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Retail at a Crossroads: The Imperative for Digital Transformation

Navigating Innovation, Consumer Expectations & Competitive Pressure

Foreword

Uncertainty defines our age, and the Australian retail industry faces challenges on multiple fronts.

While consumer sentiment is recovering, it remains fragile. Despite lower interest rates, cost of living pressures persists, and macro-economic challenges are leading to stock market volatility and reduced superannuation balances. These changes will also realign supply chains, bringing cheaper goods into Australia as exporters look beyond their traditional markets. Meanwhile, the rapid advancement of data and AI technologies outpaces many retailers' ability to operationalise and compete.

Traditional Australian retailers stand at a crossroads.

Along one path, "Downward Drift" represents a risky race to the bottom driven by a lack of differentiation. In this scenario traditional retailers will struggle to adapt under fierce competition and rapidly changing market dynamics. Efforts to match low-cost offerings from players like Shein will result in a losing battle of cost-cutting. Some will focus solely on online improvements to compete with giants like Amazon and Temu, ignoring physical stores' unique strengths, and missing the vital need for integrated experiences. Continued reliance on outdated strategies like aggressive pricing, cost out or consolidating operations, will overshadow innovative, data-driven approaches emphasising customer-centricity and operational efficiency. Without transformative shifts, insolvencies, acquisitions, or closures are likely as outdated strategies falter against modern retail demands.

Alternatively, a path we call "Omni-Fusion" sees a thriving future of AI-driven digital transformation, enabling profitable growth through seamless customer experiences and leveraging physical stores as unique assets. Over 80% of Australian retail sales occur in physical stores, underscoring brick-and-mortar importance and the need for digitally enhanced physical interactions. However, despite pursuing 'omnichannel' strategies for over a decade, true integration remains elusive and our consumer survey in this report highlights the fact that consumers now demand "everything connected, available and personal, every time." Data is Omni-Fusion's cornerstone. Retailers must integrate all data types including social media, inventory, buying patterns, pricing and purchase history. By harnessing AI and data, retailers can bridge digital and physical channels, optimise operations, establish resilient supply chains, and create hyper-personalised experiences.

The insights and strategies in this report are urgent calls to action. Bold leadership, innovation, and decisive action are crucial in this uncertain period. The choices made at this crossroads will shape the future of Australian retail.

John Costello

Managing Partner, Retail & Consumer
and CTO, Publicis Sapient, Australia

Summary

The Australian retail sector is at a cross-roads. To help guide the way, this report distills our insights along with perspectives from leaders in the industry and a survey of consumers. Consumers now expect seamless and personalised experiences while developments in AI, marketplaces, social media, automation and supply chains – along with a shifting competitive landscape – will continue to reshape expectations around price, speed and convenience.

While online is growing, the majority of sales (86%)[1] still result from stores in Australia. To capture growth, retailers will need to reimagine their physical experience. Paradoxically, digital and data lie at the heart of this physical opportunity. From hyper-personalisation to the employee experience, retailers have an opportunity to drive customer engagement in a meaningful way.

The industry is no longer just evolving; it is being redefined by technology, shifting consumer behaviours, changing competitive landscapes and economic pressures. Retailers who fail to adapt and choose the right path will lose relevance.

1. NAB Online Retail Sales Index: January 2025:
https://business.nab.com.au/nab-online-retail-sales-index-january-2025/

> *"Australian businesses need to think broader... marketplaces and cross-border commerce are already here. The question is, are you ready?"*
>
> Taeressa Fawthrop, CCO, Team Global Express

This report explores the four forces shaping Australian retail and how retailers can respond.

Omnichannel innovation
Bridging the divide between physical and digital shopping to create a unified, data-driven retail experience.

AI & automation
Leveraging technology to personalise engagement, streamline operations, and enhance fulfilment speed.

Loyalty & personalisation
Moving beyond generic rewards to hyper-personalised experiences that build long-term consumer relationships.

Sustainability and supply chain
Embedding ethical sourcing, circular economy initiatives, and eco-friendly logistics within retail strategies.

Key insights

Availability

The top two reasons people go into stores, rather than using the e-commerce giants, are for hands-on experience of a product or to make an immediate purchase.

76%

of consumers find discrepancies between online and in-store stock availability

80%

struggle to find products in-store after researching them online

On digital, in-store

67%

of consumers use mobile devices in-store to check reviews, compare prices, and verify stock availability

45%

experience poor mobile reception while shopping in physical stores

Getting personal

63%

of shoppers expect AI-powered recommendations to improve their shopping experience by offering tailored product suggestions

28%

of consumers are frustrated by the absence of past purchase data when shopping in-store

Dive deeper into the context, not just the person:

80%

enjoy shopping for themselves

40%

find it stressful when shopping for their extended family

Source: Publicis Sapient retail consumer survey 2025

Key insights

Why consumers go to online-only competitors

- **Price Sensitivity:** 83% of respondents cite lower prices as the primary reason for shopping with online-only retailers.

- **Convenience & Speed:** 79% of consumers appreciate fast shipping and home delivery.

- **Product Availability & Variety:** Online marketplaces offer broader selections, with 75% of shoppers preferring them for the ability to find niche or hard-to-source products.

- **Hassle-Free Returns:** Flexible return policies and free return shipping contribute to higher confidence in online shopping.

Retailers that embrace transformation, invest in digital acceleration, and reimagine customer engagement will survive and lead. The time for incremental change has passed. The future of retail belongs to those who innovate now.

The omnichannel imperative – bridging digital & physical retail

Consumers demand a unified shopping experience

Shoppers no longer see a divide between digital and physical retail – they expect a connected, consistent experience across all touchpoints. Whether browsing online, visiting a store, or using a mobile app, consumers demand effortless transitions and personalised engagement. Key expectations include:

1. **End-to-end integration:** The ability to research products online, check in-store availability, and complete a purchase without disruption.

2. **Cross-channel fluidity:** Moving seamlessly between websites, mobile apps, and physical stores without repeating steps.

3. **Personalised engagement:** AI-driven recommendations based on past purchases and browsing behaviour.

4. **Efficient order fulfilment:** Real-time tracking, flexible pick-up and delivery options, and hassle-free returns.

"Kmart is great because you can see all the products easily and the online shopping experience is simple and straightforward."

Publicis Sapient retail consumer survey 2025

Despite these expectations, many retailers still struggle with disconnected systems, leading to:

- Inconsistent stock visibility, frustrating customers who arrive in-store to find items unavailable.

- Disjointed promotions and loyalty programs, reducing engagement and conversion rates.

- Gaps in customer service that force shoppers to re-explain issues when moving between online and offline support.

"...we know that customers come through our website before they come into a showroom, how do we make sure that it is really seamless across all touch points?"

Tim Schaafsma, CEO, Coco Republic

Case study:
Omnichannel success - Woolworths

Woolworths has successfully integrated AI-powered stock tracking, mobile engagement, and real-time fulfilment to provide a seamless shopping experience.

1. AI-driven stock management has reduced stock discrepancies by 40%, ensuring product availability across digital and physical platforms.

2. Click-and-collect orders via its Direct to Boot service increased by 55% in 2023, proving the demand for hybrid fulfilment.

3. The Woolworths app delivers AI-powered personalisation, offering real-time promotions, digital receipts, and custom shopping lists.

> *"My best shopping experience was an online 'click and collect' order with Woolworths. I was able to use my reward points, the order was processed quickly, and the store staff were friendly and professional."*
>
> Publicis Sapient retail consumer survey 2025

"We can no longer be building separate systems by channel. It really needs a holistic approach, where we have one provider who's building an omnichannel shopping experience."

Viv Da Ros, CIO, Kmart

Retailer strategies for omnichannel excellence

Retailers that embrace a seamless, data-driven omnichannel strategy will enhance customer satisfaction, increase conversion rates, and build long-term loyalty, ensuring their success in an evolving retail landscape.

Enable real-time inventory tracking
Ensure stock accuracy across all channels to avoid customer frustration.

Leverage AI for personalisation
Deliver targeted offers and recommendations that enhance the shopping experience.

Streamline cross-channel transactions
Allow customers to start a purchase online and easily finalise it in-store.

Invest in in-store technology
Implement digital kiosks, mobile POS, and wayfinding solutions to enhance convenience.

Being human – why consumers value physical retail for more than just shopping

Despite the rapid rise of e-commerce, physical stores remain a critical touchpoint in the customer journey. Consumers continue to seek hands-on product experiences, expert advice, social connection, and immediate access to purchases, reinforcing the need for retailers to maintain and optimise their bricks-and-mortar presence.

> *"I was struggling with my newborn at a shop, and a staff member helped me carry my items – it meant so much."*
> Publicis Sapient retail consumer survey 2025

Key consumer motivations for in-store shopping

- **Product interaction & experience:** Up to 81% of consumers visit stores to see, touch, and try products, particularly in fashion, furniture, and electronics.

- **Personalised service & advice:** Over 44% of shoppers rely on in-store staff for recommendations and support, making knowledgeable sales teams a key asset.

- **Immediate purchase & efficiency:** With 77% valuing instant access to products and 39% prioritising multitasking, stores must streamline the shopping process.

- **Shopping as a social experience:** For many, shopping is more than a transaction – it's an enjoyable, shared activity. Whether bonding with family, celebrating milestones, or exploring new places, the social element remains a powerful driver:

> *"During a recent shopping trip to Bunnings, I asked for help to find an item and used the operator checkout. On both occasions, I was treated extremely well by friendly, helpful and knowledgeable staff who made me feel both welcome and appreciated."*

Publicis Sapient retail consumer survey 2025

Strategies for strengthening physical retail

- **Enhance experiential retail:** Invest in interactive displays, live demonstrations, and in-store events to elevate engagement.

- **Integrate digital and in-store services:** Streamline omnichannel shopping, improve click-and-collect, real-time inventory visibility, and AI-driven recommendations.

- **Create social shopping environments:** Design welcoming store layouts, communal spaces, and experiential zones that encourage longer visits and social engagement.

- **Empower staff with technology:** Equip teams with mobile POS and digital tools to offer personalised service and seamless checkout experiences.

Physical retail is evolving, not disappearing.

By optimising in-store experiences alongside digital innovation, retailers can create a seamless, engaging, and socially connected shopping journey that meets modern consumer expectations.

"To be honest, I feel the level of customer service in most stores is pretty ordinary; no one goes out of their way to help you anymore and when you ask for help, the expression on their face – along with their attitude –makes you wish you never asked."

Publicis Sapient retail consumer survey 2025

Loyalty & personalisation
–The new era of customer engagement

Traditional points-based loyalty programs are no longer enough to keep consumers engaged. Today's shoppers expect personalised rewards, exclusive experiences, and seamless omnichannel integration that recognise their unique shopping behaviours. Retailers that shift from generic loyalty schemes to hyper-personalised engagement will build deeper customer relationships, increase retention, and drive higher lifetime value.

Key consumer preferences in loyalty programs

- **High engagement with grocery & retail loyalty programs:** Everyday Rewards (79%) and Flybuys (77%) dominate participation, proving that practical, savings-based programs remain the most popular.

- **Personalisation matters:** Consumers favour programs offering tailored discounts (74%) and exclusive perks (59%), while a lack of customisation (21%) is a key reason for disengagement.

- **Segmented appeal of specialised programs:**
  - Fashion & Beauty loyalty programs resonate more with younger shoppers.
  - Auto & Hardware rewards attract higher engagement from men.
  - Older consumers prioritise savings and practical rewards, while younger shoppers seek exclusivity and VIP experiences.

- **Barriers to loyalty adoption:** Some consumers remain disengaged, with 15% not participating in any program due to concerns over unclear value (31%) and limited savings (61%).

"We want their experience with us through their daily interactions to be smoother, expected and on time... we mapped out the end-to-end journey."

Madeleine Fitzpatrick, GM Retail, Metcash

> *"Personalisation is really taking a new identity with artificial intelligence... now it's not just historical sales—it's what people are looking at on Snapchat, Instagram, TikTok."*
>
> Viv Da Ros, CIO, Kmart

Retailer strategies for strengthening loyalty & personalisation

Implement AI-driven personalisation

Use data analytics to offer targeted discounts and product recommendations based on individual shopping habits.

Expand exclusive member benefits

To enhance engagement, introduce early access to sales, VIP events, and tailored experiences.

Optimise communication & transparency

Clearly outline reward structures and savings benefits to improve perceived value, especially for older demographics.

Integrate omnichannel loyalty

To enhance convenience, ensure rewards are seamlessly accessible across online, in-store, and app-based platforms.

Coles has reinvented its Flybuys program using AI-powered insights:

1. Loyalty-driven purchases increased by 29% through real-time, targeted offers.
2. Personalised promotions based on past purchases improved engagement rates.

Consumers find joy and challenges in shopping for others

While shopping for oneself remains the most enjoyable retail experience, buying gifts for others can be challenging. Whether shopping for a partner, children or friends, consumers seek convenience, guidance and confidence in their selections. However, decision fatigue, cost concerns, and uncertainty over preferences create barriers when purchasing for acquaintances, extended family, or other people's children. Retailers that simplify and personalise the gift-shopping process can enhance both the in-store and online experiences, driving engagement and customer satisfaction.

Key consumer preferences in gift shopping

- **Most enjoyable recipients:** Shopping for oneself (88%), partners (66%), or children (46%) is widely enjoyed, with consumers expressing high levels of engagement and excitement when selecting meaningful gifts.

- **Least enjoyable recipients:** Consumers feel least enthusiastic about shopping for acquaintances (8%), other people's children (8%), and extended family (40%), mainly due to uncertainty around preferences.

- **Shopping challenges – the most significant barriers include:**
  - Fear of picking the wrong gift leads to hesitation in purchasing.
  - Overwhelming choices, making selection difficult.
  - Concerns over cost and returns, particularly for gifts that may not be well-received.

> *"Personalisation helps build confidence. Confidence is really important for consumers to be in a position where they are able to be assured that the products that they may have just purchased online or through Instagram or Facebook is what is being delivered, and it's not a scam."*

Taeressa Fawthrop, CCO, Team Global Express

Retailer strategies for streamlining gift shopping

Gift shopping should be an enjoyable and stress-free experience. Retailers that embrace personalisation, convenience, and expert guidance will foster greater shopper confidence and loyalty, ensuring consumers return year after year for their gifting needs.

Curated gift guides & AI powered recommendations

Offer personalised suggestions, gift bundles, and trend-based selections to simplify decision-making.
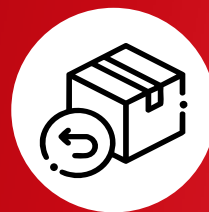
Flexible & hassle-free return

Implement generous return policies and easy exchange options to reduce shopper anxiety.

Frictionless shopping experiences

Improve click-and-collect, express checkout, and parking access to minimise in-store frustrations.

In-store support & expert guidance

Train staff to offer tailored gift advice, enhancing purchase confidence.

Sustainability & supply chain – a key driver of growth

Consumers increasingly prioritise ethical and eco-conscious shopping, with up to 19% actively researching sustainability efforts before purchasing. This is particularly evident in fashion, homewares, and beauty, where younger shoppers are driving demand for transparent, responsible retail practices. Brands that proactively invest in sustainability will meet regulatory and consumer expectations and strengthen long-term brand loyalty.

Key areas of sustainable innovation

- **Circular economy initiatives:** Resale, buy-back programs, and recycling options reduce waste and extend product life cycles.

- **Sustainable packaging:** Eco-friendly materials minimise environmental impact while aligning with consumer preferences.

- **Supply chain optimisation:** Reducing emissions through AI-driven logistics, carbon-neutral shipping, and ethical sourcing.

"As a retail team we are connected with the logistics team. These data and insights inform how we improve our customers' experiences."

Madeleine Fitzpatrick, GM Retail, Metcash

Retailer strategies for a sustainable future

Retailers that embed sustainability into their operations will enhance brand trust, drive customer engagement, and future-proof their business in an evolving retail landscape.
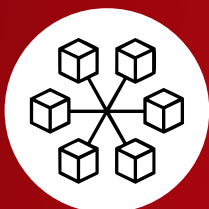
Leverage AI for waste reduction

AI-powered inventory and logistics systems improve efficiency and cut excess stock.

Enhance last-mile sustainability

To reduce environmental impact, offer electric-vehicle deliveries and carbon-offset shipping.

Communicate ethical sourcing

Transparency in sourcing and production builds consumer trust and loyalty.

AI for last-mile efficiency

AI tools can improve fleet management and route optimisation.

"Logistics can now drive loyalty by delivering to your brand expectation."

Taeressa Fawthrop, CCO, Team Global Express

Conclusion

The retail imperative: adapt, innovate or be left behind

The future of Australian retail is not on the horizon, it is already here. Consumers have clarified their expectations: seamless omnichannel experiences, hyper-personalisation, rapid fulfilment, and sustainability-driven practices. Retailers who fail to meet these demands will not just lose market share but risk irrelevance.

Standing still is not an option.

The question is no longer whether retailers should adapt; it's how fast they will act. Retailers must commit to technology, data, and sustainable innovation today. The next generation of retail leaders will not be those who react to change – it will be those who drive it.

The time for hesitation is over; the time for transformation is now.

5 steps to thriving in 2025

Maximise physical retail investment:
Despite the growth of e-commerce, physical stores remain a critical part of the retail ecosystem. Consumers continue to seek in-person product experiences, expert advice, and social connections.

Make sustainability a business imperative:
Consumers expect ethical sourcing, carbon-neutral logistics, and eco-friendly packaging. Brands that act now will build trust and long-term profitability.

Leverage AI & automation
From predictive inventory management to AI-driven customer engagement, automation is the new competitive advantage.

"Retailers that fail to prioritise digital investments will struggle to compete in 2025."
Australian Retailers Association, Leaders Forum 2025

Master omnichannel excellence:
Shoppers expect frictionless transitions between digital and physical retail. Those who fail to integrate their channels seamlessly will lose customers to those who do.

Redefine customer loyalty:
The days of one-size-fits-all rewards are over. Winning brands will build emotional connections through personalisation, gamification, and VIP experiences.

About The Research

The Publicis Sapient retail consumer survey was commissioned and carried out online in late December 2024. The survey included participants from a broad range of geographical groups, reflecting the population of Australia.

The survey focused on customer expectations, experiences and perspectives of Australian shoppers. It involved 1,292 participants, aiming to give a representative sample of the population along a range of demographic criteria. All figures in this report are rounded to the nearest digit.

Get in touch

If you would like to find out how consumers responded to your retail organisation or you would like to start your omnichannel transformation journey, get in touch with our team.

Find out more about our services and insights for the retail sector:
https://www.publicissapient.com/industries/retail

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