Challenging and Changing Retail Environment – an independents view

Wayne Harrison, CEO Elect, Ritchies Stores

RITCHIES IGA +LIQUOR

- Ritchies commenced in 1870 and is the oldest supermarket chain in Australia and largest independent.
- Stores across East Coast of Australia (VIC, NSW, QLD), with a slant towards being more regional than metro.
- We have 82 supermarkets and 75 liquor stores, 6,000+ employees and revenue of $1.5bil. Also operate several property companies that own our stores.
- Ritchies is a privately owned business established by Thomas Ritchie in 1870. Today Ritchies is owned by individual shareholders, many whom work in the business in a day-to-day capacity, including the directors.
- We have a variety of stores from small stores at 1,000 sqm which are quasi-convenience stores, whilst others are 3,000sqm+ and trade under the Fine Food and Wine banner.
- I will take over from Fred Harrison later this year.

Headwinds 2025/2026

It has been a difficult 2025/2026:

Just when we thought there was positive sales momentum:

- February, March and May **interest rate hikes**
- **War in the Middle East** – more inflation, supply disruption, rising petrol prices
- Customer sentiment at its **lowest since Feb 2020**
- Fuel pricing **hurting consumers**
- **Fuel** levies introduced
- Prices **set to rise and are rising.**

Challenging retail environment

It has been a difficult 2025/2026:

Challenging consumer environment – cost of living pressures

Workforce and customer service challenges

Rising Operating Costs - wage increases (4.75% today), fuel levies, rent, other operating costs

Loss of cigarette sales

$320mil to circa $60mil

Ritchies flat, but +3.2% ex tobacco

Competitors Growth

Coles – 4%
Woolies – 5.9%

Endeavour
.7%
Coles Liquor
-3.9%

Costco
Winning

Aldi Losing

Uber Eats

Growth in
online

Confectionary growth

Confectionary sales up 10% MAT.
Confectionary units up 5.0%.

Increases due to price increases due to cocoa.

Strong resilience in confectionary and snacking.

Ritchies has over indexed in sugars and fat products for a long time (snacking & beverages)

We are now winning in fresh and leveraging our supplier relationships to win in Uber and DoorDash – where we are running more promos and cheaper prices than competitors.

Changing retail environment

Changing consumer behavior - understanding your shopper = critical

Technology and innovation in retail – rise of Retail Media, Social Media and rapid Market Trends

Adapting for future success – personalization, strong loyalty programs and operational excellence

Embracing quick commence and the age of data - - data driven decisions + customer insights

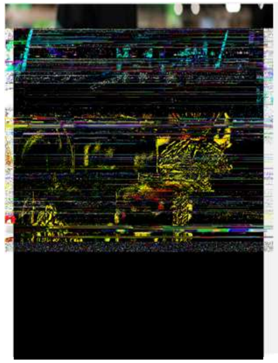
How is Ritchies going to drive sales?

Embrace our customers

Retail Media

Better use of data to drive decision making

Quality of Fresh



House of Brands + more stock = less OOS

Invest in e-commerce

Must have operational excellence and invest in our teams to grow capability

Where to from here for retail in Australia?

- **Rise of AI in supermarkets –** prevalence of self-serve checkouts; AI adoption to support growth, not short-term issues; Tik Tok Shop and autonomous chat bots to complete shops in the future?
- **Continued rapid increase of online shopping –** online shopping sits at 15% in Australia, but both Woolworths and Coles have recently said it will peak at approx. 25%-30% in five years.
- **Continuation of duopoly, with consolidation behind –** Coles and Woolworths will remain dominant market force, with Aldi and Costco to continue to push ahead of independents. Amazon a third force to leapfrog Aldi and Costco. Likely a consolidation in the independent market.
- **Data driven decision making** continues to be critical, customer insights becoming the biggest competitive advantage. Understanding customer behaviour, shopping habits and engagement trends is essential to staying relevant and driving future growth.
- **Loyalty programs that offer personalisation –** customers want to feel recognised, valued and connected to their supermarket and brands
- **Market trends** are moving faster than ever and businesses need to be prepared to act quickly. Waiting for perfect data often means the opportunity has already passed.

Retail is evolving rapidly and businesses that stay close to customers, move quickly, invest in capability and embrace technology will be best positioned for long term success.