Power Retail

LET'S REGROW

TOWN HALL

12PM, APRIL 1ST, 2020

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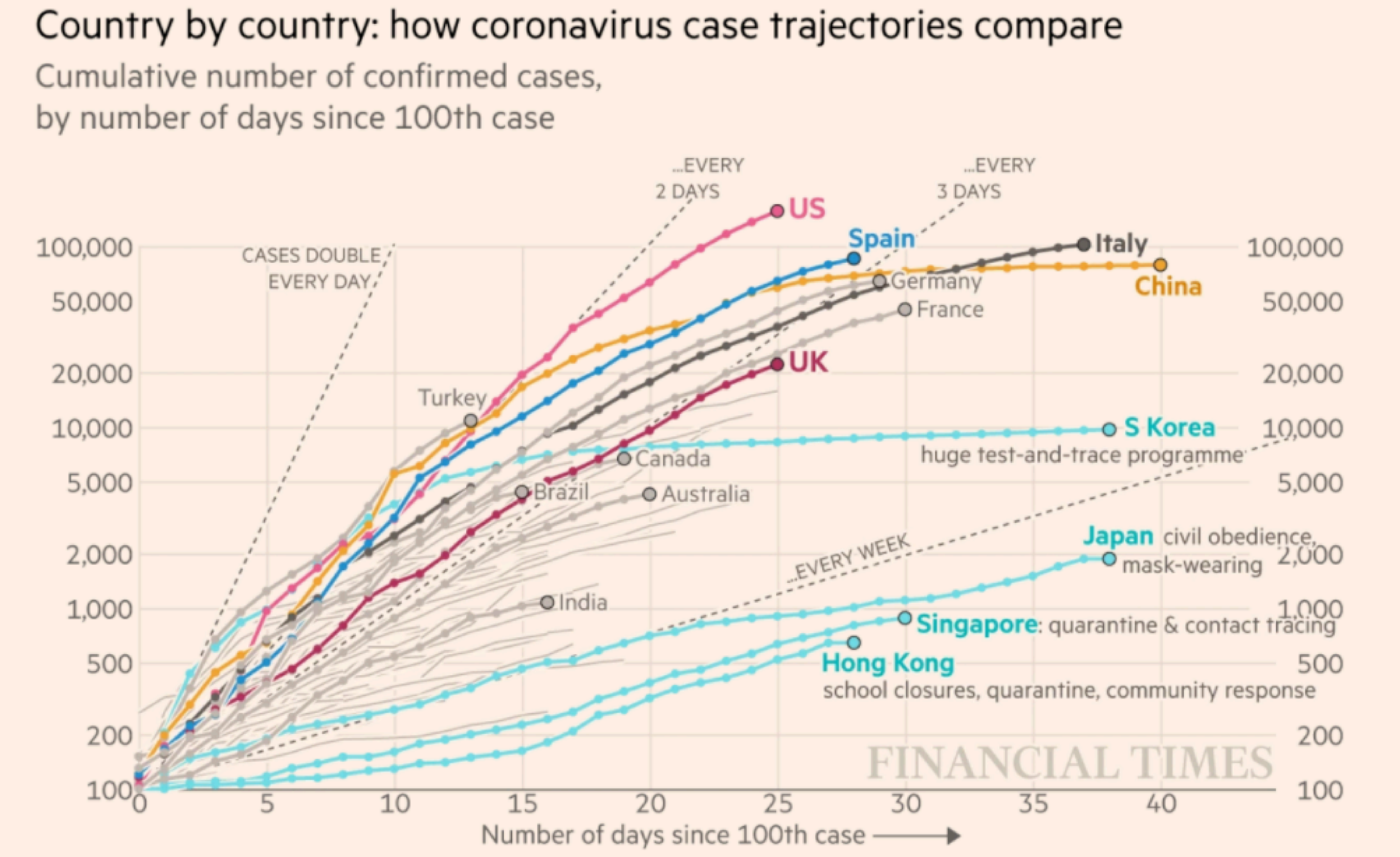
The online session was designed to answer key questions being asked in the current e-commerce environment, like how consumer confidence is being affected among online shoppers, what categories of retail are suffering and by how much, and what COVID-19 means for e-commerce logistics.



Country by country: how coronavirus case trajectories compare
Cumulative number of confirmed cases, by number of days since 100th case
CASES DOUBLE EVERY DAY
...EVERY 2 DAYS
...EVERY 3 DAYS
...EVERY WEEK
US
Spain
Italy
China
Germany
France
UK
Turkey
S Korea
huge test-and-trace programme
Canada
Brazil
Australia
India
Japan civil obedience, mask-wearing
Singapore: quarantine & contact tracing
Hong Kong
school closures, quarantine, community response
100,000
50,000
20,000
10,000
5,000
2,000
1,000
500
200
100
0
5
10
15
20
25
30
35
40
Number of days since 100th case
FINANCIAL TIMES

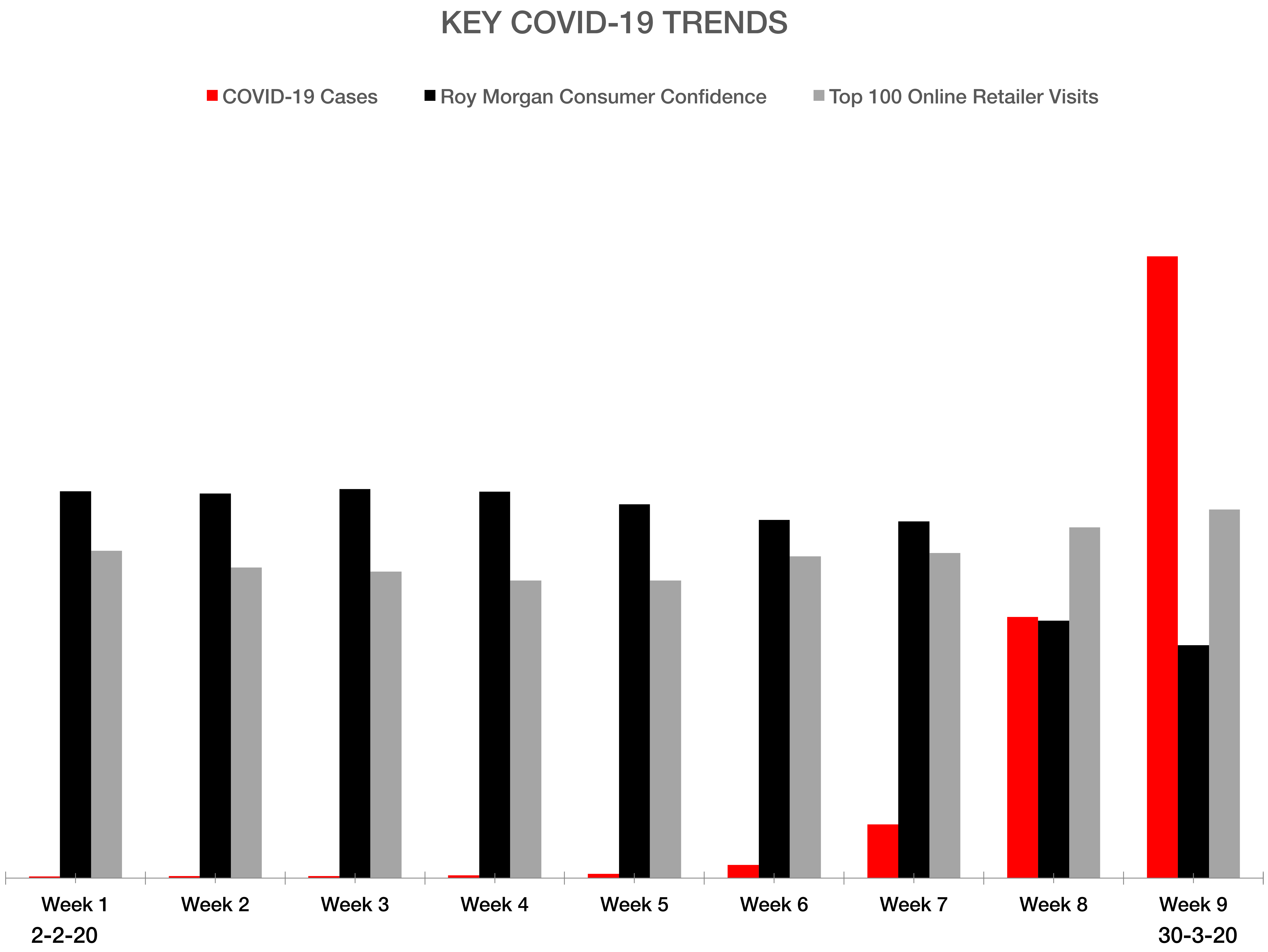
Near Term Conditions Precedent

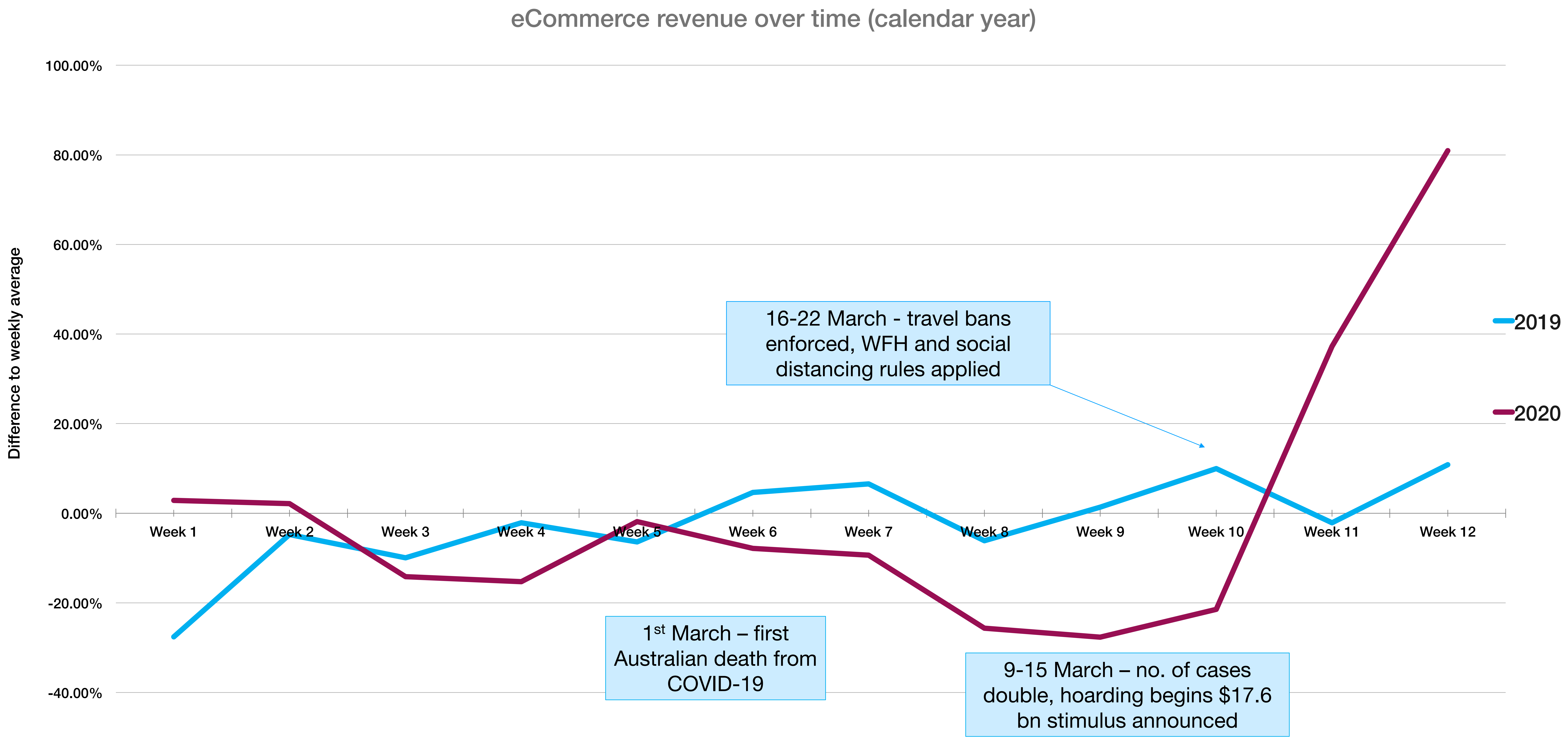
- Mass job losses
- Mass retail store closures
- Domestic and international travel restrictions
- Sudden, dramatic escalation in restrictions on people’s movement and social distancing
- Unknown timeframes on when/if normality will resume
- Government offering financial support for businesses and individuals
- Consumer confidence in freefall
- Sharemarket well down
- Online shopping for essentials is experiencing soaring growth
- Online shopping for discretionary items is in decline, despite stores closing
- E-commerce in New Zealand closed for delivery of non-essential items

- Associated directly with the rise in COVID-19 cases and the decline in consumer confidence, we have seen in the past two weeks a significant jump in visits to the Power Retail Top 100.

- The overwhelming bulk of the growth is in household essentials (FMCG, food, etc.) and staples (pet food, household items).

- Growth is also being driven temporarily by a significant portion of the workforce being directed to work from home.

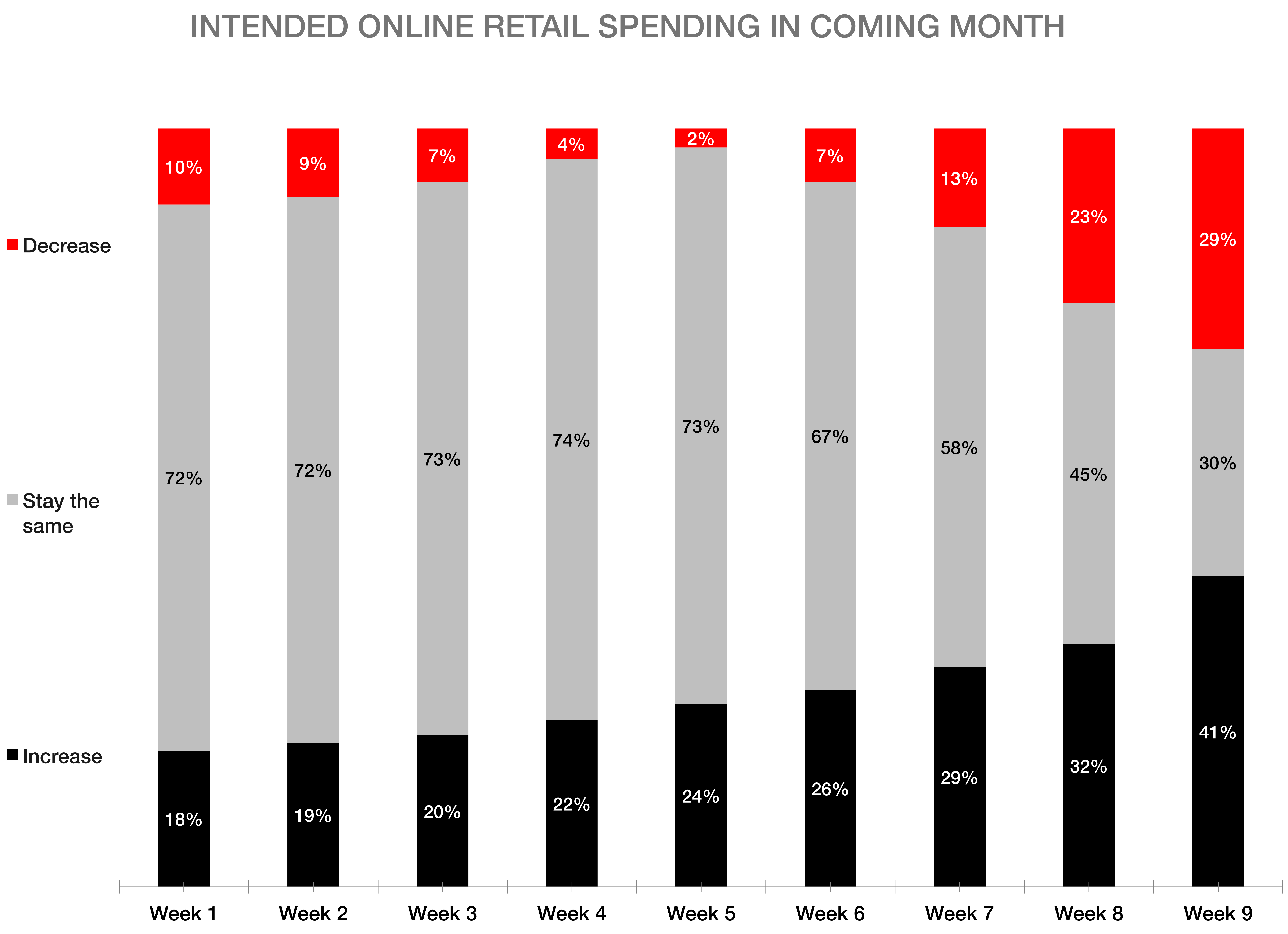



eCommerce revenue over time (calendar year)
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
-20.00%
-40.00%
Difference to weekly average
Week 1
Week 2
Week 3
Week 4
Week 5
Week 6
Week 7
Week 8
Week 9
Week 10
Week 11
Week 12
2019
2020
16-22 March - travel bans enforced, WFH and social distancing rules applied
1st March – first Australian death from COVID-19
9-15 March – no. of cases double, hoarding begins $17.6 bn stimulus announced

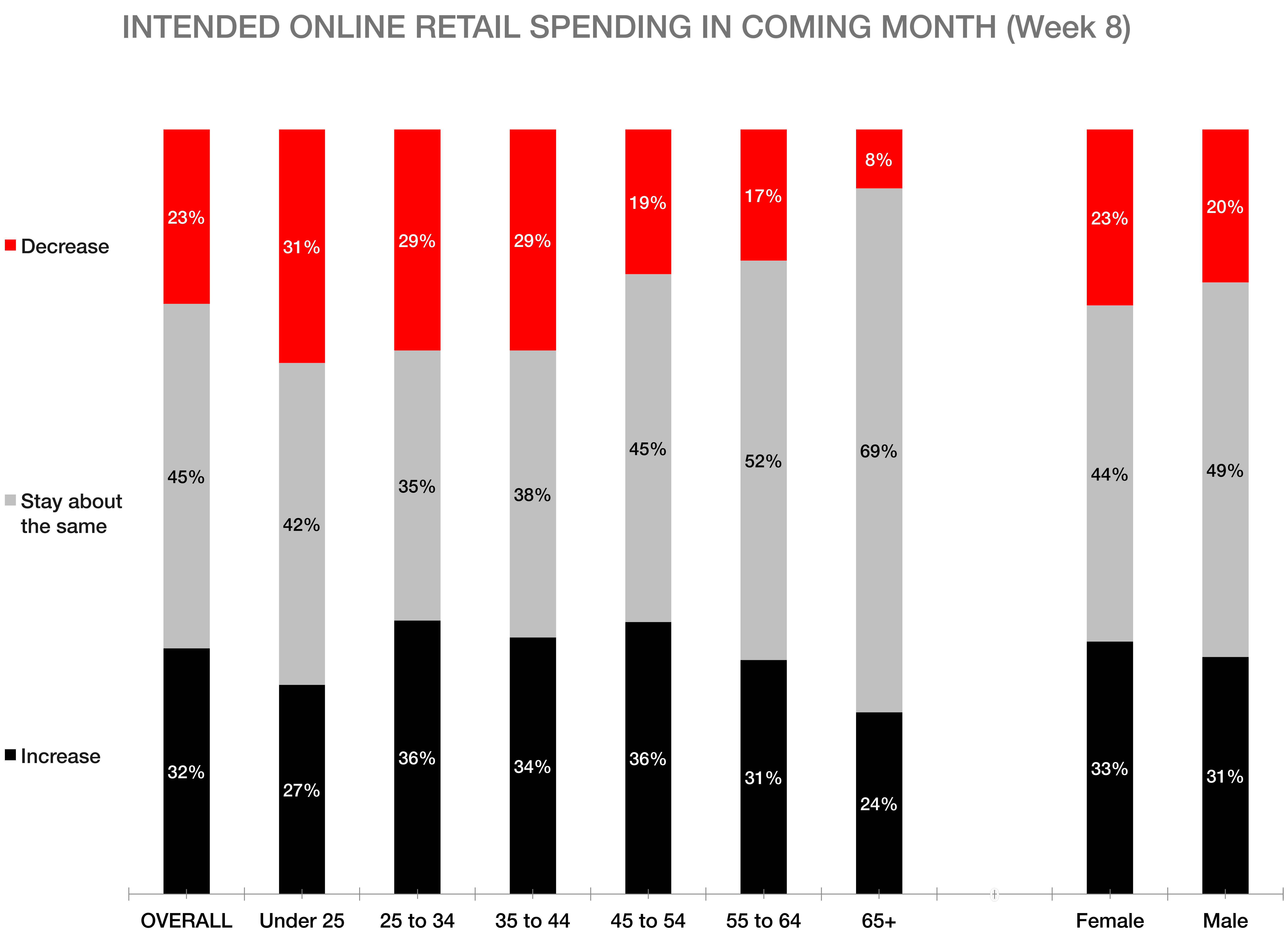
- As recently as the end of February (Week 5), when there was significant awareness of COVID-19 but minimal cases within Australia, 98% of online shoppers were planning to spend the same or more online.

- During March, we saw a 30% swing from shoppers who planned to spend the same online to shoppers who planned to spend less online.

- This week, the numbers planning to spend less online remained the same, but the numbers planning to spend more rose significantly with a wave of store closures.



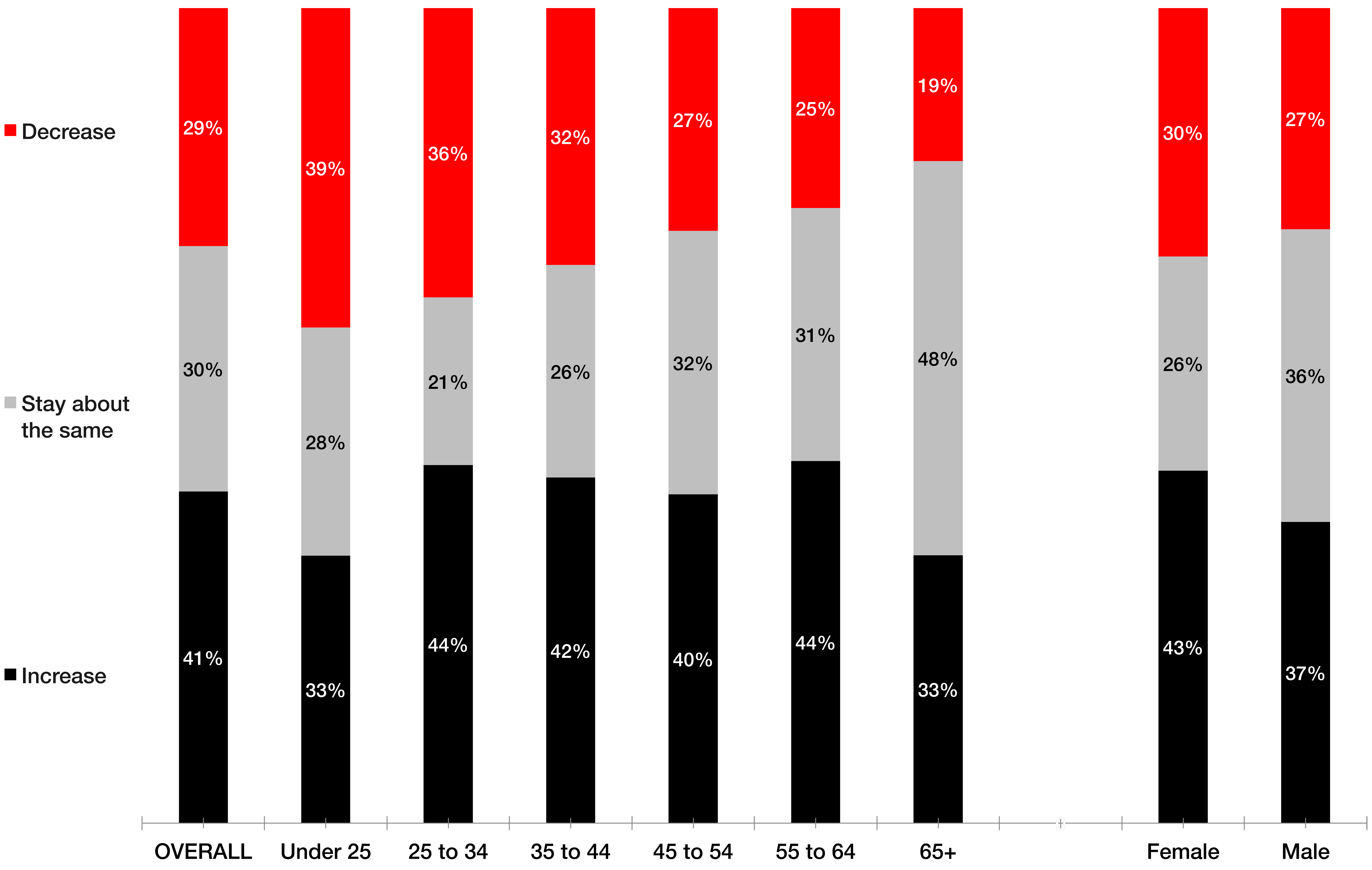
- When we break down the intention to spend into age groups for Week 8, we see immediately that the under 25 demographic is most likely to decrease spending online.
- The older the demographic, the more likely shoppers are to increase spending online – over 45s are significantly more likely to spend more online in the coming months.



- This week, the number of consumers decreasing their online spend in the Under 25s category is far more precipitous, with 39% planning to decrease online spending.

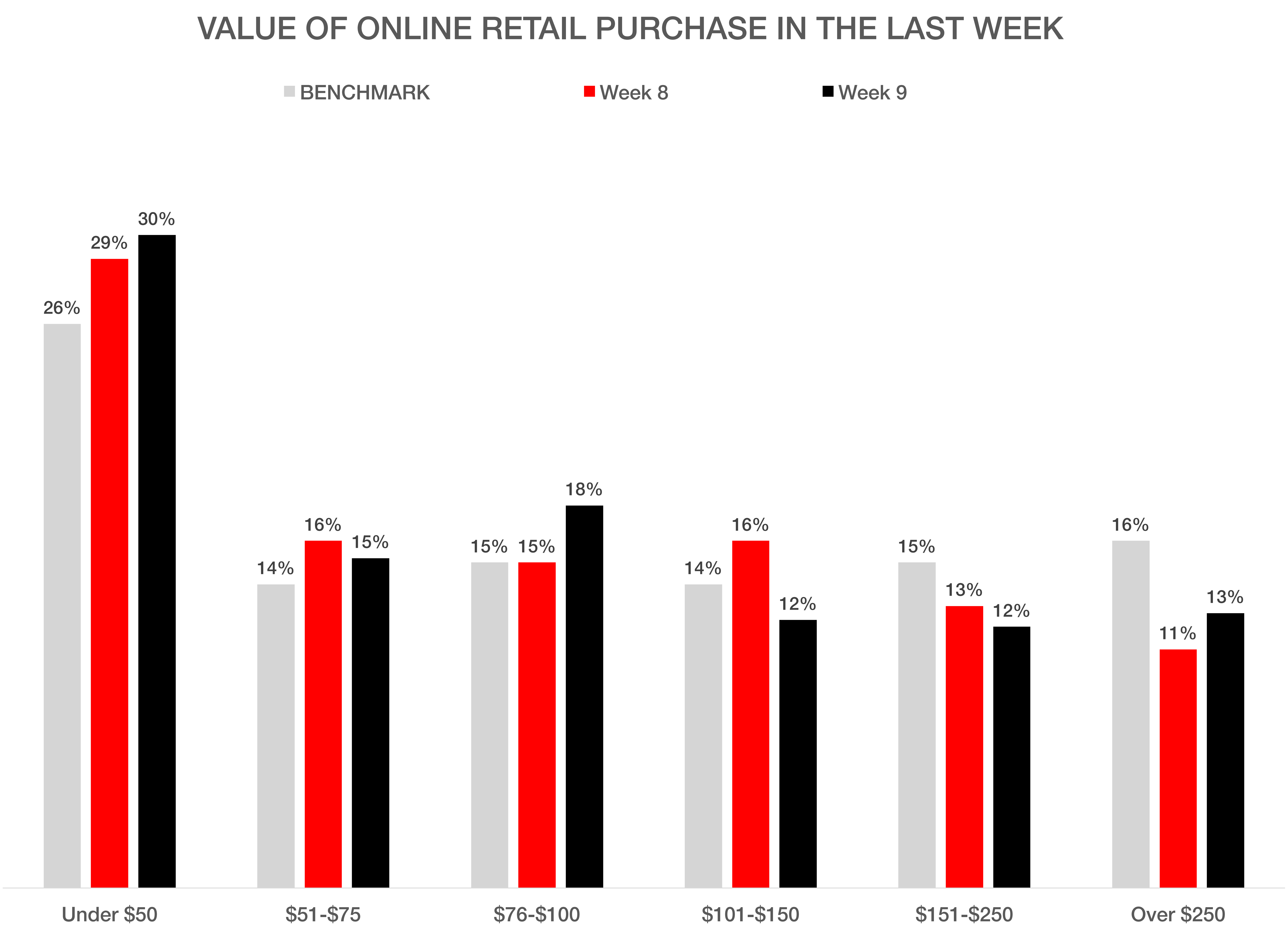
- However, in the age groups 35 and above the indicators are much more promising, with a steady week-to-week increase in numbers planning to increase their spend online in the next month, coinciding with store closures.

INTENDED ONLINE RETAIL SPENDING IN COMING MONTH (Week 9)

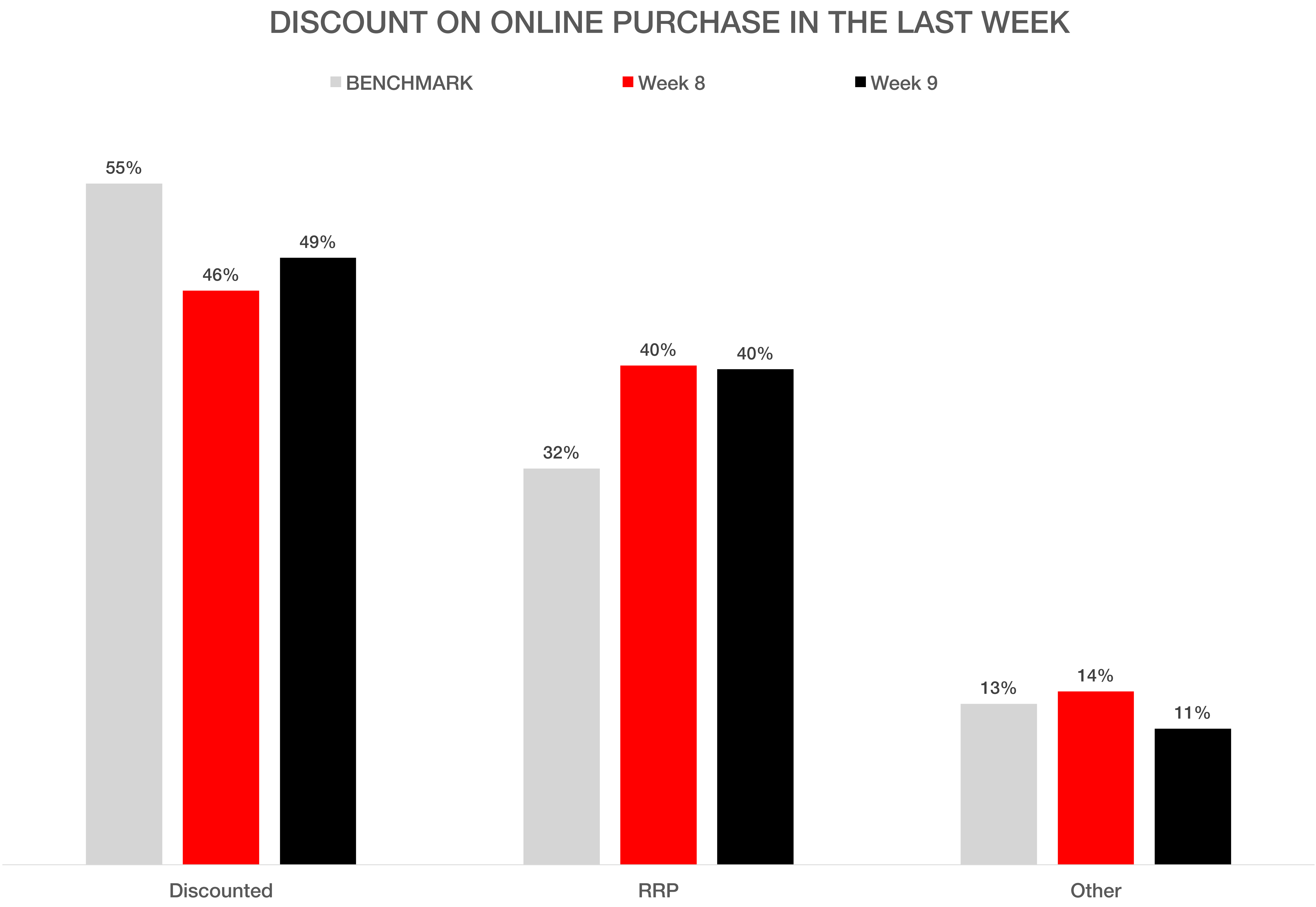


- Small purchases of under $50 continued to grow above the average over the past two weeks as consumers turned to online in increasing numbers for essentials, as well as small orders of food delivery and a rise in monthly subscription services.

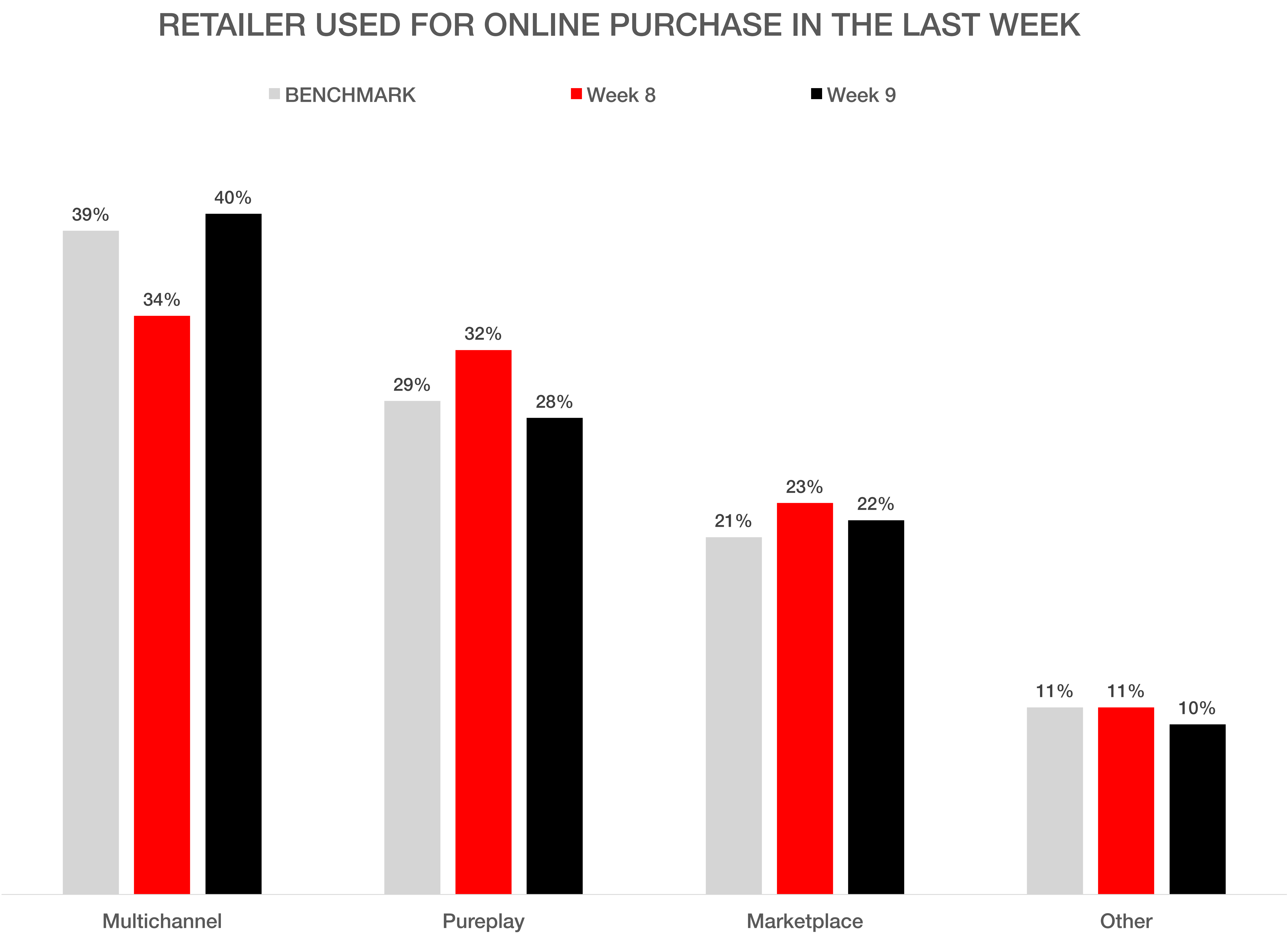
- At the other end, large purchases (over $250) declined significantly overall compared with the benchmark, but saw a rise last week as shopping for working from home enhancements took off.



- Panic buying and demand for essentials saw consumers less inclined to wait for or seek discounts or promotions (other), with more than the average prepared to pay RRP due to the fear of missing out on key items.



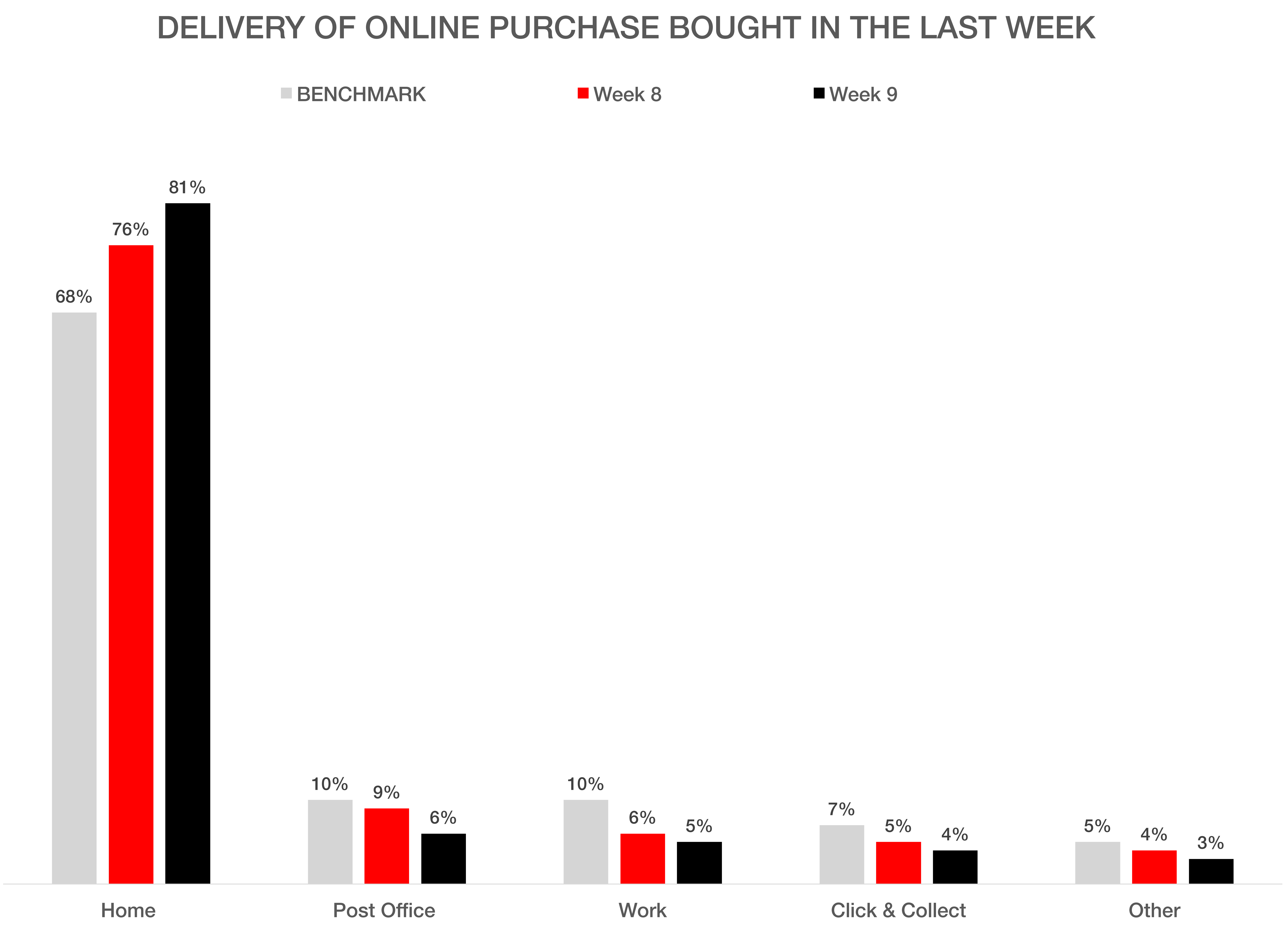
- With the overall online retail market seeing a jump in volumes, multichannel retailers saw a rise in the past week as consumers turned to online channels vs stores. The foot traffic left the shopping centres and headed for the online stores of the multichannel retail brands, which started before the store closures.



- Delivery destinations for parcels switched decisively from work, post office and click & collect to home.

- In the past week, 81% of deliveries were sent to home versus the benchmark of 68%.

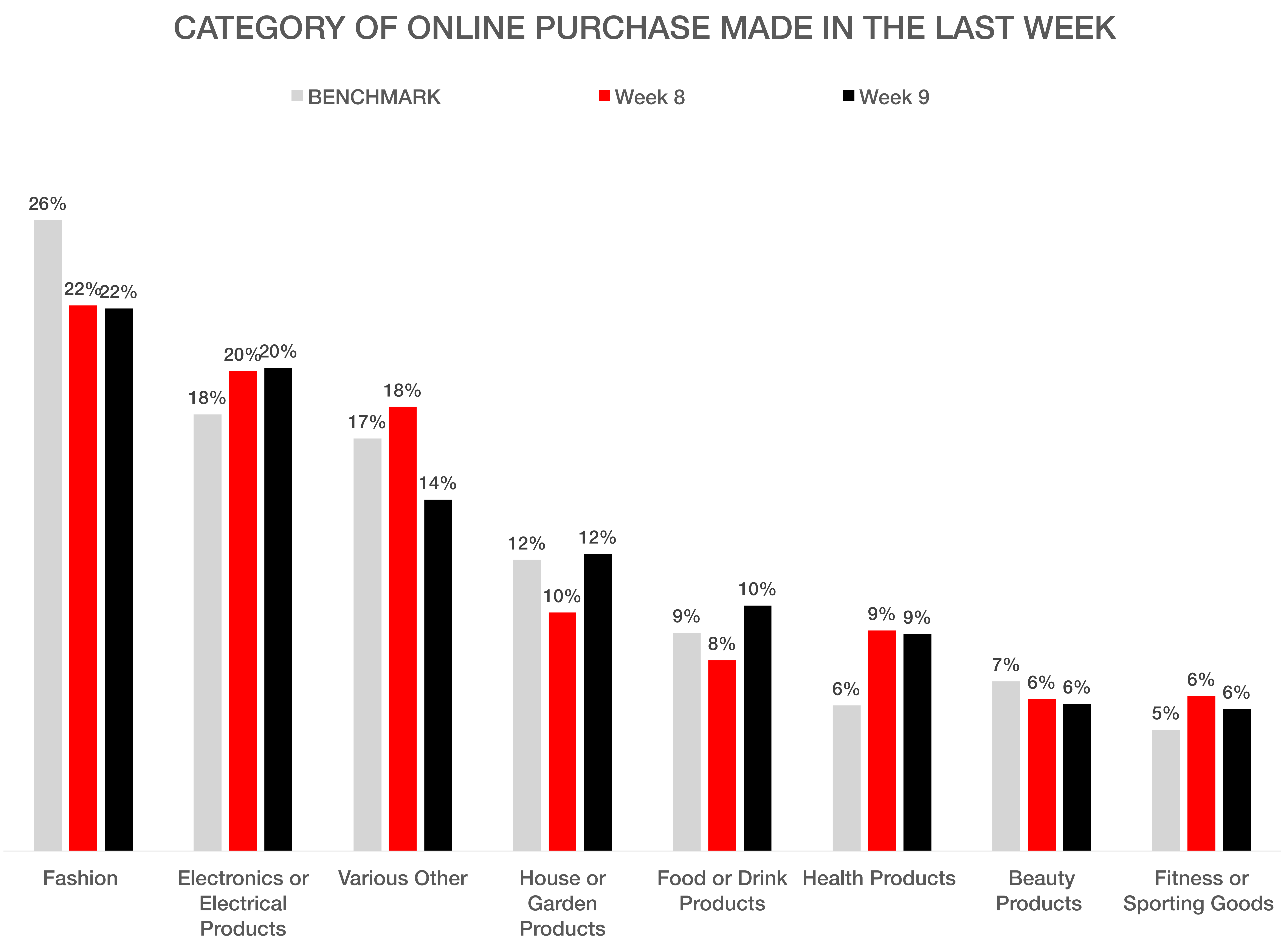
- Click & collect dropped considerably and is sure to drop further, while post offices are also out of favour as collection centres due to stay at home warnings.



- Fashion and beauty products declined against the average for consumers making purchases online, as job losses and hits to businesses have cut down discretionary spending.

- Predictably, as office workers transitioned to working from home, there was a significant rise in the purchase of electronics (monitors, keyboards, dongles, etc.) as well as fitness and sporting goods seeing a surge.

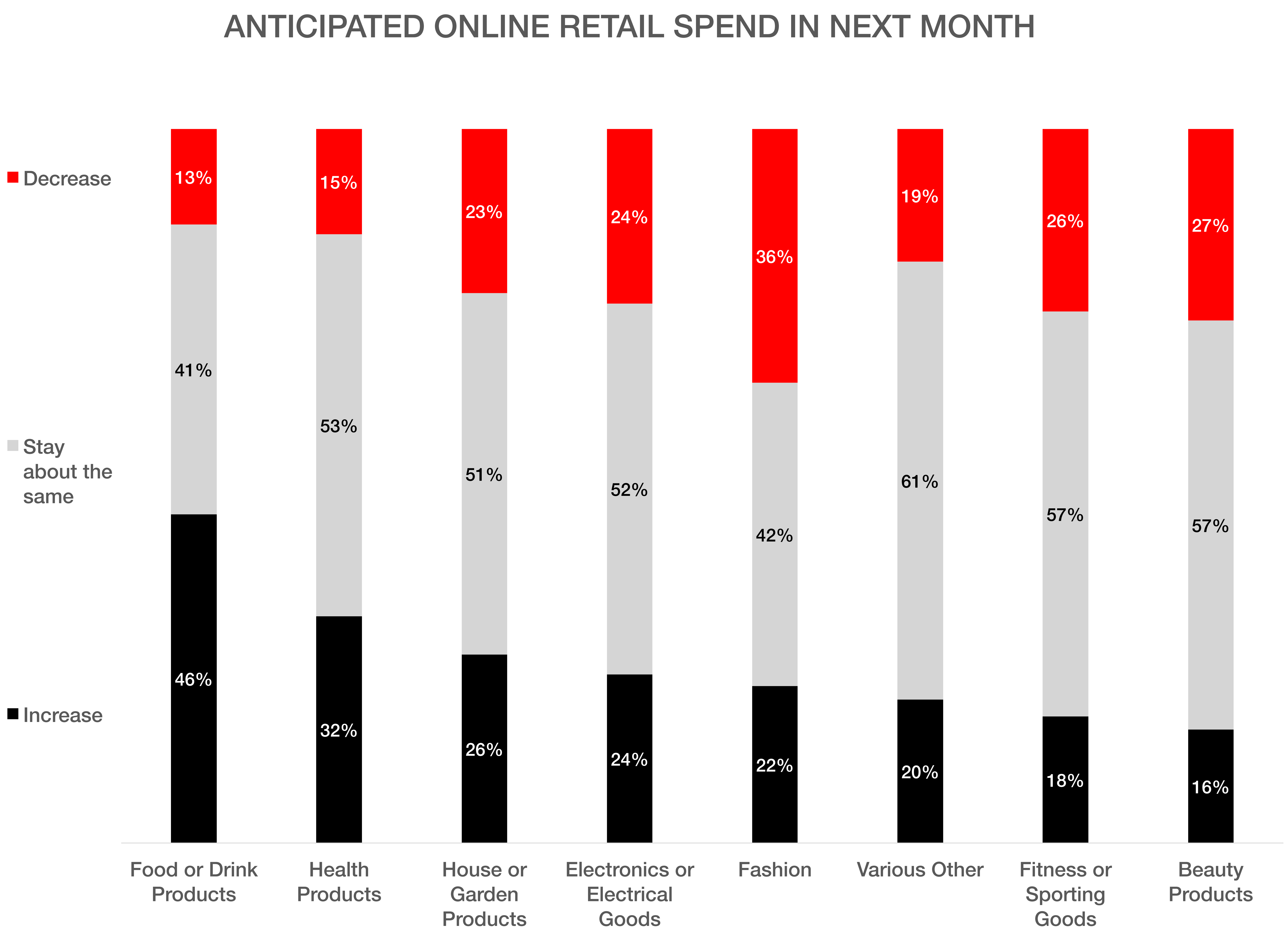
- Fear of going out has also transitioned shopping for essentials such as health products, food, drink and house products online.



- Fashion is the hardest hit category this month and next month, with 35% of online shoppers likely to spend less on fashion.

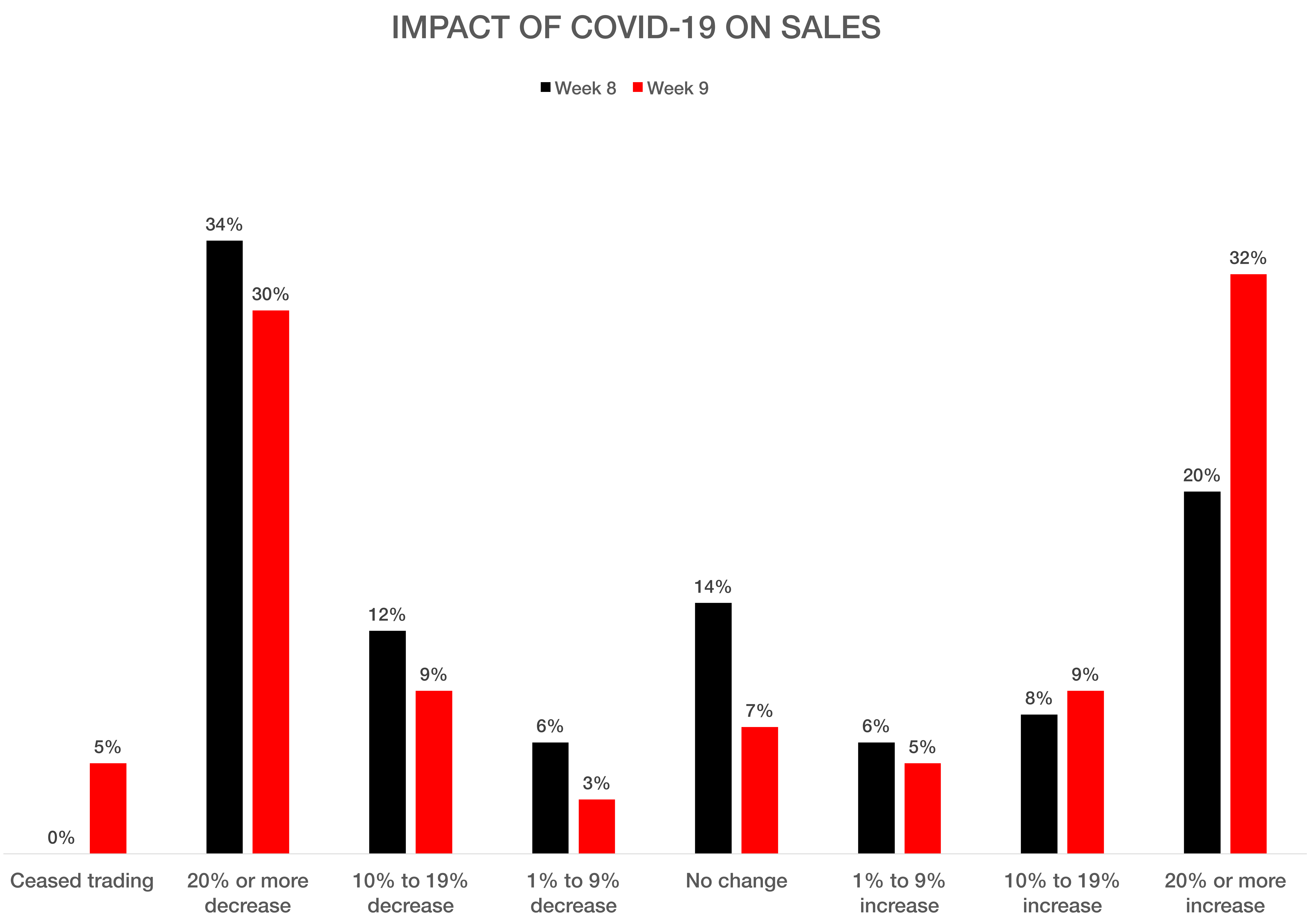
- Fitness and sporting goods has seen a short term spike with the transition to working from home, but is also set to suffer with 26% planning to spend less in that category next month.

- Grocery and health products will be the online shopping winners over the next month at least as housebound shoppers migrate their in-store everyday purchases to the online environment.



- Retailers are facing extremes – business is either going extremely well or extremely bad, without much middle ground.

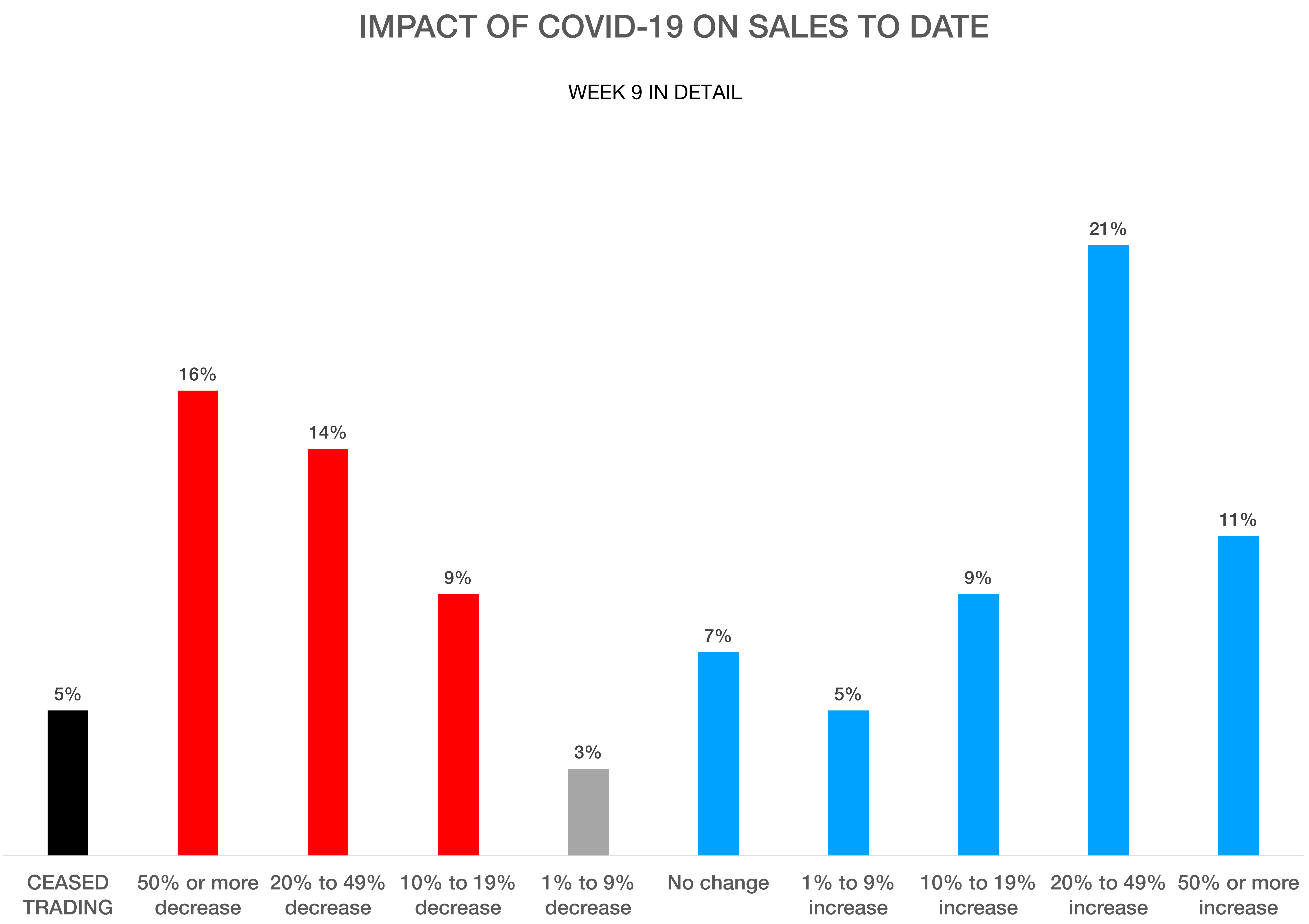
- Week to week, there has been massive change to the online market.



- This week is the most extreme, with 5% of businesses surveyed ceased trading (none at last week).

- 16% of retailers witnessed online sales decreases of greater than 50%, and 30% collectively saw worse than 20% sales decreases.

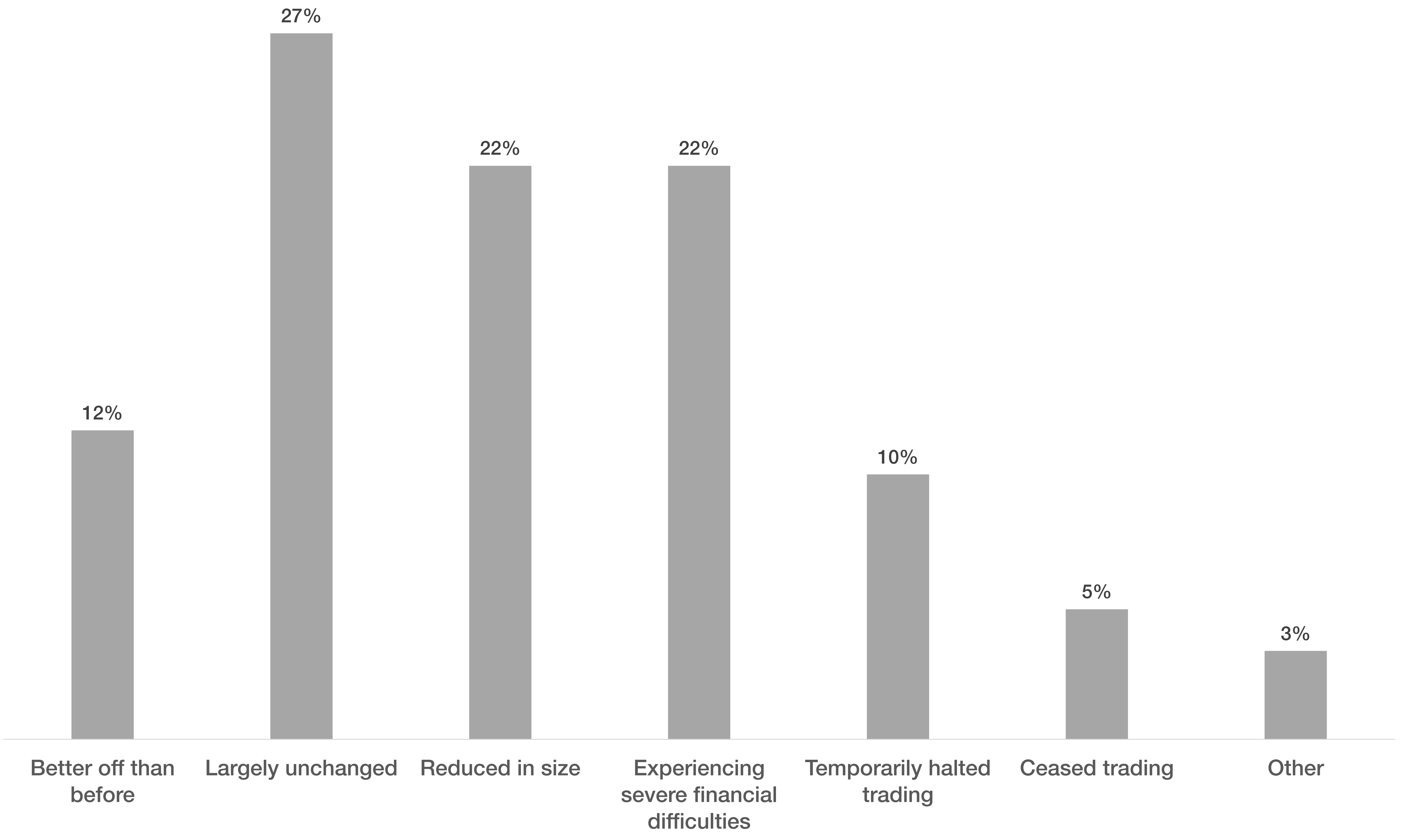
- On the flip side, more online retailers saw significant leaps in sales, with 32% recording increases above 20% (11% of those reporting increases of 50%+).



- As at 30 March, retailers are forecasting a largely grim outlook. Those who are benefiting from the boom in online shopping on essentials and household items will flourish, but 61% of businesses are predicting serious struggles ahead.

- Of those, 22% predict they will reduce in size, the same predict they will experience severe financial difficulties, and 15% believe they will either temporarily or permanently cease trading.

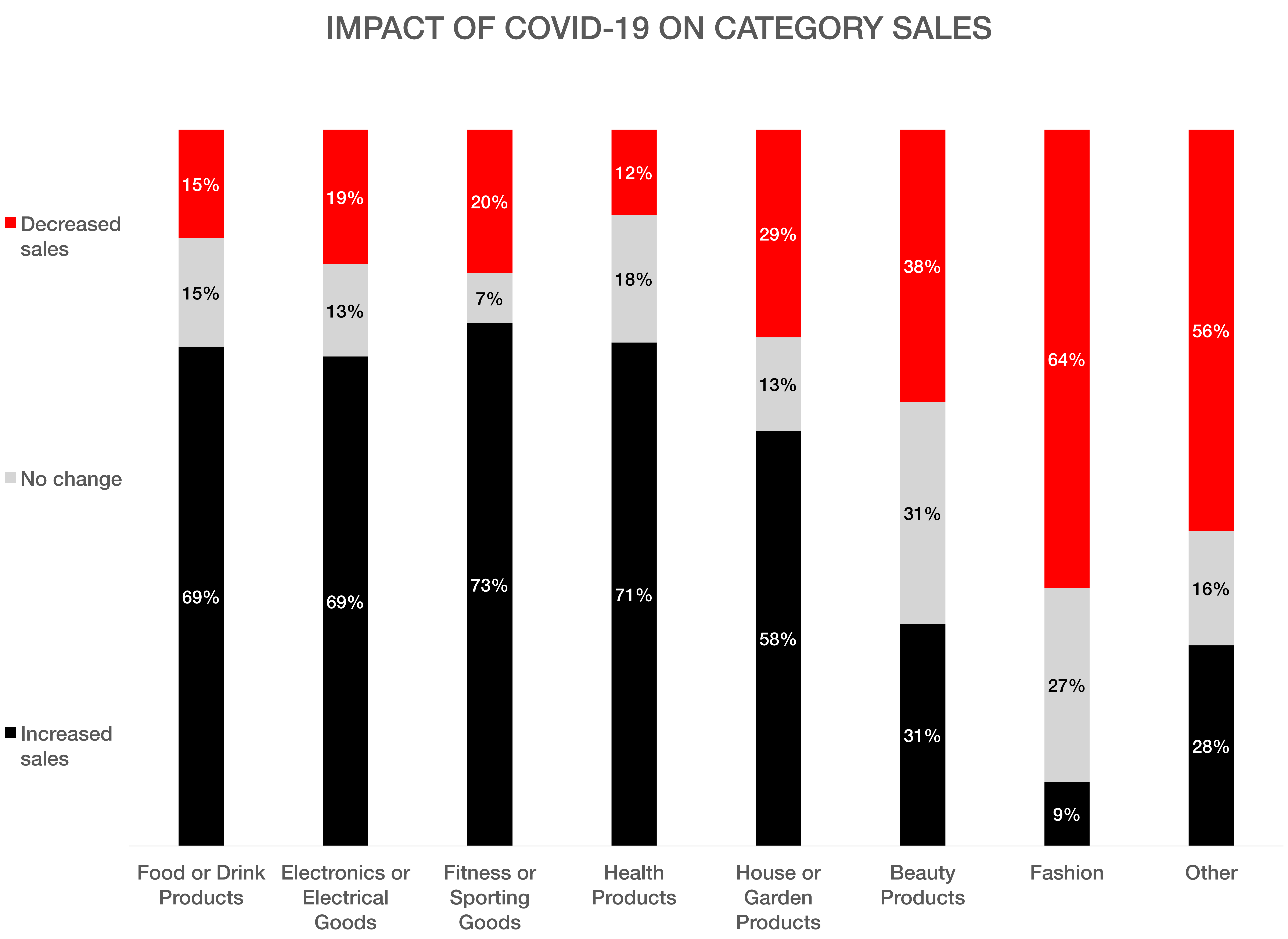
ANTICIPATED BUSINESS SITUATION IN ONE MONTHS TIME



- For the retailers themselves, the biggest decreases in sales have been reported in fashion (64%) and general merchandise (other) at 55%.

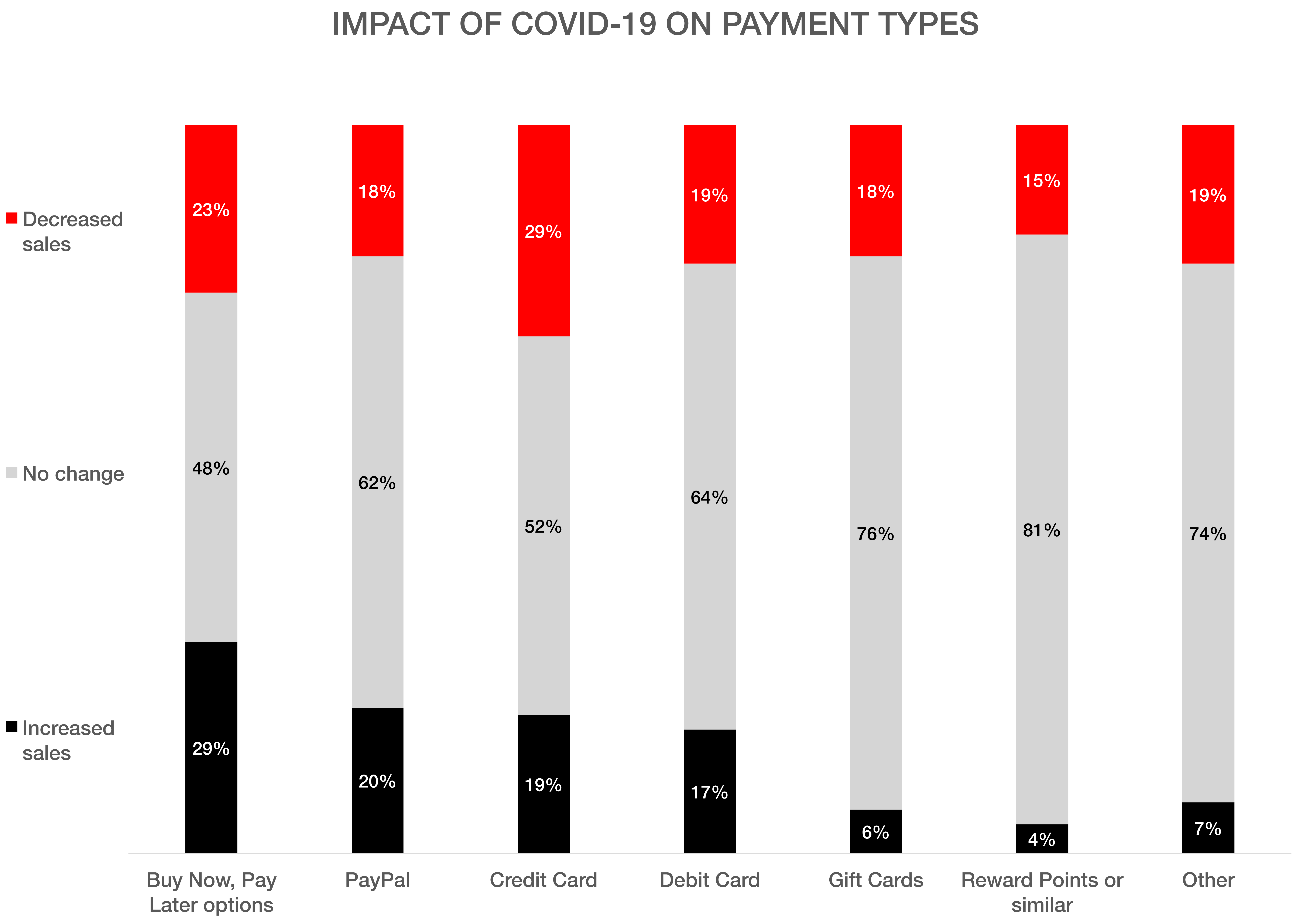
- Remarkably, 9% of fashion brands have seen an increase in sales, though this is more essential and family focused (sleepwear, underwear, kids wear).

- Electrical and Fitness/Sporting Goods have enjoyed a spike in online sales but that may only be short term driven by the rush for WFH supplies.



- As a payment type, credit cards appear to be faring the worst with online shoppers during COVID-19, with 29% reporting decreased credit card sales.

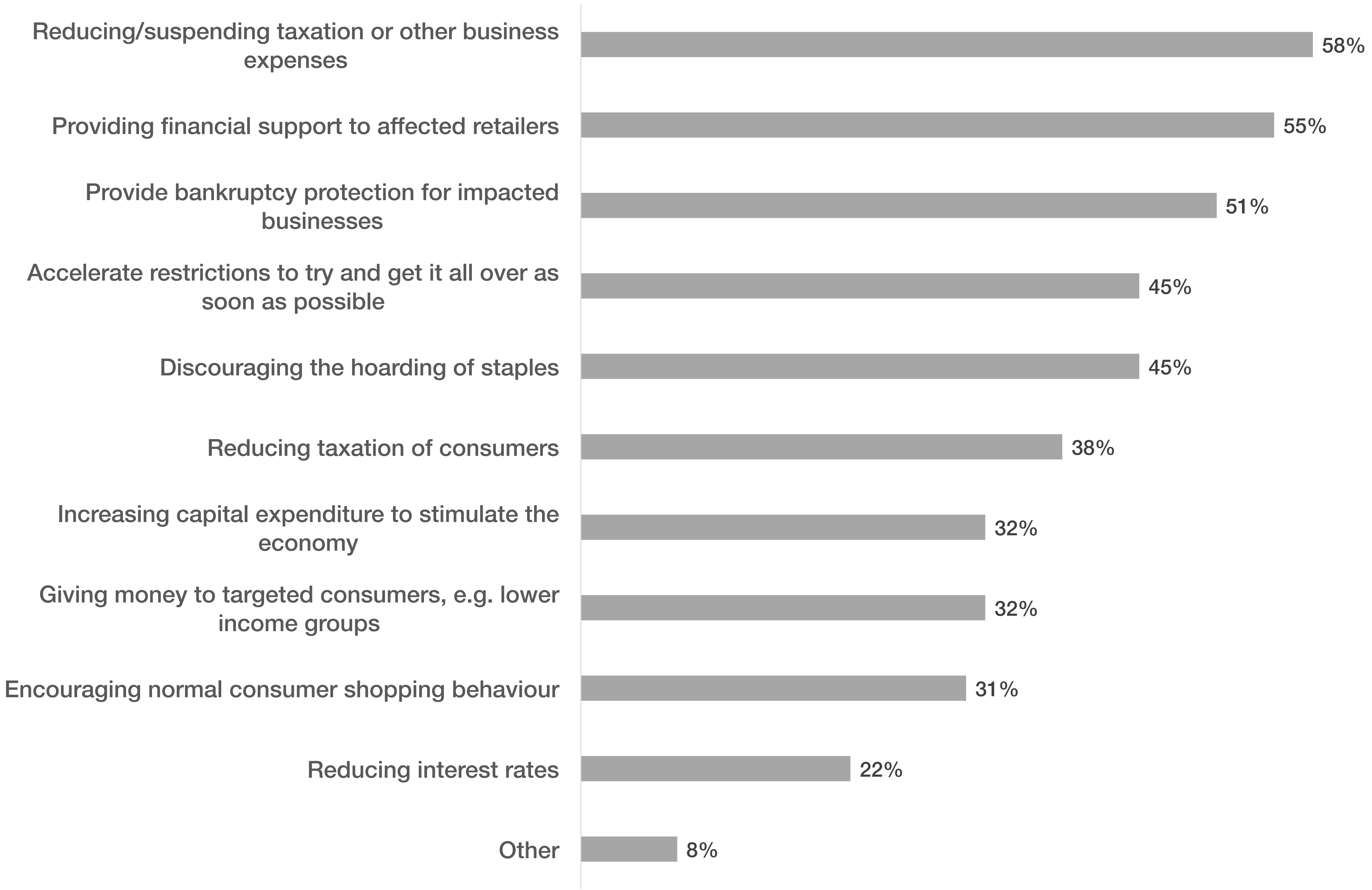
- Buy Now, Pay Later has seen the biggest increase in sales as more consumers seek to defer payments, but at the same time has also seen a significant decrease in sales as young consumers hold back on any purchases until they see secure employment.



- Tax relief and financial support from government are overwhelmingly the desired response from government for the online retail sector.

- Retailers don't see reductions in interest rates as having any impact on stimulating spending.

DESIRED GOVERNMENT RESPONSE TO COVID-19 IMPACT

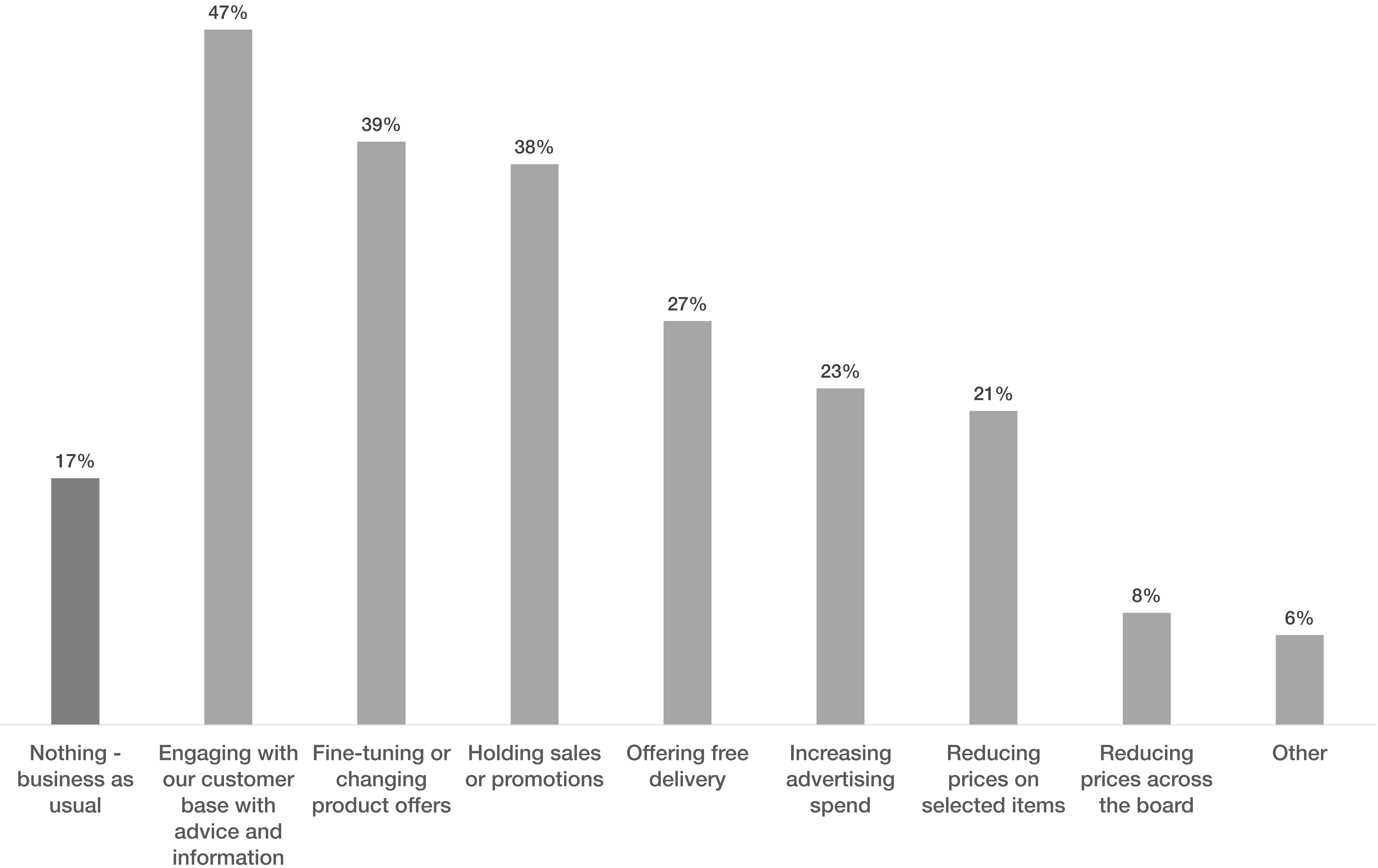


- As shockwaves flow through retail, 47% are focused on engaging with their customer base with advice and information.

- 39% are fine-tuning product offers and 38% are holding sales or promotions to entice value-conscious buyers.

- Only 23% are increasing advertising spend.

CURRENT SALES STRATEGIES



- Working through COVID-19, 72% of online retailers are reducing operating costs.

- More than half are moving head office staff to remote working.

- 39% are planning to delay capital expenditure, which will stifle growth.

OPERATING STRATEGIES MOVING FORWARD

The New Zealand Scenario – What It Means for Online Retail In Australia

- COVID-19 Level 4 alert restrictions imposed in NZ last week
- E-commerce in New Zealand closed for delivery of non-essential items
- The Ministry of Business, Innovation and Employment is grappling with definitions of essential vs non-essential
- Australia is currently at COVID-19 Level 3 restrictions, with no current guidance as to when/if we would move to Level 4
- Non-essential e-commerce represents 80% of total e-commerce spend in Australia
- A New Zealand scenario could wipe out $25bn a year minimum (annualised) of e-commerce revenue
- An April/May scenario of NZ restrictions would be a $4bn minimum hit
- Australia Post is “working with various state governments and do not believe it will be the same arrangements as NZ”

Power Retail

E-COMMERCE INTELLIGENCE

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