

neto

STATE OF ECOMMERCE REPORT 2018





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

CONTENTS

INTRODUCTION	3
YEAR IN REVIEW	5
PERFORMANCE BY VERTICAL	9
PAYMENTS	23
MARKETPLACES	29
SHIPPING	32
SEARCH & MARKETING	37
ECOMMERCE PREDICTIONS 2019	43



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

INTRODUCTION

With healthy growth across the board for online retail in 2017-18, this year has been the one where ecommerce has cemented its footing as the future of retail. But it hasn't been without excitement.

It was the year Amazon launched into Australia and we had front row seats to the ensuing competitive plays put up by the likes of eBay, Catch and Kogan, resulting in the bar for retail being pushed to new highs through innovation and the improvement of both the merchant and consumer experience.

We experienced a healthy bout of nostalgia upon learning that the magical fantasy world of our childhoods, Toys R Us, was shutting forever. The imminent closure of Australian luxury handbag retailer, Orotan, was saved at the final hour by a takeover bid from a major shareholder, and 37 year-old iconic footwear brand, Diana Ferrari, closed all of their 17 bricks and mortar stores (albeit to focus on their online channels).

It's also been the year that a number of other bricks and mortar retailers, including Spanish fast fashion brand Zara, have launched online arms to boost falling in-store sales.

But amidst the tumult, ecommerce has emerged as the leader, forging ahead stronger than ever.

Regardless of their size, we're seeing most Australian retailers adapt to the evolving shopping preferences of consumers.





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

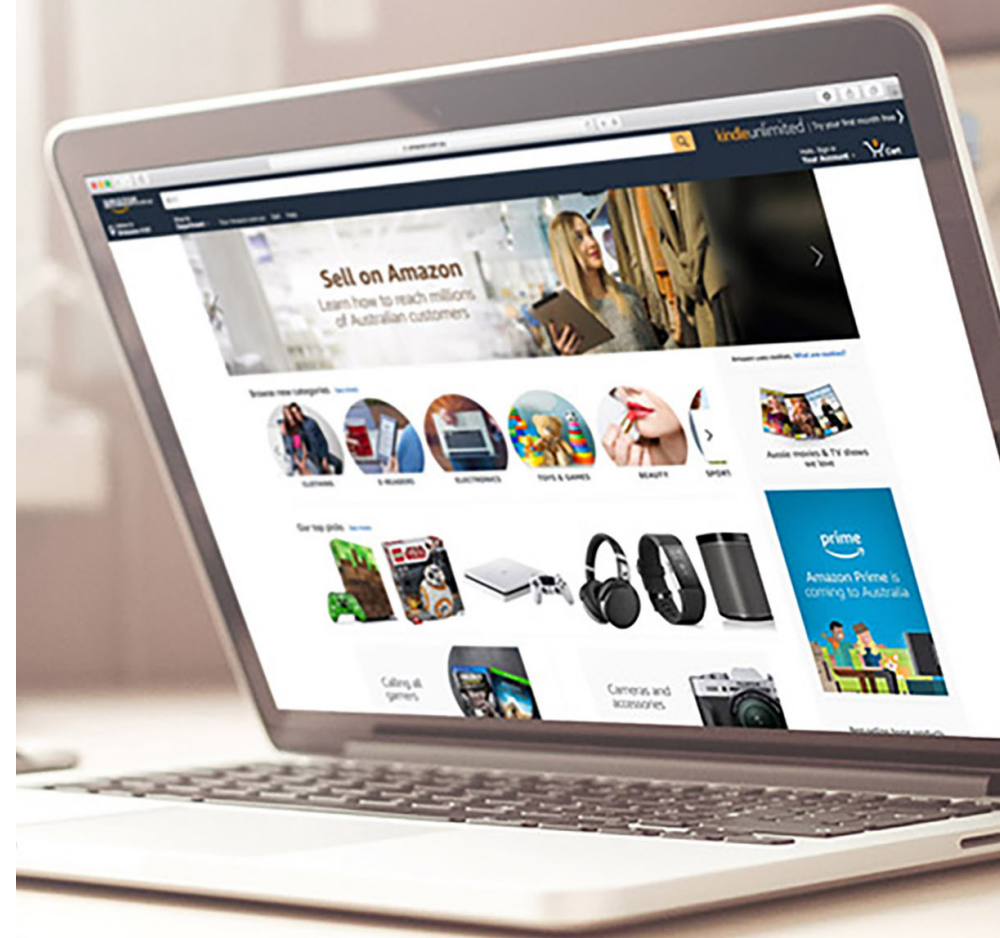
The online shopping industry in Australia is now worth **\$23 billion** and is growing at a much more rapid rate than traditional retail. In fact **\$1 in every \$20 is now spent online**, where there's no need to battle traffic, car parks, and heaven forbid—other people. Instead, shoppers are choosing to purchase from the comfort of their own homes, or on the go, 24 hours a day.

Consumers are seeking convenience, low prices and personalised experiences all the way from first touch through to delivery and after-sales service. Consistency and high quality experiences are now expected regardless of channel or device, whether the interaction is via a website, online marketplace, social media, bricks and mortar store, phone, or email. In fact by 2020 it's **estimated that shoppers will value experience over price**.

Retailers and wholesalers of all sizes are having to actively adapt to these changing consumer preferences and behaviours. But this year, it's no longer about multi-channel, or even omni-channel retail; the onus is on unifying your commerce in order to gain a single view of the customer and a single view of the order.

With our merchants processing billions through the Neto platform in the past year alone, we looked at the transformation of ecommerce over 2017-18 to bring you data, insights and trends from thousands of merchants representing a range of verticals and business-sizes, as well as data from a selection of our leading industry partners including eBay, Google, PayPal, Sendle, and SmartrMail.

Ryan Murtagh, Neto CEO





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

YEAR IN REVIEW



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

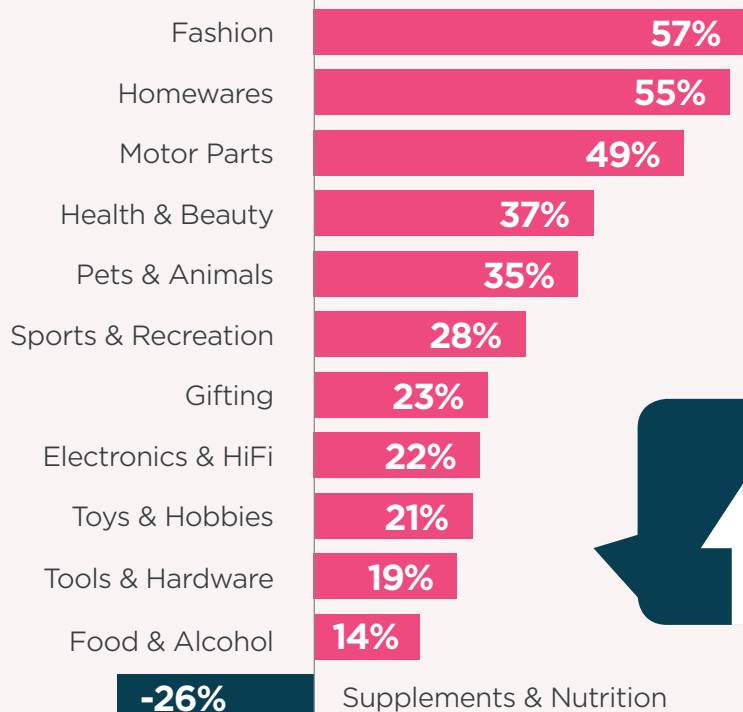
Search &
Marketing

Ecommerce Snapshot 2017/18

Fashion first for online retail

Performance across all verticals was strong this year, with total sales for Neto merchants across all categories increasing by 30%, on average. **The future of Fashion seems all sewn up with this category boasting the highest growth in sales across the board, increasing by 57% year-on-year.** Homewares was the second fastest growing industry by total sales (55%) followed by Motor Parts (49%). We also measured average monthly sales, which grew by an average of 13% year-on-year across all verticals, increasing the most for Homewares.

SALES GROWTH BY VERTICAL (YOY)

Fastest growing
vertical**Fashion**

Biggest spenders

**Food &
Alcohol****\$168**

Busiest month

Nov

Quietest month

July

Average increase in Sales

30%Average
basket size**\$130****↑5%
YoY**



Home



Introduction



Year in Review

Performance
by Vertical

Payments



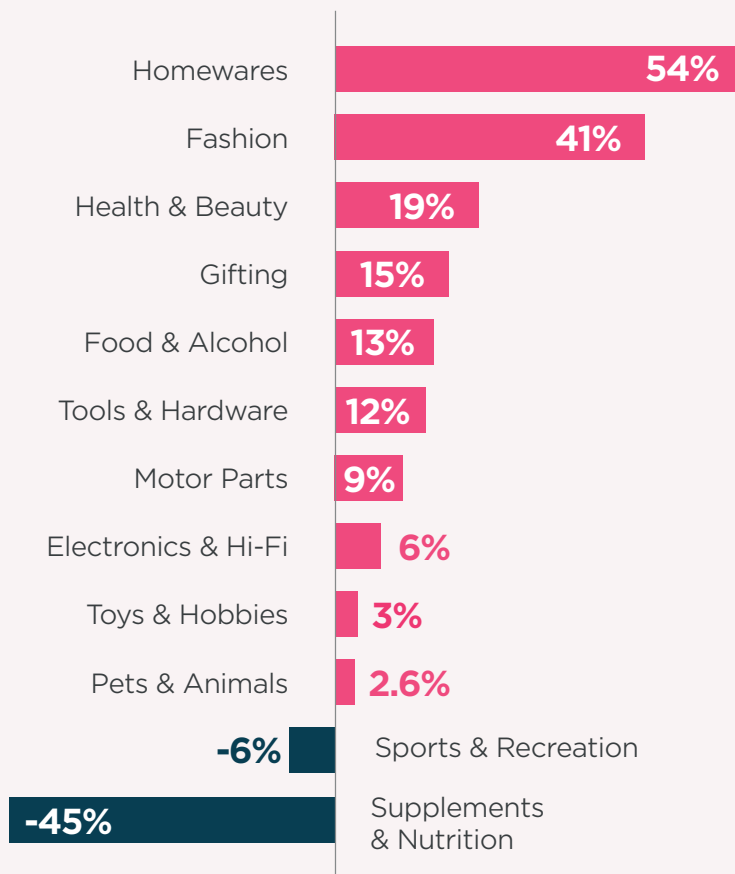
Marketplaces



Shipping

Search &
Marketing

AVERAGE MONTHLY SALES GROWTH BY VERTICAL (YOY)



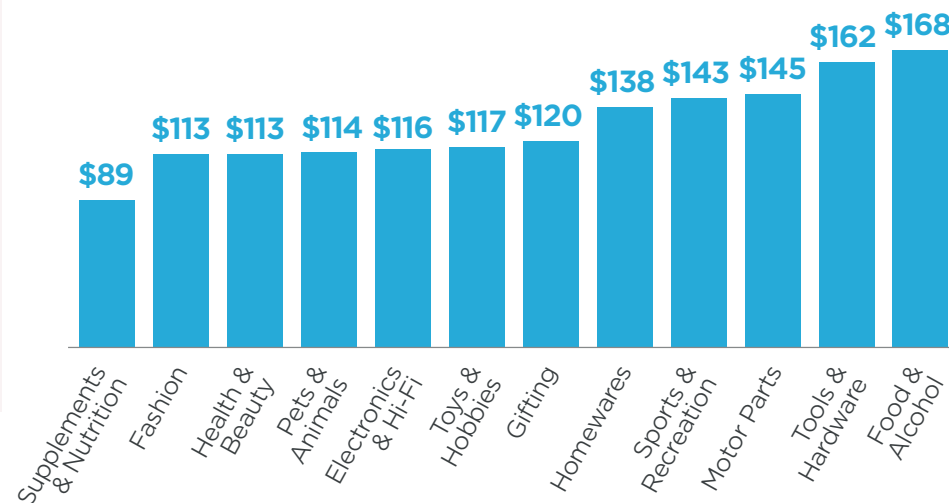
Average increase
13%

In terms of how much consumers are spending in each transaction across all verticals, it's \$5 more than last year, at \$130 per transaction. Average basket size was the highest for Food and Alcohol, where shoppers spent an average of \$168 per transaction. Tools and Hardware came a close second with retailers bringing in an average of \$162 in each transaction, and Supplements and Nutrition had the lowest basket size at a still-considerable \$89.

The verticals that experienced the greatest growth in spending were Homewares, which climbed 25% year-on-year, and Electronics and Hi-Fi (18%).

The busiest time of year for merchants was November—the beginning of the holiday season—where they brought in around \$7,000 in additional sales. Interestingly, December was less busy than May for a number of our verticals, indicating that many consumers have their Christmas shopping done and dusted well before crunch time. Unsurprisingly, July was the quietest month of the year, with retailers experiencing a dip in sales after solid end of financial year sales in June.

AVERAGE BASKET SIZE BY VERTICAL





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



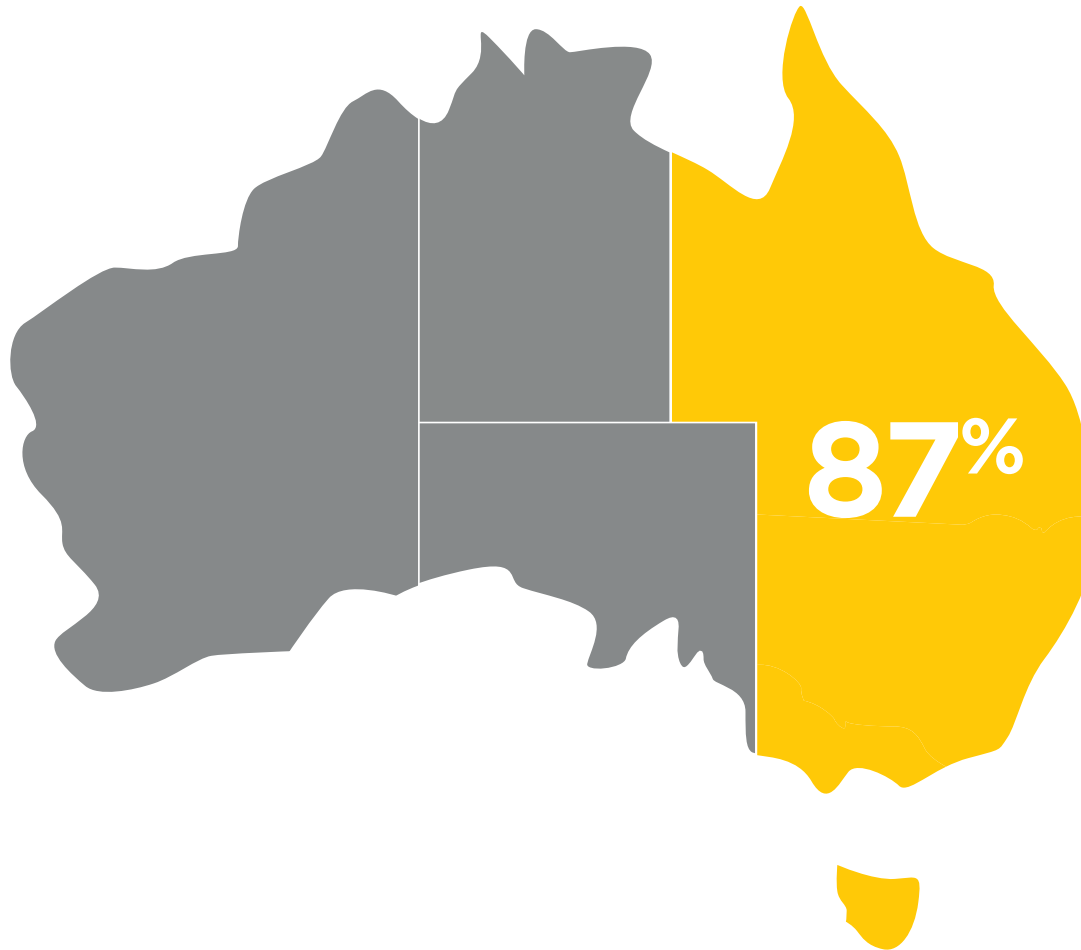
Shipping



Search &
Marketing

MERCHANTS BY LOCATION

The geographic spread of merchants roughly corresponds to the population distribution of Australia, with 87% of merchants based on the East coast of Australia.





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

PERFORMANCE BY VERTICAL

Motor Parts

Gifting

Fashion

Pets & Animals



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing



Sports & Recreation



Electronics
and Hi-Fi



Homewares



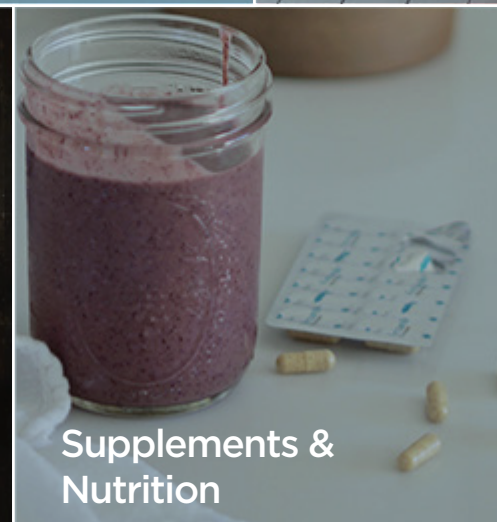
Food & Alcohol



Toys & Hobbies



Tools & Hardware



Supplements &
Nutrition



Health &
Beauty



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

ELECTRONICS AND HI-FI

Charging ahead with smarter devices

Worth a massive **\$3 billion** in Australia, the online Electronics and Hi-Fi market continues to charge ahead. With the average Australian household now home to **17.1 connected devices**, growth in this category is driven by rising demand for personal devices like smartphones, tablets, and laptops, as well as advanced IoT connected devices touted to improve our lives, like Google Home and Alexa, smart TVs and smart refrigerators. Coupled with the falling prices of electronic goods, **being connected is now cheaper, easier and cooler than ever before, representing significant opportunities for retailers in this category.**

Total sales for Neto merchants in this category grew 22% year-on-year. Basket size for electronics purchases was \$116, with year-on-year growth at 18%, the second highest category for growth after Homewares (25%).

This shift indicates that consumers are spending more in each transaction, despite paying lower prices for products as a result of widespread discounting. Part and parcel of today's electronics industry, heavy price competition and rising overheads have prompted many traditional retailers to transfer their businesses to online, where margins are better and the audience is larger. A number have also found success moving to a hybrid omni-channel model. One such example is one of the biggest players in this category, JB Hi Fi, who reported **32% growth of their online channels** in 2017, compared to just 9.4% growth overall.

November brought in the highest monthly sales for our merchants, 15% higher than in the quietest month, which was July. This effect could be a result of pre-Christmas promotions, gift buying, and also a number of online sales events that run in November, like **Click Frenzy**, which is renowned for bottom-dollar bargains on electronics like OLED TVs.

Sales growth

22%

Devices/household

17Average
basket size**\$116****18%**
YoYMonthly
sales growth**6%**

Value of the market

\$3b



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

FASHION

Online is the new black for fashion retailers

Finishing out the year as our top performing category by sales growth, Fashion had another strong year, increasing total sales by an average of 57%. Average monthly sales for fashion also grew an impressive 41%, the second highest growth for all categories and double that of the industry average, behind Homewares at 55%.

Average basket size for fashion retailers was \$113, with a small year-on-year increase of 7%. The rise may be the outcome of successful cross-sell and up-sell strategies; an extra pair of earrings or a bag at checkout. On the other hand the change could be customers trying to get more bang for their shipping buck—if they're paying for shipping at all, that is. Smart sellers are finding the sweet spot that incentivises shoppers to cross the threshold and spend more to secure free shipping, whether that's \$50, \$100 or \$150.

16% of fashion purchases were made through pay later, with services like Afterpay, ZipPay, and ZipMoney coming to the rescue for those last-minute wardrobe meltdowns. Combined with speedy delivery (2 hours in some metro regions) and free and easy returns, pay later purchases for the weekend ahead come with zero risk.

The fashion industry is subject to a variety of market forces: advancements in technology, logistics and inventory, concerns about fast fashion and sustainability, and seasonal changes and sales events—the latter of which causes sales to fluctuate substantially over the year. The most pronounced effect of this can be seen in November—the month of the [online shopping events](#) and pre-Christmas sales. Click Frenzy,

Single's Day and the weekend of Black Friday-Cyber Monday all occur in November, driving the number of sales to almost double that of the quietest month, July, and slightly higher than December. Spending was the lowest at the beginning of the year, when shoppers are financially hungover from the festive season, spending \$20 less in each transaction.

Over the last year, we've seen a number of bricks and mortar fashion retailers like Zara set up shop online, but we've also seen a similar trend in the other direction—pure-play online retailers are foraying into the physical world with markets and pop up shops. **Retailers in this vertical will succeed with the help of a unified platform that allows them to move seamlessly between channels.**

Sales growth

57%



Monthly sales growth

41%



Average basket size

\$113

↑ 7%
YoY





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

FOOD AND ALCOHOL

No. 1 for credit card transactions

Food and Alcohol retailers achieved solid growth this year—increasing sales by 14% year-on-year. A slight lift (2.4%) was also seen in order value over the year, with \$168 on average spent per transaction; the highest of all the verticals. With the offline market for alcohol dominated by large franchises like Dan Murphys and Woolworth's owned BWS, **ecommerce has opened up the market to many smaller boutique retailers, selling specialty food and alcohol products and non-perishable groceries.**

It's not surprising that we see the greatest number of sales for this vertical in November and December, coinciding with Christmas and end-of-year festivities where a bottle of wine or hamper is a go-to gift. Average basket size also increases during these months to \$175, with the generosity of the holiday spirit encouraging shoppers to open their hearts and purses. This category brought in the highest proportion of credit card purchases—72% of all food and alcohol purchases were made on credit, with 26% on PayPal, and just 2% via pay later.

Demand for premium liquor and increasing diversity of dietary and allergen requirements is driving growth of the food and alcohol vertical. Gluten free, dairy free, organic, vegan, FODMAPS; they all come with a loyal following in search of high quality products to meet their unique needs, and they are ready to spend. Retailers in this category will succeed by identifying and cultivating brand advocates and building a community around their products.

Highest average
basket size

\$168



Sales growth

14%



Monthly
sales growth

13%



#1 for credit
card transactions

72%



HOW ARE CUSTOMERS PAYING?

**Credit
card: 72%**

**Pay later:
2%**

PayPal: 26%





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
MarketingAverage
basket size

\$120

↓ 8%
YoY

Sales growth

23%

Monthly
sales growth

15%



20%

Increase in spending
in February

HOW ARE CUSTOMERS PAYING?



GIFTING

Spending soars a lovely 20% in February

It's becoming more commonplace, more acceptable and more convenient to buy gifts online. **But it's not just those on the receiving end who are enjoying the fruits of the gifts; retailers are too with a 23% increase in year-on-year sales which is a gift in-itself!**

This industry is seasonally affected by celebration days like Mother's Day, Father's Day, and of course Valentine's Day, where spending soared to a lovely \$148, \$29 above the average for the year. Christmas is another busy period, where average monthly sales are quadruple that of January. Gift givers don't skimp at Christmas either; average basket size for this month was also well above the \$120 average—a merry \$137.

Gifts tend to be those types of purchases that sneak up on us—a gift for Jim at work who's leaving, Jennifer who's having a baby, and oops, that's right Father's day is next weekend! That's why gifts tend to get put on the plastic, with this being our second highest category for credit card spending—69% of all transactions were charged to credit, compared to just 26% for PayPal. Buying gifts online is a luxury with choice, convenience, and speedy postage helping consumers across the country celebrate those special moments. Many merchants now offer same-day service and the ability to elect a delivery window, which is particularly useful for delivering fresh/perishable goods like flowers and edibles.

Transaction value is slightly down this year; there was small decrease in basket size of 8%, which could be symptomatic of the increasing competitiveness of the industry pushing prices down.



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

HEALTH AND BEAUTY

*Can you put a price on health and beauty?
Yes, \$113.*

Consumers are becoming more confident buying shampoos, conditioners and the like online, bundling such purchases into a single transaction to avoid visiting the shops, as seen in strong year-on-year growth in terms of both total sales (37%) and average monthly sales (19%). Average basket size remained steady at \$113.

Pay later is also impacting this vertical with 6% of transactions made using services like Afterpay and ZipPay. The remainder of transactions were through PayPal (38%) and Credit Cards (56%).

The number of health and beauty purchases peaked in November, perhaps in preparation for the social season; however the very next month, December, was the quietest month of the year, a time when shoppers may need to allocate funds elsewhere.

Email marketing is a valuable channel for merchants in this vertical, bringing in the highest average sales per subscriber (17.8) of all verticals, according to leaders in ecommerce email marketing, SmartrMail. To take advantage of this trend, having an advanced platform with the capability to send tailored product recommendations and abandoned cart recovery emails based on ecommerce data is a must. Similarly, investing in social media advertising and utilising beauty influencers will help reach a new audience of customers that will deliver high ROI.

Average
basket size
\$113



Sales growth
37%



Monthly
sales growth
19%



High ROI
**EMAIL
MARKETING**

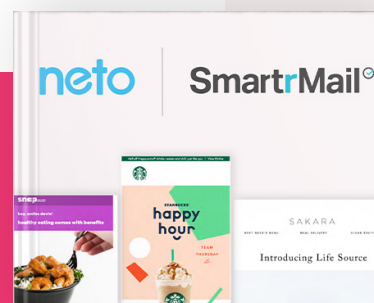


HOW ARE CUSTOMERS PAYING?



TAKE YOUR EMAIL MARKETING FURTHER

Download the free Ecommerce Email Marketing guide.





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing



HOMEWARES

Furnishing our homes from the comfort of our... homes

The value of the Homewares market in Australia currently sits at **\$1 billion** and is booming, as our top performing vertical for 2017/18. Homewares had the strongest year-on-year growth of all verticals in terms of average monthly sales—up 54% from 2016/17. Total sales has also grown by 55%, two percentage points behind the leader, Fashion (57%).

Our homes are an extension of ourselves. Just as we use fashion as a way to express who we are to the outside world, the way we decorate our homes—the linen we buy, the art we hang, the colour of our couch, and the crockery we eat from—are all carefully choreographed to show who we are to our friends, families and visitors.

Cheaper homewares stores like Ikea have made creating a beautiful home accessible to the mainstream, as has the abundance of ecommerce stores that make it even easier to

design, research, and order a whole new living room from the comfort of your own... living room.

This sector is prone to fluctuations in discretionary income as it's a luxury to be able to replace home items, and the industry has been disrupted by new entrants in recent years, like 'mattress in a box' brand, **Koala**. This revolutionary mattress-buying experience with free delivery, trial, and returns has driven prices down and put the onus on the retailer to deliver value.

The industry has also seen strong growth in terms of basket size, up 25% to \$150 year-on-year, indicating a willingness to spend more online, whether the extra dollars are going towards a higher-ticket item, or by bundling additional products into a single order.

Sales growth

55%



#1

Highest increase in
monthly sales

54%



Average
basket size

\$138

↑ 25%
YoY



Value of the market

\$1b





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

Sales growth

49%

Average
basket size

\$145

↑ 5%
YoYHighest vertical
for PayPal

72%



9%

Monthly
sales growth

MOTOR PARTS

Fueled by better choice and fast, cheap and reliable delivery.

Currently valued at **\$484 million in Australia**, the Motor Parts vertical is enjoying accelerated growth. Total sales for Neto merchants grew a record 40% year-on-year, and in terms of average monthly sales, our merchants saw a 9% increase. The value of transactions grew simultaneously, simultaneously, up 5% year-on-year, with average basket size sitting at a healthy \$148.

An industry that was traditionally dominated by bricks and mortar stores like Autobarn and SuperCheap Auto, the ecommerce market is claiming significant market share due to a number of key factors.

Products sold in this vertical include any car, motorcycle or scooter parts or accessories that are either replacements for or enhancements to a vehicle. When shopping online, filtering and finding a part that fits exact specifications for car make, model, year or variant is much easier than searching in a store. And with less overheads and limits on space, online sellers are able to sell a wider range of parts for a wider range of cars, but must be careful to control inventory.

As with the other verticals, online sales for motor parts are fueled by fast, cheap and reliable delivery, and increasing consumer confidence in spending online. One important way to build confidence is by offering a selection of payment methods at checkout so the customer can choose their preferred option. Offering PayPal—which processed the majority (72%) of motor parts transactions—is vital. Just 5% of transactions went through pay later.

Unlike the other verticals where November was the busiest month, average sales were the highest for Motor Parts merchants in August and the lowest in December, indicating that consumers avoid fixing or upgrading vehicles late in the year when cash is required elsewhere.



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

PETS AND ANIMALS

35% increase in sales cements our furry friends' place in the family.

The Pets and Animals category sells a range of pet products and accessories, food, health products, and treats. **Australia has one of the highest rates of pet ownership in the world with 62% of households owning a pet, and the number is rising along with sales for online merchants in the industry, which jumped by 35% year-on-year.**

Pets are no longer 'just a pet' they are a member of the family, which is driving widespread demand for products to enhance our pets' lives. Owners are looking for higher quality products too; nothing less than the best for Rex. Plus, it's much more convenient to have bulky food packages delivered than to lug them home from the store.

Although as a collective we spend a lot on our furry friends, there's been little change in the amount we're spending in each transaction with average basket size remaining a fairly steady \$114. But getting a pet isn't a decision

to be taken lightly. As the highest users of pay later, it appears that pet owners will buy even when money's not readily available, with 18% of purchases being made through pay later.

The challenges for merchants in this category lie in differentiating from other stores and also fostering loyal relationships with pet owners. Email marketing statistics show that pet owners typically purchase three times through email channels, therefore engaging them early on with clever marketing is key. Social media is also a valuable promotional channel for pet merchants, if the growing number of pet Instagram accounts and the rise of the 'pet influencer' is anything to go by.

Peak sales in this category occurred in November and December; because pets deserve Christmas presents too!

Sales growth

35%**#1**

for pay later

Average
basket size**\$114**

Busiest month

Nov**1 in 3**Households own
a pet



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

SPORTS AND RECREATION

A healthy climb in sales

The Sports and Recreation vertical covers any exercise, sporting and fitness equipment, apparel and accessories, as well as camping and fishing goods. Worth **\$449 million in Australia**, and growing by 28% in terms of year-on-year sales, there are a number of key factors contributing to the success of this industry.

Australians are becoming more conscious of and proactive about health and fitness. Over the last few years there's been a range of government initiatives to promote active lifestyles, camping, and recreational fishing. In addition, more competitive prices and budget options for camping equipment has made this a cheaper holiday alternative for many families. The proliferation of health and #fitspo bloggers and influencers on social media have also had a massive impact on both cultural and consumer trends.

On the other side of the checkout, merchants are working to decrease the risk of purchasing bigger ticket items, like a mountain bike, by creating pseudo-tangible experiences through video and tech, building up reviews, and offering free and easy returns.

The amount consumers are spending in online transactions for sports and recreation climbed slightly to \$145 (up 2.7% year-on-year). Another heavy vertical for pay later transactions (14%), it seems that when Aussies get motivated to improve fitness or take up a new sport, we don't want to wait. PayPal and credit card transactions were fairly comparable at 46% and 40% respectively. November and December were the months that brought in the highest sales for merchants; the warmer weather, holidays, and Christmas is prime-time to sell bikes and cricket sets.

Sales growth

28%



High use of
pay later

14%



Average
basket size

\$143



Dec

Busiest month



#fitspo



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

SUPPLEMENTS AND NUTRITION

Growth slows with increasing regulation

The online Supplements and Nutrition industry is currently worth over **\$149 million** and includes vitamins, herbs and other natural medicines, weight-loss products and sports and nutrition products like protein powders or nutritional supplements. This vertical experienced slow growth figures in terms of sales in 2017/18, and brought in an average basket size of \$89 per transaction.

A number of factors are impacting the performance of this vertical. One is the increasing health consciousness of Australians—both young and old. **The emphasis is now on being strong, fit and healthy, rather than just thin, and health seekers are looking to supplements to support their endeavours.** Coinciding with this trend is the explosion of the number of health and fitness bloggers and Instagram influencers (both male and female) promoting a healthy lifestyle aided by vitamin and supplement products. Similarly, the older generations are becoming more aware of the benefits of natural medicine to aid in everything from osteoporosis to heart disease.

Average
basket size

\$89



\$149m
Value of the market

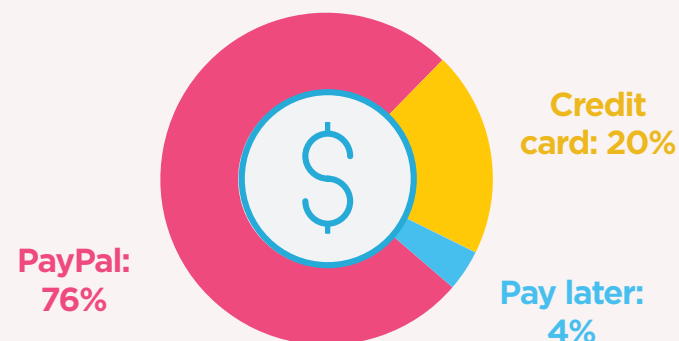


#health

Challenges merchants in this vertical face include increasing regulation of products, limitations around advertising, and competition from supermarkets and pharmacies who have the ability to offer lower price points and discounted products, which all contribute to the slowed performance of the industry this year.

The quietest months in terms of sales were December and June. The former, a month of celebration and indulgence where attention to health is conspicuously absent, and the latter, a time when Aussies are in the depth of winter, characterised by the desire for warm, hearty meals, woolly jumpers, and a more relaxed attitude towards exercise. August—the other side of winter—was the busiest month of the year for supplements and nutrition merchants, and January was also a good month for sales, as can be expected after the holidays and New Year's Resolutions.

HOW ARE CUSTOMERS PAYING?





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
MarketingMonthly
sales growth

12%

Average
basket size

\$162

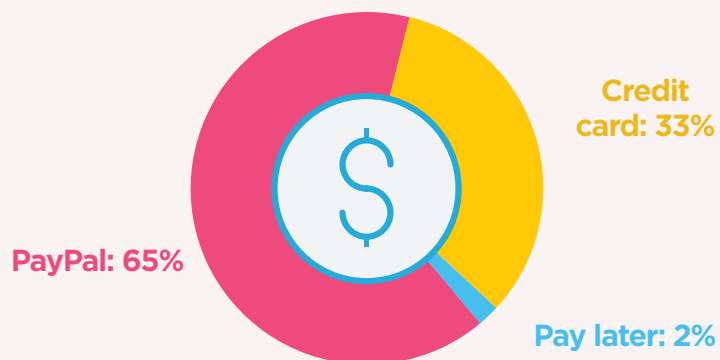


Sales growth

19%



HOW ARE CUSTOMERS PAYING?



TOOLS & HARDWARE

Hammering home the sales

Tools and Hardware reported another year of steady performance with total sales growing 19% year-on-year, and average monthly sales growing by 12%. Tool and hardware purchases tend to be larger, more expensive items, and accordingly the average basket size of \$162 was the second highest of all the verticals. Basket size remained fairly steady over the year.

This industry has the lowest value of transactions through pay later services (2%), which could be indicative of a couple of things a) there are fewer merchants in this vertical providing pay later services, or b) our tradies, home handy-men and DIY-ers are dollar-conscious individuals, preferring to pay upfront (or via credit card). Credit card transactions represented 33% of payments, and PayPal accounted for 65%.

Regardless, there are significant savings to be gained from purchasing online, and this along with a rise in discretionary income has made the funding of home-improvement projects possible, and popular—thanks to television shows like Renovation Rescue and The Block.

November was the busiest month for sales in Tools and Hardware, bringing in almost double that of the quietest month, which was July. December sales came a close second, suggesting that DIY-ers gear up for big holiday projects during this time, and that drills, toolkits and whipper snippers are still winning presents for those so inclined.





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

TOYS AND HOBBIES

Game on for toy retailers

The Toys and Hobbies industry, consisting of a range of traditional games and toys, electronic toys, arts and craft products, and hobby equipment is currently worth **\$942 million in Australia, with ecommerce representing \$70 million of that.**

2018 was the year that industry stalwart Toys R Us announced they would close the doors to their 1600 stores around the world, and industry growth slowed to just 1.4%. The outlook for ecommerce merchants is positive however, with total sales for Neto merchants growing by a healthy 21%, and basket size coming in at \$117.

Although traditional toys are facing tough competition against new electronic toys and games, we're seeing the return of the good ol' fashioned board game with family favourites Monopoly and Scrabble outselling their digital equivalents and a string of newer board games gaining traction. The board game market is expected to reach **\$12 billion by 2023.**

In a market dominated by tough competition, maintaining a good reputation, obtaining positive reviews and building a strong presence on social media is key, as well as having the ability to meet demand through stock control—not being able to deliver on promises to parents or children is something to avoid at all costs!

Average
basket size

\$117



Sales growth

21%



Monthly
sales growth

3%

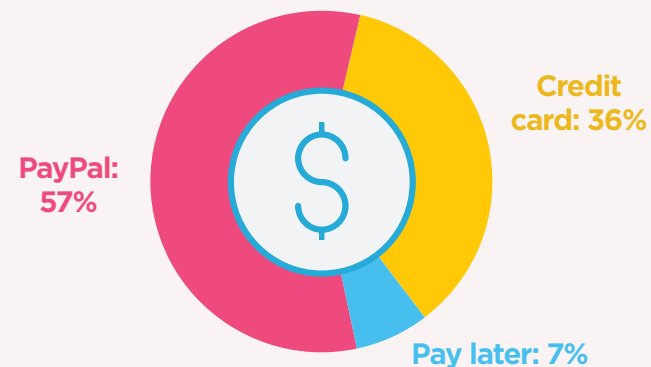


Value of the market

\$70m



HOW ARE CUSTOMERS PAYING?





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

PAYMENTS





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

A Wealth of Payment Options

As reports of large-scale hackings become a regular occurrence, and concerns over security and privacy reach new highs, offering secure and flexible ways to pay is no longer just a nicety, it's a necessity. At the same time, shoppers' expectations with respect to how quick and easy making a purchase online should be are only getting higher. **PayPal reported that 43% of mobile shoppers will abandon a purchase if it's too difficult or took too long and 30% get annoyed when a site is not mobile optimised.**

Most retailers offer a combination of credit card, PayPal and pay later payment options with the majority of payments coming through PayPal.

PayPal offers shoppers a convenient way to pay online and remains a favourite due to its ease of use and reputation for being safe and secure. Over half (54%) of all purchases were transacted via PayPal this year, down from 73% in 2017. However, total transaction volume increased by 19%. The verticals that transacted the most through PayPal relative to other payment methods were Supplements and Nutrition (76%) and Electronics and Hi-Fi (67%).

Pay later
YoY growth

122%

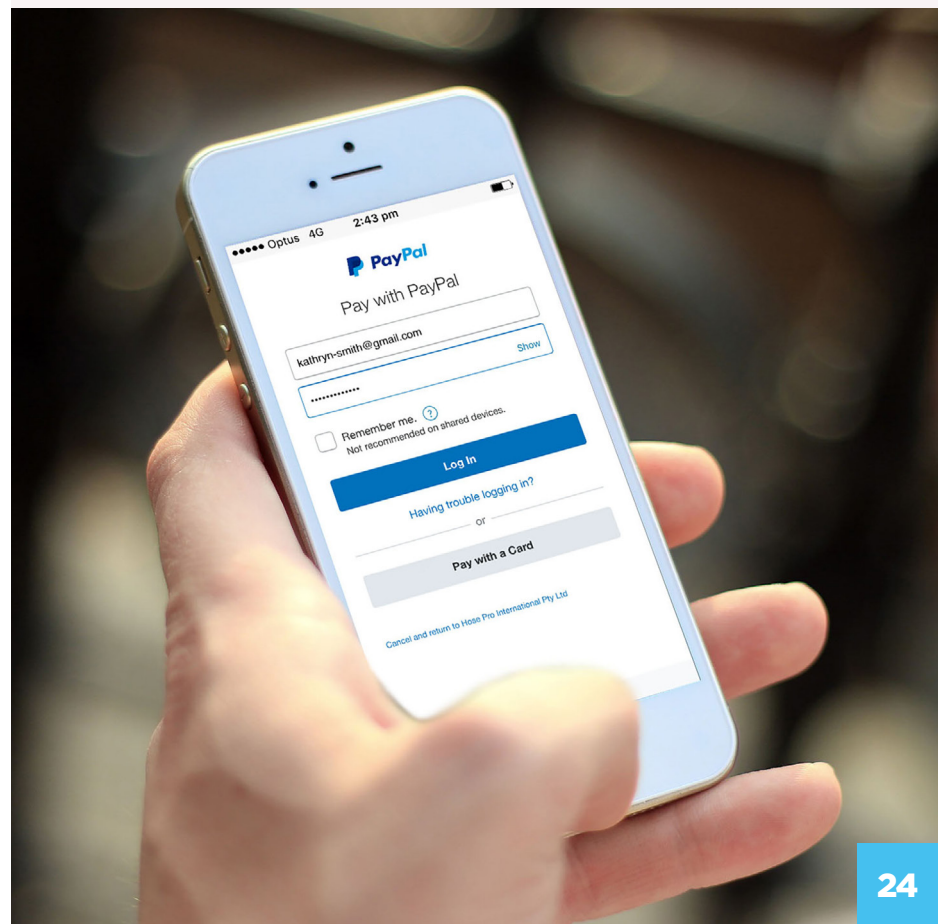
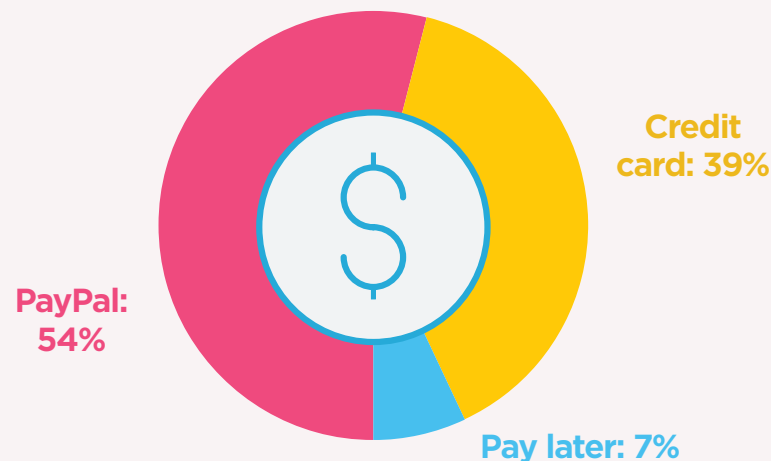


Highest users of PayPal

Supplements
& Nutrition



HOW ARE CUSTOMERS PAYING?





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



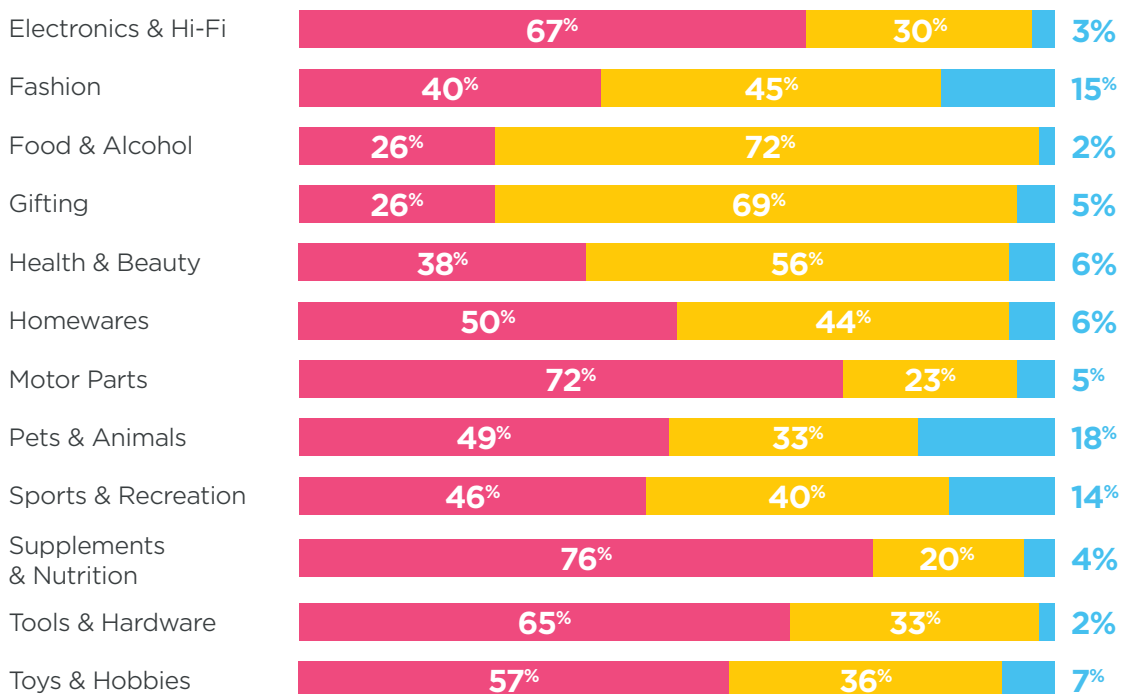
Shipping

Search &
Marketing

Credit card transactions (which also include debit cards) accounted for 39% of online transactions, a figure that is up 17% from the previous year, stealing away a slice of PayPal's pie and highlighting an increasing confidence using credit cards online. Paying via credit card was most popular in Food and Alcohol, with 2 in 3 purchases made via plastic (the digital version).

Pay later performed exceptionally well, doubling in share of spend from 2017 to 7% and the value of transactions through services like Afterpay, ZipPay and ZipMoney increasing by 122%. Pets and Animals earned the greatest share of pay later transactions (18%), comparative to credit card and PayPal.

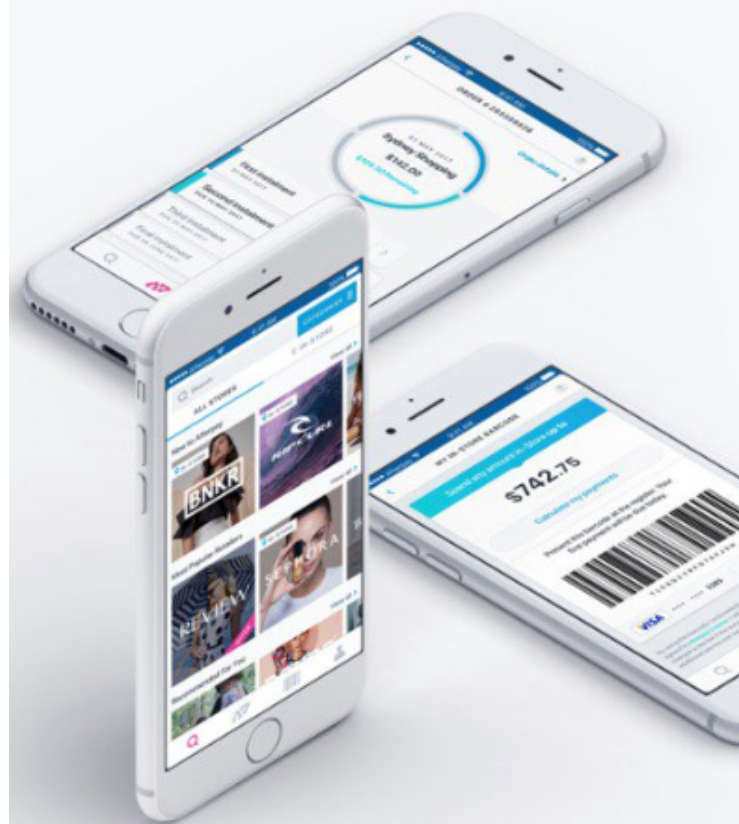
POPULARITY OF PAYMENT METHOD BY VERTICAL



PayPal Credit Card Pay Later

KEY TAKEAWAY

Always offer multiple payment options and make it as easy as possible for shoppers to navigate and checkout on your site. Ensure your payment gateway has fraud protection and is seamlessly integrated with your website, and look for a retail platform that is PCI compliant.





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

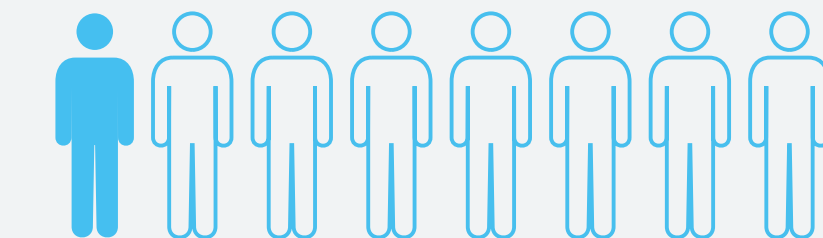


Mobile Commerce (mCommerce)

There's no denying that Australian consumers love their smartphones. The [PayPal 2018 mCommerce Index](#) revealed that the number of Australian smartphone users making purchases and payments on mobile devices remains at an all time high of 72%. **In fact, 37% of Australians now prefer to make payments or purchases with their mobile**, a figure which jumps to 46% for Australians aged between 18-34.

With nearly one-in-eight consumers (12%) now shopping via mobile on a daily basis, there has been a rise in the number of everyday mobile purchases like Food and Drink and Groceries and Travel. Bill Payments (64%), Clothing and Accessories (51%) and Tickets (48%) remain the top three categories for mCommerce purchases, with Clothing and Accessories seeing a 5% increase compared to 2017.

There has been a rise in the number of everyday mobile purchases like Food & Drink, Groceries and Travel.



1 IN 8
Buy online everyday

72%

Buy from their
smartphones





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

mCommerce Drivers and Barriers

When it comes to consumer drivers of mCommerce, Australians said convenience (32%), ease of use (23%) and more shopping options (22%) were the key reasons behind making more mobile payments in 2018. Yet with close to half of Australian consumers (47%) annoyed when sites don't work on their mobile, it's not surprising that 43% of consumers have abandoned a purchase because it was too difficult or took too long and a further 30% have abandoned a purchase because the experience wasn't mobile optimised.

WHY MOBILE PAYMENTS?

Convenience	32%
Ease of use	23%
More shopping options	22%

OPTIMISE OR SAY GOODBYE

Why purchases are abandoned:

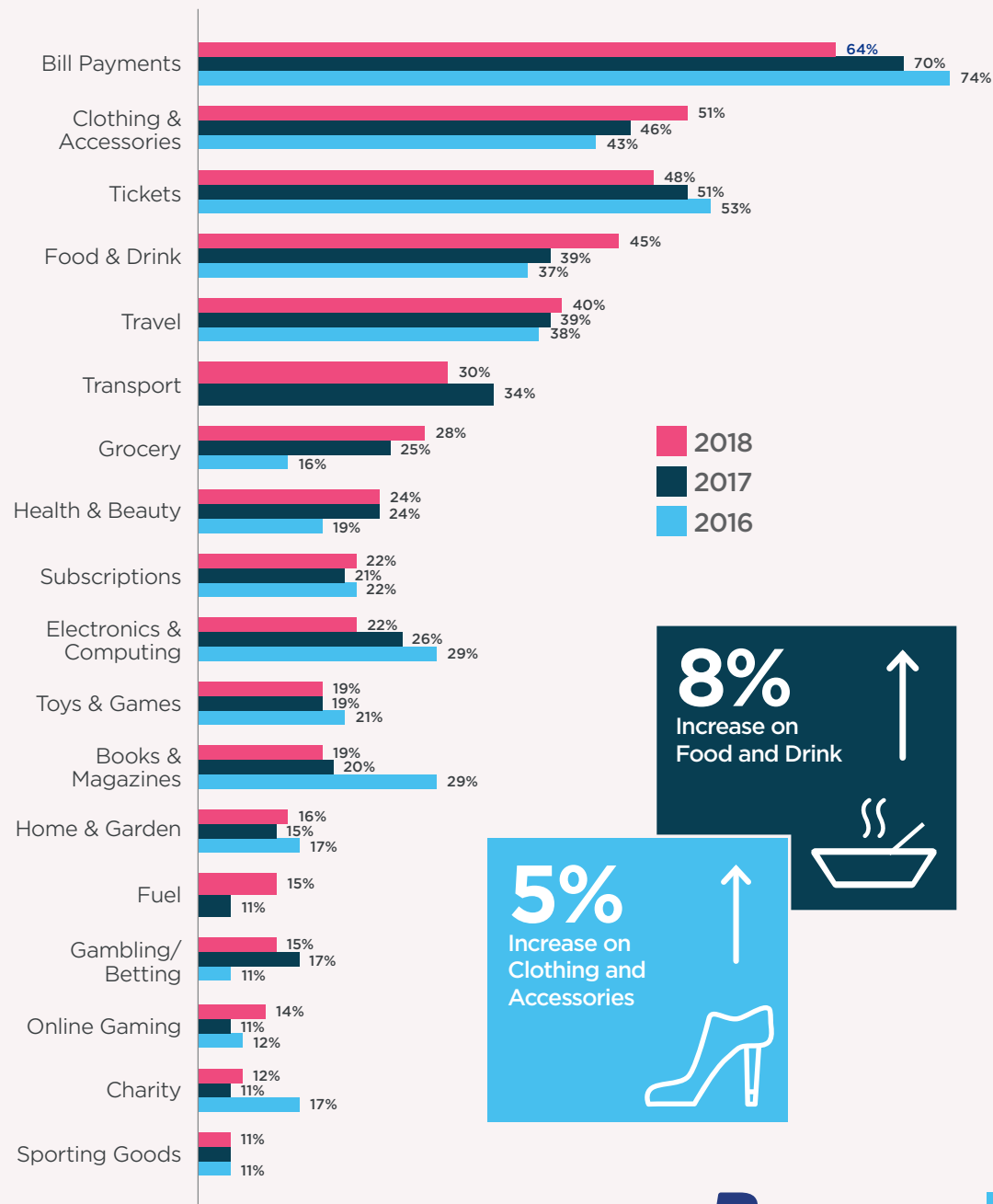
43%

Too difficult or
takes too long

30%

Not mobile
optimised

MCOMMERCE PURCHASING BY CATEGORY





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

Social Commerce

From the launch of Facebook in 2004, to the introduction of Instagram's shoppable posts fourteen years later, the role of social media has evolved significantly. 2018 has seen consumer adoption of social commerce continue to grow, with close to one-in-five Australian consumers (19%) making a purchase via social media in the last six months (compared to 11% in 2017). Of those who shop via social media, Facebook remains the top destination (81%) followed by Instagram (25%) and Snapchat (9%).

Currently 13% of Australian businesses sell via social media, with another 22% planning to sell via social media within the next six months.

In addition to direct purchases, social media is becoming an important product discovery tool for Australian consumers. Twenty-two per cent of Australians said they've purchased an item through an online store after seeing it on social media, this jumps to 31% for Australians aged 18-34.

Social media is becoming an important product discovery tool for Australian consumers.



SOCIAL COMMERCE ADOPTION

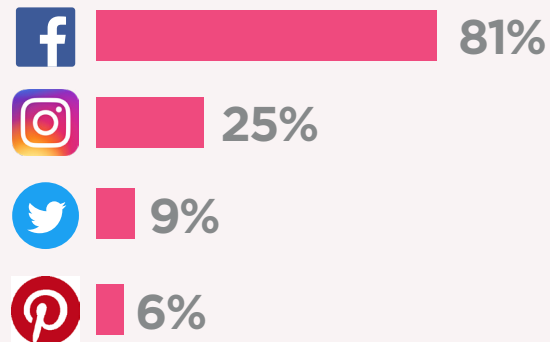
13%

Of business sell
via social media

19%

Of consumers
purchase via
social media

SOCIAL COMMERCE SHOPPERS BY CHANNEL



Despite growth in social commerce, Australians are still uncertain about buying from social media platforms. More than a third (36%) of consumers don't trust the process of buying via social media and 38% are concerned about the safety of their financial information.



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

MARKETPLACES



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

In the Market for New Customers?

Shoppers expect a seamless, multi-faceted and personalised experience from retailers that delivers value and convenience regardless of the channel they are shopping on, which is increasingly an online marketplace.

Online marketplaces like eBay, Amazon and Catch offer goods for sale from third party sellers via their platform, and selling through such marketplaces is now becoming a core part of many retailers' strategies; a tool to both build brand exposure and reach new customers.

Neto transactional data shows that one third of total online sales value comes through online marketplaces; like eBay, Amazon and Catch; however for a number of our customers these figures are much higher.



They're an important way to gain new customers. We're in a niche industry so mass market advertising isn't practical. Sites like eBay put our products in front of people who might not have found us online.



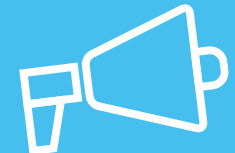
Prior to the launch of Amazon in Australia, we conducted a survey of all Neto merchants to understand how marketplaces like Amazon, eBay and Catch fit into our retailers' business strategies and one of the standout findings was that **over half of total sales came through marketplaces.**

Although the figure isn't as high for all merchants across all verticals, marketplaces are an important place to find customers nonetheless. In a pre-Christmas survey we conducted with our merchants, 60% said that marketplaces were an important complementary sales channel to bring in sales over the holidays. Whether marketplaces are a primary sales channel, or secondary to ecommerce or in-store, it's clear that they earn their keep year-round.

WHY SELL IN MARKETPLACES?

When we asked respondents for what reasons they wanted to sell in marketplaces, this is what they told us:

- ✓ To bring in new customers
- ✓ To increase sales
- ✓ To build brand awareness
- ✓ Exposure to new markets
- ✓ Business expansion



"Marketplaces are key to our business growth - they allow us to sell to a broader audience without the huge marketing budgets to direct traffic onto our website."



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing



Opening Up New Channels

With an almost 19 year heritage in Australia, 40,000 Australian sellers and more than **11-million Australians visiting the platform each month** – eBay is Australia's largest marketplace and favourite shopping destination.

Offering convenience and the lowest prices across an unrivalled range of products, eBay gives shoppers access to more than 1 billion listings across eBay's 190 global marketplaces.

eBay continues to innovate to adapt to the changing retail landscape. When Australians said that free delivery was the most important factor when shopping online, eBay introduced membership program eBay Plus, which offers customers free delivery and returns, as well as exclusive access to special deals, and dedicated customer service.

How eBay buyers shop:



60%

VS

40%



175M
Global customers



90%
Of items sold are
brand new



96%
Of SMB sellers export
to other countries



75%
'Free delivery' was the
most important factor



**Half the country
is on eBay.**



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing



SHIPPING



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

Signed, Sealed, Delivered

Delivering to every corner of Australia is cheaper, faster and more reliable than ever before. Technology has come a long way, now allowing merchants to track an item from when it leaves your warehouse until it is safe in your customer's hands. Similarly, with the right software, you can have [visibility over your inventory](#) from the moment it enters your warehouse, throughout the entire fulfilment process, and even in the event that the item is returned.

As a result of this, merchants are providing a better and more consistent customer experience, which is in turn increasing the trust consumers have in shipping. This nicely coincides with the rise in online purchases we've seen this year; Neto data shows a 49.2% increase in shipping consignments compared to 2016/17.

When looking at what merchants are shipping, 'small' items are the most common parcel size posted. 66% of parcels weigh 0-2kg, 19% 2-5kg, and just 2% are over 25kg.

Size of Consignment (KG)	Proportion of Parcels Shipped
0-2 Kg	66%
2-5 Kg	19%
5-10 Kg	7%
10-25 Kg	7%
25 Kg+	2%





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces

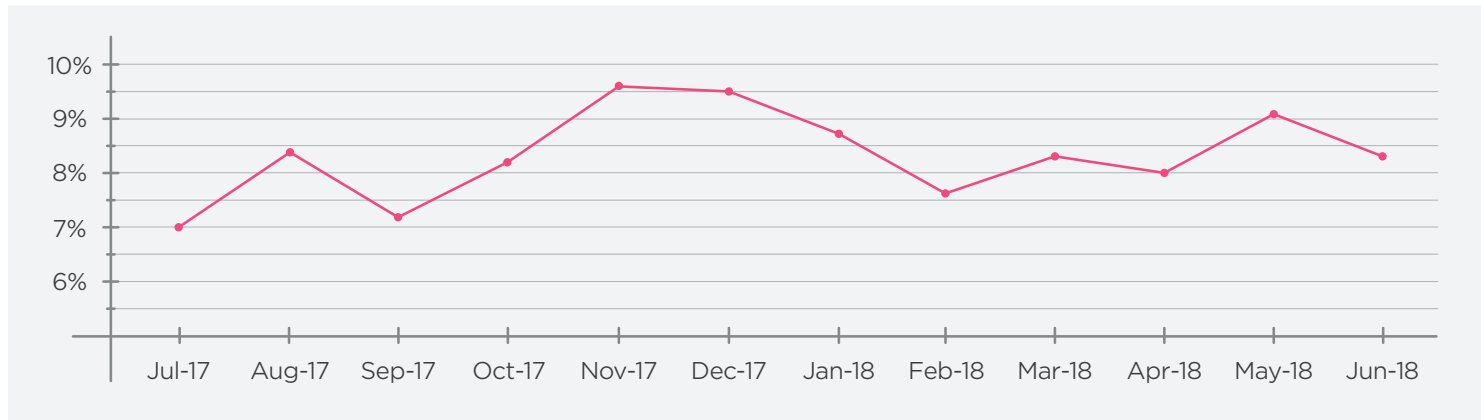


Shipping



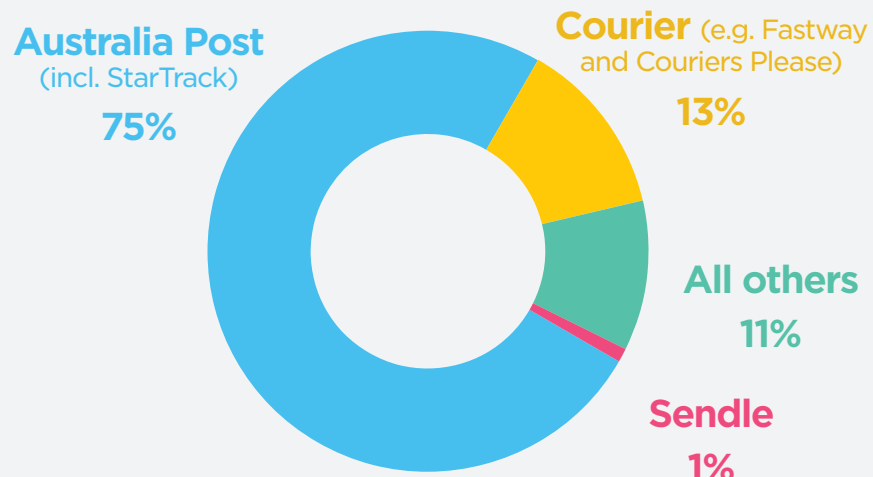
Search &
Marketing

November is the busiest month for shipping, when 9.6% of the year's deliveries are made, followed by December, when a further 9.5% of parcels were shipped. Corresponding to the dip in sales, July was the quietest month with the lowest number of parcels shipped (7.0%).

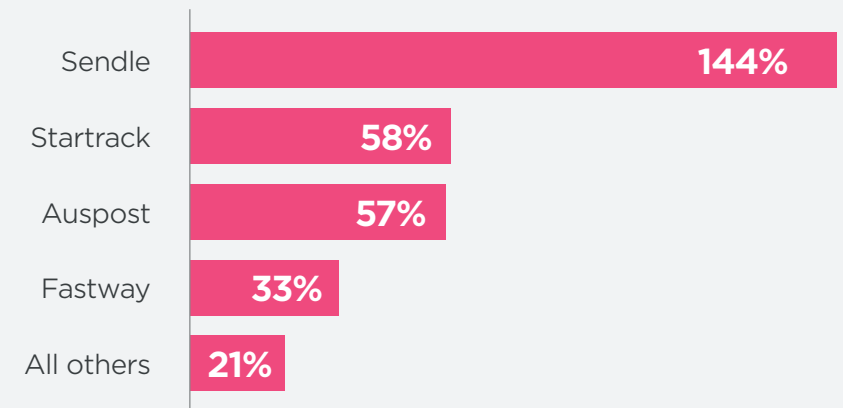


The most popular courier is Australia Post eParcel—taking care of 75% of all consignments, followed by Couriers (13%). Sendle experienced the greatest year-on-year growth in terms of usage, growing by a staggering 144%.

NO. OF CONSIGNMENTS BY SHIPPING CARRIER



NO. OF CONSIGNMENTS BY CARRIER - YOY GROWTH





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing



Where in the World Are We Shipping?

As internet access continues to improve, and the Australian dollar falls relative to the greenback, ecommerce retailers are increasingly tapping into lucrative new international markets.

While the US and New Zealand continue as areas of high demand for Australian online retailers, rapid growth across Asia Pacific has opened up new market opportunities. China and India have almost tripled their share of the global economy within the last two decades due to the rise of the new middle class with access to high-speed internet, international payment gateways, and money to burn on desirable, high quality Aussie brands.

Here in Australia retailers are in prime position to make the most of the opportunity, with international timeframes shrinking, shipping costs becoming ever more competitive, and a new generation of buyers with great global taste.

Access to consumers in new overseas markets is no longer blocked by the barriers it once was.

For [Sendle](#) merchants shipping internationally, New Zealand and the US continue to grow steadily. Merchants are also shipping to customers as far as Sri Lanka, Norway and Puerto Rico.



TOP 20 COUNTRIES FOR INTERNATIONAL DELIVERIES

- | | |
|-----------------------------|-----------------|
| 1. New Zealand | 11. Israel |
| 2. United States of America | 12. Netherlands |
| 3. United Kingdom | 13. China |
| 4. Canada | 14. Sweden |
| 5. Germany | 15. Italy |
| 6. France | 16. Switzerland |
| 7. Singapore | 17. Ireland |
| 8. Japan | 18. Spain |
| 9. Hong Kong | 19. Denmark |
| 10. Norway | 20. Taiwan |



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



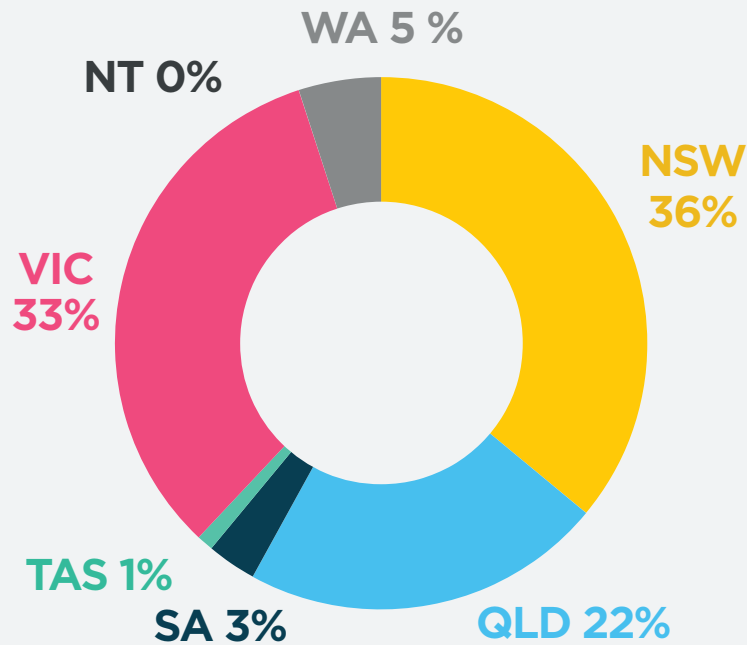
Shipping



Search &
Marketing

Here at home, for domestic parcel pickups within Australia, Sendle found that retailers from NSW and Victoria were nearly at parity, at 36% and 33% respectively, with these figures growing steadily for both states.

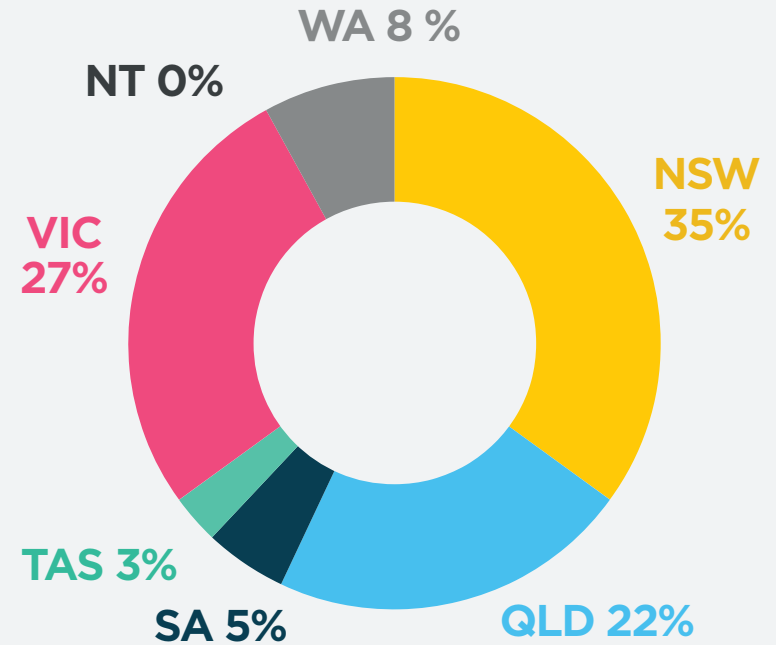
PARCEL PICK UPS BY STATE



**Most parcel pickups:
NSW & VIC**

For domestic parcel deliveries within Australia, Sendle found that those from NSW were the biggest shoppers, followed by the Victorians and Queenslanders. Folks in WA (8%) are slowly catching up as they tap into the web of entrepreneurial small businesses selling around Australia.

PARCEL DELIVERIES BY STATE



**Biggest online
shoppers: NSW**



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

SEARCH & MARKETING



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

Looking to the Future

Building and maintaining your online store is only half the battle in ecommerce. The other side of it is all about attracting shoppers to your site or to listings on marketplaces and converting them into a sale. That's why it's critical to understand not just your consumer, but consumer behaviour more broadly, so that you can invest your marketing budget where it counts. What do consumers want? How are they searching? What types of marketing resonates? How do you keep them coming back for more?

We spoke to Google and SmartrMail to get the latest data, insights and trends in search and email marketing.





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

Search is Changing

Consumers have the world of information at their fingertips to find the best products, find the best prices, and have them delivered *now*. Google's data shows just how search is changing and what retailers need to do to meet these expectations.

CONSUMERS ARE DEMANDING



80% increase in mobile searches for the term 'best' in the past two years



2x increase in "Top or best brands" mobile searches



2x increase in same day shipping searches



85%+ increase in mobile searches for "Where to buy (product)"



3x increase in "Near me" searches



3x increase in "Open now" searches

REMEMBER ME?

Consumers want consistent, personalised relationships with brands and retailers.

43%

Expect to be able to pick up where they left off after abandoning a purchase.

58%

Favour companies whose mobile sites or apps remember who they are.

RELEVANCY IS KEY

Consumers want relevant, accurate and up-to-date answers.

74%

Look for the most relevant information regardless of the company.

53%

Have purchased from a company/brand other than the one they intended to because information was more relevant.

PICK UP OR DELIVERY

SHOPPERS
Expect

VS

BUSINESSES
Offer (or plan to)

Specified time slot for deliveries

50%

28%

Click and Collect

68%

38%



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

SmartMail[®]

Email Continues to Deliver

Email marketing consistently generates the highest return on investment (ROI) of any marketing channel, and ecommerce stores are no exemption to this. For every \$1 spent on email marketing, stores sending with **SmartMail** see an average ROI of \$44.

OVERALL EMAIL ENGAGEMENT

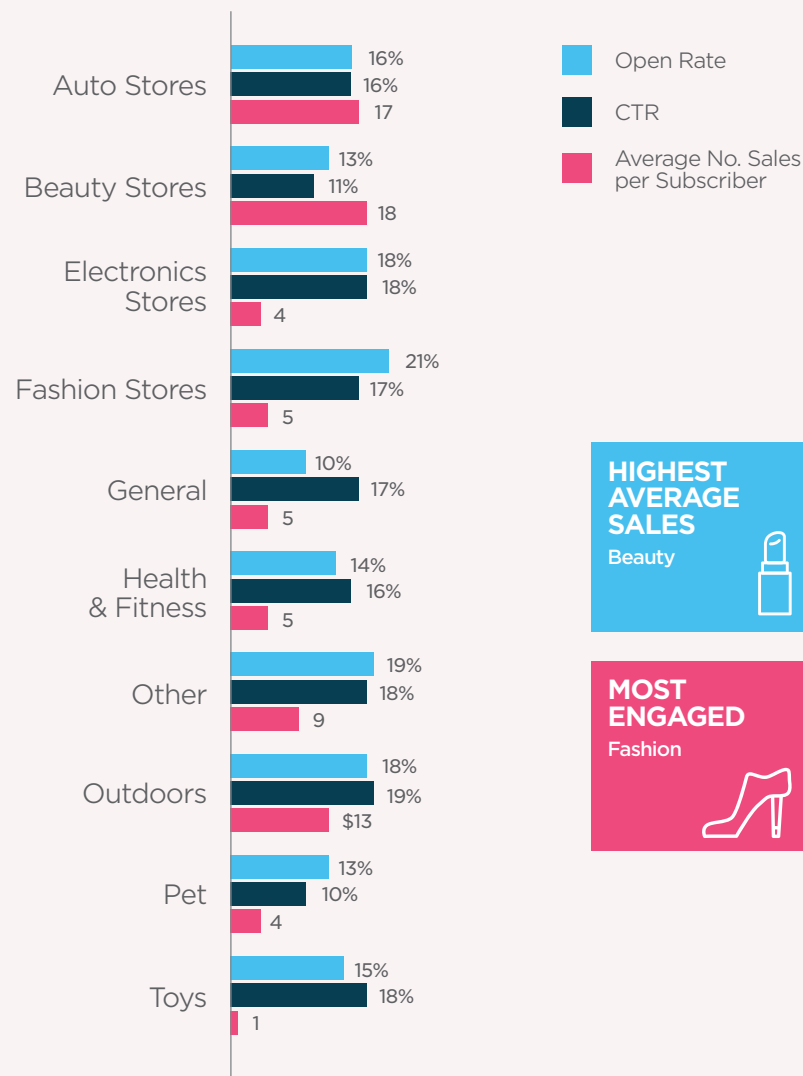
17% Average
Open Rate

15% Average Click
Through Rate

Stores selling 'general' merchandise (often without any focus in terms of product selection) see the lowest levels of engagement with email marketing in comparison to categories like Fashion and Outdoors. Prevalence of 'general' stores is high on the SmartMail due to their advanced product recommendation capabilities and many see much greater levels of engagement than the industry average for the category.

As for the best performing categories, fashion ecommerce retailers have the best average open rate and very high CTRs, however when it comes to the average number of sales per subscriber, they fall short of beauty and cosmetic, automotive, and outdoor equipment stores. These categories experience the highest sales volumes relative to their number of subscribers.

EMAIL ENGAGEMENT BY CATEGORY



This data reinforces something we've known about ecommerce and email marketing for a long time: the stores that perform the best tend to be those that have found a product niche and have capitalised on it.





Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces

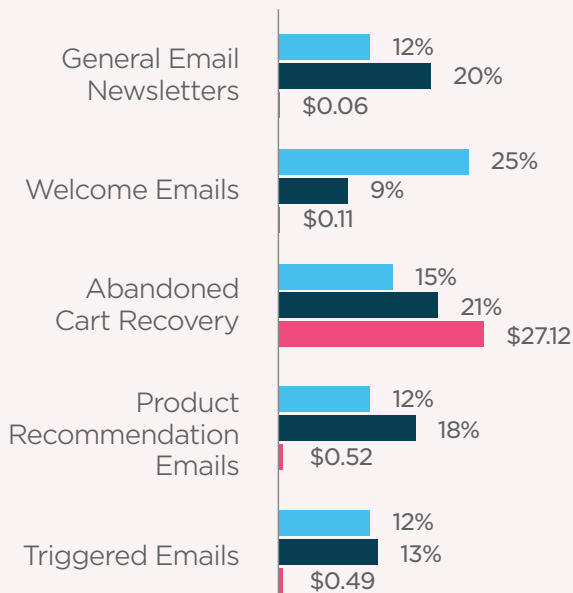


Shipping

Search &
Marketing

ENGAGEMENT BY TYPE OF EMAIL

Open Rate CTR Average Revenue per Email



Best performing emails



1. Abandoned cart recovery
2. Product recommendation emails
3. Triggered emails

Sending highly targeted emails has a much bigger impact on the bottom line.



These numbers are not surprising. Welcome emails have by far the greatest open rate as people expect to receive and often go looking for them after signing up to a mailing list, especially if they were promised a special offer. However these emails also have the lowest CTR.

In terms of average revenue per email, abandoned cart emails are a clear outlier. This is because they are only sent to people who are highly likely to convert seeing as they have already made it all the way to the checkout.

Although product recommendation and triggered emails are not that different to the open rate of manually-sent email newsletters, the amount of revenue they generate is much higher. This is most likely because of the products in these emails being much more tailored to the recipient compared to generic, manual emails.

ABANDONED CARTS EMAILS

STORES
SENDING THEM

VS

STORES NOT
SENDING THEM

6.8

Average no. sales
per subscriber

4.5

Average no. sales
per subscriber

“Abandoned carts emails are crucial when it comes to generating more sales for your ecommerce store.”



Home



Introduction



Year in Review

Performance
by Vertical

Payments



Marketplaces



Shipping

Search &
Marketing

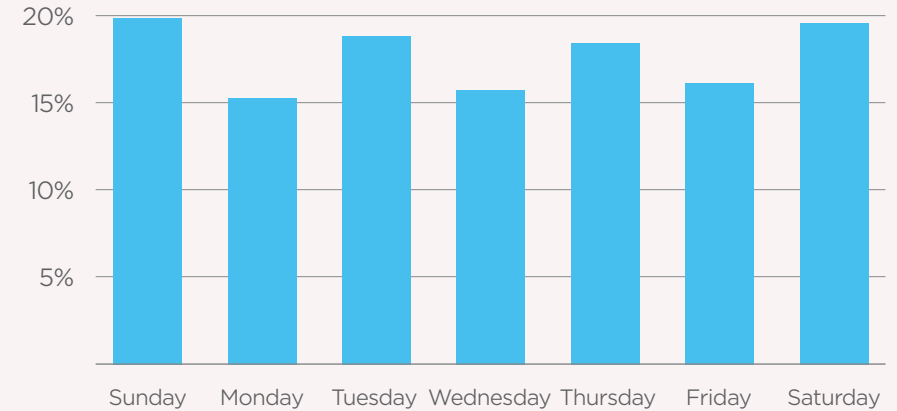
The biggest question with email marketing is always 'what's the best day to send my emails?'.

And it's an important one, because getting it right can mean the difference between your emails being opened or not, and hence making a sale... or not.

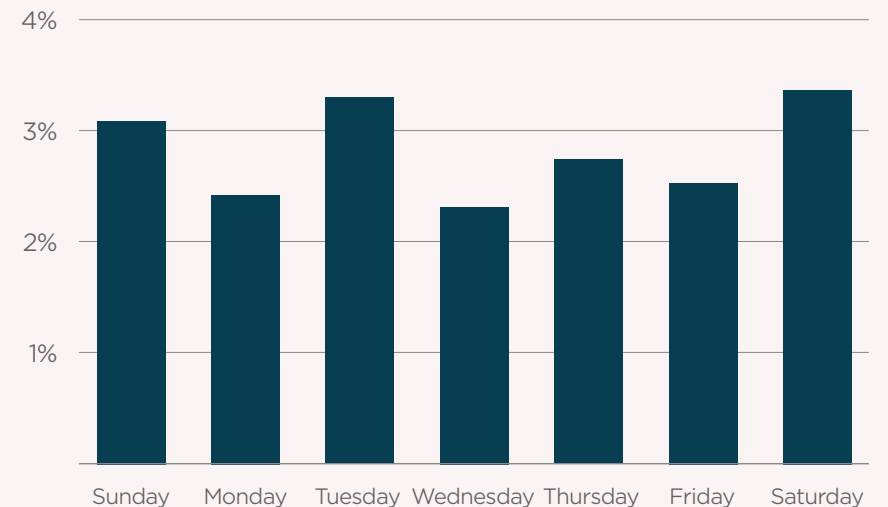
If you were to do a quick search on Google, no doubt you'll find a number of studies showing that Tuesday is the best day to hit send, but SmartrMail's analysis of 36 million emails reveals that actually, weekends now have the advantage.

Sundays were found to have the highest average open rate at 19.79%, with Saturday close behind at 19.56%, compared to 18.78% for Tuesdays. CTR was also higher for weekends than Tuesdays, with Saturday bringing in slightly more clicks (3.38%) than Tuesdays (3.31%).

OPEN RATE



CLICK THROUGH RATE





Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

WHERE TO FOR 2019?

WITH CEO, RYAN MURTAGH

As online retail continues to grow and evolve, retailers must adapt to the changing needs of the consumer and ecommerce landscape in order to remain competitive. So with 2017/18 behind us, let's take a look at what the coming year could bring.



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

These are my predictions:

1. The rise of marketplaces will continue

Amazon and eBay will continue to fight it out for marketplace dominance in Australia, but it's consumers who will be the ultimate winners with new innovations, world-class service, and low prices the prizes. Utilisation of third-party delivered inventory and logistics for Amazon (including Fulfilment by Amazon) will increase as retailers look to take advantage of their growing loyal customer base and find efficiencies in servicing this market. In terms of attracting consumers to buy on marketplaces, we will see new channels like Voice Commerce powered by Amazon Alexa begin to really gain traction.

2. Automation won't just save time

Automation of inventory and fulfilment across sales channels will become increasingly important, especially with the rise of marketplaces and new ways of buying like social and voice commerce. Efforts to manually manage operations across ecommerce, marketplaces and physical channels will become near-futile, and businesses that look to automation will be the ones that survive in an ever-increasing competitive environment.

3. AI, AR and Chat Bots will secure their place in retail

We've been hearing about Augmented Reality (AR) for some time now, but we've been yet to see this filter down into the mainstream in any valuable way. In 2019, AR that has practical applications will start to make inroads both in-store and in home. Think magic mirrors and apps that empower you to experience a product without leaving the house—the ultimate try before you buy.

Chat bots will be another technology that finally finds its place, relieving customer service agents from performing grunt work such as order status updates or retrieving shipping tracking numbers. This type of artificial intelligence and machine learning won't take away jobs like some media outlets might have you believe; instead it will empower SMBs to shift their limited resources to strategic growth activity.

4. Voice commerce: we're all ears

I've mentioned voice commerce a couple of times now, but it deserves its own dedicated prediction as it will become a priority for retailers in 2019. According to eMarketer, people using voice assistants will grow to 76.5 million in 2019 and retailers will need to optimise their product catalogues to tap into this growing market. Leveraging marketplaces such as Amazon and eBay as a means to being found through voice channels is a key way for retailers to take advantage of this opportunity.

5. Unique, personalised experiences will win over discounting

Retailers that focus their attention on building a unique brand experience that is channel agnostic and aligned to their customer values will win out against those that focus on short term strategies such as discounting or product diversification.

Personalised shopping experiences will become the norm for SMB ecommerce stores. With the integration of machine learning and AI, a growing list of low-cost solutions are now readily available for small retailers to adopt, empowering them to compete with the likes of Amazon and eBay on this front.



Home



Introduction



Year in Review



Performance
by Vertical



Payments



Marketplaces



Shipping



Search &
Marketing

Acknowledgements

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neto

Neto is the only Australian retail management platform that provides a complete solution for ecommerce, point of sale, inventory and fulfilment. Our integrated back-end technology enables exceptional and consistent customer experiences via any channel, be it in-store, online or through a marketplace. We automate repetitive tasks and integrate with multiple sales channels to manage orders and shipments.

www.netohq.com

1300 730 300