

Strategic Move for Omnichannel Retail Layout: Woolworths Acquires Mydeal

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Abstract. This study takes the case of Woolworths Group, a leading Australian retailer, acquiring the local e-commerce platform MyDeal, to explore its strategic motivations and integration outcomes in the context of the retail industry's accelerating digital transformation. Adopting a case study approach, this paper examines Woolworths' multifaceted motivations for the acquisition, including market expansion beyond groceries, enhancement of digital capabilities, cost structure optimization, and supply chain integration, and evaluates the post-acquisition outcomes across both financial and operational dimensions. Although the acquisition initially aligned well with Woolworths' omnichannel retail strategy, MyDeal's underperformance and continued financial losses led to the closure of its consumer-facing platform in 2025. However, the integration process yielded strategic learning outcomes, offering Woolworths valuable experience in digital platform operations, customer engagement, data-driven personalization, and third-party seller ecosystem management. The Woolworths–MyDeal case shows that even without the expected financial returns, such acquisitions can accelerate digital maturity and inform platform development. It also highlights the need for strategic fit, scalability, organizational readiness, and effective integration for sustainable omnichannel transformation, serving as both a cautionary tale and a strategic guide for traditional retailers.

Keywords: Omnichannel Retail, Acquisition Strategy, Digital Transformation, Cost Synergy, E-Commerce Integration.

1. Introduction

In recent years, the retail industry in Australia has been undergoing a rapid digital transformation. This shift has been driven by several key factors, including changing consumer behavior toward more convenient and personalized shopping experiences, increasing internet and smartphone penetration, the proliferation of mobile commerce, and intensified competition from digital-native platforms such as Amazon, Catch, and Kogan. These platforms have set new standards for speed, pricing transparency, and user experience, challenging the conventional retail value chain.

Traditional brick-and-mortar retailers are now under mounting pressure to innovate their business models, integrate digital channels, and enhance operational agility—or risk becoming obsolete in an increasingly digital-first economy. Woolworths Group, one of Australia's largest and most established supermarket chains, has historically relied on its extensive network of community-based

physical stores and operational efficiency to maintain market leadership. However, in the face of evolving consumer expectations and disruptive digital competitors, Woolworths' traditional supermarket business has experienced stagnating growth. This has prompted the company to actively seek new growth avenues through strategic investments in e-commerce, digital infrastructure, and omnichannel capabilities [1].

To address these challenges, Woolworths has implemented a series of strategic initiatives aimed at diversifying and digitizing its business model, thereby enhancing its competitiveness and resilience in a rapidly evolving retail landscape. One of the most prominent examples is its acquisition of MyDeal in 2022—a discount-oriented, multi-category online marketplace that enables consumers to easily discover affordable products while offering third-party sellers a streamlined path to access the Australian e-commerce market.

MyDeal brought to the table a strong customer base, scalable digital infrastructure, and a flexible, asset-light operational model, which complemented Woolworths' strengths in supply chain management and physical store networks. The acquisition marked a significant step in Woolworths' commitment to strengthening its digital commerce capabilities, accelerating omnichannel integration, and expanding into high-growth non-grocery segments such as homewares, electronics, and furniture. Additionally, it addressed critical gaps in Woolworths' existing supply chain by introducing platform-based inventory management and broader product variety. This strategic move signaled the company's intention to compete more effectively with digital-native platforms and to future-proof its operations in the face of shifting consumer expectations.

This case reflects a broader trend in which traditional retailers are increasingly adopting omnichannel retail strategies to integrate online and offline channels in response to changing consumer expectations and technological advancements. Omnichannel retailing is defined as a fully integrated business model that delivers a seamless, consistent, and personalized shopping experience across multiple touchpoints—including digital platforms, mobile applications, physical stores, and customer service channels.

Unlike traditional multichannel strategies that manage each sales channel independently, omnichannel retailing focuses on breaking down silos by unifying inventory management, customer data, and brand messaging. This integration enables consumers to browse online, check real-time stock availability, make purchases through various channels, and receive their products via their preferred fulfillment method—all without disruption or inconsistency.

Key components of a successful omnichannel strategy include real-time inventory visibility across all channels, a centralized customer relationship management (CRM) system, integrated logistics and fulfillment networks, and personalized marketing driven by data analytics and AI. For legacy retailers like Woolworths, embracing omnichannel retailing is not just a technological upgrade, but a strategic imperative to remain competitive, responsive, and relevant in a consumer-driven, digitally enabled market environment [2].

This paper explores the strategic rationale behind Woolworths' acquisition of MyDeal and evaluates its impact on the development of omnichannel retailing in the context of Australia's rapidly evolving digital retail landscape. Specifically, it examines the core motivations driving the acquisition—including market expansion into non-grocery categories, enhancement of digital capabilities, cost optimization, and supply chain integration—and assesses both the anticipated and actual outcomes post-acquisition. The study investigates how the integration of a digital-native platform contributes to Woolworths' broader omnichannel strategy and what lessons can be drawn from the challenges and synergies encountered during the process.

Adopting a case study methodology, the paper aims to reveal how traditional retailers leverage strategic acquisitions to adapt their business models, enhance customer experience, and maintain competitiveness in a digital-first economy. Furthermore, the study seeks to understand how post-merger integration influences operational performance, innovation capacity, and long-term strategic positioning. The findings offer practical insights for legacy retailers navigating digital transformation and pursuing platform-based growth strategies in increasingly competitive markets.

2. Strategic drivers of the acquisition

2.1. Market expansion and customer reach

One of the primary strategic drivers behind Woolworths' acquisition of MyDeal was market expansion. As one of Australia's largest supermarket chains, Woolworths has long maintained a dominant position in the grocery sector through its extensive network of physical stores. However, in fast-growing non-food retail categories such as furniture, homewares, and consumer electronics, Woolworths has had relatively limited market penetration. These categories have been the core focus of rapid growth for pure-play e-commerce platforms, highlighting a strategic gap in Woolworths' overall retail coverage [3].

In addition, the acquisition supported Woolworths' efforts to compete more effectively with leading e-commerce platforms such as Amazon, Kogan, and Catch.com.au, all of which have steadily eroded the market share of traditional brick-and-mortar retailers in Australia over the past several years. These digital-native competitors have leveraged their technological agility, broader product ranges, and data-driven customer engagement to capture an increasingly online-oriented consumer base. In responding to the post COVID 19 market dynamics, omnichannel retail has emerged as a strategic imperative, guiding operational recovery and innovation across legacy retailers [4]. By integrating MyDeal into its portfolio, Woolworths aimed to not only expand its online presence but also to reinforce its omnichannel retailing infrastructure—enabling seamless coordination between physical stores and digital platforms, improving customer accessibility, and ultimately enhancing its resilience in an increasingly competitive and dynamic retail landscape.

Overall, the integration of MyDeal into Woolworths' broader retail ecosystem has played a critical role in facilitating the company's ongoing transformation from a traditional supermarket operator into a diversified, digitally enabled retail group with a unified online and offline presence. This strategic expansion allowed Woolworths to extend its reach beyond core grocery categories into high-demand segments such as homewares and electronics, while also gaining valuable capabilities in digital retail operations, customer acquisition, and data-driven personalization. Furthermore, the acquisition helped enhance operational flexibility and expand its engagement with younger, online-first consumer segments. By incorporating MyDeal's agile platform model and third-party seller network, Woolworths was able to test new retail formats and delivery models with reduced risk and investment. As a result, this move not only strengthened Woolworths' competitive positioning in the Australian retail landscape but also laid a solid foundation for long-term, sustainable growth in an increasingly digital economy.

2.2. Enhancement of digital capabilities

Another key strategic motivation behind Woolworths' acquisition of MyDeal was to enhance its digital capabilities and accelerate its transformation into a digitally mature retailer. Although Woolworths had made meaningful progress in developing its own e-commerce platforms, loyalty

programs, and digital infrastructure in recent years, its digital operations still lagged behind those of pure-play e-commerce competitors. In particular, challenges remained in areas such as platform scalability, user interface and experience (UI/UX) design, and real-time responsiveness across supply chain and inventory systems. The acquisition of MyDeal offered Woolworths an opportunity to fast-track its capabilities in these areas by integrating a more agile and digitally native platform.

Through this acquisition, Woolworths gained access to a scalable and mature digital ecosystem that included a customer-facing online marketplace, integrated logistics, and third-party seller management systems. This enabled Woolworths to accelerate its omnichannel strategy by incorporating MyDeal's advanced digital assets, data infrastructure, and user experience design capabilities into its broader retail operations. MyDeal's expertise in data-driven product recommendations, targeted marketing, and customer acquisition offered valuable capabilities that could enhance Woolworths' personalized services and operational efficiency across digital channels.

Notably, the acquisition also allowed Woolworths to evolve from a transaction-focused e-commerce model toward a platform-centric retail ecosystem—one that emphasizes not only product sales but also customer engagement, third-party partnerships, and the strategic use of data to drive decision-making. This shift enabled Woolworths to explore new value creation opportunities, such as marketplace dynamics, personalized services, and seller-driven assortment expansion. It also laid the groundwork for a more scalable and adaptive digital infrastructure. Importantly, this evolution aligns with the core principles of modern retail digital transformation, which go beyond simple technology adoption to encompass organizational agility, seamless cross-platform integration, and a culture of continuous innovation. Through this transformation, Woolworths positioned itself to better respond to future market shifts and consumer demands in a fast-changing retail environment.

These efforts not only optimized operational efficiency but also helped Woolworths deliver a seamless and personalized customer experience across both physical and digital platforms, which are critical factors influencing omnichannel technology acceptance and purchase intention [5]. This not only optimized operational efficiency but also strengthened Woolworths' ability to deliver a seamless and personalized customer experience across both physical stores and digital platforms.

2.3. Cost optimization and economies of scale

In addition to market expansion and enhanced digital capabilities, Woolworths' acquisition of MyDeal also reflects a strategic intention to optimize operational costs and realize economies of scale. As one of Australia's largest retailers, Woolworths possesses an extensive procurement, distribution, and logistics infrastructure. By integrating MyDeal's platform-based business into its system, Woolworths can achieve backend synergies in warehousing, fulfillment, and supplier management, reducing duplication and lowering overall operating costs. Furthermore, by leveraging its existing logistics network to support MyDeal's delivery operations, Woolworths can increase efficiency in last-mile fulfillment, reduce marginal delivery costs, and improve overall supply chain productivity across both digital and physical channels.

One of the most immediate cost advantages stems from the consolidation of logistics networks. Woolworths can incorporate MyDeal's delivery demands into its existing logistics system, which already operates efficiently through a wide network of physical stores and distribution centers. This integration maximizes resource utilization and is particularly effective in lowering the marginal cost of last-mile delivery—often a high-cost barrier for digital-native retailers without physical assets. Moreover, by streamlining fulfillment processes and leveraging economies of scale, Woolworths can reduce overhead costs and improve delivery speed, ultimately enhancing customer satisfaction while maintaining a cost-efficient operational model across its omnichannel ecosystem [6].

Furthermore, the combined purchasing volume of the two companies significantly enhances their bargaining power. By adopting joint procurement strategies, consolidated inventory planning, and bulk purchasing, Woolworths can reduce unit costs and improve price competitiveness—an important advantage in Australia’s highly price-sensitive retail market. Additionally, unified negotiations with suppliers enable more favorable contract terms, better payment cycles, and greater control over supply chain risks. These procurement synergies not only lower operational expenses but also empower Woolworths to offer more attractive prices to consumers, thereby strengthening its market position and supporting long-term growth in both grocery and non-grocery product categories.

From a platform operations perspective, MyDeal’s third-party marketplace model enables Woolworths to significantly expand its product offerings without incurring additional inventory holding or warehousing costs. This asset-light structure not only reduces capital investment risks but is also inherently more scalable, allowing Woolworths to respond quickly to shifting consumer demands and market trends. Moreover, the platform facilitates greater product variety and seller diversity, enhancing customer choice and engagement. At the same time, the integration of both firms’ resources—particularly in marketing operations, customer relationship management (CRM), and IT infrastructure—is expected to reduce operational redundancies, lower administrative overhead, and streamline backend support functions. These synergies contribute to greater cost efficiency and pave the way for a more unified and agile retail ecosystem.

Overall, the acquisition has enabled Woolworths to achieve synergies both horizontally and vertically: horizontally, by expanding product categories and customer reach; vertically, by enhancing integration across the upstream and downstream supply chain. These combined effects have created a more cost-effective and scalable retail model, supporting the implementation and upgrading of Woolworths’ omnichannel strategy.

3. Impacts of omnichannel retail integration

3.1. Economic outcomes

Following the acquisition of MyDeal, Woolworths aimed to strengthen its position in the increasingly digitalized Australian retail market and accelerate its transition toward a more agile, omnichannel business model. The strategic intent was to leverage MyDeal’s established online marketplace infrastructure and customer base to complement Woolworths’ existing capabilities, expand into non-grocery categories, and unlock new sources of revenue. However, in the short term, the anticipated financial synergies from the acquisition were not fully realized.

According to Woolworths’ FY2023 and FY2024 financial reports, MyDeal’s operational and financial performance fell short of initial projections. The platform struggled with persistently high customer acquisition costs and underwhelming transaction volumes, particularly in a competitive environment dominated by digital-native retailers such as Amazon, Kogan, and Catch.com.au. These challenges were further exacerbated by rising logistics expenses, inflationary pressures, and shifting consumer behavior post-pandemic, which collectively eroded the platform’s profitability. As a result, MyDeal remained loss-making for consecutive quarters, prompting increasing scrutiny from investors and internal stakeholders.

Before being acquired by Woolworths, MyDeal demonstrated strong financial growth momentum. According to its Q4 FY22 Activities Report, the platform achieved record full-year gross sales of AUD 272.2 million, representing a 24.8% year-on-year increase. In the fourth quarter alone, gross sales reached AUD 59.2 million, up 27% compared to the same period last year.

Revenue also saw significant expansion, rising 89% year-on-year to AUD 16.5 million. Furthermore, MyDeal reported a repeat purchase rate of 64.6%, with total active customers exceeding 1.05 million, a 17.6% increase over FY21 [7]. These metrics highlighted MyDeal's capability to attract and retain a growing online consumer base, especially within key non-grocery categories like homewares and furniture.

In early 2025, Woolworths publicly announced its decision to shut down the consumer-facing MyDeal platform by September 30, citing sustained underperformance and limited synergies with its core retail operations. This strategic withdrawal was accompanied by a one-time cash cost of approximately AUD 90–100 million and an impairment charge of AUD 45 million related to intangible assets. Despite these short-term financial setbacks, Woolworths emphasized that the experience had nonetheless contributed to its broader digital transformation agenda [8].

Indeed, while the acquisition did not generate the expected direct financial returns, it delivered several important indirect economic and strategic benefits. First, Woolworths gained firsthand exposure to operating a digital marketplace business, including platform governance, seller onboarding and management, and real-time customer analytics. These learnings enhanced the company's internal knowledge base and provided actionable insights for future digital initiatives, including the ongoing development of its Everyday Market and Big W Market platforms.

Second, MyDeal's product portfolio enabled Woolworths to temporarily expand into non-traditional categories such as homewares, electronics, and furniture—segments where Woolworths historically lacked a strong presence. Through this trial expansion, the company was able to test new product-market fits and evaluate consumer preferences beyond its core grocery offerings. While the MyDeal brand was ultimately phased out, several operational components and best practices—particularly those related to customer engagement, digital marketing, and fulfillment processes—were retained and adapted within Woolworths' existing ecosystem [9].

Third, the acquisition accelerated internal digital capability building. Woolworths teams were able to interact closely with a more agile, digitally native business unit, which introduced new ways of working, including faster iteration cycles, lean development methods, and a stronger data-driven culture. These experiences supported the broader shift within Woolworths toward more responsive, customer-centric innovation processes, aligning with recent findings on how Australian retailers adapt their business models in response to omnichannel transformation pressures [10].

In summary, although the financial performance of MyDeal post-acquisition was disappointing and led to its closure, the transaction served as an important learning opportunity for Woolworths. It exposed the company to the operational realities and strategic nuances of platform-based retail, providing valuable groundwork for future growth in a digital-first environment.

3.2. Operational and strategic synergies

Beyond the immediate financial outcomes, Woolworths' acquisition of MyDeal generated significant synergies across supply chain integration, digital infrastructure development, and customer engagement channels. While the direct revenue and profit expectations may not have been fully met, the strategic benefits of the acquisition extend well beyond short-term metrics. The collaboration allowed Woolworths to experiment with new fulfilment models, leverage platform-driven data insights, and enhance its ability to serve digitally native consumers. These long-term capabilities have helped strengthen its overall retail ecosystem and laid a foundation for future omnichannel innovation and operational agility.

At the supply chain level, the integration allowed Woolworths to experiment with innovative fulfilment models by combining its well-established national logistics network with MyDeal's agile,

platform-based operational structure. This synergy contributed to enhanced delivery coordination, reduced lead times, and improved last-mile delivery flexibility—areas where traditional retailers often face challenges when competing with pure-play e-commerce platforms. Although the MyDeal brand was eventually phased out, the collaboration enabled Woolworths to refine its warehousing strategies for bulky and non-grocery items, pilot shared logistics solutions with third-party sellers, and test decentralized fulfilment models. These learnings are now being applied to optimize logistics performance across other parts of Woolworths' expanding digital ecosystem, including Everyday Market and Big W Market.

Key components of a successful omnichannel strategy include real-time inventory visibility across all channels, a centralized customer relationship management (CRM) system, integrated logistics and fulfillment networks, and personalized marketing driven by data analytics and AI. For legacy retailers like Woolworths, embracing omnichannel retailing is not just a technological upgrade, but a strategic imperative to remain competitive, responsive, and relevant in a consumer-driven, digitally enabled market environment.

From a branding and customer outreach perspective, the acquisition expanded Woolworths' reach to a younger, digitally native demographic that primarily engages with online marketplaces. By leveraging MyDeal's user base and product categories—including furniture, electronics, and home improvement—Woolworths was able to diversify its retail portfolio beyond its core grocery operations. This helped solidify its positioning as a modern, flexible, and customer-centric retailer capable of offering a wide range of products through both online and offline touchpoints.

More importantly, the integration process delivered long-term strategic value. Through direct implementation and operational coordination, Woolworths deepened its organizational understanding of platform governance, agile project execution, merchant engagement frameworks, and data monetization strategies. These capabilities are now critical pillars in Woolworths' broader digital transformation agenda. Moreover, the experience provided Woolworths with greater internal alignment between legacy business units and new digital ventures, encouraging cultural adaptation and technological upskilling.

While the closure of MyDeal may be interpreted as a tactical adjustment to realign business priorities, it more accurately reflects a strategic recalibration. Woolworths has not abandoned the digital capabilities acquired through MyDeal; instead, it has retained and repurposed these assets to strengthen its long-term digital roadmap. The MyDeal experience thus served as a testing ground that equipped Woolworths with the tools and insights necessary to build a more integrated, resilient, and forward-looking retail ecosystem—one better suited to evolving consumer demands and intensifying digital competition.

4. Conclusion

This paper has examined the strategic motivations and operational implications of Woolworths' acquisition of MyDeal, with a particular focus on the integration logic and practical outcomes within the context of omnichannel retail transformation. The analysis reveals that Woolworths pursued multiple objectives through this acquisition: expanding into the non-grocery sector, accelerating digital capability development, optimizing cost structures, and enhancing supply chain resilience. This case reflects many of the key tensions and opportunities identified in recent omnichannel retail literature, particularly those related to technological convergence and internal capability development.

While the acquisition was underpinned by a strong strategic rationale—particularly in terms of platform agility, digital growth, and reaching a broader customer base—the actual financial

performance fell short of initial expectations. Continued operational losses, combined with limited revenue synergies and customer conversion challenges, eventually prompted Woolworths to announce the closure of MyDeal's consumer-facing platform in 2025. Despite this setback, the acquisition process itself provided Woolworths with critical experience in managing a platform-based retail model, engaging third-party sellers, integrating digital infrastructure, and collecting behavioral data across diverse customer segments.

Importantly, the transaction enabled Woolworths to test key components of omnichannel integration—such as combining centralized logistics with decentralized seller fulfillment, piloting inventory coordination mechanisms, and enhancing last-mile delivery responsiveness. These operational experiments, although not financially fruitful in the short term, offered strategic insights that have been instrumental in shaping Woolworths' ongoing digital strategy, particularly within the development of Big W Market and Everyday Market.

The case also underscores broader lessons for traditional retailers navigating digital transformation. Strategic acquisitions can serve as accelerators for innovation, but they also expose latent organizational frictions, including misaligned digital cultures, insufficient integration frameworks, and unrealistic synergy projections. The Woolworths–MyDeal case suggests that beyond capital investment, success in platform-based expansion requires a high degree of internal digital maturity, cross-functional alignment, and post-merger adaptability.

From a long-term perspective, the MyDeal experience strengthened Woolworths' ability to identify scalable digital assets, evaluate consumer preferences outside its core grocery domain, and adapt its operational mindset to a faster-paced, data-driven market environment. Although the acquisition did not produce a self-sustaining business unit, it played a catalytic role in modernizing Woolworths' overall retail model and reinforcing its strategic commitment to omnichannel excellence.

In summary, although the integration of MyDeal did not yield comprehensive commercial success, the process served as an important testing ground for Woolworths to develop a more agile, customer-centric, and digitally enabled retail model. It highlights the dual nature of such acquisitions—not only as commercial ventures but also as strategic learning platforms. As Woolworths continues to refine its digital roadmap, the insights and capabilities gained through this case will likely influence its future decisions in platform governance, customer experience design, and retail innovation.

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