

# CouriersPlease

**A drop in discretionary consumer spending is reducing inflation – but what are the challenges for small retailers?**

**A CouriersPlease study | April 2024**



## About the study

CouriersPlease commissioned a survey of an independent, nationally representative panel of 200 Australian retailers to identify the potential challenges retailers face on the back of persistent high inflation and interest rates impacting consumer spending.

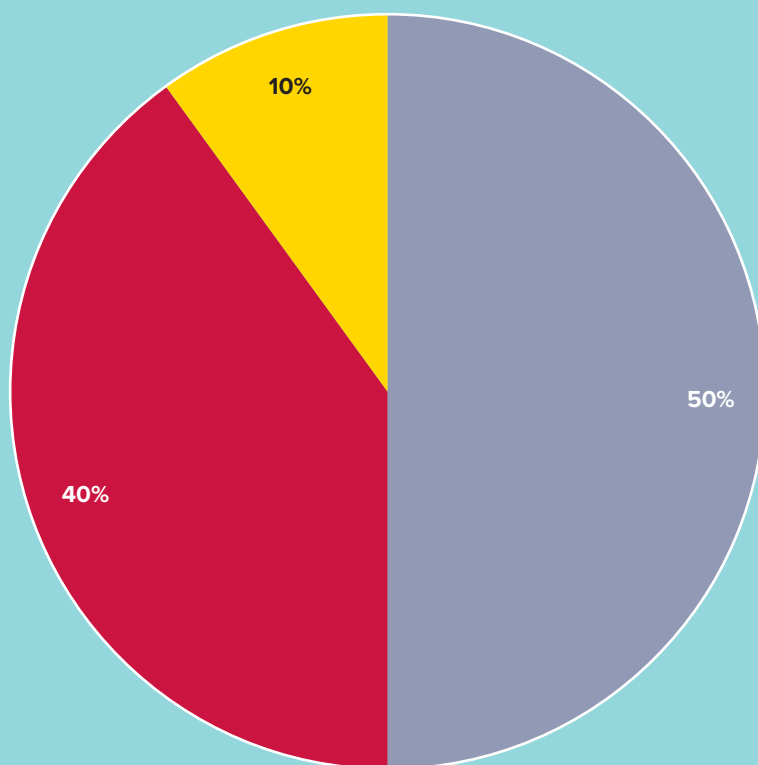
CouriersPlease surveyed owners and senior decision makers in retail companies of different sizes: micro (1-15 employees), small (16-50 employees), medium (51-200 employees) and large (more than 200 employees).

### Consumer spending is predicted to drop this year due to inflation and rising interest rates. Are you expecting your business to be financially squeezed because of this?

Respondents were asked if they expected to see a drop, increase, or no change in their sales revenue.

CouriersPlease found that 90 per cent of retailers expect no increase in their sales revenue, with half (50%) stating they will have a decline in sales due to inflation and rising interest rates. Only 10 per cent of retailers said they would see an increase in sales.

### Consumer spending is predicted to drop due to persistent inflation and high interest rates. Are you expecting your business to be financially squeezed by this?



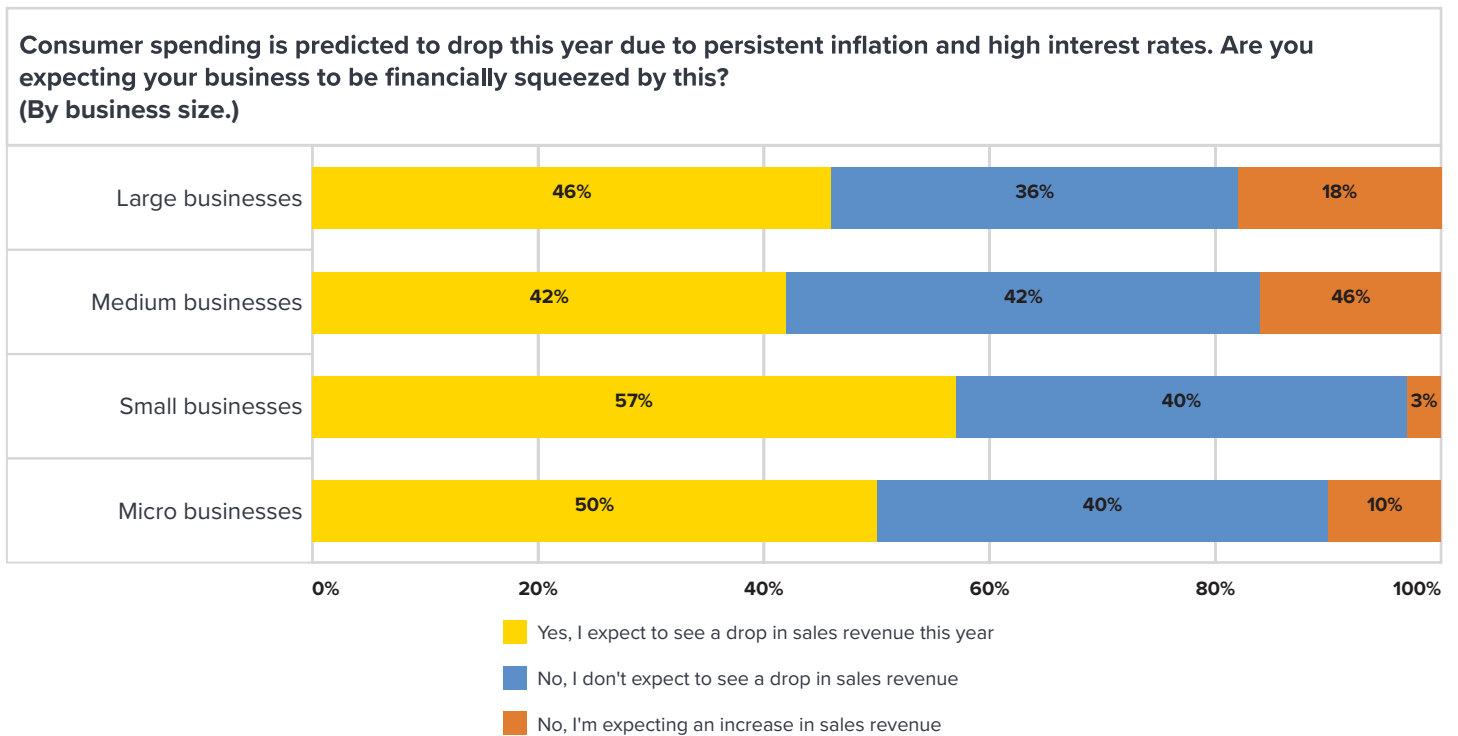
- Yes, I expect to see a drop in sales revenue this year
- No, I don't expect to see a drop in sales revenue
- No, I'm expecting an increase in sales revenue

## By business size

Small retailers will be most impacted by the drop in consumer spending, with 97 per cent expecting no increase in their sales revenue this year, with more than half (57%) expecting a decline in sales revenue. A smaller proportion of medium-sized (42%) and large (46%) businesses expect a drop in their sales revenue.

However, although many retailers expect little growth, many are hopeful they will not see a drop in sales revenue. Medium-sized businesses (42%) were most likely not to see a drop in sales revenue, followed by 40 per cent of micro and small businesses and 36 per cent of large businesses. Many retailers are expecting results similar to those of the previous year.

Only 3 per cent of small businesses expect an increase in sales revenue, followed by 10 per cent of micro businesses. Larger retailers aren't expected to be affected, with only 16 per cent of medium-sized businesses and 18 per cent of large business expecting an increase in sales.



## Do you think the potential drop in consumer spending will exacerbate any of the following challenges for your business?

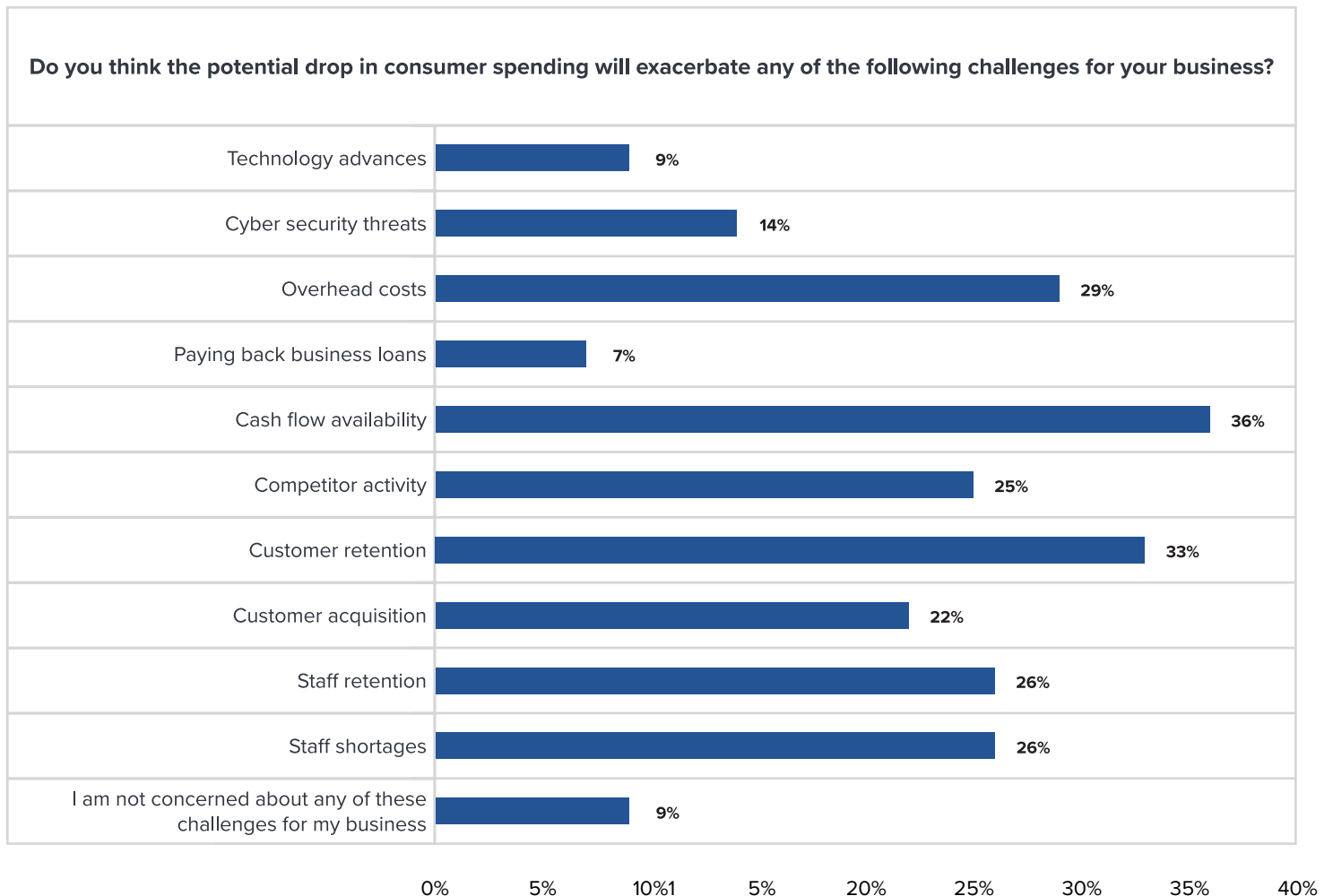
Respondents were also asked to select, from the following options, which challenges could increase in their business due to rising financial pressures for consumers:

- Staff shortages
- Staff retention
- Customer acquisition
- Customer retention
- Competitor activity
- Cash flow availability
- Paying back business loans
- Overhead costs
- Cyber security threats
- Technology advances

Cash flow was the challenge chosen by the largest proportion of respondents. CouriersPlease found that more than a third (36%) of retailers chose this option. The second most common challenge, chosen by a third (33%) of respondents, is customer retention, followed by overhead costs (29%).

The challenges least likely to increase for retailers are paying back business loans (chosen by 7% of respondents) and technology advances (9%).

Only nine per cent of retailers aren't concerned about any of these challenges for their businesses, even with a drop in consumer spending due to inflation and rising interest rates.



## By business size.

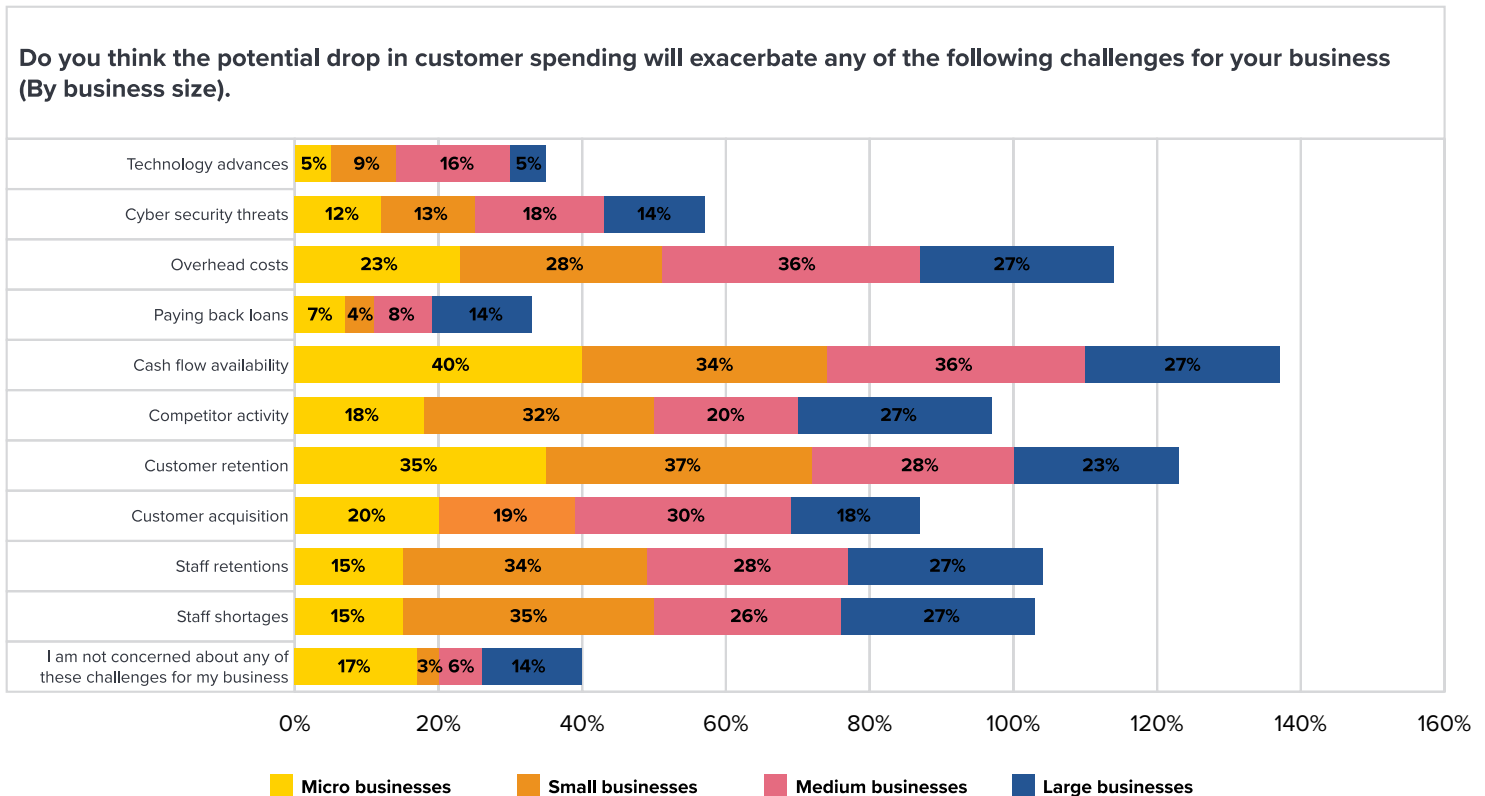
Two in five (40%) micro businesses said that cash flow will be the biggest challenge that a drop in consumer spending will deliver. Large businesses are less likely to be affected by this challenge, with only 27 per cent of respondents choosing this option.

More than a third (36%) of medium businesses stated that overhead costs are challenging for them in the environment of inflation and high interest rates affecting their customers. This compares to 28 per cent of small businesses, 27 per cent of large businesses and 23 per cent of micro businesses.

Customer retention is expected to be a big challenge facing more than a third (37%) of small businesses, followed by 35 per cent of micro-businesses, 28 per cent of medium-sized businesses and only 23 per cent of large businesses. Retention will continue to be an issue for small businesses, with employee retention (34%) also affecting them.

Almost a third (30%) of medium-sized businesses anticipate customer acquisition issues in the wake of a potential drop in consumer spending due to rising financial pressures. This compares to only 20 per cent of micro-businesses, 19 per cent of small businesses and 18 per cent of large businesses.

Only three per cent of small businesses stated that they aren't concerned about any of these challenges for their businesses. However, micro businesses feel less pressure from these challenges, with 17% stating that they are not concerned.



# **CouriersPlease**

Delivering for People and Planet