

IN-DEPTH INSIGHT:
THE amazon EFFECT
DOWN UNDER 2017





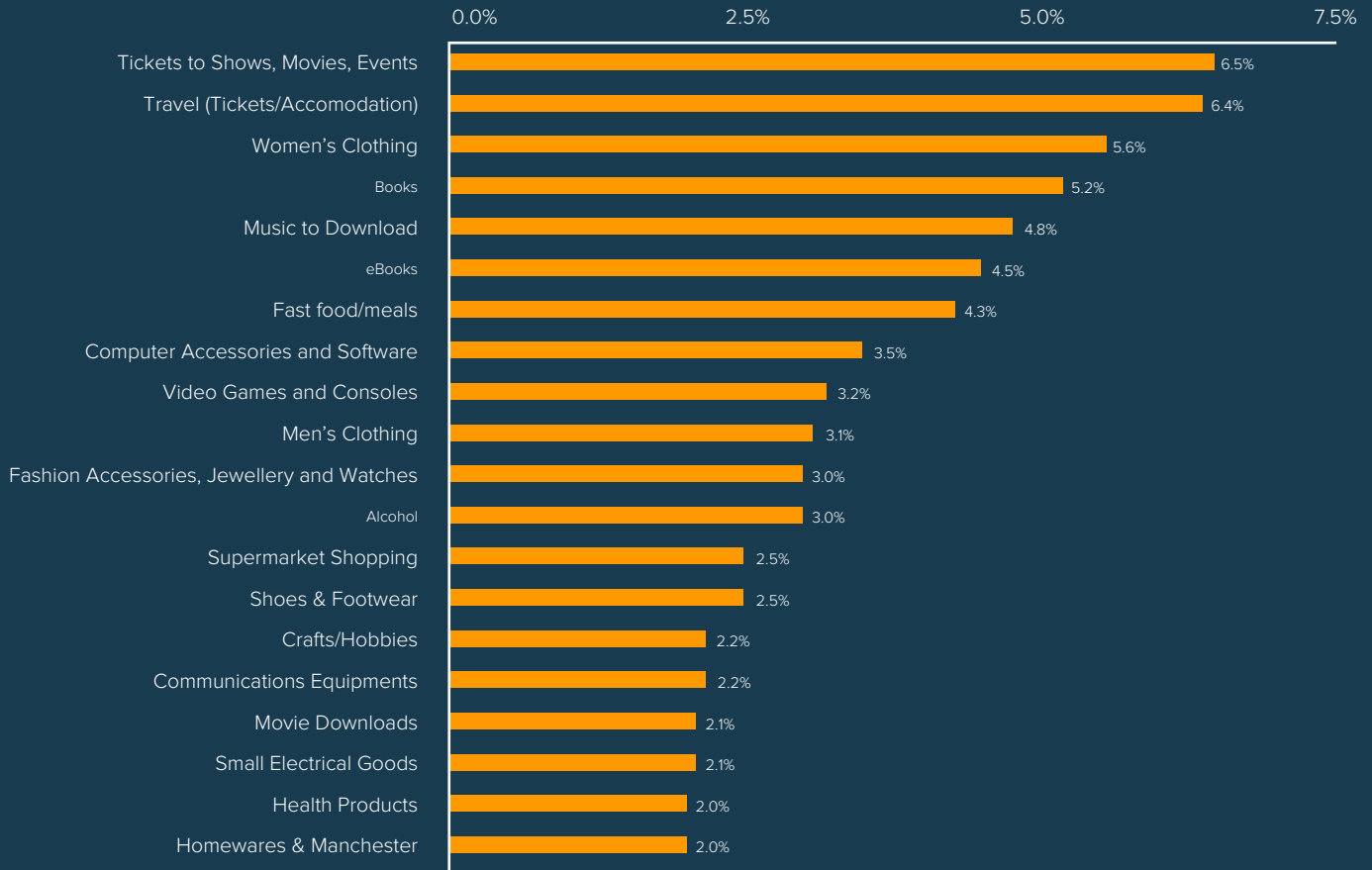
Amazon, the world's largest online retailer has long 'eyed' the Australia market as its' next target in pursuit of global domination and it seems that their plans are set to become a potentially frightening reality for retailers down under with plans to enter the market in 2017 under their Amazon Prime, Amazon Prime Now and Amazon Prime Fresh brands. The retail giant believes that prices in Australia are "way too high" and aim to "go through and collect price-points on everything before setting prices at a 30 percent discount."

Known for their thirst for complete dominance in all operational markets and territories, Amazon is rumoured to be targeting a full launch in Q3 2017, shaking up the online and offline retail landscape across the Oceania region.

The unsaturated market opportunity in Australia has been and will continue to be the carrot that lures large international brands with 39 of the world's 250 leading retail brands already established operations.

TOP 20 PRODUCTS AUSTRALIANS BUY ONLINE

% of australians 14+ who bought product online in the last 4 weeks

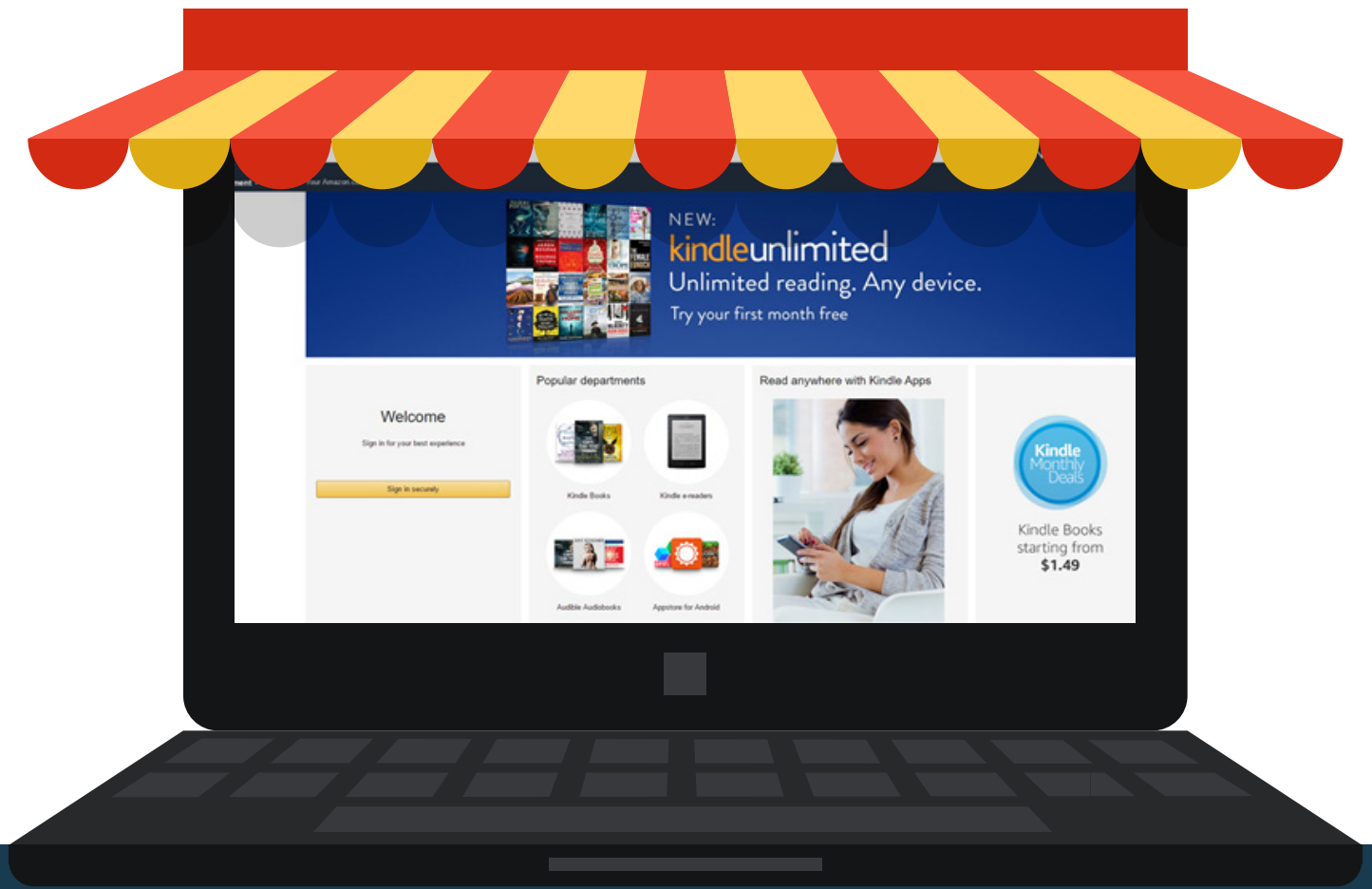


Source: [Roy Morgan Research](#)



The Ecommerce arena in Australia has become increasingly competitive as international retailers battle for a slice of a market valued at \$17.40 Billion in 2015 and predicted to grow to \$23.92 Billion by 2018. The projected upward growth in the Australian ecommerce market of 5.9%, 6.3% and 6.6% for 2016, 2017 and 2018 respectively makes Australia the 4th largest retail ecommerce market in Asia-Pacific and the 10th largest ecommerce market in the world.

Four in ten Australians are making at least one online purchase every four weeks with tickets (6.5%), travel (6.4%), women's clothing (5.6%), books (5.2%) and music downloads (4.8%) ranking as the top five most purchased products which creates an attractive opportunity for international retailers.



Source: [Amazon.com.au](https://www.amazon.com.au)

Amazon's presence in Australia to date has been predominantly as a books retailer, replicating the same business model implemented by the founder [Jeff Bezos](#) when [Amazon.com](#) launched for the first time in 1995.

With [69% of digital spenders making online purchases outside Australia](#), predominantly from the United States (40% of consumer spend), China (32% of consumer spend) and the United Kingdom (22% of consumer spend) driven by cheaper prices and product assortment, Amazon is now adequately positioned to capitalise on the opportunity down under, backed by their global experience and immense success in attracting and generating revenue from 18-39 year old demographic in key markets across the globe who also account for 54% of online purchases outside the Australia.

It is worth noting that [Australians spend approximately \\$500-\\$700 Million with Amazon outside Australia](#).



According to the Australian Financial Review (AFR), Amazon is set to cause real problems for Australian based retailers as they make plans for their imminent market entry in 2017 to “destroy the retail environment in Australia”. The US online retailer is poised to implement a full category assortment and omnichannel strategy offering “general merchandise” and “fresh” goods through Amazon online, physical Amazon stores in every Australian state.

Justin Braitting, Chief investment officer at Watermark Funds Management commented that, “They (Amazon) have decided they want to do fresh at the same time as the general merchandising offers so the has put them back six months.

“They want to roll the whole things out at the same time”.

The development of a bespoke technology system for the Australia market that seamlessly integrates with their global operations is seen by experts as evidence of their commitment to maximizing the retail opportunity “down under”.

AMAZON IMPACT ON RETAIL IN AUSTRALIA POST 2017

With operations in 11 international markets including United States, Canada, Mexico, United Kingdom, Germany, France, Italy, Spain, India, Japan and China, Amazon have proved formidable competition for local retailers in these individual markets and this pattern is highly likely to continue upon entry into the Australian retail market.

Amazon’s strategic focus and planned entry into the Australian retail market appears almost identical to their 2015 arrival into the Mexican retail space. Pre-2015, Amazon.com.mx only offered e-books for sale similar to what Australians have only been able to purchase from the Amazon.com.au website to date. Post 2015 saw the online retailer introduce millions of products across several product categories with free shipping and a focus on distribution and logistics which saw them rise from No. 8 Internet Retailer 2014 Top 500 Guide Latin America to No. 1 in the Internet Retailer 2015 Top 500 Guide. It is not unreasonable to assume more of the same once in the Australia retail space.

Mark Newman, CEO at Oroton commented, “I think Amazon are a threat globally – I think we’d be naive to think that they won’t have any impact here in Australia.”

Mr Newman added, “Ultimately the most important thing for us within the Orton brand itself is that we control that brand, we control who we sell it to, and we have our own very well developed online store where our customers can reach the brand wherever they are.”

Experts believe Amazon's entry into the Australian market could see the US retailer capture nearly 15 per cent of online consumer spend and over 1 per cent of all consumer retail spend across all channels across the region, totalling \$4 Billion in sales and it's not hard to see why.

GLOBAL

Amazon is the number one online retailer in 8 operational markets except for Mexico and Japan where they are second and China where they are third largest after JD and Alibaba owned TMall.



Amazon leads the USA online retail with \$1 in \$2 of online consumer spend spent at their Amazon.com website.

Teen retail brand Aeropostale filed for Chapter 11 bankruptcy in 2016, closing 113 stores in USA and 41 in Canada.



Best Buy Co. closed 66 retail outlets of electronics retailer 'Future Shop' in 2015 with plans to convert the remainder 131 outlets to Best Buy stores due to increase competition from online retailers. 1,000 full-time and 500 part-time staff lost their jobs.

Target dropped its plans to expand in Canada in 2015 after losing \$2 Billion in 2 years with RadioShack filing for Chapter 11 bankruptcy in the same year after YoY sales growth declined 22% and Amazon increased 56%.



Electrical retailer Comet, closed in 2012 under increased pressure from online only retailers such as Amazon.

May 2014 saw the £3.8bn merger of Currys, PC World and Carphone Warehouse brands into Dixons Carphone to create a more competitive electrical retailer in a "digital age" with greater buying and growth options due to increased competition from pureplay retailer such as Amazon.



Rewe Group closed their ProMarkt stores in 2013/ 2014 with the CEO highlighting consumer shift to digital channels as a key contributor to their demise.



The French Government implemented a "free delivery law" in 2014 to protect small book retailers from major online retailers including Amazon and FNAC to encourage consumer spend with local independent retailers.

Analysts at CITI predict key losses for local retailers' space but the dominant brands will get hit the hardest. They believe Amazon's electronics offering could see JB HiFi drop 6 percent in annual sales, Harvey Norman drop 4 percent as they bulldoze their way to grabbing up to 44 percent of the Australia electronics market. They also predict losses for clothing retailers including Myer and Super Retail, Premier Investments who operate Just Jeans, Portmans and Smiggle brands.

JB Hi-Fi CEO Richard Murray believes, "Our industry-leading low cost of doing business is a key enabler and competitive advantage and ensures we can deliver great value every day to our customers."

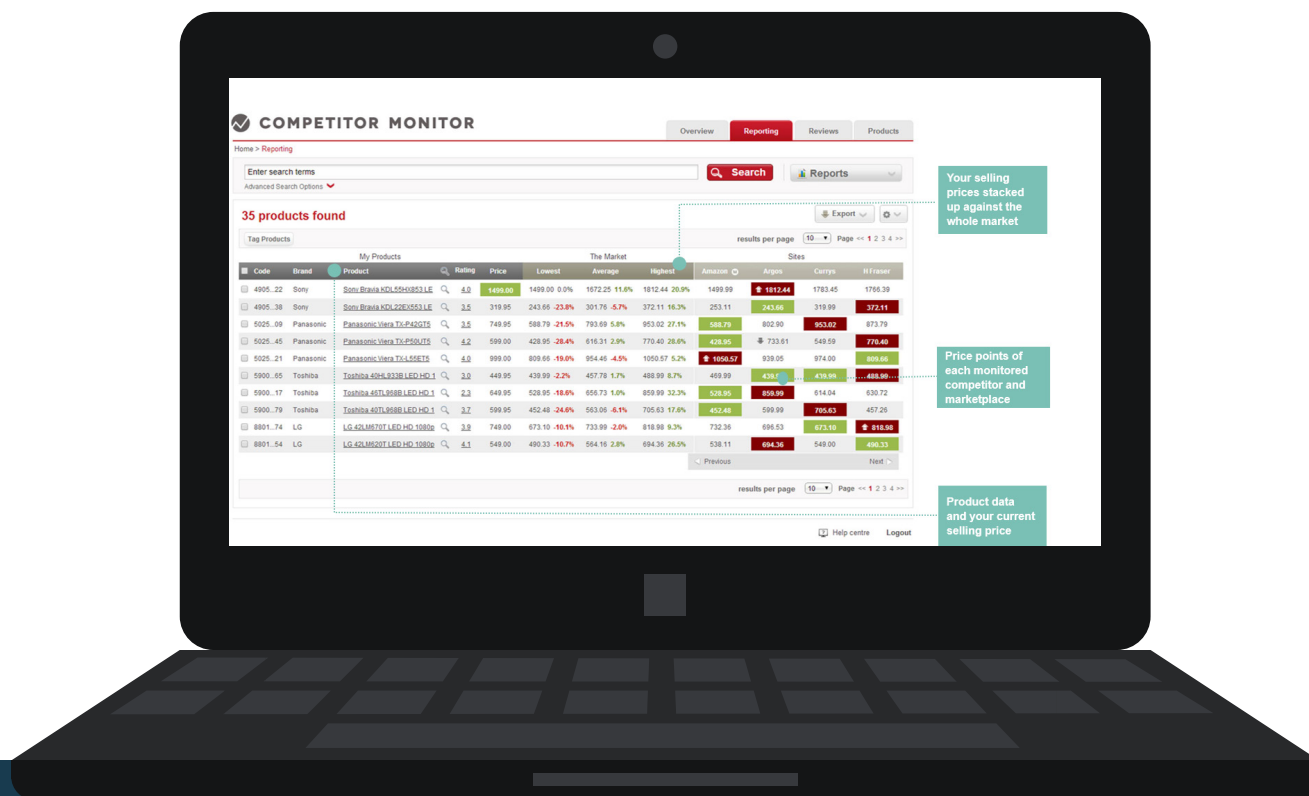


Amazon Fresh presents an entirely new proposition to the Australian Grocery Market especially with their plans to have distribution centres in every Australian state. The combination of an online and offline retail offering could see Amazon give existing retailers a 'real headache' by providing more fresh grocery, at cheaper prices and can be delivered faster than the competition.

This disruption would certainly impact the more recognised brands such as Woolworths and Coles who stand to lose significant market share but this pales in comparison to independents who could struggle to compete on price and may have to focus on other communication messages to sustain their small business.

Retail strategist Brittain Ladd commented, "I believe Australian consumers will be among the most aggressive at embracing online grocery retailing and ecommerce once they understand the total value commerce retailers can provide."

COMPETITOR PRICE MONITORING IS KEY



Source: [Competitor Monitor](#)

Retailers in Australia must understand that consumers are constantly price monitoring and doing their homework using various price monitoring software and these retailers must be doing the same too.

Competitor pricing and [competitor price monitoring](#) are activities that any [intelligent retailer](#) must engage in to ensure they have accurate intelligence on their competitors especially in areas such as price, promotion and stock availability which could massively impact sales volumes and profit margins.

Amazon have proven time and time again that they strive to win in new markets based on price and logistics. With the online retailer poised to challenge existing retailers across several product categories, from electronics and lifestyle to food and much more, competitor price tracking provides an efficient and accurate method for local retailers to still remain competitive.

[Helmut Okike](#), Head of Marketing at Competitor Monitor commented, “Australia presents an immense opportunity for Amazon to capitalise on a market with immense growth potential driven by the value consumers place in ecommerce.

“Amazon’s entry into the Australia will see most retailers adopt a more reactive strategy based on Amazon taking the lead. It is paramount that these retailers understand their competitors pricing and react speedily to maximise sales opportunities.”

Mr Okike added, “The speed and accuracy provided by efficient competitor price monitoring technologies to aid effective decision making could be the difference between retailers surviving or going bust which has been the key trait of the Amazon effect.”



In this eBook, we share five core principles employed by intelligent retailers to gain, sustain and increase their competitive advantage. This interactive guide also provides twenty-two key action points to help improve your online competitiveness and profitability.

[**DOWNLOAD IT HERE**](#)

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ABOUT COMPETITOR MONITOR


Competitor Monitor provides actionable data for intelligent retailers across the globe to outsmart their competitors using our intuitive software platform.

With Competitor Monitor, retailers track their competitor prices, products, promotions, reviews, stock availability, receiving timely alerts around the clock.


We provide intelligent retailers with actionable recommendations, allowing them to take the right action, maximising margins, boost sales and expand their offerings.



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