

Retail therapy for the good of our economy

5 November 2020



Your presenters



Luke Ritchie

Partner – Management Consulting
National Head of Retail and
Consumer Products



Michael Catterall

Partner & Head of Tax – Sydney

Housekeeping



This is an interactive session so we encourage your participation



This session is being recorded and will be shared with all registrants and on our GTAL website and socials.

Talking: Liz Davis

▼ Questions

[Enter a question for staff]

Send

Webinar Housekeeping
Webinar ID: 608-865-371

GoToWebinar

How to ask questions?

Submit your questions via the Questions panel

Grant Thornton Retail

We work closely with retailers across Australia to help them drive profitability

coles



COTTON:ON



MYER

THE REJECT SHOP

makro
ភ្នំពេញ

Kmart

COUNTRY ROAD

BHP
bhpbilliton

Baby Bunting
The one stop baby shop

TOYOTA

FANTASTIC
FURNITURE

COURTS

DAVID JONES

SPOTLIGHT

Telstra



CouriersPlease®



Amart
Furniture

INGHAM

Mitcash

HOYTS

Lagardere
TRAVEL RETAIL



GODFREYS
THE VACUUM & CLEANING SPECIALISTS

cash
converters

STUART ALEXANDER
Building Leaders in the Business
Since 1984

Fonterra

PETBARN
Enjoying life since 1975

Officeworks

Amcal

LINFOX

TASMAN
Market Fresh Meats

Covid-19 impact on retail

Covid restrictions have placed enormous pressure on retailers the world over



Shift happens: Consumers embrace online

Covid-19 has sharpened a trend which was already well and truly underway

- Covid-19 has “sped up” the digital shift
- Huge online sales growth in past 4 months
- Online now 11% of total retail sales
- Both pureplays and bricks-and-mortar
- Supermarkets overwhelmed by online demand
- Our retail clients have seen online sales double
- Significant impact on store networks



Shift Happens: Australian consumers embrace online retail

Luke Ritchie on LinkedIn • 2 min read

Store selling space optimisation

Not just store closures, but smaller stores with local ranges and personalised offers

David Jones parent signals lease write-downs



Carrie LaFrenz
Senior reporter

Aug 14, 2020 - 6:24pm

The South African parent of upmarket department store David Jones has flagged asset writedowns of its store leases across its operating markets after trading conditions were affected by the COVID-19 pandemic and following trading restrictions.

The total figure was not disclosed by Woolworths of South Africa but the company said in a statement to the South African stock exchange on Friday that the writedowns relate to its leases and store assets such as fixtures and

Wesfarmers to shut Target stores, slash jobs



Carrie LaFrenz
Senior reporter

About 10 per cent of Target's workforce are likely to lose their jobs after owner Wesfarmers decided to close a number of outlets and convert large-format stores to the Kmart brand, following a review of the underperforming retail chain. In what is another major blow to an already struggling retail sector.

Managing director Rob Scott told investors on Friday that Wesfarmers had been trying to fix Target for the past decade, but mid-market apparel/home players had been "really challenged" in a disrupted market, where international chains and online sales exposed the incumbents

Woolworths' Big W closes more stores



Sue Mitchell
Senior reporter

Woolworths will attempt to find new jobs for about 200 Big W staff when it closes another three stores as part of a strategy aimed at restoring profitability at the discount department store chain.

Woolworths said on Tuesday it would close Big W stores at Box Hill and Broadmeadows in Victoria and Armidale in regional NSW at the end of January 2021.

QBE cancels insurance for Myer, David Jones suppliers

James Fernyhough and Sue Mitchell

Jan 19, 2020 - 4:41pm

Insurer QBE has told retailers Myer and David Jones it will no longer provide [trade credit insurance](#) to their suppliers, saying it is concerned the department stores will struggle to survive the COVID-19 crisis.

Boxing Day sales from October to Christmas

As inventory floods the market, retailers must invest in better forecasting using AI

The image displays a collage of eight overlapping promotional banners from various retailers:

- HOME SWEET HOME Tuesdays**: GREAT DEALS END TONIGHT
- BONDS**: UP TO 65% OFF, SHOP NOW
- Ends Sunday**: Save On Home Comforts, Save 30-50%
- TAKE A FURTHER 20% OFF SALE STYLES**: NOW UP TO 60% OFF, PRICES AS MARKED
- OUTLET**: 50-70% OFF
- FATHER'S DAY EDIT**: 25% OFF GIFTS FOR DAD, SELECTED
- B&B**: UP TO 70% OFF, SHOP NOW
- 40% OFF**: Loose and boxed dinnerware, glassware and cutlery
- William de Faye**: UP TO 70% OFF, SHOP NOW
- SHERATON LUXURY**: UP TO 65% OFF

Automation to enhance profitability

Investment in automation from large retailers drives major efficiencies



ocado

swisslog

LOGISTICS
KNAPP
AUTOMATION

WITRON

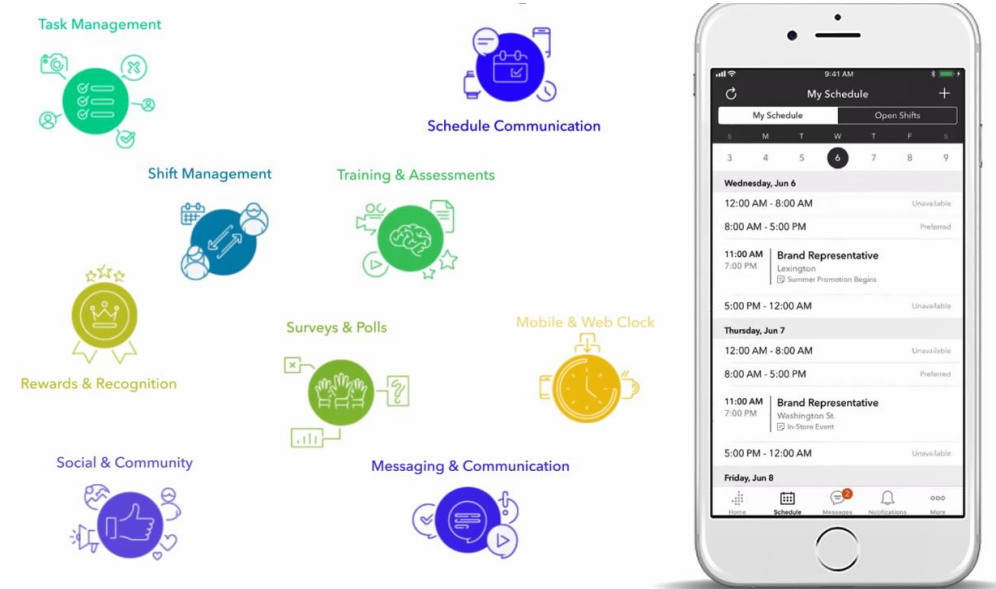
VANDERLANDE

SAVOYE
SUPPLY CHAIN SOLUTIONS



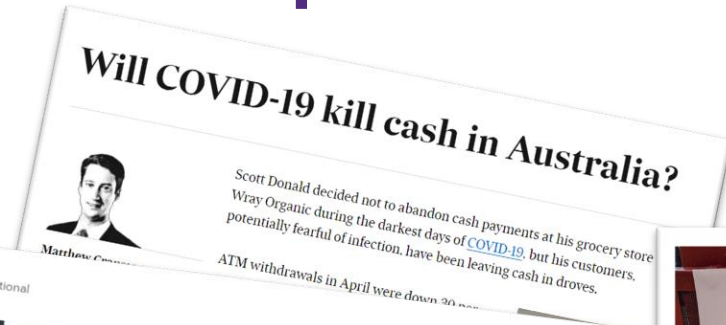
Digital workforce – CX, UX, now EX

How to optimise the largest cost item in the retail P&L



Change in payments landscape

- Touchless/contactless through cards usage soared on safety concerns
- Consumers preferred debit over credit cards and Buy Now Pay Later instalment payments and digital wallets (ApplePay, GooglePay, PayPal etc.) were popular
- Digital and remote buying through mobile and connected devices (<5% for retailers pre-Covid, to currently 30-40%, and even more, for some businesses operating only online)



New tax measures: sources of funding and cash flow

How the tax system can help

- New measures to reduce your tax bill or provide refunds:
 - *loss carry back rules*
 - *instant asset write off*
- Jobkeeper 2.0 – *the key changes*
- What we are seeing from the ATO – *supportive but vigilant...*



Tax loss carry back

- Companies with aggregated turnover up to \$5bn
- Carry back tax loss in FY20/21/21 as early as FY19 for a refund
- But – delay in refund until lodgement of FY21 return at the earliest
- No cap but limited by franking account



Deductions of tax depreciation

- Significant extension of earlier COVID measures
- \$5bn aggregated turnover threshold but no cap on asset value
- Extended measures apply 6 October 2020 – 30 June 2022
- Not all assets qualify – consider usual rules on entitlement to depreciation



Jobkeeper – extension and a 2-tier scheme



Extension of original scheme – now applies 28 September 2020 – 3 January 2021; reduced rate 4 January – 28 March 2021



Full rate of \$1200/fortnight reduces to \$1000/fortnight (\$750 reducing to \$650)



Critical employment date 1 July 2020 (1 March 2020 up to 3 August 2020)



Expect significant public and ATO scrutiny

Current ATO approach

- Flexibility on lodgements and payments
- Increased compliance activity
- How and when to engage with the ATO

What next

Q&A

For more information, please contact:



Luke Ritchie

Partner & National Head of Retail & Consumer Products
+61 410 488 444
luke.ritchie@au.gt.com



Michael Catterall

Partner & Head of Tax – Sydney
+61 432 910 454
michael.catterall@au.gt.com

Grant Thornton Australia Limited ABN 41 127 556 389 ACN 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited. Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Views expressed in this presentation are the views of the presenter(s), not necessarily views of Grant Thornton. The material in this presentation is intended only to provide a summary and general overview of the retail industry. It is not intended to be comprehensive nor does it constitute Tax advice. You should seek advice before acting or relying on any of the content