Australian Home & Housewares Market Overview
September 1, 2013

FAST FACTS

GDP: US$1.5 trillion
GDP per capita: A$65,305 (2013)
Unemployment rate: 5.7% (July 2013)
Inflation rate: 2.4% (2013)
Main import sources: China, United States, Japan, Singapore, Germany (2011)
Households with internet access: 79% (2010–11)

MARKET OVERVIEW

By 2012, Australia had experienced more than 20 years of continued economic growth, averaging 3.5% per year. Australia's positive outlook is underpinned by a record pipeline of resource investments, solid growth in commodity exports and a strong fiscal position.

Australia is currently both the 19th largest exporter and importer in the world, and nominally is the 12th largest economy in the world. Housing and construction levels have increased in the first six months of 2013, and there are cautious signs of stronger retail sales. The Australian dollar has, over the last 2 years, hovered around parity with the U.S. dollar. Recently, it has fallen to around 0.9 per U.S. dollar. Inflation is around 2.4%, is helped by a relatively strong Australian dollar and is expected to stay contained. There are signs of upturn in the household sector, while consumer spending appears to have stayed at an average level. Importantly, online sales have increased 27% compared to traditional retail sales increasing at 0.4%.

GENERAL RETAIL OVERVIEW

The Australian home and housewares retail market is generally made up of a large number of small to medium, specialized businesses that fight for market share with larger general merchandisers. The industry is in the mature stage of its life cycle, and the intense, competitive retail climate has made consolidation a common practice for companies aiming to increase their market shares. IBIS World projects that the specialty housewares retailing segment accounts for 35% to 45% of all housewares sales in Australia, with the balance made up through department stores, supermarkets, and other retailers.
The industry revival of the past few years is partly owed to the popularity of various reality television shows that involve DIY home design or cooking programs. These programs inspire people to take up home redecorating or cooking as leisure activities. In the five years through 2013-14, Australian industry revenue is estimated to increase an annualized 0.3% to $1.5 billion, with strong estimated growth in 2013-14 of 2.4% as demand rebounds from a decline in the previous year. (IBIS World)

Niche operators are also looking to establish themselves within the market through the stocking of specialized or novelty products. The ability to add value in this way can result in a marginal increase in profit margins for housewares retailers. A strong Australian dollar during the past few years has increased internet-based retail demand significantly, particularly for imports. This has provided Australian retailers with a new challenge, as consumers source products directly from manufacturers and avoid paying higher prices.

Over the five years through 2018-19, industry revenue is forecasted to return to moderate growth as housing construction activity and household spending increase due to improving consumer confidence and a stronger economy. Industry revenue is forecasted to increase at an annualized 1.4% to reach $1.6 billion in 2018-19, as demand for housewares from domestic retailers remains robust. (IBIS World)

**ONLINE REVOLUTION**

Online retailing has changed the face of the Australian retail sector, representing a paradigm shift in the way consumers make transactions. While the industry is in its infancy, both technologically and monetarily, it has grown dramatically over the past five years to become part of the mainstream consumer’s psyche. This has been aided by the equally rapid growth in internet and broadband penetration, combined with an acceptance of electronic commerce as a viable and safe alternative to traditional bricks-and-mortar retailing.

The industry has benefited from consumers seeking choice and value, particularly as discretionary spending and overall consumer sentiment have declined. The online space offers unprecedented choice, as there are no geographical boundaries, and prices are highly competitive. Industry revenue is expected to grow by an annualized 24.1% in the five years through 2013-14, to total $12.4 billion. In 2013-14, the industry is forecasted to increase by 11.3%.
PRODUCT SEGMENTATION

The housewares retailing industry sells a diverse range of products, including cookware, tableware, food storage, cutlery, knives, bakeware and glassware. A breakdown of industry revenue by product category is shown below:

Cookware
The cookware segment accounts for an estimated 22.4% of industry revenue in 2013-14, and includes saucepans, fry pans, cook sets, woks, pots, roasting pans, and pressure cookers. Spending on this product segment has increased in the past five years with many cooking shows and programs inspiring people to cook more and invest more in their kitchens. This segment is expected to continue to trend upward in the five years through 2018-19 to account for a forecasted 23.1% of industry revenue.

Tableware
Tableware is the second-largest industry product segment and includes dinner sets, dishes, plates, china, platters, salad bowls, and cake stands. This segment is estimated to account for 19.3% of industry revenue in 2013-14, down from 21.2% in 2008-09. A shift in eating and dining habits is the main reason for the fall in tableware expenditure. People are no longer accustomed to using expensive dinner sets or chinaware when entertaining guests. Modern Australian consumers prefer function to form when it comes to dining sets, and suppliers have been offering a large pool of alternatives to costly designer tableware. This downward trend is forecasted to continue in the five years through 2018-19, leading this segment to account for 18.5% of industry revenue.

All other housewares
A major product segment for the industry, at an estimated 18.6% of industry revenue in 2013-14, is all those goods that fall within the miscellaneous, or other, housewares segment. Items in this category include mixing bowls, scales, measuring cups, chopping boards, slicers, kitchen timers, pastry tools, colanders, picnic ware, sieves, graters, mortars and pestles, can openers and candles. Growth is expected in the five years through 2018-19, to reach 19.0% of industry revenue.
Food storage
Food storage includes plastic, ceramic and glass containers designed to hold cooked and finished food, and long-term storage jars and containers for raw and unprocessed items. Tupperware, Pyrex and Maxwell & Williams are major brands in this segment, which is estimated to account for 12.4% of industry revenue in 2013-14. Most households use a high volume of food storage containers, which have a relatively high turnover compared with many other products in the industry. However, with increased volumes of lower-priced food storage containers likely to be imported in future years at the expense of high-end goods, this segment is forecasted to decline to 11.8% of industry revenue in 2018-19.

Cutlery and knives
The cutlery and knives segment is expected to have increased from 9.8% of industry revenue in 2008-09 to 10.9% in 2013-14, with an increase in the number of high-end knife brands on the market. This trend is expected to continue in future years to account for 11.3% of industry revenue in 2018-19. This segment includes chef knives, knife block sets, steak knives, bread knives, boning knives, paring knives, utility knives, kitchen scissors, knife sharpeners, and table cutlery such as knives, spoons and forks.

Bakeware and glassware
Bakeware products include baking dishes, baking trays, baking tins, pie tins, cooling trays and other baking products. This segment is estimated to account for 8.8% of industry revenue in 2013-14, unchanged from 2008-09. Glassware includes drinking glasses, wine glasses, decanters, tumblers, mugs, cups and jugs, and is estimated to account for 7.6% of industry revenue in 2013-14. This segment is expected to maintain its share in the foreseeable future, as drinking habits are likely to remain stable.
GEOGRAPHIC SEGMENTATION

The geographic spread of the housewares retailing industry’s enterprises correlates highly with population distribution. Consequently, both enterprise and revenue distribution has its highest proportions in New South Wales and Victoria. Over the past few years, both New South Wales’ and Victoria’s share of industry enterprises have in fact risen as greater levels of urbanisation have facilitated niche store growth. That said, the mining boom has led to above average growth in Queensland and Western Australia.

KEY RETAILERS

1. Mass Merchants

Wesfarmers Ltd.
Brand Names:
   Kmart [www.kmart.com.au]
   Target [www.target.com.au]

Wesfarmers Ltd. today operates a diverse portfolio, which includes department stores, coal mining, insurance, home improvement and hardware. It expanded its sphere of influence in Australian retailing with the acquisition of the Coles Group in late 2007. Through its ownership of the Kmart and Target brands, it remains a major player in the Australian department store industry.

Kmart, a discount department store chain targeted at families, provides a range of value-priced products. These include apparel, footwear, beauty products, toys, sporting goods, entertainment and homewares. In the department store landscape, the market share of Kmart has improved from 13.5% in 2007-08 to an expected 22.5% in 2012-13. It is expected that Kmart will earn an estimated $4.26 billion, at a growth rate of 4.9%. In an effort to improve supply chains and reduce costs, Kmart recently established a sourcing base in Hong Kong and obtains large numbers of its products directly from factories in Bangladesh and China. Kmart is projected to grow annually by 11.7% in the five years through 2012-13
Target is a mid-market department store retailer. Target aims to be a fashionable alternative to the specialty stores, and offers an affordable product range. The range includes footwear, apparel, toys, entertainment, cosmetics, homewares and electronics. There are currently 305 store locations. The brand is expected to grow at 11.8% per year for the next five years.

Woolworths Ltd.
Brand Name: Big W
www.bigw.com.au

Woolworths has an increasing presence in the homewares market through its subsidiary brand, Big W. With the first store opening in 1976, it now has over 100 store locations in mainly suburban and regional areas, with a few stores operating in city centers. The stores offer a wide range of products, which include home and office stationary, appliances, kitchenware, home entertainment, clothing and DIY products. Over the five years through 2012-13, Big W's revenue grew at an annualized 2.0%, outpacing the industry.

Reject Shop Limited
www.rejectshop.com.au

Reject Shop Limited, an Australian-owned public company, retails discount variety merchandise. Operating in every Australian state and territory except the Northern Territory, Reject Shop Limited opened its 200th store in 2010. With headquarters in Kensington (VIC), the company offers many different types of goods, meaning it has a presence in a variety of industries. Most of the goods sold are housewares. The goods sold are a budget alternative, and thus the goods that are sold are considered very cheap or basic. In the 2012-13 financial year, the company gained $156.3 million dollars in revenue, and is expected to grow in the five years from 2012-13 at an annualized rate of 12.1%.

Steinhoff Asia Pacific Holdings Pty Ltd
Brand Name: Freedom
www.freedom.com.au

Steinhoff Asia Pacific, a branch of the larger Steinhoff International Group, is a manufacturer, wholesaler and retailer of homewares and furniture. It entered the Australian market in 2001 and has since absorbed the Freedom Group, who represents Steinhoff Asia Pacific in the market. The Freedom Group has a number of brand names, including Freedom Australia, Freedom New Zealand, Big Brand Outlets, Anderson and Bay Leather Republic. In the five years through 2012-13, revenue is expected to decline at an annualized rate of 2.2%.

IKEA Pty Limited

IKEA is a fully owned subsidiary of the Netherlands-based Ingka Holding BV and is a major player in the housewares market. IKEA operates in Australia using of a smaller number of large stores, and is expected to expand its number of stores to 11 in the next five years. In the 2011-12 year IKEA had revenue of $114.5 million.
Copperart Holdings Pty Ltd
www.homeart.com.au

A major player in the Australian Housewares Retailing industry, a low-cost home décor and housewares brand has been created with Homeart. It operates out of over 140 stores, which spans across all of Australia (except for the Northern Territory). Homeart carries a wide range of products, for the kitchen and bathroom, as well as selling consumer electronics and appliances, seasonal home décor, furniture, bedding, pet supplies and leisure products. Approximately 90% of its revenue comes from housewares sales, and it gained an estimated $72.5 million in revenue for the 2012-13 financial year.

2. Department Stores

David Jones Limited
www.davidjones.com.au

One of the oldest department stores in Australia, David Jones offers a wide range of high-end products for consumers. These include apparel, cosmetics, homewares, furniture and electronic goods. With its headquarters in Sydney, it has nearly 40 stores in most Australian states and territories. David Jones’ revenue in the five years from 2012-13 (excluding food and liquor sales) is estimated to decline at an annualized rate of 6.7% to total $1.74 billion.

Myer Holdings Ltd.
www.myer.com.au

Operating 67 stores, Myer offers consumers a wide range of apparel, consumer electronics, cosmetics and homewares. Myer was a part of the larger Coles Group until 2006, when it was sold to a private consortium (which included Texas Pacific Group, Newbridge Capital and the Myer Family Company) for $1.4 billion. In the five years from 2012-13, consumer goods retailing is expected to generate $2.8 billion, an annualized decrease of 5.8% (nominal decline by an annualised 1.8%).

3. Specialty Retailers

Howards Storage World
www.hsw.com.au

Established in 1998, Howards Storage World now has 78 stores. While 60 of these are in Australia, there are 18 stores spread across countries such as Canada, Singapore, the Philippines, India, New Zealand, Spain and Ireland. With total annual sales of US$105 million, Howards Storage World offers a range of housewares products and targets the above average consumer. There is a focus on marketing quality goods with clever designs, and there is a focus on building their own brand to sell. Howards has an increasing online presence, with an eShop, Facebook, Twitter and YouTube profiles.
Harvey Norman Holdings Ltd
Brand Names:
  Harvey Norman [www.harveynorman.com.au]
  Domayne [www.joycemayne.com.au]
  Joyce Mayne [www.domayneonline.com.au]

The Harvey Norman franchise group has nearly 600 stores across Australia, and there are numerous company owned operations in overseas markets, such as New Zealand, Ireland, Singapore and Slovenia. Between the three brands of Harvey Norman, Domayne and Joyce Mayne, the business provides a wide range of electrical goods, homewares and furniture. In the five years through 2012-13, the Harvey Norman group consumer goods revenue is expected to decline by an annualized 4.3% to total $1.4 billion (nominal decline by an annualized 0.8%). This large decline can be attributed to increasing competition from cheap online retailers, as well as price deflation in electronic goods.

Matchbox
[www.matchbox.com.au]

As an independent kitchenware and cookware retailer, Matchbox has over 25 stores in Victoria, Queensland and Western Australia. Stocking brands such as Maxwell & Williams, Mundial, Anolon, Magimix, Jamie Oliver and Wusthoff, Matchbox is able to provide a wide range of quality house and homeware products.

House
[www.house.com.au]

Established in 1978, House operates over 100 retail stores across Australia, 60% of which are located in New South Wales or Victoria. With products that are largely kitchenware and dining goods, House offers brands such as Maxwell & Williams, Swiss Diamond, Victorinox and Magimix.

The Homewares Group
Brand Names:
  General Trader [www.generaltrader.com.au]
  Your Habitat [www.yourhabitat.com.au]
  Minimax [www.minimax.com.au]

The Homewares Group was formed in 2011 following the merger of General Trader and Your Habitat. Minimax was added to the Homewares Group in early 2013, and the group now has 23 stores across Australia generating revenues of over $20 million.
4. Alternate Channels

The Direct Group
www.directgroup.com.au
www.itvsn.com.au

Since its launch in 1985 as a specialist direct marketer, Direct Group has developed into a comprehensive multi-channel retailer offering a wide variety of products to millions of loyal customers. The group operates in Australia and New Zealand and communicates directly with its customers through its 16 websites as well as emails, catalogues, television and distributors. TVSN is Australia’s only TV shopping network and broadcasts 24/7 on cable and free-to-air channels reaching 90% of Australian households.

Catch of the Day
www.catchoftheday.com.au

Www.catchoftheday.com.au has been named Australia’s number 1 online shopping site for three years running and has over 2 million members. On average, one item is sold is every second, 24 hours a day, 7 days a week.

Hard to Find
www.hardtofind.com.au

Www.hardtofind.com.au is an Australian shopping website featuring beautifully designed, hand-crafted, unique products - homewares, gorgeous gifts, kids' stuff and accessories - that are not easily sourced elsewhere.

The Home
www.thehome.com.au

Www.thehome.com.au is a leading housewares flash site in Australia. Members have access to exclusive sales events featuring homewares from leading brands and renowned designers at up to 70% off the recommended retail price.

5. Grocery

Woolworths Ltd
Brand Names:
Woolworths www.woolworths.com.au
Thomas Dux Grocer www.thomasdux.com.au

Woolworths Ltd is one of the largest companies in Australia as measured by annual revenue. Woolworths' most lucrative operating segment is food and liquor retailing where it operates over 870 supermarkets and serves more than 10 million customers each week. The company also operates in the industry through its Thomas Dux range of premium supermarkets.
Wesfarmers became a pivotal player in the supermarkets and grocery stores industry following its acquisition of Coles Group for $22.1 billion in 2007. Over the past five years, the Coles supermarket segment has gained significant ground on Woolworths to further entrench itself as the second-largest player in the industry. Under the ownership of Wesfarmers, the Coles brand has been rejuvenated and revenue has soared, making it one of the most successful turnaround stories in Australian retail history. Revenue growth has allowed Coles to become the 18th largest global retailer.

Independent Grocers of Australia

Independent Grocers of Australia (IGA) commenced operations in Australia in 1988 and now has 1,650 stores under the banners of Foodland IGA, Supa-IGA, IGA, IGA Everyday, IGA Express, Friendly Grocer and Eziway.

Costco

Opening in Docklands, Melbourne in 2009, Costco now has a warehouse in Sydney and Canberra and is set to open three more warehouses in Australia. Costco currently has four retail locations with two additional opening in 2013 and employs over 1,000 staff. Costco recorded Australian revenue for year-end September 2012 of $612.0 million, a 40.0% increase on 2011.

6. Big Box Hardware

Bunnings

Wesfarmers Limited is the parent company of Bunnings, the country’s largest home improvement store. The company sells a wide range of products for the bathroom, kitchen, garden and other household areas. Bunnings has 206 warehouse stores, 56 smaller format stores and 36 trade center stores.

Woolworths Ltd

Brand Names:
- Masters www.masters.com.au
- Thrifty-Link Hardware www.thriftylink.com.au
- Home Hardware www.homehardware.com.au

Woolworths is readying itself to become a major force in the industry with the rollout of 150 Masters hardware stores by 2015. Woolworths first moved into the hardware market in 2009-10 with the takeover of Danks, as part of a joint venture with Lowe’s (the second-largest home improvement chain in the United States). This included 581 stores under the brands Home Timber & Hardware, Thrifty-Link Hardware and Plants Plus Garden Centre.
MARKET SPECIFICS

Importing to Australia
If you are looking to import goods into Australia, you need to be aware of customs and duty, import permits, quarantine permits and treatment that apply to imported goods. For information on general imports visit the Australian Customs Website.

The Australia United States Free Trade Agreement
The Australia United States Free Trade Agreement came into force on January 1, 2005. Since this time, over 97% of US non-agricultural tariff lines became duty-free, with the aim for all trade in goods duty-free by 2015. The FTA provides both American and Australian companies increasingly attractive opportunities to export goods between the two countries, increasing economic opportunities for both nations. To determine whether tariffs will apply to your products go to the FTA Tariff Tool found at http://export.gov/fta/ftatarifftool/TariffSearch.aspx.

MAJOR TRADE FAIRS

Reed Gift Fairs
Dates:  
- February 2014 – Sydney, Melbourne  
- July 2014 – Brisbane  
- August 2014 – Melbourne  
- September 2014 - Sydney  
Website: http://www.reedgiftfairs.com.au

Home and Giving Fair
Hosted by Australian Gift and Homewares Association (AGHA)
Dates:  
- February 2014 – Sydney  
- August 2014 - Melbourne  
Website: http://agha.com.au/events/trade-fairs/

INDUSTRY ASSOCIATIONS

The Australian Gift and Homewares Association (AGHA)
Website: www.agha.com.au

AGHA provides members with a vast industry network that provides experience, networking possibilities and platforms to assist business fulfilling their aspirations. It has an international reach and holds fairs in Melbourne and Sydney.

The American Chamber of Commerce in Australia (AMCHAM)
Website: www.amcham.com.au

As Australia’s largest international Chamber of Commerce, AMCHAM promotes the two-way flow of trade between Australia and America. Membership to AMCHAM provides a worldwide link to over 80 countries (including 20 in the Asia-Pacific region) and has many affiliations and connections to Australian industry organizations.
TRADE PUBLICATIONS

Australian Giftguide
Australian Giftguide is a quarterly publication that has been a trusted source for product and trade fair news for the last 38 years. It is read by tens of thousands gift and homewares retailers throughout Australia. The online edition (www.giftridgeonline.com.au) provides readers with a free, biweekly newsletter. The site is updated daily, and provides an electronic version of the directory with thousands of industry listings.

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