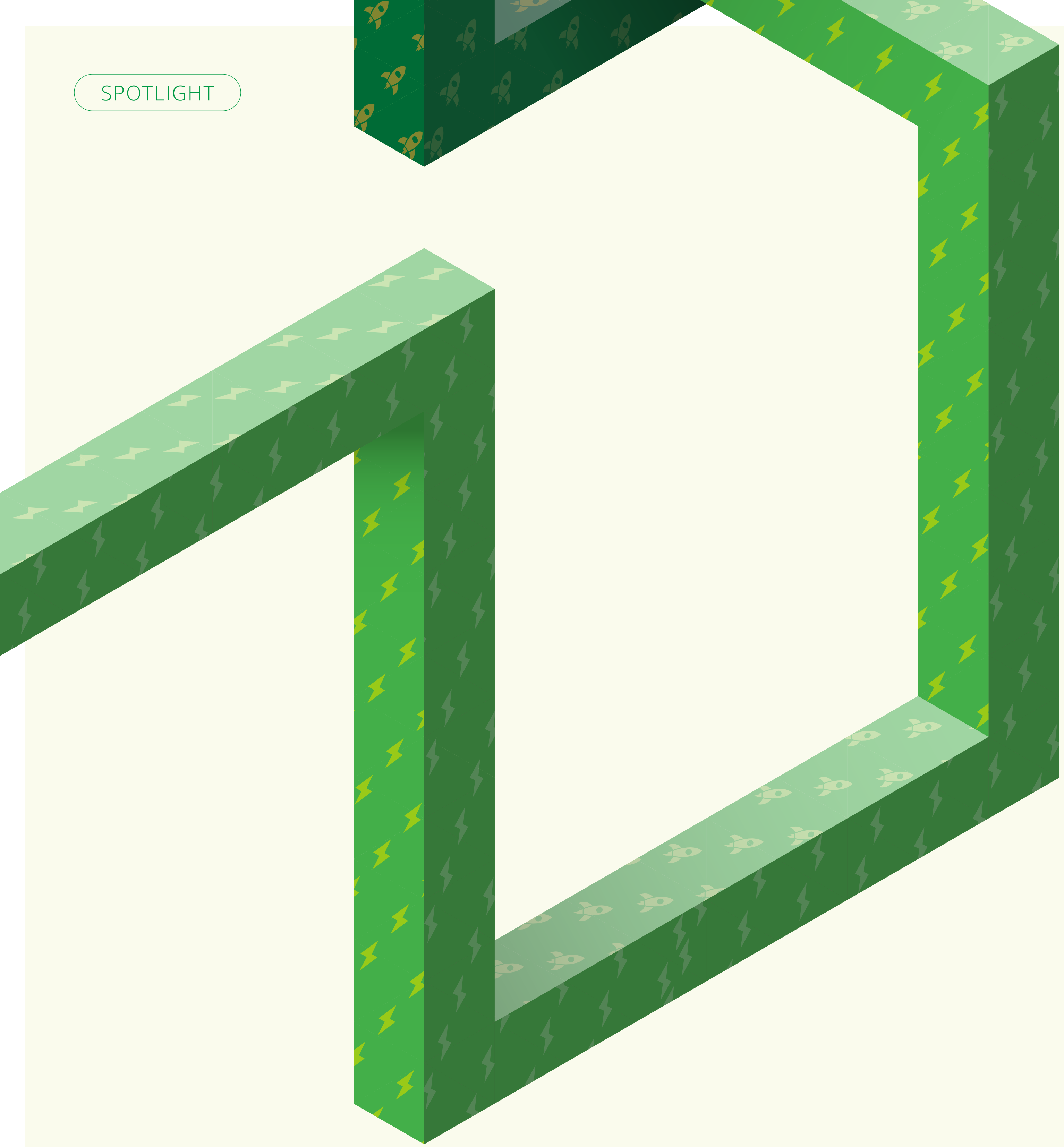
Real retail turnover, quarterly growth



Net business optimism over time



SPOTLIGHT



Early movers to take pole position

Retailers will welcome a return to sales growth, but will need to work hard to entice consumers to start spending again. Persistent non-retail inflation will keep many household budgets tight in the medium term, and recent consumer surveys show many Australians want to start saving again.

Certain groups will continue to have more freedom to spend. This includes middle-aged workers and older consumers, who generally have healthier household budgets and stronger savings buffers. Market segments geared towards such groups, such as luxury goods, should continue to perform well. In contrast, younger consumers, who are more likely to be renting and on low incomes, are expected to prioritise essentials, with any leftover income channelled into savings.

Monitoring changes in consumer tastes will also be key. As this year's survey shows, most retailers expect a smaller share of online sales this holiday period as customers favour a return to in-store shopping experiences. Identifying such trends early will help firms capture business in what is set to remain a very competitive market.

As such, while cost control remains important, improving productivity will be increasingly key to staying relevant in the marketplace. Generative AI and other new technology bring huge disruptive potential for consumer businesses with data-rich infrastructure: retailers can use these tools to gain business and market insights, more quickly identify emerging trends and position themselves to capture market share.

By **David Rumbens**, *Partner Deloitte Access Economics*, **Shannon Cutter**, *Manager Deloitte Access Economics*, **Andy Crossley**, *Manager Deloitte Access Economics*.

About the survey

This survey was commissioned by Deloitte and conducted online and in person throughout June and July 2024.

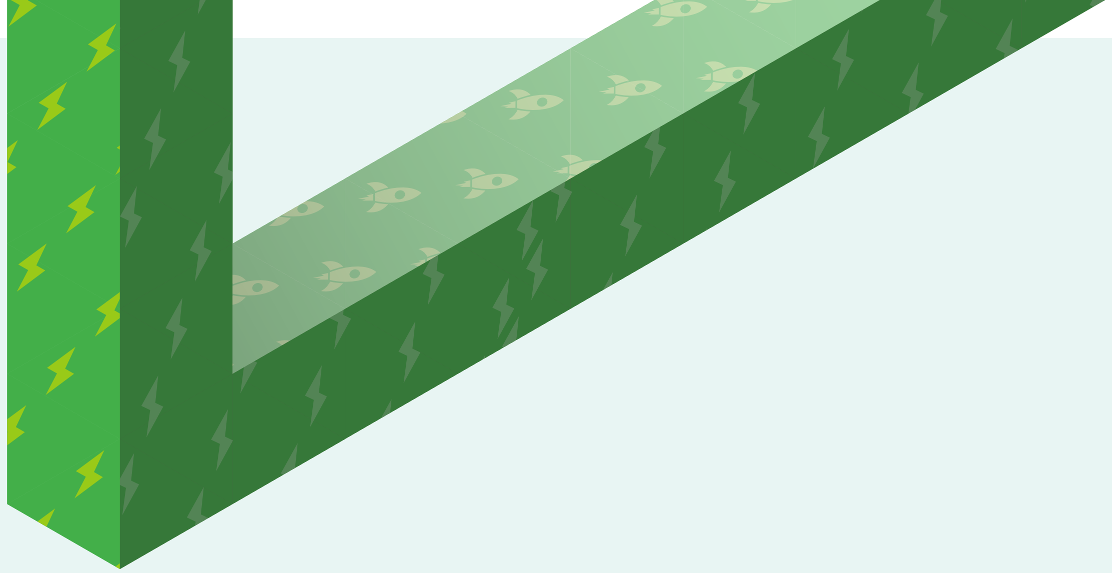
The retail survey polled 150 retail executives across a range of categories to create a cross-section of the market.

All have a medium or high level of involvement in buying, supply chain, operations, distribution, technology, merchandising and digital and workforce transformations for the coming holiday season.

The consumer survey included 1000 Australian consumers across a range of age, socioeconomic and geographical demographics.

Acknowledgements

We would like to thank Stephen Piperides, Priscilla Lam, Ken Tan, Paul Zahra, David Rumbens, Shannon Cutter, Andy Crossley, Harsha Maddipatla, Jo Jericho, David Phillips, Refut Ahmed, Andrew Miller, Sarah Lynch, and Phoebe Stenning for their contributions to this report.



About our team

Deloitte's retail specialists work with global retailers, wholesalers, and distributors across every segment of their industry. We help them meet their biggest challenges, from supply chain, customer loyalty, and franchising trends to changes in consumer taste.

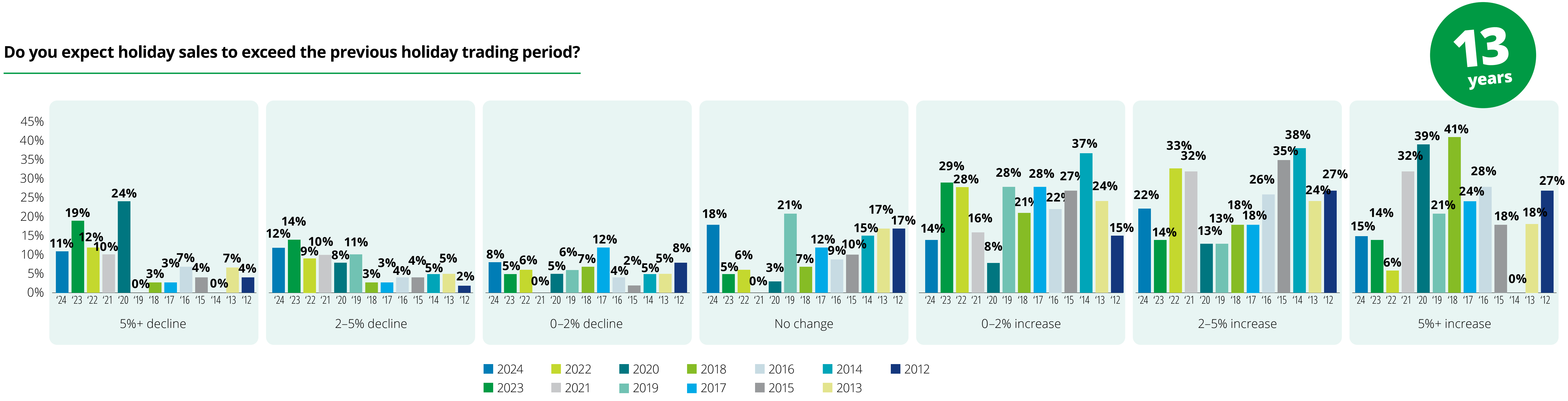
Operationally, we can help you better manage your supply chain, improve processes, and implement new technology – delivering practical solutions that rapidly build your efficiency and productivity.

Whether it's unearthing new solutions, improving what's already there, or delivering on what matters to you most – we exist to help you find new growth. So, if you're looking to grow revenues, improve your retail operating margins, and improve the agility of your business, then please reach out. It's the blending of our analytical, business and technical acumen with creativity that enables us to deliver better outcomes for our clients and their customers.

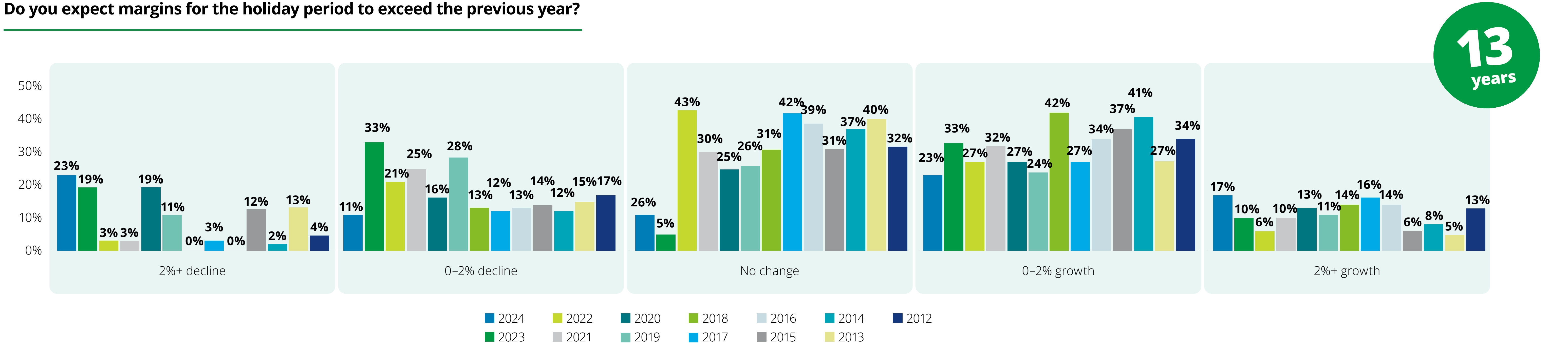
If you would like further information about any of the topics in this report, or our advisory capability in the retail industry, please contact us.

Detailed survey data

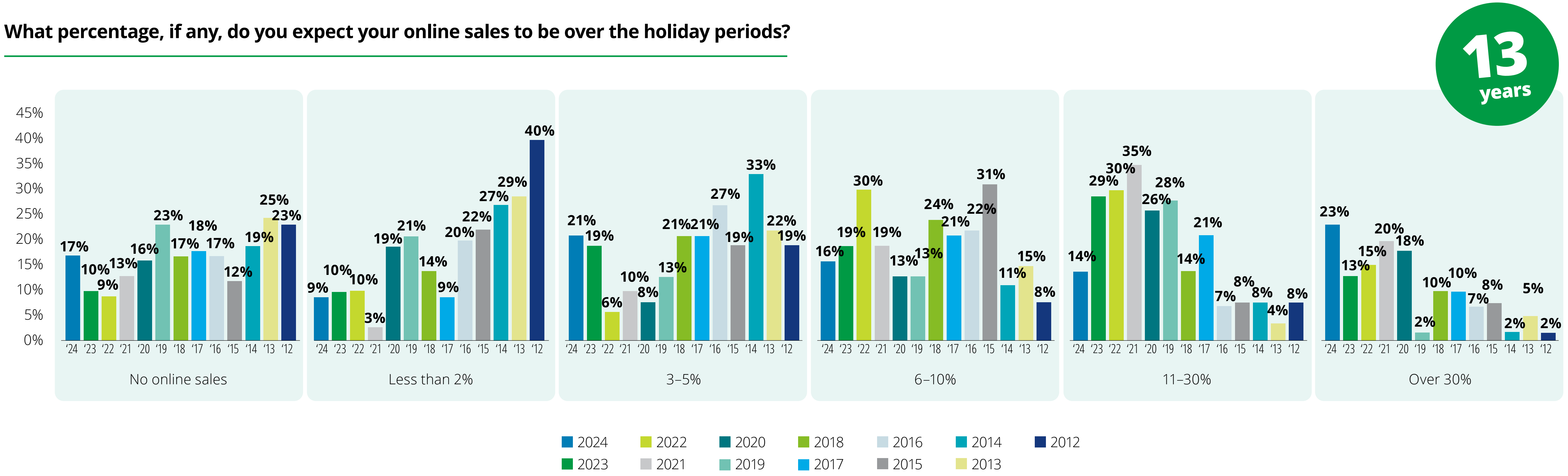
Do you expect holiday sales to exceed the previous holiday trading period?



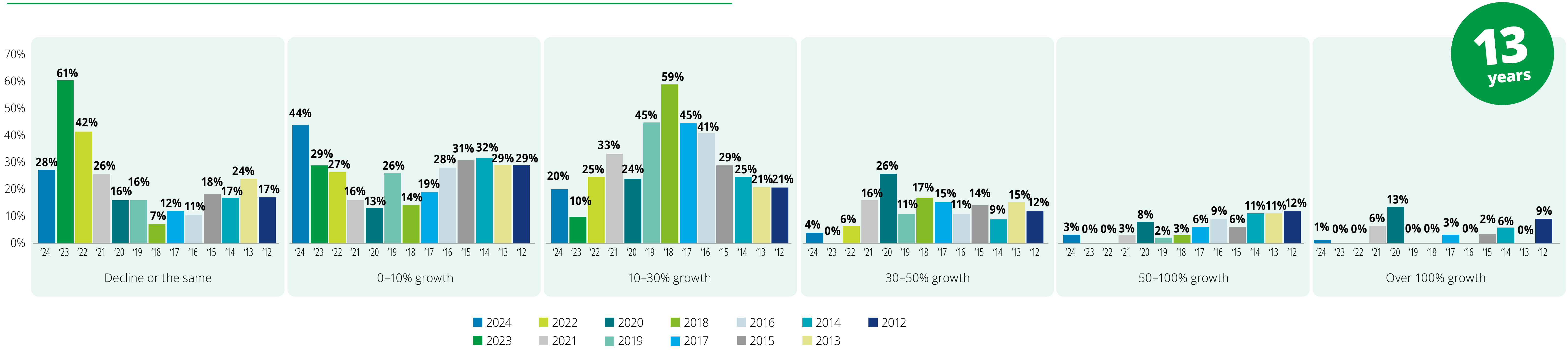
Do you expect margins for the holiday period to exceed the previous year?



What percentage, if any, do you expect your online sales to be over the holiday periods?

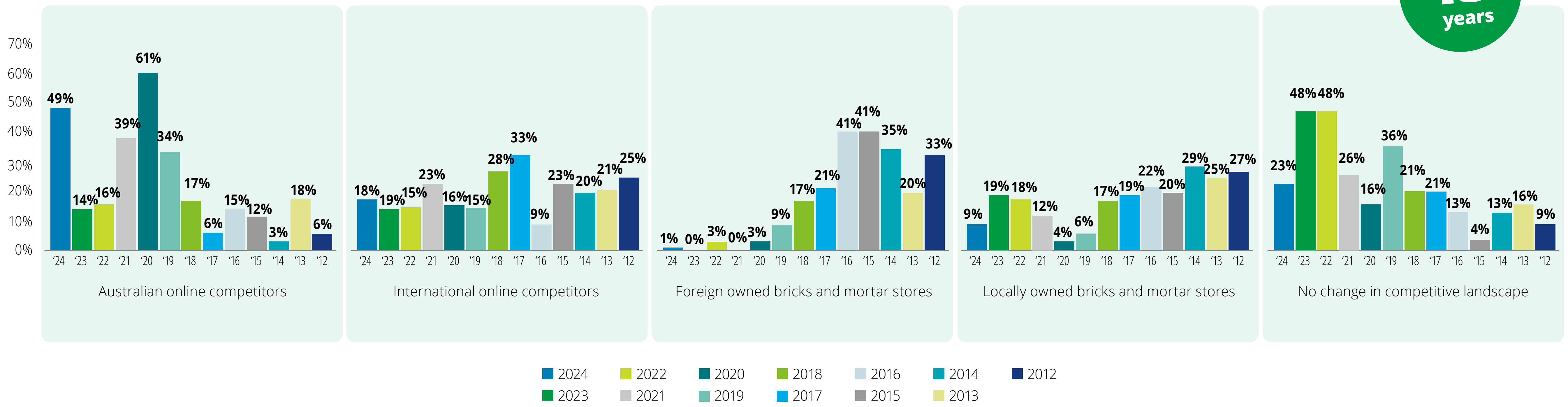


By what percentage do you expect online sales for the current year to exceed the previous year?

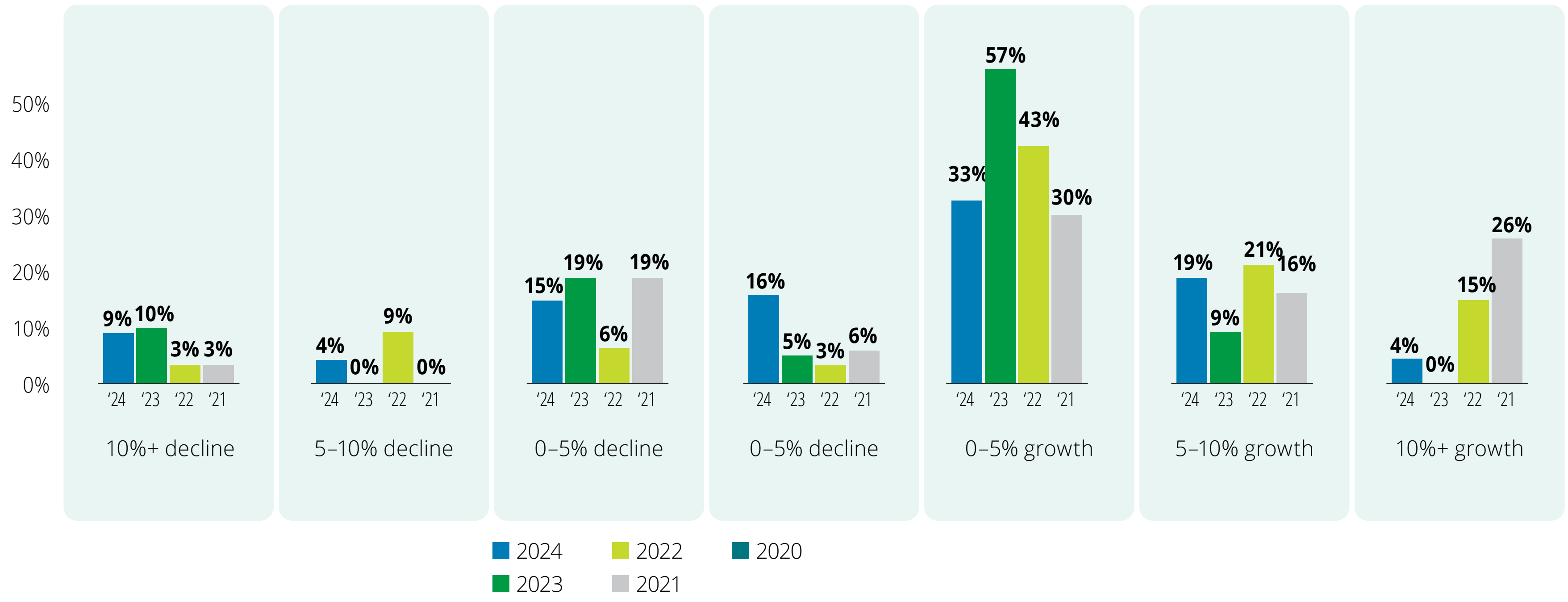


13
years

From what source do you expect to see the most increased competition in the next 12 months?



What do you expect to be the overall sales growth in your business in the next 12 months?



References

1. Deloitte Australia, The Deloitte Global 2024 Gen Z and Millennial Survey: Australian Cut, 19 July 2024
2. Australian Retailers Association, American Express, ARA & American Express Small Retail Index, 12 August 2024
3. Australian Bureau of Statistics, Consumer Price Index, Australia, 31 July 2024
4. Australian Bureau of Statistics, Retail Trade, Australia, 3 July 2024
5. Anthony Heraghty, FY 2024 Super Retail Group Half Year Results, Super Retail Group, 22 February 2024
6. Newgate Research, Animal Medicines Australia, Pets and the Pandemic: A social research snapshot of pets and people in the COVID-19 era, Animal Medicines Australia, 31 August 2021
7. Aditee Pathak, App Critique – Nike Run Club, LinkedIn Blog Post, 8 August 2021
8. Gabriela Barkho, As running clubs explode in popularity, brands are tapping these groups for sampling opportunities and sponsorships, ModernRetail, 11 January 2024
9. Richa Naidu, Nike's free workout apps are key to its high-end pricing strategy, Reuters, 18 December 2020
10. Reddit, Nike Run Club Community r/nikerunclub, viewed 1 August 2024
11. David Rumbens, Stephen Smith, Retail Forecasts: Rocky Road, Deloitte Australia, 6 June 2024
12. Deloitte, Food Frugality Index June 2024, Deloitte Global, viewed 31 July 2024
13. Deloitte, ConsumerSignals, Deloitte Global, viewed 31 July 2024
14. Brooke Cooper, Aussies splash nearly $9b on Black Friday sales, InfoChoice, 20 November 2023
15. Jessica Yun, 'Retailers cannot discount forever': Will mega-sales and deals be back in 2024?, Sydney Morning Herald, 10 December 2023
16. Faria Huq, Australians Break Records with Black Friday-Cyber Monday Sales + Boxing Day Sales Continued to Climb!, Partnerize, 8 January 2024
17. Annie Palmer, Amazon Prime Day drives U.S. online sales to record $14.2 billion, CNBC, 18 July 2024
18. Clara Ludmir, Why Brands Like Typology, Patagonia And IKEA Skipped Black Friday, Forbes, 30 November 2023
19. Alice Cresswell, Why Patagonia & Other Retailers Are Canceling Black Friday in 2023, Marsello, 14 November 2022
20. Jordyn Holman, Julie Creswell, Shoppers, Facing Holiday Spending, Turn to Loyalty Programs, New York Times, 9 December 2023
21. Roy Morgan Research, Bunnings retains spot as Australia's most trusted brand while Woolworths and Coles slide down the rankings, Roy Morgan, 30 May 2024
22. Nicholas Rider, 7-Eleven to use AI in Pay & Go offering, Convenience World Magazine, 16 August 2023
23. Deloitte Australia, CFO Sentiment Report | Edition 17, 31 July 2024

Primary data presented in this report was collected in collaboration with Dynata in June 2024.

Deloitte
Quay Quarter Tower
Level 46, 50 Bridge St
Sydney, NSW 2000
Australia
ACN: 149 633 116