

Thematic Reports • X0004

Online Shopping in Australia

IExpert

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Published: October 2024

At a Glance

Revenue \$57.7bn '20-'25 ↑ 7.3 % '25-'30 ↑ 6.8 %	Employees 122k '20-'25 ↑ 10.7 % '25-'30 ↑ 6.1 %	Businesses 104k '20-'25 ↑ 10.5 % '25-'30 ↑ 5.9 %
Profit \$2.3bn '20-'25 ↑ 6.2 %	Profit Margin 4.0% '20-'25 ↓ 0.2 pp	Wages \$8.0bn '20-'25 ↑ 9.4 % '25-'30 ↑ 7.7 %

Five-year growth rates display historic and forecast CAGRs

→ Major Players

Company	Revenue	Market Share
Woolworths	\$6.6bn	11.4%
Coles	\$3.2bn	5.5%
Wesfarmers	\$3.0bn	5.2%
Amazon Australia	\$2.0bn	3.4%
Other Companies	\$43.0bn	74.6%

📊 Key External Drivers

Key External Drivers	Impact
Internet subscribers	Positive
Real household discretionary income	Positive
Consumer sentiment index	Positive
Demand from department stores	Negative
Mobile telecommunications density	Positive

⊕ Products and Services

Item	Revenue	Market Share
Homewares and domestic appliances	\$17.1bn	29.7%
Clothing, footwear and personal accessories	\$11.0bn	19%
Groceries and liquor	\$8.5bn	14.8%
Published media	\$4.6bn	8%
Takeaway food, flowers and other goods	\$16.4bn	28.5%

Key Takeaways

Performance

- Rising inflation and higher interest rates have led consumers to hunt for discounts, impacting online shopping sales. This shift, coupled with the cost-of-living crisis, has put substantial pressure on business profitability.
- Advances in augmented reality technology are set to open new doors for online shopping retailers. Consumers will be the ultimate winners, being able to make more informed decisions before proceeding with a purchase.

External Environment

- The National Online Retailers Association works specifically to support online retailers' needs and interests. Membership benefits include advocacy and media representation.
- Changes to GST legislation have removed overseas-based online perfume and cosmetic sites' competitive advantage over local online retailers. All products sold online in Australia are now subject to a 10.0% goods and services tax.

SWOT

Strengths	<ul style="list-style-type: none"> Low & Increasing Level of Assistance Growth Life Cycle Stage Low Imports Low Customer Class Concentration Low Product/Service Concentration High Revenue per Employee
Weaknesses	<ul style="list-style-type: none"> Low & Steady Barriers to Entry High Competition High Volatility Low Profit vs. Sector Average High Capital Requirements
Opportunities	<ul style="list-style-type: none"> High Revenue Growth (2020-2025) High Revenue Growth (2025-2030) High Performance Drivers
Threats	<ul style="list-style-type: none"> Consumer sentiment index

Industry Structure

Characteristic	Level	Trend
Concentration	Low	
Barriers To Entry	Low	Steady
Regulation and Policy	Moderate	Increasing
Life Cycle	Growth	
Revenue Volatility	High	
Assistance	Low	Increasing
Competition	High	Increasing
Innovation	Moderate	

Executive Summary

In the bag: Online shopping's proliferation is keeping it growing despite consumers' cost-of-living concerns

Online shopping has become a way of life. Once considered a novelty, much like the internet itself, the online shopping phenomenon has surpassed business and consumer expectations. It has evolved and expanded rapidly, with escalating internet and broadband uptake and changing consumer attitudes helping online shopping become a mainstream retail avenue. Greater investment in online platforms to advance website navigation, enhance security and improve delivery is fuelling a shift in consumer buying habits towards online shopping.

The pandemic brought retail trading in Australia to a standstill, with lockdown periods and restrictions leading to a surge in online shopping sales. As consumers jumped online at breakneck speed, the online market was flooded with new entrants and businesses ramped up their digital sales capabilities to keep up with demand. Despite the hype and surge in sales, challenging trading conditions in the post-pandemic environment have eroded some of the earlier gains. Strong inflation and rising interest rates have combined to create a cost-of-living crisis, with consumers reassessing their online spending habits in the face of tightening purse strings. Nonetheless, revenue has been growing at an anticipated annualised 7.3% over the five years through 2024-25 and is expected to total \$57.7 billion in 2024-25, when revenue will climb by an estimated 4.7%.

Going forwards, online shopping revenue is forecast to climb at an annualised 6.8% through the end of 2029-30 to total a projected \$80.3 billion, aided by continued consumer demand for all things online. Greater digital connectivity will allow consumers to shop anywhere and anytime, with advances in augmented reality opening new doors for online retailers. Strong revenue prospects will entice more bricks-and-mortar retailers to launch online stores to complement their physical store network, while many online retailers will open shopfronts and flagship stores, blurring the lines between the two. Escalating competition, particularly from international low-cost retailers like Temu, will put downwards pressure on profitability, with margins set to tumble.

Call Preparation Questions

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Sales & Marketing

How has your business sought to enter into any new markets?

- Consumers aged 35 to 54 are the industry's largest market. However, consumers aged 15 to 34 are highly responsive to marketing and social media campaigns.

- Consumers aged 15 to 34 are tech-savvy and highly responsive to marketing on social media sites. A lack of money means consumers in this market are bargain hunters, so the high volume of goods they are buying are usually at a low cost.

How does your company differentiate itself from internal and external competitors?

- Industry operators are subject to fierce competition from

traditional bricks-and-mortar retailers, department stores and international online operators, making it essential to differentiate products and services.

- Large international online retailers typically enjoy price and efficiency advantages thanks to economies of scale. That's why overseas online retailers can typically offer lower prices than domestic retailers.

Strategy & Operations

How has your business sought to access new markets?

- Consumers aged 35 to 54 are the industry's largest market. However, consumers aged 15 to 34 are highly responsive to marketing and social media campaigns.

What opportunities are available to your business to acquire rival competitors or brands in the market?

- Merger and acquisition activity has helped existing online shopping retailers strengthen their foothold in the market. Buying competing businesses in similar markets has given online shopping retailers an expanded product range and broader customer base.
- The industry is likely to undergo mergers and acquisitions over the next five years, as an increasing number of businesses recognise online enterprises' growth potential.

Technology

What internet security measures does your company make use of?

- Advances in the security systems and payment processes that industry operators use have helped to increase consumer confidence in online shopping.
- Ongoing investment in online platforms is helping to drive improvements in online payment systems and security, which are changing consumer perceptions of ecommerce and transforming it into a credible shopping medium.

How quickly does your business adopt new industry technology?

External Impacts

Consumer sentiment index

- Technological change is likely to be central to the industry's success over the next five years.

Compliance

What types of base regulations apply to the operations of your business?

- Base regulations affecting online retailers are similar to those of traditional retailers, including the requirements of the Competition and Consumer Act 2010. However, unlike bricks-and-mortar stores, industry players are not subject to regulations concerning trading hours or tenancy issues.
- Online retailers are also subject to the Electronic Transactions Act, the Modern Slavery Act and Goods and Services (GST) Tax.

What trade associations or interest groups does your company work with?

- The National Online Retailers Association (NORA) is the main body representing the industry and is the first industry association to address the issues online retailers face.
- The ACMA is in charge of regulating online content like communications and media. The authority's main role is to encourage the development of codes of practice for online retailers.

Finance

How does your company's profitability compare with that of its competitors?

- Operators that efficiently manage overhead costs and streamline supply chain processes tend to have higher profit margins.

How do seasonal trends affect your company's cashflow?

- Seasonal trends affect demand for industry products, with the largest percentage of online sales occurring in the lead up to Christmas.

How have changes in consumer sentiment historically affected your company's sales?

- Consumers tend to spend less money on industry goods when sentiment is low.

Demand from department stores

How can your business mitigate the threat of competition from department stores and other bricks-and-mortar retailers?

- Department stores have an advantage over online operators as consumers can physically inspect products and receive face-to-face customer service, which can threaten industry demand.

Real household discretionary income

How does your company monitor trends in household discretionary income?

- A rise in discretionary income enables consumers to spend more money on a broader range of goods, stimulating demand for industry products.

Internal Issues

Ability to control stock on hand

How does your company determine which products to stock and which products to discontinue?

- Industry retailers that effectively control stock can monitor key selling items and ensure a sufficient supply of popular products to meet demand during key selling periods.

Ability to quickly adopt new technology

What strategies does your company have in place to evaluate and adopt emerging technology?

- Operators must efficiently adopt and implement advances in technology to minimise disruptions for consumers and maximise sales revenue.

Provision of superior after sales service

How quickly does your company respond to customer queries, and how does this compare with its competitors?

- Online retailers must address all after-sales issues promptly and efficiently to build a loyal customer base.

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