Grant Thornton

THE STRATEGIC OUTLOOK

RETAIL DEALTRACKER 2026

E-BOOK BY Inside Retail

Three e-books have laid the foundations. E-book 1 described the 2025 Australian retail M&A market. E-book 2 identified the characteristics of stronger-performing businesses. E-book 3 examined how to build them. This final e-book asks what comes next: Given the structural forces already reshaping Australian retail, what decisions should retail leaders make now to be well positioned for the period ahead?

STRATEGY IN AN UNCERTAIN ENVIRONMENT

Businesses with clear customer propositions, disciplined earnings and stronger operating models are better placed to navigate an environment that is becoming increasingly complex. As we move towards the end of 2026 and into 2027, customers remain selective, costs continue to put pressure on margins, and rapid technological change is creating new opportunities as well as new challenges for retailers.

This e-book isn't about picking sectors or chasing deals. It explores what the evidence tells us about where competitive advantage is being built, what could put that under pressure, and choices businesses need to make to remain high performing as conditions change.

Over the next three to five years, retailers will need to be clear about where they compete and disciplined about how they allocate their attention and investment. The businesses best placed to create enduring value won't necessarily be those that respond to every new opportunity. They'll be those that understand where they have an advantage, make deliberate choices about where to build it and have the organisational capability to adapt as conditions change.

Clarity and discipline will help businesses build the resilience and adaptability needed to create sustainable value as the conditions around them continue to change.

Which sectors and business models do you see as best positioned to create value over the next two to three years?

The businesses best positioned will be those that combine a clear customer proposition with the ability to deliver consistently and scale without adding too much complexity. That could be a specialist business with strong customer loyalty, a scaled operator that has built strong procurement or distribution practices, or a retailer in a category with stable demand. The sector matters, but the underlying business model matters more.

We're seeing that resilience and a clear strategy for growth are key differentiators. Businesses that can demonstrate those qualities are likely to have more options as the market evolves.

Tam Goldin, Partner – Financial Advisory, Grant Thornton Australia

"The sector matters, but the underlying business model matters more."

THE ENVIRONMENT RETAIL LEADERS ARE NAVIGATING

The characteristics that create value in retail haven't fundamentally changed, but the environment is changing what it takes to build and sustain them. Customers are more selective, costs continue to put pressure on margins and technology is changing how businesses operate. For retail leaders, the question is not simply which capabilities matter, but where they need to evolve.

Consumer confidence and spending

Australian households are spending selectively. ABS data shows retail spending grew 5%, year on year, in January 2026, rising to $38.63 billion from $36.79 billion in January 2025. Growth varied across categories, with spending in clothing and footwear rising 6.1%, in food retailing 3.7%, and in cafes, restaurants and takeaway services 8.7%.

At the same time, consumer confidence remains subdued. The Westpac–Melbourne Institute Consumer Sentiment Index fell to 80.6 in June 2026, well below its long-run average, while interest rates remained elevated. For retailers, this points to a consumer who is still spending but remains selective about where and how.

The Australia Post "eCommerce Update FY26 Q4" found that 59% of consumers never pay full price, 46% are willing to switch retailers for a better deal, and 32% describe themselves as becoming more price conscious. This puts greater pressure on retailers to give customers a reason to choose and stay with them.

The implication for the customer proposition is that being available or convenient isn't necessarily enough. Retailers need to understand what customers value and build a proposition that gives them a reason to choose the business, even when household budgets are under pressure.





Productivity is becoming a strategic capability

The same pressure is playing out inside businesses. Labour costs have increased following the Fair Work Commission's 5.97% minimum wage increase from July 2026, while energy, rent and compliance costs continue to put pressure on margins.

For retailers, improving productivity is increasingly about finding ways to do more with existing resources while maintaining the customer experience. That makes the operating model more than a cost consideration. How work gets done, where decisions sit, how information moves through the business and how effectively resources are deployed can all affect the ability to protect margins and invest in growth.

Technology can be one lever, but its value will depend on the foundations retailers have in place. For retail leaders, the question is whether their data, processes and operating models are ready to support the technology they want to introduce.

What this means for value creation

Taken together, these shifts reinforce the theme running through this series: Stronger businesses aren't defined by one capability in isolation. A clear customer proposition needs to translate into sustainable earnings. An effective operating model needs to support the customer experience while managing costs. Technology needs to improve how the business works rather than add another layer of complexity.

The strategic question is how retailers respond: Where does your business have an advantage today? Where is that advantage under pressure? And which capabilities need to become stronger for it to remain competitive?

80.6

Westpac–Melbourne Institute Consumer Sentiment Index, June 2026. Well below the long-run average and among the weakest readings in the survey's 50-year history.

WHERE COMPETITIVE ADVANTAGE IS BEING BUILT

The pressures facing retailers don't affect every business in the same way. Some are better placed to protect margins, retain customers and respond to change, while others are having to work harder to maintain performance. What separates them isn't necessarily the category they operate in. It's the strength of the business built around its customers, earnings and operating model – and how well those elements work together.

Grant Thornton Australia's Retail Dealtracker 2026 data provides some useful evidence of this. For example, in Consumer Discretionary, Automotive businesses traded at 11.2x earnings, compared with 6.4x for Apparel. While sector dynamics play a role, the difference also highlights that businesses facing similar market conditions can produce very different outcomes.

The same pattern exists within sub-sectors. Businesses attracting investment aren't simply in the right market segments, differences in performance and valuation exist. This highlights the importance of your individual business and the position it's built.

The question is, where does your business have an advantage that customers value and competitors will find difficult to replicate?

That requires a clear view of what your business does particularly well today and where that position could come under pressure. A strong brand or customer proposition may create loyalty, but changing customer expectations can put that advantage under pressure. A productive operating model can protect margins, but rising costs or increasing complexity can change the economics. Technology can create new opportunities, but only where the business has the data, processes and capability to make use of it.

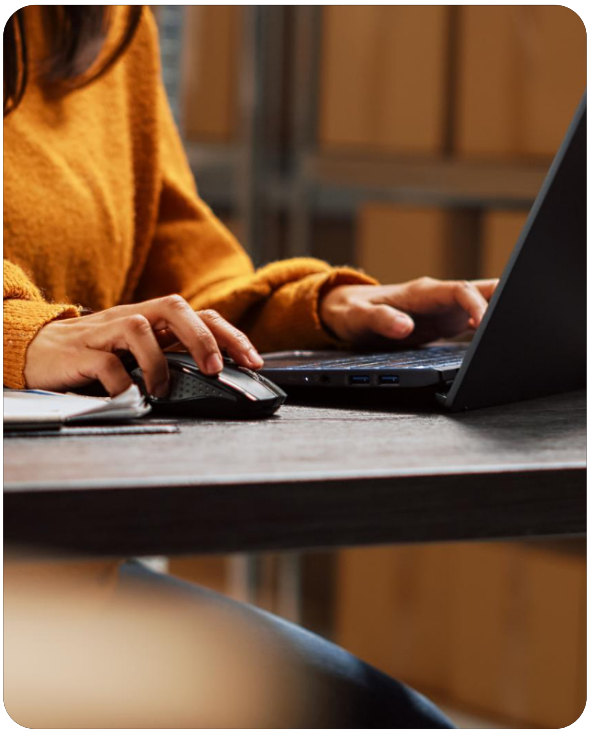
This is where competitive advantage becomes more than a collection of strong capabilities. It's about how those capabilities come together to create a business that can perform today while adapting to what comes next.

What this means in practice

This makes prioritisation a strategic decision, not simply an investment question. Retailers can't build every capability at once, respond to every emerging trend or pursue every opportunity that appears attractive.

The starting point is understanding where the business has the strongest foundations and where they may need to evolve. From there, leaders can decide which capabilities need to be strengthened, which need to change and where investment isn't likely to create a meaningful advantage.

For some businesses, the priority may be building a distinctive customer proposition or brand. For others, it could mean improving productivity, simplifying the operating model, or investing in technology or data. The right answer will depend on the position your business is trying to build. The challenge is making those choices deliberately and ensuring the capabilities being built support the position the business wants to hold in the market.



ADVANTAGE IS BECOMING HARDER TO HOLD

Building a strong position today doesn't guarantee it will remain strong tomorrow. Customer expectations change, new competitors and challenger brands emerge, and technology continues to shift how customers discover, compare and buy.

International markets offer some useful examples of how quickly these shifts can happen. The growth of social and live commerce in China, for example, has brought discovery, engagement and purchasing closer together. And in the UK, continued pressure on physical retail is prompting businesses to think differently about the role and financial viability of their store networks.

These developments won't necessarily play out in Australia in the same way. But it's worth thinking about what these trends tell us regarding the pace of change and the need to keep testing whether today's approach, proposition, channels and operating model still make sense as customer behaviour evolves.

This doesn't mean responding to every new trend. Not every change will matter to every retailer – and not every shift will warrant a major investment or strategic change. The challenge is in identifying the changes that could affect your customers or competitive position and deciding when to respond.

Stay close to what is changing

This means retailers need to look beyond their own performance and keep a close eye on what's happening around them. That includes gathering ongoing insights into how customers are changing the way they shop, watching how competitors are responding, and looking at developments in other markets that could influence expectations in Australia.

It also means testing assumptions regularly. A customer proposition or channel that's worked well for several years may need to evolve. A competitor that wasn't previously relevant may start shaping customer expectations in a new way.

The businesses that remain competitive won't necessarily be those that move the fastest on every new development. They'll be those that keep a clear view of where their customers and competitors are heading, understand what that could mean for their position, and make deliberate choices about when to respond.

Technology is one of the clearest examples of this: It creates opportunities to change how retailers operate and compete, while also challenging some of the assumptions underpinning existing business models.

How can retailers stay close to changing customer expectations?

Retailers need to look beyond their traditional competitors and stay close to how customers are shopping and what they're responding to. That means watching new entrants, adjacent businesses, and developments in other markets, not just the businesses you compete with today. Second-hand clothing and accessories marketplace Vinted is one example; it has gained traction quickly in Australia, challenging established resale platforms and showing how quickly a new proposition can change competitive dynamics.

You don't need to respond to every new entrant or trend. The opportunity is to understand what could change customer expectations or challenge your position, and decide where a response makes sense.

Kirsten Ridgway, Head of Retail & Consumer Products – Management Consulting, Grant Thornton Australia

THREE DECISIONS THAT WILL DEFINE THE NEXT PHASE

The trends and changes covered in this e-book point to a clear set of choices for retail leaders. This isn't about predicting which businesses or sectors will win. It's about deciding where to focus, where to invest and how to build the organisation to respond as conditions change.

1 Where to compete

With customer loyalty harder to earn, growth more difficult to find, and margins under pressure, retailers need to be clearer about where they can genuinely compete. That starts with knowing who you serve and why those customers choose you. The retailers best placed to hold their position aren't necessarily the biggest or the most affordable. They have a clear proposition and a business model that supports it consistently – from product and pricing through to customer experience and operations.

Grant Thornton Australia's Retail Dealtracker 2026 shows a similar pattern across sectors. The businesses attracting investment aren't just in the 'right' sectors. Differences in performance and valuation exist within sectors too, highlighting the importance of the individual business and the position it has built.

For retail leaders, the question is whether you have a position that customers value and competitors will find difficult to replicate – and whether the rest of the business is set up to support it.

2 Where to invest

The next decision is where to put capital, technology and management attention. There will always be more opportunities than a retailer can pursue, particularly as new technologies create more possibilities for improving productivity and customer experience.

AI is a good example. The question isn't simply whether to invest in AI, but where it could make a meaningful difference to the business and what needs to be in place to support it. That might mean improving data and processes first, redesigning how a particular activity works, or investing in technology where there is a clear business case.

The same discipline applies beyond technology. Retailers need to consider where investment in areas such as stores, supply chains, people, customer propositions and new channels will best support the position they are trying to build. The challenge is making those choices deliberately and being prepared to stop or change course when an investment is no longer delivering what the business needs.

3 What kind of organisation to build

A strategy is only as effective as the organisation's ability to execute it and respond as conditions change. That means building the ability to make good decisions and adapt quickly, because predicting exactly how customers, technology or competition will evolve is difficult. It requires practical organisational investments such as clear decision-making and accountability, timely and reliable information, leadership depth beyond the founding team, and operating rhythms that allow a business to identify what's working and what isn't – and act on that knowledge.

The businesses we've discussed in this series – those with real brand strength, disciplined earnings and solid operating models – aren't just set up for now. They've built capabilities that support performance today while giving them room to respond as conditions change.

That's why building capability matters more than chasing the current cycle. A stronger business isn't just worth more. It's more resilient and adaptable – more likely to respond when the next change comes.

For a retail leader who has invested in building stronger business capabilities, what should they focus on next?

The challenge is making choices about where to compete and where to invest. Leaders need to be clear about what they want the business to be known for and whether the operating model, people and technology support that ambition.

The next three to five years will also require flexibility. It's difficult to predict exactly how customers, technology or competition will evolve, so retailers need the ability to make good decisions and adapt quickly. Building that agility is just as important as getting individual strategic decisions right.

Kirsten Ridgway, Head of Retail & Consumer Products – Management Consulting, Grant Thornton Australia



"Building capability matters more than chasing the current cycle."

This series opened with a question about what the 2025 market was telling us. Across four e-books, the consistent answer is this: The enterprises creating enduring value in Australian retail are not those preparing for a transaction or optimising for a single market cycle. They're those building businesses that perform well, earn genuine customer loyalty, and have the organisational capability to adapt as the environment changes.

Those businesses will have more options as the market evolves, including transaction options when the time is right. But the options follow from the capability. The capability does not follow from chasing the options.

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SOURCE NOTES
Data sources and references

The primary source for all transaction volumes, deal values, sector analysis, EBITDA trading multiples and market observations is the Retail Dealtracker 2026, published by Grant Thornton Australia and drawing on S&P Capital IQ, Mergermarket, IBISWorld, ASX announcements and company disclosures. Global market perspectives on the UK, India and China are informed by Grant Thornton's global member firm teams in those markets. Consumer spending data draws on the Australian Bureau of Statistics Monthly Household Spending Indicator (January 2026 and subsequent releases). Consumer sentiment data draws on the Westpac–Melbourne Institute Consumer Sentiment Index (June 2026). Consumer behaviour data draws on the Australia Post FY26 Q4 eCommerce Update. Retail technology adoption analysis draws on Manhattan Associates 2026 retail and supply chain predictions. Regulatory context draws on the Australian Competition and Consumer Commission guidance on mandatory merger notification. 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 2026 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 2026.

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

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