Retail Webinar

March 2023

Forecast for Easter and 2023 outlook

Key Highlights

1. **Retail spend in Australia showing signs of decline more so than other global regions** – expect a turbulent year ahead with sales & profits challenged

2. **Shop Front Conversion % underpinning Sales $ this year** however February's steep drop compared to January means retailers need to drive store fronts differently.

3. **Expect April Sales $ to be flat** with a weaker Easter week trade but stronger last week of April due to school holiday timings

4. Average Transaction Value already declining vs last year and Sales Conversion now starting to trend down. **Retailers need to be more agile and be willing to be bold and trial analytical solutions** to optimize sales and revenue in the turbulent year ahead

Key Takeout

Easter, like 2023 overall will be challenging. Opportunities remain, if increased Shop Front Conversion can be utilized in store.

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.

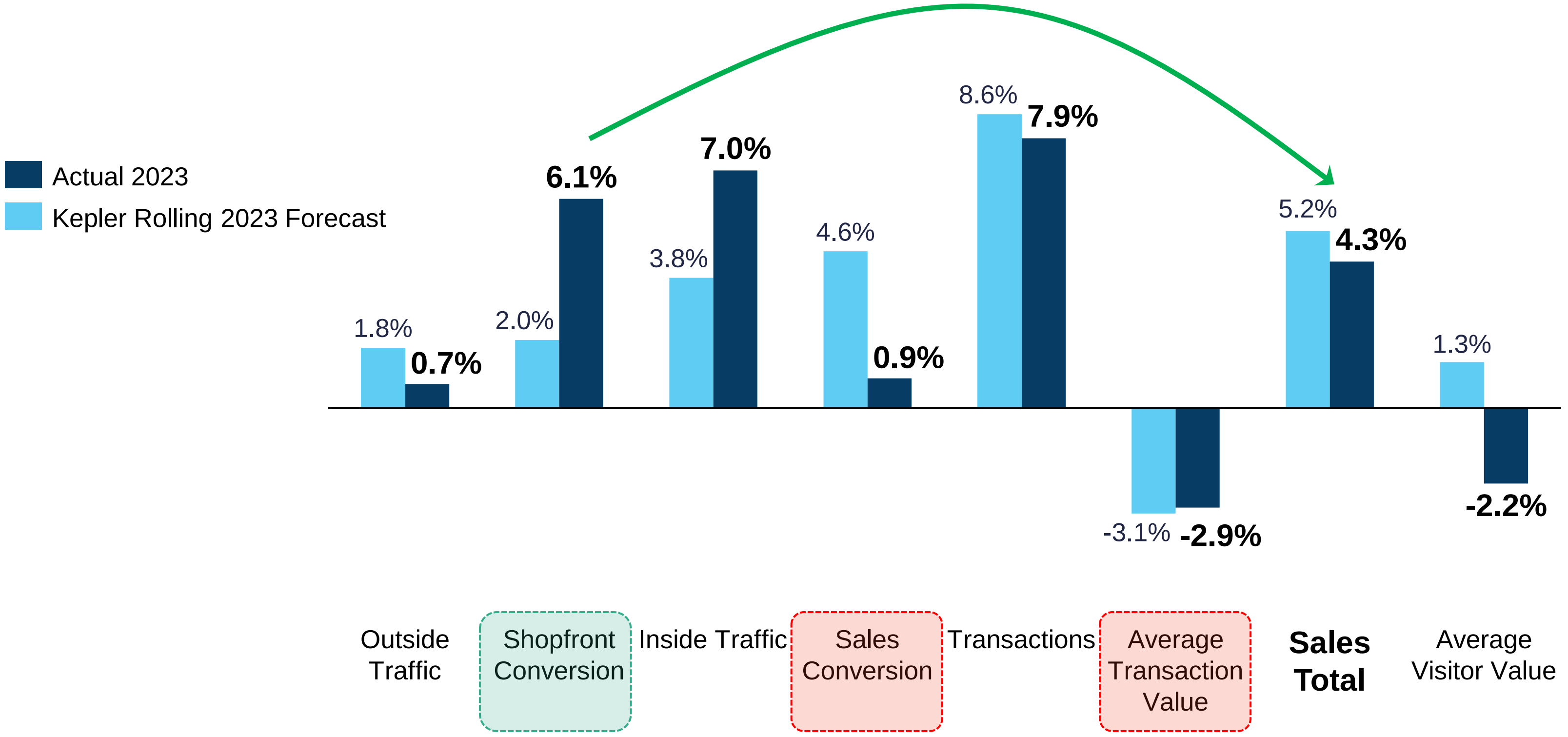
For any further info re the KRI, or more granular breakdowns and analysis, please contact us info@kepleranalytics.com

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

KEPLER ANALYTICS

2023 Sales growth underpinned by improved Shopfront %

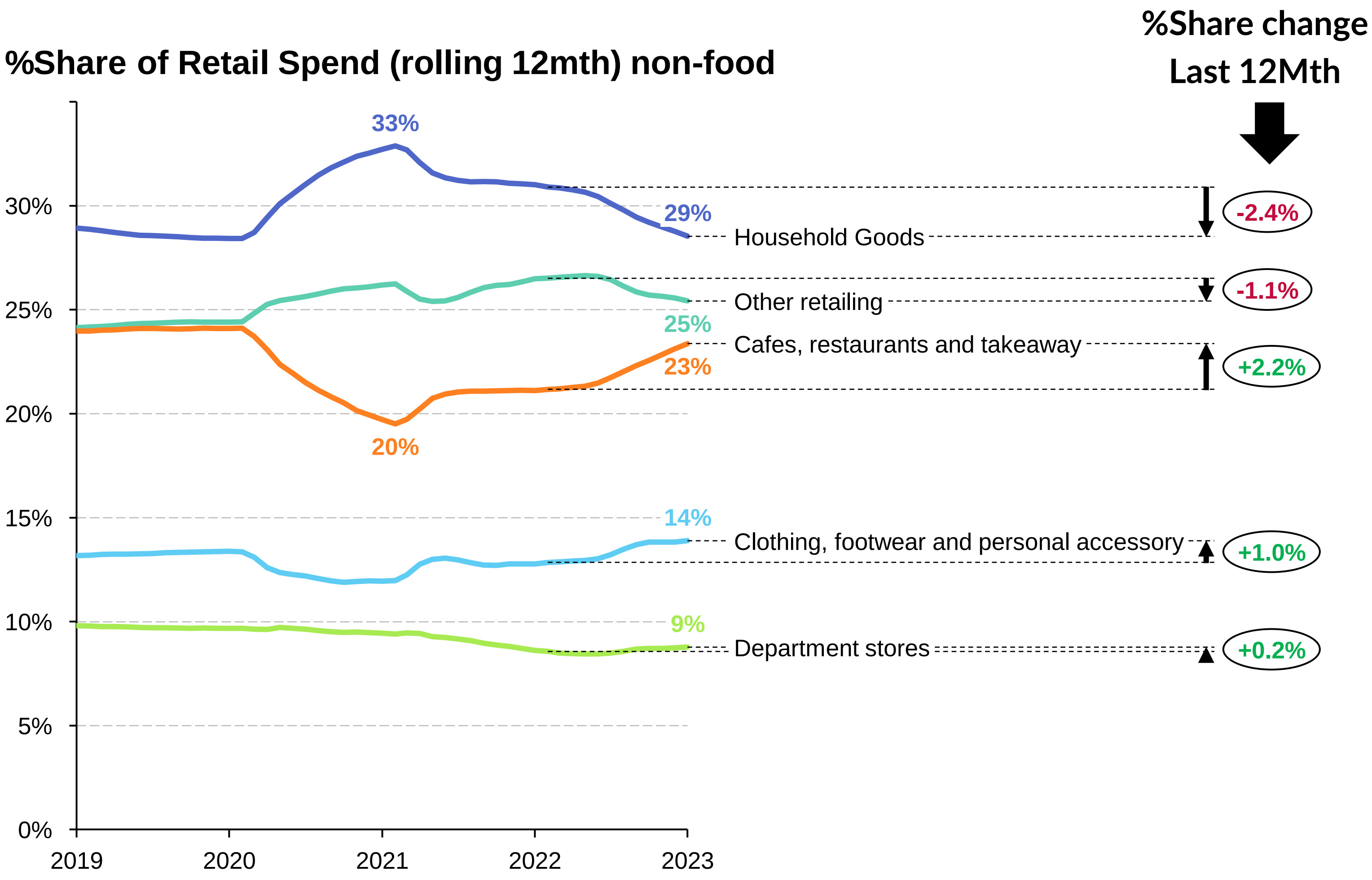
Summary YTD Retail Metrics % (Australia 2023 vs 2022)



Shopfront Conversion remains the key metric to counteract ongoing declines in ATV

ABS shows AU Share of Retail move clearly from Household goods towards café restaurants choosing social spend over big ticket items

%Share of Retail Spend (rolling 12mth) non-food



Source: ABS. Seasonally adjusted

Australian Retail Spend (non-food)

Household goods continue to decline losing 2.4% share as large ticket items of furniture, electrical and hardware show demand declining.

Cafes, restaurants and takeaway show the biggest growth returning to pre-pandemic share of Retail spend.

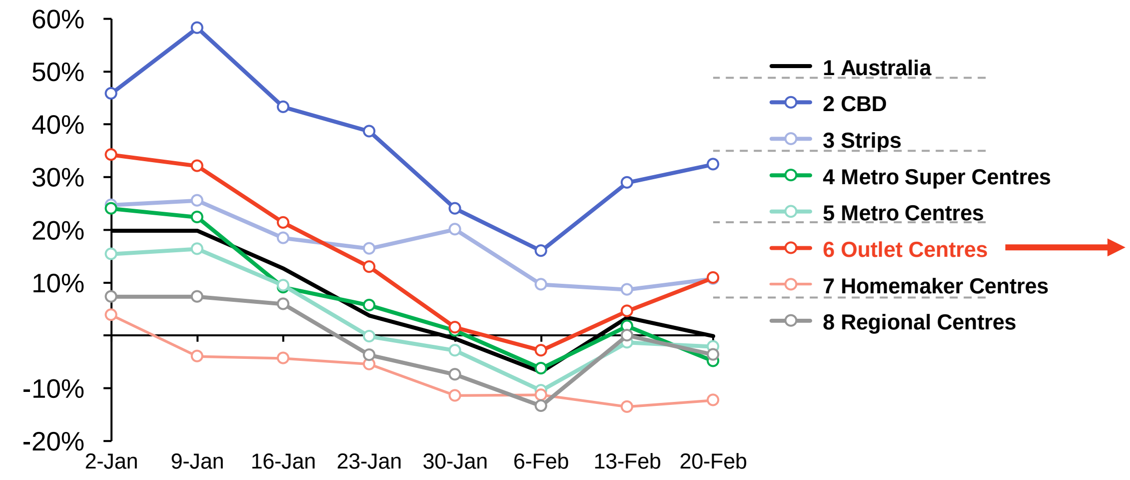
Clothing, footwear strong 12mth growth however Retail share flattening over the last 4mths

This shift in Retail Consumer spend aligns with Kepler Traffic and Sales moving towards CBD, Strip locations whilst moving away from Retail Parks for Household Goods purchases.

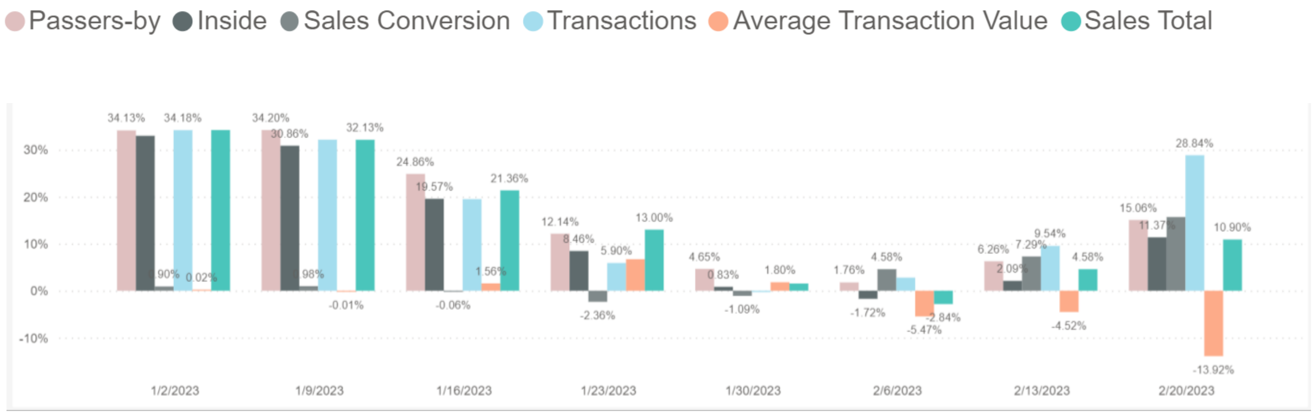
Consumers spending to replenish “emotional” and “fashion” stocks

CBD/Strips growth and consumers moving to discount Outlets

Weekly Sales Trend YOY% by location type



Outlets Centres – 2023 Weekly Metrics Trend YTD



More consumers are shopping in CBD and Strip locations followed by Outlets

Price-conscious consumers are shopping more in Outlets with both Inside Traffic and Sales Conversion outpacing other Centre Types. Ensure stock, transactive capacity and offers are aligned to this rejuvenated retail channel

Stock level management in CBD, Strips & Outlets Channels will be essential

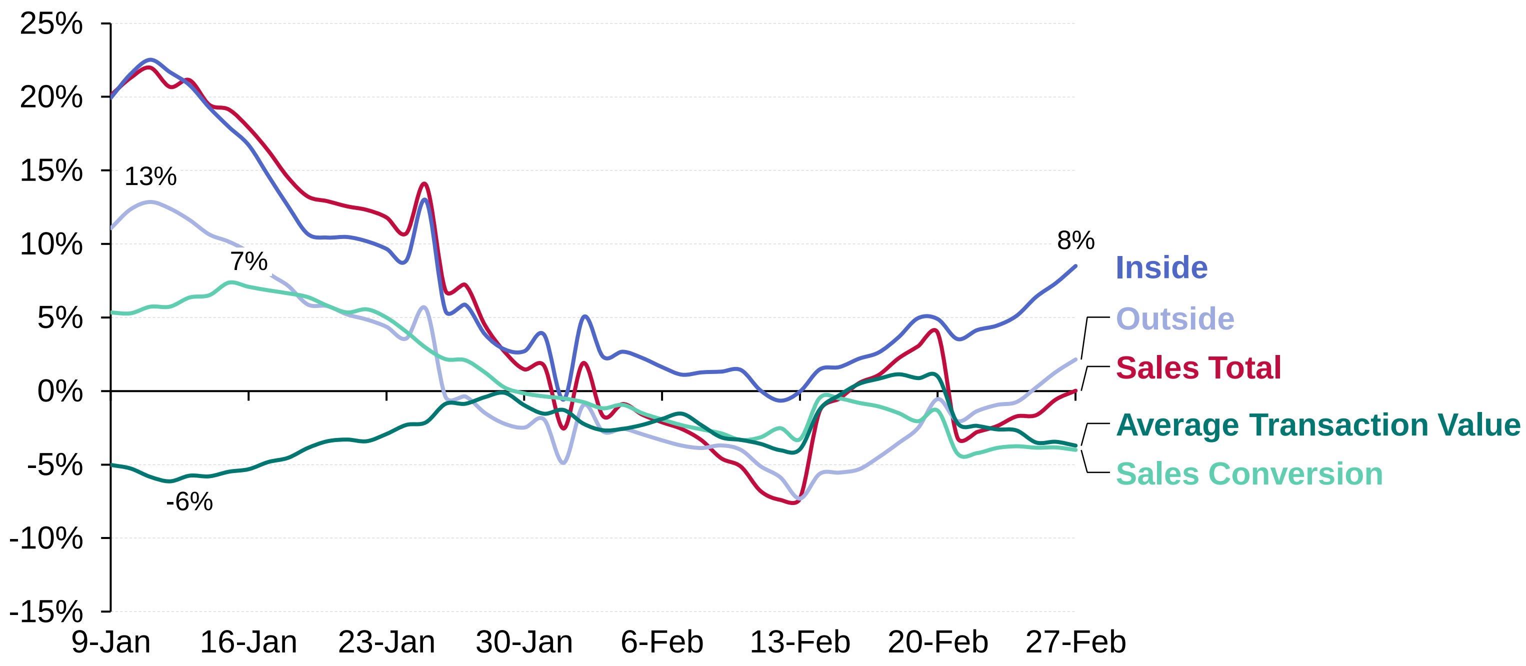
Forward trajectory suggests flat growth March/April as Sales stabilizing against a more reluctant and price-conscious consumer

Sales now flat YOY with increasing Inside Traffic offset by declining Sales Conversion & flat Average Transaction Value

Full extent of inflationary pressures yet to play out

Key Question:
Is Inside Traffic increasing because we have more browsers, or larger group sizes?
Or are we missing Sales Conversion opportunities and therefore missing sales?

2023 Rolling 7-Day Retail Metrics YoY%
(Sales, Inside, Outside, Sales Conversion, Average Transaction Value)

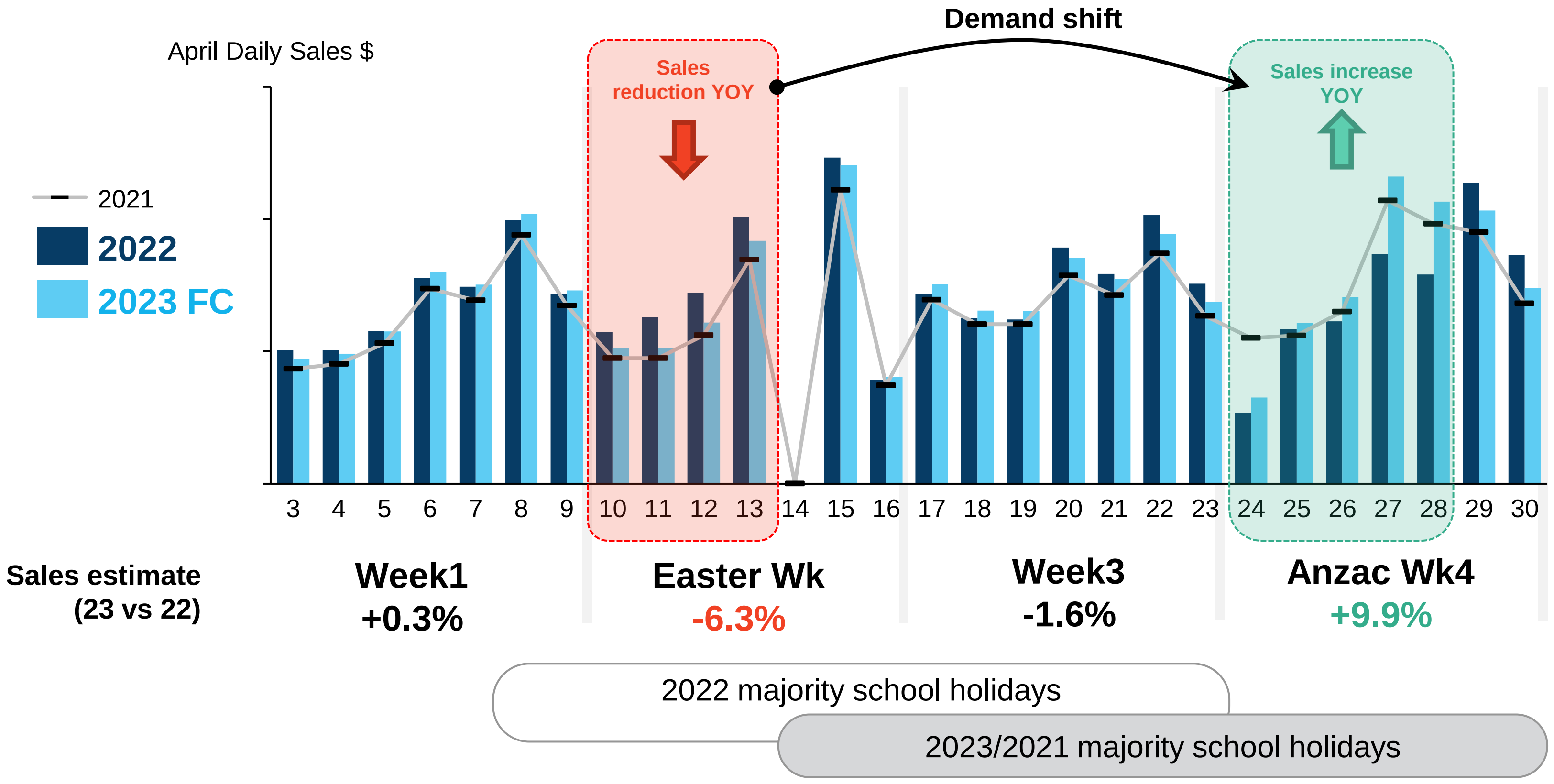


Sales Conversion declines are driving the decline in sales
Has transactive capacity in stores kept pace with Inside Traffic rises?

April Sales will be flat compared to 2022 (AU/NZ)

No other significant YOY shifts expected. Note Kepler forecasts for 2023 April have been downgraded from +2% to flat in light of earlier than expected metric declines

April Daily Sales $ with Easter dates aligned 2021/2022/2023 Kepler forecasts



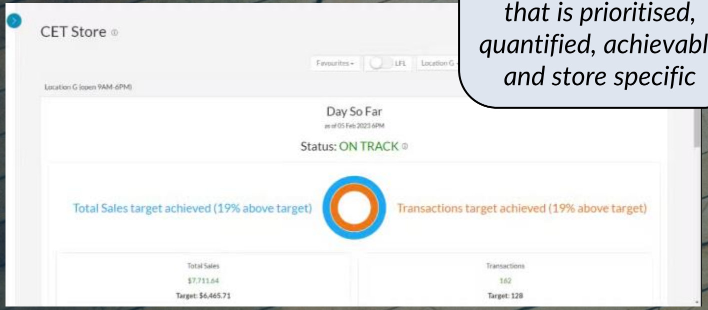
School holiday timings will reduce Easter Wk2 Sales and move to Wk4.

Ensure Labour Targets for Wk4 higher than Wk2 to maximise sales/service opportunity

Solution #1: Drive responsiveness on the shop floor with Advanced CET

Pursue full sales potential with live and sophisticated data automation to floor staff

Advanced CET



Instantly target one opportunity metric that is prioritised, quantified, achievable and store specific

* Live to the hour

Solution #2: The Hourly dashboard contains a wealth of actionable insights

Focus resources when customers need you most

Kepler Hourly Insights

3 most common opportunities Resources to busiest time, Shift changes, Coverage during breaks

Solution #3: Understand store front activations & merchandise contributions to store traffic

Understand what attracts customers

Merchandise Optimisation Analytics

Extend the value and insight of Shop Front Conversion

Learning & Next Steps

There are challenges ahead, but they can be balanced and mitigated.

1. Although January is positive in AU, full extent of local and global market impacts will not be felt fully until later in 2023 – **take advantage of Shop Front Conversion increases while they last**

2. Outlets will likely increase market as consumers become more cost-conscious on discretionary spend – **ensure that transactive capacity and relevant offers greet customers in these locations**

3. Average Transaction Value and Sales Conversion trends are of most concern – **increased volumes of value conscious shoppers are entering… and departing empty handed**

4. Crucial in 2023 more than ever for Retailers to trial innovative approaches to increasing the value of Inside Traffic in store – **maximise shop floor impact and direct teams to the tasks that matter most, specific to each store**

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Thank You