



Country factsheet - May 2014

Australia

The atypical relationship between surface area and number of inhabitants should mean that success in the Australian e-commerce market would be a challenge. However, the country comes 7th in Emarketer's 2013 e-commerce sales ranking. Australia has one of the highest Internet penetration rates with almost 89% of the population being online. Moreover, e-commerce is growing in a staggering way with an increase of 200% in the number of webshops launched between 2010 and 2012. The average shopping basket value (per order) also fits in with these statistics and rose to €95 in 2013. That very year, online sales amounted to a value worth €10.7 billion. And the country still has tremendous potential as these figures, whilst significant, only represent 6.5% of purchases made at points of sale in traditional bricks and mortar stores.

1. Australian consumers

As we just saw, Australian e-shoppers have a higher average shopping basket value than any other e-shoppers around the world. But what other traits do they have?

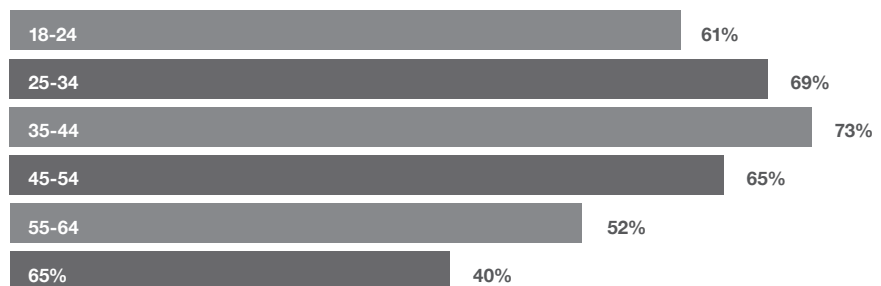
Mature e-shoppers

E-shopping has been widely adopted in Australia, as over half of the population purchase online and 23% of e-shoppers are less inclined to make purchases from a physical store. Therefore, they see e-commerce as a substitute and no longer as an alternative to traditional shopping.

The typical e-shopper is trans-generational. As it is the case with other countries, we don't see trends within a certain younger average age range and made up of early adopters or having a greater purchasing power.

With the exception of lower online purchasing rates from the age of 55, the diagram below shows that the results are relatively similar in other age groups.

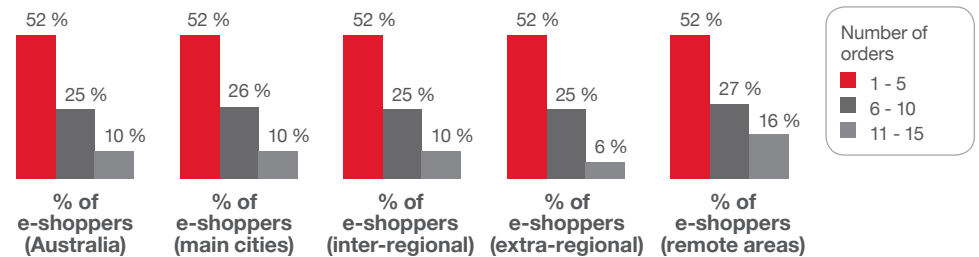
Percentage of the population having already purchased online by age groups.



We can also note that Australian e-commerce contradicts certain accepted notions, which tend to attribute the success of e-commerce to (many) remotely located homes, which have less easy access to traditional shops. Or, conversely, more online purchasing in large cities that usually have better Internet penetration.

In Australia, the frequency of purchases is not all that different in large towns than it is in more isolated regions. The diagram below shows relatively similar results for urban, inter-regional, extra-regional and remote areas.

Frequency of online purchases by geographical zones



As we will see in the section on market, **Australian e-shoppers also are very comfortable with cross-border shopping.** Their purchasing power is relatively high, assisted by a high domestic income, healthy economic growth and a low unemployment rate (5.2% in 2012). Australians tend to be globetrotters, which familiarises them with a large number of foreign brands and increases the likelihood of them purchasing from foreign sites.

Choice and convenience above all

74% of Australian e-shoppers want convenience and 38% want low prices.

When it comes to payment methods, **the majority (54%) alternates between credit cards and money transfer systems** (e.g. PayPal).

In terms of delivery, the most important thing is choice: 94% of Australian e-shoppers expect to have various delivery options. They no longer simply expect their packages to get to them within a decent period of time, they want more. They expect real convenience as 74% of them say they purchase online because it's more practical, compared with just 38% who purchase online due to lower prices.

2. The market

Whilst Australian e-shoppers can be classified as mature and the practice of e-commerce has been widely adopted nationally, the same cannot be said of all retailers.

Traditional retailers lag behind

It is believed that 33% of retailers do not have an online sales channel. Many of the key retail sellers still perceive e-commerce as “the enemy”, as a real threat for their business, instead of taking it as an opportunity. Therefore, the gap left by such retailers has been filled by pure players, local start-ups and **experienced foreign retailers, mainly from the United States but also from the United Kingdom and elsewhere in Europe.**

Nevertheless, the top 5 is still made up of Australian retailers, as the ranking below shows.



**The top
5 e-tailers
in Australia**

1. Big W
2. Booktopia
3. BrandsExclusive
4. Catch of the day
5. Cudo

This ranking may change rapidly, however, with the arrival of international giants such as Amazon, ebay and ASOS, who will have to be watched closely.

Aware of the fact they are lagging behind, local retailers have requested government assistance, via their national representation, in order to meet the challenges of e-commerce. This would initially take the form of an online educational platform, a project financed by the Ministry of Communication.

Cross-border shopping is already well-established

In Australia, 33% of online purchases are made cross-border.

33% of Australian online purchases are made further afield, on non-Australian sites. The high rate for the Australian dollar has also made cross-border shopping even more interesting for e-shoppers. The Australian importation policy also clearly promotes this trend, as **imports with a value worth less than 1,000 Australian dollars (equivalent to €685) are exempted from customs duties and taxes.**

In 2013, Australian consumers made €3.11 billion worth of purchases consisting of imports worth less than 1,000 Australian dollars.

It is important to note that 18.4% of Australian cyber-purchasers are not interested in whether or not an e-tailer is local, provided it can deliver immediately. Since 2005, cross-border online purchases have also increased more rapidly (15.5%) than domestic online purchases (10%).

As it is the case on many other markets, the main products purchased cross-border are fashion products (clothes, shoes and accessories), books, plane tickets, healthcare and beauty products and electronic devices.

3. Trends

Australian e-commerce naturally follows the same trends as its equivalents at the same stage of maturity with, among others, **a significant growth in m-commerce**, which brings with it an increase in **“responsive design” webshops** . 30% Australians are already making purchases using their mobile devices.

When it comes to local retailers, they will start surfing this wave too, as we are going to see a large number of traditional retailers enter the online market.

Another expected trend is that **of using all customer data** collected to increase the income generated by the loyalty of a retailer's customer base. Therefore, there will be **less investment in acquisition campaigns and more in loyalty campaigns**, spawned of an awareness of how effective targeted marketing campaigns can be.

Nevertheless, we will now focus on the main trends in shipping. The Australian logistics infrastructure actually ranked 16th in the World Bank's "logistics performance index". Shipping is a cutting edge sector and also a very competitive one, as the following trends demonstrate.

A local postal company aligned as closely as possible with e-commerce needs

30% of the population has 24/7 access to their e-commerce packages in a location less than 10 minutes away from their home.

Unlike its retail counterparts, the local postal operator seized the opportunities that e-commerce represents to compensate for the reduction in traditional mail post.

Over the last 3 years, it has seen a 10% annual increase in its parcels volume. This growth is mainly due to e-commerce as 70% of packages delivered by the Australian post arise from online commerce. The postal operator has really stepped up to the mark. It has the largest network of parcel lockers in Australia (they are expected to be 250 in 2014) and their 24/7 access provides 30% of the population with their e-commerce purchases in a location less than 10 minutes from their home. Aware of the importance of the convenience factor in e-shoppers' minds, Australia Post has just announced its intention of imminently launching 6 days a week delivery (which was already the case during the Christmas period). An entirely digital company, Australia Post also has a mobile application which enables users to calculate the cost of their shipments, pay an invoice, track a package etc.

To completely embrace the growth in e-commerce, at the end of 2013 Australian post office entered into a partnership with the postal operator for New Zealand, thus joining forces to capture business across the rest of Australasia.

Shipping as a major USP of e-commerce

Australian e-tailers are mercilessly racing to be winners when it comes to providing the cheapest and fastest delivery solutions. Thus, as with the iconic.com.au (the pioneer in this area in November 2011) or styletread.com.au, already offering a paid 3-hour delivery option and standard shipping free of charge.

The chief executive of Style Tread quite frankly states that it uses shipping to impress its customers, aware of the valuable by-products. In fact, most positive comments received by the e-tailer on social media involve praise for its fast delivery times. **The record held by the webshop is 9 minutes, for an order placed by a customer living close to Style Tread's storage warehouse.**

Pure players have managed to reverse the trend and fly in the face of e-commerce opponents who claim that shipping is the greatest weakness in the online economy, making it their greatest competitive advantage over traditional shopping.

In addition to shipping, there are generous returns policies too: 365 days for Style Tread and 100 days for The Iconic. Again, e-traders win the showdown with bricks and mortar retailers.

Another profitable use of the e-commerce experience is “try it at home”. For example, glasses retailer Sneaking Duck offers its customers a choice of 5 frames, which they can try free of charge at home for 5 days, before choosing their final pair of glasses. This is a 100% free service as the site covers shipping costs in both directions.

Sources:

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