

Australian Retail Outlook



2026

Powered by



InsideRetail



Mid-Market
& Private

Intelligent brands are building future-ready resilience

Resilient retailers aren't just reacting. They're reimagining. Because resilience isn't just about weathering the storm. It's about building for tomorrow – through people, process, and tech.

KPMG's insights reveal 47% of retailers now see AI as core to their business and 55% report moderate to high AI returns.* The case for customer-first innovation has never been stronger.

Retail is undergoing a strategic shift where AI precision meets human connection for sustainable growth.

Are you building future-ready resilience?

Resilient growth starts here.

At KPMG, we help Australian mid-market retailers build right-sized, future-ready retail strategies for growth – shaped by humans, driven by digital.

Ask us how. [KPMG.com/au/retail](https://kpmg.com/au/retail)

**Right-sized.
Future ready.**

Australian Retail Outlook 2026

**The Australian Retail Outlook
is printed by Octomedia**

Head Office

Suite 1502, Level 15,
31 Market Street
Sydney, NSW 2000
Tel: +61 2 9901 1800
Fax: +61 2 9251 5957

Managing editor – features and premium

Adam Thorn
adam.t@insideretail.com.au

Features and premium editors

Stephanie Caite Chadwick
Nicole Kirichanskaya
Tong Van
Thalia Whitfield

Subeditor

Haki Crisden

Contributors

Michael Baker, Rachel Harvey, Toni Jones,
Cath Jowett, Aisling Kilgannon,
Heather McIlvaine, Nicole Miranda,
Phil Thornley, Tully Walter, John Williams,
Ashling Withers

Advertising

ads@insideretail.com.au

Graphic Design

Sofia Tajolosa

CEO

Amie Larter
amie@insideretail.com.au

Cover

Supplied by Van Brussel

In the spirit of reconciliation, the *Australian Retail Outlook* acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Octomedia Pty Ltd accepts no liability for any errors, omissions, or consequences, including any loss or damage, arising from reliance on information in this publication. The views expressed in this publication reflect the opinions of the writers and are not necessarily endorsed by Octomedia Pty Ltd. We recommend obtaining professional advice from an accredited advisor before relying on the information in this publication. Octomedia Pty Ltd reserves all copyright over the content included in this publication. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, as per the Australian Copyright Act 1968.

CONTENTS

- 5 Editor's note and foreword
- 57 Why utilising AI in retail is about more than just data and software
- 62 How retail property keeps defying gravity

Setting the scene

- 9 Consumer verdict:
750 shoppers have their say
- 16 A silent depression is widening the gulf
between the haves and have-nots

Inside HQ

CEOS AND STRATEGISTS

- 19 How businesses are raising productivity
through customers and talent
- 22 What's keeping CEOs up all night?

MARKETERS AND ADVERTISERS

- 23 CMOs discuss tactics for surviving
a transformative year ahead
- 27 The campaigns that cut through
in 2025

SALES AND CUSTOMER

- 29 Mecca's Ian Burl discusses plans to
take advantage of the new Melbourne
flagship
- 30 How retailers are gearing up to please
Generation Alpha

CONTENTS

OPERATIONS AND SUPPLY CHAIN

- 33 How leaders are future-proofing their 2026 supply chains
- 36 Oz Hair & Beauty's Guy Nappa talks reshaping operations for an omnichannel future

FINANCE

- 37 Executives discuss overcoming tariffs and shifting consumer demands
- 41 How T2 Tea is pursuing sustainable growth by tightening its capital allocation

IT AND DATA

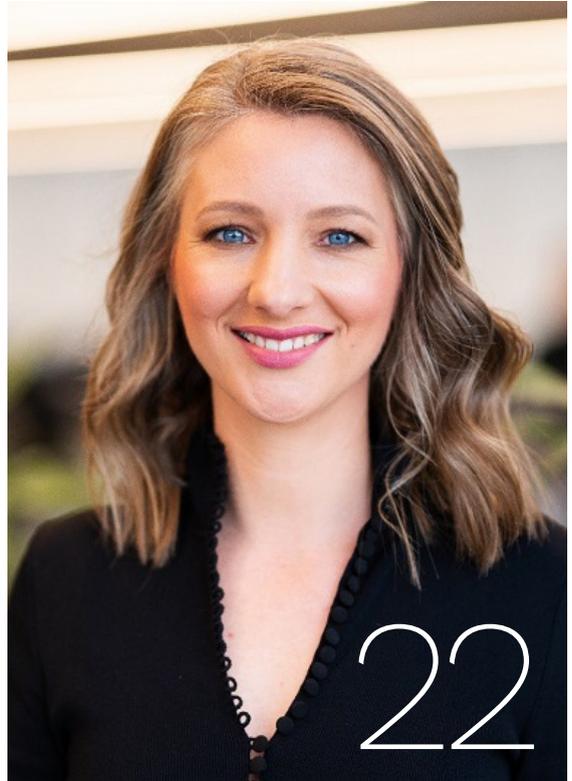
- 42 How AI is revolutionising customer experience
- 45 Top tips to navigate a fragmented digital landscape

DIGITAL AND E-COMMERCE

- 47 What are the must-haves for a great CX in 2026?
- 50 Three of the best up-and-coming online retailers

WORKFORCE

- 51 How to empower employees in a changing environment
- 55 The four forces reshaping 2026's workforce



Smart retail with a human heart



Editor's note

In October, ChatGPT launched a new function: Instant Checkout. On the surface, it's nothing more than a glorified Amazon Alexa, allowing users to purchase products directly through its chat function, bypassing the need to visit an individual store. However, it has the potential to rapidly evolve into something that will radically change how we both discover and buy products. Before long, the thinking goes, it will be robots, and not humans, that will decide on your behalf what cereal you should eat, which shirt you should wear or what TV is the right fit for your living room. In other words, it's the biggest revolution in retail since the launch of Google.

No wonder, then, that discussion about AI has dominated almost every section of this year's *Australian Retail Outlook* magazine, as executives scramble to quickly incorporate the technology into not just their e-commerce sites, but also their supply chains, CX strategies, and workforce training plans. The challenge, as we discuss, will be leveraging these advancements while still keeping their operations distinctly human – personalising their products without alienating sceptical shoppers.

Amidst this upheaval, this year's edition keeps to the same trusted format introduced in 2025. In September, for example, we hosted a series of roundtables with KPMG to understand the sector's most significant priorities and concerns among senior retail executives. You can see their insights in our returning Inside HQ section, along with articles and interviews with retailers and brands both large and small.

Also returning is our exhaustive consumer survey, which reveals what Aussies really think about everything from sustainability to rising prices and personalisation; Michael Baker's annual in-depth analysis of Australian property trends; and our snapshot of what's keeping retail CEOs up all night.

Before I go, a special thank you to Heather McIlvaine, whose editor's seat I'm keeping warm until she returns from maternity leave. This edition is her brainchild, and it remains Australia's go-to guide for navigating retail over the next 12 months. Happy reading!

Adam Thorn

Managing editor, premium and features, *Inside Retail*

In 2025, Australia's retail landscape entered a new era defined by resilience, reinvention, and rising consumer expectations. Even though economic recovery was under way, with growth forecasted, shoppers remained value-conscious and cautious in their spending. Price sensitivity continued to dominate purchasing decisions, yet consumers still demanded convenience, personalisation, and ethical transparency from the brands they support.

As seamless omnichannel experiences became more commonplace, leading retailers grappled with the future of artificial intelligence (AI) – agentic commerce – rediscovering the demand for human connection, and the importance of the in-store retail customer experience. All while navigating supply-chain volatility and shifting sustainability requirements. The acceleration of digital capabilities and the demand for operational efficiency were no longer optional, they were business critical.

Adaptability was the defining trait of retail success in 2025. Brands that evolved with agility connected authentically with their communities by looking beyond the product and creating brand experiences and community events, and embedding innovation into their DNA through personalised and predictive offerings. They not only survived but led.

As we look to 2026, the promise of AI in retail is undeniable, yet the path to full transformation remains steep and complex. In a landscape where margins are tight, customer expectations are soaring, and disruption is constant, retailers must navigate a host of hurdles to unlock AI's potential.

Economic uncertainty and geopolitical headwinds remain front of mind for retail CEOs, with the rise of generative AI as their third-biggest challenge. At the same time, the cost-of-living squeeze is expected to affect 81 per cent of retail businesses over the next three years.

With so much change, having the right tech and data tools is no longer just helpful, it's an imperative. Retailers are shifting from experimentation to execution, with many seeing AI and analytics as essential to understanding customers, optimising operations, and delivering personalised and predictive experiences. However, this transition is not without challenges, as many organisations are grappling with fragmented data, legacy systems, and scaling these new capabilities effectively.

For the retail brands ready to lead, the message is clear: Growth will come not from business as usual, but from reinventing how they operate, engage and differentiate in this new era. It is no longer an era of just selling a good product, but of reconnecting with customers, whether in-store or online, and delivering a great customer experience. The leaders will be those who combine strategic clarity with disciplined execution, aligning tech, data, operations, and purpose in service of the customer and the bottom line.

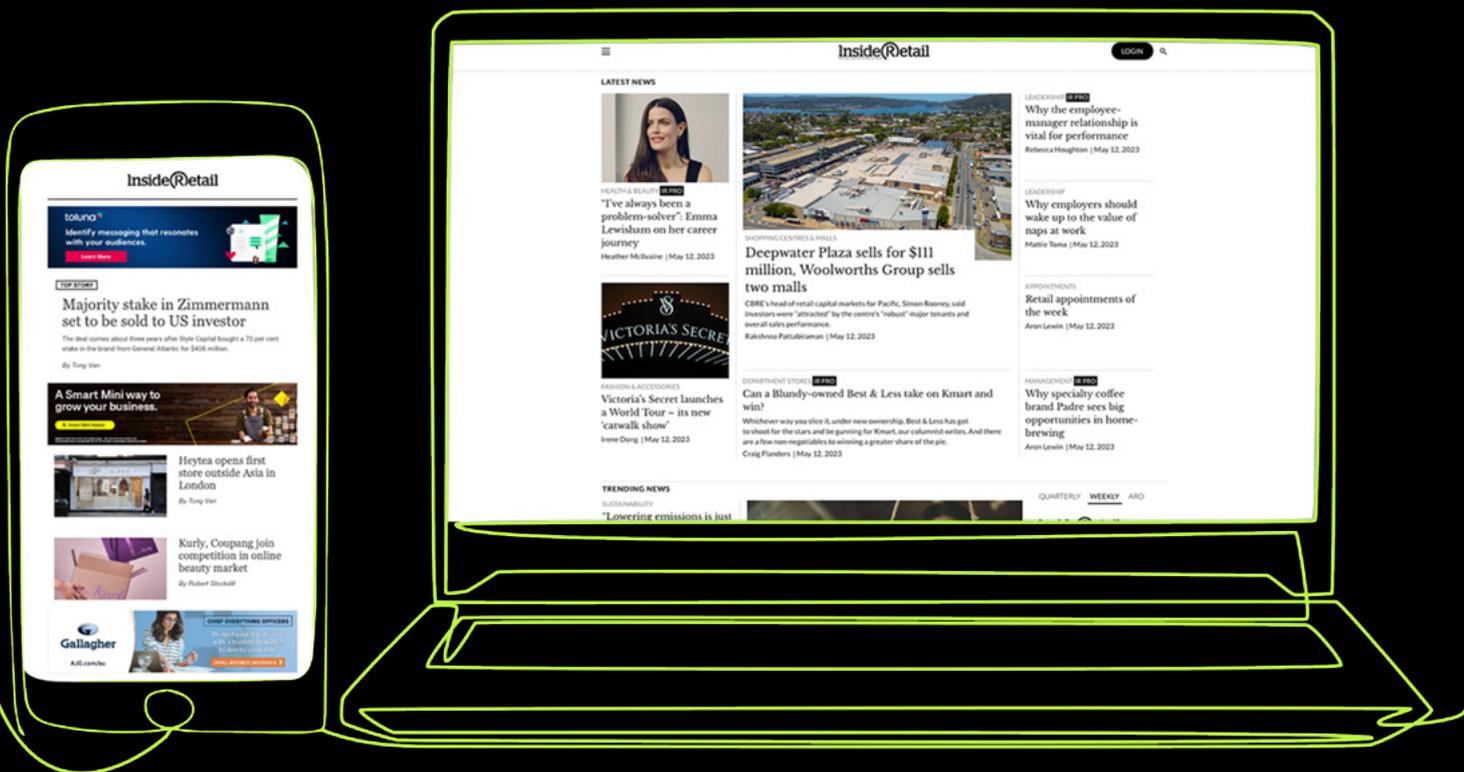
We hope this edition of the *Australian Retail Outlook* sparks fresh thinking, relevant insights, and actionable strategy for the year ahead.



Toni Jones

Partner, Industry Leader - Corporate Brands
KPMG Australia

Subscribe to IR Pro your all access pass to Inside Retail for just \$5 + GST*



Features and Benefits:

- Unlimited news access
- Daily IR Pro content straight to your inbox
- Weekly careers advice
- Independent research reports and forecasts
- In-depth interviews with industry leaders and experts
- Weekly and quarterly digital magazines to your inbox

SCAN TO
SUBSCRIBE



* \$28+GST for each month thereafter.

www.insideretail.com.au

Unified Commerce Made Easy.



Incu



"We saw an uplift in click and collect
of over 300% in some locations"

Minimax



Rolla's

FOREVER NEW

SCANLAN THEODORE

REVIEW

MICHAEL HILL

ROLLA'S

Incu

NUTRITION
WAREHOUSE

MINIMAX

Reebok

SEA FOLLY
AUSTRALIA

SHONA JOY

HAIRHOUSE

hipkids

Shoes & Sox

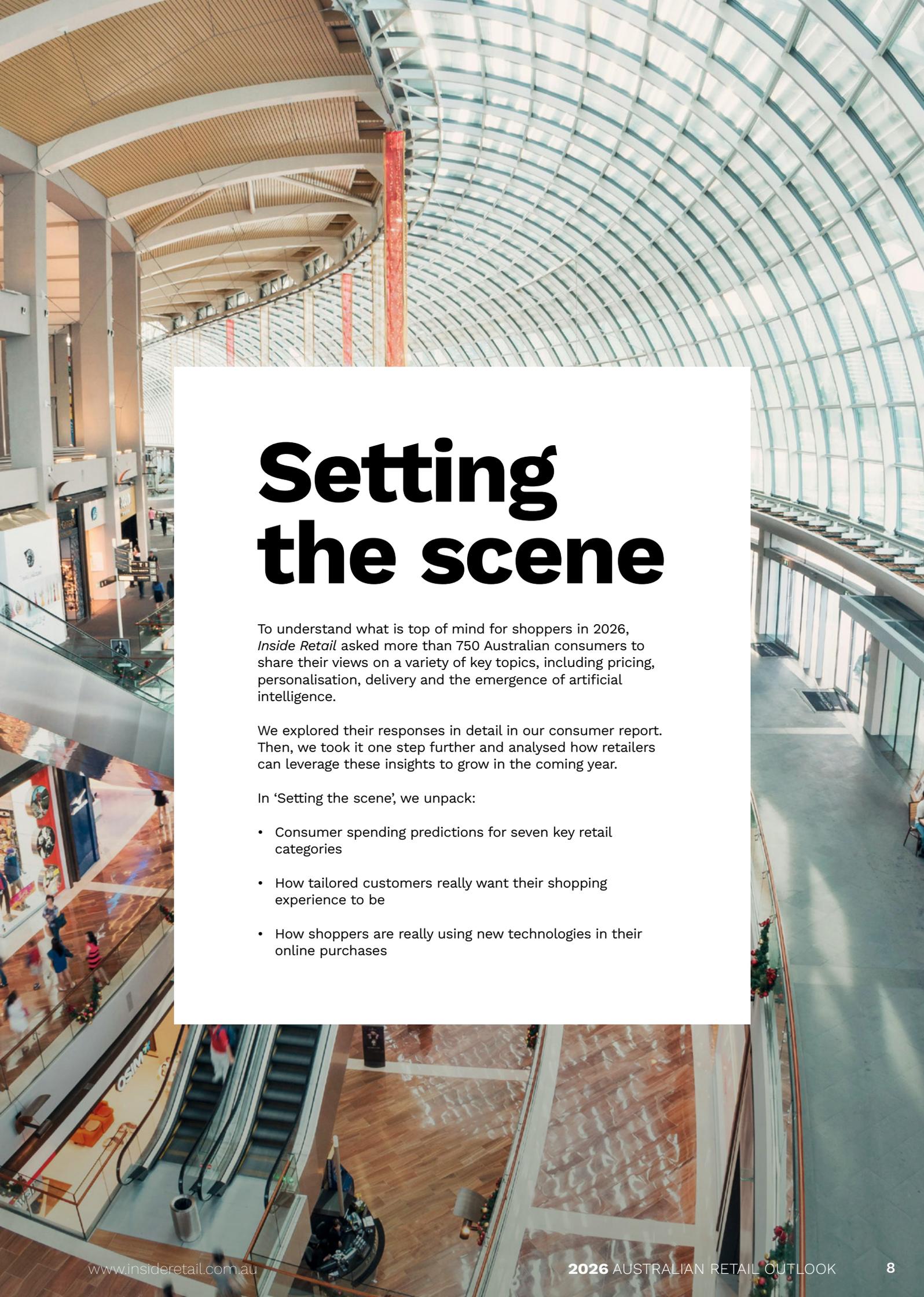
blue illusion

mister zimi

- Clienteling
- Appointments
- Find In Store
- Store Locator
- Click and Collect
- On Demand Delivery
- Ship from Store
- Reserve In Store
- Advanced Buffers
- Order Splitting and Routing



brauz.com



Setting the scene

To understand what is top of mind for shoppers in 2026, *Inside Retail* asked more than 750 Australian consumers to share their views on a variety of key topics, including pricing, personalisation, delivery and the emergence of artificial intelligence.

We explored their responses in detail in our consumer report. Then, we took it one step further and analysed how retailers can leverage these insights to grow in the coming year.

In 'Setting the scene', we unpack:

- Consumer spending predictions for seven key retail categories
- How tailored customers really want their shopping experience to be
- How shoppers are really using new technologies in their online purchases

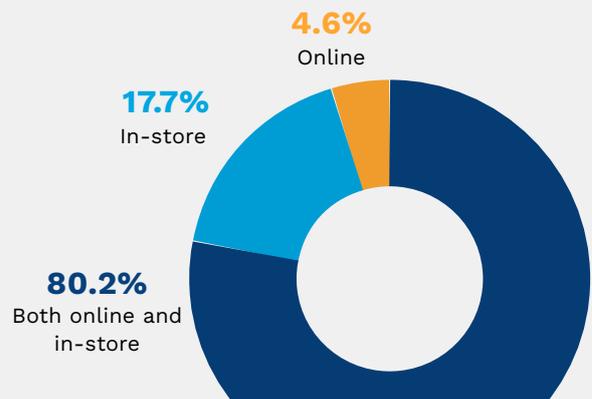
What Australians want from retailers in 2026

Our survey of 750 Aussies reveals their priorities for the year ahead and how they really feel about artificial intelligence, sustainability and waiting for discounts.

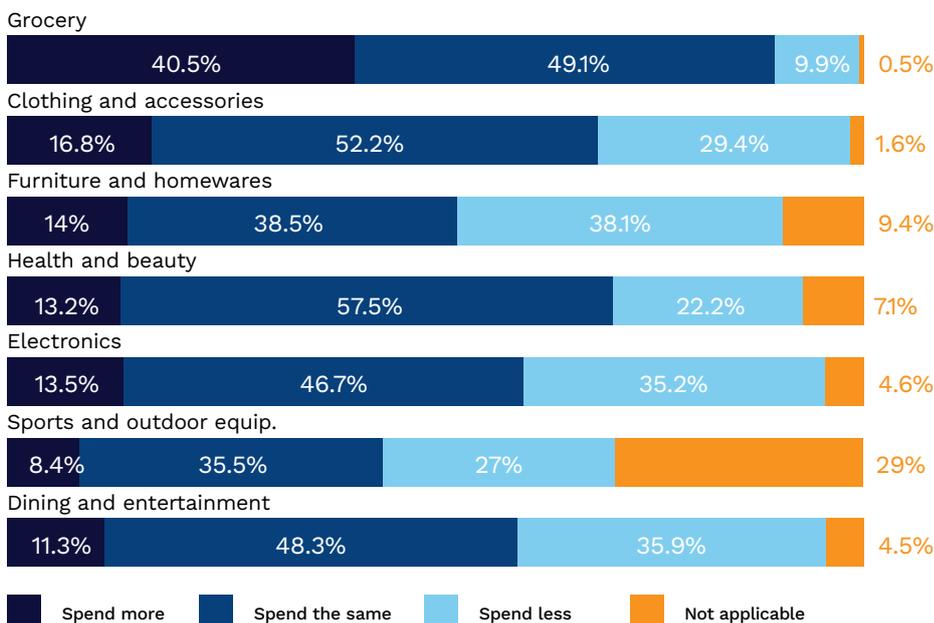
By John Williams

Q.1 In the past three months, where have you shopped for products or services?

Australian shoppers continue to prioritise omnichannel shopping, with the vast majority using both online and in-store options for purchasing products and services. Notably, purely online-only shopping remains a minority choice, as most consumers value the flexibility and convenience of combining digital and physical retail. Retailers will face challenges in delivering seamless experiences across channels, with real-time inventory data, consistent pricing, and convenient fulfilment options forming the basis of a positive customer experience.



Q.2 How do you expect your spending on the following categories to change in the next 12 months?



Australians remain cautiously optimistic, with a modest but measurable rise in expected spending on groceries and other retail categories in 2026. While many plan to keep their current spending levels, those expecting to spend more still outnumber those planning to spend less, highlighting household budget resilience despite ongoing cost pressures.

CONSUMER VERDICT

Q.3 Why did you say you expect expenditure to change for each of the following categories: grocery, clothing, furniture, health, electronics, sports, dining?

The following key themes reflect cautious, value-driven consumer sentiment as captured in qualitative responses. They align with the overall sentiment of the *2025 Australian Retail Outlook* report, which emphasises adapting to inflation and prioritising essential spending.

Grocery

Most respondents highlighted “cost of living” and “rising prices” as the main factors influencing their grocery spending expectations. Many mentioned budgeting and switching to more affordable or house brand options, along with looking for discounts and managing household needs.

Clothing and accessories

Typical reasons include “already have enough”, “not planning changes” and “replacing only essentials”, with frequent mentions of minimising purchases and waiting for sales. Some also talked about adjusting to changing sizes (e.g. in growing children) and a preference for budgeting or second-hand items.

Furniture and homewares

Responses mainly focused on “no immediate need”, “items last a long time”, and “will buy when required for renovations or moving”. Most plan to buy only if necessary or for major life events like moving house.

Health and beauty

Spending remains consistent as people stick to established routines or buy only necessities. Some are receptive to new products, but most plan to continue with their usual habits for regular items, and a few prioritise quality in this category.

Electronics

The main reasons are “only replace if broken” and “no current need for upgrade”. A few mentioned saving for specific items or planned upgrades, but the overall sentiment is cautious, need-based spending.

Sports and outdoor equipment

Many mention “no need for new gear”, “kids have what they need”, or “participation has reduced”. Those planning increased spending link it to growing children or new hobbies, but generally, spending remains stable or decreases.

Dining and entertainment

Most explanations involve “saving money”, “preferring to eat at home”, and a desire for tighter household budgets due to the higher cost of living. Spending on entertainment is often described as a treat or occasional luxury rather than a regular expense.

Q.4 How have your shopping priorities changed in response to economic conditions?

Amid ongoing cost-of-living pressures, retailers should strengthen promotional strategies. Among shoppers, 66% now seek discounts or promotions. Essentials-focused offers and home brands will appeal to the 48% prioritising basics and the 23% switching from branded to home brands. Value remains crucial, but one-third still look for quality, and 11% consider brand ethics. Highlighting savings, reliability, and genuine quality will build loyalty in 2026.

Looking for discounts/promotions **66%**

Buying essentials only **48.2%**

Shop less overall **40%**

Prefer quality over quantity **35%**

Switched to home brands **23%**

Support ethical/sustainable brands **10.6%**

Others **2%**



Q.5 What factors are most important to you when choosing where to shop?

Affordable prices remain the top priority for 86% of Australian respondents, highlighting ongoing price sensitivity in 2026. Product quality and variety are also highly valued, chosen by 72%. Service aspects such as loyalty programs (40%), customer service (29%), and delivery convenience (23%) continue to be important. Sustainability, personalisation, and reviews are less preferred.

CONSUMER VERDICT

Q.6 Do you think that will change in the next 12 months?



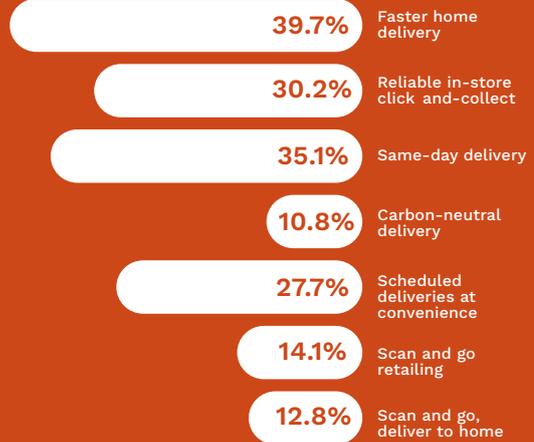
Australians expect only moderate changes in shopping priorities, with affordable prices (38% expecting “quite a bit” or “a lot” of change) and product quality and variety (21% expecting change) being the most influential factors. Delivery, loyalty and a seamless experience are less influential. Nationwide research confirms rising expectations for convenience and value, but sustainability remains a niche concern.

Q.7 What challenges prevent you from enjoying your ideal shopping experience?



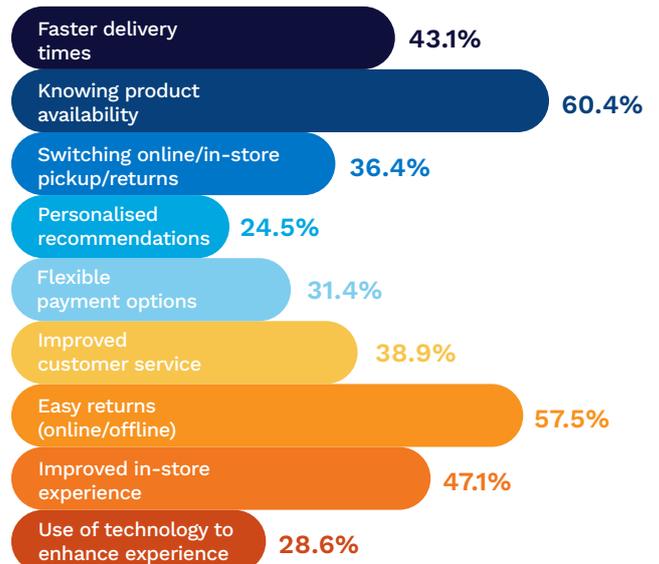
Retailers must take targeted actions to deliver the ideal shopping experience for consumers in 2026. Addressing cost concerns is crucial; offering competitive shipping rates and managing delivery costs will build customer trust. Ensuring reliable product availability and transparent stock levels should be a core operational focus, reducing disappointment and lost sales. Improving delivery speed and flexibility, along with streamlined return and exchange policies, can boost post-purchase satisfaction. Both online and in-store environments need intuitive interfaces and proactive assistance. Investment in staff training, better customer support, and easy payment solutions will help overcome the main barriers identified in consumer feedback.

Q.8 What delivery options would you like retailers to prioritise over the next two years?



The convenience economy is speeding up, and consumers now anticipate faster, more transparent and flexible delivery options. With the rapid growth of e-commerce, logistics and fulfilment have emerged as key battlegrounds for retailers aiming to differentiate themselves.

Q.9 How important are the following advancements to your shopping experience in 2026?



Between 2025 and 2026, customer expectations are shifting beyond price to demanding seamless omnichannel experiences, transparency, and technology-supported service. Over 60% rate knowing real-time product availability as vital, while easy returns (58%) and improved in-store experience (47%) are top priorities. Retailers investing in customer service, frictionless fulfilment, and digital solutions will better meet these rising consumer expectations.

ONE LOCAL PARTNER. DIVERSE CATEGORIES. SCIENCE-LED INNOVATION.

25 Years of
Innovative
Science

Internationally
Trusted

Pharmaceutical
Quality Principles

Owned R&D
and Manufacturing

*Evidence-based products for humans and pets,
spanning therapeutics, nutrition, skincare, and personal care.*



SCAN TO VISIT

Unlock White Space. Local Innovation. Streamline Sourcing.
From Supplements to Skincare. For People and Pets.

max biocare
group

CONSUMER VERDICT

Q.10 How personalised would you like your shopping experience to be over the next two years?

Australian shoppers in 2026 are increasingly prioritising personalised shopping experiences, with 66% choosing moderate to high levels of personalisation. However, many consumers also want control over their data and how it is used. As competition remains fierce, retailers need to carefully balance automation with the human touch to offer personalised, yet respectful, experiences that build trust and loyalty.

- Not personalised
- Slightly personalised
- Moderately personalised
- Highly personalised
- Completely personalised



Q.11 Which types of personalisation would most improve your shopping experience?

Personalised loyalty rewards 54.4%

Tailored promotions or discounts 53%

Recommendations based on past purchases 29.4%

Dynamic pricing based on my shopping habits 29.3%

Customised delivery options 26.6%

In-store product locating based on my history and preferences 21.4%

Shopping assistant learns preferences 16.2%

In 2026, tangible benefits continue to influence shoppers' preferences, with 54% of Australians valuing personalised loyalty rewards and 53% seeking tailored promotions or discounts. While smart recommendations are appreciated (29%), consumers clearly prefer meaningful perks such as savings, cashback, and exclusive offers, over more experimental personalisation features.

Q.12 What factors would encourage you to support a specific retailer in the future?

59.4%
High product quality

27.7%
Seamless online and offline shopping experiences

71.1%
Affordable pricing and flexible payment options

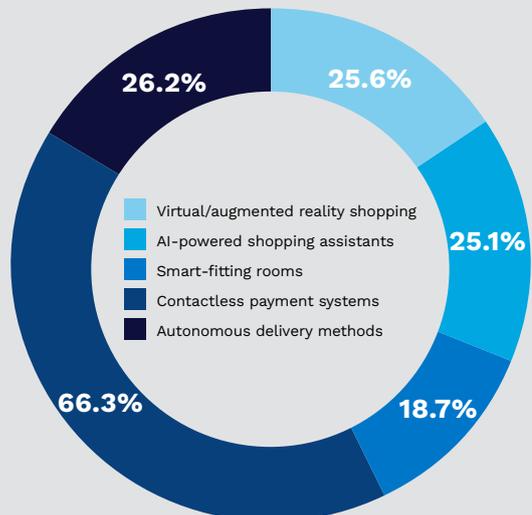
15.1%
Technology that enhances shopping

23.6%
Visible sustainability efforts

Price-conscious shoppers continue to be the main audience: 71% prioritise affordable pricing and flexible payments. Notably, high product quality has increased by 6 points, year on year, to 59%, signalling that value seekers are becoming more willing to reward retailers that combine affordability with consistent quality. Conversely, technology and sustainability remain niche drivers, suggesting retailers should focus on perfecting the basics before pursuing differentiation through innovation.

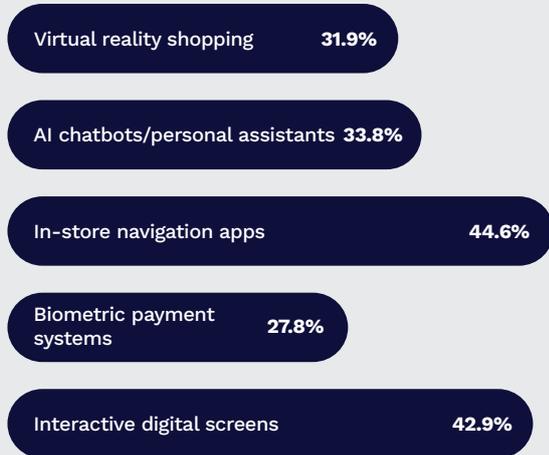
Q.13 How aware are you of the following retail technologies?

Awareness of new retail technologies is steadily increasing, with notable year-on-year improvements across all digital touchpoints except contactless payments, where awareness remains high and steady at 66%. More Australians now recognise AI-powered shopping assistants (+5.1%), virtual and augmented reality shopping (+5.6%), autonomous delivery methods (+4.2%), and smart fitting rooms (+2.7%). Despite these gains, about three-quarters of shoppers still lack strong familiarity with these innovations, highlighting a growing but still notable awareness gap for most tech-enabled retail options. Sector leaders will gain an advantage by focusing on educating and engaging consumers as baseline recognition continues to improve.



CONSUMER VERDICT

Q.14 Likelihood to try new retail technologies in the next two years (?)



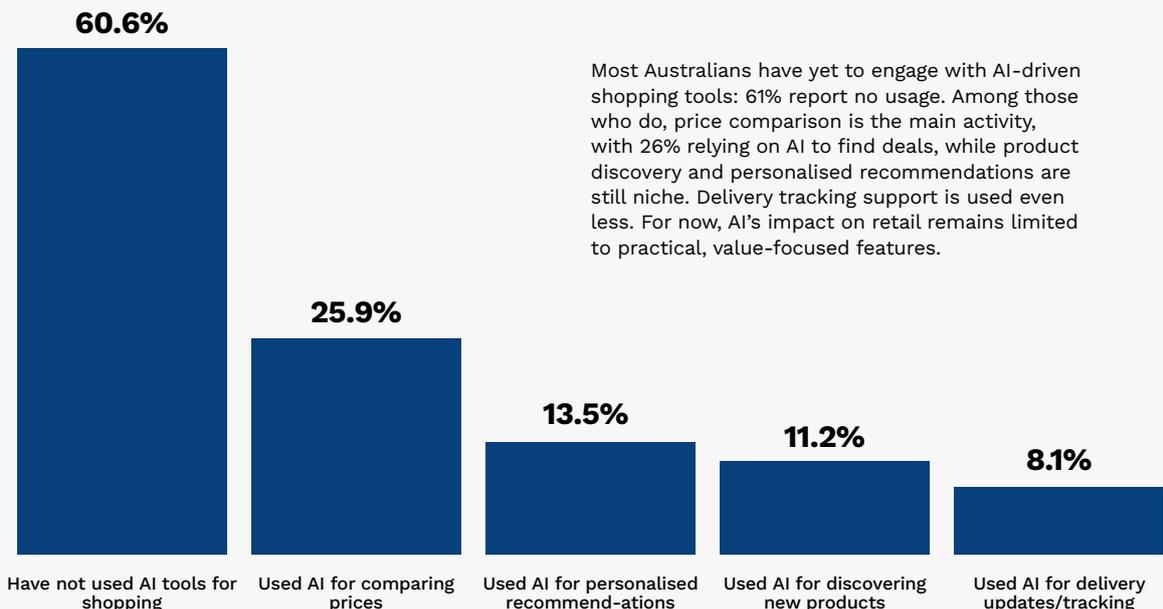
Year-on-year data shows a rising trend in shoppers' willingness to adopt retail technology. Top 2 box scores rose across most technologies, with in-store navigation apps increasing from 42% to 44.6% and interactive digital screens from 39% to 42.9%. Interest in AI chatbots and virtual reality shopping also grew slightly, reflecting increased familiarity and acceptance. Overall, the story indicates growing consumer openness to digital innovation in retail.

Q.15 What benefits would encourage you to use retail technologies?



Cost savings remain the top priority: 78% of Australians highlight discounts as the main reason to adopt retail technology, indicating that convenience and time-saving features alone won't attract engagement. Retailers investing in transparent, value-driven tech solutions will outperform competitors that focus solely on advanced features over financial benefits.

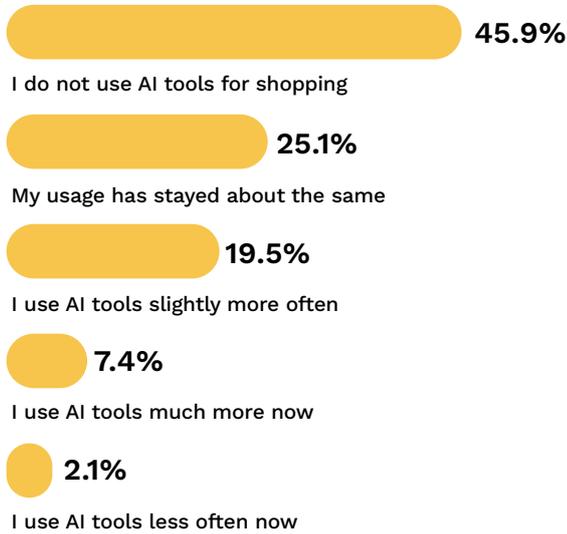
Q.16 In the past 12 months, have you used AI-powered tools to assist with any part of your shopping journey?



Most Australians have yet to engage with AI-driven shopping tools: 61% report no usage. Among those who do, price comparison is the main activity, with 26% relying on AI to find deals, while product discovery and personalised recommendations are still niche. Delivery tracking support is used even less. For now, AI's impact on retail remains limited to practical, value-focused features.

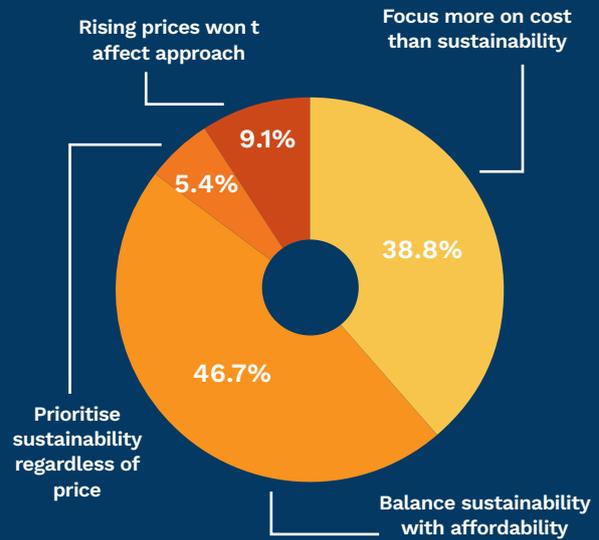
CONSUMER VERDICT

Q.17 Compared with a year ago, how has your use of AI in shopping changed?



AI adoption in retail remains sluggish despite industry optimism: 46% of retailers don't use these tools, and another 25% report no change in behaviour over the past year. Only 7% have significantly increased their usage. This ongoing low engagement highlights a key market opportunity: Retailers who successfully lower barriers and demonstrate immediate, tangible value will attract early adopters and pave the way for wider mainstream uptake.

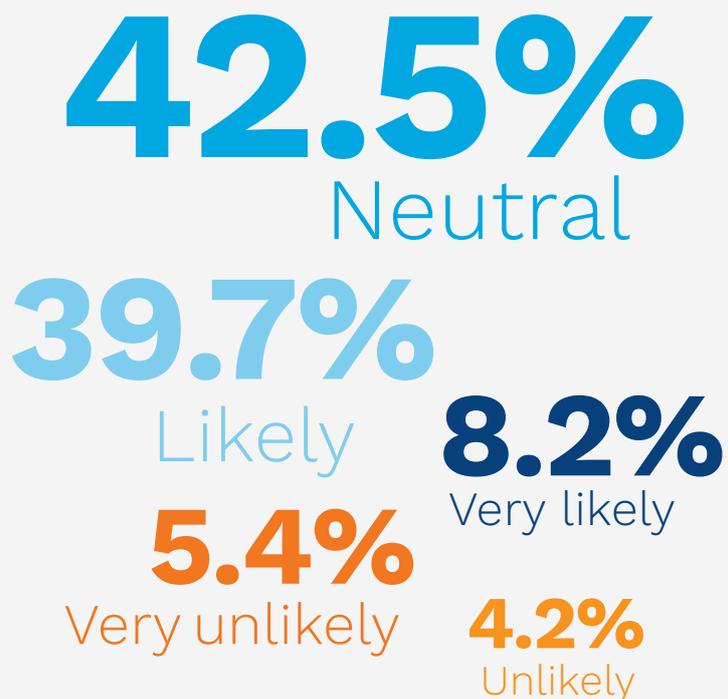
Q.18 How will rising prices influence your approach to shopping sustainably?



For most Australians, value now trumps values. Almost half (47%) aim to balance sustainability and affordability, but 39% admit they will prioritise cost over sustainability as prices increase. Only a small minority will continue or increase their sustainable shopping, highlighting how financial pressures will influence green intentions in 2026.

Q.19 How likely are you to support retailers that actively pursue sustainability initiatives in the next 12 months?

Nearly half of Australians (48%) are likely or very likely to support retailers investing in sustainability, while 43% remain neutral and 10% are unlikely to support them. Although goodwill exists, genuine loyalty depends on credibility and relevance, highlighting the importance of practical, customer-focused sustainability initiatives in 2026. **ARO**



Why shrink to grow is becoming the retail survival strategy

As our consumer survey confirms, a silent depression is widening the gulf between the haves and have-nots.

By John Williams

Australian retail has just endured a year when the gap between the strongest and most vulnerable players widened significantly. On one side, AI-enabled, capital-disciplined retailers used technology, data and ruthless portfolio management to protect margins and strengthen customer loyalty; on the other, hundreds of businesses slipped into what many now call a “silent depression”, squeezed by flat real demand, rising costs and fierce competition from global platforms. The question for the next 12 months is no longer whether transformation is necessary, it is whether retailers can adapt quickly enough to avoid becoming part of a record wave of insolvencies and store closures.

Retail in Australia has faced considerable pressure, and the data is compelling. Retail trade insolvencies hit 804 appointments in the first nine months of FY25 alone, increasing by 19.65 per cent over the same period in FY24, with total FY25 retail insolvencies surpassing 1150, more than double FY22 levels. This increase indicates a broader trend of business failures across all sectors, highlighting

widespread strain on balance sheets.

Behind these figures are well-known names in Australian fashion and specialty retail. Jeanswest, Tuchuzu, Wittner, and several Mosaic Brands chains, including Noni B, Rivers, Katies, and Millers, have gone into administration or liquidation. These collapses follow a pattern: high fixed costs, underinvestment in digital capabilities, and exposure to discretionary fashion sectors at a time when consumers are trading down and shifting their spending to value channels and global online players.

The phrase “silent depression” describes what many small and mid-sized Australian retailers are experiencing. Unlike a sudden crisis, this downturn is characterised by steadily shrinking margins, incremental rent increases, rising wage costs, and mounting competition from ultra-low-priced platforms like Temu and Shein. Monthly retail turnover figures highlight the pressure: Fashion sales in February 2025 rose by only about \$12 million, year on year, reaching \$3.09 billion, indicating flat volumes once

inflation is taken into account.

However, the whole story is more complex. Although insolvencies have reached historically high levels, total insolvencies across sectors are beginning to level off, as tax cuts, cost-of-living support, and early interest-rate relief come into effect. For retailers with stronger balance sheets and a clear focus on technology and productivity, this stabilisation presents an opportunity to consolidate market share, renegotiate leases, and acquire distressed assets in prime locations.

If the last year proved anything, it's that ‘shrink’ and ‘grow’ are no longer opposites in Australian retail; they are two sides of the same strategy. Country Road's decision to close high-profile stores while investing in new flagships exemplifies how brands are pruning to protect profits and reinvesting in formats that match where Australians now shop. ▶

804

Appointments hit by retail trade insolvencies in the first nine months of FY25

INDUSTRY IMPACT

Country Road Group reported a pre-tax loss of about \$164 million for the year ending June 29, 2025, compared with \$46 million the previous year, as sales fell 5.4 per cent amid heavy promotional activity and weaker discretionary demand. In response, the company closed several flagship stores, including its longstanding Queen Victoria Building location in Sydney, while planning around 10 new or refurbished stores across Brisbane, Adelaide and Sydney's Chatswood Chase.

This 'shrinking' strategy is unfolding at retailers worldwide. Leading retailers are focusing their capital on high-productivity locations and experiential flagship stores, while retreating from sites that no longer generate enough rent or foot traffic. Each square metre now serves multiple purposes, enhancing online discovery, click-and-collect services, and brand engagement alongside making traditional sales.

Over the past 12 months, AI has transitioned from novelty to essential infrastructure in Australian retail – but the sector remains divided. A new governance report reveals that while most leading brands are actively experimenting with generative AI, 17 per cent of retailers in Australia and New Zealand still have no plans to adopt AI at all. Also, around 80-plus per cent are trialling AI agents, yet only about 9 per cent trust AI systems to manage the entire customer journey from start to finish.

Coles Group became the first major Australian retailer to deploy ChatGPT Enterprise at scale through a partnership with OpenAI. This builds on over a decade of AI use in Coles' core operations.

Australian research analysing over 800 retailer websites revealed that 85 per cent of product pages do not meet basic standards for AI-driven discovery, with nearly half of product descriptions duplicated among competitors, leaving many brands unseen by AI search and shopping agents.

The next wave of disruption will come not just from what retailers do with AI, but from how customers shop with it. Many Australian retailers risk losing customers due to poor website structure, inconsistent data, and restrictive technical settings.

A full 76 per cent of Australians consider sustainability in their spending decisions, meaning retailers can't simply ignore ESG without risking damage to their reputation.

Cost-of-living pressures are fuelling a rise in "everyday circularity". Op shops and resale platforms are showing strong growth as households extend their budgets through second-hand fashion.

Australian shoppers spent the past year focusing on value, reducing non-essential spending and supporting only retailers offering sharp prices and dependable experiences. Recent ABS data shows total retail spending dropped

from about \$37.23 billion in March 2025 to \$37.20 billion in April, with a 2.5 per cent decline in fashion spending cutting \$124.2 million from monthly turnover.

Grant Thornton's 2025 consumer research shows that 72 per cent of Australians view competitive pricing as the main factor driving purchases, with product quality close behind at 63 per cent.

Within this value-driven environment, category performance has become more split. The overall picture is of a more cautious consumer, willing to spend, but only at retailers offering competitive prices, reliable stock, fast delivery and smooth post-purchase service.

The next 12 months will reward retailers who see this period as a chance to rebuild for an AI-driven, value-focused market. Here are some strategies to consider.

First, rationalise to reinvest. Retailers who act decisively on underperforming stores, leases and cost bases now will be best positioned to benefit from any upswing. The goal is to free up cash for targeted investment in high-productivity flagships and digital capabilities – the 'shrink to grow' playbook.

Second, shift from AI pilots to platforms. While over 80 per cent of Australian retailers are testing AI, only a small number are implementing it fully across forecasting, labour planning, merchandising, and pricing. Retailers should focus on 'boring but big' AI applications – such as inventory visibility, demand forecasting, and dynamic fulfilment – that directly meet consumer needs for value, speed and reliability.

Third, focus on value, speed and reliability. Grant Thornton's research shows that after price and quality, consumers value product availability, delivery costs, and delivery reliability almost equally. The strategic challenge is to develop operating models that enable competitive daily pricing, clear delivery options, and consistently on-time and as-promised fulfilment, through automation and improved network design.

Finally, trust is key. Consumers in this recovery are more cautious and sceptical, checking reviews and observing how brands handle sustainability and data privacy. Retailers that simplify their offers, communicate transparently, validate their ESG claims, and align loyalty programs with real value will not only seize the rebound but also build resilience for future shocks. In a climate where conditions are stabilising yet still unpredictable, the true competitive advantage goes to those who see this as the moment to future-proof their business. **ARO**

17%

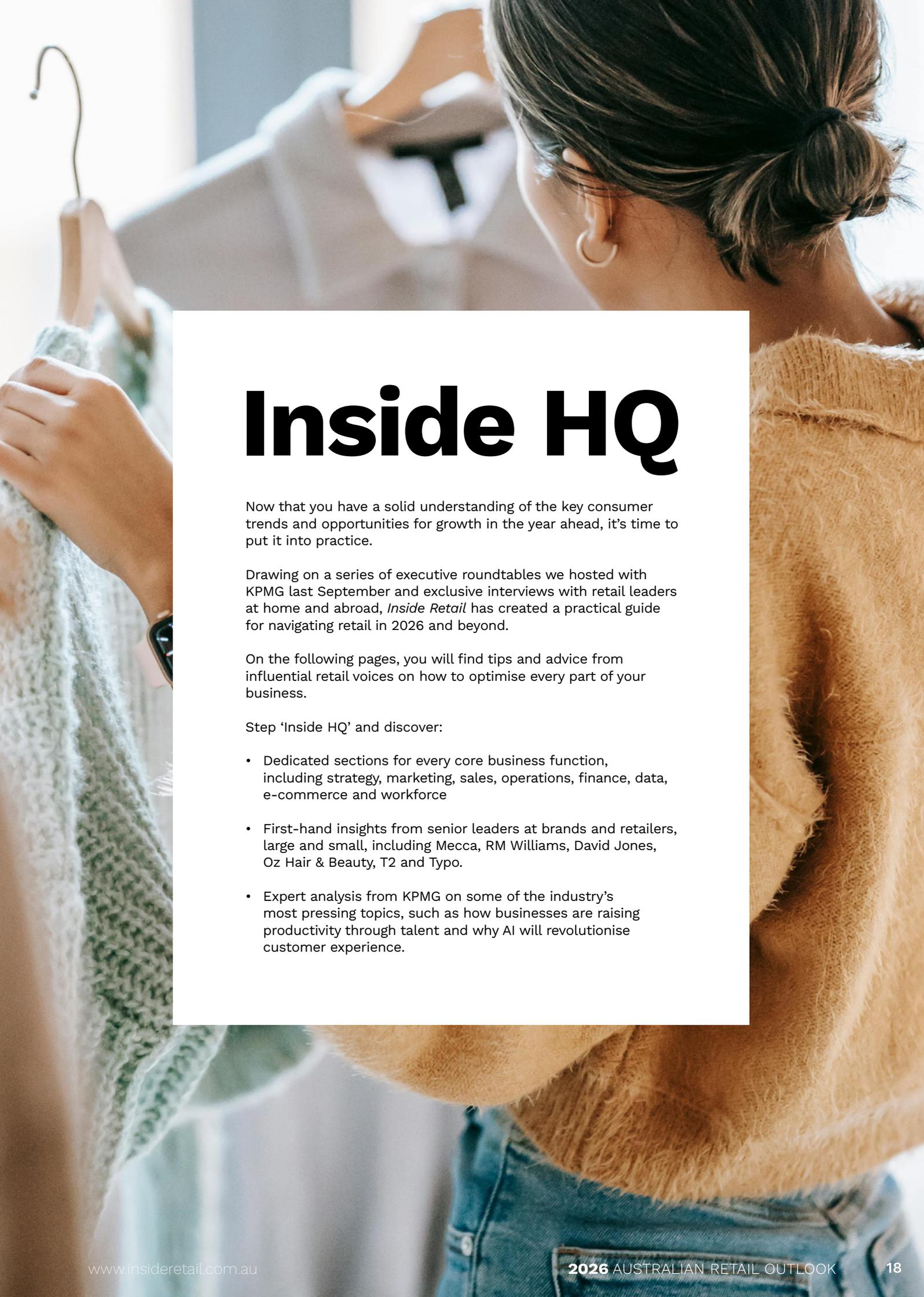
of retailers in Australia and New Zealand still have no plans to adopt AI at all

85%

of product pages do not meet basic standards for AI-driven discovery

76%

of Australians consider sustainability in their spending decisions

A woman with dark hair tied back in a bun is looking at a light-colored sweater hanging on a wooden hanger. She is wearing a gold hoop earring and a watch. The background is softly blurred, showing other clothing items in a store setting.

Inside HQ

Now that you have a solid understanding of the key consumer trends and opportunities for growth in the year ahead, it's time to put it into practice.

Drawing on a series of executive roundtables we hosted with KPMG last September and exclusive interviews with retail leaders at home and abroad, *Inside Retail* has created a practical guide for navigating retail in 2026 and beyond.

On the following pages, you will find tips and advice from influential retail voices on how to optimise every part of your business.

Step 'Inside HQ' and discover:

- Dedicated sections for every core business function, including strategy, marketing, sales, operations, finance, data, e-commerce and workforce
- First-hand insights from senior leaders at brands and retailers, large and small, including Mecca, RM Williams, David Jones, Oz Hair & Beauty, T2 and Typo.
- Expert analysis from KPMG on some of the industry's most pressing topics, such as how businesses are raising productivity through talent and why AI will revolutionise customer experience.

People Matter:

How businesses are raising productivity and resilience through customers and talent

As the retail industry searches for productivity gains and strengthens resilience by adopting new technologies and processes, leaders from Amer Sports, eBay, Daily Bloom and Jurlique are tapping into the human factor.

Toni Jones, Partner, Industry Leader – Corporate Brands, KPMG Australia
Cath Jowett, Consulting Partner, Consumer and Retail, KPMG Australia



Navigating today's environment of weakened consumer sentiment, geopolitical upheaval and tariff uncertainties has been a real test of leadership in the retail industry.

Furthermore, Australian retailers are facing shrinking margins as inflation has driven up sourcing and operational costs along with the growing competition from online retailers.

Though many of these challenges are beyond their control, retail leaders that we have talked to are focusing on what they can do to mitigate these external factors,

which is driving productivity growth and building business resilience.

Customer service: the engine of productivity growth

While there has been a lot of talk about adopting advanced technologies or enacting better supply-chain processes to boost productivity, a common avenue for productivity gains raised in our discussions is through customer-service improvements.

As CEO of skin care retailer Jurlique – Loic Rethore explains, delivering a

high-level in-person experience through in-store services is something that low-cost online retailers like Temu and Shein cannot do.

“We have done a lot of work reviewing counter services at department stores and in our concept stores, to increase engagement through product demonstrations and consultation on facials,” Rethore said.

“Though traffic to our stores has been challenging this year, we have been able to grow, thanks to the increase in conversion rates through the new in-store

services.”

For premium sports and outdoor brand retailer Amer Sports, which has ventured into becoming a bricks-and-mortar retailer relatively recently, store productivity has been “absolutely critical”.

To that end, the company has been maximising in-store traffic by offering repair services, which Country Manager Andrew Snowball says is “a real way to drive customers into our store”.

“We’re trying to make sure we can repair as many garments as we can in-store, then we can repeat the same thing with our other brands,” Snowball said.

“Whether it is repairing a jacket [from Arc’teryx] or stringing a tennis racquet [from Wilson], it is using the same infrastructure process.”

Though in-store experiences aren’t as relevant for e-commerce flower store, Daily Blooms, founder and CEO Courtney Ray still sees customer service with an emphasis on connecting with people and delivering that ‘human touch’ becoming more important than applying technologies that take humans out of the equation.

“I think in a world where everything is moving online and towards efficiency, slowing down and actually speaking one-to-one with people will be important as human touch wanes,” Ray said.

eBay Australia Managing Director Sarah Sternau sees technology – particularly the use of AI and automation to streamline operations – as a means of creating more time and opportunities for teams to develop helpful tools for buyers and

sellers on the platform.

“Friction reduction for both buyers and sellers on the marketplace helps us create a better, and a more engaging, experience while also lowering operating costs,” Sternau added.

Resilience through talent

Shoring up resilience amidst uncertainty is a tall order, while process reviews, automation implementation, and supply-chain rationalisation can deliver the expected efficiencies, where else should retail leaders look?

A common theme that kept appearing in our discussion on resilience was talent.

“I think now more than ever, holding onto high performers and nurturing them through the business, will be our edge in a competitive market,” Daily Blooms’ Ray said.

Ray further elaborates that having the right people in the right seats, and having a collective team culture that encourages adaptability, problem-solving, and nimble thinking, would filter across all aspects of the business, including its supply chain.

Building on eBay’s practice of using technology to enable teams to improve the company’s operation, Sternau also added that the company is making sure that teams are building connections across other teams and even regions.

“As a global business, it is important in making those connections and allowing people to learn from one another, whether it is learning things that we need to correct or ways we can do things better, so that we can port to other parts of the business,” she said.

Rethore emphasised Jurlique’s effort to foster a cross-functional task force, which has enabled the company not only to develop great solutions, but also to foster communications with teams across the globe.

“One thing we think is key to resilience is the connectivity of teams. Having them work with colleagues across borders makes our people feel a part of a greater company, and we have seen the level of engagement going up,” Rethore explained.

Growing through expansion development

Despite prevailing macroeconomic conditions, retail leaders see expansions as growth drivers, whether it is Daily Blooms’ venture into other states, Amer Sports setting up stores in Canberra and Hobart to “authenticate the brands in the outdoor environment”, or Jurlique’s enlarging its European and US footprint and opening in India.

While expansion seems risky when uncertainty is high, Amer Sports’ Snowball made an interesting observation.

“I’ve been pleasantly surprised at things like average transaction value and UPTs that are remarkably consistent across the globe,” Snowball said.

“This has helped us make sure when we set up new routes to market and channels, that it is based on really solid foundations.”

Ray is also seeing growth in her Daily Blooms business through product development, which in the e-commerce site’s case is creating products that address the current cost-of-living issues and speak to the team. ►



“We can react quite quickly to customers, we are obsessive about what our customers want, and we are also trying to design products that they can afford, yet are meaningful and add value to their life,” Ray explained.

Likewise, Rethore also noted that while customers are still spending with Jurlique on gifting, they are looking at lower price points.

“We have had to accommodate that and review our price points – keeping some premium price points but going a bit lower in the price range – and that has resonated well with the consumers across channels,” Rethore added.

“This year begins our 40th anniversary. We have also been laser-focused on storytelling, with customers connecting with that through different touchpoints, which has been very impactful on our growth.”

For eBay Australia, the increase of pre-loved luxury goods, refurbished electronics, automotive parts and accessories, and collectibles sales have been major growth drivers for the platform.

“We find buyers are seeking both good prices and unique finds, and we deliver on both fronts by helping value-seeking consumers really find value,” Sternau said.

“It makes for great resilience in the marketplace, and we see an opportunity there, for which we are continuing to scale our trusted buyer experience, including expanding the authentication services,” she added.

Know the customer

Rounding back to discussions on increasing productivity through customer engagement, retail leaders also recognise the importance of having an effective customer relationship management (CRM) system, for building resilience.

For Snowball, CRM is proving to be a critical tool in making sure that Amer Sports can customise the experience for different types of customers and foster deep connections with customers.

“We thought online would probably play a more important role over bricks-and-mortar retail, but actually one’s covering the other, and we are realigning our online platform to be a little



less of a commercial driver and more of an educator and information source for our guests,” Snowball added.

“We want to win local customers in Australia because that’s the way to build an authentic community and ensure that the business is resilient in the long-term.”

Even though Daily Blooms is an e-commerce business, founder Ray agrees with Snowball’s view that customers are interested in deriving a sense of community and value-add.

“We are trying to build a community through in-person value-add events such as floristry workshops or vase-making workshops,” Ray said.

“It’s not just a transaction, it is really about creating this space where you can learn, grow, and make friends.”

Like Amer Sports, Daily Blooms also sees CRM as critical towards tracking every engagement in its website, enabling the team to personalise the communications – though Ray added that all this is possible only by having a good team and software in place.

Jurlique also sees CRM as a ‘gold mine’ of information that allows the retailer to understand its loyal customer base and deliver customised offers to drive growth and traffic.

Aside from tailoring customer experiences, Sternau sees data as an “early warning system” for change by showing where customer demand is moving, which categories are growing, and how to make shopping more relevant.

“It is really important to make sure that data isn’t just something that we

respond to, but also something that drives innovation,” Sternau said.

“It is a constant challenge to maintain a creative mindset in the face of reams of data, and using it to give us the signals to innovate something relevant.”

Looking ahead

With the geopolitical and tariff turmoil of 2025 roiling markets, retail leaders are also keeping on their toes and keeping their eyes on what matters.

Jurlique is already seeing the impact of China’s real-estate slump in its retail sales performance in China.

However, instead of starting a race to the bottom with promotions, Jurlique is coaching teams to stick to their guns on pricing and ramp up the storytelling.

“If you talk about the price, you have lost already,” Rethore explained.

Ray, from Daily Blooms, echoes this sentiment. The company is trying hard not to discount and instead talks about brand and community and tailoring products to meet customers where they are.

The economic situation is also resulting in an increase in shrinkage. As Snowball points out, “retail crime is our biggest external factor that we are concerned about.”

For eBay Australia, it is ensuring that its teams remain resilient and flexible in the face of the uncertain macroeconomic environment and mobilise to address problems and find opportunities quickly.

“I am very proud of eBay and the way that we’ve, you know, really made sure that we can be a responsive business in the face of all these things,” Sternau said. **ARG**

CEOS AND STRATEGISTS



Scott Druce
GM, Typo

"It's not really competition that keeps me up – it's connection. Customers move fast, and you've got to earn their attention every day. We've got to stay focused on finding new ways to connect through creativity, storytelling and culture – not just product."



Christelle Young
MD, T2 Tea

"As CEO of T2, what keeps me up at night is holding the line on our purpose: transforming daily rituals into extraordinary moments, with tea done differently, while protecting the people who bring it all to life. As a B Corp, we're committed to doing business differently; that means sourcing ethically, operating sustainably, and leading with care. Heading into the peak season, we're not just thinking about sales, we're thinking about safety. Our store teams are at the heart of the experience we offer, and ensuring they feel supported, secure and empowered in an increasingly challenging retail environment is non-negotiable. It's the human part of retail that keeps me focused and grounded."

Jim Gall
CEO, RB Sellars

"The rise in fake sites and fraudulent social ads impersonating Australian retailers is creating real-world fallout: confused customers, lost sales, extra workload for customer-service teams, and growing reputational risk for brands, while the big platforms offer limited protection. With reports that a significant share of platform ad revenue is linked to fraudulent activity, we need stronger accountability from these platforms and better verification tools for Australian businesses. Tougher moderation and verified ad channels are essential to protect both our customers and our brands."



Kerry Norlin
President, Dolce Vita Footwear

"The reason for retail is the in-person experience. For us, that means delivering excellent customer service and focusing on feel-good moments – creating spaces that bring people together and build community. Retail has to go beyond shopping; it has to feel meaningful."

What's keeping retail CEOs up at night?

From maintaining a connection with customers to surviving volatility and not disregarding your purpose, retail leaders explain what weighs on their minds.

Elle Roseby
Group CEO, Adairs

"In retail, change has become our only constant, and technology is at the heart of every conversation about our future. At Adairs Group, embracing new tech isn't just a systems upgrade, it's about empowering people at every level to adapt, innovate and improve how we serve customers and work together."



Stephanie Say
CEO, Homie

"I'm thinking about how we can continue to innovate and trailblaze as a social enterprise retailer, while balancing the responsibility we hold for the community we exist to support. Collaborations, partnerships, circular initiatives and exciting events – it's all part of our responsibility to keep pushing boundaries to stay relevant to our customers, because we have young people counting on HoMie every day to provide supported employment pathways out of homelessness."



Danielle Haddrick
CEO, Shona Joy

"This year has taught us that anything can change overnight – the global trade environment has arguably never been more volatile. As the Shona Joy business continues to expand overseas, my focus has been on ensuring our team is equipped to pivot at speed when required – all while our customers and wholesale partners see nothing but consistency. Planning for every

scenario means we can move with deliberation, working proactively rather than reactively, making decisions that are both sustainable and profitable."



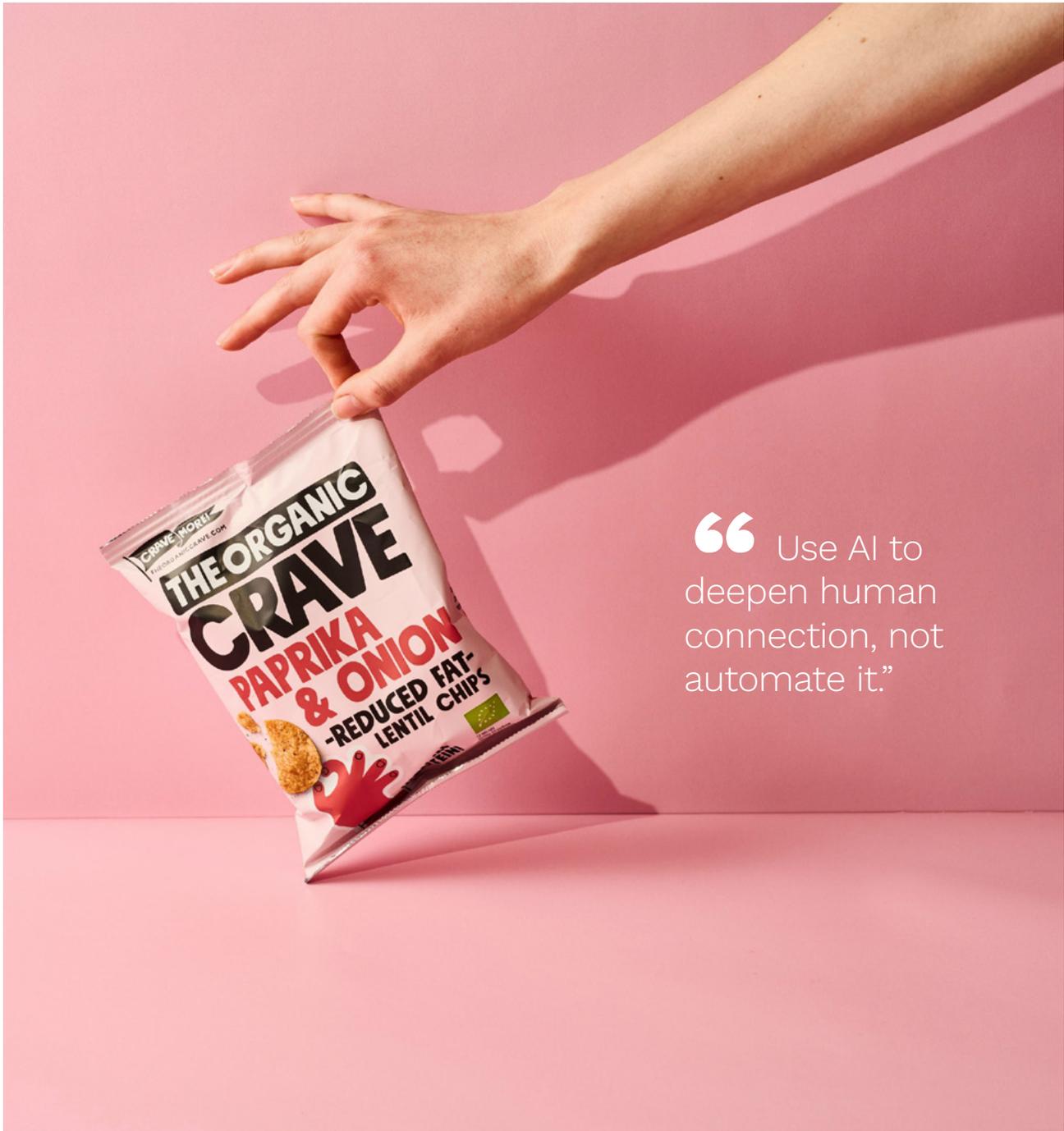


Embracing humanity in an automated world: Top marketing trends for 2026

Global and local CMOs discuss tactics for surviving a transformative year ahead.

By Adam Thorn

MARKETERS AND ADVERTISERS



“ Use AI to deepen human connection, not automate it.”

For marketers, 2025 was the year technology underwent its most significant shift since perhaps the rise of Google. In its early months, consumers were playing with apps like ChatGPT to mock up photorealistic toys of themselves, but by the end, AI was becoming not just a way to search for answers online, but an integral part of how we perform our jobs day to day.

All of this has created a bizarre paradox, as sceptical consumers crave optimised performance while also yearning for human connection. Or as Grant Davidson, the principal of brand growth at branding agency Principals, puts it, “The brands that will win are those that balance data with distinctiveness by using AI to deepen human connection, not automate it.”

To help marketers sharpen their strategies for an even more

transformative 2026, we asked leaders from Australia and around the world to share their top trends – and the best way to navigate them.

The emergence of AI-driven shopping

Towards the end of last year, ChatGPT launched Instant Checkout, a feature that allows users to purchase from stores within its chat without visiting an external site. The mindboggling technology has the potential to evolve rapidly into one that will not just handle the admin of purchasing, but recommend the best product from multiple vendors. Rachael Wilde, co-founder and CMO of beauty group York St Brands, believes the shift to next-generation purchasing is already well under way.

“More people are now asking AI platforms what to buy than ►

MARKETERS AND ADVERTISERS

typing into Google, and that shift is only accelerating,” she told *Inside Retail*. “We’ll see brands start thinking about how they show up in AI search results the same way they think about SEO today. It’s a completely new world where your content needs to be structured for AI to actually recommend you, and I think we’ll eventually see customers being able to purchase directly from inside AI chats, too.”

Yet, as many of our experts have agreed, the brands that succeed will be those that seek to create a genuine connection with their audiences, blending humanity with technology. Wilde argued that while traditional paid media remains important, retailers must also invest in audiences they own.

“When you build trust and connection through community, storytelling, founder visibility, and creator-led content, that

attention compounds over time,” Wilde said.

“It takes real investment upfront: consistency, creativity, and teams that can produce content at the same pace consumers scroll. But once it’s scaled, earned attention outperforms any ad budget. It’s more profitable, more resilient, and becomes a brand asset you actually own, not something that disappears the moment you stop spending.”

Embracing experiential moments

The theme of connection is one shared by The Iconic’s CMO, Joanna Robinson. Last year, the local e-commerce giant gathered feedback from 50,000 of its customers to co-design its first loyalty program, tailoring it to reward shoppers who purchased consciously. At the same time, its marketing campaigns embraced

experiential moments that went beyond the changing room.

“We saw an amazing turnout when we invited our customers to outrun our three-hour delivery van with Nike in a 5km running event in winter last year,” Robinson said. “Our customers joined us on the dance floor at our exclusive Summer Sounds event in November to see The Veronicas perform live, and looking ahead, we are in the planning stages of an incredible F1-inspired customer activation for early 2026.”

Perhaps no retailer has conquered those human moments more than global lifestyle giant Anthropologie, which has more than 200 stores in the US and Canada, each uniquely decorated and tailored to the community it serves. The group’s global CMO, Barbra Sainsurin, argued that in 2026, marketing will need to feel more human than ever, with a





focus less on reaching customers and more on relating to them.

“Brands that win will blend data with empathy to create experiences that feel personal, emotional, and effortlessly connected,” Sainsurin said. “At Anthropologie, we’ll continue doing what we do best: crafting inspiring in-store moments and bringing that same creativity and warmth to digital. It’s about meeting her with the right product and message at the right moment in ways that feel authentic to her world.”

Fostering an authentic connection with customers

Authenticity is a recurring word in *Inside Retail*’s discussions. And perhaps no type of brand has to foster it more than those working in fragrances – products designed to be an extension of a consumer’s personality, despite their utterly subjective nature. Jeremy Taylor, CMO at Dusk, argues that while AI will become embedded in marketing and communications, customers will increasingly value authenticity that inspires their purchasing decisions.

“Brands that speak to people genuinely will stand out and build trust,” he advises.

“Even as digital channels dominate, people crave real-world interactions. Retail stores, pop-up activations and immersive experiences will be key for brands in creating emotional connections and memorable moments. Today, he added, customers expect more than a transaction. “Brands that provide extra value, whether through loyalty perks, gifting, exclusive content or curated experiences, will drive loyalty and repeat purchase.”

Warming to the theme, Courtney Konzelman, VP of marketing at US travel bag brand Aloha Collection, argues that while experiential can take many forms, the goal is to create “shareable moments” that make customers feel they are part of a larger community, rather than simply “engaging in a transaction”. It’s a theme she also sees transferring to the world of influencer marketing, which will shift from pay-to-play partnerships with celebrities to building a community that can connect

with consumers.

“Consumers can tell when something feels transactional, so working with creators who have real, engaged and loyal audiences is key,” Konzelman said. “Affiliate and community-based collaborations are a great way to keep that storytelling authentic while actually driving results you can track.”

With in-store, online, social, experiential and now AI marketing to consider, dizzy-headed marketers have every right to be fearful about what the next year will bring. However, Jasmine Allen, head of digital at integrated marketing agency Impressive, concludes that perhaps the best approach is to focus on the basics.

“The most successful brands in this next era won’t be those trying to sell everywhere, but those connecting meaningfully across every touchpoint, turning marketplaces into self-optimising, intelligent profit engines.”

In other words, the key to winning in 2026 will be to keep evolving with technology, while never forgetting that your customers are human. **ARO**

Campaigns that cut through the noise in 2025

An advertising agency managing director unpacks the winning efforts of 2025 – and the lessons retailers can learn.

By Nicole Miranda

In 2025, the brands that succeeded in their advertising were those that found a way to communicate authentically – weaving their truth without forgetting the importance of storytelling and emotional resonance. Here, we present the campaigns that truly resonated with customers last year.

You can't beat Aldi

Aldi's 'good different' brand positioning launched in 2017, and the supermarket chain's creative has maintained a strong brand presence ever since. The key has been sticking with one clear promise that resonates with real consumer friction points. Aldi does so with memorable messaging that tugs at your emotions through quality storytelling, humour and quirky executions.

Aldi provides credentialed lessons in how to stand out from competitors and demonstrate strong ROI. The company calls it fostering a good different culture of effectiveness. So what can we learn from Aldi's performance in 2025?

Consistency is king: Lead with a clear, single brand idea and stick with it. Every campaign ties back to the good different promise; Aldi is different, and that difference benefits the customer.

Creativity is memorable: Use a creative take on customer pain points to highlight the benefit. Aldi understands the frustrations of having to research and hunt for specials, quality and provenance.

Establish clear effectiveness measures: Aldi's campaigns aren't just creative and memorable – they are effective and backed by proof points. Trust matters to consumers, so consistently delivering on promises – from advertising messages to the shop floor – strengthens brand trust and drives long-term growth.

Specsavers catches everyone's eye

Eyewear brand Specsavers pulled off the stunt of placing 'Welcome to Sydney' posters in Melbourne airport – and vice versa – to greet bleary-eyed arrivals.

The campaign builds on the brilliant 'Should have gone to Specsavers' platform that has been running for 17 years.

The Sydney and Melbourne billboards are the perfect blend of the right



message in exactly the right place.

This shows us a few things.

Don't overthink it: There are a million reasons to kill campaigns at the concept stage, but sometimes just getting noticed and giving a smile plants you in someone's head effectively.

Invest in a platform: 'Should have gone to Specsavers' isn't playing to the unique strength of Specsavers. You could replace that last word with any eye-care brand, but Specsavers got there first. It's versatile and endlessly executable.

Curry your favour with customers on social media

Looking to the UK for inspiration, you can't go past tech retailer Currys, the master of TikTok.

A quick scroll through Currys' output and it's easy to see why the brand has north of 9 million likes. From staff faking six-pack abs with store laptops to product-demo viral video mashups, the brand keeps it entertaining, yet gloriously self-conscious.

Currys incorporates its product range while similarly resisting the no-no of a hard sell. Even better, it features store staff perfectly.

So how can you apply these lessons?

Rethink your definition of a campaign: The days when campaigns meant only big-budget TV commercials are in the past. Retailers need to think about unique ways to use their owned, earned,

and paid channels.

Lean into your brand to cut through the clutter: Currys proves that being yourself slices through the noise. Define your brand's unique characteristics, then consider how to amplify them.

Forget the hard sell: There's a time and place for sales tactics. Know when to use them and when not.

The opportunity for retail brands in 2026

Heading into the new year, the lessons for retailers are clear.

Know your brand. Familiarise yourself with its strengths, quirks and differences.

Next, make a plan and stick to it. Aldi and Specsavers clearly demonstrate the importance and effectiveness of consistency, while other brands also understand the importance of standing out in a cluttered market.

Finally, integration is a word you're going to be hearing more of in 2026. Integrated campaigns seamlessly use owned, earned and paid channels. They look simple, but behind the scenes, they are carefully planned and executed. The decision in your marketing planning isn't an either/or proposition; each channel and message plays its own important role, so a consistent and integrated plan is essential to thrive in 2026. **ARO**

Nicole Miranda is the managing director of advertising agency Spinach.

Why Mecca will make customer experience even better in 2026

Chief retail officer Ian Burl on plans to take full advantage of its new flagship in Melbourne.

By Heather McIlvaine

Inside Retail: Last year was a big year for Mecca with the opening of the new flagship in Melbourne. It's been all anyone can talk about and has garnered international interest. Can you put the significance of this store opening in perspective?

Ian Burl: The Bourke Street flagship is a real inflection point for Mecca. As the world's largest beauty store, it's driven enormous consumer interest and international attention, positioning Melbourne as a global beauty destination. For Mecca, Bourke Street is how we will test and trial future growth opportunities for the business. It strengthens our relationships with the world's best brands, attracts and inspires talent, and deepens customer loyalty through experiences they can't get anywhere else. It also opens new doors – from cultural partnerships to exclusive launches – cementing Mecca as not just Australia's beauty leader, but a global innovator.

IR: The store represents a sizeable investment for Mecca – from its size and prominent location to the premium fitout. It seems to be a bold statement about the enduring importance of physical retail and the human experience in an increasingly digital and AI-driven world. What's your view on the role of bricks-and-mortar stores in the future of retail?

IB: Mecca is still very much about bricks-and-mortar first, because our customers love to interact with our team, they love the in-person education, because beauty can be a complex category. Most customers enjoy guidance from our highly trained experts as well as the personal intimacy that occurs when people are addressing concerns or having beauty services – even when customers want to browse themselves or play with products. That's why we design stores to encourage experimentation, in beauty, they need to engage all their senses, and that can only happen in real life. I think retail will become more and more social and entertaining, too. We are already talking about the team of the future that can turn retail experiences into even deeper levels of human connection and joy. No doubt the role of bricks-and-mortar will continue to evolve, and we expect online retail to continue to grow and evolve, too, as younger digital natives become the dominant consumer group.

IR: Beyond the Melbourne store opening, what have been some of the other major initiatives and areas of focus for Mecca in 2025?

IB: We actually invested in another 20

stores last year, including some that were also very large, such as Burnside in Adelaide and Canberra. The lessons from the flagship will inform the way we design new concepts or trial innovation for the broader fleet; for example, we have already opened our second Apothecary in Canberra. We have also been embedding some major re-platforming, including a new warehouse-management system, new website and workforce planning, whilst we prepare for upcoming major technology-based enhancements, such as an automated distribution centre and implementing a new ERP. Our most significant focus last year was on our customer experience. We have retrained thousands of our team on what we call the Mecca Magic (no, I can't share the secret sauce!), and we have been working hard on our purpose, our value proposition and the growth categories we are leaning into that expand the beauty experience for our customers.

“ I think retail will become more and more social and entertaining.”

IR: It's been a mixed year in terms of consumer sentiment and spending. As chief retail officer, what strategies have you adopted to keep driving growth despite the tough trading conditions?

IB: We have doubled down on expressing our value through enhanced service, education, our much-loved loyalty program Beauty Loop, in-store services, special events, bringing the world's best brands to our customers and, of course, hosting them in the most beautiful environments. The demand for these experiences continues to grow, demonstrating the value customers place in our kind of retail. Ultimately, the Mecca proposition is about value-on, each and every time, in terms of the way we engage our teams and our stores and experiences around the products and brands we offer.

IR: As you look ahead to 2026, what are your top priorities to ensure Mecca is well-positioned to meet the changing expectations of its customers?

IB: Customer experience is so ingrained in our culture at Mecca that it goes without saying everything we are

focused on is to meet and exceed their expectations. In 2026, we are exploring how AI and social commerce will serve our customers, and how we continue to evolve our loyalty program and our digital and omnichannels, so they are increasingly human and aligned with the ethos and purpose of Mecca, which is to Embolden through Beauty. Now, we are trying to infuse our purpose more into everything we do as well. I think you will see this brought to life more and more through our events, communication and campaigns, like our September campaign to launch the Mecca Archive.

IR: Are there any potential challenges or roadblocks on your radar?

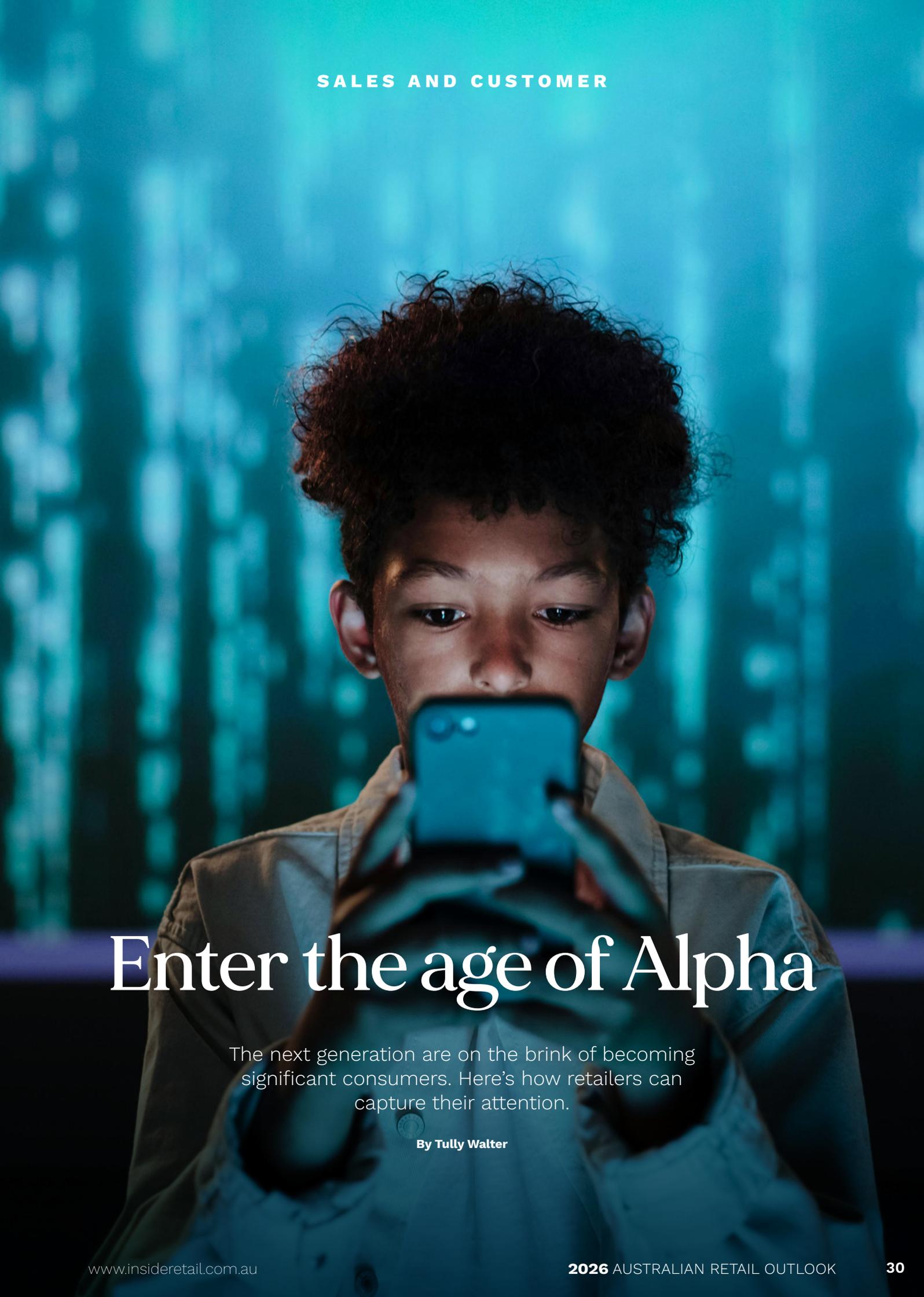
IB: There are always challenges, but those we can control are where we spend our time and energy. In fact, we proudly exclaim at Mecca, “We do hard things,” and I think the flagship is probably symbolic of that attitude – that really supercharged team engagement and morale right across the board. Right now, it's how do we change the game again? We always want to be the disruptor, the pioneer. As you get bigger, it becomes even harder to keep upping the ante. That's the challenge we're facing.

IR: What do you see as Mecca's biggest opportunities in 2026, and how do you aim to capture them?

IB: In 2026, we will almost complete our property transformation, so we will have an incredible experience in every location (as well as adding some new ones), and in retail, that also means we can unlock further growth in services across all our categories – and our ability to offer those high-quality services at the scale we can is truly differentiated. Along with the evolution of our brand partners (plus exciting brands we will continue to introduce to Australia and New Zealand), I think the biggest opportunity is to extend our position and continue to be different in the way we add value for our customers, everyone can come to Mecca and be spoiled, and feel their best. We want everyone to experience that luxury.

IR: What is one “retail rule” you live by that you think other chief retail officers sometimes overlook?

IB: How you behave in every single interaction is contagious, and the collective behaviour of an organisation is its culture. If you want your customer service to be amazing, then you had better serve your team that way, and the front-line teams are the most important. When I visit stores, I am the one who walks away with the longest to-do list. **ARO**



Enter the age of Alpha

The next generation are on the brink of becoming significant consumers. Here's how retailers can capture their attention.

By Tully Walter

For the last decade, retailers and marketers have treated Gen Z as the holy grail consumer cohort. But in 2026, the real story is Generation Alpha. Born from 2010 (the same year the iPad launched), this generation has both chronologically and culturally come of age in a digital world. The eldest Alphas will turn 16 next year, ushering in the next wave of teenage cultural capital. Unlike Gen Z, who bridged analog and digital, Alphas are device-native. They grew up swiping before gaining fine motor control, and their consumer expectations are shaped by seamless digital ecosystems and on-demand access. This makes them the most educated and resourced generation in history.

The critical point for retailers is that Alphas already drive nearly half of household spending. In the US alone, kids aged 8-14 wield US\$101 billion in direct spending power annually, while influencing billions more in discretionary purchases. Their economic footprint is projected to reach US\$5.46 trillion by 2029. They are not just consumers; they are household decision-shapers, exerting influence over Millennial parents and even Boomer grandparents (and with the Australian housing market as it is, it's likely their time at home will be extended).

Culturally, their impact is already visible. The rise of 'Sephora Kids', tweens flooding beauty retailers and snapping up prestige skincare like Drunk Elephant and Rhode, has already fuelled a billion-dollar skincare boom. Brands such as Evereden and JB Skrub are building entire product lines around Alpha tweens.

What truly sets Alphas apart is their unprecedented access to information. Unlike any generation before them, they have grown up with instant answers at their fingertips, from YouTube tutorials to AI-powered homework help, from TikTok reviews to global news feeds. This constant exposure makes them not only highly educated but also remarkably discerning consumers. They can fact-check parents in real time, compare product reviews across platforms, and spot marketing gimmicks with ease. That level of sophistication drives household influence. When an Alpha advocates for a brand, subscription, or lifestyle choice, it is backed by research, peer validation, and digital fluency. In effect, they are becoming the household's chief information officers, steering decisions with authority that belies their age.

The dominance of *KPop Demon Hunters* this past Halloween underscores just how deeply Generation Alpha is shaping family culture. The Netflix animated hit, centred on the fictional K-pop group HUNTR/X battling demons, did not just capture kids' imaginations; it 'won' Halloween 2025. Characters like Rumi, Zoey, and Mira topped Google's Frightgeist costume charts, with six of the top 10 trending costumes coming from the film. What is remarkable is that this was not just a tween phenomenon. Whole families dressed up together, turning Halloween into a multigenerational celebration of Alpha-driven pop culture. Retailers from Target to Spirit Halloween scrambled to keep up with demand, rolling out dolls, wigs, and Funko Pops tied to the franchise. This moment illustrates the Alpha effect perfectly: Their tastes do not stay confined to their age group, they ripple outward, pulling parents and siblings into shared cultural experiences and driving retail trends across categories.

And despite their digital immersion, Alphas are showing a surprising countertrend: a hunger for authentic social connection and shared experiences. Platforms like Roblox are inherently communal, allowing kids to play, build, and interact in ways that feel more like social gatherings than solitary gaming. Entertainment preferences reflect the same instinct. A GWI report shows the self-reported favourite TV show genres of Gen Alpha are those they can either sing to or dance to, underscoring their appetite for participatory formats that invite performance and

togetherness. The cultural juggernaut of Taylor Swift's Eras Tour, which grossed over US\$2 billion and drew seismic crowds across five continents, highlights how live, communal experiences resonate deeply with this generation. Retailers are catching on, too. Sephora has positioned its stores as a Gen Alpha "playground", while Foot Locker and Coach are investing in experiential retail spaces where young shoppers can meet, play and connect. For Alphas, social connection is the true currency. They gravitate toward experiences and brands that bring people together, whether through play, performance, or shared cultural moments.

“ Alphas already drive nearly half of household spending.”

Retailers who continue to obsess over Gen Z risk missing the next tidal wave. Alphas are redefining what it means to be a teenager: hyper-informed, globally connected, and commercially powerful. They are the ultimate influencer generation, not because of TikTok clout, but because they sit at the crossroads of family

decision-making and cultural trendsetting.

Generation Alpha is not a distant future; they are here, shaping culture, commerce, and household decisions in real time. Gen Z may have been the obsession of the 2020s, but the 2030s belong to Alpha. Those who fail to adapt will find themselves designing products and experiences for yesterday's consumers while tomorrow's ultimate influencers slip away. **ARC**



The five rules for winning over Generation Alpha

- 1 Prioritise transparency and education:** Alphas are the most research-driven generation yet, skilled at fact-checking, comparing, and spotting spin. Brands must meet that intelligence with clarity, offering honest reviews, accessible information, and content that builds genuine trust.
- 2 Create experiential retail spaces:** Stores should be more than shelves. Think playgrounds, stages, and social hubs where Alphas can meet, test and connect.
- 3 Tap into cultural moments:** From *KPop Demon Hunters* dominating Halloween to Taylor Swift's Eras Tour, Alphas rally around shared experiences. Retailers should anticipate these waves and stock accordingly.
- 4 Balance digital immersion with offline authenticity:** While device-native, Alphas crave real-world connection. Limited-edition in-store drops, live events, and tactile play (like LEGO) bridge the gap.
- 5 Harness peer-driven influence:** Social media amplifies Alpha tastes instantly. Encourage user-generated content, authentic influencer collaborations, and campaigns that let Alphas see themselves in the brand.



Outpace Outplay Outsmart Outlook

In today's fast-paced and ever-changing market, knowledge is power.

With Outlook from Circana, you'll gain access to global and regional FMCG and Retail insights that help you make informed, strategic decisions.

Understand the why behind the data, simplify complex trends, and unlock the key drivers of success.



Subscribe to superior insight:
circana.com/outlook



How leaders are future-proofing their 2026 supply chains

Senior executives from retailers including David Jones, RM Williams and Winning Group discuss the key operational trends.

By Adam Thorn



As retail leaders head into 2026, they confront something of a supply-chain paradox. On the one hand, consumers' purchasing decisions are increasingly driven by fast, reliable delivery and sustainable business practices. Yet at the same time, those supply chains have never been more susceptible to erratic global threats.

Operations specialist Lyn Nguyen, sensing the mood, sums up the challenges the next 12 months will bring to already exhausted executives.

"Tariffs will be a major pressure point, with importers likely to face revisions, increases and sudden shifts throughout the year," she said. In addition, broader logistics costs are expected to climb as fuel prices rise, flowing through to higher trucking, ocean freight and air freight rates, while the Red Sea crisis and ongoing raw material shortages will also continue to extend lead times. "In 2026, adaptability is critical," Nguyen said. "Businesses that forecast early, diversify suppliers and stay closely aligned with logistics partners will be best positioned to navigate the year ahead."

Speaking to *Inside Retail*, many of Australia's most prominent operations leaders say they have quietly been heeding the call – devising coping strategies and workarounds to seize the opportunity from the challenge.

Here, we present the best of their advice, to help you survive the year ahead.

Failing to prepare is preparing to fail

"If the last few years have taught us anything, it's that you can never be too prepared," Jasmine Russell, COO of LVLV, told *Inside Retail*. "Between unpredictable weather, transport delays, and rising costs, having backup plans and a flexible supplier network has become essential. At LVLV, we've focused on diversifying our floral and packaging suppliers across multiple regions to stay nimble and keep delivering fresh, beautiful products no matter what's happening in the world. It's all about building strong relationships and having the agility to pivot quickly when things change."

Tony Zasimovich, global VP of retail at global logistics firm DP World, agrees that flexibility will be key. "Retailers are heading into 2026 carrying pressure that's been building for years," he said. "Volatility isn't easing. You see it every day: uncertainty from regulatory compliance and global geopolitical events, frontloading orders to avoid shocks and border delays, and a resulting stock build-up at distribution centres, which poses a risk to bottom lines. We've seen that retailers are constantly reacting to issues as they navigate a world in flux."

One trend that will define 2026 is the shift from reactive operations to predictive resilience built into networks. Retailers are increasingly looking for ways to identify pressure points earlier, so they can reroute or re-sequence before

customers feel it. In fact, a recent survey commissioned by his company found that more than 90 per cent of leaders had seen revenue hit by transport issues. "That means the incentive to get ahead of disruption is very real. Predictive logistics is what closes that gap, and it's fast becoming the difference between delivering a strong busy season and missing a key commercial moment."

Retailers, therefore, must seize control of their own fate by strengthening their grip on the international legs of their supply chains.

"Delays at customs affect 88 per cent of retailers, but more businesses are taking important steps to tighten upstream co-ordination, share data earlier with essential partners, and smooth handoffs at critical choke points. You can really see reliability improve when these steps come together.

"The bottom line is that we'll see investment continue to be directed into the parts of the chain that strengthen flow and reliability. That shift is already happening, with a greater focus on building supply chains that stay dependable in tough conditions and are even sharper in good ones."

Speed and reliability are essential

Despite global headwinds, customers seem unsympathetic to supply-chain issues, as cost-of-living pressures mean they are more careful with their spending

OPERATIONS AND SUPPLY CHAIN

than ever. “Consumer expectations for rapid delivery remain high, reinforcing the industry-wide ‘need it now’ mindset,” LVLV’s Russell said.

“To meet these demands, we have strengthened our last-mile capability by partnering with DoorDash, enabling less than 1-hour delivery of flowers and gifts to areas surrounding our dispatch locations. This collaboration enhances our ability to provide customers with an ASAP delivery service, aligning with evolving expectations for speed, convenience and reliability.”

Appliance giant Winning Group, too, has doubled down on adapting to focus on performance during the tough last mile of delivery. “Delivery is increasingly a key competitive advantage,” its COO, Trent Allan, said. “Speed, flexibility, and transparency are driving both customer satisfaction and brand reputation.

“While Australia remains one of the most challenging countries for last-mile delivery, our country’s rapidly growing e-commerce market continues to drive demand, and retailers must invest in their end-mile experiences to stay competitive, meet rising customer expectations, and ensure reliable and timely deliveries.”

The solution? Implementing AI and new technologies with a smarter use of humans to navigate the bottlenecks. Alex Carter, David Jones’ head of digital experience and operations, argued that checkout speed, clarity of delivery promises, and payment flexibility would define the new leaders of the pack.

“Checkout and fulfilment is where margin and brand trust will be won or lost,” Carter said. “AI will power faster experimentation, automated QA, predictive merchandising, and rapid content scaling. This is less about replacing people and more about increasing team efficiency, accuracy, speed and productivity. If you don’t get on board now, you risk being left behind in an environment where you may never catch up.”

RM Williams, another Australian retail giant, has not been afraid to take a fresh approach to next-generation challenges. “We are in the middle of one of the biggest transformations in our history,” Peter Ratcliffe, the company’s head of technology, told *Inside Retail*. “We are modernising our supply chain, automating our distribution centre, rethinking planning and product development and strengthening our cyber and data foundations.

“Technology, data, AI and machine learning are playing a big role in how we connect every part of the business, which will help us make smarter decisions, create efficiencies and enhance the experience for our team members and our customers, wherever and however they choose to engage with us.”

Sustainability is a key concern for customers

It’s not just about speed and efficiency. Consumers increasingly value brands and retailers that prioritise sustainability and genuine integrity. The problem, of course, is that meeting these requirements takes both know-how and investment. “With mandatory climate reporting now coming into effect in Australia, tracking and reporting emissions, including Scope 3, has never been more critical,” Winning’s Allan said. “Measures such as route optimisation, improved

warehouse energy efficiency, and more efficient trucks are playing a key role in reducing environmental impact.”

In fact, the group’s logistics arm went further: it recently opened a new distribution centre that includes a recycling area to support its takeback program for old products, alongside EV charging infrastructure and advanced environmental monitoring systems. “In another industry-first initiative, Winning Services

launched an electric prime mover truck at [its centre in] Kemps Creek, marking a new phase in sustainable road transport in NSW. Replacing approximately seven daily return trips previously made by diesel trucks, the electric prime mover is expected to avoid over 80,000 kgCO₂-e annually.”

David Jones’ Carter puts it more simply. “Customers want to know the story behind their purchase – from materials and ingredients to ethical production and environmental impact,” he said. “Sustainability-led options and transparent disclosures will become an expectation by the customer.”

Even the concept of ‘newness’ is being redefined. “Fast fashion is no longer the symbol of trend adoption; instead, customers are embracing recommerce, vintage, circular retail models, and high-quality, long-lasting products. Ethical sourcing, material transparency, and product longevity are becoming primary drivers of purchase decisions,” Carter continued.

Ultimately, 2026 will reward retailers that treat volatility not as a temporary hurdle but as a permanent operating condition. Those who invest early in resilience, technology, and sustainability will be the ones who turn supply-chain pressure into competitive strength. **ARO**

“Australia remains one of the most challenging countries for last-mile delivery.”





How we designed a supply chain for complexity and speed

Oz Hair & Beauty COO Guy Nappa explains how the retailer is reshaping its operations for an omnichannel future.

By Heather McIlvaine

Inside Retail: What was the biggest investment you made into Oz Hair & Beauty's supply chain in 2025, and why? What impact has it had on the business so far?

Guy Nappa: Upgrading the facility, which has allowed us to remain where we are. The space maximisation and automation project enabled us to be more efficient and hold more stock heading into peak season.

IR: What's your strategy for keeping operating costs down at a time of increased volatility and uncertainty in global supply chains? Do you anticipate this becoming harder or easier in 2026?

GN: It's becoming harder every year, but as we have matured, we have become stricter, with end-to-end cost reviews and knowing which metrics are cause for concern. Looking at these metrics daily allows us to be quicker to react and make changes.

IR: What do you see as the biggest opportunities for artificial intelligence to improve operations at Oz Hair & Beauty in the year ahead? Will anything prevent you from realising them?

GN: We see AI as the tech that will allow us to move faster and with fewer mistakes. We have been upskilling the team at Oz to ensure they are equipped with the necessary skills to take advantage. Our teams, and ourselves as leaders, must adapt and take advantage; otherwise, the whole business risks falling behind the competition.

IR: Operations are the backbone of retail, and when things go wrong, it directly affects the customer experience and bottom line. Do you have any tips or advice for minimising operational mistakes daily?

GN: Being close to the front line is crucial; otherwise, you become out of touch. A lot of mistakes are due to poor

communication, so as a leader, being close to the action and driving the change yourself minimises the risk that the 'why' is lost. On top of this, investing in the team is crucial; having a strong team that has the freedom to make decisions and changes allows the wider team to buy into the vision.

“ We see AI as the tech that will allow us to move faster and with fewer mistakes.”

IR: Over the last few years, Oz Hair & Beauty has evolved from an online-only retailer to an omnichannel business, with over 29 physical retail stores. What challenges does this present from an operational perspective? And what do you see as the most critical systems and processes to deliver a seamless shopping experience?

GN: Expanding to 29 stores within three years has certainly been a complex challenge for the back-end team to optimise. We have had to redesign the flows each year to manage the increasing pressure on the distribution centre from the expanding store network.

Operating in an omni environment demands a more deliberate and planned pace of change, which initially felt restrictive. Once we adapted to this new way of working, we quickly gained momentum and improved efficiency across the business.

A seamless integration between the enterprise resource planning software and point of sale systems is critical. When these systems work together effectively, store teams can focus on serving customers rather than performing manual administrative tasks. Conversely, if the integration is poorly executed, it distracts staff from customer engagement, leading to a diminished experience and potential loss of sales.

IR: What's your top priority to improve Oz Hair & Beauty's operations and supply chain in 2026?

GN: Ensuring the operational processes are set to continue to scale. With more stores on the horizon, we are rigorously exploring how we can continue to offer great and even better CX as the business becomes more complex. This involves increasing speed and increasing automation – all whilst reducing costs. **ARO**



Facing change – How CFOs weathered 2025

Finance leaders from Camilla, Funlab, MAAP, and St Frock discuss how they have adapted to a year of tariffs, artificial intelligence, and broad shifts in consumer demands.

Toni Jones, Partner, Industry Leader – Corporate Brands, KPMG
Julie Carey, Audit and Assurance Partner – Consumer & Retail, KPMG

Just as inflation cooled and certainty returned to interest rates, 2025 became yet another challenging year for the retail industry's financial leaders, as tariff turmoil from the US rippled through supply chains and international markets.

Following the Trump administration's announcement of reciprocal tariffs in April, Australian consumer sentiment fell sharply from its highest level since April 2022 and expectations for the retail sector to return to positive territory within the first half of the year got pushed back to Q3 2025.

Despite these new uncertainties and the tough operating environment, conversations across the financial leadership within Australia's retail brands reveal an assuring sense of preparedness.

Banking on liquidity

Matthew Nott, the CFO of luxury cycling apparel retailer MAAP, reasons that the retail industry has weathered extreme uncertainty over at least the past five years.

"With that lens (of the past five years), we haven't necessarily done anything overly different (during the year) than we would otherwise have done," Nott said.

Furthermore, with MAAP undergoing a "high growth phase" by expanding its physical retail presence, e-commerce, and wholesale over 2024 and into

2025, the company prioritised cashflow management and focused on refinancing its debt facilities to be more flexible.

"There is going to be some new uncertainty coming, so it is prudent to make sure your team is able to react and navigate it," Nott said.

He also pointed out that a key step in securing the company's liquidity is developing strong relationships with partners at the bank and working closely, a point that was shared by Paul Budrikis, COO and CFO at Camilla.

Like MAAP, clothing retailer Camilla is also undergoing a period of growth, especially with its entry into the US and Middle East markets.

In preparation for its expansion, the company had taken "tangible" steps with its key banking partner to implement facilities to ensure that it has "available liquidity facilities" that can enable quick movement if it wants to take up opportunities or handle any unforeseen circumstances.

"I think probably now more than ever, for businesses of our type, it really is about investing in banking partners," Budrikis advised. "I think at the end of the day, if you do invest in those relationships, it does pay dividends."

Tariff or none, focus on the business

Shoring up finances is an important step for Camilla, as it finds itself sitting

in the eye of the tariff storm with the US market being a substantial business region for it and its biggest growth focus.

Compounding the company's difficulty is the tariff situation with India, where a large part of the sourcing is done; however, Budrikis thinks that it is better to wait for the dust to settle to know what playing field you are on.

Until then, Budrikis said, they are focusing on the basics by being on top of its wholesale accounts, focusing on costs in a very proactive manner, and ensuring that cash balances are invested in high-yield accounts.

Similarly, entertainment venue operator Funlab, which ventured into the US market in 2023, has adopted a cautious approach over 2025 by being more attentive to "baseline work" rather than getting too far ahead of aspirations for their new growth market.

"We had the convenience, if you like, of a refinance process through this time, which tests the strength of the business and its relationships," said Andrew Wilson, CFO of Funlab.

Even though tariffs and the US market aren't a concern for online clothing retailer St Frock, maintaining operational discipline and process optimisation was a key focal point in the face of uncertainty.

"The tool that I like most is our 52-week rolling cashflow model, which, compared with the typical 13-week ►



model, provides a very long view and the flexibility to adjust and pick up opportunities,” St Frock CFO Angela Wang said.

Using AI in finance functions

While artificial intelligence (AI) has long been a talking point among business leaders, 2026 represents a watershed year as the technology gains more prominence in the finance function.

For MAAP, Nott said, the company is focused on using AI to enhance its governance by taking on the task of checking and cross-referencing data, which would have otherwise been outsourced, and improving day-to-day finance operations.

Moving forward, the retailer is looking into AI-enabled tools in the analysis space to identify opportunities for cost savings or where they may be overstocking.

“As the adage in finance goes, ‘If you are spending so much time getting the numbers right, you don’t have enough time to do analysis!’” Nott said.

Speaking of analysis, Wang of St Frock, adds that the company is using AI to assist in the negotiation process with business partners, as its data processing capabilities are a useful tool in preparing convincing proposals.

Stepping up to the AI game

While the technology is improving, however, with more use cases being discovered, Camilla’s Budrikis said the challenge isn’t acquiring the technology – as an audit found that many of its existing software already comes embedded with AI – but getting employees to use AI to get more efficiencies out of their roles.

“We have set out a policy encouraging everyone in the team, particularly the senior leadership, to use generative AI on a regular basis, even though a lot of people are using it in their role but in an unofficial capacity,” Budrikis explained.

On the other hand, Funlab, which Wilson said is in the early stages of its journey in AI adoption, is prioritising giving capability back to the organisation, rather than just cost-cutting.

“Currently, we are focused on picking the small wins, taking existing processes and speeding them up, taking data to predict what’s ahead, mastering processes to educate ourselves, and taking [that work] away from our employees, who can then spend their time adding value in other things,” Wilson said.

“We still need that human overlay over the top – the street smarts and business acumen that are necessary in the business and AI doesn’t have.”

Wang points out that while small- to medium-sized businesses don’t have big budgets for advanced AI implementation, they can still leverage their smaller,

younger teams that are more agile at embracing technology, to develop new procedures and quickly roll out projects.

Meeting changing customer demands

The wealth of data available nowadays also presents key insights into changing customer behaviour that both act as a barometer for a change in the business environment and shine a light on new opportunities.

Funlab, which caters primarily to 18- to 35-year-olds, has noted that the demographic is drinking less, which is something that the company needs to pivot around.

“I think the biggest change for us, which all the research says to us, is that our industry – which is discretionary – needs to offer more value, as customers are more conscious of their spending and their wallets,” Wilson said.

“Value conscious” is also a description that Wang shared of the noted changes in St Frock’s customer behaviour.

Shifting strategies to capture growth

The year 2025 has also presented an interesting change from the retail trend of shifting towards e-commerce that the industry has seen over the past half decade.

Instead of moving to a pure e-commerce play, both MAAP and Camilla, which are positioned as luxury brands, are opening new physical stores to bolster their brand presence and leave an impression on their customers.

“Our retail expansion has been really important, the stores for us are very much part of our community building as well,” MAAP’s Nott said.

“We want people to come in and we offer them a much more elevated experience. [The store] is also a hub where we run shop rides, run engagement, and have events and local activations.”

Part of MAAP’s strategy includes redirecting a large amount of digital advertisement spending and reinvesting it into community building, experiences, and longer-term customer relationships.

Budrikis finds that the Camilla brand gets a “halo effect” from the opening of its bricks-and-mortar stores in the US, which affects its e-commerce operations in a positive and tangible way.

“We’ve certainly been looking at investing a focused amount of our marketing spend in the US. A couple of things we have done include buying a big Times Square billboard, leaning back into ‘trunk shows’, and collaborating with premier hotels to have pop-up arrangements,” Budrikis said.

Back to basics

From these conversations, it is evident that in times of change, retailers need to not only rethink their strategies, but also revisit established practices and wisdom.

In a time when the world is contending with tariffs, AI, and broad shifts in customer trends and demands, businesses should hold to the most basic advice – “Cash is king”. **ARGO**





FIVE TRENDS

Shaping the future of retail

Powering the next era of retail: conversational experiences with AI and voice





Balancing savvy investments with financial discipline

T2 Tea's CFO Krista Diez-Simson outlines how the brand is pursuing sustainable growth by tightening its capital allocation and sharpening profitability.

By Heather McIlvaine

Inside Retail: Retail is a fast-moving and competitive industry. How do you balance investing in growth (through new stores, digital channels, or supply-chain improvements) with maintaining strong financial discipline?

Krista Diez-Simson: At T2, growth happens only where it makes commercial sense. We invest in new concepts like our re-imagined QVB flagship store in Sydney or our unified commerce platform – but each project must meet strict ROI and payback criteria. We've also exited under-performing stores and streamlined our range to sharpen profitability. It's about smart, data-led growth, not growth for growth's sake.

IR: Inflation, wage growth and supply-chain volatility continue to challenge margins. What's your approach to managing these pressures while still delivering value to customers and shareholders?

KDS: Inflation and supply-chain volatility are realities in retail, and we are addressing them through diversified sourcing, tighter inventory control, smarter forecasting and a laser focus on efficiency. At the same time, we're protecting what makes T2 special by

investing in quality and elevating the customer experience, delivering on our mission of making everyday moments extraordinary.

IR: How do you decide where to allocate capital – whether toward technology, sustainability or store expansion – to ensure long-term return on investment?

KDS: We focus investment where it drives sustainable returns: technology that improves efficiency, sustainability initiatives that build the brand's trust and future-proof our supply chain, and store concepts that elevate customer experience and bring the brand to life. We measure returns against both strategic alignment and impact – ensuring capital creates value now and in the future.

IR: As data and analytics become more sophisticated, how is your finance team using them to forecast demand, manage risk, or support faster decision-making

across the whole business?

KDS: Our finance team has evolved from reporting to real-time insight. We use analytics to forecast demand, model risks, and support faster, fact-based decisions across the business. Data helps us anticipate rather than react, which is critical for retailers during these ongoing challenging trading conditions.

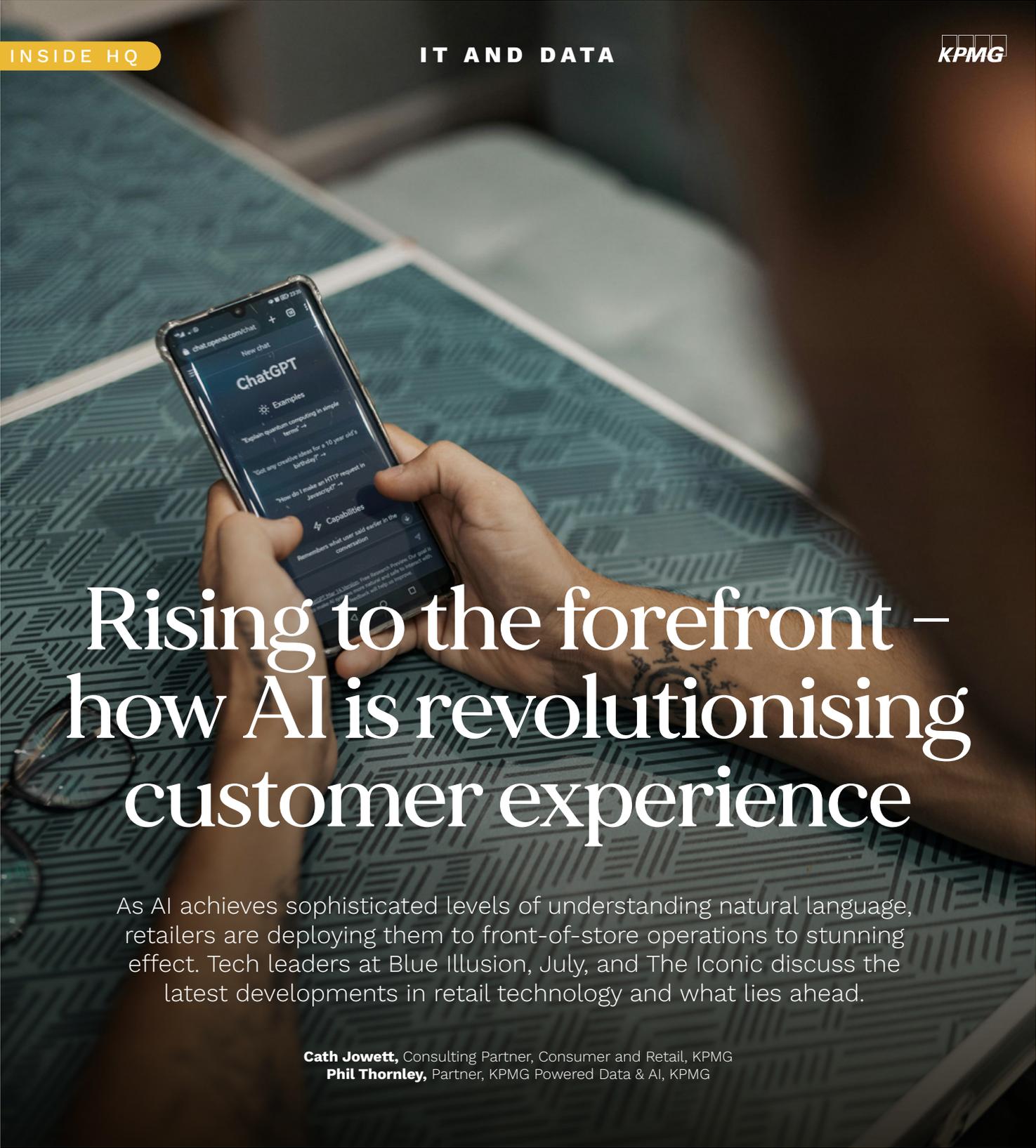
IR: What do you see as the biggest financial opportunities and risks for

retailers in 2026, and how are you preparing T2 to navigate them?

KDS: Omnichannel growth and experiential retail are major opportunities for 2026, and T2 is

“Analytics now forecasts demand and supports faster decisions.”

well placed with its blend of premium products and immersive, experience-led stores. At the same time, cost pressures and softer consumer sentiment remain real challenges. We're navigating both with agility, data-driven planning and a steady focus on brand execution and financial discipline. **ARO**



Rising to the forefront – how AI is revolutionising customer experience

As AI achieves sophisticated levels of understanding natural language, retailers are deploying them to front-of-store operations to stunning effect. Tech leaders at Blue Illusion, July, and The Iconic discuss the latest developments in retail technology and what lies ahead.

Cath Jowett, Consulting Partner, Consumer and Retail, KPMG
Phil Thornley, Partner, KPMG Powered Data & AI, KPMG

Over the last few years, automation has transformed the retail landscape with advancements in many back-of-shop operations, such as managing inventory, fulfilment, and processing returns.

However, a new shift is on the horizon as artificial intelligence (AI) becomes more capable and widespread, this time holding the promise of revolutionising the customer experience.

Recent conversations with tech heads from Australian retailers have given us a preview of some of the technologies that are being implemented and how it is changing the way retailers are meeting their customers' expectations.

How AI is changing the game

AI has long been a topic of interest, but it has only been in the

past few years, when the technology has become more capable at understanding human conversation and providing accurate responses, that the practical-use cases in retail have started being realised quickly.

Lachi Agnew, Head of Technology at Melbourne-based luggage retailer July, stated that about 40 percent of its customer service tickets are now handled by agentic AI, such as Gorgias AI, and it isn't just answering simple FAQs.

"The AI agents are now able to handle post-purchase order modifications, personalisation requests, and shipping updates, which frees up a lot of time for the customer service team to focus on high-level issues," Agnew said.

"On the operations side, AI agents are running on all orders, looking at the complexities of the multi-warehouse shipping, ►



and flagging any orders that may become issues for our team to investigate.”

Moving forward, Agnew and his team are working on bringing AI into the marketing team in an editorial capacity to ensure that the copy standards and marketing communications are aligned to brand guidelines.

Online fashion and lifestyle retailer, The Iconic, is looking at using AI to improve the customer experience across the board, such as by using semantic-based search to improve search results for customers, with the potential of also improving back-end processes.

One such example that The Iconic’s Chief Technology and Product Officer, Adam Cox, describes is the use of an AI agent to curate its product line-up.

“We have around 300,000 products live at any given time...and we can give a creative campaign brief to an AI agent that will take some example images, example colours, and the text descriptions, and provide a curated list of products,” Cox explained.

Establishing data foundations for AI

For all its promises, AI is only as good as the data it is fed, which is why tech leaders emphasise the importance of establishing and maintaining their ‘data warehouse’.

Ankit Sobti, Head of IT at women’s apparel retailer Blue Illusion, is under no illusion that its 2026 goal of creating a functional AI co-pilot for its store network depends on proper data management.

Getting the data sorted beforehand is important, as the AI co-pilot is meant to help retail teams get real-time inventory information, which can be pivotal for operational productivity when new collections are introduced every two weeks.

“At the moment we are doing foundational work for our AI co-pilot, which starts with getting the data right – no AI project can succeed unless you get your data warehouse correct, otherwise it will be a case of ‘garbage in, garbage out!’” Sobti advised.

Cox touts The Iconic’s strong foundational data platform as a key asset that allows the business to access business analytics and business intelligence data easily.

Building on that foundation, Cox says that, in 2026, teams within the business will be able to access more data through natural language, reducing the need for creating data dashboards.

“I think you’ll start to see a lot of businesses really starting to make that investment into these platforms...and we’ll see that coming out in 2026,” Cox added.

What is ahead for tech in retail?

Though AI is already delivering impressive improvements in customer experience, what tech teams are working on over the coming years will be nothing short of revolutionary.

Cox says that over 2024 and 2025, his team at The Iconic has been working on a ‘semantic search’ approach – using AI to understand a user query’s context rather than

picking out keywords – into its search algorithm.

“We are now starting to see the change in user behaviour coming through our searches because of how people interact with the other large language models (LLMs) like ChatGPT,” Cox explained.

Because of this, The Iconic is looking at optimising its algorithm between the traditional types of keyword-driven searches that people are used to, and using AI-based, vector-based search algorithms that can understand the natural language context of a user’s search query.

“Now, if you do a search for ‘blue jeans’, it is going to give you kind of normal search results, but if you search for something more descriptive, like an ‘outfit for a Bondi wedding’, it’ll flip over to a vector-based AI kind of semantic search,” Cox said.

Currently the technology is still in its infancy and is getting better at understanding more simple searches; however, Cox thinks that it has the potential to be a powerful tool when it can understand more complex requests.

Over the past year, July rolled out improvements to its marketing email system, whereby its traditional email flows are put through LLMs to create fully personalised one-to-one communications with its customers.

Combined with its omnichannel customer data platform (CDP), which uses data on customer preferences to lead them to a propensity-to-buy situation, Agnew said that its personalised marketing email system would be able to deliver specific discount codes depending on the customer’s likelihood of making a purchase with the codes.

“It is mostly about efficiency, rather than just offering a blanket discount or spending on advertising. It is about how you can use the money, but smarter, and get better returns for it,” Agnew said.

Over the rest of 2026, Agnew and his team will be feeding the CDP zero-party data (data that consumers intentionally share with the retailer) and linking it to LLMs to create hyper-personalised communications to drive brand loyalty.

In a similar vein, Blue Illusion is also refining its omnichannel CDP over 2026 to enable quick integration of new marketplaces.

“Our integration middleware is the most critical piece of our infrastructure, because when you connect the online part to the offline business, your integration becomes so...so critical and crucial, so having a bespoke model is very crucial to us,” Sobti said.

Raising online customer experiences

Shoppers would cite convenience as the key draw to e-commerce sites, as they allow for shopping anytime and anywhere, with shoppers able to browse far larger product offerings.

That said, shipping and returns are one of the last friction points for online shopping, and it is an area where The Iconic and Blue Illusion are making advancements.

At the end of 2024, The Iconic transformed its warehousing and order-management software within the organisation, gaining better accuracy and greatly improving its delivery times throughout Australia.

“It has been reported that we are faster than Amazon in Melbourne, and we are about to release even faster delivery in New Zealand,” said Cox. “We can get much faster in Brisbane, and much faster in regional Australia, too.”

The Iconic’s updated warehouse has also shown a 25 percent conversion rate of vendors using its services, moving from the traditional dropship model to the fulfilled-by model because it enables their products to be delivered according to its customer-promised delivery times.

“On top of that, when it comes to returns, we get things back into the warehouse and back online so quickly that we resell 50 per cent of those returns within a week and 90 per cent within the month,” Cox added.

Despite having physical stores, Blue Illusion has streamlined its customer experience, by using an intelligent order management system (OMS) to have a stock pool for its store network.

“Any stock in the business, regardless of whether it is in the warehouse or in the store, will be available to sell online,” Sobti said.

“Furthermore, we have an easy return policy that allows customers to walk into any store and return the item,

which would then update the inventory straightaway and make it available to sell online.”

Blue Illusion’s intelligence OMS also enables an ‘endless aisle’ strategy whereby walk-in customers can buy a product that isn’t available in-store and have the item shipped out to them from the warehouse for free.

Though Blue Illusion is also considering same-day on-demand delivery, Sobti admits that it is still assessing its viability before committing to it.

“The roadblocks for same-day delivery aren’t stemming from tech, but from the process, how would you prioritise in-store customer expectations with online same-day delivery,” Sobti explained.

Securing the future

As the utility of personal data grows, so too has the threat of cyberattacks increased – with every successful attempt, sparking public outrage and regulatory scrutiny.

Considering just how wide-ranging the implications of a breach are in a company, Cox said that it is important everyone keeps on top of cybersecurity concerns.

“It is important for teams to understand the tools they use and what information goes where, so having the right guardrails in place to deal with this and manage this quickly and efficiently,” Cox explained. “We have data governance and AI governance processes and people set up within the business to make sure that this runs the right way.”

At the same time, Cox recognises that cybersecurity threats are evolving quickly, especially with the proliferation of generative AI tools and more sophisticated attempts at social hacking and phishing.

“So, with the cybersecurity training that happens, the security structure you

put in place across all your systems, the levels of access that people get, ‘zero trust’ is becoming an even more critical thing for us,” Cox said.

“Being prepared and having systems in place behind the scenes to act quickly is absolutely critical.”

Agnew agrees with Cox’s position, saying that the most important aspect in cybersecurity is training, especially when it comes to AI-powered social engineering.

“Combatting these attempts just requires training around that and making sure that everyone is in place to understand what they should and shouldn’t be giving out, when, and where,” Agnew added. “Which goes back to the basics of practices like ‘zero trust’ and password management, practices that have always been there, but it is just at a different level at this point.”

For Blue Illusion, which onboards several third-party apps, its cybersecurity practices also include carrying out vendor and risk assessments by inquiring about how the data is handled, the protection that clients are using, and what sort of guardrails are in place.

Tools are in place that provide real-time anomaly detection. These are able to find quickly any logins into systems that come from suspicious locations and act quickly against them.

Ankit further raised the point of carrying out routine cyber testing to assess the digital infrastructure’s resilience and even earmarking a dedicated budget for cybersecurity.

“For us, cyber insurance is important to make sure that if anything were to happen, we are covered,” Sobti said.

With more data being collected and becoming more intertwined with everyday life, cybersecurity will become a fixture of the e-commerce reality, which is something retailers should factor into their future planning. **ARQ**



Navigating 2026's fragmented SEO landscape

Retailers need to rethink their data tactics radically as AI turns product discovery on its head.

By Rachel Harvey

Year was crazy for search engine optimisation (SEO), and that's definitely not stopping in 2026.

Large Language Models (LLMs) have changed how people ask questions, and Google has tried to keep up by introducing AI Overviews – AI-generated summaries that appear at the top of search results.

The move has sent shockwaves across the digital landscape, which goes some way to explaining the \$7.6 billion that the Australian arm of the Interactive Advertising Bureau stated was pumped into search in FY25. That figure

overshadows the \$5 billion spent on video advertising during the same period.

While the fundamentals of SEO remain, what has changed is where people are discovering brands, with the biggest trend being the shift from traditional 'search' to full 'discovery' optimisation.

Beyond Google: the new search platforms your brand can't ignore

Consumers are no longer turning to Google alone to begin their shopping journey, and your SEO strategy needs to reflect that.

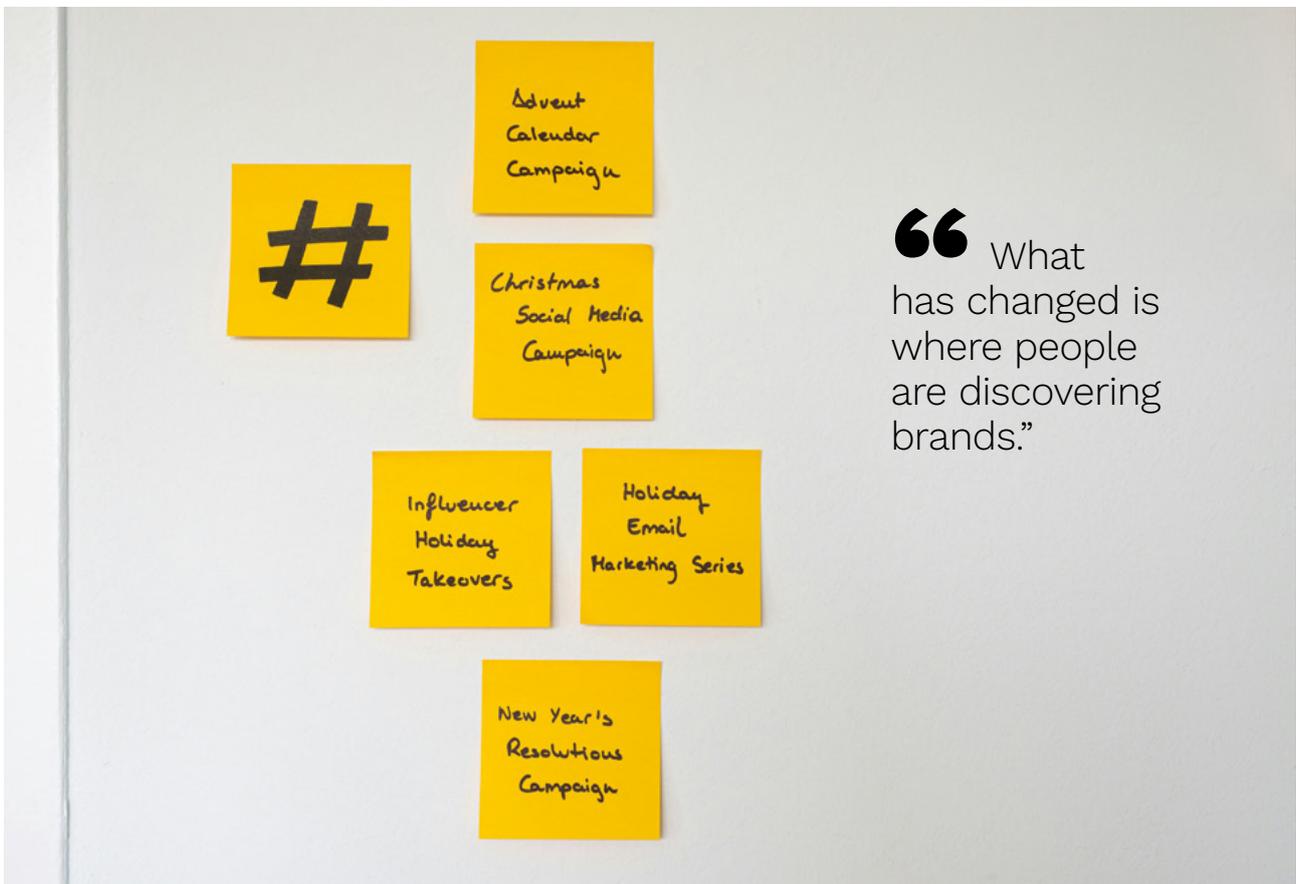
Product discovery is happening across

TikTok, Reddit, YouTube, Instagram and the various AI platforms, creating a huge opportunity to reach customers at different touchpoints.

SEO isn't just about keyword positions anymore. It's about understanding where customers search, scroll and compare.

One of the easiest strategies to ensure your brand is found on the various platforms is to repurpose your content. Blog articles are standard fare in most retailers' digital strategies, but are you using that content on different platforms?

Turn your blog post into an Instagram



“What has changed is where people are discovering brands.”



carousel, a short video for TikTok, or a detailed breakdown for YouTube.

And a quick Reddit tip: monitor industry threads to see how people are talking about your product or brand. Those unfiltered conversations are brilliant for uncovering real pain points and inspiring content ideas.

Brands below the fold: Google changes push organic listing out of view

Amid recent changes to Google search, retail brands with well-established online presences have been pushed down 'below the fold' – their content is visible only when you scroll down the page.

Google is now prioritising product snippets, popular products and deals, creating a challenge for retailers.

The most reliable way to stay visible is to optimise for the spots Google now favours. Think of your product feed as the foundation: It needs accurate details, high-quality imagery, pricing and updated stock data.

Layer structured data on top, and you're essentially helping Google 'read' your catalogue properly. Get this right, and you're far more likely to snag a spot in those 'Popular Products' and rich product listings.

David versus Goliath: the challenge for smaller brands

Given all this, it has become increasingly difficult for smaller brands to go up against the big retailers. They've got bigger budgets, bigger teams and resources that smaller brands simply don't have. But this just means you need to think outside of the box.

Double down on your niche. Build real topical authority. Show your expertise in ways that feel human and trustworthy. Case studies, customer reviews, and user-generated content all help strengthen E-E-A-T: Experience, Expertise, Authoritativeness, and Trustworthiness – the framework Google's reviewers use to assess content.

Focus on E-E-A-T, and no matter the size of your brand, you can build credibility in a way that feels authentic.

When smaller brands lean into what makes them unique, they become far more competitive, even in a space dominated by bigger players.

The UX advantage: making every visit count

In a landscape flooded with AI-produced content, what customers value most hasn't changed – seamless experiences, human touch, and brands that feel

genuinely helpful. Naturally, with fewer users reaching websites, every visit takes on higher value. And this is where user experience or UX comes into play.

There are tools that can help you monitor page experience, such as Microsoft Clarity or Hotjar. Both enable you to see customer activity: where customers scroll, where they hesitate, and where they drop off.

Yes, it can take time to sift through the findings, but one small change can have a massive impact on your bottom line.

Bonus if you can carry out A/B tests for wording, layouts, or calls to action: you'll quickly see what your audience responds to, which can help to maximise performance.

The discovery landscape is changing fast. The rise of AI and Google changes can feel overwhelming, but core fundamentals are still your foundation.

Get disciplined about visibility across all touchpoints, obsess over user experience, and build genuine authority. The opportunity is there, and the most adaptable, curious brands are the ones consumers will keep finding. [ARO](#)

Rachel Harvey is an SEO manager at integrated marketing agency Impressive.

What are the must-haves for great online CX in 2026?

Leaders from brands including David Jones, Baby Bunting and Outcast Clothing share their insights.

By Adam Thorn

Ask Alex Carter, David Jones' head of digital experience, why 2026 could be a game-changer for CX, and his answer is as exciting as it is blunt. "Historically, major digital change cycles have happened every five to seven years," he told *Inside Retail*. "With AI accelerating development and productivity, that timeframe's rapidly shrinking. Businesses must prepare for continuous innovation, faster release cadences, and rising customer expectations for instant improvement across the experience."

In other words, the coming 12 months will usher in some of the most significant changes in a generation to how we purchase online, as retailers rush to use AI to make the shopping experience more bespoke than ever before.

The word around the industry

Carter's prediction was echoed in *Inside Retail's* discussion with customer experience leaders, both locally and around the world, from retailers and

brands large and small. Airi Sutherland, the VP of e-commerce at fashion label Outcast Clothing, defines the target as delivering "personalisation with purpose" – experiences that feel both individually tailored and effortless.

"The brands leading the charge will combine predictive data models with real-time contextual triggers to anticipate needs, not just react to them," Sutherland said. "Seamless omnichannel visibility, AI-powered service, and fast, flexible fulfilment will all be table stakes, but the differentiator will be how human the experience feels. From proactive support via AI agents to adaptive site interfaces and loyalty experiences that evolve with the customer, the focus will shift from transactional convenience to emotional connection and retention."

That change will not be limited to implementing AI, she continued, but will also involve combining it with customer data platforms, product information management systems, and a strong CRM that moves beyond email to touch

all platforms and create context-aware moments rather than generic automation. "The brands that win will be those that connect these systems to deliver personalisation that feels effortless, and distinctly human," Sutherland concluded.

A better, gentler CX

Data, though, will increasingly be seen as a dirty word by consumers in 2026, with many sceptical about what information is collected about them and what a brand is doing with it. Leah Betts, co-founder of sleepwear brand Cachia, warned that its customers want to feel understood, not targeted. "In 2026, successful CX isn't about aggressive algorithms or forcing products; it's about quietly using smart technology to make every part of their journey feel smooth, thoughtful, and genuinely human. The heart of our philosophy is that customers want to feel known, but they don't want to feel watched. There is a difference."

Advancements need to go beyond simply the point of purchase, too. Liana

DIGITAL AND E-COMMERCE

Lorenzato, chief growth officer at the underwear subscription brand Knobby, said AI is quietly transforming customer support. “Smart retailers are using AI assistants and automation to handle routine queries, surface next best actions, and give agents a full view of the customer so human conversations can be more efficient and more empathetic,” Lorenzato said. “As agentic AI matures, expect it to proactively resolve simple issues and orchestrate journeys, while complex or emotional moments are still owned by well-equipped humans.” The potential benefits, she added, could be “groundbreaking”.

It's not just AI; the maturation of

existing technologies could reach its peak this year. “Social shopping will have its moment in Australia throughout 2026,” she said. “Why? Because it allows brands to showcase products almost three-dimensionally. How the product fits on different bodies and heights, or how a cosmetic product looks. All without retouching or creative lighting. It is the real moment – humanise an increasingly AI world.”

The best of both worlds

In the US, where adoption is ahead of Australia's, mixing human know-how with AI's speed is a constant topic of discussion. Shannon Quarantino, VP

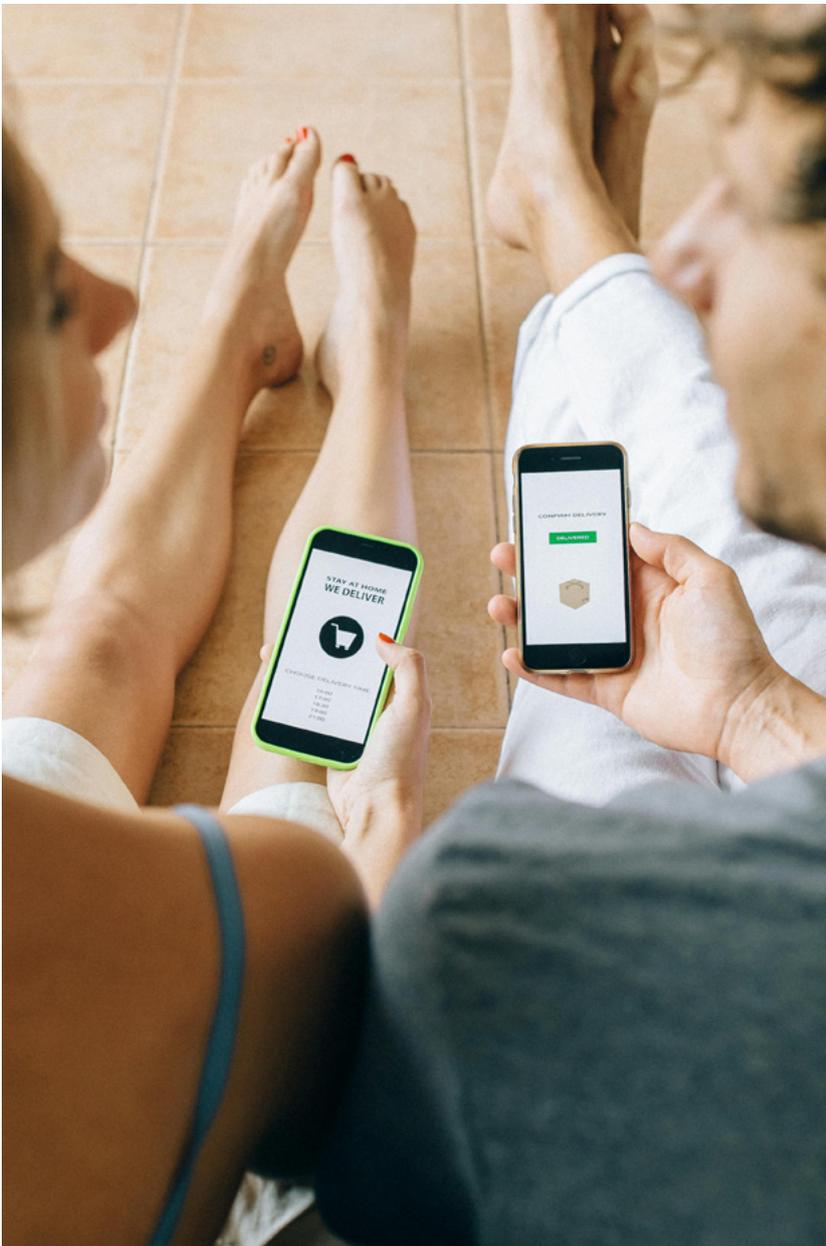
of e-commerce at Los Angeles-based activewear brand Splits59, argued that leaders must align both their product offering and experience around the core values of quality, authenticity and lifestyle. “There will be a continued emphasis on listening to customer feedback and expanding offerings to meet evolving needs,” she said. Meanwhile, Ali Grace, founder of San Diego-based circular fashion brand AliGrace Denim, believes customers are becoming more intentional with their spending. “Community will drive conversion in 2026, because people want to buy from brands that feel human and relatable, not transactional,” she said.

How, though, to deliver? Well, Carter shares that at David Jones, leaders are advocating for and investing in a holistic approach that offers a fully connected omnichannel journey. “In 2026, the distinction between online and in-store will cease to exist,” he warned. “Customers will expect one continuous journey across every channel. Retailers who deliver consistent design, shared data, and seamless movement between touchpoints will build deeper trust and higher lifetime value.

“Your brand experience now extends long after checkout. Transparent delivery updates, proactive communication, sustainable fulfilment choices, and easy returns will be as important as the product display page and product photography.”

“ Social shopping will have its moment in Australia throughout 2026.”

Olivia Toth, head of online trade and experience at Baby Bunting, agrees with the approach. “Shoppers don't think in channels, they think in tasks,” Toth said. “They want to research on mobile, get in-store advice, check real-time availability, buy online and return in-store without starting again. Technology should make that hand-off seamless, mirroring the in-store experience with rich content, guided selling and human support when it's needed, and bringing digital into store through shared profiles, wish lists, endless-aisle ordering and simple ways to surface online content (reviews, comparison tools) at the shelf.”





The year ahead

All of this will become increasingly important over the next 12 months, as Australia's economic issues are unlikely to ease. "In a cost-of-living environment, customers are weighing up shipping cost, speed and reliability just as much as price," Toth added. "They're reading delivery promises and returns policies before they hit 'add to cart'. The critical features are the ones that hand control back to the customer, letting them choose and change flexible delivery options like same-day and click-and-collect, track an order in real

time, manage returns digitally, set their preferences and reach customer care through simple, low-friction channels that resolve issues without the run-around, whether that's live chat, in-app messaging or smart self-service."

It's not so much, then, that customers will spend less. It's more that they want more confidence in their purchasing decision. Retailers, therefore, must adapt from simply targeting keywords to prompt-style, natural questions, with human feedback at their core. "Retailers need credible, in-depth content such as reviews, user-generated content,

rich imagery, educational guides, fit and comparison tools, and simple interactive elements like quizzes or checklists," Toth asserted. "AI-led search and recommendation engines and onsite tools should then interpret those questions and the customer's context, surfacing the most relevant products and content in one clear, helpful response."

As 2026 begins, the message from CX leaders is clear: The future belongs to retailers who can blend the precision of AI with the empathy, reassurance and creativity that only humans can offer. **ARO**

Three up-and-coming online retailers to have on your radar

From slow fashion to performance bodycare and size-inclusive intimates, meet the new online brands winning Australia's attention.

By Stephanie Caite Chadwick



Van Brussel

Van Brussel, featured on this issue's cover, is emerging as one of Australia's most compelling e-commerce brands by treating slow fashion as both a creative stance and commercial advantage. Founder Rachel Van Brussel set out to reject trend-chasing and overproduction in favour of small, considered runs made entirely in Australia, using natural fibres and designer dead-stock fabrics to create garments that are "bold yet clean, beautiful yet interesting" for people who care how their clothes are made.

Building a fully local supply chain was hard-won. "I reached out to makers, pattern-makers, cutters, fabric suppliers, and haberdashers... knocked on doors, sent hundreds of emails, and asked all the questions," Van Brussel told *Inside Retail*. The payoff is an end-to-end Australian-made label where each collection is strictly limited. "Once a run is sold out, that's it... it gives new life to exceptional fabric, and it ensures each piece is truly limited."

For Van Brussel, ethics and locality are about product excellence as much as values. "That transparency and connection don't just feel good – they enhance the product," she explained. With a tactile Adelaide store complementing a growing online presence and plans for pop-ups across Australia and overseas, Van Brussel looks set to become a slow-fashion name to watch.

Bronte

Bronte has quickly become a standout Australian e-commerce brand by treating bodycare with the same ambition and rigour usually reserved for skincare. Founded by former Mecca executives Camille Peressini and Georgie Gilbert, the brand spent two years in formulation before launching in February with a body wash and lotion in two scents – sea salt and santal – that sold out within 72 hours. "We've started with an essentials range, but we have more and more in the performance, skin elasticity, innovation space coming because as a category, body was just so underdeveloped," Gilbert told *Inside Retail*. "Bronte really is the beginning of what we consider a performance brand."

Proudly Australian, Bronte is deeply personal to its founders, from the name – inspired by Peressini's daughter and her Sicilian heritage – to formulas made with Australian ingredients and manufactured locally. "Australia is synonymous with beautiful beaches, days in the sun, natural outdoor living, so we really wanted to try and capture the essence of what we associate with the Australian lifestyle," Peressini told *Inside Retail*. Visually, Bronte is "minimalistically designed for millennials," Gilbert noted, crafted to look "just as gorgeous as any beautiful product would in Mecca," while future-proofing growth with a broad, non-exclusive retail strategy to meet customers wherever they shop.



Nala

Nala is rapidly emerging as one of Australia's most compelling e-commerce brands because it treats inclusivity not as a campaign, but as its core business. Launched in 2022 after founder Chloe De Winter struggled to find bras and underwear that "spoke to me," Nala set out to offer cool, affordable, sustainable intimates that genuinely reflect the people who wear them. "We really felt like there was an opportunity there in Australia, and so we grabbed it," De Winter told *Inside Retail*.



From day one, inclusivity has been baked into Nala's products and storytelling. The brand has steadily expanded its size range from A–G to H, J and now K cups, despite the added cost and risk. "Coming out with products in a wider size curve is significantly more expensive... but we felt really strongly it was going to be a success," De Winter explained. Customers responded quickly: "They finally felt like we were making products for them... so we really doubled down on that."

Bold campaigns have helped turn that promise into a movement. A viral fit guide featuring 100 unedited chests showcased "the beauty of all of them in their rawest form," resonating with shoppers even as it attracted backlash. With playful colours, sustainable fabrics, and growing partnerships with retailers like David Jones, her goal is simple and ambitious: "to make the booby dreams come true for everyone in Australia... maybe the next step is expanding that dream internationally." **ARO**

Culture shift – Empowering employees in a changing environment

These are challenging times for retail employees as AI adoption and retail theft increases. But what can leaders in retail do to empower workers? We talked to people leaders from Amazon, Aje Collective, and IKEA Australia to find out.

Cath Jowett, Consulting Partner, Consumer and Retail, KPMG
Aisling Kilgannon, Mid Market Partner, Consumer and Retail, KPMG

Bottom line, sales, and SKUs –in retail it is easy to get drowned in numbers and forget the human aspect – employees, who are not only the lifeblood of operations, but often the ‘face’ of the retailer and responsible for connecting with customers.

However, employees face challenges from an uncertain future. Artificial intelligence (AI) and automation are taking on more back-of-house and front-of-house tasks, as stress from hostile customer confrontations is hitting employees.

As companies push for more productivity and efficiencies, we catch up with Chief People Officers and human

resource leaders on ways of empowering their workforce.

Encouraging productivity

Driving productivity is a constant goal for leadership, especially in a highly competitive industry that is facing macroeconomic challenges.

But how would human resource leaders approach these demands from an employee perspective?

Elin Åhlund, Country People and Culture Manager for IKEA Australia and New Zealand, says that the overarching thought process isn't just to talk about delivering more productivity, but to give employees meaningful contracts.

“We talk about being able to survive in your job, not to have too short or too small contracts that would make an employee’s work-life more staggered or difficult,” Åhlund explains.

“This will then build a more productive workplace where employees can spend more time on the value-adding tasks and activities.”

In addition to that, Åhlund says the company tries to empower its employees to take initiative and leadership, which it sees as a more ideal operating model in today’s fast-paced environment.

Likewise, women’s clothing retailer Aje Collective doesn’t see it as increasing productivity per se, but as using

technology to “enhance” its workforce.

“If there is a technology, if there is a resource that we could be using to make our team’s lives easier, we’ll do it,” said Aje Collective Head of People and Culture Prudence Maynard.

“We are founder-led, and our founders are very much on the bandwagon of ensuring that we are embracing new technologies and using them where applicable.”

Applying technology

When it comes to enabling and adopting technologies quickly, e-commerce giant Amazon is an embodiment of the ethos.

“Finding innovative ways to do things smarter and faster is part of our DNA. We do invest in a lot of technology particularly focused around efficiencies, safety, and customer experience,” said Amazon Australia’s Head of HR, Michelle Theophilou.

One such example is Amazon’s Sydney robotics facility that delivers orders to employees, saving them from having to walk.

Despite the prolific use of automation in its operations, Theophilou said that Amazon Australia is expanding its workforce as it grows and scales, rather than finding ways to reduce headcount.

Unlike Amazon, whose roots are in the tech sector, IKEA comes from a more traditional retail business background. Åhlund says the company is transforming its employee capabilities with technology.

“Every employee has their own AI assistant that is unique to their role and equipped with the right resources and tools for their everyday tasks,” Åhlund explained.

“This will be something that will enable everyone to level up in their capacity and capabilities within their own role and expertise.”

Improving wellbeing

In recent years, amidst a backdrop of high economic pressures, retail employee safety and wellbeing has become a major talking point amidst a rise in retail theft and aggressive customer behaviour.

IKEA’s Åhlund observes that things have notably changed with the Covid pandemic.

“According to our co-workers across our customer function, there is really a toughened climate out there,” Åhlund explains.

“It is our responsibility as employers to make the work-life balance and work experience of our employees as good as possible, and a safe one. It is a tricky area, delivering an enhanced customer experience and then having this reality.”

Aje Collective has addressed these concerns through several initiatives, from education to using apps.

“We’ve really leant into empowering our teams with knowledge of what they can say, when they can say it, that they’re

in charge of their space, and that if they’re ever feeling uncomfortable, they are well within their rights to politely ask the guests to depart,” Maynard said.

This initiative is supported through virtual coaching, an online learning app that provides quick tips, and leaders staying connected with the wellbeing of their retail teams.

Furthermore, as part of its Employee Assistance Program, Aje Collective employees have access to an app with a ‘Track My Journey’ function, which allows them to reach out for help whether they are on the job or off hours.

“It’s unfortunate that this is where we are, but I do think that we are wrapping our arms around our teams to ensure that they are feeling really comfortable in the workplace,” Maynard said.

Both Åhlund and Maynard say that more opportunities to collaborate among retailers on tackling retail theft would be welcomed.

“I think there’s the room to collaborate, to support one another, and to share information around what more we could be doing, how we could support it, or how the landscape might be changing,” Maynard added.

While Amazon doesn’t operate customer-facing stores, the topic of employees’ psychosocial environment has become an important topic in its leadership.

“We have employee-led groups that cover mental health, wellbeing, LGBT, whereby employees are able to find their safe space to navigate challenges where they might not feel otherwise comfortable coming to leadership,” Theophilou said.

“We have a lot of opportunities for employees to raise their voice and share their feedback about the organisation, and we are constantly listening to their feedback, which I think feeds into how

we’re creating psychological safe spaces within our warehouses and our business.”

Changing with the times

It isn’t just macroeconomic factors that retailers need to be mindful of, as technology and customer behaviours are bringing seismic shifts to the nature of the industry.

Beyond products, customers nowadays are looking for better experiences, which is presenting people managers new challenges in increasing their retail staff’s capabilities.

Theophilou said Amazon is focused on versatility with the goal of having employees that are agile and flexible enough to operate in various parts of the business as it grows and scales.

To that end, Amazon gives its employees the opportunity to experiment and work on its technical resources to develop solutions.

“The innovation that we are seeing out of that empowerment to drive employee self-learning has been really positive,” Theophilou said.

However, Theophilou acknowledged that it is challenging to encourage employees who are not willing to adopt new technologies or methods and are not ready for change.

“How do you create programs that enable the leadership to have the flexibility to meet people where they are as well? That’s probably the biggest challenge that I see at this point.”

Being a solution-oriented business, Åhlund said, IKEA is focused on inculcating a positive outlook among employees, which creates an environment where teams can engage with customers in a way that delivers a positive impact on growth.

One of the more fundamental things that IKEA provides for employees is a long-term retail career. ►





“By providing this, we generate a higher retention rate. We need to make people understand that there is a career opportunity in retail and that they can stay in retail,” Åhlund explained.

Maynard agreed that retention is an important consideration, as it has helped the company stay stable year on year, despite the transient nature of the retail industry, with its high turnovers.

Maynard said Aje Collective’s retention rate is thanks to the sense of connectivity and people knowing the company is investing in them.

“When we have a strategy update, we bring the entire business together. Everyone feels that sense of belonging and community, and everyone has a part to play in our growth and our strategy moving forward,” Maynard added.

Furthermore, Aje Collective is heavily investing in learning and development, with many programs to nurture and upskill new leaders in-house.

“Teams in-store that know what they’re doing, they’re happy, they’re fulfilled, they’ve been with the business, they’ve got that commitment to the business, the service that they deliver is just on another level because they believe in the message.”

Facing technological shifts

The adoption of AI and automation technologies in the retail space is only expected to increase, with more tasks to be steadily seconded over.

With most retail leaders looking towards driving productivity through AI and employees feeling under threat, people leaders are rethinking their approach to empowering their employees for the future.

Åhlund knows that change is coming and has committed herself to be as ‘authentic’ as she can be in her leadership, by acknowledging that there will be an impact on jobs and looking at how to enhance the way people work.

“We are looking at it from a solution perspective to see what we can do. We are asking questions like, ‘If the work can be automated, how can you contribute differently now that you don’t have to do it?’” Åhlund said.

Amazon Australia’s Theophilou agrees that jobs are going to change and fundamentally look and feel different.

Being a tech company at its heart, Amazon has a machine learning university where employees can learn how to write prompts and familiarise themselves with Agentic AI.

“We talk about AI a lot, and we try to normalise the technology and make it accessible to everybody by encouraging employees to go solve problems with all the tools available,” Theophilou explained.

Maynard is committed to not shying away from having a conversation about AI and to admitting that she doesn’t have the answers, including about whether AI is going to affect everyone yet.

However, in line with Aje Collective’s company culture, Maynard said that leadership is committing to keeping communication open with its workplace.

“We need to be on our toes to move with it, and commit to saying we will run with it, but what it looks like, we don’t know, and that is OK for now.”

Keeping up with customers

Besides readying employees for an AI-driven retail landscape, people leaders are also preparing their teams to better respond to changing customer behaviour.

As Aje Collective’s Maynard points out, “Customers have never been more educated, and they’ve never had more choice at their fingertips.”

However, this reality has reinforced the retailer’s culture of “really perfecting our craft”, whether it is in its product or its customer experience.

“It is all about, ‘How can we value-add at every touchpoint to ensure that the consumer chooses us?’ And our commitment to that ensures us that we have recruited like-minded individuals who understand our pursuit.”

Maynard further adds that because Aje Collective understands its customers and is doubling down to deliver what they want, it has been easier to be very clear on what it needs to do to stay relevant.

Amazon, on the other hand, has an easier time understanding customers with its data-driven foundations, which enables it to innovate on the customer experience.

“We’ll continue to drive on our speed and convenience, and we do that inherently through our leadership principles,” Theophilou said.

Drawing from its Swedish heritage, IKEA will continue to stake its values on its home country’s culture, in which everyone helps one another to succeed.

“Our culture is our core. Everything that is changing and happening is around that core, of togetherness, simplicity, cost-effectiveness, which works across every layer,” Åhlund said. **ARO**

Where do you rank on Australia's first online CX index?

Australia's first and only online retailer performance platform powered by real data ranking across four key categories: customer service, delivery, returns, and overall online shopping experience.

Scan to
learn more



The four forces reshaping 2026's frontline workforce

Why leaders must move quickly to address upcoming challenges and opportunities.

By Ashling Withers

With more than 1.3 million Australians working in retail – the second-largest employee sector in the country – the industry sits at the centre of Australia's workforce story. And that story is shifting.

Four major shifts are rewriting the retail frontline. Two are pressing challenges that require action, and two are powerful opportunities for employers to lead.

Together, these forces are changing not just what retail jobs look like, but what employees expect and what makes them willing to stay.

To attract and keep the talent required to deliver on retail's people and customer promise, retail leaders need to move quickly on both the challenges and opportunities.

Let's start with the challenges.

Safety as a defining workforce issue

The stats are confronting. Data from crime-prevention platform Auror shows that retailers are seeing a 30 per cent increase in violent or serious events.

For frontline workers, it's a daily fear – "Will I be protected if something goes wrong?" When the answer feels uncertain, confidence drops, service suffers, and people opt out. The risk just doesn't match the reward.

Because of this, safety can't just be communicated; it has to be felt.

What happens after an incident matters as much as what happens during it: visible check-ins, support and clear follow-through are what turn 'zero tolerance' into something staff trust.

A simple way to keep this honest is to measure felt safety alongside incident rates – ask quick pulse questions like, 'Do you feel safe on shift?' and 'Do you trust the supports you have access to?' and then visibly act to address the concerns.

When employees can see that their safety is cared for, their concerns are listened to, and their feedback is acted on, the industry becomes somewhere they're willing to stay and step up.

AI increase: building the human benefit

Uncertainty about AI is real in Australia,

with Ipsos research finding 39 per cent of workers across industries are concerned about job security as AI grows. Addressing these concerns while integrating AI for its benefits is the second challenge.

In retail, research from technology companies ServiceNow and Pearson suggests roughly a quarter of retail roles will be lost to automation by 2027.

Employees are already seeing this shift through smarter forecasting and AI-assisted product returns. But the story needs to change from job loss to job redesign. Less time on repetitive admin and avoidable problems, and more time on the human work that adds value – problem-solving, advising customers, and building relationships.

This changes who retail needs to attract and how it talks about their role. With the support of AI, the 2026 frontline employee can be less of a process-deliverer and a more confident problem-solver: curious, calm under pressure, comfortable using tools and motivated by helping customers.

Retailers need to reassure current teams that AI is there to make work easier and more meaningful. The key will be to shape employee personas and resulting communications to attract this new mindset as the frontline evolves.

The opportunities to lead

While AI and safety are pressing challenges, retail also has two big opportunities to pull talent towards the sector, rather than constantly needing to replace it. The first is flexibility.

Workforce-management platform UKG's 2025 report, *Perspectives from the Frontline Workforce*, found that work-life balance or flexibility and work schedule are tied as the second-most important factor in choosing an employer for the majority of Australian employees.

In retail, flexibility means work that fits a life: knowing rosters early enough to plan childcare or study, being able to swap when life changes and having hours stable enough to budget. And for an industry that skews towards part-

time, women and Gen Z, flexibility is non-negotiable.

For inspiration, retailers can look to caravan manufacturer Jayco. The business has successfully tackled labour shortages and gender imbalance by introducing school-friendly, family-friendly shifts and part-time options. This has attracted mums and led to women taking on operational roles. When shift patterns reflect real life, you widen the talent pool and increase retention.

The 2026 opportunity is to be clear and consistent about how flexibility works in practice, back it with systems and leaders that make it easy to use, and make it a core part of your employee value proposition.

The second opportunity is rebuilding retail's career story so that long-term work is clearly visible and rewarded. Many employees still see the sector as temporary because progression beyond entry roles isn't clear. Retailers can shift that by showing pathways in real steps and offering skills and development growth when promotions may be slower. Just as powerful is recognising the people who've already built careers in retail.

The 2026 employee deal

Retail work is becoming more skilled, more flexible and more human, but only if we design and deliver it that way. The brands that win in the coming year will be the ones that use AI to benefit and adapt, make safety a non-negotiable, respect employees' real lives through real flexibility, and offer credible careers that match the rising skill of the job.

Get those four shifts right, and you won't just hold onto talent, you will become a leading workplace where people are proud to work and proud to grow and, importantly, where customers will feel proud to shop. **ARO**

Ashling Withers is a senior consultant – employer brand – at branding agency Principals.



International trends

To help you stay ahead of emerging retail trends, KPMG has conducted research that reveals how artificial intelligence is becoming the single defining theme in the retail conversation.

In this section, you'll discover:

- How AI adoption is currently piecemeal throughout the industry, with many caught in analysis paralysis
- Why successful adoption requires a strategic approach built on foundational, functional and enterprise layers
- The importance of building trust into your transformation roadmap from the start to maximise the chances of gaining a competitive advantage



Building the next retail advantage

Using AI in retail is about more than just data and software.
Even when moving into the future, winning in retail is still
about people and trust.

Toni Jones, Partner, Industry Leader – Corporate Brands, KPMG



The retail conversation has moved beyond hype to a single, defining theme of artificial intelligence (AI). Everywhere we look, internationally and locally, retailers are focused on how AI will reshape growth, customer experience, and operational efficiency.

In a global survey by KPMG¹, 47 per cent of retailers stated that AI has become core to their business, with a similar percentage reporting that AI has led to new product and service developments.

Based on our conversations with leaders in Australian retailers, which feature in this edition of the *Australian Retail Outlook*, AI is no longer limited to back-of-store operations, but is actively engaging customers and improving the customer experience.

As retailers are rolling out more AI-enabled tools and integrating them into their operations, leaders are focusing on the resource that makes AI possible: data – and addressing the challenges and responsibilities it entails.

Time for decisive steps

KPMG's research findings in its *Global Intelligent Retail* report² found that AI adoption in the retail sector is "somewhat piecemeal".

Most retailers appear stuck in analysis paralysis, with 75 per cent preferring to wait for the AI landscape to stabilise.

However, leading companies in the sector are already demonstrating significant progress and early signs of tangible value; 55 per cent of retailers are reporting an ROI of over 10 per cent, and 21 per cent reported seeing returns exceeding 30 per cent.

Tempering the hype are concerns over regulatory and compliance constraints, consumer trust and ethical concerns, and technology infrastructure gaps, with 55 per cent of respondents citing managing data privacy as their largest risk area.

Moreover, not many retailers have the right foundations for AI integration. Only 24 per cent report

having a clear vision for AI, and only 29 per cent of retailers with AI implemented have achieved system-level data integration, plus a mere seven per cent report having fully automated data integration.

Successful AI adoption in retail organisations involves a strategic approach to building capability across foundational, functional, and enterprise layers.

And that starts with data, as AI outcomes mirror the quality of data it is given.

Ideally, in practice, proper integration of AI should require a stack that is weighted towards the foundations where data engineering, governance, and interoperability do most of the heavy lifting.

As outlined in a recent global tech report³, retail business leaders looking to embark on their digital innovation journey should:

- extend access to data, including first-party data, to drive insight and business action;
- pull the plug on third-party data acquisition projects that are not bringing in enough real value;
- work cross-functionally to embed new capabilities into existing workflows;
- optimise the in-store workforce to help improve margin and productivity. Use data to optimise headcount modelling along with long-range planning, including predictive analysis capabilities;
- look beyond the 'low-hanging fruit' and focus on complex use cases, such as more accurate forecasting, better scenario planning and superior workforce management; and
- build robust governance structures capable of protecting the organisation and its key stakeholders as AI take-up accelerates.

Data – shifting from quantity to quality

Collecting data is an industry standard in retail; however, retailers are no longer content with simply amassing data, they want to deliver actionable insights from the data they collect. ►

A 2024 KPMG global insights report⁴ had found that 52 per cent of companies it surveyed (20 per cent of which were from the retail sector) had effectively secured insights from data, up from 38 per cent the year before.

No doubt that number would be higher by now, but it serves to highlight that many businesses, especially retailers, may not be making the most of the data they have.

A reason for this is down to the fragmentation of data ecosystems.

To achieve the goal of seamless commerce, retailers need to break down data silos and embrace a holistic approach to leveraging insights to personalise experiences, optimise operations, and empower employees.

Rather than pursuing individual data

initiatives, KPMG presents a practical strategy⁵ known as the ‘Six pillars of a data strategy’ for retailers to build a unified approach:

- the right operating model
- the right processes
- the right technology
- the right people
- the right data literacy and culture
- the right data quality.

Governance: Trust that accelerates innovation

Many retail players are already experimenting with AI, from personalised promotions, to demand forecasting, and dynamic pricing; however, to carry it from proof-of-concept to enterprise-wide systems requires proper governance.

When it comes to AI, governance isn’t

a mere audit checklist, as evolving data privacy laws impose strict controls on AI-driven personalisation and customer data usage, putting more onus on businesses to be wary of how data should be treated.

Not only that, but there is also a strong public mandate for AI regulation⁶, with 70 per cent believing regulation is a necessity and only 43 per cent thinking that current laws are adequate.

Without proper strategy that is reinforced by principles, guardrails, and control, teams cannot advance decisively.

Retail is uniquely sensitive to AI decision-making, as what a customer sees and pays for – and the experience they receive – is seen as coming from the brand rather than from an algorithm.

Retailers keen on embedding more





AI tools should build trust into the transformation roadmap from the outset, as governance has the potential to accelerate growth and, when done well, can be a competitive advantage.

Investing in responsible AI governance mechanisms such as monitoring system reliability, human oversight and accountability, and responsible AI policies and training, is key in building stakeholder trust, as four in five people report⁷ that they are more willing to trust an AI system when such mechanisms are in place.

People: Capability before complexity

Unlike many advanced technologies, AI has a remarkably high adoption rate, as it can be accessed and used by a diverse range of users on a broad variety of tasks.

However, its accessibility risks fostering complacency and leaving the reins to the technology, if not accompanied by meaningful levels of understanding and literacy to ascertain the accuracy of its results.

AI literacy can be a strategic capability for organisations, as it enables teams to recognise and leverage AI capabilities, while recognising its limitations and guarding against harm.

Research from KPMG and the University of Melbourne highlights the need to complement this governance with greater attention to employee use of AI and the effects on work.

To set the right foundation for AI adoption, key actions for organisational leaders and managers when it comes to their teams include:

- investing in AI literacy to enhance human-AI collaboration skills, critical engagement, responsible use, and appropriate trust in AI;
- encouraging ongoing dialogue about AI use, including where it adds value, where it introduces risk, and what support is needed;
- establishing governance frameworks that support oversight, accountability, transparency, and risk management;
- embedding responsible AI practices into operational routines and decision-making; and
- investing in strategic workforce planning and reskilling to prepare for job and work change.

Building the future

Fortunately for retailers who are still trying to make sense of the AI revolution, the path forward is now clearer and more visible.

Instead of keeping data in ‘fear of missing out’, which can end up becoming a liability if handled incorrectly, retail players can start laying the foundations to build a data infrastructure from which they can launch their AI endeavours more effectively.

Integrating backend systems with proper governance and the right AI skills

will enable the creation of the seamless, personalised, and emotionally-resonant customer experiences that the technology has promised.

The decision in front of Australian retailers is whether to respond piecemeal or to move as an intelligent enterprise. **ARO**

¹ Intelligent retail: A blueprint for creating value through AI-driven transformation pg4, KPMG International, 2025

² Intelligent retail: A blueprint for creating value through AI-driven transformation pg8, KPMG International, 2025

³ KPMG global tech report: Consumer and retail insights pg12, KPMG International, 2025

⁴ KPMG global tech report 2024 – Beyond the hype: balancing speed, security and value, KPMG International, 2024

⁵ From data overload to data-driven decisions in retail, KPMG International, 2025

⁶ Trust, attitudes and use of artificial intelligence pg5, KPMG International & University of Melbourne, 2025

⁷ Trust, attitudes and use of artificial intelligence pg7, KPMG International & University of Melbourne, 2025

Retail property hotspots

Australia's retail property landscape is shifting in ways that reveal deeper structural forces beneath the sector's surface strength.

Behind steady rent growth lies a story of changing household spending patterns, rising construction costs and a rapid recalibration of how retailers use physical space.

This feature covers:

- The major shift in household budgets toward services, and what are the new drivers of headline growth in 2026.
- How high construction costs and limited new developments are tightening the availability of retail floorspace and reshaping retailer strategies on store size, fulfilment and speed of decision-making.
- The geographic pockets of opportunity, from CBDs buoyed by densification to fast-growing regional corridors driven by Australia's housing pressures.

How retail property keeps defying gravity

Population growth, rising rents, shrinking store formats and centres as community hubs are defining the outlook for 2026.

By Michael Baker

In Led Zeppelin's 1973 rock classic "The Song Remains the Same", the songwriters reflect on the universality of music as a lasting feature of life that we can always rely on to be there. The world's retail property markets are the same, it seems. Despite all attempts through the years by tech spruikers and media pundits to claim the end is nigh for them, they just get stronger and stronger. The economy goes through cycles, consumer spending preferences go through transformations, and technology radically reshapes shopping channels. Through it all, physical retail adapts, and the owners of the property,

whether they be shopping-centre operators or single-building landlords, just carry on making money hand over fist. Going into 2026, there is no reason to change the tune or the lyrics: For another year, the song remains the same.

In Australia, two themes in particular have been constant during the post-Covid years, buoying retail property at a time when individual spending patterns have been changing: population growth and limited competition. These have masked underlying weakness of per-capita spending on traditional retail goods and have created the conditions for strong growth in rents. ►

RETAIL PROPERTY HOTSPOTS

Although the fertility rate continues to decline and there is a lot of tub-thumping in Canberra about slowing the rate of immigration, population growth is not, or at least not yet, declining sharply enough to alter the song in 2026. Neither is there likely to be a pick-up in the supply of retail floorspace. The result: more pressure on the available supply of floorspace, higher productivity in terms of sales per square metre of existing space, and rents continuing to edge upward. Moreover, retail property operators will continue to benefit from the steady transformation of their shopping centres from transactional places to the beating heart of their communities, the town squares of the modern era. The idea that shopping centres could be converted into social hubs – just a hopeful bit of sloganeering at the turn of the century – has edged closer to becoming a reality.

Households have redeployed spending to services

On the demand side, the headline household spending numbers over the past three years at first seem solid as a rock. From the September quarter of 2022 to the September quarter of 2025, household spending increased by 15.0 per cent, data from the Australian Bureau of Statistics shows. Of this, spending on goods grew by 7.8 per cent and spending on services by 24.2 per cent. This represents a massive redeployment of household budgets to services, including housing, health, insurance and

entertainment. But it doesn't suggest a collapse in spending on goods, or does it?

Population and inflation were the major drivers of headline growth. During the same three-year period, Australia's population grew from 26.2 million to an estimated 27.5 million. This was powered by net overseas migration of 1.2 million people. ABS data shows that the growth-rate of net migration dipped slightly toward the latter end of the period, but it still generated enough extra spending power to move the needle on household spending, at least at the headline level.

India and China are the largest source of migrants but there are also substantial contributions from other Asian countries, such as the Philippines and Vietnam, along with the UK. The variety of source countries, cultures and cuisines provides enough diversity to drive corresponding diversity in aspects of the tenant mix, particularly for food, in our shopping centres and high streets.

But what has happened at the household level?

What happened to spending per household, though? This jumped 9.0 per cent, with the same big skew away from goods, which grew by an anaemic 2.2 per cent, while spending per household on services grew by 17.8 per cent. Indeed, spending on services in dollar terms has now almost caught up with spending on goods in the household budget, accounting for 47 per cent of spending.

The weak growth in per-household

spending on goods is worse than it looks, since inflation has diminished the value of sales. (The Consumer Price Index grew by 11.8 per cent over the period. Services inflation outpaced goods inflation but only by an average of about a percentage point over the period. Recently they have been converging at 3.0-3.5 per cent annual growth.)

In other words, households are buying a lot fewer goods in real terms, as they make room in their budgets for services. As a result, retail property owners have needed to make meaningful adjustments to tenant mix so that traditional retail merchandise categories can make more room for services, including, of course, eateries and entertainment. And that they are doing.

With limited supply of space, the pressure on rents continues

While immigration helps buoy headline nominal retail sales, high construction costs are contributing to limited new retail property supply, and this, in turn, pushes up occupancy costs for retailers in Australia.

Non-residential construction costs in the three years since Covid have risen by about 17 per cent, ABS data shows, which happens to be the exact same growth rate as in the whole decade leading up to Covid. By comparison, housing construction costs rose by just 9.0 per cent post-Covid, compared with 25 per cent in the 10 years leading up to it. The rise in building costs for





commercial property has, therefore, been a major inhibiting factor to creating new retail floorspace either by building new shopping centres or expanding existing ones.

“High construction costs are contributing to limited new retail property supply.”

Data compiled by CBRE indicates that Australia can expect the addition of only 183,000sqm of regional and subregional centre space over the next three years, with most new space “heavily focused on neighbourhood developments”.

Indeed, Vanessa Rader, head of research at Ray White, said retail space per capita has fallen from 2.3sqm to 2.1sqm in the past 10 years.

So although retail merchandise sales on a per-household basis for the past three years have been stagnant at current prices and slumping in real terms, landlords are still having no problem whatsoever keeping their shopping centres vacancy-free and rents rising.

It seems like only yesterday that

industry professionals were pronouncing a power shift from retailer to landlord. There was talk of more retailer leverage in lease negotiations, of negative spreads, of greater risk-sharing, and even – this one will make you laugh – a rent ‘reset’. It never happened. Covid went away, and even though the fertility rate remained on a dismal downward trajectory, immigration came to retailers’ rescue. It was this that kept aggregate retail sales trundling along at a healthy rate.

Be nimble and be prepared to pay

With strong demand for prime retail space outstripping a relatively fixed supply, retailers are not only having to stump up substantially higher rents in many locations but also, they are having to move ever more quickly for the privilege. Carly Whitelaw, founder of Carly Whitelaw Consulting, cites High Street Armadale in Melbourne and James Street Fortitude Valley in Brisbane as poster children for how the intense competition for space requires extreme nimbleness on the part of retailers: “Sites in these corridors are snapped up almost instantly, often requiring retailers to possess the governance capability to transact same-day,” Whitelaw said.

High rents in sought-after locations are also forcing retailers to think long and hard about store right-sizing. The logic behind paying sky-high rents for

large spaces in ‘trophy’ locations that are not profitable or only marginally so, has been that they serve marketing and branding purposes, rather than purely transactional ones. However, now we’ve arrived at a tipping point. In Whitelaw’s words: “The prevailing high-cost environment dictates a fundamental shift in how retailers approach store sizing. The mindset must change from ‘How big do we need to go?’ to ‘How can we make this work in as small a space as possible?’” She adds that “This push toward smaller formats necessitates smarter, high-velocity logistics. Retailers must move away from using physical stores as expensive stockrooms, adopting more frequent fulfilment models to support limited display inventory. The core function of the physical space is no longer sheer volume storage, but optimised presentation and customer service.”

The large-format exception

As true as that is, large-format retail offers up exceptions. Ray White’s Rader points out that for large-format retail in categories like home improvement, home furniture, and office supplies, larger store footprints can better serve both customer-facing and e-commerce logistics. “This integration of retail and quasi-industrial functions allows retailers to reduce costs associated ▶

RETAIL PROPERTY HOTSPOTS

with separate warehousing while improving delivery times for online orders, giving them a competitive advantage as online activity continues to increase,” Rader said.

CBDs of biggest cities are reaping a windfall

CBD retail in the capital cities is benefiting significantly from the demand/supply imbalance. This is particularly the case in Sydney, Brisbane and Perth.

Population growth driven by immigration is not the only factor contributing to retail growth opportunities in Australia's big-city CBDs. The unaffordability of suburban housing – call it a crisis if you will – is leading to a policy shift that should result in greater urban densification and by extension greater retail opportunity. The Grattan Institute, a public policy shop based in Melbourne, is among those that blame planning controls for restricting high-rise residential developments in the capital cities. It argues that a relaxation of controls leading to greater housing density in the inner rings will go a long way to solving Australia's housing problem.

Regional areas are benefiting from the housing affordability crisis, too

The housing affordability crisis drives people inward and outward: inward to the CBDs and outward to regional areas, creating more demand for retail space

there. Our list, compiled with the help of Ray White's Rader, is similar to last year's: in Western Sydney, Parramatta, Edmondson Park, Oran Park and Leppington are residential and retail expansion areas. Meanwhile, further west, the new international airport at Badgers Creek is due to be fully operational by late 2026 and if all goes according to plan the area (the 'Aerotropolis') will become a major locus for residential, retail and other commercial development. In the northwest of Sydney, Box Hill, Marsden Park and Schofields are also getting attention.

Likewise, the periphery of Melbourne has residential tentacles that provide retail opportunities going in every direction except south into Port Phillip Bay. These include the Northern Growth Corridor (Mickleham, Kalkallo and Donnybrook), Western Growth Corridor (points between Melbourne and Geelong) and satellites to the southeast around Officer, Clyde and Pakenham.

Queensland has its growth corridor south of the Brisbane metropolitan area, around Yarrabilba, Ripley Valley and Springfield Lakes; the Northern Gold Coast, and the Sunshine Coast (Maroochydore, and Caloundra South and Aura).

Western Australia has its own growth corridors around Perth that were once sleepy, charming areas where families would take their Sunday drives to admire

the scenery and have picnics: the Northern Corridor between Alkimos and Yanchep, the southeastern area to the west of Armadale and as far south as Byford, and of course the Rockingham-Mandurah corridor.

South Australia has the area north of Elizabeth that takes in Munno Para, Angle Vale and Virginia, the Mount Barker area to the southeast of Adelaide and the Seaford/Aldinga area on the coast south of the Adelaide metropolitan area.

Looking ahead into 2026

As we look ahead to this year, we can expect more of the same kind of leasing strategy from landlords. In the words of Jemma Caprioli, the group director of strategy and marketing at Dashing, this will involve formats that create a “sense of belonging fused with frictionless omnichannel journeys and the swift delivery options modern consumers demand”.

She thinks socioeconomic trends will continue to drive experiential retail as landlords strive to make their properties the social heartbeat of their communities. “The lines between product and experience, store and neighbourhood, are dissolving fast,” she said. “Retail hasn't been just about selling for some time, but this new curation – giving us time, presence, and genuine reason to connect – is now the special purpose entrusted to the Australian retail community.”

Spot-on, but there's the economy and the financial health of the consumer to consider as well. “Further forecast interest-rate cuts in 2026 will stimulate consumer spending, providing a further boost to the retail sector,” said Kate Bailey of CBRE. “Lower borrowing costs could also make it easier for retailers to invest in expansion and improvements.

“Despite the positive outlook, retailers will likely face continued challenges from rising operational costs, including labour, energy, and supply-chain expenses. Managing these costs effectively will be critical for profitability.

“Supply is expected to remain flat with high construction costs, making new developments challenging to deliver. This should support rent growth in existing centres.”

Population growth will continue to have its say in driving retail real estate demand. “CBRE research has estimated that every 1 million increase in population necessitates approximately 800,000sqm of new retail space. Australia's population is projected to grow by 3.676 million people over the decade ending in 2034, which is expected to create demand for an additional 2.941 million sqm of retail space during that period.”

The way things are looking, given construction costs and the complexity of the planning system, the chances of us getting that much new space look far from certain. **ARO**

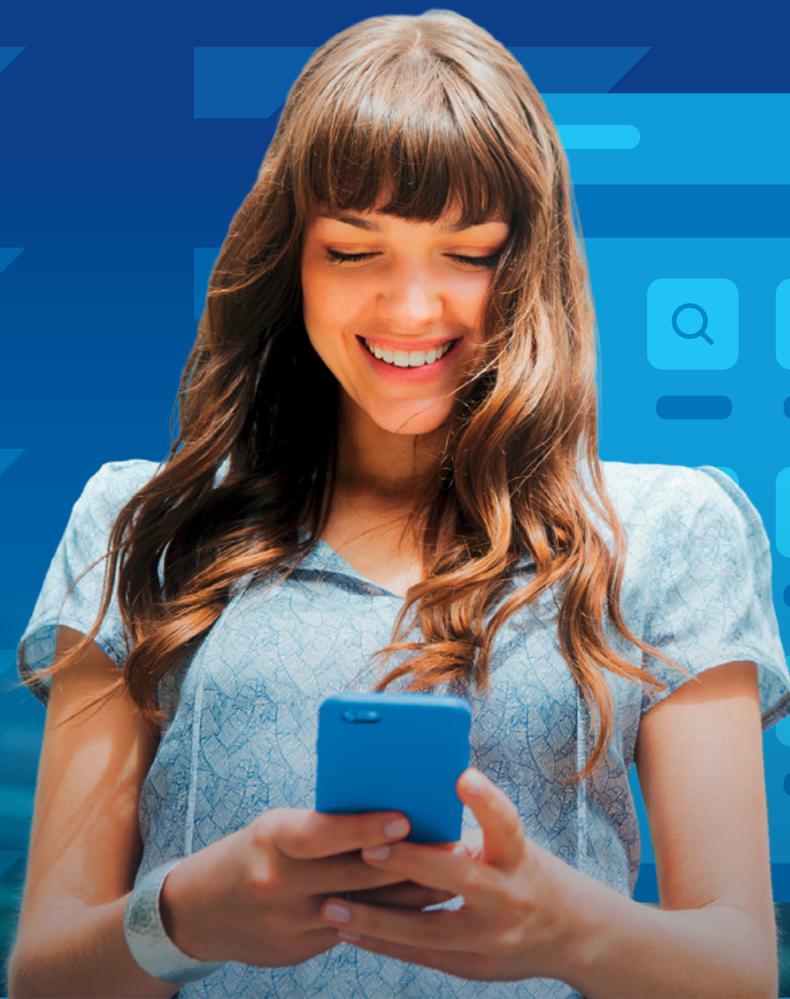


Storepro 



**We provide
retailers value
beyond the build**

www.storepro.com



Unlock Your Data's Vast Potential

Here's the real truth for 2026:

Having the data isn't the win anymore. Using it in creative, revenue-boosting, loyalty-building ways? That's where the magic happens. It's time to ditch the one-size-fits-all campaign flows and think bigger. Quirkier. More strategic.



Here are 7 battle-tested (and slightly unconventional) ways to use the first-party data you already have

