Retail Trends:
Observations on Australian retail

July 2023 | v1.0

Independent research by GlobalData commissioned by Amazon

Key findings: at a glance

- As time goes on, it makes less sense to think of Australia as having separate online and offline retail sectors, but rather a single sector that is rapidly digitizing.

- The lines between online and offline are becoming increasingly blurred. Since 2019, omnichannel spend in Australia has increased 47.8% and made up 42.6% of total retail sales in 2022.

- High inflation is encouraging consumers to look for the best value for money, with many shopping across physical and online channels to find the best prices. More than four-fifths (84.4%) of consumers in Australia are concerned about the impact of inflation and almost two-thirds (62.5%) do at least some amount of looking online and in-store to source the cheapest prices before they buy. Consumers prefer online for finding bargains; 45% favor online for finding the lowest prices compared to 24% preferring stores.

- This behavior will likely increase as consumers become savvier with their discretionary spending while navigating a tough economic environment.

- In-store shopping post-COVID remains the dominant retail preference for consumers . Australian consumers use in-store channels to buy products, as well as to check product details and to get inspiration for purchases.

- While consumers continue to be attracted to online sales, consumers continue to embrace traditional brick-and-mortar stores. Online accounted for 14.2% of retail sales in 2022.

Australia

Key findings: digitization

The retail sector is rapidly digitizing

- **As time goes on, it makes less sense to think of Australia as having separate online and offline retail sectors, but rather a single sector that is rapidly digitizing.** Consumers are increasingly integrating online with offline during their shopping journeys, with each channel offering different benefits. For example, around 45% of Australian consumers prefer online for finding low prices and better bargains, while 61% prefer physical stores for quickly getting products.

The lines between online and offline are becoming increasingly blurred

- **Since 2019, omnichannel spend has increased 47.8% and made up 42.6% of total retail sales in 2022. It will grow a further 39.1% by 2026, making up over 50% of total retail revenue** as brands invest in integrated omnichannel strategies to consolidate hybrid, seamless shopping journeys in-store and online.

- Australian consumers today are more comfortable with the various forms of online retail touchpoints that they grew accustomed to over lockdown. 22.7% of consumers plan to research things online before buying in stores more in the future, while 19.5% plan to collect an online order from a physical store more often.

Omnichannel grows showing there is a single retail sector

- Australia's e-commerce surge in 2020 was attributed to several lockdowns driving a pivot in online demand and investment. Online penetration grew 2.3 percentage points year-on-year to 11.8% during this time. **The post-pandemic environment has seen continued growth in online sales, however, growth rates are normalising as consumers embrace a return to traditional brick-and-mortar stores.** In 2022, online penetration reached 14.2%, up 1.2 percentage points on 2021.

- **Shoppers will continue to switch between online and in-store channels as they welcome increasingly hybrid purchase journeys.** These changing dynamics will require businesses to integrate their omnichannel offerings to meet consumer needs, instead of focusing solely on e-commerce growth.

Key findings: omnichannel in uncertain times

Consumers browse across channels to find the best price

- **High inflation is encouraging consumers to look for the best value for money, with many shopping across physical and online channels to find the best prices.** More than four-fifths (84.4%) of consumers in Australia are concerned about the impact of inflation.

- **The majority of omnichannel spend is driven by researching across channels before making a purchase. Almost two-thirds (62.5%) of consumers look online and in-store to source the cheapest prices before they buy.** This behavior will likely increase as consumers become savvier with their discretionary spending while navigating a tough economic environment.

- Other popular drivers of omnichannel spend include browsing online products and reviews before making an in-store purchase, visiting stores for inspiration, and asking for in-store advice on products before buying online.

- Using a mobile device for price checking is a popular omnichannel touchpoint in the consumer journey, but there is less mobile integration for navigating stores, searching locations, finding products, and leaving reviews.

Consumers continue to shop in-store

- **Consumers continue to shop in-store post-COVID, and it remains the dominant channel.** Australian consumers use in-store channels to buy products, as well as to check product details and to get inspiration for purchases. Consumers use in-store channels more frequently than online when purchasing across all categories, but physical stores are particularly popular for purchasing groceries.

Online is an important part of the shopping journey for consumers looking for value

- The purchase process is complex with most consumers using multiple channels during their shopping journey; 76.3% of consumers in Australia used multiple channels when buying non-food items.

- Australian consumers use online across the purchasing journey, from comparing prices and getting inspiration, to purchasing. The main drivers for shopping online include better product discovery and variety, as well as finding the lowest product prices.

- A significant proportion of shoppers (21.5%) also use online channels for 'window shopping' (i.e. to browse for fun), while almost two-thirds visit multiple retailers before deciding which to purchase from.

Australia

The retail sector: at a glance

- Since 2019, multichannel spend in Australia has increased 47.8% and made up 42.6% of total retail sales in 2022. It is forecast to increase by a further 39.1 % by 2026, making up over 50% of total retail revenue.

- The overall retail sector in Australia grew at a CAGR of 4.7% between 2015 and 2022. During this period, online sales grew at a CAGR of 18.8%, with spend reaching 46.4 billion AUD, while in-store sales grew at a CAGR of 3.2% to 274.9 billion AUD.

- Online accounted for 14.2% of retail sales in 2022.

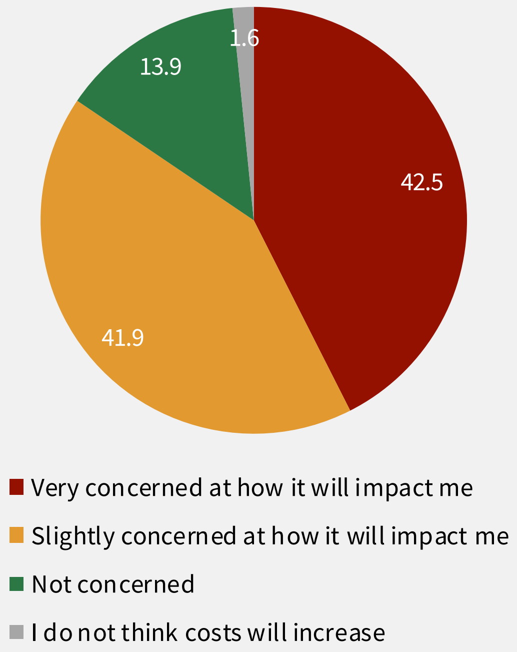
- Retail spend will grow a further 15.4% between 2022 and 2026. During this period, the online sector is set to grow exceeding 65 billion AUD, and in-store sales are set to grow to 306.4 billion AUD.

Australia

Consumer views: inflation

Inflation impact on consumers

Percentage of consumers who are concerned/not concerned about inflation



Almost 85% of consumers are concerned about inflation; many shop across channels to find the best price

Australian consumers are navigating the current retail space with concerns over inflationary pressures. Global geopolitics, major flooding across three major states and subsequent supply chain issues have exacerbated inflation and damaged consumer confidence.

The majority of omnichannel spend is driven by researching across channels before making a purchase. Almost two-thirds (62.5%) of consumers look online and in-store to source the cheapest prices before they buy. This behavior will likely increase as consumers become savvier with their discretionary spending while navigating a tough economic environment.

Results based on a nationally representative poll of 1,500 Australian consumers

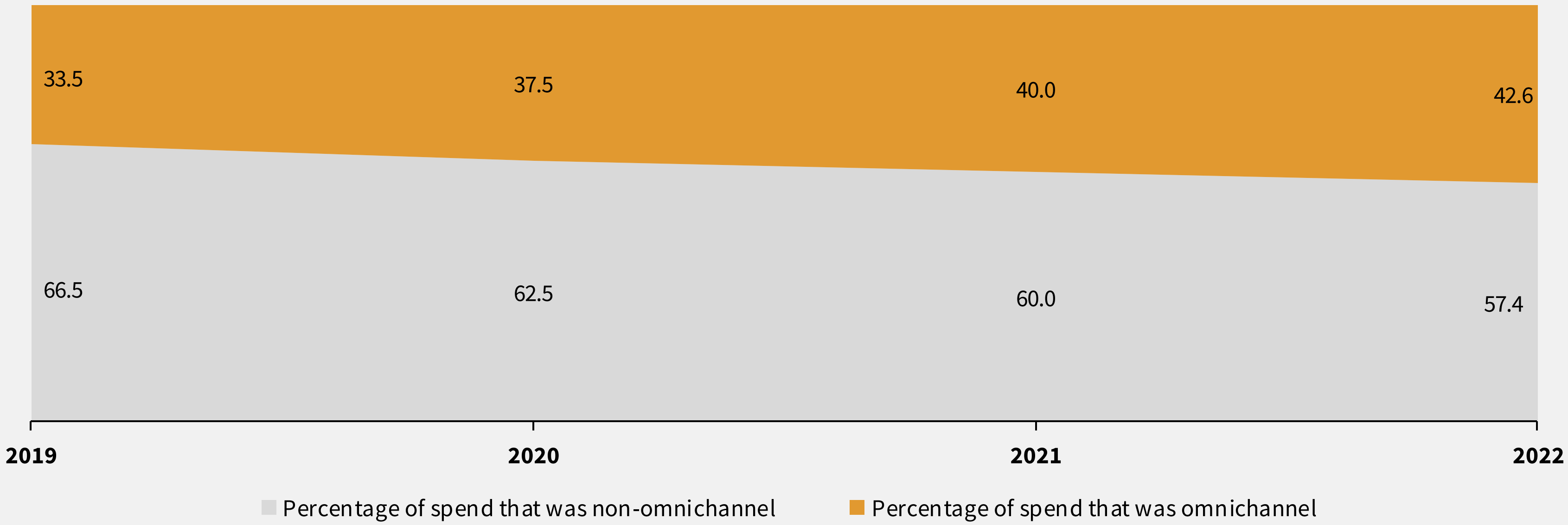
Source: GlobalData consumer survey

Australia

Omnichannel retail

Omnichannel spend

Percentage of spend that was omnichannel in each year



To be an omnichannel purchase, the consumer must make use of more than one channel during a given shopping journey.

Source: GlobalData analysis and market data

Australia

Omnichannel retail forecasts

Omnichannel spend

Percentage of spend that will be omnichannel by 2026

Percentage of all retail spend that will be omnichannel in 2026

51.3%

Australian omnichannel spend will grow 39.1% from 2022 through 2026

The holistic shopper journey will continue to become a combination of both channels, from the initial purchase trigger through to product aftercare. The amount that consumers integrate offline and online channels throughout their purchase journey will increase to make up 51.3% of total spend in 2026.

To be an omnichannel purchase, the consumer must make use of more than one channel during a given shopping journey.

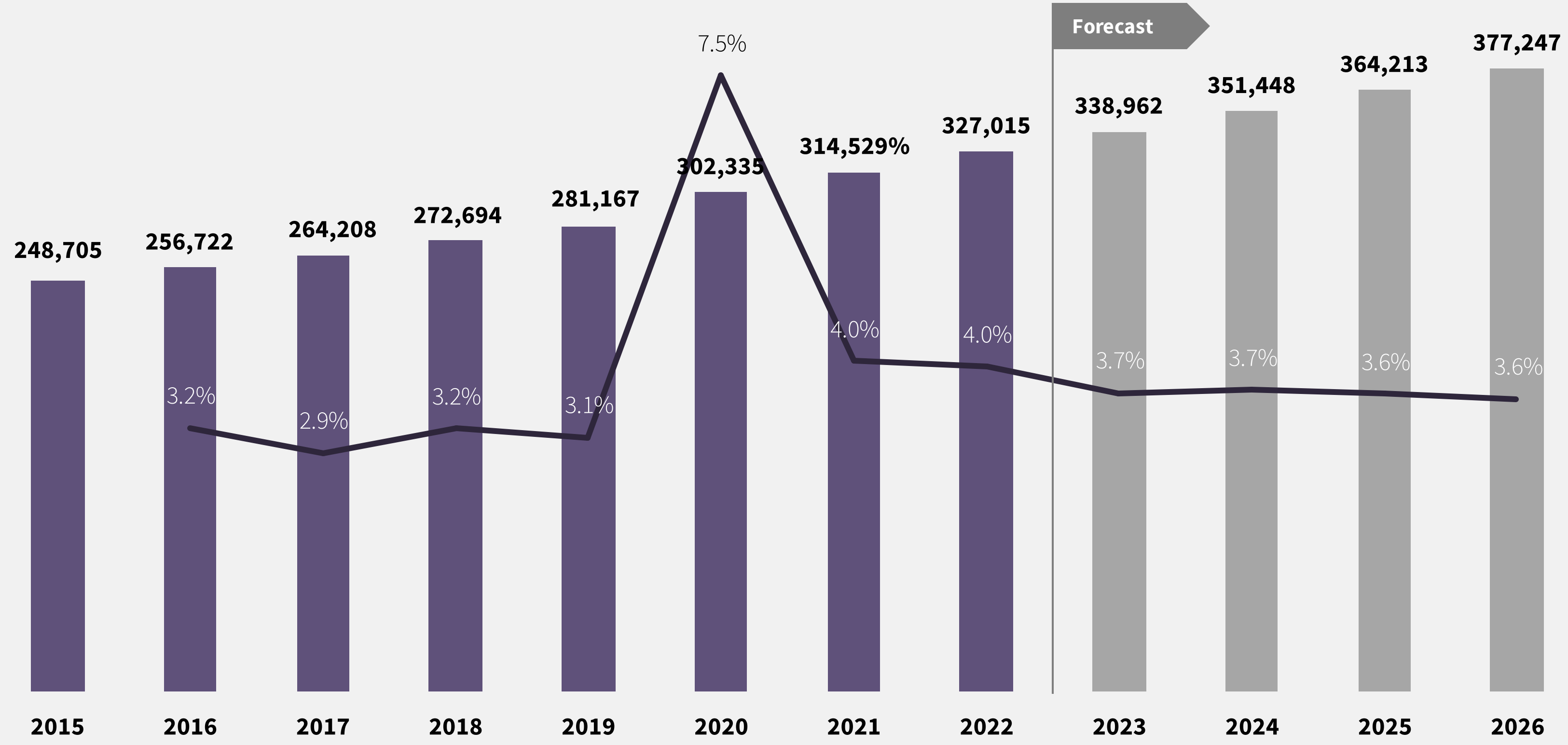
Source: GlobalData analysis and market data

Australia

Size of the retail sector

Retail sector size and growth rate

Bars show the total sector size in $m AUD and line shows the annual year-over-year % growth rate



Australia's retail sector will grow 15.4% between 2022 and 2026

Australia's retail sector has shown resilience in 2022, growing 4.0%. COVID-related stockpiling in early 2020 caused a spike in retail spending. Growth has since normalised, and the sector will continue to grow at rates similar to pre-pandemic levels out to 2026.

Source: GlobalData analysis and market data

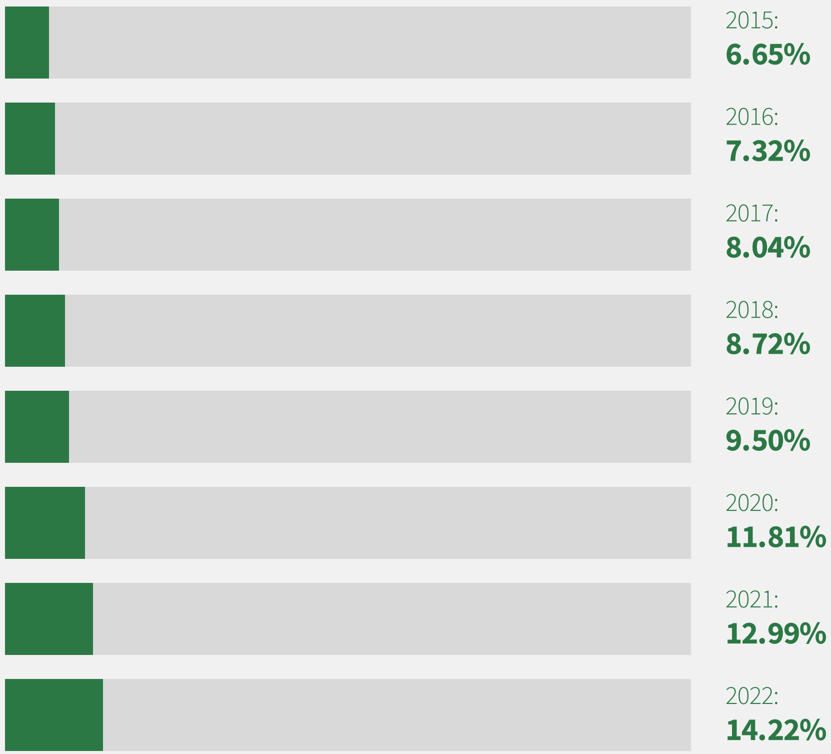
GlobalData.

Australia

Online penetration

Online penetration over time

Percentage of retail sales that are made online



Penetration is total online sales in each year divided by total retail spending in that same year

Source: GlobalData analysis and market data

Australia

Consumer views: online and physical

Consumer opinions on online and physical channels

Percentage of consumers preferring online and physical channels for each aspect

I PREFER ONLINE FOR THIS | **I PREFER STORES FOR THIS**

I PREFER ONLINE FOR THIS		I PREFER STORES FOR THIS
WIDE CHOICE OF PRODUCTS 47%		WIDE CHOICE OF PRODUCTS 23%
FINDING PRODUCTS THAT I LIKE 32%		FINDING PRODUCTS THAT I LIKE 36%
NEW AND UNUSUAL PRODUCTS 47%		NEW AND UNUSUAL PRODUCTS 28%
QUICKLY GETTING PRODUCTS 24%		QUICKLY GETTING PRODUCTS 61%
CONVENIENCE 35%		CONVENIENCE 39%

Results based on a nationally representative poll of 1,500 Australian consumers; grey icons represent respondents who said both channels are about the same and those who said they were unsure.
Source: GlobalData consumer survey

Australia

Consumer views: online and physical

Consumer opinions on online and physical channels

Percentage of consumers preferring online and physical channels for each aspect

I PREFER ONLINE FOR THIS

I PREFER STORES FOR THIS

I PREFER ONLINE FOR THIS	I PREFER STORES FOR THIS
MAKING AN EXPENSIVE PURCHASE 17%	MAKING AN EXPENSIVE PURCHASE 49%
SHOPPING WITH FRIENDS 12%	SHOPPING WITH FRIENDS 65%
FINDING LOWEST PRICES 45%	FINDING LOWEST PRICES 24%
VALUE FOR MONEY 34%	VALUE FOR MONEY 27%

Results based on a nationally representative poll of 1,500 Australian consumers; grey icons represent respondents who said both channels are about the same and those who said they were unsure.
Source: GlobalData consumer survey

Australia

Online shopping around

How much consumers shop around online

Visiting sites and number of online retailers visited by online shoppers

Visit one online retailer and make a purchase from there

32.4%

Visit multiple online retailers before deciding which to purchase from

62.2%

Almost two-thirds of online shoppers in Australia visit multiple retailers before deciding which to purchase from.

Average number of online retailers consumers have visited over the past three months:

7.8

Percentage of consumers who do different things when shopping for non-food, where numbers don't sum to 100% the balance is those who are unsure. Online retailers visited includes food and non-food.

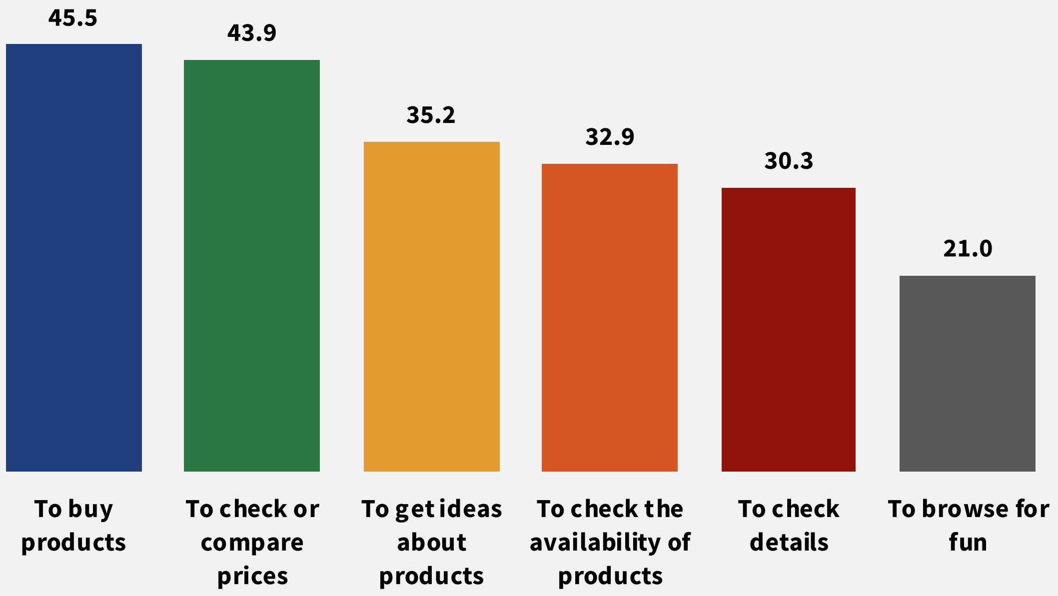
Source: GlobalData consumer survey

Australia

Consumer views: online drivers

Drivers of visiting online stores

Percentage of consumers visiting online stores for the reasons listed below



Price checking is a key online driver

Other than to buy products, Australian consumers are predominantly using online to check or compare product prices, browsing across multiple retailers before selecting the best possible deal. A high proportion of the consumer population also browses online to feel inspired about what to buy.

Results based on a nationally representative poll of 1,500 Australian consumers. The top six responses are shown.

Source: GlobalData consumer survey

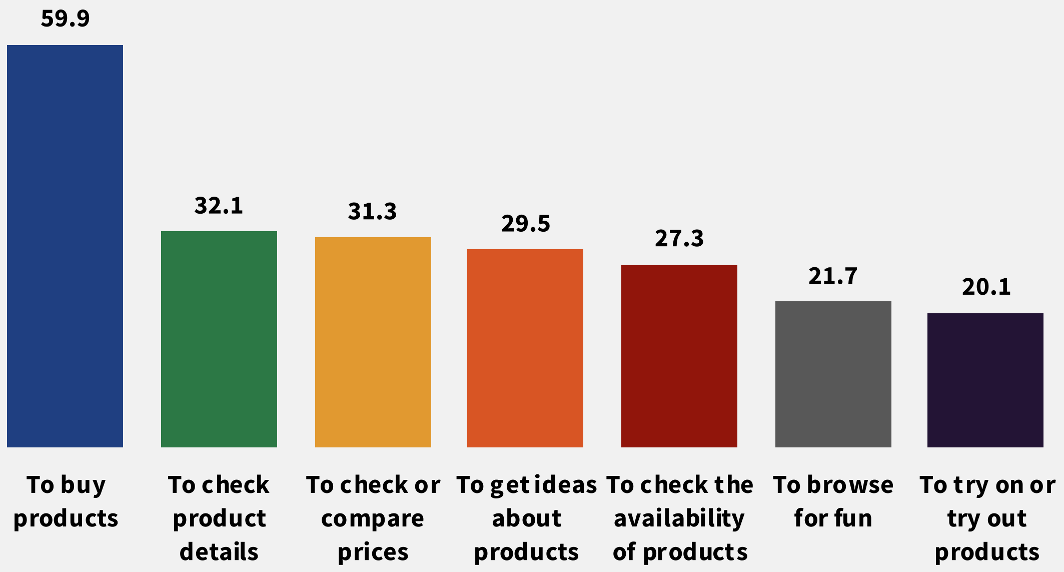
GlobalData.

Australia

Consumer views: physical drivers

Drivers of visiting physical stores

Percentage of consumers visiting physical stores for the reasons listed below



More than half of consumers visit physical shops to buy products

Consumers are predominantly using physical stores to make purchases but checking product details and getting inspiration are also factors driving consumers into stores. Physical stores are not as popular for checking the availability of products.

Results based on a nationally representative poll of 1,500 Australian consumers. The top seven responses are shown.

Source: GlobalData consumer survey

Australia

Consumer views: omnichannel

Omnichannel browsing and buying

Percentage of consumers using each omnichannel approach before buying in stores/online

Browse products online first and then go to a store to buy them	50.1%
Look at online reviews and comparison sites before buying in stores	51.5%
Visit stores for inspiration and ideas before buying online	37.1%
Seek advice or service in stores before buying online	32.1%
Look online and in stores to see which is the cheapest	62.5%

Results based on a nationally representative poll of 1,500 Australian consumers

Source: GlobalData consumer survey

Australia

Consumer views: omnichannel

omnichannel services

Percentage of consumers using each omnichannel service when shopping in physical stores or just before or after they went shopping

Price checking products on a mobile	Looking at customer reviews or feedback online	Finding a product that they wanted in store using a mobile phone	Navigating through a store using a mobile phone	Searching for the location of a store on a mobile device
30.1%	16.7%	17.5%	13.9%	18.8%

Results based on a nationally representative poll of 1,500 Australian consumers

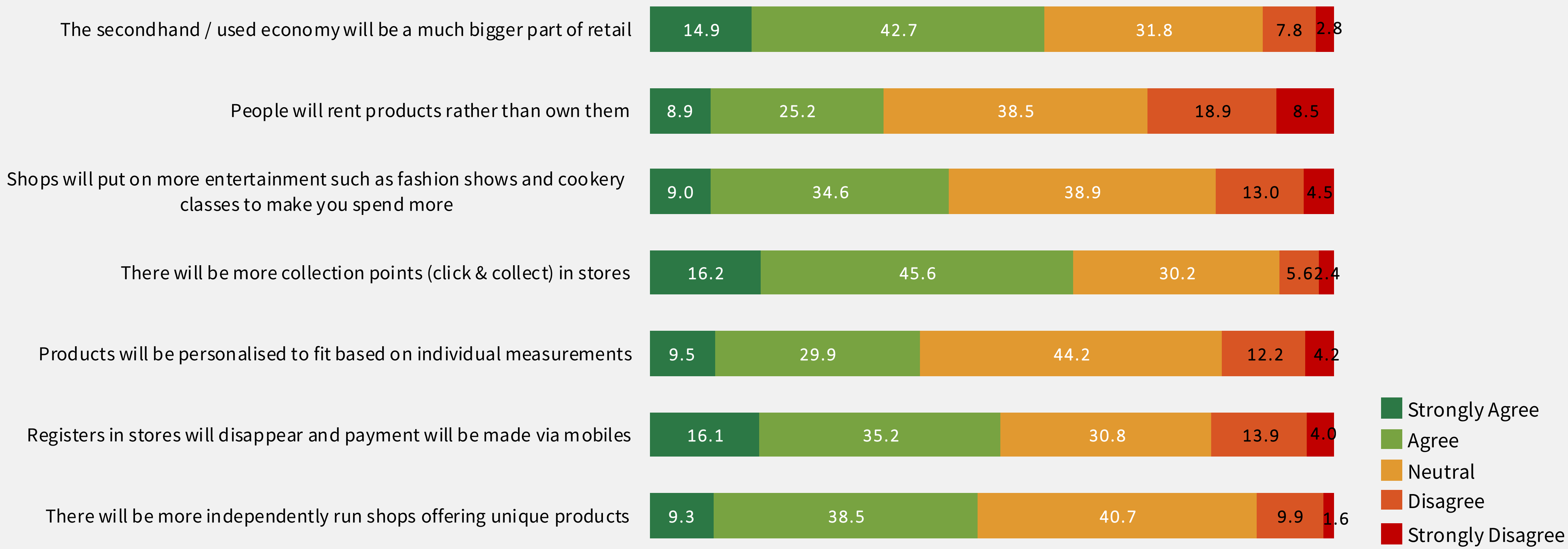
Source: GlobalData consumer survey

Australia

Consumer views: future retail landscape

Views on the future retail landscape

Percentage of consumers who agree/disagree with the following statements about how the retail landscape will look ten years from now



Results based on a nationally representative poll of 1,500 Australian consumers

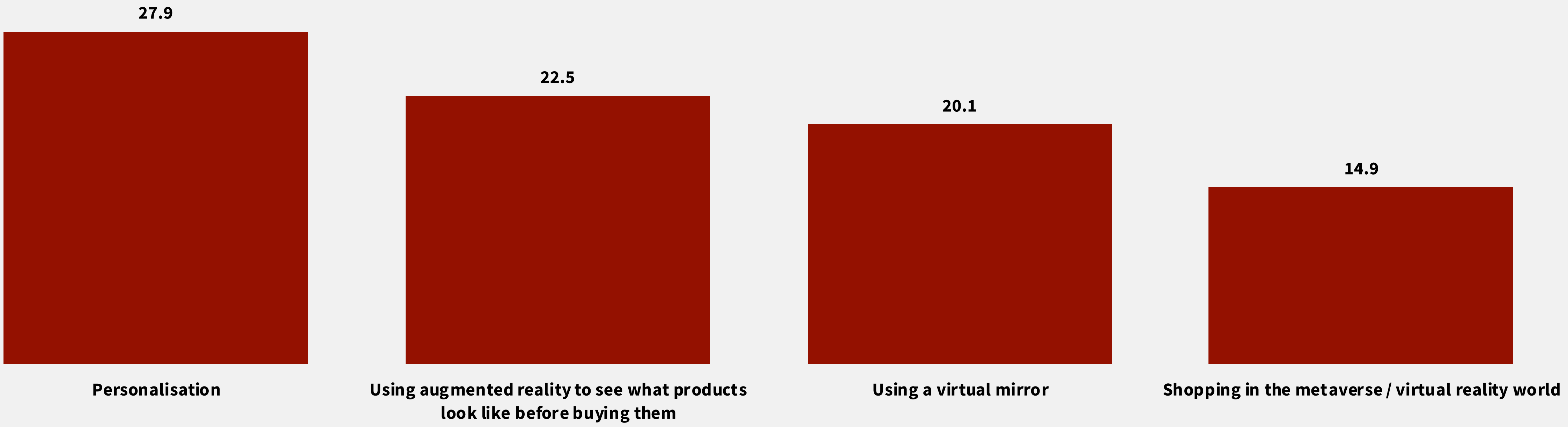
Source: GlobalData consumer survey

Australia

Consumer views: retail technologies

Future retail technologies

Percentage of consumers who are interested in using the following retail technologies and innovations in the future



Results based on a nationally representative poll of 1,500 Australian consumers. Definitions for each technology can be found on the next slide.
Source: GlobalData consumer survey

Retailer trends: summary

- **Personalisation:** A tailored customer experience that has been personalised to individual tastes and/or needs is an increasingly competitive feature of the integrated shopping journey. Brands are delivering valuable, relevant interactions to cut through the noise and keep their customers engaged.

- **Augmented Reality (AR):** AR is growing in popularity among Australian retailers, allowing shoppers to 'try before they buy' in categories including homewares, beauty, and apparel. **Virtual mirrors are one example of AR**; some versions feature AR additions or use a virtual graphical avatar of the consumer.

- **Click & collect:** As consumers continue to buy more online than they did before COVID-19, and are once again out and about, retailers must ensure they offer convenient alternatives to home delivery, such as click & collect. While click & collect is nothing new, there is still room for innovation, particularly when it comes to groceries.

Australia

Retailer trends

Personalisation

Which of the following retail technologies and solutions are you interested in using in the future?

Having products personalised to your own requirements and tastes

26.9%

Many businesses are investing in offering a personalized experience for consumers. For example, off the back of supply shortages, IGA (Independent Grocers of Australia) is introducing IGA's Local Grocer stores to serve local communities with their most-wanted items. By collecting information through frequent purchase data as well as personal interactions, each store will tailor its stock based on the preferences of its local consumers. The retailer has opted out of self-service checkout machines as they consider the staff-operated checkout process a great opportunity to interact and get to know the customers. When customers have specific requests, they are encouraged to leave their contact details so they can be personally notified when it arrives in-store.

Coles has unveiled long-term plans to better understand the eating habits of its shoppers and offer personalised meal plans and inspiration, suggest grocery lists, refill online baskets and even pre-empt the next top-up.

Australia

Retailer trends

Augmented Reality (AR)

Which of the following retail technologies and solutions are you interested in using in the future?

Using augmented reality to see what products look like before buying them

21.0%

Within the homeware category, the Australian-made AR software StyleFit has been offering a 3D product visualisation tool for major brands Koala Living, Boori, Johnny's Furniture, One World, Life Interiors, Living by Design and Yardware since 2019. The tool allows customers to superimpose items into their homes and style their interiors before committing to any purchase decisions.

Apparel and beauty retailers are also adopting AR technologies such as virtual mirrors to help online customers visualise products before making a purchase. The technology manages product expectations and for many brands aims to combat the environmental cost of returns. Snap.Inc has recently collaborated with several brands to showcase products and allow 'try before you buy' through a digital shopping lens, e.g. TWO SVGE sunglasses and MECCA x M·A·C's lipstick range.

Whilst AR is not currently utilised as much for everyday online grocery shopping, major brands are picking up on the trend and integrating AR into their campaigns. Woolworths recently launched an interactive map with several mobile games to be discovered around the world.

Retailer trends

Click & collect

Percentage of consumers who plan to do more of the following in the future compared to now

Collecting an online order from a physical store

19.5%

Almost one-fifth of consumers in Australia plan to use click & collect more in the future. While click & collect is nothing new, there is still room for innovation, particularly when it comes to groceries. Panasonic, for example, has introduced automated Smartlockers at Australian grocery stores offering four different temperatures – ambient, chilled, frozen, and heated. This offers greater convenience for shoppers, allowing them to collect grocery orders from lockers instead of from inside stores – a service that has traditionally only been available for non-food purchases.

This also brings benefits for businesses as it reduces the number of home deliveries needed, improving the profitability of their online operations and reducing their carbon footprint.

Source: Panasonic

Details

Definitions, explanations, methodology

Details

Definitions and explanations

Product and market definitions

- **Retail.** The report and data cover the retail market segment. This includes all consumer product segments (see below for more details). Digital products, such as individual music downloads and e-books, are also included. The following are excluded: business to business sales, secondhand goods, wholesale trade, gasoline and fuel, automotive vehicles (auto accessories are included), foodservice, household services such as plumbing and installation, medical devices, prescription drugs, travel, insurance, subscriptions services such as Netflix, etc.
- **Food.** The food part of retail includes all food and drink based products bought from retailers. Household essentials such as cleaning and paper products are also included. Alcohol and tobacco are included under food.
- **Non-food.** The non-food part of retail is everything that is not specified under food. This includes homewares, furniture, home improvement, electronics, apparel, health, beauty, sports, games, leisure and hobby, entertainment, and other various products.
- **Taxes.** Taxes such as consumption tax and GST, that is added to the cost of goods as per law or regulation. Numbers in this report include taxes.

Channel definitions

- **Online sales.** This means a transaction that is made online – i.e., payment for the product is made online regardless of the other channels used during the shopping journey. For example, a product paid for online and collected in store is counted as an online sale.
- **Physical sales or store sales.** This means a transaction that is made in a physical store – i.e., payment for the product is made in a store regardless of the other channels used during the shopping journey. For example, a product paid for in store and then delivered to a customer at home is counted as a physical sale.
- **Other channel sales.** Other channels include mail order, telephone and television shopping. These form a relatively small element of most markets.
- **Online.** Online includes all methods of digital shopping such as via a desktop, laptop, mobile phone, social shopping, and so forth. Ordering via an online kiosk within a store is considered online shopping. However, placing an order in store where staff place the order and then take payment is counted as physical shopping.
- **Physical stores.** These cover all types of physical location where products are sold. Traditional retail stores such as mass merchants, grocery stores, specialist stores, convenience stores, drugstores, etc. are included. So too are market stalls, pop-up shops, in-mall kiosks, vending machines, sales from mobile trucks, and so forth.
- **Online penetration.** The proportion of retail sales where the transaction is made online.
- **Physical penetration.** The proportion of retail sales where the transaction is made in stores.

Omnichannel definitions

- **Omnichannel.** The use of more than one channel during a single purchase. To be an omnichannel purchase, the consumer must make use of more than one channel during a given shopping journey.
- **Shopping journey.** The complete process undertaken when buying something. This involves everything from the initial purchase trigger through to after care or service. The shopping journey is much wider than the point of transaction. The shopping journey is shown in detail on subsequent pages.
- **Point of transaction.** The part of the shopping journey that involves payment for the product being bought.
- **Receiving the product.** Sometimes called point of fulfilment. The part of the shopping journey that involves receiving the product.

Details

Definitions and explanations

Omnichannel definitions, cont…

- **After care or service.** Advice, assistance or help given after a purchase has been made. For example, training on how to use or setup electronics.

Fulfilment definitions

- **Click and collect.** A generic term for buying online and collecting from a physical retail location. Note that this term is sometimes used to refer exclusively to collect from store services.

- **Delivery.** Delivery of the products to an end location such as home or to a workplace, usually via a carrier like FedEx or Japan Post, etc., or via the retailer's own distribution and fulfilment network.

Details

The shopping journey

- The shopping journey is used to understand the complete process of shopping. It is much wider than simply looking at where the transaction is made, which is the traditional, but rather limited, way of measuring sales.
- The principle here is that the point of transaction does not exist in isolation. A significant number of transactions are part of a wider shopping journey that involves multiple stages. Across each of these steps the consumer may use a variety of different channels to meet their needs. There are an enormous number of journey permutations, making it complex to map consumer behaviors.
- The diagrams opposite show the shopping journey framework we use.
- An omnichannel sale is where more than one channel has been used within a single shopping journey. This can involve any combination of channels and stages within the journey. So, for example, browsing products in stores and then transacting online is classified as omnichannel. So is transacting online and then collecting a product from store.

Details

Methodology and inputs

To calculate the numbers the following inputs were used:

- GlobalData's consumer panel, which has tracked detailed weekly shopping behaviors and buying habits of consumers since the pandemic started in March 2020.

- This consumer data was supplemented by further consumer research to assess views and opinions on a variety of omnichannel topics. For this, a survey of 1,500 Australian consumers was conducted in July 2023. Sampling was representative in terms of the population profile.

- Data provided by individual retailers which breaks down transactions and fulfillment by channel and, where available, customer habits and shopping patterns.

- All the data are built into our model of consumer spending which allows us to calculate the various metrics on a national level. Retail analysts carry out several checks on this model to ensure its accuracy and validity. This includes checking against data from individual retailers, official government data, industry data and other sources.

- An exhaustive review and analysis of existing reports on the consumer spending habits in the broader retail industry was also conducted as part of the checking and research process.

- Where provided, forecast data is modelled using a three-step process:
  1. Cross-correlation auto regression of inputs over time
  2. Bayesian techniques refine to single-most robust forecast
  3. Cross-correlation auto regression and Bayesian refinement for the final output

- Inputs for the forecasting model include standard economic and social variables as well as specific data from consumer research, retailer predictions and retail metrics such as store numbers.

Details

About GlobalData

GlobalData is a global research agency and consulting firm. Within the firm's retail division, our work focuses on all aspects of retailing and consumer behavior, which we deliver through a variety of different reports and our interactive Intelligence Centre. We also undertake bespoke research and consulting work for clients.

We are headquartered in New York and London with offices across the world. Our analysts and researchers work to understand the latest trends and developments in retailing across developed and emerging markets. We also have a global panel of consumers which we use to undertake consumer surveys and to gauge and assess sentiment and views on various retail issues.

We work with many of the world's leading retailers, FMCG groups, property firms and those in the financial sector to help them maximize success through developing a thorough understanding of the retail sector and its likely future performance.

Further information

For information on this report, and GlobalData's other products and services, please contact us:

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