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# FUTURE OF RETAIL FY27

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A Roy Morgan Business Address • May 2026



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# Introduction

This report sets out Roy Morgan's Future of Retail FY27 argument in report form. It is not a general tour of retail trends. It is a practical account of where Australian retail is heading as the market moves into FY27.

The headline numbers matter, but they do not tell the whole story. Retail is no longer moving as one market. Demand is shifting by customer, category, channel and geography. That makes the old averages less useful than knowing where demand has moved, who is still valuable, what they need and desire, and how retailers can connect with them.

The report is organised around three shifts: demand has become asymmetric; the middle of the market has lost ground; and retail marketplaces have reset the benchmarks for price, range, convenience, findability and fulfilment.

In summary, this webinar report will reveal:

**1. Demand is now asymmetric:**

The same consumer can trade down in utility categories and trade up in premium categories.

**2. The middle has lost its ground:**

It cannot beat value on price and cannot beat premium on desire.

**3. Retail marketplaces have reset the benchmarks:**

Consumers now expect lower prices, wider range, faster fulfilment and less friction.

FY27 growth will not come from chasing the average consumer. It will come from knowing who still has capacity, what they are willing to pay for, and where they can be won.

**Catherine Jolley**

*Head of Retail Research and Social & Consumer Trends, Roy Morgan*



# The old retail map no longer works

*Retail isn't simply growing or shrinking. Demand has moved, and the old averages hide the useful story.*

For a long time, we've tended to ask broad questions about retail. Is the market up or down? Is the consumer confident? Does the average household have enough money? Those questions still matter, but they're no longer enough. The more useful question is where demand has moved: which customers still have capacity, what they want, and which retailers can protect margin rather than slide into commodity pricing.

	OLD QUESTIONS	FY27 QUESTIONS
<p>“</p> <p><i>The question is no longer whether retail is recovering. The questions are: where has demand moved, who is still valuable, what do they need and desire, and how can you connect with them?</i></p>	<p>Is retail up or down?</p>	<p>Where has demand moved — by customer, category, channel and geography?</p>
	<p>Does the average consumer have enough money?</p>	<p>Which customers still have elective capacity, spend propensity, and what motivates their spend?</p>
	<p>Will confidence recover?</p>	<p>Which retailers are defending margin — and which are being commoditised by platforms?</p>

## Three big reveals for FY27

*A practical way to organise the FY27 retail story: where demand has moved, which propositions still win, and which expectations marketplaces have reset.*

<p>01</p> <p><b>DEMAND IS NOW ASYMMETRIC</b></p> <p>The same consumer can trade down in utility categories and trade up in premium categories.</p>	<p>02</p> <p><b>THE MIDDLE HAS LOST ITS GROUND</b></p> <p>It cannot beat value on price and cannot beat premium on desire.</p>	<p>03</p> <p><b>RETAIL MARKETPLACES HAVE RESET THE BENCHMARKS</b></p> <p>Consumers now expect lower prices, wider range, faster fulfilment and less friction.</p>
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# STATE OF THE NATION

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Where Australian retail sits in May 2026



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# A difficult economy for Retail

Retailers are operating in a market where the consumer is not just cautious, but defensive.

Retailers are not operating in easy conditions. Consumers are cautious, business confidence remains weak and cost pressure continues to shape commercial decisions. The important point is that pressure does not affect all households, categories or retailers evenly. That unevenness is where the useful retail story begins.

<p><b>4.35%</b></p> <p>RBA cash rate target</p> <p><small>Effective 6 May 2026</small></p>	<p><b>4.6%</b></p> <p>CPI</p> <p><small>Annual change, March 2026</small></p>	<p><b>10.5%</b></p> <p>Real Unemployment</p> <p><small>14 April, Roy Morgan</small></p>	<p><b>27.7m</b></p> <p>Population</p> <p><small>Estimated resident population, Sep 2025</small></p>
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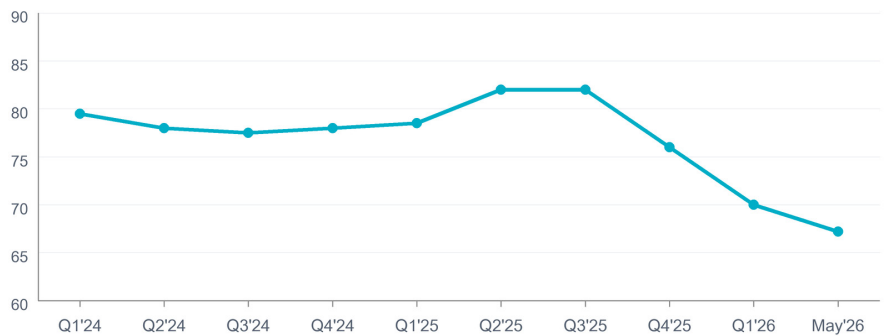
**67.2**

**Consumer Confidence Index**

▼ 20.3pts lower than a year ago

ANZ-Roy Morgan, week to 3 May 2026

## CONSUMER CONFIDENCE



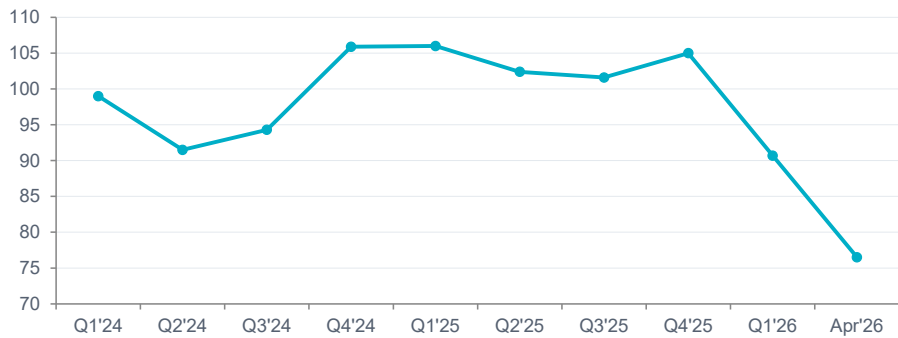
**76.5**

**Business Confidence Index**

▼ 28.5pts down in 2026

Roy Morgan Business Confidence, April 2026

## BUSINESS CONFIDENCE



61.3% expect bad times next year · 73.4% expect bad times next five years · 50% say bad time to invest

Low confidence changes purchase timing, category tolerance and willingness to pay. It does not mean demand disappears. It means demand becomes more careful, more selective and more uneven.

From the retailer side, weak business confidence affects investment, hiring, inventory, pricing and risk appetite. Retailers cannot wait for a clean recovery. They need to know where demand is still active and where the prize is.

REVEAL 1

# DEMAND IS NOW ASYMMETRIC

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*The consumer hasn't stopped spending. Demand has split by category, motivation and mindset, making averages less useful than knowing where capacity and intent still sit.*



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REVEAL 1 • DEMAND HAS SPLIT

# One customer. Two spending modes

*Retail growth is now a two-speed economy: spending propensity on one side, spending constraint on the other.*

Retail is now operating in a two-speed consumer economy. On one side are shoppers who still have money to spend, but need a strong reason to spend it. On the other are shoppers under real pressure, looking for ways to control an already tight budget.

Spending Capacity + Propensity	Spending Constraint
<p><b>1. Growth is being carried by selective demand</b></p> <p>Headline retail can look flat while specific categories, missions and customer groups move well above the average.</p>	<p><b>1. Pressure changes behaviour, not just basket size</b></p> <p>Constrained households delay, trade down, split baskets and compare more carefully.</p>
<p><b>2. Premium hasn't disappeared</b></p> <p>It survives where the purchase creates confidence, quality, care, identity or emotional reward.</p>	<p><b>2. Promotions become budget tools</b></p> <p>For reluctant spenders, discounts are less about excitement and more about making the week work.</p>
<p><b>3. Value means justification, not just cheap</b></p> <p>Even stronger consumers need a reason to believe the purchase is worth it.</p>	<p><b>3. Trust becomes more fragile</b></p> <p>When households feel squeezed, mistakes, hidden fees and poor service are judged more harshly.</p>
<p><b>4. Range has to protect and persuade</b></p> <p>The offer must defend entry value while giving high-propensity shoppers a reason to spend more.</p>	<p><b>4. Caution is not always disloyalty</b></p> <p>Some customers leave because household economics have changed, not because the brand has lost all relevance.</p>

*Retail growth is now a two-speed economy: spending propensity on one side, spending constraint on the other.*

REVEAL 1 • DEMAND HAS SPLIT

## Price is not a mindset

*The same mindset can be frugal in one category and indulgent in another.*

Price behaviour does not define the whole customer. Even a premium shopper can be highly value-conscious in one category and very willing to spend in another. Affluence or income tells us something about capacity to spend, but little about motivation, category meaning or willingness to pay.

“

*A shopper can be value-seeking in one aisle and premium-protective in the next.*

### PRICE DOES NOT ALWAYS DETERMINE CHOICE

A premium mindset customer may reject a \$4 premium in pantry staples, then spend \$400 on beauty, pets, sport, tech or home.

### CATEGORY MEANING SHAPES PREMIUM

Premium survives where the category carries identity, confidence, care, quality, taste or emotional reward.

### MOTIVATIONS NOW OVERRIDE DEMOGRAPHICS

The same premium customer can be in “save mode” on Monday and “reward mode” by Saturday.

### RANGE MUST DO TWO JOBS

The offer must protect value at the base while giving high-propensity shoppers a clear reason to spend more.

*The question is not simply whether a customer is price-sensitive.  
It is who will still pay, where and why.*



REVEAL 1 • DEMAND HAS SPLIT

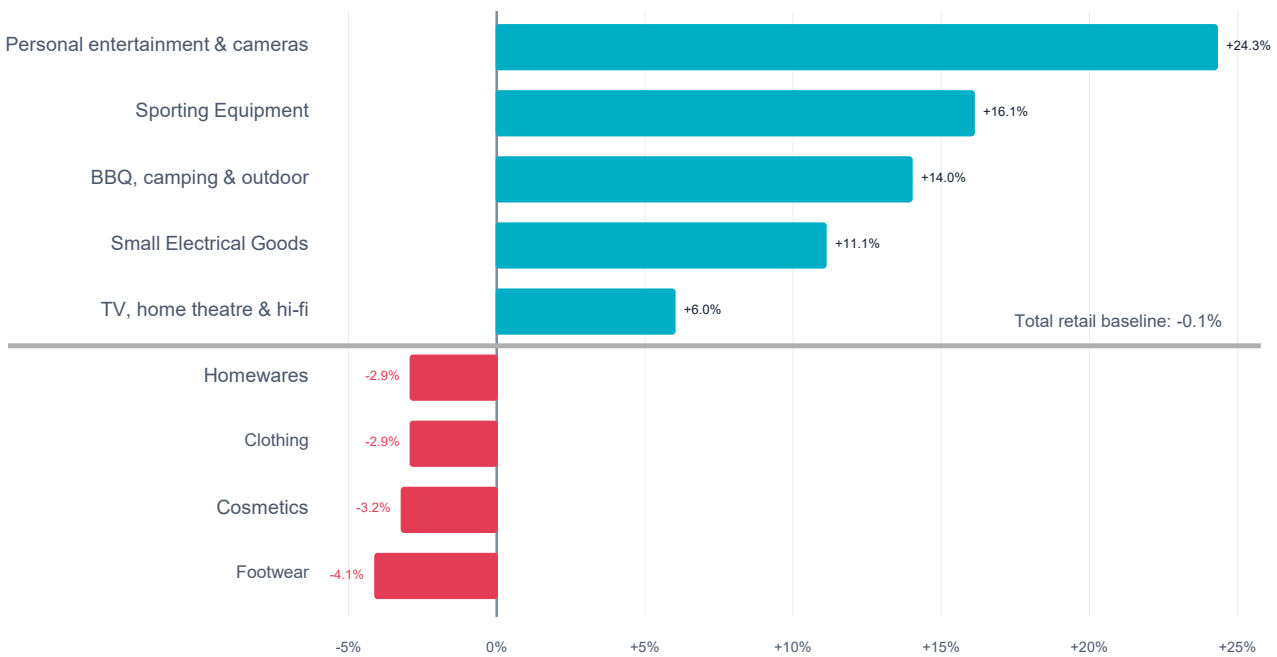
# Growth is real — It’s just not evenly distributed

Overall buyer incidence is flat. The opportunity is in the categories breaking away from the average.

Overall buyer incidence is flat, with the Roy Morgan retail growth baseline at minus 0.1%. Beneath that flatness, categories are moving in different directions. Some are growing well above the average while others are going backwards.

## RETAIL CATEGORY GROWTH HAS WINNERS AND LOSERS

Current year vs previous year, products bought in last 4 weeks



The stronger categories shown here are more closely related to leisure and entertainment, while the weaker categories are more closely related to needs and nesting. That pattern aligns with the two-speed consumer economy: higher-propensity consumers are driving growth in selected categories while more pressured consumers are holding back.

Source: Roy Morgan Retail Currency RETC5603, Apr 2025-Mar 2026 vs Apr 2024-Mar 2025. Buyer incidence; products bought in last 4 weeks.

REVEAL 2

# THE MIDDLE HAS LOST ITS GROUND

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*It cannot beat value on price and cannot beat premium on authority.*



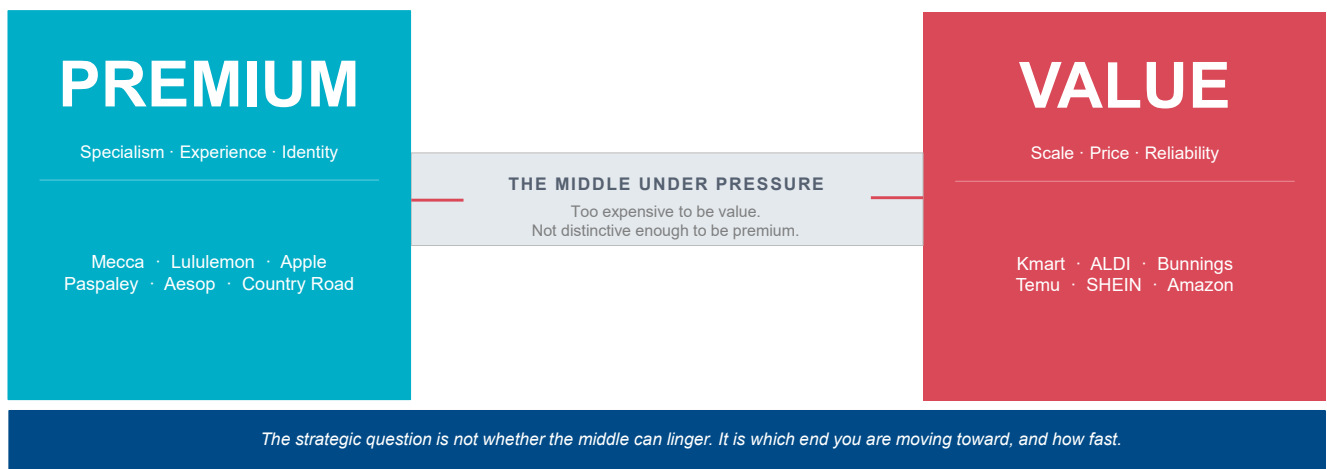
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## REVEAL 2 • CURRENT TRENDS

# The market is becoming a barbell

*Increasingly, growth is seen when the retailer gives customers a clear reason to choose – price certainty at one end, meaning and desire at the other.*

Growth is concentrating at the two ends of the market. At the value end, retailers are winning through price certainty, familiarity, geographic reach and reliability. At the premium end, retailers are winning through specialisation, experience and desire. The middle is under pressure because it often asks customers to pay more without giving them enough reason to do so.



*The strategic question is not whether the middle can linger.  
It is which end you are moving toward, and how fast.*

## REVEAL 2 • PREMIUM END

# At the premium end, specialisation does the work

*Premium succeeds when the customer feels more motivated to choose the retailer, not just better served.*

Premium succeeds when the customer feels more motivated to choose the retailer, not just better served. The shared point across premium retailers is that the customer is given a reason to pay more. Margin is earned, not assumed.

### MECCA

A premium mindset customer may reject a \$4 premium in pantry staples, then spend \$400 on beauty, pets, sport, tech or home.

### Lululemon

Category authority, community and identity. The product carries a larger belief system, not just apparel performance.

### Paspaley

Craftsmanship, provenance and emotional significance. Premium is defended through rarity, trust and occasion value.

### RM Williams

Design consistency, lifestyle coherence and brand taste. Premium comes from making everyday choice feel more considered.

*Premium works when the customer feels more certain after the interaction than before it.*

## What makes premium work

*Premium retailers create a reason to choose them when cheaper alternatives are everywhere.*

Premium retailers need to create a reason for customers to choose them when cheaper alternatives are everywhere. That reason might be expertise, beautifully curated ranging, confident pricing or loyalty expressed as belonging rather than simply points accumulation.

Expert staff	Curated range	Confident pricing	Loyalty as belonging
Human expertise that helps the customer choose well.	Editorship as a service: not all things, but the right things.	Premium pricing defended without apology or constant promotional damage.	Relationships built around shared interest, not just points accumulation.

*Do not compete on price. Compete on the reason to choose you.*

## REVEAL 2 • VALUE END

# At the value end, scale is the moat

*The value winners are not merely cheaper. They are engineered to make the promise repeatable.*

At the value end, winners are not merely cheap. They are engineered to deliver one clear promise consistently. The common thread is not just price. It is a business model that supports the promise, protects repeat behaviour and keeps the economics disciplined.

### Bunnings

**Depth, service and reliability.** Value comes from confidence: the range is there, the advice is available, and the job can get done.

### Kmart

**Disciplined range, predictable price.** The promise is simple: useful products, low prices and very little decision stress.

### ALDI

**Fewer choices, clearer economics.** Range reduction is not a limitation. It is the operating model that makes value credible.

### Amazon

**Membership, range and zero friction.** Prime turns value from a transaction into a default behaviour before the next purchase begins.

*At the value end, the winner is not the cheapest retailer.  
It is the retailer with the clearest operating promise.*

REVEAL 2 • VALUE END

## What makes value work

*The best value retailers make low price feel controlled, not compromised.*

The best value retailers do not make low price feel like a warning sign. They make it feel deliberate. Customers believe the business has been built to deliver value, not merely to cut corners to reach a price. That is very different from discounting, and it matters for trust and margin.

<b>Engineered economics</b>  Cost is designed into the model from the beginning, not shaved off at the end.	<b>Assortment discipline</b>  The range is tight enough to be efficient and clear enough to be trusted.	<b>Reliable delivery</b>  Customers know what they will get, when it will arrive and what it will cost.	<b>Trust through consistency</b>  Value becomes credible when the promise is repeated without drama.
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————— *Value is not a discount. It is an operating model.*

## REVEAL 2 • THE MIDDLE

# The undifferentiated middle is exposed

*The middle is vulnerable when customers can no longer explain why it should be chosen.*

The middle is exposed when customers can no longer explain why it should be chosen. If a retailer is too expensive to be value and not distinctive enough to be premium, the customer has better options on both sides.

### TOO EXPENSIVE TO BE VALUE

#### Lower-price alternatives

The customer can find lower prices, simpler ranges and clearer savings elsewhere.

### NOT DISTINCTIVE ENOUGH TO BE PREMIUM

#### Insufficient reason to pay more

The customer does not receive enough expertise, confidence, experience or identity to justify the premium.

That matters because the middle can lose margin from both directions. It may discount to defend traffic while still failing to create stronger desire. Or it may try to premiumise without enough service, quality or experience to justify the price.

*The problem is not weakness. It is ambiguity.*



REVEAL 3

# RETAIL MARKETPLACES HAVE RESET BENCHMARKS

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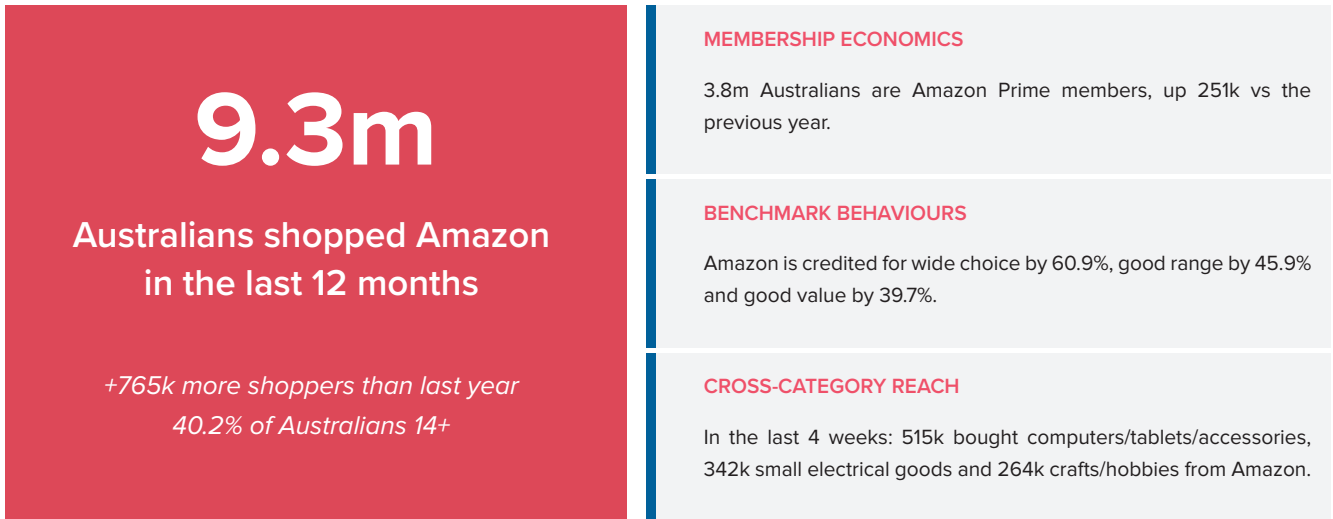
*Marketplaces and algorithms are reshaping consumer expectations.*



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## Marketplace impact — Amazon

Amazon is no longer just a disruptor. It is now one of the benchmarks shoppers use to judge price, range, convenience and membership value.



The risk with Amazon is that it sets the benchmark across several parts of the retail experience at once: price, range, membership, search, fulfilment and low effort. That is why Amazon can become a channel killer. It trains shoppers to expect a standard many retailers cannot match without damaging their own margin.

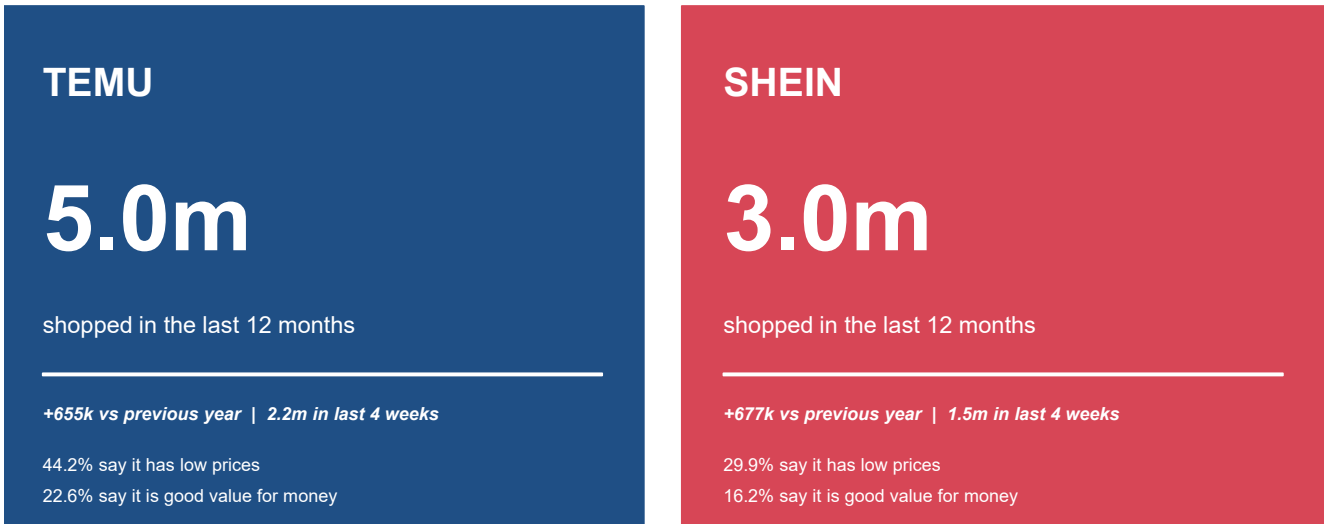
*The question shifts from “how do we beat Amazon?”  
to “where can we still be the chosen alternative?”*

REVEAL 3 • PRICE BENCHMARK

## Marketplace impact — SHEIN and Temu

*Ultra-low-price platforms are scaling fast enough to reset what shoppers think things should cost.*

Temu and SHEIN are doing something different, but just as important. They are scaling fast enough to reset what shoppers think things should cost. Even when customers question quality, trust or ethics, the price benchmark keeps moving lower.



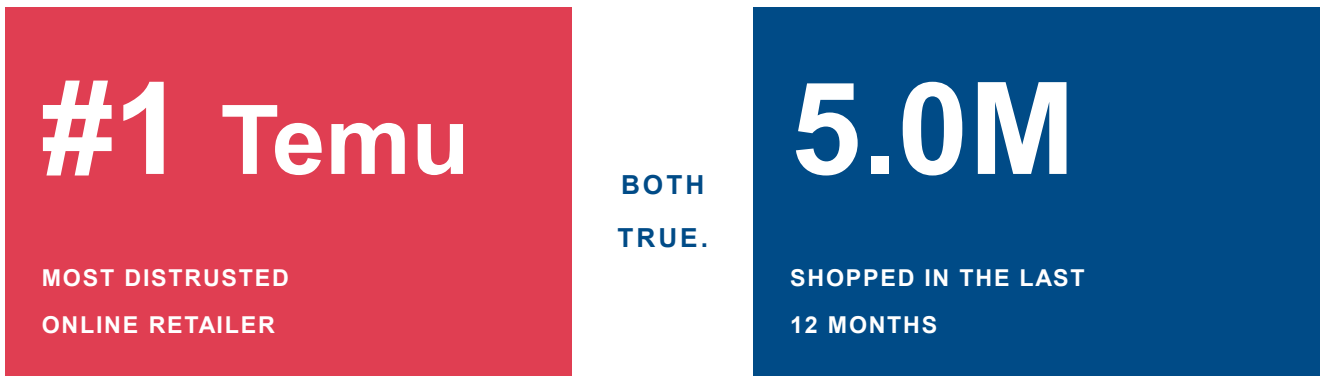
*Marketplaces are not just taking transactions.  
They are repricing shopper expectations.*

Source: Roy Morgan Retail Currency RETC5603, Apr 2025-Mar 2026 current year vs Apr 2024-Mar 2025 previous year. Australians 14+.

## Usage can outrun Trust

*Ultra-low-price platforms are scaling fast enough to reset what shoppers think things should cost.*

Temu can be heavily distrusted and still attract millions of shoppers. That tells retailers something important: trust matters, but it is not the only variable in the value equation.



When the perceived price advantage is strong enough, customers may tolerate concerns they would not tolerate elsewhere. That is commercially powerful, but unstable. When a brand is highly distrusted, many new customers may find few reasons to stay once the novelty wears off and the reasons for distrust become obvious.

*Distrust is one variable in the value equation, but moral blindness is a short-term condition.*

## Marketplaces create dependence before Trust

*Useful, habitual and commercially powerful does not always mean loved.*

Marketplaces can become useful before they become loved. They shape what shoppers see, what gets compared, what appears relevant and what feels like value.

“

*A marketplace can become useful and distrusted at the same time.*

### Algorithmic dependence

Marketplaces increasingly shape what shoppers see through recommendation systems, sponsored placement and search ranking.

### Trust pressure at scale

As platforms grow, concerns around product quality, seller integrity, privacy and ethics become harder to contain.

### Customer relationship capture

Platforms can come between retailers and shoppers, owning more of the relationship, the data and the rules.

### Backlash follows poor experiences

Bombardment, disappointment and returns can turn convenience into irritation.

REVEAL 3 • PRICE BENCHMARK

## Findability has moved from shelves to systems

*The shopper increasingly meets the retailer through feeds, marketplaces and AI-assisted options.*

Findability used to be mostly about stores, shelves and search. It is now increasingly shaped by feeds, marketplaces, recommendation engines and AI-assisted choices.

### Then: stores and search

Physical presence and paid search shaped discovery.

### Now: feeds and marketplace algorithms

TikTok, Instagram and recommendation engines shape consideration.

### Emerging: AI-assisted options

The brand shown is the brand whose product data can be seen, understood, ranked and recommended.

### Product data as a commercial asset

Quality, structure and completeness now affect visibility.

Merchandising, technology, operations and marketing now share responsibility. If an AI agent cannot properly understand a product, the shopper may never see it. In that world, margin can be won or lost before the customer even reaches the retailer's brand.

# WHAT FY27 DEMANDS

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What retailers need to do next



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# Delivery is now part of the offer

*Last-mile is no longer back-end logistics. Shoppers experience delivery choice as value, control and convenience.*

Delivery is no longer back-end logistics. Customers experience delivery as part of the value proposition. Speed, choice, timing and control all shape how the retailer is judged.

OLD MODEL	FY27 EXPECTATION
One delivery promise for most orders	<b>Choice: 1-hour, 2-hour, same day, nominated day or slower free delivery</b>
Delivery treated as fulfilment cost	<b>Delivery treated as part of the proposition</b>
Free delivery used as a blanket promise	<b>Paid choices that match urgency, margin and customer value</b>
Operations owns the problem	<b>Merchandising, pricing, stores and operations share the promise</b>
Speed pursued without customer value logic	<b>Priority given where the customer, order and local economics justify it</b>

*The delivery promise is now a margin decision and a brand promise at the same time.*

## Free delivery is now part of the offer

*Fast and free can destroy margin if every order is treated as the same promise. Retailers need a priced service architecture.*

Free delivery is not a strategy if it destroys margin. Retailers need a priced service architecture that gives customers real choices: urgent, nominated, consolidated, or slower and free. The point is not to copy marketplace promises blindly. It is to decide which delivery promises make commercial sense.

### CHOICE ARCHITECTURE

Give shoppers visible options: urgent, nominated, consolidated or slower/free.

### PRICED SERVICE LEVELS

Let urgency carry a price where the value is clear, rather than hiding every cost in margin.

### LOCAL OPERATING MODEL

Use stores, catchments and inventory proximity to make the promise efficient.

### MARGIN DISCIPLINE

Do not let marketplaces set a delivery benchmark that your economics cannot support.



## Where demand lives

*Growth is not evenly distributed by customer, category or geography.*

Knowing where to find the right customers is commercially important. Growth is not evenly distributed by customer, category or place.

Roy Morgan Live Mapping helps retailers see where valuable customers, priority mindsets and category demand are concentrated, down to local catchments and street-block level. That matters for store investment, local ranging, media targeting, outdoor placement, catchment marketing and delivery decisions.

### Store investment

Where to back new stores, refits and network decisions.

### Local ranging

Which categories and offers suit each catchment.

### Media targeting

Where high-value audiences can be reached efficiently.

### Activation placement

How to place media closer to the customers that matter.

### Catchment marketing

Which local markets deserve tailored offers and messaging.

### Delivery prioritisation

Where fulfilment promises make commercial sense.

*FY27 growth is not just about identifying the right customer.  
It is about knowing where enough of them live to make the decision pay.*

CLOSING THOUGHT

## Roy Morgan knows where Retail growth lives

*FY27 retail growth depends on knowing who still has capacity, what they want, and where they can be reached.*

The future of retail is not only about category or channel. It is about knowing which customers still have capacity, what they are willing to pay for and where they live.

### WHO THEY ARE

Capacity, mindset, life stage and household pressure.

### WHAT THEY WANT

Categories, propositions, service expectations and willingness to pay.

### WHERE THEY ARE

Catchments, postcodes, store networks and media markets.

### WHAT TO DO NEXT

Positioning, ranging, targeting, delivery, and local activation.

### FINAL THOUGHT

*FY27 growth will not come from chasing the average consumer. It will come from knowing who still has capacity, what they want and where they can be won.*



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