

# Australian online shopping behaviour



Prepared by: Norrelle Goldring, APAC Shopper Lead  
Date: 5 October 2017

# Contents



The current  
landscape

Themes:  
Convenience,  
Streamlining,  
Security

Expectations  
and  
predictions

We compare  
Australia to  
similar markets  
along the way

# Current Landscape

What are they doing, where are they doing it, how are they doing it?



# Context: Australian Online Retail Market Size



\$22.74 billion on online retail  
(12 months to June 2017).

Equivalent to around 7.4% of  
the traditional bricks and mortar  
retail sector

(Source: NAB Online Retail Sales Index)

80%

Domestic Australian spend  
proportion of total online  
spend by Australians

Online sales  
up 10%

Physical stores up 3%

(Source: NAB, March 2017)

#10 largest ecommerce  
market in the world

#2 global cross border online  
shoppers

(Source: Pitney Bowes)

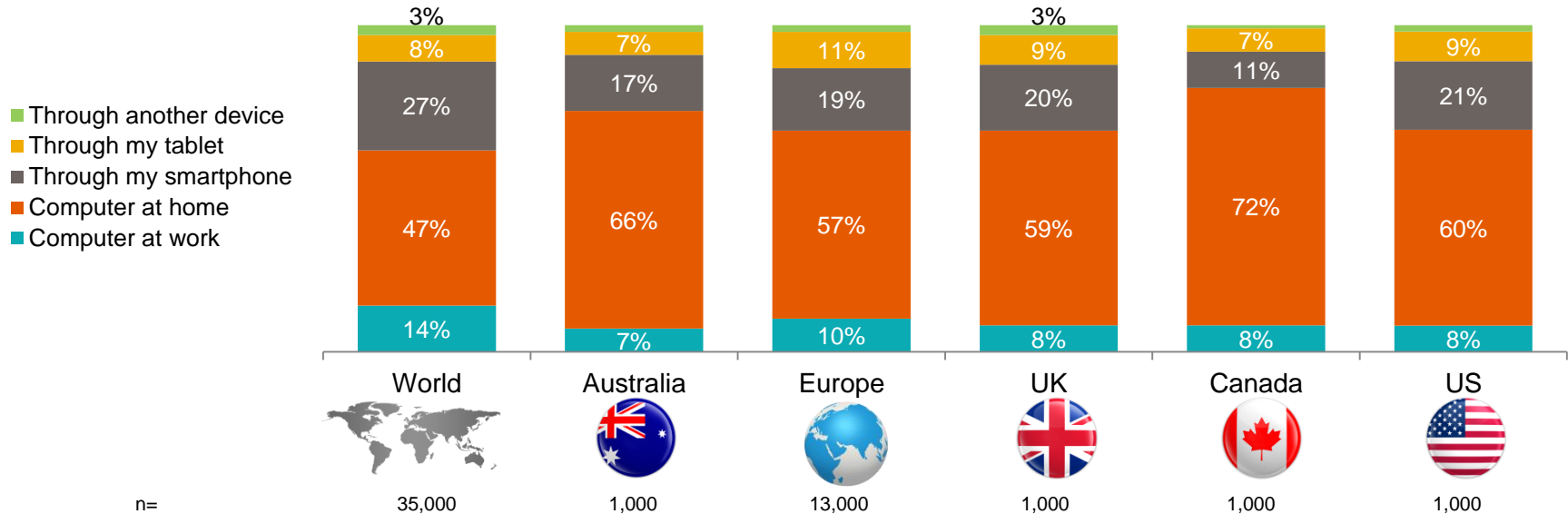
Forecast 2017 >\$32 billion in  
online sales.  
This represents 20% growth  
since 2013

(Source: JDA Software /Honeywell/ Centiro)

# 2/3 of total shopping *time* in Australia is at home on laptops / desktops



Versus 2016 there has been a shift from 'Computer at Work' into smartphones and tablets.  
We would expect that trend to continue



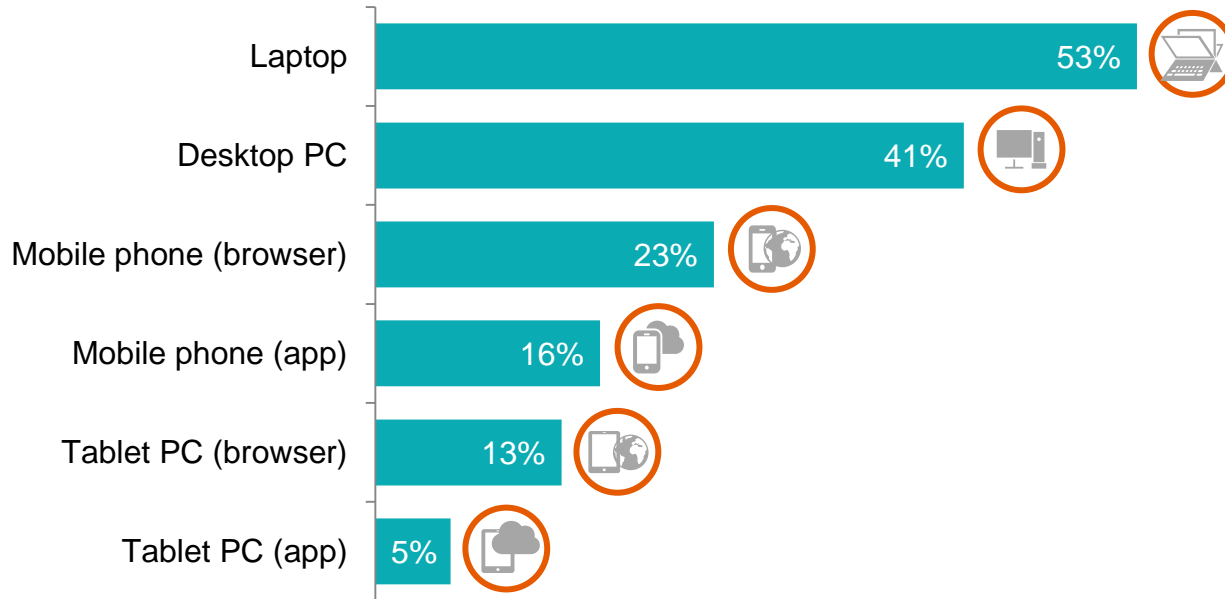
Q11: What percentage of your total time spent shopping over the internet is represented by each of the following? By 'shop' we mean the process of browsing, comparison shopping, information gathering, or the actual purchase of products and services. Your responses must sum to 100%.

Source: GfK FutureBuy 2017

# Mobile device purchases are increasing rapidly, but laptops are still the dominant way of purchasing online.



## Device used to shop online



“Purchasing via mobile device has increased **52% year on year**”

(Source: Australia Post/ Startrack, 2016)

# Increasing preference for mobile purchase via an app

- It's not just about having a mobile friendly website

46%

said they use retail and shopping apps primarily for convenience

67%

Complete their entire shopping journey – from discovery to purchase – in an app

61%

find it more enjoyable to shop using an app than buying via an m-site

85%

typically make a purchase via a retail or shopping app at least once a month

# Webrooming and online only mobile device purchase journeys continue to increase



| Behaviour  | 2016 | 2017 |
|--|------|------|
| Online only<br>(saw on device, bought on device)   | 22%  | 37%  |
| Webroom<br>(see on device online, buy instore)   | 37%  | 43%  |
| Hostile Showroom<br>(see in physical store of one retailer, buy online using device from different retailer) | 16%  | 19%  |
| Friendly Showroom<br>(see in physical store of one retailer, buy online using device from same retailer)     | 17%  | 16%  |

GfK FutureBuy, base n = 1000. Q17 During any of your shopping occasions in the past 6 months, did you do the following?

© GfK October 9, 2017 | Australian Online Shopping Behaviour 2017

What's  
being  
bought  
online



# Online spend shares in Media, Homewares and Appliances have expanded rapidly



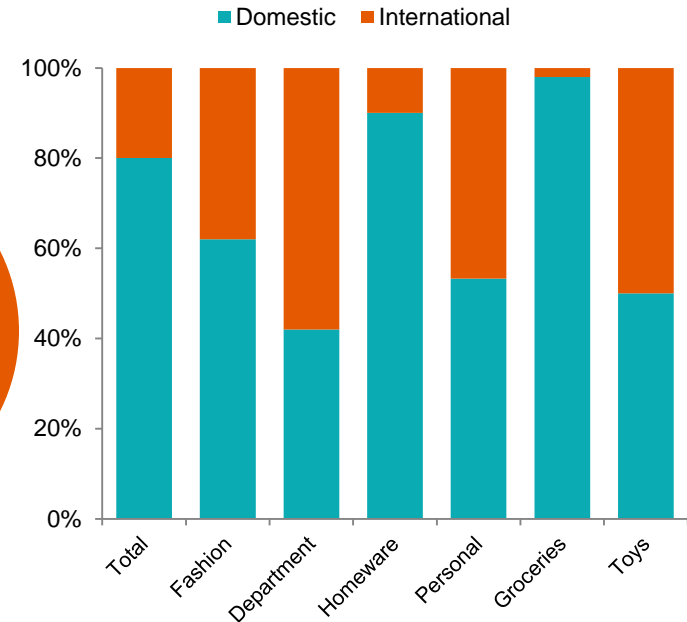
## Australian online spend, to June 2017

| %           | Monthly growth |        | Annual growth |        | Share of total spending | Contribution to annual total spending growth |
|-------------|----------------|--------|---------------|--------|-------------------------|--|
|             | May-17         | Jun-17 | May-17        | Jun-17 |                         |  |
| Fashion*    | 2.9            | -1.5   | 2.1           | -2.6   | 15.5                    | 11.6   |
| Daily Deals | 1.5            | 0.6    | 4.0           | 3.1    | 2.3                     | 0.0  |
| Department  | 3.4            | 0.3    | 6.5           | 8.4    | 8.2                     | 3.0  |
| Homeware    | 1.5            | 34     | 11.6          | 13.8   | 20.1                    | 22.1   |
| Media       | 0.7            | 0.7    | 15.2          | 16.7   | 17.2                    | 26.3   |
| Personal    | 1.9            | 0.0    | 6.2           | 1.7    | 9.6                     | 14.2   |
| Groceries   | 5.7            | -0.9   | 7.4           | 3.5    | 16.6                    | 7.3  |
| Toys        | -1.2           | 2.6    | -0.3          | 11.9   | 3.8                     | 2.4  |
| Food        | 0.4            | -0.1   | 12.4          | 9.6    | 6.7                     | 13.0   |
| Total       | 1.4            | 0.7    | 8.2           | 7.6    | 100                     | 100  |

Top online spend categories:

1. Homewares
2. Media
3. Groceries
4. Fashion\*

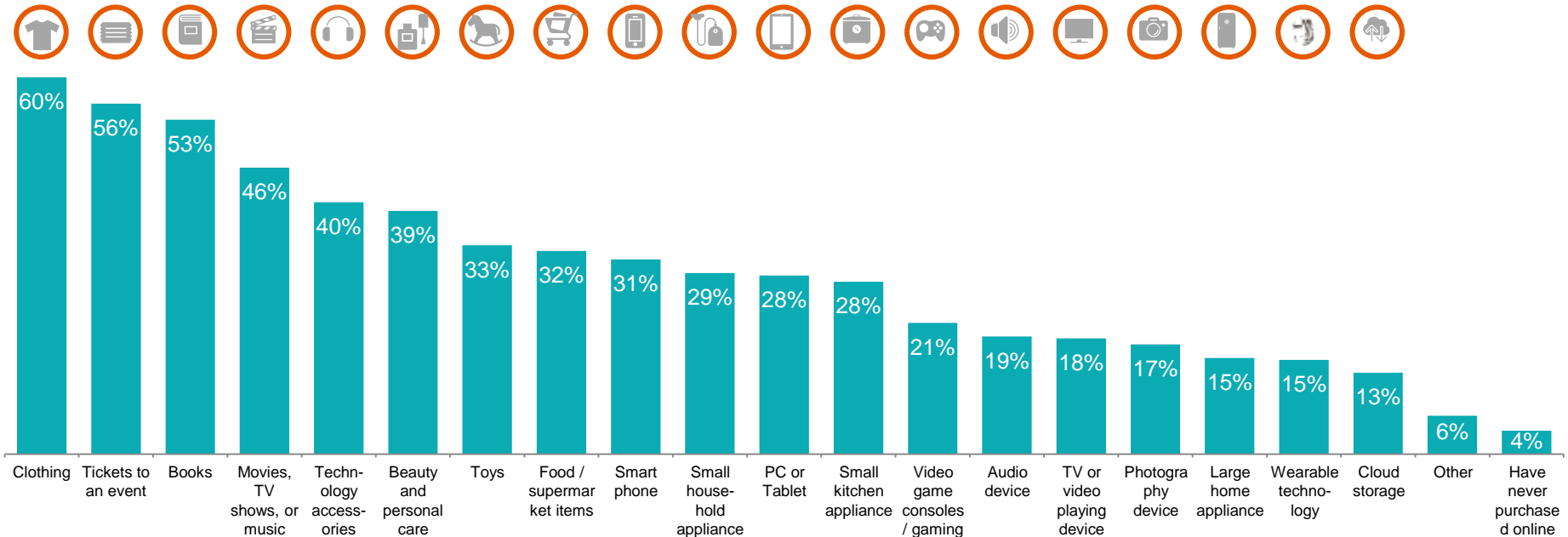
## Share of annual spend by category



# Apparel, tickets, books, entertainment, technology accessories and beauty care the top 6 online purchase categories by incidence



Categories purchased most often online also linked to a category's overall purchase frequency

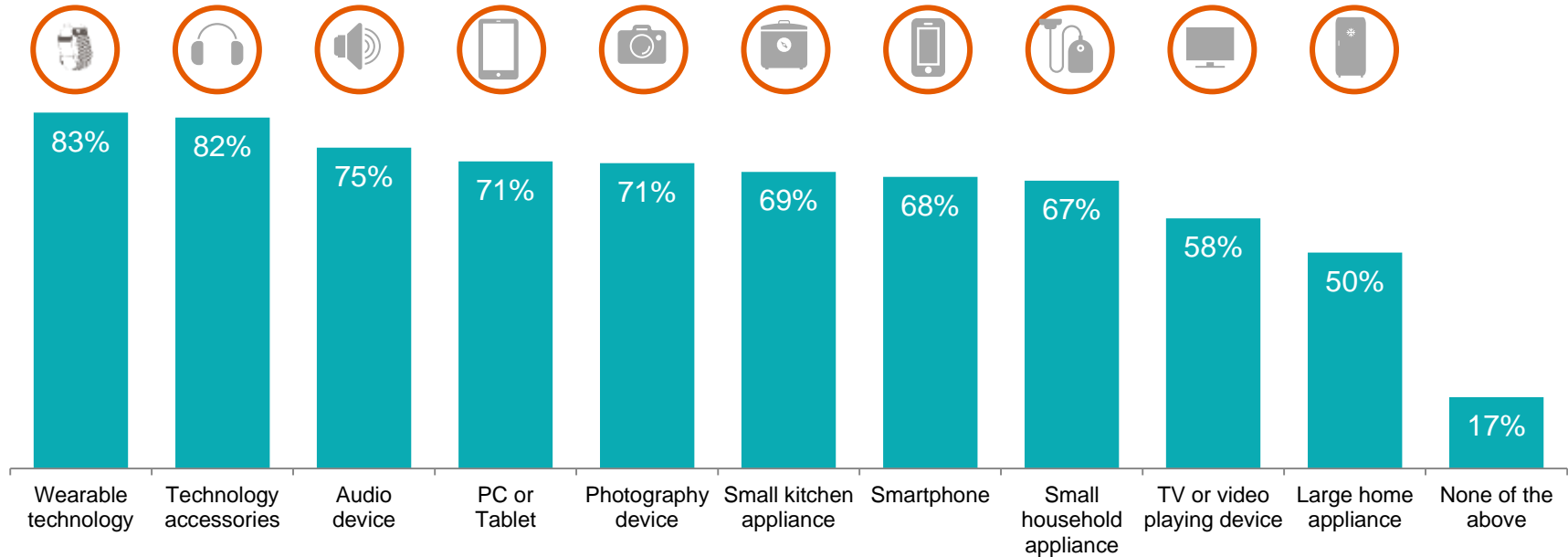


Q3: Which products have you ever purchased online?

# Technology categories most likely to be bought online are the more personal ones (and are typically lower cost items)





## Consider buying online



Q1: Which of these products would you consider buying online instead of a physical store?

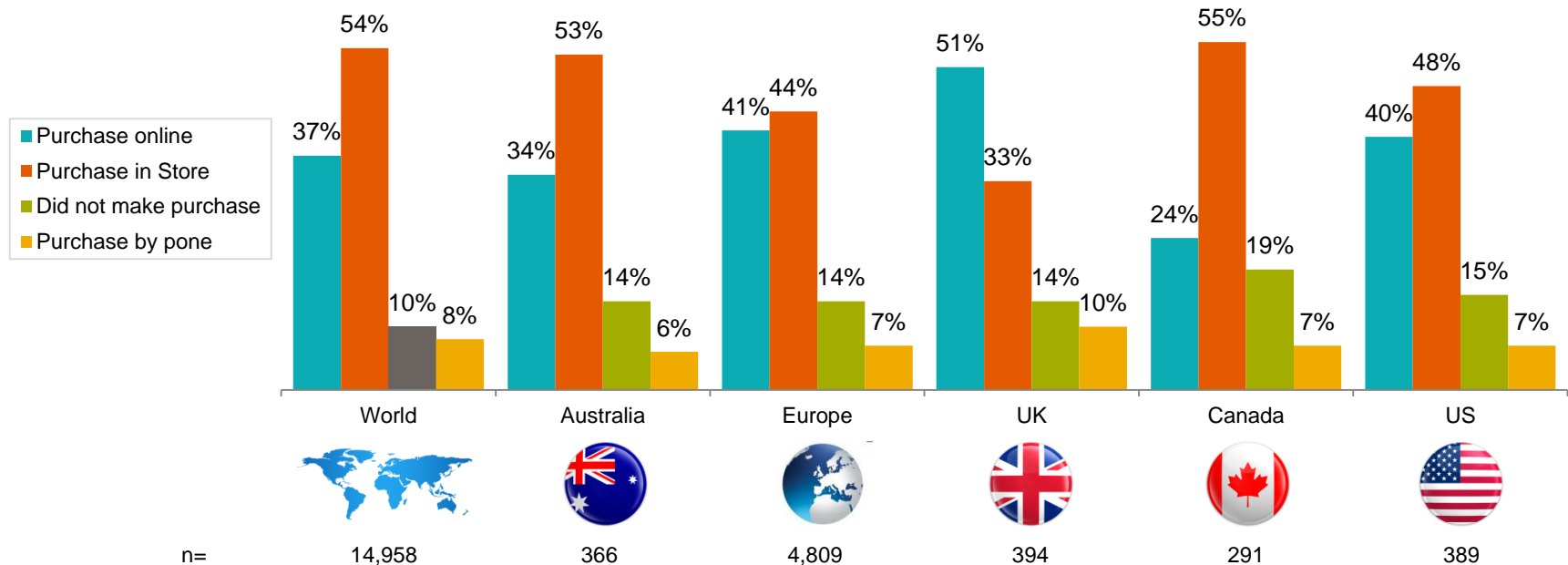
# Where would consider buying various tech categories

|                            |  <b>Online</b> |  <b>Physical Store</b> |
|----------------------------|---|---|
| Smartphone                 | 47%   | 53%   |
| TV/Video players           | 38%   | 61%   |
| Computing                  | 51%   | 47%   |
| Audio Devices              | 51%   | 47%   |
| Wearables                  | 58%   | 42%   |
| Tech Accessories           | 55%   | 44%   |
| Large home appliances      | 38%   | 61%   |
| Small kitchen appliances   | 44%   | 55%   |
| Small household appliances | 46%   | 53%   |

Q2: Which retailer are you most likely to purchase the [category] from? Base n = 1000 Project Omni, August 2017

# Online vs physical store purchase: Smartphones

Australian smartphone online purchase incidence has increased 5% since 2016

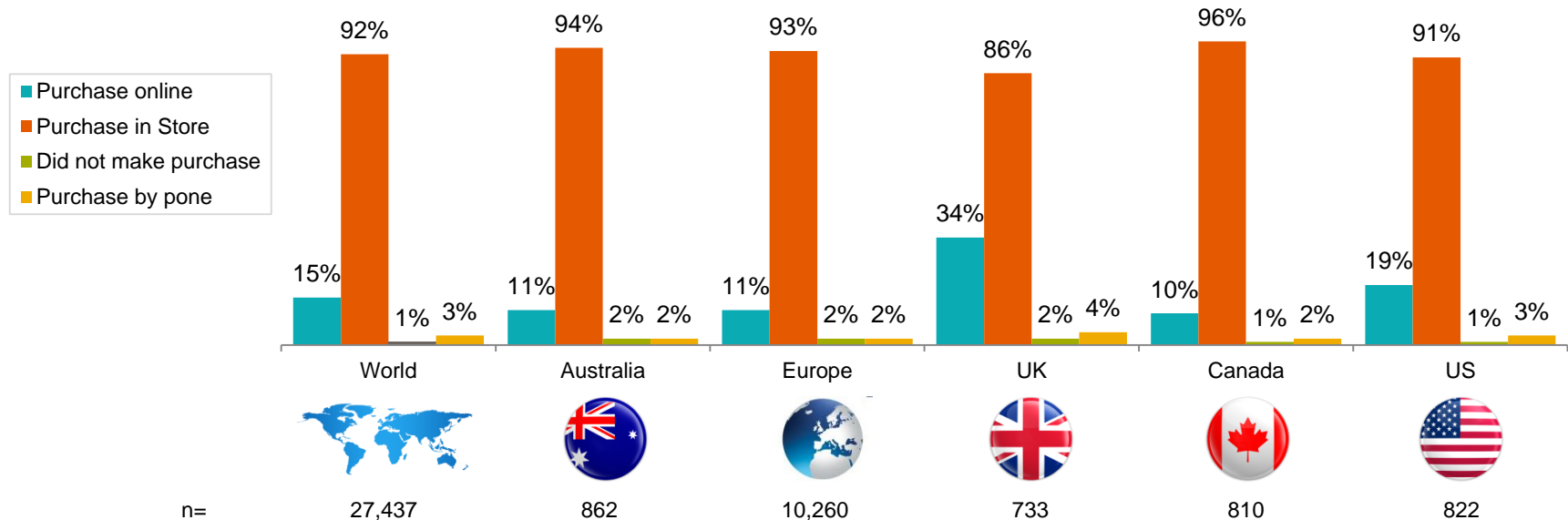


Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

# Online vs physical store purchase: Packaged food/bev

**Both penetration and frequency issue.**

**New online entrant competition means more focus online by the majors.**

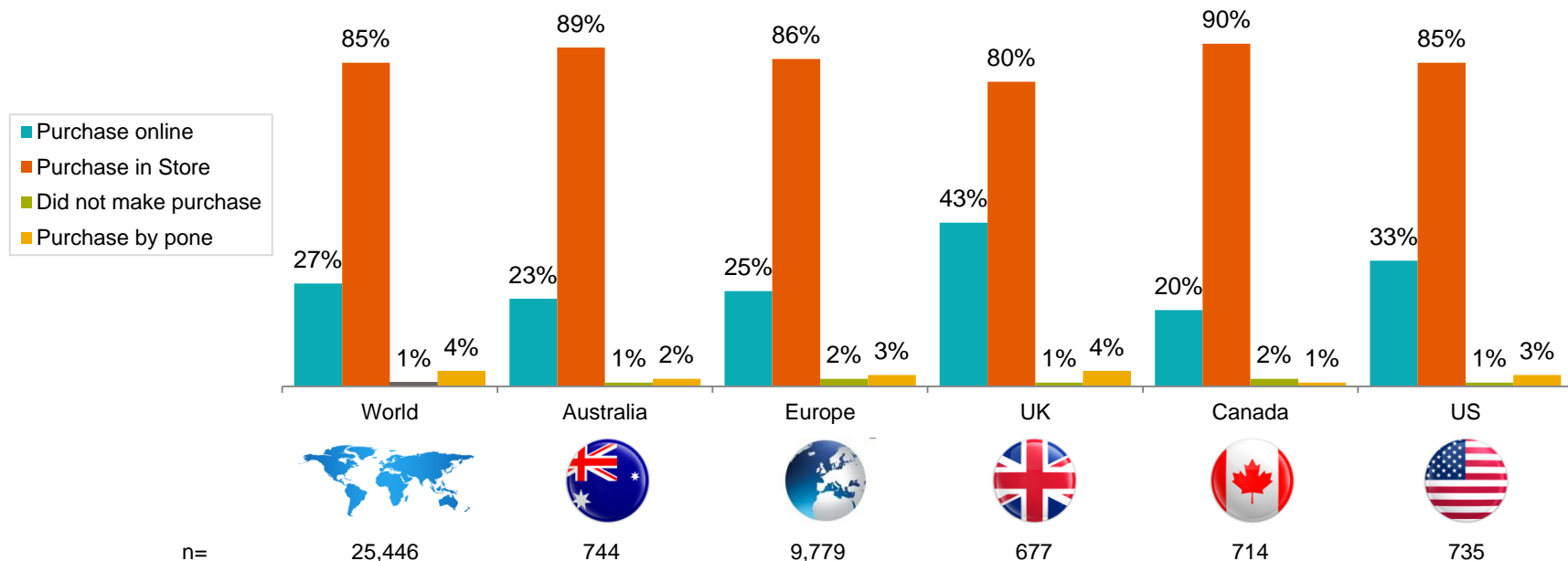


Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

# Online vs physical store purchase: Beauty/Personal Care



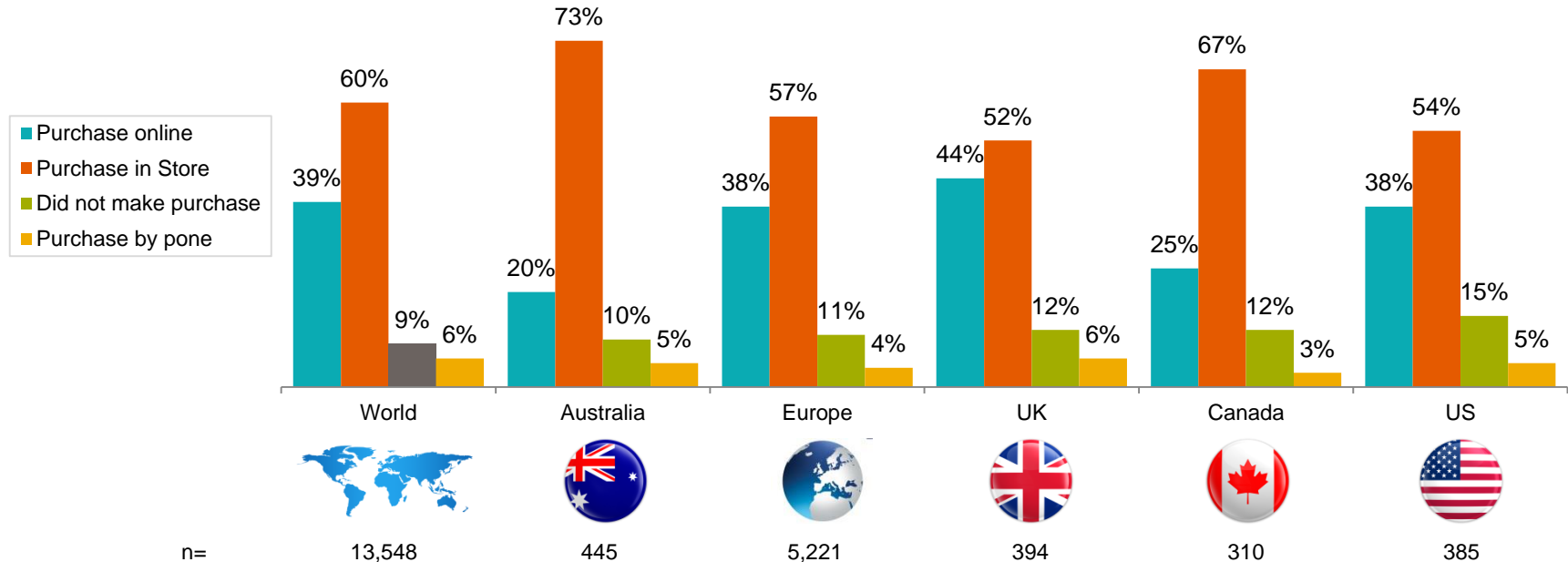
Moving online quickly, although in Australia less quickly than elsewhere



Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

# Online vs physical store purchase: Small Appliances

Australia lags other countries in this ... Immediacy rules

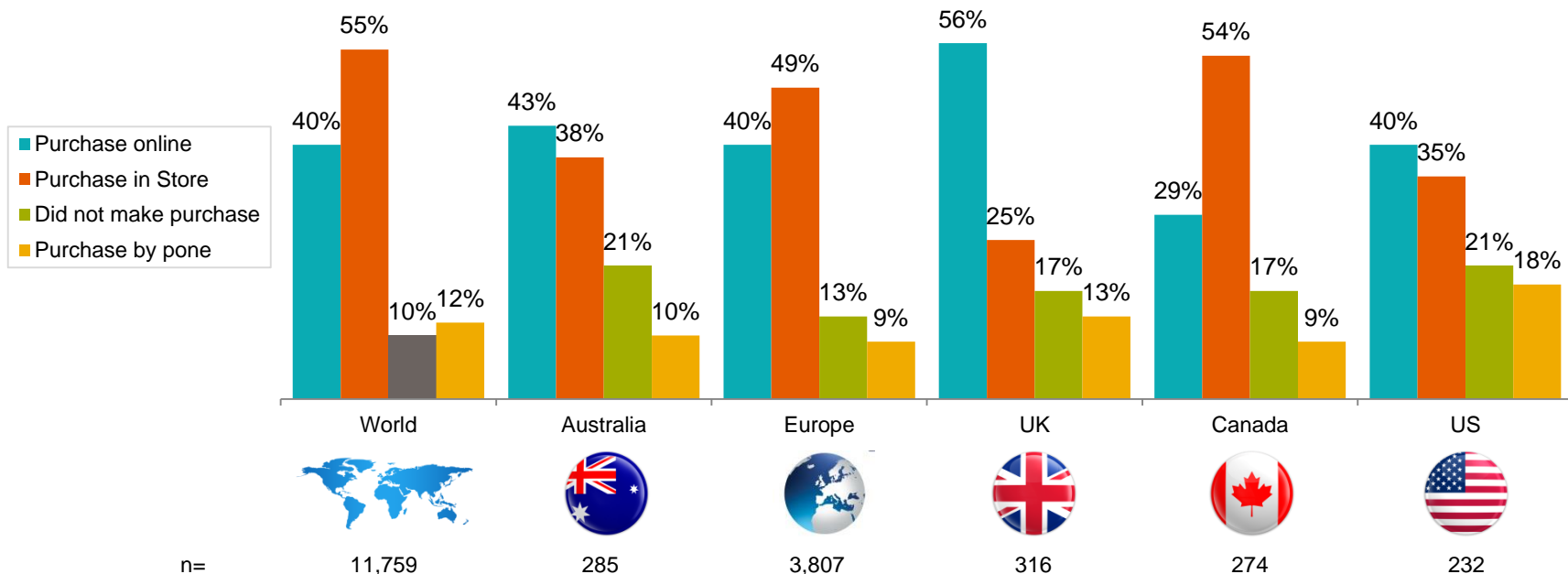


Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

# Online vs physical store purchase: Financial Services



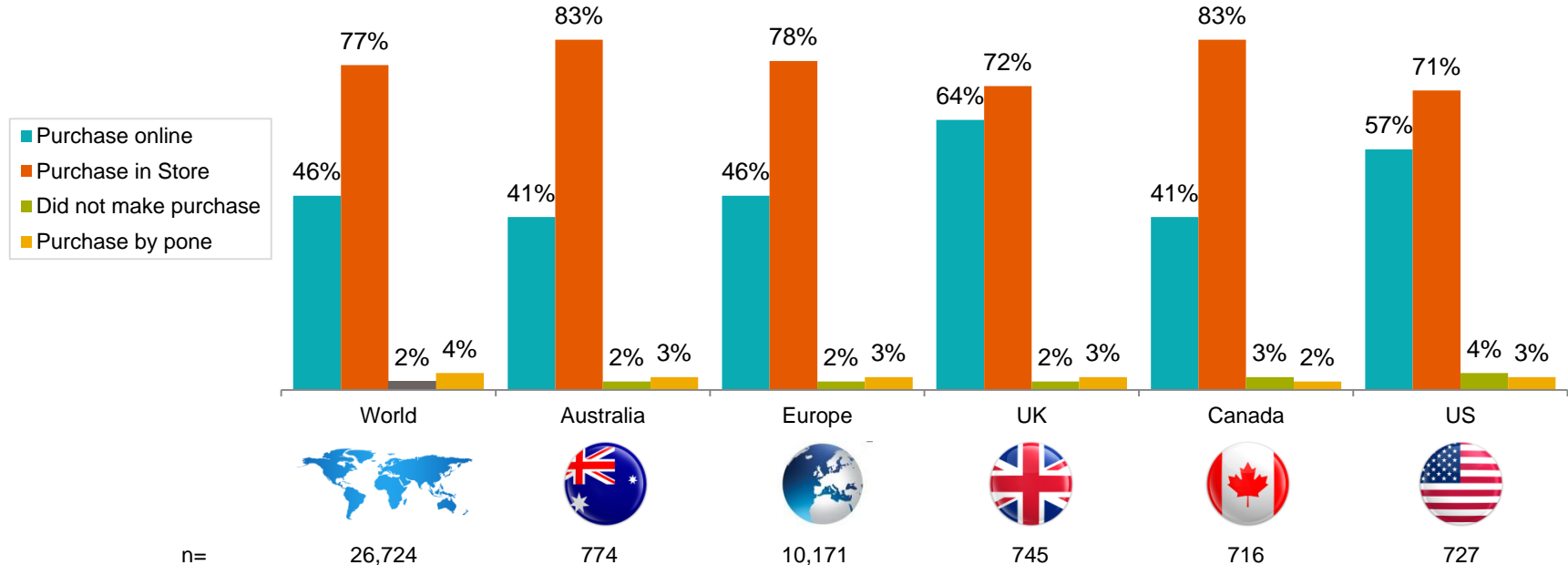
Typically one of the higher categories for online purchase. 6% online increase vs 2016



Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

# Online vs physical store purchase: Apparel/Clothing

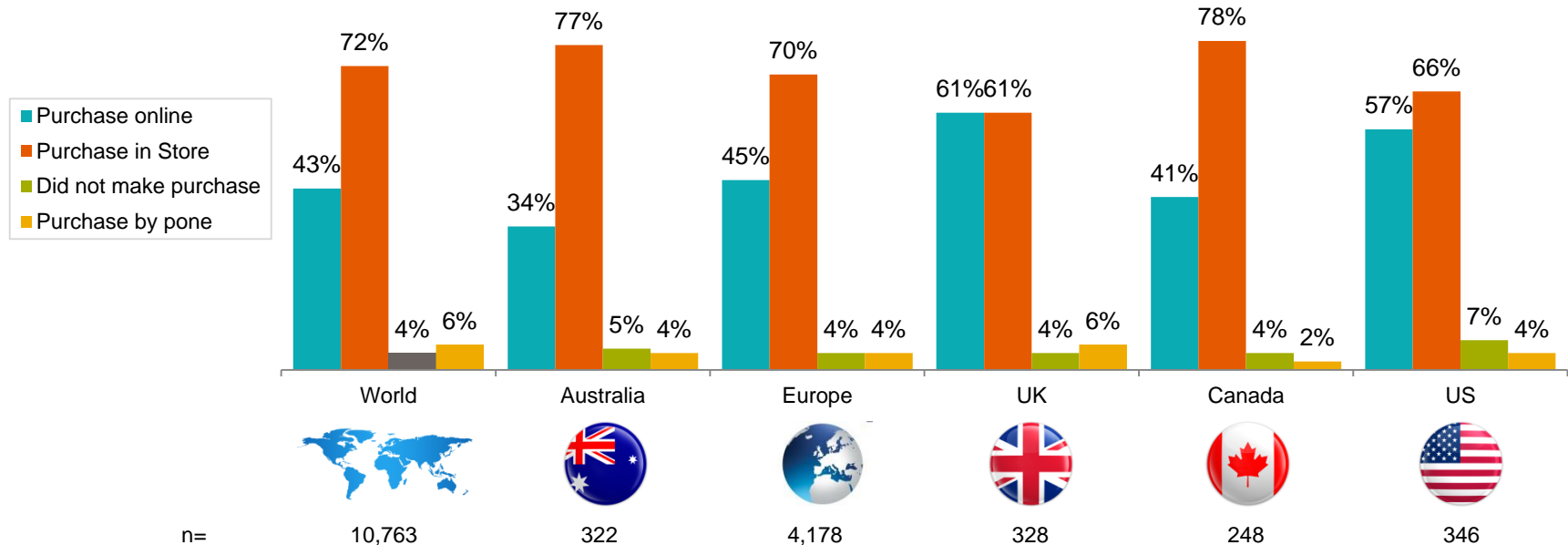
Getting more comfortable with buying online, many still want to physically try on for fit



Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

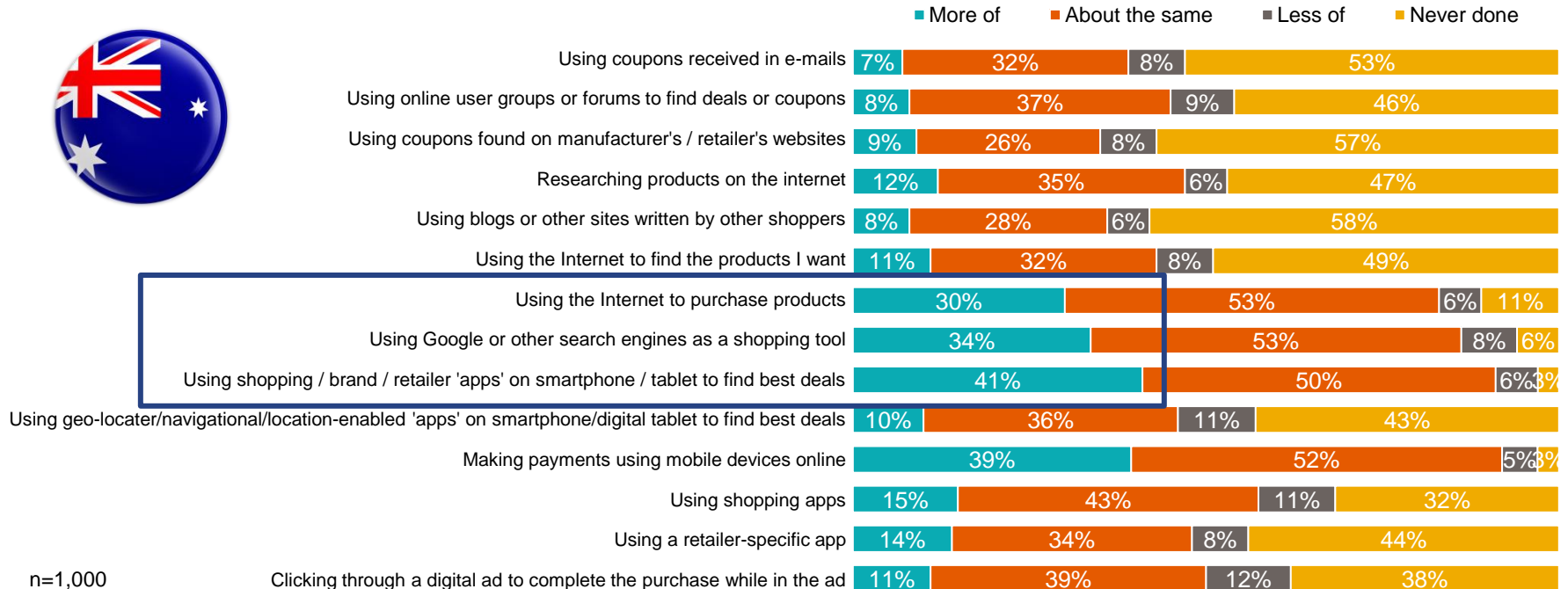
# Online vs physical store purchase: Toys

Australia lags even Canada here. Impact of reduced mid year toy sales?



Q2Abis: When you shopped for each of the following in the past 6 months, did you make a purchase?

# Shopping behaviour changes: shopping apps, search engine shopping, buying & mobile paying online



Q7: Below are different statements about shopping. Compared to a year ago, would you say that you are doing more, less or about the same of each activity as it relates to your shopping experiences in general across the many different kinds of products and services you shop for? By "shopping" we mean the process of browsing, comparison shopping, information gathering, or the actual purchase of products and services.

Convenience,  
Streamlining,  
Security



Why buy  
online  
versus  
physical  
store?



# The top drivers for shopping online are saving money, convenience, range and delivery options



## Top 5 Online / Offline channel drivers

n=1,000

Store



See product before buy

51%

Get products sooner

41%

Hassle-free return

27%

Can buy other things

26%

Routinely shopping

25%

Online



Save money

56%

Shopping is easier

35%

Better selection

32%

Shopping is faster

29%

Better delivery options

19%

Q4: Thinking about the last time you were deciding whether to purchase something online versus in a store, what factors were most important in driving your choice to purchase there?

# Nearly 2/3 expect online to be cheaper than instore, and 80% expect an online discount of 10%+ versus instore

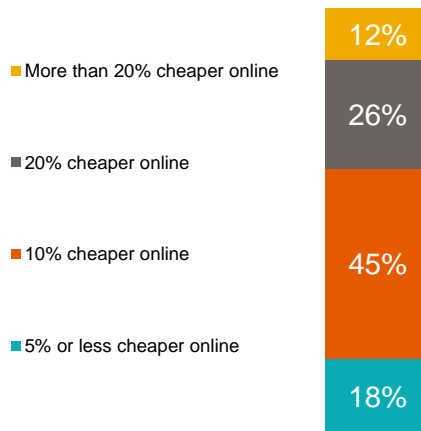


## Channel price expectations



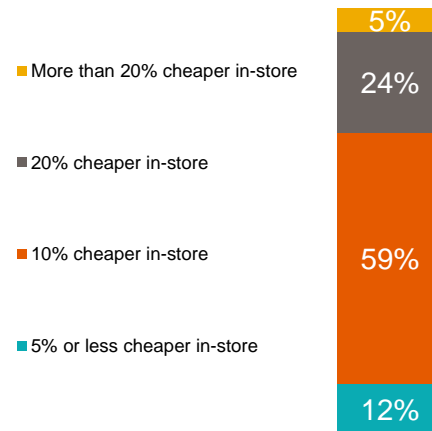
Not many expect instore to be cheaper than online.

## Online saving expected



Opinions split on how much cheaper needs to be – less defined than for instore  
Generally level of discount expected higher for online than instore (more at 20% or over 20% cheaper)

## Physical store saving expected

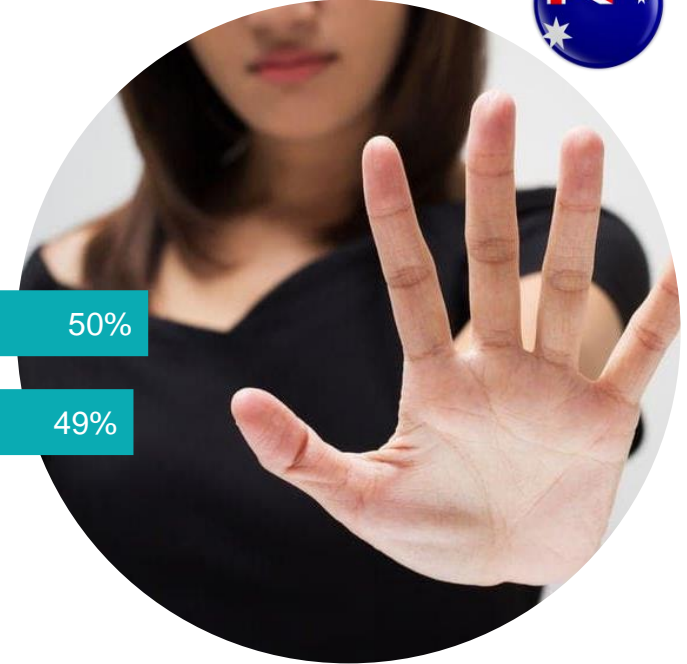
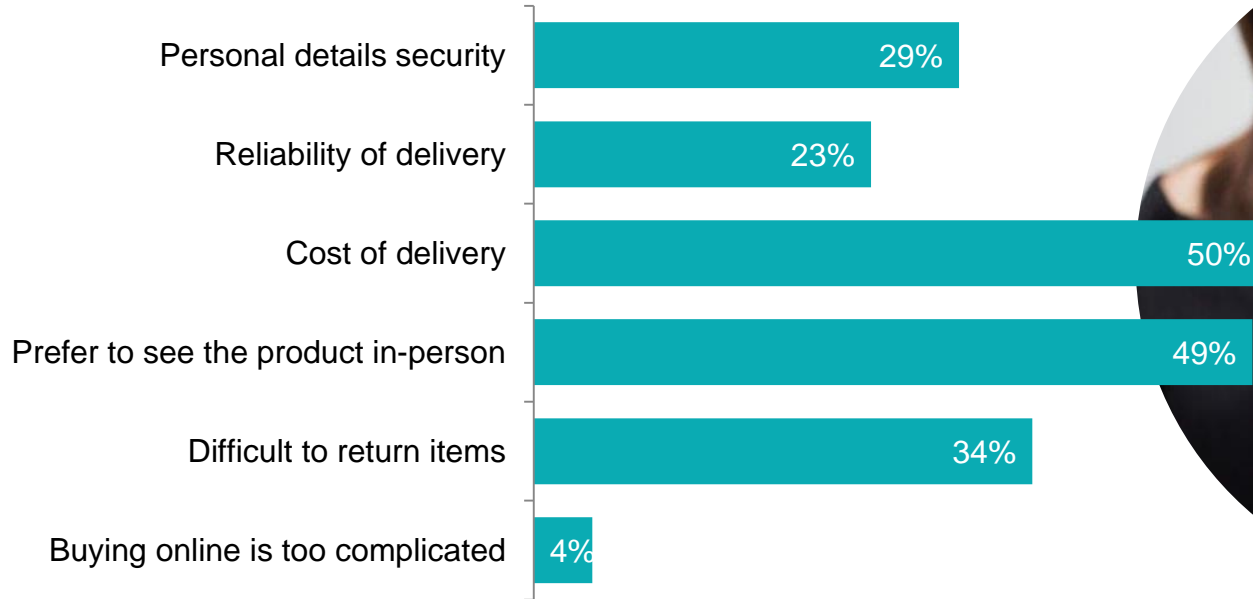


Fewer expect a discount of 20%+ instore than online

Q37: When you shop online for electronics and appliances do you expect to pay more or less for the same item if you bought them in-store from a physical store)?  
Q38: And how much cheaper would you expect online to be than in-store? Q39: And how much cheaper would you expect in-store to be than online?

# Barriers to online shopping:

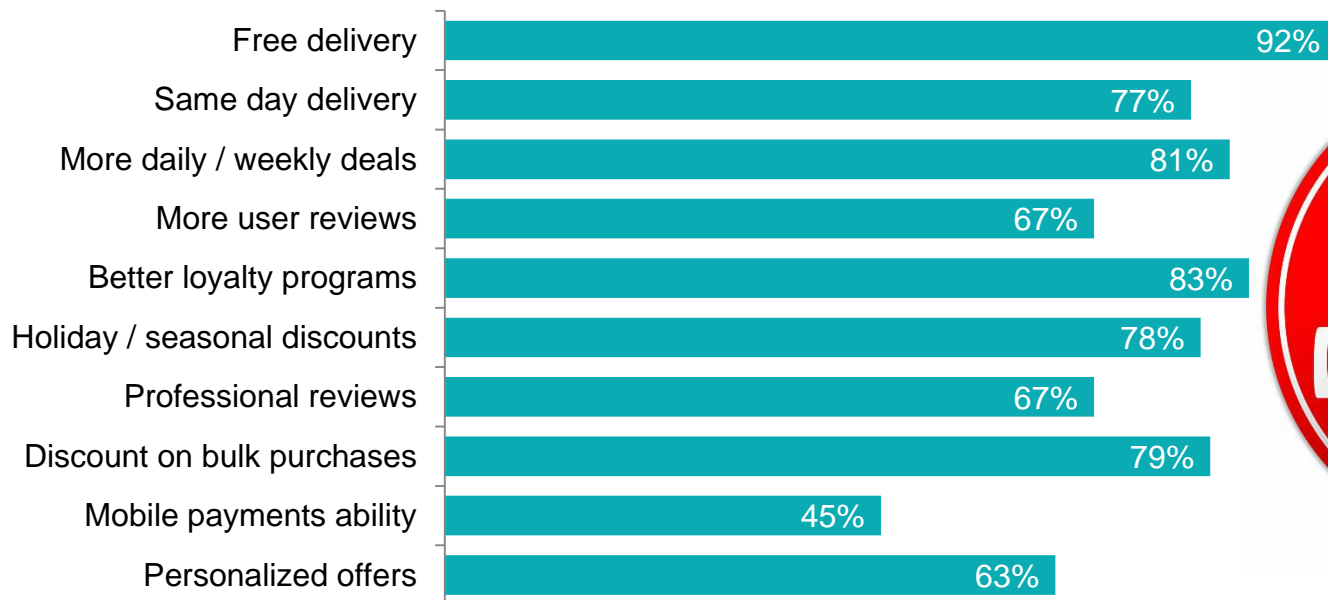
## Cost of delivery #1



n=1,000

# Free delivery is more important than same day delivery

But speed becoming more important



n=1,000

Q19: How important would each of the following factors be in getting you to make more online purchases in the next year?

© GfK October 9, 2017 | Australian Online Shopping Behaviour 2017

# Biggest benefit expectations of an Australia-based Amazon are, unsurprisingly, lower prices and cheaper delivery fees



## Expected biggest customer benefits



Nearly half expect faster delivery and 4 in 10 expect a better range

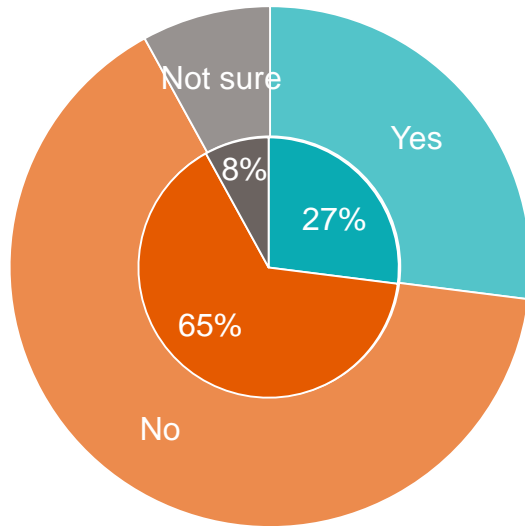
n=1,000

Q17: What do you expect the bigger customer benefits are from having an Australia-based Amazon retailer compared to the existing retailer options available today?

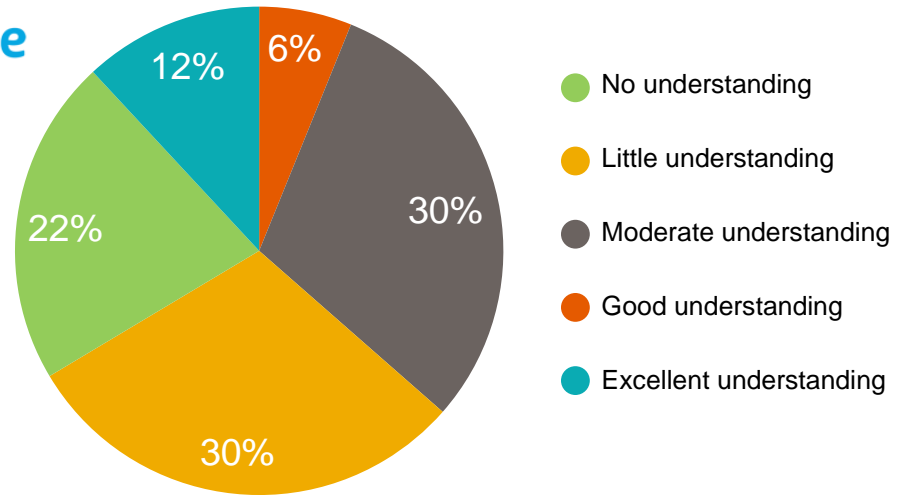
# 1 in 4 are aware of Amazon Prime, and of those half say they have a good to excellent understanding of it



## Awareness of Amazon Prime



## Understanding of Amazon Prime



Q25: Have you heard about the Amazon Prime service?

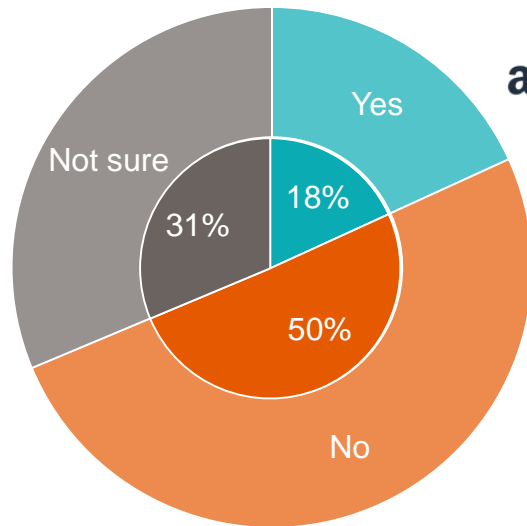
Q26: Please rate your own understanding of the Amazon Prime service and what it includes?

Likelihood to use Amazon Prime roughly in line with awareness levels.  
Dropping its price makes little difference to propensity to take it up

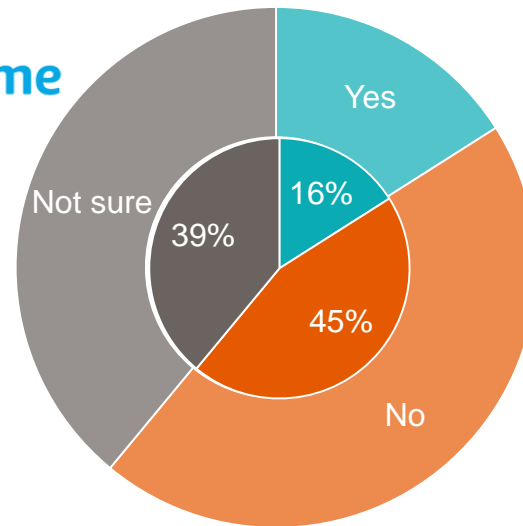


### Likelihood to use Prime at US\$99 (AUD \$125)

### Likelihood to use Prime at AUD\$70



amazon prime



Propensity to take up Prime more about shopper's understanding of the offer and whether they perceive would use it enough (buy from Amazon frequently enough) to justify the cost.

Q28: Amazon Prime is a subscription service (currently US \$99 per year in America) which provides members with free or discounted delivery options, access to movie and movie streaming services, unlimited cloud photo storage, plus a lot more. If this service came to Australia for a similar price (around AU \$135 per year) do you think you would you subscribe?  
Q29: What if Amazon Prime was offered in Australia for only AU\$70, do you think you would subscribe at this price?

# Retailers are upping the delivery speed game



BWS 1 hour  
delivery trial 48  
stores will roll out  
nationally

Google Express  
(Amazon Prime  
without the fee) – 8  
major US retailers



Convenience  
– Delivery  
methods

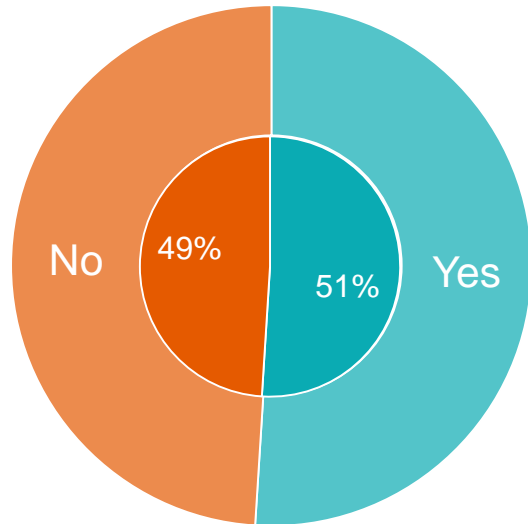
**PARCEL DELIVERY**



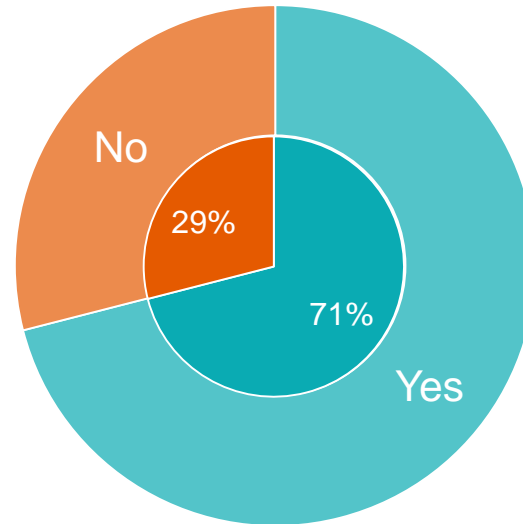
Half have used click & collect for something, and 7 in 10 would consider using it in future for electronics / appliances online purchases



### Use of click & collect (any category)



### Consider using click & collect for next durables purchase



More considering than have used in the past

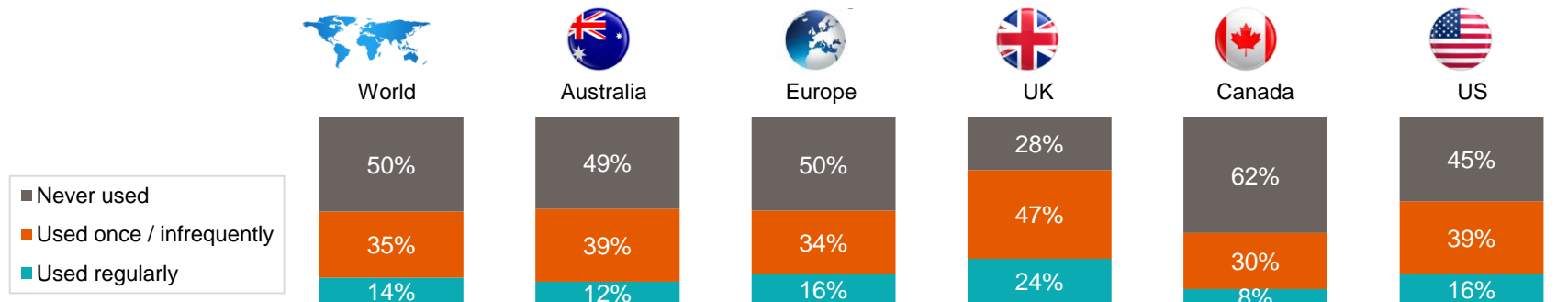
Q33: Have you used Click and Collect in the past?

Q34: Do you think you will use the Click and Collect option when shopping for your next electronics or appliances purchase online?

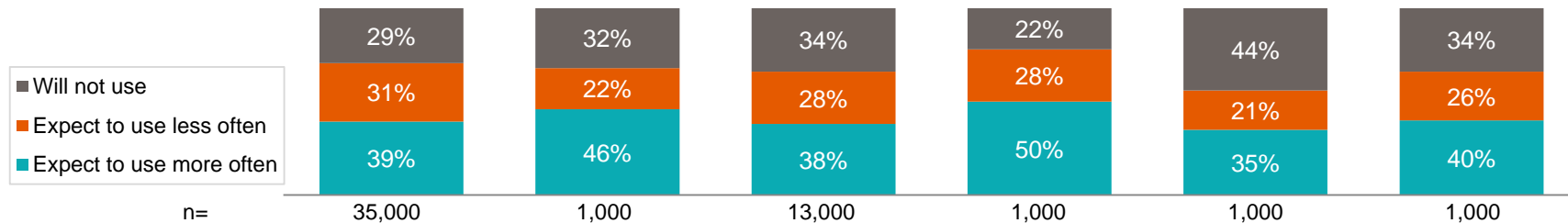
# Click & Collect: lots of upside, based on UK experience



## Delivery method used



## Future delivery method used



Q19A: Thinking about different delivery options, which of the following best applies to you?  
Q19B: Which of the following best applies to you regarding your future use of delivery options?

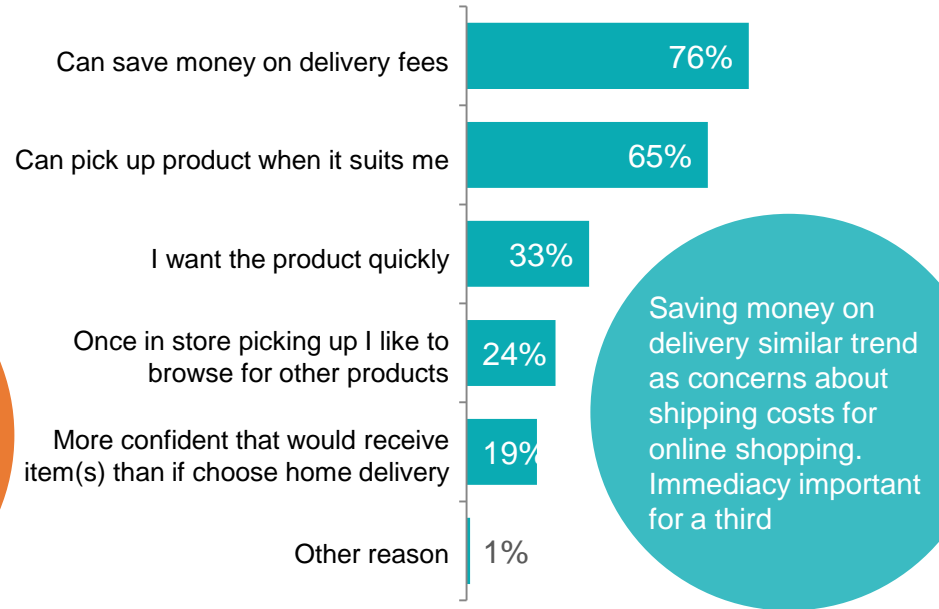
# Click & Collect has larger pros than cons – saving on delivery fees being number one



## Cons of Click & Collect



## Pros of Click & Collect



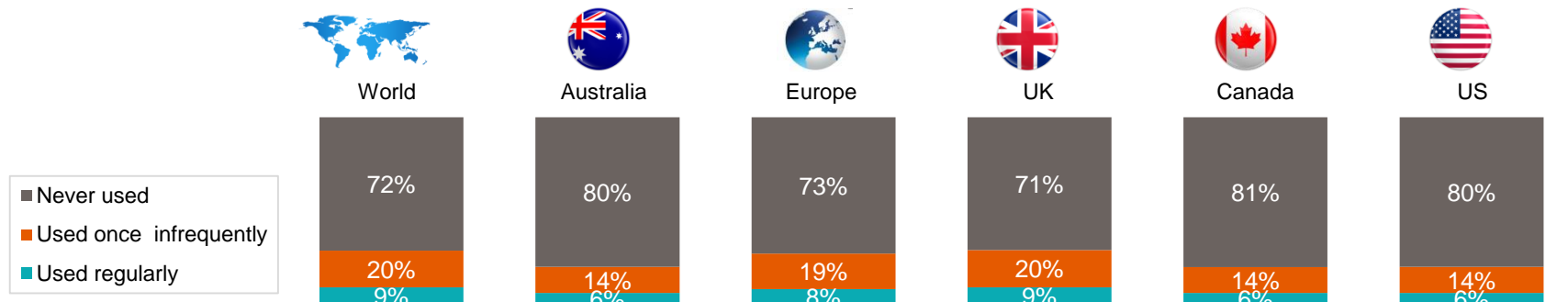
Q35: Why would you not use the click and collect option when shopping for electronics and appliances online?

Q36: Why would you consider the click and collect option instead of delivery?

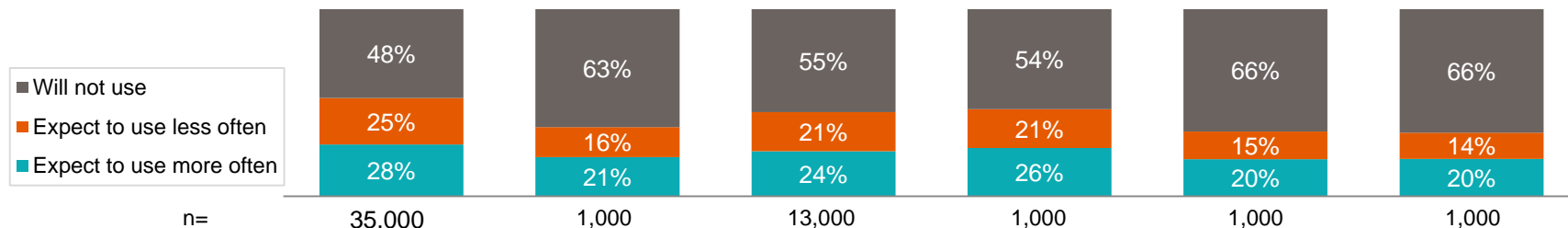
# Parcel lockers: around half the expected takeup of C&C



## Delivery method used



## Future delivery method used

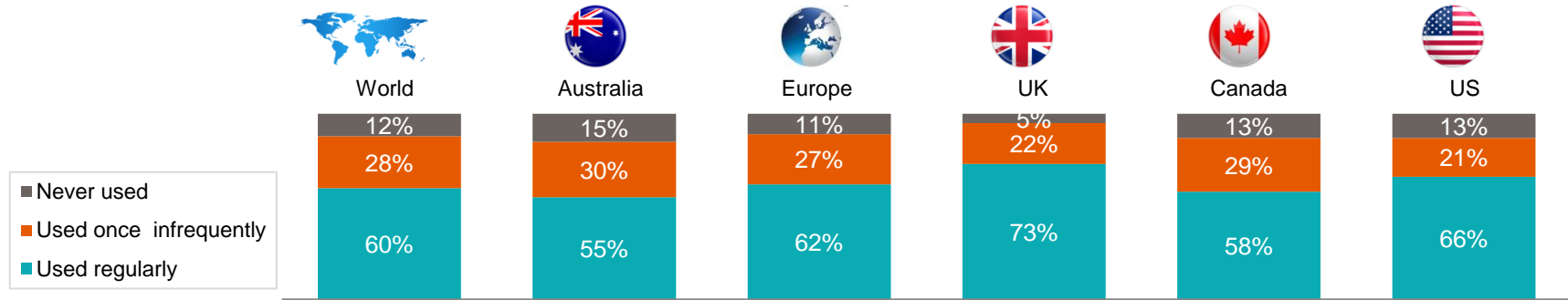


Q19A: Thinking about different delivery options, which of the following best applies to you?

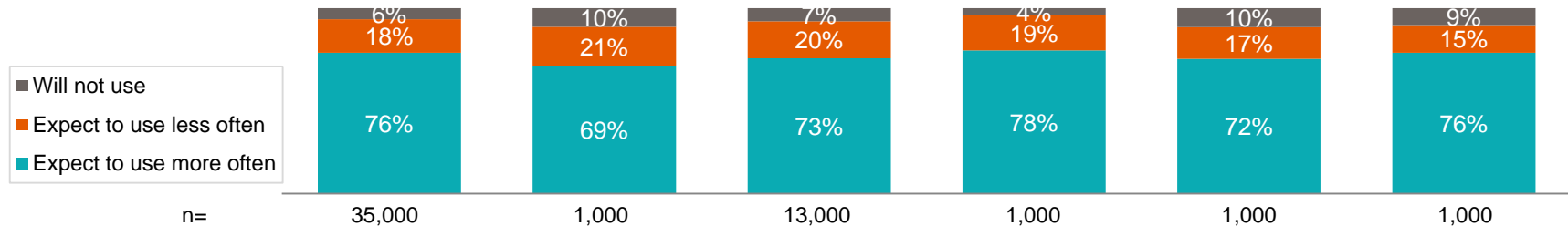
Q19B: Which of the following best applies to you regarding your future use of delivery options?

# Home delivery: higher because already familiar with it

## Delivery method used



## Future delivery method used



Q19A: Thinking about different delivery options, which of the following best applies to you?  
 Q19B: Which of the following best applies to you regarding your future use of delivery options?

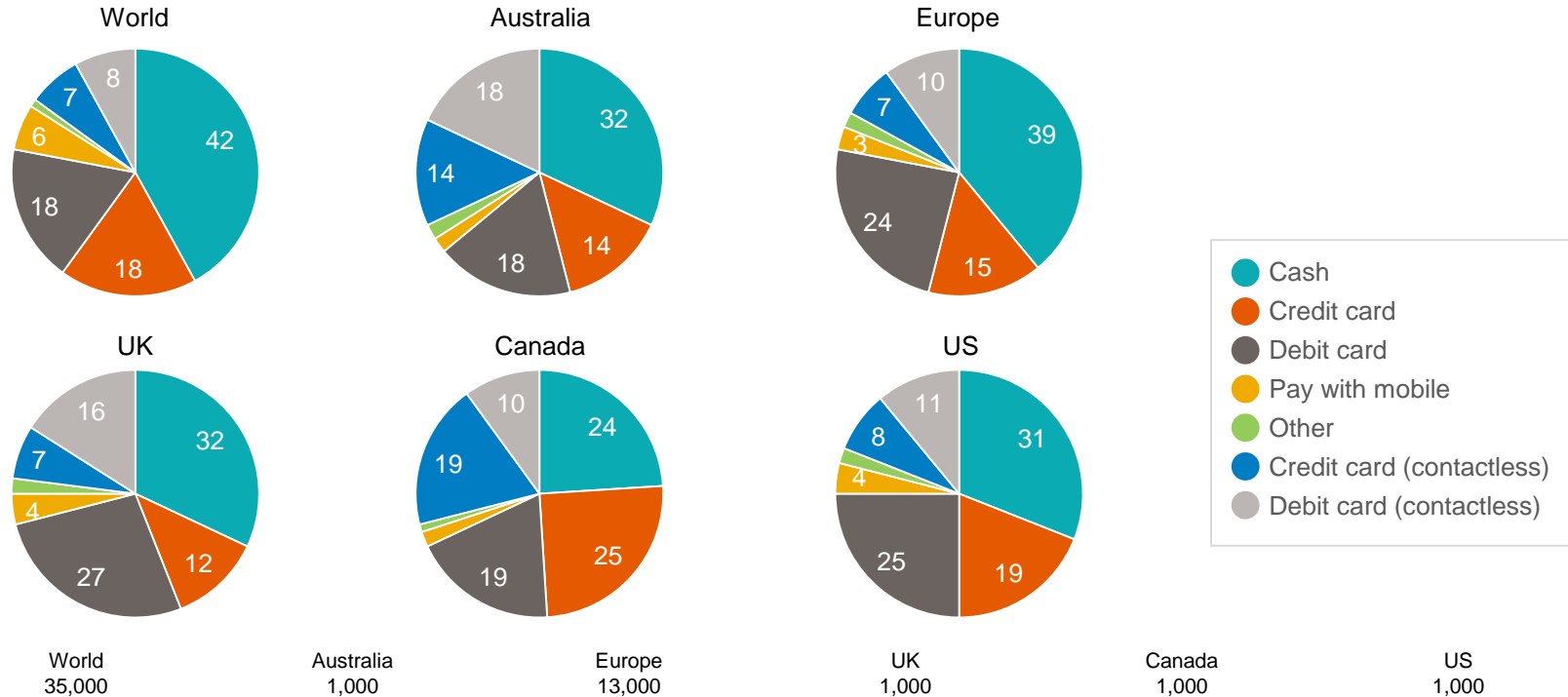
Streamlined –  
Payment  
methods,  
visual and  
conversation  
commerce



# Mobile payments haven't yet increased in Australia, but contactless credit and debit cards continue to



**26%** look forward to making more payments from their mobile device



Q18B: Thinking about all of the products and services you buy on a regular basis, what percentage of transactions do you estimate you pay for using each method below?

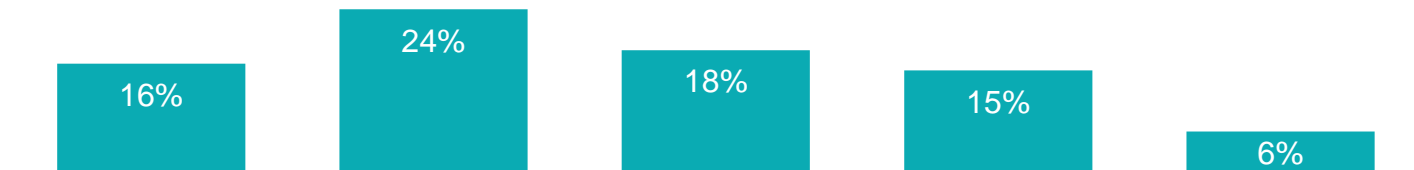
# Unsurprisingly mobile payments skew to Gen Z



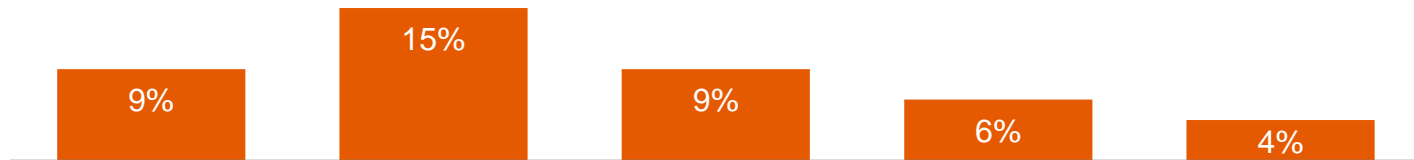
Clothing / fashion (but this category is also particularly strong for Gen Z)



Online



In store



All respondents



n=

774

Generation Z



199

Generation Y



216

Generation X



195

Boomers



164

Q18A: In the past 6 months, have you used your mobile device (including smartphones, tablets and wearable devices) to pay for any of the products or services below? (Select all that apply)

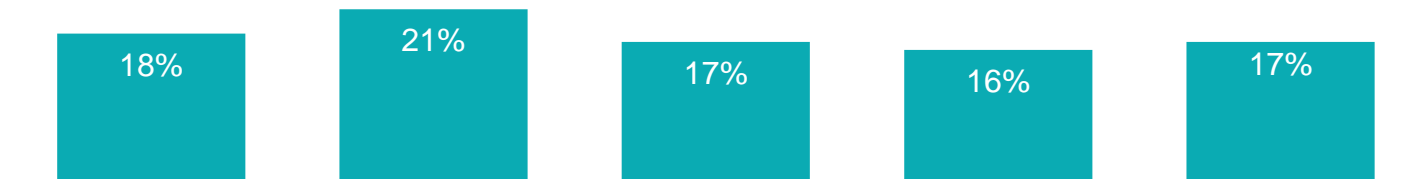
© GfK October 9, 2017 | Australian Online Shopping Behaviour 2017

# Similar trend seen for financial services

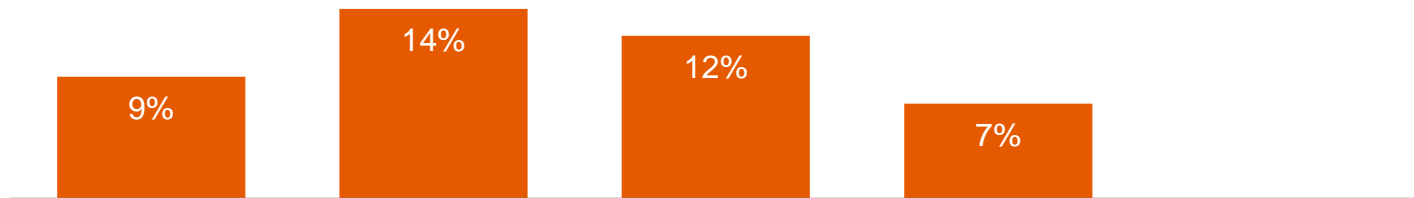


## Financial Services

### Online



### In store



All respondents



285

Generation Z



67

Generation Y



92

Generation X



75

Boomers



50

n=

Q18A: In the past 6 months, have you used your mobile device (including smartphones, tablets and wearable devices) to pay for any of the products or services below? (Select all that apply)

© GfK October 9, 2017 | Australian Online Shopping Behaviour 2017

# New payment methods – pay with face, palm

And theoretically more secure than credit cards

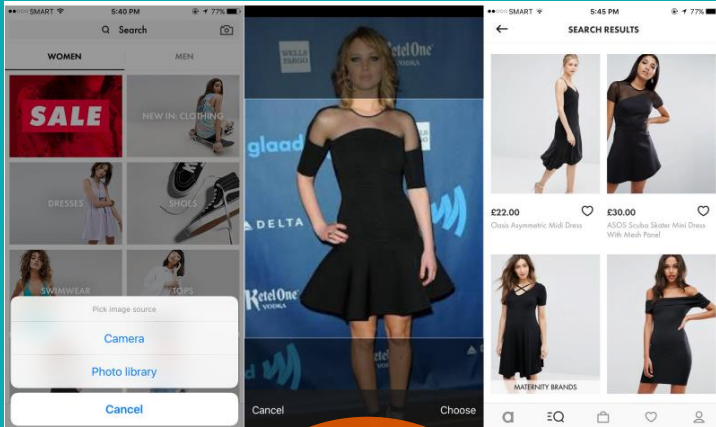


Lotte Card  
Handpay system  
trials at 7Eleven in  
Korea – 360 degree  
scanner



Technology from  
Face++ in China  
used in several  
popular apps.  
Possible to transfer  
money through  
Alipay using only  
your face as  
credentials.

“By 2020 image search (ie Pinterest Lens) and speech search (eg Siri, Alexa) will be 50% of all searches” – Target USA



ASOS UK:  
visual  
search on  
mobile app



Google  
Home

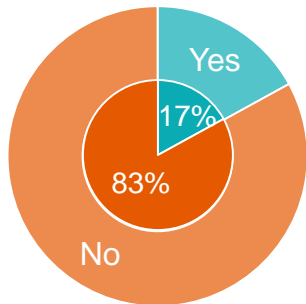


Amazon  
Alexa

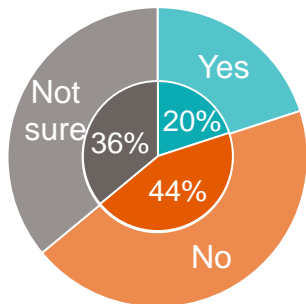
# Fewer than 1 in 5 now aware of Echo or Alexa, around 1 in 5 would consider buying one, features appeal evenly split



## Awareness of Echo and Alexa

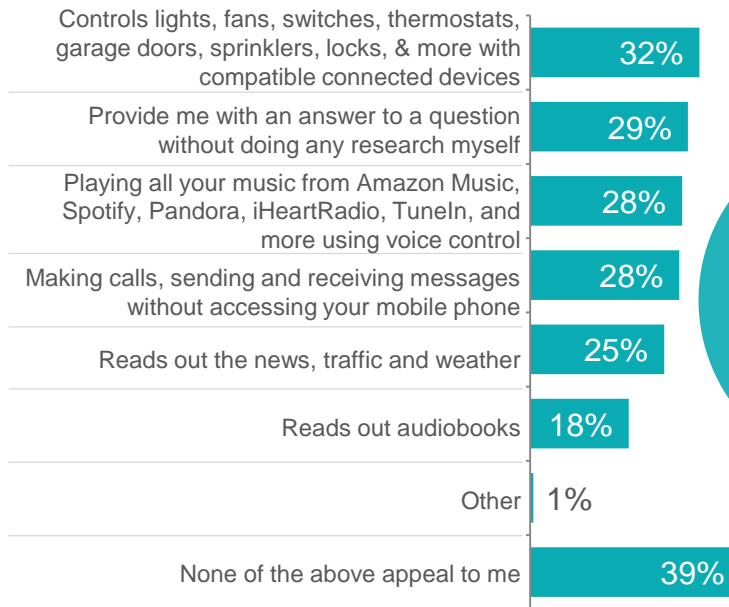


## Purchase consideration Echo/Alexa



Jury out for  
1 in 3,  
rejection rate  
nearly half

## Appeal of features



Nearly 4 in 10  
not interested in  
any of the  
specified  
features  
(rejectors)

Q30: Have you heard of Echo and Alexa devices by Amazon?

Q31: Would you consider purchasing any of the Amazon Echo and Alexa devices? Q32: Which of the following Echo and Alexa device features appeal to you?

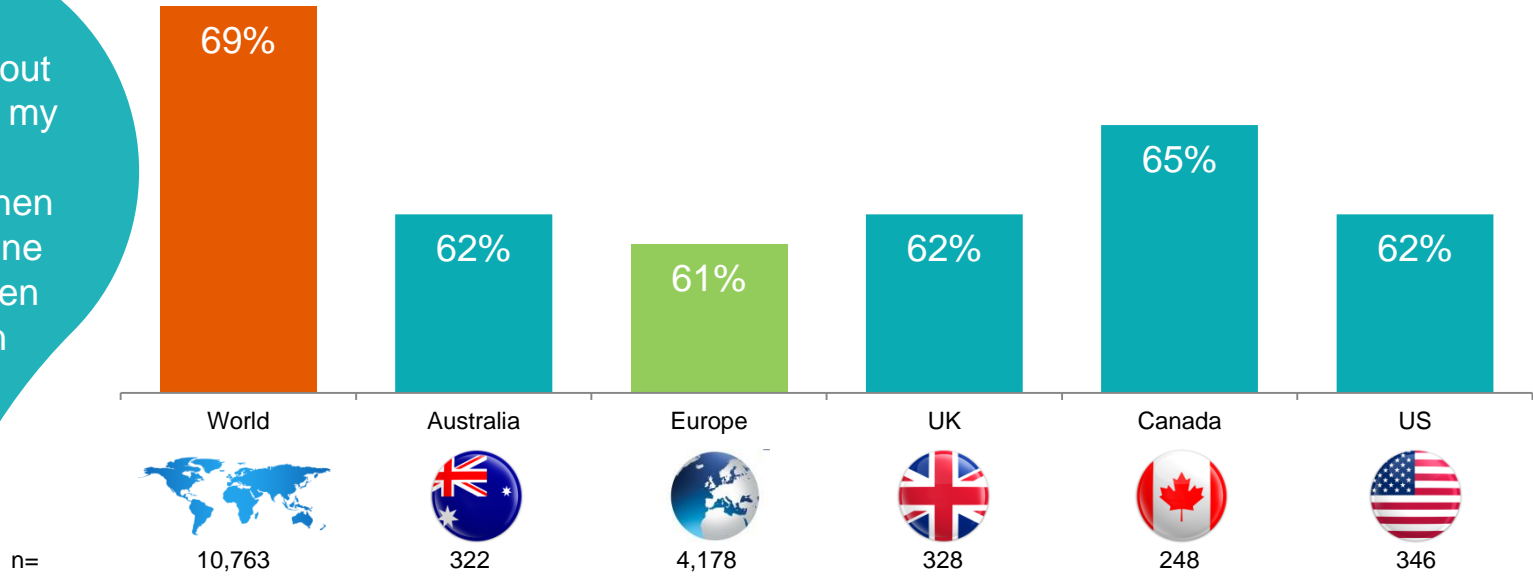
Security



# Data security concerns aren't going away

Concern level in Australia static past 3 years. Data breaches don't help

I am more concerned about the security of my personal information when shopping online than I am when shopping in a store



Q3A: Below are different statements about shopping. Please indicate how much you agree or disagree with each statement as it relates to your shopping experiences in general across the many different kinds of products and services you shop for. By "shopping" we mean the process of browsing, comparison shopping, information gathering, or the actual purchase of products and services.

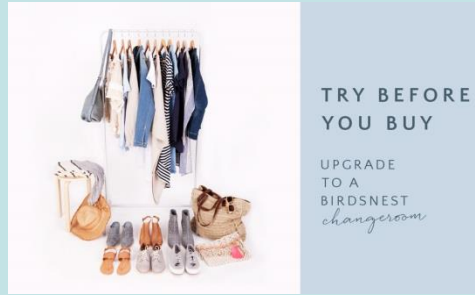
# Virtual 'try on' platforms and better returns policies help relieve the 'what if it's not right' pain point



Not just for fashion – can be extended to furniture/homewares etc (eg Ikea AR)



Virtual changerooms: Rakuten FitMatch/Fit Origin ... individual style and size.



BirdsNest Changeroom (Oz): Customers can pay \$9.95 at checkout and order up to \$1,000 worth of merchandise without any upfront cost. They can try on everything at home and return what they don't like in a pre-paid bag, paying only for what they keep.



Amazon Prime Wardrobe: Amazon Prime members order three or more items of clothing, shoes and accessories online, without paying for them up-front

# Australian retailer Princess Polly uses avatars that are 92-96% accurate



Customers create a custom online avatar – or MeModel – by entering their height, weight and bra size, and adjusting their waist and hip measurements, skin tone and hair type





# The future looks bright for online shopping, regardless of whose crystal ball you prefer



“By 2020 13m Aussies (66% being 15yo+) will be shopping online”

(Source: Euromonitor)

“By 2022 nearly half of all Australian purchases will be online”

(Source: ACRS/Salmat)

“Online retail now 11% of total retail excluding food, forecast to grow to 19% by 2023”

(Source: Ben Gilbert, analyst)


“Over 40% of consumers expect traditional retail in stores to remain the most popular way to shop in five years’ time”

(Source: JDA/Centiro VOC 2017)

... 60% don't

# The immediate online future belongs to those who ...


Recognise the role and expectations of online purchase:

A teal-colored teardrop-shaped graphic pointing downwards, containing the text 'Remove security pain points'.

Remove security  
pain points

An orange-colored teardrop-shaped graphic pointing downwards, containing the text 'Provide convenience: Different delivery options'.

Provide  
convenience:  
Different delivery  
options

A grey-colored teardrop-shaped graphic pointing downwards, containing the text 'Streamline: payment methods, one click/one command purchase'.

Streamline:  
payment methods,  
one click/one  
command  
purchase

„It won't happen overnight, but it will happen“

THANK YOU

Sources:

- GfK FutureBuy, August 2017
- GfK Project Omni Australia, August 2017
- NAB Online Retail Sales Index, June 2017

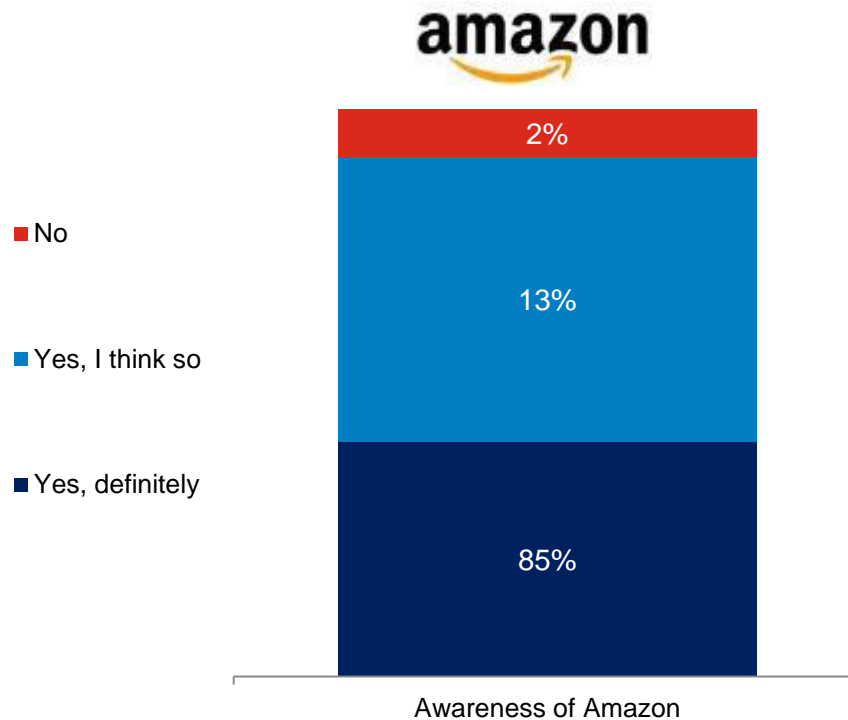
[Norrelle.goldring@gfk.com](mailto:Norrelle.goldring@gfk.com)

M: +61 437 335 686

# High levels of awareness of Amazon as a retailer, at more than 8 in 10



## Awareness of Amazon as a retailer



Q12: Have you heard of an online retailer called Amazon?

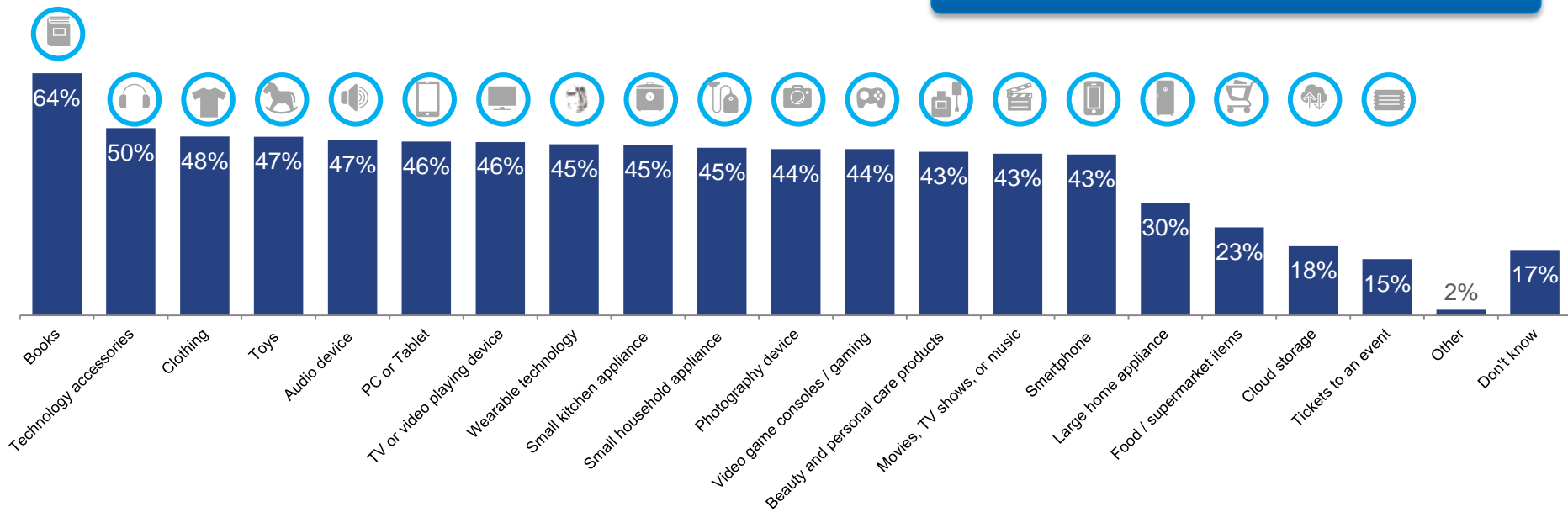
# Amazon is best known for books and tech accessories but awareness of most categories is even at under half



## Awareness of Amazon product categories



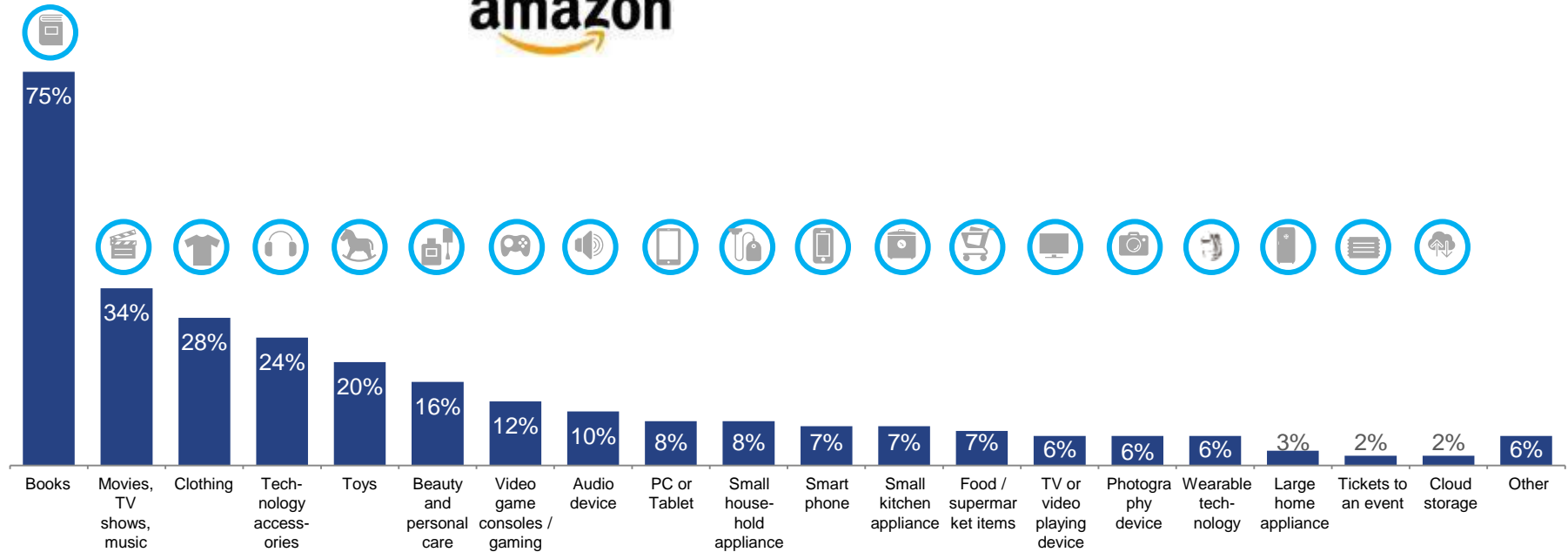
- Lower awareness for major domestic appliances, grocery, tickets



Q13: Which products does Amazon sell?

# Top categories purchased by Australians on Amazon

roughly reflects awareness, although books dominates



Q5: And which products have you ever purchased via Amazon?