

Monday, April 22, 2024

The Future of Retail: A Roy Morgan Business Address

The Future of Retail Business Address explored how consumers are coping in this pressured environment: who is the hardest hit, how Australians are adjusting their spending, which cohorts still have spending power, the surprise retailers winning in this environment.

The Address also outlined Roy Morgan's forecast for annual retail sales for 2024.

View the full video of the [Roy Morgan Business Address on the Future of Retail](#).

Key findings of this in-depth industry spotlight include:

- **Record population growth is doing the heavy lifting in keeping Australia out of recession:**
Australia's population has soared at a record rate over the last year with population growing by over 650,000 in the year to September 2023 – annual growth of 2.5% - the highest since the post-War boom. Over 80% of this growth is driven by net immigration which was 548,800 people over the last 12 months. *The rate of population growth has exceeded the annual rate of growth in retail sales since June 2023.*
- **Consumer Confidence has recovered from the lows of 2023 but is still well below neutral:**
The latest ANZ-Roy Morgan Consumer Confidence reading is at 83.5 and the index has tracked between 80-85 since early December. This is still low, and well down on the neutral level of 100, but is a clear improvement on 2023 when the index was below 80 for over 30 weeks from March – October 2023.
- **The cost-of-living crisis is hitting young families the most – representing 4.3 million people:**
The 'cost-of-living' crisis is not being felt by everyone – but young families are bearing the brunt of rising prices and high inflation. Annual consumer spending for the 4.3 million people in young families with children aged under 16 is down 15% on a year ago. For those aged 25-34 (many of the same people), spending is down 16% on a year ago.
- **But other key cohorts such as homeowners and 14–24-year-olds still have spending power:**
In contrast there has been an increase in consumer spending of 10% for people aged 14-24 and smaller increases for those aged 50+. Homeowners, who comprise around a third of all Australians, have also increased their spending power over the last year.
- **Consumers report spending less on some categories led by home electronics...**
Spending on categories including home electronics (-21% on a year ago), baby & nursery products (-21%), home décor (-14%), footwear (-13%), sporting equipment (-11%), personal entertainment (10%), computers and tablets (-9%), computer accessories and software (-8%), large electrical goods (-8%) cards and stationery (-6%), homewares (-6%), clothing (-5%) and manchester (-5%).
- **But consumers are spending more on pet supplies, gaming, cosmetics and skin care....**
However, there were several categories on which people were spending more than a year ago including pet supplies (+13%), gaming (+12%), cosmetics (+9%), perfume or aftershave (+8%), skin care products (+7%), phone and accessories (+5%), accessories for men, women or children (+5%), games or toys (+5%), small electrical goods (+3%), crafts or hobbies (+2%) and books (+1%).
- **Online spending increased 12% in the last six months compared to six months earlier:**
In the year to March 2024 there was around \$60 billion spent online (non-food categories), and despite a flat retail market overall spending in the six months to March 2024 was almost \$32 billion – up 12% on the six months to September 2023 (\$28 billion). This level of increase was not seen in the non-online retail spending figures for these periods.
- **Online only retailers Amazon, Shein & Temu are disrupting Aussie retail to the tune of \$8 billion**
- **Amazon has doubled its customer base in three years to 3.4 million monthly shoppers:**
Amazon entered the Australian market fully in 2017 and since then has taken off with over 15% of Australians (3.4 million) now shopping at Amazon in a month – almost doubling from early 2021. Amazon's annual sales have hit an estimated \$5.6 billion – around a tenth of all dollars spent online.

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- **Over 2 million Australians shop at Temu or Shein each month:**
New entrants to the Australian online shopping experience Temu and Shein are already reaching millions of Australians. Over 1.4 million now shop at Temu in an average month spending an estimated \$1.4 billion annually and around 800,000 shop at Shein with an estimated annual spend of \$1 billion.
- **Women's clothing is the top category for both Temu and Shein:**
Women's clothing is far away the top category at Shein with over 700,000 customers in an average four weeks – over seven times second placed Men's clothing (92,000). In comparison, Temu has a wider variety of categories led by Women's clothing (537,000 customers in an average four weeks), Accessories for men, women or children (286,000), Men's clothing (212,000) and Electrical goods (180,000).
- **Over 12 million Australians buying second-hand items and almost as many sell items:**
A majority of 57% of Australians (12.2 million) buy secondhand items while almost as many, 44% (9.3 million), sell items no longer wanted. Over a third of Australians (34%, 7.3 million), both buy and sell items.
- **The 'Circular Economy' thrives driven by sustainability and good quality items for cheap prices:**
Two-thirds of second-hand shoppers (67%) cite buying good quality items at much cheaper prices as a motivation to shop secondhand while nearly a third, 29%, do so because it is sustainable. The rising cost-of-living is also having an impact with 10% buying second-hand due to affordability concerns.
- **Retailers dominate the most trusted brands in Australia – nine out of the top ten:**
The latest Roy Morgan 'Most Trusted Brand' rankings show retailers dominating the top ten rankings filling nine out of the top ten spots. The usual favourites are clustered in the top five including Australia's 'Most Trusted Brand' Bunnings and followed by the big supermarkets Woolworths, ALDI and Coles – although the supermarkets have lost ground recently. Also in the top ten are Kmart, Myer and Big W.
- **Despite stellar growth – online retailers dominate the 'Most Distrusted' retailers:**
Online retailers fill five of the top six positions as the 'Most Distrusted' retailers despite their impressive growth in recent years. The most distrusted retailer is Amazon, followed by furniture and electrical giant Harvey Norman and new entrants Shein and Temu with Wish and Kogan filling out the top six.
- **Retail forecast for 2024 shows subdued below trend growth for the rest of the year:**
Roy Morgan's monthly Retail Sales forecasts don't hold much joy for the remainder of the year with projected retail sales growth of only 1.2% for the full year – below the rate of population growth (+2.5%) and below the usual rate of annual retail growth of 3-4%. Retail sales of Food (+1.8% to \$171.2 billion) are expected to be twice as fast as Non-Food (+0.9% to \$258.8 billion) – but still low. The latest RBA Inflation forecast for the 12 months to December 2024 is for CPI of 3.2%.

Laura Demasi, Roy Morgan's Retail, Social & Consumer Trends Expert:

"2024 is set to be another transition year as we continue to navigate the COVID hangover - shaped by the impact of interest rate rises and broader cost of living pressures which continue to dampen Consumer Confidence. This environment will maintain pressure on already flattening retail sales throughout the year."

"But it's important to remember that there are still significant cohorts in the Australian population with plenty of spending of power – those unaffected by interest rate rises and those with the income and wealth buffers to absorb the increases."

"The 'cost-of-living crunch' has also created the perfect storm for the rise of surprise winners in this environment – online marketplaces Amazon, Shein and Temu who together have helped drive a rise in spending online in the last 6 months and are disrupting retail to the tune of \$8 billion in annual sales."

View the full video of the [Roy Morgan Business Address on the Future of Retail](#).

Purchase [The Future of Retail: A Roy Morgan Business Address Webinar Report](#).

To understand more about how Roy Morgan forecasts monthly retail sales as well as the underlying research and data behind that power these forecasts, ask Roy Morgan.

To learn more about Roy Morgan's retail sales forecast data, call (+61) (3) 9224 5309 or email askroymorgan@roymorgan.com.

About Roy Morgan

Roy Morgan is Australia’s largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 80 years’ experience collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2