

**TABLE 5.**

**WA Retail Turnover Comparisons by Sub-Sector**  
2016-17 v's 2017-18

Source: ABS 8501.0 Retail Trade , Australia - June 2018 Seasonally Adjusted

| Group                            | TOTAL Household Goods        |               |   | Furniture, Floor Coverings, Houseware and Textile Goods<br>26.3% of sector sales |  |               | Electrical and Electronic Goods<br>36.6% of sector sales |               |              | Hardware, Building and Garden Supplies<br>37.1% of sector sales |               |
|----------------------------------|------------------------------|---------------|---|--|--|---------------|--|---------------|--------------|---|---------------|
|                                  | Year                         | 2016/7        | 2017/8  | % Var  | 2016/7                                 | 2017/8        | % Var  | 2016/7        | 2017/8       | % Var   | 2016/7        |
| Jul                              | 517.0                        | 496.3         | -4.0%   | 144.7  | 134.8                                  | -6.8%         | 181.8  | 176.9         | -2.7%        | 190.6   | 184.6         |
| Aug                              | 506.4                        | 496.1         | -2.0%   | 144.1  | 134.1                                  | -6.9%         | 175.3  | 174.8         | -0.3%        | 187.0   | 187.2         |
| Sept                             | 522.2                        | 475.4         | -9.0%   | 146.7  | 129.1                                  | -12.0%        | 173.4  | 162.4         | -6.3%        | 202.1   | 183.9         |
| Oct                              | 528.0                        | 476.6         | -9.7%   | 155.8  | 125.6                                  | -19.4%        | 176.3  | 173.6         | -1.5%        | 195.9   | 177.4         |
| Nov                              | 512.6                        | 494.9         | -3.5%   | 150.3  | 123.5                                  | -17.8%        | 168.0  | 188.0         | 11.9%        | 194.3   | 183.3         |
| Dec                              | 513.1                        | 483.6         | -5.7%   | 151.6  | 123.4                                  | -18.6%        | 174.6  | 182.4         | 4.5%         | 186.9   | 177.8         |
| Jan                              | 510.2                        | 473.7         | -7.2%   | 146.0  | 122.3                                  | -16.2%        | 179.0  | 174.7         | -2.4%        | 185.3   | 176.7         |
| Feb                              | 506.0                        | 474.3         | -6.3%   | 144.5  | 121.5                                  | -15.9%        | 177.9  | 171.2         | -3.8%        | 183.5   | 181.7         |
| Mar                              | 507.1                        | 471.1         | -7.1%   | 140.7  | 126.9                                  | -9.8%         | 181.4  | 169.9         | -6.3%        | 185.0   | 174.4         |
| Apr                              | 500.2                        | 466.3         | -6.8%   | 141.8  | 124.2                                  | -12.4%        | 172.8  | 172.4         | -0.2%        | 185.6   | 169.7         |
| May                              | 510.3                        | 462.6         | -9.3%   | 149.1  | 120.5                                  | -19.2%        | 177.0  | 172.4         | -2.6%        | 184.2   | 169.7         |
| Jun                              | 500.0                        | 465.9         | -6.8%   | 138.7  | 121.6                                  | -12.3%        | 172.9  | 180.8         | 4.6%         | 188.3   | 163.6         |
| <b>Total WA</b>                  | <b>6133.1</b>                | <b>5736.8</b> | <b>-6.5%</b>  | <b>1754.0</b>  | <b>1507.5</b>                          | <b>-14.1%</b> | <b>2110.4</b>  | <b>2099.5</b> | <b>-0.5%</b> | <b>2268.7</b>   | <b>2130.0</b> |
| <b>National Variation 2017/8</b> | <b>Household Goods Group</b> | <b>1.7%</b>   | <i>Floor Coverings, Houseware and Textile Goods</i> | <b>1.3%</b>  | <i>Electrical and Electronic Goods</i> | <b>2.4%</b>   | <i>Hardware, Building and Garden Supplies</i>            |               |              |   |               |

**Sector:**

**Nationally:** Overall, the 2017/18 results in the Household Goods sector were expected to be moderate, however the WA result showed concerning indicators and difficulties in running a business with such trading fluctuations. Possibly the hardest hit sector enduring increased transactions, low sales prices that resulted in reduced profits and zero growth rate over recent years. Given the product types, content, sales value mix and the effects of aggressive promotional activities by larger corporate companies, has resulted in a highly competitive industry becoming more competitive. This sector is highly dependent on sub-industry influences, consumer confidence and consumer spending.

Total Household Goods group returned a below CPI result of 1.7%. Similar results were applied to each of the sub-sectors. Furniture, floor coverings, houseware and textile goods retailing remained moderate with an increase of 1.3%, Electrical and electronic goods retailing enjoyed moderate sales that resulted in a 2.4% growth for the year. National growth rates were consistent excepting an usual spike in November (+9.3%) that occurred through product and appliance call-ups by builders for pre-Christmas completions. Hardware, building and garden supplies retailing increased 1.3%.

**WA:** WA Total Household Goods sector was a different story, all sub-sectors had an abysmal 2017/18 trading year, experiencing significantly reduced turnover that equalled nearly **\$400 million in sales**.

**Total Household Goods fell (-6.9%)**

Furniture, floor coverings, houseware and textile goods - **(-14.1%)**

Electrical and electronic goods - **(-0.5%)**

Hardware, building and garden supplies - **(-6.5%)**

## Household Goods cont.

### **Furniture, Floor Coverings, Houseware and Textile Goods:**

This sub-sector includes: furniture (*indoor, leisure and outdoor*) and bedding, flooring and floor coverings (*not hard tile*); housewares, manchester and other textile goods retailing, had a disastrous year 2017/18. National sales increased marginally by 1.5%, WA sales fell (-14.1%) 2017/8 following falls 2016/7 (-6.9%) and 2015/6 (-17.5%).

**Furniture:** For the last year this sector has been operating in a peaks and valley environment and the recent 3 months results indicates sector stability could be on the horizon. Retailers have been adversely affected by subdued retail activity and a significant increase in competition from national furniture retailing groups in the past two to three years. A heavy reduction in local manufacturing has occurred in WA over the last five years. Locally the main competition remains in the cheap imported products, putting even greater pressures on the local manufacturing. Several local retailers found it necessary to undergo radical market, attitude and product decisions, that often conflicted with their traditional business model of manufacturing and retailing their products. During the year, to ensure that they survive and stabilise their business whilst continuing to meet the needs of the modern consumers, early changes were necessary. A heavy reduction of local manufacturing has occurred over the last five years. A focus on establishing overseas supply-chain networks and forming relationships to provide design and manufacturing requirements were pursued.

The local industry has not recovered to national levels but a trend appears to be lifting. Contrary to the poor 2017/18 trading result in WA, industry conversation (furniture retailing), has indicated that suggestions of a small recovery became evident during the last quarter with sales increasing around 1.0 - 1.5%. Locally the main competition remains in the cheap imported products putting greater pressure on local manufacturing.

**Textile Products Goods:** Over the last five years sales in this sector has varied consistently, generally in a downward trend. Many smaller retail businesses have closed, mainly in the manchester category, while others have significantly reduced their shopfront count. In both cases, many of these had been successful multiple shopfront or suburban destination businesses over 30 years. Increased costs, competition from national retailer chains and supermarket product range expansion and the degree of online services, have all been major influences in the sector outcomes.

In discussion with the ABS, retail sales figures of textile products sold through Department stores, Discount Department stores, Supermarkets and DFO's are included within the major group reporting results, i.e. Department Stores, Food Stores etc. not within the Household Goods Group .

To further compound issues, local textile mills and industry suppliers have closed, as several of the large retail companies have their own factories manufacturing products overseas in low-cost labour countries. This has had a domino effect with the reduction and/or closure of many wholesale suppliers, local importers and selling agents of textiles and fabric products. In the near future it is thought that the largest business type in this group, manchester will become another casualty like haberdashery.

Curtain manufacturing/retailing sales volume consists of mostly customised products that are made-to-order. Businesses in this area are not necessarily reliant on, but strongly influenced by activity within the new home and renovation market. There are several modes of operation within this sector: retail store/workshop; retail store with mobile sales team support and workshop; home business, most operations are SME businesses employing low numbers performing machinists and in-house functions. Generally, the main competition in this category is the extensive range and selection options available with ready-made products through national chains and discount department stores. Inventory costs (stock holding), of ready-made products are impracticable for the specialist full-service business to offer. Size, quality, style, colour and design and hanging format are considerations that are necessary to open-market compete. Another consideration is product volume, ready-made products are generally overseas sourced and ordered in container volumes and essential to provide cheaper products to meet the growing "want-now" requirements of many consumers.

In summary, the Textile goods sector continues to operate under pressure of economic and large organisation competition conditions.

## WA Retail Turnover Comparisons by Sub-Sector - 2016-17 v's 2017-18

Source: ABS 8501.0 Retail Trade , Australia - June 2018 Seasonally Adjusted

### Household Goods cont.

#### **Electrical and Electronic Goods:**

Industry engagement in aggressive price discounting due to online shopping continues to rapidly increase in popularity. Additional to industry manufacturer's price deflation and the lower \$AUD exchange rate, has resulted in downward pressure on prices, resulting in eroded profit margins, that has ultimately led to the exit of some industry players.

During the year WA's largest locally owned electrical/electronics retailer, Kambo's Homemaker Centres, were placed in receivership, immediately closing all 5 stores. Another locally owned employer business falling over while trying to compete with the large nationals who are often publicly listed companies. With a combined turnover of approximately \$380 million Kambo's employed around 130 staff, many of whom will not be absorbed by other businesses within this sub-sector. At height Kambo's owned and operated 7 stores plus their commercial business (builders division) and 2 x Leib+Haus stores.

#### **Electrical Appliance Sales:**

Although the electrical and electronic goods sub-sector showed a decline of (-0.5%) 2017/18 trading conditions were worse for the sector than a small decline indicates. Products in this sector are generally high-ticket items, therefore turnover volatility can easily cause serious cash-flow and serious inventory problems. The fall of -0.5% for 2017/18 follows a fall of -6.0% 2016/17 v's 2015/16. Reduced monthly sales during 2017/18 were experienced ranging between -0.3% and as high as -1.5% for 9 of the 12 months, this year has been one of the most difficult trading periods since 2012/13.

November & December saw this sector with the highest growth, most of which can be attributed to seasonal sales and introduction of new release and technology products. Additionally, the effects of aggressive promotional activities by large corporate companies has resulted in a highly competitive industry becoming more competitive.

Although the residential construction industry has shown some recovery in WA home dwellings continues to be flat. Dwelling commencements in WA fell by 23% in 2016-17 to 19,702. HIFG forecasts an end to this decline with the level of dwelling commencements expected in 2017-18 to be unchanged, followed by a slow recovery in 2018/19.

Electrical appliance sales are influenced and somewhat dependent on the buoyancy of the new home, high-rise dwelling construction and home renovator market. Electrical Appliances fared worse than electronics within the sector.

**Electronic Goods:** This sector had key growth categories in communications, computers, audio, games hardware and drones. Much of this was reflected in the November and December selling period with sales increases of +11.9% and +10.5%. Electronic Goods is also well positioned to take advantage and promote the end of year instant tax write-off concession for small business. again this was the main contributor to the June sales results that increased +4.6%.

Products within the group includes high-end home theatre equipment, home automation products and security cameras. These are generally purchased in packages where the average cost will range between \$9 - 12,000 and up to \$30,000 for a complete system. Although not a dominant category, sales in the area are highly specialised and dependent on economic situations. Sales were more difficult during 2017/18, both unit transactions and average sales were lower.

Had electronics goods not had the three exceptional months the whole sub-sector of Electrical and Electronic Goods would have returned a 2017/18 sales result in the vicinity of -1.7% not 0.5%.

Online sales within this sub-sector continues to grow, now representing around 7% of the main players turnover.

#### **Hardware, Building and Garden Supplies :**

This sector continues to reel through the effects of reduced new home construction activity in WA which is slightly down compared with the same period 2017. Reduced home renovation activity has further contributed to the results. Hardware sales, the driving force of this sub-group, have been in the negative each trading month since Jan 2016. While periodic sales strengths vary across product categories, a reduced customer count and transaction levels has further compounded sub-sector results.

**Hardware:** This sector is dominated by the large corporate stores in all areas that includes: plumbing, paints, timber, tools, bbq and outdoor/patio furniture, gardening and nursery supplies. Industry information provided from hardware retailers who specialise in specific areas catering to trade, have commented that today the front of store is a waste of time within their respective businesses, as consumer traffic is insignificant.

**Garden Supplies:** This selling period showed small increases in garden supply sales, but this was mainly in the large chain and boutique type nurseries. Generally SME nursery sales are down, customer visits are down and the average sale is down. This sector is also a victim of both large business and the downturn in the housing market.



ing  
plies  
sales

% Var

-3.1%

0.1%

-9.0%

-9.4%

-5.7%

-4.9%

-4.6%

-1.0%

-5.7%

-8.6%

-7.9%

-13.1%

-6.1%

**1.3%**

erratic  
ne  
urns  
s by the  
ghly  
  
ors:  
l and  
re  
ders



s),  
marginally

trading  
ity and  
ction of  
ported  
take  
ng and  
et the  
d over  
and

ding  
ent  
orted

trend.  
d their  
ses for  
d to a

t  
ervices

ies  
ith the  
In the

es in  
There

installer  
eady-to-

g  
-made  
nd

tion



asure  
to  
pete  
n,  
their  
res.  
worse  
riations  
during  
-6.8%  
the  
ge  
elling  
g  
g  
-4.5%.  
s to  
s.  
00.00  
personal  
ould  
n,  
re  
al  
ded the  
ols,  
who  
r  
outlet  
down.