OC&C RETAIL PROPOSITION INDEX 2023

RPI 2023
Shifting Horizons – *understanding the Australian retail landscape*

January 2024

OC&C Strategy consultants

uncommon sense™

THE RETAIL PROPOSITION INDEX IN NUMBERS

Global survey first launched

2010

2021 in Australia

Ratings analysed since launch

62M

Consumers surveyed in 2023

~42,500

Approx **~4,750** in Australia

Countries included in 2023 survey

9

Number of retailers rated

685

84 in Australia

What do shoppers think of *Australia's biggest retailers?*

The OC&C Retail Proposition Index answers this through a comprehensive analysis of consumer attitudes. In this year's edition of OC&C's annual Retail Proposition Index, we have asked 42,500 shoppers globally how they rate the places they shop and what drives their decisions about where and how to buy.

In its 3rd year in Australia and decade long history in other geographies, the survey is developing as an essential tool for retailers, analysts, suppliers, and investors. We hope you find it equally as valuable.

Introduction

THIS YEAR'S REPORT HAS BEEN WRITTEN AGAINST THE BACKDROP OF A CHALLENGING MARKET, WITH PRESSURE ON RETAIL MARGINS AND CONSUMER WALLETS – PARTICULARLY IN LIGHT OF THE INCREASED COST OF LIVING AND MORTGAGE STRESS BEING FELT BY A LARGE NUMBER OF AUSTRALIAN CONSUMERS.

Despite these pressures, we are encouraged by the positivity of shoppers and the ability of retailers to differentiate themselves in the eyes of customers through compelling propositions. Differentiating points of proposition have emerged as a defining driver of success this year, more so than in our previous reporting.

This report provides the rankings of this year's Australian "winners" against each area of the retail proposition and explores some of the key themes we have seen in this year's data.

Our conclusion is that winning over the next 12 months will require retailers to keep a keen eye on how retailers are delivering and communicating value for money; but importantly, this needs to be done without putting longer term programs of focus and differentiation at risk (e.g., sustainability and omnichannel service).

Moreover, retailers who are doing well cannot remain complacent as the race between national champions and international brands is increasingly competitive with Australian brands pulling ahead on a number of dimensions.

In this report…

OUR TOP 10 RETAILERS THIS YEAR:

Rank	Retailer	Shopper rating
1	Bunnings	83.3
2	Chemist Warehouse	82.5
3	Dan Murphy's	82.1
4	Mecca	80.8
5	Kmart	79.4
6	JB Hi-Fi	79.3
7	Uniqlo	79.3
8	Sephora	79.1
9	Costco	79.0
10	Officeworks	78.9

1. This year's rankings

Top of their category

HEARTS AND MINDS CHAMPIONS 2023

1. TRUST

Rank	Retailer	Shopper rating[1]
1	**Chemist Warehouse**	**82.7**
2	Bunnings	81.6
3	Dan Murphy's	80.2
4	JB Hi-Fi	79.6
5	Kmart	79.1
6	Costco	78.9
7	Big W	78.9
8	Target	78.8
9	Spotlight	78.8
10	Uniqlo	78.6

2. RELIABILITY

Rank	Retailer	Shopper rating[1]
1	**Dan Murphy's**	**84.0**
2	Bunnings	82.4
3	Naked Wines	81.8
4	Jaycar	80.6
5	Pet Circle	80.5
6	Pet Stock	80.3
7	The Iconic	80.3
8	Amcal	80.1
9	eBay	80.0
10	Sephora	79.9

3. PRIDE

Rank	Retailer	Shopper rating[1]
1	**Seed Heritage**	**81.3**
2	Witchery	81.1
3	Mecca	80.0
4	Sephora	80.0
5	Papinelle	79.7
6	Fitness First	79.6
7	Peter Alexander	79.2
8	Cotton on Kids	78.6
9	Sportscraft	78.6
10	Graysonline	78.3

PRODUCT CHAMPIONS 2023

4. PRODUCTS SUITED TO ME

Rank	Retailer	Shopper rating[2]
1	**Dan Murphy's**	**84.9**
2	First Choice	82.6
3	eBay	81.9
4	Pet Circle	81.8
5	Sephora	81.8
6	Bunnings	81.3
7	Chemist Warehouse	81.1
8	Spotlight	80.7
9	Adore Beauty	80.6
10	Mecca	80.6

5. PRODUCT QUALITY

Rank	Retailer	Shopper rating[2]
1	**Dan Murphy's**	**86.6**
2	Pet Circle	84.0
3	Sephora	83.7
4	David Jones	83.6
5	Mecca	82.8
6	Adore Beauty	82.7
7	Country Road	82.7
8	JB Hi-Fi	82.5
9	First Choice	81.9
10	Costco	81.7

6. RANGE OF PRODUCTS

Rank	Retailer	Shopper rating[2]
1	**Dan Murphy's**	**88.3**
2	Bunnings	88.0
3	eBay	87.8
4	Spotlight	85.4
5	Amazon	85.2
6	Chemist Warehouse	85.1
7	Catch	83.9
8	Mecca	83.5
9	Pet Stock	83.2
10	First Choice	82.7

CUSTOMER EXPERIENCE CHAMPIONS 2023

7. LOYALTY SCHEME

Rank	Retailer	Shopper rating[2]
1	**Best Friends**	**78.7**
2	Snap Fitness	75.7
3	Papinelle	75.5
4	Sephora	74.8
5	Naked Wines	74.4
6	Cotton on Kids	73.8
7	Witchery	73.1
8	Fitness First	73.0
9	First Choice	72.1
10	Adore Beauty	71.3

8. EASY TO SHOP

Rank	Retailer	Shopper rating[2]
1	**Dan Murphy's**	**85.4**
2	eBay	84.9
3	Pet Stock	83.2
4	First Choice	83.2
5	Adore Beauty	82.3
6	Pet Circle	82.1
7	Amazon	81.8
8	BCF	81.4
9	Sephora	81.1
10	Catch	81.1

9. CUSTOMER SERVICE

Rank	Retailer	Shopper rating[2]
1	**Amcal**	**81.3**
2	Pet Stock	81.1
3	Jaycar	80.5
4	Terry White	79.6
5	Dan Murphy's	79.3
6	Sephora	79.1
7	Naked Wines	79.1
8	Seed Heritage	79.1
9	My Pet Warehouse	78.8
10	Mecca	78.8

10. FUN TO SHOP

Rank	Retailer	Shopper rating[2]
1	**Peter Alexander**	**81.2**
2	Mecca	81.1
3	Seed Heritage	80.8
4	Cotton on Kids	79.9
5	Adore Beauty	78.1
6	Lovisa	78.0
7	Papinelle	77.6
8	ASOS	77.2
9	Costco	77.2
10	Sephora	77.1

1. Please rate [Brand] against the 13 KPCs
2. Data has been weighted based on respondent's state/territory to give an accurate representation of the National Population

Source: OC&C Retail Proposition Index 2023, OC&C analysis

VALUE AND PRICE 2023

11. VALUE FOR MONEY

Rank	Retailer	Shopper rating[1]
1	**Kmart**	**80.9**
2	Best & Less	80.8
3	eBay	80.6
4	Dan Murphy's	79.8
5	Aldi	79.8
6	Chemist Warehouse	79.4
7	Naked Wines	79.0
8	First Choice	78.6
9	Spotlight	78.4
10	Catch	78.1

12. LOW PRICES

Rank	Retailer	Shopper rating[1]
1	**Kmart**	**82.5**
2	Best & Less	80.1
3	Aldi	78.4
4	eBay	77.7
5	Chemist Warehouse	77.2
6	Naked Wines	77.2
7	Big W	76.8
8	Dan Murphy's	76.8
9	Catch	75.9
10	First Choice	75.9

SUSTAINABILITY AND 'FASHIONABILITY' 2023

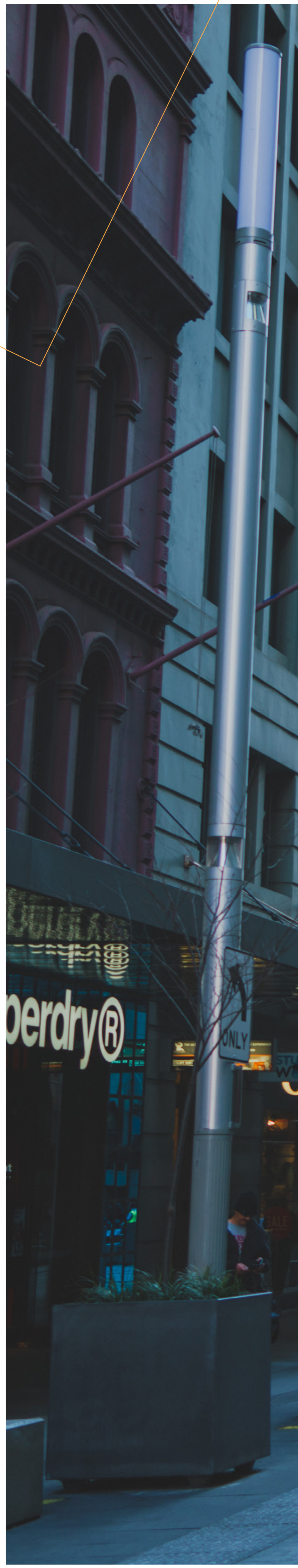
13. SUSTAINABILITY

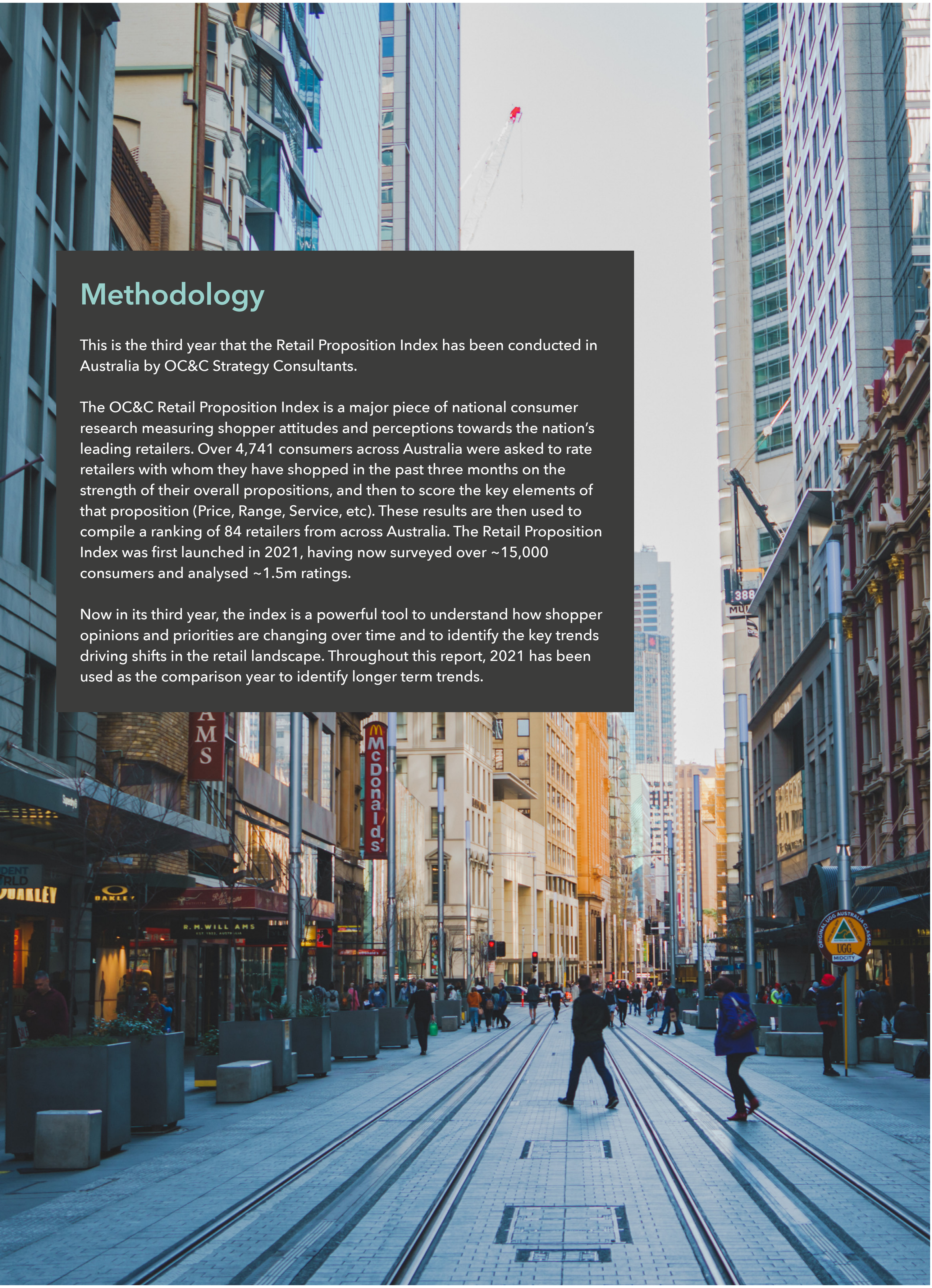
Rank	Retailer	Shopper rating[1]
1	**Papinelle**	**76.5**
2	Naked Wines	76.3
3	Seed Heritage	75.9
4	Snap Fitness	75.8
5	Sportscraft	74.5
6	Best Friends	74.4
7	Graysonline	74.0
8	Harris Farm	73.8
9	Nick Scali	73.4
10	Cotton on Kids	73.3

14. FASHIONABILITY

Rank	Retailer	Shopper rating[1]
1	**Seed Heritage**	**80.8**
2	Peter Alexander	80.0
3	Country Road	80.0
4	Lovisa	80.0
5	Cotton on Kids	79.7
6	ASOS	79.5
7	Just Jeans	79.2
8	The Iconic	78.8
9	David Jones	78.5
10	Witchery	78.4

1. Data has been weighted based on respondent's state/territory to give an accurate representation of the National Population





Methodology

This is the third year that the Retail Proposition Index has been conducted in Australia by OC&C Strategy Consultants.

The OC&C Retail Proposition Index is a major piece of national consumer research measuring shopper attitudes and perceptions towards the nation's leading retailers. Over 4,741 consumers across Australia were asked to rate retailers with whom they have shopped in the past three months on the strength of their overall propositions, and then to score the key elements of that proposition (Price, Range, Service, etc). These results are then used to compile a ranking of 84 retailers from across Australia. The Retail Proposition Index was first launched in 2021, having now surveyed over ~15,000 consumers and analysed ~1.5m ratings.

Now in its third year, the index is a powerful tool to understand how shopper opinions and priorities are changing over time and to identify the key trends driving shifts in the retail landscape. Throughout this report, 2021 has been used as the comparison year to identify longer term trends.

2. Domestic brands top *all ranking criteria and KPC polls*

DESPITE SOME OF THE INHERENT ADVANTAGES OF SCALE, EXPERIENCE, AND BRAND EQUITY THAT MULTINATIONAL COMPANIES POSSESS, AUSTRALIAN-NATIVE RETAILERS ARE MAINTAINING AND INCREASING FAVOUR AMONGST LOCAL CONSUMERS.

Domestic brands are outperforming their global counterparts in many key purchasing criteria in aggregate and hold the top spots in all 14 dimensions measured. As of 2023, local players occupy 75% of the top 10 rankings in each KPC category.

The success of domestic brands appears to be attributable to their deep understanding of their consumers. They are attuned to the unique needs and preferences of Australian shoppers, reflected in their superior performance in areas such as shopping experience, trust, customer service, product quality, and reliability.

In most retail categories, the highest rated 'Favourite' domestic player outranks their closest global competitor with particularly strong leads in Household & Furniture, Health & Beauty, and Liquor. In Sports & Outdoor and General Merchandise Rebel Sport and Grays Online have also stolen 2021 leads from Kathmandu and eBay.

Where global players are carrying a lead, their leads are tightening as domestic players edge up.

In Clothing & Footwear, brands like Peter Alexander and Seed Heritage have made significant strides in customer service and shopping experience, while others, such as Country Road, Witchery, and The Iconic, have seen gains in product quality, product suitability, reliability, and sustainability.

Similarly, amongst General Merchandisers, Catch, Grays Online, Harvey Norman, and Kogan have gained ground on Amazon and eBay in sustainability and product quality.

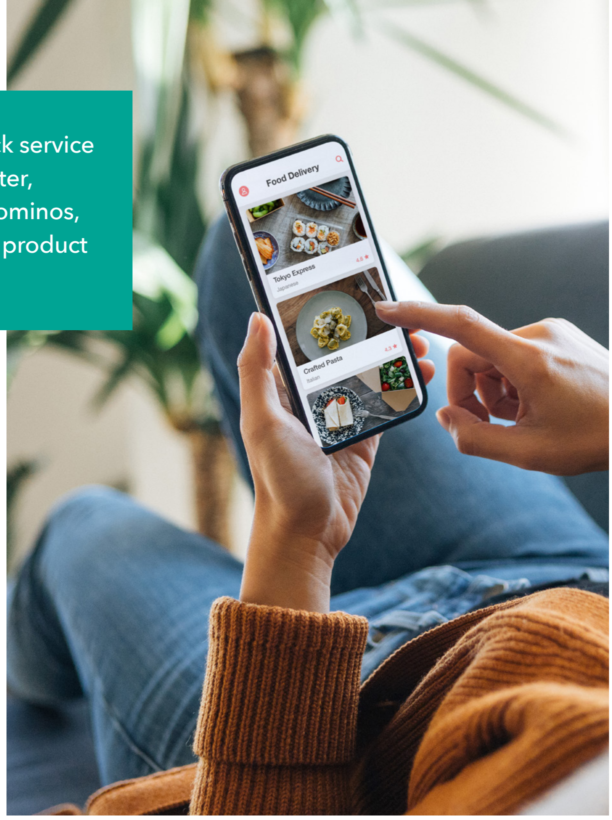
As of 2023, homegrown Australian retailers occupy 75% of top 10 rankings in each KPC category.

> Interestingly, one of the sectors that remains staunchly domestic is quick service restaurants. Within quick service restaurants, Australia's GYG, Red Rooster, and Zambrero are all rated notably higher than international players Dominos, Hungry Jacks, McDonalds and KFC. Their biggest wins were in service, product quality, loyalty schemes, fun shopping, and sustainability.

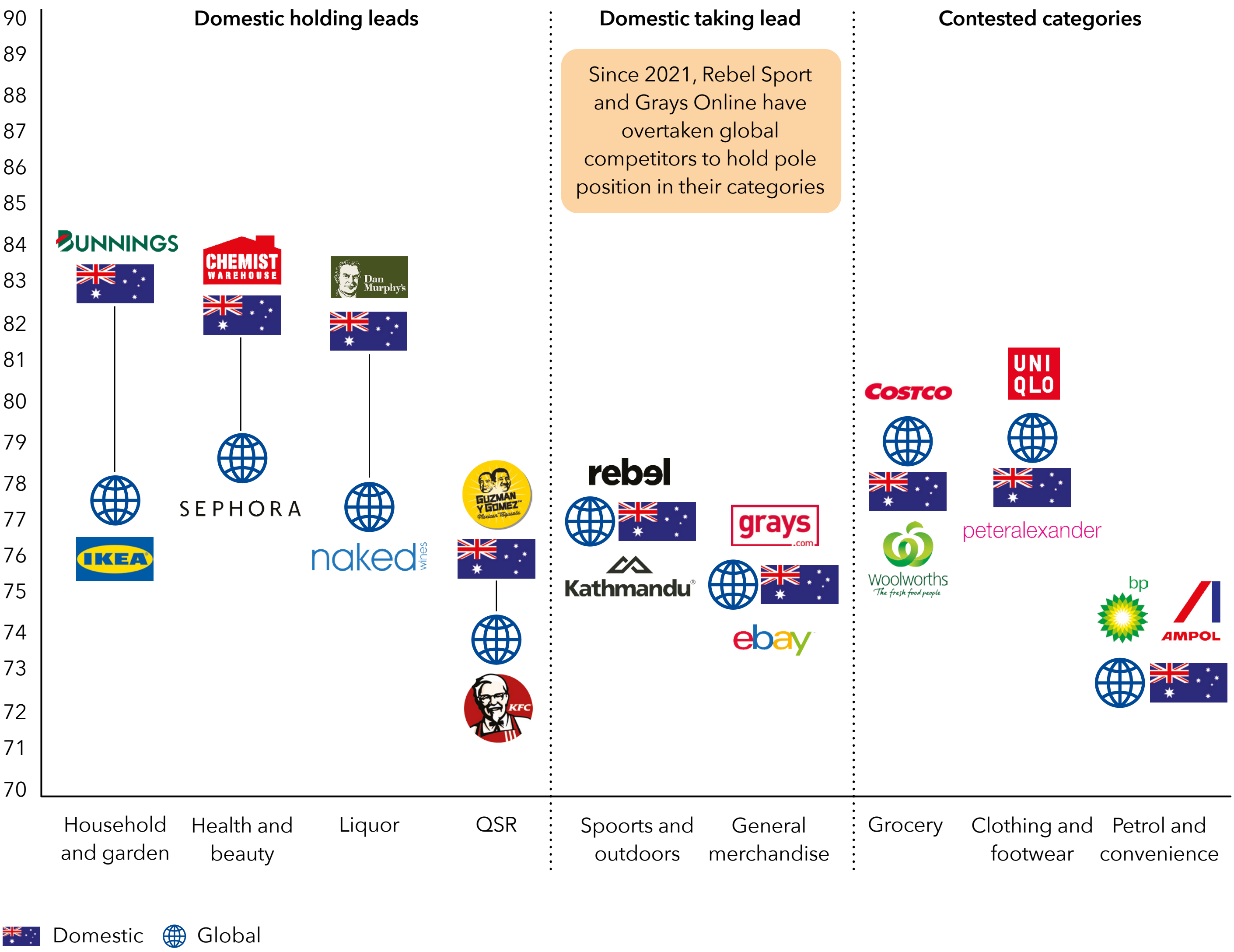
These trends highlight Australia's strong preference for brands that are tailored to the unique needs of the local market and a customer-centric approach to service. Australian shoppers consistently rate local brands as superior in:

- Shopping Experience
- Customer Service
- Product Quality & Suitability
- Loyalty Schemes

A reminder that the front lines of customer interaction should remain a top priority for retailers and that consumers are savvy to product quality.



TOP DOMESTIC AND GLOBAL BRANDS BY RETAIL CATEGORY[1,2], 2023



1. Considering everything you know about the following brands / retailers, what is your overall opinion of each?
2. Categories without a Global Brand are not included in this chart

Source: OC&C Retail Proposition Index 2023, OC&C analysis

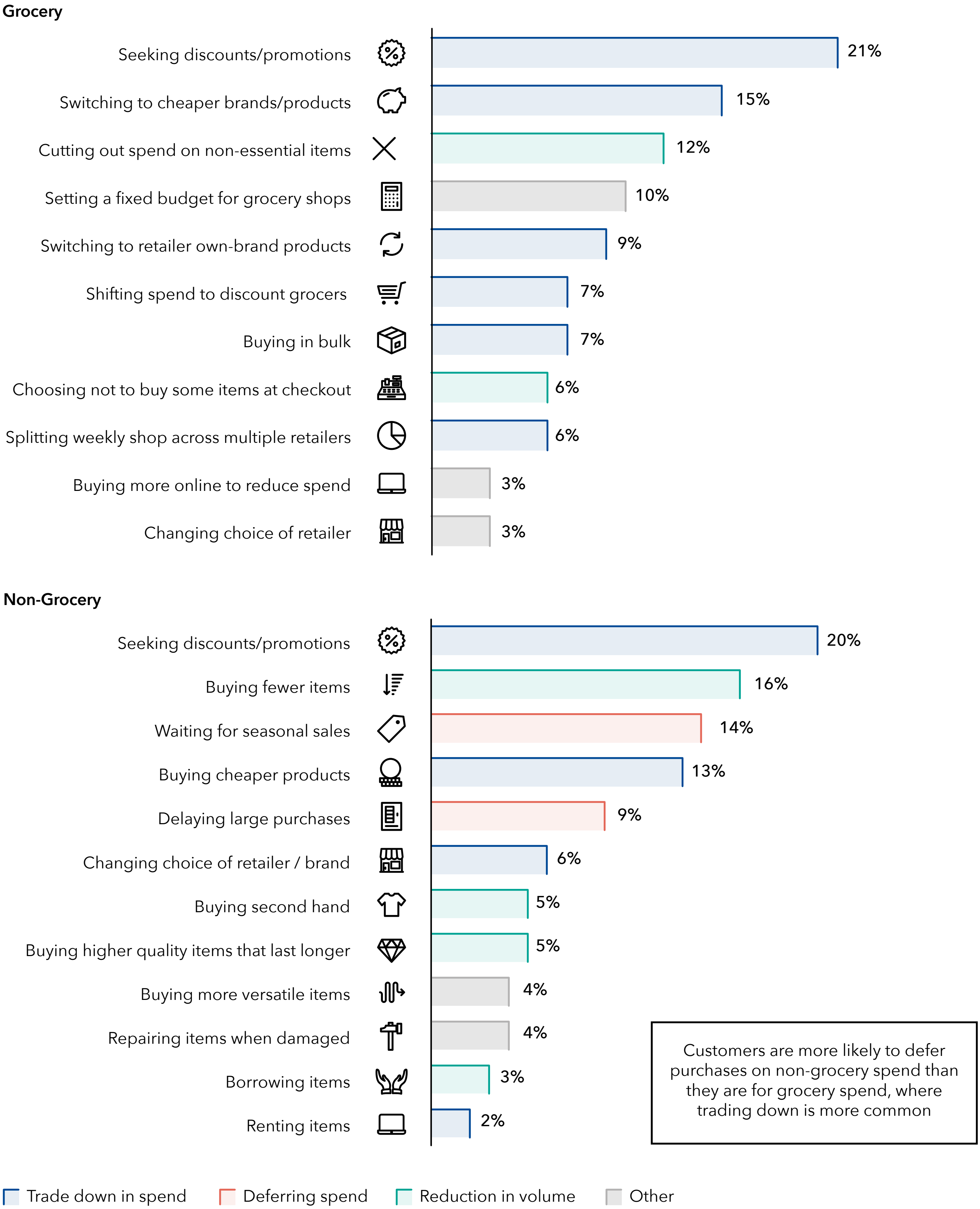
3. Changes and impacts *of consumer spending and shopping habits*

AS CONSUMER CONFIDENCE WANES, CONTRACTING SPEND WILL BE SPREAD UNEVENLY; BENEFICIARIES ARE EXPECTED TO INCLUDE OMNICHANNEL, VALUE, AND PREMIUM PLAYERS.

In the context of inflation and higher interest rates, consumers are becoming increasingly price conscious and modifying their behaviour accordingly.

Consumer confidence is waning with survey respondents reporting lower comfort with making major purchases such as homes and cars from previous years. Shoppers anticipate spending less, buying fewer items, and postponing purchase decisions.

EXPECTED CHANGE IN SPENDING BEHAVIOUR VS LAST YEAR[1],
AU 2023 (% Respondents)



1. When shopping for CATEGORY this year, how do you expect your behaviour to change vs 2022? Please rank your top 3. Only respondents purchasing category in last 3 months. Excluding None / Other.

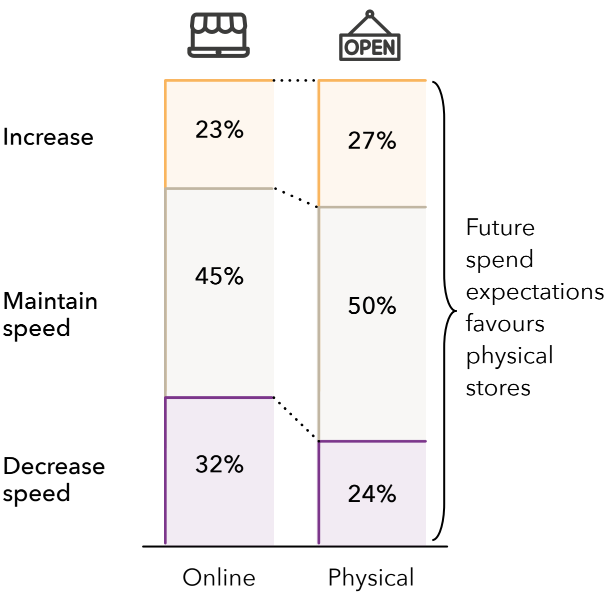
Source: OC&C Retail Proposition Index 2023, Desk Research, OC&C analysis

They also anticipate shopping in-person more as the convenience of physical stores allows them to find the products they want, touch and feel the products, and return items more easily. This shift favours omnichannel retailers, particularly in Australia where the 10 'Favourite Retailers' are trusted omnichannel players rated highly for the ease of shopping and reliability.

EXPECTED CHANGE IN SPEND BY CHANNEL IN NEXT 12 MONTHS[1]

AU, 2023 (% Respondents)

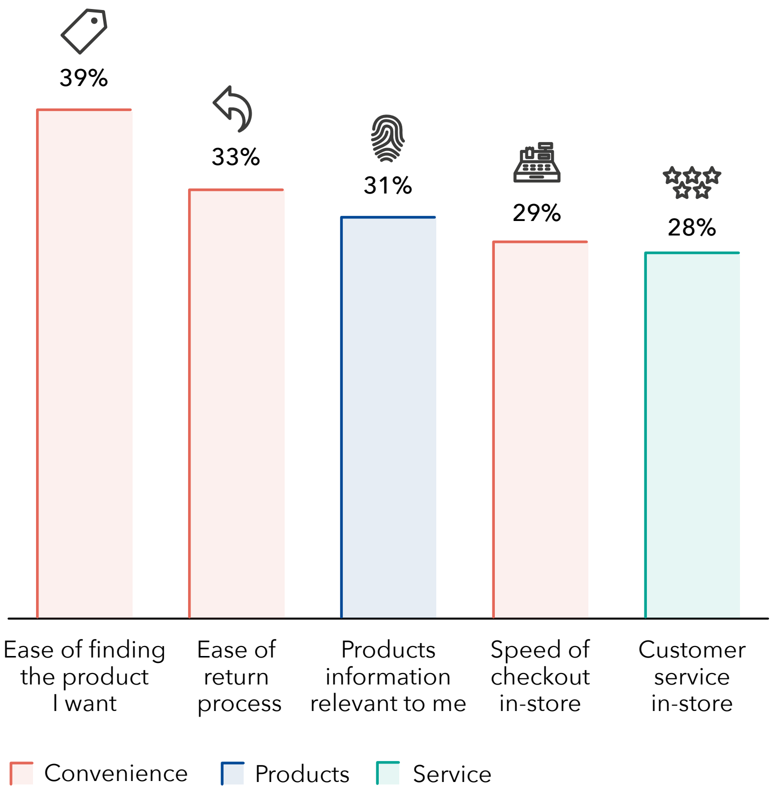
Consumer spending is likely to favour in-person stores rather online



PHYSICAL SPACE USE CASES[2,3]

(Global 2023)

Physical stores are most valued for convenience: finding, swiftly buying, and returning products

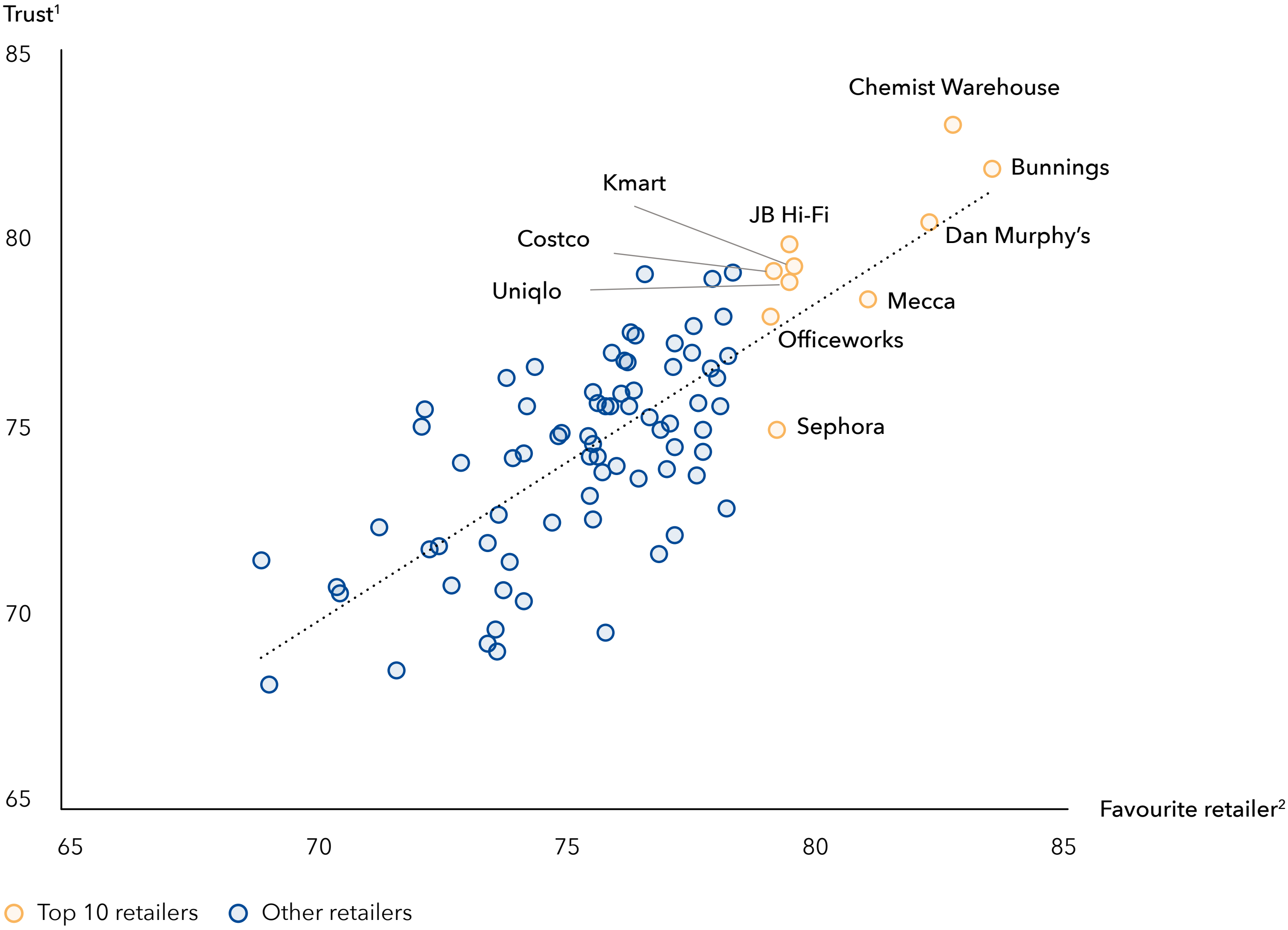


1. Looking forward for the next 12 months, how do you think your spend in different purchase channels is likely to be different relative to the last 12 months?
2. You said you shopped in-store from BRAND in the last 3 months. How would you rate BRAND on each of the following?
3. Correlation of store experience KPCs with Easy to Shop brand rating

Source: OC&C Retail Proposition Index 2023, OC&C analysis

TRUST X FAVOURITE RETAILER REGRESSION

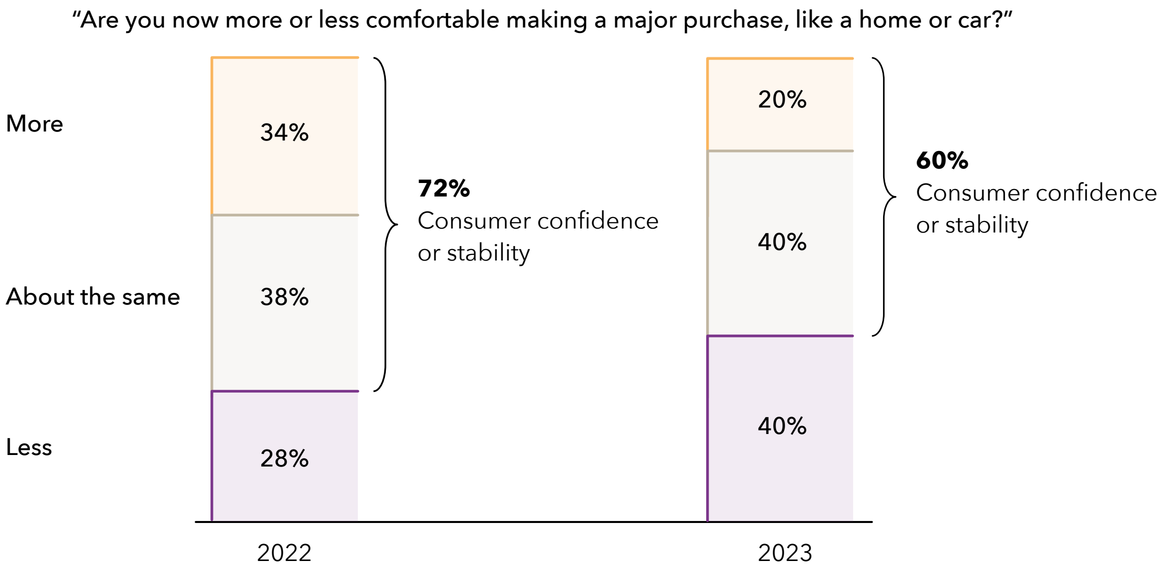
Trust and Favourite Retailer Correlations (Australia, 2023)



1. How much do you trust the following brands/retailers?
2. Considering everything you know about the following brands/retailers, what is your overall opinion on each?

Source: OC&C Retail Proposition Index 2023, OC&C analysis

CONFIDENCE IN MAKING MAJOR PURCHASES VS 6 MONTHS AGO[1], **AU,** 2022-23, (% Respondents)



1. Compared to 6 months ago, are you NOW more or less comfortable making a major purchase, like a home or car?
2. Looking forward for the next 12 months, how do you think your spend in different purchase channels is likely to be different relative to the last 12 months?

Source: OC&C Retail Proposition Index 2023, OC&C analysis

However, despite a generally reported pessimism, there are demographic groups that remain open to spending. The majority of lower- and middle-income groups are giving up on the idea of owning their own home keeping them debt-light while employment remains over 96%. Higher income groups are more likely to have mortgages, but also have disproportionate buying power, with the two highest income quintiles earning 65% of the total income pool.

While the KPCs between high- and low-income consumers are similar, the biggest trade-off continues to be between price and quality & service. High income groups differ most from lower consumers in their prioritisation of product quality, customer service, and loyalty schemes whereas lower income groups care more about low prices, ease of shopping, and value for money.

This indicates two divergent priority sets support an emerging bifurcation of the consumer and retail market, with value and premium segments doing particularly well. Consumers reported expected increases in spend in Grocery, Pet, Travel, and Fitness.

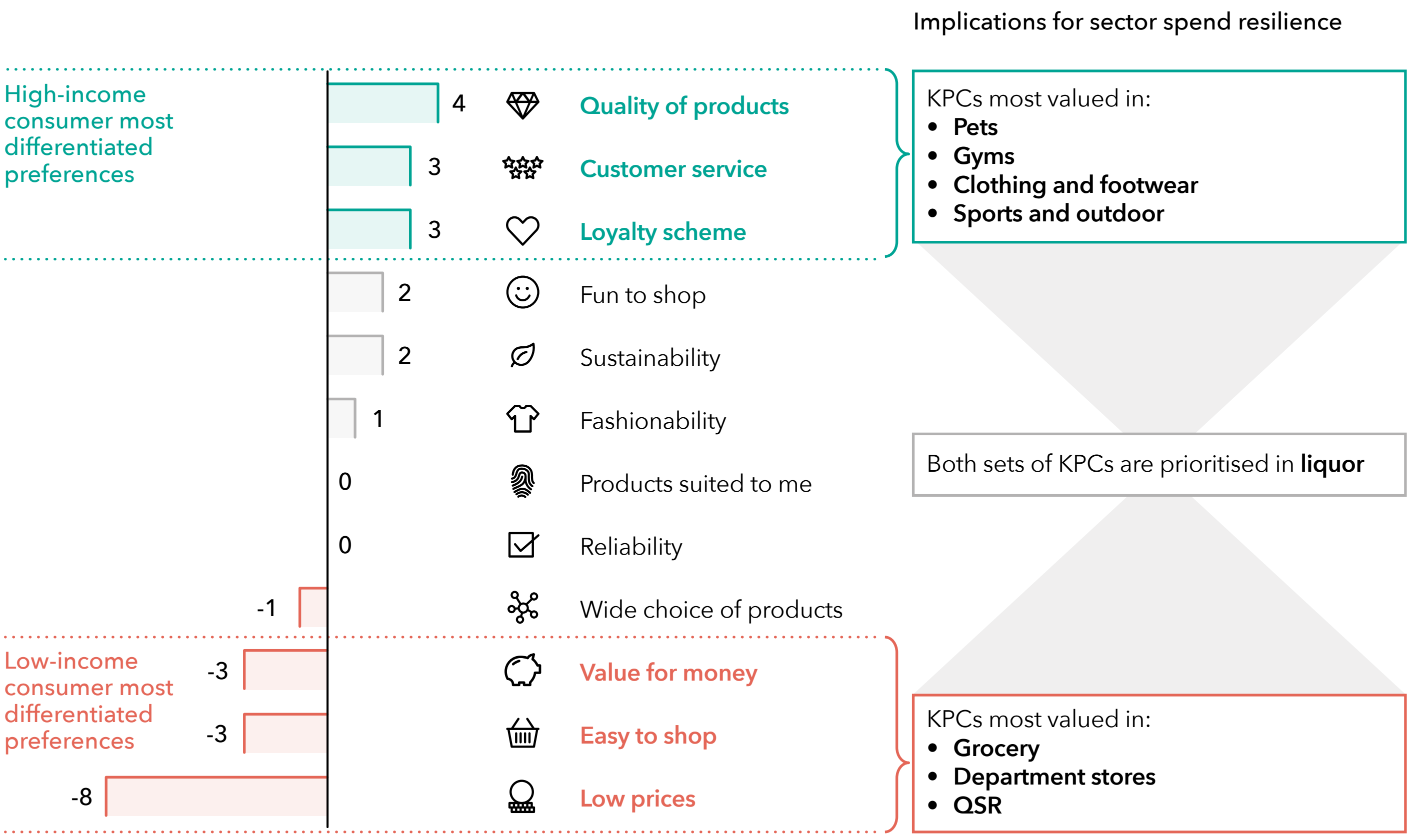
Premium supermarket Harris Farm and the discounter Costco were the only upward movers in rising from 4th and 5th to 1st and 2nd respectively. Harris Farm saw improvements in its product quality rankings whilst Costco's most improved KPC scores included low prices.

This trend has been echoed within Health & Beauty where the top three players are either value and premium players: Chemist Warehouse, Mecca, and Sephora the latter two also holding the 1st and 2nd in product quality. Chemist Warehouse, a reliable and price-matching discounter consistently beats its competitors on value for money and low prices.

There may be a larger strategic shift underway where brands that are looking to lead their categories must discern positions higher or lower on the value to premium scale or risk being lost in the middle.

HIGH INCOME[1] – LOW INCOME[1] KPC PREFERENCES

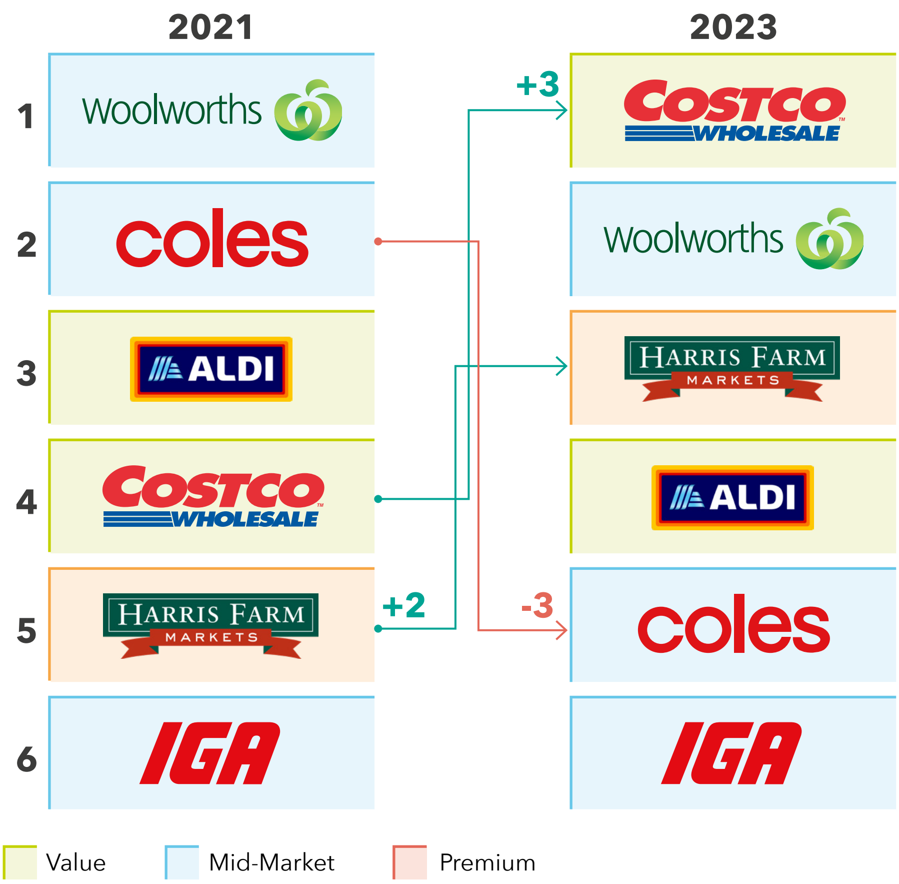
(% Respondents who listed these KPCs as a priority[2])



1. Low: < 45,000 AUD, Medium: 45,000 – 149,999 AUD, High: > 149,999 AUD
2. What was the main reason you shopped with [Brand]?

Source: OC&C Retail Proposition Index 2023, OC&C analysis

FAVOURITE RETAILER RATING FOR GROCERY, 2021-23[1,2,3]



- Costco rose most in its Value & Price KPCs by 3 points or more, but also lifted in Product Quality ratings.
- Harris Farm, the only pure premium player, performed relatively well, mainly due to a rise in Product Quality ratings.
- In contrast, the middle market, Woolworths, Coles and IGA all dropped in Favourite Retailer rankings indicating that consumers believe they are paying more for lower quality products.
  - These players suffered 3-10 points drops in Value for Money and Low Prices whilst simultaneously falling in Product Quality.
- Aldi fell in Low Prices, Value for Money and Product Quality, suggesting that their inability to maintain low prices and quality has damaged their reputation as a trustworthy value brand.

1. Considering everything you know about the following brands / retailers, what is your overall opinion of each?
2. Data has been weighted based on respondent's state/territory to give an accurate representation of the National Population
3. 2021 was used as the comparison year since 2022 data was distorted by the easing of COVID lockdowns

Source: OC&C Retail Proposition Index 2023, OC&C analysis

4 Insights on demographics prioritising sustainability and *what they care about*

RISING RATES HAVE FORCED GEN X (AGED 39-54 Y.O.) TO DEPRIORITISE SUSTAINABILITY, BUT THERE ARE OPPORTUNITIES FOR BRANDS THAT KNOW WHICH ESG BUTTONS TO PUSH.

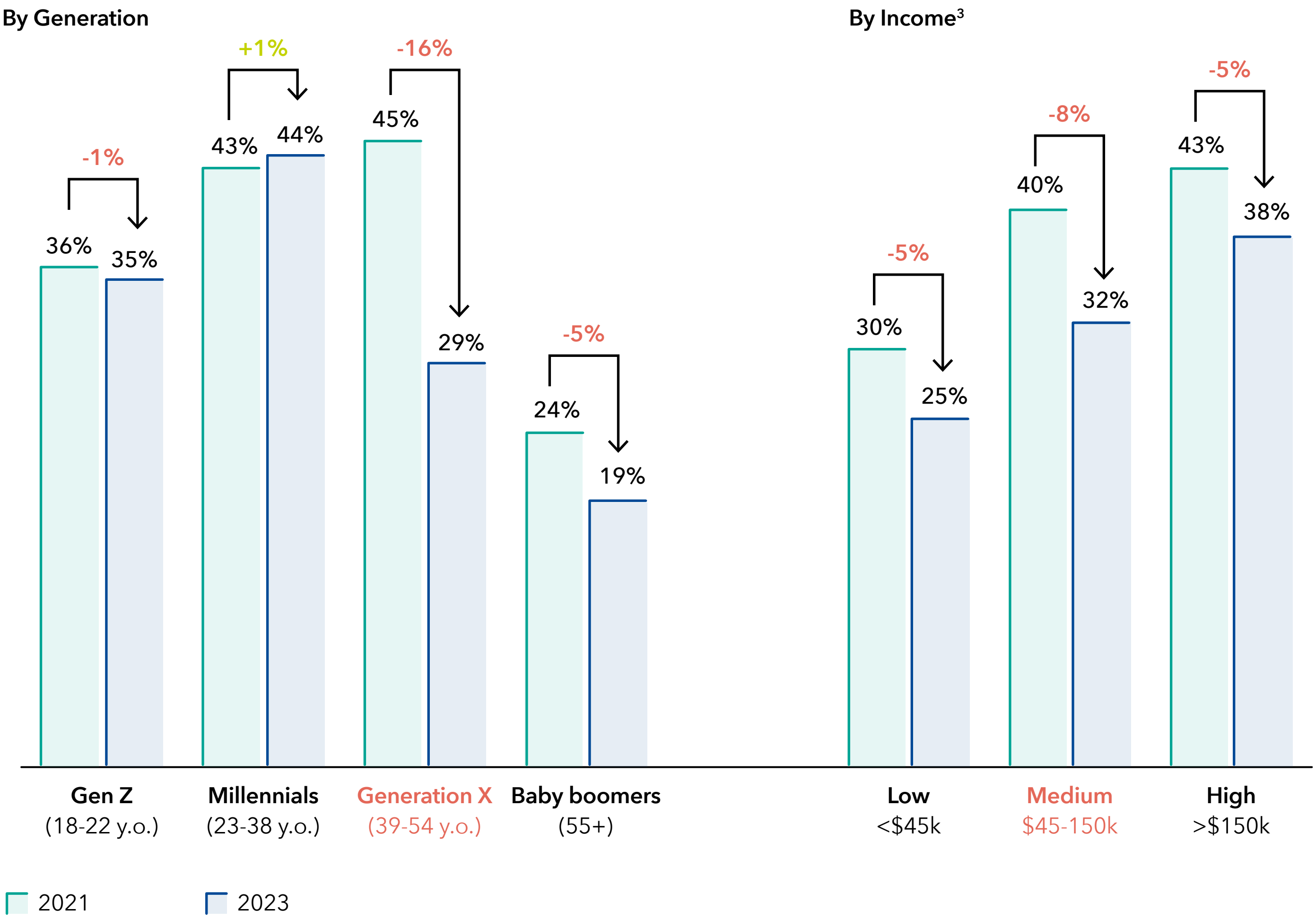
However, the recent surge in mortgage rates and living costs has forced Gen X to reprioritise their spending.

Sustainability remains a significant factor influencing consumer purchasing decisions. Approximately 63% of consumers report that it plays influences their shopping habits. Among Millennials and Gen X, this sentiment is particularly strong and has not waned.

However, the recent surge in mortgage rates and living costs has forced Gen X to reprioritise their spending, leading to a 16% decline in their active prioritisation of sustainability. This shift is most pronounced among middle-income Gen Xers ($50,000 – $150,000 annual income), who may have the means to own a home but are heavily indebted and suffering the impacts of rising rates with insufficient financial headroom to weather rising living costs easily.

THE DECLINE HAS LARGELY BEEN DRIVEN BY MIDDLE INCOME GENERATION XERS WHO ARE BATTLING INFLATIONARY PRESSURES

AU % of Respondents of Which Sustainability Has a Large Impact On Spending[1], 2021-23[2]

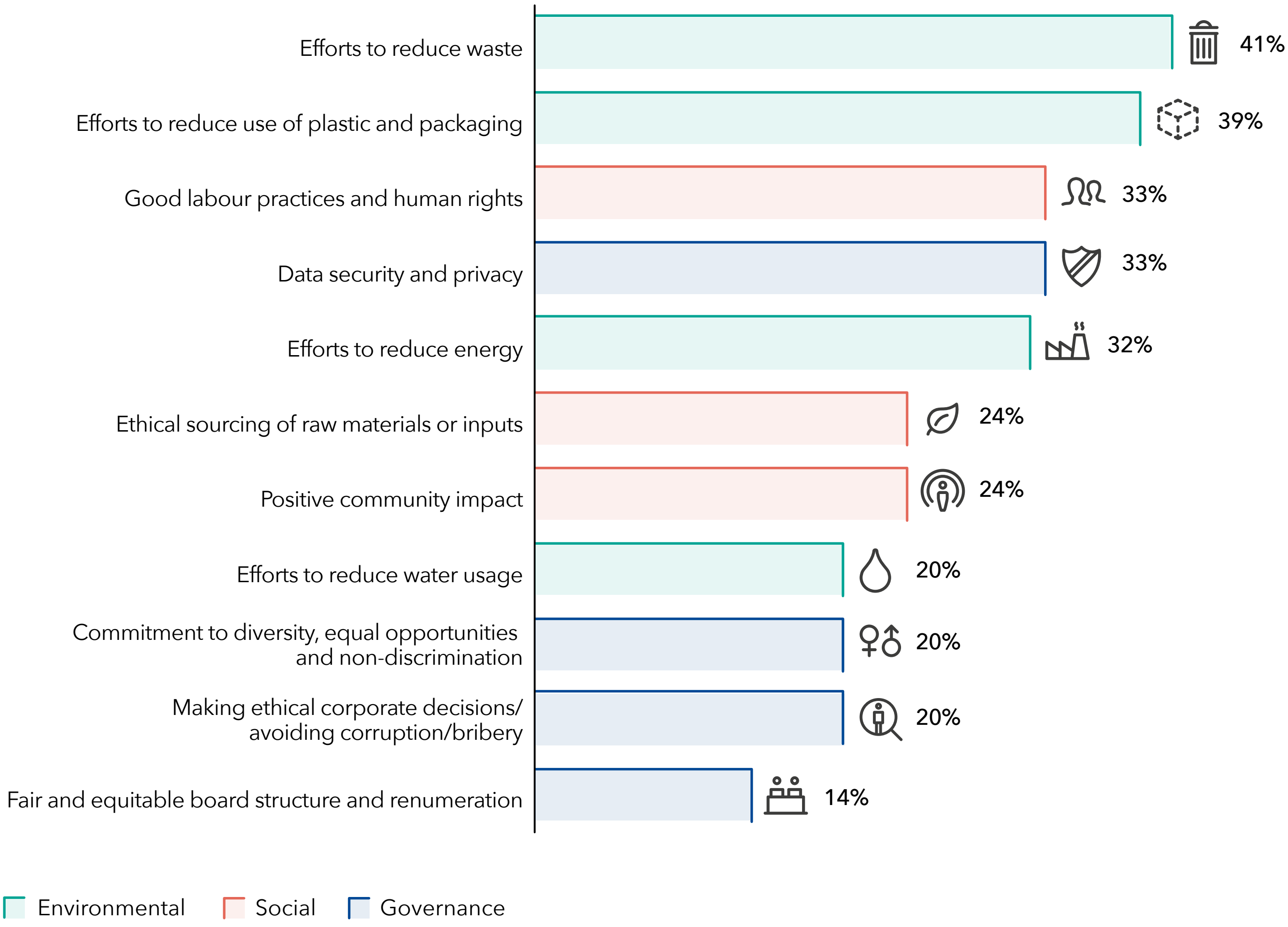


1. Which statement best describes your attitude to environmental and social factors? A: Sustainability is critical to me, and I only shop with brands that I know to be sustainable or B: I care about sustainability, and I actively try and shop with sustainable brands
2. 2021 was used as the comparison year since 2022 data was distorted by the easing of COVID lockdowns
3. Low: < 45,000 AUD, Medium: 45,000 – 149,999 AUD, High: > 149,999 AUD

Source: OC&C Retail Proposition Index 2023, OC&C analysis

In driving ESG perception, consumers appear most aware of and concerned about environmental factors, particularly the reduction of waste and packaging. Perceptions of environmental initiatives are also important and most closely correlated with a brand's reputation for sustainability, particularly emission and water use reduction.

MOST IMPORTANT ESG CONSIDERATIONS[1] FOR THE ESG-CONSCIOUS[2], AU 2023



1. Thinking about actions retailers are taking on environmental, social and governance (ESG) factors, which of the following do you think are the most important? % Top 3
2. Which statement best describes your attitude to environmental and social factors? ESG-Conscious: Options that indicate caring about sustainability; Less-ESG-Conscious: Options that indicate limited interest in ESG considerations

Source: OC&C Retail Proposition Index 2023, OC&C analysis

While many retailers are cutting emissions, committing to net-zero and introducing sustainable product ranges, these initiatives are often not well-communicated to the public. This has led to an overall drop of 5% in total sustainability ratings despite a large push across the sector.

We have, however, seen a number of categories where sustainability is a rising purchase driver: Household & Garden, Health & Beauty, and General Merchandisers all saw sustainability increase as a purchase driver. The percent of respondents who hold sustainability as their #1 KPC increased by 33-40% in these three sectors since 2021.

Taken together, these findings suggest that retailers should continue driving sustainability initiatives into their strategies and to focus on communicating the impact that they are making in tangible ways.

Navigating current consumer motivations requires a nuanced approach to sustainability. While environmental consciousness remains prevalent and undeterred in younger segments, the rising cost of living has compelled Gen X to reprioritise their spending and retailers must adapt their sustainability strategies accordingly.

OFFICES

Belo Horizonte[1]
Boston
Hong Kong
London
Melbourne
Milan
Munich
New York
Paris
Rotterdam
São Paulo[1]
Shanghai
Sydney
Warsaw

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