# Kepler Retail Webinar

*Australia & New Zealand 2022 Review*
*2023 Forecasts*
*NRF Technology Review*

# December 2022 Overview

*Key Highlights*

# Sources

*The data presented has been sourced from the **Kepler Retail Index** (KRI).*
*This is a like for like basket of ~1800 stores across **Australia** and **New Zealand**.*

*Data is aggregated to show broad trends and "share of consumer wallet" behaviours, and any geographic and date ranges are stipulated on slides.*

*For any further info re the KRI, or more granular breakdowns and analysis, please contact us info@kepleranalytics.com*

*KRI is available to Kepler clients and non-Kepler clients alike, on a subscription basis.*

# Key Highlights

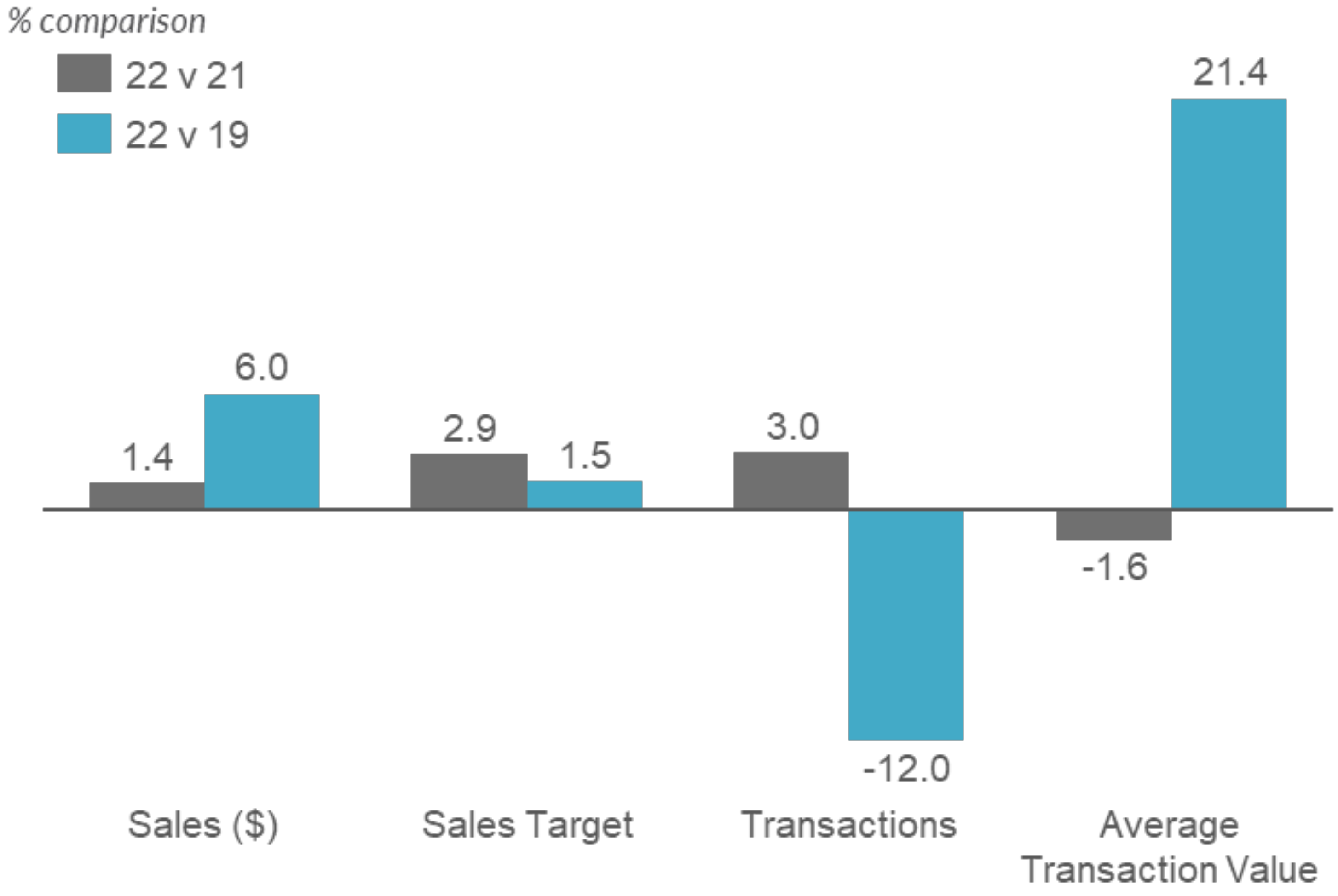
1. *2022 Dec Sales grew vs 2021 and are well above pre-pandemic levels. However Sales $ Targets grew faster than actual sales.*

2. *ATV in December 2022 is below 2021 - showing signs of decline which may trend forward. ATV increases had underpinned strong sales growth through early 2022.*

3. *Sales Conversion is at the highest levels recorded since 2018. There is significantly less traffic both Outside and Inside stores for retailers to work with however. Whilst the Transaction volume for December 2022 was above 2021, it remains well below pre-pandemic levels due to the steep declines in Traffic.*

# Sales $ remained strong

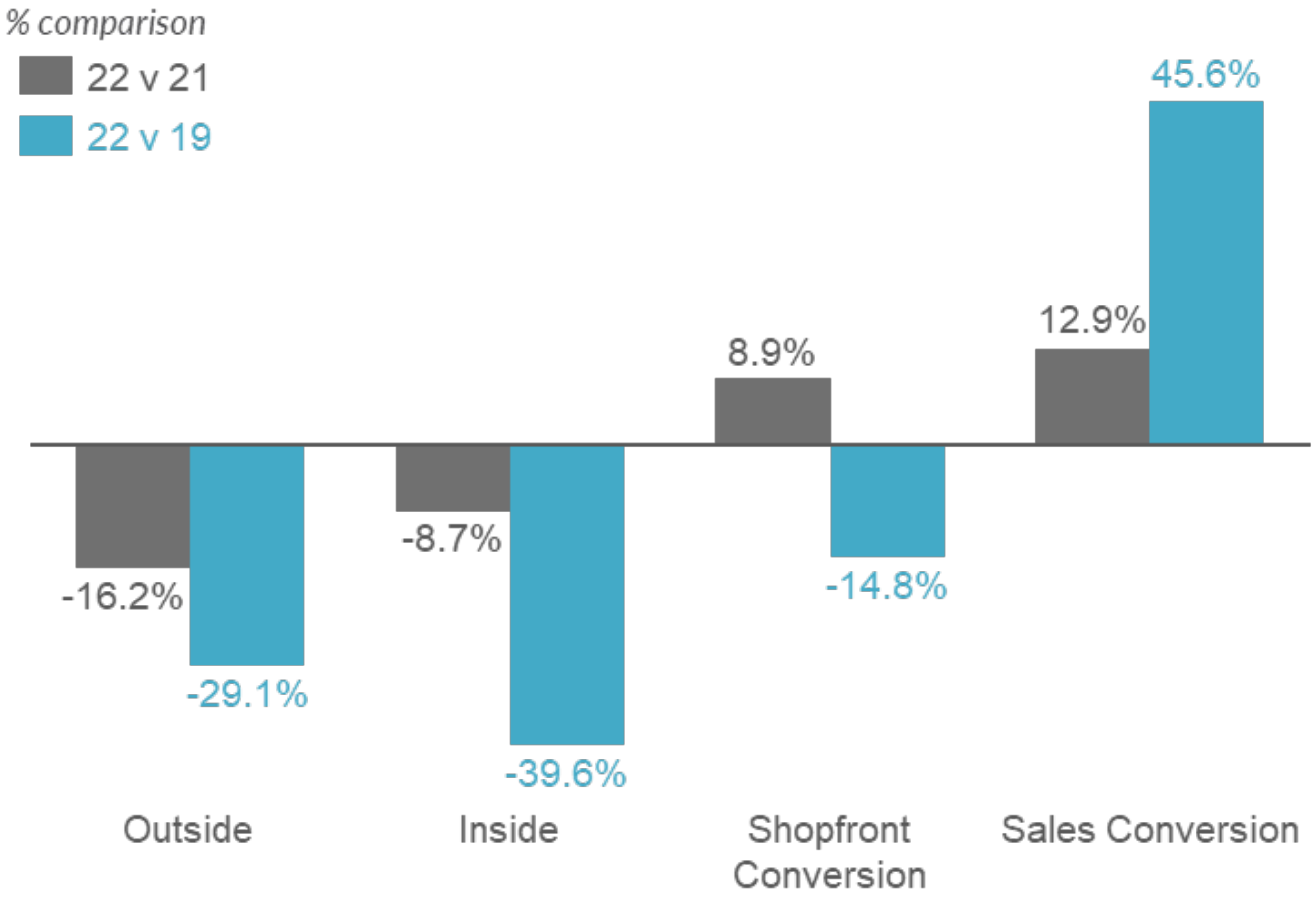
Sales grew –
Targets grew faster




ATV decline, saw transaction volume increase offset. Strong targets were missed this year, despite Sales $ growth

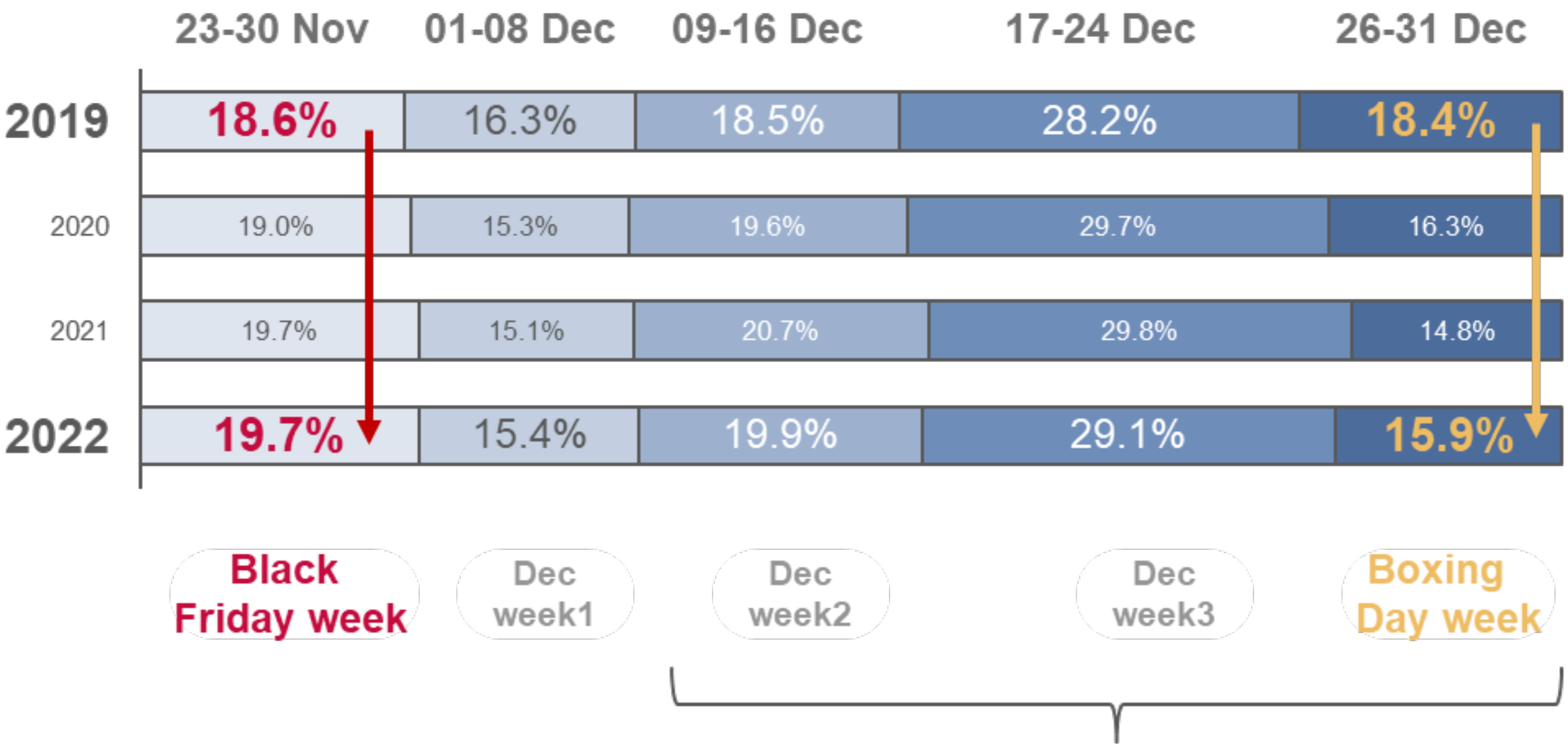
# Traffic remains very low, both Outside and Inside stores

But greater proportion entered stores




Continued declines in Outside Traffic is the key reason behind transaction growth being slow. Shopfront Conversion growth **(for the first time in many months!)** Sales Conversion continues to underpin retail success.

# Consumers pulling forward their shopping before Boxing Day




Boxing Day now takes 2.5% less sales of the combined Black Friday – Boxing Days sales compared to 2019

# 2022 Year in Review

*Key Highlights*

# Key Highlights

1. ***2022 showed Sales $ growth*** *with record breaking results across a suite of retail metrics. Footwear & Apparel leading the way.*

2. ***Long lasting impacts from VIC's COVID lockdowns*** *still evident with state dropping further in Q4 vs 2019 - comparative to the rest of the states*

3. ***ATV beginning to decline YOY****. Future impacts with more retailer price increases expected combined with local currency expected to fall below 65c – Retailers face challenging 2023 Sales targets and see profit margins squeezed*

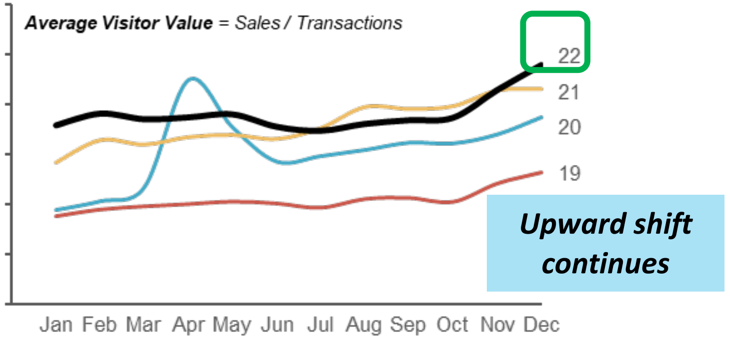
4. ***Outside traffic declines will not likely recover*** *– and the value of every customer in store is now worth double that pre-pandemic.*

# 2022

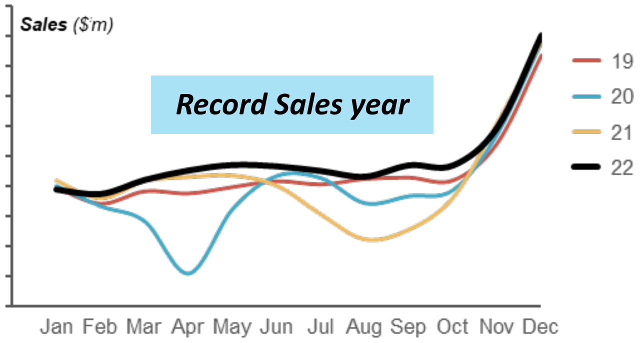
## year of breaking records

and first comparison year since COVID

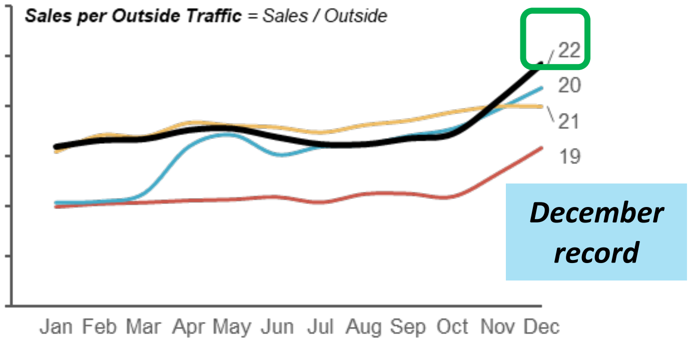
**Average Visitor Value** December recorded highest AVV proving value of Inside traffic and the change in the consumer purchasing behaviour



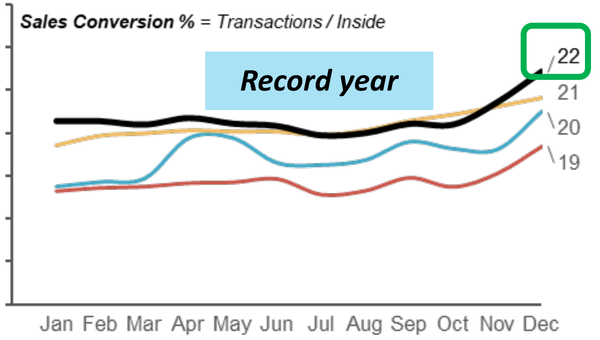

**Sales** Record year in sales proving brick-and-mortar retail is here to stay



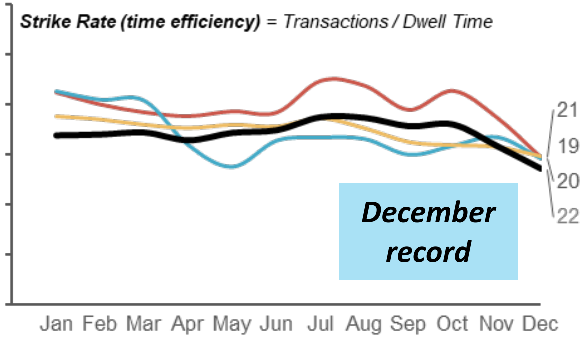

**Sales Per Outside Traffic** December recorded highest rate even with Outside Traffic down 30%. Browsers have gone, spend propensity in centres is high with Retailers now doing heavy lifting to support drive sales




**Sales Conversion** at its highest annual rate. Continued high sales conversion will be key for Retail to counteract reduced traffic




**Strike Rate (Time)** December recorded lowest rate with staff productivity still high relative to the time consumers are spending in store. Key measure to ensure Retailers are balancing labour to sales



# 2022 Sales showed strong growth

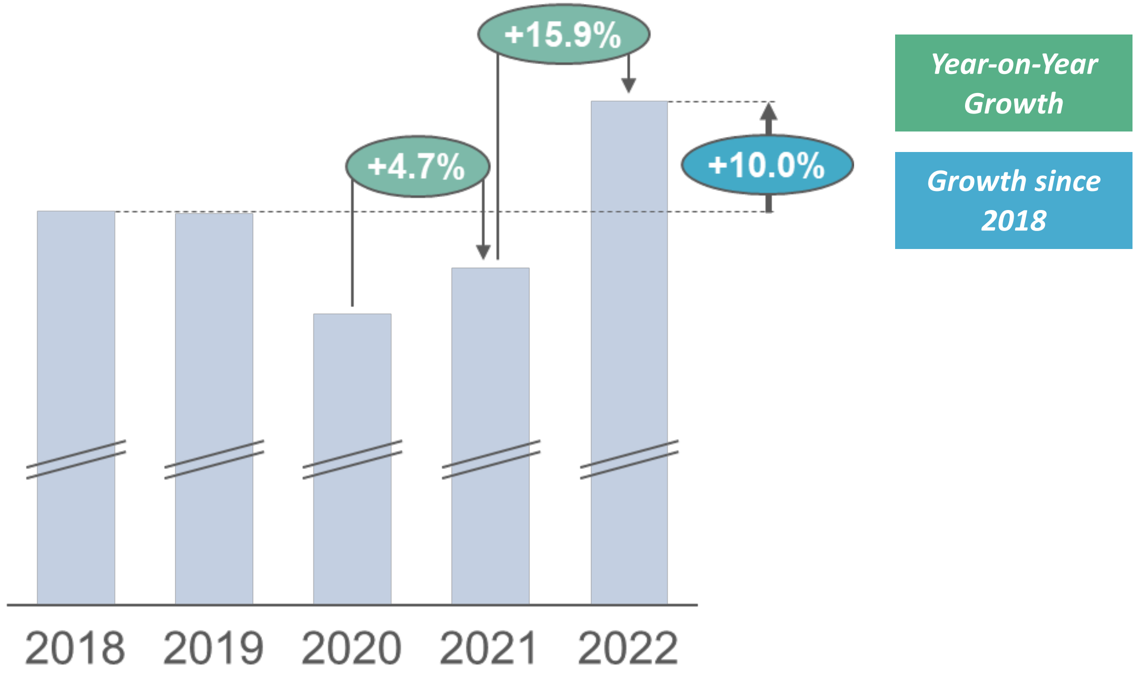
*Record sales for all months of the year with exception of Jan & Oct where 2021 sales outperformed.*

*Overall YOY growth coming from NSW/VIC which were partially COVID impacted 2020.*

*Note: CBD stores recovered ground up 39% whilst Regional slowed only up 8% after some normalisation back to Metro/Super Metro centres*

## Sales $ Last 5 years

**(Total AU NZ)**




Retail Sales highest in 5yrs and +10% vs pre-pandemic

Comparison shows Like For Like stores open – results do not exclude intermittent COVID closures

# *Long lasting impacts from VIC's COVID lockdowns still evident*

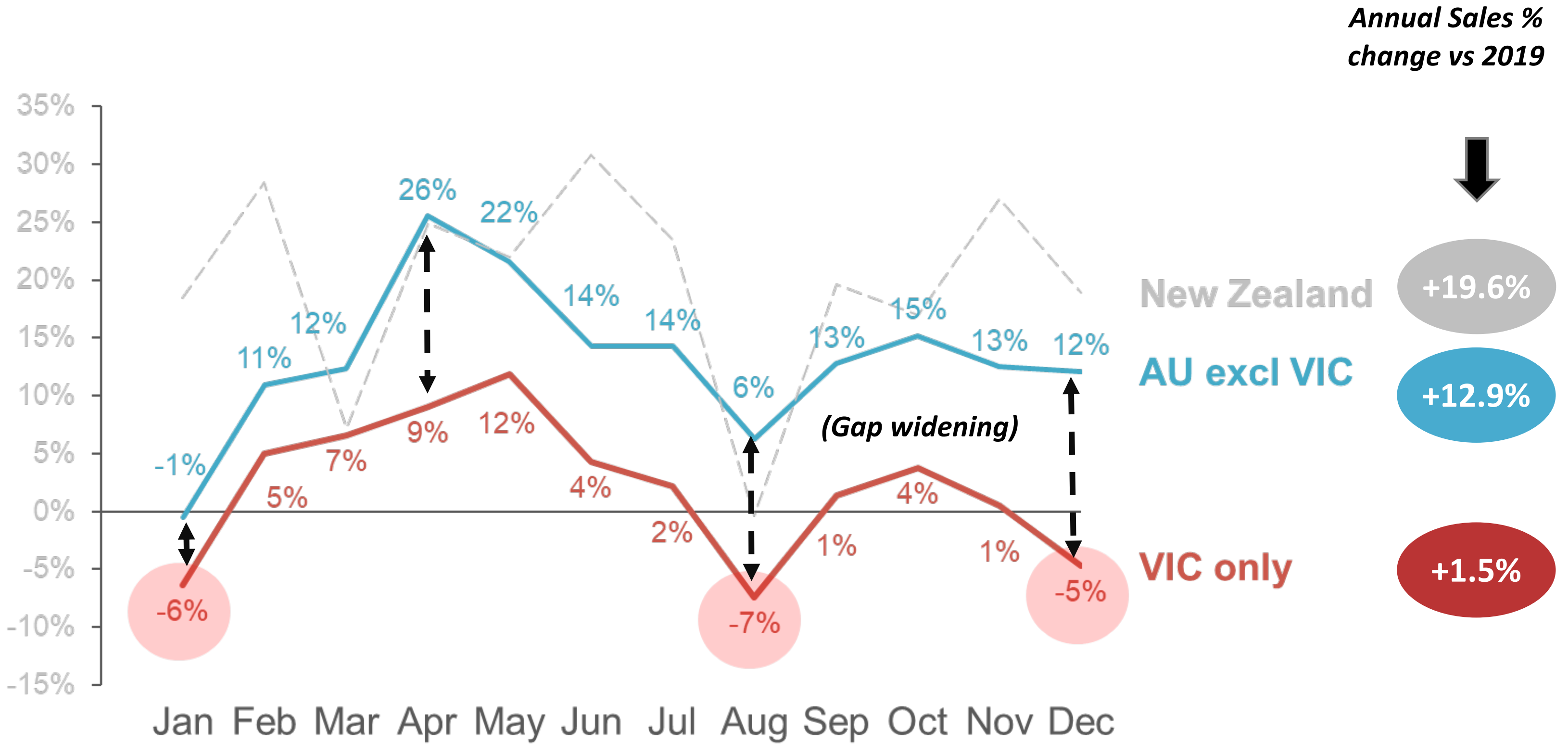
VIC yet to recover pre-pandemic Sale $ *only +1.5% annually compared to other states +12.9%*

*Underperformance in Outlets as well as categories such as Homewares, Watches/Jewelry further weigh VIC sales down*

*Significant growth in NZ*

## State based sales recovery since pre-pandemic

VIC state comparison to AU and New Zealand




VIC state underperformance widens against other states from Apr to Dec in addition to 3 months VIC underperformed to 2019

# 2023 Key Metric Forecasts

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*Trends we have spoken to before will become entrenched*

- *Centre traffic spread will remain significantly below pre-pandemic levels*
- *Retailers have to work harder to draw traffic into shopping precincts, let alone their stores*
- *The traffic that does remain is more valuable than ever before*

*New trends to be aware of*

- *Stores are trading fewer hours, with less traffic and delivering more sales*
- *Retail rents will remain contentious through 2023 as traffic patterns continue to change*
- *The shift of traffic & customer behaviours across days of week and hours of day is now entrenched*

# Traffic levels are improving…

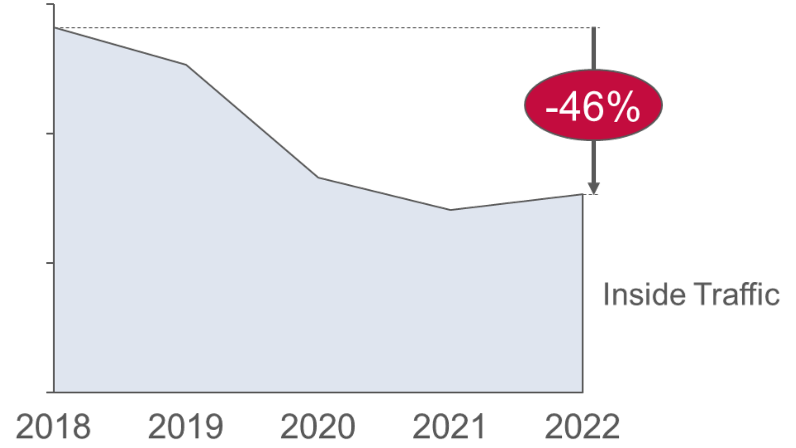
*…But there is a long way to go*

*There are also numerous contributing factors*
*Mitigating losses may be possible with fluid hours and cooperation from landlords*

## Outside Traffic (Annual)


*Increasing at end 2022*
*But well below pre pandemic*

## Inside Traffic (Annual)



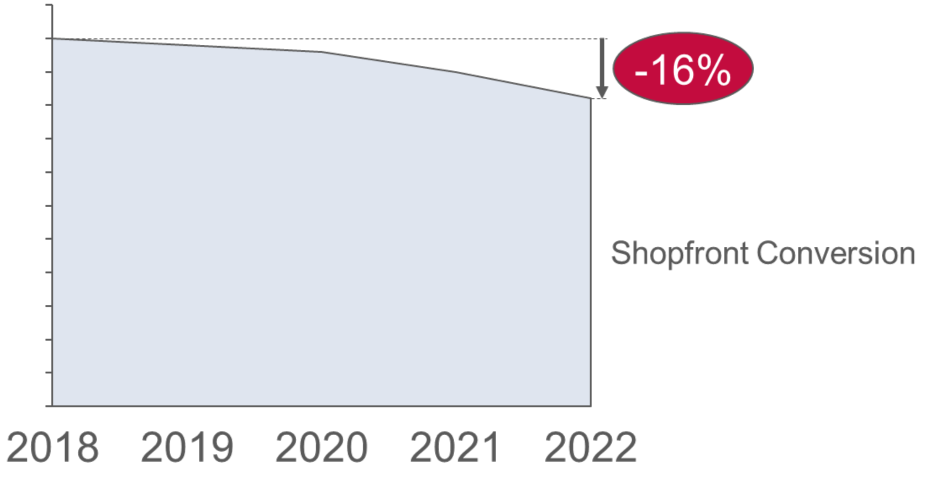

*Slightly increasing at end 2022*
*But well below pre pandemic*

# Traffic is more predisposed

*The "browser" and "spontaneous shopper" are gone.*

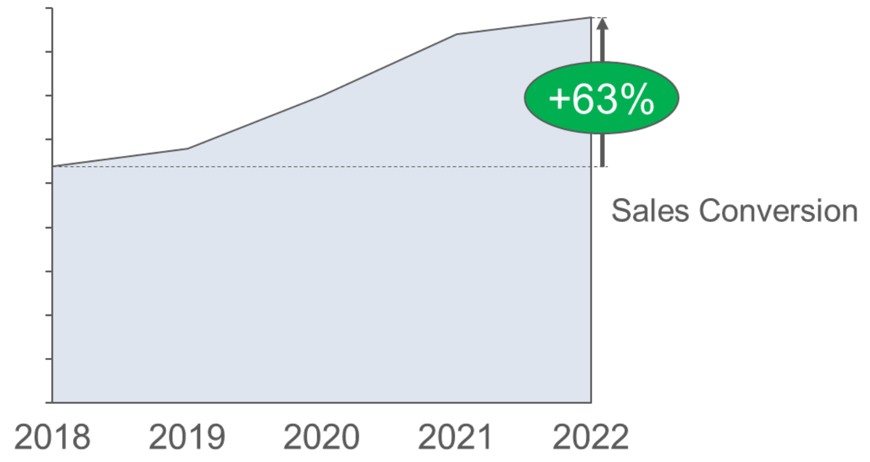
*Traffic is now more predisposed to purchase*
*The transactive capacity response to reduced levels of lower quality traffic needs to be managed.*

## Shopfront Conversion (Annual)




***Less browsers in centres***

## Sales Conversion (Annual)

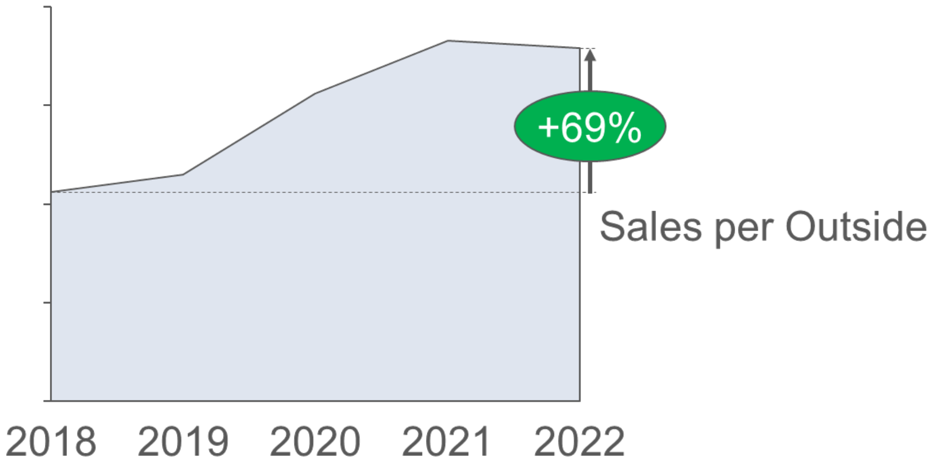



***Significantly flattening trend***

# Traffic is far more valuable

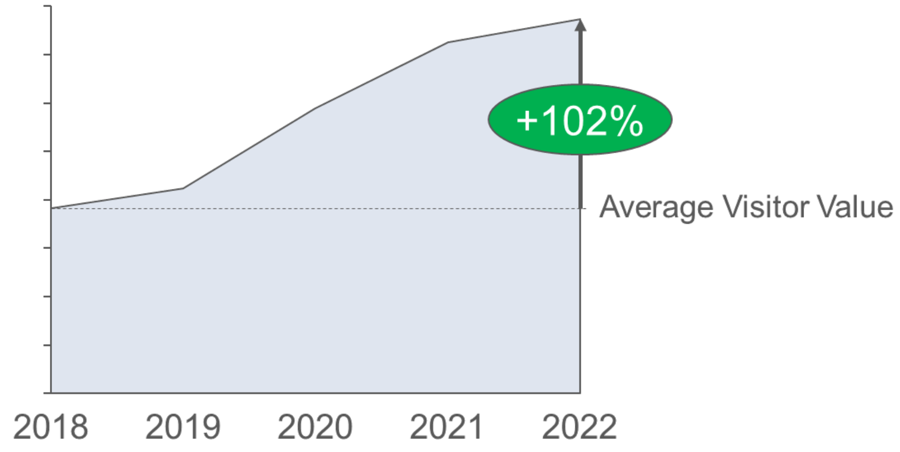
*Attracting traffic into store will yield strong returns*
*Cost of Acquisition in precinct needs to be a focus for savvy retailers*

## Sales per Outside (Annual)




***Shopfront Conversion improvement will grow sales***

## Average Visitor Value (Annual)



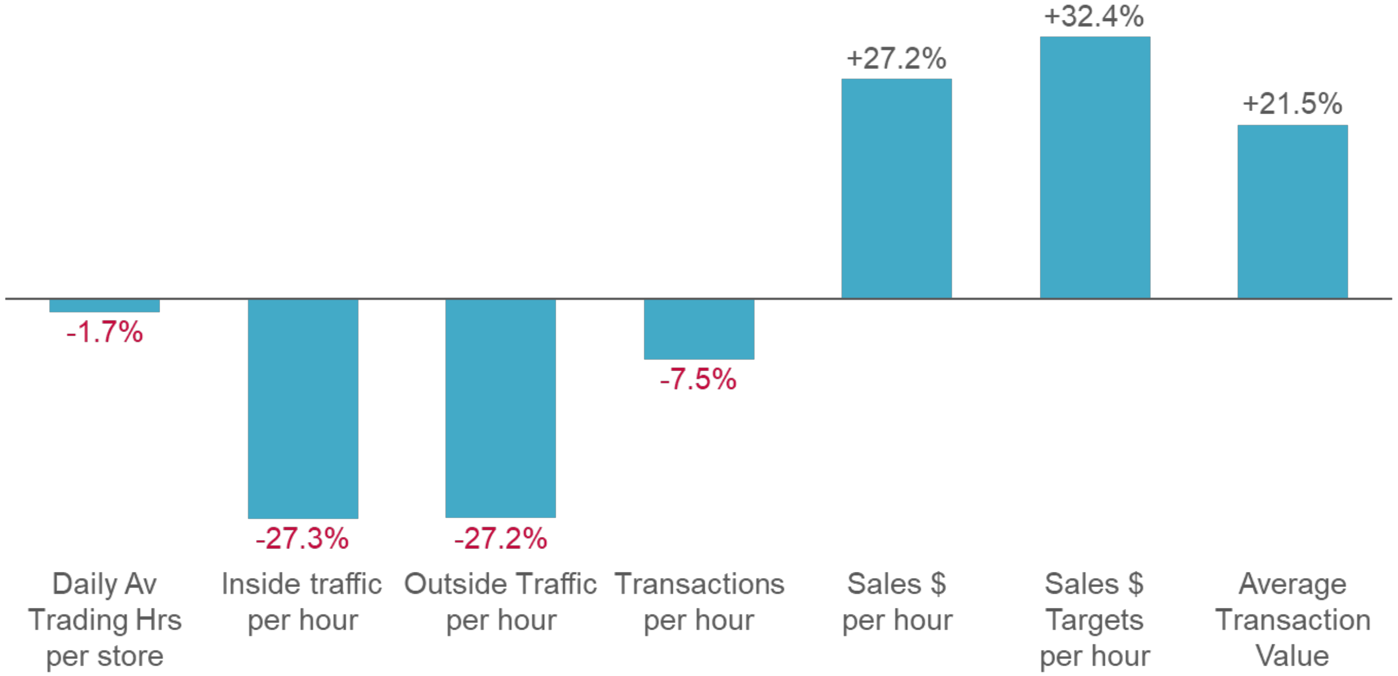

***Every Inside Traffic worth double what they were, pre pandemic***

# Expectations for stores will continue to rise

*Whilst traffic declines continue, sales expectations and sales delivered rise.*

## ATV continues to underpin store sales growth

2022 vs 2019 %comparison

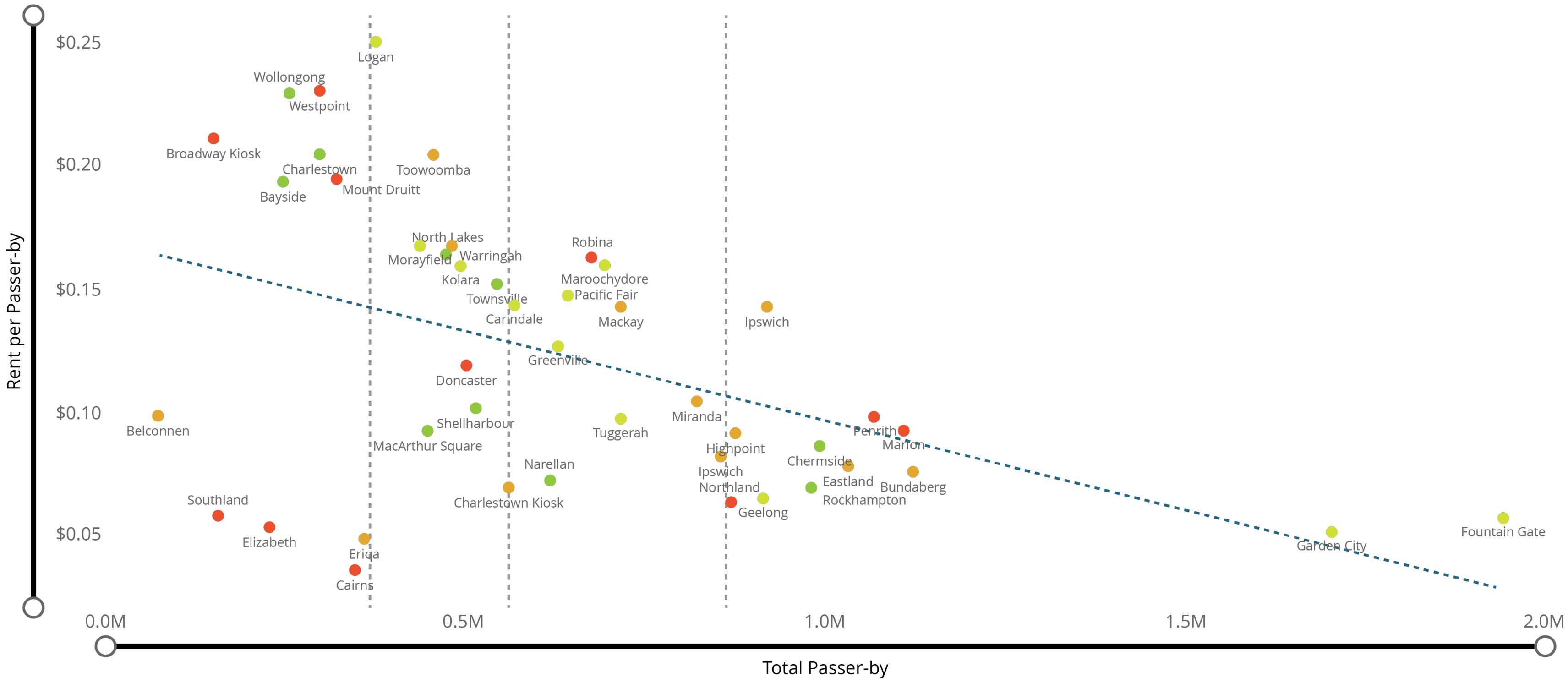



A reduction in Trading Hours is not impacting on Sales $
Efficiency is key to success

# Retail Rents will continue to be a hot issue

***Quantifying the value and cost of traffic is vital to any attempt to reduce cost structures.***

***Paying more for making more sales in an era of price rises and ATV drivers, as traffic reduces is counter-intuitive.***




| Store | State | Sales Total | Total Passer-by | Floorspace | Rent over Period | Trading Days | Rent Opportunity | Rent Opportunity % | Rent % to Sales | Rent per Passer-by | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Robina | Queensland | $718,947.36 | 675,647.00 | 57 | $109,902.45 | 348 | $28,874.45 | 26.30% | 15.27% | $0.16 | |
| Westpoint | New South Wales | $392,443.42 | 297,552.00 | 63 | $66,469.15 | 258 | $24,665.86 | 36.02% | 17.45% | $0.23 | |
| Mount Druitt | New South Wales | $377,163.73 | 322,012.00 | 55 | $62,598.38 | 228 | $15,765.78 | 25.19% | 16.60% | $0.19 | $1,138.15 |
| Broadway Kiosk | New South Wales | $167,345.23 | 150,833.00 | 33 | $31,800.50 | 128 | $7,990.34 | 25.13% | 19.00% | $0.21 | $953.65 |
| Penrith | New South Wales | $710,126.32 | 1,067,497.00 | 51 | $104,148.37 | 262 | $6,635.90 | 6.37% | 14.67% | $0.10 | $2,042.12 |
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| Fountain Gate | Victoria | $931,148.97 | 1,940,965.00 | 49 | $110,087.44 | 265 | | | 11.82% | $0.06 | $2,246.68 |

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# Changed Traffic Flow

***Traffic doesn't follow the same trends it used to.***

***Night trades have been hardest hit.***

***Differences are more pronounced in New Zealand***

***Resourcing and capabilities need to match these new trends.***

## Inside Traffic Hourly

2022 vs 2019 %comparison

| | Mon | Tue | Wed | Thu | Fri | Sat | Sun | Total |
|---|---|---|---|---|---|---|---|---|
| 9am | -7% | -8% | -3% | -12% | -6% | -18% | | **-9%** |
| 10am | -14% | -15% | -13% | -21% | -18% | -26% | -22% | **-19%** |
| 11am | -20% | -21% | -19% | -25% | -23% | -31% | -27% | **-24%** |
| 12pm | -23% | -22% | -21% | -27% | -26% | -33% | -29% | **-26%** |
| 1pm | -27% | -27% | -28% | -31% | -30% | -37% | -33% | **-31%** |
| 2pm | -28% | -29% | -30% | -32% | -31% | -38% | -35% | **-32%** |
| 3pm | -26% | -26% | -24% | -29% | -29% | -38% | -34% | **-30%** |
| 4pm | -27% | -26% | -24% | -29% | -29% | -39% | -39% | **-31%** |
| 5pm | -29% | -22% | -23% | -29% | -31% | -50% | -48% | **-31%** |
| 6pm | | | | -32% | -36% | -43% | -26% | **-34%** |
| 7pm | | | | -36% | -39% | -27% | | **-37%** |
| 8pm | | | | -36% | -42% | -26% | | **-38%** |
| **Total** | **-23%** | **-22%** | **-21%** | **-28%** | **-27%** | **-34%** | **-32%** | **-28%** |

## Outside Traffic Hourly

2022 vs 2019 %comparison

| | Mon | Tue | Wed | Thu | Fri | Sat | Sun | Total |
|---|---|---|---|---|---|---|---|---|
| 9am | -16% | -18% | -16% | -21% | -18% | -22% | | **-19%** |
| 10am | -19% | -21% | -21% | -25% | -23% | -29% | -24% | **-23%** |
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| 6pm | | | | -37% | -32% | -24% | -7% | **-34%** |
| 7pm | | | | -41% | -32% | -3% | | **-38%** |
| 8pm | | | | -41% | -32% | 8% | | **-37%** |
| **Total** | **-23%** | **-25%** | **-24%** | **-30%** | **-27%** | **-32%** | **-30%** | **-28%** |

Traffic declines are lower earlier in the week, and earlier in the day.
This is a year of data – this change is staying.

# 2023 Sales & Metric Forecasts

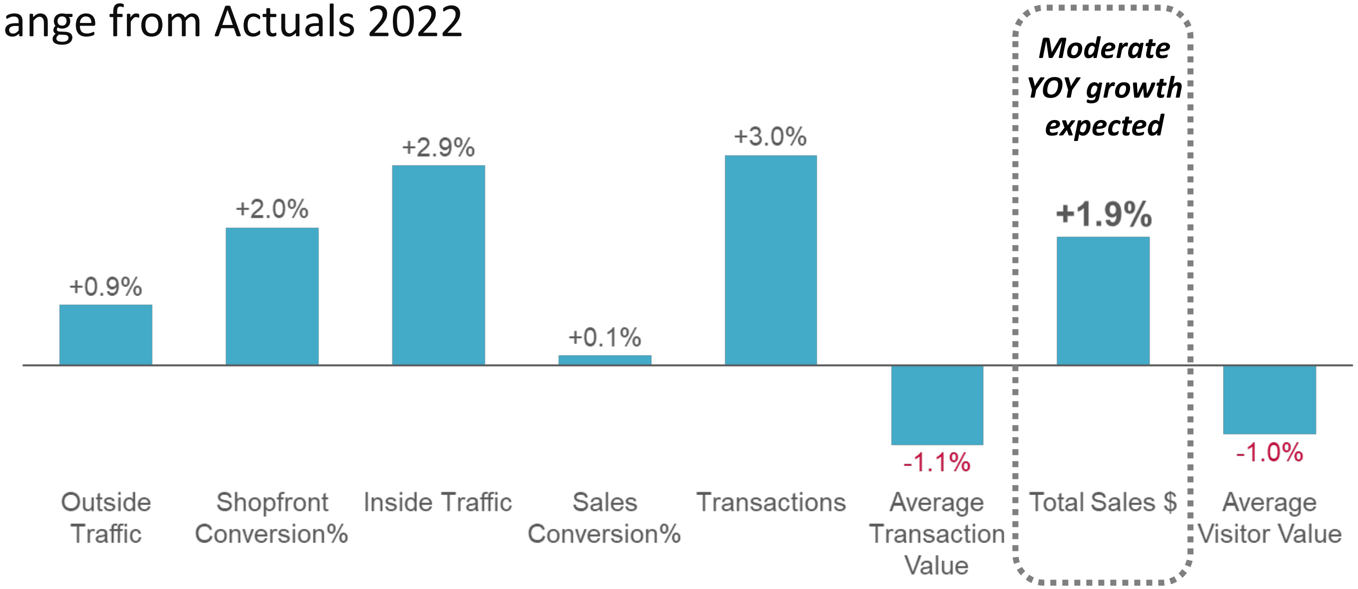
*+2% growth in Sales forecasted for 2023 Year-on-Year*

*Traffic into stores will increase +2.9% although Sales Conversion and ATV which previously underpinned COVID recovery will not see growth*

*With price rises expected from Retailers - Shoppers likely drop overall volume demand or shift to lower value items in H2*

## 2023 Sales & Metrics Forecasts

% change from Actuals 2022




| Metrics | Forecast 23 v 22 | Forecast 23 v 19 |
|---|---|---|
| Outside Traffic | +0.9% | (-29%) |
| Shopfront Conversion% | +2.0% | (-13%) |
| Inside Traffic | +2.9% | (-38%) |
| Sales Conversion% | +0.1% | +52% |
| Transactions | +3.0% | (-6%) |
| Average Transaction Value | (-1.1%) | +19% |
| Total Sales $ | +1.9% | +12% |
| Average Visitor Value | (-1.0%) | +82% |

**Shift in Metrics landscape is clearly apparent - Retailers having to work harder again against minimal traffic growth and higher cost headwinds**

# What do these trends mean?

***Defining the response will be critical to ensuring sales growth and cost management***

## Optimising rents will help manage costs and improve profitability

- ***Rent per passerby*** must enter the negotiation language with landlords

## "Transactive capacity" must become a focus for efficiency seeking customers

- Customers will continue to demand more ***speed to transaction*** and will reward those business that do th with higher value transactions.
- Engaging traffic with efficient, ***high value journeys*** will deliver quantifiable rewards
- Drive value increase though incremental purchase, impulse, spot promotions & valuable store pathways.

## Shop fronts will need to work harder than ever before

- Redoing what has been done before does not work.
- Doing new versions of what has been done before also does not work.
- Knowing what works, testing, researching and understanding impacts is critical to avoid costly mistakes

## Expectations will continue to rise. Stores will struggle to deliver without support

- Efficiency, capacity and replenishment need to adapt to allow the growth to continue and return to expectations
- This need not be staff increases, necessarily. Pathways, merchandise and navigation all have big roles.

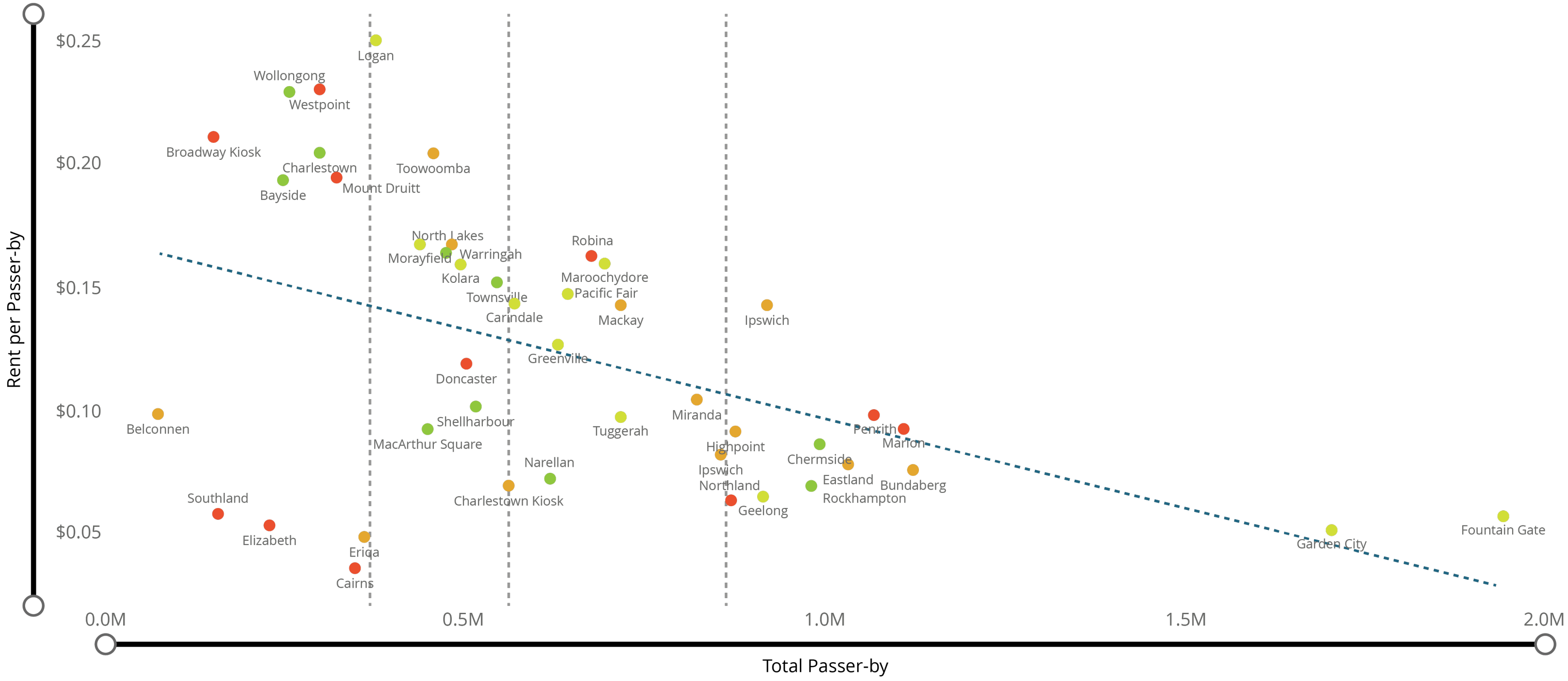
## Customers will change when they shop. Moving resources will grow sales

- Resource plans built based primarily on historical models need to adapt as traffic has changed.
- Not all centres, precincts and locations have moved equally. Adapting locally and by profile, will yield hig results

# Closing Message from David Mah CEO, Kepler Analytics

# Taking the risk out of opening new stores

***Kepler Store Network Toolkit***

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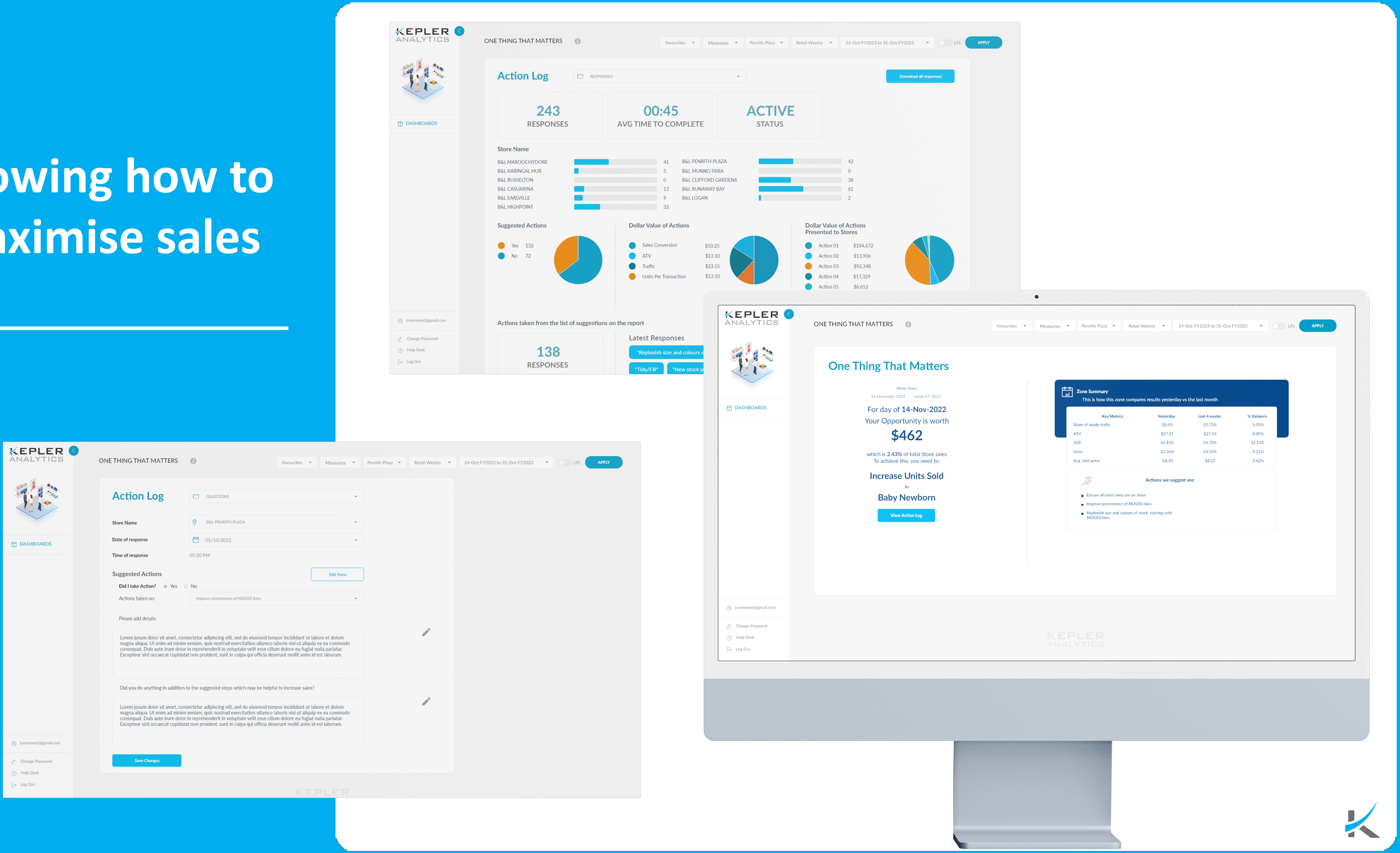
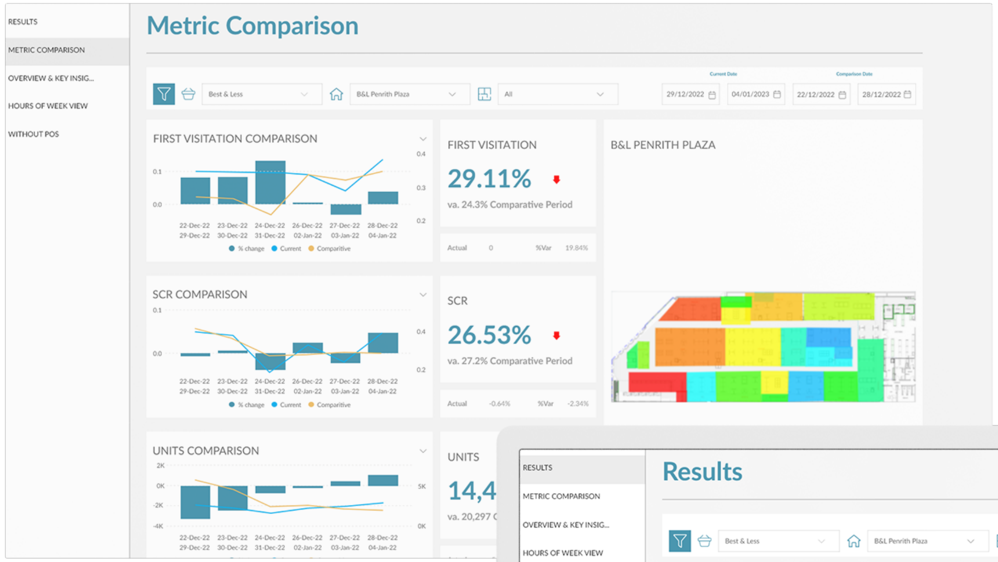
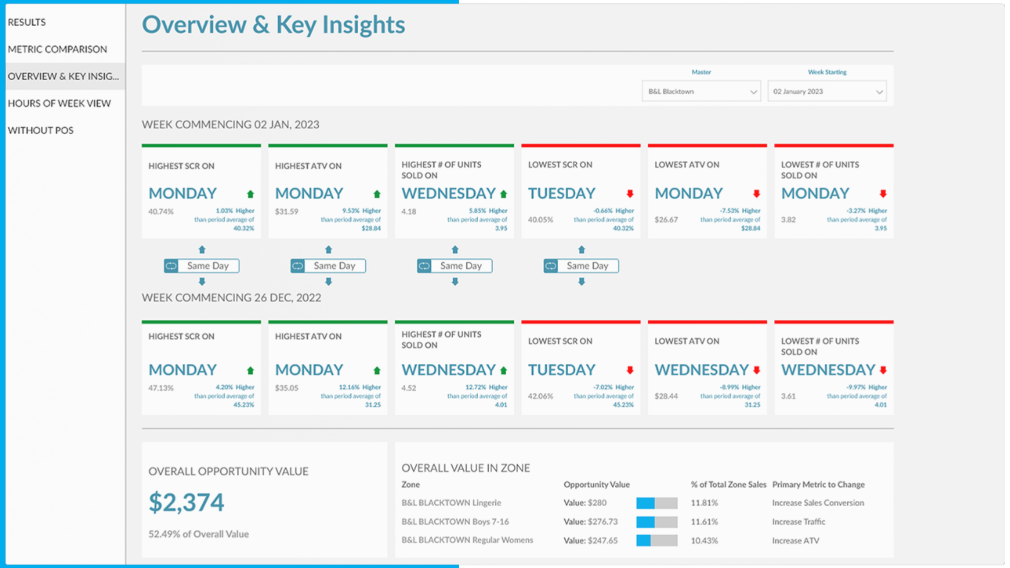
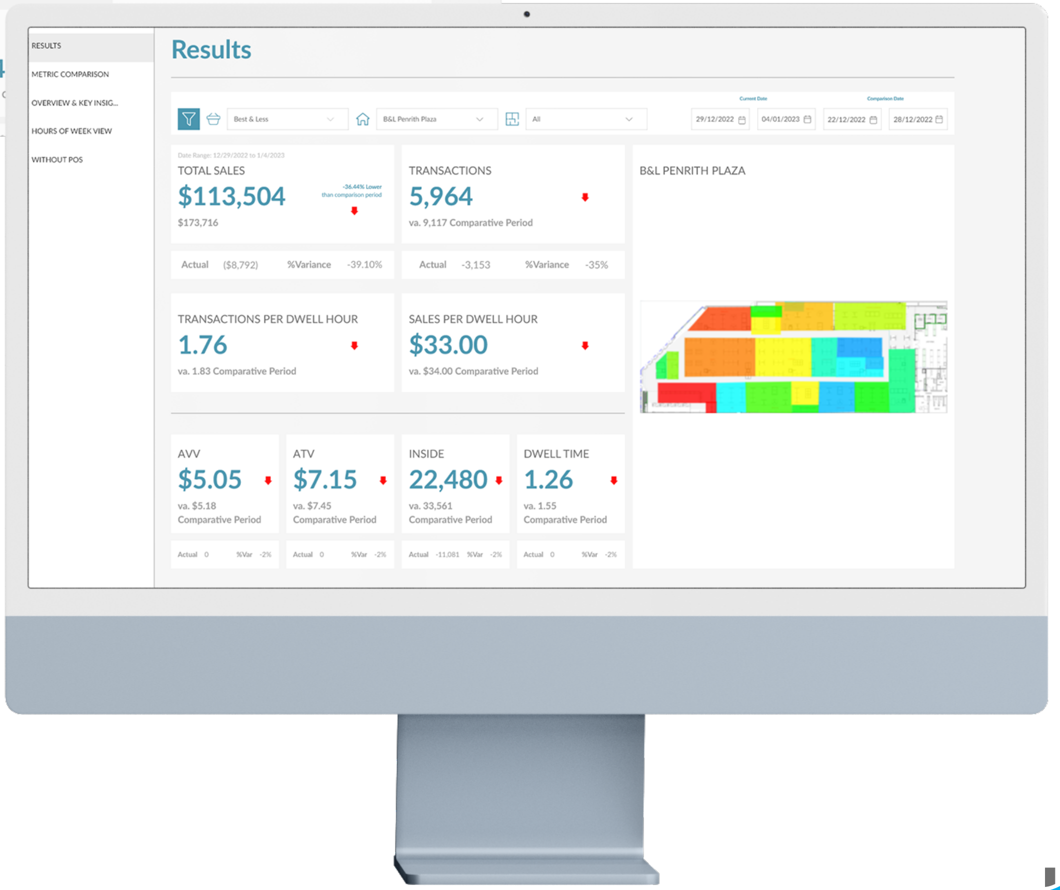
# Knowing how to maximise sales



# Maximising full store efficiency



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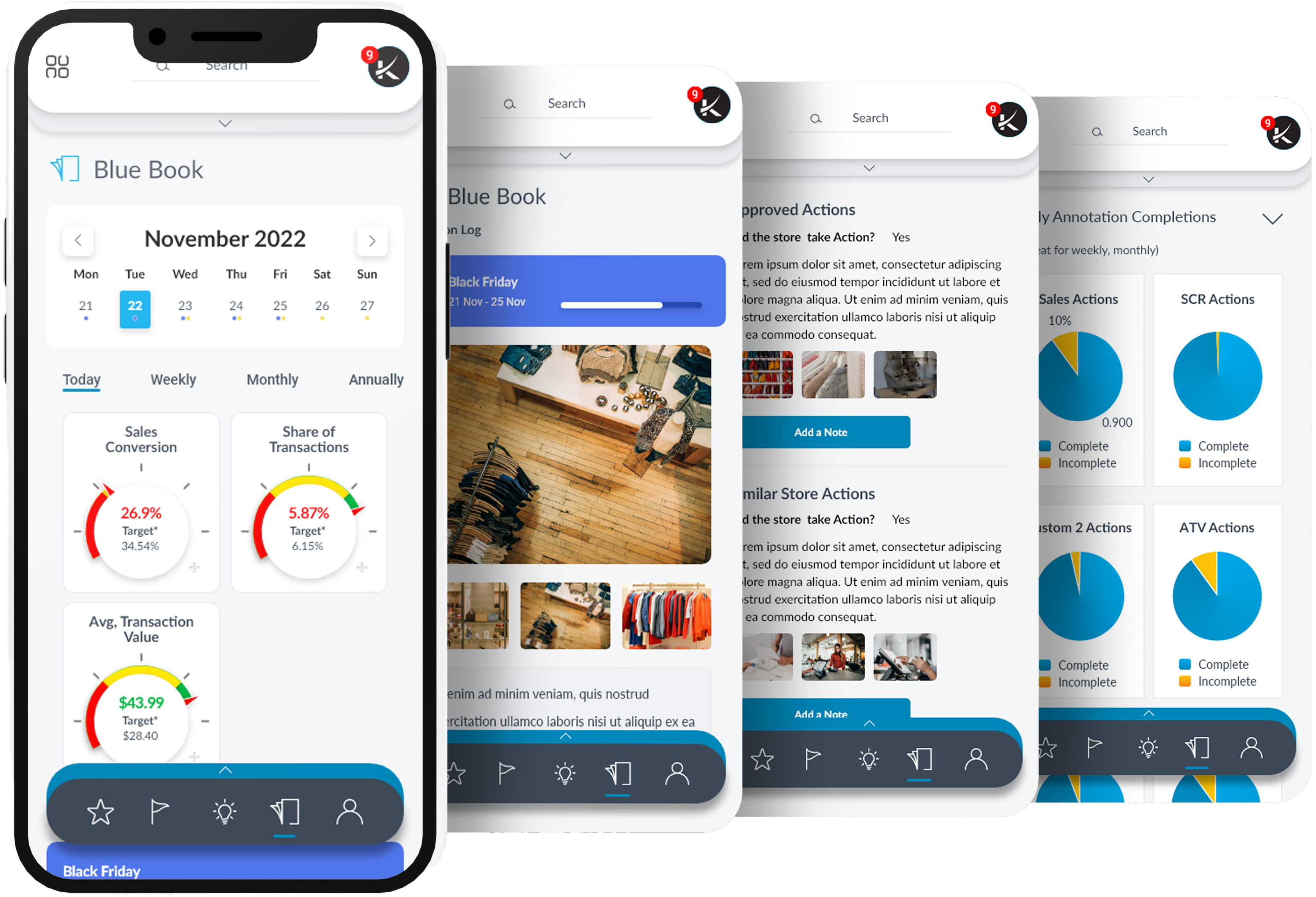

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