

DIGITISING DOWN UNDER

How to make the move into Australia and
New Zealand's online markets



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CHAPTER I: WHY AUSTRALIA?

THE SECRETS TO SDJ SPORTS' SUCCESS

SDJ Sports launched Down Under by selling on eBay Australia in 2014, when the UK sporting goods specialist was just a year old.

The retailer, which counts marketplaces as its main sales channel, harnessed its existing relationship with eBay in the UK.

Upon launch, SDJ's Australian business on eBay became "instantly successful", according to managing director Steve Gill.

He says this was down to its prices being lower than local players in Australia, which he said sold at "astronomical" prices.

Since then, domestic sellers have adjusted their margin expectations to compete with international retailers, making trading tougher in Australia, according to Gill.

Finding the right delivery partner is crucial, says

Gill, particularly for bulky items such as sports equipment, which can prove difficult for some couriers to deliver. SDJ Sports currently delivers products to buyers within seven to 14 days.

The retailer only delivers to metropolitan areas as some rural locations may only receive a postal service once a week or fortnight, making it difficult for SDJ Sports to keep its delivery promise. It has also launched on Amazon Australia and will make its debut on Catch later this year.

Gill advises retailers looking to expand Down Under to do their due diligence, make sure their product is relevant and that competition is not fierce in the category. He also recommends a proper analysis of all costs involved, from currency conversion charges to delivery costs, to ensure margins remain healthy.

Australia has long been seen as a land of opportunity for UK retailers and with good reason. With a buoyant economy, it has been recession-free for 27 years, experiencing the longest run of uninterrupted GDP growth of anywhere in the developed world. However, retail sales have been relatively stagnant of late, edging up just 0.3% in the year to March, according to the Australian Bureau of Statistics.

It also has the most generous minimum wage in the world at AUS\$18.29 (£10.05) per hour, but wage growth has slowed in recent years – up 2.1% in the year to September 2017, according to the country's wage price index.

However, the consumer price index has remained soft at 1.9% over the past year.

It is not just Australia's economy that makes it a good fit for UK retailers. Shoppers here share many similarities with UK consumers due to the similar culture.



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The counter-seasonality in Australia has also presented an opportunity for UK fashion retailers to attempt to sell last season's stock in the country.

However, John Bovill, chief digital officer at Woolworths Australasia, which owns brands including David Jones department store and premium fashion group Country Road, says Australians are growing increasingly unhappy with being sold last season's cast-offs.

"Australia has a very global consumer. We all consume the same media and read the same editorials so expect the same level of fashionability," he says.

UK retailer Boohoo – which counts Australia as its third biggest market after the UK and the US – designs products exclusively for the country to take advantage of the appetite for in-demand fashion.

Online growth

Online sales are growing at more than 30% a year and account for over half of the total retail sales growth in Australia, according to Macquarie Bank.

Australians are very mobile savvy – perhaps more so than the British. The country has taken a global lead in adopting smartphones and 88% now own one, compared with 85% in the UK, according to Deloitte.

This appetite for ecommerce has led to many international retailers focusing on growing their brand online in Australia.

Zara – part of the world's largest fashion retailer Inditex – launched an Australian website in March. It is understood that the retailer, which in 2011 was one of the first international brands to open stores in the country and now has 15 outlets, is focusing on growing online sales rather than further bricks-and-mortar expansion.

Bovill, who formerly worked for UK retailer Monsoon, advises retailers looking to enter Australia to do so via online platforms and says marketplaces can



WHY DEBENHAMS HEADED DOWN UNDER

Debenhams opened its first Australian store in Melbourne in October last year.

Partnering with Pepkor-owned department store Harris Scarfe in order to enter Australia, the UK retailer embarked on a three-pronged approach.

First it sold Debenhams products within Harris Scarfe, ahead of launching an ecommerce channel in 2016. A year later it opened a 38,750 sq ft store in Melbourne's Central Business District (pictured).

Australia is now Debenhams' largest market online outside of the UK.

Debenhams international director David Smith highlights how lucrative the Australian market is: "Shoppers in Australia spend more than AUS\$5.1bn on fashion and AUS\$8bn on beauty products a year. Add that to the fact that we know our offering resonates [with consumers] and the next logical step for the business was to open a store."

offer a "risk free" way to achieve that. Boohoo chose Australia as one of its first expansion markets, launching a store on eBay Australia in 2012.

Last-mile challenges

One obvious area in which the UK and Australia differ is geography. Australia is more than 30 times bigger than the UK, which makes fulfilment challenging.

While the bulk of the population is concentrated in the major cities of Sydney and Melbourne, they are far more sprawling and suburban than the UK's major conurbations.

This makes it difficult for retailers to deliver parcels quickly. The lack of speedy fulfilment services in the market means Australian consumers do not share the same high expectations around delivery times as UK shoppers.

The fact consumers are less demanding when it comes to delivery can benefit UK retailers, which can ship to Australia in fewer than two days. By contrast, it can take up to four days to deliver parcels from Sydney to Perth, 4,000km away.

TAXING TIMES



From July 1, 2018, the Australian goods and services tax will be applied to sales of goods below AUS\$1,000 coming into the country.

This 10% tax was introduced in order to level the playing field between Australian goods – already subject to goods and services tax (GST) – and imported products.

For low-value goods, GST is collected at the point of sale, not at the border.

GST will impact ecommerce platforms that are not Australian and mean those selling via marketplaces will have to adjust their prices to take this new cost into account.

CHAPTER 2: ENTER AMAZON

Australian retail was hit by a juggernaut last November when Amazon launched in the country and threatened to disrupt the entire market.

When the online giant revealed it was making its Australian debut, shares of some traditional retailers in the country took a knock.

Although the launch was viewed as underwhelming by some retail experts in the country, retailers still need to be wary – Amazon tends to soft launch in new countries before quickly ramping up its offer.

Since November its range has grown – in clothing it launched with just over 85,000 products and by March that was up to 500,000 – and in February it rolled out its Fulfilment by Amazon programme, delivering third-party items directly from its warehouses.

Primed for launch

Fulfilment is the area experts believe Amazon will disrupt the most, particularly when it launches Prime.

The unlimited next-day delivery service is scheduled for launch in Australia in “mid-2018” and could heighten the demand for speedy fulfilment in the country.

Another area Amazon is predicted to shake up is price. Analysis from investment bank Morgan Stanley shows that the price difference between Amazon and major Australian retailers is widening.

At the end of February, clothing at Amazon was found to be 17% cheaper than in Australian retailers.

Strategic partnerships manager for ChannelAdvisor Australia Simon Kelly advises UK retailers looking for long-term growth in the country to start trading on Amazon from the offset.

“Retailers should temper their expectations on sales in the short term, but Amazon Australia is going to grow rapidly and those on there early will benefit,” he says.

Amazon alternatives

However, Amazon is not the only marketplace in Australia. The market leader eBay is estimated to make up almost 5% of Australia’s total retail sales

“Amazon Australia is going to grow rapidly and those on there early will benefit”

Simon Kelly, ChannelAdvisor

and 53% of total online non-food sales. Ebay Australia claims that three in five online shoppers are active on its website and, despite its roots as an online auction house, 91% of what is bought on its site is new.

While retailers often see Amazon as a great rival because of its plethora of own-brand products, eBay is viewed – and has successfully marketed itself – as an ally and partner to the industry.

Meanwhile, local player Catch, which launched in June 2017 and takes a more deals-orientated stance than Amazon or eBay, and Kogan, which has a strength in consumer electronics and boasts 1.1 million active customers, offer other routes to market for retailers looking to benefit from marketplace traffic.

Kelly recommends retailers take a

multi-marketplace approach rather than opting to sell on just one.

Maximising marketplaces

The major challenge while selling on marketplaces is standing out from the crowd. Marketplaces may attract lots of shoppers but they also attract a large number of sellers, too.

Retailers and brands should advertise strategically to ensure they are noticed, through banner ads and page takeovers.

Market leader eBay offers lots of marketing opportunities and runs a calendar of promotions.

However, Amazon has yet to introduce paid-for advertising on its Australian site, so brands should focus on optimising product descriptions.

Localisation and price

Localisation is key to making the most of a marketplace presence. Ebay Australia advises UK retailers to list products in Australian dollars and recommends participating in local promotions.

Pricing is also crucial and UK sellers should thoroughly research the cost of goods locally to ensure they remain competitive after converting from sterling.

COMPARE THE MARKETPLACES

EBAY

Launched 1999

Why eBay? It is the biggest shopping site in Australia with 11 million unique visitors every month. International retailers on board include Boohoo, Sports Direct and Superdry.



CATCH

Launched Previously known

as Catch of the Day, it rebranded as Catch and relaunched in June 2017.

Why Catch? Catch Group chief executive Nati Harpaz says that brands “won’t get lost” on its marketplace, which stocks fewer products than rivals Amazon and eBay.



AMAZON

Launched 2017

Why Amazon? Pre-launch, Amazon’s US website was Australia’s second biggest shopping website. Big things are expected of the Australian site and retailers are advised to start selling on it early. International retailers on board include French Connection, Michael Kors, Calvin Klein and Levi’s. It has launched Fulfilment by Amazon and is expected to roll out Prime in mid-2018.



KOGAN

Launched 2006

Why Kogan? Kogan has 6.3 million email subscribers and 1.1 million active customers. It began in consumer electronics and is a respected name in the field. However, it also sells clothing, home and garden, and health and beauty products.



CHAPTER 3: NEW ZEALAND – A GROWING MARKET



Entrepreneurs welcome

New Zealand has a reputation for its entrepreneurial spirit and is ranked the easiest country in the world to do business in, according to the World Bank's *Doing Business 2018* report.

Technology, New Zealand's third largest export, is the country's fastest growing sector after agriculture and tourism, accounting for 10% of GDP in 2017.

The population's technological savviness means shoppers have high expectations when it comes to retailers' ecommerce capabilities. Online retail is growing rapidly in New Zealand, with figures from bank BNZ and Marketview estimating that online sales rose 11% in 2017.

Annual online spend is estimated at NZ\$4.2bn, or 7.6% of total retail sales, and the scale of the opportunity is evidenced by the fact that 44% of annual online spend in 2017 was with offshore sellers.

Accessible entry point

New Zealand is a competitive market and is dominated by local player The Warehouse Group – a retail conglomerate that operates department store The Warehouse, Warehouse Stationery, electricals retailer Noel Leeming and outdoor specialists Torpedo7 Group.

However, there is an appetite for international brands and last year retailers including H&M, Tiffany & Co, Zara and Victoria's Secret opened in New Zealand.

Marketplace Trade Me is the dominant website in the country. More than a marketplace, it is an auction site and an online classified service where shoppers can buy anything from cars to clothes and even engage in online dating. It has 3.9 million active users – which is a huge

New Zealand is often seen as an extension of Australia, but it has a healthy market in its own right. Economic growth in the country is predicted to increase by more than 3% in 2018/19, according to the Office for Economic Co-operation and Development (OECD). This compares with just 1.1% growth in the UK.

But compared with Australia it is a tiny nation. The annual GDP is less than 15% of Australia's, meaning most international retailers opt to expand into New Zealand

only after they have made headway in Australia. However, there are important differences between the two markets.

For starters, the climate is very different, something that fashion retailers need to be aware of.

In Brisbane, on the eastern coast of Australia, temperatures reach 45°C during the summer, while in Christchurch on New Zealand's South Island the average summer temperature is 19°C. Therefore, the same products might not be appropriate across both regions.

New Zealand is ranked number one out of 190 countries for the ease of starting a business

83% of the 4.7 million population. According to Bovill, retailers looking to capitalise on marketplaces in New Zealand should launch on Trade Me to take advantage of its traffic.

He says listing on the site is a “low-cost, low-risk” method of entering the country. However, Kelly warns that with more than 6 million listings on the marketplace it can be difficult to stand out. He advises that retailers invest in marketing – which he says is competitively priced on Trade Me – to make sure they get noticed.

Kelly also highlights that Trade Me has an open API – a publicly available programming interface that gives developers access to the web service so retailers can build their own unique features on their branded stores.

Trade Me is also popular for consumer-to-consumer trading. In fact, the return rate of online orders is particularly low in New Zealand as shoppers tend to sell unwanted products on Trade Me instead, says Chris Vincent, global chief executive of multichannel consultancy Practicology.



Technology is New Zealand's fastest growing sector

Canny consumers

New Zealanders are price-sensitive consumers, with 73% of shoppers looking for specials or bargains, according to data specialist Nielsen. This compares with 55% of Australians.

Prices therefore need to be competitive on Trade Me as the shopper has many alternative brand options.

New Zealand is far smaller in size than Australia, which has made speedy delivery possible for local players. Retailers such as The Warehouse, fashion retailer Glassons, menswear specialist Hallenstein Brothers and pureplay The Iconic have started offering same-day and two-day shipping.

It is expected that more New Zealand retailers will launch fast delivery to entice shoppers to buy online, which

is likely to fuel demand for such fulfilment services.

Amazon is yet to launch a dedicated website for New Zealand and a limited amount of products on the Australian site are eligible to be shipped across the Tasman sea.

Could Amazon disrupt the market?

Amazon's US site, however, is one of the most popular shopping sites for New Zealand consumers and brokerage firm Forsyth Barr has tipped the online giant to expand into the country once its Australian site is bedded in.

This is predicted to have a dramatic impact in New Zealand but will open further opportunities for international retailers to trade in the country.

TRADE ME

Launched 1999

Why Trade Me? It is New Zealand's most visited retail website, with 3.9 million active users. Trade Me is actively targeting international sellers on its website, which states: “The New Zealand ecommerce market is growing, but it currently lacks selection and price range compared with other parts of the world – which is where you come in.”

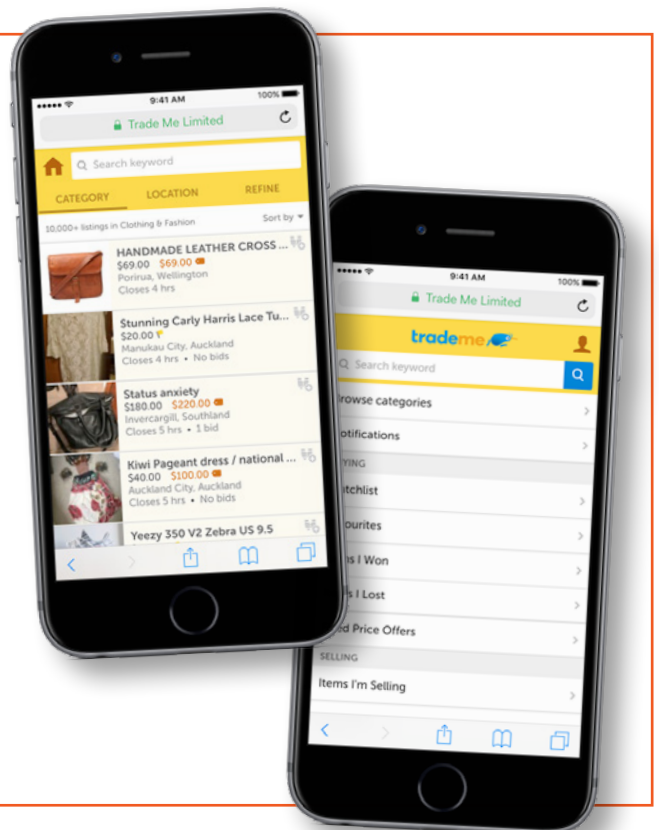
International retailers on board Sports Direct, French department store La Redoute, Mountain Warehouse, Little Mistress.

TRADE ME'S TIPS FOR CREATING A GREAT LISTING

Photos The main image should showcase the product and Trade Me recommends using multiple photos to give buyers as much detail as possible. Avoid having slogans, text and watermarks across photos as these can be distracting and take the focus away from the product.

Titles Describe the product with a couple of keywords, such as “blue dress” or your brand name. Avoid adjectives and unnecessary characters that members won't be using in keyword searches.

Descriptions Make sure you detail features, specifications and benefits of the products, and keep each point concise so customers remain engaged.



PARTNER COMMENT

UK retailers have always been eager to explore international markets, and Australia is often top of mind for businesses in the sector with expansion plans.

There are many reasons to consider taking your business to Australia and New Zealand – there’s good infrastructure, few bureaucratic hurdles and a language and culture that’s similar to the UK’s.

Although Australia has always been a popular region for international expansion, Amazon’s eagerly awaited launch into Australia last year has really accelerated this demand.

Since Amazon Australia’s debut, retailers are scrambling to get a slice of the action.

In fact, retailers flocked to Amazon Australia at a faster rate than to any other Amazon marketplace before.

Marketplaces are an ideal place for sellers from overseas to set up shop – offering a far less risky option than setting up a bricks-and-mortar presence.

Amazon, eBay, Trade Me and Catch all have established customer bases, great brand awareness, and a frictionless path to purchase.

Leveraging the success of these marketplaces will help you hit the ground running when expanding to both Australia and New Zealand.

If you are planning on taking your business Down Under, then don’t delay. Amazon Australia in particular offers huge potential to UK retailers, especially if you get established early on.

If you sit back and wait, you could be missing a vital opportunity. Good luck!

Jon Maury,
Managing Director, EMEA,
ChannelAdvisor



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KEY POINTS

- **Don’t assume a common language means that no localisation is needed. Tailor your product offering to your audience and know the local nuances.**
- **Optimise your listings and product descriptions for each marketplace. Provide rich content and top quality imagery to ensure you don’t get overlooked.**
- **On Amazon, consider using Fulfilment by Amazon (FBA) to reduce shipping times and quickly build a good reputation on the platform. FBA ensures you build up a good track record of offering fast, efficient delivery, returns and service.**
- **Experiment. There isn’t a one-size fits all on marketplaces. Test your product selection and adapt as needed. Start with a small selection of your best sellers and build out from that. This allows you to test the waters and learn before jumping in.**

ABOUT CHANNELADVISOR

ChannelAdvisor is a leading ecommerce cloud platform whose mission is to connect and optimise the world’s commerce. For nearly two decades, ChannelAdvisor has helped retailers and branded manufacturers worldwide improve their online performance by expanding sales channels, connecting with consumers around the world, optimising their operations for peak performance and providing actionable analytics to improve competitiveness.

Thousands of customers depend on ChannelAdvisor to securely power their sales and optimise fulfilment on channels such as Amazon, eBay, Google, Facebook, Walmart and hundreds more.

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