

# PEEPLCOACH

## INDUSTRY SPOTLIGHT

### RETAIL SECTOR

NOVEMBER 2023

#### INSIGHTS

- The major challenge: compounding forces of labour/talent shortages and cost of living pressures are impacting discretionary spending.
- Online retail sales growth (versus in-store) and increased consumer expectations for 'instant' delivery threaten retailers that fail to aggressively leverage technology.
- The war on talent in retail continues to mean that differentiation as an attractive employer is critical in order to acquire the best staff and leaders.

*“Australian retailers have needed to swiftly respond to evolving consumer behaviour and preferences, disrupted and unpredictable supply chains, shifting operating models, organisational gaps and talent shortages, and inflationary cost challenges, among several more topics.”*

(‘The Next Normal: Outlook for Australian Retail in 2022’, BCG 2022)

Australian retailers were confronted with a sudden and severe set of changes with the Covid-19 pandemic. With higher rates of lockdown and greater distances for supply chains to navigate through this period, many companies had to make profound changes simply to survive. However, the relative normality of the years following the peak of the pandemic have not seen a lowering of consumer expectations in terms of the online shopping experience and the speedy delivery of goods and services. And these demands are now co-existing with softening discretionary spending due to inflationary pressure, as well as a shortage of talent to drive the level of innovation and quality expected from retailers.

This set of dynamics presents a huge challenge and high levels of stress and pressure for leaders in the sector.

# TRENDS

## Industry

### Key Statistics

- Retail spending in Australia recovered strongly in 2022 following the prior years' lockdowns. Overall retail sales growth for 2022 was 11%, compared with a long-term average of 5%.
- Generally, there is an approximately 15-month lag between the start of rate hikes and a discernible slowdown in retail sales, which has led to the current softening demand in discretionary spend.
- 'Premium consumers' (who represent approximately 25% of the population) in 2023 were forecast to spend 2.65 times more on retail than 'traditional consumers'.

(*'Will Retail Sales Growth Slow in 2023?'*, ARA 2022)

According to the *MST Marquee retail outlook for 2024* 'retailers will face continued cost growth pressure and the challenge for most retailers will be whether they can drive sales growth to match cost growth.' The graph below outlines their sales growth expectations for 2024 and 2025.

### Chart

Australian retail sales forecast by calendar year



(MST Marquee retail outlook for 2024 | Australian Retailers Association)



*“In a world of future shapers’ need for instant gratification, retailers who fail to offer super-fast delivery as an option will get caught in the slow lane.”*

(*'Will Retail Sales Growth Slow in 2023?'*, ARA 2022)

## Challenges

- Higher wages and general cost increases
- Talent/labour shortages and talent retention
- Increasing expectations from consumers for
  - greater value
  - premium products/services
  - speedy and free delivery.

This infographic summarises some of the major challenges identified for retailers in 2023, which look set to continue through 2024.

## Competitive edge – Value creation versus commoditisation

Understanding customers and meeting their expectations at a more personal level is key to creating value. And it is only by creating value in the eyes of individual consumers that retailers can avoid having their goods and services seen as simply commodities for which price is the only differentiator. A practical example of a retailer catering to individual needs is Starbucks' app in the US, which uses geo-tracking to prompt customers to order their favourite beverage when approaching their local store, so it is ready as they walk past on their way to the office.

KPMG highlights three components that allow this value creation at a highly personalised level in a predictive and proactive manner:

1. 'The continual collection and aggregation of transactional, contextual, behavioural and motivational data at an individual customer level.
2. The ability to detect and understand the significance of behaviours in real time, to determine the best response.
3. The means to deliver the right message to the individual via a medium that suits their circumstances.'

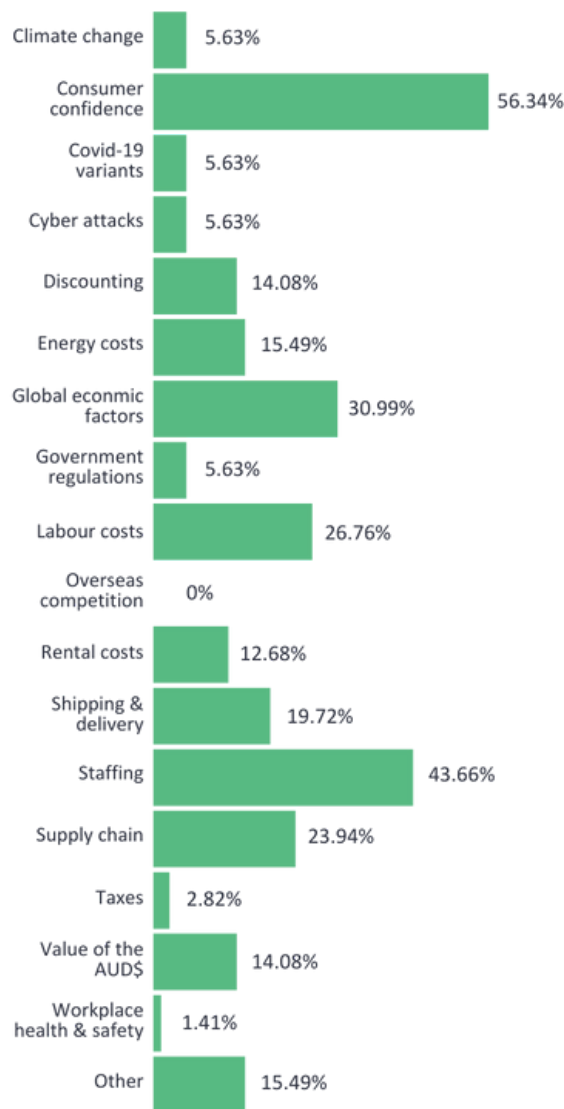
(‘Australian Retail Outlook 2023’, KPMG 2023)

## Competitive edge – – Talent retention

Retaining staff is one of the top priorities for 39 per cent of retailers in Australia, according to KPMG's above-cited 'Australian Retail Outlook 2023' report. So, it logically follows that companies that positively differentiate themselves from competitors as attractive employers will have a competitive edge in overcoming the aforementioned challenges in the retail sector.

When assessing the challenges ahead for Australian retailers, a handful of critical measures are worth consideration for companies to maximise the retention of their most talented team members.

## What are the biggest challenges facing retailers in 2023?



(‘Australian Retail Outlook 2023’, KPMG 2023)

Of the 15 retention strategies listed by Forbes (Forbes Advisor 2023), some, such as offering competitive base salaries and wages, should be considered 'hygiene factors'. Others, for certain staff groups in retail, may be extremely difficult, if not impossible, such as working from home policies and flexible work schedules. Still other strategies, however, could be seen as providing a competitive edge in terms of talent retention in Australian retail. Two of the most compelling strategies in this regard are:

1. Reward and recognise employees for their work. With a reported 80% of staff feeling under-recognised in the US, employers who have robust processes to socially and financially reward employees stand to retain talent against competitors who do not.
2. Offer professional and personal development. When delivered in an effective manner, this strategy will result in more engaged employees and strengthen organisational performance as a whole.

## Competitive edge – Mitigating supply chain and cybersecurity risks

Managing the optimal level of inventory to a) manage profitability to reasonable levels; and b) provide customers with the speed of delivery/availability expected is an ongoing challenge for retailers in Australia. The disruption of supply chains in Australia through Covid-19 shutdowns had the natural consequence of shoring up inventory and local alternatives to supply. Learning from these experiences and finding an appropriate balance in the future will give retailers an edge over competitors in terms of profitability, reputation and perceived value.

The well-publicised cyberattacks on some well-known companies in Australia have underscored the increasing threat of such events to businesses, including retailers. The brand damage caused by customer service failures is obvious and must serve as a warning to businesses on the perils of complacency around cybersecurity. Maintaining service and product continuity while competitors fall over in the face of such attacks will positively differentiate retailers in their market. Ensuring that budgets include adequate funds to protect companies from ever-increasing cyber-risks will be critical for retailers.



# RECOMMENDATIONS

## 1. Differentiate with value in the eyes of your customers.

A lack of differentiation in customer value will likely see your business needing to use the 'pricing lever' to compete, which obviously leads to the erosion of profit and a potentially vicious cycle of cost-cutting and discounting. Investing in and taking time to truly understand customer needs, and delivering more personalised value, is critical in terms of enabling sustainable, profitable growth.

## 2. Differentiate as a highly attracting employer to win the war on talent.

The most talented leaders and individual team members have the capability to deliver the most value to your customers and, in turn, to your company. Investing in programs such as employee recognition and professional and personal development can differentiate you as an attractive employer to retain the most valuable employees as the war on talent continues.

## 3. Plan early to mitigate key risks that could damage your business.

Even with the best plans and execution in creating customer value and talent retention, a failure to mitigate key risks could send your business to its knees. Cybersecurity and supply chain disruption are two categories of risk that clearly require early and disciplined focus.

# SOURCES

- [Australian Retail Market 2022 Outlook & Trends, BCG](#)
- [Australian Retailers Association: Retail Industry Insights & Outlook Australia 2023, ARA](#)
- [Australian Retail Outlook 2023, KPMG](#)
- [15 Effective Employee Retention Strategies In 2024, Forbes Advisor](#)
- [MST Marquee retail outlook for 2024 | Australian Retailers Association](#)



# PEEPLCOACH SOLUTIONS TO MITIGATE THE RISK OF RETAIL STAFF ATTRITION

Peepcoach recently engaged Dr Joel Davies to study the impact of the Peepcoach leadership programs on critical outcomes such as leadership competence, productivity and organisational commitment.

The results showed that, after participation in a Peepcoach program:

- managers felt that 67% of participants had improved their leadership capabilities
- managers reported that 66% of participants were now more effective in their role
- 92% of participants believed that they were now better equipped to be a great leader
- 74% of participants felt more motivated to do their best work
- 91% of participants believed they were more effective in their role as a result of the program.

**Download the Peepcoach Impact Study.**

## Why are Peepcoach programs so successful?

- Programs are flexible and customisable to meet the business requirements and competency frameworks of different industries, organisations, teams and individuals.
- They combine bite-sized training content with 1:1 and group coaching in an approach that is more than just training and more than just coaching.
- Content is designed to meet the specific needs of frontline, emerging and middle managers.

## What next?

- [Book a demo](#) to find out more.
- Share this white paper with your network.
- Subscribe to our [newsletter -The Pulse](#) or follow us on [LinkedIn](#)

**To find out more about Peepcoach and our programs contact us at [hello@peepcoach.com](mailto:hello@peepcoach.com).**

