WA Retail Industry Report

2017/18

RAPS
Retail & Personal Services
Skills Advisory Council

Contents:

TABLES ATTACHED TO THIS REPORT (listed on page 6)

Summary of WA RETAIL - 2017/18

During 2017/18 Australian retail spending continued to be slow and challenging trading conditions continued to return soft total retail trade growth.

Introduction

A squeeze on margins, online competition, low-cost bulk competitors, and the growth in online trade, accompanied by several other factors, retail is arguably one of the most challenged industries in Australia.

Commonwealth Bank research states that weak wages growth is the single biggest factor weighing on the retail sector as households devote a greater portion of their wallet to health, utilities and education. Consumer's disposable income, even with the assistance of low interest rates, has seen continued falls in the savings rate and low wages growth, has weighed significantly on the discretionary parts of retail trade.[1]

A plethora of activity surrounded the retail sector throughout the 2017/18 financial year, with store closures, low sales, on-going markdown price promotions, reduced profits and increasing costs. This period has seen Myers removal from the benchmark ASX200. Radio Rentals parent Thorn Group, Baby Bunting and phone retailer Vita Group were removed from the ASX300. Billabong, The Reject Shop and clothing company Gazal Corporation (part owner in Oroton), were removed from the All Ordinaries Index. These results are reflective of the ongoing difficult trading conditions in retail and much of the action sports sector. [2]

According to the National Australia Bank monthly business survey, business conditions have improved, though the retail sector remains weak.

Retail is the only industry in Australia to record negative conditions and continues to lag behind other industry groups. A situation that has persisted for some time.[3] Indications show a slight recovery could be emerging in the national retail trade market where improved levels of consumer confidence, business confidence and a change in consumer spending habits have occurred.

Industry Overview

Many WA retailers remain bewildered by the hype regarding a retail recovery, generated by marginal statistical announcements and surveys[4]. Certainly, a small level of retail recovery during the year may apply in some states, but WA continues to be well behind the national trend in all sectors. Whilst population growth remains weak and housing prices moderate, both

[1] **Commonwealth Bank,** Retail Insights Report - *2018*
[2] **Ragtrader,** Billabong and Gazal Corporation topple - *Mar 12, 2018*
[3] **NAB -** Monthly Business Survey *– July 2018*
[4] **RIAG -** Industry Consultation *– August 2018*

being major retail influences, it is anticipated that private consumption demand will only return modest growth levels.[5]

In WA the retail sector and sub-sector performance during 2017/18, shows little or no indications of recovery, with most having experienced mixed successes.

Retail spending has continued to be slow, reduced industry employment continues, generally due to small retail business affordability.

Retail Employment:

The bulk of employers in retail are collectively micro and small businesses, not all of these businesses are able to participate in extended trading hours for a range of varying reasons. During the year the introduction of penalty rate reductions across retail, community pharmacy and fast food sectors occurred.

Large retailers claimed that the reductions would stimulate increased employment, particularly benefitting unemployed youth. One year later, after the first stage of reduced penalty rates, there is no evidence of improved job creation or employment. In fact:

- Jobs in retail declined during May 2017 to May 2018, shedding fifty thousand (50,000) full time jobs in the last year.[6]
- ABS figures show that Fifteen Thousand, two hundred (15,200) of these retail jobs were shed in WA from May 2017 to May 2018. [7]

Small businesses have insufficient savings to generate or increase employment levels of casual, part-time or full time staff.

Retail in WA

Ongoing trading difficulties continue across the industry. While some WA retailers are performing moderately, the reality is that many smaller businesses are finding it difficult to compete and are still facing substantial operational pressures in rents, insurances and continuing lower turnover and reduced profits.

Heavy discounting has been a major contributor towards reduced turnover results and the consequent reduction of margins. During 2017/18, discounting increased across the homewares and electronics, hardware and garden, clothing and recreation retail sub-sectors.

The intent of discounting products is to make the public aware of a value offer, manage cash-flow, controlling inventory levels, or to buy market-share, price competition alone is a lazy form of retailing. Continual discounting has led price to become an increasingly important characteristic of competition throughout most sectors. This has become so common that consumers now expect them, with a resulting outcome of encouraging the consumer to bargain hunt. Ironically, many consumers have become discount-blind and no longer recognise the value of the offers. When consumers fail to distinguish the value of a product offer, they are not stimulated to react. When this repeatedly occurs business sales and margins will spiral downward as small business cannot compete on dollar value alone.

[5] **RIAG -** Industry Consultation *– August 2018*

[6] **The Australian Centre for Future Work:** *Penalty Rates and Employment: One Year Later. July 2, 2018*

[7] **ABS 6291.0.55.003 Labour Force Aust:** *Table 05 Employed persons by State Territory and Industry Division*

Currently ongoing discounting appears to be a marketing strategy expected to continue and strongly driven through the food and grocery retail sector. [8]

Variations in the value of the dollar is also concerning as imported goods will cost more in the coming months. The highly competitive retail environment means that even small cost increases will have significant impact on small business retailers already operating on very tight margins, further compounding existing cost pressures.

However, across the state there are greater levels of concern in some retail sub-sectors. There continues to be:

- Location rationalisation and store closures
- High and increasing commercial property vacancies
- Cost of business increases. State or national business concessions are not helping businesses or encouraging employment
- Small businesses continue to reduced staff, while owners are working longer hours
- Supermarket product range expansion with the introduction and extensive promotion of:

  in-store bakeries; meat products; ready cooked meals; clothing; greeting cards; pre-packed lunches; gift wrapping and party products and homewares that includes linen products.

The impacts collectively, or in part, have affected retail turnover across many sub-sectors, such as:

newsagents, retail butchers, delicatessens, florists and fast food outlets.

Small business cannot effectively compete with the large corporations, nor respond by lowering prices without exposing their business to high risk. Details in a recent IBIS World – Australian Retail Industry Reports – 2018, [9] supports the above RAPS analysis.

A recent Roy Morgan Supermarket & Fresh Food Currency Report also supported the above analysis. A specific example is the $2.9 billion fresh bread market dominated by three standout performers, being: Woolworths 26.6%; Coles Group 25.3%; Bakers Delight 13.6% and Aldi 7.1%, which make up more than three quarters of the total product market.

IGA and other supermarkets, Brumby's Bakery, other smaller bread shops and delicatessens, milk bars and convenience stores suffered declines of up to -2.4%.[10]

Supermarkets, Liquor Stores, all sub-sectors in Household Goods and Clothing have been actively aggressive throughout the year competing for the limited consumer dollar. Increased advertising, high discounts, reduced prices and bonus offers are increasingly more common. Often this has returned revenue neutral results, or worse, negative incremental benefit particularly to the smaller businesses.

In many cases, the most apparent response has been to reduce the cost of business. To many, the only remaining avenue to them is staff reduction, or adjusting paid hours worked. Other variable expenses such as utilities, leases and insurances are reviewable, but wages are fixed costs components. Ceasing advertising and promotion further impacts the business as do further reductions in general expenses.

---

[8] **Retail industry insights**

[9] **IBIS World** – Australian Retail Industry Reports - *2018*

[10] **Roy Morgan** - Supermarket & Fresh Food Currency Report - *2018*

Retail Sales - key figures - *ABS Retail Sales Australia 8501.0 June 2018*

Seasonally adjusted Australian total retail sales rose +0.3% in June 2018, this followed a rise of +0.4% in May and an unchanged result in April +0.5%. Seasonally adjusted sales for the quarter were +1.2%.

Seasonally adjusted estimates rose in volume terms during the June quarter 2018 in the following states: New South Wales +1.7%, Victoria +1.7%, Tasmania +2.7%, Western Australia +0.4%, the Australian Capital Territory +2.4%, Queensland +0.2%, South Australia +0.6%, and the Northern Territory +3.0%.

New South Wales 0.5%, Queensland 0.4%, South Australia 1.1%, Victoria 0.2%, Tasmania 1.5% and Northern Territory 0.4% rose in seasonally adjusted terms . Western Australia fell (-0.5%), whilst the Australian Capital Territory (0.0 %) was unchanged. [11]

Below is a summary of retail sales for the 2017/2018 financial year, showing Australian sales results by group with the WA comparison.

ABS 8501.0 - Retail Trade, Australia: July 2017 to June 2018 *Seasonally adjusted*								
Group	**TOTAL Retail**		Food Retail	Household Goods	Clothing, Footwear	Department Stores	Other Retailing	Food Services
National	2.5%		3.1%	1.7%	2.1%	0.4%	2.3%	2.9%
WA	**-0.3%**		**1.4%**	**-6.5%**	**0.0%**	**-0.9%**	**-1.1%**	**2.2%**

Source: **ABS Retail Sales Australia 8501.0:** *June 2018*

The attached tables show sales comparison summaries for the 2016/17 v's 2017/18 period, with WA industry detailed information shown by selected individual retail industry groups and sub-groups. The information summaries also provide performance, sub-group issues, activities and difficulties. The detailed groups include:

Table 1. Retail Sector Comparisons and Variations by State – *July to June 2016/17 v's 2017/18*

Table 2. WA Retail Turnover Variations Comparison by Sector - *July to June 2016/17 v's 2017/18*

Table 3. WA Retail Turnover by sub-sector - Fin. Year July 2017-June 2018

Table 4. Food retail -
Supermarkets and grocery stores; Liquor Stores; and Other Specialised Food Retailing

Table 5. Household goods retailing – *Furniture, Floor Coverings, Houseware and Textile Goods; Electrical and Electronic Goods; Hardware, Building and Garden Supplies*

Table 6. Clothing, Footwear and other Personal Accessories –
Clothing; Footwear and other Personal Accessories

Table 7. Other Retailing –
Newspaper and book retailing; Other recreational goods retailing; Entertainment and Media retailing – Toy and Game retailing; Pharmaceutical, Cosmetic and Toiletry Goods retailing; Other Retailing n.e.c – *Non-store retailing; Commission- based buying and/or selling*

[11] **ABS Retail Sales Australia 8501.0:** *June 2018*

Other sub-sectors

Below are performance summaries provided for:

Department Stores –

Department Stores and Discount Department Stores

Online Retail and Technology

Department Stores

Department stores and Discount Department Stores are collectively in turmoil. Department stores have produced unsuccessful promotional and customer engagement strategies, which have returned poor results to shareholders.

This sector is heavily reliant on fashion which represents approximately 36% of sales. Demand for clothing and other discretionary goods has been weak for the past five years, as seen in falling department store sales and the collapse of a string of high-end clothing retailers to have fallen into voluntary administration.[12]

Department Store Turnover - 2016/17 v's 2017/18

National increased 0.4%

WA fell (-0.4%) [13]

The year commenced reasonably in WA showing a moderate increase of +0.9% during the July to November period, Christmas and New Year trading returned poor results across the sector where December sales fell (-3.5%) followed by a (-1.2%) decline in January. Reduced sales continued through to March where sales fell (-3.3%). Fluctuating and unpredictable sales followed with April +2.2%, May 2018 (-3.8%). The year ended more positively in June 2018 with a +2.1% increase. [14]

Customer satisfaction is key, over the last 12 months discount department stores have been able to increase customer satisfaction, while department stores such as Myer and David Jones' have fallen. Australian consumers are becoming more satisfied with the service of discount department stores.

Department Stores and Discount Department Stores are reinventing themselves, attracting a wider customer base, which will increasingly target the online retailer space.

Department Stores generally serve a wider range of consumers, David Jones was the favorite of customers aged 71 and older, while all of the remaining demographics preferred Myer.

As the industry faces rapid change, much of this has been the result of an ever expanding online market and the increasing number of Australians prepared to purchase goods online rather than in person at a department store. Despite this, department stores continue to see an increase in their online sales.[15]

Restructured top-level management, the announcement of store closures and the reduction of the footprint of others, are priority actions in attempting to achieve the return of department stores to being premium-shopping destinations.

[12] **Commonwealth Bank,** Retail Insights Report - *2018*

[13] **ABS Retail Sales Australia 8501.0:** *June 2018*

[14] **ABS Retail Sales Australia 8501.0:** *June 2018*

[15] **Roy Morgan** - Discount Department Store Satisfaction Report - *May 2018*

In WA, the opening of David Jones' new format store at Mandurah Forum Shopping Centre was the first store of the ongoing investment plans to further develop their business in the WA market. David Jones are committed to transforming the brand by opening a further three stores in WA. These will be located at: [16]

- Westfield Carousel Shopping Centre, Cannington
- Westfield Stirling (formerly Innaloo Shopping Centre)
- Westfield Whitfords City, Hillarys

Online Retailing –

2016/17 v's 2017/18 **- National increase -** 4.1%;[17]

Ongoing competition from offshore online retail will continue to hurt retailers selling books, electronics, cheaper undifferentiated or generic clothing, fashion accessories, hardware and homeware products the most.

Traditional bricks-and-mortar retailers have endured challenging conditions and local stores struggle to compete. Consumers often armed with smartphones, can quickly compare in-store prices with those offered online, which are often cheaper. Online retailers generally have lower overheads, enabling more competitive price offerings and better positioned to benefit from these current purchasing trends.

Two in three consumers made at least one purchase online over the last three months, with online sales now accounting for a growing share of transactions across a wide range of categories — from health and beauty to motor vehicle accessories and electronic goods. Thirty-seven percent of consumers now say they make more than one in four purchases online.[18]

The ABS 8501.0 Retail Trade, Australia, Jun 2018 report also notes online retail turnover contributed 5.7% of total retail turnover in June 2018, a rise from 5.6% in May 2018, and an increase from the 4.1% recorded in June 2017.

The NAB Online Retail Sales Index for June 2018 found that online retail sales slowed in June, at 1.2%, with Australians spending an estimated $26.5 billion in the 12 months to June on online retail.

Domestic online retailer sales increased by 1.4% month over month, while international competition fell by 0.2% compared to last month.[19]

Specifically, it seems rapid growth in the department and variety stores category assisted the upward trend, growing by 9% month over month, and 38.4 per cent annually.[20]

Online support and purchase preferences by demographics continue to change. Although in-store purchase is regarded to be the most preferred, the shift in purchasing preference by both of Gen Z and Gen X in favour of in-store and moving away from online.

---

[16] Moneyweb – *Woolworths Holdings is still facing many battles - 15 January 2018*

[17] **ABS Retail Sales Australia 8501.0:** *June 2018*

[18] **Commonwealth Bank,** Retail Insights Report - *2018*

[19] **NAB -** Monthly Business Survey *– July 2018*

[20] **Inside Retail** *August 6, 2018*

The table below shows these preferences by age groupings across, in-store, no preference and online. It also details buying expectations and behavior by these groups.

<table>
<tr><th colspan="5">Channel preference by generation [21]</th></tr>
<tr><th></th><th>In-store</th><th>No Preference</th><th>Online</th><th>Likely Behavioural segments</th></tr>
<tr><td>Gen Z
16-23 years</td><td>54%</td><td>23%</td><td>23%</td><td><u>Researchers</u>
• Spend a lot of time researching
• Compare prices online
• Visit multiple stores
• Skew to female
• Influenced by merchandising and the ability to interact with retailers through social media</td></tr>
<tr><td>Gen Y
24-36 years</td><td>48%</td><td>28%</td><td>24%</td><td><u>Bargain Hunters</u>
• Say price is the main influence on buying decisions
• Regularly buy products when on sale
• Skew to female
• influenced by differentiation</td></tr>
<tr><td>Gen X
37-52 years</td><td>51%</td><td>27%</td><td>22%</td><td><u>Brand Loyalists</u>
• Think full priced products/services are better quality than discounted ones
• Believe brands lose their allure by offering discounts too often
• Skew to male
• Tends to be time poor</td></tr>
<tr><td>Baby Boomers
53-71 years</td><td>71%</td><td>22%</td><td>7%</td><td rowspan="2"><u>Connoisseurs</u>
• Think quality is more important than price
• Prepared to pay more for products that are tailored to their needs
• Skew to male
• More likely to be influenced by good customer service.</td></tr>
<tr><td>Pre-Boomers
72+ years</td><td>76%</td><td>19%</td><td>5%</td></tr>
<tr><td colspan="5">Low prices and conveniently located stores appeal to all consumers, regardless of their generation.</td></tr>
</table>

Actual online purchasing has also shifted where the previously fastest growing group are the only group that contracted.

- 22–35 year olds who comprise Gen Y continue to make the highest proportion of online purchases (34%) even though they're just 17% of the adult population
- the Pre-Boomer generation aged 70-plus is expected to generate the fastest rate of online sales growth over the year ahead (rising 18% from 12.4% to 14.6%)
- the more affluent Baby Boomers expect to make around one in five purchases online
- younger Australians aged *18-24* years old were the only age group whose online spending contracted, spending the most on fashion and media, while those aged *35 and up* favour homewares, appliances, groceries and liquor

[21] **Commonwealth Bank,** Retail Insights Report - *2018*

The share of online sales made on mobile devices is forecast to grow three times as quickly among Baby Boomers over the next 12 months (up 11% from 14.6% to 16.2%) as among Gen Y's (rising 3% from 37.8% to 39%). Both retailers and consumers also expect significant online and mobile sales growth in the months ahead, although not to the same degree.

According to retailers, online sales are set to grow by 24% by volume over the next year, and mobile sales as a proportion of online sales by 38% — which could mean online transactions will account for almost one in three purchases by July 2018. Nevertheless, consumers are noticeably more conservative, expecting online sales growth of just 9%.[22]

Older generations of shoppers who are beginning to embrace online and mobile platforms will drive much of the growth.

Technology -

Since the arrival of e-commerce, most Australian bricks-and mortar retailers have perceived it as a threat. Sometimes this was with good cause, but the addition of technology is more likely to create an unprecedented opportunity for physical retailers, not a threat. However, new terminologies used have contributed to confusion within smaller businesses of what digital technology actually is, or means.

- What is the difference between the internet, omni-channel, multi-channel, platforms, AI, VR, AR, Instagram, chat-bot, e-commerce?
- Will digital technology only play a supporting role in a physical retail business?

Each of these concerns are significant influences on the future retail landscape and the misunderstanding of the technology role in retail. Many SMEs have viewed technology to be more an element of business disruption than progress.

The entire retail landscape in Australia has changed dramatically, and retailers all over Australia have been pivoting their business models accordingly, including spending more time and resources into creating coordinated, omni-channel approaches and improving their fulfilment and delivery processes.

The full impact of online shopping has not hit Australia as hard as in other countries like the US and UK in particular. Australia was largely insulated from the challenges that foreign owned online retail giants brought to other markets. The delayed impact has had a number of consequences, including a slower adoption of omni-channel retailing by major Australian retailers.

Retailers in Australia have been slower in embracing the introduction of technology into their businesses however the lagging small/medium business sector is of greater concern. The isolation of the market from international competition may have contributed to this, nonetheless, fast tracking of digital transformation in Australian retail is unmistakably clear.

The future of Australia's economy is more likely to be built through investment in information technology and labour force skills, rather than the natural resources, which have been the backbone of the Australian economy for many years. [23]

[22] **Commonwealth Bank,** Retail Insights Report - *2018*

[23] **Reserve Bank of Australia -** *March 2018*

While the pace of technological change presents ongoing challenges, most believed upcoming innovations including expanded cloud computing services, the Internet of Things (IoT), artificial intelligence (AI) and virtual reality (VR) would pave the way for future invention.

Organisations expect digital technology to keep evolving rapidly, but they are also optimistic that it could create huge opportunities. Harnessing the right technology can dramatically improve customer and staff experiences, and lift productivity. It can even take organisations into completely new areas of business or allow new ones to emerge.[24]

According to a new study released by Microsoft and IDC APAC, within the next four years, digital transformation will add an estimated $45 billion of Australia's GDP by 2021, increasing its growth rate by 0.5% annually. At the same time, organisations are increasingly deploying emerging technologies such as artificial intelligence (AI) as part of their digital transformation initiatives, which should accelerate growth even further.[25]

However, it is important to note, transformation is about people as much as it is about technology. The Microsoft and IDC APAC survey highlighted some of the challenges facing organisations as they transform. Research found while companies cited benefits of digital transformation, including improvement in profit margin and productivity, cost reduction and increased revenue from new products and services, they also included a lack of skills and resources and cultures which are resistant to change.[26]

The top two barriers to digital transformation in an organisation are:

- the ability to empower and skill their people
- transform their organisations to take advantage of the opportunity that digital transformation represents

The evolution towards a truly omni channel retail environment continues to be driven by changing consumer preferences and an intensely competitive market. Today, the majority of consumers are multichannel shoppers, moving between physical, online and mobile storefronts, often in the same purchasing journey.

While the rise of e-commerce across the retail and consumer goods industry is good news for consumers, it is sending ripples through supply-chain management systems. The 'I want it now' mindset is demanding same-day delivery putting supply-chains under extreme pressure, to not only keep products stocked and logged, but to enable seamless product locating for quick and accurate dispatching.

The internet is not replacing bricks-and-mortar retail but it is forcing retailers to reconsider how they run their stores. The .com and mobile spaces have created natural efficiencies for better, more personalised shopping experiences. A consumer can discover in 30 seconds what used to require visiting three stores. Instead of thinking in terms of online versus physical retail, business owners could take a cue from ecommerce and integrate data and emerging technologies to deliver richer in-store experiences.

The 2018 YouGov Galaxy poll of 1000 Australians suggests millions have ditched cash or only carry it as a last resort. The survey suggests that one-in-three Australians are card-only shoppers and almost all prefer card to cash when given the option. Close to five million

[24] **Internet Retailing -** *Strong leadership key to digital transformation*

[25] **Internet Retailing -** *Microsoft and IDC APAC Stud - March 201*

[26] **Internet Retailing -** *Microsoft and IDC APAC Stud - March 2018*

shoppers have not been near a bank or ATM in the past four weeks, or cannot remember the last time that they withdrew cash.[27]

Consumer behaviour is affecting organisations, with more than half of small and medium businesses believing cash to be quite interruptive and time-consuming for staff.[28]

Paying by card is believed:

- to be faster and more convenient than cash.
- to provide a better experience is better because the queues move faster
- to provide a cleaner service

Employers no longer have to rely on staff to physically count cash eliminating accounting errors and wasted time.

The poll is further backed up by Commonwealth Bank data released showing smart-phone payments grew 35% in the past six months.[29]

Electronic payments industry group AusPayNet, says that Australia has amongst the highest concentration of point-of-sale devices in the world with 960,000 EFTPOS terminals.

While there are more than 30,000 ATMs across Australia, that number has dropped by 1200 in the past two years.[30]

A Reserve Bank report reported that last year the number and value of ATM cash withdrawals had been declining since 2008.

Outlook:

Retail sales growth is expected to remain slow throughout 2018/19.

- moderate household cash flow growth
- low wage growth
- out-of-cycle interest rate increases
- a softening housing market
- rising living and utility costs
- fluctuating petrol prices

will continue to be key concerns to the consumer and the flow-on effects on the economy.

Speculation of a prospective upturn in the housing market has been ongoing for several years, with predictions ranging from moderate to buoyant. There is no basis to believe housing will provide any tailwind to retail in FY2018/19.

Consumers

Consumers have high service and experience expectations, particularly the 23 to 52 year old demographic. These consumers purchase products and services through in-store and are the highest group for shopping online.

---

[27] **2018 YouGov Galaxy poll**

[28] **2018 YouGov Galaxy poll**

[29] **CommBank** *Retail Insights Report – 2018 Edition 6*

[30] **Inside Retail -** *One-in-three shoppers go cashless, September 2018*

Customer engagement will become more prevalent in-store and retailers will need to address this through, improved point-of-sale, relationship building, enterprise inventory, profitable omni-channel and store fulfillment.

Factors, which influence consumers' shopping behavior and expectations will continue to place demands on business. Customer behavior can be based on four broad differentiation themes when choosing a retailer.

- **Functionality** high level delivery of the core requirements of retailing, with conveniently located stores, low prices, quality products and knowledgeable staff
- **Efficiency** quick and easy shopping experience, offering a wide range of brands, easy payment systems, and favourable delivery and return policies
- **Scale** network, an appealing loyalty or rewards program, and a positive brand reputation
- **Personalisation** an emotional connection based on the services and experiences they receive in-store and being kept informed about prices, product availability and marketing campaigns [31]

The bricks-and-mortar retail store is not thriving, but it is definitely not dead, far from it. Retailers that do not have a meaningful relationship with their customers will continue to struggle. The most effective retailers will most likely be those that fundamentally rethink their retail experience offering, develop business models that blend physical, virtual, and community experiences, with technology, not as the focal point, but as infrastructure centred on and around the customer.

According to Associate Professor Sean Sands, co-director of the Customer Experience & Insight group at Swinburne University, Melbourne, the three key points of AI, voice and visual technology are areas that retailers should be focusing on if they want to thrive amidst digital disruption.

1. **AI -** robotics, artificial intelligence and automation

AI is one of the first and biggest areas of opportunity for the retail sector, with a 55 % growth in people using search engines to search for ideas, not products. The importance of idea-oriented products is rising as AI enables retailers to optimise search results to make their brand stand out.

AI can also be utilised to provide a personalised experience for retailers to meet consumer demands with one in three people expecting a personalised experience and 38 per cent saying they expect AI to improve customer service.

2. **Voice**

Retailers should tap into the growing market of voice-based AI channel, which will continue to rise and present opportunities for retailers. Voice-based AI could enable retailers to understand consumer emotions better and providing better product strategy information

This channel has significant opportunities and looking at grow to $40 billion by 2022.

3. **Visual**

Visual digital channels such as Snapchat, Chat-bot and Instagram-swipe are also areas of immense opportunity for retailers using these technologies to create an interactive experience.[32]

[31] **CommBank** *Retail Insights Report – 2018 Edition 6*

[32] **Retailbiz -** *Nevermind the buzzwords: Retail's three most under-rated digital trends, September 2018*

As digital technology and AI rapidly changes, retailers will face the challenge of an uncertain future, but tapping into these trends and thinking about engaging those with expertise in AI is foolproof.

You can never know what the future is going to look like, but you can utilise AI and machine learning to predict consumer behaviour and think about outsourcing to acquire AI. [33]

In today's marketplace, we could see customer experience momentum that features:

- "Virtual fitting rooms" in clothing stores that allows the customer to see what they would look like wearing specific garments on a large screen
- Digital screens that are cosmetic mirrors, where customers can scan product barcodes and see an image of their face with product virtually applied to it.

  This allows customers to sample multiple products without the hassle of removing the sampled makeup multiple times.
  The screens also offer beauty advice, special offers and product usage guides.
- Scan a retail catalogue with their mobile devices to see relevant content that includes 360^{o} view furniture displays.

  Customers can also virtually place furniture pieces in their own homes and select the products that work best, without actually going into a store.

The rise of digital transformation will affect the labour market where many jobs will evolve and change. While it is encouraging to see that confident young professionals already have future-ready skills that will help them transition to new roles, organisations must focus on reskilling and upskilling those already in the workforce who may not have the required skillset for the changing economy. Methods to establish best practices for these issues are being addressed nationally through cross sector projects initiated by industries through the Australian Industry and Skills Committee (AISC). Nine cross-sector projects have been established, four projects will specifically to address common skills needs in:

Big data; Consumer engagement through social media; Digital skills; Cybersecurity.

Cross sector projects are to identify the skills needs required to meet new technologies, and address how these competency requirements will translate across a range of industries.

Co-operation between industry and education is crucial for developing a dynamic, appropriately skilled workforce. A strong two-way collaborative approach derived from leadership within these areas. The first suggests partnerships preferably involving public-private partnerships between business, public institutions, and the education sector. The second involves the forming of cross-industry partnership arrangements between multiple employers from one or multiple industries, in order to leverage their collective knowledge and expertise.

[33] **Retailbiz -** *Nevermind the buzzwords: Retail's three most under-rated digital trends,* September 2018