Current Situation and Future Development of Australian Retail Industry

Jiaxin Sun
Dongbei University of Finance and Economics, Dalian 116000, Liaoning, China
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Abstract: These years, traditional Australian retailers have gone through a hard time threatened by domestic online retailers, and the sales of traditional retailers have been declined per annual over the past five years and only forecast to improve slightly over the next five years. At the same time, the continuous propagation of COVID-19, and the relationship between retailers and customers further exacerbates the crisis. So to have a full understanding of the current circumstance of Australian traditional retailers, in this paper, we will firstly analyze the retail industry as a whole including its features and current bottlenecks and then detailed reasons of current bottlenecks will be showed. We will also put forward targeted development strategy for the traditional retail industry in Australia.

Keywords: retail industry, shopping center, online shopping, bottleneck

Traditional retail industry is a form of retail industry, which is mainly based on physical stores, such as department stores, supermarkets for business activities.

1. Features of retail industry

1.1 Diversified formats and services

Australia's retail industry covers department stores, supermarkets, specialty stores, discount stores, convenience stores and super shopping centers. These physical stores can provide diversified services.

Taking super shopping as an example, it has complete service categories covering catering, entertainment, leisure, sports, culture and so on and aims to meet the one-time needs of customers. Various businesses in super shopping bring diversified experience to consumers and satisfy their diversified needs while shopping. And there is a trend that these offline shopping centers will continue to expand their service types.

1.2 Increased competitive marketing strategy

To cope with competence pressure from online shopping, traditional retail industry has promoted many new marketing models for market expansion such as inter industry cooperation. The combination of gas stations and convenience stores has been a relatively successful marketing method in Australia in recent years, which combines the retail industry with other industries to meet people's demand for convenient gas stations and low-cost shopping.

1.3 Chain and suburbanization

In order to seize the market, almost all kinds of commercial shopping centers adapt chain operation mode, standardized, specialized and unified management in commercial activities. In the fierce market competition, the major businesses unite efficiently controls cost and achieves a win-win situation. At the same time, with the rapid development of suburban and marginal areas in Australia, more people enter the suburbs, and business centers transfer to suburbs to obtain more users. In recent years, due to the cold business of physical stores, it is not the general trend to occupy a good geographical environment to increase customer flow, but reducing the cost of rent and expenditure has become the willing of major businesses. Therefore, it can be seen that the development of suburbanization is in line with the characteristics of the times and business interests.

To conclude, Australia's traditional retail industry has complete service business, innovative marketing model, and multi-party cooperation. Its business performance is supposed to develop in a good direction, but its turnover is showing a downward trend these years. The decline of its downturn is not its service provided, but is mainly attributed to macro environmental factors and competence from online shopping.
2. Analysis of downturn of the industry

2.1 Macro factors

2.1.1 Policy factors

The Australian government is very supportive of the development of the retail industry. Speaking at a summit, Australian finance minister Josh Frydenberg was very supportive of the development of retail industry because of its ability to overcome the economic slowdown.

2.1.2 Economic factors

By understanding that around October 2019, with the recovery of the housing market, it promoted the level of consumer spending and drive the growth of the retail industry. As a result, a slight 0.3% increase in the Australian retail sector in 2019 is due to the recovery of the real estate industry, but on the whole, the global economy presents a recession trend. The retail industry development stimulus brought by the recovery of the real estate market is only temporary, and cannot change its downward trend.

The breakout of Covid-19 further exacerbates the economic situation. The spread of the epidemic caused local urban blockade. In July 2020, many cities, including the capital Sydney, entered the blockade state. The blockade affected the development of tourism, catering and many other industries, directly resulting in an economic loss of about 10 million dollars in Australia. At the same time, the epidemic has also weakened market confidence. The market is facing negative situations such as reduced investment and low consumer enthusiasm. Australia's GDP in 2020 was $1.33 trillion, down 4 percentage points from $1.39 trillion in 2019. This decline was closely related to the epidemic.

The government is supportive of retail industry, and it is a good signal for traditional retail industry. On the other hand, the slump of economic situation has exacerbated consumption enthusiasm as customer has less money spent on consumption and they have a trend for saving. This has an adverse impact on the follow-up development of the retail industry.

2.2 Competence from online shopping

Online shopping is a new shopping method rising in recent ten years with the development of the Internet. Users retrieve commodity information through the Internet, send shopping requests through electronic purchase orders, and then fill in the number of private check account or credit card. Manufacturers deliver goods by mail order or door-to-door through express companies. Online shopping can help customers complete purchasing process only with a phone or a computer, definitely becoming a powerful competitor of traditional offline shopping.

2.2.1 Advantages of online shopping

• Various types and rich product information

Online shopping can provide customers with more various product than offline shopping. In shopping center, the product placed is limited and a single retail store always cannot contain all types of that brand, which limits the range of customers' choices. However, customer can retrieve all types of products through online shopping and obtain the product they prefer. At the same time, customers can get more information of what they want to buy including detailed material used, monthly sales volume and product review from other customers and so on through online shopping. With more information especially the information from other customers, they will have more objective understanding of the product, which help them make right purchasing choice.

• Save time and efforts

Online shopping helps consumers save time. In today's fast-paced society, people can allocate less time to shopping, while online shopping ensures that consumers can buy what they want without leaving home, which is very convenient and time-saving. In the similar way, for the products they want to return, they do not need to go to the store for consultation, but can handle after-sales service through online customer service.

In addition to its advantages, online shopping also has disadvantages.

2.2.2 Disadvantages of online shopping

• Poor produce experience

Consumers know the appearance of the product through photos or videos, but can't try the product in person, so they can't fully know whether the product is suitable for them.

• Quality worries

The network environment is complex, and fake and shoddy products emerge one after another. In reality, there are often large deviations in consumers' expectations and satisfaction with products. There will be multiple sales channels and prices for products of the same brand, which will affect the judgment of consumers. Criminals will also come up with a variety of ways to deceive consumers and sell low-quality goods to achieve their own profit purpose. The complex network
environment makes product quality monitoring difficult and there are increased worries about product quality.

A major advantage of online shopping is that it provides various types and convenience. It is just what offline shopping lacks. On the contrary, a major disadvantage of online shopping is poor experience. Therefore, reasonable correction of deficiencies and development of their own advantages are the future development direction of traditional retail industry. The strategies will be stated in the next part.

We also notice a big problem in Australian’s offline shopping because of the commence of online shopping. Previously, the communication between suppliers and consumers needed the help of retailers, but under the impact of online shopping, the role of retailers in the business chain of retail industry is becoming weaker and weaker. Suppliers can directly sell products to customers though dependent third platform and there is a trend that the acceptance and application of offline shopping malls are declining.

Consumers' consumption habits have changed imperceptibly with the rise of online shopping and the restrictions on travel caused by the spread of the epidemic, which have a more far-reaching impact on the traditional retail industry.

3. Changes of customer’s behaviors

► Customers no longer depend on the traditional methods of shopping. Instead of reading the advertisements in the newspapers and planning to buy anything, they can find the most appropriate price through the search engine, and shopping tends to be impulsive.
► Consumers' purchase reasons are more diversified. The introduction of friends, comments on popular products on the Internet will affect consumers' purchase behaviors, and purchase is no longer totally based on demand.
► Consumers can fully understand all products on the market through the network, and clearly know what they should buy, where to buy, and the money they should pay.
► Consumers go to physical stores no longer for the purpose of shopping consumption, but for the purpose of experiencing goods.

These changes are not friendly to the development of offline shopping.

Based on pressure, some major offline retail centers are increasingly combining offline shopping with technology. A new breakthrough is digital transformation, which is comprehensive digitalization before, during and after sales. Pre sales period: smart parking. Selling period: pay for mobile phone and configure cash machine. After sales period: delivery home.

At the same time, shop centers combine offline shopping with online shopping, and customers can query the goods and new products of physical stores online, so as to achieve the purpose of convenience and efficiency. In the future, more issues need to be concerned related to digital transformation.

4. Strategic development

4.1 shopping center location

A survey of "UBS evidence lab" shows key relative determinations in customer shopping decisions. Based on the survey, customers always consider location in the first place when shopping. It seems that shopping centers are more suitable to be established in places with convenient transportation and sufficient traffic. However, considering cost, following adjustment should be taken. Some large shopping centers have complete services, many kinds of products, relatively large passenger flow and good capital effect, they can keep their original areas unchanged, continue to be located in the prosperous and convenient traffic areas, and attract more users through further strategic planning. Small and medium-sized enterprises can transfer to suburbs or underdeveloped areas to reduce cost and deal with the impact of online shopping.

4.2 Add characteristic shopping districts to increase sense of experience

Based on the lack of customer experience in online shopping, the real industry should be more people-oriented and continue to improve customer experience in the future.

Aiming at different groups, centers can set up commercial streets with different styles suitable for different groups. And such street will greatly increase sense of experience.

A "children's experience Street" is specially built for children with children's toys, amusement facilities, special bookstores and other industries. "Street" decoration can be made with the theme of popular cartoon. The "romantic couple Street" for lovers is equipped with coffee shop, romantic pub, painting exhibition, love museum and other new industrial forms suitable for young people to pursue innovation and romantic character.
4.3 Product segmentation

A survey for “Types of goods most frequently purchased on e-commerce platforms” give the following conclusions:

For 18-24 years old people, the largest online spending categories are media and games, accounting for 11% of these online spending, followed by women’s wear (10%) and beauty products (9%). Among them, women’s wear, groceries, home furnishings and tourism services occupy the first place in other age groups. Media and games are also very popular among consumers aged 35-44 in Australia.

Customers are more willing to buy clothes and cosmetics online. At the same time, electrical appliances and other products are more likely to be purchased by entities. Therefore, product segmentation can be applied for traditional retail industry. For products with high demand for online shopping, it can reduce the size of the corresponding stores in the shopping center, focusing on users’ experience. For products with relatively low demand for online shopping, it should enhance the experience and expand its share in the shopping center. On the other hand, to expand the variety of commodities, each store can adopt a business model with rich styles but less inventory of each commodity to meet the needs of consumers for different styles.

4.4 Digital transformation

4.4.1 Store data upgrading

Establish a consumer database, covering consumer personal information, purchase experience, purchase type, and analyze consumers' overall shopping habits and more specific needs through massive data. Then change the style of the product and recommend the products preferred by customers.

4.4.2 The production line is fully digitized

Connect suppliers, consumers and shopping centers closely. Through the data center, the supplier can timely understand the inventory of the enterprise for corresponding supply, and the synchronous information of goods, orders, inventory, members, shopping guides, promotions, etc. So as to realize efficient "purchase, sale and stock" management, "follow-up" service, and rapid cash collection, and improve the working efficiency of the store as a whole.

4.4.3 Set up online website

Brand can set up its own online website as online sales channel, customers can complete a whole process of browsing goods, buying, paying and delivering in the website.

4.5 Customer experience upgrade

Provide convenience for customers to shop at home, and use VR technology to let customers experience cloud shopping.

The brand can adopt the live broadcast mode, presided over by stars, and adopt some new live broadcast methods to introduce brand products and sell them online. New way of live broadcast: contact the live broadcast platform to ask and answer questions, prize contest to guess and other interesting models of Amway products.

Close contact with the Internet. Users can query the inventory, price and promotion of each store of each shopping center on the Internet in real time.

Improve the convenience type. Business can adopt the mode of home delivery and intelligent shopping guide.

References


