Inside Australian Online Shopping

Quarterly eCommerce update

July 2023

Australia Post

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Executive Summary

The retail environment continues to pose challenges as businesses navigate 2023. **Both in-store and online retail have seen a slow-down in spending** as consumers look to reduce their spending in light of cost-of-living pressures.

Strategic shopping is the theme for 2023 with consumers being more selective with where and when they spend their money. Sales events continue to grow in popularity as consumers look for ways to maximise return on spend.

So far in 2023, the number of online purchases is declining, down 1% from last year. Although down overall, May boasted encouraging results, growing 5.7% YoY in online purchases. Despite a softening overall in online spend and purchases, household participation in online shopping continues to grow steadily.

With consumer confidence at persistently low levels, consumers are looking to save; seeking cheaper alternatives, expecting free delivery and returns, and choosing to shop during sales events.

For retailers, understanding the ‘strategic shopper’ is key to success in 2023 –

1. **Consumers are looking for added value** in their purchases
2. **Loyalty and engagement are crucial** to retain and attract customers
3. **Online sales events** continue to drive online shopping activity
4. **Simple and free returns** are becoming a customer expectation

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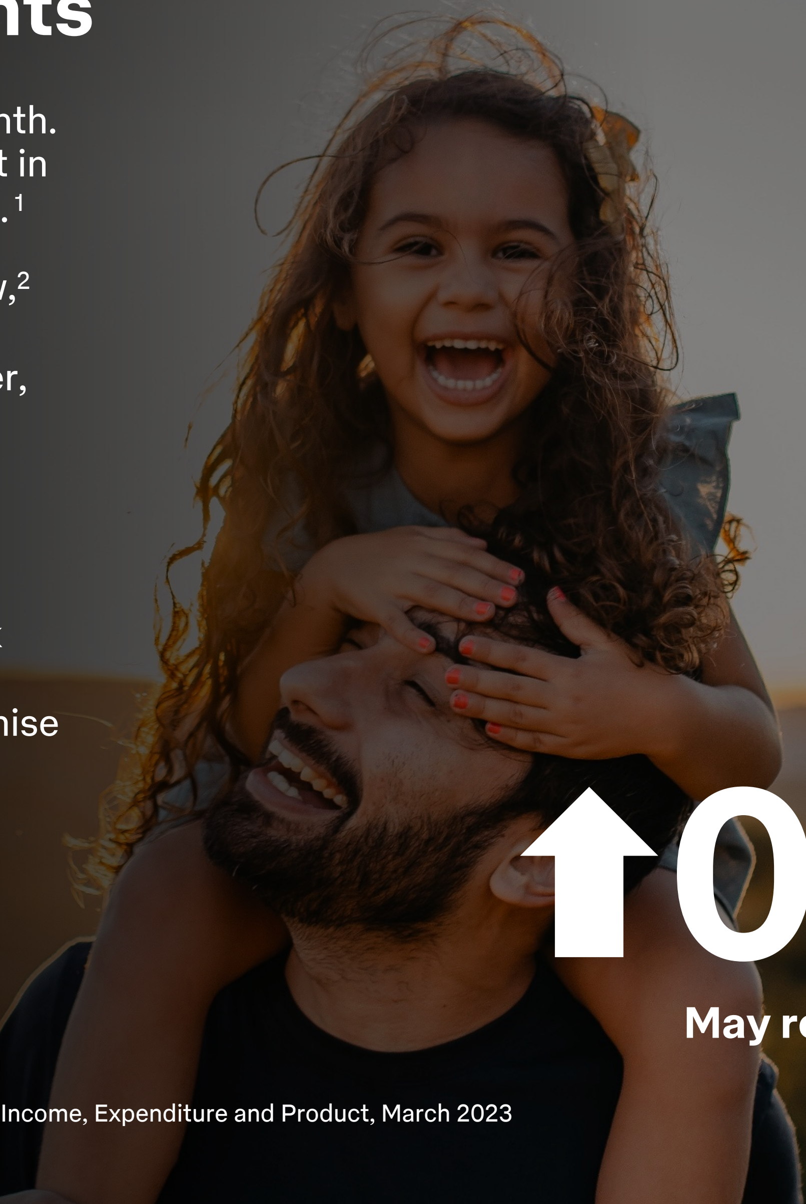
Retail turnover grew slightly in May as consumers took advantage of sales events

Total retail sales **grew 0.7% in May** month-on-month. The increase in turnover was supported by a boost in spend on discretionary goods, food and dining out.[1]

Household savings ratio has reached a 15-year low,[2] suggesting that consumption will no longer be financed by accumulated savings buffers. However, the latest retail figures indicate some resilience in retail spending, driven by consumers taking full advantage of sales events despite cost-of-living pressures.

Discretionary spending in May was driven by Click Frenzy Mayhem and Mother's Day sales events, as consumers continue to strive for ways to maximise value in their purchases.



↑0.7% MoM

May retail turnover

1. ABS Retail Trade, May 2023; 2. ABS Australian National Accounts: National Income, Expenditure and Product, March 2023

Online spend down 3.1% YoY in 2023, with smaller average basket sizes

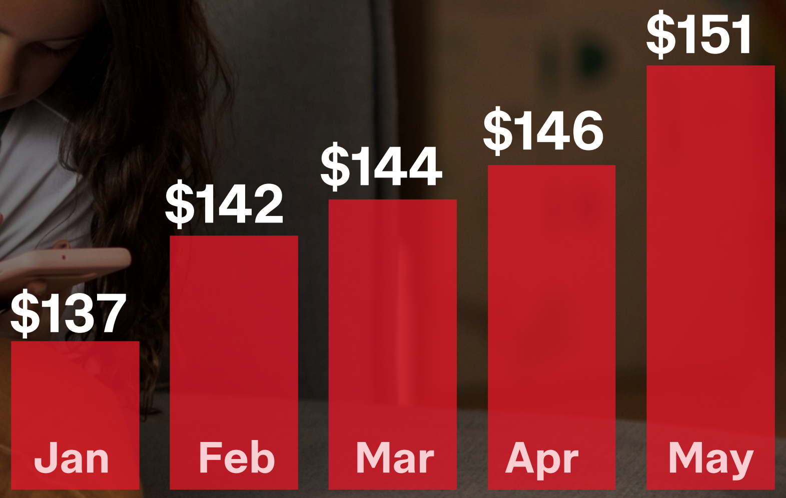
Compared to last year, consumers are spending less online overall, **down 3.1%.**[1] While household participation in online shopping remains strong, **basket sizes are averaging smaller than last year** – a sign that consumers are reducing their general spending.

Despite limited savings consumers are still showing a willingness to spend during key sales events with May boasting positive results. **Online spend in May grew 9.7% MoM and 0.6% YoY,** with basket sizes for **Fashion & Apparel** particularly thriving, a sign that consumers are **spending more strategically.**

$105 ↓6% YoY

Average basket size in 2023[1]

Average basket size for Fashion (online) growing in 2023, peaking in May 2023



Source: CommBank iQ

1. First 5 months of 2023. Only businesses >$1m turnover considered in assessment of average basket size

Household participation increasing, despite a softening in online spend

Household participation in online shopping is growing despite consumers spending less.

On average 5.5 million households made an online purchase each month in Q4, up 3.9% from last year. June recorded the highest household participation so far in 2023 with 350 thousand more households shopping online than in June last year.

For the full financial year, 9.4 million households (up 0.7% YoY) made an online purchase, representing around **82% of the total Australian population.**

5.5m ⬆3.9% YoY

Households on average made an online purchase each month in Q4

Number of online purchases up 1.7% YoY in Q4 but down slightly in first half of 2023

Looking at Q4, online purchases were up 3.4% on the previous quarter and 1.7% compared to the same time last year.

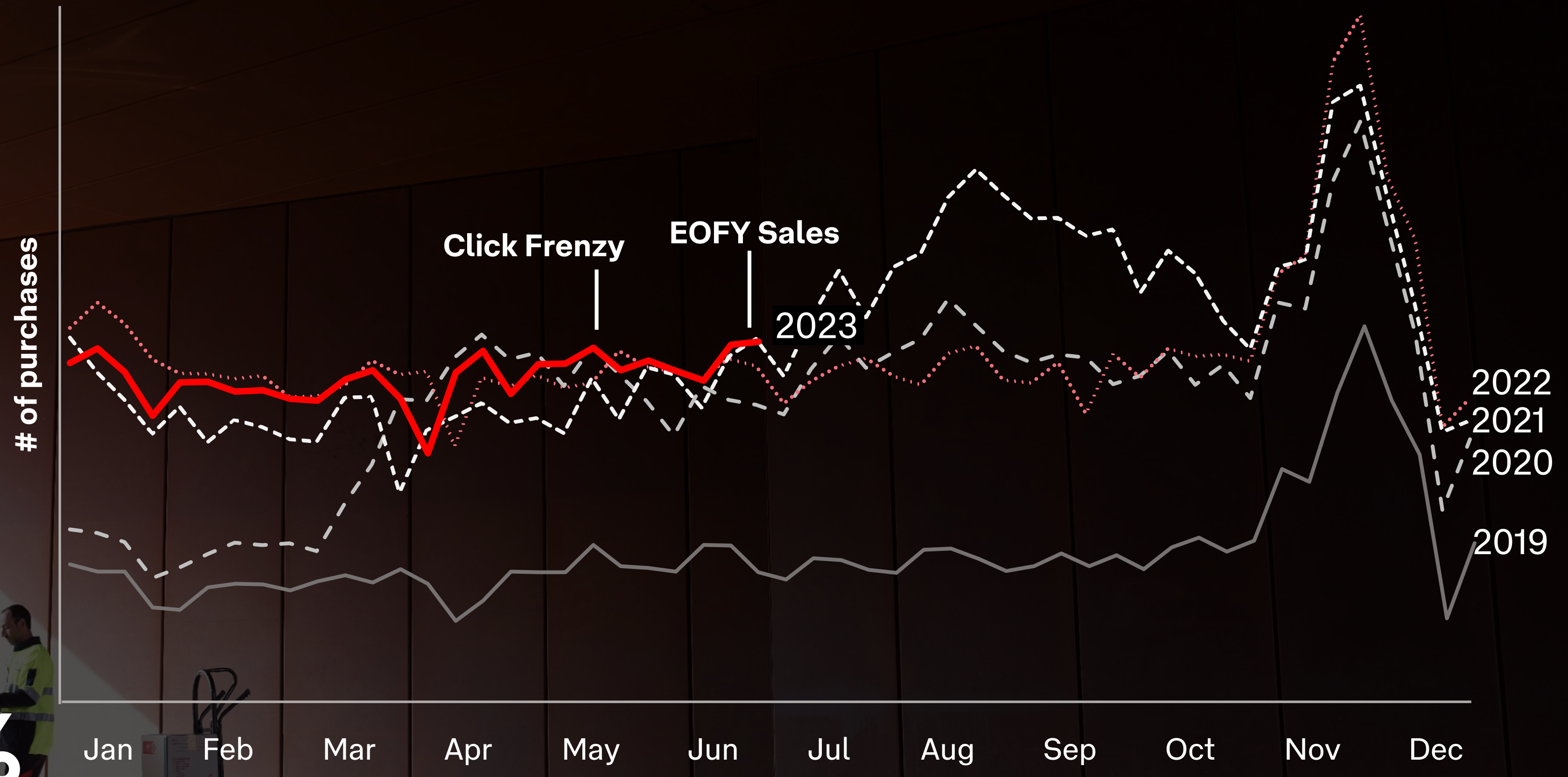
Positivity in Q4 was largely driven by the month of May, which saw strong **growth YoY (5.7%) and MoM (21.2%).**

Overall, 2023 is experiencing a softening in the number of online purchases. **In the first 6 months of 2023, online purchases were 1% lower than last year.**

↑1.7%
Q4 FY23 vs Q4 FY22

↑3.4%
Q4 vs Q3 FY23

Online purchase volume by week



Growth in regional areas continue to outpace metro

While online purchase growth in metro areas is more subdued, **regional areas continue to outpace metro, growing 4.2% YoY in Q4.** Online shopping was particularly **popular for residents in outer rural and remote Australia.**

NT, WA and **QLD** experienced the **greatest growth in Q4**, while **NSW** and **ACT** experienced a slight softening from last year.

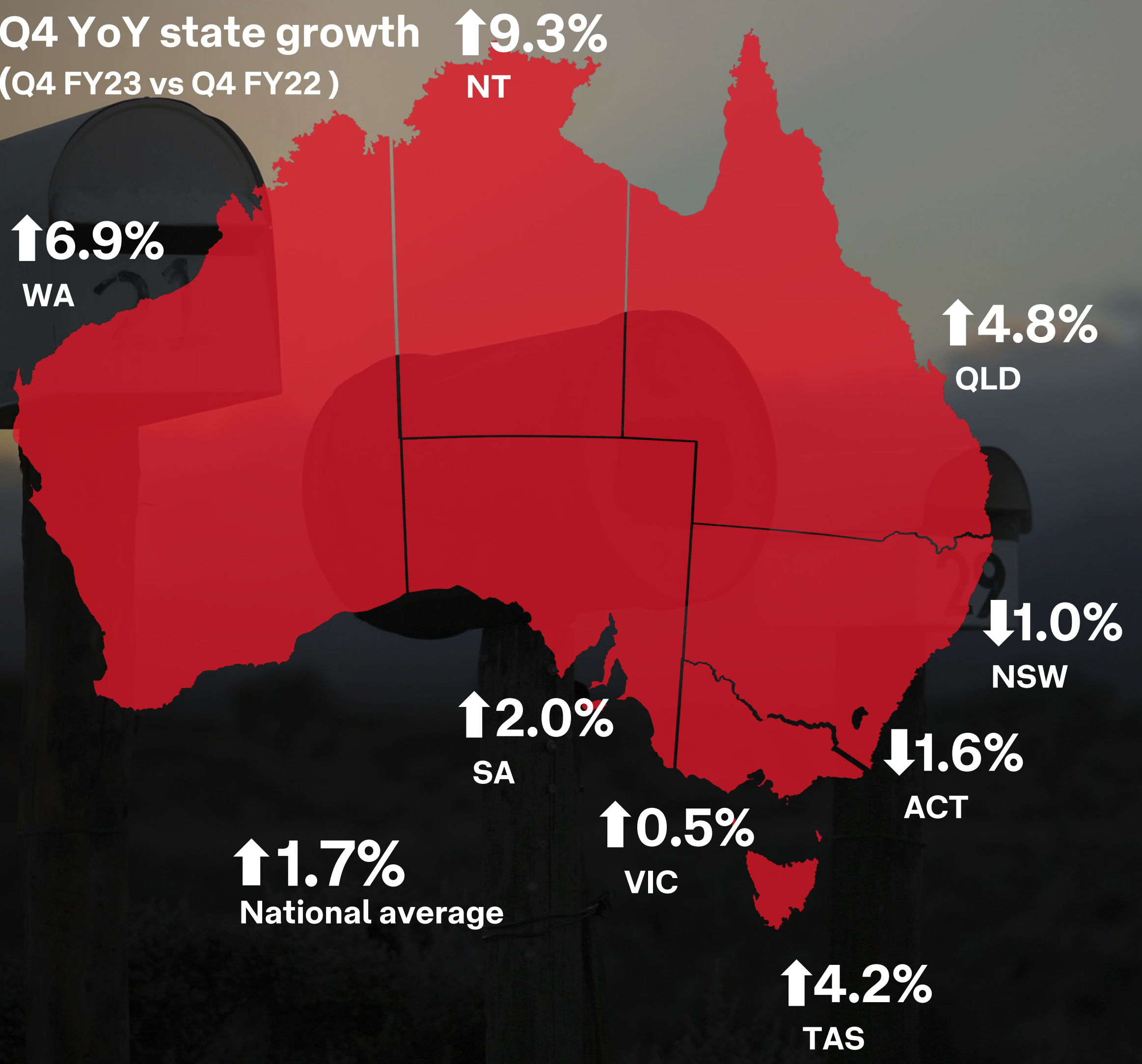
⬆0.7% YoY

Metro (Q4 FY23 vs Q4 FY22)

⬆4.2% YoY

Regional (Q4 FY23 vs Q4 FY22)

Q4 YoY state growth
(Q4 FY23 vs Q4 FY22)

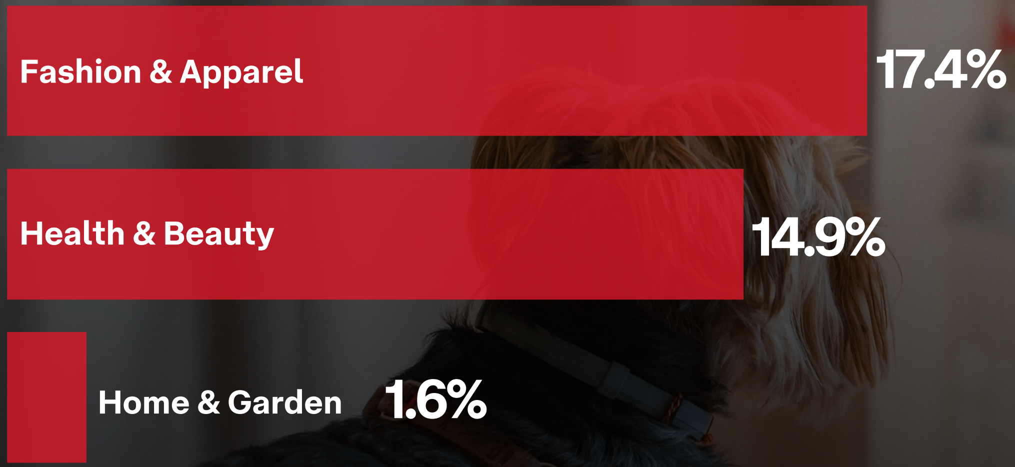


Sales events continue to drive online shopping activity

Click Frenzy Mayhem

Reference period: 15th May 2023 – 21st May 2023

What was most popular?[1]



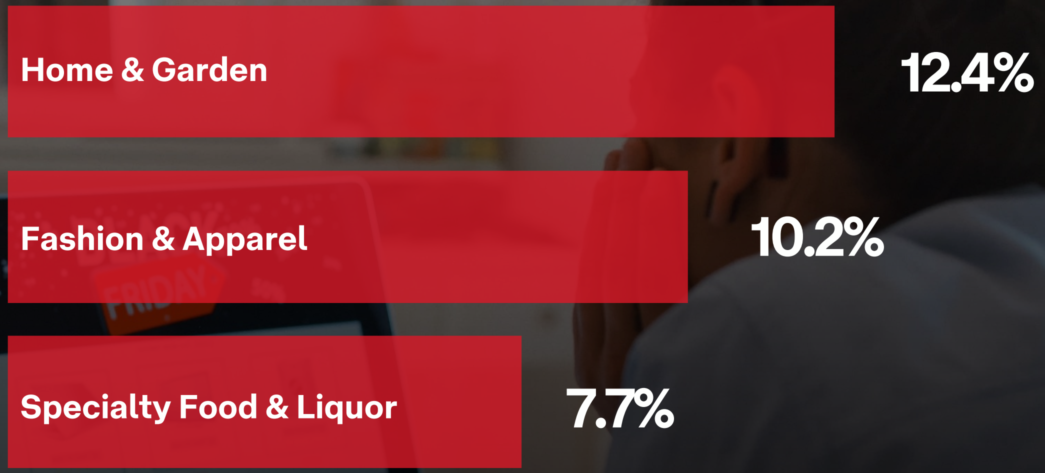
↑3.5% WoW
Compared to the week prior to Click Frenzy 2023

↑0.6% YoY
Compared to Click Frenzy last year

EOFY sales

Reference period: 19th June 2023 – 2nd July 2023

What was most popular?[1]

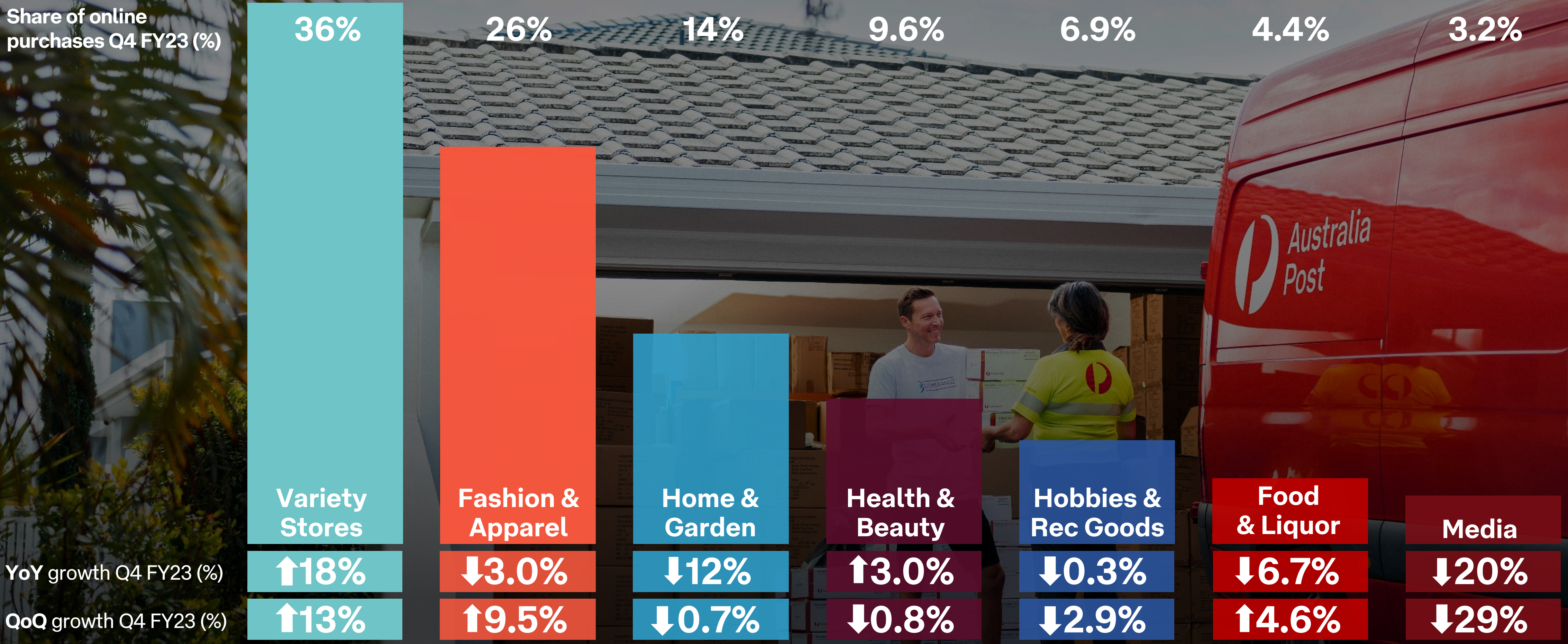


↑7.3%
Compared to the two weeks prior

↑4.3% YoY
Compared to the same period last year

1. Week on week (WoW) category growth. For EOFY sales, two-week periods are compared (19th June – 2nd July 2023 and 5th June – 18th June 2023)

Variety stores showing strong Q4 growth, driven by new marketplace players



Note: Parcel volumes via third party logistics providers (3PLs) and' Other' category excluded from Specialty Retailer Insights but are included in the total eCommerce volumes

Consumer confidence persistently low with cost of living pressures top of mind for consumers

ANZ-Roy Morgan reported **consumer confidence of 72.7 points in June**, **marking 15 consecutive weeks below 80** – the longest stretch below 80 since the Index began in 2008.[1]

'Current financial conditions' indicator recorded a record low while 'future financial conditions' remained below 90 for the second time since March 2020.[1]

A survey conducted by Australia Post indicated that **rising cost of living is the key concern for consumers**. Job security is top of mind for Gen Z (18-24 YO) consumers, while interest rates, inflation and wage stagnation are key for 25-34 YO. Older generations are more concerned about rising grocery and electricity costs.[2]

72.7 pts

Consumer confidence[1]

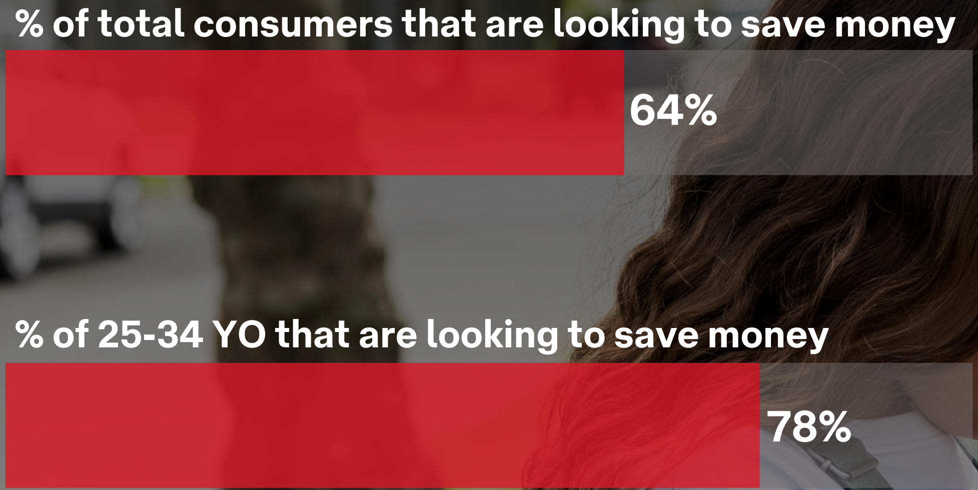
78% of consumers are concerned about cost-of-living pressures[2]

1. ANZ-Roy Morgan Consumer Confidence, June 2023; 2. Australia Post Consumer Segmentation Survey, Feb 2023

Consumers are now looking to save money and find cheaper alternatives

64% of consumers are looking to save money in 2023. This is especially true for our younger generations of which **78%** of 25-34 YO consumers are looking to save.

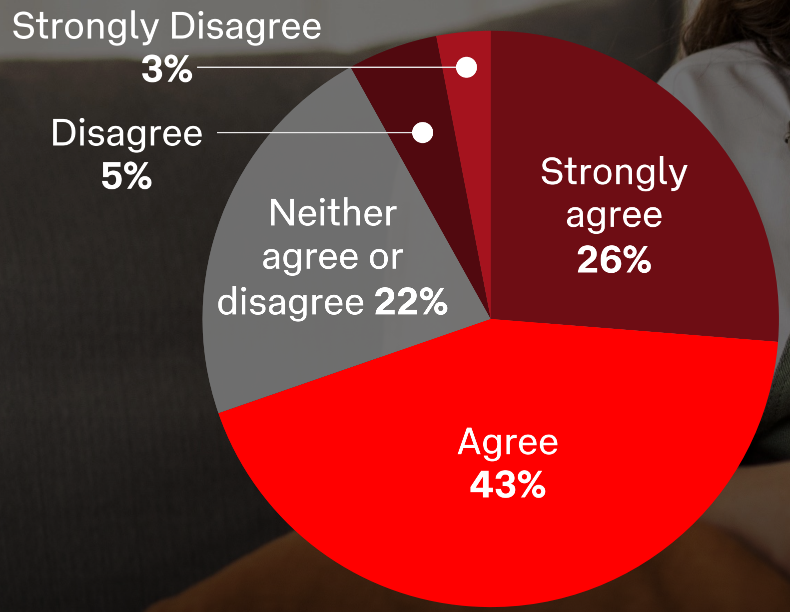
58% of consumers are looking for cheaper alternatives. This is especially true for our younger generations of which **69%** of 18-24 YO are looking for cheaper options.



Source: Australia Post Consumer Segmentation Survey, Feb 2023

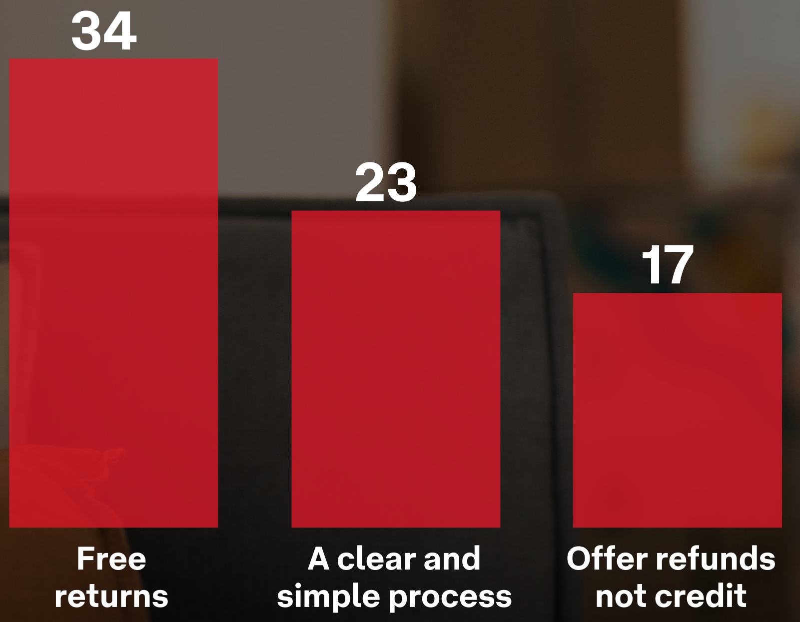
Free delivery and returns are crucial parts of the customer experience

Free delivery will become an important part of the shopping experience for **two thirds** of consumers.[1]



Free delivery will become a more important part of my online shopping (%)

75% of consumers now expect **free returns** and **34%** say this is considered the most important feature in a returns policy.[2]



Top three most important return features for consumers (%)

1. Australia Post Consumer Segmentation Survey, Feb 2023; 2. Australia Post Returns Research 2023

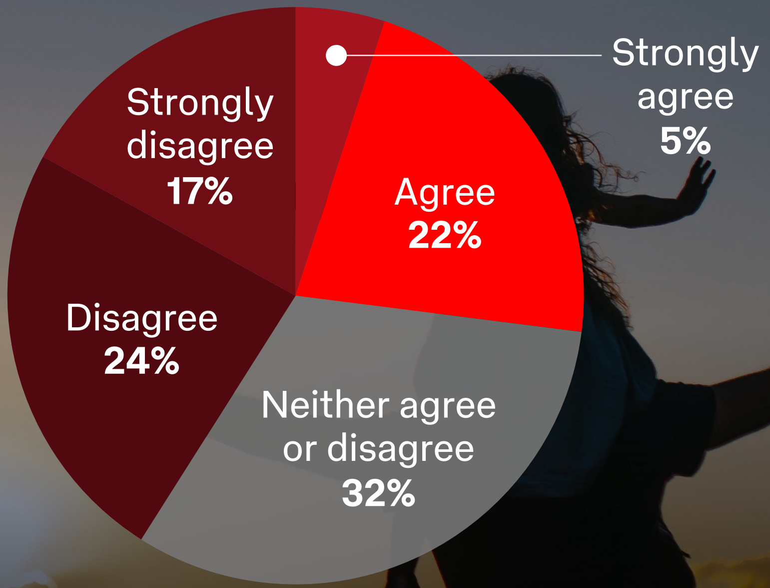
Sales events continue to drive online purchases while subscriptions attract value customers

Shopping events will become more popular with **85%** of 18-34 YO planning to shop (or have shopped) during sales events.[1]

Which online sales events have you shopped or plan to shop next year? (%)

1 in 4 consumers looking to use online retail subscriptions more often to save on delivery costs.[2]

Free delivery, value for money and bundling services are key drivers for subscriptions.



I will be looking to use online retail subscriptions more because it saves on delivery (%)

1. Australia Post Consumer Segmentation Survey, September 2022; 2. Australia Post Consumer Segmentation Survey, Feb 2023

Key takeaways for retailers

#1 **Consumers are becoming more 'strategic shoppers',** cutting back on spending, scrutinising prices and delivery costs. Retailers need to offer added value to encourage purchases.

#2 **Retail subscriptions are having greater influence on customer buying behaviour** and play a role in 'strategic shopping'. Look to build loyalty and enhance engagement with new and existing customers. *Read how MECCA's Beauty Loop program builds loyalty on page 29 here.*

#3 **Online sales events continue to drive online shopping activity** despite a reduction in spend. Knowing when customers are most active online and having clear initiatives during these periods is key. *See the latest in our eCommerce sales event calendar here.*

#4 **Simple and free returns are essential** to a great customer experience. Reassess your returns policies and processes to ensure they are seamless and user friendly. *Simplify your returns with our Easy Returns portal here.*

To access past eCommerce industry reports and monthly updates, visit

auspost.com.au/einsights

If you have any questions or would like to know more, please contact your Australia Post Account Manager.

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This update has been prepared using 2019-2023 deliveries data recorded by the Australia Post Group, unless otherwise stated. Commentary in this update relating to online shopping is based on an extrapolation of this data.

Year-on-year growth numbers are based on actual or extrapolated transaction volumes. Overall eCommerce growth includes Other and 3PL categories, which are not reported in the Specialty retailer category overview.

Shoppers or households are measured as residential or mix use addresses that received an eCommerce parcel.

This information is provided for general information purposes only and is not intended to be specific advice for your business.

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