australian ecommerce.

The changing shape of the local ecommerce and retail marketing landscape

September 2021

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contents.

introduction.

Before COVID-19, the retail landscape was already undergoing a massive period of change. With the advent of technology, ecommerce and digital-only players taking focus, the industry was adapting to a new landscape. But at the beginning of 2020, nobody could have predicted the additional changes that would occur as the Coronavirus pandemic swept the world.

Pureprofile has partnered with the IAB on 'The Australian Ecommerce Report' to document the fundamental shift in consumer shopping behaviour driven by COVID-19. As panic buying subsided, out of necessity, consumers prioritised personal safety and shifted to shopping online whilst seeking value for money in these somewhat nervous times.
Over the last 18 months, retailers have endured long periods of time where physical stores have been shut due to lockdowns. The resulting change in buyer behaviour meant that retailers had to adapt quickly - and that they did! These fundamental shifts in consumer behaviour have driven extraordinary growth in ecommerce expenditure with Australian retailers stepping up to the challenge of transforming and innovating at speed.

With Australia's vast geography, cost and speed of delivery have often been cited as barriers to ecommerce growth in Australia. Our research indicates that online shopping is now here to stay and Australian omnichannel retailers are well on the path to catch up to other markets around the world.

Martin Filz
CEO
Pureprofile

The IAB Australia brings together over 150 members to help build sustainable and diverse investment in digital advertising. Our role includes understanding the digital landscape and highlighting its opportunities to the broader market.

It is well documented that over the last eighteen months consumer online shopping habits have changed from necessity and retailers have made investments in digital transformation that have boosted online shopping rates. The IAB are proud to partner with Pureprofile to release 'The Australian Ecommerce Report' based on research examining consumer attitudes, behaviours and influences driving ecommerce in Australia.

This report follows on from the IAB's Direct Brands Report published in 2020 and shows that born online direct brands with nimble business models, strong brand purpose, empathetic mission-based marketing and classic marketing expertise continue to contribute to a resilient direct brand landscape.

We are very fortunate that the fieldwork for this research was carried out in June 21 when most of Australia was not in lockdown and people had resumed some of their normal habits. The data in this report can provide an indication of habits when vaccine roll-out and fewer lockdowns help return consumer behaviours to 'normal' next year.

Gai Le Roy
CEO
IAB Australia

executive summary.

Growth in online retail expenditure has accelerated over the last 18 months driven by necessity as areas of Australia have spent significant time in lockdown and physical stores have shut for these periods.

The combination of participation in particular product categories and investment in digital transformation has earned some retailer's significant increases and even record sales in FY21.

Australians have increased their buying frequency over the last year with 56% of online retail (non-grocery) shoppers increasing buying frequency. While lower numbers are purchasing groceries online, 37% of online grocery shoppers have increased buying frequency over the last year.

Heightened frequency has been maintained so far throughout 2021 with 84% of those who had increased spend on either retail or grocery last year maintaining these increased levels.

In an indication behaviour changes have become more permanent, only 36% indicated they plan to return to shopping in person more again once the pandemic is over.

While we are shopping for a range of products (most popular clothing and footwear) across a range of retailers online, the local shopping trend seen from the beginning of covid pandemic in 2020 has continued with 46% buying more things online from local retailers now.

Convenience is the biggest driver of online shopping and worth paying a premium for. Positive omni-channel experiences are needed to reinforce behaviours as we move into post lockdown world.

Product research builds confidence to purchase so its important retailers provide clear and accurate information. Content published on websites is the most frequently read communication from retailers (84% often/sometimes read) followed by email communication (73%).

While shopper rewards programs are popular, trust and increased transparency is key as there is significant consumer concern and lack of knowledge on what retailers do with data provided to them. Over half of online shoppers are very or somewhat concerned about how retailers use personal data supplied via loyalty programs.

Half of online shoppers have purchased a direct brand and these shoppers continue to be heavier online shoppers who are more brand adventurous Ethical and sustainable propositions continue to resonate more strongly with direct brand shoppers.

Value for money has increased as a compelling reason for choosing direct brands this year, while other hygiene factors such as being simple to buy and having quick and easy returns are not distinguishing direct brands as much as they did last year. Brand proof points such as innovation, personalization, socially responsible, environmentally friendly and Australian owned have become more compelling reasons for purchasing a direct brand.

methodology.

Survey in field:

JUNE 2021

1,000

survey respondents

Respondents:

Nationally representative sample of Australians aged 18 to 70 who have shopped online at least once in the last 12 months

the size of the prize.

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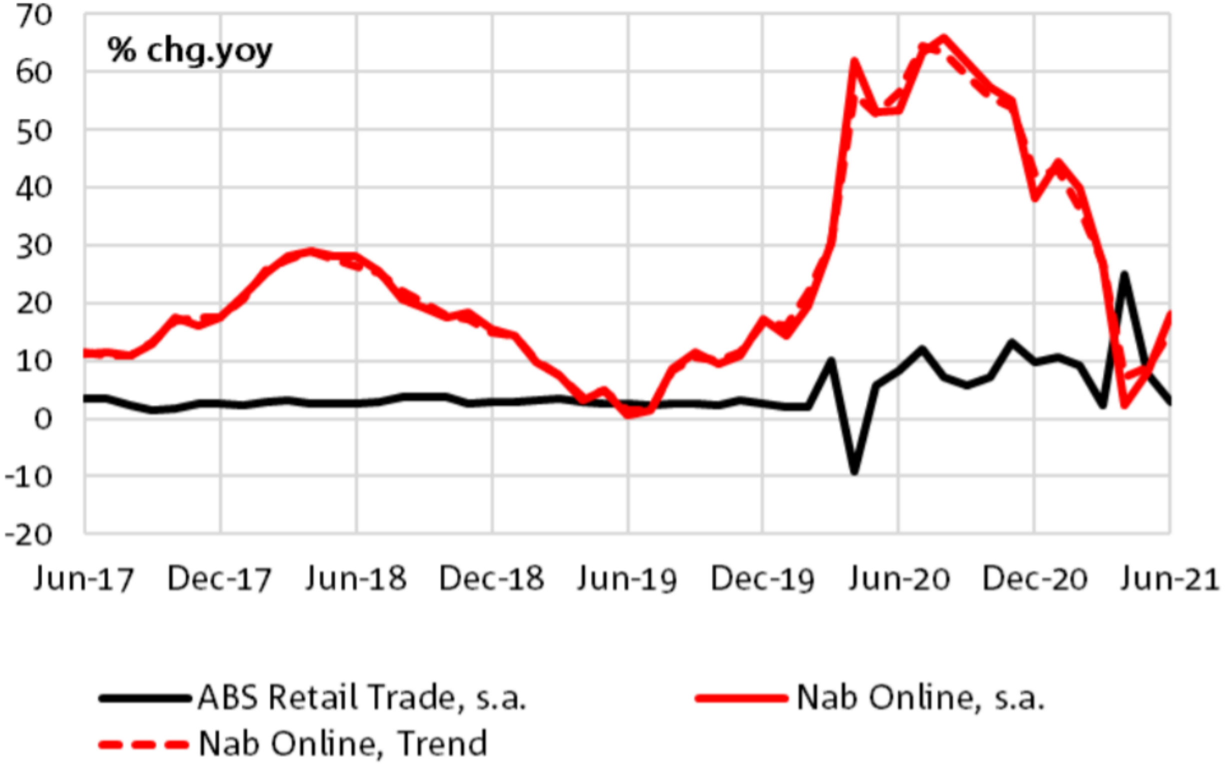
australian consumer online retail spend has grown 35% year on year for FY21.

Australians spent $48.6 billion on online retail in FY21, around 13.3% of the total retail trade estimate.

NAB online retail sales and ABS retail sales



Sources: NAB Online Retail Sales Index June 2021, Australian Bureau of Statistics (ABS).

behavioral shift from covid lockdowns driving up consumer time with major retailers online.

On average 17 million Australians visited a major retailer online each month FY21.

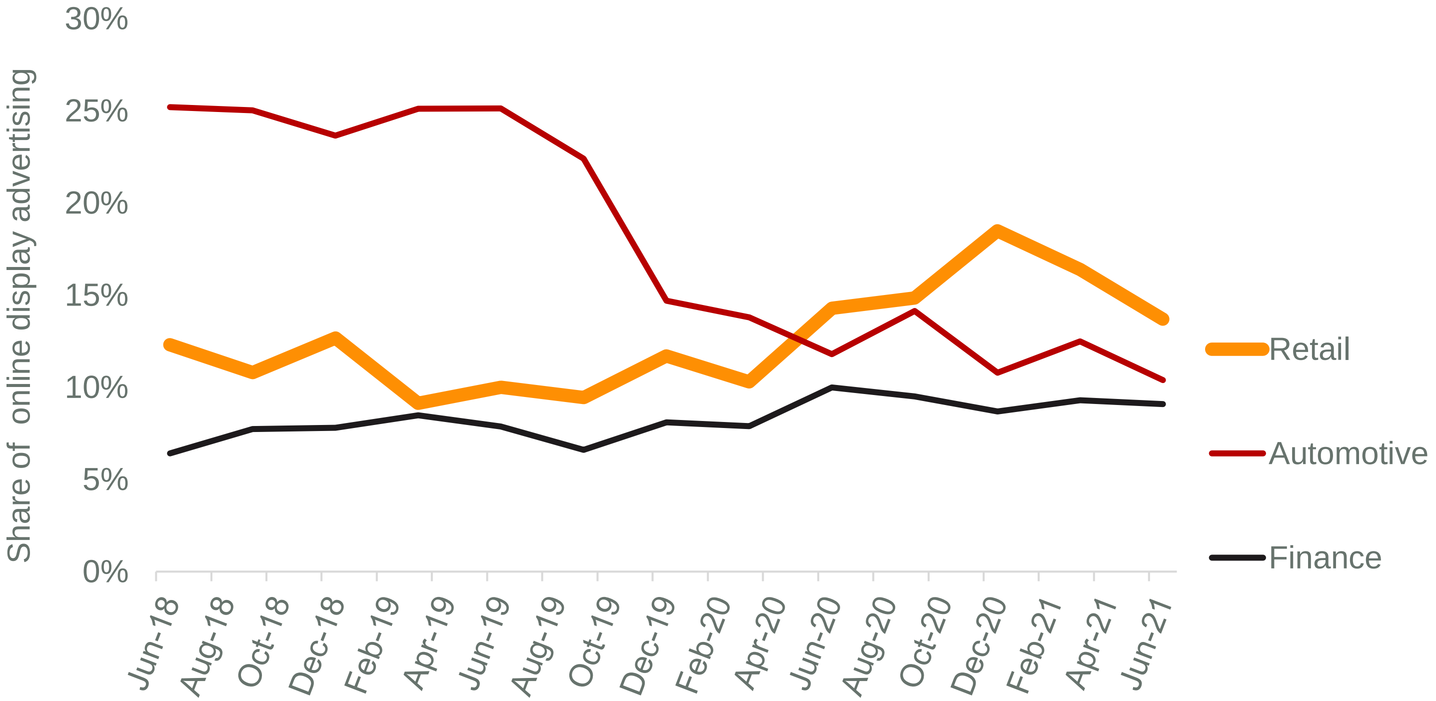
total time spent with online major retailers

Source; Digital Content Planning, January 2020 to June 2021, Text, Digital (C/M), Person 18+, Mass Merchandiser subcategory, total time spent

retail now the #1 digital ad spend category.

retail category share of online display expenditure has increased from 11% in FY20 to 16% in FY21.

top 3 online display advertiser expenditure categories
(share of online display ad expenditure)



Source: IAB Australia Online Advertising Expenditure Report financial year and quarter ending June 2021, prepared by PWC

the shape of shopping.

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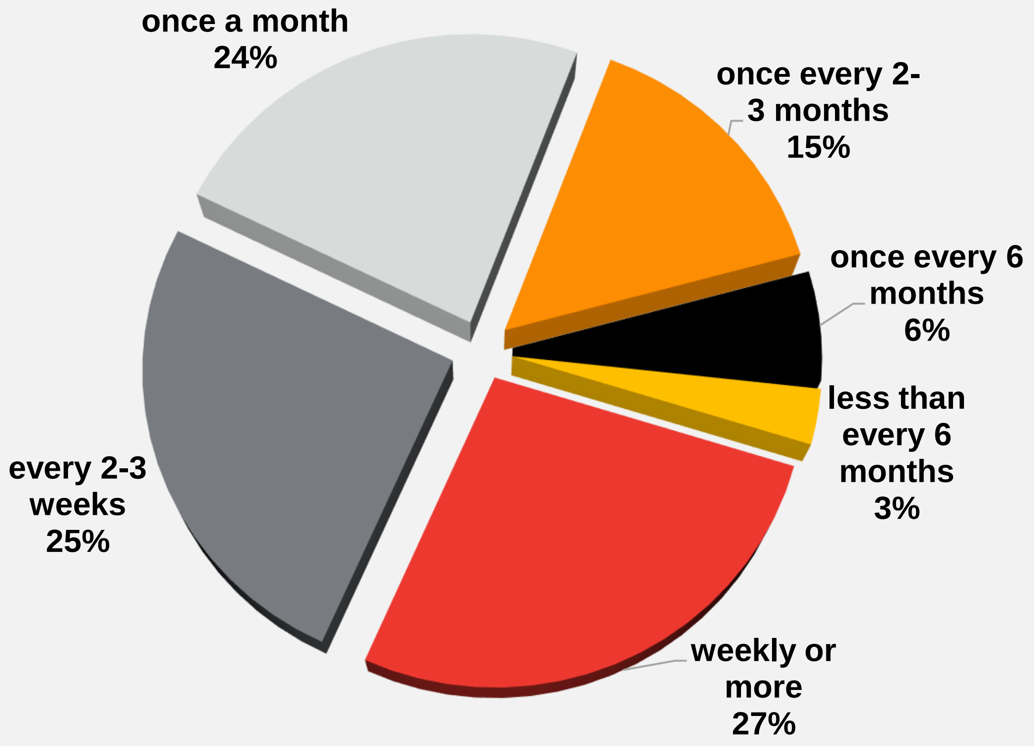
buying frequency for online shoppers.

76% of online shoppers buy online at least once a month.

- 70% of online shoppers purchase non-grocery products online every month
- 40% of online shoppers purchase groceries online every month (a third of online shoppers have never purchased groceries online).

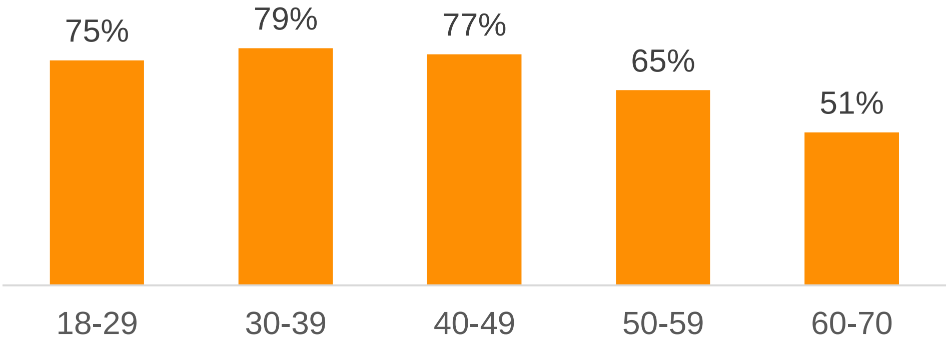
buying frequency for online shoppers



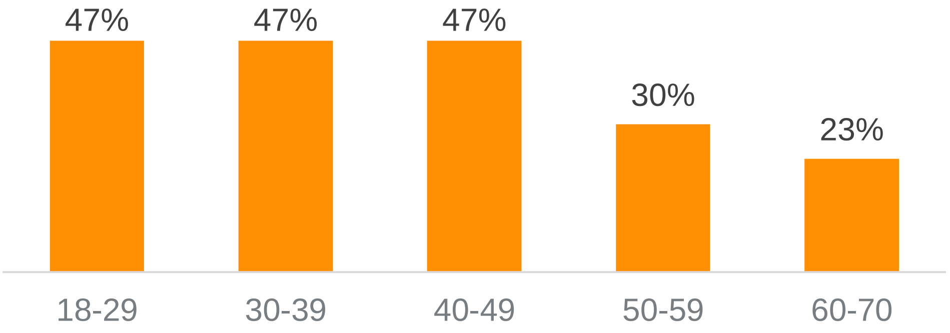
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How often do you shop online? (n=1,000)

online grocery shop relied on more by under 50's.

70% buy retail online (non-grocery) every month

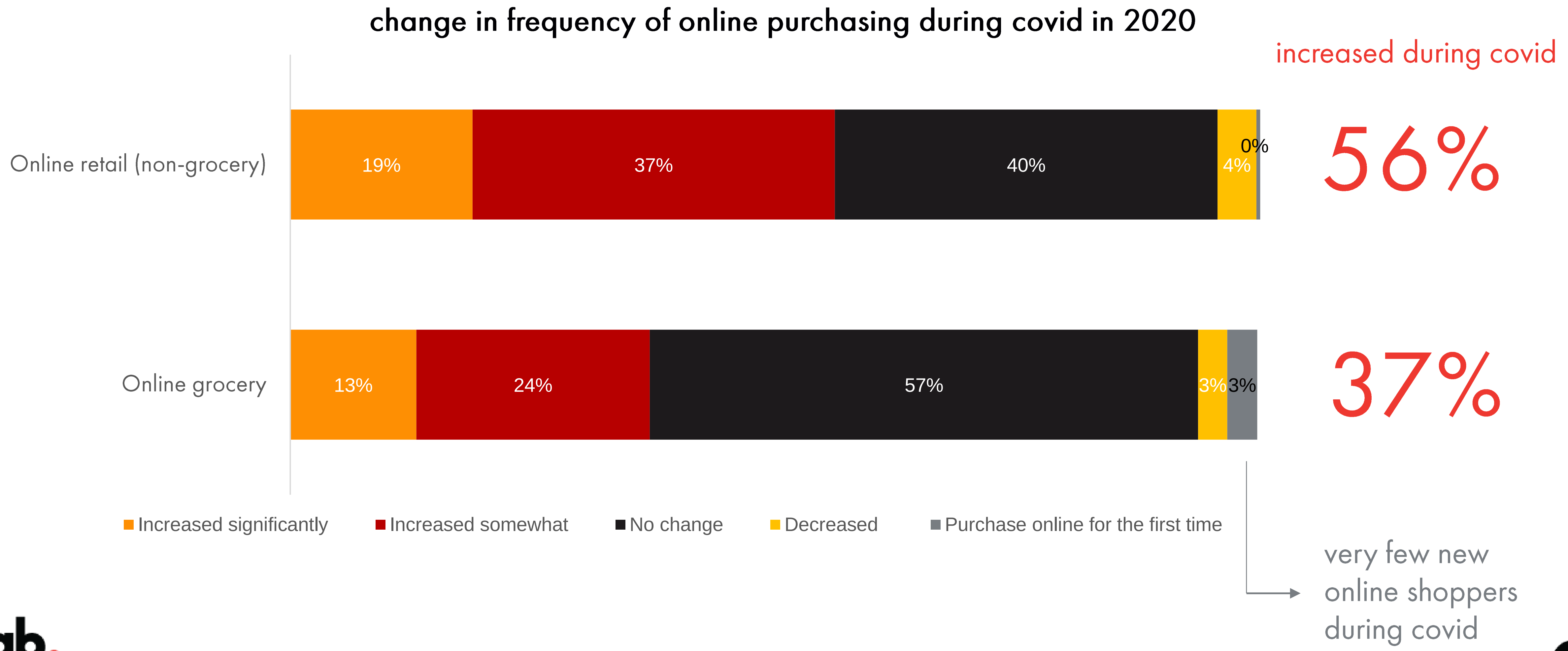


40% buy groceries online every month



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How often do you shop online for the following products? - Buy groceries online, Buy online retail (non- grocery) (n=1,000)

large increase in online shopping during covid.

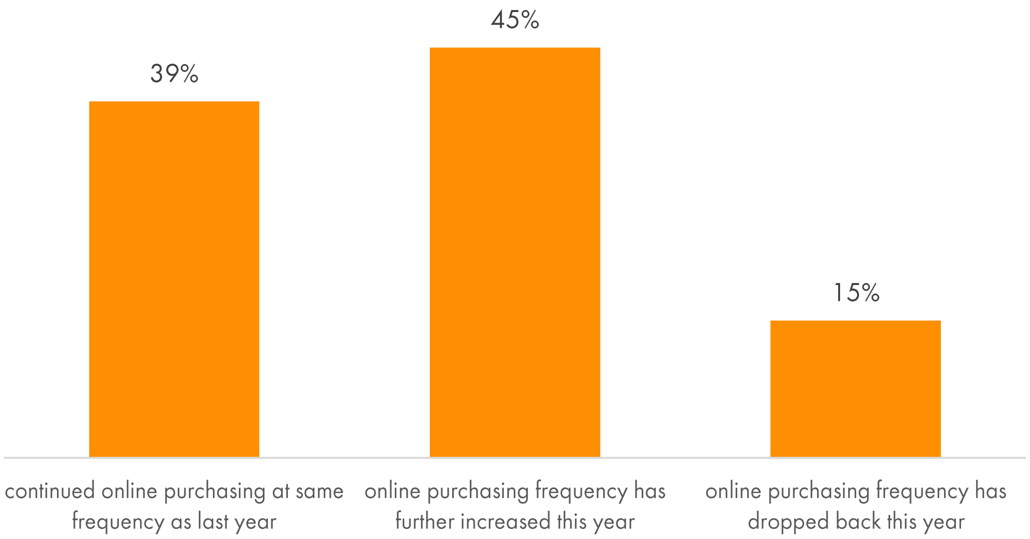


Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - In simple terms, how would you say your frequency of purchasing online changed during the COVID-19 pandemic last year (2020)? - Buy groceries online, Buy online retail (non- grocery) (n=1,000)

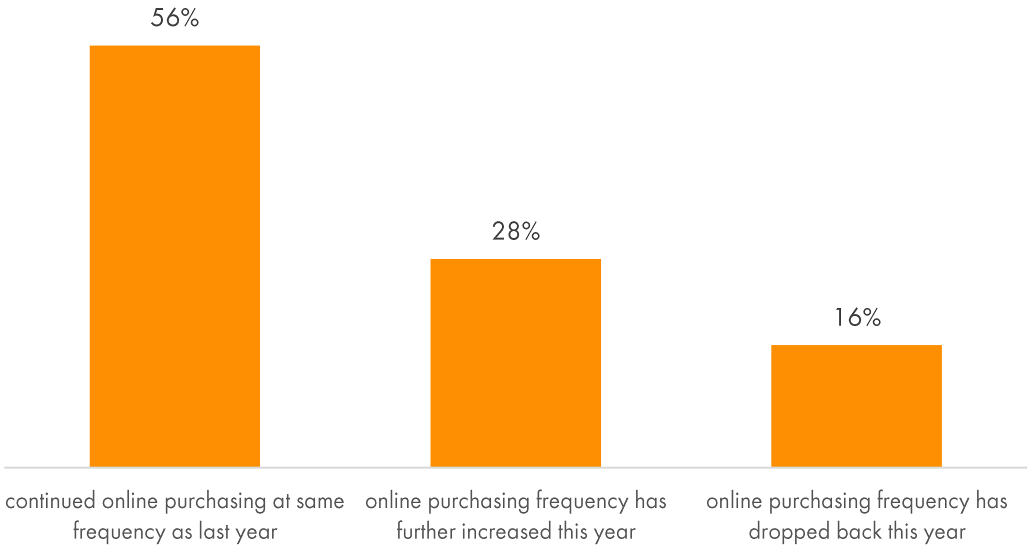
covid has influenced shopping behavior.

most of those who increased online shopping during covid have sustained this increase or purchased even more frequently in 2021 – 84% for retail and groceries

buying retail online so far in 2021
(amongst those who increased online shopping frequency last year)



buying groceries online so far in 2021
(amongst those who increased online shopping frequency last year)



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Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - You have said that your frequency of purchasing online increased during COVID in 2020, so far in 2021 has your frequency of online purchasing changed again? - Buy groceries online, Buy online retail (non- grocery) (n=639)

covid has influenced shopping behavior.

net agree
“after covid-19 is gone I will both continue shopping online more and return to stores more”

50%

comparison to UK 31%

net agree
“while I may be shopping online more now, I plan to return to shopping in person more again once the pandemic is over”

36%

comparison to UK 52%

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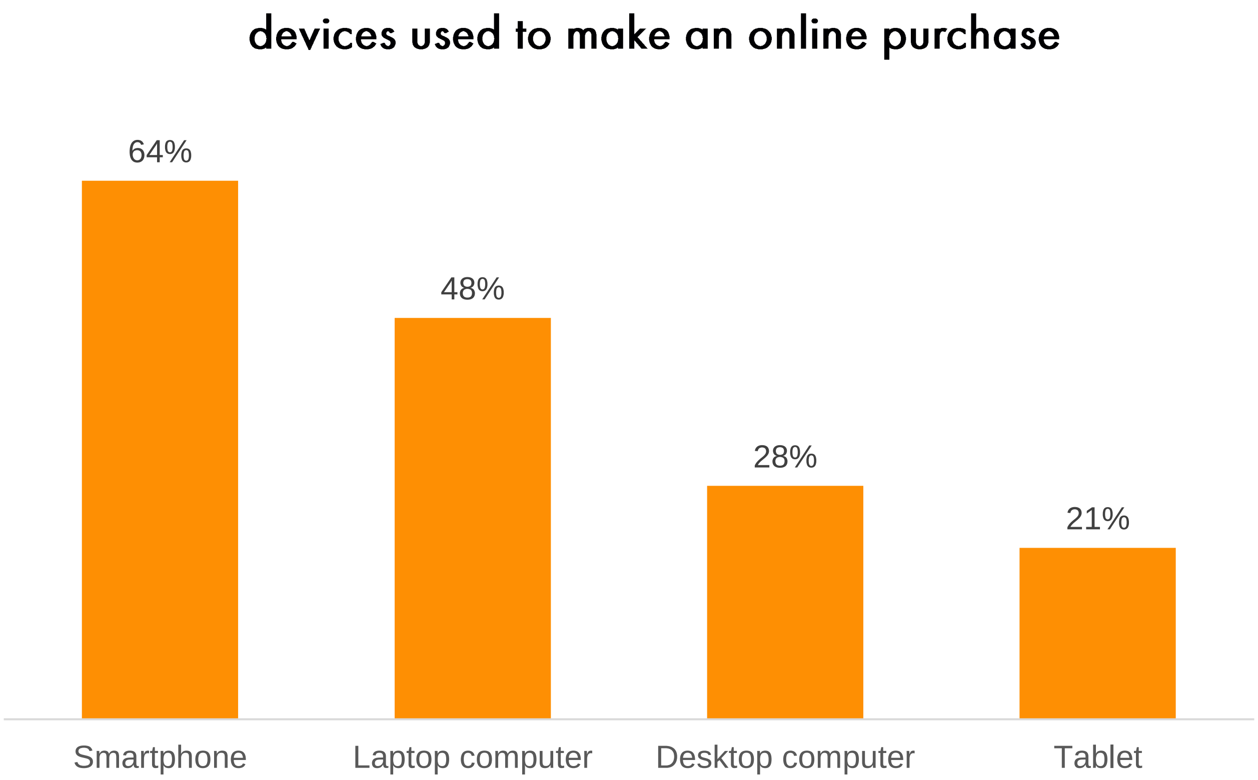
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021; IAB UK Real Living: Understanding ecommerce Study
Q - Thinking about when you shop either online or in person, how much do you agree or disagree with the following? (n=1,000)

devices used for online shopping.

Smartphone is the most used device when shopping online.



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - Which device have you used to make an online purchase? (n=1,000)

buying behaviour.

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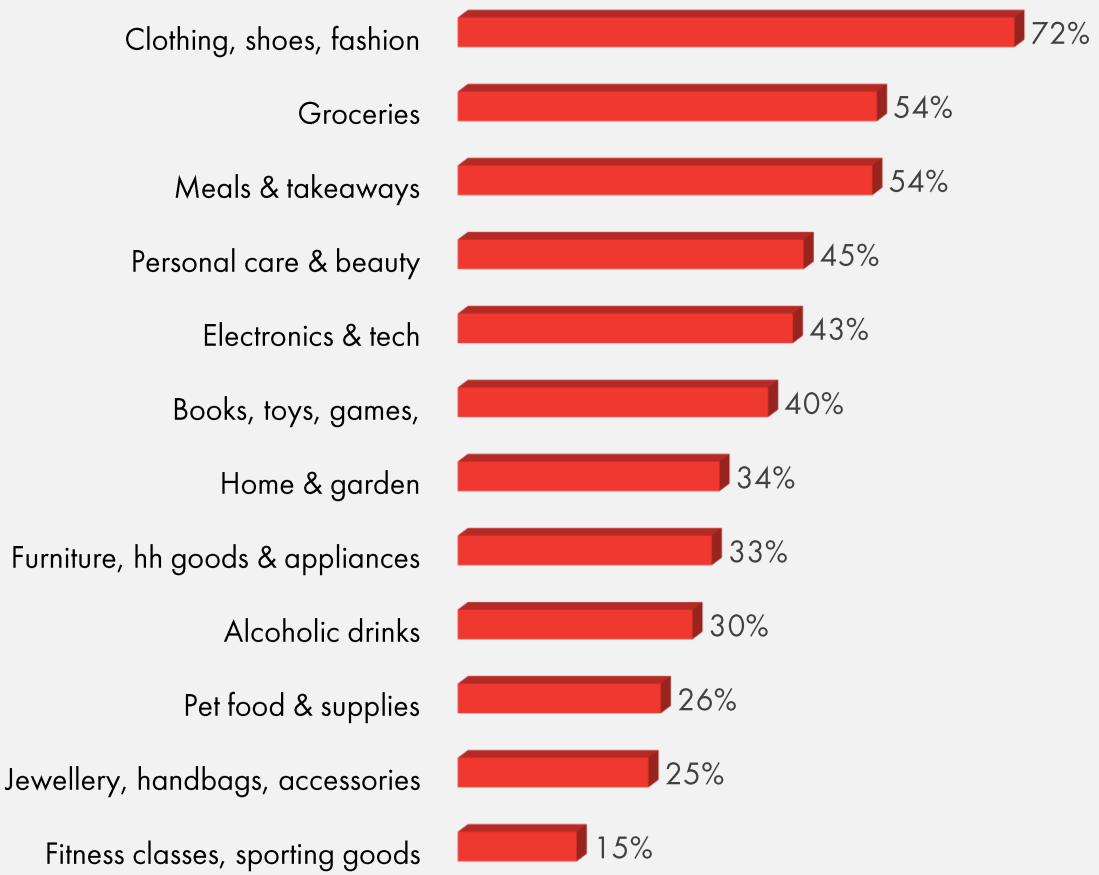
what is being purchased?

Some age and gender differences in purchasing

- Clothing fashion and shoes more likely female (78%) and aged 18 to 39 (80%)
- Meals and takeaways more likely aged 18 to 49 (65%)
- Personal care and beauty products more likely purchased by females (61%)
- Electronics and technology more likely purchased by males (53%) and 30 to 39's (52%)
- Home and garden products more likely purchased by 50 to 59's (38%)

products bought online in the last 12 months



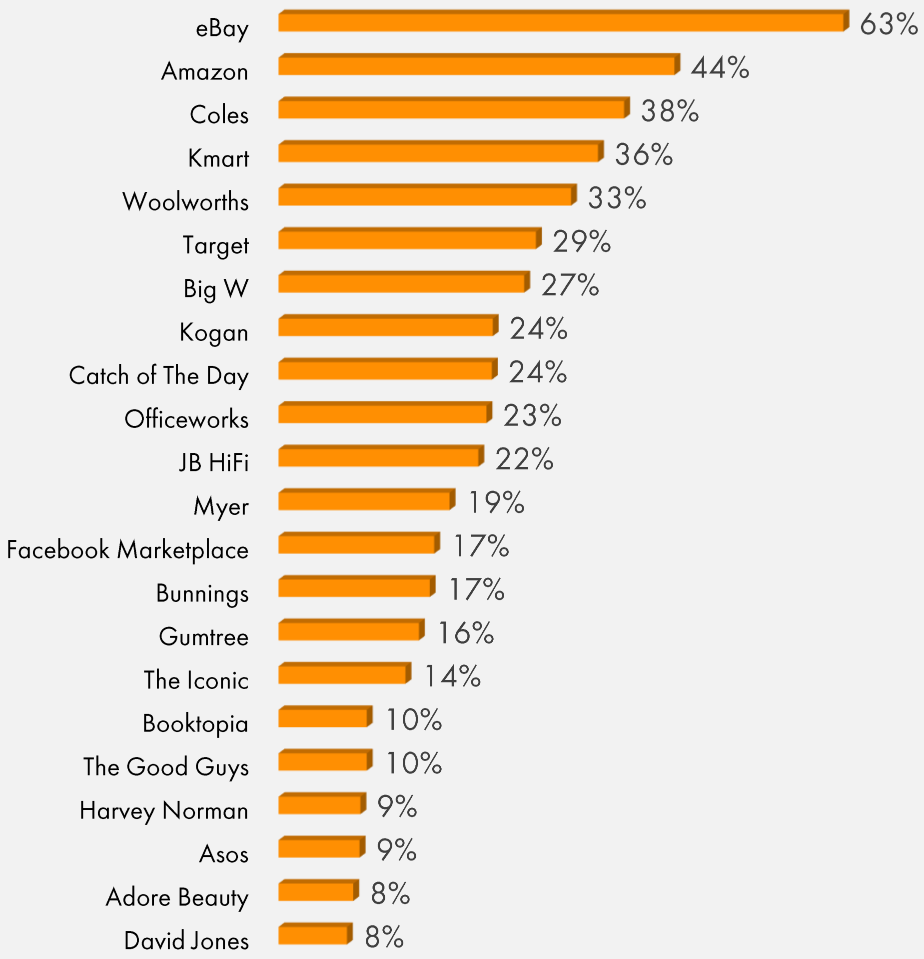
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - Which products have you bought online in the past 12 months (n=1,000)

who are we purchasing from?

Some age and gender differences in purchasing.

- Big W (33%), Target (36%) and Kmart (43%) more likely female shoppers
- Amazon more likely to be male shoppers (48%)
- Coles and Woolworths equally male or female shoppers.
- Older shoppers more attracted to eBay, Kogan, David Jones, Harvey Norman

online retailers and marketplaces purchased from in last 12 months



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Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - In the past 12 months, from which of the following retailers and marketplaces have you purchased online? (n=1,000)

community connections during covid.

34%

buying more things online
from smaller businesses

comparison
to UK

48%

46%

buying more things online
from local retailers

comparison
to UK

47%

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - Thinking about when you shop either online or in person, how much do you agree or disagree with the following? (n=1,000)

positive online shopping experiences are reinforcing behaviour.

67%

my online shopping experience has been is rewarding

Monthly online shoppers 73%

68%

I look forward to online shopping again

Monthly online shoppers 74%

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - Thinking about when you shop either online or in person, how much do you agree or disagree with the following? Net agree (n=1,000)

drivers & influences.

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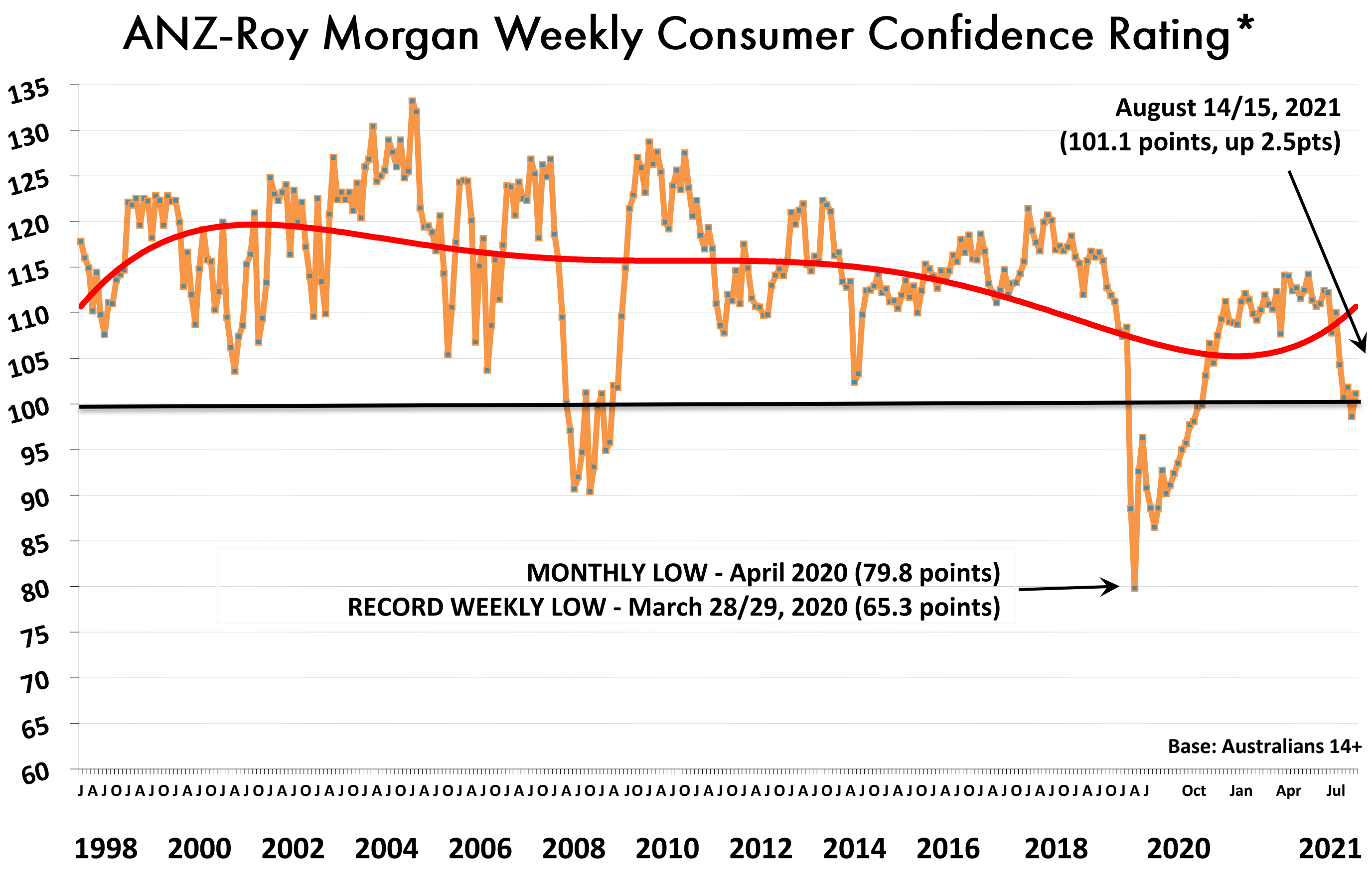
spending is under pressure, but research, convenience and trust can increase confidence.



27%

if I trust a brand, I am happy to buy it without looking at the price

48%

I am prepared to pay more for products that make my life easier

70%

if I'm buying a brand for the first time I always research it before making the purchase

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*ANZ-Roy Morgan Weekly Consumer Confidence Rating 17 August 2021

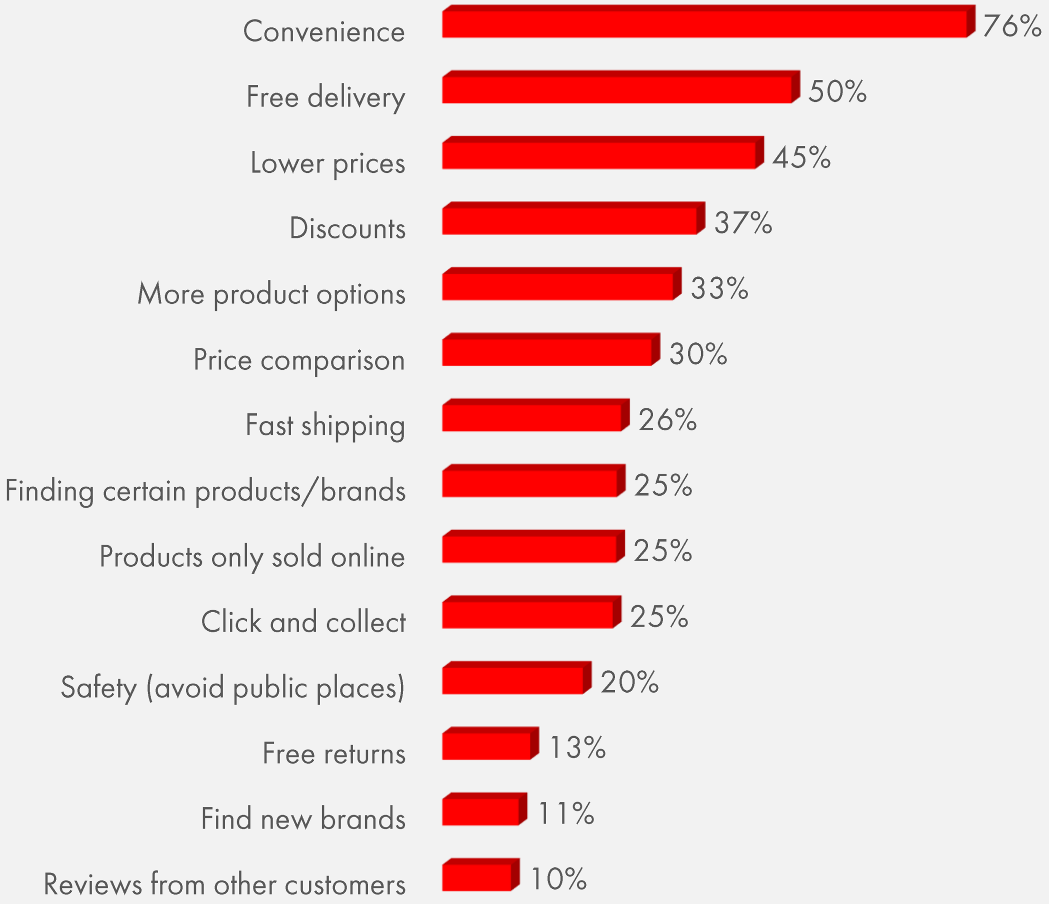
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021 Q - Thinking about when you shop either online or in person, how much do you agree or disagree with the following? Net agree (n=1,000)

online purchasing drivers.

Some age and location differences in purchasing drivers.

- In SA and WA markets convenience and faster shipping are lower drivers than for people in NSW, Vic and QLD
- SA and WA markets driven slightly more by product options and finding certain products.
- Faster shopping is a higher driver in NSW and Vic than it is in SA and Qld
- Safety and avoiding public places was a higher driver in Vic at the time of the survey.
- Under 40's more price driven, where over 40's more driven by products

reasons for buying online



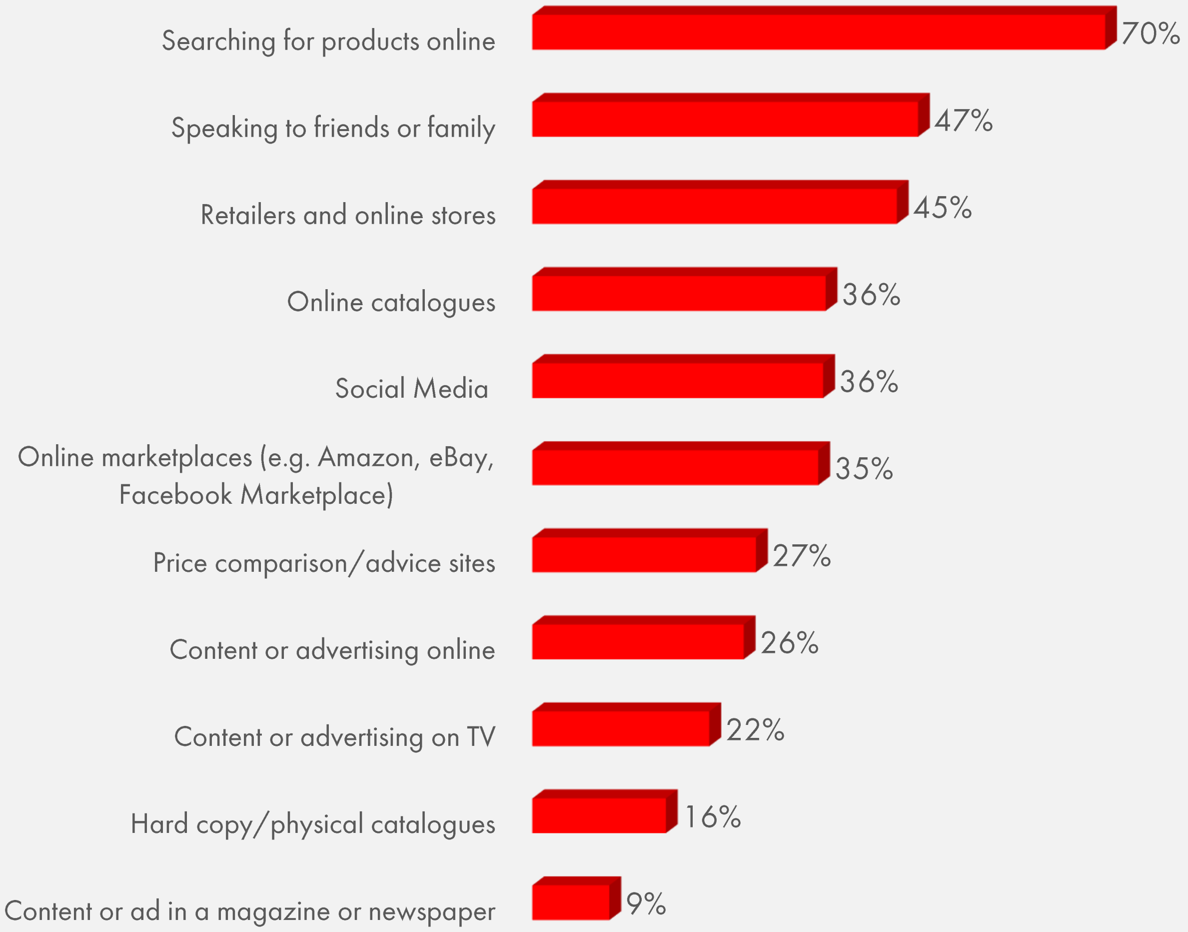
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - Why do you buy online? (n=1,000)

sources for inspiration & discovery.

Some age differences in inspiration sources.

- For 18 to 29's search and social are equally the number 1 source for inspiration (60%). They are also the most reliant on speaking to friends or family (55%).
- Over 40's more reliant than under 40's on retailers themselves for inspiration.
- 30 to 59's are using online catalogues for inspiration (39%), while 18% using physical catalogues.
- 50 to 59's are the most reliant on search as a source (77%).

sources used for product inspiration and discovering brands when shopping online



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Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - When buying something online, what sources do you use for product inspiration and discovering brands? (n=1,000)

social media & influencers.

37%

net agree
social media is now an important part of how I find products I go on to buy

Millennials

50% AU
56% UK

23%

net agree
influencers on social media are a useful source to help me discover new products

34% AU
52% UK

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - Thinking about when you shop either online or in person, how much do you agree or disagree with the following? (n=1,000)

retail marketing.

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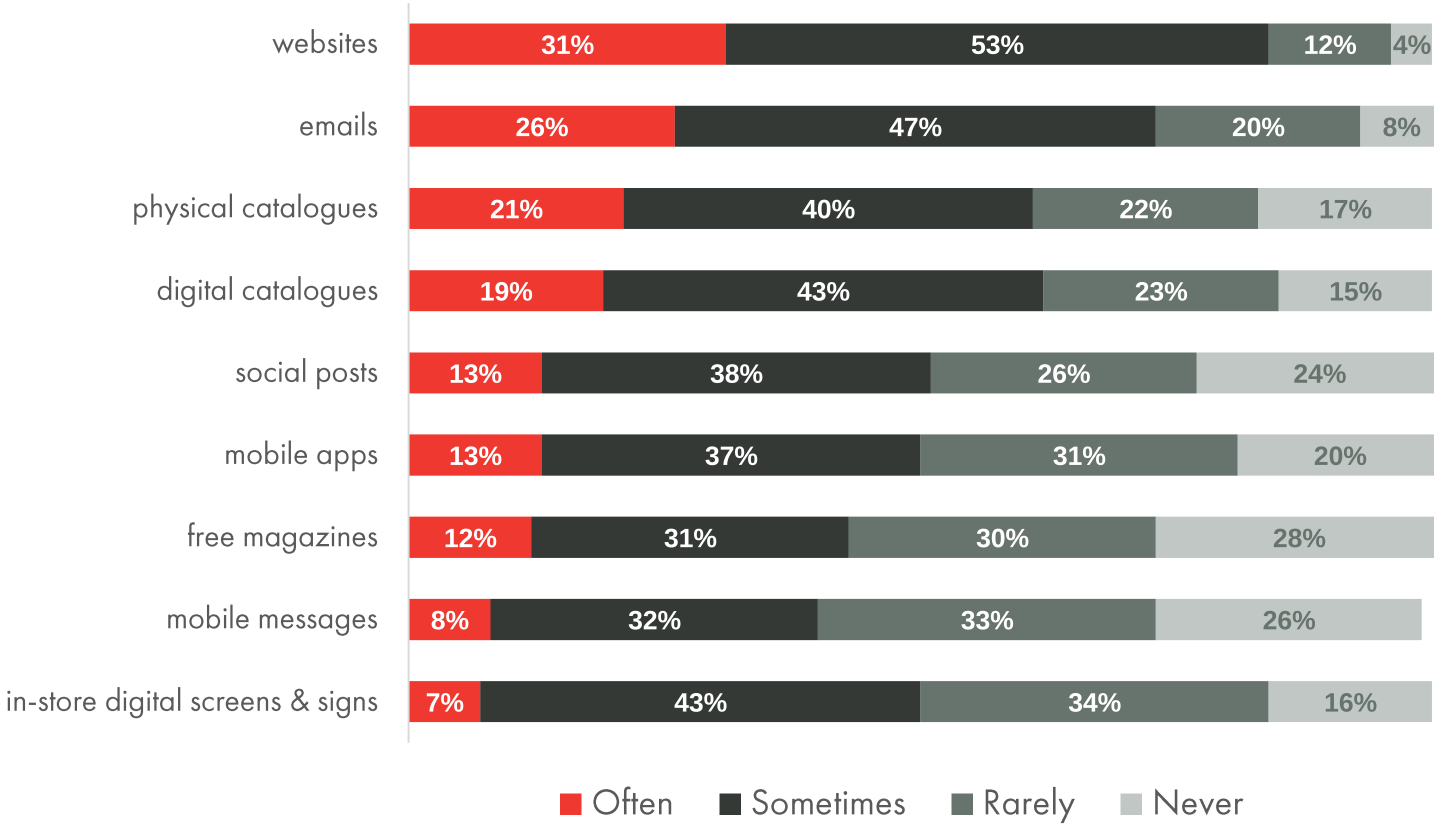
retailer communications consumed.

59% often read content produced and distributed by retailers.

Frequency read content produced and distributed by retailers



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How often do you read content produced and distributed by retailers in the following ways? (n=1,000)

rewards programs.

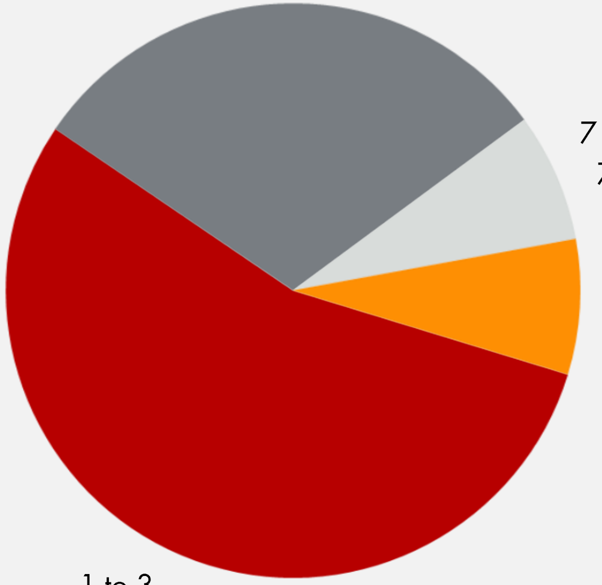
9 in 10 online shoppers signed up to at least 1 shopper rewards program.

45% of those signed up to a rewards programs have 4 or more cards.

Some profile differences amongst heavy rewards program users (4 or more cards).

- More likely to be female (54%).
- More likely aged under 40 (50% of 18 to 39's)
- More frequent online shoppers for retail non-grocery (53% of those purchasing online weekly).

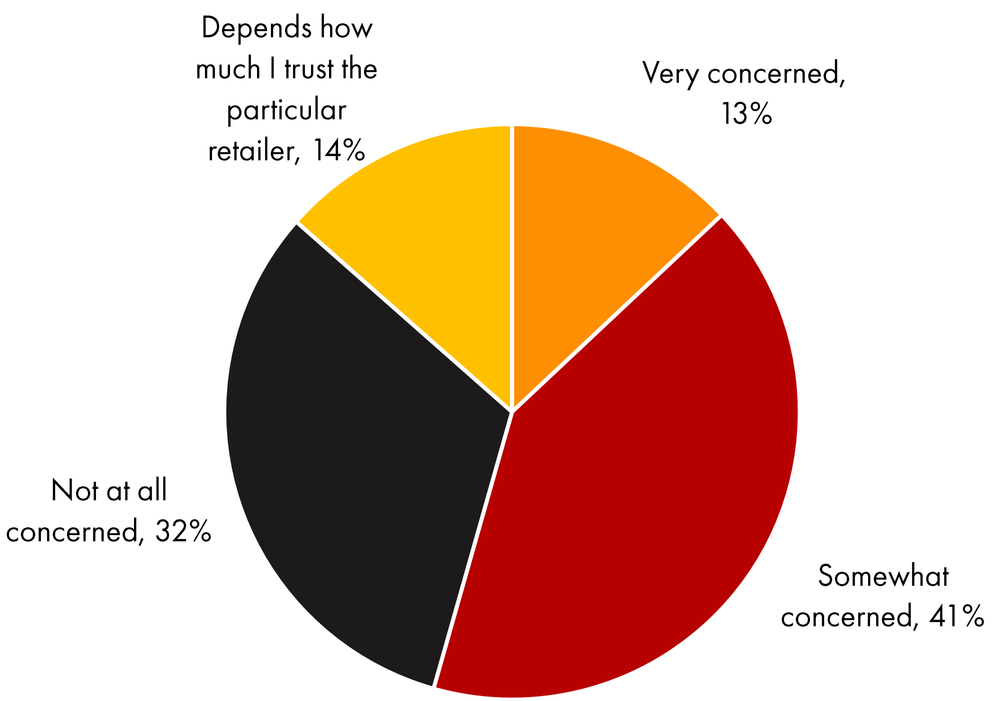
number of retail loyalty programs or shopper rewards cards signed up to



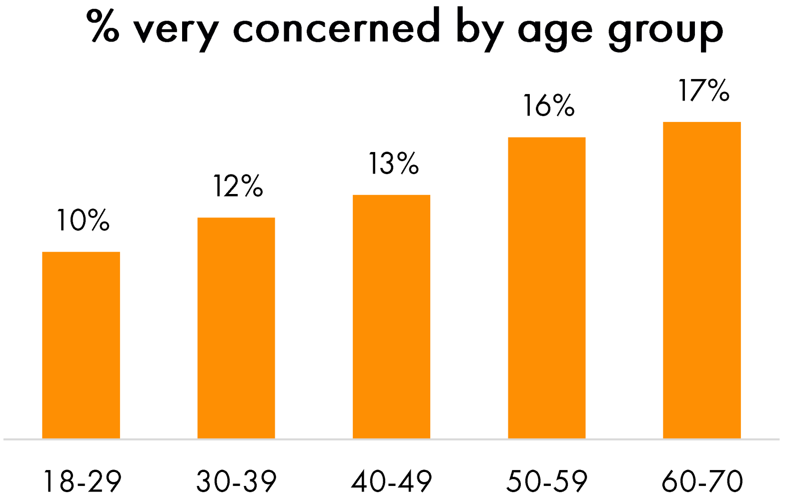
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How many retail loyalty programs, or shopper rewards cards are you signed up to? (n=1,000)

trust and transparency key for loyalty programs.

level of concern about how retailers use personal data supplied via loyalty programs



54% very or somewhat concerned

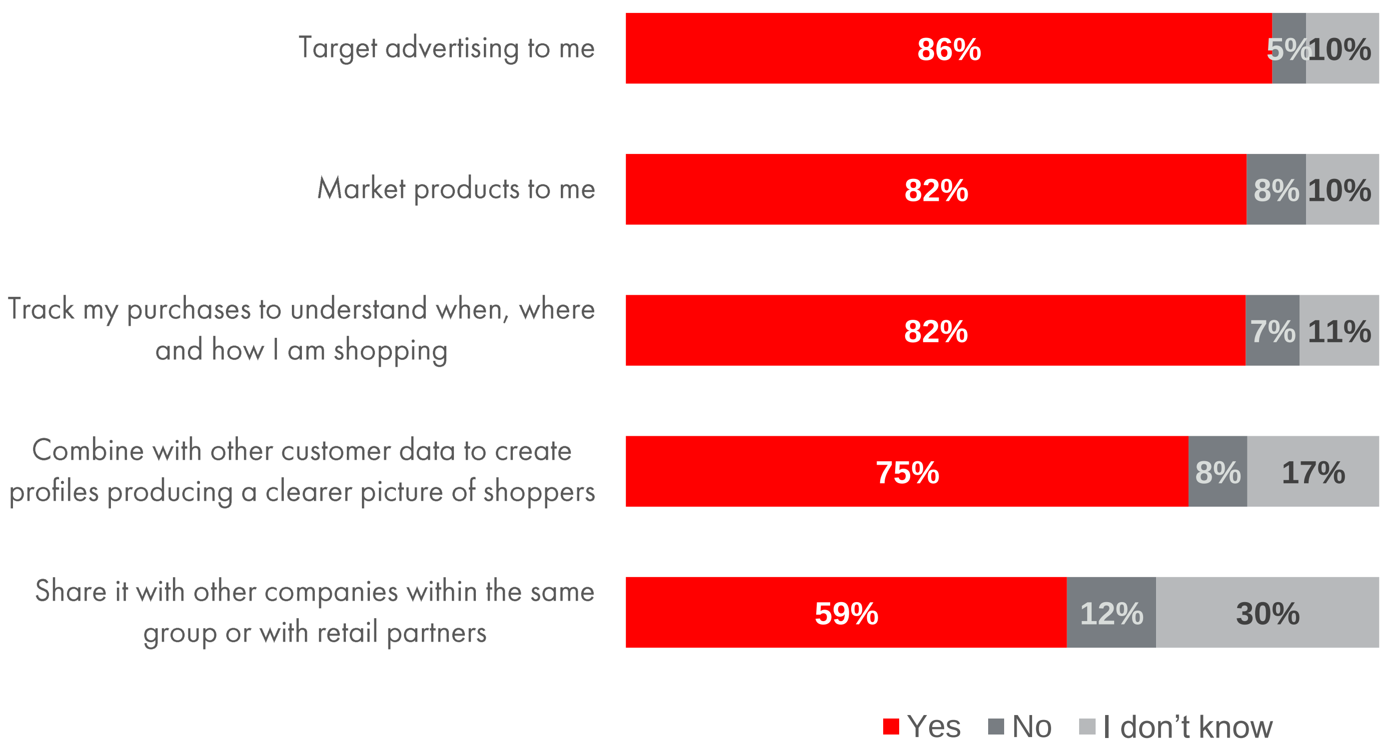


Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How concerned are you about how retailers use the data about you that you provide to them via the loyalty program or reward card? n=1,000)

loyalty program data usage.

Nearly a third (30%) don't know if the retailer shares their data provided through loyalty programs with other companies.

what do shoppers think retailers do with their data provided through loyalty programs?
(amongst those with a loyalty card)



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021

Q - Thinking about the loyalty programs or reward cards you use while shopping, what do you think the retailers do with the data you are providing them? (n=909)

direct to consumer.

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what is a direct brand?

Direct brands are redefining what it means to be a customer-centric, data driven business.

Part of the changing digital landscape is the emergence of direct-to-consumer brands disrupting a variety of categories. Digital sits firmly at the heart of the way these brands communicate, deliver and even make their products. They are born and thrive online.

Direct brands:

- sell goods entirely or primarily through their owned-and-operated digital channels
- create value by tapping into low-barrier-to-entry, capital-flexible, leased or rented supply chains
- bypass established routes to market to offer convenient, high-quality, personalised products
- use first-party data relationships to fuel all significant functions of their businesses

The IAB Australia Direct Brands Report in 2020 found:

The current economic and social climate has highlighted a shift to rewarding the strengths of direct brand businesses. A nimble business model, strong brand purpose, empathetic mission-based marketing, combined with classic marketing expertise in all areas (promotion, price, product and distribution) are contributing to a resilient direct brand landscape.

Download IAB Australia Direct Brands Report 2020 for more information.

what is a direct brand?

Sell goods entirely or primarily through their owned and operated digital channels.

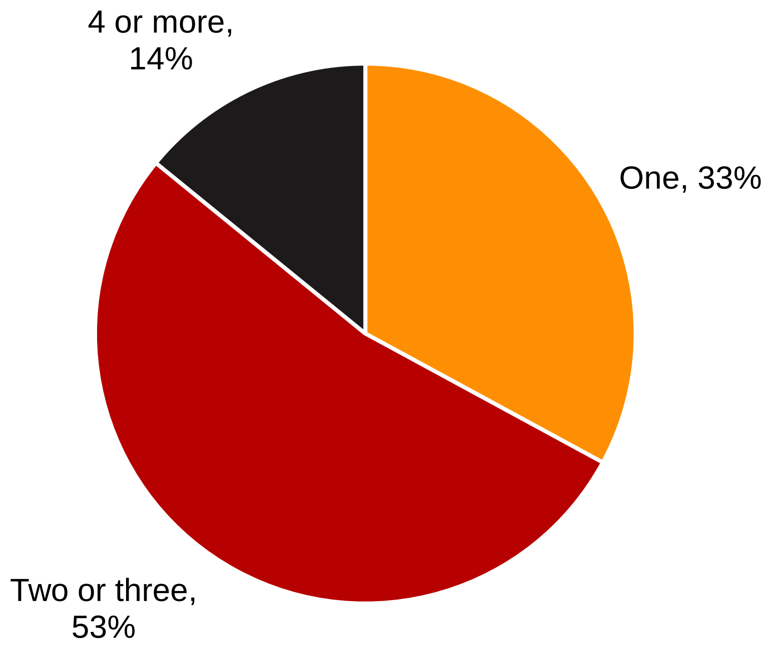
In our survey, for a brand to be 'direct to consumer' it needed to meet the following criteria:

- ✓ Sell physical products (i.e. a bag, mattress or toothbrush, not media or transport)
- ✓ Sell all, or almost all, product online (i.e. could have a small number of physical retail outlets or a stand in a department store, but online is the main channel)
- ✓ Offers a product that wasn't available before or has an innovative way of selling (i.e. product subscription service, smart returns policies, etc)
- ✓ Is not a store that stocks multiple other brands (i.e. The Iconic, Coles Online, Myer Online, etc)

direct brand shopping.

Half (49%) of online shoppers have purchased a direct brand, a third have purchased multiple direct brands.

number of different direct brands purchased
(amongst those who have purchased a direct brand in the last 12 months)



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How many different 'direct to consumer' brands have you purchased in the last 12 months? (n=1,000)

direct brand shoppers.

direct brand shoppers are not just millennials, but they are younger and more frequent online shoppers.

women

54%

men

46%

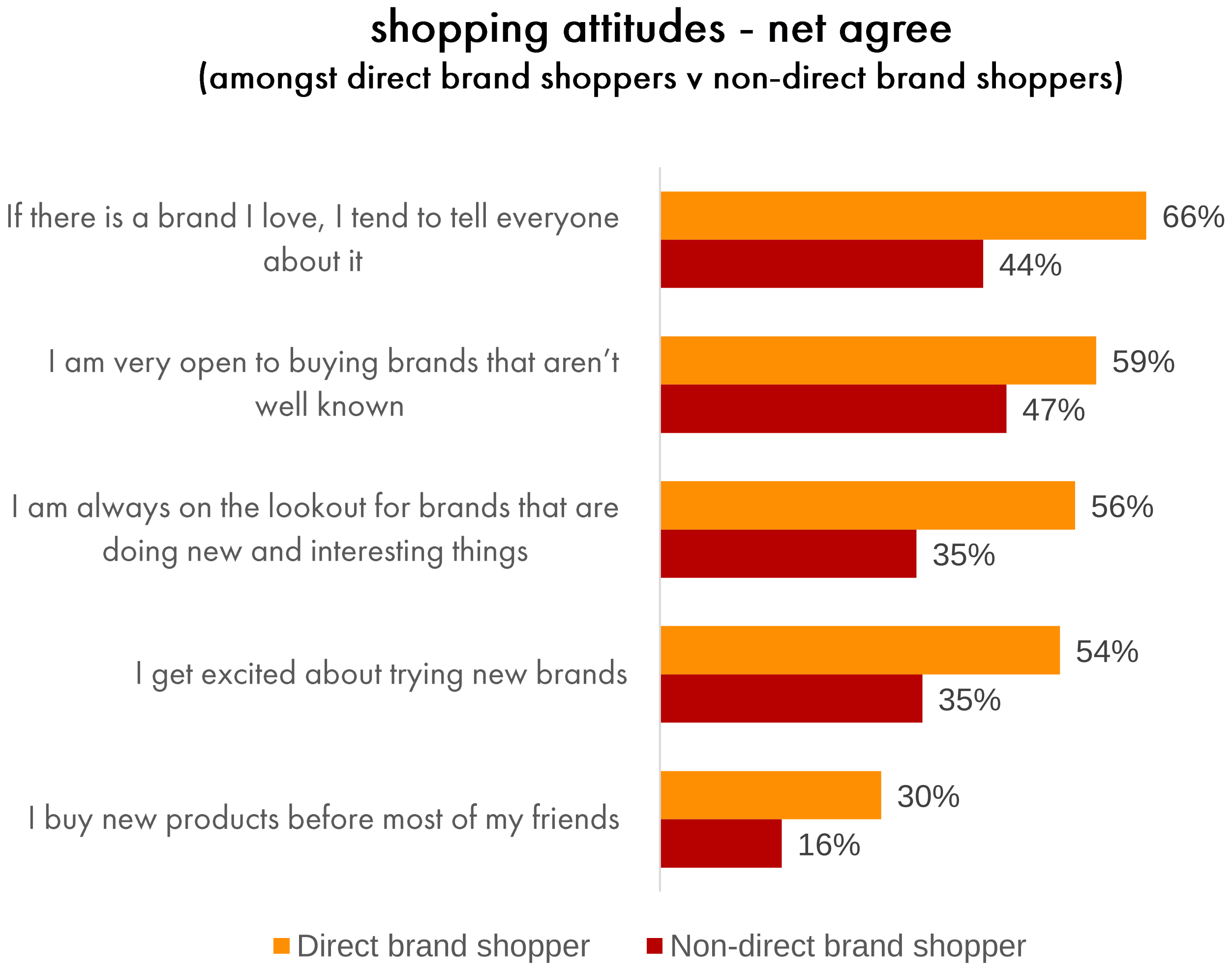
age

online shopping frequency

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q - How many different 'direct to consumer' brands have you purchased in the last 12 months? (n=489)

direct brand shopper attitudes.

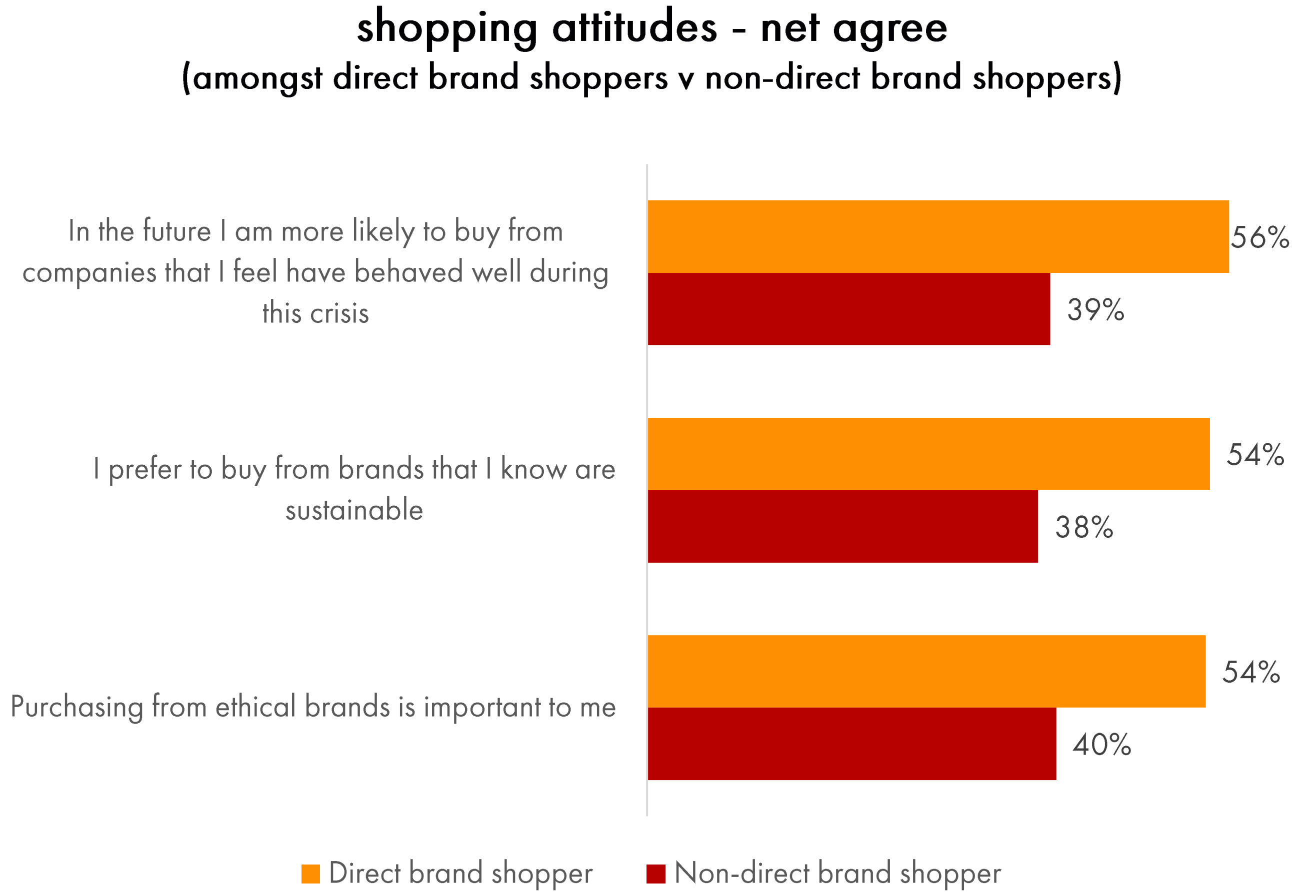
Direct brand shoppers are more adventurous when it comes to trying new brands.



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q -Thinking about when you shop either online or in person, how much do you agree or disagree with the following? (n=1,000)

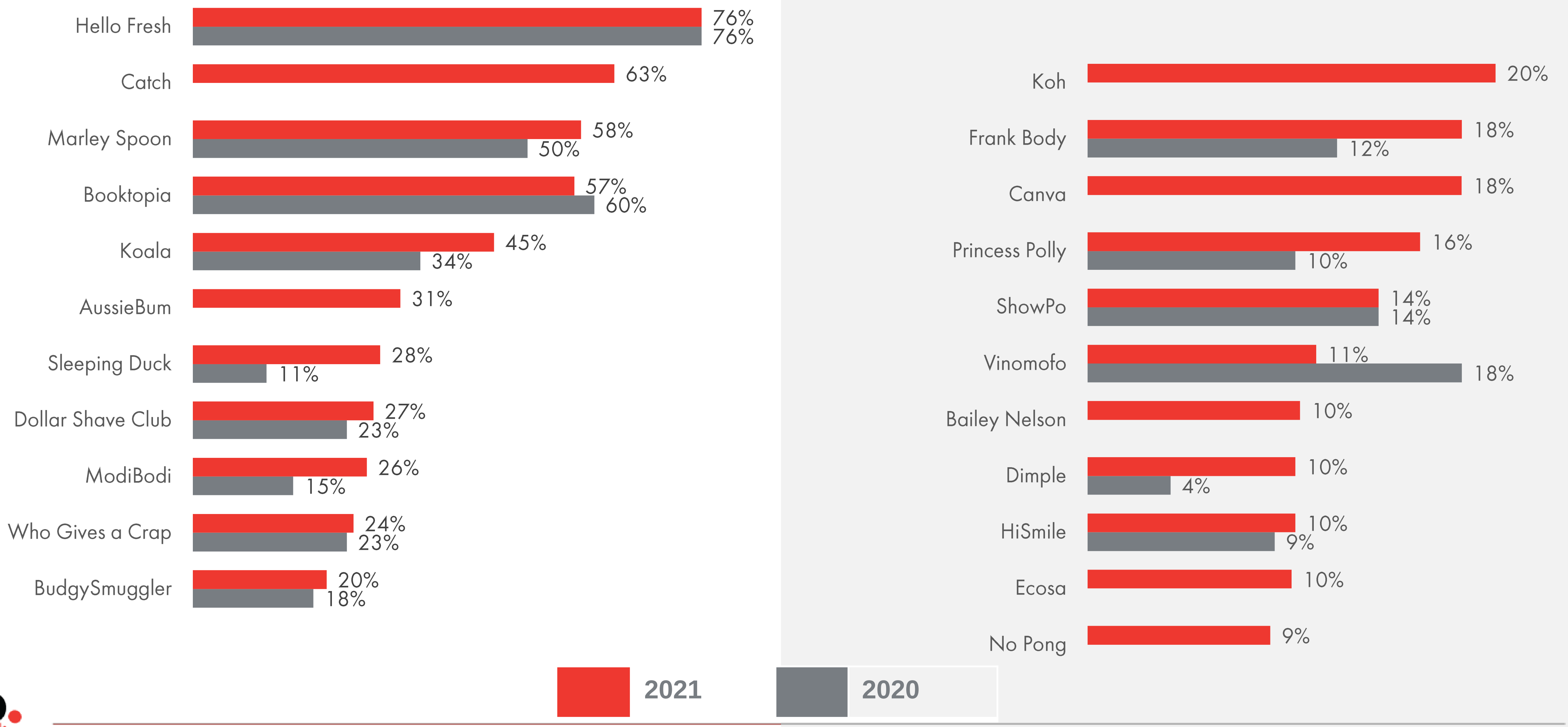
direct brand shopper attitudes.

Ethical and sustainable propositions resonate more strongly with direct brand shoppers.



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q -Thinking about when you shop either online or in person, how much do you agree or disagree with the following? (n=1,000)

awareness of direct brands.

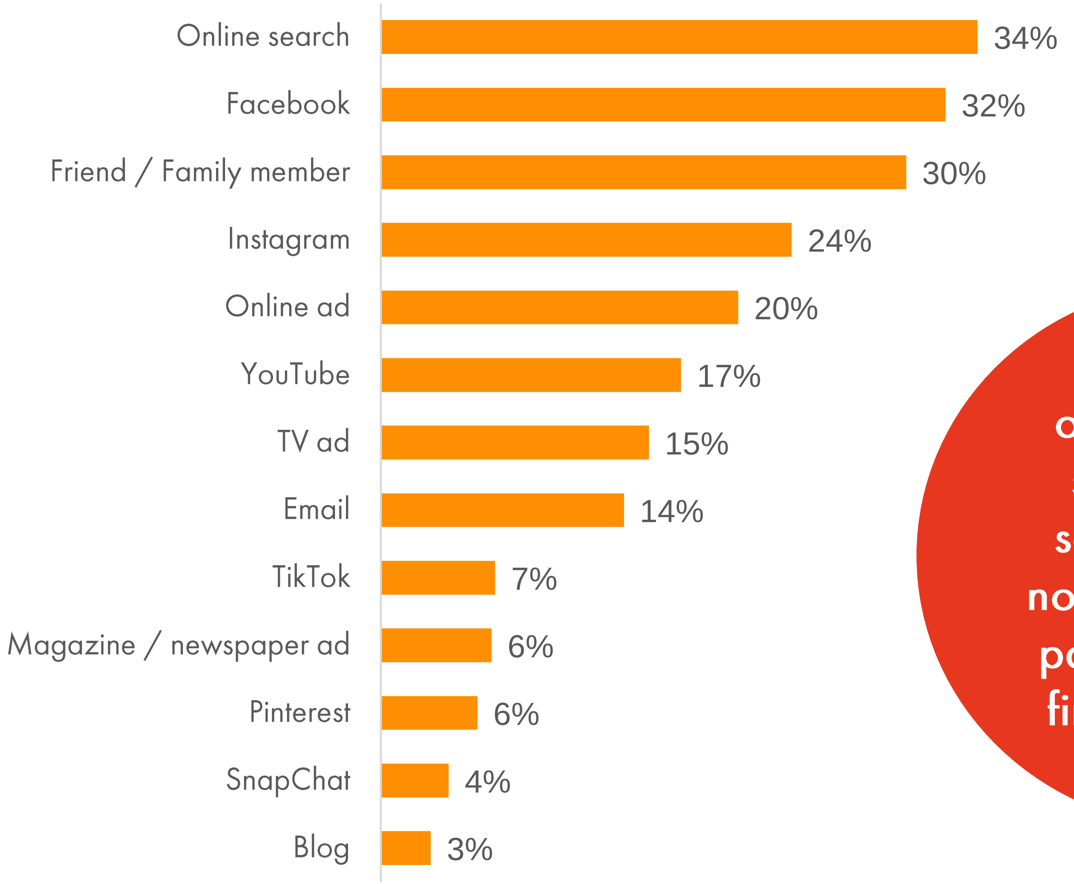


Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q -Which of these brands have you heard of before today? (n=489)

direct brand discovery.

Search and social remain where most shoppers first discovered their favourite direct brand.

where shoppers discovered their favourite direct brand
(amongst direct brand shoppers)



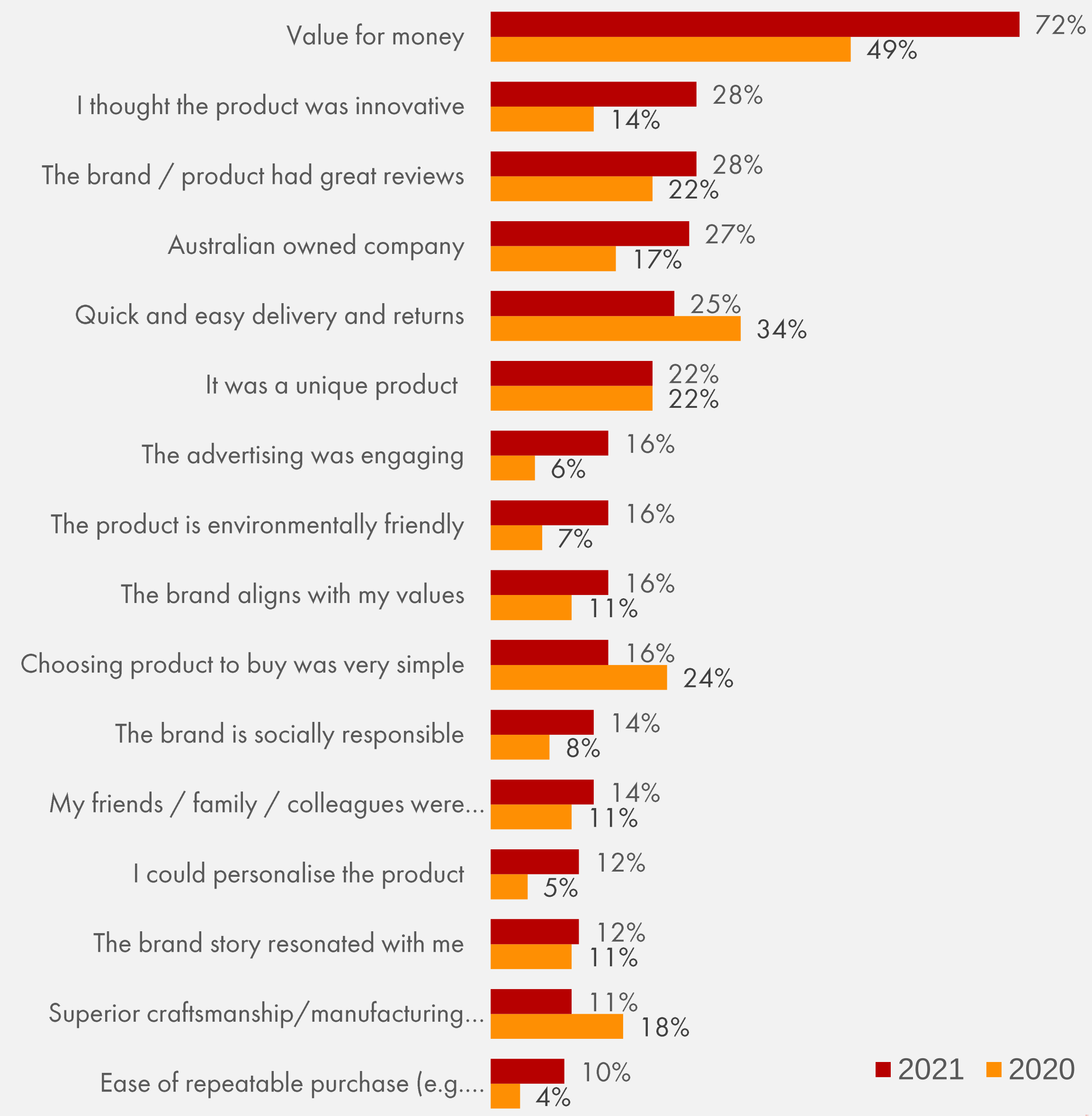
45% of direct brand shoppers say social media is now an important part of how they find products to buy.

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q -Again, thinking about your favourite 'direct-to-consumer' brand, how did you hear about that brand before you made your first purchase? (n=489)

Significant changes in direct brand **buying triggers.**

Why do Australian's shop for direct brands?

- Value for money has increased as a compelling reason for choosing direct brands this year.
- Other hygiene factors such as being simple to buy and having quick and easy returns are not distinguishing direct brands as much as they did last year.
- Brand proof points such as innovation, personalisation, socially responsible, environmentally friendly and Australian owned have become more compelling reasons for purchasing a direct brand.

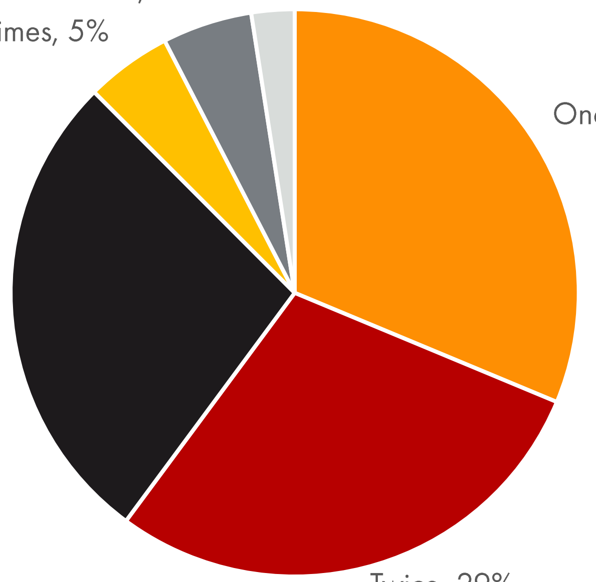


Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021
Q -Thinking about what attracted you to buy the 'direct-to-consumer' brand/s you have purchased, what did you find compelling? (n=489)

direct brands maintain customer loyalty.

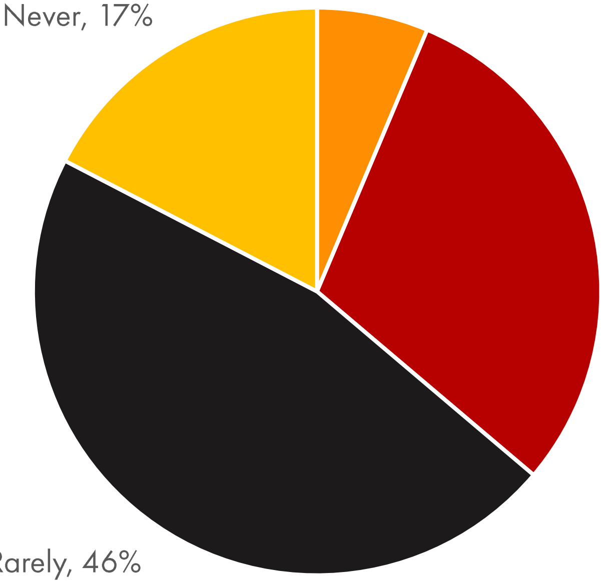
7 in 10 have purchased their favourite direct brand on multiple occasions

frequency favorite direct brand purchased
(amongst those who have purchased a direct brand in the last 12 months)



nearly two-thirds would rarely or never buy their favourite direct brand product from different business

frequency of buying product from a different business
(amongst those who have purchased a direct brand in the last 12 months)



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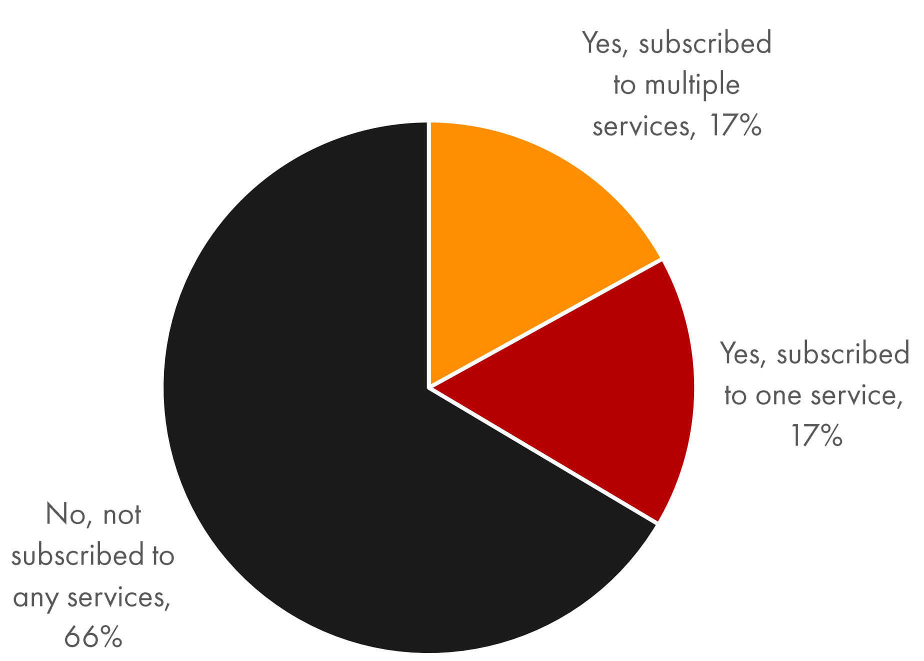
Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021. Q -Thinking about your favourite 'direct-to consumer' brand, how many times have you bought from this brand? ; Again, thinking about your favourite 'direct-to-consumer' brand, how often do you also buy this product from a different business? (n=489)

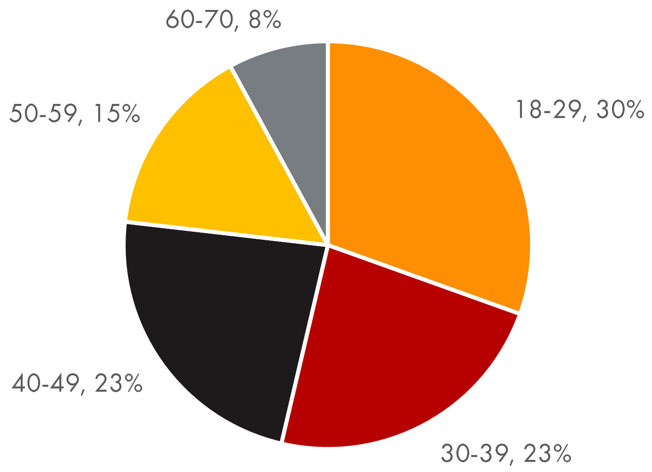
direct brands subscription trends.

subscription to product delivery services
(amongst those who have purchased a direct brand in the last 12 months)



34% of direct brand shoppers have a delivery subscription

Amongst those subscribers over half (54%) are aged under 40.



Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021.
Q - Are you currently subscribed to any product delivery services (e.g. meals, cleaning products, toilet paper, wine etc)? (n=489)

direct brand subscription trends.

Subscriptions to product delivery services amongst direct brand shoppers have increased from 13% in 2020 to 34% in 2021 with convenience an increasing driver.

what is liked about subscription delivery services
(amongst those who have a subscription)

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021.
Q - What do you like about product delivery services? (n=489)

key takeaways.

Pureprofile

iab. australia

Five key takeaways for ecommerce.

1. Online retail is here to stay, and advertisers should place ecommerce at the heart of their 2022 strategies.

2. Consumers are buying more local, sustainable and ethical brands, an opportunity for brands to develop a sense of community and connection and authentically showcase their values and ethical credentials.

3. While shopper rewards programs are popular, trust and increased transparency is key as there is significant consumer concern and lack of knowledge on what retailers do with data provided to them.

4. Convenience is the biggest driver of online shopping and worth paying a premium for. Positive omni-channel experiences are needed to reinforce behaviours as we move into post lockdown world.

5. Direct brands should amplify communication of brand proof points (e.g., innovation, personalisation) over hygiene factors as these have become more compelling reasons for purchasing a direct brand.

Source; IAB Australia and Pureprofile Australian Ecommerce Report September 2021. n=1000

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