

# Shippit/Jarden White paper

## Courting the consumer via last mile

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### Shippit/Jarden White paper: Understanding the value of the post-purchase experience

Consumer behaviors are evolving. They are more actively seeking value and shopping [more brands](#). Against this backdrop, brands need to find ways to lift loyalty via; quality, price, range and service. In this report, we focus on the post-purchase experience (service), and its importance in growing lifetime customer value (LCV). To do this, we undertook a survey of consumers (n=500) over 11/12 March 2024 and found; i) [Value shopper is here](#): Consumers are actively seeking ways to save money (Figure 8), be it discounts, cross-shopping or free delivery, the #1 most important post-purchase experience (Figure 13); ii) [Price focus](#): The #1 driver of where customers shop online, followed by delivery and range (Figure 5), iii) [Online rising](#): 86% shopped online in the past 12 months, with this to lift as consumers use online as the first point of call; iv) [Post-purchase important](#): c72% cited it as important, with c64% having had a bad experience and 50% of these not shopping the brand again (Figure 16); and v) [Amazon influence](#): 1/3 of consumers said [Amazon](#), along with Temu/Shein, had lifted their post-purchase expectations. We conclude investing in post-purchase provides a point of difference and opportunity to lift loyalty. We see WOW, COL, SUL, EDV, AX1, TPW and WES as domestic leaders. However, competition is increasing, and more investment in the post-purchase experience is needed (CFCs, rapid deployment centres, endless aisles and customer facing systems [loyalty, CRM etc.]).

### Consumer expectations are changing: Price, range & delivery options (free, tracking) key

Consumers are increasingly looking for value; price is biggest driver of where consumers are shopping (Figure 5), coupled with an increased focus on discounts, researching online and deferring unnecessary purchases (Figure 8). This is consistent with our recent [report](#), where we found increased cross-shopping, with COL and WOW losing share to retailers such as Chemist Warehouse and TRS, further compounded by investment from the likes of Amazon (Not Covered), who [we estimate](#) generated c\$5.4b of Australian GMV in 2023, growing to c\$6.5b in 2024. We found c1/3 respondents' delivery expectations lifted in the past 12 months as a direct result of Amazon/Temu/Shein (Figure 10). Against this backdrop, we believe the need to invest in quality, price, range and post-purchase experience is more important than ever.

### How important is the post-purchase experience?

Very; 78% of respondents said the post-purchase experience (delivery, returns, tracking) were either extremely (35%) or very (43%) important (Figure 11), with c50% stating they have not ordered a product if the delivery experience was poor. This was more pronounced in the older demographic (Figure 16). Looking forward, as customer expectations build - in part driven by new(er) entrants - incumbents need to provide increased transparency, confidence and ease of purchase. We found that in future, 62% of respondents would be less likely to shop a brand again if their delivery experience was poor. The need to invest in this area is key for incumbents to minimise the Amazon threat, in our view.

### Do we need more investment in Australian supply chain & post-purchase experience?

Yes. This can come in three main forms: i) [Systems](#): At point of purchase and through order management, with ability to deliver reliable and affordable options key, as the likes of Amazon build out infrastructure. We believe omnichannel retailers are best positioned here, leveraging the store network via unified commerce; ii) [Infrastructure](#): In automated DCs, rapid fulfillment centres, last mile capabilities and endless aisles; and iii) [Loyalty programs](#): While the lift in use of subscription services was less (Figure 14) than we expected, retailer's ability to collect, utilise and monetise 1P data is increasingly important. To date, few in Australia have done this but we expect it to change. It can drive lower CAC, increased basket size, higher share of wallet and ability to monetise adjacencies (i.e. media).

### Our view: Scale or a unique offer is key and an opportunity for Logistics REITs

We see WES, WOW, SUL and TPW as best positioned, with GMG, CIP, SCG, VCX and GPT within REITs and likes of JBH, HVN, KGN, MTS and PMV (data) needing to lift investment. Challenge is driving an adequate return given cost (opex & CAPEX). Despite rising online penetration, we see physical shops in well located malls playing an increasingly important supply chain role, both pre- and post purchase. Pressure on retailers to remain competitive should support demand for well located logistics space, even if more value-focused consumer suggests retailers could become more selective and focus more on efficiencies.

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## Courting the consumer via the last mile

Growing customer lifetime value is key for retailers, particularly against the backdrop of increasing competition, cross-shopping, online penetration and rising CAC (customer acquisition cost).

Within this report, we focus on what is driving consumers online, how purchasing behaviors are changing, importance of getting the delivery experience right and how this drives loyalty.

We conclude:

- Online penetration will continue to lift as the experience improves and consumers seek out value
- Three key drivers of where consumers shop online; 1. Price; 2. Post-purchase experience; and 3. Range
- Customer expectations are rising with respect to the post-purchase experience, in large part led by Amazon/Temu/Shein growth and investment
- Poor delivery experience loses customers: 1 in 2 don't shop a brand post a poor experience
- Younger demographics are less loyal and increasing the need to collect 1P data and lift execution

Overall, we believe more investment is needed in Australia for three reasons:

1. **Amazon:** continues to expand its Australian DC capabilities with JARDe >20 RDCs, a fully automated c200sqm new DC underway in VIC (2nd in country) and a new WA DC opened, allowing to expand one-day delivery and lifting customer expectations.
2. **Choice:** more options are available and customers are less loyal, cross-shopping more. Companies need to expand range to grow basket and compete with Amazon which has range of >200m SKUs.
3. **Cost of customer acquisition:** is rising for CPC, +19% in Q4 ([link](#)), with marketplaces like Temu and TPW heavily investing in marketing and customer acquisition. This increases need to drive loyalty and find higher ROI ways of driving loyalty via experience, loyalty or true pull vs. push models.

We believe WOW, WES, SUL and TPW are best placed, with JBH, HVN, PMV and MTS needing to lift investment. And see opportunity for GMG, CIP, SCG, VCX and GPT within REITs.

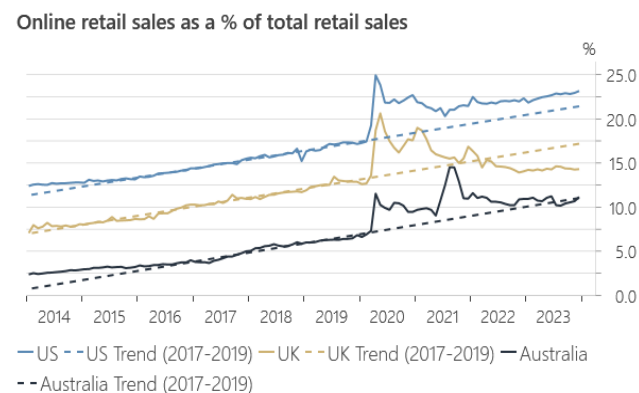
## Online: Back to pre-COVID penetration... driven by the younger demo

Online penetration in Australia is below the US and UK, owing to a larger geographic area, higher cost-to-serve and, in our view, a relative underinvestment in supply chain.

This is, however, changing with COVID driving improved capabilities and investment, led by Amazon ([report](#)), Temu and Shein, and a growing online spend, particularly by younger consumers.

We found 86% of consumers had shopped online in the past 12months (Figure 2).

**Figure 1: Online sales penetration has re-accelerated in Australia...**



Source: ABS, US Census, ONS

**Figure 2: ...with 86% of consumers shopping online in the past 12mths...**

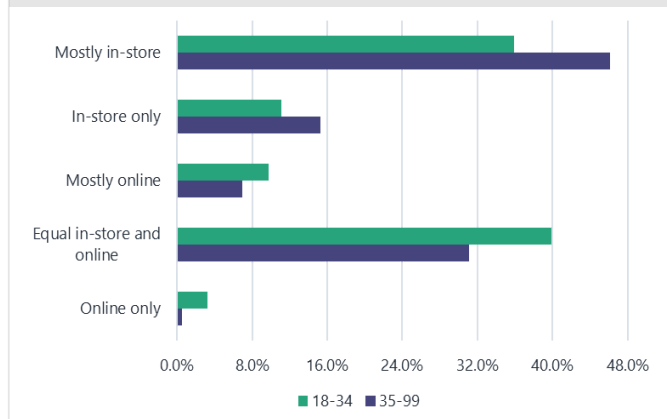


Source: Shippit/Jarden consumer survey

The shift to online is happening across all ages, however, is being led by younger shoppers. Over the past 12 months, c50% of 18-34yr old shoppers have increased online spend (Figure 4).

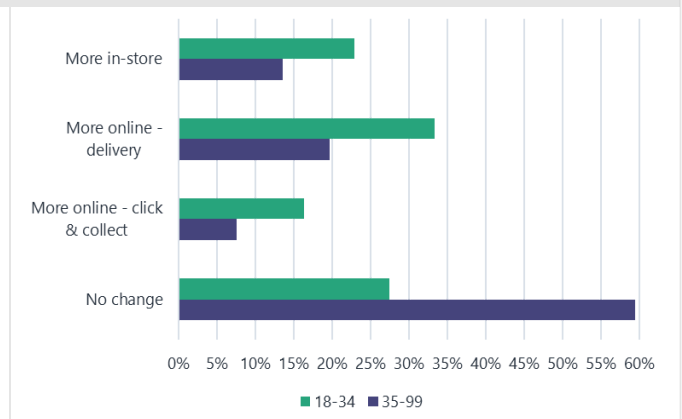
The above said, we found the younger demographic was also more likely to change behaviors, with c28% seeing no change in behavior vs. c59% for the older demographic.

**Figure 3: ...with 18-34yr olds having shopped online more in the past 12 months...**



Source: Shippit/Jarden consumer survey

**Figure 4: ...however, younger shoppers also more channel agnostic and are more willing to switch**

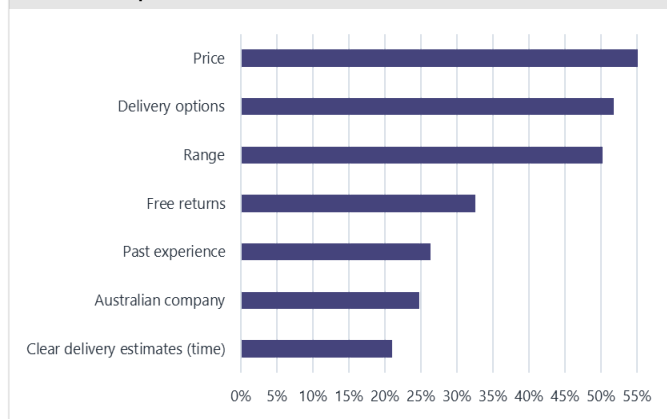


Source: Shippit/Jarden consumer survey

One of the key drivers of shoppers online has been price, both via research and transaction. This is happening at a time consumers are more actively seeking value against the backdrop of rising cost of living.

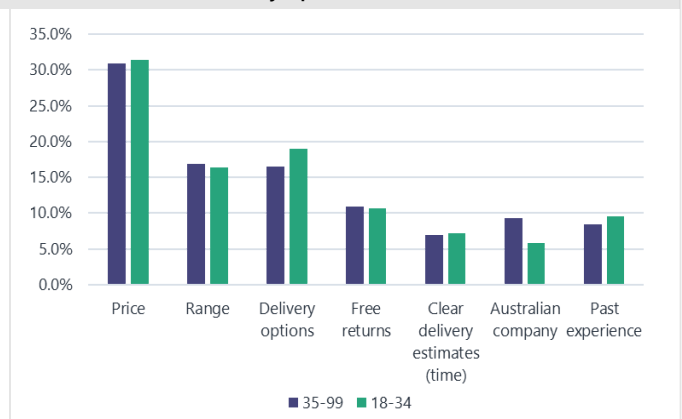
Outside of price, a larger range and delivery options (same-day, click & collect, store to boot) are the next key drivers. Younger consumers are typically more focused on delivery options over range.

**Figure 5: What is most important to you when shopping online (ranks in top 3)...**



Source: Shippit/Jarden consumer survey

**Figure 6: ..with price the clear #1 while younger consumers are more focused on delivery options**

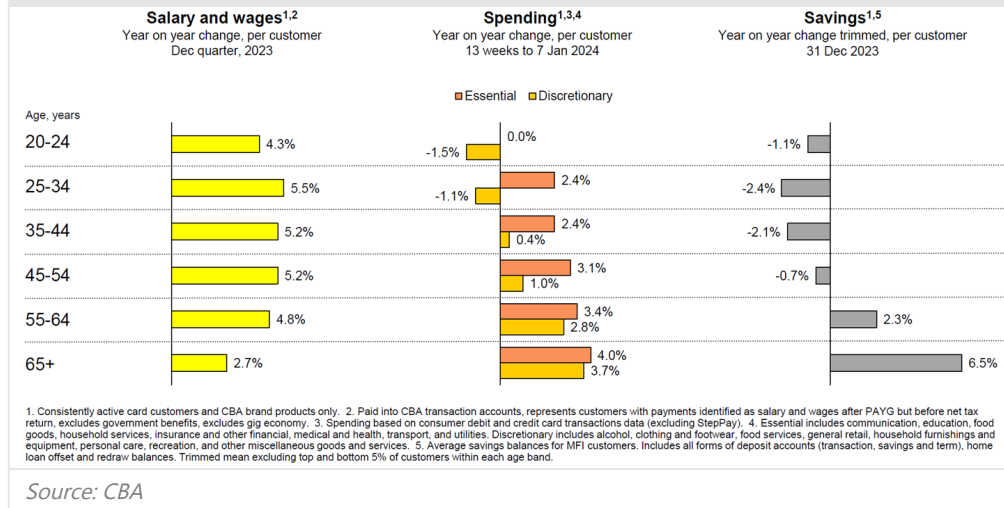


Source: Shippit/Jarden consumer survey

## How are behaviours changing?

Consumer shopping behaviours have changed over the past 12 months. They are more actively seeking value and looking to delay purchases where possible. We have seen this in listed results, with both COL and WOW noting leakage of categories such as cleaning, while the likes of Chemist Warehouse and TRS have gained share ([report](#)).

**Figure 7: Spending and saving trends by customer age**



By age bracket, we are seeing younger consumers more actively changing channel and moving to marketplaces, while older shoppers are more actively seeking discounts and delaying unnecessary purchases.

**Figure 8: How have your shopping habits changed in the past 12 months (total)?**



Source: Shippit/Jarden consumer survey

**Figure 9: How have your shopping habits changed in the past 12 months (age)?**

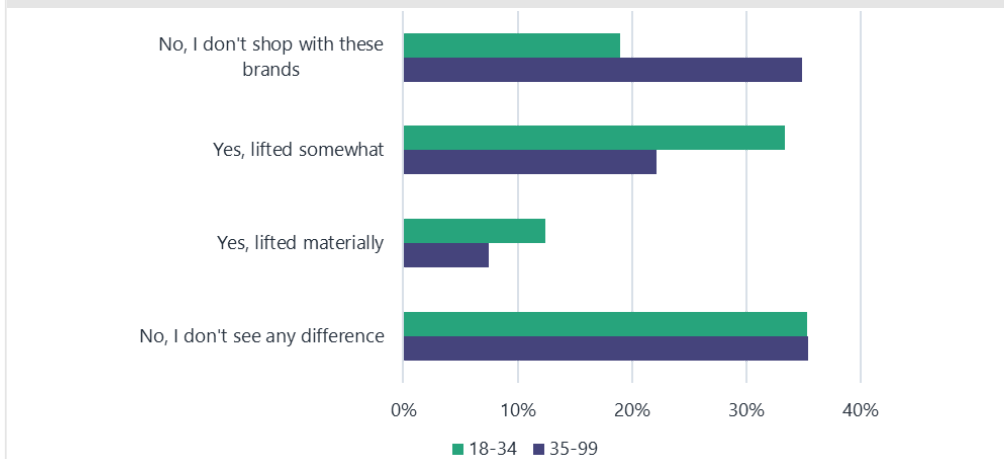


Source: Shippit/Jarden consumer survey

Consumers' focus on value is also seeing expectations lift as they shop more stores / channels and gain appreciation for new(er) entrants. We estimate Amazon, TEMU and Shein will make up >\$7b of GTV in Australia in 2024.

[Amazon](#) in particular is investing significantly in its post-purchase experience through RDCs (rapid deployment centres), automated fulfillment, flex and Prime. This is having an impact on customer expectations. We found that 35% of consumers have lifted delivery expectations (post-purchase experience) as a result of Amazon, Temu and Shein.

**Figure 10: Have Amazon, Temu or Shein changed your delivery expectations (speed, cost, communication)?**



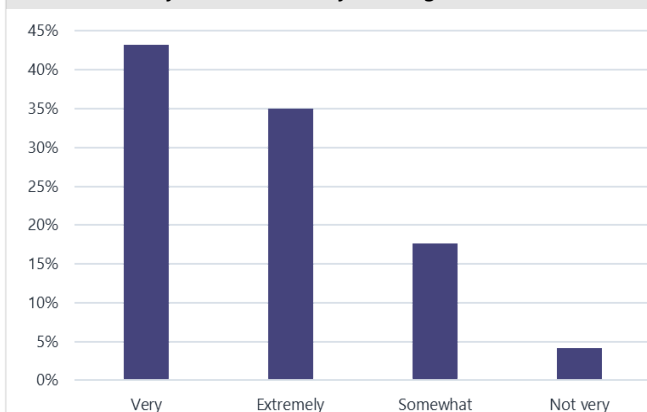
Source: Shippit/Jarden consumer survey

## How important is the post-purchase experience?

Very; in an increasingly competitive market, retailers must invest in improving customer experience. This will help drive repeat purchase, 1P data collection and, ultimately, life time value. We also expect this to drive improved profitability as retailers rely on more expensive forms of customer acquisition per our [recent report](#).

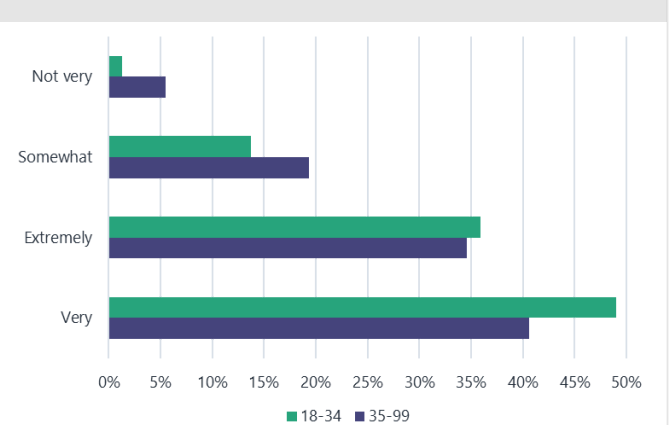
We found that 35% of consumers rate the post purchase experience as extremely important, with 96% relating it at least somewhat important. With more shoppers moving online and delivery the second most important driver of shoppers to stores online (for research or purchase), getting the post-purchase experience right is increasingly important.

**Figure 11: How important is your post-purchase experience online (delivery, returns, delivery tracking)...**



Source: Shippit/Jarden consumer survey

**Figure 12: ...particularly so for 18-34yr old shoppers**

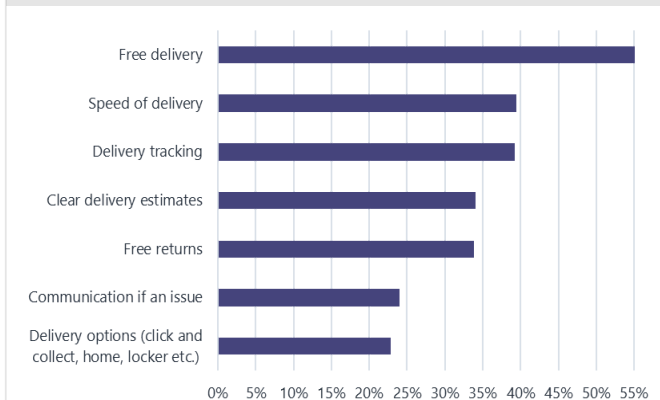


Source: Shippit/Jarden consumer survey

In looking at what aspects of post-purchase experiences are most important, it is free delivery then speed and tracking. Over the past 12 months, the biggest change in expectations is free delivery followed by speed.

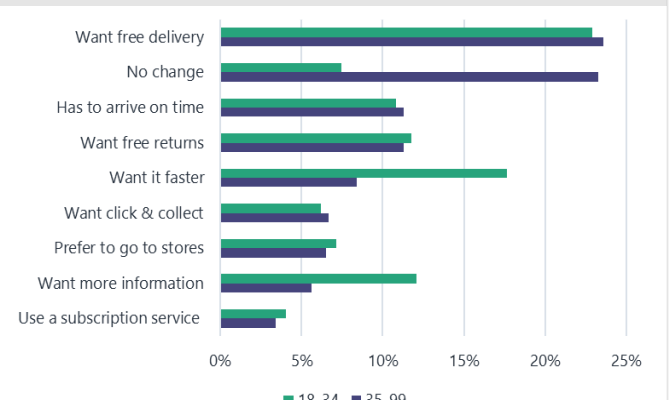
Interestingly, younger demographics also want more information, not only on the product but also tracking, delivery times and any information re delays. We believe that the ability for retailers via logistic providers to give more information from point of purchase to delivery will only increase.

**Figure 13: What is most important to you in your post purchase experience?**



Source: Shippit/Jarden consumer survey

**Figure 14: How have your online delivery expectations changed in the past 12 months?**



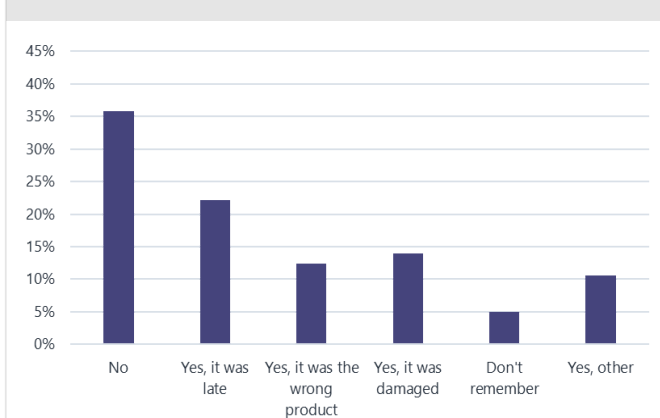
Source: Shippit/Jarden consumer survey

## Does post-purchase experience drive loyalty?

Likely, however, what is clear is a poor post-purchase experience will likely see c50% of customers not shop a brand again. Of the group surveyed, we found 64% of consumers had had a bad experience. This was most pronounced with older shoppers, with c55% not shopping the brand again.

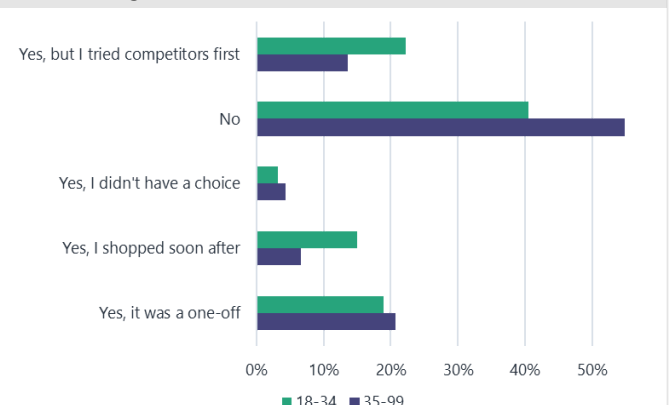
We found younger consumers were more willing to try a brand again, similar to Figure 4 where this cohort were more likely to switch channels. Overall, this suggests to us younger consumers are less loyal, further highlighting the need to have engagement (loyalty).

**Figure 15: Have you had a bad delivery experience?**



Source: Shippit/Jarden consumer survey

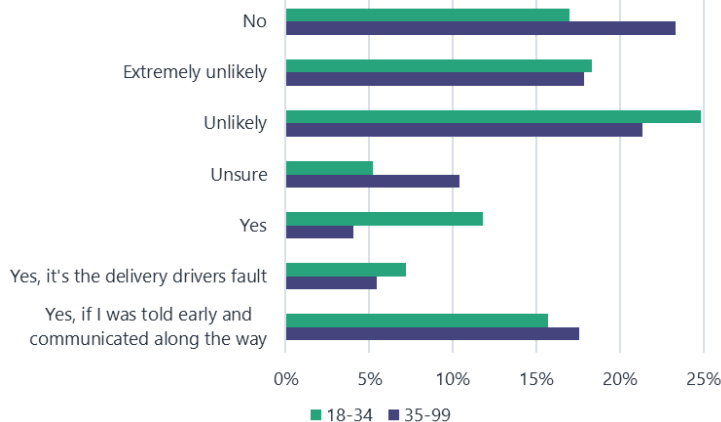
**Figure 16: If you had a bad delivery experience, did you shop the brand again?**



Source: Shippit/Jarden consumer survey

Across all of those surveyed, looking forward, 62% of those surveyed said they would be unlikely to shop a brand again if they had a bad delivery experience. This is consistent with rising expectations around the delivery experience and evidence that retailers needing to lift investment in this space is key.

**Figure 17: In future, if you had a bad delivery experience would you shop the brand again?**



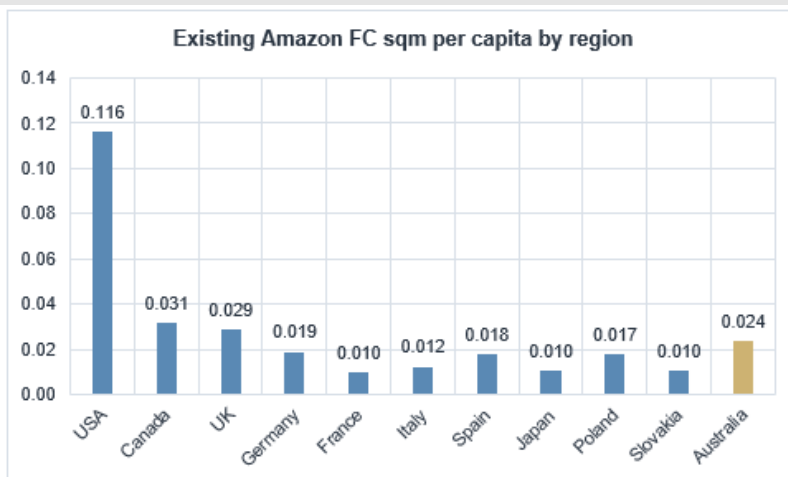
Source: Shippit/Jarden consumer survey

## Implications for REITs

**What role do physical shopping centres play in the conclusions from this survey?** Whilst the ongoing growth in online penetration should keep pressure on landlords to remain competitive, it is interesting to see that the % of consumers that “only” or “mostly” shop online is still relatively low (Figure 3). As we have heard from landlords in the February earnings season, retailers are very focused on physical stores being part of the supply chain, whether for browsing, click & collect or dealing with returns. The importance of the post purchase experience is a key area where physical shops can continue to play an important role. The convenience of mall locations, a higher percentage of daily needs retailers in Malls (hence more regular visits) and the rising cost of logistics means that the impact of rising online penetration on malls should not be as significant as in other regions, especially when mall operators are very focused on working with their tenants on creating the best service/convenience for the consumer.

**How will this impact demand for logistics space?** Logistics has been a main beneficiary of the steady growth in online penetration and the subsequent push for supply chain efficiencies. Based on the conclusions of our survey and our view that retailers will need to keep investing in delivery and post purchase experience, this suggests the strong demand for (modern and well located) logistics space will continue. However, a more value-oriented consumer does suggest a growing divergence in winners and losers and a slow down in retailers’ ability to pass on significant rent growth to the end user. We expect rental growth in logistics to normalise over the next few years as supply growth picks up and retailers’ ability to pass on rent rises diminishes. Location and efficiency remain key for successful development returns.

**Figure 18: The required investment in supply chain suggests AU footprint underweight vs USA**

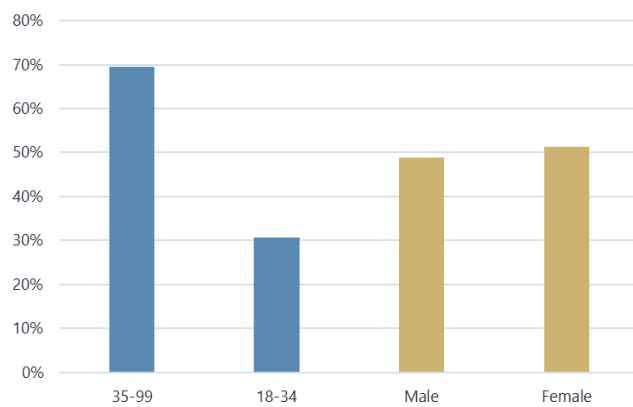


Source: MWPVL, Data compiled by Jarden

## Appendix

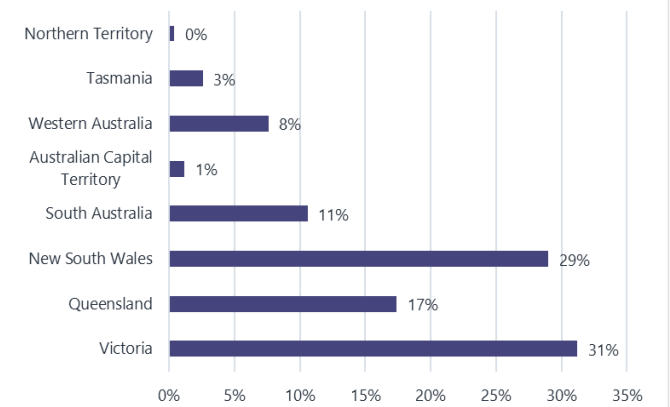
We look at the profile of respondents below.

**Figure 19: Age & gender representation (n=500)**



Source: Shippit/Jarden consumer survey

**Figure 20: Split by region (n=500)**



Source: Shippit/Jarden consumer survey

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Ben Gilbert and Lou Pirenc each certify, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report accurately reflect his or her personal views about all the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

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Centuria Industrial REIT (CIP.AX, AUD3.45, Overweight, TP AUD3.60)  
Coles Group Limited (COL.AX, AUD16.69, Neutral, TP AUD16.90)  
Endeavour Group Limited (EDV.AX, AUD5.23, Overweight, TP AUD6.40)  
Goodman Group (GMG.AX, AUD30.85, Overweight, TP AUD30.50)  
GPT Group (GPT.AX, AUD4.42, Underweight, TP AUD4.70)  
Harvey Norman Holdings Limited (HVN.AX, AUD4.81, Neutral, TP AUD4.80)  
JB Hi-Fi Limited (JBH.AX, AUD60.52, Underweight, TP AUD50.80)  
Kogan.com Limited (KGN.AX, AUD8.36, Neutral, TP AUD7.50)  
Metcash Limited (MTS.AX, AUD3.97, Overweight, TP AUD4.20)  
Premier Investments Limited (PMV.AX, AUD30.17, Neutral, TP AUD24.20)  
Scentre Group (SCG.AX, AUD3.30, Buy, TP AUD3.50)  
Super Retail Group Limited (SUL.AX, AUD14.93, Neutral, TP AUD15.40)  
Temple & Webster Group Limited (TPW.AX, AUD12.72, Buy, TP AUD12.67)  
The Reject Shop Limited (TRS.AX, AUD4.85, Buy, TP AUD6.70)  
Vicinity Centres (VCX.AX, AUD2.11, Buy, TP AUD2.40)  
Wesfarmers Limited (WES.AX, AUD67.50, Neutral, TP AUD58.60)  
Woolworths Group Limited (WOW.AX, AUD32.35, Overweight, TP AUD40.40)  
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