

2020 PwC 24-Hour Business Challenge

Australian Retail Industry Analysis

Double Caiji from Dong Hua University

A graphic representing a table of contents. It features a vertical column of four colored squares on the left: dark grey, blue, teal, and orange. To the right of these squares are four corresponding horizontal bars of the same colors, each containing a title. The top bar is an arrow pointing to the right.

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Foreword

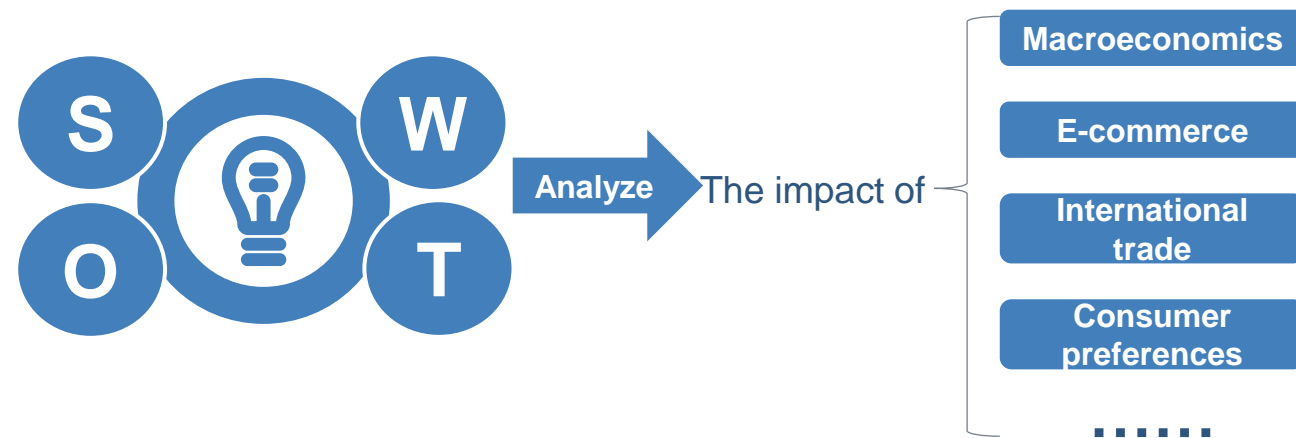
1 Background introduction

Due to the development of technology, online shopping is a major concern for traditional shopping models as well as shopping centers because of commodities with the ease of purchasing, larger ranges and lower prices. The development of the e-commerce does not have a devastating effect on the Australian native retailers and it also has the opportunity to change their traditional pattern and meet the needs of consumers.

Therefore, measures should be taken in order to help traditional shopping models make more profits and to exist. Considering the features of traditional shopping models and the situation of macroeconomics in Australia, suggestion on the strategy has been given from the customers, commodities and other related aspects. From what has been mentioned above, we hope that the traditional shopping models can make full use of this opportunity to turn the crisis into opportunities and complete the self-transformation and upgrading.

2 Executive summary

Retail industry needs to use technology to expand online business
Offline shopping center need to be transformed



Strategy about external, internal management & structure upgrading

- Combine the network for promotion and sales
- Speed up the brand upgrade
- Guarantee the operation of the shopping center enterprise
- Promote the transformation of the shopping center

Circumstance Analysis

- **Strengths**
 - Higher sense of experience
 - The overflow effect
- **Weaknesses**
 - Higher operation overheads
 - Outdated technology
 - Slow speed of upgrading
 - Passive consumption models
- **Opportunities**
 - The traditional retail industry is still dominating
 - Circular economy is the new ticket to play
 - The cash flow is the king
- **Threats**
 - Higher e-commerce expectations
 - Booming e-commerce
 - Macroeconomic recession
 - The development of overseas trade



Higher experience and driving the overflow effect.

1 Sense of experience

- In-store shopping allows customers to **experience products face-to-face**. Compared with online shopping that only looks at pictures or 3D virtual technology, consumers can feel the goods through touching, tasting, smelling and seeing, so that consumers can be more satisfied with the products they buy, and there will be **rarely returns**, which can also **increase shopping satisfaction**.

Touch

Taste

Smell

See

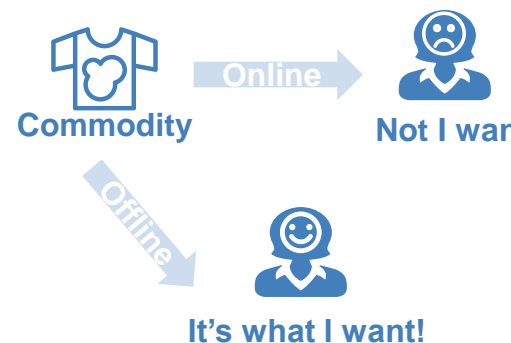
3 Customers satisfaction

- Shopping online just communicate with words, but salespeople in the store can **recommend products** to customers. Offline stores will also have professionals to provide customers with **advice on purchasing items**. Through the face-to-face communication, it can give customers a more **intuitive impression**, increase the customer's shopping experience, and thus improve the sales success rate.



2 Shopping safety

- Online shopping may be cheated due to the dishonesty and fraud of merchants, which makes the goods you buy not is the real thing you want. So the online shopping will reduce the safety of shopping, but offline shopping can better **guarantee shopping safety**, consumers are less easier to be cheated in the traditional shopping models.



4 The overflow effect

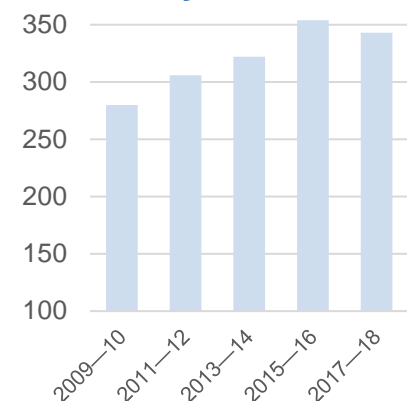
- A successful offline retail industry will attract customers to consume in the store, and due to the increase in the flow of customers, which will promote the development of the surrounding store economy and the regional commercial, so a **butterfly effect** may occur, making the entire economic belt prosperous. Most of this situation occurs in shopping malls and shopping circles.



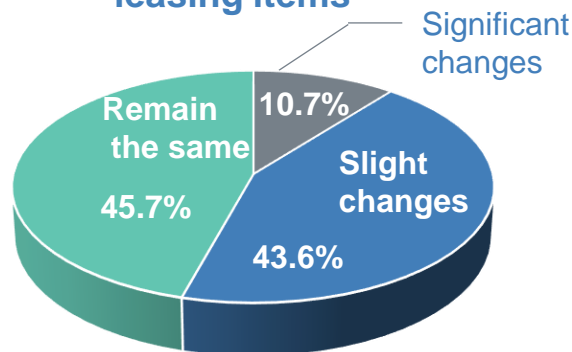
Compared with e-commerce, the development of the traditional retail industry can't keep up with the information era, thus causing many drawbacks.

1 The high operation overheads increase the in-store industry costs

Weekly Rental costs(\$)



The expectation of leasing items



- The rental overheads are increasing and retailers are reluctant to change the rental items frequently.

PLUS



Salaries of employees



Transportation costs

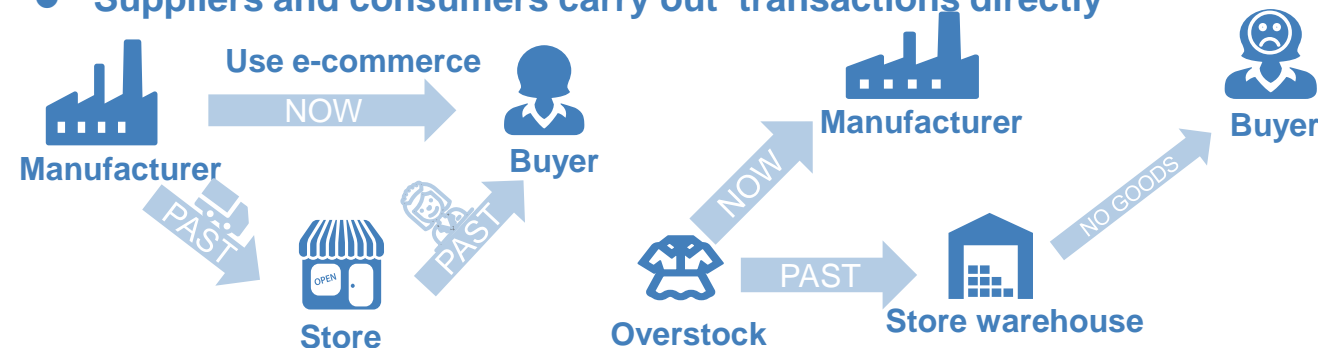


Inventory cost



2 Outdated technology makes stores less profitable

- Suppliers and consumers carry out transactions directly



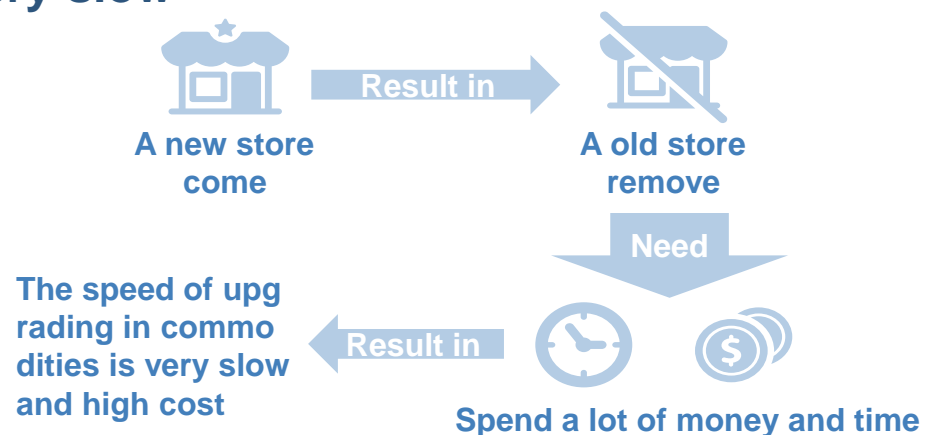
- The suppliers directly trade with the customers resulting in the stock remaining in the store warehouse, which is now shipped directly back to the supplier.
- It prevents retailers from playing a significant role, and it will cause that the store does not have enough products to provide customers and reducing the customer shopping experience, which can also reduce the store customer flow and profits.

PLUS

- The outdated technology makes the product replacement slow, which is unable to meet the needs of customers, reducing the desire of customers to shop, thereby losing customers.

Compared with e-commerce, the development of the traditional retail industry can't keep up with the information age, thus causing many drawbacks.

3 The speed of upgrading in commodities is very slow



- Considering its space, shops in a traditional shopping center alternate slowly. When a shop in an out-dated trend have to leave, a shop in a new trend will have the chance to enter. In terms of the commercial opportunity, it is such **a long term** to remove the old shop and renovate a new store. It also needs **a lot of money and time**, which means the **losses of profits**. On the contrary, new business trends can quickly appear on e-commerce platforms because there is no space restriction.

4 Consumers need to take the initiative to find products

In-store

Consumers cannot predict the goods sold in the store, so they need to actively look for the goods, which greatly increases the cost of time, thereby reducing consumer satisfaction.

Online shopping

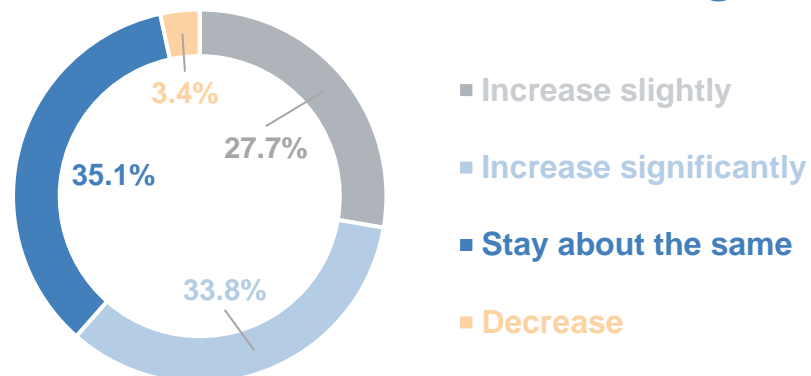
The website can record the consumer's preference behavior, which can recommend products to consumers better and reduce the time cost.

- Compared with traditional models, consumers' data and consumption preferences will be memorized as long as they browse. Through big data technology, the application will recommend the commodities consumers care about, which can easily stimulate the desire to buy. In traditional models, consumers **can't predict what is being sold in the store**. They have no purpose in shopping and only buy the product they like. Consumers need to **take the initiative to find products**. The idiomatic large-scaled sales promotion will just lead to consumers' disgust and eventually to the loss of consumers.

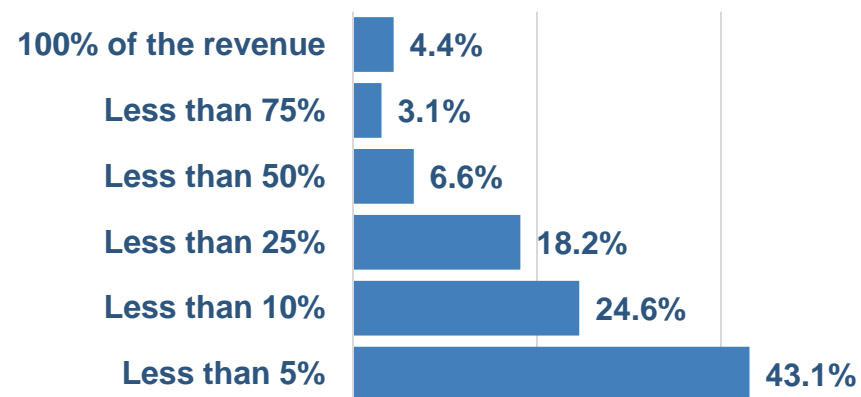
Even though e-commerce is priming to boom, it does not have the ability to completely replace in-store industry right now.

1 E-commerce is the future, but it is not dominating now

● E-commerce revenue change



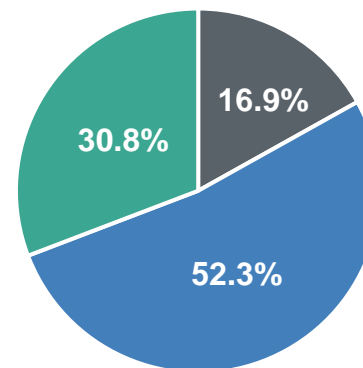
● Revenue from e-commerce



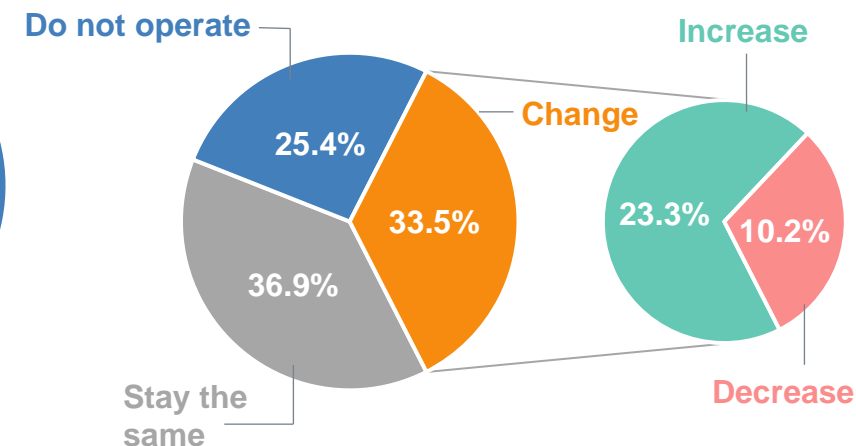
2 The customers want to take it slowly

● Consumption conditions

- Significant changes
- Slight change
- Remain about the same



● The expectation of the number of the stores



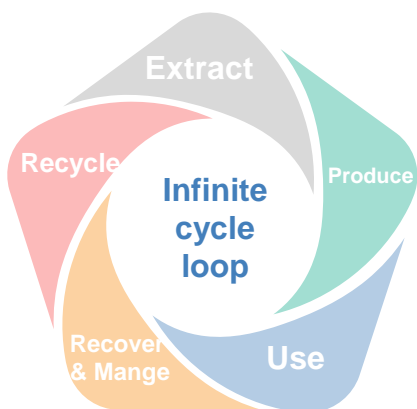
Insights

- The online shopping market is expanding, but the retail market still dominates now. Profits mainly come from the in-store industry.
- Customers and the retailers want traditional retail industry to change step by step, which means the retail market will not disappear so quickly.

New era and new trends have also brought opportunities for transformation and goals of the retail industry.

1 Circular economy is the new ticket to play

- In response to a global environmental disaster, a cycle economy is the new ticket to play in retail. The circular economy gives new life to products and materials that would otherwise make their way to landfill, letting products have an infinite lifecycle through different uses. Globally, governments and industries are developing initiatives to promote the circular economy.

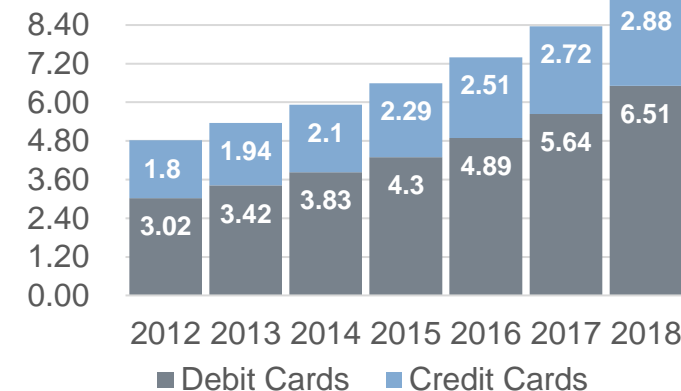


- Through **repair** and **sharing**, reusing can be realized.
- The **residential waste** generated by this process allows resources to be **extracted** by **energy recovering**.
- Resources can also be **produced** through **remanufactured** and **redistribution**

2 The impact of new payment platforms on retail industry shows no signs of slowing down

- Debit cards are Australian favorite payment method accounting for ~50% of all payments. The development of debit cards has resulted in two key outcomes : **Faster checkout** and **Least cost routing**.
- The development of credit cards and the emergence of mobile payment also allow consumers to enjoy **buying now paying later**, which greatly enhances consumers' desire to buy things.

● The development of Cards



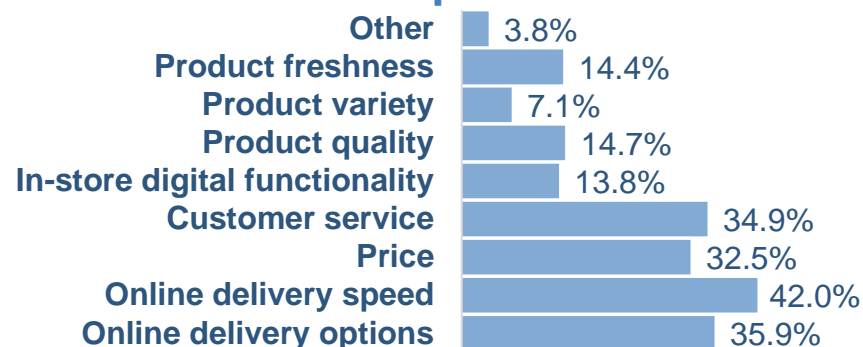
Insights: Sustainable economy and the development of buying now paying

later (BNPL) are both new trends. Seizing it and grasping the new needs of the consumers are the opportunities for the development of the retail industry. In addition, there are many similar needs, such as **Social customer care, brand effect**

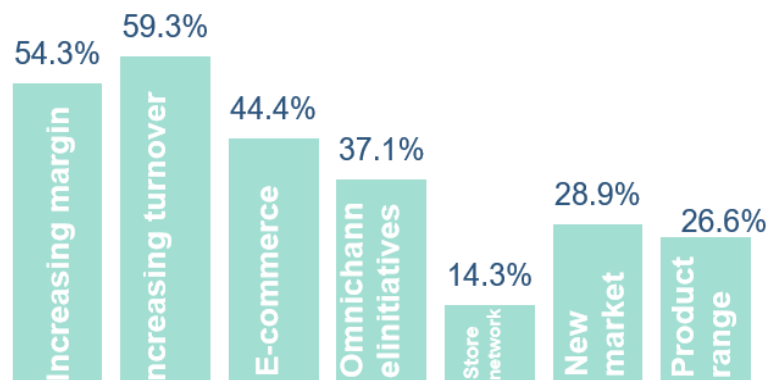
Changes in consumer perception and the development of e-commerce impact the Australian traditional retail industry.

1 Public's expectations for e-commerce have increased in recent years

● Consumer' expectations



● Retailer' expectations



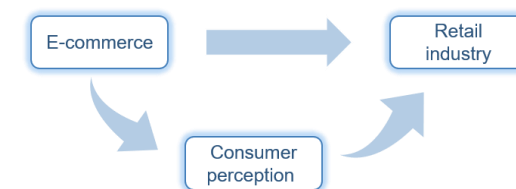
2 The e-commerce is priming to boom

● E-commerce growth in Australia



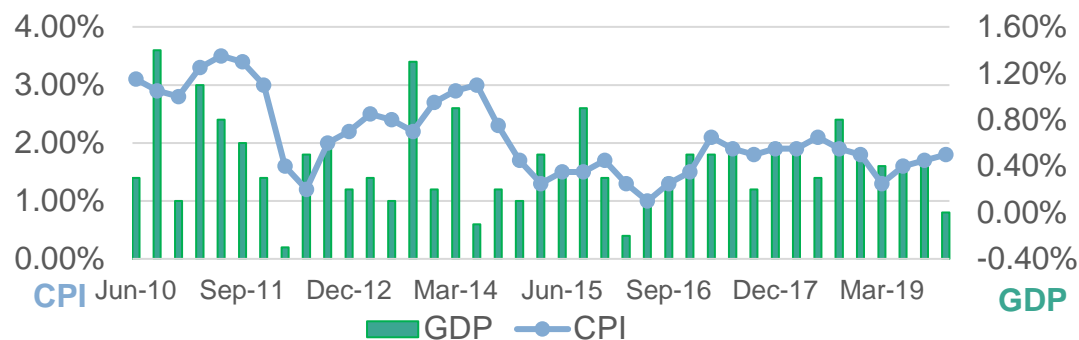
Insights ➤ Whether consumers or retailers, they have very high expectations for the development of e-commerce. Consumers pay more attention to the development of the logistics industry and suppliers seek a multi-channel sales environment.

➤ The growth rate of online retail has become an important part of the growth of the retail industry. In the meantime, it changes the consumers' perceptions and indirectly compacts the development of the retail industry.

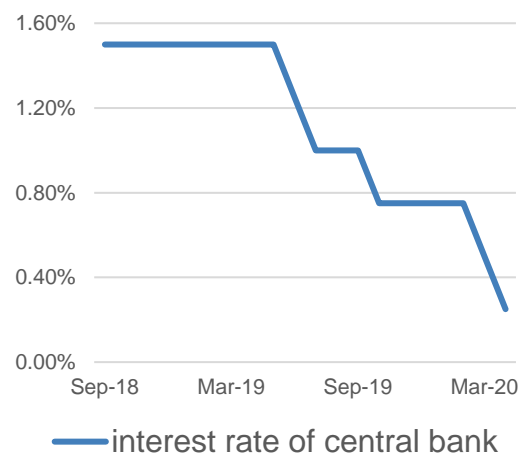


Changes in the macroeconomic situation and the development of trade globalization have impacted the local traditional retail industry.

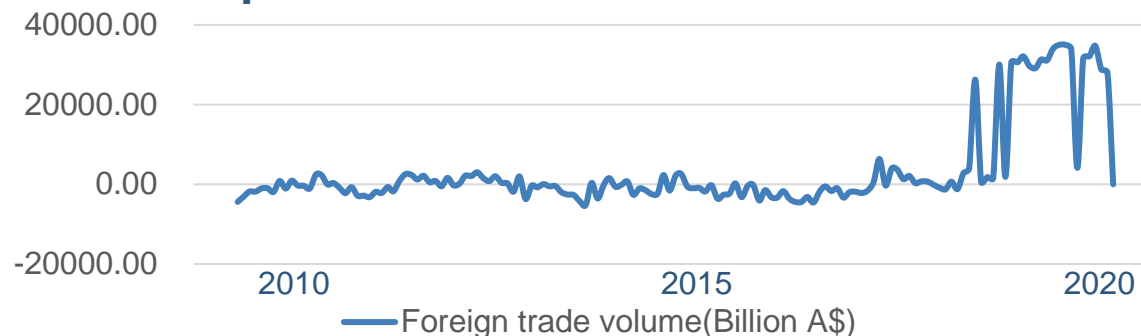
1 The economic growth is slow, and the bank interest rates continue to fall



➤ GDP is declining year by year, and the CPI has the same trend, which means that Australia's economy is not very unsatisfactory. The government can only maintain interest levels by reducing interest rates. It is precisely because the macroeconomic is not so good that it may reduce the consumer's ability and desire to consume, making the retail industry facing a depression.



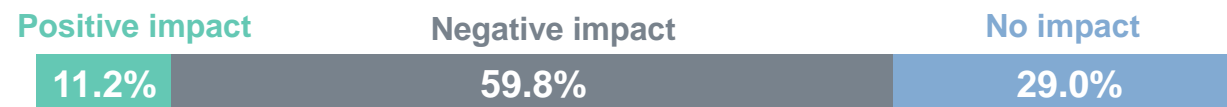
2 The development of international trade has occupied the local retail market



Views on the influx of international retailers



Impact of the influx of international retailers



➤ The globalization of trade has led to the influx of many companies and increased the competitive pressure of the local retail industry. It poses a threat to the development and operation of the local retail industry.

Strategy

- External management
- Internal management
- Structure upgrading



Strategy Overview

● Retailer' issues

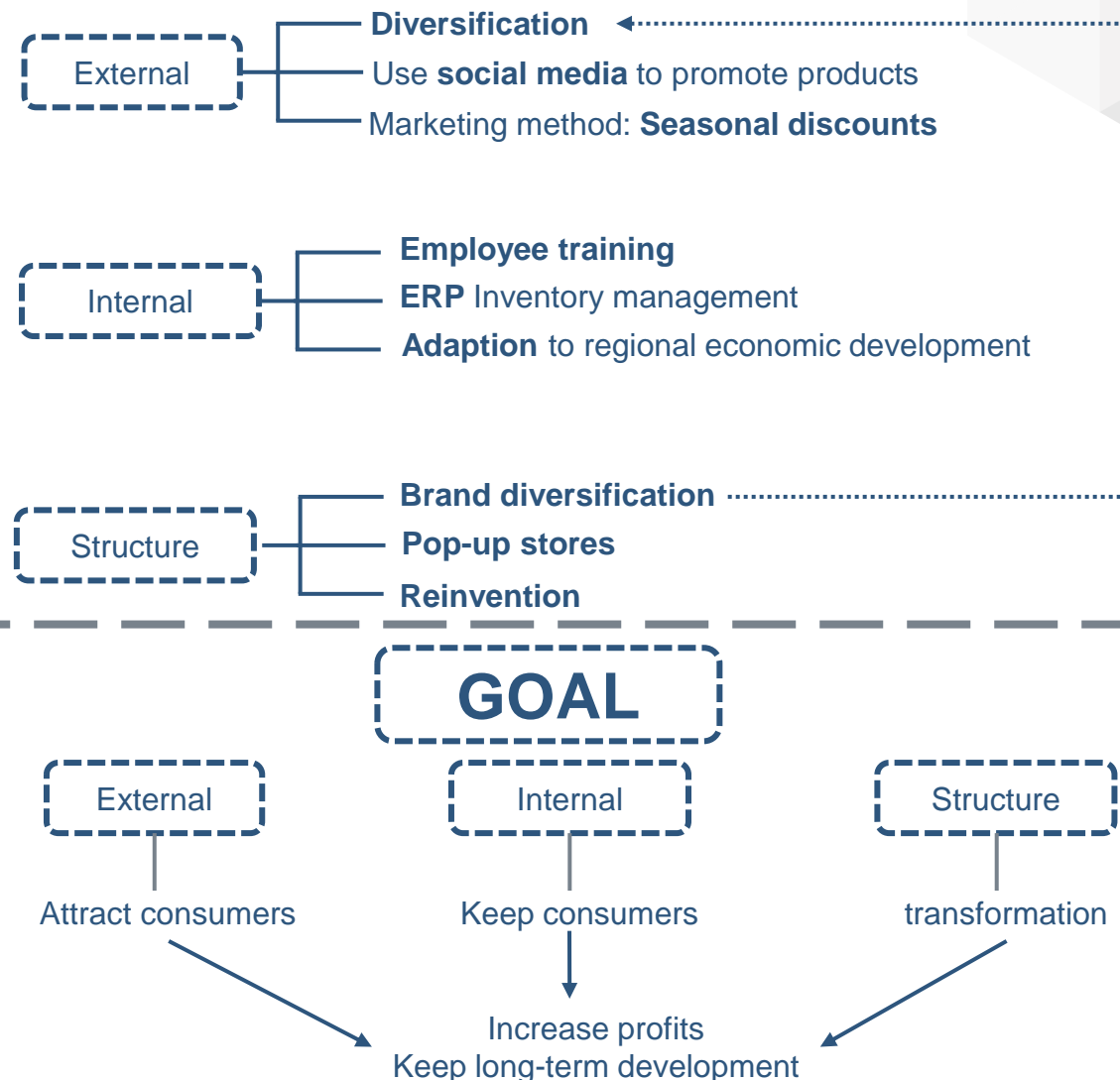


From the above survey and the circumstance we analyzed

before. The **issues** that the retailer needs to solve are:

1. How to integrate into the growing international trade?
2. How to maintain sales when the macroeconomic recession?
3. How to increase customers' consumer confidence?
4. How to reduce the operating costs of the retail industry?
5. How to choose the marketing method?

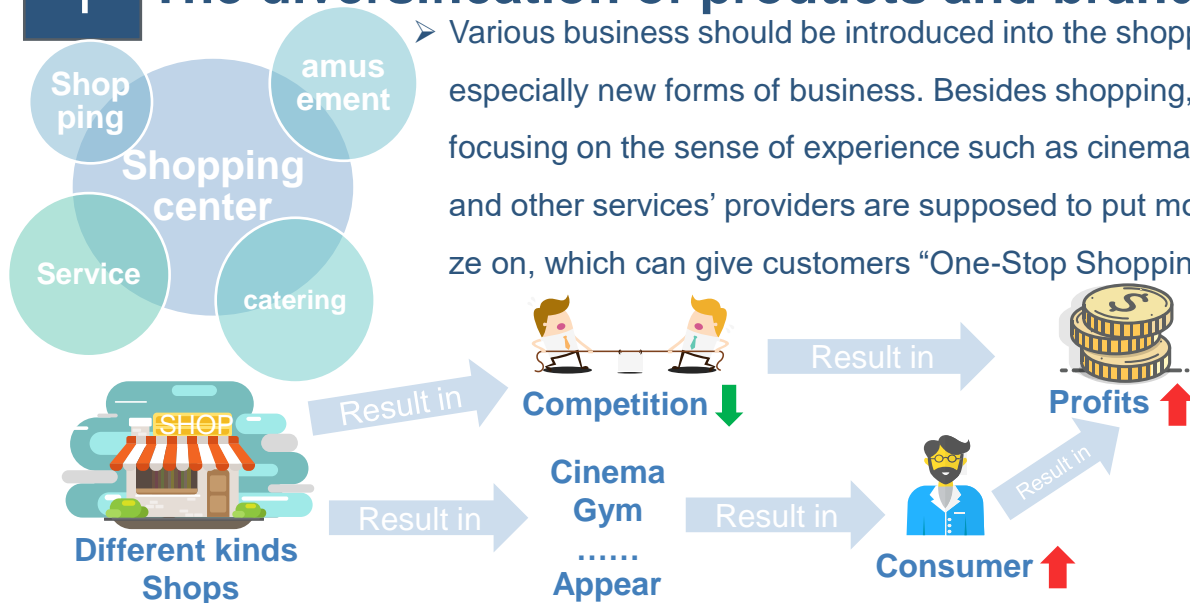
The Strategy From Shopping Center Aspect:



Three ways to improve the quality of store sales.

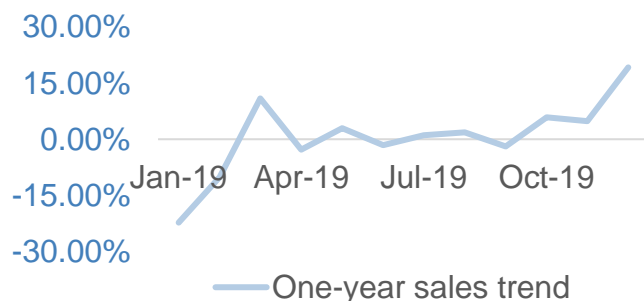
1 The diversification of products and brands

➤ Various business should be introduced into the shopping center, especially new forms of business. Besides shopping, businesses focusing on the sense of experience such as cinemas, canteens and other services' providers are supposed to put more emphasis on, which can give customers "One-Stop Shopping" services.



2 Seasonal discounts

➤ Sales have the same trend every year, we have to discount in the peak sales season, and increase prices in the off-season.



Price ↑ in December

Price ↓ in January and February

3 Multi-channel branding

Facebook 72.0%

Instagram 66.9%

25.3% LinkedIn

14.1% Blog/Web

7.2% Don't use social media

14.6% Other channels

➤ The picture on the left is the most effective social media channels for retail business in Australia. With the development of e-commerce, the offline store needs to expand sales channels to

online shopping. Opening an official account of a social media will let nearby consumers know your store through the GPS. If the goods are attractive enough, then customers will make offline purchases. With the expansion of the brand, you can also have your own APP, or join some online shopping p

platforms.



Social media

amazon

Online shopping platform



Various apps

Three methods of internal management.

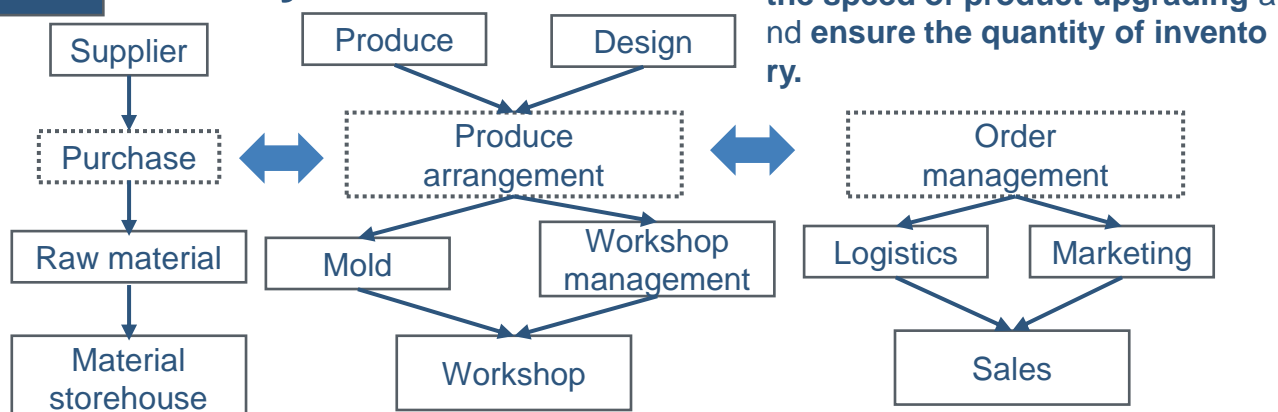
1 Happy employees = Happy customers

● Six Pillars of Customer Experience Excellence

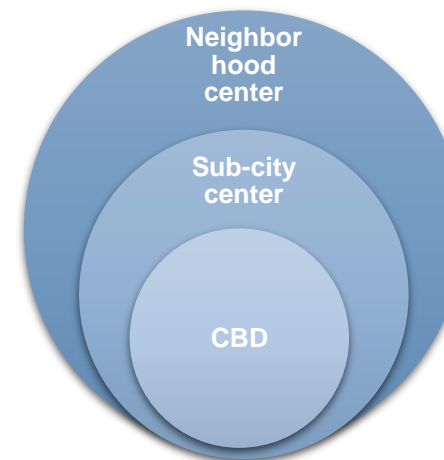
➤ Personality is the most important driver for customers' satisfaction and loyalty. As the owner of a retailer, **employees need to be trained** based on the six pillars of customers experience excellence enhancing their work enthusiasm to improve customer satisfaction and loyalty.



2 ERP system



2 Adaption to the level of regional economic development



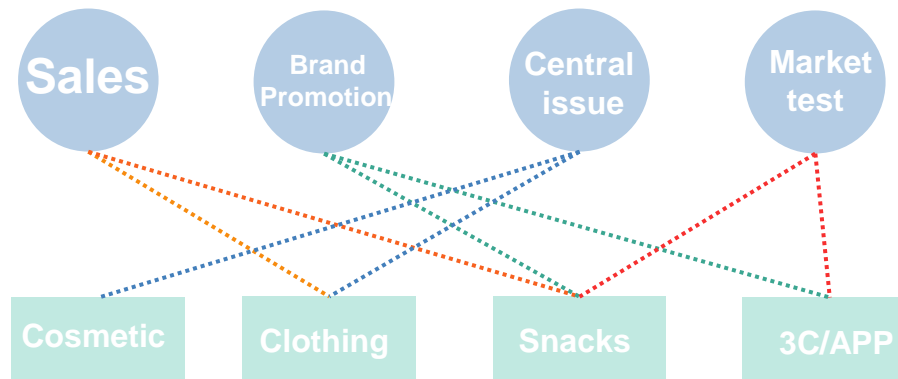
The customers' demands and habits depend on the level of economy. Therefore, a proper business orientation as well as an accurate assessment of the customers' demands will help the shopping center make more profits. In the CBD of the city, the sale of luxury goods and demands of white-collar workers should be shed light on. Neighborhood centers are supposed to put more emphasis on daily demands of nearby residents, especially local agricultural and fishery products which have comparative advantages in terms of international trade. Finally, sub-city centers will play the role of balance and transition.

Make reasonable use of shopping center space resources, and configure the center's store selection.

1 Pop-up stores: The Future of Retail

➤ The emergence of pop-up shops has **solved the high cost and long-term decoration** of brands, and has **increased the speed of brand renewal** in shopping centers. Considering the **costs** and the **comprehensiveness of types**, the emergence of **the pop-up shops in various industries** will optimize the number of stores and the configuration of brands.

Conclusion:



2 Reinvent the shopping center

➤ Many retailers and the estate developers in Australia have begun to reinvent the concept of shopping centers, integrate different types of real estate, and achieve higher occupancy rates and rents. So shopping centers should slowly **increase residential or office space**.

