



Shift to Online & Logistics

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Agenda:

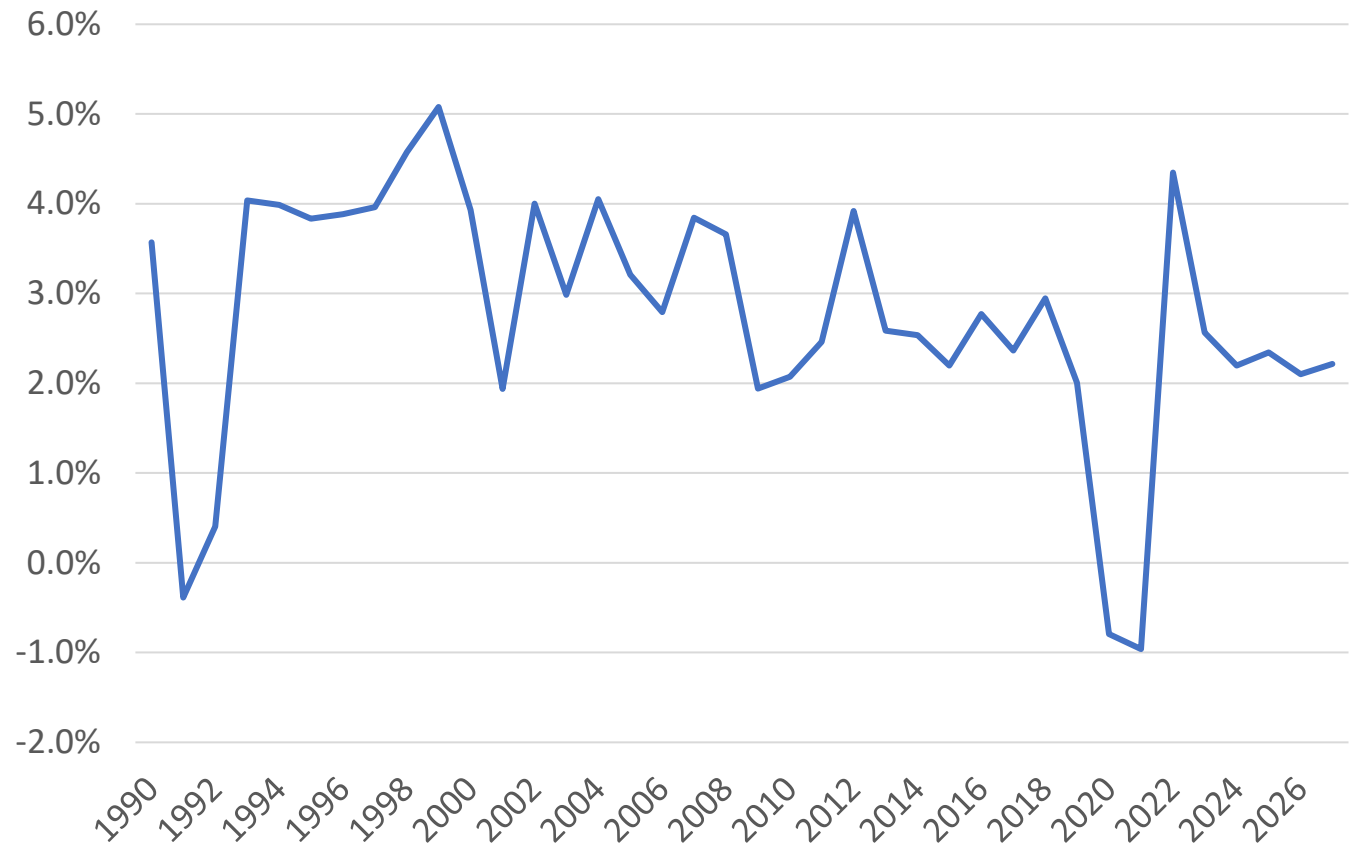
- Economic update
- Shift to online and 'digital acceleration'
- Logistics



Economic Update

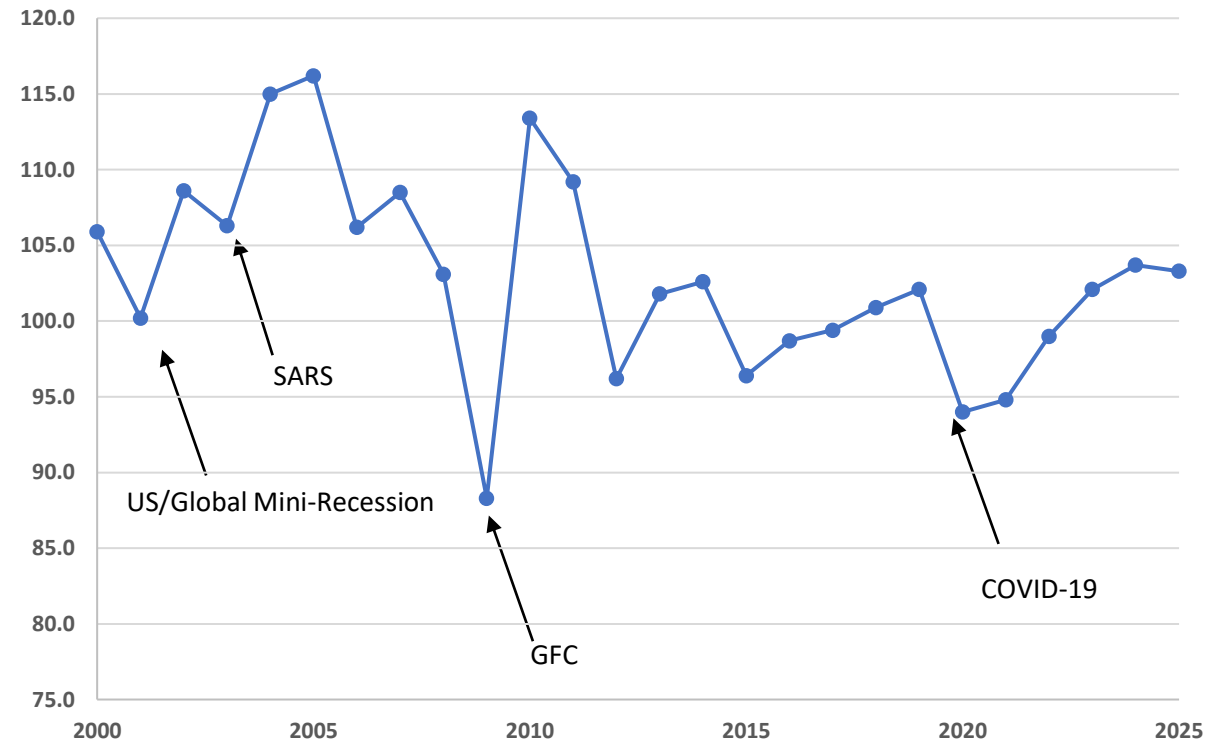
Australian GDP growth

- 2019-20 GDP growth: **-0.3%**
- 2020-21 GDP growth: **-2.0%**



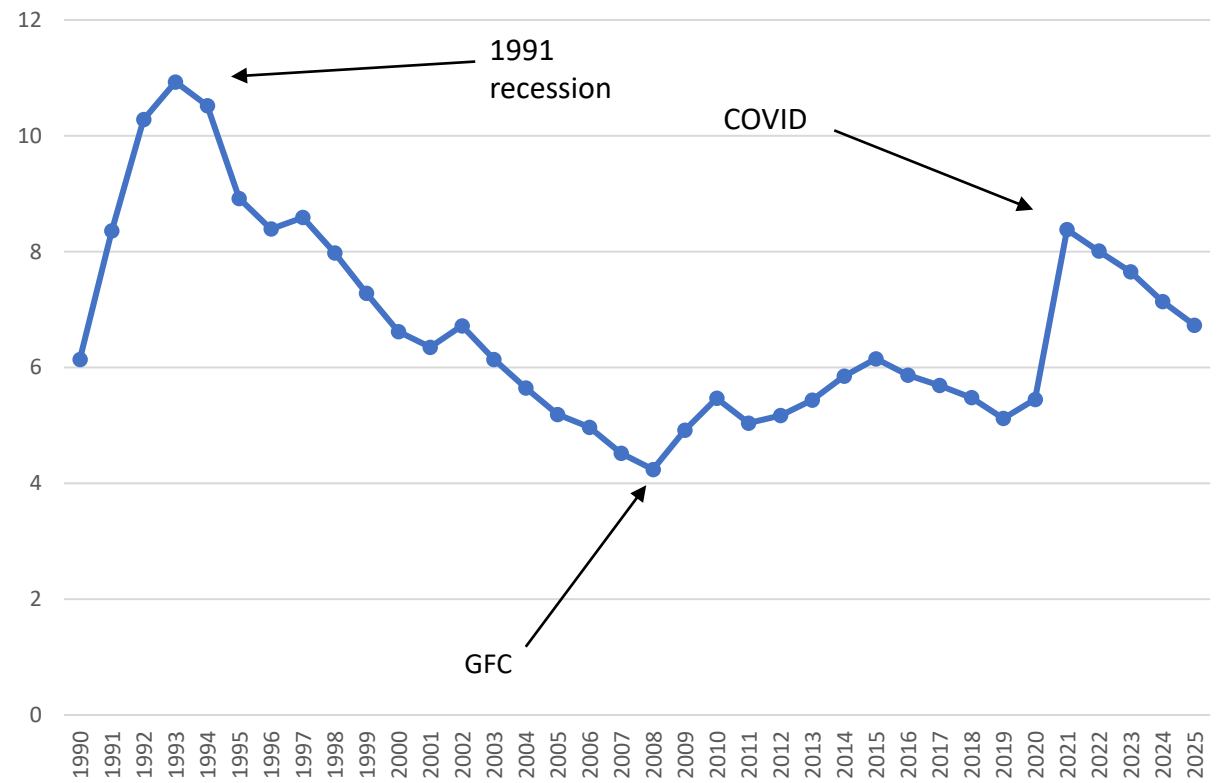
Consumer sentiment index

- 2019-20: **94.0** index points
- 2020-21: **94.8** index points
 - Most recent: 87.9, July 2020
- 2021-22: **99.0** index points
- Suggests heavily cautious consumer expenditure - but retail results do not fully reflect this recent pessimistic result



Unemployment rate

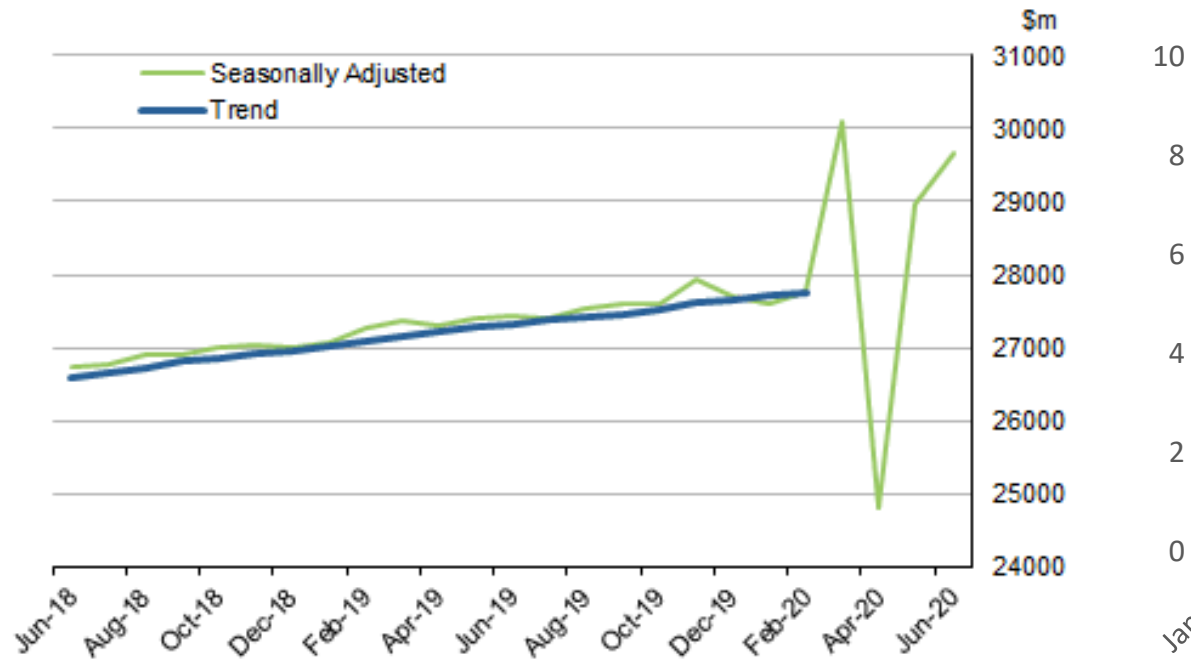
- Rise from **5.3%** in 2019-20 to **8.4%** in 2020-21.
- Annual average of monthly results, which understates the peak
- Peak unemployment of 9.5%
- Partially contained by JobKeeper Payment scheme.
- Have not yet reported peak unemployment



Online Shift

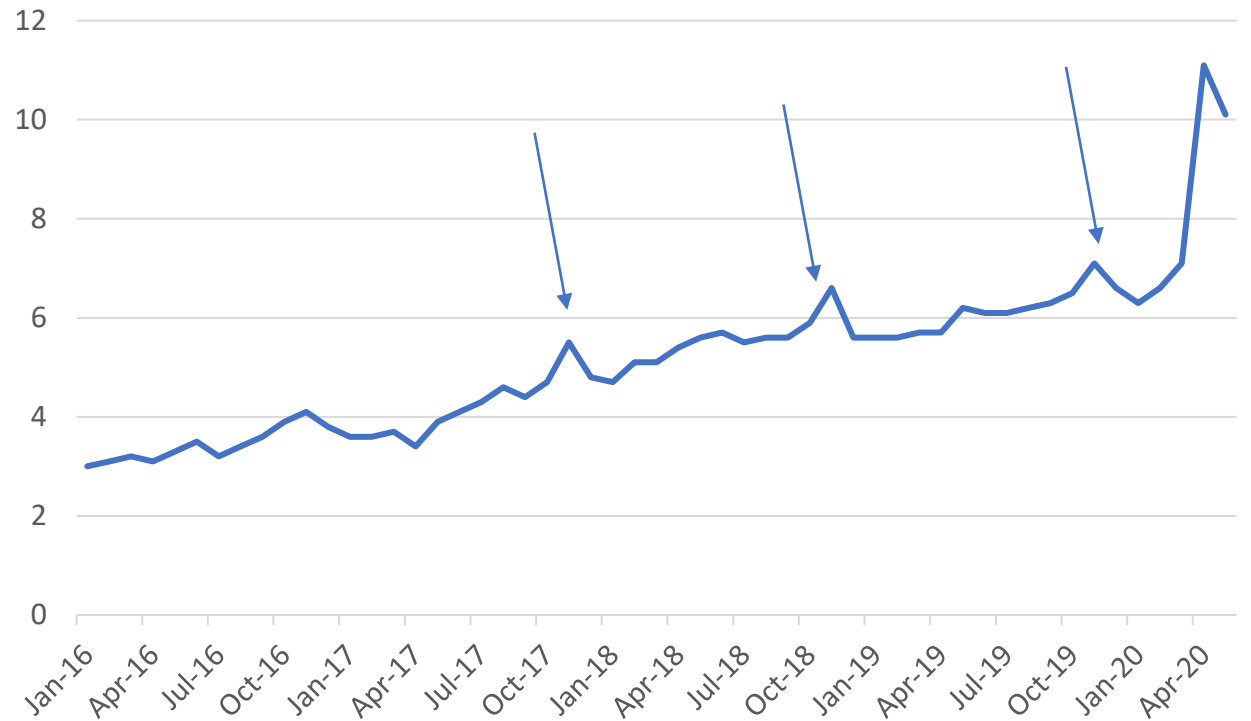
The Story So Far: Retail

Retail turnover, current prices, seasonally adjusted and trend



Source: ABS

Online Share of Total Retail Expenditure %



The Story So Far: Retail & Food

- Winners:
 - Housewares, hardware, liquor
- Losers:
 - Pharma, clothing, restaurants
 - **Food delivery**
- Not much data out of AU delivery firms
 - “New restaurants”, not “new customers”
 - Surge in delivery drivers/riders
 - Growing pushback against behaviour by major disruptors

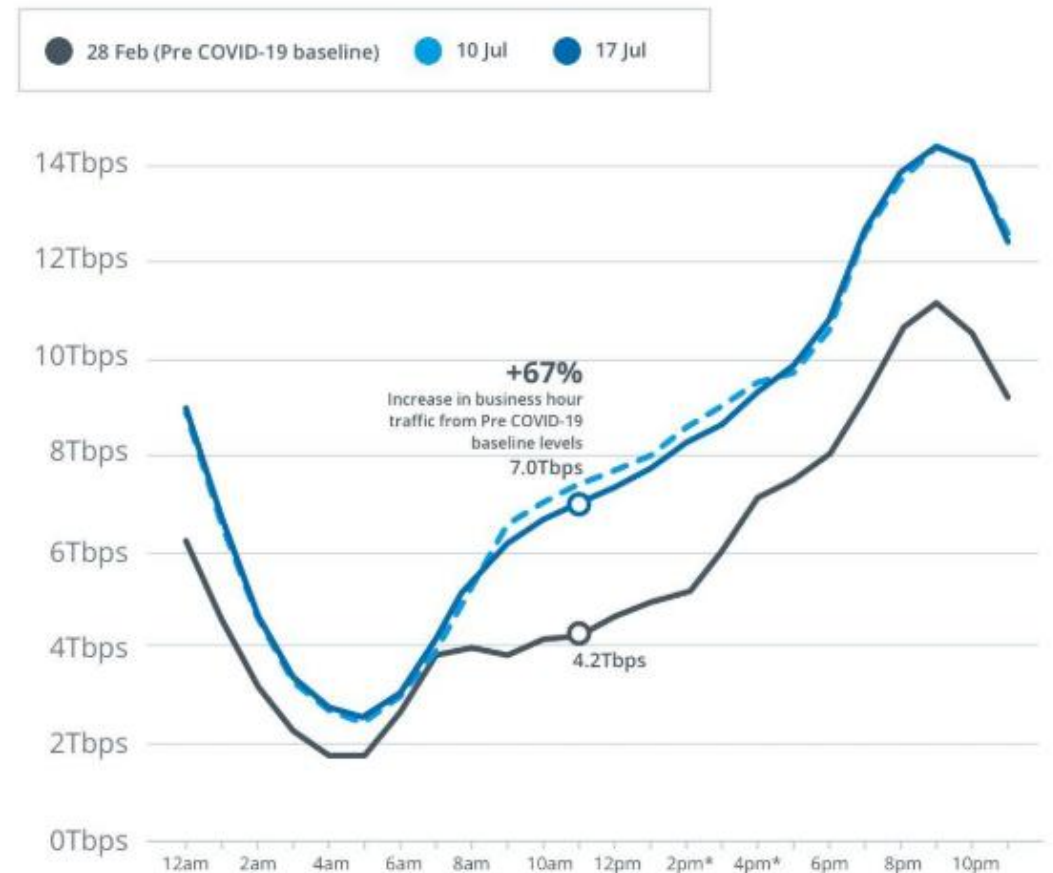
Sector	June '19 - June '20	Total 18/19 - total 19/20
Supermarkets and Grocery Stores	11.1%	6.7%
Liquor	40.6%	12.8%
Housewares and textiles	20.8%	0.8%
Electronics	21.4%	7.9%
Hardware	30.5%	10.4%
Household goods	24.5%	6.9%
Clothing and Footwear	-4.2%	-7.5%
Pharmaceuticals and cosmetics	-0.8%	5.3%
Cafes and Restaurants	-28.0%	-14.3%
Takeaway food	-0.4%	-1.6%
Total Retail	8.5%	2.9%

The Story So Far: Online Traffic

- COVID-19 has pushed life online
 - Work and personal internet usage has sharply risen
- Changing services sectors:
 - Media & Publishing
 - Therapeutic (including fitness sector)
 - Education
 - Gambling
 - SaaS

Downstream network usage over 24 hours

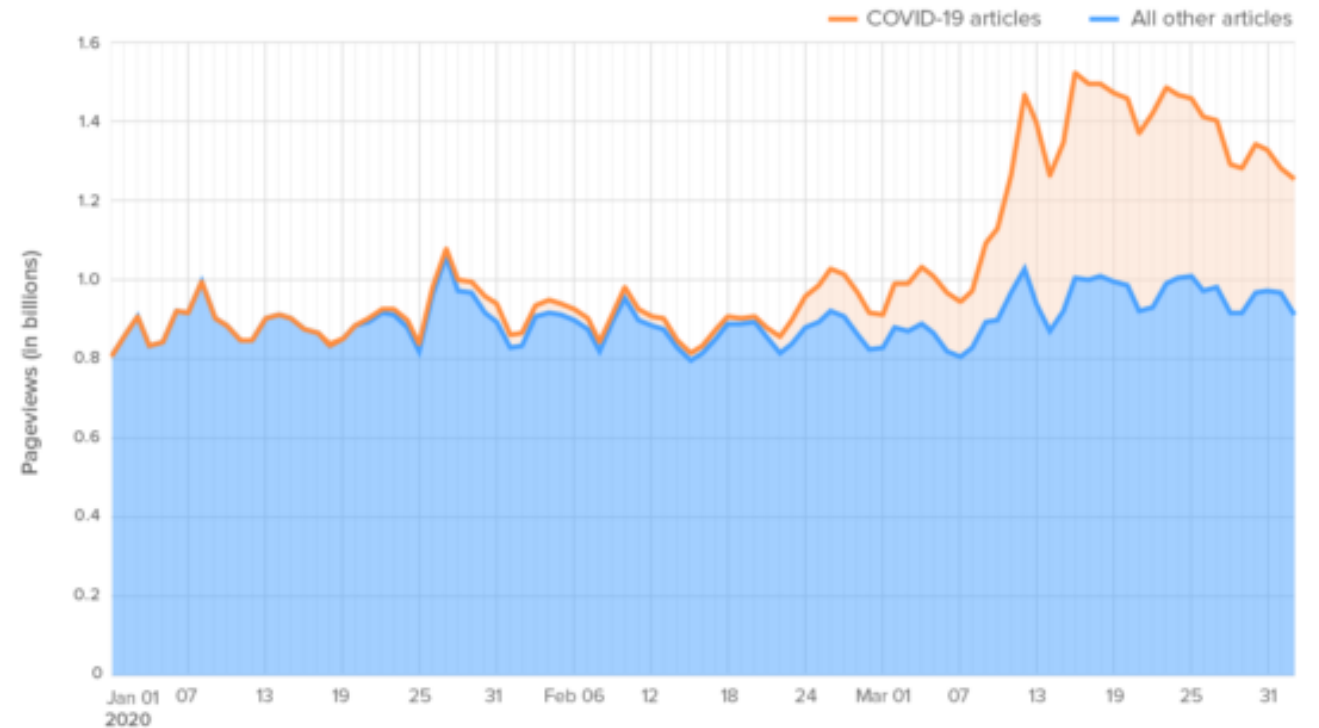
Source: NBN Co



The Story So Far: Online Traffic

- Consumption of COVID content has been significant
- However, this growth has not come at the expense of other content

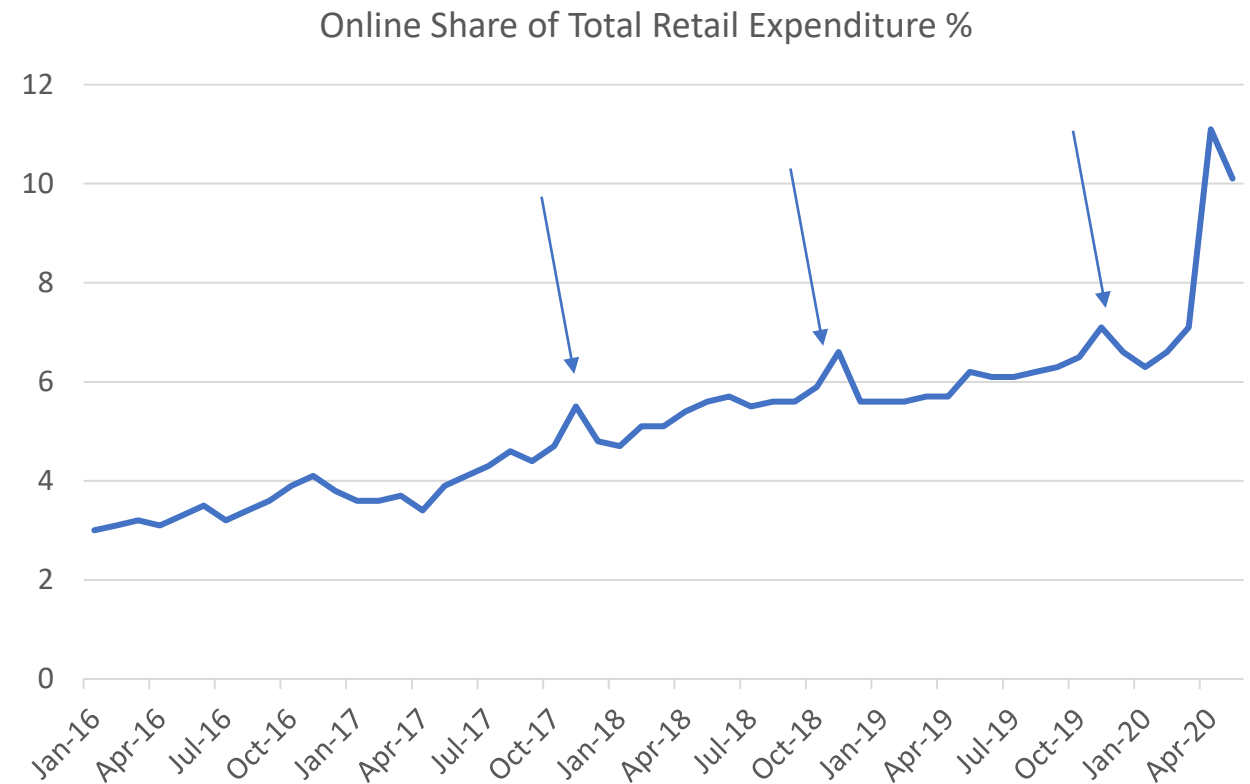
Proportion of Pageviews to COVID-19 Articles



Source: Chartbeat

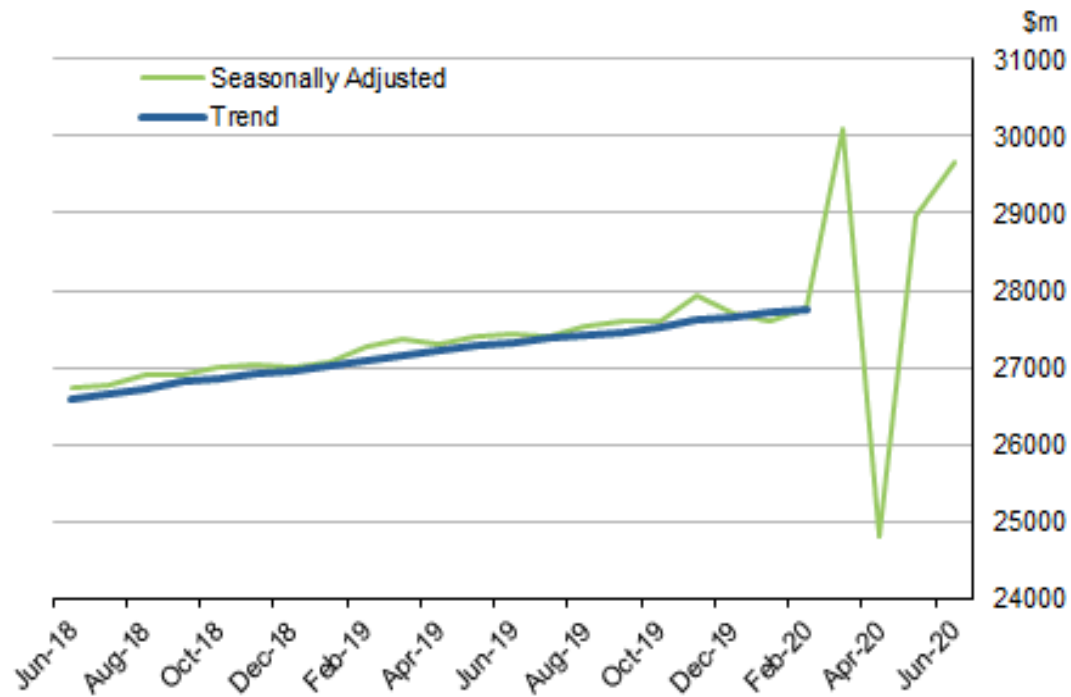
Key Takeaways

- Shift to online is projected to have lasting effects
 - Online retail's share of total expenditure will drop post-COVID but not to pre-outbreak levels
- Increased screen time can represent an opportunity

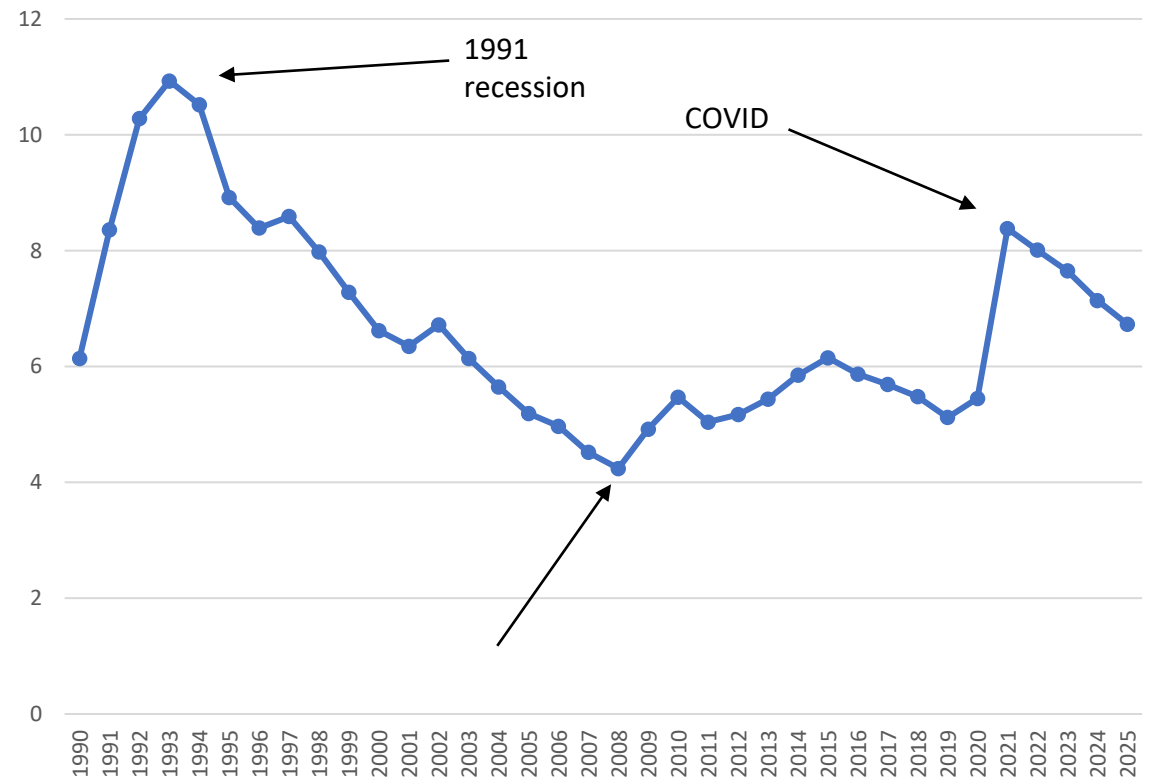


Strategic Changes: Digital Acceleration

Retail turnover, current prices, seasonally adjusted and trend



Unemployment Rate



Strategic Changes: Digital Acceleration

- Consumer shift to online is expected to be mostly lasting
- Companies have a significant opportunity to fully control their brand messaging
 - Digital ad click-throughs and email open rates have slightly risen during the COVID crisis
- More than just ads and online stores:
 - Loyalty programs
 - Analytics and customer profiling
 - Ongoing communication with customers
 - After-sales service

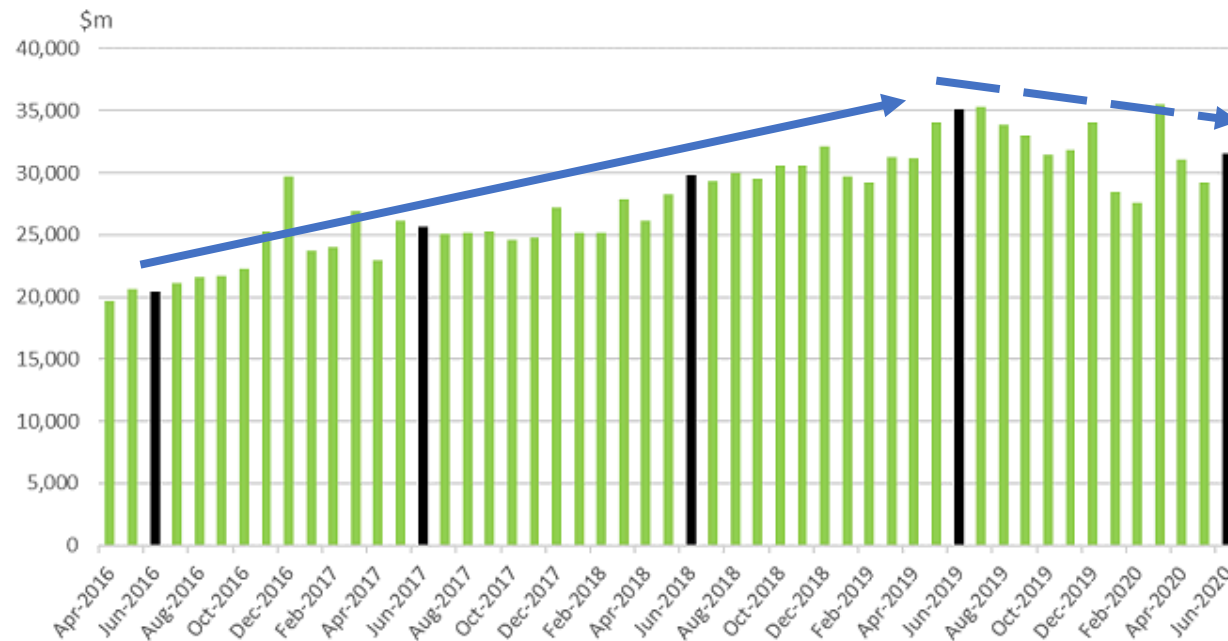
Strategic Changes: Digital Acceleration

- Consumer expectations have changed - service industries will also have to adapt
 - “Noise” is greatest in competitive service industries, such as travel
- B2B is also changing
 - Video content is the most effective lead generator, nudging out surveys (??) and white papers
 - Reminder: email click-throughs are up
- “Word-of-mouth” is no longer literal
 - Positive referrals remain one of the most powerful drivers of business demand

Logistics

Exports: Country of Destination

Preliminary International Trade in Goods - Exports total (\$m)

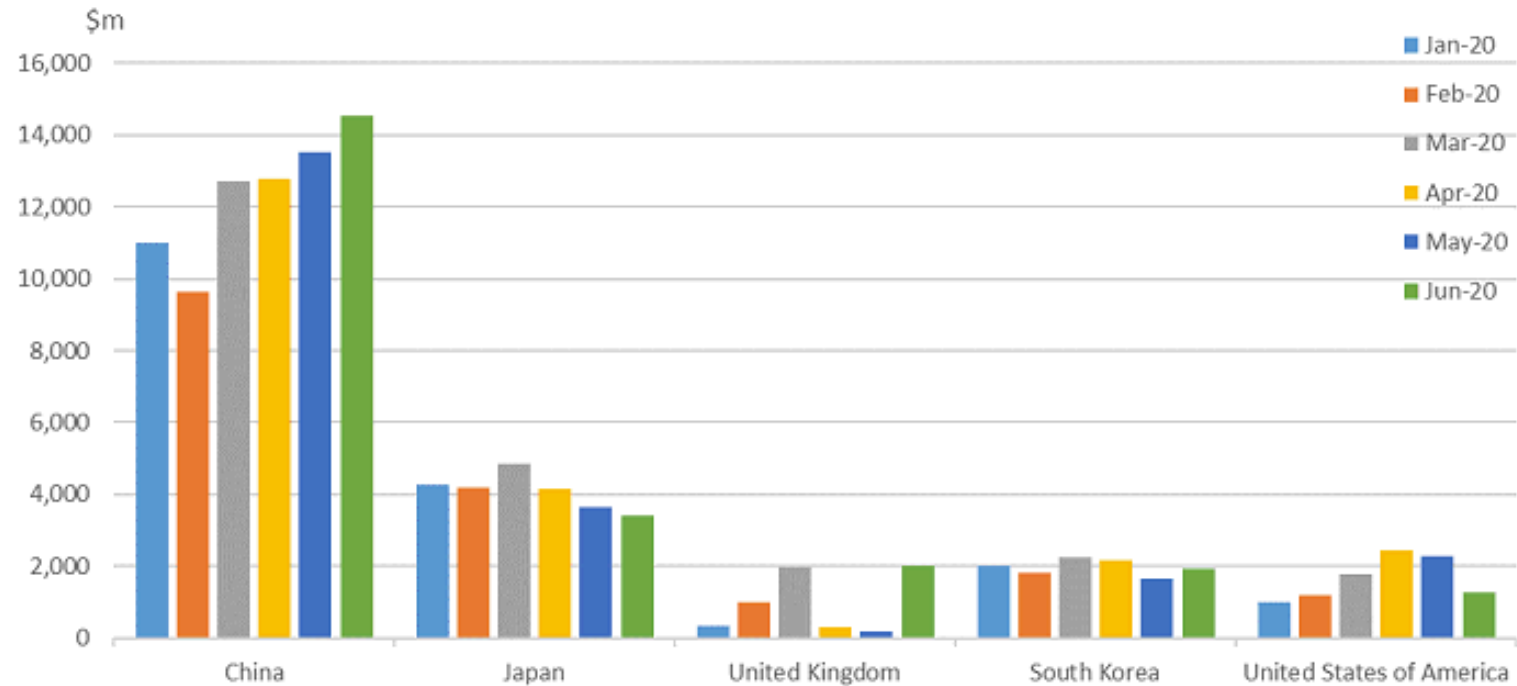


Source: ABS

Country of final destination	Share
China	36.0%
Japan	15.6%
Korea, Republic of	6.7%
India	4.3%
United States of America	3.8%
Taiwan	3.3%
Singapore	2.8%
New Zealand	2.7%
Malaysia	2.4%
Hong Kong (SAR of China)	2.1%

Exports: Country of Destination

Preliminary International Trade in Goods – Exports by country (\$m)



Logistics: Macro Trends

- Demand for freight services has declined over all due to falls in international trade and volatile domestic demand
 - Increased online retail trade has partially offset this decline
- Automated fulfilment centres are becoming more common
- Conversion of retail outlets into dark stores (mini distribution centres)

Logistics: Case Study

- Coles: Centralised Fulfillment Centres (Ocado)
- Woolworths: Micro-Fulfilment Centres (Takeoff)
- CFC
 - Volume-driven efficiency with picking and packing in a large warehouse
 - Lower inbound shipping costs, fewer operating personnel, better stock control, lower operating costs*
- MFC
 - Localised online fulfilment, such as in existing locations and dark stores
 - Superior speed-to-market, significantly lower “last mile” costs

Logistics: Retail Bypass?

- Brands, producers, manufacturers, can bring sales and promotions in-house by forgoing traditional retail outlets (e.g. department stores)
 - Increased power regarding messaging, product range, customer relationships and *pricing*
- Fully integrated digital strategies and modern logistics is shifting power toward brands
 - Direct access to consumers (in real time)
 - Allows small-scale firms to enter and compete in concentrated sectors

Thank you!