

Australia's eCommerce revolution: how it saved businesses in COVID-19 and future strategies to thrive

Australia Post

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Executive summary

The COVID-19 crisis has caused the greatest economic downturn since the Great Depression – both in Australia and around the world. Businesses and households have had to adapt drastically to a changing economic climate. Many stores have closed or had strict social distancing rules affect their operations. Overall, 56% of goods-related businesses lost revenue during the COVID-19 period from March to August 2020.

However, as disruptive and economically damaging as the past six months have been for Australian businesses and households, it could have been much worse. Along with the shift to working from home, online service delivery and other responses, **eCommerce helped businesses weather the crisis.**

For goods-related businesses analysed for this report, eCommerce helped 61% of businesses keep operating during the crisis by limiting revenue losses to 7%. The results are even more stark for businesses with fewer than 5 employees - revenue losses would have been 16% rather than 6% were it not for eCommerce revenues.

eCommerce has helped protect jobs during COVID-19, with 73% of businesses keeping people employed during the crisis because of eCommerce.

The businesses that took action to drive eCommerce achieved the best results. Those who invested in eCommerce saw almost no fall in revenue while those who didn't recorded an average fall of 20%, according to the ABS. Interestingly, while investments in technology and websites helped, it was **those who took action to shore up their supply chains that did best.**

Australia Post's activities have supported a significant portion of the growth in eCommerce. With approximately 82% of Australia's eCommerce by value delivered by Australia Post's network, it facilitated an additional \$4.2 billion in eCommerce

during the height of the crisis (March - August 2020). 79% of consumers believe Australia Post's delivery services were important for accessing core services during the crisis.

As important as these trends are to recognise, businesses must now look to the future. The three key factors to note are:

First, overall **business recovery to the crisis is expected to be slow.** This is the consensus of economists and over half of the businesses surveyed think that recovery is at least one year away (51%).

Second, while some in store activities will resume as restrictions ease, the change to online is permanent, with around half the shift to online shopping likely to be maintained in the next 12 months, which will mean the Australian eCommerce market is worth over \$30 billion in 2021.

Third, most immediately, the **upcoming holiday season is expected to be the largest eCommerce event in Australian history** (a \$4.0 billion eCommerce event). Consumers expect a 25% increase in online spending compared to 2019 levels.

The recently handed down Federal Budget will also support businesses in the future. It includes small business tax concessions as well as several digital programs that will support business growth through the COVID-19 recovery.

Key actions for business

The impacts of the COVID-19 crisis are long lasting and the formula for business success has changed. This report concludes that there are three key actions for business on their transformation journey: **increasing digitisation, building more resilient supply chains and developing a business strategy to support change.**



This upcoming holiday season is expected to be the largest eCommerce event in Australian history worth \$4 billion.

1

Businesses that invested in eCommerce achieved the best results. Those who invested maintained their revenue levels, while those businesses that did not invest saw average revenues drop by 20%.

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Australia Post's activities facilitated an additional \$4.2 billion in eCommerce during the height of the COVID-19 crisis.

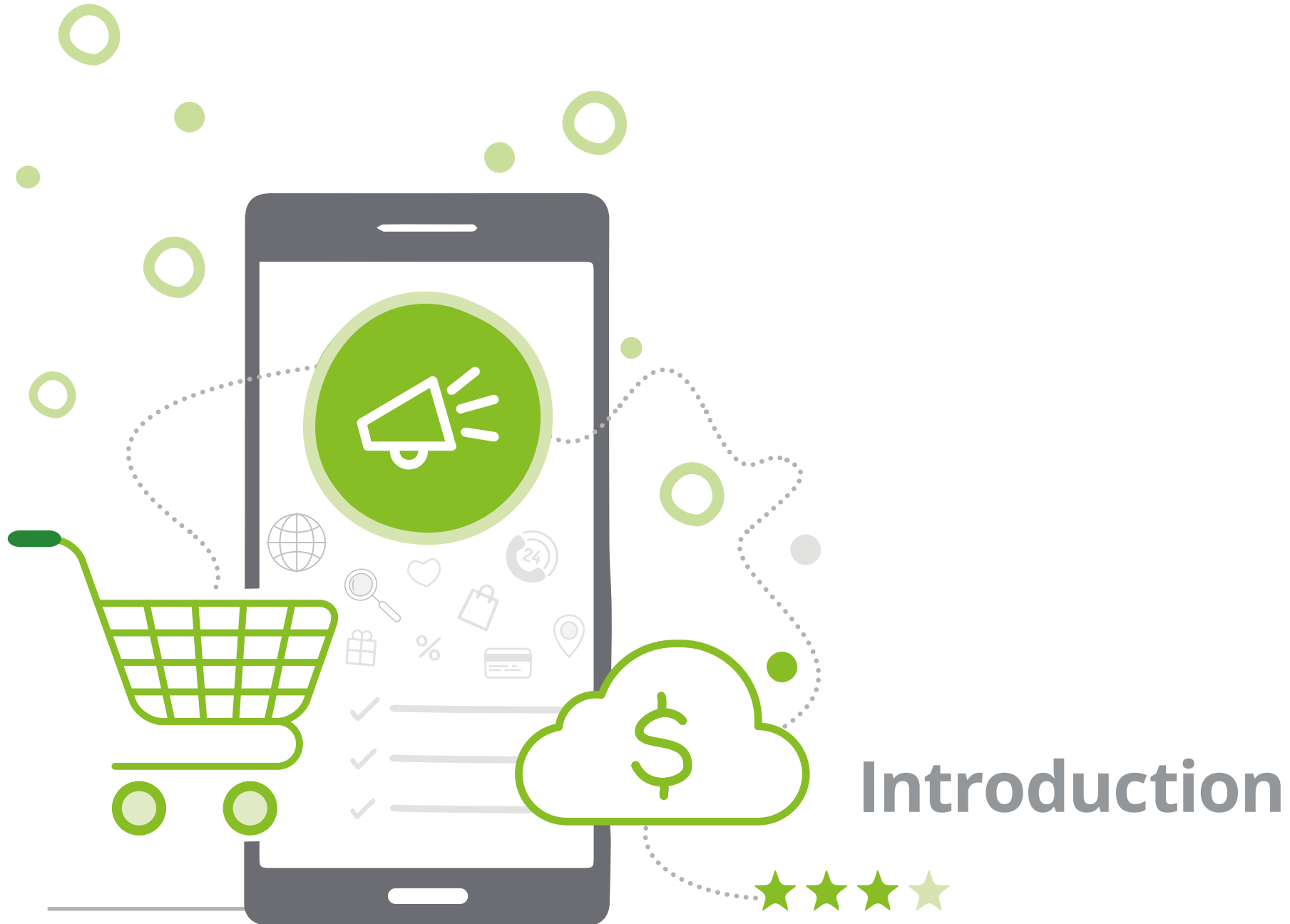
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Recovery is at least a year away, some of the digital change will persist in the future.

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Contents

Executive summary.....	3
Introduction	6
The impact of COVID-19.....	8
The changed nature of the consumer	16
Businesses taking action during the COVID-19 crisis	24
The role of Australia Post services.....	26
Analysis of the COVID-19 recovery.....	32
Key actions for business success in 2021.....	46



One saviour during the crisis has been eCommerce services and online activity. In the year to July, online spending rose by 72.5% from the same period last year. Buying and selling through eCommerce platforms has provided consumers with a new way of purchasing during the crisis and helped keep businesses operating and staff employed.

Purchasing decisions and the way consumers shop has also changed as a result of the crisis. Lack of access to shops, local lockdowns and safety and security are among the reasons consumers are shifting online. Businesses are providing their consumers with the ability to access core services and products in this constantly changing environment.

Australia Post's activities and national delivery network support this eCommerce shift. Deloitte Access Economics' previous research found approximately 82% of Australia's eCommerce by value is delivered by Australia Post's delivery network.

It is in this context that Australia Post commissioned Deloitte Access Economics to better understand how consumers and businesses are responding to the new operating environment and the role of Australia Post services, especially parcel delivery, in supporting businesses and jobs during the COVID-19 crisis.

The research is informed by:

- A business survey and a consumer survey (as discussed in the following box)
- Various datasets from the Australian Bureau of Statistics and other sources
- Australia Post data, including parcel volumes and revenue
- Consultations with a range of business stakeholders including Liandra Swim, Logan Wines, Liandra Swim, Logan Wines and AFL Footy Shop

This report

Deloitte Access Economics was commissioned by Australia Post to analyse the critical success factors for eCommerce in Australia and how the COVID-19 pandemic has impacted these. The analysis builds on the previous note provided to Australia Post with a deeper analysis of how and by how much businesses have been helped by Australia Post.

The business survey

This report is informed by a business survey fielded by Dynata in August 2020. Survey respondents were business decision makers, across micro, small, medium, large and enterprise categories. In total 981 businesses participated, across all states and territories.

The consumer survey

This report is also informed by a consumer survey fielded by Dynata in August 2020. Survey respondents were consumers across all age groups and jurisdictions. In total 1,063 consumers participated, across all states and territories.

Figures contained in the report relate to surveyed businesses and consumers, unless otherwise specified. As such, results may be representative of just the surveyed population.



The impact: Testing how COVID-19 has hit Australian businesses

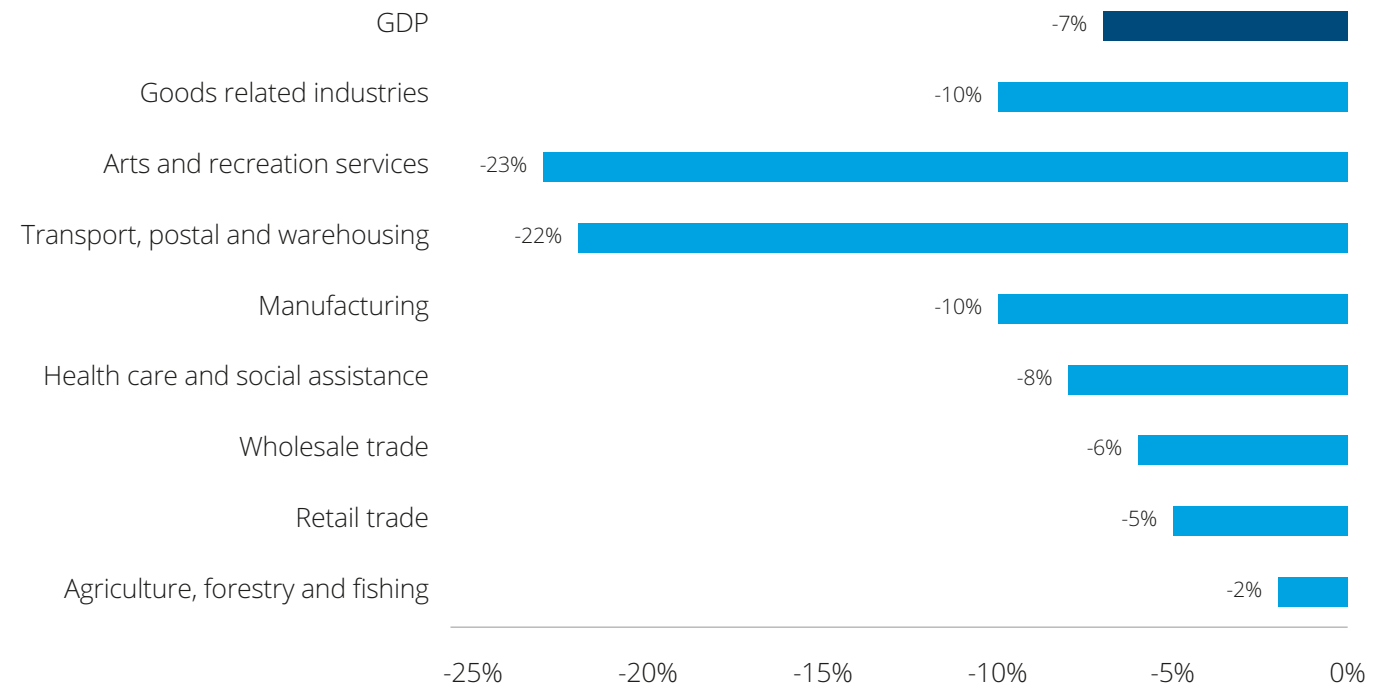
The COVID-19 pandemic has caused the most significant global health and economic crisis in living memory. Globally, there have been over 35.5 million confirmed cases and 1.04 million deaths to-date.¹

This public health crisis, and the subsequent imposition of strict social distancing rules to contain it, have caused an economic crisis of unprecedented proportions.

Australia is officially in its first recession for almost three decades, with a 7% fall in quarterly Gross Domestic Product (GDP) – the largest fall in a single quarter since records started in 1959.

COVID-19 has had uneven impacts across different sectors of the economy. Those industries directly impacted by border closures and social distancing – such as accommodation and food services, arts and recreation services, and transport, postal and warehousing – have seen a 20% decline in activity over the June quarter.

Change in quarterly Gross Value Added (GVA) in June 2020 by select industries



Source: ABS 2020, catalogue no. 5206.0. Seasonally adjusted results.

¹ European Centre for Disease Prevention and Control, COVID-19 situation update worldwide (7 October 2020) <<https://www.ecdc.europa.eu/en/geographical-distribution-2019-ncov-cases>>.

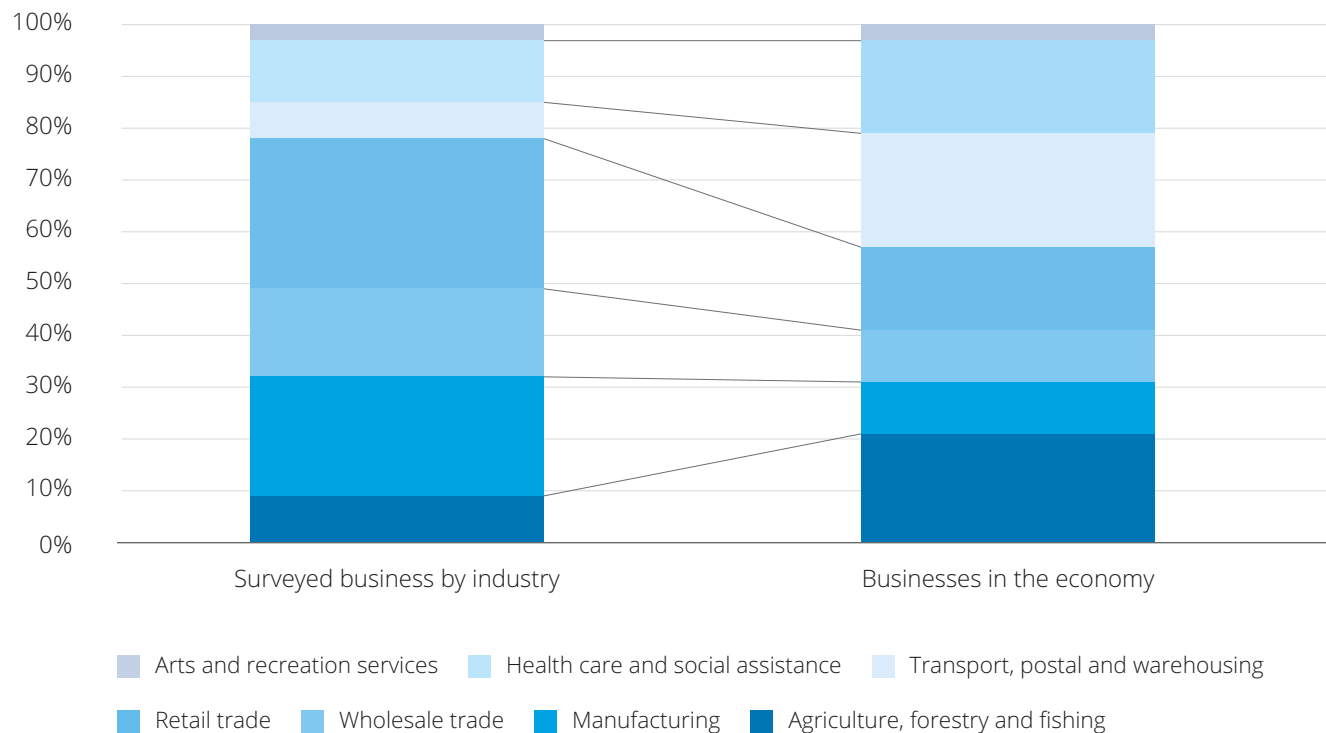
The chart shows industries that have businesses that dealt with physical goods in some way (including producing, selling, transporting or storing).

As businesses that dealt with physical goods are likely to have had a greater need to explore eCommerce delivery options, they were the subject of the business survey.

Of the 981 survey respondents, 30% were in retail trade, with another 27% in manufacturing). Businesses in these industries are relatively overrepresented compared to the broader economy, where they account for 26% of all businesses in goods related industries.

In contrast, businesses in agriculture, forestry and fishing, transport, postal and warehousing, and health care and social assistance are likely to be underrepresented. These differences mean that the business results presented here may not be reflective of the whole economy, or even the goods related industries.

Survey respondents by industry compared to broader economy



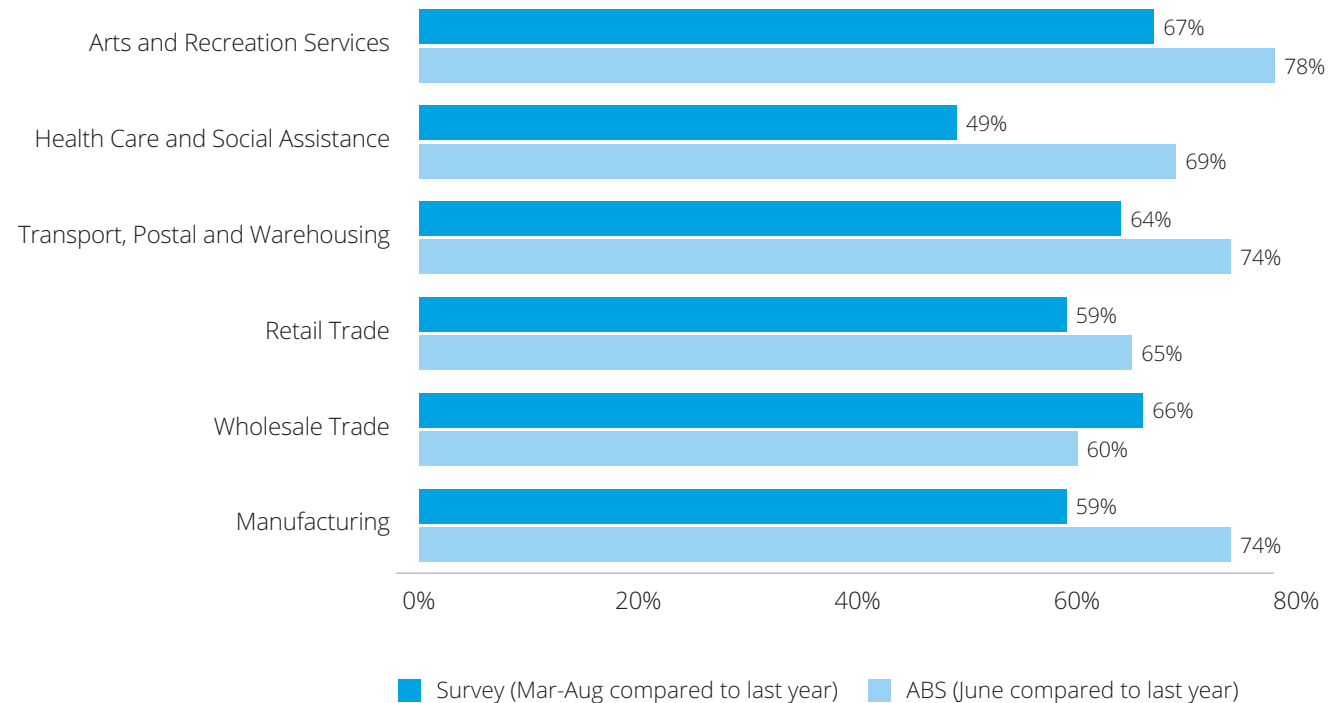
Source: ABS 2020, catalogue no. 8165.0. Deloitte Access Economics, 2020.

The impact: Helping small business survive

Of the surveyed businesses, **56% of respondents reported lower revenue** during the height of the COVID-19 crisis (March-August 2020) compared to the same period in the previous year.

Revenue reductions range from 49% of surveyed businesses in health care and social assistance to 67% of surveyed businesses in arts and recreation services. Fewer businesses reported a decline in revenue in the survey compared to those businesses surveyed by the ABS in the same industry more broadly. This could be due to the survey asking about revenue over a longer timeframe (March to August), rather than June, which was arguably the peak of COVID-19 in Australia.

Proportion of businesses reporting a decrease in revenue



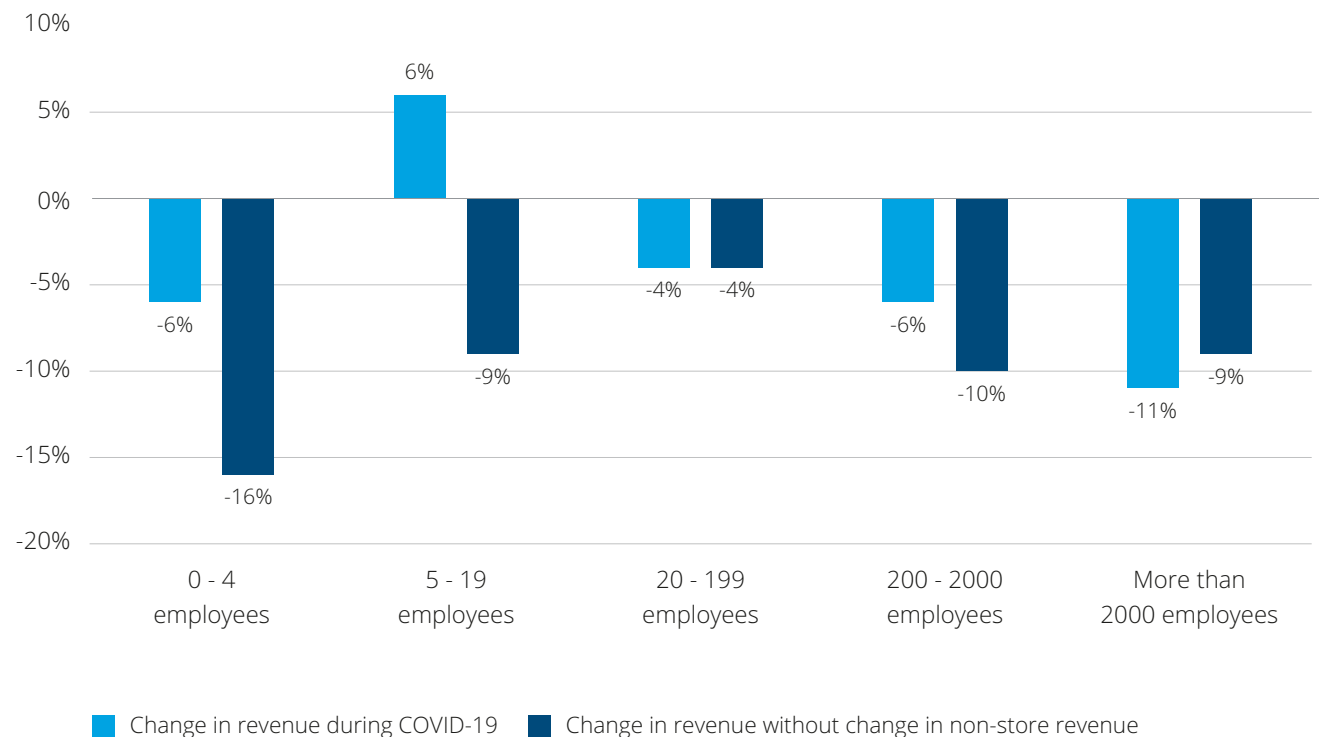
Source: ABS 2020, catalogue no. 5676.0.55.003

For the surveyed businesses, the average business reported a 1% reduction in revenue during the COVID-19 crisis. When accounting for the revenue of the surveyed businesses, the average 'weighted' loss was 7%.¹ This is broadly consistent with ABS data showing output fell by 7% in June 2020 relative to June 2019.

Very small businesses and those with greater than 20 employees experienced a loss of revenue but the impact on small businesses would have been much greater if there had not been an increase in non-store revenue.

While their in-store revenue decreased, small businesses reported a 17% (0-4 employees) and 23% (5-19 employees) increase in their non-store revenue (including online marketplace, own website, social media and other) over the same period. This represents a \$105,000 (0-4 employees) to \$708,000 (5-19 employees) increase in revenue. **Without this shift towards additional online activity, the average surveyed small business would have lost revenue of \$165,000 (0-4 employees) to \$429,000 (5-19 employees).**

Change in revenue during COVID-19 (annualised) by surveyed business size



¹ This is based on the subset of respondents who provided their share of revenue by source (e.g. store, online). For all respondents, it is 4%.

The impact: Protecting jobs and saving trade

A further impact of the COVID-19 crisis is rising unemployment – the highest we've seen in some decades. Australia's unemployment rate in August was 6.8%, a slight decrease from 7.5% in July.

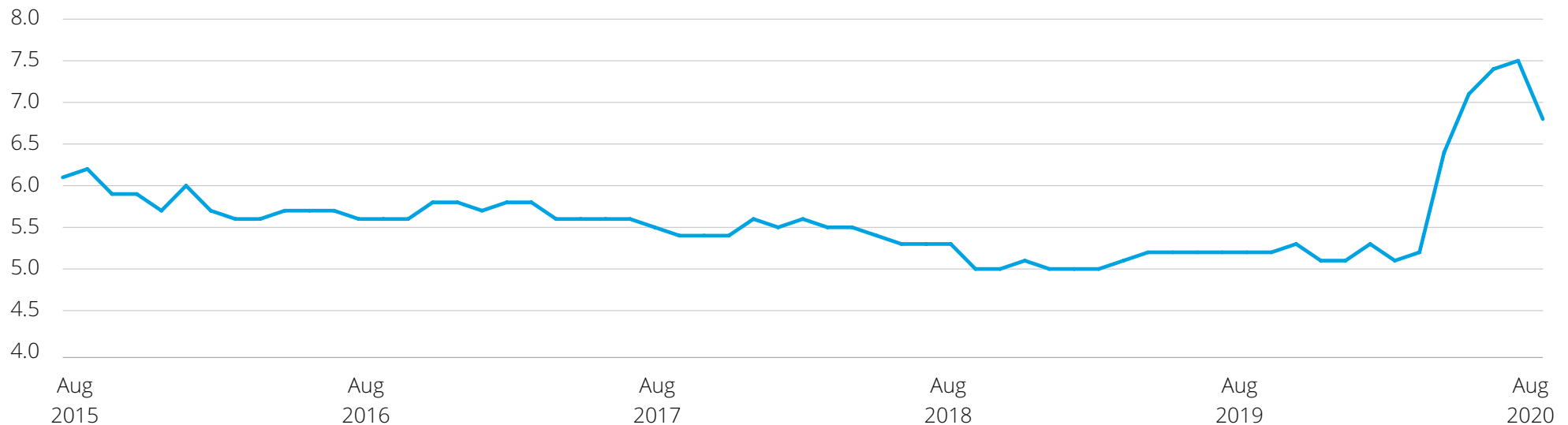
Even though most of Australia has been largely successful at fighting the virus, families and businesses have had significant blows to their confidence, income and wealth. There is less willingness to spend and government programs are providing support which will be unwound in the future.

A saviour for businesses during the COVID-19 crisis has been eCommerce services and online activity.

The growth in online activity and eCommerce services has meant that businesses were able to continue trading during the crisis. Of the surveyed businesses, **61% indicated that eCommerce services enabled their business to keep operating during the crisis.** Although unemployment is on the rise, the business survey found that **73% of respondents indicated that eCommerce services kept people employed during the crisis.**

However, it hasn't all been positive with a large portion of businesses indicating that **eCommerce has made the cost of doing business more expensive (41% of the surveyed businesses)**

Unemployment rate, Australia (Aug 2015-Aug 2020)

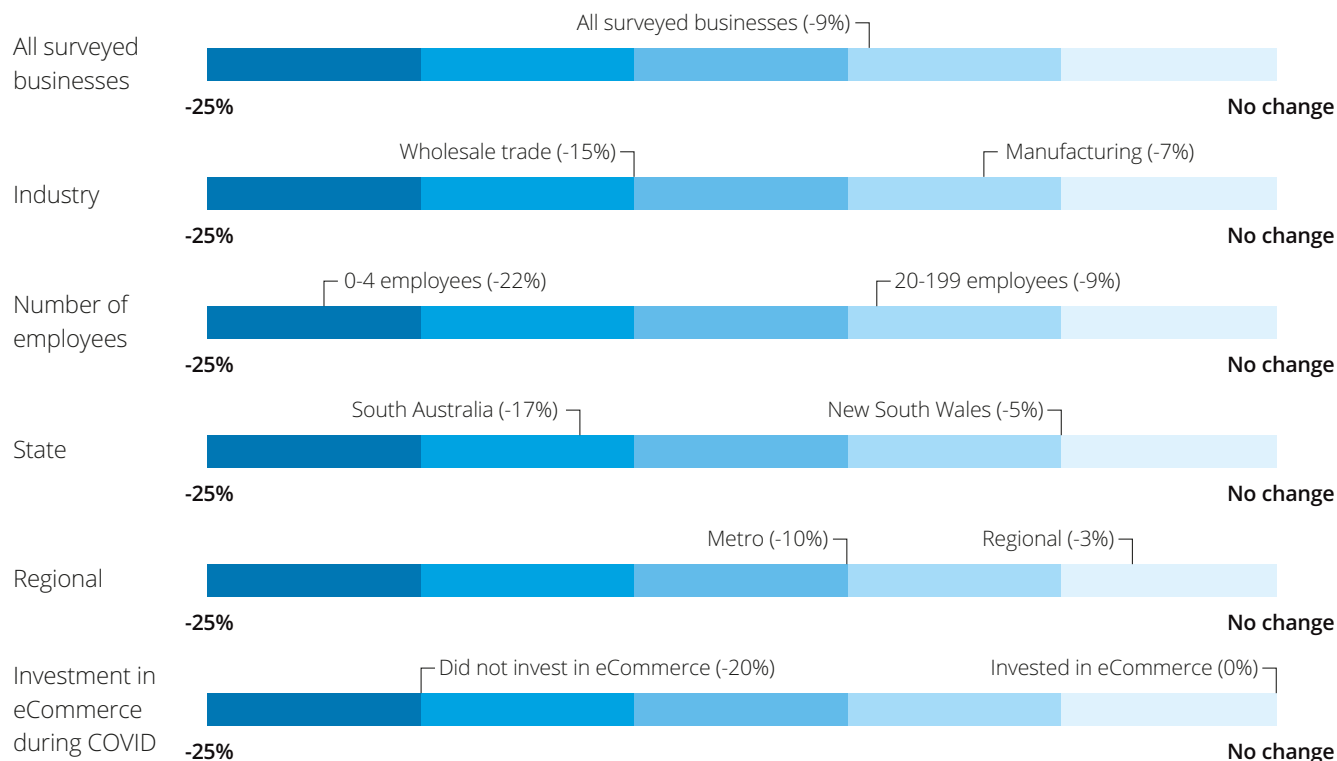


The experience: Investing in eCommerce

Most businesses have been negatively impacted by COVID-19. Two in five (41%) experienced a drop in revenue during the height of COVID-19 (between March and August 2020), relative to the same period in the previous year. Additionally, 28% of businesses are expecting another decrease in September.¹

Yet, some businesses have been hit harder than others. The experience of businesses throughout the pandemic depends on a number of factors: including industry, number of employees, location and business size.

Median reduction in revenue, by



¹ ABS, *Business Indicators, Business Impacts of COVID-19, August 2020* (2020) (Catalogue No. 5676.0)

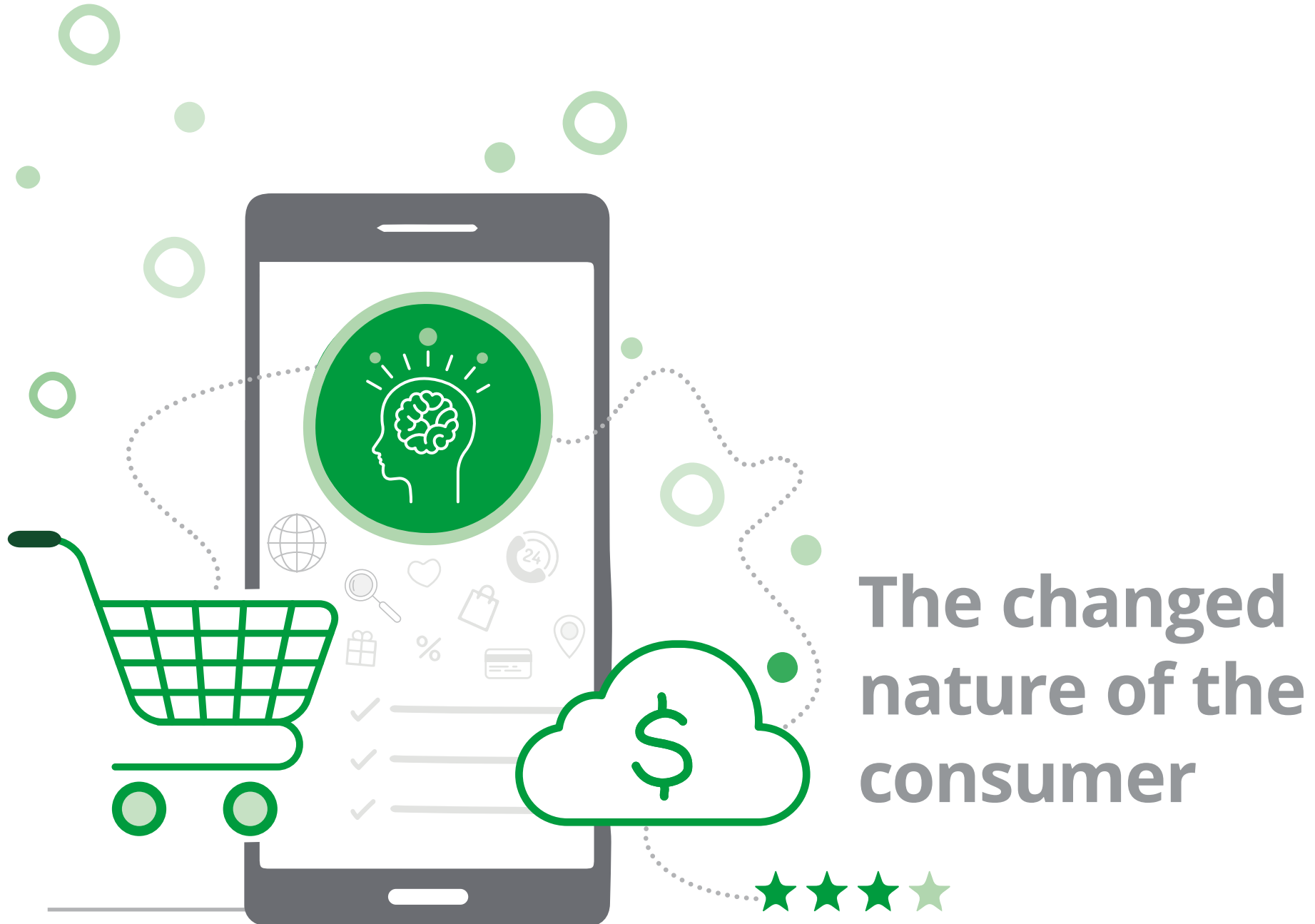
Businesses that invested in eCommerce during COVID saw no change in revenue

With lockdowns forcing many brick and motor stores to close, and consumers to stay home, businesses turned to eCommerce during COVID to help reach existing customers and target new markets.

On average, businesses that invested in eCommerce during COVID – either by setting up a website, improving their online fulfilment capability, or developing an eCommerce strategy – saw no change in revenue relative to the pre-COVID period. In contrast, those businesses that did not invest saw an average drop in revenue of 20%.

Businesses that were less reliant on in-person/ in-store sales prior to COVID were also less likely to experience a drop in revenue. Businesses that provided 75% or more of their products (by value) to customers in-store pre-COVID, experienced a median drop in revenue of 15% during COVID. In comparison, businesses providing less than 25% of their products in-store pre-COVID experienced just a 1% drop in revenue.





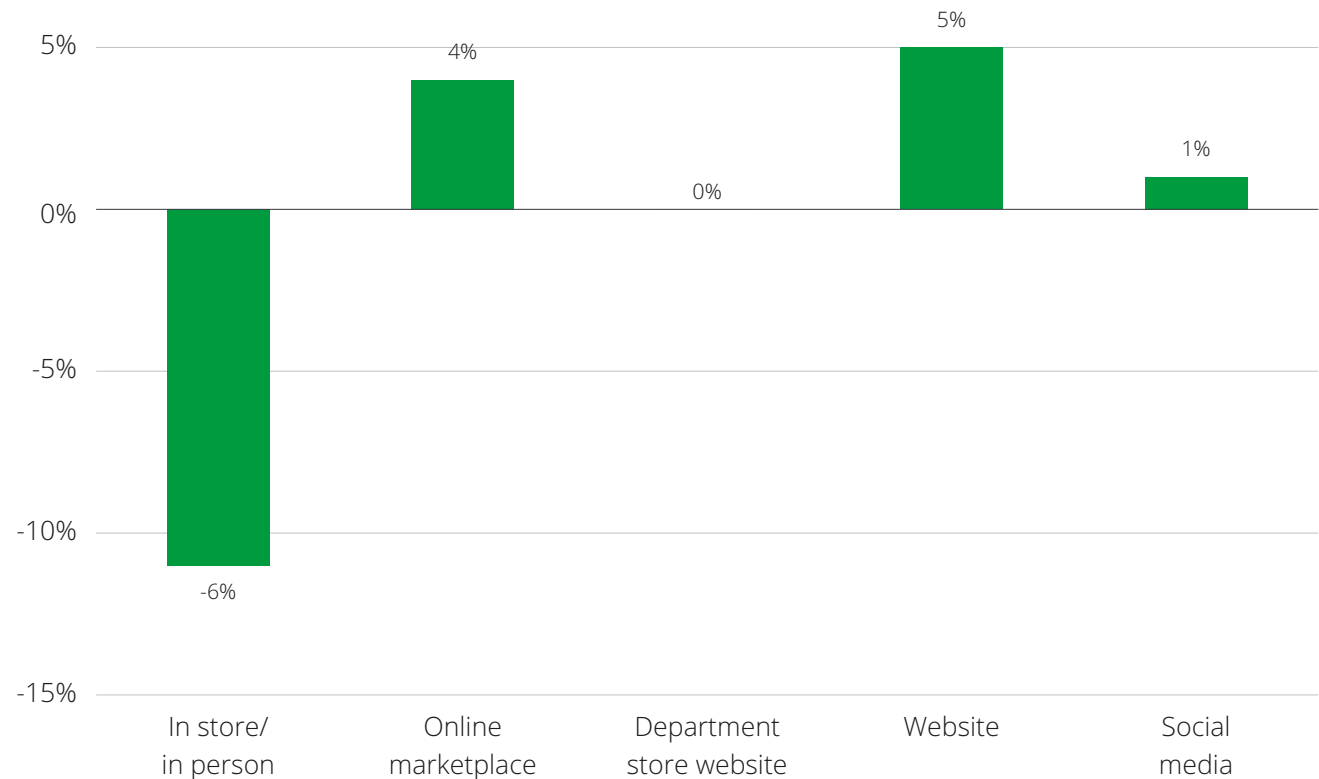
The consumer: Changing how and where Australia shops

COVID-19 has changed the way consumers shop. Before the pandemic, just over half (53%) of all purchases were made in person. Today, it's down to 42% – reflecting an 11% drop relative to pre-COVID levels. This shift is mostly due to consumers opting to shop online, with 5% more purchases during COVID being completed via websites, and a further 4% through online marketplaces (like eBay or Amazon).

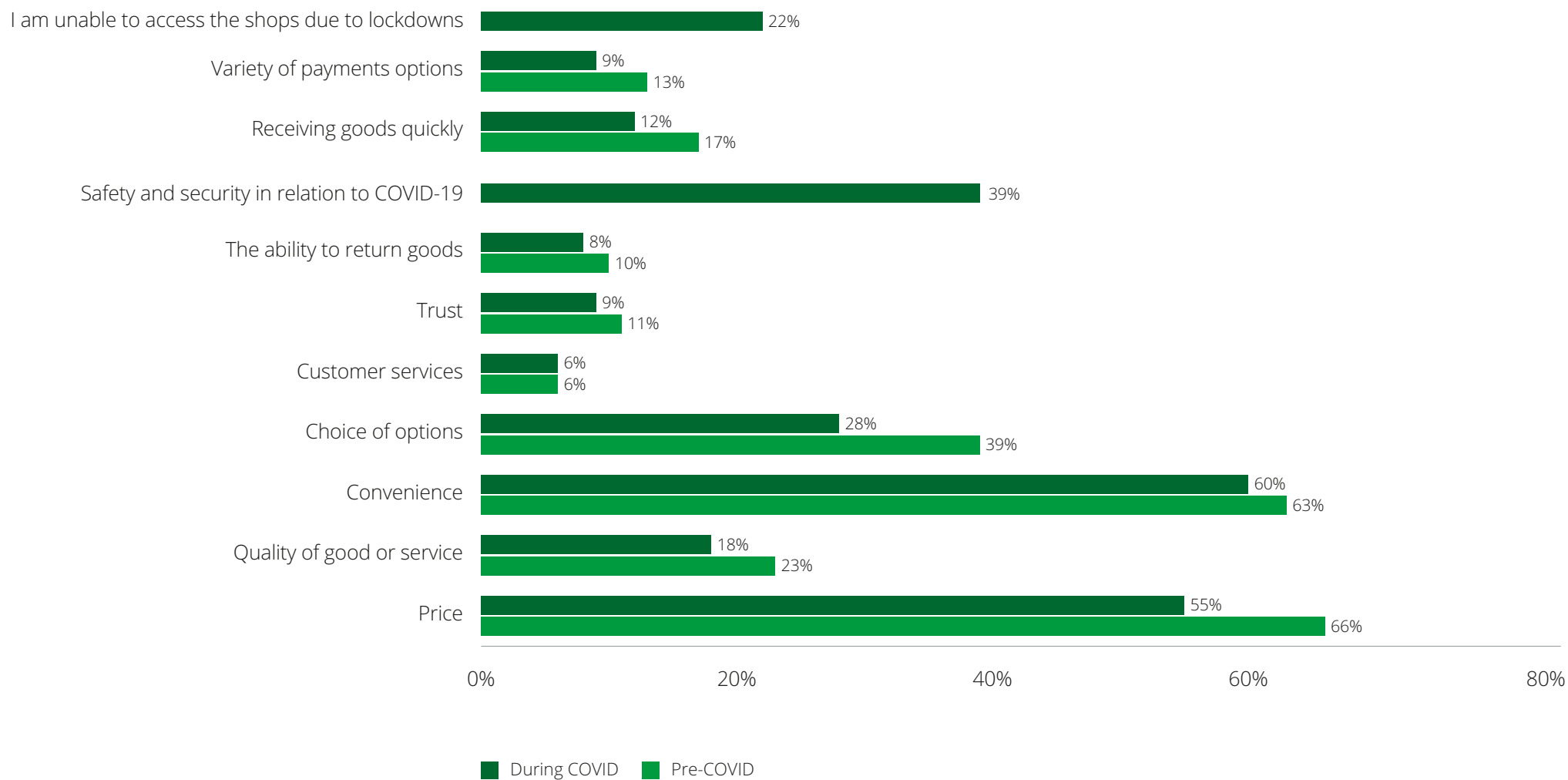
The reasons consumers purchase products online has also changed. More than a third (39%) of consumers today say safety and security in relation to COVID-19 is one of the main reasons they shop online. Likewise, more consumers are shopping online due to a lack of access to shops – 22% listed this as a reason for shopping online during COVID. In contrast consumers are less likely to shop online because of better prices (-11%) or choice of options (-12%).

Regardless of the motivation for shopping online, the shift towards digital is here to stay, with an estimated 45% of purchases set to be completed online in the future.

Change in proportion of expenses purchased through the following channels (before COVID-19 compared to during COVID-19)



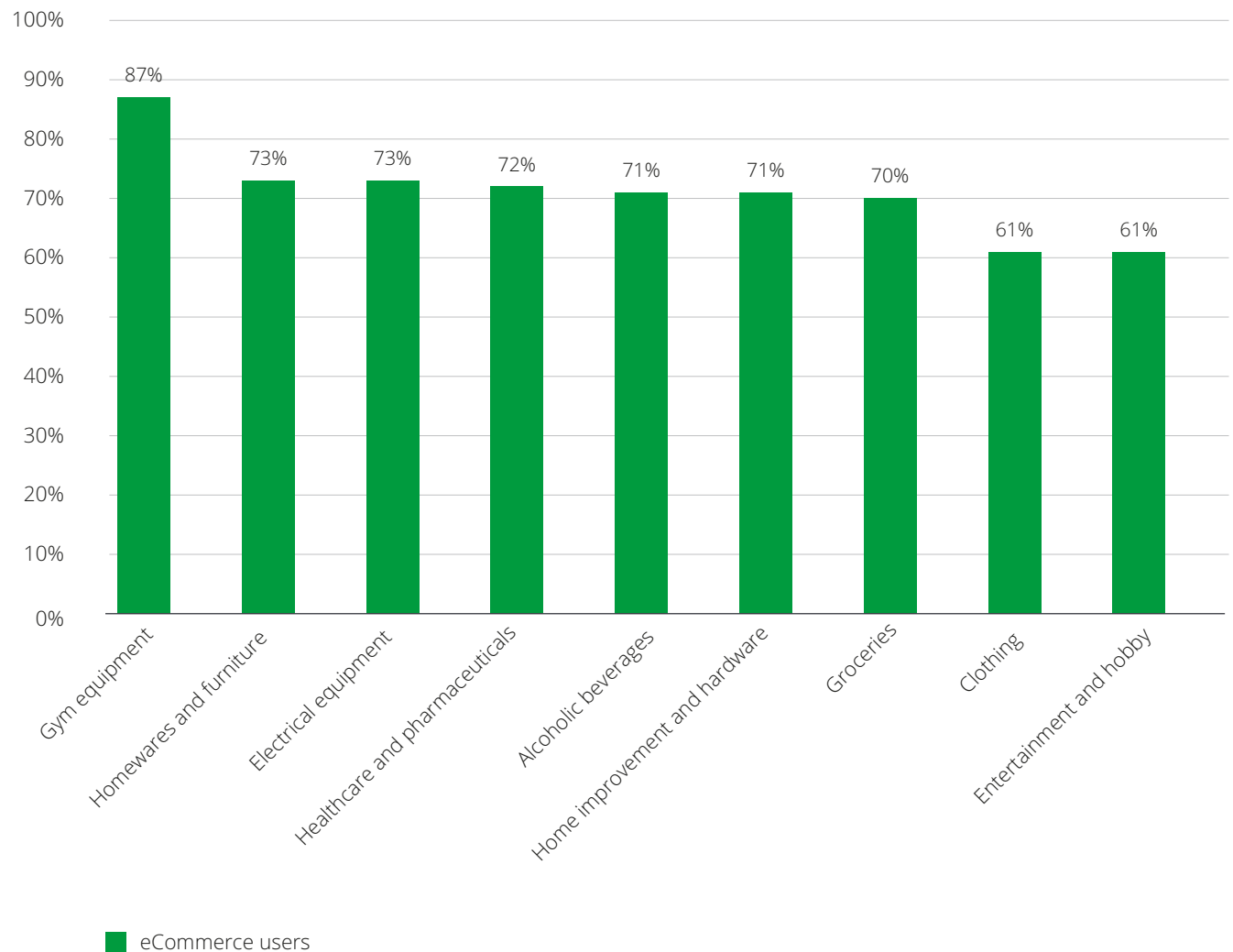
Reasons for shopping online, before and during COVID-19



The consumer: Health, fitness and homewares on the rise

Consumers are also purchasing a range of different products online. Results from the consumer survey indicated that consumers will purchase more gym equipment online in the future, rather than going in-store (87% of respondents). Other categories that consumers would purchase more of online include homewares and furniture (73%), electrical equipment (73%), healthcare and pharmaceuticals (72%) and alcoholic beverages (71%).

Respondents who indicated that they would buy 'more' online in the future, rather than going in-store



Case Study: Logan Wines

Logan Wines is a Winery and Cellar Door located in the regional wine town of Mudgee in New South Wales. The winery was opened by Peter Logan in 1996 with the ethos of “creating a wine that he liked to drink, and wine that excited him, not cater to particular demographics”. Before the COVID-19 crisis hit Australia, the majority of Logan Wines sales were through their cellar door, catering to mostly intrastate NSW visitors and grey nomads.

However, 2020 has been a difficult year for the winery. The start of the year saw several grape growing areas impacted by bushfires. Leigh Sargent, General Manager of Logan Wines stated “the previous three to six months before the pandemic were already difficult for our business, the bushfires meant we needed to find new areas to source our grapes as many crops were impacted by smoke. Our revenue from the cellar door had dropped 30% to 40% and then the COVID-19 pandemic hit and there was a further decrease in sales because of restrictions on regional travel in the state”.

Prior to the pandemic, Logan Wines had little experience with eCommerce. The crisis meant that they had to quickly develop their online website and store. Leigh noted, “during the peak of the COVID-19 crisis our online sales increased, however the sales from the website didn’t cover the loss of sales from our cellar door. We do have a wine club with a loyal membership base and this helped to keep us operating”. Instagram and Facebook are also used by the winery, however all sales are completed through the website.

A large concern for Logan Wines during the pandemic was the impact on their supply chains. This led to them partnering with other wineries to create a joint deal with Australia Post. Leigh observes that “initially our deliveries were incredibly delayed, this resulted in wineries in the region negotiating as one with Australia Post to create a streamlined and affordable process for our deliveries to get to our consumers.” The deal has meant that Logan Wines has completely migrated from courier services to using solely Australia Post services. Leigh stated “consumers understand and trust Australia Post. They are really familiar with the brand. Although at the peak of the crisis deliveries took a lot longer to reach locations, our customers were very understanding”.



The consumer: Regional spending increasing

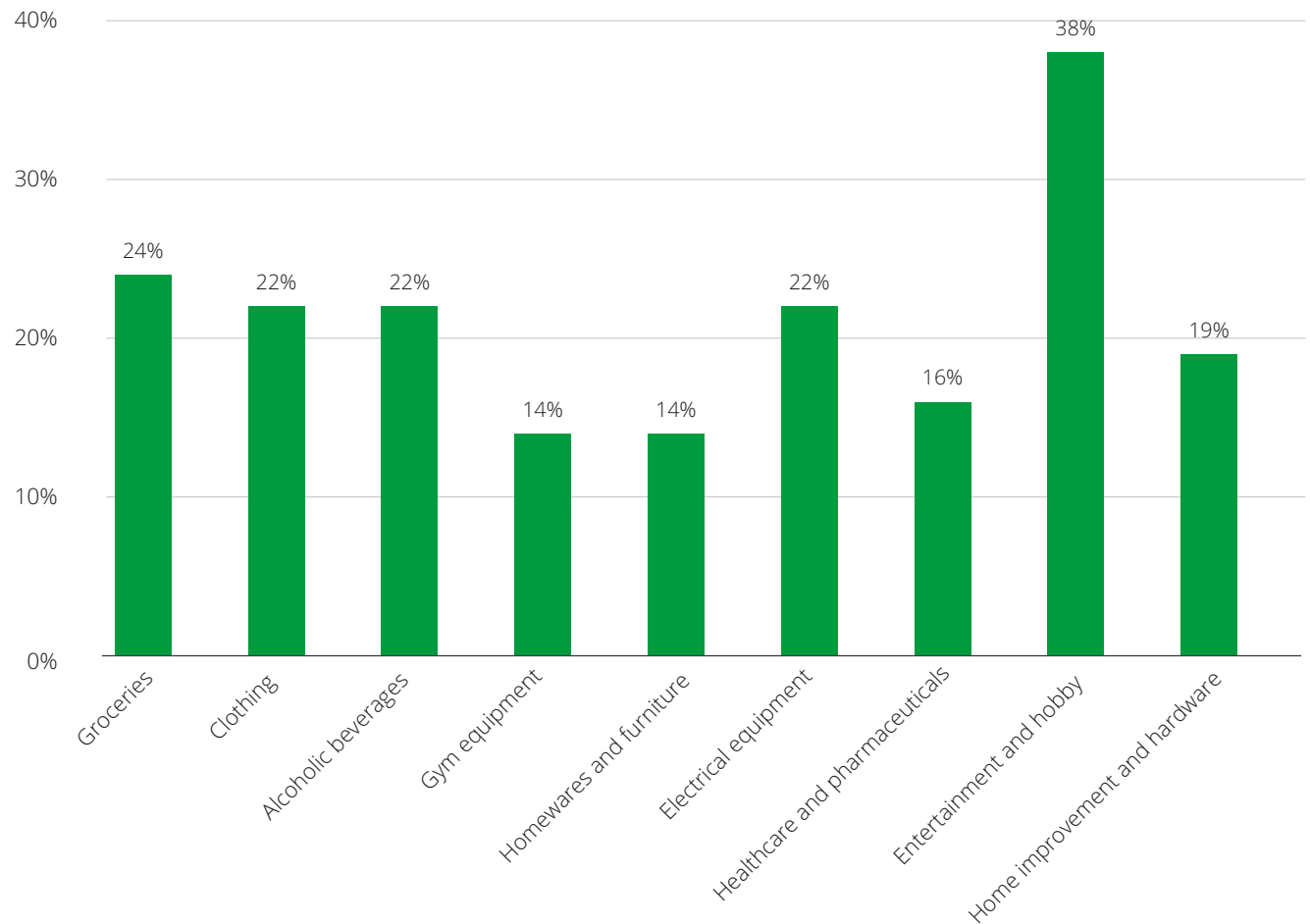
Regional consumers are typically **older**. Of the 302 regional consumers surveyed, 53% were the age of 55 and above. They also typically earn a **lower average income** with 54% earning below \$60,000 a year.

Regional consumers on average made online purchases once in a few months before the pandemic, but **during the crisis online purchases became more frequent**. Before the COVID-19 crisis, almost 2 in 5 consumers surveyed (39%) made online purchases once in a few months. During the pandemic online purchases made once a week and once a month became more frequent for regional consumers. The main motivating factors for regional consumers to shop online are **price** (57% during the COVID-19 crisis) and **convenience** (60% during the COVID-19 crisis).

Regional consumers' purchasing behaviour is unlikely to significantly change in the future. However, 38% of regional consumers indicated that they are willing to purchase more "entertainment and hobby" products online in the future, while 24% stated they would purchase more groceries online, rather than going in-store.

Regional consumers have **trust in Australia Post's delivery services**, with 80% of regional consumers surveyed indicating that they trust their services during the crisis. They also indicated that Australia Post's delivery services were important for accessing core services during the crisis (80% indicated that they agree or strongly agree with this statement).

Regional consumers who indicated that they would buy 'more' online in the future rather than going in-store



What about individuals without the internet?

A component of this research included understanding consumers without the internet and how they navigated the COVID-19 crisis. This analysis was informed by a small dedicated survey, fielded by Dynata, to 65 individuals through telephone interviews.

We found that those without the internet are typically older Australians (96% were 65 and over), who are not employed and not looking for work (98% of respondents).

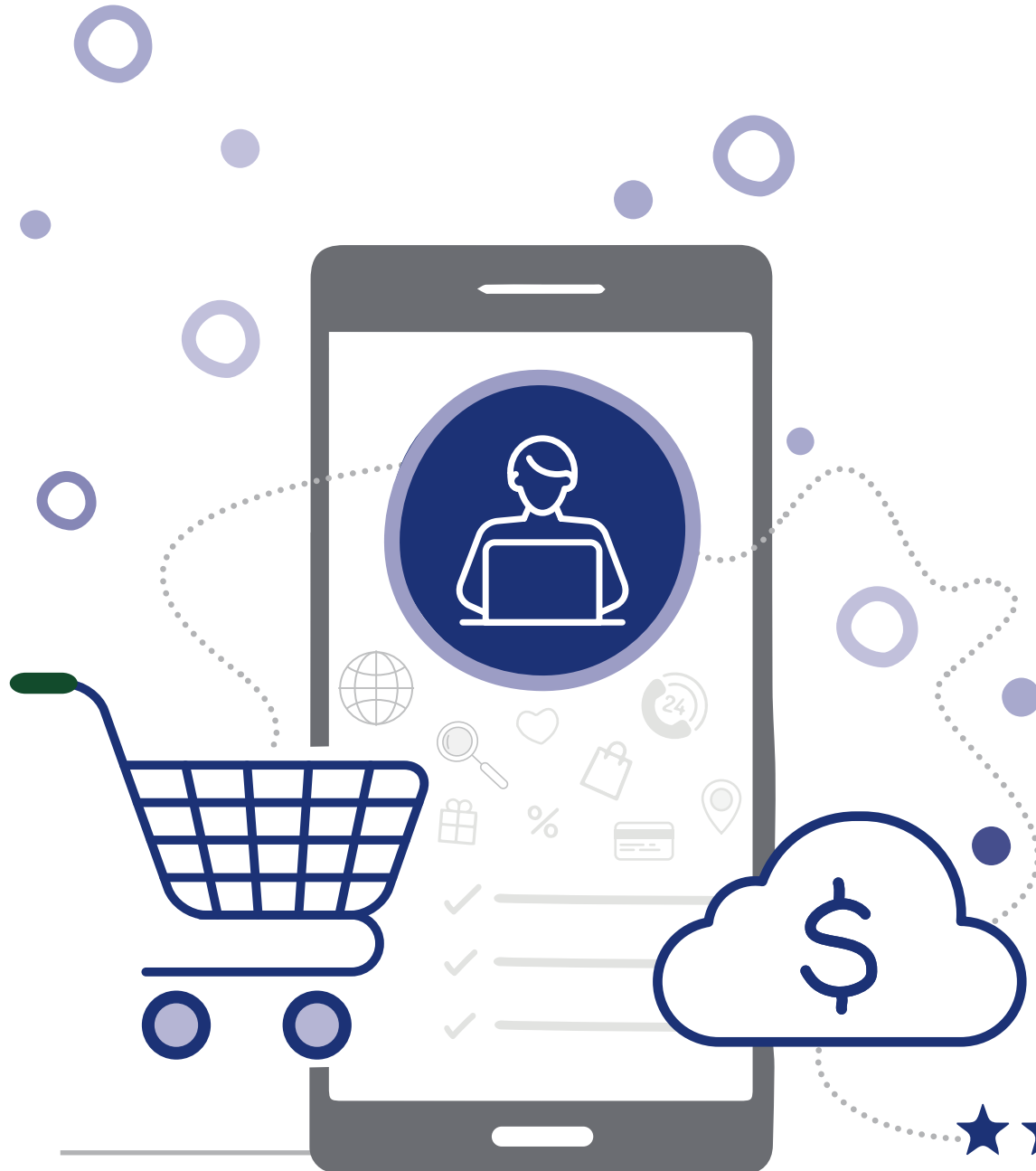
A large proportion did not have access to any smartphone, tablet, laptop or computer (78% of respondents).

Although they rarely shop online, they believed that Australia Post's services were important for accessing core services during the crisis (85% of respondents) and they trusted Australia Post's delivery services during the crisis (85% of respondents).

However, the COVID-19 crisis is unlikely to change their consumer behaviour in the future. The majority of respondents indicated that their online purchasing behaviour will largely stay the same following the crisis. Although existing eCommerce users have indicated that they will purchase a broader range of products online following the crisis, only a very small number of individuals without the internet indicated a change in their purchasing behaviour (only 3% said they would purchase electrical equipment online rather than going in-store following the crisis).







**Businesses
taking action
during the
COVID-19 crisis**



Taking action: How business adapted to succeed

During the COVID-19 crisis businesses recognised the need to quickly adapt to drastically changing restrictions. The business survey found a number of themes in how businesses are taking action to prepare for recovery following the COVID-19 crisis, these are:



Results from the business survey found that a staggering **94% of the businesses** surveyed took some form of action during the crisis. Those businesses who took no action during the crisis performed much worse (decrease in 12.5% in revenue terms) than those who did something (increase of 0.2% in revenue terms).

Firms taking **actions to shore up their supply chain recorded the highest increase in revenue.**

A possible explanation is the survey results are capturing those who struggled to keep up with surging demand.

Those retraining staff, developing new sales channels or adopting more digital technology had fairly stable revenue.

Those changing business plans or strategies or marketing to new customers did poorly, presumably, because those businesses had to undertake these actions in response to declining revenue. However, they still did slightly better than those businesses who did nothing.

Average revenue change during COVID-19 for businesses taking each action





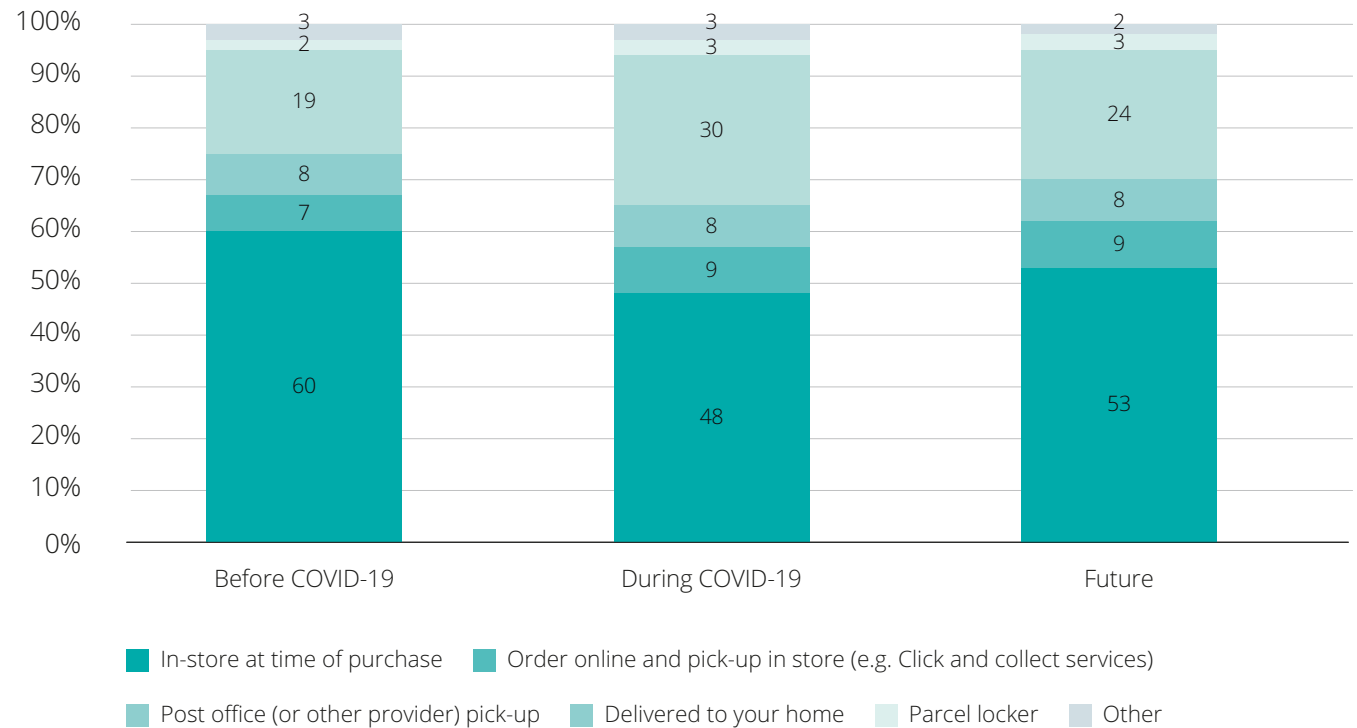
The role of Australia Post: Delivering \$4.2 billion in online activity

According to the Australian Bureau of Statistics, between March and July, there was an increase of \$5.2 billion in online retail spending– representing a 64% increase compared to the same time last year. Over the same period, total retail turnover increased by just 5%.

Australia Post's activities supported a significant portion of this eCommerce delivery. Based on previous research, approximately 82% of Australia's eCommerce by value is delivered by Australia Post's delivery network. Australia Post's parcel revenue has grown over the COVID-19 months, suggesting that it still facilitates a significant proportion of activity.

Using the increase in retail online spending during recent months and Australia Post's approximate contribution to eCommerce, it is estimated that Australia Post's activities facilitated an additional \$4.2 billion in eCommerce during the height of the COVID-19 crisis (March – August 2020).¹ An estimated \$1.2 billion of eCommerce was delivered to regional and remote Australia.²

Share of goods received by method



¹ Australian Bureau of Statistics, Experimental estimates of online retail turnover (July 2020) cat. 8501.0

² Based on Australia Post parcel data, 27% of parcels were delivered to remote and rural destinations. This assumes a consistent cost per parcel delivered across regions.

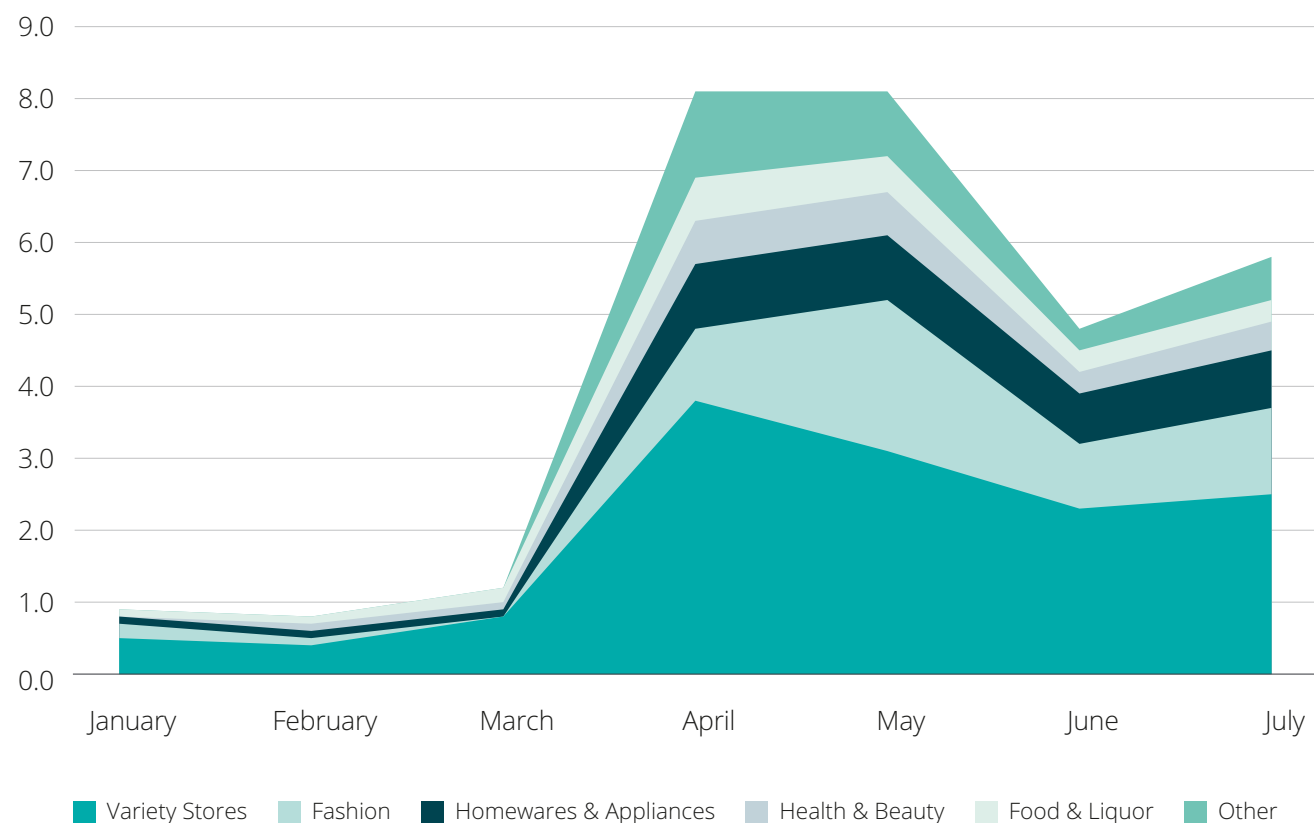
The shift to home delivery is also reflected in the consumer survey data. During COVID-19, home delivery for surveyed consumers increased, from 19% to 30% (previous page).

Australia Post data shows that parcel volumes have grown the most for variety stores (including online marketplaces such as Amazon), followed by fashion and homewares and appliances.

Use of home delivery is expected to remain 25% higher than pre-COVID levels over the next 12 months.

Additional eCommerce also supported the growth of new businesses. Australia Post recorded a 40% growth in over the counter lodgements of parcels that were for 'unmanifest', including small businesses that had not participated in eCommerce before. Australia Post also recorded strong growth in new and active MyPost business accounts (39,000 during COVID-19, March-August, compared with 14,000 the previous March to August); these were small eCommerce businesses registering for eCommerce for the first time.

YOY growth in parcels & express compared to previous year (million)



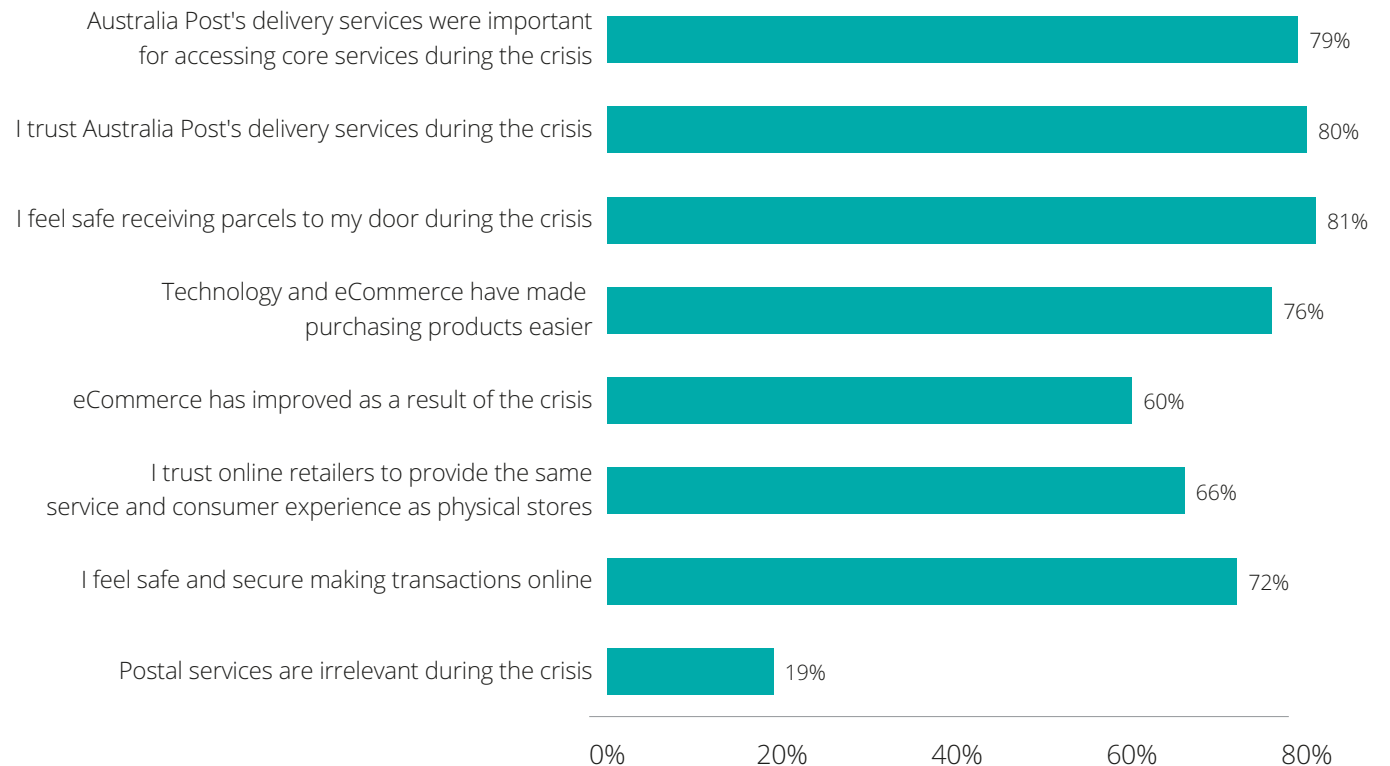
The role of Australia Post: Four in five consumers trust Australia Post delivery services

The majority of surveyed consumers agreed or strongly agreed that Australia Post supported them during COVID-19:

- 79% of respondents believe Australia Post delivery services were important for accessing core services during the crisis.
- 80% of respondents trusted Australia Post delivery services during the crisis.

Respondents who are 18-24 years old and 65+ years old were relatively more likely to trust Australia Post's delivery services during the crisis.

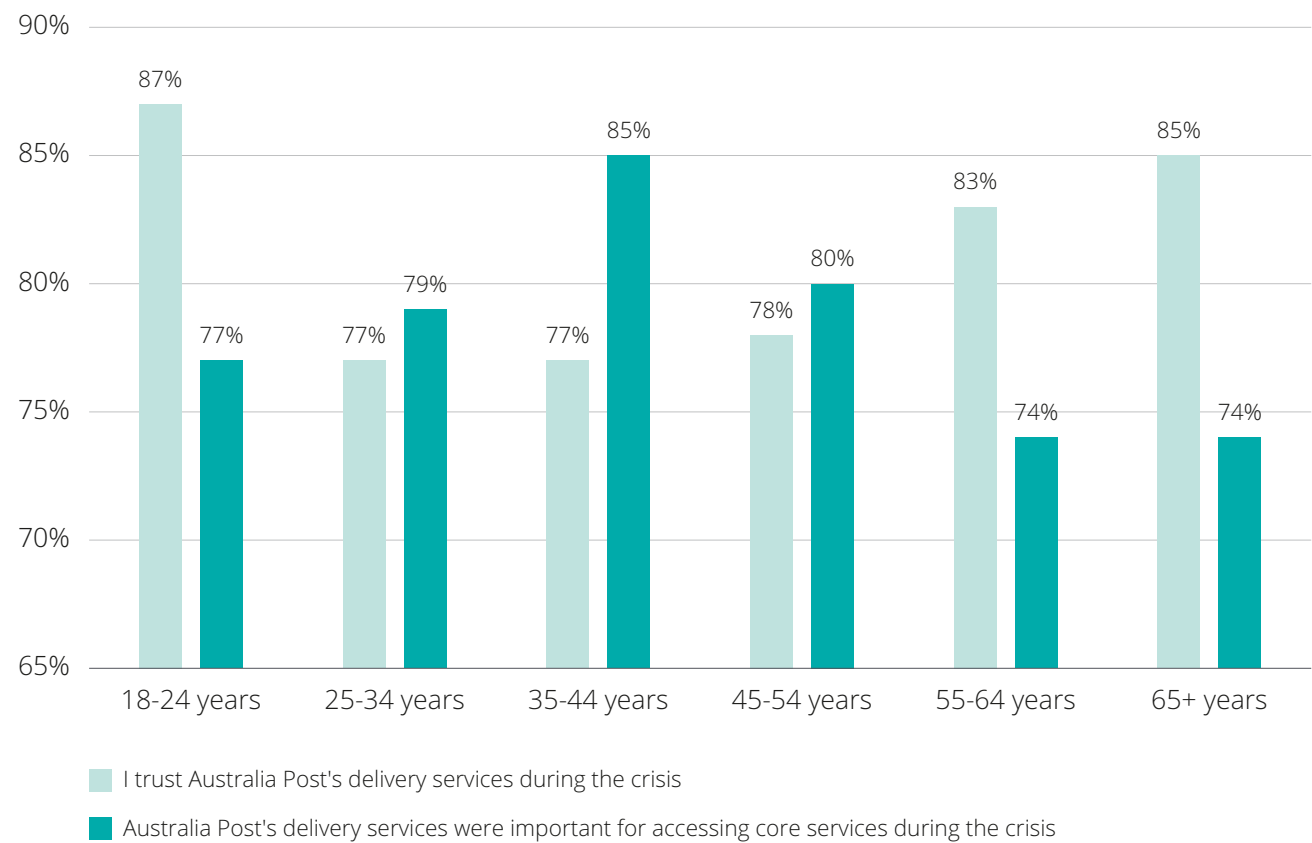
Respondents who "agree" or "strongly agree" with the following statements



In contrast, respondents who are 35-44 years old were more likely to agree that Australia Post services were important for accessing core services.

Regional respondents were slightly more likely to agree or strongly agree that Australia Post's delivery services were important for accessing core services during the crisis (80% versus 78%).

Respondents who "agree" or "strongly agree" with the following statements by age





What will recovery look like?



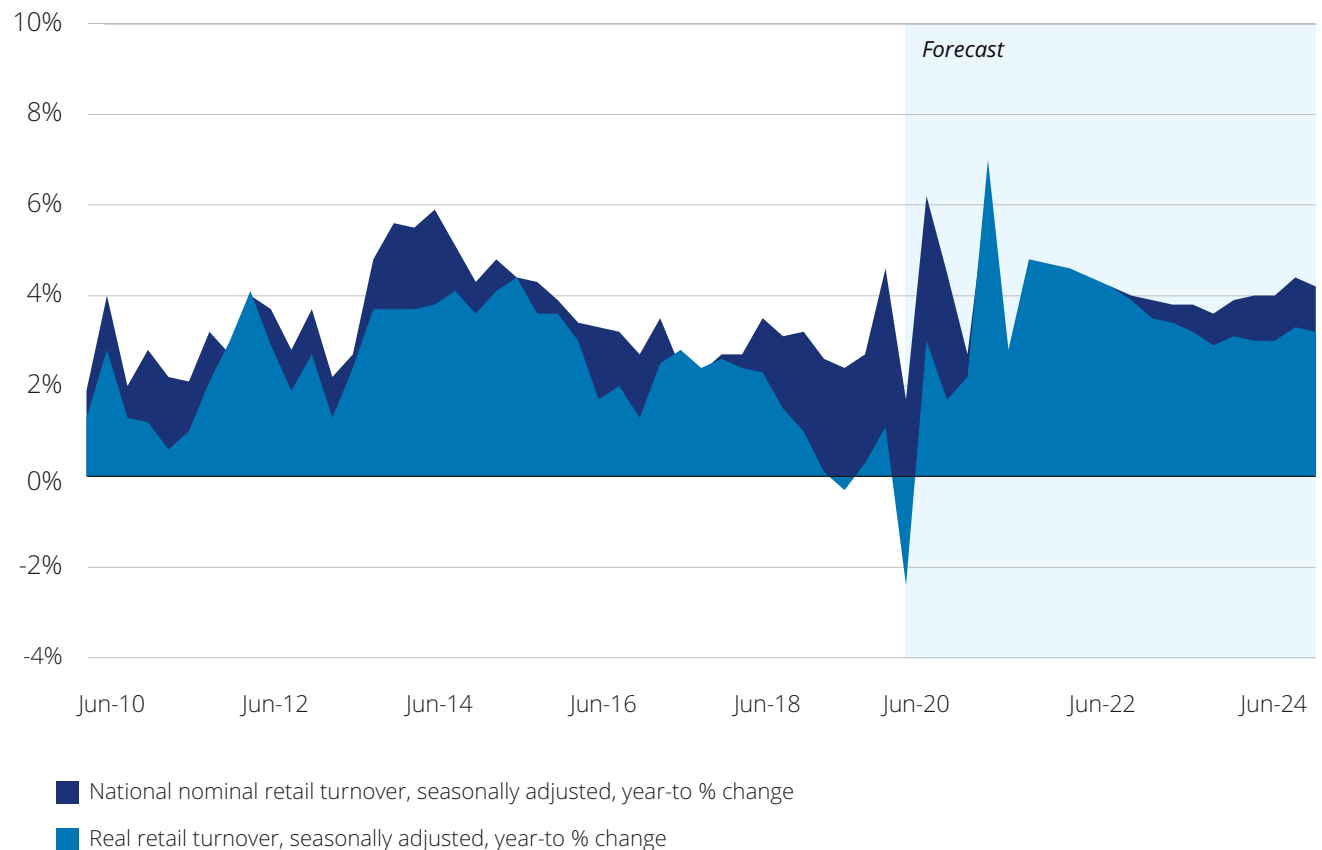
The future: 2020 holiday season largest eCommerce event in history

As of September 2020, Deloitte Access Economics forecasts the worst of the hit to retailing to have passed. While retail volumes fell by 3.4% over the June quarter, most of the pain was felt in April when restrictions were in place across the country, with spending picking up through May and June as restrictions eased, fiscal stimulus was rolled out, and confidence improved.

The positive momentum looks set to continue through the September quarter, further bolstered by a raft of fiscal stimulus measures. However, the tapering of fiscal stimulus measures through the December quarter and into 2021 is likely to act as a handbrake on spending.

The impact across the retail sector is not uniform. Retail turnover in discretionary categories such as department stores and apparel is expected to fall compared to the same period last year through the September and December quarters of 2020.

Nominal and real retail turnover

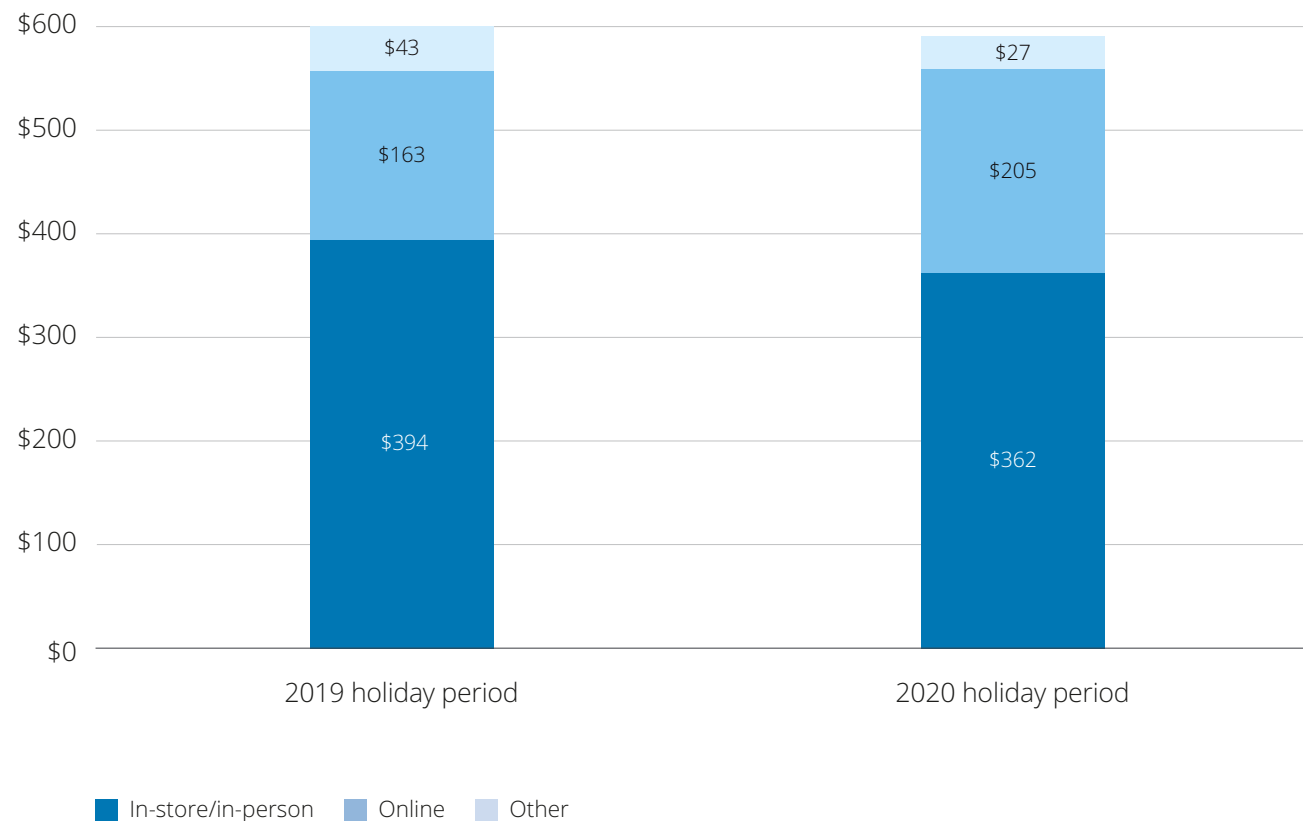


This is reflected in consumer sentiment. The average surveyed consumer expects to reduce their holiday period spend in 2020 to remain broadly at 2019 levels - \$593 versus \$600.

However, this average masks differences across respondents. While 58% of respondents do not expect their holiday period spending in 2020 to change, 22% expect a decrease in spending, while 20% expect an increase in spending.

Respondents also expect to shift their holiday period spending online. They expect an average spend of \$205 in 2020, which is 25% higher than 2019 levels. Across Australia, this holiday season is expected to be a \$4.0 billion eCommerce event – the largest in history.¹

Expected holiday spend by channel



¹ Total eCommerce holiday spend in 2020 is calculated by multiplying the average online holiday spend by the Australian population aged 18 and over.

The future: A slow road to recovery

While the effects of COVID-19 have been damaging and immediate, recovery is unlikely to be fast. Over half (51%) of businesses think that recovery is at least one year away, and one in ten (13%) think it's more than two years.

Some industries are more pessimistic than others. More than three in five businesses in wholesale trade (63%) and the arts (62%) think recovery is at least 11 months away. In contrast, only 44% of transport businesses think recovery will take this long.

It also depends on location. Businesses located in metro areas were more pessimistic about the speed of recovery, relative to regional businesses. More than half (52%) said recovery would take one year or longer, compared to 45% of regional businesses.

The speed of economic recovery will depend on a number of factors. Some key considerations include:



When international borders are able to reopen

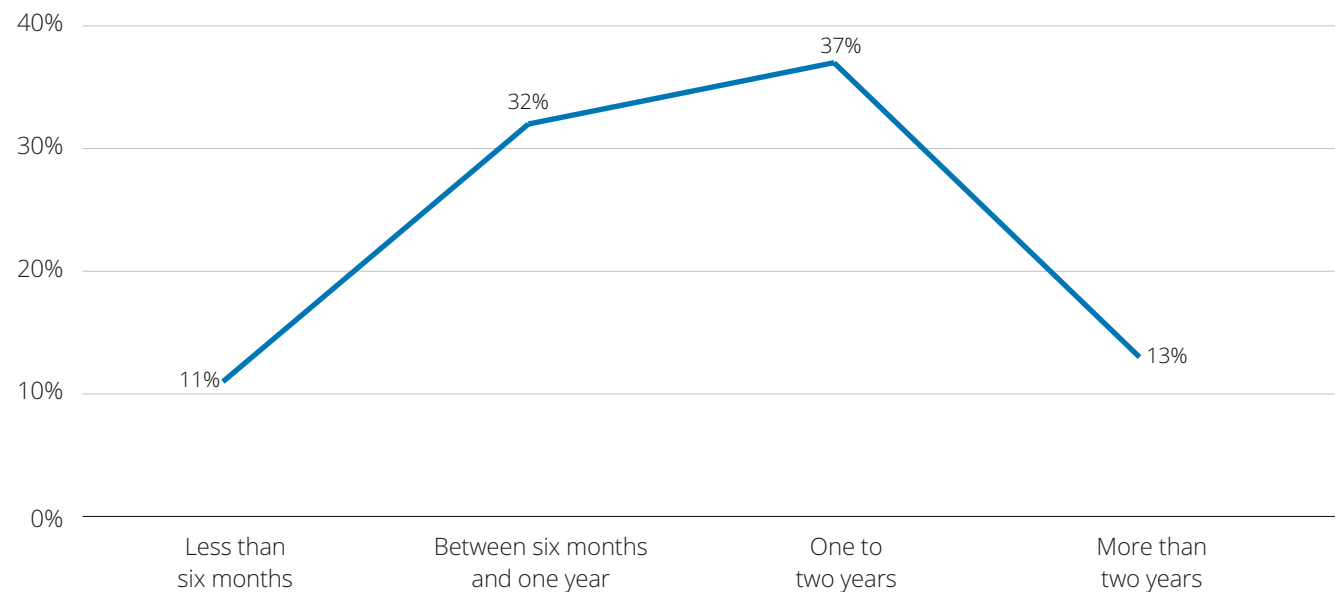


Australia's capacity to keep virus numbers low to avoid additional restrictions



The development of a COVID vaccine

Estimated length of time for business to achieve pre-COVID levels of revenue



The path to recovery is also likely to look different for businesses across different industries. Depending on the extent of Government support and stimulus programs, those likely to be hardest hit include businesses in growth-dependent sectors such as construction and parts of manufacturing, pipeline-dependent sectors such as professional services, and discretionary sectors such as entertainment and parts of retail.

In contrast, some industries are largely recession-proof. The public sector, health and utilities, as well as food and grocery retailing, are the most likely to come out relatively unscathed.

The future: Online shopping will continue to grow

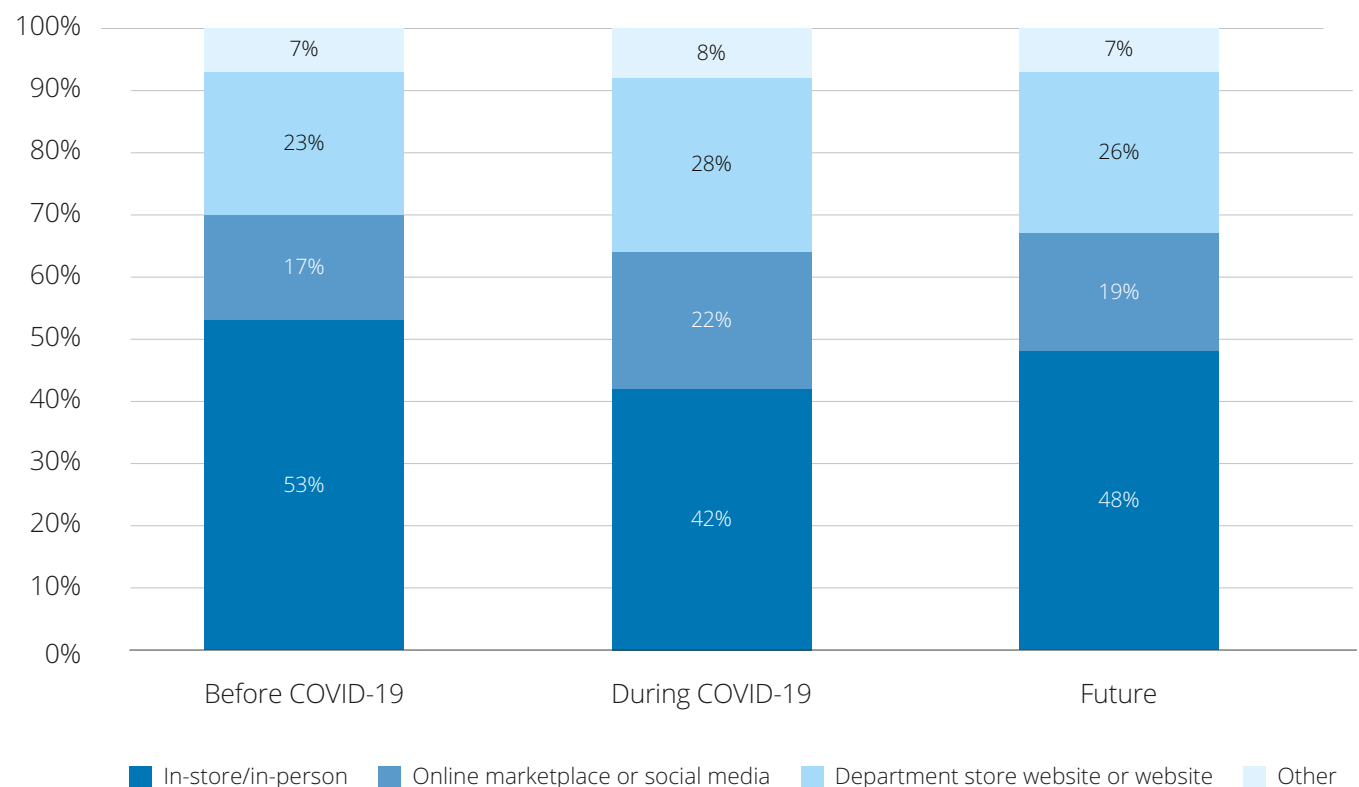
The consumer shift to online spending has been underway for some time, however the COVID-19 crisis has accelerated this growth. Between February 2020 and April 2020, the share of online spending nearly doubled from 6.6% to 11.1%.

Results from the consumer survey indicate the highest proportion of spending per month before the crisis was in-store or in-person (average of 53%). During the pandemic, this dropped to 42%. Possible reasons include the closure of brick and mortar stores in local lockdowns or lower consumer confidence due to health risks. This change was captured by online spend through department store websites, own business websites, online marketplaces or social media.

Following the crisis, some of this digital change will be lost as restrictions loosen and consumers can shop in-store and in-person. Nevertheless, results from the consumer survey also indicate that some of this digital change is likely to persist in the future, with online spending higher in the future than prior to the COVID-19 crisis (an average of 45% of spend per month compared to 40% pre COVID-19).

eCommerce spending will be over \$30 billion in 2021, representing a significant growth opportunity for business. While there will be a mild shift back towards traditional channels, this will be partially offset by a 4.9% growth in consumer spending overall (Deloitte Access Economics, Retail Forecasts, September 2020).

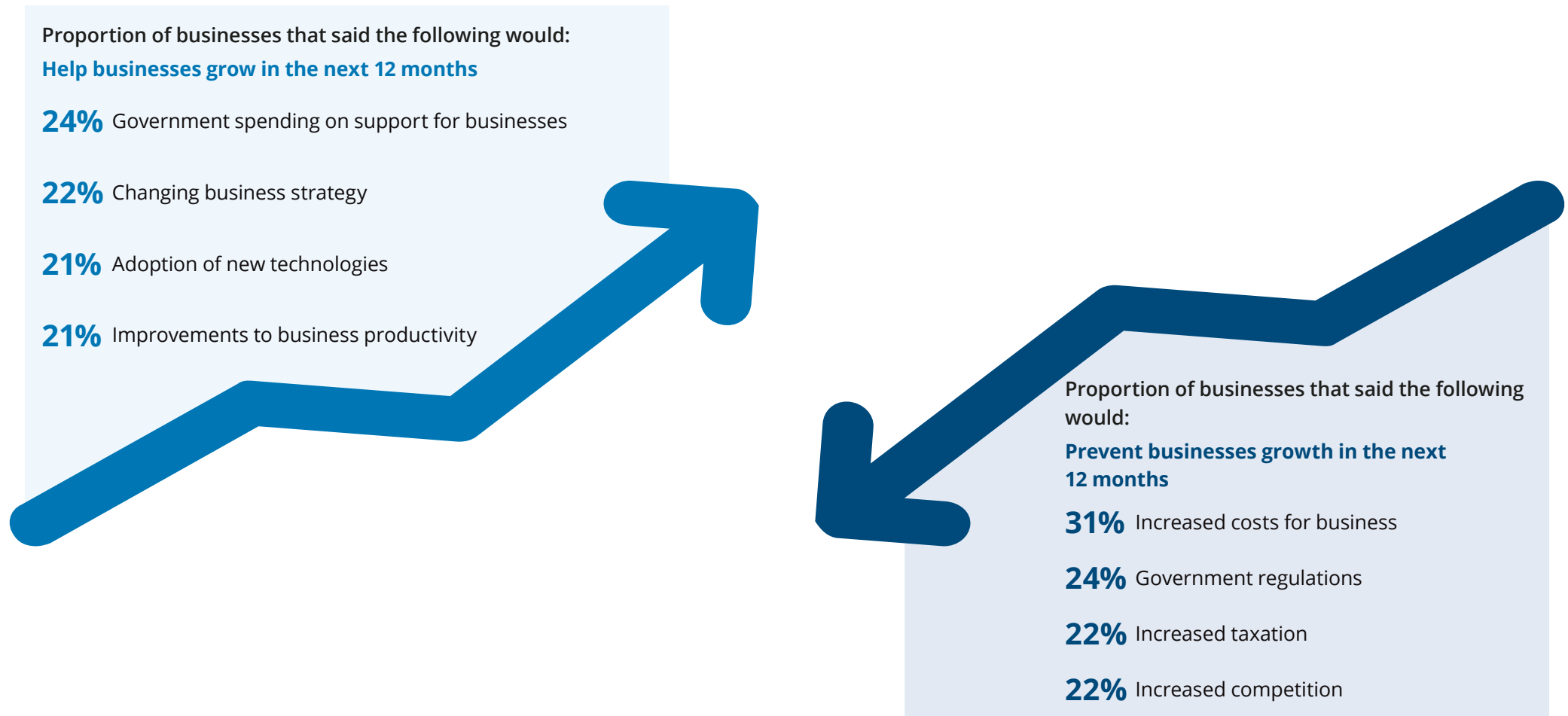
Expected holiday spend by channel



The future: What business needs for growth

The time to develop a COVID vaccine, and Australia's ability to successfully fight the virus until a vaccine becomes available, will be critical components of Australia's path to recovery. But there are a range of factors that can help – and hurt – business recovery in the next 12 months.

Beyond the broader economic climate, what are the top factors that will determine business growth?



The future: What eCommerce needs for growth

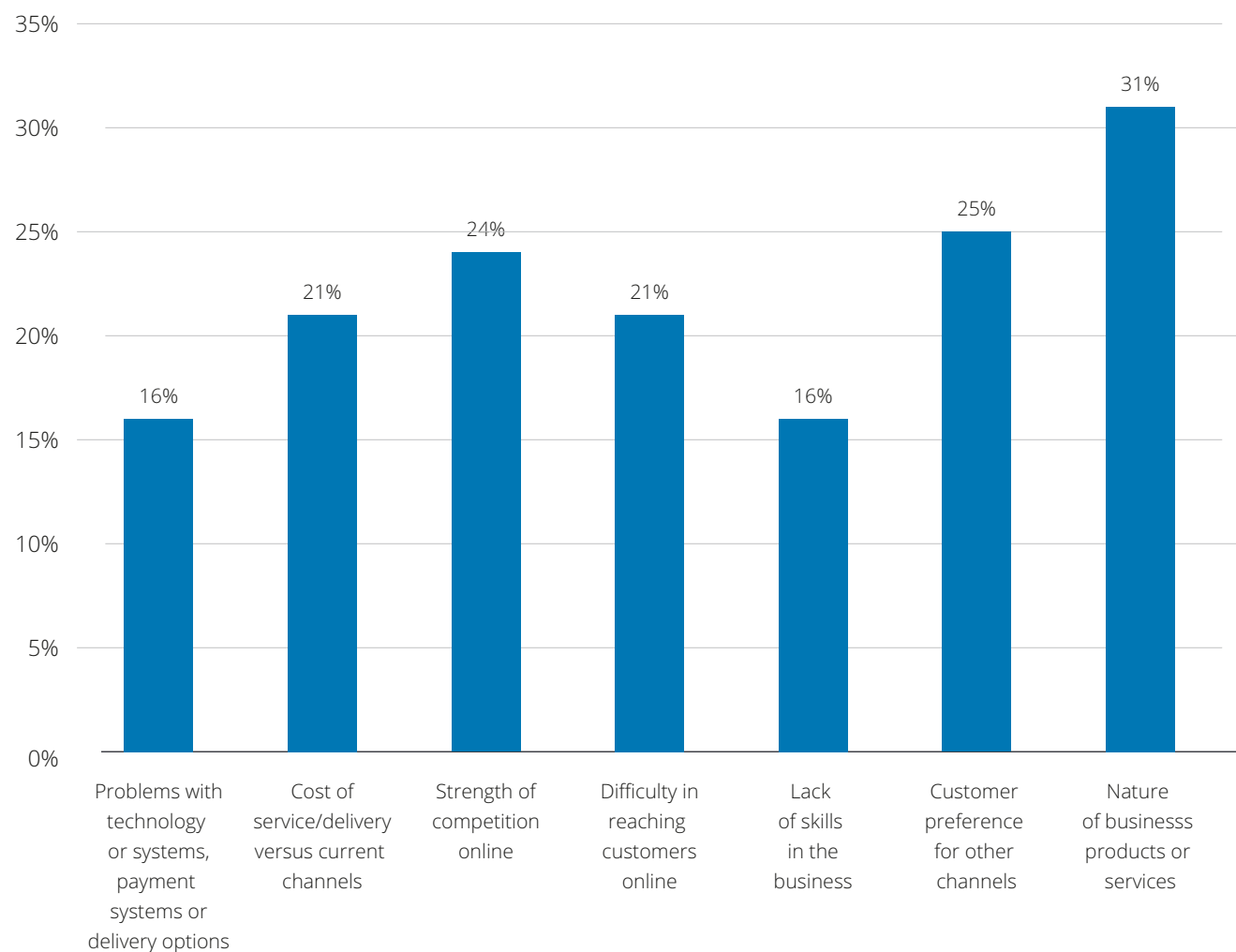
Although eCommerce and online spending is growing, there are a range of barriers for businesses shifting more sales to eCommerce in the future.

Results from the business survey indicate that one of the most common barriers faced by businesses is the **nature of business products or services**, cited by 31% of businesses.

Survey results also indicated that businesses believe some consumers prefer in-store purchasing. Respondents indicated that customer preferences for other channels (25%) is a barrier for businesses shifting online.

But there are many things businesses can do to prepare for the recovery period, and many have already started. From allowing staff to work remotely, to marketing to new customers, businesses have taken a range of actions to help. The top five actions adopted by businesses are shown on the next page.

Survey respondents cited a range of eCommerce barriers to recovery



Top actions to business recovery



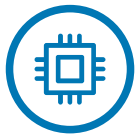
Allowing staff to work remotely (36%)



Marketing to new customers (36%)



Developing and growing online sales channels (31%)



Adopting more digital technology (31%)



Changing business plan or strategy (31%)

Case Study: Liandra Swim

Liandra Swim is a designer swimwear brand that incorporates unique Aboriginal Australian culture into its prints. Liandra opened the business in January 2018, where she merged her positive childhood memories of the sea with her deep connection to Arnhem Land. She creates signature prints to develop a positive narrative of her Indigenous culture for her customers. In one sense, Liandra Swim entered a saturated market, but Liandra recognised that there was community interest in supporting a small, ethical, Australian Indigenous business.

For Liandra, the owner and founder of Liandra Swim, eCommerce has always been a large component of her business activities. Liandra Swim has an online store and a presence on several social media platforms including Instagram and Facebook. Liandra found that a large benefit of eCommerce is the information available from web traffic and how it has helped her understand her consumers better. Despite her success in using digital tools, Liandra has also used traditional media, with appearances in magazines being a significant way of boosting the profile of her business.

Navigating COVID-19 has been all the more difficult because Liandra has had to balance very practical issues, such as managing a reliable returns policy, while on the other hand, always feeling as though her business reputation was 'on the line' with every customer interaction. Liandra noted "my priority was that my customers had a good experience purchasing my products, I was concerned that the unavoidable problems from the crisis would mean that my business integrity would be tarnished".

Liandra operates her business from a remote community in the Northern Territory. The COVID-19 crisis meant that flights were only operating 2 to 3 times per week and her products weren't considered a high priority for the limited flight capacity. Charter flights were also limited due to the tight biosecurity restrictions in remote communities in the Territory. Liandra, observes that "for my business the main concern was the issues with my supply chain. I use ethical fabrics made from recycled plastic which need to be properly sourced and supplied to my manufacturer, due to the crisis everything was delayed and took a lot longer". In 2021, Liandra looks forward to expanding her market overseas, through eCommerce.

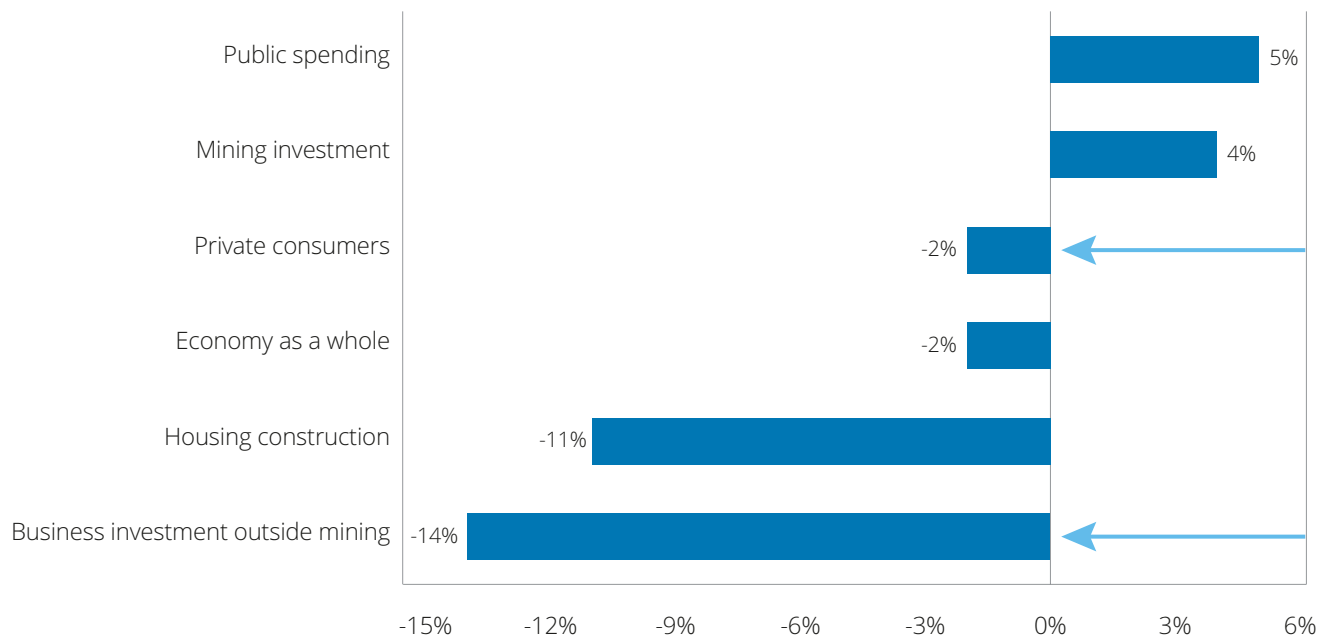
The future: Budget measures that will drive business use of eCommerce

The 2020-21 Federal Budget was delivered on 6 October 2020 and featured a range of measures to assist Australia in addressing the impacts of the COVID-19 crisis. In overall support, the Australian Government has committed \$507 billion to the crisis and the recovery.

These include bringing forward previously legislated tax cuts to start from 1 July 2020 and expanding access to a range of small business tax concessions (including instant deductibility of depreciable assets). Individuals earning between \$40,000 and \$120,000 will receive a tax cut (including the low and middle income tax offset) of between \$1,060 to \$2,745 and those earning over \$120,000 will receive a tax cut of \$2,565 relative to tax rates in 2017-18.

Due to Government support programs, such as JobKeeper and JobSeeker, public spending will increase, while business investment (outside of mining) is the weakest part of the Australian economy.

Components of the Australian economy in 2020-21



Source: The long road back, Deloitte Access Economics

Australian Government digital programs

The Australian Government has introduced several digital measures to support and grow businesses through the COVID-19 economic recovery. A **Digital Business Plan** will be created to support the adoption of new technologies by businesses and consumers. Key elements of the Plan include:

- Small business access to digital technologies through an expansion of the Australian Small Business Advisory Service – Digital Solutions program, a Digital Readiness Assessment tool and a Digital Directors training package
- A Digital Identity system to enable more secure and convenient engagement with government services, and in future, the private sector
- Full implementation of the Modernising Business Registers program, allowing businesses to quickly view, update and maintain their business registry data in one location

The 2020 Cyber Security Strategy will be implemented over four years to help businesses and individuals operate securely online. The Strategy includes support for industry to develop approaches to improve cyber security skills and workforce planning with a focus on small and medium enterprises.

State Government digital programs

States have also introduced digital initiatives to support businesses. The Queensland Government introduced the Small Business Digital Grants Program to assist small businesses in accessing digital technologies and services to help them capture opportunities in the digital economy.

The Victorian Government has announced a Business Resilience Package aimed at helping businesses impacted by the COVID-19 crisis. The package includes a voucher program and workshops that assists sole traders and small businesses to build their digital presence.

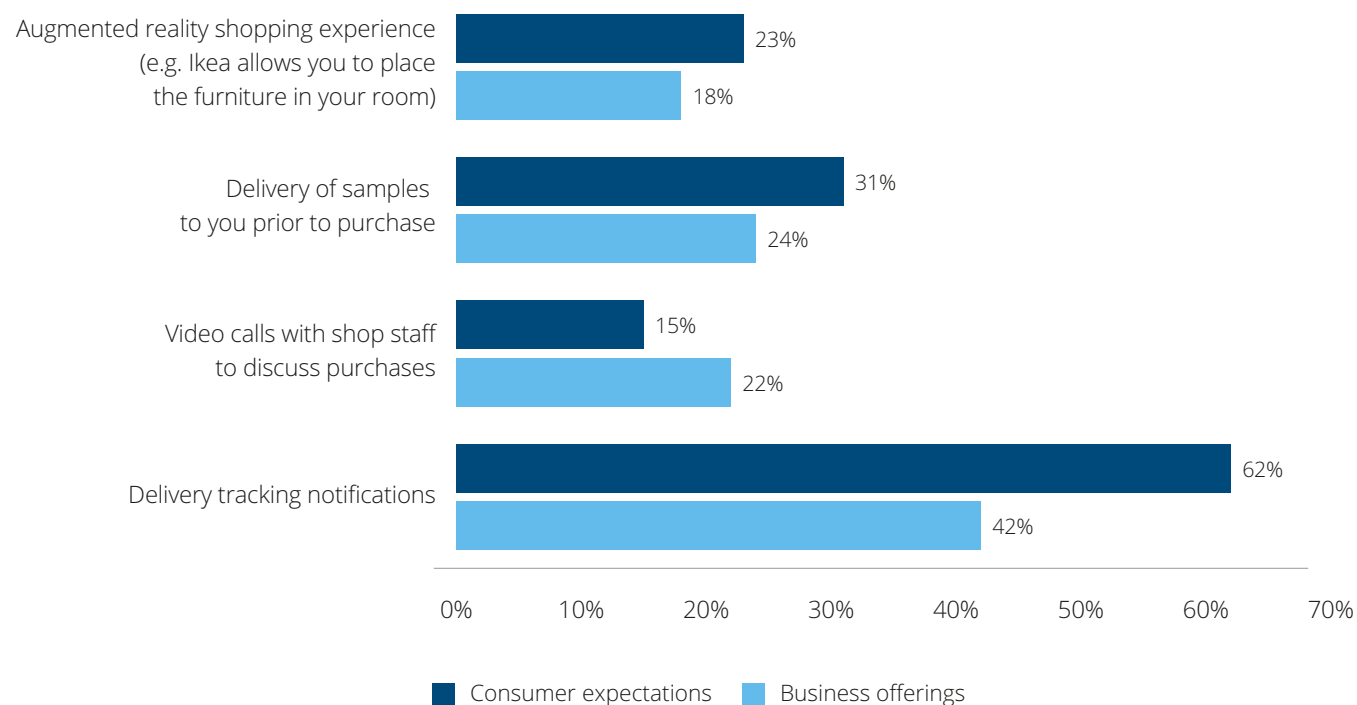


The future: What consumers want from eCommerce

The most important and highly valued feature of eCommerce for consumers is the ability to track deliveries. The consumer survey found that of those surveyed 62% of respondents indicated **delivery tracking notifications** as their most valuable feature on an eCommerce site.

This is similar for those business surveyed, the highest feature of eCommerce services provided are delivery tracking notifications, with 42% of businesses surveyed indicating it features in their eCommerce service.

Proportion of businesses reporting a decrease in revenue

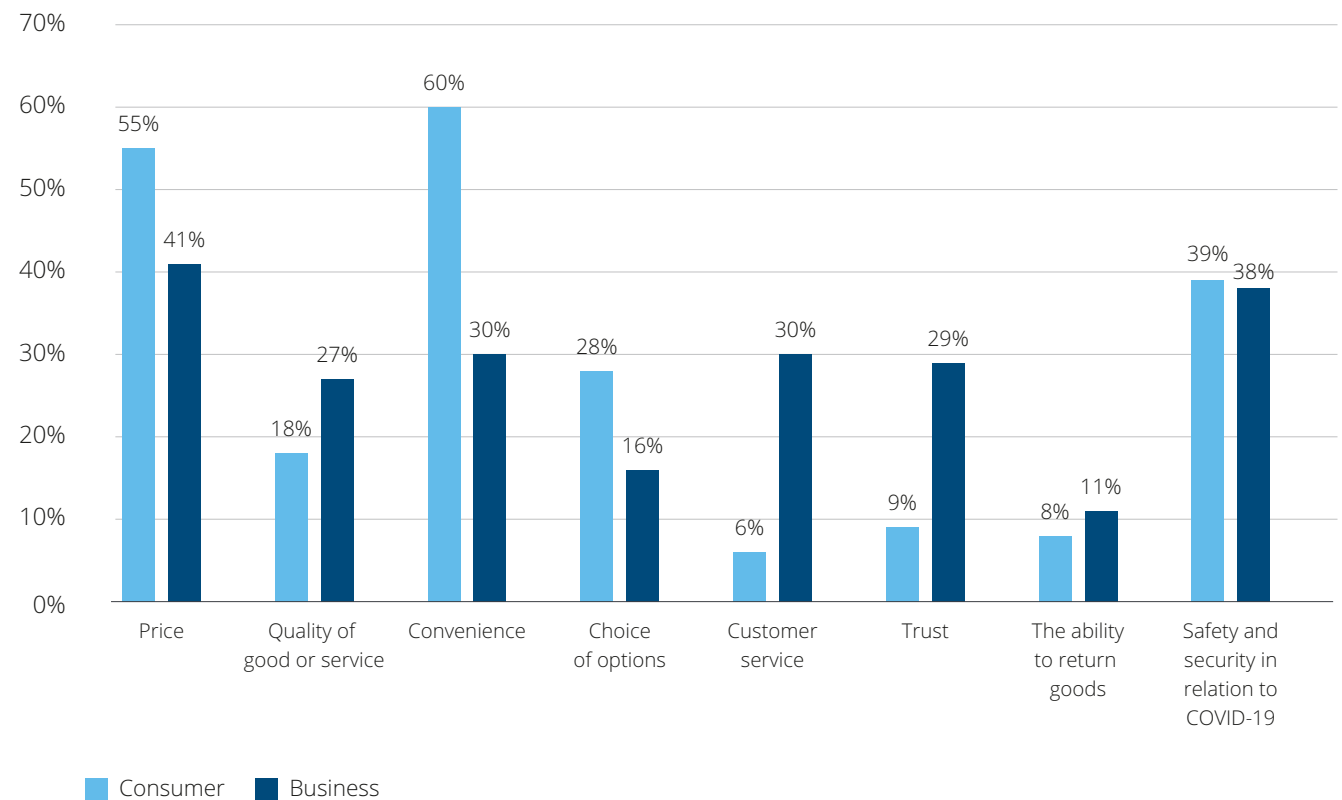


Note: consumers selected 'very valuable' in the survey

Motivations for purchasing products online are similar across consumers and businesses, with both surveys indicating **price** as a main motivating factor (55% of consumers and 41% of businesses).

The largest difference across consumers and businesses is **convenience**, with 60% of consumers identifying it as a top three motivator, while only 30% of businesses indicated this is a high motivator for consumers.

Motivations for purchasing products online during the COVID-19 crisis (respondents indicated top 3)



The risks: Delivering supply chain efficiency

Between the COVID-19 global pandemic, summer bushfires, global trade tensions and the ever present threat of cyber-attacks, the supply chains of Australian businesses have come under unprecedented strain, increasing the need to proactively monitor and manage supply chain risks.

Disruptions have affected the length and breadth of supply chains; from suppliers shutting down, disruptions to production systems, difficulties getting finished product and key raw materials transported, all the way to customer shipments being delayed, disrupted or cancelled entirely. The COVID-19 crisis has pushed the need to manage supply chains into the spotlight. The business survey indicated that eCommerce services made the ability for businesses to manage their supply chains during the crisis more efficient (59% of survey respondents).

Managing supply chain risk has therefore become not just a question of using the same old approaches to ensuring products and materials get to the right place at the right time, for many it has become a question of business survival.

A business that manages its supply chain risks and is more resilient and agile than its competitors is able to boost its market reputation and create significant shareholder value through lower costs, higher capital efficiency and the ability to seize new market opportunities and fast mover advantage.

.....
Over 1 in 5 businesses have experienced disruptions to their supply chain, with a greater impact felt by businesses with less than 20 employees

– Australia Post Brand and Customer Experience Health Metrics Report, June 2020

Traditionally, efforts to identify and mitigate supply chain risk have focused on operational risks. Unfortunately, in a global economy risks can arise from anywhere, including sources that are completely unexpected, like the COVID-19 pandemic.

A more comprehensive approach is required which considers and address four distinct categories of supply chain risk:

Macro environmental risks are broad external forces that originate from sources outside an organisation's immediate supply chain and may affect entire businesses or the industries in which they operate. Examples include natural disasters, geopolitical turmoil or economic crises.

Extended supply chain risks which originate from upstream or downstream partners in a company's supply chain. An example is increased use of outsourcing, which allows companies to reduce costs but has also made their businesses more complex and introduced potential third party risk.

Operational risks which originate in a company's core internal processes such as manufacturing and distribution.

Functional risks which originate in a company's enabling areas that support supply chain activities such as finance, human resources, information technology and legal/compliance.



Key actions for business success in 2021

With most business leaders expecting a slow recovery in 2021, they will need to prioritise which actions to take to succeed and take their share of the \$30 billion eCommerce market. We believe businesses must reconsider their (i) digital maturity (ii) supply chains (iii) their overarching business strategy.



Success = Digital actions

Digital capabilities have been important to business success for many years, but in 2021 they will be even more so. The highest priorities for each business will depend on their current level of digital maturity. Businesses need to start developing their digital capability now, and test what works for them to optimise this over time.

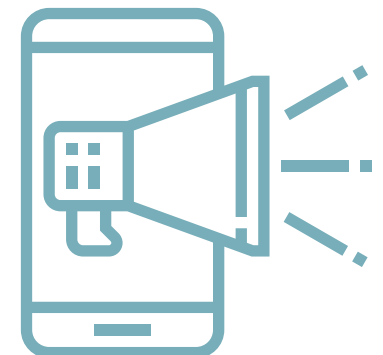
Research for this report suggests that the biggest gap between businesses' eCommerce offering and consumer expectations is convenience – so businesses should reassess how easy it is for consumers to browse, select, pay for, and receive goods from their business. Specifically, consumers have a greater expectation of delivery tracking notifications and interest in receiving samples that businesses are offering.

Another finding of this research is that successful businesses do not just have a website checkout, but use a range of digital channels including social media to share content and enhance the customer experience. Digital channels have the benefit of generating data that businesses can analyse to better understand customer tastes and behaviour. Businesses should also prepare for a world where their website and online store is considered a primary channel, not secondary to their brick and mortar store. Lifting the overall experience for the consumer online will become increasingly important.

In the constantly changing retail landscape, businesses should also assess the best ways to connect with customers. While the biggest growth in online interactions during COVID has been business websites, social media, retailers (such as department stores) and online marketplaces have also grown and present other ways for producers to reach customers.

The recovery phase will also include a period of digital enablement. Digitally enabling and revitalising businesses, through digital tools and assets, will help them seize new opportunities in the future. Points that businesses can address to shape their future include:

- How do you reinvent your business to take advantage of a digital world?
- How do you reinvent your products and services to be relevant in a predominantly digital world?
- What investment do you need to make in cyber security with your trading partners?
- Have you considered applying for State or Federal Government Grant Programs to increase your digital knowledge and platforms?



Success = Supply chain resilience

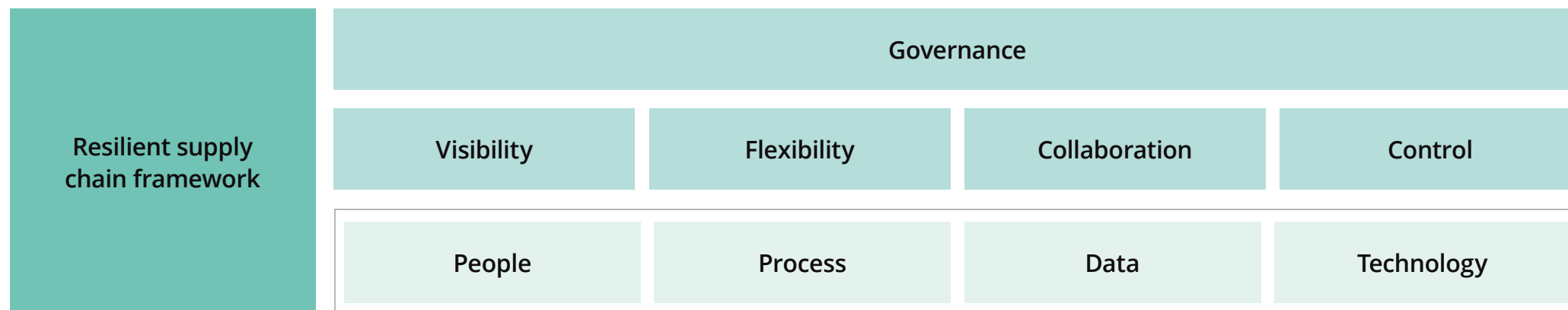
Research for this study has clearly showed the importance of resilient supply chains during the COVID-19 period. Businesses that moved to shore up their supply chains did best amongst goods-related businesses. As trading restrictions lift, businesses need to be cautious not to take reliable supply for granted. Resilient supply chains are characterised by four key pillars:

- **Visibility** is being able to track supply chain events and patterns as they happen, or even before they happen. This enables a business to address issues before they become critical problems.

- **Flexibility** is being able to adapt quickly in response to problems (or potential opportunities) without significantly increasing operational costs. This enables a business to sidestep potential problems and minimise the impact of a critical disruption or sudden changes in supply or demand.
- **Collaboration** is the ability to work with supply chain partners through trust-based relationships to avoid disruptions, flex operational capacity, enhance service quality and responsiveness.
- **Control** is about having robust policies, monitoring systems and performance management mechanisms to help ensure the proper procedures and processes are followed.

In re-organising and building supply chain resilience, businesses should consider the following:

- Do you have enough visibility of the supply chain and what is moving through?
- Are your planning processes robust and agile enough?
- How can you invest in your business' supply chain to better mitigate future risks?
- What COVID-19 learnings can you use to optimise your supply chain network moving forward?



Case Study: Online marketplaces

The COVID-19 crisis has uniquely impacted various online marketplaces, with sales on these platforms growing as restrictions impacted movement and in-store purchasing. Australia Post data shows that parcel volumes have grown the most for variety stores, this includes online marketplaces such as Amazon or eBay.

The pandemic also resulted in consumers purchasing different products through online marketplaces. The pandemic saw three phases of purchasing behaviour by consumers. The first phase was at the beginning of the crisis and included increased purchasing of survival products, such as food, health and toiletries. The second phase was an increase in sales of liveability products. These are products that make it easier for consumers to be productive at home, such as desks, desk chairs and work stations. The third phase was products relating to hobbies. Products that enhanced the quality of life at home, such as sports equipment, DIY products, cooking products.

Supply chains were also a concern for online marketplaces. For businesses managing their own inventory, such as Amazon, border restrictions and limited movement of supplies meant that type of marketplace was more impacted by the pandemic, unlike those whose sellers manage their own products, such as eBay. Australia is also considered the “last mile of the supply chain”, where it is usually the last destination in a product reaching the consumer.

Unsurprisingly, the pandemic resulted in increased domestic transactions. Australians using marketplaces purchased more from domestic traders, than international. One reason for this included consumers wanting to support local businesses, however, a larger reason was the functional benefit of purchasing domestically. Consumers wanted to know when they would get items and purchasing internationally was considered unpredictable.

In the future, online marketplaces and eCommerce should be considered a main selling platform and not just a secondary channel.



Success = Business strategy that optimises digital infrastructure

A key action for businesses in the recovery from the COVID-19 crisis, is having a clear business strategy that is appropriate for the future. The digital world will be more competitive because all businesses will have to embrace platforms in the future. The business survey suggested that 31% of surveyed businesses changed their business plan or strategy during the COVID-19 crisis to prepare for the recovery. Of the businesses surveyed, 22% indicated that changing their business strategy will help them grow in the future.

The range of possible business strategy actions is broad. Are there new product or service opportunities that have specifically arisen because of COVID-19? Has the shift to online sales provided the business with new reach to different cohorts of customers (across new demographics, across states or overseas)? Has the change in financial markets made it harder for the business to access the credit it needs and does it need to consider financial advice? Does the business have a game plan for maximising its use of government incentives that may be on offer because of COVID-19? Has the business developed a strategy for a COVID-19 safe return to work or is it considering extending a 'working from home period'?

Beyond these specific questions, there is also the broader 'fresh look' at business strategy which the following question can provoke:

- What are the plausible scenarios that may unfold as a result of the crisis?
- What are the characteristics of the future business environment – the macroeconomic trends and sustained disruptions?
- What opportunities and risks will this new environment offer our industry and organisation?
- What changes should be made to existing business and operating models?
- What are the key strategic choices and 'no-regrets' moves to make in the next 3-12 months?



Case Study: AFL Footy Shop

The AFL Footy Shop sells official Australian Rules Football products. The business is solely online and operates out of Tasmania. During the first weeks of the COVID-19 pandemic, the business saw a noticeable downturn of 30 to 40% in sales and turnover. However, following these initial first weeks of the crisis the business has actually boomed.

The biggest challenge for the AFL Footy Shop during the crisis was to train new staff and get them ready quickly. Peter Saward, Director of the AFL Footy Shop, noted that “because our business is solely online, people were purchasing a lot from us during the crisis. We had to put on four extra staff members to keep up with the demand.”

The AFL Footy Shop saw increases in sales across all eCommerce platforms during the crisis. Due to the business being solely online, it already had a good presence across eCommerce (on platforms such as, Facebook, eBay, Amazon and a website). The business also used Google advertisements and data collection to understand its consumers.

Australia Post was incredibly helpful during the crisis for the AFL Footy Shop. Peter observed “Australia Post was particularly good during the crisis. There were unavoidable delays and large demand, but they were always open with communication and really supported the business during the height of the crisis.”

In the future, Peter noted that the AFL Footy Shop will continue to operate online and expected online sales to increase compared to pre-COVID levels. Peter stated “We expect sales to decrease slightly from 2020, however in the future customers will stay shopping online. They have learned new online experiences and realised that online shopping is easy and efficient, we think a large portion will use eCommerce more in the future.”





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