

# Ecommerce in Australia: What You Should Know

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# What Makes Australia the Next Ecommerce Frontier

At first glance, Australia might not look like an ecommerce paradise – it's far away and sparsely populated, for starters. But in fact, digital buyer penetration among internet users in Australia is the second highest in the Asia-Pacific region.

This guide provides a deeper understanding of Australian ecommerce, the market opportunity, and how you can take advantage of it.

## **Buying power**

Australia leads digital buyer spending for all Asia-Pacific markets. You get more bang for your buck selling to Australian consumers, since money spent on infrastructure and marketing is likely to see a higher return than it would elsewhere.

## **Consumer dynamics**

The Australian market offers an easy cultural fit for Western companies and brands already marketing to Western consumers. With a shared language and similar cultural expectations, as long as you have a strong marketing and sales approach already built, you can apply the same principles to Australian customers.

## **Market opportunity**

Many retailers local to Australia have not had to innovate far beyond a brick-and-mortar presence. Recently, Australia has attracted a number of brick-and-mortar international brands to Sydney and Melbourne, including everything from luxury brands to fast fashion. This is good news for new brands looking to make an impression – Australian consumers look for and react well to fresh offerings.

Consumers also embrace variety in terms of product selection, pricing and shipping options. Fast shipping is a luxury in Australia, since the country sits at the end of already-long supply chains for most North American shippers, and goods produced in neighboring Asia sometimes make it all the way to the United States and back before ever reaching the island country. For Australian consumers, this means a lot of waiting and a lot of costs tied up in shipping.

It's no surprise that companies offering fast and inexpensive shipping to Australia have a competitive advantage. For international sellers, the key to meeting demand is to store and distribute products within Australia, effectively cutting delivery time and cost in a single maneuver.

### Payment Models

While many companies utilize direct deductions from their bank accounts or digital payment solutions, the Australian market is very similar to the U.S. model with 36% of consumers using Visa, 35% using MasterCard, 14% using American Express, 13% using Paypal and the remaining 2% using POLi a (real-time bank transfer service). However, as a major country within the APAC region, there is an increasing influence from China that includes pressure to accept payment methods such as Alipay.

### Accessibility

By now you understand the benefits of selling online to Australian consumers. The next issue to consider is distributing your products around a faraway place with a nod to timeliness and cost effectiveness.

One option is to partner with a local fulfillment provider. In doing so, not only can you store and ship products within the country faster and cheaper, but you can offer customers service options and turnaround times that would not be possible if you were to handle it all yourself. This, plus other new ecommerce tools, makes accessing Australia easier than ever.

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## Taking Advantage of Australia's Looming Ecommerce Eruption

Expanding your business does not mean reinventing the wheel. Find out how you can apply principles that are already in place to suit Australian consumers and take advantage of the country's favorable trends.

### Make it convenient

Offering a convenient shopping option is what ecommerce is all about, no matter who your customers are or where they are located. In that vein, continue to pitch the ease of online shopping.

But don't just pitch it – demonstrate convenience throughout your online store and user experience. Make your site user friendly, optimize it for mobile viewing and ensure that customers can find what they are looking for on a dime. Simple timesaving tactics such as limiting touchpoints make buying easier for users (and will also improve your conversions).

And remember, you may have a beautifully branded and easy-to-use online store with a fast checkout process and excellent online customer service – but it is all for naught if your shipping strategy is lacking.

#### TIP

Australia has the 7th highest online shopping penetration in the world.

Slow or expensive shipping can be, and often is, the Achilles heel of ecommerce. If you are not able to get products to customers quickly and affordably, they will go elsewhere. On the flip side, fast and free (or at least affordable) shipping is the not-so-secret ingredient to ecommerce success. In other words, order fulfillment is the last piece of the convenience puzzle, so rather than treating it as an afterthought, make sure to give it the attention and care it deserves.

### Build your brand

They say the early bird gets the worm and this is true for ecommerce merchants expanding into Australia. Companies gearing up now (before the market is saturated) have more virtual space to spread out; it is much easier to make an impression and establish brand recognition when there are fewer voices competing for attention.

Apart from creating and maintaining a reputation, brands must also work to build customer loyalty. Adding a human touch to ecommerce is hugely important, so look for ways to connect with customers on a personal level. That means hanging out where consumers hang out: on social media. In addition to the main social networks, try responding to posts on third-party forums and participating in blog comment sections – not only does this allow you to capture the attention of would-be buyers, but it will improve your overall web visibility. And once you have a community of happy customers, ask them to leave you reviews online to generate some virtual word-of-mouth marketing.

#### TIP

Australia's mobile penetration is 136%, making it one of the highest in the world. By creating a consistent omni-channel user experience, Australian consumers will have a better experience across multiple devices.

According to eMarketer, over 44 % of websites use real-time personalization, which means the remaining 56 % of online merchants are neglecting the opportunity to provide the same level of customization in their fulfillment experience. If you already have great branding and word is not spreading organically, try including a small insert in your orders that asks customers to give you a mention on social media. Incentivize them with a giveaway contest entry or other reward and buzz around your brand will start to build.

### Test your products

One of the most noteworthy considerations about Australia is its opposing seasonality to the Northern Hemisphere. In this sense, Australia offers a way to test products prior to a your winter or summer season to see how they perform and what needs to be adjusted. Take the opportunity to see what drives revenue, both in terms of demand and logistics (after customs, taxes, shipping, etc. are factored in).

### Reverse Logistics and Returns

Australians have a lower average rate of return. It's roughly 3 % compared to the global average, which falls around 6 %. This can help save costs when considering shipping and processing costs involved in receiving returned merchandise.

# Understanding the Australian Market & Shopper

Australia has long been an important trade partner and numerous businesses have established successful outposts there thanks to its familiar legal, corporate and cultural environments. Understanding your audience and environment is critical to any success, and in this section we will review how these things take hold in Australia.

## Economically healthy

Australia is the only advanced economy that did not descend into deep recession following the 2008 financial crisis, and the sustained strength of the Australian dollar is fortunate for ecommerce merchants. As a point of reference, the World Bank measures Australia's per-capita GDP at \$61,979 compared to the United States at \$54,629 and Canada at \$50,230 (all values expressed in USD).

The numbers prove that Australian consumers are an economically stable group, but which subsets of the population should you target? According to the Australian Communications and Media Authority, consumers with higher incomes and education levels are more likely to make purchases online. Students are likely to shop online, too. These are the groups your brand should aim to impress. For insight into products that sell well, look at products commonly searched for online – fashion and electronics, for example, are popular.

## Careful consumers

Showrooming is one way to research a product. Social media is another, and Australians engage in both. We already discussed how to position your online store to capture the attention of showroom deal-seekers, but social research presents a different challenge.

According to Sensis, more than 20 % use social media to research products. Not only are a fifth of social media users researching products, but 58 % of them say their research has resulted in a purchase. Given this information, we know that online brands must carefully curate their presence on social networks and facilitate positive conversation to demonstrate worth to potential buyers.

## Open minded

Some populations are increasingly particular about the origins of their products, often preferring domestic over imported. While there are many merits to supporting local business, as an international seller it is important to make sure a new market will be receptive to your business. According to a study from World Pay, 76 % of online shoppers buy from overseas retailers. Younger customers are the most supportive of international brands – another indicator of opportunity in this demographic.

Shoppers are not the only ones supportive of international retailers. Favorable North American trade agreements suggest the government is receptive to American goods and services. And that's not all – Australia's import policy works in foreign retailers' favor: imports with a value worth less than \$1,000 AUD are exempt from customs duties and taxes.

# Building Your Brand Reputation with Australian Buyers & Increase Sales

Much like a merchant must learn a new market before entering, potential customers have to learn your brand before they warm up to the idea of buying from you. It can be tough to be the new kid on the block, but with a few ecommerce tricks, you will be building a customer base and generating sales in no time.

## Be trustworthy

This is a no-brainer and it applies universally: be reliable at every point of interaction. As an unfamiliar business, you are a stranger and you have to prove yourself in order to gain trust. This means sweating the small stuff and going the extra mile, from top-notch customer support to personal outreach if and when an issue arises. Do all that you can to guarantee that new customers walk away with lasting, positive impressions of your brand.

Apart from the human aspects that contribute to trustworthiness, Australian buyers lean heavily on ecommerce companies to deliver orders on time consistently. It makes sense – there is endless data supporting the fact that fast shipping attracts customers, and on a personal level, you can probably think of a few brands that win your business repeatedly due to their shipping standards. Considering the fact that so many Australians take part in international ecommerce exchanges and knowing that many international retailers must ship from overseas hubs, it is safe to assume that not all of them offer fast shipping to Australia. By positioning yourself as a company that ships and delivers quickly and reliably, you can stand out in a major way.

## Be social

We already discussed the importance of social networks in terms of being useful focus points for ecommerce shoppers looking to do research on a brand. However, social platforms are more than just microsites to show your products.

Primarily, these networks are used as tools to actively engage new customers and urge them toward a sale. Social media can also be used to solicit consumer feedback and to keep an eye on customer interests and trends. By simultaneously using social media to sell and research customers, you will get more mileage out of the energy you put into social media management.

### TIP

To build trust in your service, get products to your customers with accuracy and timeliness, no matter how remote their location.

**Be creative**

Given the limitless options offered by ecommerce, winning repeat buyers takes some hustle and creativity, especially as you wait for customer loyalty to manifest and take root. Rather than updating your product catalog, you can get more mileage out of your existing customers and offerings by remarketing to them.

Previously, we discussed the power of branding and custom packaging as an attention-grabbing mechanism, but don't be afraid to take it a step further. When a customer buys from you, drop an insert in the box. The insert should show off more of your products and include an informative and actionable message directing the customer toward another purchase. Another tactic is to lure repeat business by offering a discount or deal on a future order. If you need more customers, ask existing ones to invite a few friends to shop on your site and offer them a tempting discount in exchange for the referrals. Anything you can do to inspire repetitive behavior will be beneficial to your business; such habits translate to profit for you.

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## Getting Goods into Australia

So you've decided to expand your business to Australia, drawn by its advanced economy, favorable growth prospects and considerable spending power. Now the question you should be weighing is what goods to bring and how to get them there.

**Setting Up a Business**

There are two types of business a foreign company can set up within Australia. The first is an Australian Branch of a Foreign Company and the second is a Proprietary Limited Company, or an Australian Subsidiary.

When considering what type of business to set up, consider taxation requirements, employment/visa requirements and the contractual and operational perspectives of setting up the different types of businesses.

**Regulations**

Once you have registered your business in Australia, check in with the Customs authority to learn what products can be imported. Australia restricts items that range from the predictable to the surprising: antibiotics, glazed ceramic ware, erasers that resemble food (in scent or appearance) and even some toys. However, the main priority is to weed out goods that might be dangerous to consumers, such as those that include toxic materials.

Australian authorities are also on the lookout for goods that should not enter the country based on their place of origin. If you do not already know it, determine your product's provenance based on where it was manufactured and the location from which it will be shipped. Certain product origins (the United

States, for example) qualify for benefits such as reduced duty rates.

Customs has a guide outlining bans and restrictions that may be useful to you. It also delineates the governing body you should contact to get a permit if necessary. You can contact the Customs Information and Support Centre via e-mail at [information@customs.gov.au](mailto:information@customs.gov.au).

### What products to bring

As the Australian eCommerce market continues to grow, determining areas where there may be less competition or where you can provide a cost advantage becomes crucial. With 74% of Australians purchasing overseas based on price, 52% on availability and 39% on selection, being able to provide a unique or cost effective product within Australia can give you a competitive advantage within Australia. A report by Morgan Stanley found that shoppers are also more inclined to shop online and offshore for things like auto parts, personal care items, and household goods. These are things to consider bringing to Australia, all at a competitive price. Remember to consult import regulations – many goods, especially consumer electronics, have restrictions based on the country of origin and possible counterfeit charges.

In selecting product offerings, you should also think about target customer profiles. A survey of Australians under 30 years old showed that only 28 % considered a physical footprint (a brick-and-mortar store) to be very important. Data suggests that ecommerce growth in Australia is fueled by younger generations, so its smart to offer products that speak to them. Also useful to note: of the aforementioned young shoppers, almost all of them shopped online at some point during the year, and 60 % purchased clothing.

In addition to analyzing trends and target market demographics to determine your product selection, take a look at import taxes. The de minimus import value for Australia under which duties and taxes will not be charged is \$1,000 AUD (about \$735 USD), which is far higher than other countries. This minimizes the duties and taxes your end-consumers will pay. However, certain items like tobacco and alcohol are taxed regardless of their value.

Finally, shipping and storage should be part of your product selection decision. Size, weight, fragility, special storage requirements and customization are all elements to consider when choosing what products to sell, since these factors may influence your storage and shipping options. Ease and convenience are primary ingredients to success, so offering products that fit within standard shipping policies is a smart way to go.

### How to get goods into Australia

Once you have selected the products you plan sell to Australian shoppers, the next step is to move them closer to buyers.

If you plan to import products yourself, make sure to do thorough research and allow plenty of time for your products to move through Customs. Navigating Customs is often a pain point for merchants entering a new country, and brokers can ease the process significantly.

If you plan to warehouse products yourself, make sure to have plans in place for transportation and storage. If you are working with a fulfillment partner, your partner should provide receiving guidelines for you to follow. Review these ahead of time to ensure a smooth arrival and an organized storage process.

# Conclusion

There is a lot to learn about capitalizing on the growing Australian economy, and while your expansion strategy will be unique to your products and branding decisions, you are now prepared with a solid foundation of knowledge regarding the Australian ecommerce market.

Partnering with a reliable logistics company that is physically present in Australia – especially one that understands the challenges of entering a new market and cares about your brand – can prove to be an immeasurable asset as you expand your business overseas.