

## Amazon in Australia might not be the end of retail as we know it

Written by The Conversation

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After months of teasing, Amazon will reportedly “[greatly expand](#)” its online offer in Australia over the next year. The move has been predicted to “[decimate retailing as we know it](#)”, but the sky will not fall in. Our shopping centres won’t close and retail will survive.

Amazon has not committed to opening physical stores in Australia, and it recently announced a [temporary hold](#) to the rollout of its Amazon Go convenience stores. With no physical stores, Australia represents a very small market for the retail giant.

Shoppers in Australia [spent just A\\$21.65 billion online in 2016](#) . While that may seem significant, it only represents 7.1% of what was spent in “bricks and mortar” shops. And as a result of a weak Australian dollar, 80% of the money spent online last year was with Australian retailers and online shops.

Meanwhile, [US\\$117 billion was spent online in the US last year](#) and £133 billion [was spent online in the UK](#)

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But ecommerce is also not the juggernaut it was. Globally, growth of online shopping has slowed as department stores, supermarkets and [other retailers](#) saturate this channel. Even in markets where Amazon features services like Amazon Fresh (groceries), Amazon Prime (free shipping and streaming) and Prime Now (express delivery), [sales growth has slowed](#)

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### The challenges

There are also other challenges for Amazon trying to conquer the Australian market. Consumer habits, perceptions of risk, market size and distribution among them.

Shoppers are [creatures of habit](#) . We generally shop with the same retailers, buy the same

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brands and spend a similar amount of money every month.

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has demonstrated that infrequent online shoppers will continue to be infrequent online shoppers. Non-users will continue to be non-users.

Many consumers still avoid online shopping, [concerned](#) about credit card fraud, quality and returns policies. Not being able to touch and try on before purchasing [presents a real barrier to ecommerce](#), as do long delivery times, delivery fees and currency fluctuations.

As far as online grocery shopping is concerned, [research](#) has shown that only 3% of consumers shop online for their food and groceries. And this market is already well serviced by a wide variety of players, from Coles and Woolworths through to pure-play online grocers like [Aussie Farmers Direct](#)

, [Grocery Run](#)

and

[Kogan Pantry](#)

. Amazon will need to come to this market with a significant offer to convince this small group of incumbent shoppers to switch.

The online purchase of clothing, footwear and accessories has increased substantially in the Australian market, [representing](#) 16% of sales in physical stores. These sales have been driven through establish brands, discount department stores, global entrants and pure-play retailers like Net-a-Porter, Shoes of Prey and The Iconic. But many of these businesses may also choose to sell their wares through the Amazon “[marketplace](#)”, which would mean no significant loss of sales to brands, but simply a switch between channels.

Amazon competes not just on price and product range but also free or speedy delivery. While Amazon Prime and Amazon Prime Now might work well in the US or UK, due to the large and concentrated populations in some areas, it will be more challenging in Australia. Less than half of us live in the three major capital cities and even these areas may not be economical to service in this fashion. Just look at the [restricted delivery areas](#) of the ecommerce sites already established.

## Retailers need to adapt

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Consumer electronics and toy retailers may be the most exposed to Amazon's arrival. When you are shopping for toys it matters little whether you are buying through Amazon or Big W, it simply comes down to price. With its economies of scale, Amazon will win on price. Similarly, consumer electronics. A digital camera is a digital camera, whether it's purchased through Harvey Norman or Amazon.

But as it stands, Amazon still appears a way off. Operationally, there is little indication of Amazon setting up warehouses and other infrastructure, or recruiting pickers and drivers needed for such a large operation. Although all of this is set to happen, we are told, in the next few months.

Ultimately, Amazon won't kill Australian retail. Australian retail will kill itself if it doesn't adapt to an ever changing consumer and focus on experience over price.

We need to see more technology like [iBeacon](#) , which allows physical retailers to use customers' phones to deliver customised experiences. This has already been [tried](#) at a shopping centre in Sydney. And as Amazon will provide a platform for brands to sell direct to the market, the brands we trust will become more important. So smart pure-play retailers, like Kogan and Catch of the Day have moved quickly to buy brands like [Pumpkin Patch](#) and [Dick Smith](#) . In doing so, locking these well known brands away.

*Gary Mortimer does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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