

Paul Zahra: Hi, I'm Paul Zahra and welcome to a special Christmas episode of retail therapy brought to you by American express. Well, the holidays are upon us and retailers are in deep preparation mode for the Christmas shopping rush. It's going to be an unpredictable holiday season that will be full of challenges. As we manage a retail reopening in Sydney, Melbourne, and Canberra. So what's in store for retailers. What can we expect in terms of sales? How is consumer sentiment shaping up and what goes on behind the scenes for a retailer managing this incredibly important time of year? Joining me is my colleague at the ARA Chief Industry Affairs Officer Fleur Brown. Welcome.

Fleur Brown: Thanks, Paul. I'm excited. We're finally getting to the Christmas part.

Paul Zahra: Absolutely. So Fleur, we've been encouraging people to shop early for Christmas. Given the strain the domestic and international supply chains are under, we're not used to waiting so long for our parcels to arrive. So are you prepared, have you done your own Christmas shopping already?

Fleur Brown: Well, it would be embarrassing if I wasn't taking the ARAs own advice and shopping early for Christmas. So I know Christmas is the time of year when for discretionary retailers, many of them make up to two thirds of their profits. And I'd say if you've got a kid under 12, it's the same. They make two thirds of their toy profits at Christmas, and I've got a 10 year old daughter and I can't risk getting on her naughty list. So I'm definitely already panic shopping. And she's a tweenager. So, it's a really difficult age whether tonight for Christmas presents should come from Santa, do they come from her parents? She's also into sort of tech non-tangibles. So yeah, it's going to be a different Christmas all around as far as shopping for family goes.

Paul Zahra: Well, I think the retailers will be all prepared, pleased to hear that. You're actually, you're already thinking about that shopping list and you've got some preparations in place where let's hope all the rest of the consumers in Australia doing the same thing. So we know there's been lots of supply chain issues, et cetera, how should people be factoring that into their their thinking or planning?

Fleur Brown: Well, it looks supply chain issues, I guess have been a feature through the pandemic. And unfortunately, and they've exacerbated this year with Christmas, with a whole lot of different issues coming down to bear. We know that a lot of retailers are relying on Australia post and we're really happy to see that Australia post has once again, come to the party, so to speak. And they're putting 3,300 casuals, extra casuals on board their staff team, just to make sure that they're all hands on deck for Christmas, which is really great to hear some distribution centers and warehouses. They've also been impacted by reduced staffing levels due to COVID cases. And of course that's having an impact on productivity. So, you know, from a, on a consumer level, encouraging your customers to shop early is, is key. We really hope that that message penetrates and making sure that you have a, a great online offering in place. And we would hope at this point for many retailers, that's a foregone conclusion and that those efforts might even step up again for Christmas. It's such an important time of year for people. What about you, Paul? What have, what have you got in your Christmas stocking already?

Paul Zahra: Well, I'm one of those people that really do plan early in advance. I've already decided what I'm buying people. So I've got it made a list. In fact, I've already started ordering wine advanced because of course, Christmases as a retailer is, you know, takes up so much of my time planning and helping retailers during that period that I've got to be super organized. Otherwise people will not get their gifts. So you know, it's important for me to be leading.

Fleur Brown: Yeah, no, I can believe that. And are you the sort of person who buys lots of small gifts or one,

Paul Zahra: No, I tend to go for fewer and bigger because purely because the effort involved in little gifts leads lots of choices, but I prefer to go with fewer and bigger. That's always been my strategy. Yeah.

Fleur Brown: Good call. Good call.

Paul Zahra: Now let's look at what we're expecting in terms of sales. The ARA has done some research in conjunction with Roy Morgan more than 11 billion is expected to be spent on Christmas gifts. So some positive signs we're in for a buoyant trading period.

Fleur Brown: It's been a lot of challenging news around this year and most recent lie was Delta, of course. So it's great to report a little bit of optimism coming through. We all deserve to spoil ourselves and others this year. And almost 80% of Australians are telling us that they will spend at least the same or more than they did last year, which I think is, is great news in the scheme of things and gift buyers around Australia are planning to spend an average of \$726 per person, which is a pretty healthy sum. And if we want to get competitive, of course we do consumers in new south Wales are the most generous with an average spend of \$902 followed by Tasmanians at \$813. Queensland is at 705, Victorians at 652 and south Australians at 645 and west Australians at 472. I have to say, I'm surprised by Tasmania and Western Australia, particularly given we've seen nothing but excitement out of the west Australian economy this year. So that's an unusual and unusual list, I guess

Paul Zahra: All I can say Fleur is that I am glad I live in New South Wales.

Fleur Brown: This is true. This is true. And the most popular items this year are toys, jigsaw puzzles, board games continue to be incredibly popular. No great surprise there, I guess. And gift cards and vouchers, clothing shows and sleep. Where are you surprised by any of those choices?

Paul Zahra: Well, not really because what we are living in very uncertain times. I think what we're seeing is as such a return to tradition, in fact, you know, we're seeing people really focusing on traditional type gift items, sleepwear certainly traditional in particular, when you look at toys you know, it's here board games, jigsaw puzzles, those types of toys you wouldn't imagine in 2021 that people would be still playing games and, you know, using jigsaw puzzles, given the technology, but it's no surprise given the uncertainty that we've been through over the last couple of years, there's been such a drawback to traditional type gifts.

Fleur Brown: That's true. Have you seen anything, you know, kind of a bit fun or innovative come out of the pandemic in the last 12 months that you think might make an appearance on the Christmas stocking list?

Paul Zahra: Other than elastic waist pants, I think that's probably Thanksgiving, but also COVID type territory. Now I think you know, what we, what we will obviously see is generally love the new technology gets launched during that time. And I think there's no doubt that's the time people generally update their, their computer or their, their iPhone. And I think a lot of these accessories that we see sort of as part of everyday life have become personal accessories and we choose them often over other items. And, you know, because we, we, we so highly dependent on those items to, and to have the

latest technology because we want to be always the best at what we do. So you know, that's, that's been the most thing. I don't know whether it's more around I don't think it's COVID related. I just think we're going to see more of it. The only issue I guess, or that came out of COVID is that we've had to, most of us have been forced to work from home. So that's made these types of tools, so super important for people's ability to, to get their work done and just to go about their day. So

Fleur Brown: Justify that new Mac book, whatever it is you might be thinking of. Nearly half 45% of Australians say they yet to make up their mind about what gifts they'll purchase, which possibly is good news. Given that when the stores finally open again in new south Wales, Victoria, and the ICT, there may be a rush for some surprise gift shopping at that point.

Paul Zahra: Yeah, I look at, and I think retailers would take that as an absolute, that's a real nugget of information and 45% of people haven't made their minds up. Then this is their real opportunity to be able to solve those problems for, for consumers that they're looking to complete their gift giving. And this is the most important time of the year for any retailer, most important for discretionary retailers. And they've got a real opportunity to timely shine, but also to solve those particular issues for consumers. They're trying to solve all these problems in buying gifts.

Fleur Brown: Absolutely one figured that, I guess I was a little surprised by even though it's been trending in this direction, is Australians turning to the internet in a big way. This year for Christmas shopping, an average of 48% of Christmas presents are set to be bought online this year. Of course it's been an accelerating trend, but that's quite an amazing statistic. What do you make of that?

Paul Zahra: Cool. Well, I think generally what we're seeing is that in fact, each month, this year, particularly as the ideas have released their data, we've seen, you know, the highest level of online shopping. And this is no doubt being driven by the lockdowns in the biggest states in new south Wales. And, but that also has changed consumer behavior and people are staying to see not only the benefits of our shopping online, the ability to compare, to have things gift wrapped and to be able to send those gifts into stay from the, you know, the tap of a few fingers rather than having to go through the effort of actually purchasing the items and schlepping them back home and wrapping them, and then actually going into state, having to have them posted, you know, what, what we're seeing is that people are seeing that absolute value of convenience in online shopping. And there's no that's here to stay. There's no doubt COVID is accelerated trends that were already occurring. And what we're pleasing to say that, you know, what online shopping will do is solve many problems for many people that are, you know, that are under pressure to get their gift giving done.

Fleur Brown: Absolutely. I guess when people traditionally think of Christmas, I think of the big department stores here around the world that, you know, really magic feeling, the feeling you get when you watch an ad from a big department store, of course, you've run a major department store. And you know, how important Christmases for department stores, what goes on behind the scenes, in preparing for that time of year?

Paul Zahra: Well, what most people don't know is in effect department stores plan their Christmas, at least when they're in Christmas every day of the year, cause they're planning the following Christmas Wasserman, the current Christmas. So the lead times are astronomical, but equally, if they want to bring the best of what the world has to offer most of the bars are actually traveling to see the other department stores set up in Christmas and to see the tops of gift giving programs that they have in place. So it starts 12 months in advance product is then quantified and the ranges that are decided in

what we call stories to make sure that they bring that bring the best of the world back to the country. So it's one of those magical moments is when department stores get to shine because of, because of course it is a one-stop shop for consumers. They can get all the different types of categories and brands under the one roof.

Fleur Brown: It sounds like magic's a lot of hard work. Do you have a favorite Christmas movie?

Paul Zahra: Actually, I do. It's love actually. Every year I've seen it about like 20 times, but I think it was released in the early nineties from memory, but it's, it's certainly a movie that I'd love because it actually, it reminds me of the joy of Christmas and why Christmas is so important.

Fleur Brown: Lately that's been replaced in recent years by last Christmas may actually. Yeah.

Paul Zahra: Okay. Well, I did enjoy that movie as well because I'm a big fan of George Michael.

Fleur Brown: Absolutely. they brought that to life beautifully. If you're not in a department store and you might be in the small business category or other, you're going to be deep into your planning for Christmas right now. Do you have any tips for those categories of retailers that don't sit in that big department store side of things?

Paul Zahra: Yeah, look, I think it's a similar theme. I think there's been so much uncertainty, so much disruption because of COVID. I think it's really important that people are going to look for tradition and they're going to want a traditional Christmas that even comes down to the gifts that they're giving. And what we're looking for really from, from retailers is to make sure that they're projecting a world of optimism. Optimism is going to be the word desire because it's important that retailers play a part in bringing that optimism and that hope and that certainty in for consumers. So we want to not mention the C word, it's gotta be history. And it's important that you know, the stores are really well-prepared expect that people will be shopping early because of the supply chain disruptions of the delivery issues. So they'll want to get their shopping done. And many people will want to reduce their stress and anxiety, which we've all had to suffer. Mental health has been such an issue through this, some particularly through these series of lockdowns. So it's important that you know, retailers see that they're there to help solve problems for consumers and that how they present their stores in such a, in a way that I would call magical that allows us solve for all they give giving problems that or opportunities, I guess, for consumers.

Fleur Brown: So true.

Paul Zahra: Let's talk about how consumer sentiment has been tracking. There's been so much German gloom this year, so are people prepared to get out and spend.

Fleur Brown: Well again it's quite good news. Despite the lockdowns consumer sentiment is actually positive and there's more optimists and pessimists in the community. Good news. And you can see that reflected of course, in the purchasing intentions for this year that we were just chatting about a moment ago, but in terms of actual consumer sentiment, as it's measured, it increased 2% in September and it lifted 5.3% in new south Wales to an index of 106.4. And just to put that into context, if you're above a hundred, it means the optimists exceed the pessimists. So that's good news. It held steady in Victoria at 104.1. Of course, we'll be watching those figures closely as Victoria eases out of lockdown in the future.

Of course improving vaccination rates is a huge boost for confidence and we're getting those daily updates from government on that front and that the signs are looking great. So hopefully people are starting to think about getting some retail therapy as soon as they emerge from those lockdown, you know, a lot of pent up demand or so due to some of the border closures. And we're benefiting from some of that also when it comes to international border closures, there's around 60 billion that would normally be spent on overseas travel each year. And that money has been flowing into the local economy, which I guess is good news and still keeping things fairly buoyant, which is positive. So poll online shopping has been the big phenomenon this year, and it's really shifted retailers thinking about how they prepare for Christmas, but what about in-store shopping experiences? Are they less of a priority now?

Paul Zahra: Look, online is important and it's surging, but the vast bulk of retail sales take place in a stores. So we still see the majority of sales done in a store and you can't really miss this, you know, replace that social, tactile sensory experience that you get in a store, you know, you would miss the Christmas hymns for a start or the Christmas songs, but not shopping in a store. And there's something about interacting with people. And I think most people, what we do know is that most people will want to do a bit of online and offline shopping. And that's a great thing. So there's the convenience of online, but equally the offline, you know, there's no better experience than watching in viewing the the windows of a department store during Christmas equally seeing all the beautiful you know, specialty stores come to life at the bit of the, you know, what is the magical time of the year. So, you know, it's important that people don't miss out on that experience this year. And I know there's, there's a lot of complications and restrictions and limitations to do with CBD shopping, particularly. And, you know, we, we know that we've talked a lot about the CBDs and most retailers have their flagship stores in CBD locations. So, and they've been struggling. So I'm quite interested in discussing the flow. How does this impact Christmas for them?

Paul Zahra: Oh, look, savvy days have been on our mind at the Australian retailers association a lot. And as a consequence, I think are now on the mind of the governments, particularly at state and local government level, we've really impressed on them, the impact of the pandemic on CBD retail. And as a consequence, we've seen quite a few different programs popping up around different locations. Sydney, Melbourne, Brisbane in particular have had CBD campaigns. Some of them went onto pause mode because of the recent lockdowns, but we are in discussions and expect to see more resource thrown at CBD promotional campaigns or events activations in the future. It's on the agenda of those governments certainly to try and give a leg up to those retailers, unfortunately, with the occupancy rates that we're saying for offices we are looking at a longterm problem. There's lots of great minds around the country working on solutions for that, but at the end of the day, as you often say, Paul, once there's a consumer trend in place, it's often a habit that sticks. And we've seen that with the shift to hybrid working from home. It's not a problem that's easily or quickly solved, unfortunately.

Paul Zahra: No, absolutely look. And I think there's, there's just so much that has changed because of COVID that you know, we've seen so many trends, accelerate most have been good. Some of them have been challenging, but you know what doesn't kill you makes you stronger. And I think, you know, the retail industry is quite a resilient group of people in the industry. And we just got to think of smarter and more innovative ways to, you know, bring, bring about, you know, our industry into an innovative space that we just keep learning and growing.

Fleur Brown: Yeah, absolutely. And a message for any CBD retailer tuning and out there we're on the case and we're not going to let up, we definitely be pursuing that agenda for you, you know, in the

months to come pull. What about Christmas around the world? Your, I know you love to indulge in international promotional ads, John Lewis Springs, to mind, what are some examples of international retailers who you think do it best? And what can we learn from that?

Paul Zahra: Well, of course, unfortunately this year, it's definitely no, I will be traveling and most people won't get the opportunity to travel around the world. So but always look, you know, we're always the Australian, market's always been an amalgam of the US and the UK, but nobody, no other market brings Christmas to life. I think then, then England and the United Kingdom particularly does an amazing job in London specifically. Those, those lights, the, you know, it just talks Christmas to me completely and everything that's said and done particularly long Oxford straight John Lewis is always a standout from an advertisement perspective for me because it talks to the emotional and the joy of Christmas. And I've been following the tunnelers ads for some time. And of course, I'm there supermarket chain Waitrose equally does the same thing. They bring the joy of Christmas rot ride home just the whole joy around gift giving. So they're the two that were where I look for inspiration, I guess, you know, whilst we can travel, we've all got a personal computer that we can do, lots of Googling. And most of the retailers around the world that, you know, they put even their windows on display digitally. So we can see what's happening without leaving our state or country or leaving our home for that matter. So it's really good to sort of get that excitement around what's happening around the world. You know, most retailers, the most important thing, or the most important tip for small, medium or large businesses that they, they, they see gift-giving as something that's a, you know, a problem to be solved and that they are preparing their stores with what we call gifts to go. So things that are ready that solve in for right from, from, you know, a man, woman, child, adult pet, you know, across the board and they've got their stores prepared. So when the lockdowns end they're right into Christmas mode, because what we will see is a greater joy and a lot of interesting back to the shops

Paul Zahra: Fleur. Thanks for joining me. Christmas always puts us in a good mood. It's just around the corner. And despite the Delta devastation things are ripening up. Confidence is returning and retailers are hoping for a bright finish to the year. Merry Christmas.

Fleur Brown: Merry Christmas.