Retail in Australia: It’s time to embrace the digital future

September 2012
Foreword

Retailers in Australia have battled tough conditions in recent years. Consumer confidence has ebbed and flowed; the cost of doing business has soared; and the global economy has limped along. Add the rapid march of technology to this inauspicious mix and it’s clear just how hard it has become.

Can retailers use technology to their advantage to overcome some of these barriers to growth? Will the rapidly expanding digital world create new opportunities to engage with consumers, or will it pose new threats?

Retailers must acknowledge – and seek answers – to these and other pressing questions. Some are already doing so, forging a path towards a strong future that successfully blends their bricks and mortar retail offering with e-commerce. Others are still grappling with questions of if, when and how to incorporate digital technology into their mix.

Wherever retailers are at right now, it’s important to recognise that the industry has irreversibly changed and retailers must be prepared to adapt their own operations to stay competitive.

The global rise of e-commerce

In today’s multichannel world, the boundaries between virtual and physical stores are blurred and competition from international retailers is growing. E-commerce – or online retail – is booming as consumers seize upon the convenience, choice and flexibility that comes with shopping from their tablets, their mobiles or their computers.

The global ascent of e-commerce is reflected in local consumer behaviour. A recent eCommerce Report forecasts that online sales in Australia will grow from $27 billion in 2010 to an expected $37.1 billion in 20131. This growth is driven by the changing behaviour of Australians, who are becoming ever more reliant on the Internet. In 2012, 94 per cent of the Australian population has access to the Internet, with 79 per cent going online every day and 60 per cent multiple times a day2.

From a retail perspective, where are these Australians going when they are online, and what are they doing on these sites? The Experian Hitwise Shopping and Classifieds Category saw more than half a billion Total Visits in August 2012 alone.

With more than 40,000 individual websites visited in the Category, Experian data suggests that each Internet using Australian visited shopping and classified websites 26 times in August.

August 2012

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It also shows that consumers are more likely to go to international e-commerce sites, with a third of the top 30 retail websites used by Australian’s being based outside the country. It’s clear that local retailers face stiff competition from overseas. This competition should act as a wake-up call to any retailers who think they can remain successful without a clear strategy for incorporating an online offering into their retail mix.

1 Source: www.ecommercereport.com.au
2 Statistics compiled by www.competitions.com.au
Tipping point for Australian retailers

As the online world prospers, the traditional “bricks and mortar” retail environment in Australia is struggling. In-store consumer spending is weak, with consumer confidence dropping to a low point in 2011 and only showing weak signs of recovery into 2012. Retail rental costs are soaring in Australia, and are now among the most expensive in the world. In addition, retailers must contend with high local wages and the increased cost of Australian-sourced inputs.

Faced with these challenging conditions, retail giants like Darrell Lea and Retravision have announced voluntary administration and other big names in retail like Specialty Fashion Group, Billabong, Dick Smith and Harvey Norman – not to mention many small and mid-sized businesses – are shedding staff and closing stores in an attempt to stay afloat.

It’s apparent Australia’s retail industry has reached a tipping point. Changing consumer behaviour coupled with tough economic times and shrinking profits is forcing a re-think in how retailers operate.

It’s no longer enough to have a solid bricks and mortar presence. The market is changing, and retailers need to change too.

In the face of this changing retail environment, Experian Marketing Services commissioned research to gain a more complete picture of the Australian e-commerce environment. It examines the extent to which Australian retailers have embraced e-commerce, and whether they have been able to successfully integrate online and offline customer information to provide a more effective customer experience. It also evaluates the measures of success for those that have started on the e-commerce journey. For those retailers that have not yet developed an e-commerce strategy, the research investigates where they stand in the online spectrum, their willingness and ability to change and adapt, and the barriers that they face.

With over 1,300 customers across Australia and New Zealand and working with retailers all around the world, this whitepaper examines the retailers’ responses, and draws upon this experience and expertise in the online retail environment to provide commentary on the current state of online retail in Australia.

It offers a way forward for those retailers seeking to overcome perceived barriers and develop a sound e-commerce strategy that will carry their business into the future.

3 Westpac-Melbourne Institute Index of Consumer Sentiment
4 CBRE Top 20 Global Retail Rental Markets Index
Whether Australian retailers like it or not, the local retail landscape has irrevocably changed. From “bricks and mortar” to “bricks and clicks” to purely “e-tail” – the evolution of retail is ongoing and carries significant ramifications for those who choose not to keep up with the pace of change.

Already, many Australian retailers have begun the e-commerce journey with great success. There are also the highly competitive “e-tail” stores that are posing real threats to traditional retailers, like fashion sites The Iconic and ASOS. Some retailers are starting on the e-commerce journey, and are yet to iron out issues like data collection and analysis, or digital marketing. Others are still yet to implement online sales channels.

Key findings

Against this broad backdrop, Experian Marketing Services surveyed 300 Australian retailers from B2B and B2C environments, in sectors ranging from automotive to sports; groceries to health and beauty; and office supplies to fashion and apparel. The survey sought insights into retailers’ adoption – or otherwise – of e-commerce; and showed that, overwhelmingly, they are slow to adapt to a dual “bricks-and-clicks” model. Most of the retailers surveyed revealed they are not yet in the position to compete on a level playing field with international and local “online only” competitors.

The good news is that Australian retailers are, on the whole, planning to increase their investment in e-commerce in the next 12 months. As the first step in this journey, these retailers need to evaluate whether an online offer is right for their business and how they can leverage their offline and online presence to develop a sound and forward-thinking online strategy. This strategy must balance the delivery of competitively priced products against the imperative to remain profitable. Any expansion must be commercially viable and not fly in the face of business growth, so that the online store complements and supports the store presence and does not cannibalise offline sales.

At the same time, retailers must strive to become a competitive force in the online retail landscape by implementing best-practice offerings that acknowledge and respond to the changing way that consumers want to shop. These include fast and reliable delivery times, ease of online ordering and competitive prices.

Clearly, there is a lot of work to be done. Luckily, much of this work doesn’t necessarily require large budgets, the overhaul of existing systems or dramatic transformations of business processes. But it does require the acknowledgement of – and strategies to overcome – a number of barriers.

Through its work with various Australian retailers, Experian has identified a number of challenges to online expansion. The first is translating executive support into action. Although some retailers had strong executive support for e-commerce initiatives, many are failing to take that support and run with it. They are unable to allocate sufficient budget for e-commerce; and are not including e-commerce strategies like shopping carts and online transactions in the broader sales and marketing strategy, nor are they acquiring the skills and resources to successfully implement such strategies.

Technology is also a major barrier to adoption. Despite costs coming down and technologies like CRM systems and databases becoming more advanced and user friendly, retailers lack the tools to adequately drive their online shopping strategy. Many do not recognise the important role that data plays in both online and offline retail, and how to use technology to capture this invaluable customer data and make sense of it.

Data capture needs to be holistic. In other words, it needs to capture how customers behave in-store and online, as well as their preferences for where and how to buy, their purchasing history and their browsing tendencies. Armed with these rich insights across all channels, retailers can start to segment and target these groups in the ways they want to be engaged, using the messages that will resonate with them to help retailers extend the customer lifecycle.

A third challenge is the lack of resources or confidence to use digital marketing – including email, paid search, online advertising, SMS and social media – to the best advantage.

Experian has seen organisations struggle to build cross channel strategies specific to their business objectives, be that a digital marketing strategy or a strategy that links online and offline. This is despite the fact that these channels are proving themselves time and again as a very cost-effective and high-impact way to drive traffic to the online stores and effectively engage with customers.
The final barrier – particularly for those retailers that have actually built an online store – is providing a seamless online shopping experience which consumers enjoy, to rival the best-practice approaches of leading online retailers. These days, savvy online shoppers expect to see services like free delivery, free returns, loyalty programs and more – yet many Australian retailers have been slow to incorporate these features into their online offering, and the competition has been quick to fill the gap.

Despite the accumulating evidence that consumers are migrating their spend online, Australian retailers are still hesitant to get on board. To remain competitive it’s important for retailers to develop comprehensive online and offline strategies, build their online stores using best-practice techniques, and leverage CRM data to engage with consumers and boost sales. When it comes to marketing, the most successful businesses are those that are able to build a holistic view of their consumers, both on and off-line, focusing on both visitors and purchasers. Only when retailers have this information can they truly create highly targeted, differentiated offers that will convert into increased sales.

Once they do this, retailers will achieve a level of sophistication and penetration that will put them on par with international and “online only” competitors.

They will strike that elusive balance between maintaining a “bricks and mortar” presence while responding to customers’ changing behaviours, and, ultimately, they will strengthen their position in this rapidly changing market.

Within this whitepaper, Experian Marketing Services examines the areas that are proving a challenge to retailers, and also provides insight into those areas of e-commerce where the most opportunity lies – to support Australian retailers in achieving world-class online and offline performance.

Executive Summary

Research points to slow uptake of e-commerce in Australia

The Experian Marketing Services research shows that Australia is at an intermediate stage of development when it comes to online retail. Almost half of the retailers surveyed report having an online sales channel (47%), yet there is a clear reluctance among the remainder to change the current methods and adapt business models to offer consumers the ability to purchase online.

According to the research:

- 53 per cent of retailers surveyed have no online sales channel
- Only 20 per cent have had online sales channels for more than two years
- 74 per cent of Australian retailers obtain less than 25 per cent of their sales from online

It’s not that retailers don’t view digital as a valuable sales channel. 53 per cent of retailers rate online transaction capabilities or shopping cart functionality as important or very important to their business – yet only 37 per cent actually have these tools in place.

Overall, the research points to reluctance among Australian retailers to invest in e-commerce. Yes, there are some retailers that are doing it, and doing it well; but for many others there is much work to be done to catch up to international counterparts when it comes to developing and executing successful e-commerce strategies and navigating the online space.

While the reasons for slower e-commerce uptake differ from business to business, Experian’s experience indicates that, in general, there appears to be a reluctance among retailers to divert attention (and budget) away from traditional sales channels that have always performed well. There is a degree of uncertainty, largely based on a shortage of expertise or internal skill sets, and a misconception that leveraging digital channels is expensive and high risk.
The biggest threat: international competition

Australian retailers perceive international online stores as a major threat. And it’s easy to see why. Online shoppers are less likely to support local businesses – they search for and buy the brands they love from the sites that offer the best value, regardless of the site’s country of origin. Given the proliferation of online shopping sites offering huge discounts and compelling offers, it is very hard for Australian retailers to compete.

In light of this, 66 per cent of retailers believe that international online retailers have impacted their sales. Of this group, 37 per cent believe they have had a large or very large impact.

The retailers’ response is supported by data from ACMA, which shows that 19 per cent of Australians who shop online most often make purchases from overseas sites, 29 per cent purchase equally from Australian and overseas sites, and 53 per cent most often purchase from Australian sites.

Yes, international retail sites loom large, enticing local shoppers away from local stores. Yet threat and competition is nothing new in the retail industry. It’s about knowing your customer. Those who are most successful are building an individual experience for consumer groups based on purchase history and preferences.

Experian has seen two sides to Australian consumers. They can be disloyal, chasing the best offers and most attractive deals. But when you get it right, segment your customers and engage in a way that works for them, Australian shoppers can be incredibly loyal.
Findings

5 major barriers to e-commerce

From the research, Experian has identified five broad barriers that are limiting retailers’ abilities to implement and drive their e-commerce strategies. Some retailers are struck by all these barriers; others, who may already have e-commerce in their mix, are falling at one or two hurdles and are thus failing to extract the most value from e-commerce.

Before we dive into the research results, it is worth looking at what’s going on at ground level in Australia. Experian Marketing Services has deep involvement in the Australian retail sector and has found that retailers – large and small – are struggling to get their e-commerce strategies off the ground.

One thing that’s not on this list is budget. In most cases, Experian has seen that budget is not a barrier to Australian retailers who are seeking to build an online retail presence. Many organisations implement expensive direct mail campaigns, which carry a high CPM (cost per thousand) due to a lack of audience segmentation.

By creating differentiated offers to smaller, more targeted groups, these organisations could release a substantial proportion of their marketing spend to invest in digital channels. Technology is becoming more affordable, and digital channels can be low-cost to set-up. In short, budget is no excuse for not moving online.

The challenges facing retailers include:

A “traditional” mindset
For many larger retailers, it is hard to overcome the “this is the way we’ve always done it” mindset and invest in new ways to drive sales.

The fear factor
Again mainly affecting larger retailers, there’s the fear that e-commerce could go wrong (made worse by the prevalence of horror stories that highlight the damage done to reputations and brands) and the investment may not pay off.

Legacy investments
Many retailers, particularly retail banks, have already invested millions in infrastructure and technology, like CRM systems, data processing systems, online stores and shopping cart functionality. They need guidance on how to leverage, build upon and use their existing investments together to adapt to current trends. Many are also seeking advice on how to integrate and make sense of customer information from multiple data sources to add value back to the business.

Skills gap
Many retailers still lack the in-house capability to develop and drive online strategies, and rely on a more costly agency model.

“Wait and see” approach
Put off by the rapid pace of change, many retailers prefer to see what’s round the corner. Yet this approach will only hold them back – it can be more risky to sit and wait for the next big thing rather than make the most of the e-commerce platforms that are out there right now.

For the sake of it
Keen to enhance sales, retailers often build a campaign using a new channel because everyone else is. The lack of a clear digital strategy built to support overall business objectives is setting the campaign up to fail, regardless of whether all the above elements are present.
1. Executive support is there, but action isn’t

The research shows that senior executives now recognise the value of online retailing, with 57 per cent of retail marketers indicating that their senior managers regard the online retail element of their business as of somewhat or great priority. Despite this, retailers are failing or unable to act. Very few companies translate this executive support into marketing spend, with 57 per cent of retailers currently spending 5 per cent or less of their marketing budget on their e-commerce platform. Over one third (34%) fail to allocate any of their marketing budget to e-commerce.

In terms of introducing online transaction capabilities or shopping cart functionality to their websites in the next 12 months, 44 per cent of retailers have no plans to do so. That said, 38 per cent of retail marketers plan to allocate more budget to changing their e-commerce platform in the coming year, and only 9 per cent anticipate a budgetary decrease.

If the retailers in this research act on these plans to invest more in e-commerce, then we may start to see a significant change in the Australian online retail landscape in the next two years – which could mean local retailers start catching up to their overseas competitors.

2. Lack of infrastructure to get closer to customers

The collection and use of customer data is another area where retailers can do more – particularly given that online shopping creates new, invaluable opportunities for retailers to identify who their customers are and their shopping preferences.

In the days before e-commerce, most consumer transactions were anonymous. A customer would walk into a shop, choose their products and pay with cash.

No identifiable footprint of their behaviour was captured. Online shopping has changed this, providing opportunities to capture socio-economic and behavioural customer details such as gender, age, location, occupation, number of children, website interactions, what products they’re interested in, and purchase history. Retailers can build online stores with the collection of behavioural and demographic customer data in mind.

Yet many Australian retailers are yet to invest in the tools and customer databases that enable them to accurately capture and make sense of consumer data. They lack the infrastructure to build a holistic view – combining the online and offline behaviours – of their customers.

The research shows that only 45 per cent of retailers believe CRM tools or a customer database is important or very important. Only 32 per cent currently have a CRM strategy or customer database in place, and 17 per cent plan to introduce one in the next 12 months.

When it comes to using existing customer data, only a quarter of retailers integrate their database with their website.

Further, more than half (52%) indicate they have no plans to integrate their database with their website in the next 12 months.

The data captured by most retailers seems to be largely superficial. While they tend to collect basic data such as name, address and email address, only 31 per cent of retailers know consumers’ online shopping history and only 13 per cent know their product likes and dislikes.

In an ideal scenario, marketers would collect customer data across all platforms and channels and collate it into a single view that shows the customer’s purchase history, preferences, contact information and more. However, 38 per cent of retailers cannot visualise their customer data and lack access to this single customer view.

This may explain why there are few retailers who use customer data to inform how they communicate with their customers. 58 per cent of retailers don’t have or don’t know if they have up to date information on how their customers like to be communicated with. This is alarming when considering the opportunities wasted. In a recent report, customers indicated that a company’s active and intelligent engagement with them encourages the following behaviours: 74 per cent respond positively; 57 per cent actively recommend a product or brand, 45 per cent share positive stories, and 44 per cent sign up for additional marketing information⁶.

The research shows that many retailers are yet to appreciate the true value that consumer data can deliver to their online retail strategy. So what’s holding them back? One potential hurdle is the huge proliferation of data – and the need to be much more selective about the types of data collected that is important to their strategy.

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⁶ ‘From concept to reality: achieving the single customer view’. Source: Experian Marketing Services
For example, do they need to know what products a customer likes to buy, how long they spend in-store or online, or their preferences for brands? Or is the collection of basic personal information enough to achieve their marketing goals?

Once they have the data, the next challenge for retailers is how to make sense of and act on this information. Only once they have analysed and assimilated the information can retailers develop targeted and segmented marketing strategies that boost sales and profits by driving traffic in-store or online.

Other retailers may be hamstrung by legacy infrastructure investments which make it difficult to collect and/or extract meaningful customer information, or simply don’t yet see customer data as critical to their e-commerce strategy. However, as retailers develop a more mature online retail strategy, data intelligence will play a critical role in driving effective marketing campaigns, helping businesses to stay ahead of the competition.

3. Digital marketing should be used to attract and retain customers

A third area where retailers can do more to improve their chances of success in e-commerce is through digital marketing. The “build it and they will come” model doesn’t work online, and retailers should seriously consider how to drive traffic to their sites. In addition to more traditional methods like print advertising and direct mail, retailers can leverage a range of digital marketing strategies – such as search engine optimisation (SEO), paid search, online advertising, email marketing and SMS/mobile marketing – to promote their online stores.

Online shopping in general is on the increase. Security of payments for online transactions are tighter, delivery and returns policies are better and consumers are becoming increasingly comfortable with transacting on mobile devices, especially tablets, but increasingly smartphones too.

Yet, despite the fact that digital marketing can play a pivotal role in customer acquisition, engagement and retention, retailers are mixed in their opinions – and use – of such approaches.

### Findings

SEO, paid search and online advertising

According to the research, there is divided opinion in the retail sector about the value of SEO, paid search and online advertising:

- 51 per cent of retailers don’t have SEO in their marketing strategy for the next 12 months
- 61 per cent of retailers don’t have paid search in their marketing strategy for the next 12 months
- 52 per cent of retailers believe online advertising is important, yet only 49 per cent have plans to use it in the next 12 months

This ambivalence to SEO, paid search and online advertising raises the question: how do retailers expect customers to know about and visit their online stores?

### Email

Similarly, retailers are split when it comes to using email as a communications tool.

As a starting point, only 61 per cent of retailers collect email addresses from their online customers, which leaves almost half of them in the cold and unable to use email for marketing purposes at all.

Only 54 per cent of retailers believe email communication with customers is important; 21 per cent see no value in the exercise.

Experian’s retail experience has shown that while undifferentiated offers (i.e. mass mailings) may falter in their effectiveness over time, the value of targeted, segmented emails cannot be ignored. A vital competent of a cross-channel strategy is targeted, personalised offers. If retailers want to engage with consumers through email, the first experience customers have is critical. Tactics such as a well written welcome email to kick off communication can help brands get started on the right foot. Abandoned shopping cart programs can also prove effective, as discussed later in this whitepaper.

Understanding a customer’s purchase history, online habits and preferences will enable marketers to continually provide rich, tailored email content – creating a higher propensity for consumers to remain engaged with a brand and to go the step further and transact. It is a cost-effective, proven way to boost engagement and online sales.
SMS marketing and mobile commerce

Today’s consumers are permanently attached to their mobile phones and use them to sway their purchasing decisions. Yet, despite the ubiquity of the smartphone, only 30 per cent of retailers regard SMS marketing as important – and 66 per cent do not include SMS marketing in their overall engagement strategy.

Retailers are overlooking these valuable opportunities to engage with consumers when they are offline. A common but effective method is sending a geo-targeted SMS message to drive customers in-store to purchase when they are close by.

Many retailers are also behind the curve when it comes to mobile commerce. An interesting study found that 23 per cent of consumers research a product on their smartphone, go in-store to check out the product, and then make the purchase online. Despite this and other research showing that more and more consumers are shopping – or at the very least, browsing – from their mobile devices, 63 per cent of retailers don’t have any plans to create a mobile optimised website as a part of their marketing strategy. They simply don’t see it as a priority.

What many retailers do regard as a priority in the mobile space is apps. Some 35 per cent of retailers believe that having a mobile app is important, and 22 per cent plan to introduce a mobile app in the next 12 months. Only 13 per cent of retailers currently have mobile apps on the market.

Mobile is becoming a more popular channel for online purchasing and this trend will only continue. In the meantime, mobile apps can be effectively used to build brand awareness through information and education, and most importantly, as a vehicle for creating a buzz through fun and innovation.

As mobile web traffic starts to take more of the share of overall web traffic, SMS marketing and mobile commerce cannot afford to be left out of the marketing mix.

These channels provide a strong opportunity for retailers to connect with consumers who are spending increasing amounts of time browsing the mobile web.

4. Retailers still wary of social media

Social media is another channel that is currently being overlooked by retailers, despite Australia’s uptake of social media being very well documented. Recent Experian Marketing Services research noted that Australians notched up 218 million hours on social networks in August 2012 alone. With more than 850 million Total Visits to the Experian Hitwise Social Networking Category and an 18 minute average Visit Time, Australians spent, on average, 11 and a half hours per month connecting, commenting, liking and watching videos.

Australia has the highest per capita adoption of Facebook in the world, yet the research indicates that many retailers are yet to embrace social media as a way of reaching customers and generating a two-way conversation.

Only 49 per cent of retailers believe social media interaction with customers is important. This is reflected in their current activities:

- Facebook is the most popular option with 38 per cent of retailers having a dedicated Facebook page. However, almost half (47%) don’t have a Facebook page and don’t plan to within the next year
- 54 per cent don’t use Twitter and don’t plan to in the next 12 months
- 72 per cent don’t use Pinterest and don’t plan to in the next 12 months
- 65 per cent have no plans to use Google+ in the next 12 months

Why are retailers so reluctant to dive into social media, particularly when research shows that, in this space, customers are loyal? A Chadwick Martin Bailey report found customers who “like” a retailer’s brand on Facebook are 51 per cent more likely to buy from them and 60 per cent more likely to recommend, while 48 per cent of customers who “like” a retailer’s brand on Twitter are 48 per cent more likely to buy and 53 per cent more likely to recommend.
Experian has seen that brands are reticent to dive deep into social media when it is the “new kid on the block” in the multichannel marketing mix.

But as they start to invest more in this space, they need to keep in mind the top three reasons why people follow brands on social media channels: to get updates on new products and services (77%), gain access to special offers and discounts (71%), or enter competitions (56%). Then retailers can shape their social media strategy accordingly, with tight rules around sustaining meaningful conversations with customers, responding to feedback, addressing negative posts and acknowledging mistakes. Experian provided more insights on this in another research paper entitled “Getting the Most from Social: An Integrated Marketing Approach”, available online.

Used right, social media will pay off for retailers, as it creates an effective way to connect and engage with consumers, increase brand loyalty and thus drive traffic back to the online store. Via social media, retailers can also leverage one of their greatest assets – their customers – and convert them into brand advocates who help to spread the word about their products. A great example in the uptake of social media can be seen in the travel industry. Travel sites have been quick to adapt, catering to the changing needs of consumers who want to hear the opinions of people who have been to the places they are considering, stayed in the local hotels and eaten at the local restaurants. And, when a customer has a positive experience booking through a travel site, they are more inclined to share their feedback.

Moreover, social media allows retailers to test and run marketing campaigns at a fraction of the cost of traditional direct mail campaigns, which is a great opportunity for small and mid-sized organisations that lack the big budgets for personalised marketing.

5. Learn from best practice online stores

A final area where retailers can do more to strengthen their online offering is in the online store itself. There are many lessons to be learnt from some of the leaders in the online retail sector in Australia.

These e-tailers, like ASOS and TopShop, continue to up the ante in nailing the online experience – with enticing offers, exceptional browsing displays, quick and easy navigation and ordering, free delivery and free returns luring consumers away from both high street stores and traditional retailers’ run-of-the-mill e-commerce sites. It’s about customer value, and engaging with consumers in a way that works for them.

Some retailers are listening. Australian fashion label Dotti, recently announced they are stepping up their online offering, implementing the first Australian free next-day delivery service.

However this isn’t the overall trend from Australian retailers. Rather than recognising and implementing world-class techniques and tactics for e-commerce, the research shows that many retailers neglect some of the most important strategies for building a loyal online customer base, including:

1. Loyalty programs

While retailers rate online loyalty programs as being just as important as offline rewards programs, only 21 per cent of retailers offer online loyalty programs through their websites, slightly less than the 24 per cent that offer programs offline. 25 per cent plan to introduce online loyalty programs in the next 12 months.

2. Online vouchers

Despite 45 per cent of retailers believing that online vouchers are an important marketing tool, only 21 per cent actually offer them. Again, it’s an area that is set to grow, with 23 per cent of retailers planning to introduce online vouchers in the next 12 months.

3. Targeted offers

Although only 17 per cent of retailers currently offer online discount codes for target customer groups, rewarding shoppers for repeat purchases, 26 per cent plan to introduce this in the next 12 months. They also plan to target customers based on their shopping behaviour. While only 22 per cent of retailers currently use a “you may also like” feature on their websites, 27 per cent plan to introduce this in the next 12 months. This is a simple tactic that can guide consumers to purchase products that complement the item they are purchasing and increase products purchased per transaction.

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4. “Abandoned cart” strategies

Growing in popularity, abandoned cart campaigns target shoppers who have closed a website with items still left in their virtual shopping cart. Shoppers then receive an email letting them know these items will be waiting for them safely next time the visit the site, often with an incentive to purchase. It’s been found that 67 per cent of shopping carts are abandoned just before the transaction is complete. By developing a clear “abandoned cart” strategy, retailers have the opportunity to significantly increase online conversions. On average, these campaigns have a 24 per cent higher revenue per email and six times higher transaction rates than normal email campaigns. Promisingly, a quarter of retailers plan to introduce such a strategy in the next 12 months to boost their remarketing campaigns.

5. Returns/refunds

The research shows that only 42 per cent of retailers currently offer online refunds, and only 16 per cent plan to introduce this service in the next 12 months. Likewise, only 30 per cent of retailers currently offer free returns and another 16 per cent plan to introduce this service in the next 12 months.

6. Free delivery

While only a quarter of retailers currently offer free delivery, this is expected to increase to 50 per cent over the next year. With 73 per cent of consumers wanting to see free shipping at the online checkout, it’s clear marketers are hearing the demand for customer value and are starting to react.

Retailers need to think hard about their entire digital strategy if they want to deliver world-class e-commerce services. It all comes down to the level of engagement with customers. Australian retailer Witchery has this nailed.

The site combines the benefits of an offline shopping experience with the ease of online, allowing customers an up close, 360 degree view of the products. Retailers must create positive experiences across every engagement point and every channel – online and offline – to build loyalty at each step and create a community of advocates prepared to spruik the brand and boost the bottom line.

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12 Source: http://www.getelastic.com/shopping-cart-abandonment-stats-infographic/
Summary

This research sought to understand where Australian retailers are heading in their adoption of e-commerce and the challenges they face in transitioning to a dual offline and online retail model.

It shows many are slow to adapt their business strategy to incorporate an online offering, and points to a general hesitation to get started – despite the fact that there are many small steps they could take to do so. The research also reveals some interesting insights into why these retailers are not as far progressed as many of their international and local "online only" counterparts.

One particularly salient point that comes out of the research is that Australian retailers’ adoption of e-commerce strategies is driven more by threat than opportunity. Feeling the impact of shoppers’ proclivity to buy from international sites, and feeling the pinch of harsh economic conditions at home, retailers are struggling.

Their reaction – albeit a slow one – is to get started on the road towards e-commerce. When they do, and if they do it right, then the threats will recede and the opportunities will magnify. There is no reason why Australian retailers will not be successful on the online stage.

Yet to be successful, regardless of what point they are at, marketers need to overturn the current barriers to adoption. Firstly, they need to leverage the existing, strong executive support and invest in the development of a cohesive digital marketing plan that will drive all future actions and digital investments. This should be closely aligned to the commercial strategy for the business. With this top-level plan in hand, retailers will be in a strong position to build an online store and put the right customer engagement strategies in place.

They must also invest in the right infrastructure for e-commerce. At the top of the list is a data management platform or database to collect, analyse and report on consumer data. The insights that retailers will get from this data will deliver a speedy return on the infrastructure investment – as they enable the delivery of effective, targeted offers that boost customer engagement and, in turn, increase revenue.

Retailers need to identify and develop the right digital marketing channels for their customers. Recognising that a "one-size–fits-all" approach is not suitable, retailers require a tailored and personalised communications strategy that facilitates the two-way flow of information – in other words, a conversation – with their customers. In the same vein, they should consider social media and develop a strategy around it that is aligned to the overall digital marketing plan.

In all of this consumer engagement, retailers must be mindful of integrating and promoting their online and offline offerings, ensuring ease of purchase across both channels, without cannibalising sales.

And, finally, retailers need to look to the success stories. There are plenty of online retailers out there who are reaping huge profits by selling their wares online. These retailers have implemented best practice tactics like free shipping and free returns, that keep their customers coming back for more. It won’t be long before these approaches are completely commonplace in the online retail vernacular – for now, retailers must actively build them into their digital marketing plan.

In terms of countering the threat from international competition, Experian Marketing Services believes that Australian retailers have a real opportunity to respond by building these best practice tactics into their online offering. By doing so, they will achieve stronger brand loyalty. From our experience, Australians have a strong sense of nationalism and are more willing to buy from local retailers than other nations, as long as this is backed by good value and customer service.

With consumers clamouring for more and better online shopping experiences, Australian retailers are clearly on the cusp of changing the local retail landscape. Does this mean that the high street store is under threat? Not necessarily. The online and offline retail worlds can and should coexist. Retailers simply need to acknowledge this coexistence and transform their business strategy to accommodate consumers’ changing behaviour. Customer preference and expectations should be a driving focus for marketers.

There are five clear steps for retailers moving forward to integrate online marketing with their existing strategy:

1. Design an integrated cross channel strategy
2. Become data savvy
3. Embrace new technology and befriend IT
4. Do more with the same budget
5. Start a dialogue with consumers

Retailers have a clear way forward that will strengthen their overall presence in the market – and it doesn’t take huge budgets or a complete overhaul of systems and processes. It just takes careful planning, a tightly integrated online and offline strategy and great leadership.
5 top tips for successful dual channel retailing

As a retailer – particularly if you are yet to engage in e-commerce – you need a clear strategy to get the right people to your site at the right time to buy. Here’s where you can start.

1. **Define your digital and offline strategy**
   Take a top-down approach and look at the overarching objectives of the business first. Then, feed these objectives into your online and offline marketing mix to create compelling cross channel sales and engagement strategies.

2. **Collect the right customer data**
   Digital marketing is powered by data. It’s critical to identify what data you need to collect – from both online and offline channels – to produce meaningful insights that drive the online strategy and maximise consumer engagement. Continually “reverse engineer” this data back into your digital strategy to ensure you meet your business objectives.

3. **Invest in the right technology**
   The lines between marketing and IT have blurred. Invest in a sophisticated CRM system that can be tightly integrated with online, mobile and other marketing efforts. Use CRM and database tools to build a holistic view of the customer, and then use this view to target your offers more effectively.

4. **Build your consumer engagement model**
   Be clear about what you want to achieve, both offline and online. Is it to grow your customer base? Cross-sell or up-sell to existing customers? Then, use your CRM system along with customer segmentation and profiling to achieve these goals.

5. **Tactically build campaigns across multiple channels – use the right message at the right time via the right channel**
   Multichannel marketing is the way forward. Build integrated campaigns that adapt to the offline and online environments, to create meaningful and ongoing conversations with customers. At the same time, recognise that you can’t be present in all channels effectively. Choose your channels carefully and then leverage them to engage.

And remember… Have fun

Digital is the ideal channel for creating exciting, memorable campaigns that inject some fun into the marketing process. Embrace the digital channel with a smile on your face and share that fun with your consumers – and you’ll get great results.
Research Methodology

Experian Marketing Services commissioned independent research with 300 Australian marketing professionals from B2B and B2C environments across sectors ranging from automotive to sports; groceries to health and beauty; and office supplies to fashion and apparel across all major geographic regions in Australia. The findings were used to develop this industry whitepaper on Retail in Australia.