

Capitalising on opportunities post lockdown

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5 April 2022



COVID-19 has continued to disrupt the Australian retail market over the past year, and subsequently introduced multiple factors for retailers to consider. These include safety measures in stores, the quality of bricks-and-mortar and digital platforms against competition,

adequate staffing, ensuring they have the right support from partners, vendors and advisors, and the consideration of acquisition opportunities.

Factors to consider, together with Black Friday and Christmas coinciding with a large portion of the country emerging out of lockdown, show that the next few months will be a pivotal time for retailers. According to recent research by the Australian Retailers Association (ARA), Australians are set to spend \$11b on Christmas presents this year, with 79% of Australians spending the same or more than they did last year. However, there is bound to be some hesitancy from shoppers as COVID-19 remains in the community, particularly in Melbourne and Sydney.

At an absolute minimum retailers need to ensure their COVID-19 safety measures are up to scratch to put any customer concerns at ease. That being said, 52% of Australian consumers are expected to shop for Christmas gifts in bricks-and-mortar stores (ARA), showing there is an undeniable excitement from consumers to get back in stores. We can never be truly certain about how consumers will behave however one thing is clear – they'll be expecting something new. If excited customers show up to stores and they are exactly the same as they were 18 months ago, they will likely be a little disappointed. Because of this, brands are well-positioned to be experimental with their store designs and try something new, in competition with their neighbouring stores.

While it is more important than ever for brands to consider how they can gain competitive advantage through smart investment in their physical stores, online spending is also predicted to soar for Christmas. As such, they need to be focusing on the quality of their online platforms.

As all retailers are aware, COVID-19 significantly accelerated the wave of digital disruption for the retail sector. Long-term aspirations became short-term opportunities for retailers who wanted to build their online presence. In fact, 70.14% of retailers invested more in their digital business due to COVID-19. Organisations that did so, or those who already had an established online presence, such as The Iconic, reaped the benefits of the online sales boom.

Brands that embrace the technology movement and integrate their online platforms with their physical stores, for example, through click-and-collect, are positioned to thrive. Another great example comes from businesses, such as Accent Group, who converted their stores into “dark stores” – fulfillment sites for online orders. This proved to have many benefits, such as keeping staff employed, and getting online orders to customers more efficiently.

As we open up, these businesses need to ensure they're ready for in-person shoppers, as well as maintaining the fulfillment centre capability they successfully built during lockdown. On the other hand, many retailers were forced to downsize internal teams during the pandemic to save cash where possible.

The recent lockdowns in Victoria and New South Wales, and the absence of JobKeeper and other support, were a tipping point for those who were already strapped for cash. As we come

out of lockdown and into the busy period, it'll be a pivotal moment for these retailers, and it is essential they are correctly staffed and have the right partners, vendors and advisors to provide support. There are just as many huge retail success stories coming out of the pandemic, as there are retailers who have struggled.

It's because of this that M&A activity is expected to ramp up as we settle into "COVID Normal". There are huge opportunities for businesses who have thrived during the pandemic to acquire, or partner with, less advantaged players. Now is the time for these retailers to get their house in order and be on the lookout for acquisition opportunities, as they will inevitably arise.

Having a trusted advisor is critical to help retailers navigate such turbulent times. Customers are keen to shop – so retailers need to put their best foot forward to capitalise on the opportunities that emerging from lockdown brings.

[1]. <https://blog.retail.org.au/newsandinsights/countdown-to-christmas-australians-set-to-spend-over-11-billion-on-gifts>

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