ShopperPANEL

EDITION 11 (January 2025)

Consumer behaviour in Australia

The focus in this edition is the impact of the retail environment and the influence it has on the consumers purchasing decision. This includes loyalty shown to bricks-and-mortar stores and the decision to purchase online.

ShopperPANEL provides in depth analysis of shopper behaviours and predictive insights into the future of the shoppers needs and wants.

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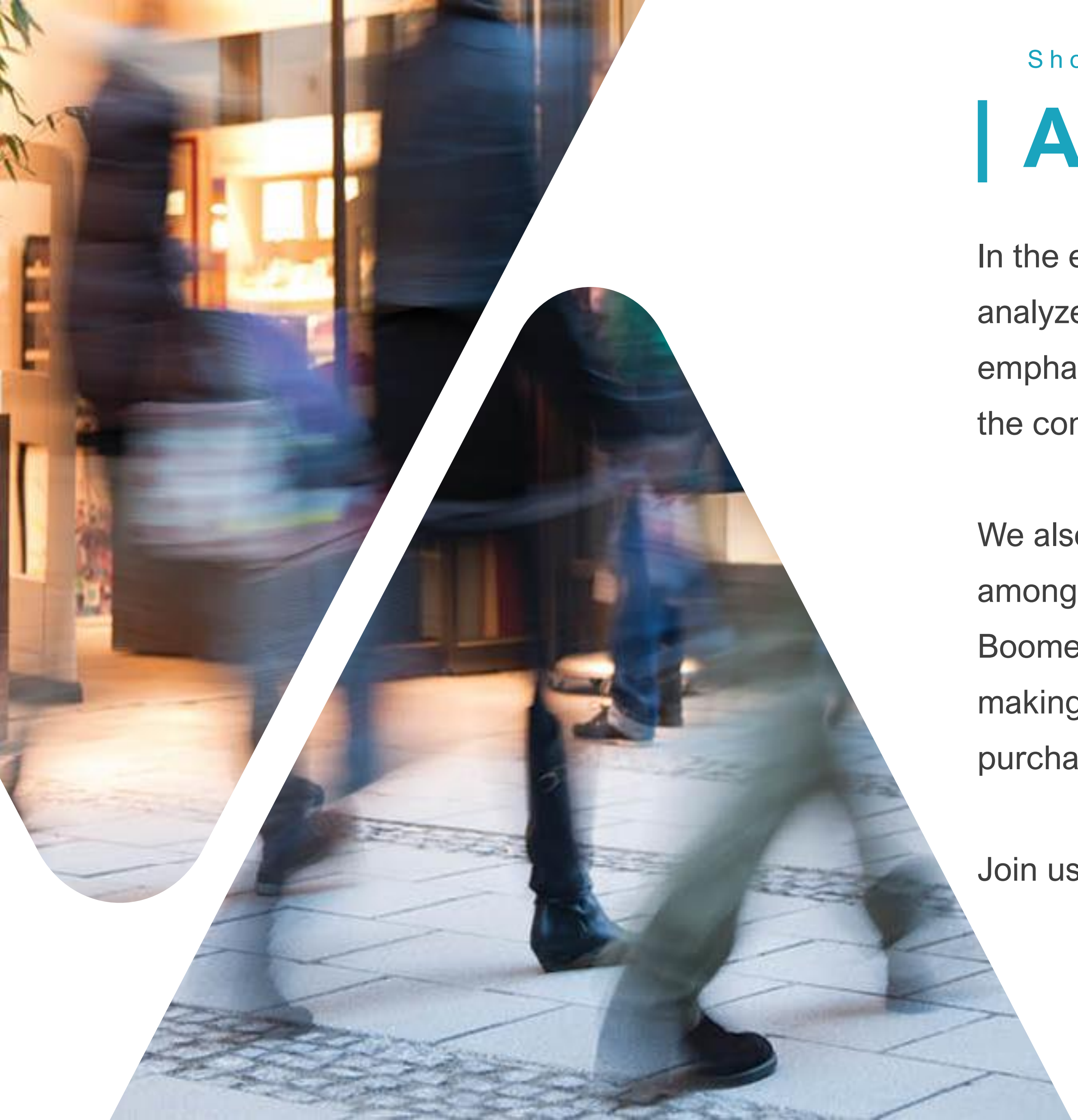
CLEMENGER FIELD MARKETING



ShopperPANEL (Edition 11)

| About this Report

In the eleventh edition of our ShopperPANEL Retail Report, we analyze the latest consumer behavior trends for 2024, emphasizing the significance of the in-store environment and the continued appeal of physical retail for Australians.

We also highlight the differences in shopping preferences among various age groups, ranging from Gen Z to Baby Boomers. We explore what factors influence their decision-making processes and identify the key elements impacting their purchasing choices.

Join us as we dive into these insights and more—enjoy the read!

2024 SUMMARY

AUSTRALIAN CONSUMERS END THE YEAR WITH A BANG

After a challenging year for both retailers and consumers, 2024 concluded with promising sales indicators. During the Black Friday sales period, year-over-year sales growth reached 6.9%, with online sales climbing even higher at 9.7%. These figures surpassed many experts' expectations, likely influenced by Australians saving more than ever for these sale events, along with retailers offering significant discounts, averaging a 27% price reduction.

This growth trajectory is anticipated to carry into the new year, with shoppers expected to spend $24.7 billion from December 26 (Boxing Day) to January 15, 2025, reflecting a 2.6% increase year-over-year. Additionally, with anticipated interest rate cuts from the Reserve Bank in early 2025, there is a positive outlook for a robust year ahead for retailers nationwide.

Uncertain timing for the shift in consumer spending and the ‘discount dilemma’ remains crucial challenges for retailers in 2025

- A rate cut from the RBA, now likely sometime in the first half of 2025, could be the catalyst for consumers to increase their spending
- Real retail turnover is expected to lift from just over 1% in calendar year 2024 to **2.1% in 2025** and 2.5% in 2026.
- “But like any good recovery story, there are also risks in the road ahead. The impacts of potential trade policy changes from a new administration in the US and the upcoming domestic federal election may also introduce some bumps in 2025.”
- “However, these risks should not overshadow the fact that a consumer recovery is on the cards for 2025 and beyond.” Deloitte Access Economics partner and principal report author, David Rumbens
- In summary, retail and consumers have been surprisingly resilient in 2024. This will ensure that 2025 can be a strong year for all, even if consumer behaviours continue to shift.

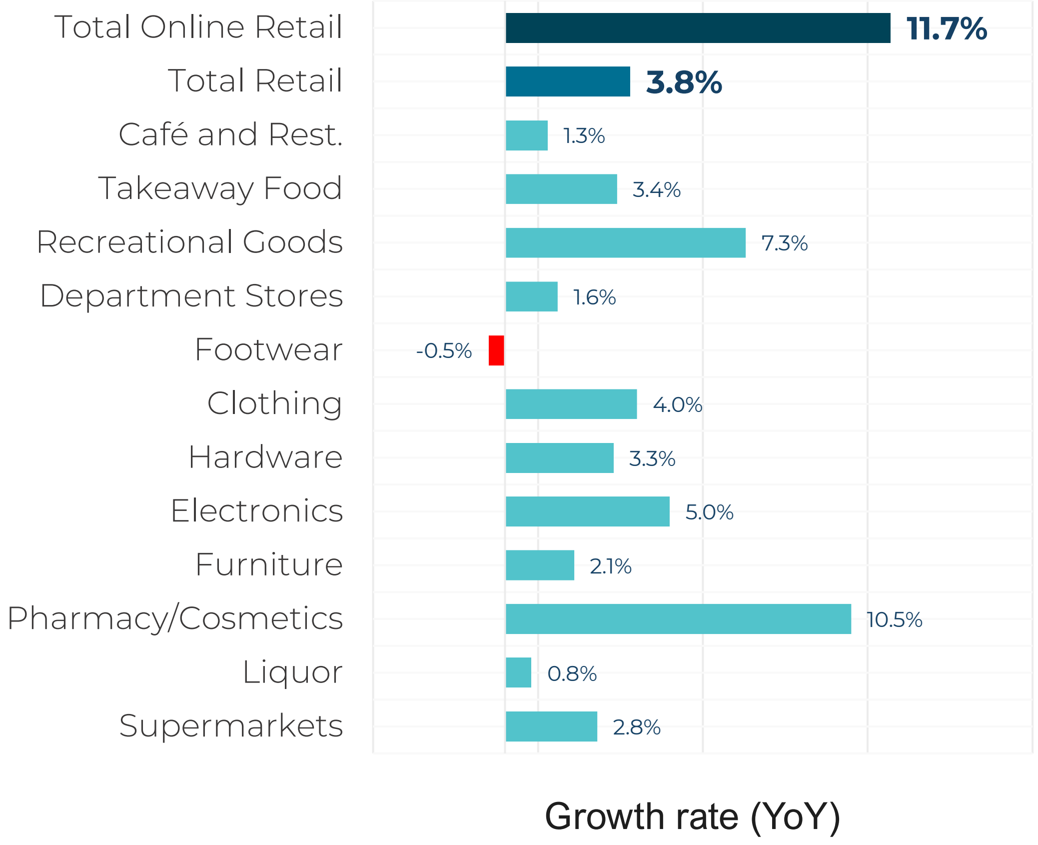
+3.4%	+1.2%	16.7 million	+6.9%
Core Retail Sales Growth	Total Retail Volumes (after inflation)	Australians buying Christmas Gifts in 2024	Total Sales from Black Friday
YoY Growth: 2024 Comparison (2023): +3.4%	YoY growth : 2024	This is an increase of 1% from 2023	YoY growth : 2023 v 2024

RETAIL SALES

AUSTRALIAN RETAIL

Category Performance

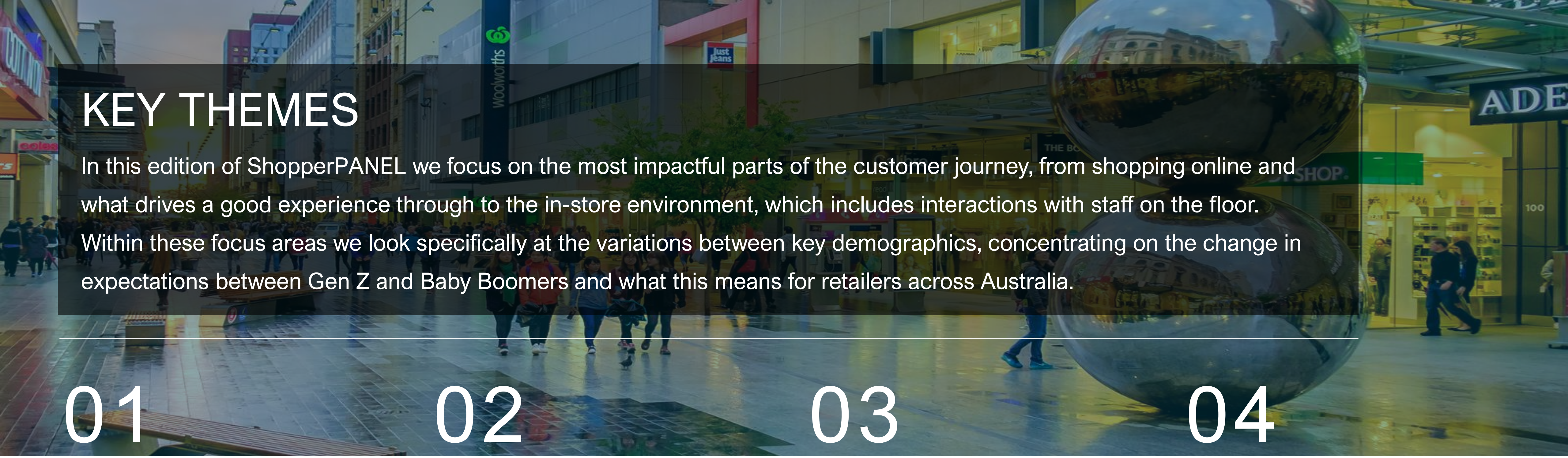
Retail Sales for October 2024 (YoY Growth)



CONSUMERS WANT TO FEEL 'GOOD'

It's no surprise that two categories, cosmetics and recreational goods are driving retail sales growth. Australian consumers, even under economic pressures, are still buying items that make them feel good. Even though these are not necessarily high value/luxury items, they are important purchases to get through the 'tougher' times.

Source(s): ABS, MST Marquee



KEY THEMES

In this edition of ShopperPANEL we focus on the most impactful parts of the customer journey, from shopping online and what drives a good experience through to the in-store environment, which includes interactions with staff on the floor. Within these focus areas we look specifically at the variations between key demographics, concentrating on the change in expectations between Gen Z and Baby Boomers and what this means for retailers across Australia.

01

In-Store Environment

With two-thirds of 2024 Black Friday purchases made in-store (versus online), it remains critical for retailers to drive a good customer experience. This includes driving improved sales through quality point-of-sale marketing and ensuring that product information is readily available for the customer.

02

Online versus In-Store

The retail industry continues to face fierce competition from e-commerce giants like Amazon, Temu, and Shein. These companies have amassed close to $9 billion in sales in the past year, with Amazon having doubled its customer base in Australia over the last three years. So why do Australians still enjoy the in-store experience?

03

Planned versus Impulse Buying

In our latest ShopperPANEL survey, close to 3 in 4 respondents stated that they always/often plan their purchases ahead of time, but does this really mean that they can't be influenced within store? What changes when a customer is within the in-store environment, and what entices them to make impulse purchases?

04

Shopping Habits and Loyalty

Where does loyalty to a brand/retailer really rank in overall importance when making a purchasing decision?
Are shopper's 'creatures of habit', or do they constantly look for variety within their shopping experiences?

THEME 1

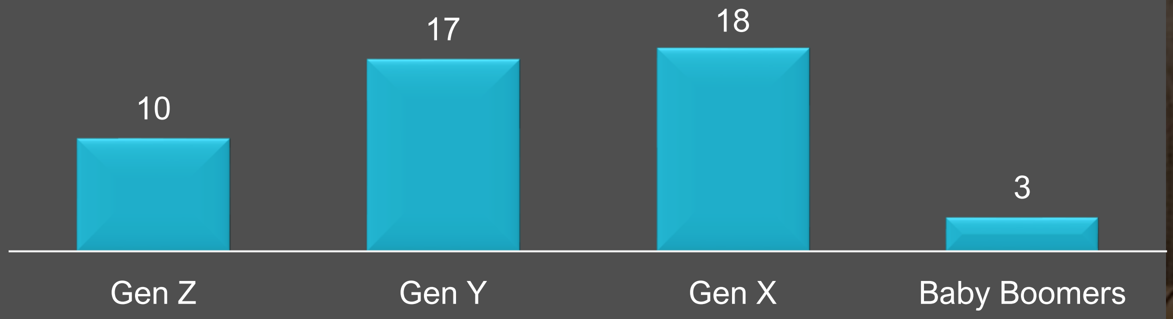
What’s Driving Customers In-Store

Point-of-Sale Marketing Works Differently Across Generations

2 in 3 Australians aged under 35 (Gen Z and Gen Y) stated that they strongly agree/agree that they are typically influenced by in-store promotions when shopping.
This falls away dramatically to only 1 in 3 Australians aged over 55 (Baby Boomers).

SP Survey Results

Does POS marketing improve the in-store shopping experience?*



* Net score: improves experience less does not improve (%)

Although Baby Boomers are not always seeing POS marketing as improving their in-store experience, it simply means that they are more experienced when it comes to seeking out sales/discounts. As show later on in this report (page 15) they are also less inclined to explore products outside of what they had planned to buy when first entering the store.

In contrast Gen Z’s enjoy spending extra time in store and are looking for additional product information (marketing) to support their purchase decision making.

THEME 1

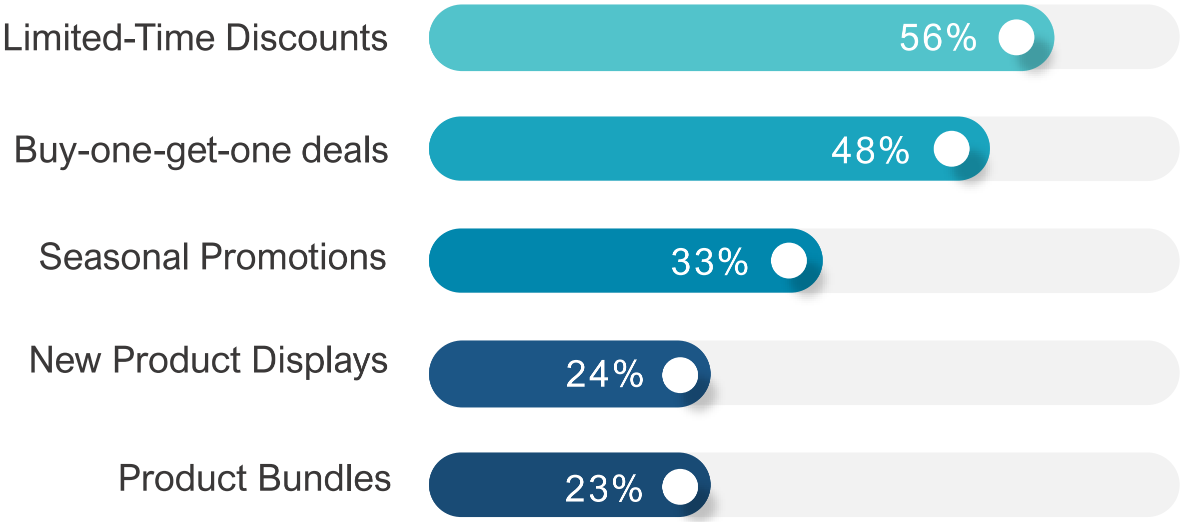
IN-STORE ENVIRONMENT

Limited-Time Discounts Catching Attention of Shoppers

The fear of 'missing out' or the promise of perceived value through a 2-for-1 deal are both seen to be the most effective way to catch the attention of shoppers (especially across the younger demographic)

WHICH TYPES OF POINT-OF-SALE PROMOTIONS ARE MOST LIKELY TO CATCH YOUR ATTENTION?

SP Survey Results



38%

of all respondents stated that POS marketing had **frequently** influenced their purchasing decision.

With the cost-of-living issues impacting many Australians in 2024, consumers were constantly making value driven purchase decisions. This was even more evident with young families and Gen Z and Millennial consumers (who combine to make up 36% of total retail spend in Australia in 2024).

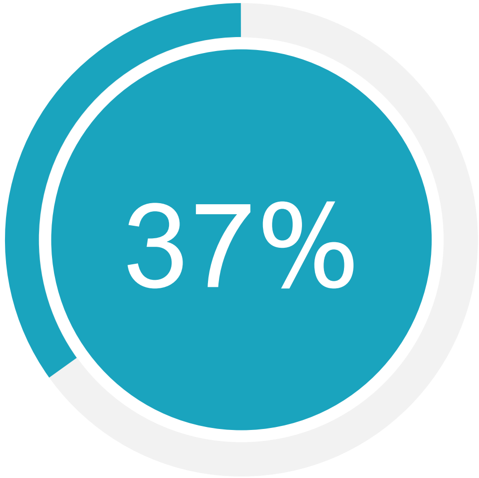
In our survey results, **Gen Z shoppers stated that limited-time discounts would likely catch their attention 65% of the time** (versus only 46% for Baby Boomers) It is expected that by 2027, Gen Z shoppers will become the leading generation in Australia, overtaking millennials.

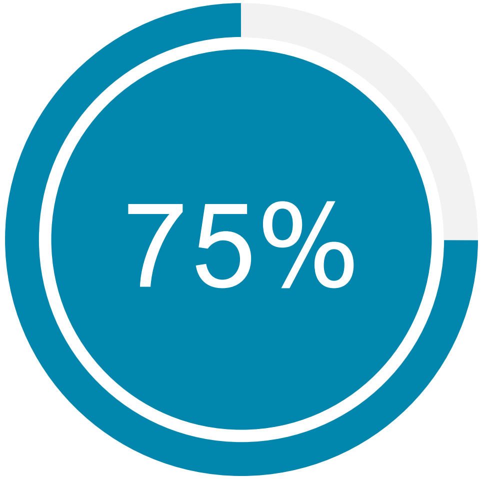
IN-STORE ENVIRONMENT

THEME 1

WHAT'S IMPORTANT TO CUSTOMERS?

SP Survey Results





Quick and Efficient Checkout Process

Just over 1 in 2 respondents stated that they valued a quick and efficient checkout process. This did vary between Gen Z (at 48%) and Baby Boomers (60%)

Unique Experiences

Overall, just over 1 in 3 respondents stated that they prefer a unique shopping experience over those you simply concentrate in low prices. However, this did vary dramatically between Gen Z/Gen Y (at 42%) and Baby Boomers (at 31%)

Defined Areas in Stores

3 in 4 respondents believed that brands should be separated in-store (defined areas) to improve their customer experience.

NEW TREND

Coles announces new five-year strategic partnership with Microsoft to accelerate efficiency and drive innovation

Enhancing customers' digital experience

This will be achieved through hyper-personalisation that reflects Coles' value. With Microsoft Fabric at the core of the Coles Digital Data Platform, machine learning models will provide real-time, individual and family-relevant recommendations consistently across all digital channels.

SP Survey Results

Although customers are not necessarily interacting with AI in 2024 within an in-store environment, it doesn't mean that companies are not investing in the technology. Coles is just one example of how they see the future in this space, investing in technology to enhance the customer's experience.

38%

When we asked the question within our SP survey (*Have you used or interacted with digital screens (for promotions or product information) at the checkout area?*), only 38% of all respondents answered 'yes'. This will surely only increase as we move into 2025 and beyond.

THEME 2

IN-STORE VERSUS ONLINE

WHY AUSTRALIANS STILL LOVE BRICKS AND MORTAR

We understand through previous ShopperPANEL reports that Australians continue to complete more detailed research online when it comes to making purchasing decisions, but they are not necessarily staying online to complete the purchase.

75%

Seeing / trying the product in person

3 in 4 respondents still enjoy touching/feeling products prior to purchase

62%

Immediate product availability

Australians still enjoy the fact that they can take a product home with them directly after making the purchase

This figure increases to **70% for Gen Z and Gen Y respondents**, with immediate availability an important 'non-negotiable' for many young Australians

20%

Personal interaction with staff

Only 1 in 5 respondents listed personal interaction with staff as a reason for choosing in-store over online

SP Survey Results

Staff Not Always Improving Customers Experience In-Store

Over the past 3 years we have asked the question ‘In general over the past 6 months how would you rate your experiences with staff in physical retail stores?’ In 2022 we saw 26% rate their experience as below or well below expectations. This has since fallen to only 19% in our latest survey, after jumping to a high of 31% in August 2024. As shown below, the expectations of younger shoppers could be lower than those aged 46+, but it also shows that interactions with staff rarely exceed the expectations of shoppers.

SP Survey Results

Gen Z / Gen Y respondents

Well Above Expectations
8%

Somewhat Above Expectations
26%

About What was Expected
52%

Below or Well Below Expectations
14%

Net Result*: +20

Baby Boomers

Well Above Expectations
5%

Somewhat Above Expectations
26%

About What was Expected
47%

Below or Well Below Expectations
22%

Net Result*: +9

* Net result: Well Above/Above minus Below/Well Below

Comparing in-store to online **THEME 2**

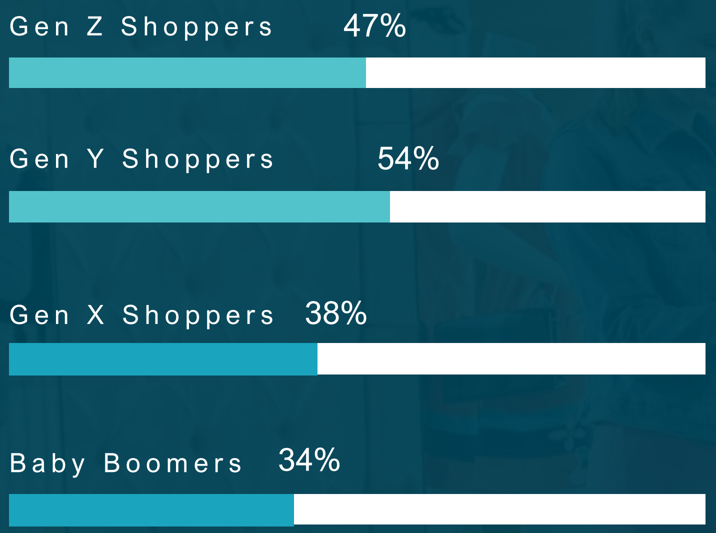
Product Information Not Always Satisfying the Customer

Although 62% of all respondents stated that they were at least somewhat satisfied with the product information available in-store (compared to online) the remaining **38% were either neutral in their response or were dissatisfied with the information being provided.**

This shows the importance of having knowledgeable staff on the floor to showcase the product(s) and demonstrate the key selling points to assist in the purchase decision.

In comparison, shoppers are not always feeling as though there is enough product information being listed online to always make an informed purchase decision. This supports their decision to still visit bricks and mortar retail.

When purchasing high-cost items, do you feel that online stores offer enough details and support to replace an in-person experience?*



* Strongly Agree / Agree

SP Survey Results

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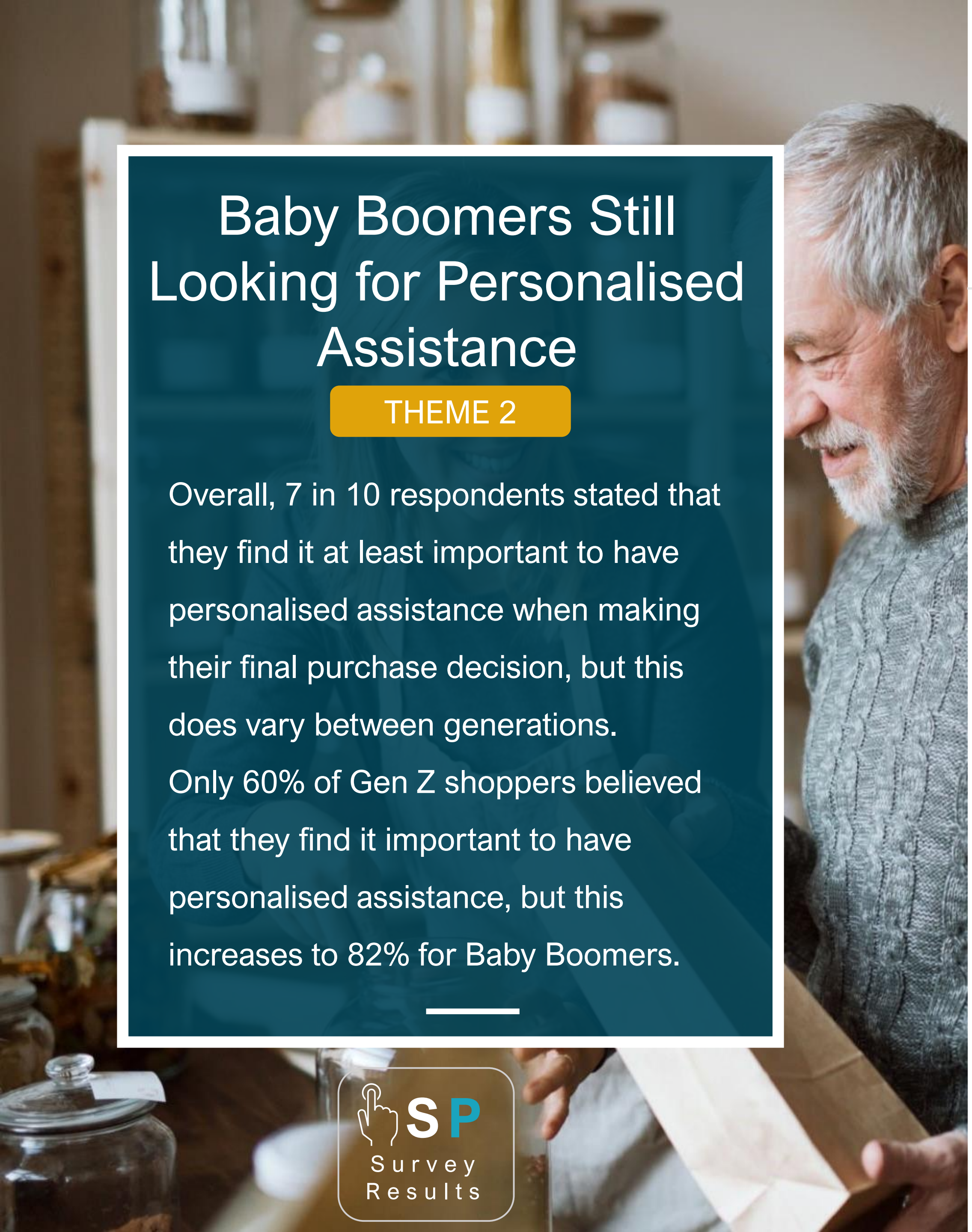


Baby Boomers Still Looking for Personalised Assistance

THEME 2

Overall, 7 in 10 respondents stated that they find it at least important to have personalised assistance when making their final purchase decision, but this does vary between generations.

Only 60% of Gen Z shoppers believed that they find it important to have personalised assistance, but this increases to 82% for Baby Boomers.

SP Survey Results

Online

The Use of Customer Support or Live Chat

Surprisingly, Gen Y shoppers are more likely to engage online customer support (or live chat) to have product questions answered (at 65%). This is compared to Gen Z at only 45% and Baby Boomers at 39%.

+7% in 2023

Baby Boomers (largest growth in online sales in 2023) continue to embrace online purchases, but are reluctant to seek assistance when online

In-Store

Availability of Staff to Answer Questions

Baby Boomers are again stating that it's extremely important to have sales staff readily available to answer questions in an in-store environment, with close to 2 in 3 responding this way (or 62%). This is compared to only 29% for Gen Z shoppers and 39% for Gen X shoppers.

SATISFACTION WITH SERVICE

THEME 2

Click and Collect Services Not Appealing to All Shoppers

In 2022, 72% of Australian consumers used click-and-collect, but by 2024, that number had declined to 63%.

Click and Collect services are not booming as experts first expected.

35% of respondents of the SP survey stated that they use the service at least once per month (with this increasing to 48% for Gen Y and 42% for Gen X, compared with Gen Z (29%) and Baby Boomers (20%) , but another **34% stating they only use click and collect services seasonally or once a year.**

For Baby Boomers they use the service largely due to convenience (64%), compared with younger generations using it to avoid delivery fees (33%) and to also have faster access to products (22%).

Overall, 93% of all respondents believed that a fast and easy pick-up process is important with 94% also stating that it's important to have flexible times available for pick-up.

SP Survey Results

49%

Accuracy of Communication

Less than 1 in 2 respondents rate the communication about readiness for pick-up as exceptional or very good

35%

Satisfaction with Services

Just over 1 in 3 respondents stated that were very satisfied with the click-and-collect services at stores they had visited, with a further 51% being somewhat satisfied

WHICH RETAILERS ARE LEADING THE WAY?

We asked each respondent to rank their no.1 retailer across various categories, with Kmart leading the way from an overall perspective whilst Bunnings was rated as the no.1 retailer when it came to store service.

PRICE

1. **Kmart (30%)**
2. Aldi (24%)
3. Chemist Warehouse (10%)

PRODUCT AVAILABILITY

1. **Kmart (20%)**
2. Coles (14%)
3. Woolworths (13%)

STORE PRESENTATION

1. **Myer (12%)**
2. David Jones (10%)
3. Kmart (9%)

SERVICE

1. **Bunnings (13%)**
2. JB Hi-Fi (12%)
3. Harvey Norman (8%)

No Surprise to See Kmart Leading the Way in the 'Price' Category

Prof Billy Sung, from Curtin University's school of management and marketing, says Kmart has generated the type of positive emotional reaction from shoppers that more prestigious stores and brands strive

"It's not the luxury or the premium that is driving the hedonic value**, it is about people feeling like they are getting a good deal,**" Sung says.

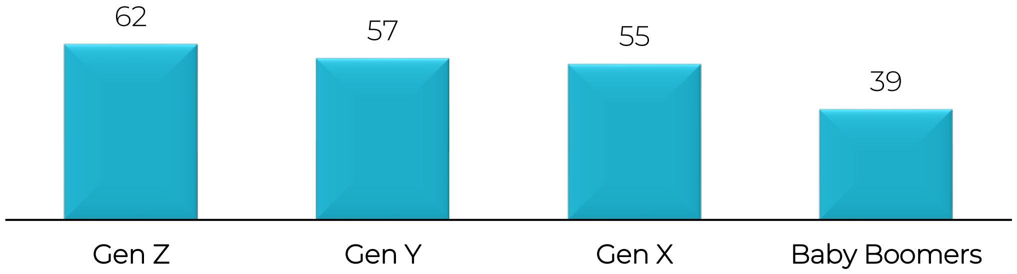
"Kmart has branded itself to be a place where you can **find the same product or similar product at a lower price than anywhere else.**"

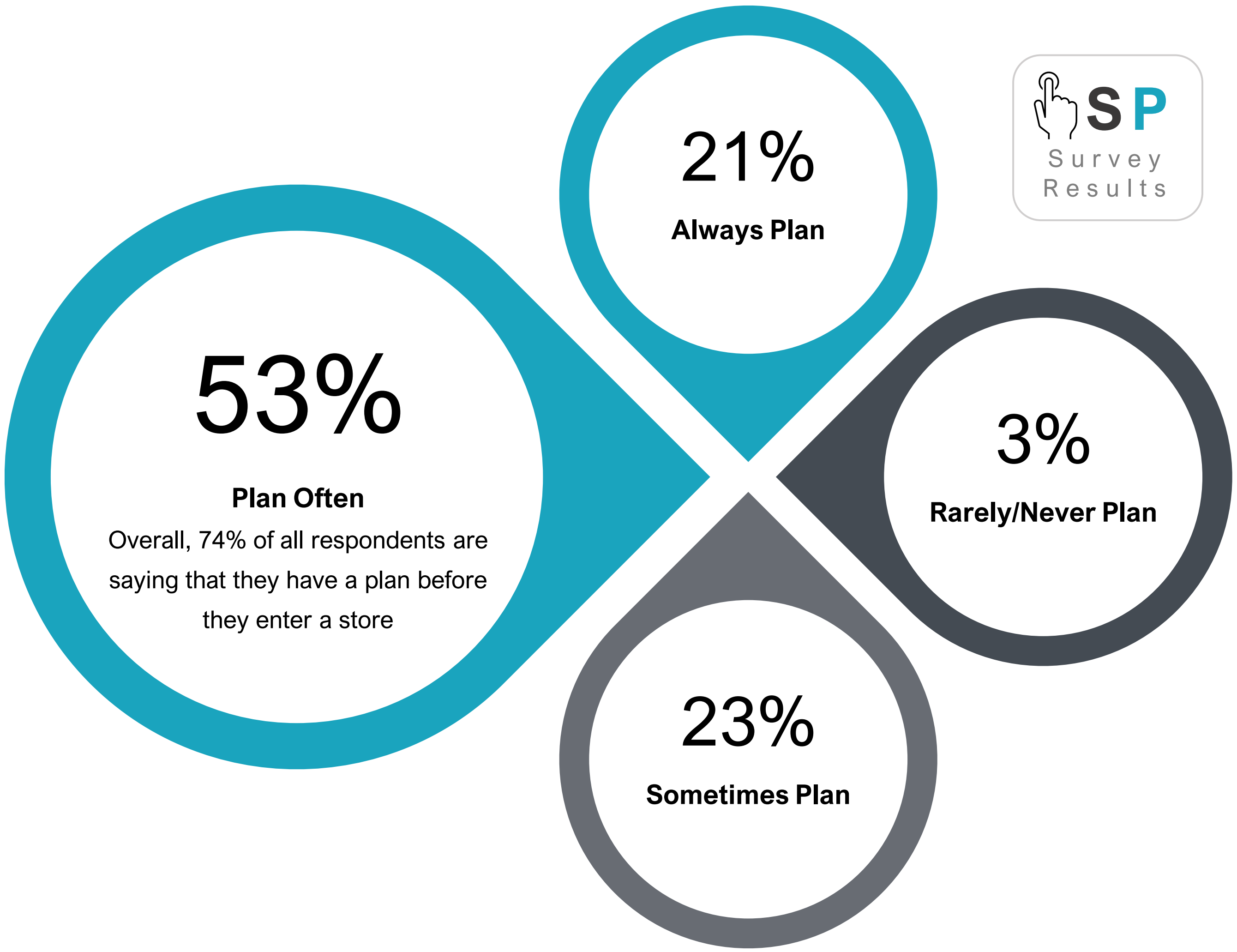
SHOPPERS MORE PLANNED THAN EVER, BUT.....

Overall, 3 in 4 respondents are saying that they have a plan before they enter a store but close to 1 in 4 respondents are also stating that they are making unplanned or impulse purchase when shopping in-store.

This is consistent across generations, but what we do see is that this changes dramatically when we asked the question *'How often do you spend extra time in a store exploring products outside of what you planned to buy?'*

When we look at the net result of the % of respondents who answered, 'Very Often/Often' against 'Rarely/Never' you can see the varied results below:





SP Survey Results

IN-STORE DECISION MAKING

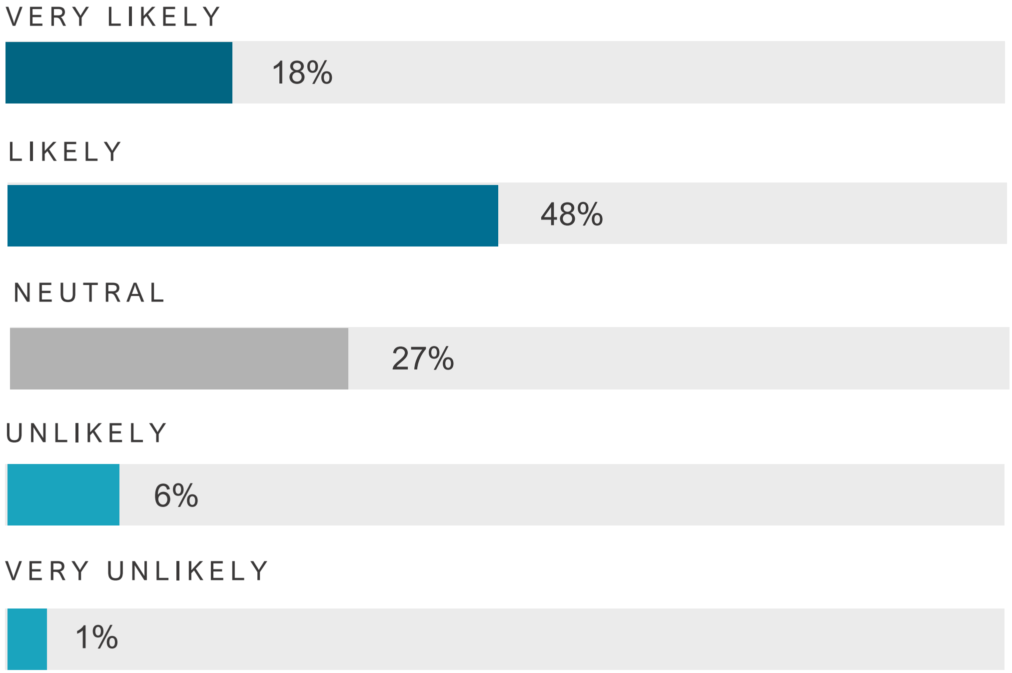
THEME 3

PURCHASING IN-STORE

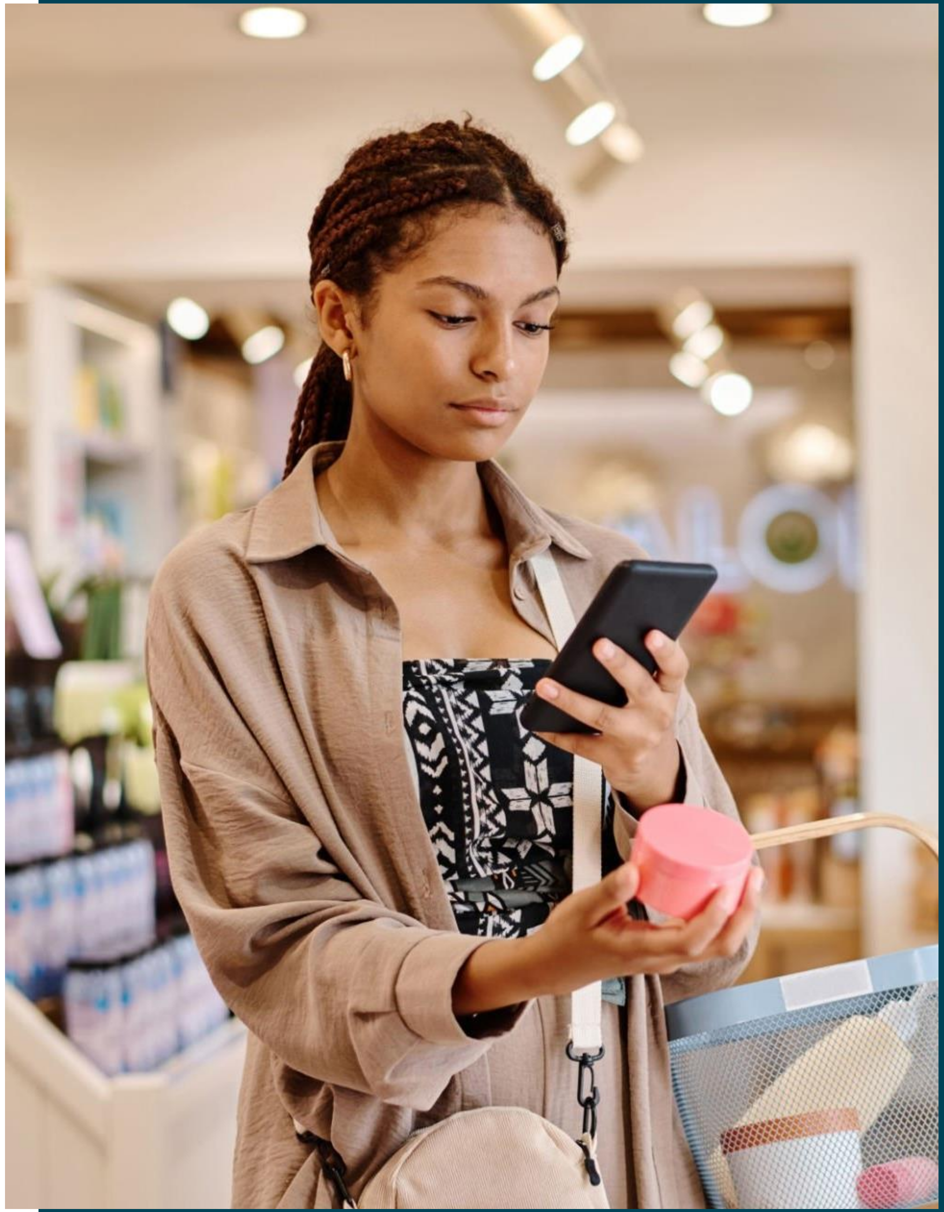
2 in 3 respondents stated that they were at least ‘likely’ to consider products that were on sale or being promoted even if they hadn’t considered it when they first entered the store. This is quite consistent across each generation, ranging from 63% for Gen Z to 71% for Gen Y shoppers.

This again shows just how important price ticketing and in-store point-of-sale marketing (including promotions/sales signage) is to overall conversion rates.

Q: How likely are you to buy a product you hadn’t considered if you see it on sale or promoted?



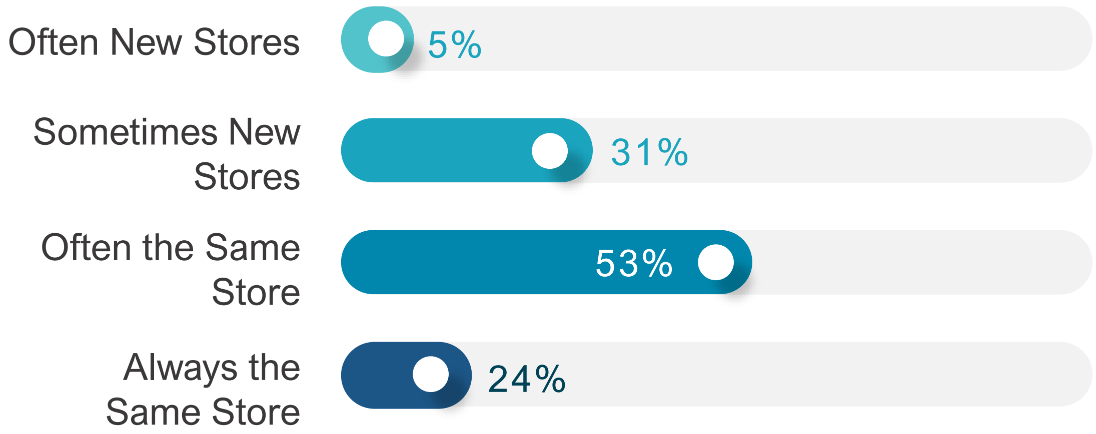
SP
Survey Results



CUSTOMER LOYALTY: RETAIL STORES

SHOPPING AT THE SAME STORES

Do you tend to shop at the same stores, or do you enjoy exploring different stores for variety?



SHOPPING AT THE SAME STORES

Generational Variance*

** Often/Always at the same store*

77% Australian shoppers remain ‘creatures of habit’, with close to 8 in 10 respondents stating that they often shop at the same in-store retailer out of habit. They are comfortable in the product range and pricing, although brand loyalty isn’t always applicable.

Although Baby Boomers are seen more loyal (although also seen as harder to acquire as customers) it’s Gen Z customers that are more loyal to specific retail stores/ **Less than 1 in 3 Gen Z respondents stated that they enjoy exploring different stores for variety**, preferring to remain committed to specific retailers/stores.

THEME 4

STORE/BRAND LOYALTY

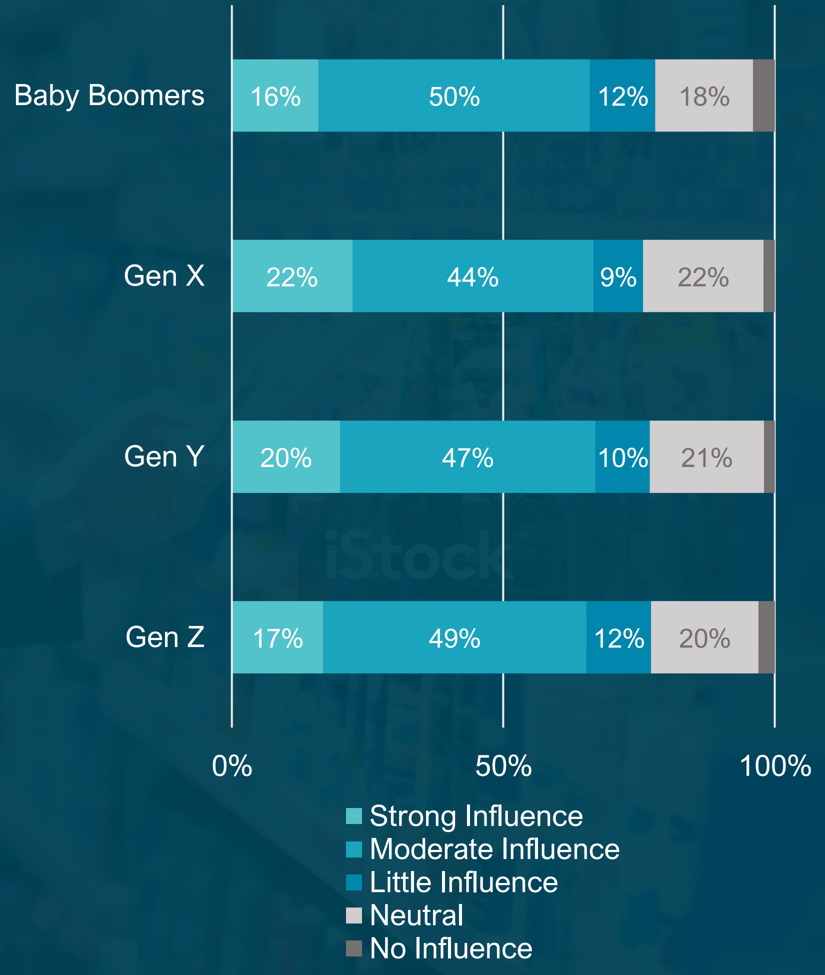
DOES LOYALTY INFLUENCE PURCHASING DECISIONS?

Although 2 in 3 respondents stated that store/brand loyalty does influence their in-store purchasing decisions (consistent across generations) we know that loyalty comes in different forms.

For example, loyalty is a challenge with Gen Z consumers - they are willing to explore new brands but are hard to retain. They are very influencer-driven and value diversity and are constantly looking for the 'next sale item'. There is also a gap between what they say and what they do, as many shop weekly for 'fast fashion' on Chinese marketplaces like Shein and Temu.

SP Survey Results

How much does loyalty to a particular store or brand influence your in-store purchasing decisions?



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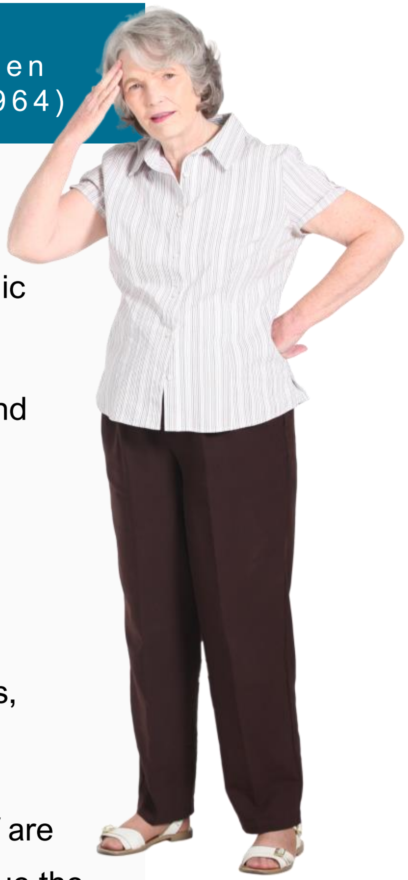
GEN Z VERSUS BABY BOOMERS

GEN Z (born between 1997 and 2012)

- Anticipated to be the largest generation by 2027 and is the first truly digital native mobile generation
- The cost-of-living impact is hitting this generation the hardest, leading to reduced spending and driving them to make price determined purchase decisions
- Not necessarily looking for personal in-store assistance from staff on the floor (reduced expectation of what staff can deliver)
- Much more likely to believe that an online shopping can replace in-store purchases, but 68% also enjoy the fact that physical retail has the added benefit of having a product immediately available



BABY BOOMERS (born between 1946 and 1964)

- Despite their declining numbers, RetailOasis predict that they will have significant economic power for the next five years.
- They are quickly adopting online shopping and have the highest basket size online out of all generations.
- They are harder to acquire as customers but incredibly loyal once you have them. Their discretionary spending is focused on hobbies, travel, art, home improvement, and DIY.
- Although they don't believe that in-store staff are delivering amazing experiences, they still value the product knowledge available and the firsthand demonstration of products within store.

Gen Z is the future of retail, particularly over the next five years as they increase their wealth and spending. The great wealth transfer to come will grant Millennials the largest spending power, surpassing Gen X, making their spending habits particularly important when looking to the future. However, don't ignore the Baby Boomers, who still represent a strong cohort in Australia.

APPENDIX

Content

- Details of survey conducted
- **Summary** : consumer spending intentions – are we seeing growth towards the end of 2024?
- Are you setup for a successful 2025? If you need help accelerating your sales and customer experience, please contact us!

ABOUT THE SHOPPERPANEL SURVEY

CONSUMER BEHAVIOUR

FOCUS CATEGORY – GENERAL RETAIL

We surveyed **1,410 Australians aged 18 and above** to ascertain what their current purchase behaviours are, specifically shopping within the in-store environment.

DEMOGRAPHIC

69% Females, 31% Males

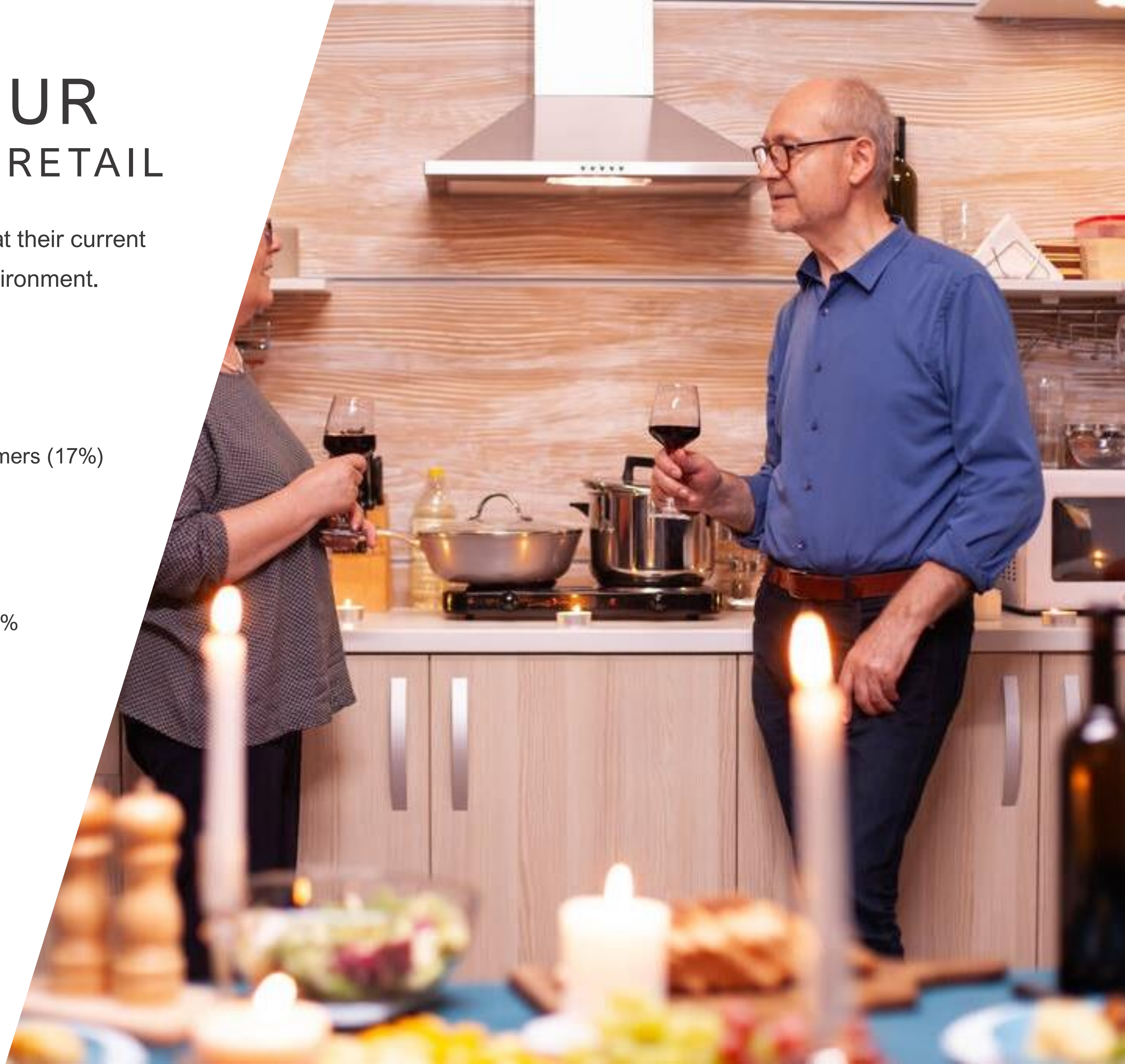
Gen Z (38%); Gen Y (25%); Gen X (20%); Baby Boomers (17%)

HOUSEHOLD

30% Family / Children; 4% Married / No Children; 12% Single / Out of Home; 30% Living with Parents; 22% Single/Divorced / Children & No Children

STATE

24% QLD; 31% NSW/ACT; 25% VIC/TAS; 8% SA; 12% WA/NT



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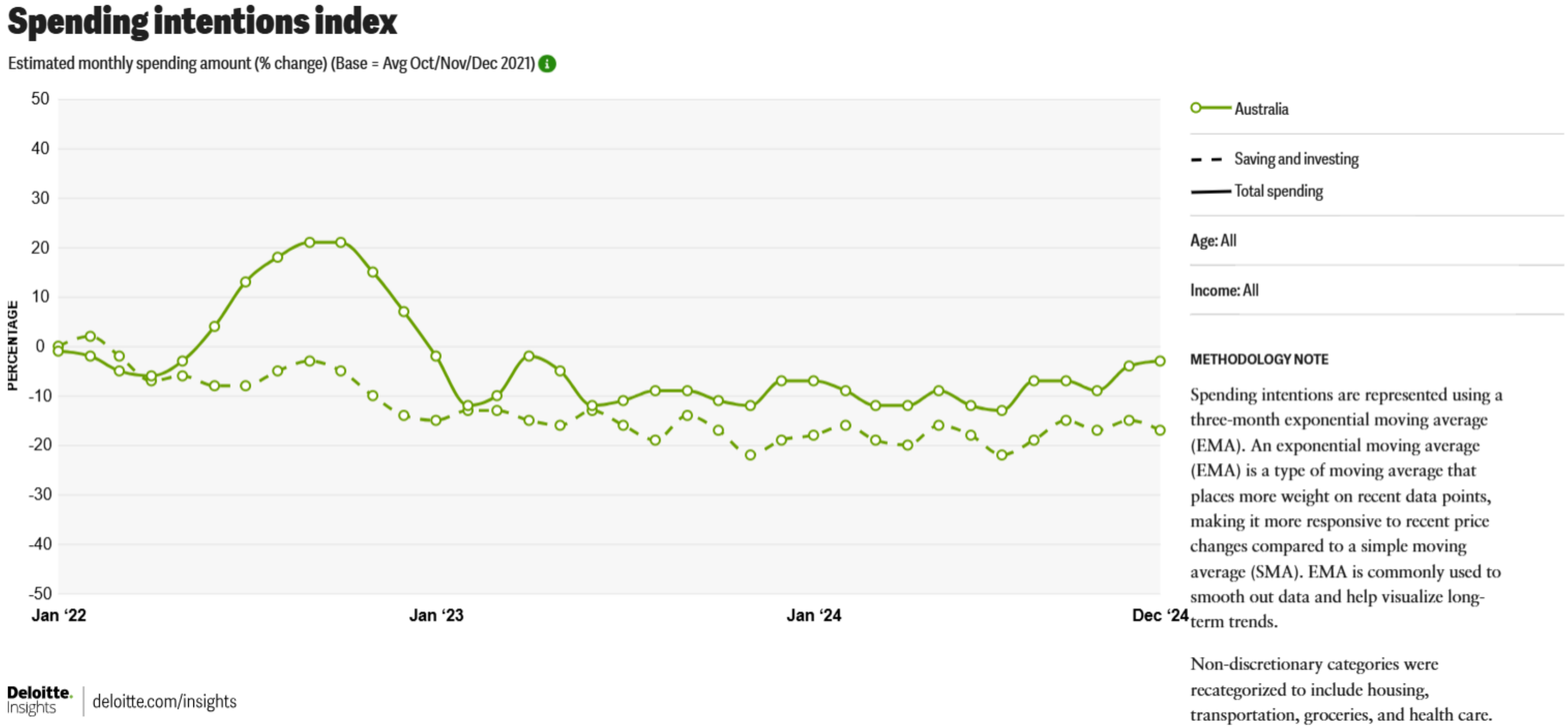
CONSUMER SPENDING

Are Australians Feeling More Optimistic as we Round Out 2024?



Optimism for 2025

As Black Friday and Christmas retail sales suggest, Australians are spending more in 2024 than they did in 2023 and will be looking forward to interest rate relief in the first half of 2025.

This is being reflected in Deloitte's '**Spending Intentions Index**', which has returned to levels seen in the first quarter of 2023 (prior to the impact of the interest rate hikes by the RBA).

Are you setup for a successful 2025?

If you need help accelerating your sales and customer experience, please contact us!

The purpose of ShopperPANEL is to provide a detailed shopper lens on the high cost of living situation and the impact it has within retail, on the end customers experience and the economic challenges that may impact Australian retails share of wallet.

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