

# THE RETAILX AU250

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# 2018

## FOOTPRINT REPORT

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**“The performance-based ranking of Australia’s top ecommerce and multichannel retailers”**

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### INSIDE

- The largest 250
- ‘Footprint’ – its significance in the consumer’s mind
- Market statistics and analysis

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Full ranking: May 2018

[www.internetretailing.net/RXau](http://www.internetretailing.net/RXau)

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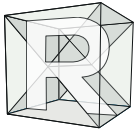
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## ABOUT US

RetailX is born of an obsession with performance in multichannel retail and ecommerce

Our mission is to provide the data, analysis and insights to build successful and profitable businesses.

RetailX was formed in order to create the first performance-based, objective and comprehensive Top500 ranking of the highly competitive UK retail and ecommerce market. Publishing with InternetRetailing.net, the trade title for professionals in multichannel retail, IRUK launched in March 2014. From there, we added a pan-European ranking, IREU, tracking 17,000 retail fascias across 32 countries. IRBX is the ranking of brands selling direct to consumer.

The dynamic Australian market is our focus with the AU250 Footprint. Later in the year, we will turn our attention to a ranking of retailers in the ASEAN.

RetailX is the continuation of the journey set by InternetRetailing and it reflects our position at the heart of this collegiate yet highly competitive; ruthlessly optimising yet perennially in beta; commercially driven yet experimental and generous industry.

In addition to published reports we provide direct access to the data and insights needed to survive, conquer and indeed prosper. For further information please contact us at [research@retailx.net](mailto:research@retailx.net) – we would love to join your conversations and we hope you would like to share insights with us.

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# FROM THE EDITOR-IN-CHIEF

It's with huge pride that I introduce this Australia 250 Footprint Report, the latest instalment in our ongoing quest to identify, research and rank the world's major retailers. Over the following pages, you will find our first thoughts on the market in Australia.

Thus far, we have identified the largest retailers, but over the coming weeks and months, and years into the future too, we will be looking in detail at the Australian market. As well as size, or Footprint, we will assess retailers operating in Australia on their performance in different aspects, or Dimensions, of retail craft.

It's an approach that we have already used with great success in the UK and within the European Economic Area. We have honed our approach to produce rankings that are trusted by retailers across the UK and Europe, and it's this expertise that we now bring to the Australian market.

Nevertheless, we are also conscious that we are newcomers here. While we have already identified key aspects of the Australian market – the sheer geographical spread and the challenges this places on logistics, the influence of both marketplaces and other Asian markets, and the increasing number of brands operating in the country – we are keen to hear from Australian retailers and their suppliers.

We want this to be a dialogue that helps us to shape our ongoing research. That's because, as we have already learnt at first hand with our other research work, the ability to measure performance over time is key to gaining an understanding of what's really happening within retail markets.

In May 2018, we will publish our full list of which retailers in Australia are the standout performers, both overall and in different Performance Dimensions. Based on our previous experience, don't be surprised if there are surprises. While there is a strong correlation between size and performance, we have learnt over the years that many innovations do not arrive via established retailers, but those competing hard for market share, such as startups and specialists that are close to their customers.

In the meantime, I would be delighted if you would get in touch to share your thoughts on our initial work.

**Ian Jindal**  
**Editor-in-chief**  
**[ian@retailx.net](mailto:ian@retailx.net)**

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# ACQUIRING SUBSCRIBERS AND KEEPING THEM AS CUSTOMERS



By Shannon Ingrey, General Manager Oracle + Bronto APAC **ORACLE** + Bronto

Consumers are checking their email more often, and on more devices, than ever before. It's not hard to see that email remains one of the most effective ways to reach customers. For marketers, meeting consumers at this vital touchpoint is an opportunity that can't be ignored.

But when it comes to growing subscriber databases and maintaining subscriber engagement, the struggle is real. Marketers often make the mistake of focusing on acquiring the sign-up, and then reverting to a generic batch-and-blast messaging strategy. But this causes subscribers to disengage earlier because they expect you to send them relevant, personalised experiences.

So, how do you grow your list size in a way that will let you collect the right customers and keep them engaged?

## Be consistent, and creative

When looking to grow your contact database, you need to take a consistent, multi-pronged approach. There are a few ways you can do this. First, include a signup above the fold of your homepage or even on all pages. This gives consumers an easy way to signup while browsing. This is especially important if they link directly to a product page from the web. Limiting signup to the homepage decreases your ability to secure a new subscriber.

You'll also want to consider popups, dropdowns, and ribbons. These strategies are routinely the most effective list-growth tactics. But don't ignore other areas of growth: include social pages, co-registration partnerships and bricks-and-mortar stores.

Now to address the elephant in the room: should you offer an incentive for signing up? The answer is – it depends. Be wary of training your customers to wait for discounts. You can always get creative when it comes to what to offer: a free gift with their next purchase, a weekly or monthly raffle for a giftcard, or even partner with a cause meaningful to your subscribers.

For example, if your brand sells men's underwear, consider supporting a testicular cancer foundation. Promote this cause on your website, and ask customers to signup to receive more information on how they can help get involved. You can even provide a "coupon code" to use at checkout that will allow that discount to be donated, rather than taken off the purchase price. This way the consumer is emotionally connected.

## Get personal

You've acquired new subscribers. Now it's time to personalise their experience. This can make all the difference between keeping subscribers engaged – or having them hit "unsubscribe."

The good news is that difference is entirely up to you. Even if you are using a batch-and-blast email strategy, look for areas where you can maximise personalisation. This could be acquisition source (on-site), email or purchase behaviour. If you know your subscriber signed up to receive emails while viewing men's shoes, put a high focus on men's shoes. Include intuitive product recommendations. If users click on a maternity link inside of your emails, they should be sent emails focused on maternity items. If they are a recent purchaser, helpful tips on how to care for a newly purchased product are a great way to build trust. The best part of all of this is that it can all be automated, taking a large burden off your team.

## Make them believers

Commerce marketing isn't about acquisition versus retention – it's a combined strategy. You want to acquire the right customer and then engage them effectively along the way by showing that your brand understands them. Focusing on your overall strategy will help get the right message, to the right customer, at the right time. This is where using segmentation, automation, send frequency and personalisation can help.

Remember: one-size-fits-all might work for concert t-shirts, but it rarely – if ever – works for email.

## About Bronto Software

Bronto Software arms high-growth retailers with sophisticated marketing automation to maximise revenue opportunities. The Bronto Marketing Platform powers personalised multichannel content that generates the higher engagement needed for retail success. Keenly focused on the commerce marketer, Bronto continues its longstanding tradition as a leading email marketing provider to the global Internet Retailer Top 1000 and boasts a client roster of leading brands, including EMU Australia, Princess Polly and O'Neill Australia. For more information, visit [bronto.com](http://bronto.com)

# FORMULATING THE FOOTPRINT

**Martin Shaw**, head of research for RetailX, introduces the RetailX Australia Top250, our new list of the leading retailers in Australia, which will ultimately measure both size and performance across different retail disciplines

In compiling the RetailX Australia (AU250) top retailers, we have set out to create a definitive list of the most significant ecommerce and multichannel retailers operating in the continent. In doing this, we've taken an algorithmic approach to blending and ranking the four components of a retailer's Footprint: its amount of web traffic, retail revenue, ecommerce revenue, and the company's total number of physical locations. Over the coming months, the Index will develop beyond this initial Footprint to include six Performance Dimensions.

## Market complexity

Millions of Australian consumers buy from thousands of companies that range from niche and locality retailers to giants of global ecommerce. Despite the lack of tariffs and legal barriers to trade, companies operating in this market face the challenge of distance and fulfilment with low population density. A retailer operating in Australia covers a territory larger than the EU but with a fraction of the number of people. That's why this Performance Index, which identifies and compares how the continent's largest retailers respond to the same difficulties and opportunities, is so relevant. We started by identifying the biggest, most significant retailers. But we also asked ourselves two more questions: how can we measure Footprint in the most meaningful way? Plus which

metrics are most effective in measuring the achievements of thousands of candidate companies? It's an approach we have taken in analysing the UK and the European Single Market and all metrics we measure here in Australia will be directly comparable to overseas markets.

## What is 'big'?

The AU250 Footprint Index measures 'size' across online and offline channels, as well as taking into account turnover from retail sales. Not every company that sells online is a retailer and we focused on those companies that meet our definition of a retailer. First, with the assistance of Knowledge Partners Hitwise and SimilarWeb, we tracked ecommerce web traffic from Australia, recording destination and interaction over a one-year period. Second, we counted the number of stores retailers operate within the six states and two territories of our study. Third, we ranked retailers according to revenue, sourcing figures from corporate websites, media information and published results. Finally, we designed an algorithm to weight and summarise the results.

Our approach is not to assume that 'big is best'. Nevertheless, size remains significant. In later reports, we'll answer the question of which retailers are best, but for now we're identifying which companies are Australia's biggest players.

*For technical details on our research, on how we define what constitutes a retailer and more details on our research parameters, the detailed metrics we look at when assessing retailers, turn to page 20.*

"We have set out to create a definitive list of Australia's most significant ecommerce and multichannel retailers"



# OUR FINDINGS TO DATE

In establishing the RXAU Footprint we have considered web traffic (the share of activity online), company revenues, the level of search traffic (a function of front-of-mind awareness for customers and of potential demand), the ecommerce proportion of sales (indicating the ability to serve a customer across all channels) and the store estate (combining close-to-customer service capabilities and local brand fascia).

Taken together these ‘ingredients’ combine to give a view of ‘heft’, of overall presence in customers’ lives – in their physical experience, their intent and service contact points.

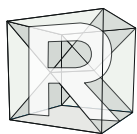
There are a few retailers that have high rankings in all of these Dimensions, but most have strengths in some areas and room for growth in others. However, it is the range of results within these measurement areas that gives an indication of the variety and extent of the Australian multichannel landscape.

Over all of our research in different territories globally, we are currently tracking the traffic to 73,000 ecommerce websites. From this list and drawing on Knowledge Partner research, we hone in on those retailers that are significant enough plausibly to warrant inclusion on our regional lists. In the case of the Australian market, we have done additional research into the largest 500 websites by traffic.

We have also categorised these companies broadly into traditional retailers, brands and marketplaces. Of the Top250 companies, we found that one in four is a brand (see page 19 more details) and, while fewer than 20 of the Top250 are marketplaces, they take a disproportionately large proportion of traffic (see page 18).

As we apply performance metrics to the companies on this initial list over the coming months, the list will be reordered according to their individual results to create a performance-based Top250 and a ranking of excellence. Now we have a benchmark in three different markets – Australia, the UK and Europe, and with the Association of Southeast Asian Nations (ASEAN) area to follow – we will be able to compare performance across territories and offer a unique, data-supported perspective on where the most innovative ecommerce and cross-channel retail practice is taking place.

*The above examples offer early indications of the insights and challenges ahead as we move from sizing the market and the Footprint to our detailed work on the six Performance Dimensions of operating capability – where as we have already noted, we move from a view as to the ‘biggest’ to a considered assessment of which retailers are the best.*



# The RetailX Australia Top250

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The 250 retailers with the largest Footprint in Australia. The Footprint is a combination of a retailer's revenues, online sales, web traffic and store numbers, and is an indication of visibility to the Australian consumer. Here are the retailers clustered by Footprint size and listed alphabetically

## Largest 50

Adairs	Fantastic Furniture	Officeworks
Amart Furniture	Forever New	Priceline Pharmacy
Apple	The Good Guys	Rebel
The Athlete's Foot	Harvey Norman	Rivers
Autograph Fashion	Jay Jays	Rockmans
Best & Less	Jaycar Electronics	Samsung
Big W	JB Hi-Fi	Seed Heritage
Bras N Things	Jeans West	Sportscraft
Cash Converters	Just Jeans	Sportsgirl
Chemist Warehouse	Kathmandu	Spotlight
Coles	Katies	Strandbags
Cotton On	Michael Hill	Supercheap Auto
Country Road	Millers	Suzanne Grae
Crossroads	Mimco	Target
Dan Murphy's	MSY	Witchery
David Jones	Myer	Woolworths
EB Games	Nike	

## Largest 100

Aliexpress	Godfreys	Prouds The Jewellers
Amart Sports	Harris Scarfe	The Reject Shop
Anaconda	House	Roger David
Appliances Online	HP	Saba
Autobarn	Hype	Sanity
Baby Bunting	The Iconic	Snooze
Bed Bath N' Table	Kmart	Ssense
Betta	Kookai	Sunglass Hut
Bing Lee	Lincraft	Supré
The Body Shop	Lorna Jane	Topshop
Centre Com	Microsoft	Total Tools
Cue	Mitre 10	Trenerly
Digital Camera Warehouse	Nine West	Umart
Dotti	Noni B	Uniqlo
Factorie	Pillow Talk	Wittner
Freedom	Platypus Shoes	99 Bikes
General Pants Co.	Portmans	



## Largest 150

Adidas  
Amazon  
Asos  
Beacon Lighting  
Bendon Lingerie  
Bonds  
BookDepository.com  
Camera House  
Canon  
Catch of the Day  
Clark Rubber  
Dell  
Domayne  
eBay  
Eckersley's  
Glassons  
Glue Store

Google Play  
Gorman  
Grays  
JacquiE  
Kikki-K  
Kitchen Warehouse  
Kogan.com  
Lovisa  
MJ Bale  
Nespresso  
Oxford  
OzSale  
PLE Computers  
QBD  
Quiksilver  
Rays Outdoors  
Review

Scorptec Computers  
Sephora  
Shaver Shop  
Steam  
SurfStitch  
Sussan  
Sydney Tools  
Taobao  
Ted's Cameras  
Topman  
Toys Я Us  
Universal Store  
Victoria's Secret  
Windsor Smith  
2nds World  
4WD Supa Centre

## Largest 250

Addicted to Audio  
Alannah Hill  
Altronics  
AlwaysSales  
Asus  
Austin Computers  
B&H Photo Video  
Bang Good  
BCF  
Bike Bug  
Bike Exchange  
Birds Nest  
Bnkr  
Boohoo.com  
Booktopia  
Brands Exclusive  
BudgetPC  
Butterfly Silver  
Carbatec  
Catch  
Chain Reaction Cycles  
City Beach  
Computer Alliance  
Connor  
Converse  
Cookware Brands  
Culture Kings  
Dangerfield  
Deals Direct  
Dick Smith  
DigiDirect  
Dyson  
Eastbay  
Ella Baché

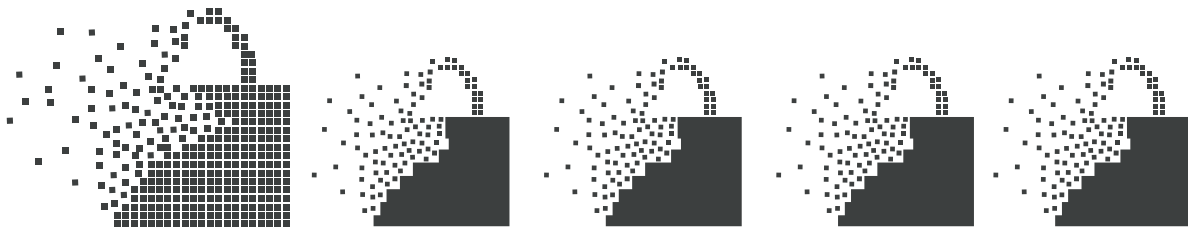
Emma & Roe  
END.  
Esprit  
Farfetch  
Fishpond  
Fitbit  
Forty Winks  
Games Workshop  
Garden Express  
Garmin  
GearBest  
Grailed  
Gucci  
HelloFresh  
Jurlique  
Lego  
Lenovo  
LightInTheBox  
Massdrop  
Matt Blatt  
Mega Buy  
Mobileciti  
MyDeal  
Net-A-Porter  
New Balance  
Newegg  
Next  
Pandora  
Paul's Warehouse  
Peter's of Kensington  
Popcultcha  
Princess Polly  
Pushy's  
Readings

RedBubble  
Rose Wholesale  
Sass & Bide  
SeaFolly  
Showpo  
Society6  
SportsDirect.com  
St. Frock  
Stacksocial  
Stelly  
StewMac  
Store DJ  
Swamp  
Swim Galore  
Swim Outlet  
Techbuy  
Temple & Webster  
The Party People  
Tiffany & Co.  
Tigerlily  
TomTom  
Triumph  
TVSN  
Under Armour  
Urban Outfitters  
Vapour Eyes  
Victoria's Basement  
Video Pro  
West Elm  
Wheel & Barrow  
Wild Earth  
Wish

# THE AU250 AT A GLANCE

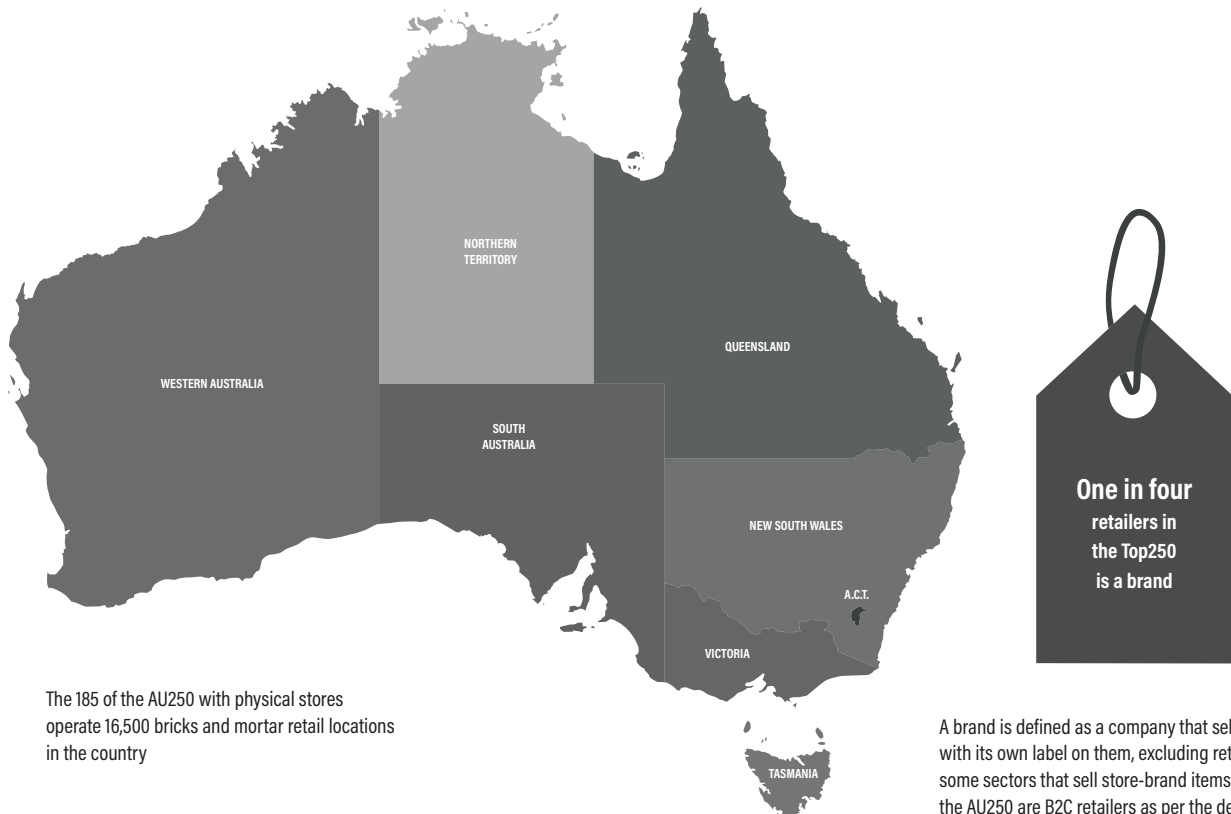
## ONE IN FIVE OF THE AU250 IS AN ONLINE-ONLY RETAILER

This compares to one in four of the UK Top500 and one in ten of the Europe Top500



## STORES OF THE AU250 PER CAPITA

The ACT has nearly twice as many AU250 stores per capita as the Northern Territory. The homogeneity across the continent suggests that retailers have mastered traditional retail logistics, allowing them to operate stores across large distances

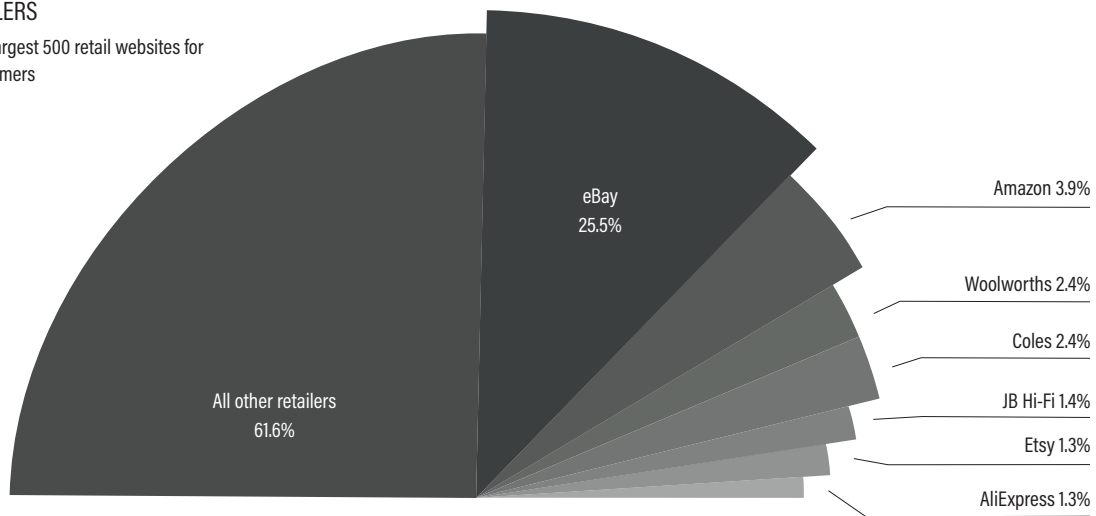


The 185 of the AU250 with physical stores operate 16,500 bricks and mortar retail locations in the country

A brand is defined as a company that sells products with its own label on them, excluding retailers in some sectors that sell store-brand items. All brands in the AU250 are B2C retailers as per the definition of a retailer on page 20

**THE PAGE VIEW SHARE OF LARGE RETAILERS**

Comparing the largest 500 retail websites for Australian consumers



Non-retail websites and some others are excluded from these lists in line with our definition of a retailer on page 20

Data sourced from AU250 Knowledge Partner Hitwise

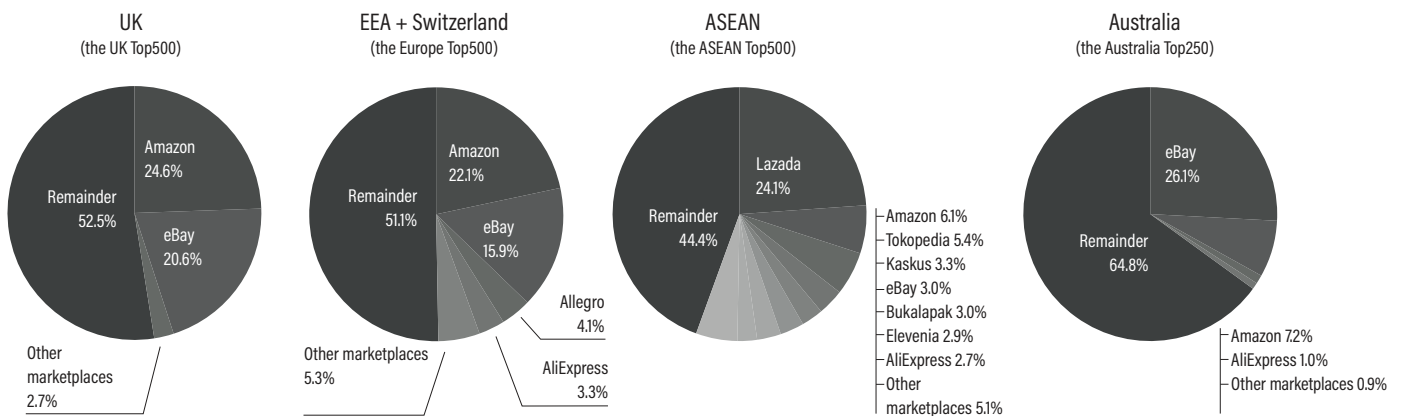
**AMAZON'S PRE-LAUNCH CONSUMER WEB TRAFFIC**

Non-retail websites and some others are excluded from these lists in line with our definition of a retailer on page 20 of the AU250 report

Data sourced from AU250 Knowledge Partner Hitwise



**THE VISIT SHARE MARKETPLACE WEBSITES RECEIVE FROM DIFFERENT REGIONS**



The entire web traffic of websites with marketplaces is included in the relevant sections, including where those websites are also direct retailers in their own right. Non-retail websites and some others are excluded from these lists in line with our definition of a retailer on page 20 of the AU250 report

Data used in this graphic was sourced from AU250 Knowledge Partners Hitwise and SimilarWeb

# AU250 PERFORMANCE INDEX

Paul Skeldon outlines our research into the Australian retail market

Viewed purely as a place on the map, the Australian market is vast, broadly equivalent to the size of the European Single Market. However, while the population of Europe exceeds 743m, Australia has a population of just a little more than 24m. Most of these people are based in urban centres, but Australia also has a large, geographically dispersed rural and semi-rural population that increasingly wants to enjoy the convenience of ecommerce and, if not next-day, at least fast delivery.

This unique facet of the Australian market is just one of those we cover within our research. As with our previous work in the UK and Europe, we have been assessing retailers via their Footprint, or size, and through six Performance Dimensions, or aspects of retail craft: Strategy & Innovation, The Customer, Operations & Logistics, Merchandising, Brand Engagement, and Mobile & Cross-channel.

We've looked at how retailers both big and small perform in the Australian market. In conducting our research, we've considered websites that receive 444,000 web page views per annum and others that receive as many as 560m web page views over the same time period. While some of the sites we've looked at attract 17,000 visits a year, that figure rises to 32m for larger retailers. At one end of the scale, we looked at retailers that are specialist pureplays with no stores. We also looked at trans-continental players that have more than 1,000 stores. The companies we looked at generate revenues that range from a relatively modest \$1.5m right up to tens of billions of Australian Dollars.

Read on for some of our initial insights.

"Australia has a geographically dispersed rural and semi-rural population that wants to enjoy the convenience of ecommerce"

## Strategy & Innovation

Retail globally is driven by innovation and the Australian market is no different. Mobile and omnichannel are at the forefront of technology development, driven as they are everywhere else, by customer expectations. Echoing highly advanced markets such as the UK and US, artificial intelligence (AI) and virtual reality (VR) are attracting strong interest. However, active deployment lags behind other markets. Ikea in the UK and US is starting to offer AR through its iOS app, which may yet reach the retailer's online presence in Australia, but not until well into 2018.

Technology is also playing a role in Operations & Logistics – which is for pan-continental Australian retailers a huge challenge, with stores often literally thousands of miles apart – and here retailers are having to be clever with their use of technology, in order to manage inventory and delivery.

While, in so many senses, the Australian market is no different from those of Europe and the UK, cultural differences driven by its geographic location do mark it out. The daigou phenomenon, has led to new types of retailers responding to a uniquely Australian 'consumer' – one who shops locally for an overseas market.

Daigou literally translates from Chinese as "buying on behalf of" and refers to a network of shopping agents who buy things for residents on mainland China that are unavailable or hard to find there. Essentially, it is a channel of commerce between mainland Chinese buyers and overseas professional shoppers, sometimes referred to as the "grey market".

The relative proximity to China of Australia and a growing love of Australian goods in mainland China is seeing daigou spring up across Australia. Being a remote shopping phenomenon, daigou lends itself to online retailing and is helping to shape how technology is used, with many daigou agents operating on the mobile messaging platform WeChat. Many retailers are embracing this development – and also embracing the Chinese social network Weibo to draw in more customers.

Our research in this Dimension will cover strategic practice, including an expert-designated selection of metrics that catalogue a retailer's embrace of technological or organisational best practice.

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### The Customer

Customers drive online retail, regardless of their geographical location. In Australia customers are, on the whole, technologically savvy, glued to smartphones and brought up using the internet. Consequently, most shoppers are well aware of what is potentially possible – and this drives how retailers respond.

While Chinese nationals are using the web to get personal shoppers to buy and ship Australian goods to them, the bulk of Australian shoppers are being driven to use online and mobile retailers for the same reasons as all other shoppers: convenience.

Australian customers are driven to use particular retailers' online services for much the same reasons as everyone else too: delightful customer experience, speed and, of course, price. But as with most developed ecommerce markets, retailers in Australia need to focus not just on the race to the bottom with price, but also to compete in terms of availability, speed of delivery and cost of delivery. Often, the cheapest goods are not the best buy when the customer wants the goods immediately. The Top250 performance analysis, to be released in May 2018, will include dozens of metrics that evaluate customer service and, more broadly, multichannel customer experience

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“The bulk of Australian shoppers are being driven to use online and mobile retailers for the sake of convenience”

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### Operations & Logistics

Despite having customers potentially being spread over a vast area, Australian retailers face similar demands to businesses all over the world. Increasingly exacting customers in urban areas expect next-day delivery to be on offer, while even those thousands of miles from distribution centres are demanding two-day delivery from one end of the country to the other.

Of course, this is nothing new to Australian retailers and most are already adept at traditional retail logistics. The largely equal number of the Top250's physical stores per state capita, suggests that these retailers already operate rigorous, far-flung logistics networks. Many of them aren't huge retailers, but at the same time supply stores separated by thousands of kilometres with relatively few customers. These legacy operations, however, must increasingly adapt to the new challenge of ecommerce fulfilment, with smaller orders and all the difficulty of last-mile delivery.

Marketplaces have a lower than expected presence in Australia – most notably marked by the absence until recently of Amazon from the continent. However, those that do operate account for some 4% of the Top250's retailers and carry a disproportionate amount of traffic.

This is driven by consumers wanting the convenience of marketplace shopping, but also by retail brands using marketplaces to aid with logistics management – something we have previously noted in our Europe Top500 research as retail brands look to marketplaces to drive cross-border expansion, especially in terms of handling deliveries and returns.

Our research in this Dimension will cover delivery, returns and collection services. We track the price and timescale of each retailer's standard fulfilment and returns options, and additionally measure the use of more convenient options, such as next day delivery, nominated-time delivery, and same-day click and collect.

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### Merchandising

As all retailers know, it's not enough to make an item available for sale. Customers have to know where they can buy an item, how much it will cost and, most importantly, why they should want to buy an item.

The latest developments in retail only put more of an onus on the art of merchandising – and here we're not talking just about pushing products at customers. The simultaneous rise of both brands and marketplaces can be seen as a pincer movement against traditional businesses. From brands (see page 19) there's the promise of consistency and the reassurance of buying at source. From marketplaces, there's huge competition on price.

Retailers in Australia have long known this competition was arriving, but the recent launch of a fully fledged, Australia-specific Amazon site has made the threat explicit. So what are Australian retailers to do? One answer is to understand and even anticipate what customers want.

In this context, modern merchandising isn't just about pushing out messages, but targeting messages and campaigns as part of the overall customer experience. That's tough to do, but success here is a measure of sophistication and preparedness for the future.

Our research in this Dimension will cover each retailer's use of site search and navigation to aid the customer to find relevant results rapidly. We also measure the typical number of images used on product display pages, as well as accompanying descriptions and reviews.

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### Brand Engagement

One in four retailers in the Top250 is a brand – defined as a company where the label is on the product, such as Nike, but excluding supermarkets or other vendors with generic store-brand products.

Brands have global appeal and a significant proportion of consumers in Australia appear to want to shop directly from the brand. These brands gain authenticity with a consistent, global standard and their popularity in Australia echoes market trends elsewhere in the world. However, the very ubiquity of brands leaves room for other kinds of retailers, such as specialists and local stores, to differentiate themselves via, for example, exemplary customer service. Low-cost, high-quality fashion retailers Zara, H&M and Uniqlo are all new international brands that have recently proved popular in the traditionally overpriced Australian market.

Our research in this Dimension will cover the channels retailers use to communicate with their customers and how quickly they will respond to a query.

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“Brands have global appeal and a significant proportion of consumers want to shop directly from the brand”



“In Australia, a huge proportion of mobile sales come from tablets, something culturally at odds with other markets”

### Mobile & Cross-channel

Australia is one of the leading adopters of smartphones, with 88% of adults owning one, and is marked by being a market driven by older users buying them. According to Deloitte, laptops and desktops are still the main online shopping tool, but sales through mobile rose by 25% in 2017. Tablet use is higher than in Europe, again reflecting that an older demographic is embracing ‘mobile’ and using tablets as a laptop replacement. Younger age groups are more likely to use mobile devices over tablets. Women are significantly more likely than men to use their mobile phones to make online purchases, 22% versus 14%.

Technologies such as fingerprint recognition, especially when combined with mobile payment, are also driving growth in mobile commerce across the continent.

Our research in this Dimension will cover retailers’ mobile web aptitude – in terms of responsiveness and a mobile-first (or otherwise) web design. We will also track which retailers use mobile apps and the features those apps have. Finally, we’ll look at how retailers are supporting omnichannel customers with ordering, fulfilment and loyalty programmes across channels.

### Conclusion

The Australian online retail market is an interesting combination of western and eastern trends, which marks it out as unique. While Asian shoppers are having an impact on the way online shopping is shaping up, many of the drivers for retail are firmly rooted in the European and north American markets, where retailers are grappling with the same technological influx, the same international brands and marketplaces, and, most importantly, a consumer base with similar expectations and demands. That said, there is much that European retailers can learn from Australians about how to handle geographically dispersed inventory and customers.

This legacy of impressive logistics performance among traditional retailers may give them an advantage over Amazon that wasn’t shared in other countries where Amazon has carved out an enormous market share, such as the UK and Germany.

On the mobile front, Australia has a significant smartphone and tablet penetration and, with older users driving the growth of mobile commerce, sees a huge proportion of mobile sales coming from tablets. This is something culturally at odds with almost all other markets.

These facts outline just how different-yet-the-same the online retail market is in Australia and mark it out as one of the next big areas of retail expansion. Our research will help retailers to understand how this process will be likely to play out in the years ahead and, through objective analysis, highlight the companies employing best practice.

## The retailers' perspective

**Abdul Jaafar**, general manager – supply chain, Fantastic Furniture and

**Dean Salakas**, chief party dude, The Party People share their thoughts

### Abdul Jaafar

**Q: What is the chief characteristic of an elite or leading retailer in Australia?**

**A:** A customer-centric supply chain that is both sustainable and agile.

**Q: What areas will be your company's focus in the year ahead?**

**A:** Customer delight, employee engagement, growth and continuing on our path to a world-class supply chain.

**Q: Where do you look to for innovative approaches and why?**

**A:** I look for innovative approaches across all sectors. You will always find that when looking at what the world's best are doing either by systems, practice or MHE [material-handling equipment], there will be an element in that approach that can be applied to your business.

**Q: Where are Australian retailers strongest?**

**A:** Adapting, I believe Australian retailers adapt so well to change that when a brilliant idea is introduced it's very quickly implemented in retail, and customers and employees embrace it.

**Q: Conversely, where is there greatest room for improvement – and why?**

**A:** Being customer first. We can be complacent at times in retail and this complacency, especially our customer centric complacency, allows for competitors outside of Australia to come in and be successful very quickly.

**Q: What innovations and techniques will be important in the year ahead?**

**A:** Finding ways to delight the customer instantly and creating a memorable experience.

**Q: How does Australian multichannel retail compare to elsewhere?**

**A:** End-to-end multichannel retail is so far advanced in Europe, North America and the Asian market. Where we see free deliveries as a point of difference, it's seen as normal elsewhere.

### Dean Salakas

**Q: What is the chief characteristic of an elite or leading retailer in Australia?**

**A:** Today the key characteristic is a strong brand that customers see as relevant however Amazon is coming so building up defensible characteristics is going to be key. Examples of this are having a strong private label brand and products or having a superior bricks-and-mortar customer experience.

**Q: What areas will be your company's focus in the year ahead?**

**A:** Opening more bricks-and-mortar stores.

**Q: Where do you look to for innovative approaches and why?**

**A:** I attend most retail or ecommerce conferences in Australia to continue to hear how other retailers are innovating, see how I can apply those innovations to my industry, and most importantly help me predict and understand what change might be coming so I can be a first mover.

**Q: Where are Australian retailers strongest?**

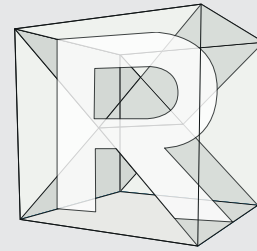
**A:** With high labour rates, we have a higher focus on reducing labour and being efficient.

**Q: Conversely, where is there greatest room for improvement – and why?**

**A:** Customer service in countries like the USA is phenomenal compared to Australia.

**Q: How does Australian multichannel retail compare to elsewhere?**

**A:** I am not that familiar with Europe and Asia. However, in North America, Amazon is king and we don't have that in Australia yet. The mentality in North America regarding retail is astonishingly different, with the default search engine being Amazon when someone wants a product. In North America people expect that Amazon will have any product they are looking for at the same or a cheaper price than going direct to the brand, with cheaper and more efficient shipping, so why would you go anywhere else?



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# ALL CHANGE AHEAD?

The arrival of new marketplaces in Australia may mean wholesale changes in shopper behaviour, writes **Chloe Rigby**

Marketplaces do not play such a key role in Australian ecommerce as they do in Europe and southeast Asia, RetailX research suggests. That could change with the full launch of Amazon.com.au, the retail behemoth's Australia-dedicated offering, as a destination selling general merchandise rather than merely, as it has been, a Kindle-only store.

Analysis of the AU250 shows that as yet marketplaces, which account for fewer than 20 entries on the AU250, have a disproportionate, although still relatively small, share of web traffic, taking a little more than 35% of all web visits to Top250 retailers.

As yet, that share is far behind the presence that marketplaces have in Europe and southeast Asia,

*"While marketplace sites receive 35% of web visits to the AU250, this is a smaller share than in comparable markets"*

according to RetailX analysis that incorporates data from knowledge partners Hitwise and SimilarWeb.

In contrast, marketplaces enjoy 50% of all the traffic that goes to Europe Top500 websites, and more than half of the traffic to ASEAN Top500 websites (see graphic on page 11). Marketplaces are highly influential in both markets, with Amazon and eBay particularly dominant in Europe. In the UK alone, Amazon saw more than a quarter of visits to the UK Top500 retail websites in the run up to Christmas 2017, according to Hitwise data.

But in Australia the picture is, as yet, different. This is probably because of the absence of a major dominant marketplace. Amazon's Australian website, amazon.com.au, for example, did not sell general merchandise until the start of December 2017. Sellers as well as buyers can transact via the site, with Amazon's Prime membership offering predicted to follow next year.

As yet, RetailX research suggests, only 9% of the Australian web traffic that Amazon websites already enjoy goes to amazon.com.au, as measured before the site's recent launch. Much more (70%) goes to amazon.com in the US, while Australian traffic to the retail giant's other websites accounts for the remainder.

That seems to suggest that Australian consumers are receptive to the Amazon model. It's also worth noting that this interest may also be satisfied to some extent by other entrants to the market. Chinese giant VIP.com is reported to be expanding its operations in Australia and looking for more local sellers to join its platform as it looks to offer Chinese shoppers a wider choice of premium products.

Is the Australian market set to be dominated by marketplace websites in the same way as markets in Europe and southeast Asia? Or has Amazon's late arrival given the local industry enough time to develop its own convenient, cheap and reliable alternatives? RetailX will be tracking developments and analysing web traffic over the coming months to see whether, and by how much, these metrics change.

# BRAND MESSAGES

Australia has proved a strong growth market for international brands in recent years, reports **Chloe Rigby**

International brands have flocked to sell in the Australian market in recent years – and today one in four of the Australia Top250 is a brand, selling products that it has designed and marketed itself.

European brands Zara and H&M are among recent international entrants to the market, along with Uniqlo from Japan. These brands have capitalised on a buoyant economy and consumer demand for affordable fashion, and they bring global reputations to bear in a relatively untapped market. International brands' consistent service, operating alongside well planned operations and logistics, help them to win business from consumers who are now able to buy direct from the source.

Australian consumers have helped international brands to deliver strong returns in recent years, said Alistair Palmer, national director for Australia of the CBRE retail services group in a 2017 Viewpoint, *International brands still hunting Aussie locations*. "By global standards Australia is relatively unsaturated with a lack of products and services in some geographies meaning retailers don't face the same competition. This has been particularly evident in the fast fashion sector of the market. This has helped international brands such as Zara and H&M achieve among their highest store sales performance across their global portfolio over the past three years, here in Australia."

Alongside them, home-grown brands including activewear brand Lorna Jane score highly in the Australia Top250, while those producing premium products originating from Australia are now able to sell to the Chinese market through marketplace sites such as VIP.com.

"Despite the arrival of new brand names, Australia still has a relatively low rate of international brand penetration"

Brands account for a quarter of the Top250, and they gain their fair share of consumer interest. Around a quarter of unique website visits to the Australia Top250 go to brands, suggests RetailX analysis that incorporates data from Hitwise and Similarweb. At the same time, however, they have a smaller share of page views, a metric that multiplies the average number of pages viewed by the number of visits the website receives. Future RetailX research will aim to understand why this is.

There's still plenty of room for growth. Despite the arrival of new brand names, Australia still has a relatively low rate of international brand penetration. Some 30% of those selling in the market are brands, in contrast with the 45% of market share that brands have in markets such as Singapore, Hong Kong and the UK, says CBRE.

The expansion of international brands into a market that was relatively well protected until recently has had a profound effect. Increased competition means that prices have fallen in recent years, while a number of Australian retailers and brands have closed. It's a symptom of globalisation – and not entirely one way, with some Aussie brands performing well in other markets. As yet, third-party retailers still dominate the domestic market, perhaps thanks to their ability to differentiate themselves and localise their services to meet consumers' needs.

CBRE's Palmer said the success of retail brands depended on their willingness to adapt and be flexible in an increasingly competitive environment. "Particularly for international retailers it is vital they understand the Australian market and adapt their product accordingly to ensure there is no disconnect," he said. "Riding on a strong international reputation isn't enough."

# WHAT CONSTITUTES A RETAILER?

In an era when many companies and individuals sell goods via the web, the question of what constitutes a retailer is surprisingly complex

To be classed as a retailer in our research, it's not enough in itself to have a website or operate a store. In arriving at our definition of a retailer, we have considered the intent, capabilities, and activities around the recruitment and monetisation of customers.

The InternetRetailing definition for companies to be included in our research is:

**DESTINATION:** The retailer has created a destination that in the mind of the customer is a source of products, service or experience. Whether this is a shop, a site, a place, a time or an event, it's the sense of 'locus'.

**PURPOSE:** The retailer has created goods and/or services for the purpose of selling, and for consumption by the purchasing consumer.

**MERCHANDISING:** The retailer sells and is not just a portal for taking money. This means the selection, promotion and tailoring of retail offers for customers.

**ACQUISITION:** The retailer actively markets, recruits and attracts customers with a promise or proposition to the destination.

**SALE:** The retailer takes the customer's money – they own the transaction as the merchant of record.

**RECOURSE:** The retailer is responsible for the service, fulfilment and customer satisfaction flowing from the sale.

**EXCEPTION:** In every good list there's an exception, where we may include businesses due to their influence on retailers and retailers' customers.

Other factors play in to our definition of what constitutes a retailer, as set out below:

## Marketplaces

Where a candidate retailer is simply a marketplace, the company will not be considered. Where a marketplace undertakes customer acquisition, manages payment, customises offers and recommendations and offers recourse on purchases, then they will be eligible.

## Pure transaction/tariffs

Where ecommerce is ancillary to the primary purpose of a business, we will not necessarily include them. Online payment for gas or electricity is excluded since the purpose here is energy supply.

## Business-to-business and direct-selling Brands

While the scope of retail is normally direct to consumer, two trends are challenging this: the move for brands and previously B2B businesses to sell direct to consumers; and the increasingly retail-like behaviour of B2B brands (in terms of acquisition, promotion, personalisation and service). We are therefore including B2B businesses and direct-selling brands under the same criteria as those laid out earlier.



# RESEARCH PARAMETERS

The elements included in each Dimension are summarised below. This report summarises the results of our Footprint analysis, Dimension 0, and the remaining Dimensions are those that will be researched on the same companies for the full Top250 report due to be published in May 2018.

## 0. Footprint Dimension

- 0.1 Retail turnover, ranging from \$1.5m to tens of billions
- 0.2 The ecommerce subset of the above, ranging from \$1.5m to hundreds of millions
- 0.3 Web traffic, ranging from 444,000 to 560m page views per annum
- 0.4 Number of stores, ranging from zero to more than 1,000

## 1. Strategy and Innovation

- 1.1 Customer service response time
- 1.2 Flexible order fulfilment
- 1.3 Advanced merchandising techniques
- 1.4 Seamless delivery of services on mobile web and app
- 1.4 Offers international delivery
- 1.6 Payment options and security

## 2. The Customer

- 2.1 Home page performance, including engineering and responsiveness
- 2.2 Customer service response time and helpfulness - Facebook, email and phone
- 2.3 Number of socially active customers and their interaction levels

## 3. Operations and Logistics

- 3.1 Delivery, including 10 metrics covering a range of options, and competitiveness of timeframes and pricing
- 3.2 Returns, including 10 metrics covering the ease of the returns and refund process to the customer, and the range of options, including return to store
- 3.3 Collection, a summary of collection points offered by retailers, including own store, transport location, lockers and third-party stores – and the timeframe customers can expect between order and collection

## 4. Merchandising

- 4.1 Customer-perspective website review, including 23 metrics covering design, navigation, the relevance of search results, product information and visual appeal on both mobile and desktop websites
- 4.2 Expert review of apparel companies, including 11 metrics covering selling strategy, purchase decisions, discount and replenishment rates, newness of stock and sell-out rate [Largest apparel retailers]
- 4.3 Mobile app assessment, including nine metrics covering use of notifications, product display, and personalisation. [Retailers with a mobile app]

## 5. Brand Engagement

- 5.1 Search assessment including total applicable keywords, total reach, share of search compared to other retailers, and relative visibility in search results
- 5.2 Social media presence and availability, including 22 metrics, taking into account size of audience and interaction with it on Twitter, the net change over three months, and use of 10 social networks, email, and blog
- 5.3 Facebook assessment, including 13 metrics, covering the total number of people talking about the brand, the frequency of posts, and interaction with recent posts

## 6. Mobile and Cross-channel

- 6.1 Mobile web home page performance and responsiveness
- 6.2 Mobile app, including 24 metrics, measuring the usability and functionality of apps and weighting features according to their impact on AOV, time spent on app, and conversion rate
- 6.3 Cross-channel, taking into account use of physical store estate for order fulfilment and return, store information on the website, in-store functions of apps, and cross-channel loyalty accounts. [Retailers with stores]

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# CONCLUSION

With its strong connections to the UK, and indeed the rest of the English-speaking world, it's tempting for outsiders to imagine the Australian ecommerce and multichannel market will be likely to follow a kind of hybrid European-American model. Yet, as we have seen throughout this Footprint Report, this would be misleading.

It's important to realise we are not just saying that Australia is unique because Amazon only recently launched an Australian-specific general merchandise site. It's not even that the myriad logistics difficulties of serving a continent-sized country set Australia apart. Rather, it's in the framing of Australia as first and foremost part of the so-called Anglosphere.

Here, it's instructive to consider one of the many ironies of the Brexiters' fond wish for trade deals with Commonwealth countries once the break with the European Union is finalised. A little history may help: Australian trade with the UK was hit hard by the UK's decision to join the Common Market in 1973. Australia turned its attention towards its nearer neighbours to make up for lost trade. The result is an economy that, yes, has strong connections to the English-speaking world, but also to China and southeast Asia. As we explore in our feature on marketplaces (page 18), this is shaping the Australian retail sector in ways that make it very different to Europe or the US.

This will surely continue in the future and it's certainly one of the themes that we expect to draw out in our full research, when it's published later this year. Moreover, it's not a theme we will look at merely from an Australian perspective. This year, we will also publish the inaugural RetailX ASEAN Top500 Footprint.

This will be our first foray into the southeast Asian market and in part we will be looking to see how the influence of Australia – and such major economies as China, Japan and South Korea – shapes the retail sector of the 10 countries that make up this block (Malaysia, Indonesia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam). Conversely, how does the influence of this trading bloc affect Australian retailers?

These questions are in themselves a reminder that retail these days is an international business, albeit one where local factors will always be important, as anyone who has braved haggling with, say, a Singaporean salesperson will testify. Which brings us to our final point. As we expand the scope of our research to be truly global, we expect the research to reveal hitherto under-researched cultural and economic links within retail.

We hope you will join us by following our work and adding your own insights.

# LOOKING AHEAD

Which retailers will have performed best when we make our assessment of the Top250 retailers we've listed in this AU250 Footprint Report? It's a question we will definitively answer with the publication of our first full Performance Index of the Australia Top250, in May 2018.

The publication will be supported by Top250-related coverage on our website, [internetretailing.net/rxau](http://internetretailing.net/rxau). Please check in over the coming months to see exclusive blogposts and to lend your voice to the conversation.

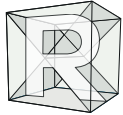
In 2018, we have a series of publications that build on and expand our research into retailers worldwide. Look out for:

- The fourth annual version of the IRUK500, January
- The second annual version of the IRBX (Brand Index: Europe), January
- The inaugural RetailX ASEAN Top500 Footprint Report, March
- The full Performance Index analysis of the RetailX AU250, May
- The third annual version of the IREU500, July

Over the coming years, we plan to add to this work and conduct research in even more markets. We hope you will join us.

To sign up to hear more and to get regular updates, head to: [etail.li/RXAU250reg](http://etail.li/RXAU250reg)

[www.internetretailing.net/rxau](http://www.internetretailing.net/rxau)



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