Wesfarmers-owned Coles has been gaining ground on rival Woolworths

ANALYSIS

The big two of Australian retail battle for dominance

BY MATTHEW STYCH

Results are now in for the big two in Australian retailing, Woolworths and Wesfarmers (owner of Coles).

Although the period ended June 2014 has produced no clear overall winner, the battle has raged as fiercely as ever.

Woolworths remained the largest retailer, with sales rising 3.9% to A$60.8bn (£34.2bn), while Wesfarmers' combined retail operations grew 4.4% to A$55.2bn (£31bn).

Coles, however, has been gaining ground on Woolworths since its acquisition by mining, industrial and insurance conglomerate Wesfarmers six years ago, especially in the crucial Australian grocery arena.

Although overall growth in supermarket and liquor operations was roughly neck-and-neck, Coles had the edge over Woolworths in terms of comparable store sales, which stood at 3.7% and 3% respectively.

Woolworths, however, can celebrate a clear win in drinks. Coles' new managing director, John Durkan, admitted earlier this year that its liquor operation is being battered by competitors, including Woolworths' Dan Murphy's big-box chain.

Woolworths also scores two big points in other key areas of future growth in Australian retail: convenience and online. Woolworths' forecourt sites posted a 7.3% rise in comparable sales excluding fuel, while Coles' came in at 5.5%. Woolworths was the first of the two to break through the A$1bn (£562m) online sales barrier, with group online sales reaching A$1.2bn (£674m) for full year 2014, increasing by 50% overall and by 40% in grocery.

Non-food continues to provide Woolworths with its biggest headaches. Discount chain Big W continued to struggle, posting a 3.1% decline in comparables, made all the more bitter by Wesfarmers' Kmart notching up an admittedly measly rise of 0.5%.

Looking ahead, the continued rise of Aldi will be a concern for both retailers. They are both taking the threat seriously and are focusing on differentiating from the aggressively expanding discounter.

Their fresh food initiatives and value-added offerings, such as sushi bars and in-store cafes, will be rolled out further, and both are expected to expand their multichannel services by offering click-and-collect at more stores.

The coming year will also see both retailers ramp up their efforts to gather customer data through loyalty programmes and financial services.

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