



CommBank
Retail Insights.

Edition 2



Contents

Key insights	3
State by state view	6
Customer experience	7
Online and physical retail is converging	8
Why customer experience matters	9
Room for improvement	10
What creates a great customer experience?	11
Most are ready to invest more	13
Personalisation	15
How much difference does personalisation make?	16
Accurate data is critical	18
Female leaders in retail	19
Loyalty programs	21
Loyalty programs are on the rise	22
Rewarding loyal customers	23
Driving immediate sales or building a relationship of trust?	24
Optimising your customer contact strategy	25
Sector insights	26
Clothing & Footwear	27
Food & Liquor	28
Homewares & Hardware	29
Other Retail	30





Key Insights: Customer experience is king.

In this edition of CommBank Retail Insights we explore the factors that go into creating a high quality customer experience across channels, then evaluate the potential benefits of personalisation and loyalty schemes.

Key insights

Welcome to the second edition of CommBank Retail Insights — an in-depth analysis of the state of the Australian retail sector and the emerging trends set to transform the face of the industry over the years ahead.

During the six months since our first report, business conditions have tightened noticeably. While only 21% of retailers expect conditions to decline over the next year, the number expecting them to improve has fallen from 37% in the second half of calendar 2015, to 31% in 2016. In part, that caution is likely to have been driven by factors like ongoing pricing pressure, the continuing trend of overseas retailers entering the market, and a recent dip in consumer spending growth, with the Commonwealth Bank Business Sales Indicator falling 0.7% in trend terms in March, after declines in February and January. Yet it also reflects the changing nature of retail in Australia and the challenges businesses face in responding to rapidly shifting consumer demand.

Our research shows that pure play online retailers are significantly more optimistic than their multichannel peers, with 46% expecting

an improvement in conditions, compared to just 28% among multichannel businesses. It also reveals the reason why: consumers are continuing to move rapidly online and into mobile — and the most upbeat retailers are embracing this shift.

The percentage of all sales generated online has risen three percentage points in just six months, from 35% to 38%, with multichannel retailers seeing a four point increase from 18% to 22%. Mobile transactions are up even further as a percentage of online sales, from 18% to 23%. And expectations for future online and mobile spending are also higher. Retailers forecast online sale volumes to grow by an average of 24% over the next year, with mobile sales making up 35% of the total online volume in a year's time. So it's unsurprising that ecommerce is the biggest area of technology spend across the industry, with 17% of businesses making it their number one investment priority over the next 12 months.

More broadly, our research shows that the most optimistic retailers are those who have taken control of their own destiny, rather than looking to external economic conditions to

drive sales growth. When asked why they expected conditions to improve, the optimists were more likely to cite internal factors, like business growth initiatives and new product lines or sales channels. Whereas those who anticipated worsening conditions tended to blame economic conditions, a competitive market, or other external influences. The lesson? You control your own destiny, and you can take steps today to create better conditions for your business.

One way in which many businesses are seeking to capture new sales is by opening new sales channels — either physical or virtual. Bricks and mortar retailers and multichannel retailers are doing more online as customer preferences evolve. At the same time, emboldened digital retailers are opening physical stores to provide a tangible experience and drive further activity online. Even in the digital age, customers still need to touch and experience goods before they buy them, to confirm quality, comfort, and fit.

The common theme in both trends is an attempt to optimise the customer experience across channels, while responding to

changing customer demands. And customers increasingly want to shop in a variety of ways, at a time and place that suits them. Meanwhile, as geographical boundaries fall, the best performing and most innovative retailers set the standard for everyone else.

In this edition of CommBank's Retail Insights, we explore the importance of customer experience across channels, and identify the factors that help the best performing retailers create a consistently outstanding experience, however customers choose to engage with them. We also examine two key experience strategies in detail: personalisation and loyalty schemes. Our research shows that both can be highly effective — but it also confirms that only a small proportion of retailers are realising their full potential.

If you'd like to learn more about how you can put these insights into practice in your own business, please get in touch with our team of retail specialists.

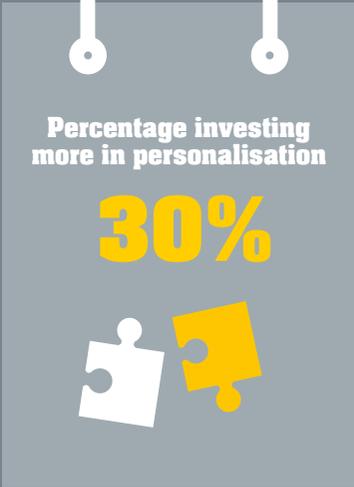
Jerry Macey
National Manager, Retail Industry
Commonwealth Bank of Australia

About CommBank Retail Insights

CommBank Retail Insights is an exclusive, wide-ranging analysis of the Australian retail sector. This edition is based on:

- An online survey of 1,000 consumers in January 2016, carried out by Edelman Intelligence on behalf of the Commonwealth Bank.
- Quantitative online research conducted by ACA Research, using online panels and publisher databases, including databases from Inside Retail, Intermedia and Retail Media. ACA's surveys were conducted between 4 February and 8 March 2016 and involved a total of 382 decision makers from small, medium and large retailers

across Australia, with turnover ranging from less than \$1 million to over \$500 million. Results have been categorised into four key retail sectors: Homewares & Hardware; Food & Liquor; Clothing & Footwear; and Other Retail.



State by state view



WA



SA and NT



Qld



NSW and ACT



Vic and Tas

Forecast business conditions over the next 12 months

	<ul style="list-style-type: none"> ▲ 17% improve ▬ 46% stay the same ▼ 37% decline 	<ul style="list-style-type: none"> ▲ 25% improve ▬ 47% stay the same ▼ 28% decline 	<ul style="list-style-type: none"> ▲ 32% improve ▬ 48% stay the same ▼ 20% decline 	<ul style="list-style-type: none"> ▲ 34% improve ▬ 46% stay the same ▼ 20% decline 	<ul style="list-style-type: none"> ▲ 34% improve ▬ 50% stay the same ▼ 16% decline
--	---	---	---	---	---

Impact of fluctuating dollar

	Suppliers have increased prices: 80% We've increased prices: 55%	Suppliers have increased prices: 70% We've increased prices: 44%	Suppliers have increased prices: 77% We've increased prices: 55%	Suppliers have increased prices: 73% We've increased prices: 42%	Suppliers have increased prices: 71% We've increased prices: 48%
--	---	---	---	---	---

Customer experience performance

	Extremely good: 31% Good: 54% Poor: 14%	Extremely good: 33% Good: 50% Poor: 17%	Extremely good: 31% Good: 61% Poor: 7%	Extremely good: 24% Good: 49% Poor: 26%	Extremely good: 34% Good: 45% Poor: 21%
--	---	---	--	---	---

Personalisation and loyalty programs

	Personalisation is important: 54% Have a loyalty program: 60%	Personalisation is important: 33% Have a loyalty program: 53%	Personalisation is important: 59% Have a loyalty program: 30%	Personalisation is important: 50% Have a loyalty program: 40%	Personalisation is important: 56% Have a loyalty program: 48%
--	--	--	--	--	--

Focus areas

	Social media: 49% Loyalty programs: 43% Data & Analytics: 31% Ecommerce: 29%	Loyalty programs: 39% Social media: 31% Ecommerce: 22% Network expansion: 22%	Social media: 37% Personalisation: 37% Ecommerce: 31% Loyalty programs: 31% Network expansion: 31%	Ecommerce: 53% Loyalty programs: 48% Social media: 44% Internal staff: 33%	Social media: 39% Ecommerce: 39% Loyalty programs: 37% Personalisation: 27%
--	---	--	--	---	--



Customer experience: Creating a true omni- channel experience.

As the lines blur between online and physical retailers, the best performers are building a sustainable competitive advantage by creating a consistently high quality experience across channels.

Customer experience

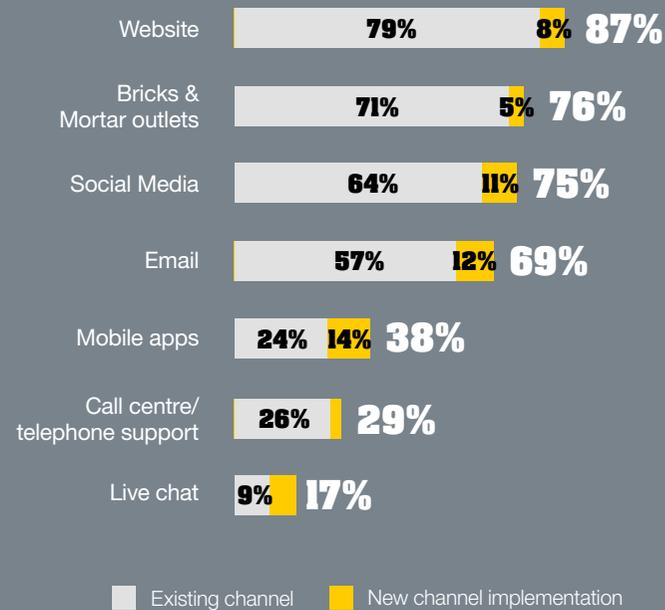
Online and physical retail is converging

The drive towards true omni-channel retailing is picking up pace, with both online and physical businesses seeking to extend their reach into new territory. Overall, 40% of retailers are looking to open at least one more channel in the next 12 months.

At a time when even Amazon is unveiling physical stores, around one in five pure play online retailers plan to open bricks and mortar stores in the year ahead. 12% are looking to create a social media presence, while both online and multichannel players are moving into mobile. Meanwhile, 48% of existing multichannel retailers intend to increase their investment in e-commerce, while another 44% plan to spend more on social media.

Retailers continue to expand the range of channels they offer

Which channels do you use today or plan to introduce in the next 12 months?



As a result of this trend, the average number of channels per retailer has increased from 3.1 to 3.3 in just six months. Websites are still the most popular channel, used by 79% of retailers, closely followed by physical stores (71%) and social media (64%). While opinions differ on the value of a dedicated app over a mobile-optimised website, the proportion of retailers offering apps has also risen, and is expected to rise further in the year ahead. Nonetheless, only around one in four retailers (24%) currently has a dedicated app, suggesting that many have yet to identify ways to unlock the additional benefits an app provides.

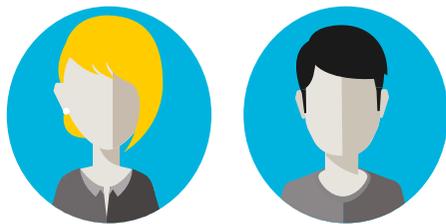
Customer experience

Why customer experience matters

As online and physical retailers move into one another's territory, it becomes increasingly difficult to stand out from the crowd. So how do you differentiate yourself in this rapidly converging marketplace?

Our research suggests the key is to create an exceptional customer experience across channels, and in doing so, become a true omni-channel brand. The aim is to create a seamless, sustainable high quality experience, regardless of which channel your customers choose.

The benefits of customer experience can be tangible and in-reach for all businesses within the industry. Thirty-seven per cent of retailers who believe they provide an extremely good customer experience expect to grow their sales online over the next 12 months, compared to just 16% of poor performers. Similarly, the best performers were more likely to have increased sales through their customer experience strategy (39%) or personalisation (40%). Only by creating targeted loyalty programs could businesses with poorer customer experience ratings achieve similar levels of sales growth.



Retailers have significantly increased sales with:

	Customer experience performance		
	Extremely good	Good	Poor
Customer experience strategy	39%	22%	17%
Personalisation	40%	23%	17%
A loyalty program	43%	29%	46%

Customer experience

Room for improvement

Of course, most retailers understand the importance of customer experience in winning customers, driving sales and creating repeat business. Eighty-three per cent say that customer experience is very important to their business strategy, with only 5% rating it at less than 7 out of 10 in terms of importance.

Yet many are still struggling to put theory into practice, leaving substantial room to improve.

Asked to rate their own business' customer experience out of 10, only 30% awarded themselves a score of 9 or 10, while one fifth gave themselves 6 or less. Pure play online retailers were more likely to rate themselves highly, with 42% saying they provide an extremely good experience, 16 percentage points ahead of their multichannel competitors. That suggests that creating a consistently high-quality experience in-store remains challenging.

Only 30% of businesses offer an extremely good experience

How do you think your customers would rate the experience provided by your business?



“Inconsistent service delivery, silos within the business and a lack of data or technology with a single view of the customer hinders service standards.”

Homewares & Hardware multichannel retailer, Vic/Tas, turnover >\$10M+

Customer experience

What creates a great customer experience?

Creating a consistent experience across channels means getting many things right, and there is no single formula for success. Nonetheless, our research reveals that the best performing businesses tend to have a number of features in common.

The high performers — those who rate the experience they offer as extremely good (9 or 10 out of 10) — show a deep commitment to optimising the customer experience, with 96% nominating it as a key part of their business strategy. Most see personalisation as an important part of their operations.

Compared to their peers, these high performers are much less likely to see a lack of resources as a barrier to creating the high

quality experience they seek. But that doesn't mean they are all sizeable, well-resourced businesses with large amounts to invest.

In fact, smaller retailers with a turnover under \$10m tend to outperform on experience, reflecting the challenges of maintaining consistent and personalised customer interactions as you add scale. And high performers are also much more likely than their peers to have a high proportion of female executives, with an average of 47% women in leadership roles compared to 35% among more poorly performing peers — further evidence that gender diversity brings concrete benefits in business performance.



“We provide one-on-one service for individual customers if they require it. This is to set us apart from large retail stores where customers are expected to self-serve.”

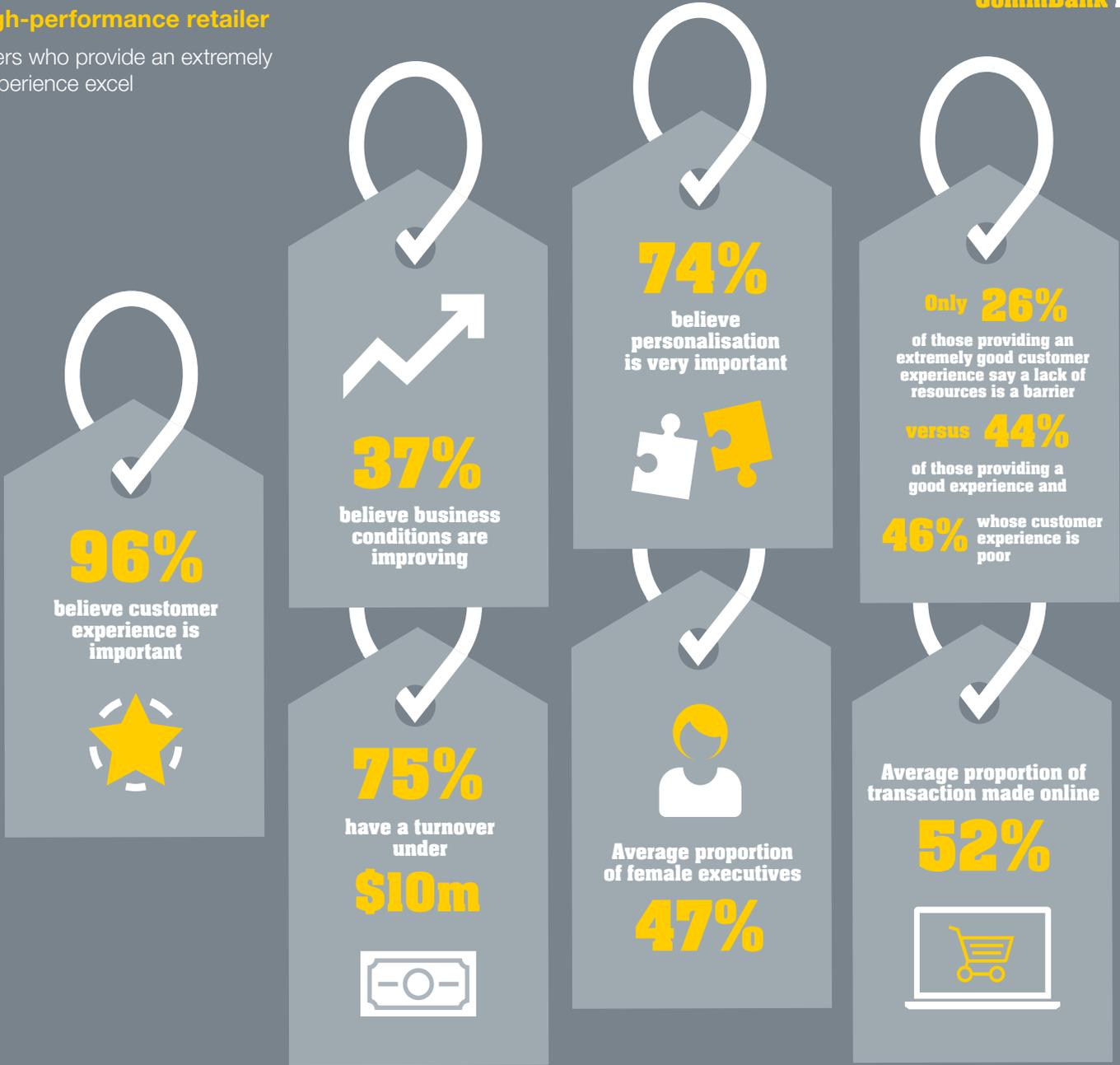
Pure-play online retailer, NSW/ACT, turnover <\$10m

“Retailers who lean into the challenges of an ever-changing marketplace are more likely to meet evolving customer demand and provide an outstanding experience.”

Jerry Macey, National Manager, Retail Industry,
Commonwealth Bank

Portrait of a **high-performance retailer**

Areas where retailers who provide an extremely good customer experience excel



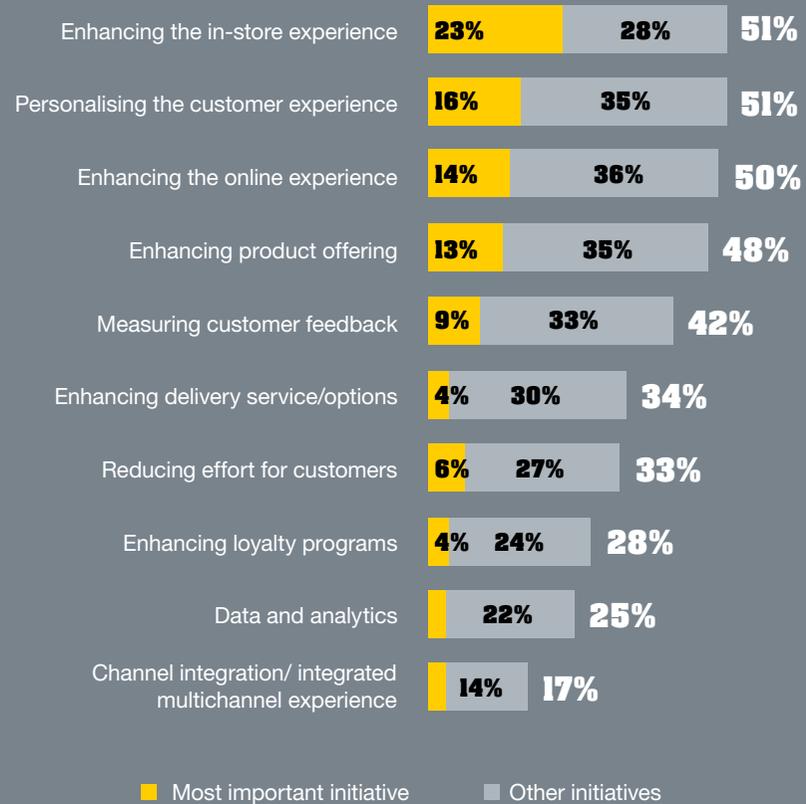
Customer experience

Most are ready to invest more

Whether online or multichannel, most businesses are planning to invest in a wide range of customer experience initiatives over the year ahead. Across the industry, enhancing the in-store experience is the number one priority, reflecting both the challenges of creating a memorable experience in a physical store and the competitive threat other channels represent.

The in-store experience is a priority

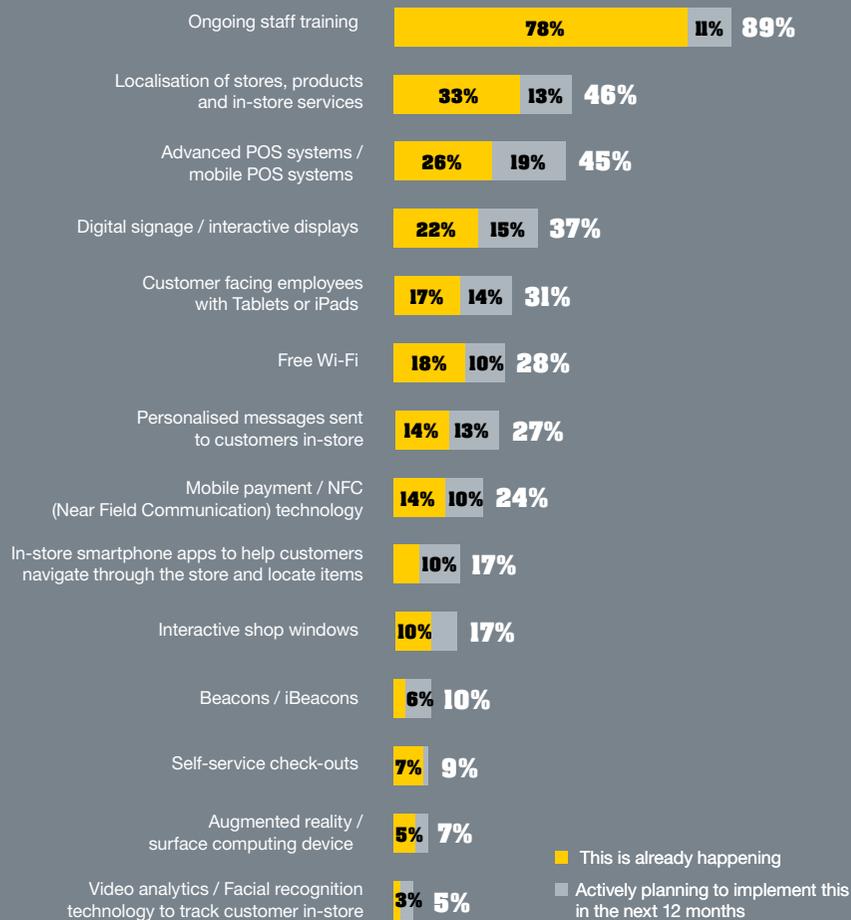
What are your key initiatives for improving the customer experience over the next 12 months?



Customer experience

Skilled staff are critical in store

Which of these strategies do you use or intend using to enhance the **in-store** customer experience?



Once again, an outstanding in-store performance depends on getting many factors right — from making each store unique with localised products and services, to improving the experience at the checkout with advanced point of sale systems. But overwhelmingly, those seeking to enhance customers' experience in-store are focused on training their staff to provide a consistently high quality service. It seems that even in an online and mobile world, great staff and a strong culture are essential criteria for success.



“You can’t provide a great experience if you’re not getting the basics right. Without good product, position and people all the rest is built on sand. Investing in people is a smart move for retailers, however they go to market.”

Jerry Macey, National Manager, Retail Industry,
Commonwealth Bank



Personalisation: Making every customer interaction unique.

Providing a more personalised customer experience can significantly lift sales. Yet many businesses still find it hard to acquire and leverage the data they need, particularly as they add scale.

Personalisation

How much difference does personalisation make?

While one in two businesses agree that personalisation is very important for high quality customer interactions, not everyone is equally convinced. Food & Liquor retailers, in particular, are likely to place a lower strategic priority on personalisation, preferring to devote resources to developing better stores (54%) and measuring feedback (49%) before creating a personalised experience (43%).

In contrast, Clothing & Footwear retailers are highly focused on offering a completely personalised experience, with 66% agreeing personalisation is very important and 71% saying that personalisation initiatives will be a key part of their strategy in the next 12 months.

Overall, one in two businesses (52%) see personalisation as critical to their customer experience strategy over the year ahead, including 16% of businesses who plan to make it their number one priority.

Personalisation is key

How important is personalisation to your customer experience strategy?

■ Not important at all ■ Not very important ■ Quite important ■ Very important



Impacting sales

What impact has personalisation had on your sales revenue?

■ No measurable impact ■ Increased sales slightly (1-10%) ■ Increased sales significantly (Over 10%)



The potential gains are significant. Almost two-thirds of retailers (65%) believe personalisation strategies have helped to increase sales, with 28% saying they have boosted sales significantly. Among the most successful in reaping the benefits of personalisation are Clothing & Footwear retailers (with 43% recording a significant rise in sales) and pure play online stores (41%).

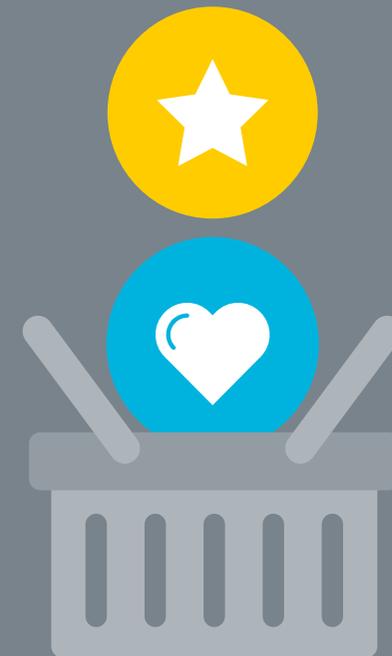
Personalisation

The value of personalisation

What consumers say about personalisation



Source: CommBank Retail Therapy Study, January 2016.



“We are trying to give our customers good old fashioned service, where they are made to feel like a friend and valued customer, not a faceless stranger on the end of a computer or device.”

Homewares & Hardware multi-channel retailer, WA, turnover <\$10M

Personalisation

Accurate data is critical

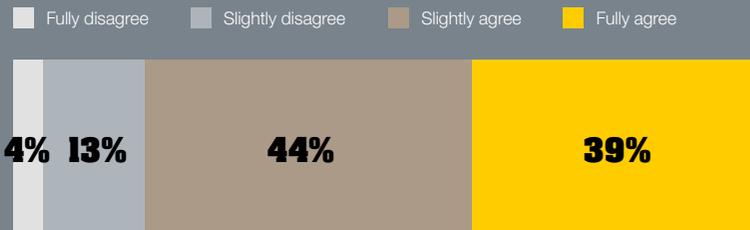
The strong performance of digital stores reflects the critical role of accurate customer data in enabling businesses to provide a genuinely individual experience, particularly as they add scale. Once customers are identified, online retailers have a natural advantage in their ability to track and record every customer action, then use it to personalise future interactions.

Yet even when customers interact with online channels, our research shows that a lack of high quality data remains a key barrier to effective personalisation, with 83% of all businesses agreeing that it stops them achieving the level of personalisation they might otherwise offer. Interestingly, that includes 87% of businesses who already have loyalty programs, although two thirds of those businesses state that they use their program data for personalisation purposes. Rather than indicating that loyalty programs are ineffective as a source of data, this may simply underline the challenges of using them effectively and the importance of focusing on data collection and data accuracy during program design.

Nonetheless, one thing is clear: customer transaction data is the single most important source of information for personalisation, underlining the value of a technologically sophisticated point of sale system and a partner who can provide analytical support in using that data effectively.

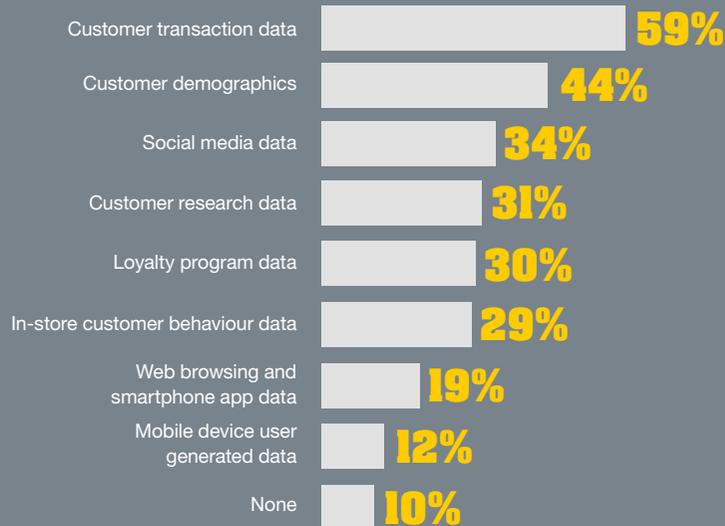
Data remains a key barrier

Is data accuracy a significant barrier to personalisation in your business?



Transaction data is a key enabler

What data do you use to personalise content, products or services?





**Female leaders
in retail.**

Female leaders in retail

The retail industry is one of the top five employers of women in Australia, and 54.5% of retail employees are female¹. Our survey also revealed an industry average of 41% female executives, well above the 23.3% typical across Australia's top 2,000 companies². But that doesn't mean there isn't room for improvement.

The larger the retail business, the fewer women executives it is likely to have. So, while one in two leaders in businesses with a turnover under \$1m is a woman, that number shrinks to just 31% at the big end of town, in companies with a turnover of \$500m or more.

That lack of gender diversity is likely to be impacting their performance for the worse. Our research shows a clear correlation between the percentage of women executives in a business and its success across a range of business metrics, including business confidence, personalisation, effectiveness in loyalty

programs and — most strikingly — customer experience. Retailers who offer an extremely good customer experience have an average of 47% female executives, compared to just 35% among those whose customer experience is poor.

Launa Inman is a Non-Executive Director of the Commonwealth Bank and a former CEO and Managing Director of some of Australia's largest retail companies, including Billabong, Target and Officeworks. She says both findings tally with her own experience.

"Other than Sally McDonald [at Big W] there isn't a single woman running a large retail brand in Australia. Yet women are the shoppers who influence the buying decisions," she says.

"I believe there is an unconscious bias. It's hard to believe there are so many good women in the lower ranks, but that there's no one suitable to run the company."

"I also think women do not manage their careers as well as they could. With retailing, it is difficult to be in a senior role part time. It is a personal choice but it is often hard for some women when they need to travel overseas on business or work weekends when they are officially working part time."

"Also women often do not put themselves forward for promotion or for job opportunities. It is important that if they really want something and you have the capacity to do it, then "ask". The worst thing that can happen is that the company says no. You do not have it anyway so you have nothing to lose."

"Men are better at doing this and they do not take rejection as personally."

Yet Inman also believes that when women make it to the top, they often create a better experience for the customer because they truly understand their needs.

"Most consumers are women. If you have women involved at a senior level they have a better idea of what consumers want," she says. "They understand how people shop".

"At Target, we knew that if we could keep a woman in the store for another 20 minutes she would probably buy something else," she says.

"I used to listen to what women were saying while they were walking around the store shopping. They would often talk to me, thinking I was another consumer. I would get great feedback. Managers should do more of that."

"One of the down sides of technology is that you get so much data that you can be tempted to not go to the "coal face" and walk stores enough. Only by doing that can you truly know what the customer is experiencing."

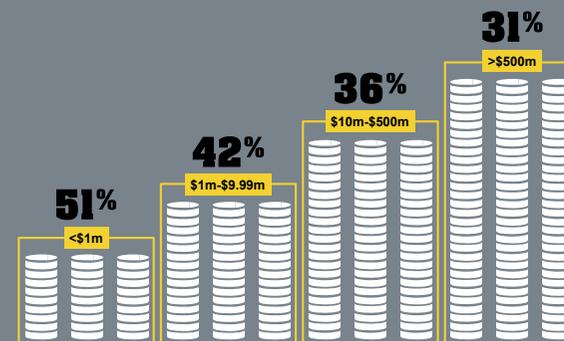
Excerpts from an interview with Launa Inman

Non-Executive Director
Commonwealth Bank of Australia

1. Workplace Gender Equality Agency, Gender composition of the workforce: by industry, 2015.
2. IBISWorld, Women on the long way to the top, 2015.

The larger the business, the fewer female executives

Average percentage of executives who are female By Business Turnover





Loyalty programs: Driving sales with exclusive benefits and customer- centric design.

By 2017, two-thirds of retailers will offer loyalty programs — but many are yet to unlock all of the benefits they can provide.

Loyalty programs

Loyalty programs are on the rise

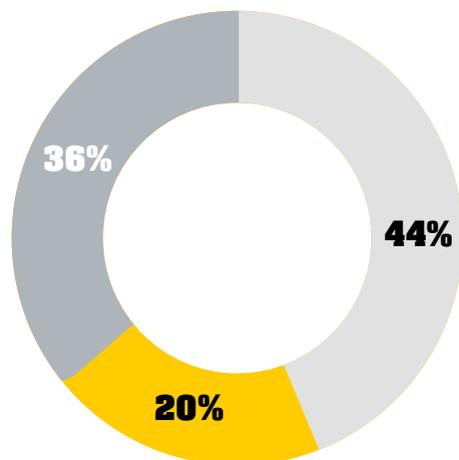
In a crowded marketplace, loyalty programs are increasingly popular with retailers as a technique for differentiating their businesses from their competitors, driving additional sales and keeping customers coming back for more. The next year is likely to see two-thirds of businesses offering loyalty programs to their customers, with 20% of retailers introducing new programs, joining the 44% who already have programs in place.

Overall, 41% of retailers will increase investment in loyalty programs over the next 12 months, making it the second highest investment priority for both online and multi-channel retailers.

By 2017, most retailers will have a loyalty program

Do you give your customers the opportunity to join a loyalty program?

- Yes
- No and no plans to do so in the next 12 months
- No, but we will implement on in the next 12 months



Customers love loyalty programs

What consumers say about loyalty programs



Source: CommBank Retail Therapy Study, January 2016.

Loyalty programs

Rewarding loyal customers

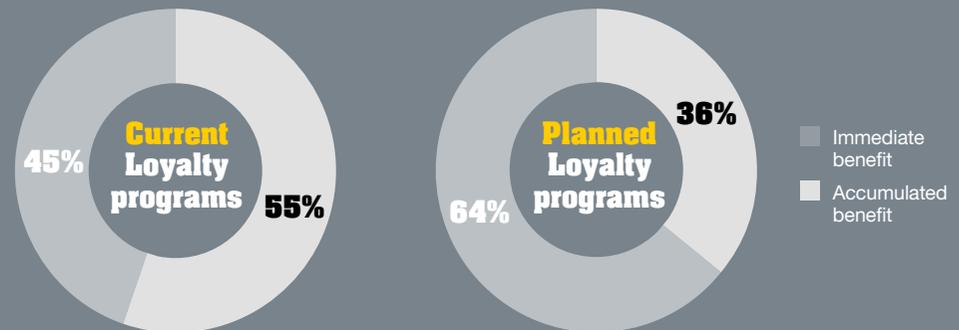
But even as more businesses seek to leverage the potential of loyalty programs, the nature of those programs is shifting. In the past, most programs were focused on rewarding and incentivising return business, requiring customers to accumulate points before they could access discounts and other benefits. In contrast, two-thirds of new programs offer customers an immediate benefit, often at the point of sale during a transaction.

This appears to reflect both changing consumer demands and a more competitive environment, with retailers vying to offer the most attractive program. But it also runs the risk that businesses are sacrificing margins to drive volumes without significant gains in loyalty or trust.

One in two programs offers discounts in-store, while around one in five offer mobile discount coupons. However, more than half provide VIP benefits like exclusive access to pre-season showings — experiential benefits that are better calculated to drive long-term brand loyalty.

Immediate benefits are increasingly popular

When joining your program, do customers get an immediate benefit or have to accumulate points?



Special offers and VIP benefits

What does your loyalty program offer?



Loyalty programs

Driving immediate sales or building a relationship of trust?

The reasons for offering loyalty schemes typically fall into two groups: driving immediate sales, often at a discount; or gathering data to better understand and personalise the customer experience. Nonetheless, many programs seem designed to meet the needs of retailers rather than customers. Less than 40% want to better understand customers' wants and needs through their scheme. Only around one in five businesses say their reason for building a loyalty scheme is to align their business with future customer behaviour — to build a relationship of trust and create a community of engaged members, rather than selling on price alone. With 74% of consumers telling us that they will stay loyal to a business that personalised their experience, this seems like a large omission for retailers.

Data comes second to sales

Which of these reasons are most important to you in offering a loyalty program?



- 63%** Encourage customers to spend more / more often
- 61%** Retain existing customers
- 45%** Attract new customers
- 25%** Keep up with competitors
- 25%** Differentiate from competitors



- 39%** Better understand the overall needs and wants of customers
- 37%** Better personalise / customise the customer journey
- 32%** It's the most effective way of collecting customer data
- 22%** Build predictive models of future customer behaviour and align business accordingly

“The majority of retailers are looking through the wrong end of the telescope. By focusing on outputs, in the form of sales, they risk missing the less tangible inputs that drive longer-term performance.”

Jerry Macey, National Manager, Retail Industry, Commonwealth Bank

Loyalty programs

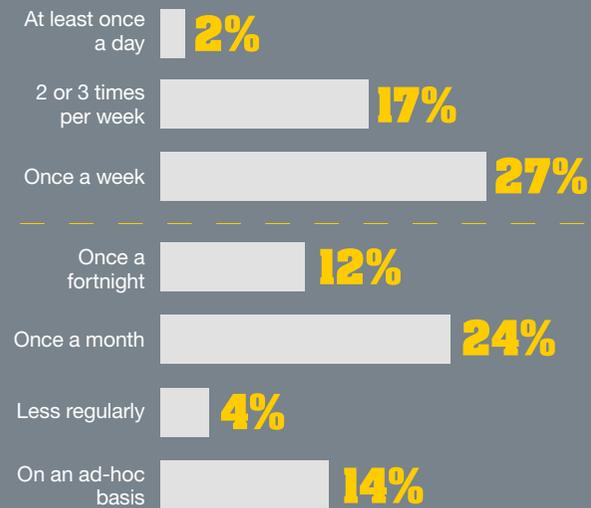
Optimising your customer contact strategy

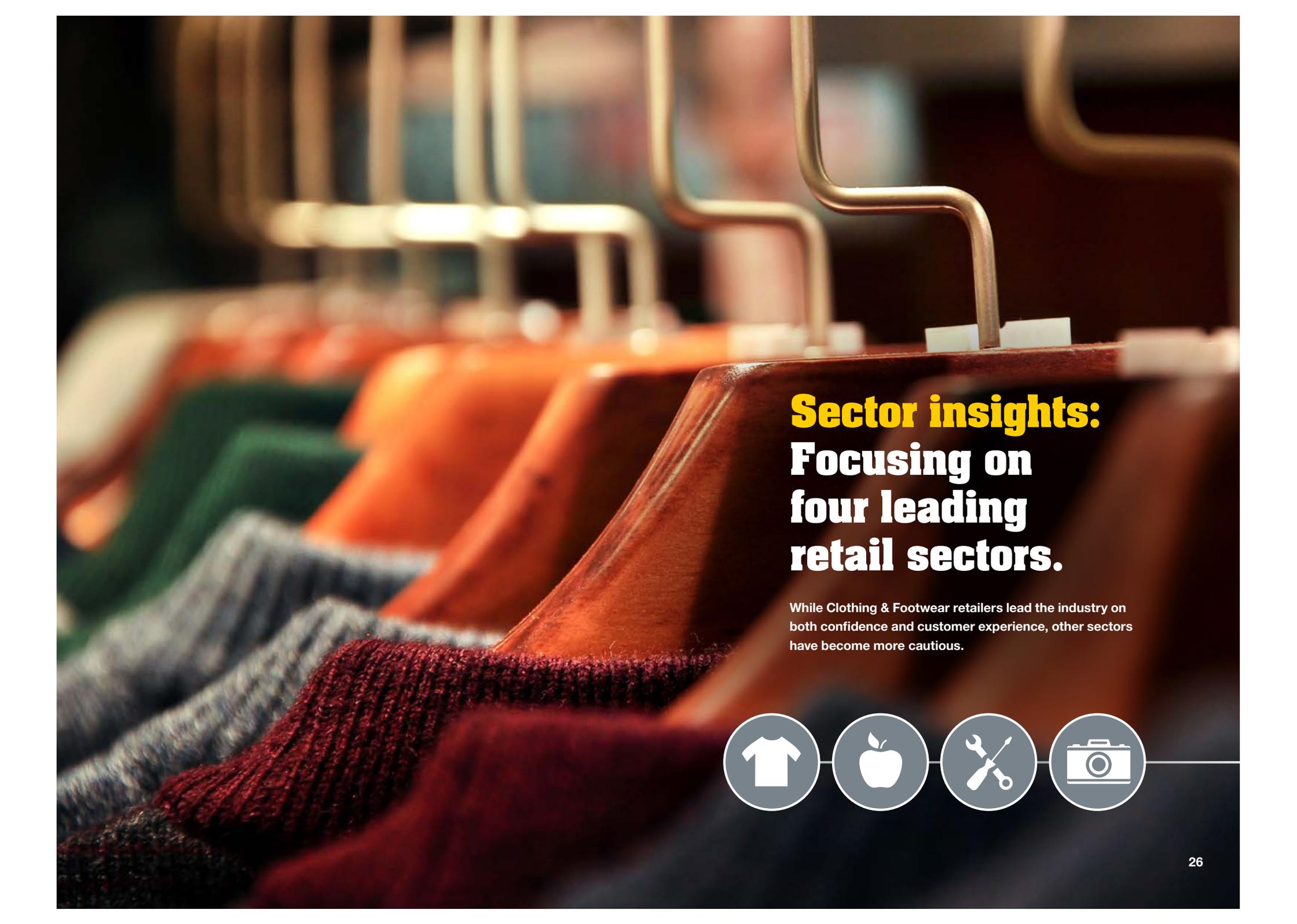
With most loyalty programs powered by email, getting your contact strategy right can be the difference between success and failure. Many retailers see frequent contact as the key to higher sales, with almost half (46%) emailing program members at least once a week, and 10% of online retailers contacting them at least daily.

Yet our research suggests that it is the quality of customer contacts, rather than their frequency, that does most to enhance the customer experience and thus drive loyalty and future sales. In fact, it seems that too much contact can be counter-productive. Only 38% of business with an extremely good customer experience email loyalty program members once a week or more, compared to 54% of poor performers. When it comes to email, it seems, less can be more.

Too much contact can be counter productive

How often do you send emails to loyalty program members?





Sector insights: Focusing on four leading retail sectors.

While Clothing & Footwear retailers lead the industry on both confidence and customer experience, other sectors have become more cautious.





▲ **41%**

Forecast conditions to improve

45%

Forecast conditions to stay the same

Sector insights

Clothing & Footwear

Outlook

Optimism remains high in the Clothing & Footwear sector, with 41% of retailers anticipating better conditions ahead.

Forecast business conditions over the next 12 months

H2 2015

▲ 40% improve

– 47% stay the same

▼ 14% decline

H1 2016

▲ 41% improve

– 45% stay the same

▼ 14% decline

Customer experience

Clothing & Footwear retailers are confident that they are managing and delivering a positive customer experience.

76% have advanced customer experience management in place

36% provide extremely good customer experience

Personalisation

The sector ranks the highest for personalisation, with many retailers making effective use of customer data.

71% use personalisation to improve customer experience

71% harness customer transaction data

Loyalty programs

Over half of businesses have a loyalty program, to retain existing customers and encourage a bigger spend.

53% of fashion retailers have a loyalty program

For **69%**, their loyalty program aims to encourage customers to spend more

Focus areas

Fashion businesses are focused on capturing more online sales and driving repeat business through loyalty programs.

Investment priorities over the next 12 months

e-Commerce: 59%

Loyalty programs: 58%

Social media: 49%

New channels planned

Mobile apps: 12%

Email: 11%

Website: 10%



▲ **23%**

Forecast conditions to improve

47%

Forecast conditions to stay the same

Sector insights

Food & Liquor

Outlook

Confidence is easing in the Food & Liquor sector following the Christmas rush with more businesses predicting a decline in conditions than six months ago.

Forecast business conditions over the next 12 months

H2 2015

▲ **37%** improve

– **43%** stay the same

▼ **20%** decline

H1 2016

▲ **23%** improve

– **47%** stay the same

▼ **30%** decline

Customer experience

Food & Liquor remains focused on providing a positive customer experience, but only a minority feel they do this very effectively.

67% consider customer service to be very important

16% provide extremely good customer experience

Personalisation

Food & Liquor has the lowest investment in personalisation, with less than half considering it very important to their overall strategy.

Personalisation is very important to **41%** of businesses

43% have initiatives to increase personalisation

Loyalty programs

Many Food & Liquor retailers offer loyalty programs to reward and retain their existing customers.

51% have a loyalty program

71% use their loyalty program to retain existing customers

Focus areas

Loyalty programs are the number one investment priority for the sector, although one in three are also seeking to become more active on social media.

Investment priorities over the next 12 months

Loyalty programs: 37%
Social media: 33%
e-Commerce: 26%

New channels planned

Email: 16%
Social media: 14%
Website: 14%



▲ **33%**

Forecast conditions to improve

48%

Forecast conditions to stay the same

Sector insights

Homewares & Hardware

Outlook

While remaining one of the most confident sectors, confidence in the Homewares & Hardware sector is easing.

Forecast business conditions over the next 12 months

H2 2015

▲ **40%** improve
— **47%** stay the same
▼ **12%** decline

H1 2016

▲ **33%** improve
— **48%** stay the same
▼ **19%** decline

Customer experience

The vast majority of Homewares & Hardware retailers consider customer experience to be extremely important yet only one in three rate highly the experience they offer.

85% consider customer experience to be very important
36% provide extremely good customer experience

Personalisation

Over half of businesses place importance on personalisation, harnessing insights from customer data.

52% consider personalisation very important to their customer experience strategy
53% harness customer transaction data

Loyalty programs

Despite recognising their importance in encouraging customer spend, the sector has the lowest number of retailers offering a loyalty program.

39% have a loyalty program
61% use their loyalty program to encourage customers to spend more

Focus areas

Homewares & Hardware businesses see social media as a key opportunity, with many also seeking to boost their ecommerce capabilities.

Investment priorities over the next 12 months

Social media: 41%
e-Commerce: 34%
Personalisation: 27%

New channels planned

Email: 15%
Mobile apps: 14%
Social media: 11%



▲ **28%**

Forecast conditions to improve

50%

Forecast conditions to stay the same

Sector insights Other Retail

Outlook

The Other Retail sector includes a range of categories highly dependent on discretionary consumption, including bookshops, music, entertainment and recreational goods. Confidence remains relatively low, with the number of businesses expecting improved business conditions slipping to less than one-third.

Forecast business conditions over the next 12 months

H2 2015

▲ **32%** improve

— **46%** stay the same

▼ **22%** decline

H1 2016

▲ **28%** improve

— **50%** stay the same

▼ **22%** decline

Customer experience

A majority of retailers recognise the importance of an excellent customer experience, but only one-quarter feel they provide this.

82% consider customer experience to be very important
27% provide extremely good customer experience

Personalisation

Only half of other retailers are focused on personalising the customer experience.

48% of businesses have initiatives to personalise the customer experience
50% consider personalisation very important to their customer experience strategy

Loyalty programs

While many recognise their importance in retaining existing customers, these retailers have a low rate of loyalty programs offered relative to other sectors.

39% of other retailers have a loyalty program
64% use their loyalty program to retain existing customers

Focus areas

Ecommerce is a key priority for Other Retail businesses, which are also among the most likely to introduce mobile apps in the year ahead.

Investment priorities over the next 12 months

e-Commerce: 43%
Social media: 38%
Loyalty programs: 37%

New channels planned

Mobile apps: 14%
Social media: 11%
Live chat: 9%



Talk to us:

Visit www.commbank.com.au/retailinsights

Call **13 19 98** to access Australian based Business Banking Specialists around the clock.

Things you should know: This report is published solely for information purposes. As this report has been prepared without considering your objectives, financial situation or needs, you should before acting on the information in this report, consider its appropriateness to your circumstances and if necessary seek the appropriate professional advice. The information in this report is based on a survey of 382 decision-makers from small, medium and large retailers across Australia, with turnover ranging from less than \$1 million to over \$500 million, and from a survey of 1,000 consumers in January 2016, carried out by Edelman Intelligence on behalf of the Commonwealth Bank. Any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of this report's compilation, but no representation or warranty, either expressed or implied, is made or provided as to the accuracy, reliability or completeness of any statement made in this report. Commonwealth Bank of Australia ABN 48 123 123 124.