

THE CAPABILITY PLAYBOOK

RETAIL
DEALTRACKER
2026

E-book 2 identified five characteristics increasingly associated with stronger-performing retail businesses. This e-book examines how to build them – from strengthening the customer proposition and margin discipline to developing the operating model, supply-chain capability, technology foundations, and organisational capability that support growth, resilience and long-term value.

BUILDING THE FOUNDATIONS OF A STRONGER RETAIL BUSINESS

Grant Thornton Australia's 2026 Retail Dealtracker series examines both the market conditions shaping Australian retail and the characteristics increasingly associated with stronger-performing retail businesses. E-book 1 examined the retail landscape, deal activity and market dynamics influencing the sector, while E-book 2 explored why these characteristics matter. This e-book focuses on how retailers can build the capabilities that support them in practice.

Building a stronger retail business is not about pursuing isolated improvement initiatives. It requires leaders to understand where capability gaps exist, prioritise the areas that will have the greatest impact, and embed the processes, ownership and disciplines needed to deliver sustainable improvement over time.

The capabilities explored in this e-book are the foundations of a business that can perform consistently under pressure, adapt to changing conditions, and create greater flexibility and resilience. Strengthening the customer proposition, improving earnings quality and operational discipline, developing a scalable operating model, embedding technology into everyday decision-making and building organisational capability all contribute to a stronger foundation for sustainable and long-term growth.

This e-book is structured around four practical areas of focus: strengthening the customer proposition; building earnings quality and operational discipline; developing the operating model, supply-chain capability, and organisational disciplines needed to scale; and embedding technology as a business capability. The final section explores how retailers can sequence and prioritise capability investments based on their own strategy, operating model and stage of growth.

What are the most important capabilities retailers should build over the next 12 to 24 months to improve performance, resilience and long-term value?

The priorities will vary by retailer, but the common theme is building a business that can perform consistently in a more complex environment. For many retailers, this means strengthening the fundamentals: a clearer customer proposition, better use of data and insights, stronger operational discipline, and an operating model that can support growth without adding unnecessary complexity.

It also means building the organisational capability to adapt as customer expectations and market conditions continue to change. The businesses that create long-term value are typically those that invest in capability before they need it – strengthening the foundations that support future growth, resilience and strategic flexibility.

Tam Goldin, Partner – Financial Advisory, Grant Thornton Australia

STRENGTHENING THE CUSTOMER PROPOSITION: UNDERSTANDING WHY CUSTOMERS CHOOSE AND RETURN

The most durable source of business value in retail is typically a customer proposition that gives people a genuine reason to choose a business over alternatives and return. While scale can create advantages, growth built primarily on convenience or price can be more vulnerable than growth built on consumer preference.

Retailers that understand what customers value – and consistently deliver against that expectation – are often better positioned to generate more resilient revenue streams, support pricing discipline and reduce reliance on promotional activity.

The importance of differentiation is increasing as cost-of-living pressures continue to influence consumer behaviour. Australia Post's FY26 Q4 eCommerce Update found that 59% of consumers never pay full price, while 46% are willing to switch retailers for a better deal. At the same time, 32% describe themselves as becoming more price conscious. In this environment, as retailers strive to protect profitability, they face growing pressure to provide customers with reasons to choose them beyond price alone.

Commercially valuable brand strength is distinct from brand awareness. A business can be well known without creating meaningful customer preference. Retailers looking to strengthen their proposition should focus on indicators such as customer retention, repeat purchase behaviour, full-price sales as a proportion of revenue, and customer lifetime value. These measures often provide a clearer view of loyalty, differentiation and proposition strength than awareness metrics alone.

For most retailers, building a stronger customer proposition isn't just a marketing initiative. It's an organisation-wide capability that influences product decisions, pricing, customer experience, channel strategy, and operational priorities. The businesses that create the most sustainable value are those that understand why customers choose them, translate that insight into clear business decisions, and build the capabilities needed to deliver consistently on their customer promise over time.



EARNINGS QUALITY AND OPERATIONAL DISCIPLINE: BUILDING PERFORMANCE THAT HOLDS UNDER PRESSURE

Strong earnings quality isn't simply about revenue growth. It reflects a retailer's ability to convert sales into sustainable earnings consistently through disciplined pricing, effective cost-structure management, and an operating model that can adapt when conditions change, supporting confidence in future performance.

In an environment where consumers remain focused on value and retailers continue to face cost pressures, protecting profitability requires more than short-term responses. Businesses need visibility into what drives performance, where value is created, and which parts of the operating model can be strengthened to support sustainable outcomes.

One of the ongoing challenges for retailers is balancing customer expectations around value with the need to maintain profitability. Sustained discounting can support short-term sales but place pressure on margins over time, particularly when promotional activity becomes a substitute for genuine customer differentiation. Retailers with a clear understanding of their customer proposition, pricing strategy and channel economics are better positioned to make informed decisions about where to compete and how to protect earnings.

Operational discipline also extends beyond the headline profit-and-loss statement. Inventory management, returns, customer acquisition costs, working capital efficiency and loss prevention can all influence the quality and sustainability of earnings. Improving visibility across these areas helps retailers identify inefficiencies and make targeted improvements.

Shrinkage is one example where operational capability can directly affect performance. Rising inventory loss rates – particularly in Victorian store networks – and associated security costs are placing additional pressure on retailers, especially those with large store networks or high-footfall locations. Addressing this challenge requires a combination of technology, process discipline, workforce management that goes beyond standard loss prevention, and clear accountability.

Workforce productivity is another area requiring ongoing attention. The Fair Work Commission's Annual Wage Review 2026 increased the national minimum wage by 5.97% from 1 July 2026, reinforcing the importance of understanding how workforce structures, rostering approaches and productivity drivers influence both customer experience and profitability. Retailers that regularly review how labour is deployed across the operating model are better positioned to balance service expectations with sustainable performance.

Ultimately, stronger earnings quality comes from building an operating model that can deliver consistent performance across different market conditions. Retailers that combine customer understanding with pricing discipline, cost visibility and operational control create a stronger foundation for sustainable growth and long-term value creation.

5.97%

National minimum wage increases from 1 July 2026 (Fair Work Commission Annual Wage Review 2026)

Source: Fair Work Commission, Annual Wage Review 2026

OPERATING MODEL AND SUPPLY-CHAIN CAPABILITY: BUILDING INFRASTRUCTURE FOR SUSTAINABLE GROWTH

As retailers grow, the capabilities that support early success do not always provide the foundation needed for the next stage of growth. Expanding into new channels, geographies or customer segments requires an operating model that can support greater complexity while maintaining a quality customer experience, operational control and profitability.

A scalable operating model allows retailers to grow without adding disproportionate complexity, investment requirements or operational risk. This requires clear decision-making frameworks, effective performance management, and supplier relationships that can adapt as business needs evolve. The goal is not to create more processes as the business grows, but to build the right capabilities that allow teams to make better decisions and execute consistently.

Supply-chain capability is a key part of this foundation. Retailers continue to navigate challenges, including changing consumer demand, longer and more variable lead times, elevated freight costs, and increased expectations around inventory management. Businesses that manage these pressures effectively tend to have greater visibility across their supply networks, build stronger collaborative supplier relationships, and can identify and respond to disruptions before they affect performance.

The right approach to supply chain will vary by category and business model. For some retailers, vertical integration or deep strategic supplier relationships may create competitive advantage. For others, flexibility and supplier diversification may be more appropriate. The focus should be on understanding where supply-chain capability can create value, improve resilience and support the broader customer proposition.

Where do businesses typically have the greatest opportunity to improve performance through operational improvement or strategic change?

The greatest opportunities come from identifying where the business has outgrown its current ways of working. This may involve simplifying processes, improving how decisions are made, strengthening supply-chain capability, improving workforce productivity or better aligning investment with customer priorities.

The opportunity is often less about one major initiative and more about creating greater connection between strategy, operations and execution. For growing retailers, this often means moving from founder-led or informal ways of working towards a more scalable operating model that allows the business to grow without losing control or customer relevance.

Kirsten Ridgway, Partner – Management Consulting, Grant Thornton Australia



Building organisational capability to support growth

Operational capability is sustainable only when it is embedded across the organisation. It cannot rely solely on a founder, a specialist, a spreadsheet or a pilot project. It becomes a true organisational capability when teams have clear roles, reliable information, established processes and the accountability to execute consistently, creating greater depth and resilience as the business grows.

This becomes increasingly important as retailers scale. The leadership model that built a successful business may not readily support the next stage. Stronger operating models typically involve clearer decision rights, better access to performance information, consistent operating rhythms and incentives aligned to strategic priorities.

Governance proportionate to the stage of growth, and the depth of management capability beyond the founding team, can help retailers maintain control while preserving the agility that often underpins early success.

What operating-model disciplines separate retailers that can scale successfully from those that struggle to maintain performance?

A common challenge we see as retailers grow is that the capabilities that helped them reach their current size don't always support the next stage of growth. Successful scaling usually requires greater clarity around decision-making, accountability and performance management. Leaders need confidence that the right information is reaching the right people at the right time, and that teams across the organisation are aligned around the same priorities.

The operating model doesn't need to become more complex as the business grows, but it does need to become more deliberate. The retailers that navigate growth well are often those that create enough structure to improve consistency while still maintaining the agility and customer focus that made them successful in the first place.

Kirsten Ridgway, Partner – Management Consulting, Grant Thornton Australia

TECHNOLOGY AND AI AS BUSINESS CAPABILITY: EMBEDDING TOOLS THAT STRENGTHEN HOW THE BUSINESS WORKS

Retailers have access to more customer, operational and financial data than ever before. The opportunity is not about collecting more information, but using it to make better decisions, strengthen customer relationships and improve how the business operates. The starting point is not selecting which tools to adopt but identifying where the business has the greatest opportunity to improve, with technology acting as an enabler rather than the starting point.

Technology can help retailers build capability in three areas where it most consistently delivers business value.

Customer insight

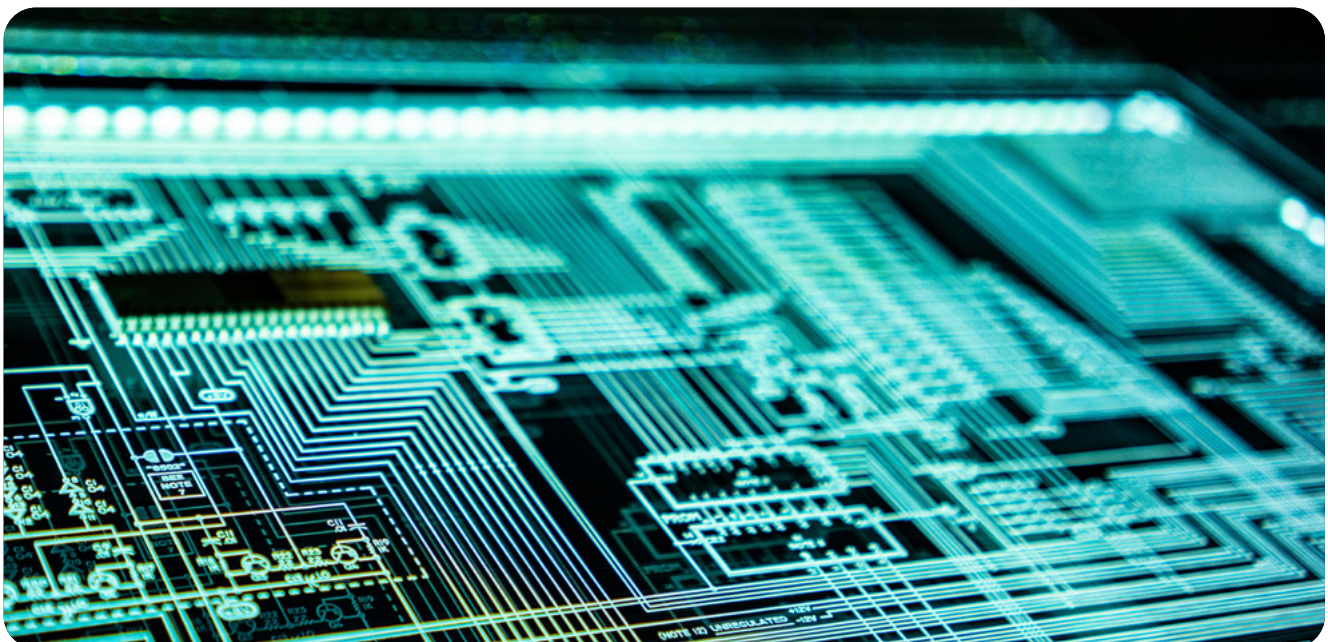
Retailers using data to understand customer behaviour, preferences and lifetime value are better positioned to make decisions on ranging, pricing and experience design that strengthen retention and improve acquisition economics.

Operational efficiency

Demand forecasting, inventory management and supply-chain visibility reduce the cost of holding excess stock and the earnings risk of stockouts.

Decision-making

AI tools that support faster, more informed decisions across ranging, pricing and workforce planning tend to create more consistent value when applied to clear business problems rather than deployed as a stand-alone capability.



The distinction between foundational technology and AI use cases is worth making explicit. Foundational technology – including reliable point-of-sale systems, integrated inventory management, connected customer data and clean financial reporting infrastructure – creates the data quality and process consistency that AI tools require to function effectively. Retailers that attempt to deploy AI on top of fragmented or unreliable data are more likely to add complexity than to improve decisions. Often, the problem is not the technology itself, but deploying it before the processes, data quality and organisational capability needed to use it consistently are in place.

The most effective technology investments are those linked to clearly defined business outcomes, supported by reliable data and embedded into everyday decision-making and operating processes. Technology becomes a true business capability when it strengthens how the organisation works rather than operating alongside it. Pilot programs that fail to become normal operating processes often indicate a gap between the technology itself and the organisational capability required to realise its benefits.

How can retailers ensure technology and AI investments create measurable business outcomes rather than simply adding complexity?

The first step should be understanding where the business has the greatest opportunity to improve, with technology acting as an enabler rather than the starting point. Retailers have access to more data and technology capability than ever before, but the challenge is translating that into better decisions, stronger customer relationships and improved ways of working.

Whether through customer insights that strengthen loyalty, automation that reduces friction in processes, or AI that supports better decision-making, the value comes from applying technology to a clear business need. The opportunity for retailers is to combine technology investment with clear strategy, strong processes and the organisational capability to turn new tools into measurable improvements.

Kirsten Ridgway, Partner – Management Consulting, Grant Thornton Australia

FROM DIAGNOSIS TO EMBEDDED CAPABILITY: BUILDING TOWARDS A STRONGER BUSINESS

The five capabilities identified through this series are interconnected, and the priorities for each retailer will depend on its strategy, operating model and stage of growth. The practical value of the framework is not in pursuing every capability at once, but in understanding where investment can have the greatest impact and how different capabilities reinforce one another over time.

For some businesses, the immediate priority may be strengthening the customer proposition and reducing reliance on promotional activity. For others, improving earnings visibility, operational discipline or technology foundations may create the greatest opportunity. What matters is identifying the capabilities that will have the greatest impact on performance and ensuring they are supported by clear ownership, measurable outcomes and the organisational discipline to embed change.

In practice, customer proposition development, earnings quality improvement and operating model evolution often need to progress in parallel rather than in isolation. A business under sustained margin pressure cannot wait until every element of its customer strategy is resolved before improving cost visibility or operational efficiency. Equally, technology investments are most effective when they support clear business priorities and are embedded into the way an organisation operates.

The retailers that create the most durable value tend to be those that build capability with a long-term view rather than in response to short-term pressure. A clearer customer proposition, stronger earnings discipline, scalable operations and technology-enabled decision-making models create a stronger foundation for sustainable growth, resilience and strategic flexibility over time.



E-book 4, the final e-book in the series, will examine where the market is heading and where the next opportunities are likely to emerge in Australian retail. For businesses that have invested in the capability foundations examined in this e-book, the opportunity is not simply responding to change, but being better positioned to identify and pursue opportunities ahead.



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SOURCE NOTES

Data sources and references

The primary data source for transaction values, EBITDA multiples, and company-level margin data is the Grant Thornton Australia Retail Dealtracker 2026, which draws on S&P Capital IQ, Mergermarket, IBISWorld, ASX announcements, and company disclosures. Thule/Quad Lock financial metrics (9.8x EV/EBITDA, 25% EBITDA margin, 75% direct-to-consumer, approximately 100 countries) draw on the Thule Group acquisition announcement, Nasdaq Stockholm, November 2024. Labour-cost data draws on the Fair Work Commission Annual Wage Review 2026; retail employees are commonly covered by modern awards, and applicable award increases should be confirmed separately before modelling their impact on labour cost structure. Macroeconomic data draws on the Australian Bureau of Statistics and the Reserve Bank of Australia. EV/EBITDA multiples for Dollarama/The Reject Shop (8.9x) and Chemist Warehouse/Sigma Healthcare (51.9x) are presented on a pre-AASB 16 basis; the Retail Dealtracker that was made available published 3.3x and 68.0x, respectively, on a post-AASB 16 basis. Both pre-AASB 16 figures were provided by Grant Thornton Corporate Finance and do not appear in the published Retail Dealtracker.

Partner perspectives reflect views shared by Tam Goldin and Kirsten Ridgway, Partners at Grant Thornton Australia, in response to questions issued in July 2026. These perspectives represent professional judgement informed by advisory experience and are not derived from the Retail Dealtracker dataset.

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