



**Rewriting the Retail
Narrative:** *The importance
of creating certainty in an
unpredictable landscape*

A survey on customer attitudes in Australia



OC&C
Strategy consultants

uncommon sense™

THE RETAIL PROPOSITION INDEX (RPI) IN NUMBERS



Global survey first launched

2010

2021 in Australia



Ratings analysed since launch

68M



Consumers surveyed in 2024

~48,000

Approx **~5,000** in Australia



Countries included in 2024 survey

9



Number of retailers rated

800

92 in Australia*

* Includes 92 retailers covering both national and global brands across 15 categories.



What do shoppers think of *Australia's biggest retailers?*

The OC&C Retail Proposition Index answers this through a comprehensive analysis of customer attitudes. In this year's edition of OC&C's annual Retail Proposition Index, we have asked over 48,000 shoppers globally how they rate the places they shop and what drives their decisions about where and how to buy.

In its 4th year in Australia and decade long history in other geographies, the survey is developing as an essential tool for retailers, analysts, suppliers and investors. We hope you find it equally as valuable.



Introduction

IN ANY GIVEN YEAR, SHOPPING FEELS ROUTINE: IT'S PREDICTABLE AND SOMETIMES COMFORTING. HOWEVER, IN 2024, THAT SENSE OF FAMILIARITY HAS SHIFTED.

Australians, once loyal to the staples of their retail experience (such as popping into the local Woolworths or ducking past the McDonald's Drive Thru), are now asking more questions and becoming more discerning. It's no longer just about finding the best deal. It's about trust, value and keeping pace with their evolving needs.

The Retail Proposition Index surveys over 5,000 shoppers, offering a snapshot of this pivotal moment. As the cost of living rises and disposable incomes shrink, a new trend is emerging: Australian consumers aren't disengaging, they're being pragmatic. They are gravitating towards brands that don't just offer low prices but provide reliability and a sense of certainty in an increasingly unpredictable landscape.

Trust has quietly become the cornerstone of success in this new landscape. It is no longer a nice-to-have, it is the foundation for lasting relationships. Retailers that recognise this shift and adapt are the ones rewriting the retail narrative, stepping beyond the comfort of routine to meet consumers where they are, transforming their caution into opportunity.

1. Considering everything you know about the following brands / retailers, what is your overall opinion of each? (/100).

Source: OC&C Retail Proposition Index 2024, OC&C analysis.

This report will cover:

1. **2024 TOP PERFORMERS**

2. **BREAKING ROUTINE: WHAT CATEGORIES ARE SEEING MAJOR MOVES?**

3. **SHIFTING CONSUMER PERCEPTIONS: WHY ARE SHOPPERS DISCERNING, NOT DISENGAGED?**

4. **PRAGMATISM AT PLAY: WHAT OPPORTUNITIES ARE THERE FOR RETAILERS AND INVESTORS TO STEP BEYOND THE REGULAR RETAIL ROUTINE?**

2024 TOP PERFORMERS TOP 10 - OVERALL FAVOURITE RETAILERS

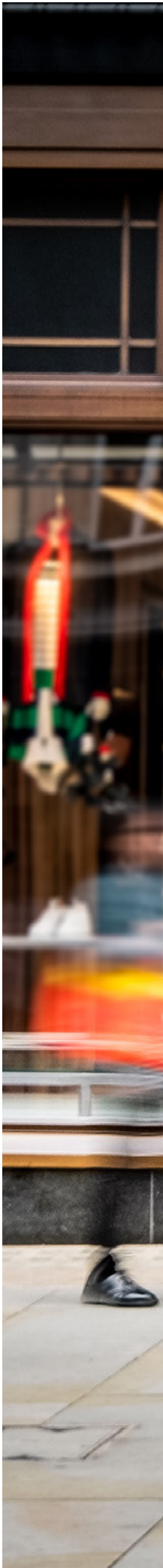
Rank	Retailer	Shopper rating ¹
1	Nike	84.6
2	Bunnings	83.6
3	Dan Murphy's	82.2
4	Chemist Warehouse	82.0
5	JB Hi-Fi	81.5
6	Officeworks	80.2
7	Adidas	79.7
8	IKEA	79.5
9	Costco	79.4
10	Kmart	79.1

RETAILERS SURVEYED BY CATEGORY

Competitors include 92 retailers covering both national and global brands across 15 categories.¹

Automotive Supercheap Auto Repco Burson Auto Parts	Department Stores Kmart Myer Big W David Jones Target Best & Less Harris Scarfe	Grocery Costco Harris Farm Aldi IGA Coles Woolworths	Pet Pet Barn Pet Circle Pet Stock PetO My Pet Warehouse Best Friends
Clothing & Footwear Nike Adidas Uniqlo The Iconic Peter Alexander Country Road Seed Heritage JD Sports Cotton on Kids Zara Cotton On Just Jeans ASOS Sportscraft H&M Witchery Lovisa	DIY Bunnings Mitre 10	Gyms Anytime Fitness Fitness First Snap Fitness	Petrol & Convenience BP Ampol 7-Eleven Shell
	Furniture IKEA Spotlight Nick Scali Fantastic Furniture Amart Furniture	Health & Beauty Chemist Warehouse Mecca Priceline Adore Beauty Terry White Chemmart Sephora Amcal	Quick Service Restaurants Subway Guzman Y Gomez Zambbrero Oporto Red Rooster Domino's Hungry Jacks KFC Pizza Hut McDonald's
Consumer Electronics JB Hi-Fi Officeworks The Good Guys Jaycar Harvey Norman	(Online) General Merchandiser Amazon eBay Catch Shein Kogan Grays AliExpress Temu	Liquor Dan Murphy's BWS First Choice Liquorland Vintage Cellars	Sports & Outdoors Rebel Kathmandu BCF Anaconda

1. Sorted by highest to lowest rated retailer by category.
 Source: OC&C Retail Proposition Index 2024, OC&C analysis.





Methodology

This is the fourth year the Retail Proposition Index has been conducted in Australia by OC&C Strategy Consultants.

The OC&C Retail Proposition Index is a major piece of national consumer research measuring shopper attitudes and perceptions towards the nation's leading retailers.

This year, 5,139 consumers across Australia rated retailers with whom they have shopped in the past 3 months, on their overall propositions and on key elements of that proposition (Price, Range, Service, etc). These results are then used to compile a ranking of 92 retailers from across Australia.

The survey was first launched in 2021, having now surveyed over ~20,000 consumers and analysed ~1.8m ratings. The index has become a powerful tool to understand how shopper priorities are changing over time and to identify the key trends driving shifts in the retail landscape.

Throughout this report, results from the 2021 and 2023 surveys are used to provide comparisons points, showing the change between three years ago, last year and this year.



1. 2024 Top Performers

HEARTS AND MINDS CHAMPIONS 2024



1. TRUST

Rank	Retailer	Shopper rating
1	Nike	82.2
2	Chemist Warehouse	81.5
3	Big W	80.7
4	Bunnings	80.3
5	Adidas	80.1
6	Terry White Chemmart	79.7
7	Dan Murphy's	79.7
8	IKEA	78.6
9	JB Hi-Fi	78.5
10	Officeworks	78.4



2. PRIDE

Rank	Retailer	Shopper rating ¹
1	Adidas	81.6
2	Nike	81.1
3	Uniqlo	79.5
4	Sephora	79.1
5	Country Road	78.7
6	Seed Heritage	78.6
7	Peter Alexander	78.6
8	JD Sports	78.5
9	Adore Beauty	78.3
10	Kathmandu	77.9

PRODUCT CHAMPIONS 2024



3. PRODUCT QUALITY

Rank	Retailer	Shopper rating
1	Dan Murphy's	86.6
2	Mecca	83.5
3	Harris Farm	83.5
4	BWS	83.1
5	JB Hi-Fi	83.0
6	Adidas	82.9
7	David Jones	82.8
8	Sephora	82.7
9	Adore Beauty	82.6
10	Nike	82.2



4. PRODUCTS SUITED TO ME

Rank	Retailer	Shopper rating
1	Dan Murphy's	86.1
2	BWS	82.6
3	Adore Beauty	82.2
4	PetO	81.7
5	Bunnings	81.6
6	Pet Circle	81.5
7	Pet Stock	81.4
8	Chemist Warehouse	80.5
9	Mecca	80.5
10	Subway	80.0



5. WIDE CHOICE OF PRODUCTS

Rank	Retailer	Shopper rating
1	Dan Murphy's	90.1
2	Temu	88.3
3	Amazon	86.9
4	Bunnings	86.6
5	eBay	86.3
6	IKEA	85.9
7	Chemist Warehouse	85.5
8	Shein	85.3
9	Sephora	83.9
10	Mecca	83.8

CUSTOMER EXPERIENCE CHAMPIONS 2024



6. RELIABILITY

Rank	Retailer	Shopper rating
1	Dan Murphy's	85.3
2	Adore Beauty	82.8
3	Terry White Chemmart	81.0
4	BWS	80.8
5	Pet Circle	80.8
6	Nike	80.7
7	Amazon	79.7
8	The Iconic	79.5
9	BCF	79.5
10	Officeworks	79.4



7. EASY TO SHOP

Rank	Retailer	Shopper rating
1	Dan Murphy's	84.5
2	BWS	84.0
3	Adore Beauty	83.3
4	Amazon	83.3
5	Pet Stock	83.1
6	BCF	82.9
7	Pet Circle	82.7
8	First Choice	82.4
9	The Iconic	82.2
10	Shein	82.1



8. FUN TO SHOP

Rank	Retailer	Shopper rating
1	Mecca	80.6
2	Peter Alexander	80.0
3	Shein	79.8
4	IKEA	77.8
5	Sephora	77.5
6	Lovisa	77.3
7	Costco	77.2
8	Nike	77.2
9	PetO	77.0
10	Temu	77.0

VALUE AND PRICE 2024



9. VALUE FOR MONEY

Rank	Retailer	Shopper rating
1	Aldi	82.8
2	Dan Murphy's	80.5
3	Kmart	80.0
4	Temu	79.6
5	Shein	79.5
6	Best & Less	79.5
7	Uniqlo	79.5
8	Big W	78.4
9	IKEA	78.4
10	Costco	77.8



10. LOW PRICES

Rank	Retailer	Shopper rating
1	Temu	86.9
2	Shein	85.2
3	Aldi	82.4
4	Kmart	82.4
5	AliExpress	81.5
6	Best & Less	79.9
7	Dan Murphy's	76.5
8	Big W	76.2
9	Chemist Warehouse	75.8
10	IKEA	74.1

SUSTAINABILITY AND FASHIONABILITY 2024



11. SUSTAINABILITY

Rank	Retailer	Shopper rating
1	PetO	71.5
2	Harris Farm	71.0
3	Kathmandu	70.8
4	IKEA	70.8
5	Burson Auto Parts	69.6
6	JD Sports	69.5
7	Cotton on Kids	68.6
8	Uniqlo	68.4
9	Nike	68.3
10	My Pet Warehouse	68.2



12. FASHIONABILITY¹

Rank	Retailer	Shopper rating
1	The Iconic	84.4
2	Nike	84.0
3	Peter Alexander	83.4
4	Seed Heritage	81.5
5	Zara	81.1
6	David Jones	79.1
7	Cotton on Kids	79.1
8	Country Road	78.9
9	Adidas	78.2
10	JD Sports	78.0

1. Only clothing & footwear and department store brands are rated on fashionability.

Note: Ratings / 100. "How do you rate [retailer] on the following criteria [Trust, Pride, Product Quality, Products Suited to Me, Wide Choice of Products, Reliability, Easy to Shop, Fun to Shop, Value for Money, Low Prices, Sustainability, Fashionability].

Source: OC&C Retail Proposition Index 2024, OC&C analysis.



2. Breaking Routine: *what categories are seeing major moves?*

GROCERY RETAILERS, QUICK SERVICE RESTAURANTS AND LIQUOR RETAILERS ARE EXPERIENCING INTENSE SHIFTS IN CONSUMER PERCEPTION AND ARE ADJUSTING STRATEGIES TO MEET CONSUMER DEMANDS.

GROCERY: DISTRUST AND DECLINE

The local corner shop was once a hallmark of Australian life, where shoppers would slide a 50-cent coin across a laminated countertop, past a chrome milkshake maker, to pick up a loaf of bread. Over time, these small neighbourhood grocers disappeared, replaced by superstores like Safeway, Matthews Thompson, and Flemings. These once-familiar names have also faded as they became the retail giants Coles and Woolworths, whose expansions reshaped Australia's grocery landscape. Offering unmatched convenience, an ever-expanding product range, and the economies of scale to deliver consistently lower prices, they became the dominant forces in the market.

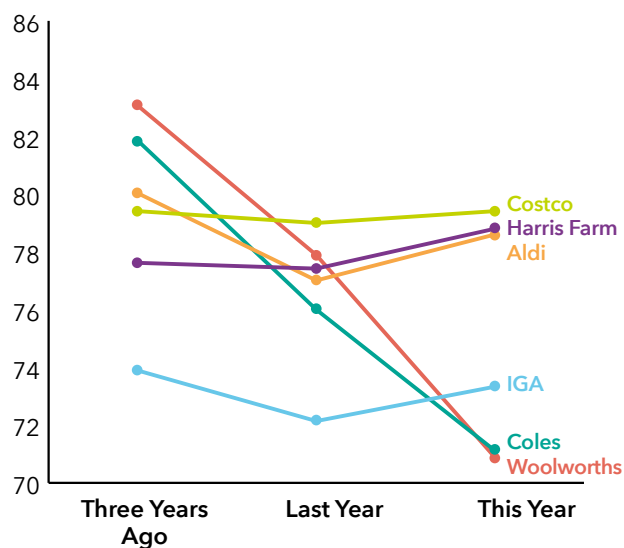
However, the very pricing power that has long made them untouchable has now come under scrutiny. As the cost of living rises, what was once celebrated as unbeatable value is now seen as an abuse of market dominance, with shoppers increasingly frustrated by what they perceive as a lack of transparency.

Groceries are essentials, and despite their dissatisfaction, consumers continue to buy out of necessity further souring the relationship. Woolworths, in particular, has seen a dramatic shift, with consumer sentiment plunging them down 52 places, the largest drop amongst the 92 brands surveyed. Coles is not far behind as consumers struggled to discern between the two across all key performance criteria tested in the survey.

These cracks in the giants' dominance have created space for other grocers, like IGA and Harris Farm, to step in, offering localised selections and tailored offerings that resonate with consumers. Whether knowingly or not, shoppers seem to be gravitating back to the values that local corner shops once embodied: a more personal, community-focused shopping experience.

Also stepping into the void left by the majors are international players Costco and Aldi, both of whom have earned high levels of trust amongst Australian consumers.

GROCERY CATEGORY FAVOURITE RETAILER RATINGS / 100 (2021-2024)¹



1. Considering everything you know about the following brands / retailers, what is your overall opinion of each? (/100).

Source: OC&C Retail Proposition Index 2024 & 2023, OC&C analysis.



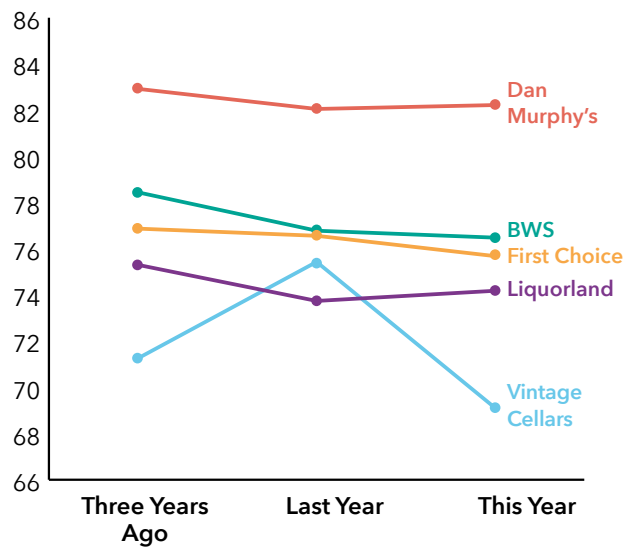
LIQUOR: BATTLE OF THE BOTTLE SHOPS

When it comes to liquor, Dan Murphy's still holds favour. The undisputed leader in Australia's liquor market, Dan Murphy's has secured its position as the go-to retailer, thanks to its vast selection and unbeatable prices. BWS, also part of the Endeavour Drinks Group stable, comes in at a solid second and rates well on customer service and ease of shopping.

In an effort to close the widening gap, Coles is consolidating its liquor brands under the Liquorland banner to simplify the customer experience and boost familiarity.

There's certainly cause to pop a bottle at Dan Murphy's, as the brand continues to dominate the market and win over Aussie shoppers.

LIQUOR CATEGORY FAVOURITE RETAILER RATINGS (2021-2024)¹

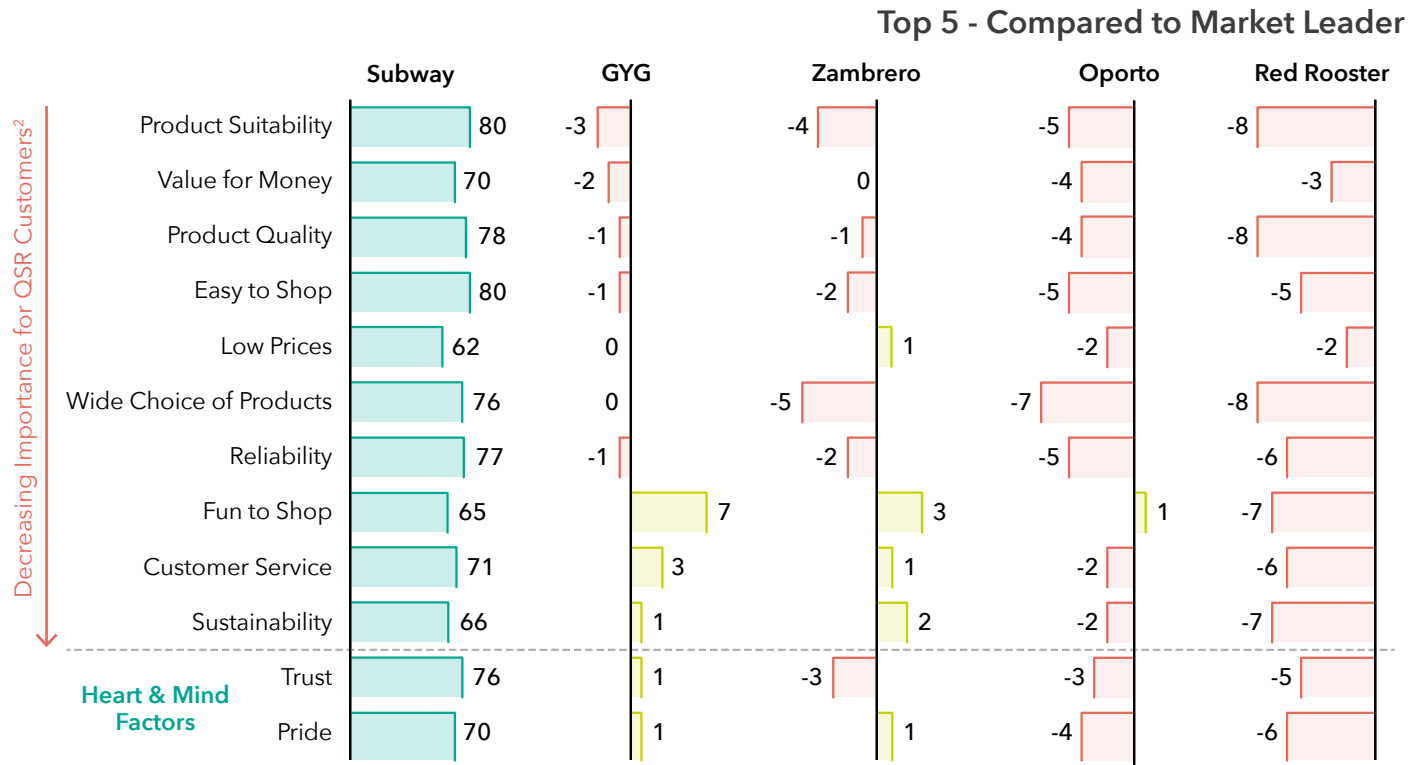


1. Considering everything you know about the following brands / retailers, what is your overall opinion of each? (/100).

Source: OC&C Retail Proposition Index 2021, 2023 and 2024, OC&C analysis.

QUICK SERVICE RESTAURANTS (QSR): THE HUNGER FOR GOOD TASTE

QSR CATEGORY KPCS RATED AGAINST CATEGORY LEADER (2024)¹



Note: +/- ratings are relative to Subway e.g., GYG is rated 1 point ahead of Subway on Trust and 1 point behind for Easy to Shop

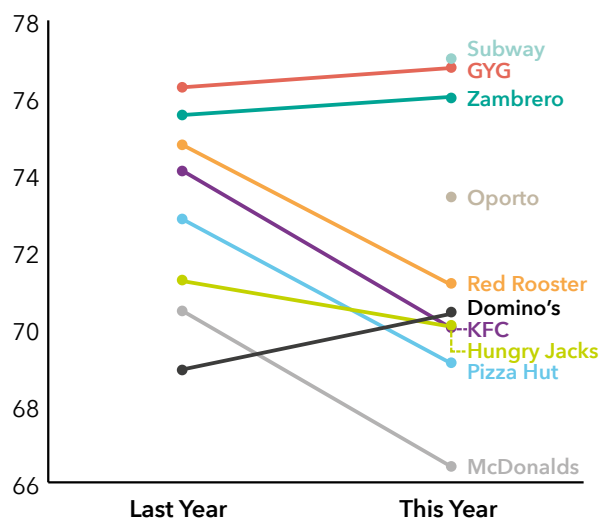
1. "Please rate [retailer] on the following criteria?", "How much do you trust the following [retailer]?" and "How proud would you say you are to be associated with [retailer]?" (/100).
 2. What was the main reason you shopped with [retailer]?"
- Source: OC&C Retail Proposition Index 2024, OC&C analysis.

Another hallmark of the Australian experience was having that favourite local restaurant where you would regularly go with your family. Have you ever gone back to see if it's still there? And how would you feel if it has been replaced by a quick-service chain like a KFC? According to the survey, many Australian shoppers would probably prefer it become a Subway, Guzman & Gomez or Zambrero.

Subway has debuted at number one in the quick service restaurant category, outperforming rivals in key areas such as product suitability, value for money, quality and ease of shopping. As convenience becomes paramount and customers enjoy a customisable experience, Subway's model continues to resonate with a wide range of consumers.

Meanwhile, the rise of Mexican fast-food chains like Guzman y Gomez and Zambrero highlights Australia's growing hunger for variety. As these chains steadily increase traction, they reflect shifting preferences. Australians are no longer only enamoured with traditional fast food fare of burgers, pizza and fried chicken, and are increasingly exploring more international cuisines such as Mexican.

QSR CATEGORY FAVOURITE RETAILER RATINGS (2023-2024)¹



1. Considering everything you know about the following brands / retailers, what is your overall opinion of each? (/100).
- Source: OC&C Retail Proposition Index 2024 & 2023, OC&C analysis.



³ Shifting Consumer Perceptions: *why are shoppers discerning, not disengaged?*

AS WALLETS TIGHTEN, AUSTRALIANS ARE ADAPTING THEIR SPENDING HABITS, NOT BY RETREATING FROM THE AISLES BUT RECALIBRATING THEIR APPROACH, MAKING FEWER VISITS AND HAVING A SHARPER FOCUS ON WHAT MATTERS MOST. CONSUMERS ARE INCREASINGLY SELECTIVE, GRAVITATING TOWARD STORES AND BRANDS THEY TRUST TO DELIVER BOTH VALUE AND CONSISTENCY.

57% of Australians say they have less disposable income than in 2023, a staggering 15% higher than the global average.

HOW IS AN EVOLVING CONSUMER MINDSET SHAPING DECISION MAKING?

The promise of sustainable, eco-friendly choices once held a powerful sway over buyers. But as living costs rise, the immediacy of price and necessity is pushing sustainability down the list of priorities. Trust, affordability, and reliability now command the spotlight, as consumers seek comfort in familiar brands and products that meet their immediate needs.

The numbers tell the story: **57% of Australians say they have less disposable income than in 2023, a staggering 15% higher than the global average.** However, this has not translated into a retreat from the marketplace. In fact, while store visits may have dropped, conversion rates have climbed, with on average 58% of shoppers making a purchase during each store visit in 2024, compared to 55% in previous years.

The lesson for retailers? Consumers are engaging with greater intent, choosing their spend carefully...but they are still spending.

DEPRIORITISING SUSTAINABILITY

Sustainability, though still important to many, is taking a backseat with tightening budgets. **In 2024, only 56% of consumers said sustainability influenced their purchases, down from 63% in 2023.** This shift mirrors trends in the US and UK, but Australia's drop is more pronounced. For the first time in years, the focus is swinging towards products that are reliable and affordable, especially amongst high-income earners and millennials, two groups previously leading the charge on sustainable shopping.

This does not necessarily mark a permanent shift. As economic pressures ease, sustainability will likely reclaim its place in the purchasing hierarchy. Brands that can strike a balance between affordability and sustainable practices now are positioning themselves well for future loyalty once the storm passes.

CONSUMER ATTITUDE TOWARDS SUSTAINABILITY, 2021-2024¹

AU
n=5,139

Sustainability is critical to me and I only shop with brands that I know to be sustainable

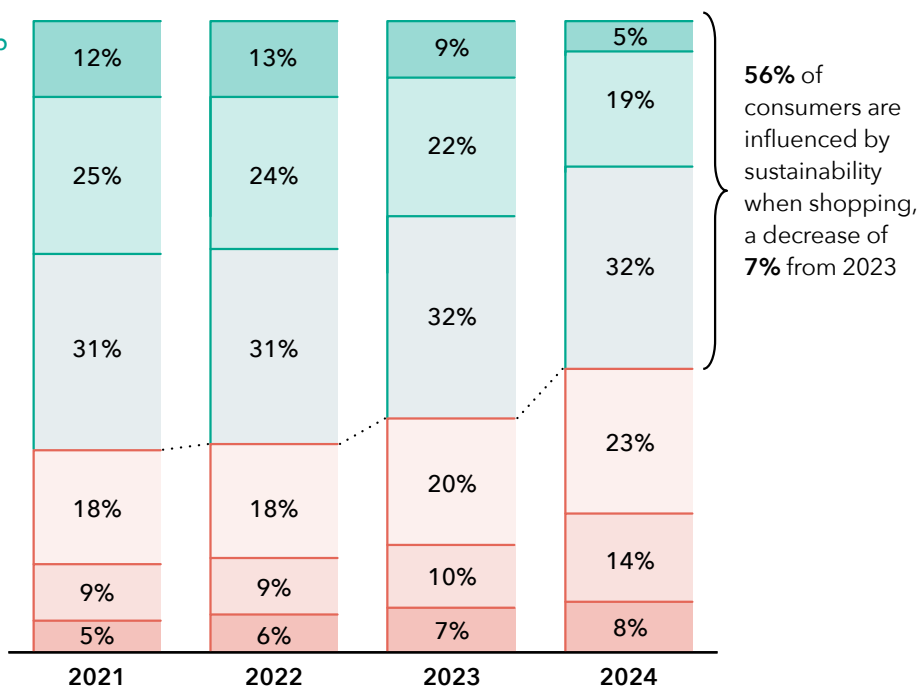
I care about sustainability and I actively try and shop with sustainable brands

I care about sustainability, and I am conscious of it when I shop, but it doesn't always change my behaviour

I care about sustainability, but it doesn't really impact how I shop

I don't really think about sustainability at the moment

Sustainability is not important to me



1. "Which statement best describes your attitude to environmental and social factors?"

Source: OC&C Retail Proposition Index 2024, OC&C analysis.

Sustainability has also declined in importance as a key purchasing criteria in the UK and US, but the fall has been more significant in Australia.

CONSUMER ATTITUDE TOWARDS SUSTAINABILITY, 2021-2024¹

UK
n=10,388

Sustainability is critical to me and I only shop with brands that I know to be sustainable

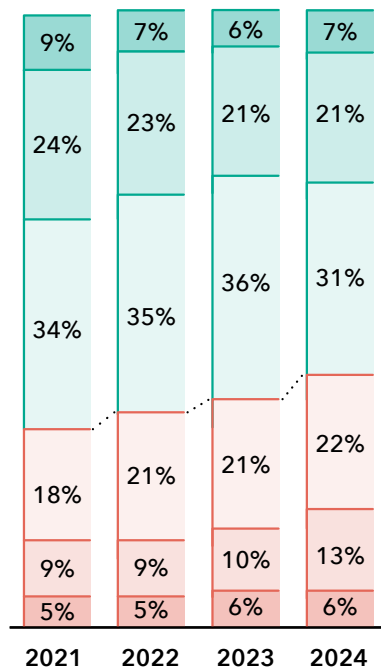
I care about sustainability and I actively try and shop with sustainable brands

I care about sustainability, and I am conscious of it when I shop, but it doesn't always change my behaviour

I care about sustainability, but it doesn't really impact how I shop

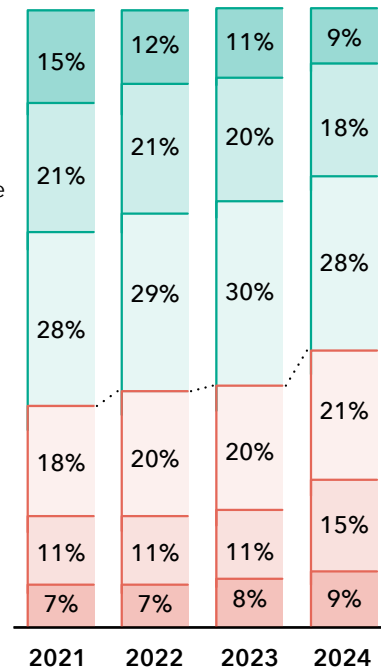
I don't really think about sustainability at the moment

Sustainability is not important to me



56%, decrease of 4%

USA
n=8,185



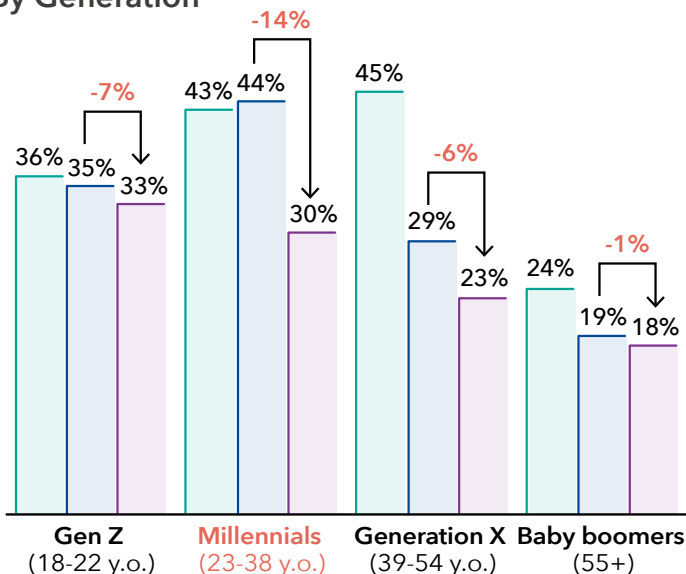
55%, decrease of 6%

1. "Which statement best describes your attitude to environmental and social factors?"
Source: OC&C Retail Proposition Index 2024, OC&C analysis.

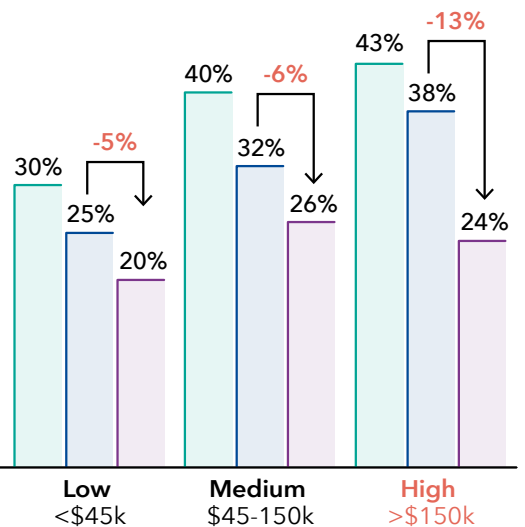
% OF RESPONDENTS OF WHICH SUSTAINABILITY HAS A LARGE IMPACT ON SPENDING, 2021-24

AU
n=5,139

By Generation



By Income



Millennials are feeling the brunt of the cost-of-living crunch, with higher rent and property prices shifting their priorities

High income earners have become increasingly cost-conscious, rendering sustainability less important

2021 2023 2024

Source: OC&C Retail Proposition Index 2024, OC&C analysis.



TRUST TAKING CENTRE STAGE

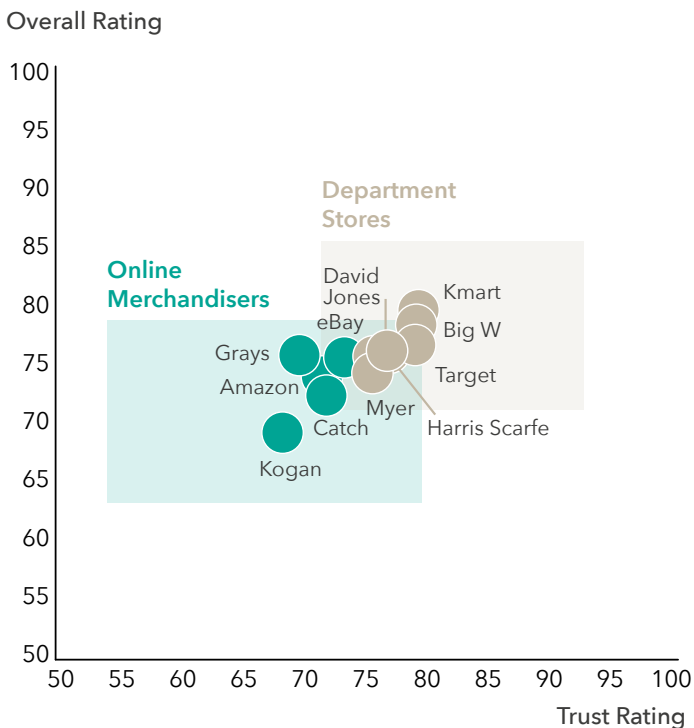
In uncertain times, trust equals preference. For retailers, earning and maintaining trust is no longer just an advantage, it's a necessity. As consumers become more discerning, they're placing their bets on tried-and-true brands. Physical stores with established reputations are outperforming their online-only counterparts, even when their prices are higher.

It's a simple equation: in a world where every dollar counts, shoppers aren't willing to gamble on unknown or untested brands. Instead, they are flocking to familiar names that have consistently delivered quality, reliability and value. Retailers who can blend these elements are laying the groundwork for winning long-term customer favour, a powerful foundation for weathering economic storms.

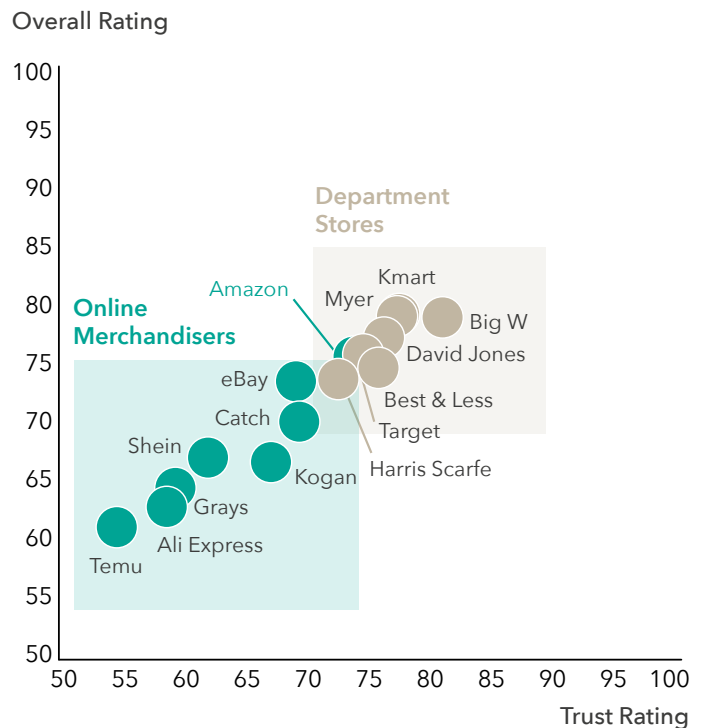
In 2024, there has been an improvement in trust ratings for physical department stores like Kmart, Big W, David Jones and Myer, with a noticeably lower trust rating for their online competitors such as Temu, Ali Express and Shein. Notably, Amazon stands out as an online player with a trust rating similar to the department stores.

ONLINE GENERAL MERCHANDISER VS DEPARTMENT STORES, 2023 VS 2024^{1,2}

Overall Rating vs Trust, 2023



Overall Rating vs Trust, 2024



1. "Considering everything you know about the following brands / retailers, what is your overall opinion of each?" (/100).

2. "How much do you trust the following [retailer]?" (/100).

Source: OC&C Retail Proposition Index 2024, OC&C analysis.



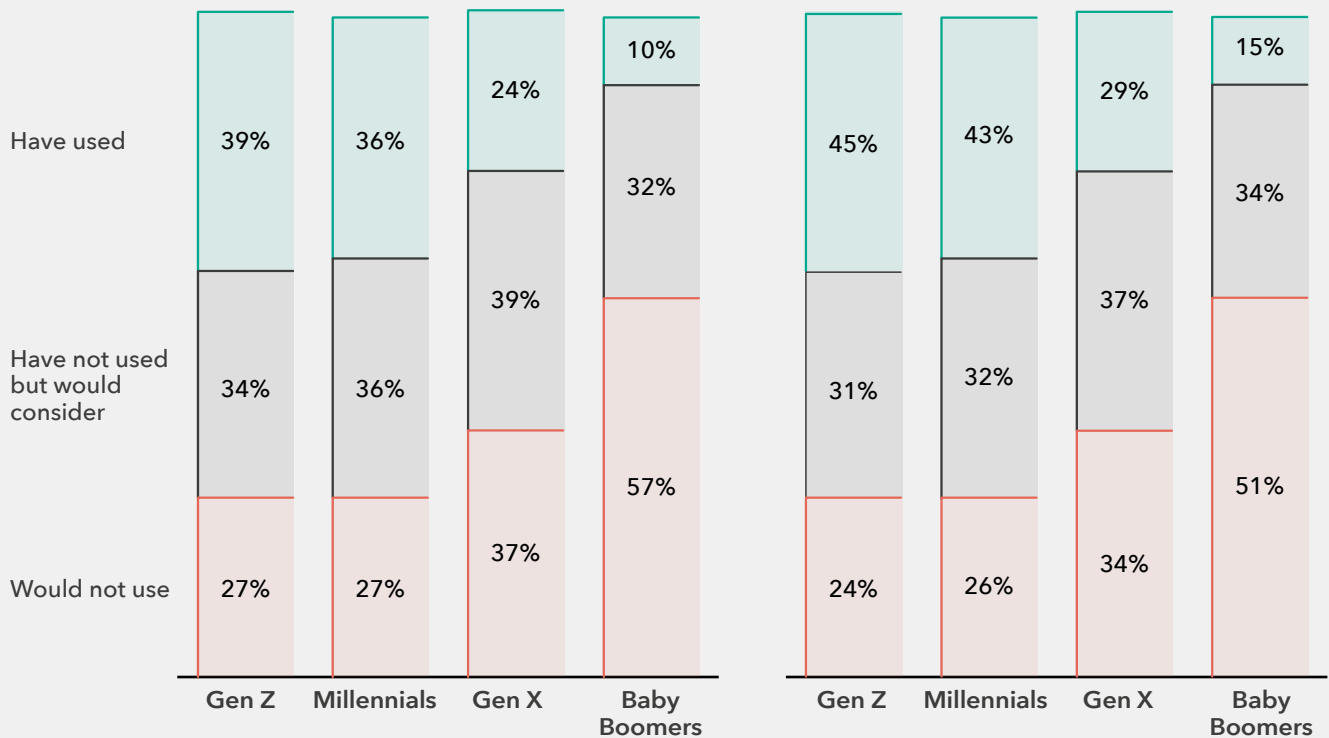
ARTIFICIAL INTELLIGENCE (AI) INSIGHTS

The survey reveals that Australians use less AI when shopping compared to the global average. This isn't a generational thing: across all age groups, Australians report using less AI when shopping.

AI USAGE IN SHOPPING, 2024¹

Australia
n=5,139

Global
n=48,171



1. "Which of the following features have you used for online/offline shopping in the past 12 months or would consider using?"
Source: OC&C Retail Proposition Index 2024, OC&C analysis.



4. Pragmatism at Play: *what opportunities are there for retailers and investors to step beyond the regular retail routine?*

THE CURRENT ECONOMIC LANDSCAPE, WHILE CHALLENGING, OFFERS OPPORTUNITIES FOR THOSE WILLING TO ADAPT. WHILE THE SURVEY RESULTS COVER 92 OF THE LARGEST RETAILERS, THE INSIGHTS ARE APPLICABLE TO SMALLER RETAILERS TOO. SO WHAT DOES THIS MEAN FOR YOU?



4.1 Retail Implications for Investors: *strategic opportunities in a shifting retail landscape*

PRIVATE EQUITY AND OTHER INVESTORS FACE A UNIQUE OPPORTUNITY IN THE CURRENT RETAIL ENVIRONMENT WHERE CONSUMER PRAGMATISM AND ECONOMIC PRESSURES ARE RESHAPING THE MARKET.

The 2024 Retail Proposition Index (RPI) highlights how trust, value, and differentiation are driving consumer behaviour, presenting actionable opportunities for investors to identify undervalued assets, drive operational improvements, and capitalise on strategic differentiation. For private equity and other investors, the focus must shift from short-term tactical plays to transformative investments that unlock long-term growth and resilience. The following insights highlight areas ripe for intervention:

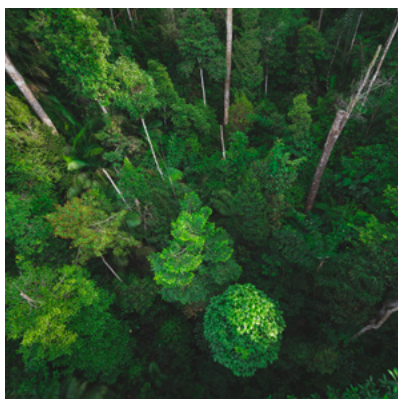


CAPITALISING ON NICHE PLAYERS AND DISRUPTORS: SCALING AGILE, DIFFERENTIATED RETAILERS

The current environment presents significant opportunities to back smaller, more agile retailers that are gaining ground by differentiating themselves from historical stalwarts. The RPI data shows that nimble competitors in sectors such as grocery, online and QSR have leveraged consumer discontent with larger incumbents to gain market share. These players are differentiating through localised offerings, innovative customer engagement strategies, and transparent value propositions that resonate with pragmatic shoppers.

Acquiring or scaling niche retailers that can offer unique value propositions represents a highly scalable investment opportunity. For instance, smaller retailers that can localise supply chains, offer community engagement, and maintain transparent pricing could expand rapidly with the right capital and operational support. In QSR, brands that are capturing market share by catering to evolving consumer preferences, such as those embracing diverse cuisine offerings like Guzman y Gomez, Zambrero and Oporto, are primed for strategic scaling.

Acquiring or scaling niche retailers that can offer unique value propositions represents a highly scalable investment opportunity.



OPPORTUNISTIC PLAY ON SUSTAINABILITY'S LONG-TERM RETURN: POSITIONING FOR FUTURE CONSUMER SHIFTS

While sustainability is currently being deprioritised by consumers due to immediate financial pressures, this is likely to be a temporary shift. The RPI suggests that as economic conditions improve, sustainability will return as a key differentiator, particularly amongst millennial and high-income demographics. Brands that maintain a balanced focus on affordability and sustainability during this period are well-positioned to capitalise on this shift when it reemerges. Investors can play a strategic role by investing in companies that are building the foundations for long-term sustainability, even if it is not currently a top consumer priority. Investing in sustainable supply chain improvements, ethical sourcing, and environmental impact mitigation will provide a competitive advantage when consumer preferences pivot back towards sustainability. By backing retailers that are forward-thinking in this regard, private equity and other investors can future-proof their portfolios and benefit from long-term consumer loyalty.



ENHANCING OPERATIONAL EFFICIENCIES FOR MARGIN EXPANSION: UNLOCKING VALUE IN TRUSTED, PHYSICAL RETAILERS

Despite the rise of e-commerce, the RPI highlights that retailers with physical stores are often outpacing digital natives on consumer trust, even in an environment of rising prices. This trust, particularly in department stores and general merchandisers, stems from reliable customer experiences and the convenience of one-stop shopping. However, operational inefficiencies and cost structures can erode margins, creating opportunities for value extraction through improved efficiency. Acquiring trusted, physical retailers and driving operational efficiency improvements – such as optimising supply chains, enhancing in-store technology, and reducing overhead costs – can unlock significant margin expansion. Conversely, helping fund the build out of a physical footprint for traditionally online-only players could unlock a new tranche of growth. In both scenarios, investors should focus on driving leaner, more efficient operations in trusted retailers while maintaining the core elements that consumers value. By reducing operational drag without compromising the customer experience, investors can extract value and improve profitability in sectors where consumers still prefer physical over digital alternatives.



4.2 Retailers: *adapting strategies to earn loyalty and capture market share*

FOR RETAILERS, THE PATH FORWARD WILL DEPEND ON THEIR ABILITY TO RESPOND DYNAMICALLY TO SHIFTING CONSUMER PREFERENCES, ESPECIALLY AROUND TRUST, VALUE, AND PRAGMATISM. RETAILERS MUST BE PREPARED TO TAKE DECISIVE ACTIONS, FOCUSING ON STRATEGIC DIFFERENTIATION, OPERATIONAL TRANSPARENCY, AND A PRAGMATIC APPROACH TO CUSTOMER LOYALTY.



1. Rebuilding Consumer Trust Through Transparency

The RPI highlights that trust is more important than ever for Australian consumers. Retailers that have suffered from declines in consumer trust, such as Woolworths and Coles, must go beyond surface-level corrections. The report underscores the importance of transparent pricing and genuine customer engagement. Retailers should focus on rebuilding trust by addressing the specific concerns that led to their declines—whether it's through clearer communication on pricing structures, improving product quality, or addressing long-standing customer service issues. This will require an investment not just in marketing, but in fundamental operational improvements that enhance the customer experience.



2. Leveraging Strategic Differentiation

As consumers become more selective, there is a clear opportunity for smaller players to differentiate themselves and win over customers dissatisfied with large, homogenised offerings. Retailers that can offer distinct value propositions – whether through specialised product ranges, localised store formats, enhanced customer service, or even being “more fun to shop” –will be better positioned to capture market share. For example, as QSR brands like Subway and Guzman y Gomez thrive by offering variety and perceived value, smaller grocery players can follow suit by focusing on community-tailored services and transparent, competitive pricing models that resonate with pragmatic shoppers.



3. Balancing Value and Long-term Brand Commitments

While value is a priority for consumers in 2024, the report suggests that brands should not abandon their longer-term commitments to areas like sustainability and innovation. Instead, they should balance short-term cost-conscious strategies with these ongoing commitments. Retailers that can continue to innovate and maintain their long-term strategies, while delivering immediate value, will be well-positioned when the market stabilises. Consumers are likely to reward retailers that stay true to their core values while also addressing current financial concerns.



4. Reinvesting in the In-Store Experience

Despite the growth of e-commerce, the RPI underscores that physical stores still hold significant sway, particularly in general merchandise and department store sectors. Retailers must continue to invest in creating trusted, reliable in-store experiences that build long-term customer loyalty. The report shows that, even when prices are higher, consumers will gravitate toward retailers with whom they have built a trust-based relationship. Department stores, in particular, can capitalise on their one-stop-shop nature by continuing to offer a wide range of products and maintaining their reputations for reliability.

4.3 Examples at a *category-level*



DEPARTMENT STORES

Each year at Christmas, crowds walk past David Jones, hoping to catch a glimpse of the enchanting window displays. Once the leaders of retail, department stores now navigate a landscape transformed by private labels, luxury brands carving out their own spaces, and the unstoppable rise of online shopping. Into this context, Kmart has evolved as the leading discount department store in Australia, now being globally recognised for its house brand, Anko, and with a winning proposition of low prices and value for money.

Compared to online-only players who were supposed to be disruptors, department stores remain trusted havens, offering not only a vast array of products but the reliability and efficiency that shoppers still seek. With consumer ratings holding steady, it's clear they continue to resonate with those who value more than just a good deal, they offer continuity in a world of change.



GROCERY RETAILERS

As the cornerstones of Australian retail, Coles and Woolworths have long commanded the trust and loyalty of the everyday shopper. But recent shifts in consumer sentiment serve as a timely reminder that even the giants of the industry are not immune to the evolving priorities of buyers. While their ratings have seen dramatic shifts, it's not only a story of decline, but a wake-up call.

With transparency, community and value becoming increasingly paramount, the door is open for smaller players to carve out their niche. Local grocers are well-positioned to offer the kind of personalised, value-driven experiences that resonate deeply with shoppers seeking more than just convenience. For the majors, finding points of differentiation from each other and rebuilding the trust of the consumer will be critical.



QSR

QSR: The rise of international chains like Subway and Domino's highlights consumer demand for both value and quality in fast food. As the quick service restaurant landscape broadens, so does the competition.

The prevalence of Mexican chains such as Guzman y Gomez and Zambrero, alongside the strong debut of Oporto with its Portuguese-style chicken, exemplifies the growing desire for fast food that not only satisfies hunger but also offers unique flavours and experiences. In contrast, McDonald's increasingly struggles to meet the more discerning tastes of modern consumers, a sign not to rest on your laurels.



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