RetailX Australia TOP250 2018

A PERFORMANCE INDEX OF AUSTRALIA'S LEADING RETAILERS

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" THIS LATEST EDITION OF OUR RESEARCH ASSESSES AUSTRALIAN RETAILERS FROM A UNIQUE, PERFORMANCE-BASED PERSPECTIVE "

INSIDE
- The AU250 retailers assessed and ranked
- How Leading retailers outperform competitors
- Case studies and expert analysis

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FROM THE EDITOR-IN-CHIEF

It's close to a year since we published our Australia 250 (AU250) Footprint Report, which outlined our initial work in identifying the country's largest retailers. In the months since, RetailX researchers have conducted research into six areas (which we call Dimensions) of RetailCraft that make up our quantitative and qualitative ranking: Strategy & Innovation, The Customer, Operations & Logistics, Merchandising, Brand Engagement, and Mobile & Cross-channel.

At a time when the Australian market is changing so quickly, the results are revealing. In particular, they show at a granular level how customers' adoption of digital technologies and multichannel shopping is shaping the overall retail market, as evidenced by the recent travails of the department store sector.

Our research in the UK and Europe, where we have compiled similar lists for some years now, suggests this is just the beginning. Quite simply, customers like the convenience of being able to shop in ways that suit them. The shopper who orders an item via smartphone on the bus and requests it be delivered next day to a locker where it can be picked up is no longer an outlier – this is retail's new normal.

The research also draws out how Australia is different from the rest of the world. Distance is a particular issue, in that it's not just urban Australians who want multichannel, digitally driven retail offerings, yet there will always be cost implications when it comes to serving remote communities.

As we explore in our strategic overview, Asia has a strong influence on the Australian market. This plays into the way brands – both homegrown and international – pose a huge challenge to more traditional retailers, in that one reason brands are targeting Australia is because so many well-to-do tourists from countries such as China spend money in Australia's cities.

As to how the Australian market will develop in the years ahead, we will continue to conduct research, with our next report including data on the trends of the 200-plus metrics covered here. In the meantime, we would welcome your feedback. As a retail professional, what do you make of our initial findings? Where could our work be improved? Do you work for a company that could become a Knowledge Partner and help deepen our understanding? Please do get in touch.

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CRAFTING POST-PURCHASE EMAILS THAT INCREASE REVENUE AND CUSTOMER ENGAGEMENT

Saima Alibhai, Managing Principal Consultant, EMEA, with Oracle Bronto, explains how retailers can build on success

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Many retailers don't realise that the post-purchase period is a time when consumers are most receptive to your messages. And many still don't realise the importance of creating personalised messages for recent buyers.

These messages shouldn't be limited to the traditional order and shipping confirmations or a plea for a product review, but should instead take customer engagement to the next level – by offering value, support, additional resources, or by simply continuing the conversation.

Give thanks

Customers love feeling appreciated, we all do. When it comes to effective post-purchase marketing, a simple "thank you" goes a long way. In fact, these are some of the best performing messages from a revenue standpoint. Remember: It's not just the polite thing to do, it also incentivises them to make another purchase, or provides a customer service oriented call to action, such as linking to your customer service portal or a resource centre.

If consumers happen to take advantage of the incentive, you can then create a second, non-incentivised version that sends if the contact makes another purchase over a set number of days. This way, the customer will not expect an incentive every single time.

Get social

We're now firmly living in the age of social media. While it can be difficult to quantify ROI, there's no denying its ability to help humanise the brand and create a dialogue with customers. Consider implementing social themes into your post-purchase messaging that call on your customer to share their experience. This includes introducing them to your social media sites, asking them to leave a review on Facebook, or even to share a photo of their purchase on social media for a chance to win a prize.

It's all about balance

When constructing your post-purchase messaging, be sure to balance promotional content that encourages another purchase with other useful content that offers value to the customer.

For example, product care tips and additional resources benefit the customer, whereas cross-sell and reorder reminder messages benefit you. If all your messages ask customers to purchase from you, you're not providing value to the subscriber. However, if every message only benefits the consumer, you're likely leaving money on the table.

Make it personal

Consumers today expect more from their shopping experience, and that expectation will only continue to grow with the integration of new technology. By understanding the importance of targeted post-purchase messaging and meeting the demand for greater personalisation, you'll not only drive revenue but build customer loyalty. ■

THE SAME, BUT DIFFERENT

Australian retailers face many issues that also face international competitors. Yet, argues **Jonathan Wright**, it's also a unique market with distinct strengths and where new thinking is flourishing

The Australian retail sector is delicately poised. With a turnover in excess of AU$300bn, it's long been showing year-on-year growth, driven in part by Australia's rising population. For Australian retailers, this provides an ongoing opportunity and in the 2017-18 financial year, retail sales grew 2.6%. Yet competition is growing too. While Amazon's launch in Australia has received huge publicity, it's only one of several incomers.

Further complicating matters, retailers operating in Australia are subject to the same kinds of pressures that assail the sector around the world. Busy customers want retailers to take the friction out of shopping, to offer flexible delivery and pick-up options, and to provide ever-better in-store experiences. But in an age of continuing pressure on wages and price transparency, consumers are reluctant to pay more for such innovations, so that 2.6% growth in sales was achieved with prices being 0.2% lower.

The August 2018 *Retail Forecasts* report from Deloitte offers a snapshot of this uncertain market. While department stores, for example, did better than expected, the principal author and macro-economist, David Rumbens, noted how Australian consumers were dipping into their savings to fund purchases.

"Consumers opened their wallets at the end of the financial year, with June quarter sales surprising on the upside," he said when the report was launched. However, he warned, "The growth trend is unlikely to continue in the second half of 2018, as household budgets continue to come under pressure from tepid wage growth, falling house prices, and rising non-discretionary costs."

Factor in a prediction that spending growth is likely to be focused on the food sector – which it's projected could outpace non-food spending for the first time since 2012-13, something that hints at consumers having to spend more on non-discretionary items because of downward pressure on wages – and there would seem to be many reasons for Australian retailers to worry about the future.

Image credit: Getty

Gold Coast, Queensland. The Australian retail market is based around its cities, but retailers also have to be able to get goods efficiently to more isolated communities

Further ahead

Look longer term, though, and there are also reasons to be optimistic – and even to suggest that the Australian retail sector may have unique advantages. Consider the influx of incomers into the Australian market. Companies such as Aldi (which has grown steadily since launching its first Australian store as far back as 2001), Zara, a later arrival in 2011, and newcomers Amazon (see overleaf) haven't expanded into Australia out of the goodness of their hearts. They've done so because they see opportunities for expansion and profit. Cut through shorter-term economic noise and the longer-term trajectory of the Australian economy – powered by a well-educated, growing and increasingly cosmopolitan population – is strong.

Yet that's not the whole story. From a European perspective, Australia is often portrayed as being very *European*. Yet this is a misreading of Australia's place in the world – quite literally, in that it's a vast country surrounded by the Pacific and Indian Oceans. That's not to deny its strong ties with Europe, and North America too, but the influence of Asia on Australia is strong. To take one example highlighted in our earlier *Australia Footprint*

The RetailX AU250

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LEADING

Big W
Coles
Cotton On
Dan Murphy's
David Jones
EB Games
Fantastic Furniture
Glue Store
Harvey Norman
Katies
Kitchen Warehouse
Millers
Supercheap Auto
Target
Woolworths

TOP 50

Amart Furniture
Apple
Appliances Online
Autograph Fashion
Baby Bunting
Chemist Warehouse
Connor
Country Road
Crossroads
Forever New
Freedom
Glassons
Godfreys
The Good Guys
Jay Jays
Jaycar Electronics
JB Hi-Fi
Jeans West
Mimco
Myer
Nike
Officeworks
Platypus Shoes
Portmans
Princess Polly
Rays Outdoors
Rebel
Rivers
Rockmans
Sportscraft
Strandbags
Total Tools
Trenery
Uniqlo
Wittner

TOP 100

Adairs
Adidas
AliExpress
Amazon
Asos
The Athlete's Foot
Bed Bath N' Table
Best & Less
Birds Nest
The Body Shop
Bonds
Bras N Things
Camera House
Canon
Cash Converters
Chain Reaction Cycles
Clark Rubber
Computer Alliance
Dotti
eBay
Esprit
Factorie
Grays
Harris Scarfe
HP
Hype DC
The Iconic
Just Jeans
Kathmandu
Kikki-K
Kogan.com
Lorna Jane
Matt Blatt
Mecca
Pillow Talk
PLE Computers
Priceline Pharmacy
ShopAFL
Spotlight
Sussan
Suzanne Grae
Ted's Cameras
Temple & Webster
Umart
Urban Outfitters
Victoria's Secret
Wild Earth
Witchery
Yoox
99 Bikes

TOP 150

Adobe
Autobarn
BCF
Bing Lee
Boohoo.com
Booktopia
Centre Com
City Beach
Crazy Sales
Cricket Australia Online Shop
Culture Kings
Dangerfield
Digital Camera Warehouse
Domayne
END.
Forty Winks
GearBest
General Pants Co.
Gucci
House
iHerb
Kmart
Kookaï
Lego
LightInTheBox
Lincraft
Mitre 10
MSY
OzSale
Pandora
PC Case Gear
PrettyLittleThing
Prouds The Jewellers
Pushy's
Quiksilver
Review
Scorptec Computers
Seed Heritage
Shaver Shop
Showpo
Sportsgirl
Store DJ
SurfStitch
Sydney Tools
Topman
TVSN
Vistaprint
Zara
2nds World
4WD Supa Centre

TOP 250

Alannah Hill
Altronics
Always Direct
AlwaysSales
Anaconda
Asus
Austin Computers
Australia Post Shop
Beacon Lighting
Bendon Lingerie
Betta
Bike Bug
Bnkr
BookDepository.com
Butterfly Silver
Carbatec
Catch
CeX
ColourPop
Cookware Brands
Cue
Deals Direct
Dell
Dick Smith
DigiDirect
Dusk
Dyson
Eastbay
Eckersley's
Ella Baché
Emma & Roe
Farfetch
Fitbit
Fossil
Garden Express
Google
Gorman
Grailed
Jacqui E
JD Sports
Jurlique
Mega Buy
Michael Hill
Microsoft
Mighty Ape
MJ Bale
Mobileciti
Mwave.com.au
MyDeal
Nespresso
New Balance
Nine West
Noni B
Nordstrom
Oxford
Ozgameshop.com
The Party People
Paul's Warehouse
Peter's of Kensington
Playstation Store
QBD
Readings
RedBubble
Roger David
Romwe
Saba
Samsung
Sanity
Sass & Bide
Sephora
Smiggle
Snooze
Ssense
St. Frock
Stacksocial
Steam
Stelly
StewMac
Sunglass Hut
Supré
Swamp
Swim Galore
Techbuy
Tiffany & Co.
Tigerlily
Topshop
Triumph
Under Armour
Universal Store
Vapour Eyes
Victoria's Basement
Video Pro
VitalSource
West Elm
Wheel&Barrow
Winc
Windsor Smith
Wish
YesStyle
Zulily

The Amazon factor

Image credit: Amazon

In December 2017, Amazon launched its Australian website, but its progress in the country hasn't always been smooth in the months since. In July, Amazon restricted Australian consumers to shopping on its local store, in part a response to new regulations that force the online retail giant to collect GST when Australians purchase items from overseas Amazon stores. So now, if customers enter an Australian delivery address, they are barred from paying at the checkout.

Nevertheless, Amazon is a company with the heft and the expertise to overcome such problems. As Erica Berchtold, managing director of Rebel and Infinite Retail, wryly noted earlier this year when asked about Amazon's potential impact in Australia: "I think Amazon will get to wherever it is they want to get to." Yet it's telling that Berchtold made this remark while speaking with Sky News from a state-of-the-art flagship Rebel sports store in the Macquarie Centre, Sydney, where she also discussed reconfiguring the company's ecommerce operations and using CCTV to trace how people use the company's stores.

Here lies the answer to taking on Amazon: innovating and differentiating.

Report, published when we were at the beginning of our research, the daigou phenomenon, where people overseas act as agents for Chinese shoppers, exerts a powerful influence on the overall Australian retail sector.

A company such as the ASX-listed AuMake is formalising this kind of arrangement at scale as it sells products in four main sectors – healthcare; skin, body care and cosmetics; dairy products and baby food; and wool and leather – and connects Australian suppliers directly with Chinese consumers.

At the luxury end of the market too, Chinese consumers are having a huge impact on the Australian market. In January 2018, the *South China Morning Post* reported "industry insiders" as estimating that Chinese consumers are responsible for two-thirds of luxury retail sales in the Australian market. Accordingly, brands such as Louis Vuitton, Tiffany and Prada have expanded and revamped their presence in Australia, while other brands have set up shop for the first time.

Change and change again

Take a step back and you can see all this as merely a snapshot of wider cultural and economic changes. To return to those foreign retailers (and, for that matter, consumers) operating in Australia – something that in the digital age doesn't even need to involve setting up a physical store – this is a two-way process. It's not just foreign brands that are benefiting here. For evidence, think about the way ugg boots – especially, and confusingly, branded UGG boots as opposed to generic soft and fluffy slipper-boots – became fashionable across the globe in the early 21st century.

Consider such developments within the context of Asian culture exerting a growing influence within Australia – and a picture of a dynamic, culturally diverse Australia comes into focus. We expect the brands and retailers that reflect these unique circumstances will find international markets.

> The influence of Asia on Australia is strong

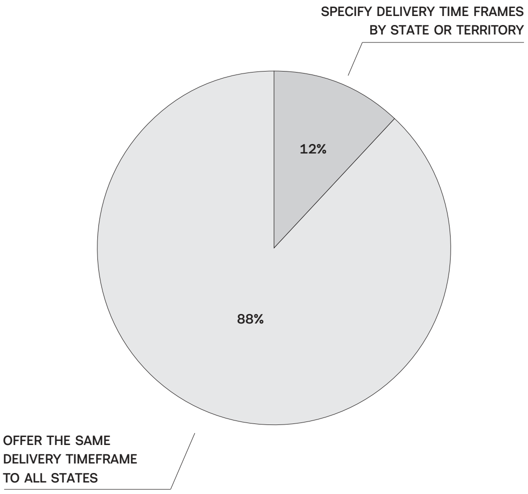
That's not to underestimate the nuts-and-bolts difficulties of being a retailer in Australia. Distance is an issue for those wanting to offer state-of-the-art delivery services and one that's hardly going to go away in such a sparsely populated country/continent. Many retailers start from somewhere behind European, American and Asian competitors when it comes to implementing multichannel offerings, something reflected by Bernie Brookes, former Myer CEO, recently – and colourfully – calling Australian department stores "boring as batshit".

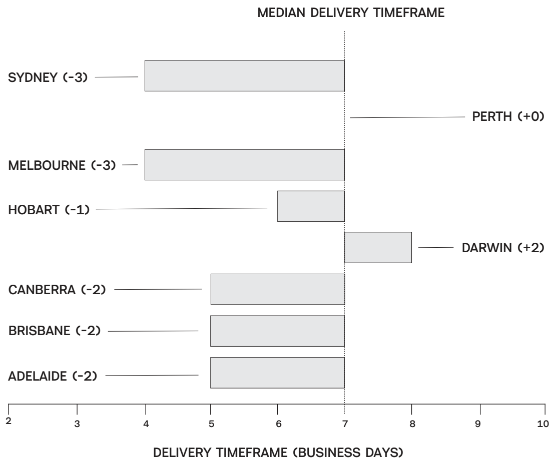
Nonetheless, there are more reasons to be positive than negative, to expect Australian retailers to catch up with and, as is already happening among Leading retailers, surpass international competitors. Combine this with the Asian influence on Australian retail holding out the promise of new hybrids and new ideas, and there are real grounds for believing that the sector will address its short-term problems to emerge even stronger. ■

THE AU250 IN INFOGRAPHICS

REGIONAL VARIATION IN MEDIAN DELIVERY TIME

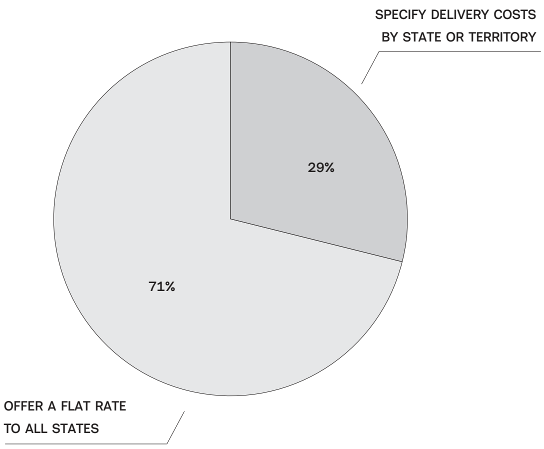
Most AU250 retailers (88%) offer a blanket delivery time promise to all metro areas in Australia. Among the remainder (12%), the median gap between the states/territories with quickest and slowest delivery is four days, with Sydney and Melbourne having the shortest delivery times, and Darwin, the longest. It's interesting to note that most retailers that are differentiating their delivery time by state or territory are offering quicker times, which may indicate a competitive advantage across the board from a more nuanced approach

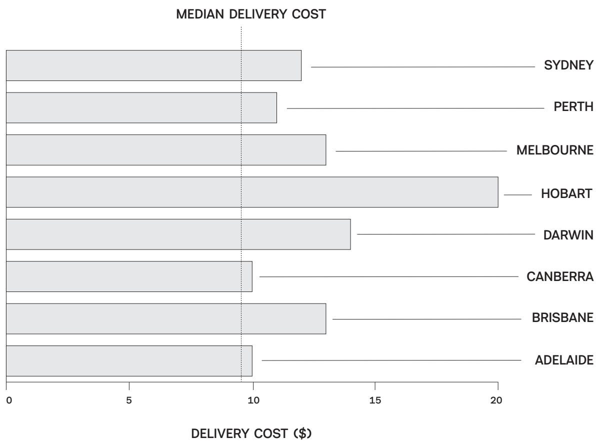




REGIONAL VARIATION IN STANDARD DELIVERY COST

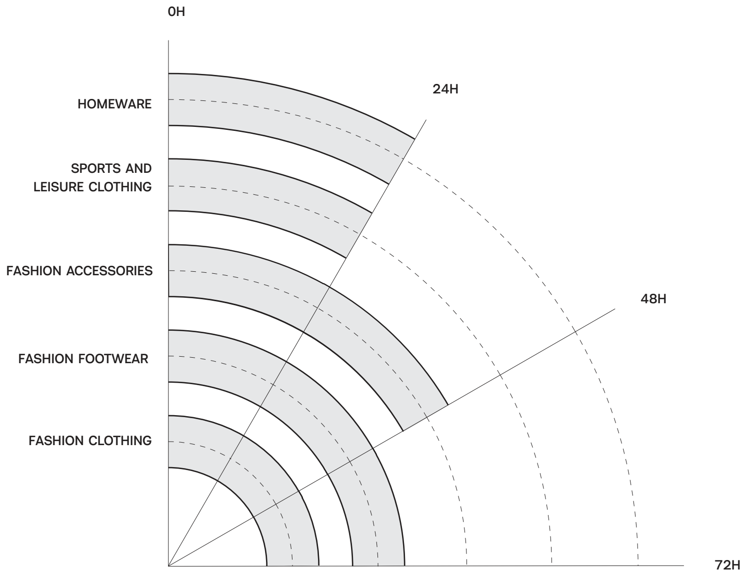
In a similar vein to delivery times, 71% of the AU250 have an Australia-wide flat delivery fee, and the median cost is $9.50. This suggests that most retailers – or their logistics providers – are effectively subsidising delivery to some cities (furthest from distribution centres) with a surcharge on others. The median gap between the cheapest and most expensive state or territory among the 29% that differentiate is $12



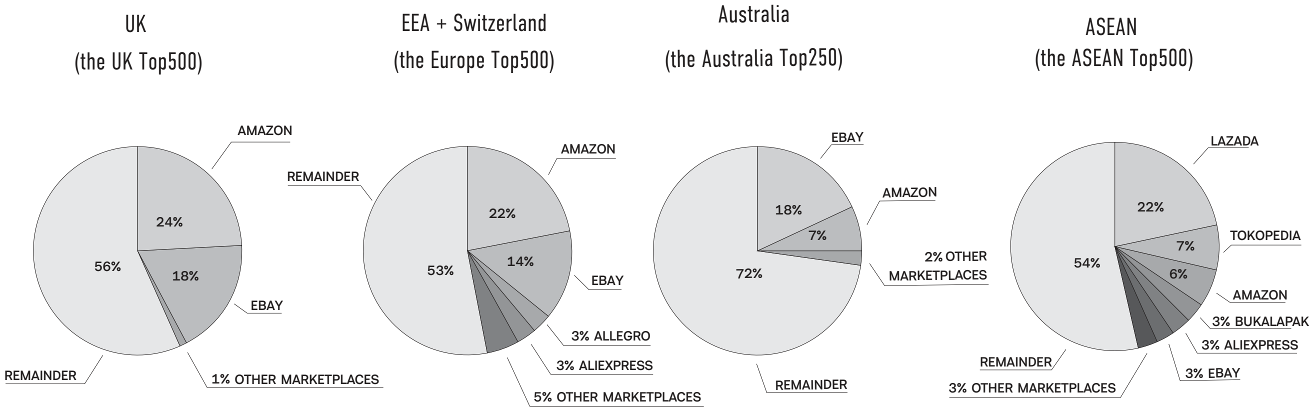


TIME ELAPSED BETWEEN CLICK AND COLLECT

AU250 retailers take between one hour and ten days to have an item ready to collect. Here we show the median time by sector



WEB TRAFFIC SHARE TO MARKETPLACE WEBSITES AND OTHER LEADING RETAILERS



The share of unique visits to websites with marketplaces, including where those websites are also direct retailers in their own right.
Data used in this graphic was sourced from RetailX Knowledge Partners Hitwise and SimilarWeb

FORWARD THINKING

Successful retail strategies give customers a convenient and easy shopping experience

Whether customers are buying online and collecting from a store or shopping via a smartphone, retailers need to support this behaviour. An easy mobile experience makes it easier for customers to find and buy items, while fulfilment services such as click and collect and next-day delivery make it convenient for them to get hold of the goods they have ordered. RetailX research assessed how AU250 retailers have embraced technical and behavioural change.

Delivery services

Click and collect is more widely available among Top50 retailers, where more than half (58%) offer the service. By contrast, a third (32%) of the Top250 offer it. Same-day delivery is also much more common among Top50 retailers (16%) than among Top250 traders (7%). Geography is a factor for how widely these services are available. While 11% of retailers delivering to metropolitan New South Wales offer same-day delivery, the proportion is firmly in single figures among those retailers delivering to metropolitan Queensland (8%), the Australian Capital Territory and the Northern Territory (both 5%). This may reflect where retailers' warehouses and existing stores are located. Next-day delivery is more widely available than same-day, offered by 29% of the Top50 and 15% of the Top250. It is most common in New South Wales and also Victoria (12%). The equivalent figure in the Northern Territory is 7%.

Nominated-day delivery, as with other premium delivery options, is more frequently found among the Top50 (14%) than among the Top250 (8%).

The website experience

Almost eight out of every ten (79%) of Top50 retailers give 'autocomplete' suggestions when shoppers use the search bar on their website. That compares with 66% of Top250 retailers.

Just under three-quarters (74%) of Top250 retailers offer recommendations for similar items on the product page. Businesses selling industrial appliances (85%) are most likely to do so, followed by those selling sports and outdoor equipment (83%), and fashion footwear (81%).

Wishlists that enable shoppers to save products they like for later are popular among the Top250 retailers, and can be found on most fashion websites, from those selling clothing (86%), to accessories (84%), footwear (82%) and jewellery (89%).

Perhaps this is one of the features that keeps fashion shoppers more engaged: shoppers spend an average 5m 27s on websites that sell clothing and footwear, cosmetics and jewellery. The time they spend is 27s more than the Top250 average of 5m – and well ahead of the 3m 6s that shoppers spend on software retailers' websites. During their visits, shoppers visit a median of seven pages. The most engaging websites are clothing and footwear websites, where shoppers visit a median of ten pages, and cosmetics and sports (nine pages).

Looking at mobile websites in particular, 87% of Top250 websites feature a hamburger menu button. The fastest-loading websites are those operated by retailers selling cosmetics (9.6s), sports and outdoors equipment (8.6s), and children's toys and accessories (8.8s).

What leading retailers do

Supermarket Coles stands out in this Dimension for fulfilment options that include weekend and same-day delivery, alongside nominated day and time delivery.

Clothing and accessories business Cotton On has a highly rated mobile website, which enables shoppers to zoom in on products and also has dropdown suggestions for search. It offers click and collect plus same-day delivery in the Melbourne Metro area.

Department store Target wins its place in the listing by deploying next-day delivery plus click and collect, alongside a mobile website that features more product images than the average, alongside product reviews and ratings as well as a store locator.

Fashion merchant Trenery offers same-day click and collect and speedy fulfilment within metro areas: same-day delivery costs a flat fee of AU$15.

Liquor supermarket Dan Murphy's offers same-day collection, while same-day delivery within metro areas cost a flat AU$14.90. ■

SPEED AND RELEVANCE

Customers expect offers tailored to their needs and responsiveness. Retailers need to respond – and to initiate conversations too

Great customer experience has become about personalisation – talking to customers as individuals. The challenge for retailers is to do this at scale. RetailX research measured which companies best achieve this within The Customer Dimension by looking at factors such as product availability, consistency, convenience and the cost of basic services such as delivery.

Moreover, the research includes the user experience of mobile and desktop websites, by measuring design and performance, as well as responsiveness and helpfulness across multiple customer service channels, the integration of feedback and reviews, plus the convenience of making a purchase, receiving and returning the goods.

Customer service

Shoppers expect a quick response to enquiries and, to take two key metrics here, the median response by Top250 retailers was:

- 18 hours, 13 minutes to an email enquiry
- 7 hours, 15 minutes to a Facebook enquiry

The more than 10-hour difference here can probably be greatly explained by the nature of email enquiries, which tend to be more detailed. Less easy to explain so simply is the difference between sectors. For example, while retailers in the sports and outdoor equipment sector answer emails in 9h 57m (the quickest) and Facebook queries in 5h 54m, those in fashion clothing manage only 22h 23m for emails and 7h 18m for Facebook messages. Retailers in the cosmetics sector are fastest to answer Facebook queries, with a median of 5h 31m.

Finally, looking at returns, the median policy for unwanted items in Australia is 30 days.

If websites don't load quickly, customers will go elsewhere

Customer feedback

Giving customers the chance to offer publicly accessible feedback is a simple but powerful way to improve the customer experience. Of the Top250, 58% of all retailers and 43% of brands enable user-generated ratings on product pages. Books, stationary and craft retailers perform best here (100%), while there was scope for improvement even in the case of comparatively high-performing sectors such as fashion footwear (39%).

Website user experience

If websites don't load quickly, customers will go elsewhere. The median time for the desktop sites of Top250 retailers to become visually complete is 12s. The equivalent figure for mobile sites is 9.5s. Performance varies by sector, with cosmetics retailers achieving 7.6s for mobile sites and software vendors 10.5s for desktop performance.

In terms of website sizes, the average size is 1.9MB for mobile sites and 3.1MB for desktop sites. The children's toys and accessories sector (2.2MB, with sites taking 10.8s to be visually complete) shows a broad correlation between size and speed.

Top-performing companies in the Dimension

EB Games stands out for offering a combination of ease of navigation, a site that is fast to be visually complete, search relevance and a fast response time to enquiries.

Intriguingly, other top performers are stronger in other areas. Supercheap Auto, for instance, excels in offering product rating and reviews, and in search relevance. Coles, Appliances Online and Victoria's Secret also perform strongly in these areas. ■

LEVELLING UPWARDS

Supplying the improved delivery services that customers want without compromising profitability is a concern for Australian businesses

The sheer size of the country and the vast distances between population centres mean that only a few Australian retailers currently have the capability to deliver products at the speed that many other countries now take for granted.

However, RetailX research has observed that this area of retail performance is one where the whole market tends to move together. This isn't primarily because of what retailers do. Rather, when major logistics providers offer a new capability, retailers adopt this in order to avoid being left behind by their competitors. What does this mean on the ground? We've noticed in Europe that the number of leading retailers in a country offering convenient fulfilment options has, on occasion, doubled over a single 12-month period after years of little change.

Researching this Dimension, we have measured the AU250's delivery, collection and returns propositions to the metropolitan area of every state and mainland territory. While customers tend to care only about convenience and speedy delivery, businesses must also ensure that any improvements they make to their services don't render their ecommerce propositions unprofitable. RetailX research, however, adopts the customer's perspective to see benchmark usability and convenience

Returns

While it seems counter-intuitive to start our review with returns, this is often the way that consumers assess retailers. Before placing an order, many first satisfy themselves that it's not going to be a pain for them to return an item should it be the wrong size, not quite what they wanted, or if they simply change their mind.

That's good news for the 23% of the AU250 that offer pre-paid return labels, either printed and packaged along with the items, or as a link for the customer to print themselves at home. Only 10% of AU250 retailers refund the cost of postage, although 68% of multichannel retailers do allow ecommerce orders to be returned to stores, while 18% allow returns via a third-party location such as a different participating store or a locker. Only 9% support collection from the customer's home and the median length of AU250 returns policies is 30 days.

Fulfilment capability is an area where the whole market tends to move together

Delivery

The median AU250 retailer offers free delivery on orders over AU$100. This is high compared to other markets RetailX has measured. Just 10% of the AU250 offer next-day delivery, according to a weighted average, with 12% in Sydney and 11% in Melbourne and Brisbane at the top of the spectrum, and 7% in Darwin at the lower end. Just six companies (less than 3%) of the AU250 currently offer nominated-day delivery, with five of these also allowing customers to refine the options to time of day or 'after-work' slots. Such options are far more common in Europe and we expect the local market to follow suit.

Most AU250 retailers only offer one 'standard' delivery option, although a significant number offer two or three, such as 'expedited'. The median standard delivery timeframe is six or seven days for Darwin or Perth and five days for the other capitals. Standard delivery cost is AU$10 for the median AU250 company.

Click-and-collect

With this service growing in popularity, 32% of the AU250 currently offer click and collect, with 9% offering next-day collection and 9% offering same-day collection. Most of the AU250 don't charge for collection and overall, the median time until items are ready to collect is 24 hours.

Top-performing companies in the Dimension

Coles and Woolworths stand out in this research for being able to handle groceries, including refrigerated goods, which require a demanding set of specialist vehicles and facilities – not to mention agreed times when the customer will be at home to receive the goods. Other retailers that excel in this Dimension include Cotton On, Country Road and Millers. ■

GET SEEN

Search, discovery and navigation are fundamental to modern merchandising, which is why they feature heavily in RetailX research in this Dimension

While the art of merchandising continues to evolve in the digital age, the basics remain consistent. Retailers need to go beyond simply offering items to customers. These days, that means employing a combination of search-based techniques, enabling customers to leave reviews, and using opportunities for upselling, such as at the checkout. It means doing all of this on websites, apps and third-party platforms such as marketplaces and social networks. The retailers that do this best perform most strongly in the Merchandising Dimension.

Website navigation

This is now key to merchandising because so many purchases start with a product in mind. Whether they end in a store or with an online purchase is in many respects irrelevant because in most cases, it's the search part of this process that's key to securing the sale rather than what happens at the checkout.

Product type is the most basic filter that retailers offer in the search results on their websites and apps. It helps their customers quickly find the product or something similar to what first brought them to the website. Its importance is reflected in a high take-up among AU250 retailers, with 87% of them enabling filtering of search results by product type. Retailers in books (100%), home and industrial appliances (100%), sports footwear (97%) and sports clothing (96%) perform especially strongly.

Filter by price is less widely used, with 68% of the AU250 offering this facility to help their customers refine their searches. Retailers in the sports and leisure clothing, (84%), books (82%) and sports and leisure footwear (79%) sectors are the leaders here, while the automotive goods sector is a comparative laggard (32%).

Filter by brand is less common still, offered by 59% of the AU250. However, it's worth noting this figures is skewed by brands (28%) rarely employing this technique, presumably because they don't sell other brands, so competitive pricing is irrelevant. In contrast, 92% of appliances retailers enable brand filtering of searches.

Turning to the use of an autocomplete/suggestions feature in the search box, this is offered by 78% of AU250 retailers, with the children's toys and accessories sector (94%) leading the way here. While this may be especially helpful to young customers looking for toys, it is a significant usability improvement for any shopper.

> Product type is the most basic filter that retailers offer in their search results

Reviews

Within the AU250, 62% of retailers enable customers to leave reviews. Stationary and craft retailers (100%) lead the way here, which may in part reflect the way crafters like to share hints and tips. Conversely, brands (48%) don't employ this technique, perhaps because of worries that negative reviews will impact too heavily on the label.

Checkout

The current thinking around best practice at checkout is to reduce friction. It's perhaps surprising then that only 52% of AU250 retailers offer a guest checkout facility, with the figure as low as 27% in the appliances sector.

We were also surprised at how few retailers try to upsell customers at the checkout – a technique employed by only 35% of AU250 retailers and one which can be done with an inoffensive side panel. The best retailers add to the customer experience with relevant offers or basket fillers. However, some sectors – stationary and craft (68%), books (55%), sports and outdoor equipment (52%) – do employ this technique more widely.

Turning to mobile user experience, (59%) of the AU250 have infinite scrolling on their mobile websites.

Top-performing companies in the Dimension

Cotton On stood out for its product imagery and site navigation on mobile. Supercheap Auto does search particularly well, providing relevant results and ensuring that a search with no results doesn't return a blank page. Its product images are zoomable on mobile. Millers, Dan Murphy's and EB Games also outperformed competitors in this Dimension. ■

BUILDING CREDIBILITY

Shoppers pay attention when others recommend products or services. Which retailers make the most of such consumer interactions?

Knowing who your customers are and what they think is central to retail success yet, to judge by RetailX research, retailers across different sectors don't uniformly work to encourage interaction as part of Brand Engagement initiatives. Rather, there are differences by sector, and in terms of a gap between the best-performing retailers and their competitors.

Reviews

Consumers see customer reviews as a largely honest and valuable way of gauging whether a product or service is worthwhile. After all, a single extremely positive or negative review can be taken as an outlier when the aggregated opinion is overwhelmingly in the other direction.

Across the AU250, 60% of retail websites allow shoppers to leave written reviews of products they have purchased. Yet looking at the Top50, that percentage is significantly higher, with 92% enabling that option. The discrepancy between the positioning within these lists and the percentage of sites enabling reviews is probably not coincidental as offering the facility to leave reviews suggests sophistication.

Product reviews are available on the vast majority of retailers selling sports and outdoor equipment (93%) and home and industrial appliances (92%). Yet among those selling children's toys and accessories, that figure slips to 79%. Customer reviews are least widespread among fashion retailers, appearing on 53% of accessories websites, 49% of clothing and just 40% of those selling footwear.

Registration before checkout

There's a moment before a customer buys where online retailers have a chance to hook that person, to capture more information about them than just a delivery address, to reach out and ask whether they would like to know more.

Registering before checkout is that opportunity to entice an individual to give up an email address in return for future offers, information or savings. Yet a slight majority (53%) of the AU250 enables shoppers to check out without registering, passing on this chance in favour of a speedier checkout and, presumably, a reduced chance of abandonment.

The majority of fashion retailers don't require that shoppers register before checking out – specifically clothing (64%), footwear (60%) and accessories (60%). A lower share of retailers selling durable goods will do the same, such as home and industrial appliances (27%), consumer electronics (36%) and sports (36%). It may be these figures in part reflect the way that different sectors have developed over time, and that these percentages will level, as and when an industry consensus develops on the effectiveness of requiring registration before checkout.

Knowing who your customers are is central to retail success

Top-performing companies

With verified Facebook and Instagram accounts, as well as a frequently updated YouTube channel localised to Australia, Target goes above and beyond to engage with its customers.

Elsewhere, members of Supercheap Auto's loyalty scheme 'Club Plus' get store credit should any product they have bought go on sale within the next two weeks. This scheme is promoted on their social media channel, as well as on Facebook.

The Good Guys has active Facebook, Twitter, Pinterest, Google Plus, YouTube and Instagram accounts and the majority of the company's posts emphasise products.

Myer's Facebook page promotes multiple products within a single post, linking directly to 'shop now' pages of each product. Millers' Facebook page takes the sane approach, although they also operate a 'Seeming Me Project' blog, which promotes Millers products along with lifestyle tips for their target audience. ■

A MULTICHANNEL FUTURE

Our research suggests that AU250 retailers are making slow but steady progress in their Mobile & Cross-channel offerings

Modern retail is about linking channels. Even pureplays, retailers without physical stores, need to ensure that customers looking online for goods receive the same information via mobile as they do via desktop. In addition, pureplay customers expect to be able to receive purchases or pick them up from local locations at times that are convenient to them.

In many respects, the challenge this represents is one of attitude. Retailers need to be prepared to work to make weaving across channels easier for customers. RetailX research quantifies retailers' progress in the Mobile & Cross-channel Dimension by focusing on click-and-collect sophistication, returns and also retailers' mobile performance.

Click and collect

Currently seen as a mark of sophistication, click and collect will become a standard offering in Australia over the coming years. We base this prediction on what's happened in Europe and the USA. Whether Australian retailers will ever be able to offer such services as next-day click and collect services from lockers in remote locations is doubtful, but such services will without doubt become commonplace in major cities.

But that's for the future. For now, 28% of AU250 retailers offer click and collect. The sectors performing most strongly here are homeware (32% of retailers offer click and collect), sports and outdoor equipment (32%), and children's toys. Among the best-performing sectors, there's early evidence of greater sophistication. Next-day collection, for instance is offers by 8% of Top250 retailers, a figure exceeded by the homeware (16%), children's toys and accessories (15%), and sports clothing (13%) sectors. Similarly, 7% of the AU250 offer same-day collection, a figure bettered by the children's toys and accessories (15%), homeware (11%) and consumer electronics (10%) sectors.

In contrast, the consumer electronics (16%), cosmetics (10%), books (10%), and stationery and craft (0%) sectors have been comparatively slow to implement click-and-collect services. This is curious because it potentially opens retailers up to competition from new entrants to the market, including pureplays, marketplaces and international retailers.

Returns

The facility to return online purchases to stores is valued by customers, and 59% of multichannel retailers in the AU250 offer this service. Strong-performing sectors here include children's toys and accessories (67%), fashion clothing (64%), sports and outdoor equipment (64%), and fashion accessories (64%). In contrast, just 28% of multichannel consumer electronics retailers and 42% of multichannel cosmetics retailers offer this service.

As yet, services that allow returns via third-party locations such as collection points, post offices or other shops are underdeveloped in comparison to, for example, the UK, with just 17% of the Top250 offering this service as against 26% of IRUK Top500 retailers. Sports and outdoor equipment retailers (43%) perform most strongly here, followed by sports footwear (33%) and sports clothing (31%) retailers.

Mobile customers

Increasingly, consumers prefer to research and shop using smartphones rather than their desktops. This is reflected in RetailX research showing that 57% of web traffic to the AU250 is from mobile devices. By sector, the figure is highest in the homeware sector (63%) but even the software sector, where there are specific reasons why consumers may favour desktop, sees 41% of browsing arrive via mobile.

Top-performing companies in the Dimension

Glue Store stands out in the research for offering same-day collection, next-day collection and stock visibility. Princess Polly has similarly thought about its cross-channel offering, but focuses attention in different areas: offering a sophisticated mobile site while also keeping up with the basics.

Other retailers that excel in this Dimension include Coles, Kitchen Warehouse and David Jones. ■

CASE STUDIES

From spare car parts to fast fashion and kitchenware, Australian retailers across different sectors are working hard to provide solutions tailored to their customers

Coles

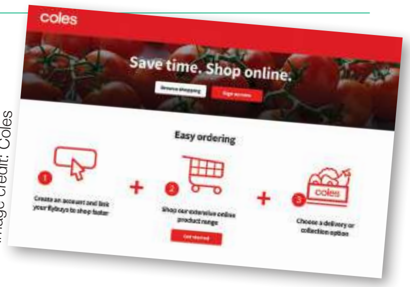


Image credit: Coles

If flexibility in delivery options is a mark of retail sophistication, and we would argue that it is, then Coles is, unsurprisingly, at the leading edge of practice. The supermarket chain has more than 800 retail sites throughout Australia and, in 2016, its revenue was $33bn. This is a big company with the sheer heft to roll out new services.

In addition, it has a long online history, with Coles Online first accepting orders back in 1999, when it offered deliveries to specific areas in Sydney and Melbourne. In 2003, it purchased Shopfast, at that time the largest (albeit unprofitable) online grocer in Australia. In 2007, influenced by practice in the UK, it moved from a warehouse-fulfilment model to a shop-fulfilment model.

Coles has subsequently benefited from being early to market and, through the years, being quick to innovate. In 2017, for example, it partnered with Uber to trial an UberRUSH service out of a ‘dark’ store in Richmond, a move that prompted several analysts to ask whether delivery was about to become a new area of competition between supermarkets.

Away from eye-catching initiatives, Coles Online offers weekend, same-day, nominated-day and nominated-time delivery, services built around the needs of its busy customers. **shop.coles.com.au**


Image credit: Appliances Online

Appliances Online

By their nature, appliances are purchases that consumers, unless they’re especially unlucky, make infrequently. It follows that the research stage of any potential purchase is crucial, with customers trying to weigh up different options. It also follows that any retailer willing to help in this process is more likely to secure a sale.

Appliances Online, which claims to offer “legendary service”, excels here. Its site is easy to navigate, it’s simple to drill down to get further information about different items, and customer reviews and ratings help to build customer confidence. RetailX researchers also gave the company a high rating for its mobile website. **www.appliancesonline.com.au**

Cotton On

Image credit: Cotton On

Fast fashion relies a great deal on immediacy to generate a sense of drama. This needs to extend into delivery options, so that customers won’t have to wait too long to receive items that may not seem so exciting if they turn up two days after the party that initially inspired their purchase.

As a growing and comparatively young company formed in 1991, Cotton On understands this need for speed and it has a number of innovative offerings, including free returns online and in-store, and free deliveries on purchases. Not only do customers no longer have to wait for their goods, they can also use the AfterPay service to pay for them over four payments spread a fortnight apart. **cottonon.com/AU/**

Image credit: Supercheap Auto

Supercheap Auto

The idea of RetailX researchers singling out an automotive spare parts retailer for its expertise in the Merchandising Dimension may seem strange at first glance. This is an area of the market where customers often have no choice but to buy items that, frankly, they would rather not spend money on; we're talking about things like a windscreen wiper, an engine part or a spare bulb. Yet it's also an intensely competitive sector of the market, in which retailers need to work really hard in order to stand out from their competitors.

Supercheap's homepage – complete at the time we visited for this case study with a link to a kinetic, petrolhead-friendly video and pictures of trucks in motion as a way to promote oil – works hard to make functional purchases seem fun and exciting. It's not subtle but it does grab the attention. The homepage also has links to a loyalty card scheme – Club Plus – and, presumably based on research suggesting customers may not always have easy access to high-speed broadband, printable catalogues.

Get beyond the initial public face of its homepage and the retailer also shows sophistication in other areas. Customers can Like products, a website search never produces a blank page and, on mobile, product images are zoomable. Supercheap also offers a store finder facility, especially useful if you need a spare part while far from home. **www.supercheapauto.com.au**

Target

As Australia's largest department store chain, Target enjoys high brand recognition through its stores. It also works hard to retain and build on its existing profile through social media. Its Facebook page, for example, shows details of recent promotions and has an 'Ask Target Australia' section.

Its Instagram account, as you might expect, is rather more visual, and has more than 400,000 followers. While its dedicated Australian YouTube channel has less traffic, there's still plenty to see, including Danni Minogue and Jean Paul Gaultier promoting their collections sold via the retailer.

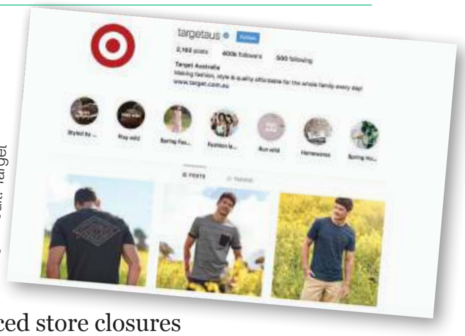


Image credit: Target

Such efforts may be more important than ever considering the chain has lately announced store closures thanks in great part to increased competition from both existing players and new entrants. **www.target.com.au.**

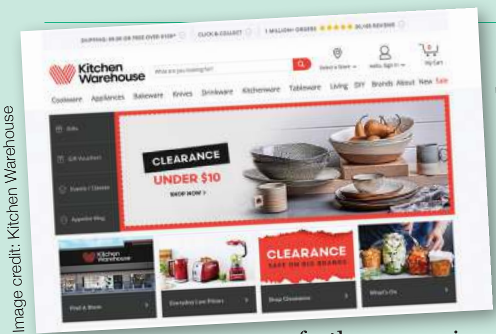


Image credit: Kitchen Warehouse

Kitchen Warehouse

Specialists in kitchenware, the expanding Kitchen Warehouse opened its first store in Perth in 1996. It has subsequently grown both through adding new bricks-and-mortar stores in Western Australia, Victoria and Queensland, and by building its online operations.

It has also invested heavily in its cross-channel operations. In addition to offering same-day collection for purchases, it also offers stock visibility so that customers can see whether items are available at specific stores before they set out to look at or buy them. The message from Kitchen Warehouse is to expect further expansion. "It is much easier to expand at times when everywhere else is holding back, it's always the best way to go," noted founder John Macaulay recently. **www.kitchenwarehouse.com.au** ■

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CONCLUSION

As we have already noted in our strategic overview feature, Australian retail is delicately poised. Consumer behaviour is changing as people adopt multichannel shopping, as the smartphone replaces the desktop as the device people most often use to do their online shopping, and much more besides.

For certain sectors and certain kinds of retailers, this is especially challenging. It's worth noting this is by no means always down to an unwillingness to engage with the issues here. It's intriguing to note, for instance, that many of the problems hitting mid-range Australian department stores – too much retail space, competition from brands selling direct, discounters and specialist pureplays, some consumers perceiving a certain frumpiness – have parallels in the UK and USA.

The point to notice is that these issues are hitting companies that often have sophisticated multichannel offerings. It's not a lack of foresight that's having negative effects so much as the sheer pace of change.

If that sounds challenging, we wouldn't argue, yet it's also worth noting that Australian retailers still have huge competitive advantages, not least a close proximity to the growing Asian market. We would also emphasise again how, in an age when consumers around the world are constantly looking for new products and brands, any retailer that can cut through by being authentically Australian is likely to gain traction.

To see which companies succeed in doing this, our ongoing research is available to members of our publishing partner, InternetRetailing.net. Members also have the opportunity to access our exclusive research into the UK and European markets. ■

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