

Ensuring The Future Prosperity of Australia's Retail Sector

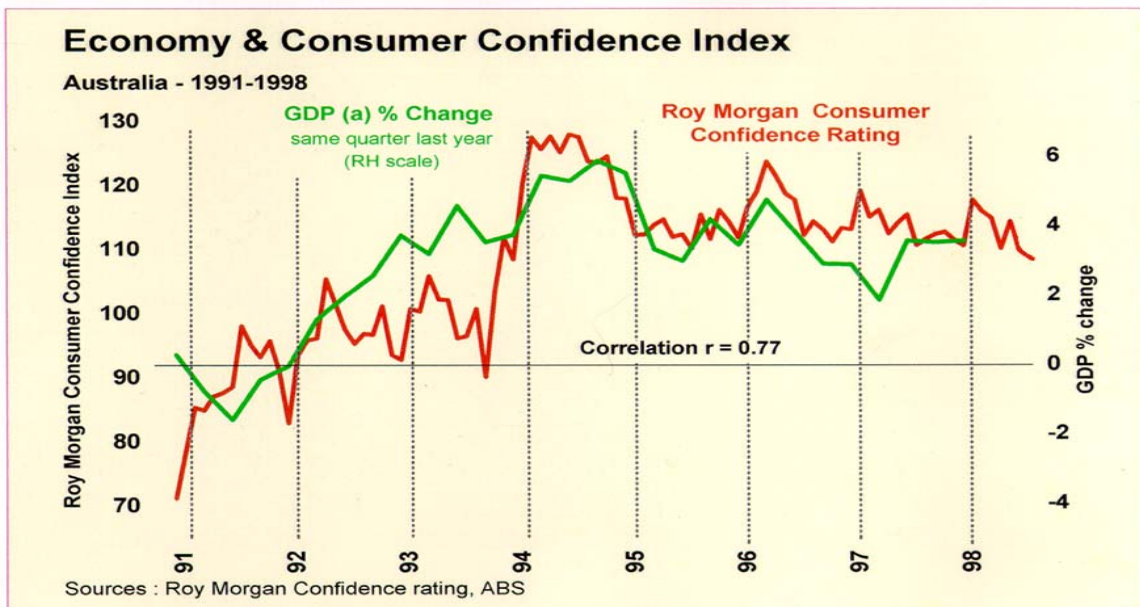
Australian Institute of Company Directors
Hotel Sofitel, Melbourne
July 29, 1998

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Roy Morgan Research

The recent years have seen increased competition and globalisation, blurring of boundaries between industries.

Australia is now facing recession.

Confidence declining



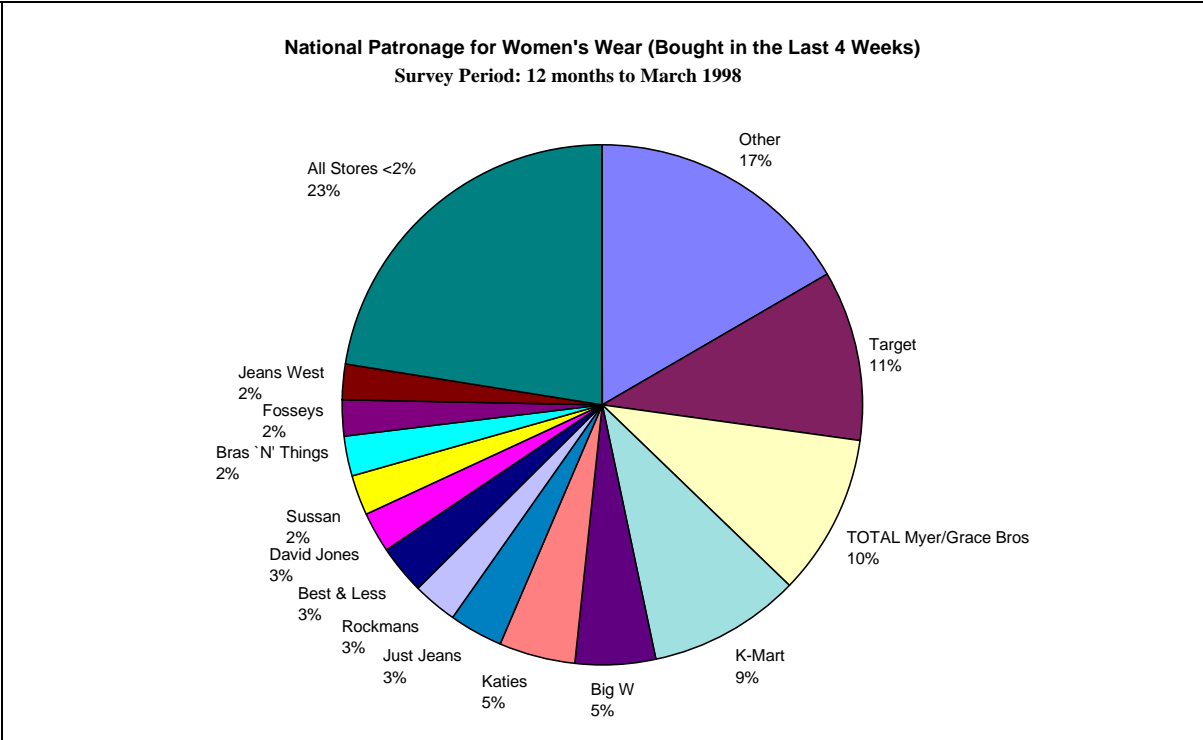
PREPARED BY MARKETING PLANNING

This comes at a time when most organisations have done their downsizing, cost cutting and process re-engineering.

And the ever-advancing movements we've talked about go on. Competition won't stop while we deal with recession - it will get tougher.

Globalisation won't stop - companies anywhere in the world with \$s will take the opportunity to gain share presence while the economy is in recession. And it won't just be our traditional competitors either. It isn't enough for a department store like Myer/Grace to keep an eye on other department stores.

The chart shows that Myer/Grace has 10% of women's wear patronage; Coles Myer-owned stores (Myer/Grace, Kmart, Target, Katies, Fosseys) in total have 37%; however 40% goes to other tiny share stores.



The \$share picture is fairly similar.

Supermarkets similarly don't just compete with other supermarkets - they have trespassed into other territories: greengrocer territory, baker territory, even takeaway food territory with their "meal replacement" products - so all these are competitors.

But now with the barriers down, they have banking facilities, petrol and potentially pharmacy, insurance - any service industry really. From a retailer perspective “patronage” is good - people through the door generally translate to sales - while for a bank increased service associated with patronage is expensive.

At Roy Morgan Research, we see this trend in our own client base. As many of you would know, Roy Morgan Research has moved away from traditional one-off surveys to answer one-off questions. Instead, we have developed a massive information bank, Roy Morgan Single Source, of over a quarter of a million people with details on every activity.

Until recently our clients were accessing information only about their own narrowly defined industry - supermarkets, department stores, banking, etc. Now our supermarket clients are scanning all the information available looking for new markets, affiliated industry opportunities, distribution chain opportunities, etc.

As more utilities are privatised, and face competition, and with the need to provide returns to their investors - they are evaluating the question of which services they should provide and which they should outsource. These days the gas company isn't necessarily the one to provide the services to customers. On one hand, the gas company could provide billing and collection services, enquiry services, or a range of other services, even hire purchase on gas appliances or other appliances. On the other hand, they could choose to have another organisation (eg a retailer) take on the service of their customers.

The way the internet has developed provides an interesting model. Many are spending \$s on internet sites and hubs in order to build traffic - in the hope that that traffic will one day make money (either via sales or advertising revenue). In the “real” world many service industries are trying to get rid of visitors.

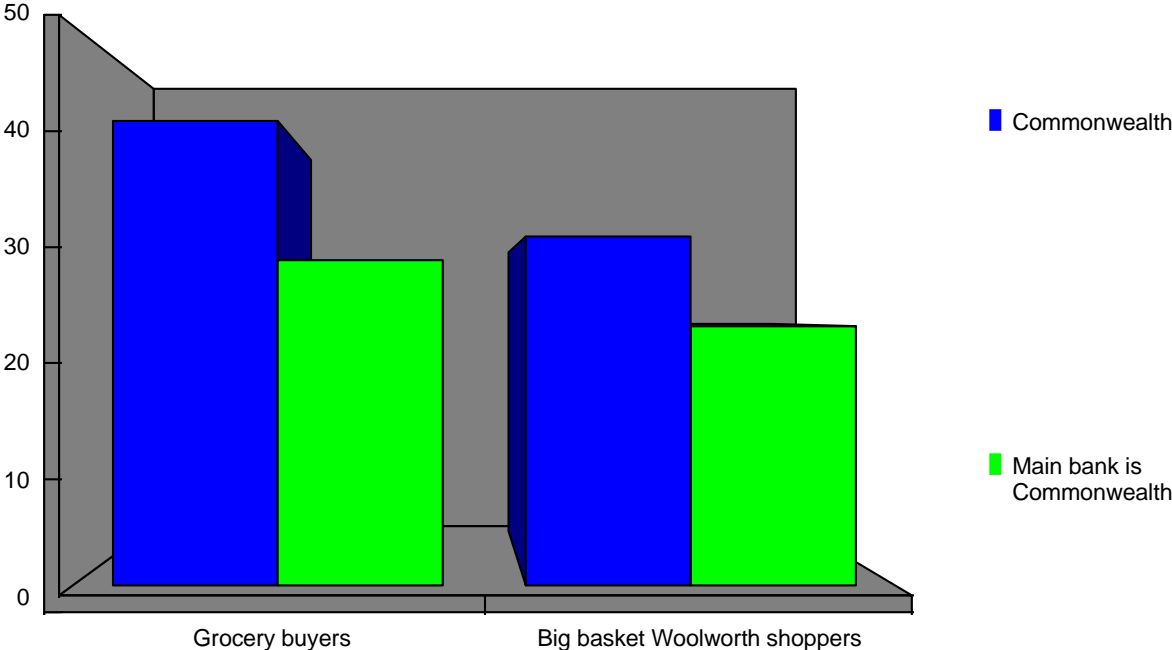
Just as Microsoft is the gateway to the internet - so retailers may become like a gateway to a whole range of consumer services and needs.

But there will be competitors for the gateway. Tourist attractions/entertainment venues also want visitors - will they compete to provide the services that retailers are considering? There's a very good chance they will - another competitor for retailers.

Retailers will have to decide which services they should house or support - already customers can pay by credit or debit card, and take extra cash from their account - presumably further banking facilities are a natural extension - but what about insurance, investments, paying bills, enquiries and information about household services, travel, products, jobs, education courses, etc etc? Retailers will need to decide which companies' services they support - will it be all, or none, or strategic alliances - and how to negotiate with those companies. Understanding the customer will be critical.

For instance, in the much publicised Woolworths/Commonwealth Bank combination, where are the customers? Among grocery buyers generally 29% say the CBA is their main bank, while among Woolworths profitable "big basket" shoppers only 23% give the CBA as their main bank. This is a good opportunity for the CBA - it will probably be better for the CBA than they expected!

Commonwealth banking among Woolworth shoppers



The question of who owns the customer will be a very real one - who owns the database, who does the customer believe they are dealing with, where does the loyalty lie and responsibility lie?



Comet Mine Tourist Centre, Marble Bar, WA