



# **APAC'S MAJOR CONTENDER: HOW TO SELL YOUR PRODUCTS IN AUSTRALIA**

The experts at Flow are committed to helping retailers and brands successfully engage in cross border e-commerce. Each installment of this "How to" series focuses on a different country, providing insights into effectively launching your e-commerce business in that market. The focus of this eBook is the gateway to the Asia-Pacific region: Australia.





# THE AUSTRALIAN E-COMMERCE MARKET

Australia is a unique market that stands out for several reasons in the Asia-Pacific. World Bank has ranked it the 14th best country in the world for business in 2017, and the United Nations has scored Australia as 2nd (behind Denmark) in its 2018 E-Government Index, an evaluation of each nation's Information and Communications Technologies (ICT) infrastructure. For brands and retailers whose primary language is English, Australia offers a way to bypass some of the cultural adaptation and language barriers that international businesses can face.

THE AUSTRALIAN MARKET BY THE NUMBERS

**\$15.4B**

Amount Australian consumers will spend online by 2021<sup>1</sup>

**80%**

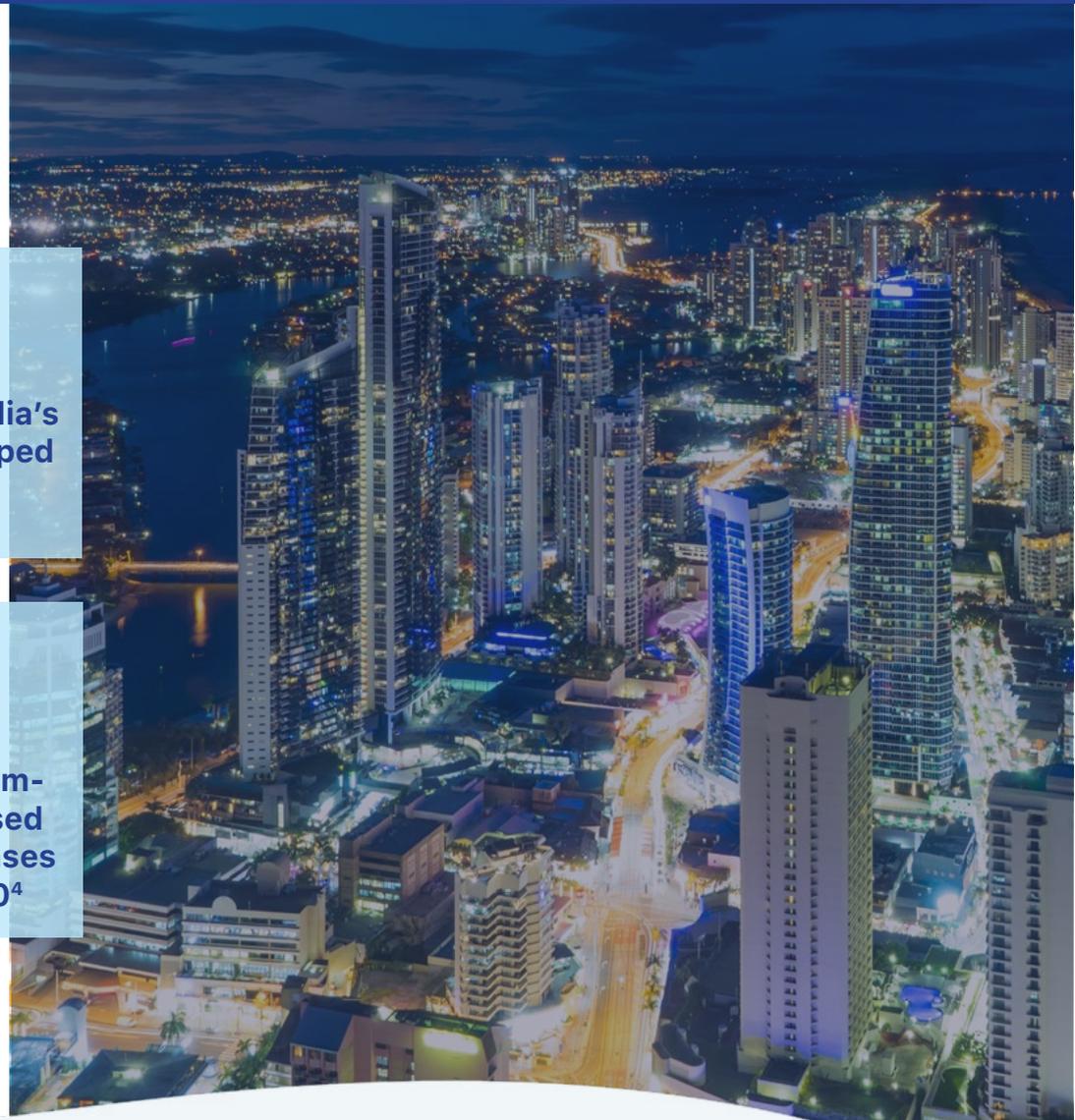
Percentage of Australia's population that shopped online in 2016<sup>2</sup>

**18.7%**

Total increase in online purchases in 2017 vs 2016 (\$21.3 Billion)<sup>3</sup>

**1/10**

Predicted ratio of number of items purchased online to total purchases nationwide by 2020<sup>4</sup>





# THE CROSS BORDER E-COMMERCE OPPORTUNITY

Australian shoppers are the second-most likely in the world to make e-commerce purchase from cross border merchants, and the significance of their purchasing power is expected to increase.<sup>5</sup> Retailers based in the U.K., China, and the U.S. enjoy the most success with cross border e-commerce in Australia.<sup>6</sup>

What do Australian shoppers like to buy online? Top performing categories include consumer electronics, clothing and books.<sup>7</sup> Retailers have seen an increase in demand for personal care and beauty items as well.

## HOLIDAY-DRIVEN SHOPPERS

E-commerce shoppers in Australia are influenced to make purchases around certain shopping holidays.<sup>8</sup> The top online gift-selling holidays in this region are:

**Click Frenzy Day**

**Black Friday**

**Cyber Monday**

**Boxing Day**

**Singles Day**



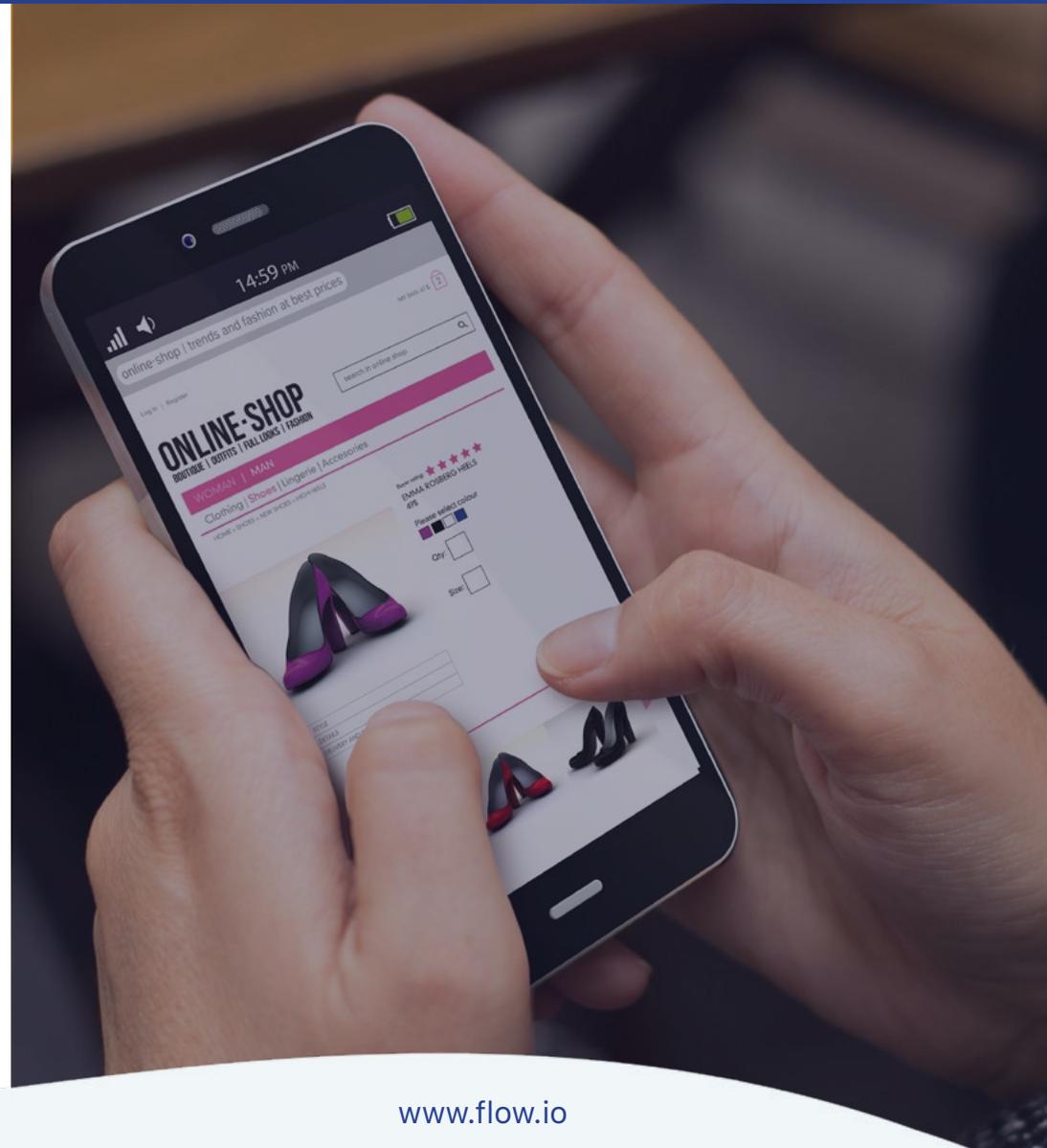


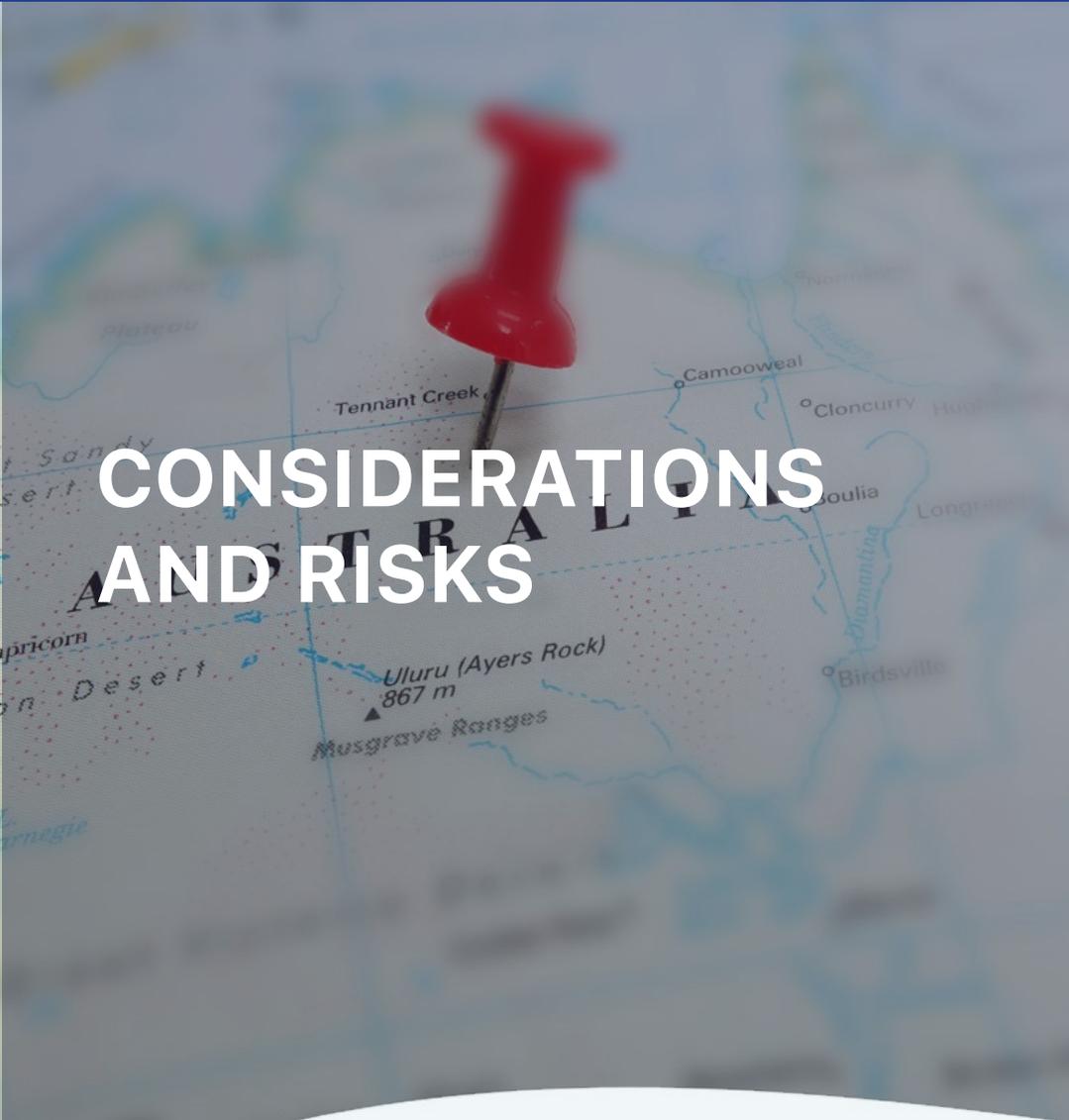
# UNIQUE MARKET TRENDS

Online marketplaces have exploded in Australia. eBay, Amazon, Tmall (Alibaba) all have a presence in this region. eBay is more popular, but Amazon is gaining some traction now that the retail giant has its own in-country online store.<sup>9</sup> As part of APAC, Australians are already familiar with Tmall. Other trends in Australian retail include:

- **Mobile shopping:** Australian consumers are tech-savvy, and have been early adopters of international online shopping.<sup>10</sup> An estimated 1 in 5 online purchases in Australia are now made on a mobile device.<sup>11</sup>
- **Discount stores:** Discount stores are popular with online shoppers in Australia, with purchases growing by more than 50% in 2017.<sup>12</sup>

- **Shopping apps vs. websites:** Australian customers prefer using branded apps over visiting mobile shopping e-commerce websites – almost half of consumers say apps are more convenient and 61% say they are more enjoyable.<sup>13</sup>





# CONSIDERATIONS AND RISKS

Key considerations when establishing your Australian online store include:

- **Geography:** Australia's sheer distance from many other retail hubs, such as the U.K. and the United States, is often cited as the single most significant non-tariff barrier to trade.<sup>14</sup>
- **Competition:** Australia has ready access to Asian and other low-cost producers and retailers. Cross border retail firms must provide enough value to overcome the costs of bringing their product to market and to compete.<sup>15</sup>

- **Price sensitivity and elasticity:** Brands and retailers should note that saving money is the #1 reason why Australians shop online.<sup>16</sup>

Cross border e-commerce stores selling into Australia require a solid logistics network behind them. Customers expect versatile shipment options and reliable, end-to-end customer service.



# CUSTOMS



Importing and exporting can be a challenge in Australia, with an average of six documents required to export and seven to import.<sup>17</sup> Additionally, it takes an average of nine days to export and eight to import. Also, Australia's strict quarantine and packaging rules may be a barrier for cross border retailers.<sup>18</sup> Restricted items include drugs, steroids, weapons/firearms, heritage items, food, plants and animals, and protected wildlife.<sup>19</sup>

**FREE TRADE AGREEMENTS TO KNOW<sup>20</sup>**

**Singapore–Australia (SAFTA)**

**Australia–United States (AUSFTA)**

**Thailand–Australia (TAFTA)**

**Australia–Chile (ACI-FTA)**

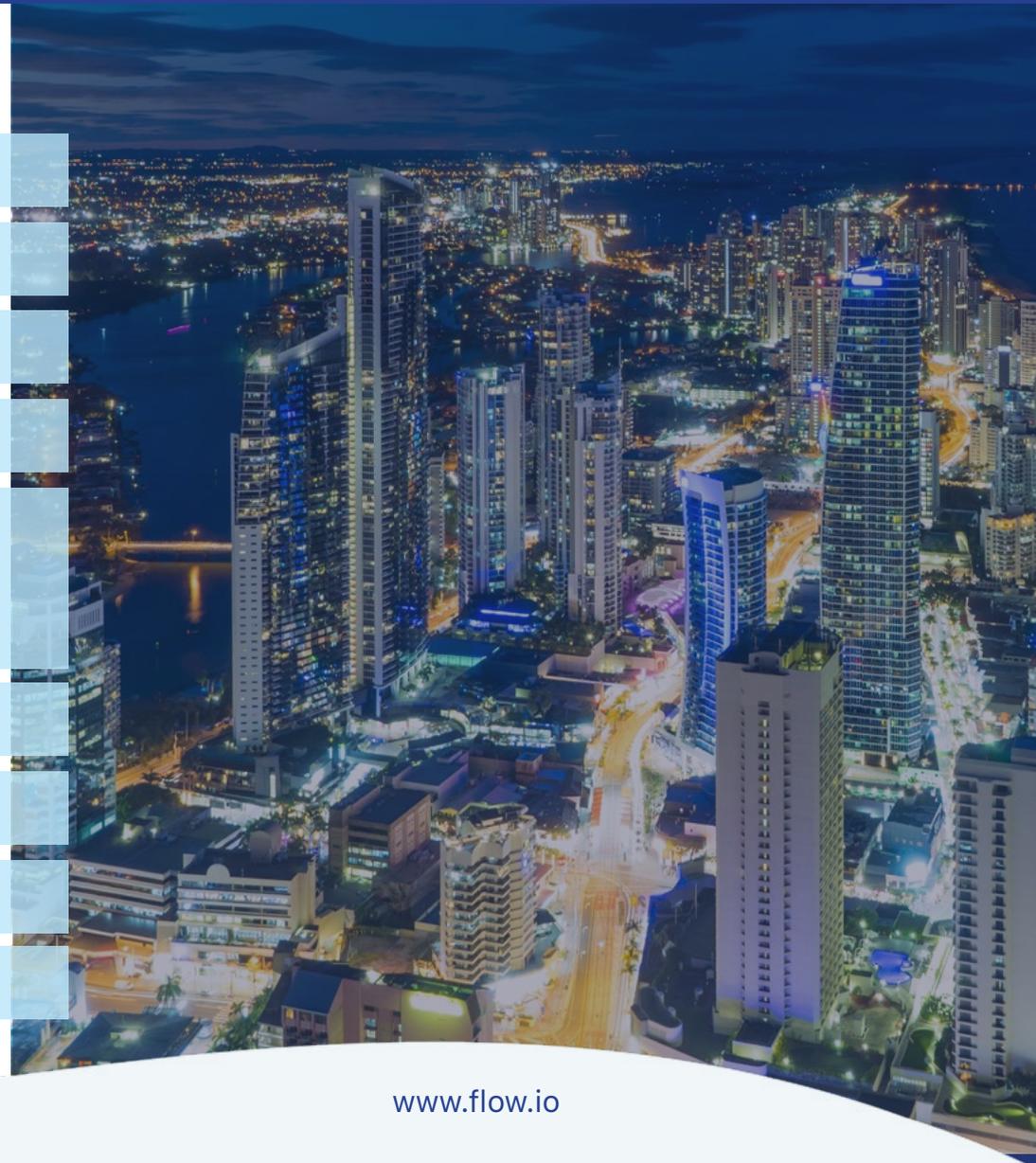
**ASEAN–Australia–New Zealand (AANZFTA) —  
Australia, New Zealand, Brunei, Burma, Malaysia,  
the Philippines, Singapore, Vietnam, Thailand,  
Laos, Cambodia and Indonesia**

**Malaysia–Australia (MAFTA)**

**Korea–Australia (KAFTA)**

**Japan–Australia (JAEPA)**

**China–Australia (ChAFTA)**



A photograph of a person's hands using a calculator on a desk. In the background, there is a laptop and a pair of glasses. The text 'LANDED COST' is overlaid in white on the left side of the image.

# LANDED COST

Perhaps the most concerning development in the Australian market that impacts landed cost is the Goods and Services Tax (GST) that came into effect on July 1, 2018. The GST places a 10% tax on all overseas purchases with a value of less than \$1,000. Previously, Australia's GST was only applicable to cross border retail goods valued at \$1,000 or more; however, the new rule places the tax on all goods and services coming from outside of Australia.

In response, Amazon, which established an in-country presence in Australia in late 2017, has blocked access to its U.S. and U.K. e-commerce sites by Australian shoppers to avoid the 10% GST.<sup>21</sup>

There are two main categories of the GST:

- **Low-value imported goods:** This applies to imported goods worth less than AUD 1,000. Australian residents pay 10% more on most types of foreign products. The GST requires overseas suppliers and online marketplaces such as Amazon and eBay with an Australian GST turnover of AUD 75,000 or more to include GST on sales of low value goods to consumers in Australia.<sup>22</sup>
- **Digital products and services:** The 10% tax applies to any overseas digital goods and services, including music bought online, digital magazine subscriptions, or digital movie or television streaming services.<sup>23</sup>

Retailers who register as GST importers have the option to calculate transport, insurance and ancillary costs and include this in the price of goods. The VAT threshold for registration at a GST importer is: \$75,000 AUD.<sup>24</sup>



# REGULATIONS

Brands and retailers are paying close attention to a new consumer protection bill in the works regarding gift cards. If passed, the Competition and Consumer Amendment (Gift Cards) Bill would require a 3-year minimum on expiration dates on gift cards and would ban shipping fees on gift cards ordered online.<sup>25</sup>

Other key regulations cross border retailers should know include:

- **Australian Guidelines for Ecommerce:** E-commerce businesses are required to display their terms and conditions and make them “clear, accurate and easily accessible” and include “All compulsory charges such as delivery, postage and handling charges” in the cost of items.<sup>26</sup>

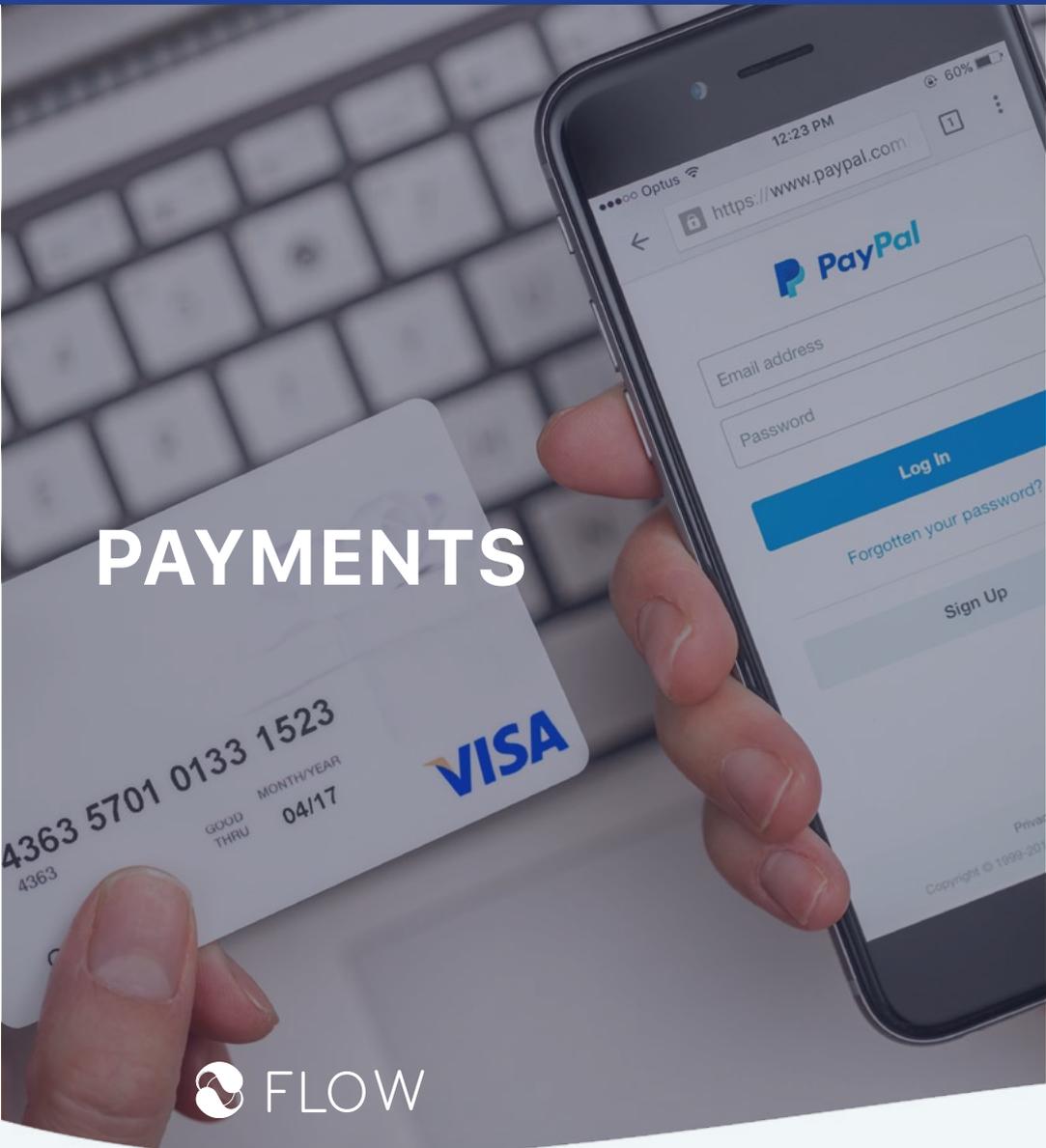
- **2003 Anti-Spam Act:** Brands and retailers should note Australia's strict anti-spam legislation. While similar to Canada's spam law, it does provide more specific language regarding consumer consent. Australian law cites "inferred consent," which "allows for a consumer's consent to be implied in situations where it's reasonable to think that, given the circumstances, it would appropriate to send a commercial electronic message (CEM) to the recipient."<sup>27</sup>
- **Notifiable Data Breaches (NDB) Law:** This legislation went into effect February 2018. It requires businesses to notify customers within 30 days if their personal information has been compromised. Failure to report a breach within 30 days could result in penalties of up to \$360,000 for individuals and \$1.8 million for organizations.<sup>28</sup>



# LOGISTICS

For such a vast country, Australia boasts a world class logistics and infrastructure system. Its Logistics Performance Index (LPI) score is ranked 18th in the world by the World Bank.<sup>29</sup> Situated a great distance from its international markets, Australia has built a major multimodal transport system (across water, land and air) to facilitate international trade.<sup>30</sup> There are 25 major ports in Australia linked by road, air, rail, and coastal shipping.<sup>31</sup> This makes it easier to access the market with cross border goods.

Top carriers in Australia, based on consumer satisfaction, include StarTrack, a subsidiary of Australia Post, DHL and Fastway Couriers.<sup>32</sup>

A hand holding a smartphone displaying the PayPal login page. The screen shows the PayPal logo, a back arrow, the URL 'https://www.paypal.com', and fields for 'Email address' and 'Password'. Below these fields are buttons for 'Log In', 'Forgotten your password?', and 'Sign Up'. In the background, a Visa credit card is visible, showing the number '4363 5701 0133 1523', the expiration date 'GOOD THRU 04/17', and the 'VISA' logo. The word 'PAYMENTS' is overlaid in large white letters on the left side of the image.

# PAYMENTS

The alternative payment preference that's taking Australia by storm is known as Buy Now, Pay Later (BNPL), and the leading BNPL provider in Australia is AfterPay.<sup>33</sup> Australian Postal Corp estimates that in 2017, BNPL payments accounted for 7.7% of Australia's total online goods spend. The service appeals to the 18-39 year old demographic, as it provides instant gratification with low entry level and can also be used as a budgeting tool. Other BNPL providers in Australia include PayPal's Bill Me Later.

Another alternative payment that's taking off in this market is Hyperwallet, which launched in Australia on the back of Amazon's entry into Australia in 2017.<sup>34</sup>

Mobile payment options are quickly becoming a “must have” for cross border retailers competing for market share in Australia. PayPal reports that one in eight Australian shoppers are now making purchases via smart devices, and in response, 55% of Australian online businesses are now offering mobile payment options.<sup>35</sup>

Brands and retailers seeking to win over new customers in Australia should be prepared to prove their ability to protect consumers during and after checkout. Australia has seen a significant spike in online payment fraud.<sup>36</sup> The official aggregated figure for online payments fraud on all Australian cards has hit USD 476 million for the 2017 calendar year, surging from USD

418.1 million in 2016.<sup>37</sup> AusPayNet, the country’s self-regulatory body on payments, announced the start of an industry consultation on a new framework to accelerate the fight against online card fraud.<sup>38</sup>



# MARKETING



Brands and retailers who are preparing their marketing strategy for Australia cannot underestimate the value of social media. Social media search is surging as a way for Australian consumers to find new products and research deals. According to the Ecommerce Foundation, 41.9% of Australian consumers look to social media as the primary way to discover new products - that's up 36% over the previous year.<sup>39</sup> And Facebook is the top social network in the country.<sup>40</sup>

Meanwhile, TV advertising is losing its influence in Australia, with 53% of Australian shoppers saying that TV ad spots have an impact on purchasing in 2017, compared to 55% in 2016.<sup>41</sup>

While Australian consumers are used to global brands courting them, it turns out they have a much lower trust threshold for global brands compared to other APAC countries: only 19% of Australian consumers say they trust global brands.<sup>42</sup> One way for cross border retailers to overcome this trust deficit is through direct, transparent storytelling: 91% of Australian consumers rate “honest communication about products and services” as a top criteria for brand marketing.<sup>43</sup>

Brands and retailers are also exploring the benefits of marketing to Chinese consumers in Australia as a low-cost way to establish an APAC brand presence. For example, global brand Unilever used this strategy to launch its new instant soup in Australia by targeting Chinese consumers there.<sup>44</sup>



# DELIVERY

Despite the geographical challenges, Australian consumers have high expectations when it comes to shipping and delivery. Half of the consumers in Australia and New Zealand expect goods to arrive within 4-5 days.<sup>45</sup> Inadequate delivery times can turn off consumers: 50% of consumers surveyed said the cost of delivery is the number one reason they choose not to shop online. And 92% say free delivery is top influencer in their decision to make a purchase online.<sup>46</sup>

Australian shoppers also expect a seamless return experience when those purchases don't work out: 34% say difficulty in returning items is a top barrier to shopping online.<sup>47</sup> Brands and retailers should offer a clear exchange and return policy that puts Australian shoppers at ease.

Despite the challenges of geography, competition from domestic and nearby retailers, and recently an imposed GST that directly affects cross border retailers, Australia is a potentially lucrative market for global e-commerce. It's an especially attractive option for brands and retailers who want to gain a presence in APAC. The key to winning in this market is to offer strategically priced goods and have a solid, reliable logistics network.

**Additional resources:** If you are considering expanding your international business into Australia, don't go it alone. Request a demo with Flow today to learn how you can expand into this and other global markets:  
<https://www.flow.io/contact-us/>.

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