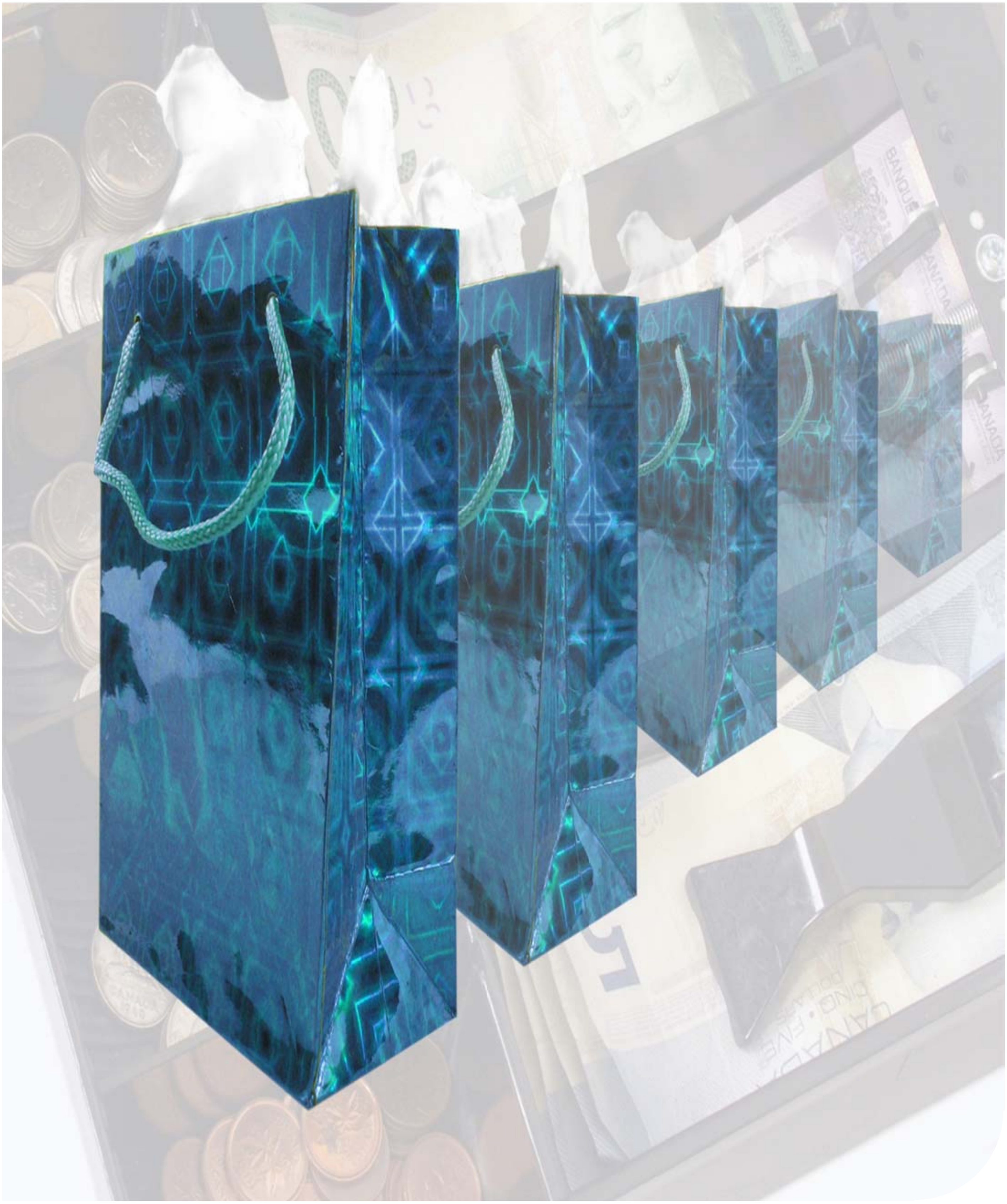
THE AUSTRALIAN CENTRE FOR
RETAIL STUDIES

The 2010 Australian Retail Snapshot

ACRS Secondary Research Report



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The 2010 Australian Retail Snapshot Report

We are pleased to introduce to you this year's Australian Retail Snapshot report.

In order to understand the retail industry, it is crucial for participants to monitor its trends, dynamics and major competitors. The 2010 Australian Retail Snapshot report provides readers with current insight into the trading conditions and patterns of retail play, including its various sectors. The report also outlines coverage of key retail legislation and other codes that govern the operation of the industry. The second half of the report provides a profile and strategic performance highlights for Australia's top 25 retailers of the year.

Using secondary research garnered from a multitude of resources, this report aims to provide retailers, suppliers, service providers, creative agencies, consultants, and other businesses interested in retail, with an overview of retailing in 2010.

The team that worked on this report trust that you will find the information insightful and helpful in shaping your future strategies. If you have any questions in relation to this report please do not hesitate to contact us.

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Executive Summary

Following difficult trading conditions post Global Financial Crisis (GFC), 2010 was a period of recovery for Australian retailing. As such, retailers found themselves operating in a highly competitive landscape, fighting for consumer dollars and market share. For consumers, coping strategies throughout 2010 focused on reducing discretionary expenditure, as well as a greater focus on long term value. Unemployment rates recovered and the Australian dollar finished the year at 98 US cents, however, a number of interest rate rises and election uncertainty created an unstable environment Nonetheless, the Australian retail industry generated revenue of $242.6 billion in 2010, up 2.4 percent on the previous financial year.

The performance of retail sectors varied in 2010 and the contribution of each to the industry was mixed, with Clothing, Footwear and Personal Accessory retailing and Department Stores suffering from a downturn in consumer spending. The table below lists the total turnover for each sector from January to December 2010.

Sector (in $ millions)	2009	2010	% change
Food Retailing	94,572.3	96,431.8	2.0
Household Good Retailing	42,496.9	42,939.5	1.0
Clothing, Footwear and Personal Accessory	19,536.3	19,348.0	-1.0
Department Stores	18,801.6	18,579.0	-1.2
Other Retailing	32,487.5	33,555.5	3.3
Cafes, Restaurants and Takeaway Food Services	29,042.5	31,802.3	9.5
Total Retail Turnover	236,937.1	242,656.1	2.4

Source: ACRS Analysis of ABS (Retail Trade 2010) Statistics

Cafes, Restaurants and Takeaway Food recorded the largest growth from 2009 to 2010, with sales increasing by 9.5 percent. Research suggests that this sector suffers the most in economic downturns, but it is also one of the first sectors that consumers resume spending in as confidence returns. Department stores recorded declining growth despite major store refurbishment programs throughout 2010. A decrease in discretionary spending also had a significant impact on Clothing, Footwear and Personal Accessory, with sector sales decreasing by one percent.

Over the course of the coming year different factors at different times will influence growth in the retail sector. The predicted decline in the unemployment rate signifies a rise in the number of working consumers, leading to growth in potential shoppers. The overall growth in income levels will positively affect the discretionary spending power of consumers and enable them to demand a broader selection of goods across higher price brackets. However, consumers are likely to continue showing restraint by channelling spare funds into savings and paying off debts, reducing consumer's discretionary spending power.

Competition within the Food Retailing sector is likely to intensify as operators continue and even accelerate expansion plans and the roll-out of private labels, which will account for a record share of the grocery market in 2011. Sales in the Department Store sector are likely to be driven by store expansion and online channels, however, competition will remain strong as industry concentration increases. Competition is also expected to remain strong in the Clothing, Footwear and Personal Accessory Retailing sector, with retailers intensifying their fight for consumer dollars as an increasing number of international retailers, such as Zara enter the Australian market. Product innovation, large chain expansion and strong demand by tech-savvy consumers will drive sales in the Household Goods Retailing sector throughout 2011 and beyond. Growth in household formation will promote spending in hardware stores and fuel demand for household items including domestic appliances, furniture and electrical goods. Growth in the Other Retailing sector will be predominantly driven by the shift to electronic reading devices, as well as growth in the health and beauty categories. Cafes, Restaurants and Takeaway Services will likely benefit from a strong uptake of technological innovations by retailers, allowing consumers to order and pay online or via their mobile device.

The ACRS has also identified Australia's top retailers for those that are publicly listed, privately owned or operating under a franchised model. The top 25 retailers across various categories are listed according to their respective Australian retail revenue performance. Leading retailers in Australia include the likes of Wesfarmers, Woolworths, Harvey Norman, McDonald's, and Myer. A profile of each player, including company background, financial performance and strategic highlights for the year of 2010, is also provided.