What's Next in E-Commerce: 6 Trends Shaping the Future Australia Deep Dive



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Where are we?

As markets around the world continue to emerge from the global pandemic, **it's a good time to take stock of the significant changes that have taken place during the last few years**, a time of immense upheaval for the retail business environment. Which e-commerce developments are here to stay and how will the next innovations in digital technology impact the future of retail?

Why is AMEA[1] so important?

A region of 48 countries of enormous diversity and different levels of retail maturity offers **great insight into recent and future developments in e-commerce.**

Indeed, **Asia Pacific is driving forward the retail industry,** generating about three-quarters[2] of global growth, and is predicted[3] to see the highest value sales CAGR for retailing during 2020-2025, with increased digitalization, connectivity and demographics being key drivers.

One example of this is the expanding middle class driving e-commerce growth across the region: the 2 billion Asians estimated to be members of the middle-class right now is predicted[4] to increase to 3.5 billion by 2030.

What are the key trends?

The key trends, identified and discussed in this white paper, span the overall **"revolution" in e-commerce** that has taken place and continues to evolve at pace; the **tensions** SMEs face around **'last-mile' delivery** in the face of heightened consumer demand for greater logistics **sustainability**; the significant impact of the **'Great Resignation'** on SME's ability to retain, nurture and recruit new talent across the region; and ultimately point to ways in which SMEs can **leverage innovations around the consumer interface** to target and generate profitable revenue from the resulting opportunities.

Some of the eleven AMEA markets researched extensively for this white paper have been and will continue to be more impacted than others, but all of the identified trends are visible across the region.

SMEs and Consumers throughout AMEA are in for interesting, exciting times. This paper points to the **need for SMEs to constantly challenge themselves to innovate** and remain ahead of the curve.

1. AMEA is used throughout this report to refer to the Asia Pacific, Middle East and Africa region.

Sources: 2. Bain & Company – The Future of Retail in Asia-Pacific; 3. Euromonitor – Top 100 Retailers in Asia 2021; 4. Statista – The Rise of the Asian Middle Class

Six key trends across AMEA

01 E-Commerce Revolution

The Covid pandemic has hot-housed e-commerce growth across the AMEA region and Marketplaces are increasingly influential. SMEs are excited by the resulting opportunities and ready to capitalize. Consumers are also broadly positive about the heightened importance of e-commerce in their shopping experiences.

02 Service Experience Mismatch

There is a significant gap between SMEs' assessment of their own performance across a range of customer experience metrics and how Consumers experience this in reality. SMEs need to up their game to ensure that they do not lose customers as the market continues to evolve.

03 Talent Challenge

SMEs across AMEA are finding the Great Resignation very challenging right now – this is hitting them hard and causing headaches at a time when they are looking to increase headcount by recruiting new e-commerce talent to drive their business forward.

04 Sustainability Tensions

Whilst SMEs and Consumers are both very aware of the need for sustainability, in their words, their choices and their actions, it's tough to get the balance right. Overall, SMEs tend to under-estimate how important sustainability is to Consumers.

05 More Effective E-tailing

SMEs are already offering or planning to offer **newer payment options**, and targeting audiences more effectively e.g., through **personalization** and **shoppertainment** – and Consumers are very receptive to innovations in these areas.

06 Shopping Festivals

E-commerce events continue to make a difference to AMEA Consumers – in fact, many would like even more. There is also a clear need from SMEs for increased logistics support during key pinch points.

How Australia compares to the rest of AMEA

01 E-Commerce Revolution

Australian SMEs are aligned with the AMEA view that they are well positioned to capitalize on future e-commerce growth. Consumers, however, are less convinced there will be future growth and much less likely than those in other markets to anticipate Marketplaces becoming more influential.

02 Service Experience Mismatch

SMEs are less likely than those in other markets to make deliveries within two days, yet just as likely to believe they provide a high-quality service. Australian Consumers actually rate the service lower than average which makes for a significant expectation/reality gap of 15 points.

03 Talent Challenge

Whilst many SMEs in Australia are suffering from the effects of the Great Resignation, things are a little less challenging than in other AMEA markets when it comes to finding employees with e-commerce skills.

04 Sustainability Tensions

There are contradictions in how Australian Consumers relate to sustainability. For example, they are much less likely than those in other markets to perceive delivery lead-time as more important than sustainability, but at the same time, they view ESG policies as less differentiating.

05 More Effective E-tailing

Innovations around the e-commerce shopping experience e.g., newer payment methods, personalization and shoppertainment generate less interest and excitement in Australia than in other AMEA markets from SMEs and Consumers alike.

06 Shopping Festivals

Whilst shopping festivals are likely to remain part of the e-commerce landscape in Australia, as in other AMEA markets, there is much less desire for more of these on the part of Consumers.

Australia[1] is the **eleventh largest market** globally for e-commerce with a revenue of US$31.3 billion in 2021, placing it ahead of Russia and behind Canada.

With **an increase of 15%,** the Australian e-commerce market contributed to the worldwide growth rate of 15% in 2021. Just like in Australia, global e-commerce sales are expected to increase over the next years. As new markets are emerging, global growth will continue over the next years. This development will be propelled by East and Southeast Asia with their growing middle class and their lagging offline infrastructure.

With a **yearly growth rate of 5% between 2021 and 2025**, Australia is expected to grow at a slower rate than the global average of 6%.

Australian[2] SMEs are **optimistic** about future growth in their e-commerce business but are **less likely to be focused on innovations** like newer payment methods, personalization and shoppertainment. They have suffered **fewer staff retention and recruitment challenges** than in other AMEA markets.

Australian Consumers are **less likely to anticipate future e-commerce growth**, particularly through Marketplaces. They have **reservations about e-commerce innovations** and are **much less likely to want SMEs to run more e-commerce events.**

Source: 1. ecommerceDB: The eCommerce market in Australia; 2. FedEx -What's Next in E-Commerce: 6 Trends Shaping the Future

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Overview of Approach

This White Paper has been developed based on two distinct phases of research.

Qualitative Development

The qualitative development phase involved a combination of desk research and expert Interviews. We spoke to five experts in each of the eleven markets during May – June 2022.

These experts range from people working in relevant media, trade associations and government bodies, along with senior business leaders.

Quantitative Research

A quantitative online survey was then conducted during June – July 2022. This comprised interviews with SMEs and Consumers.

We interviewed 300+ SMEs in each of the eleven markets. Participants worked in e-commerce retailers with 1-249 employees, and were in a management role involving at least joint responsibility for setting e-commerce strategy. A total of 3,567 interviews were conducted.

We interviewed 500+ Consumers per market (1000+ in India) with participants comprising a representative sample of adults aged 18+, who make at least 25% of their purchases online. A total of 6,277 interviews were conducted.

NOTE: Colour coding is used throughout this report to highlight which audience is being reported: SMEs Consumers

Scope

Research was carried out in eleven AMEA markets:

Australia (AU)[1], Hong Kong (HK), India (IN), Japan (JP), Malaysia (MY), Philippines (PH), Singapore (SG), South Korea (KR), Taiwan (TW), Thailand (TH) and Vietnam (VN).

Mainland China has not been included in this study because a previous white paper specific to Mainland China was published in 2020.



1. Interviews in AU: SMEs n=317; Consumers n=514

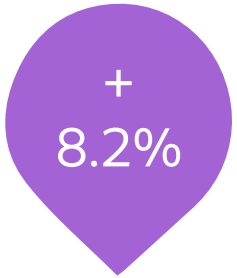
01 E-Commerce Revolution

The Covid pandemic has hot-housed e-commerce growth across the AMEA region which has become an e-commerce powerhouse, and Marketplaces are increasingly influential.

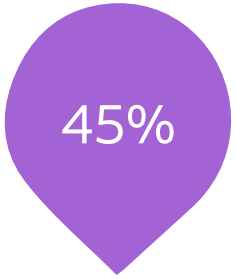
Australian SMEs are aligned with the AMEA view that they are well positioned to capitalize on future e-commerce growth. Consumers, however, are less convinced there will be future growth and much less likely than those in other markets to anticipate Marketplaces becoming more influential.

Key drivers behind the trend

A combination of recent growth and predicted future growth in e-commerce – augmented by increased use of Marketplaces – points to a genuine "revolution" in the way Consumers are shopping nowadays across AMEA and in Australia. SMEs that are able to capitalize on this growth most effectively – by being innovative and seizing the opportunities arising – will flourish and those that rest on their laurels will be left behind.



E-commerce[1] in Asia expected to grow at a rate of 8.2% between 2020-2025, compared with US (5.1%) and Europe (5.2%).



Asia[2] Pacific and Australasia will account for more than 45% of the global absolute value growth in e-commerce during 2020-2025.



Announcing[3] results for FY2021, Alibaba revealed it has now served 1 billion active users including 240 million based outside Mainland China.

Sources: 1. Statista; 2. Euromonitor – Retail in Transition: Future E-commerce Opportunities in Asia Pacific and Australasia; 3. Alibaba - press release May 13th 2021

E-Commerce Revolution means a fundamental shift in the Consumer mindset and behaviors around e-commerce. Older Consumers, in particular, have had their eyes opened to the benefits of online shopping during the pandemic and there is no going back. SMEs are largely excited by this revolution and willing to invest and change their outlook to capitalize.



Covid has hot-housed e-commerce in Australia

There is no going back to how items were purchased beforehand - this is a great opportunity for SMEs that are adaptable and willing to embrace change.



SMEs are excited by e-commerce opportunities

SMEs aware that e-commerce will continue to evolve – they are excited by this and most believe they are well positioned to capitalize.

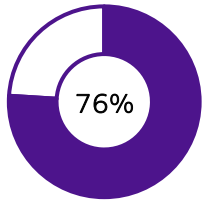


Consumers are increasingly buying through Marketplaces

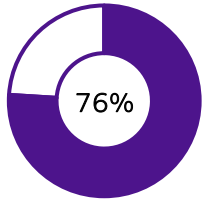
Four-fifths of Australian Consumers purchase items through Marketplaces and their share of total e-commerce spend has increased.

COVID has hot-housed e-commerce in Australia

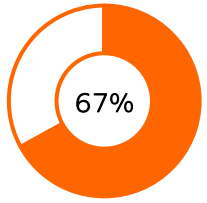
The Covid pandemic has hot-housed consumer desire for e-commerce across AMEA and in Australia – there is no going back to how items were purchased beforehand. E-commerce market experts believe this is a great opportunity for SMEs that are adaptable and willing to embrace change.



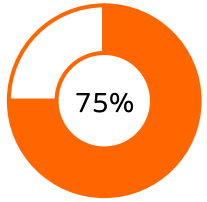
SMEs who agree consumer buying behavior has fundamentally changed due to Covid



SMEs who say e-commerce has become more important to their business in last 3 years



Consumers who agree their buying behavior has changed fundamentally due to Covid



Consumers who say e-commerce share of their purchases has increased in the last 3 years

Consumer buying behavior has been significantly impacted by the global Covid pandemic. McKinsey[1] and Company go as far as to state that the pandemic has squeezed 10 years of digital sales penetration into 3 months. The resulting changes are here to stay and will continue to evolve. The pandemic is generally viewed as a positive driver of e-commerce revenue by experts and by the business community.

Older Consumers, and boomers, in particular, have come to embrace e-commerce and Etailers must adapt their offer and their approach moving forward to target this new audience that is likely to have different needs from the more established, younger e-commerce consumer.

Businesses are increasingly aware that it's critical to stay ahead of the competition. They can achieve this through more effective audience targeting, faster delivery, and by offering more flexibility around payment options. Some of these market innovations will require significant investment so it's essential that SMEs understand the potential ROI they can achieve.

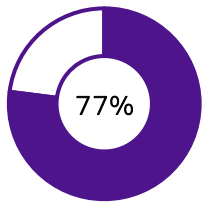
Looking further to the future and The Next Big Thing, market experts point to innovations such as visual shopping and artificial intelligence.

SMEs are constantly seeking out the next innovation to gain an edge over the competition and they would welcome advice and support from logistics providers in these endeavors.

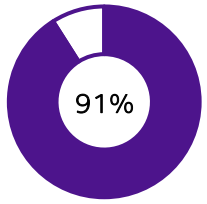
Source: 1. McKinsey & Company: Solving the paradox of growth and profitability in e-commerce

SMEs are excited by e-commerce opportunities

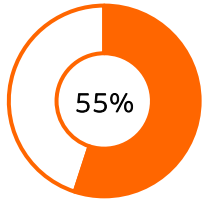
SMEs in Australia acknowledge the increased importance of e-commerce to their business over the past 3 years and also believe it will continue to become even more important in future. They are excited by this and believe that a willingness to adapt and embrace change will drive e-commerce opportunities and result in growth.



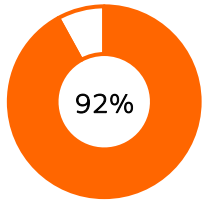
SMEs who say e-commerce will become more important over the next 3 years



SMEs who are excited about e-commerce becoming more important over the next 3 years



Consumers who say e-commerce will become more important over the next 3 years



SMEs who are positive about e-commerce becoming more important over the next 3 years

The vast majority (77%) of SMEs in Australia predict e-commerce will continue to boom in future, becoming more important to their business growth over the next 3 years. 9 in 10 are excited by this, and believe they are well positioned to capitalize.

E-commerce's share of Consumer purchases has increased in 7 in 10 cases over the last three years and over half (55%) predict that it will account for an increasing share of their total retail spend over the next 3 years.

More than 9 in 10 Australian Consumers see the growth of e-commerce through a positive lens; the biggest benefit they see is the ability to access products cross-borders at the click of a button. It's estimated[1] that cross-border e-commerce in Asia Pacific and Australasia will grow at a 13% CAGR over 2020-2025 to reach USD247.5 billion by 2025.

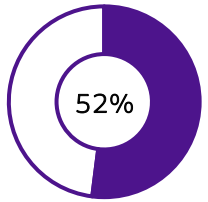
With this in mind, and looking forward, Mainland China is seen as the key market, within AMEA, that Australian SMEs will target for export growth, followed by India and Japan[2].

Beyond AMEA, Australian SMEs will be targeting North America and Western Europe[2].

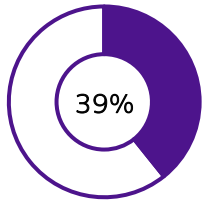
Sources: 1. Euromonitor – Retail in Transition: Future E-commerce Opportunities in Asia Pacific and Australasia; 2. FedEx -What's Next in E-Commerce: 6 Trends Shaping the Future

Consumers are increasingly buying through Marketplaces

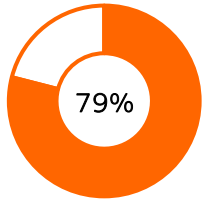
Almost four-fifths of Australian Consumers already purchase items through Marketplaces and Marketplaces now account for 47% share of all e-commerce spend, increasing over the last three years.



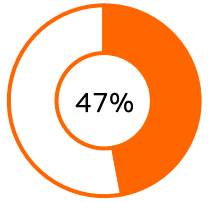
SMEs who are using Marketplaces, 27% doing so exclusively



SME revenue generated through Marketplaces



Consumers who are buying from Marketplaces, 17% doing so exclusively



Consumers spend through Marketplaces

Australian SMEs and Consumers agree on the importance of marketplaces in the overall context of e-commerce right now, and in future.. Over half of SMEs already use Marketplaces and over a quarter do so exclusively.

39% of Australian SMEs' e-commerce revenue is generated through Marketplaces – which they use primarily because there is more traffic and greater customer engagement. Other perceived benefits of marketplaces are ease/speed of set-up, lower set-up costs and lower financial risk.

47% of Australian Consumers' e-commerce spend is currently through marketplaces and SMEs need to be cognizant of this – should Consumers continue to shift away from direct purchases from brands, the aforementioned risks around setting up their own platforms become ever greater.

Whilst the importance of marketplaces is clear, it's worthwhile noting that 52% of Australian SMEs currently sell directly to customers through their own e-commerce platforms[1].

They do so mainly so that they have more control over customer data (more on this later) and site functionality, to help build brand awareness and to avoid restrictions on what they can do.

Source: 1. FedEx -What's Next in E-Commerce: 6 Trends Shaping the Future

The e-commerce "Revolution" is evident, to some degree, across all eleven markets. It's also apparent that SMEs and Consumers are largely aligned in their outlook.

Directly opposite is an indexed ranking of the markets according to how positive their views are concerning the evolving e-commerce Revolution.

Australia ranks second lowest of all 11 AMEA markets on this metric, largely due to Consumers' less positive perspective.

Markets where the trend is most pronounced

Vietnam, Philippines and India stand apart from the rest in terms of their belief e-commerce will continue to grow and their positivity and excitement.

Markets where the trend is weaker

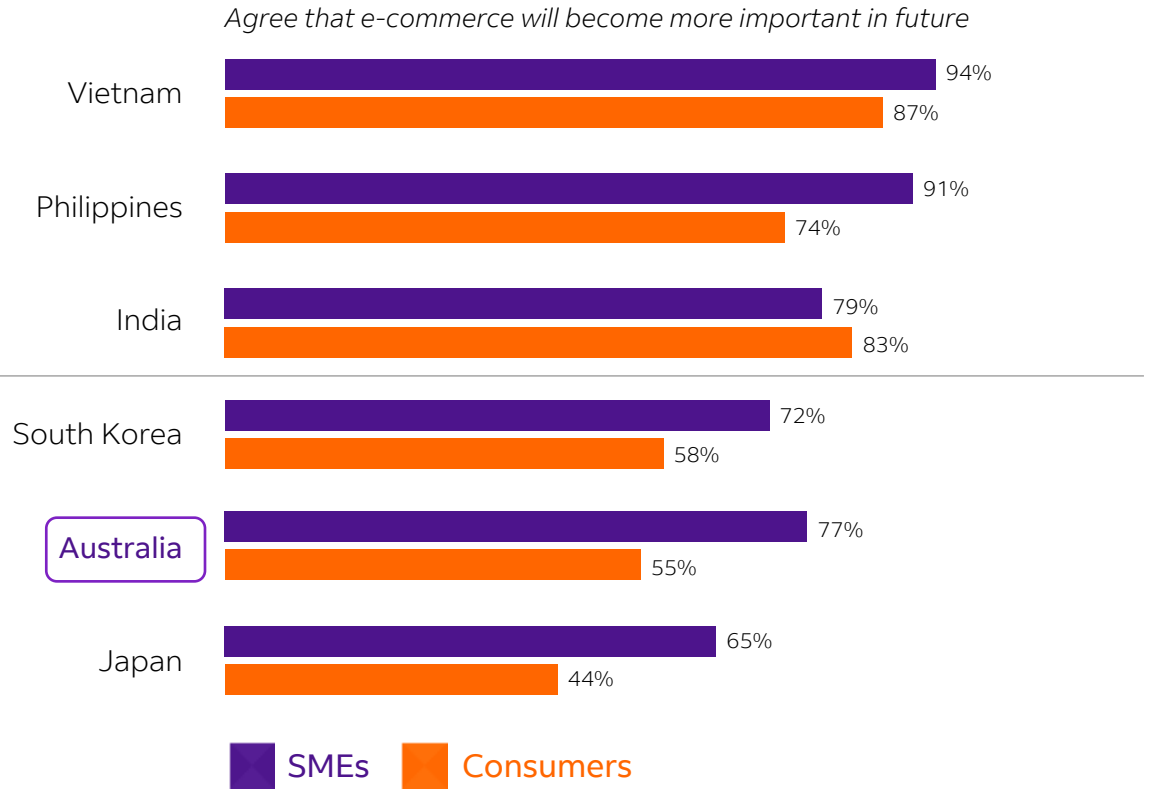
Japan ranks lowest of all among SMEs and Consumers with Australia and South Korea taking up the other two positions at the lower end of the 'positivity' index.

01

E-Commerce Revolution

Vietnam, Philippines and India are most positive about future e-commerce growth.





Implications for the logistics industry

There is a need for greater collaboration between players within the e-commerce ecosystem to achieve more sustainable growth for all participants. Marketplaces providing greater ease of use for Consumers, more efficient operations between etailers and logistics service providers is likely to result in more sustainable growth.

For example etailers would benefit from one-click integration to access to their logistics provider account within the Marketplace platform. Likewise, customers would benefit from being able to generate shipping labels and access use features e.g., express shipping without leaving the Marketplace platform.

Under an increasingly integrated retailing system, the logistics industry should also expect to have a more integrated supply system that supports/outsources warehousing and realizes data sharing for better inventory management.







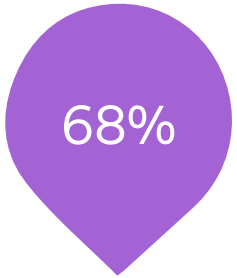
02 Service Experience Mismatch

There is a significant gap between SMEs' belief in their own performance levels across a range of customer experience metrics and Consumers' less positive experience this in reality.

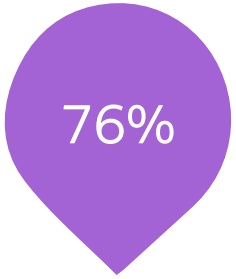
SMEs are less likely than those in other markets to make deliveries within two days, yet just as likely to believe they provide a high-quality service. Australian Consumers actually rate the service lower than average which makes for a significant expectation/reality gap of 15 points.

Key drivers behind the trend

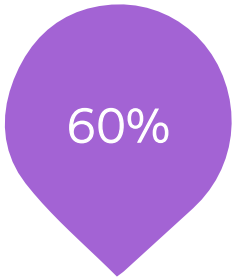
Delivery lead-time is a major Consumer pain point and there are also significant 'expectation versus reality' gaps regarding efficient returns service and accessible customer support that are driving an overall service experience delta. Many businesses understand that they need to invest to improve the customer experience.



68%[1] of Asia Pacific Consumers feel like customer service is an afterthought for businesses and 71% say their expectations have increased over the past year.



76%[2] of Asia Pacific businesses have seen new customer journeys – only 25% have significant insight into this new wave of digital-first customers.



60%[2] of businesses in Asia Pacific expect to accelerate investment in customer data technology in 2022 and beyond.

Sources: 1. Zendesk – CX trends 2022; 2. Adobe – 2022 Digital Trends: APAC in Focus

Service Experience Mismatch means that SMEs believe they are performing better on e-commerce service touchpoints than they are in reality. Online orders take longer to arrive than Consumers expect and there are clear issues with product returns that can frustrate. It's critical that SMEs raise their game across the e-commerce experience in order to not get left behind.



Deliveries take longer than SMEs believe

Most deliveries take 3 days or longer to reach customers and this can lead to frustration – particularly when SMEs think they are delivering more quickly than this.

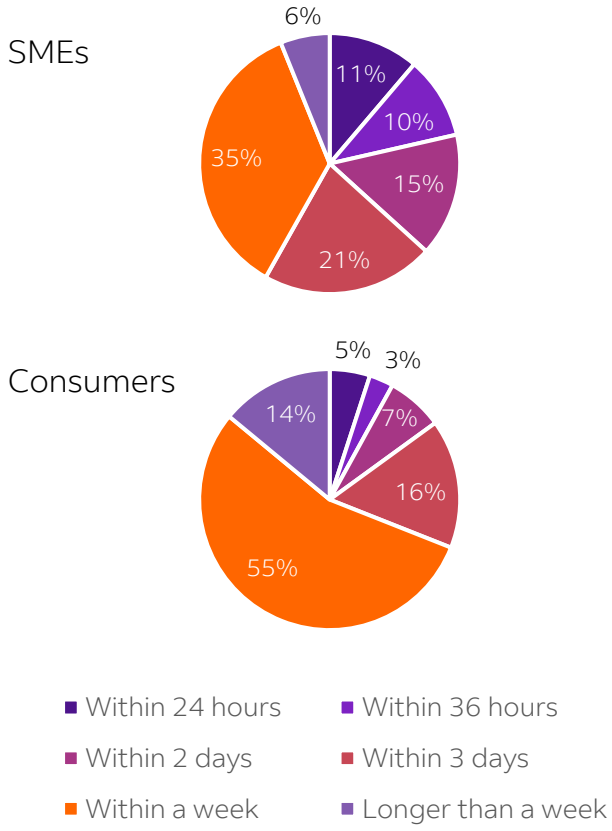


Lead-time and product returns are Consumers' main pain points

There is a clear link between slow delivery lead-time and the other main pain point Consumers refer to: product returns.

Deliveries take longer than SMEs believe

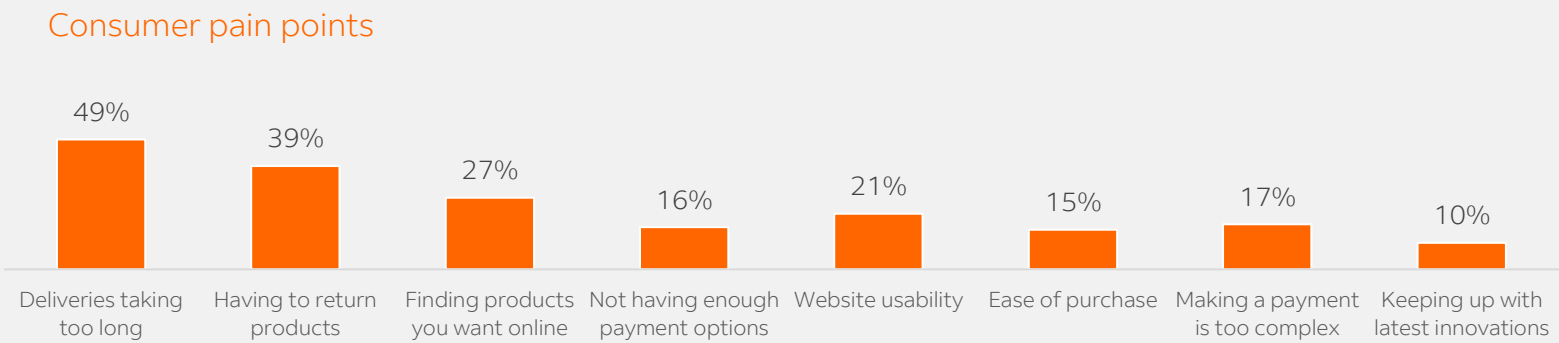
The majority (85%) of online orders typically take 3 days or longer to arrive with Consumers and this can lead to frustration. SMEs tend to over-estimate how quickly they are delivering: 36% believe they deliver in 2 days or less whereas this is the reality for only 15% of Consumers.



36% of Australian SMEs believe their online deliveries reach customers within 2 days of an order being placed. In reality, only 15% Consumers receive online deliveries within 2 days and it typically takes up to a week or even longer for almost 7 in 10.

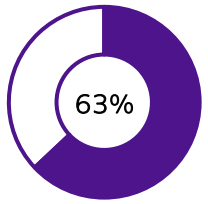
What stands out here is the extreme level of variation – some deliveries are with customers within 24 hours, some take longer than a week.

Deliveries taking too long also stands out as Consumers' number one pain point and there is a clear link to the second major problem which is having to return products from time to time … the area with the biggest Service Experience Mismatch.

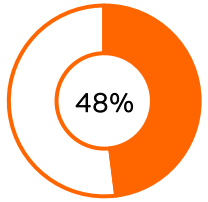


Lead-time and product returns are Consumers' main pain points

Deliveries taking too long stands out as Australian Consumers' number one pain point and there is a clear link to the second major problem which is having to return products from time to time … the area with the biggest Service Experience Mismatch.



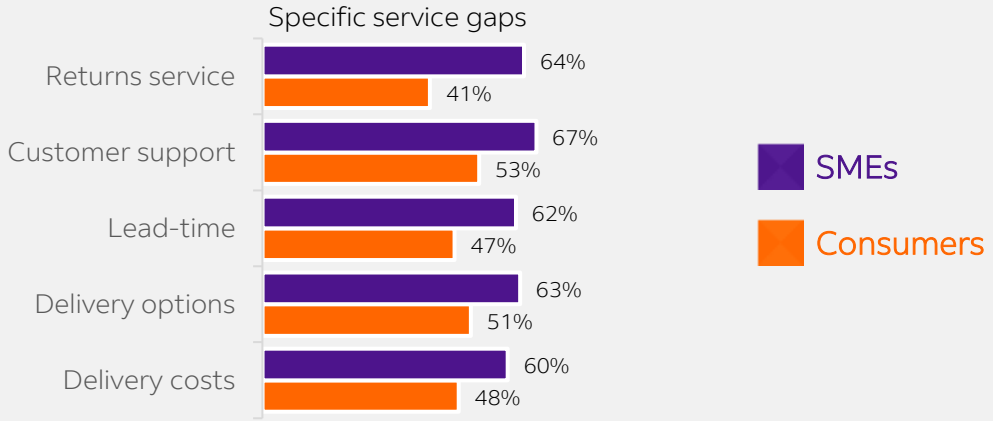
How SMEs believe a typical customer would rate their E-Commerce experience



How Consumers actually rate their E-Commerce experience

There is a significant overall delta (15%) between SMEs and Consumers in how they perceive the e-commerce experience.

Whilst deliveries taking too long stands out as Consumers' number one pain point, the area where the gap is largest is product returns – customer support also sees a significant gap.



The Service Experience Mismatch varies widely across the eleven AMEA markets ranging from a huge 18 points difference to a negligible delta in others and one market where Consumers are marginally more positive than SMEs.

Australia has one of the largest Service Experience Mismatchs at 15%.

Markets where the trend is most pronounced

Malaysia, Philippines and Singapore are the three markets where SMEs need to up their game considerably to begin to live up to Consumer expectations.

Markets that go against the trend

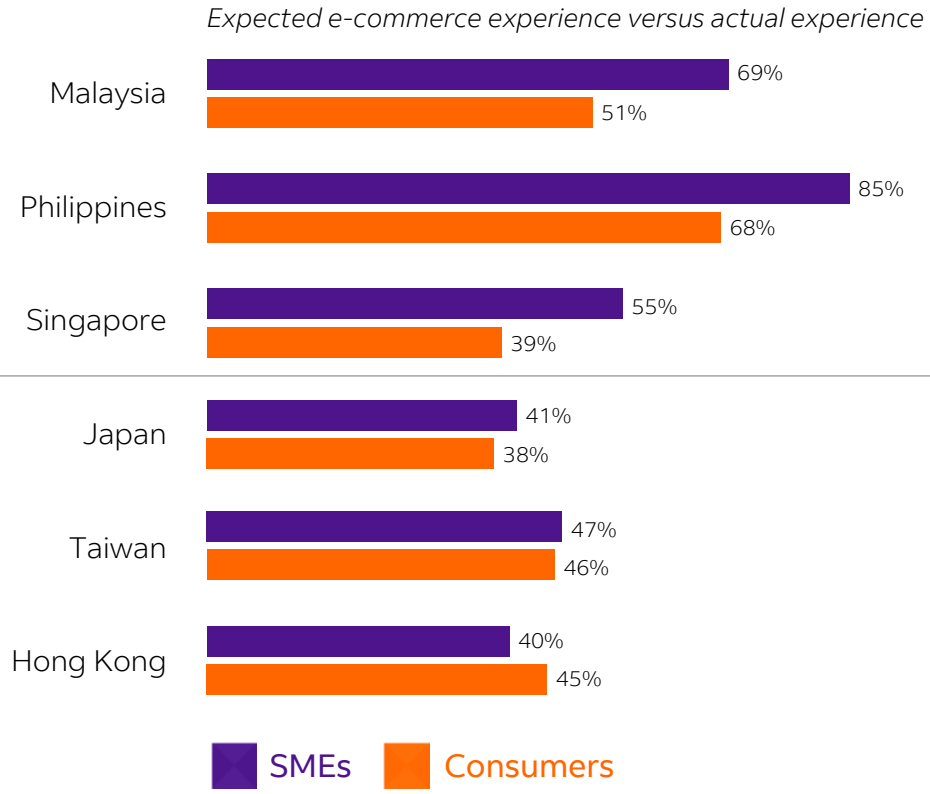
Hong Kong Consumers actually rate their experiences (marginally) higher than SMEs expect and the gap is quite narrow in Taiwan and Japan. For SMEs in these markets, the challenge is to maintain these positive Consumer perceptions as the market evolves.

02

Service Experience Mismatch

Malaysia, Philippines and Singapore see the biggest service expectation/reality gaps.





Implications for the logistics industry

Consumers are expecting increasingly accurate parcel tracking and a delivery service easily ordered through a smartphone. These demands are calling for a more digitized logistics system.

One potential solution to this is route planning using big data analysis and AI computing power to identify delivery problems before they occur and finding the most optimized route to improve delivery reliability.

The data generated for this white paper clearly demonstrates that it's not speed of delivery that counts. What's more important to customers is *reliable* time-definite delivery.

Logistics providers should offer a range of delivery options from next day to deferred delivery of up to 3-5 days – and then absolutely ensure these lead-times are adhered to.

This is particularly critical during 'peak' shopping periods e.g., when e-commerce events are taking place.





03 Talent Challenge

SMEs across AMEA are finding the Great Resignation very challenging right now – this is hitting them hard at a time when they are looking to increase headcount by recruiting e-commerce talent to drive their business forward.

Whilst many SMEs in Australia are suffering from the effects of the Great Resignation, things are a little less challenging than in other AMEA markets when it comes to finding employees with e-commerce skills.

Key drivers behind the trend

SMEs have been hit with a double-whammy of higher resignations than normal at a time when it's tough to recruit employees skilled in e-commerce.

68%

More[1] than two-thirds of Asia Pacific SMEs say upskilling to support digital transformation is urgent.

3 in 4

3 out of 4[2] IT teams in Asia are dealing with significant skills gaps.

83%

83%[3] of Asia Pacific business leaders are worried they don't have the necessary skills – compared to 79% in Europe and 73% in US.

Sources: 1. SAP – Transformational Talent: The Impact of the Great Resignation on Digital Transformation in APJ's SMEs; 2. Weber Shandwick – APAC Intelligence Bulletin; 3. Adobe – 2022 Digital Trends: APAC in Focus

Talent Challenge means the problems that SMEs are facing right now in needing to recruit for new e-commerce roles as they develop this side of their business – at a time when it has rarely been as difficult to recruit that talent. This talent challenge is negatively impacting SMEs' ability to digitally transform their business.



The Great Resignation is a potential barrier to e-commerce growth

Over half of SMEs in 10 out of 11 markets complain that more employees have resigned in the last 12 months than has been typical of the past decade

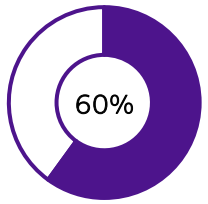


SMEs are struggling to recruit the talent they need to grow

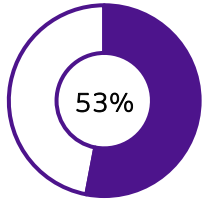
Marketing and Sales roles have been the hottest properties as SMEs gear up to move their businesses forward

Great Resignation is a potential barrier to e-commerce growth

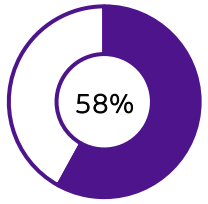
The Great Resignation is hitting SMEs hard at a time when they are looking to staff up with new "e-commerce talent" In fact, they are struggling to identify new talent in an increasingly competitive market.



SMEs say more employees have resigned than has been typical of the past decade



SMEs say they have found it difficult to recruit employees skilled in e-commerce



SMEs say it's a tough market – too few people, too many vacancies

The talent challenge is having a negative impact on AMEA SMEs' ability to transform their organizations – with a lack of skilled talent[1] the number one challenge for SMEs across Asia Pacific and Japan right now.

Without the right people, any transformation will take longer and cost more.

The Covid pandemic has led many employees – globally as well as across the AMEA region - to take stock of their working life, and their work-life balance, and look for opportunities elsewhere.

SMEs are facing significant talent retention and recruitment challenges at a time when they are actually often looking to staff up with new people bring new skills with them..

It's an increasingly competitive talent market, particularly when searching for specific e-commerce skill-sets.

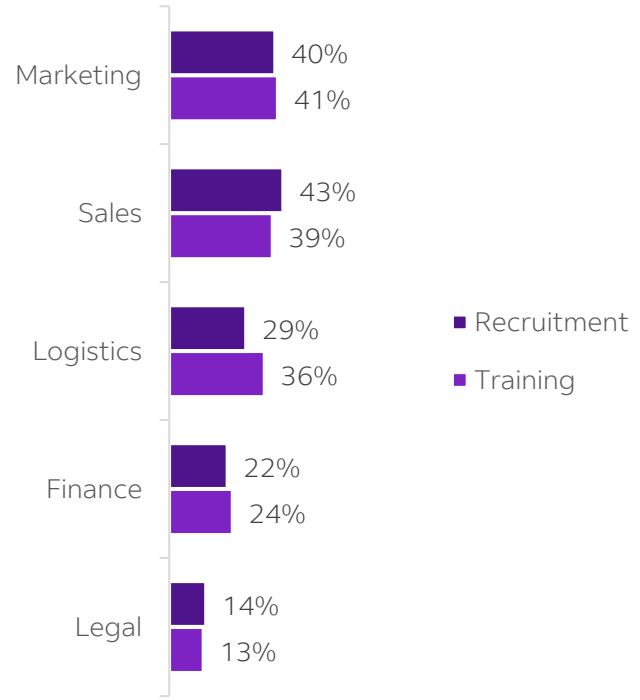
This is frustrating and challenging for SMEs who are looking to capitalize on the opportunities offered by e-commerce developments.

Source: 1. SAP – Transformational Talent: The Impact of the Great Resignation on Digital Transformation in APJ's SMEs

SMEs are struggling to recruit the talent they need

Marketing and Sales roles have been the hottest properties for SMEs looking to capitalize on e-commerce opportunities but it's a really competitive market at the moment.

Job functions SMEs have had to recruit / invest in training, to capitalize on e-commerce opportunities



Marketing and Sales roles have been the hottest properties for SMEs looking to capitalize on e-commerce opportunities.

This is likely to be connected to the need for SMEs to reach out more effectively to new (older) audiences.

And as we will see later, new ways of targeting audiences – personalization and shoppertainment – may require new skill sets.

It's time-consuming and expensive to recruit this type of talent and / or to upskill existing members of the team.

Logistics roles are the next most valuable and this could be an opportunity for logistics providers to partner with SMEs and offer support.

SMEs across Asia Pacific are also encouraged to be more open to flexible, hybrid models of working in order to ensure potential talent is not lost. Reports[1] that only 40% of business leaders intend to make remote work – initiated during the pandemic - permanent, compare with 70% intention globally.

Source: 1. Adobe – 2022 Digital Trends: APAC in Focus

SMEs in all eleven markets are in agreement that talent retention and acquisition has been remarkably tough in the last 12 months – much tougher than over the previous decade.

There are significant differences in the degree of severity of the Great Resignation with more than 4 in 5 suffering in some markets compared with fewer than 3 in 5 in others.

SMEs in Australia have been relatively less impacted than their counterparts in most other AMEA markets.

Markets where the trend is most pronounced

SMEs in Thailand, Vietnam and India are suffering most and therefore would likely be most receptive to support from logistics providers.

Markets where the trend is weaker

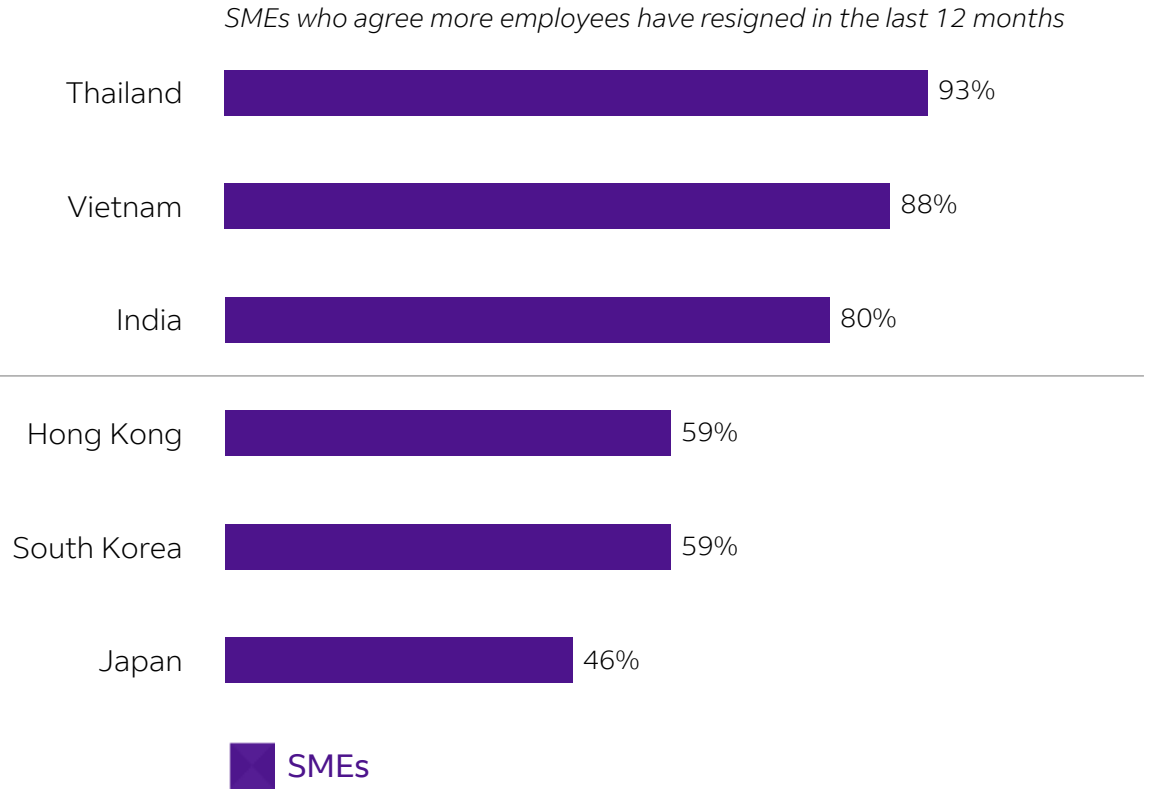
Retention and recruitment is also more of a challenge than normal in markets including Japan, South Korea and Hong Kong but the need for support here is less urgent.

03

Talent Challenge

SMEs in Thailand, Vietnam and India are suffering most from the Great Resignation and difficulties with recruitment.





Implications for the logistics industry

It's not the role of logistics providers to give advice to SMEs on talent retention, the best training or the best recruitment channels.

However, **logistics providers *can* support SMEs through their talent challenges** by creating easy-to-use tools that make day-to-day, repetitive shipping tasks simpler – employees can then step up and take on more challenging, enjoyable tasks and this may help retention at a time when Asia Pacific[1] employees are scoring about 10% lower than their global peers when asked whether they felt they belong at work.

The key implication for the logistics industry is that **tools and solutions** need to be smooth, seamless and easy to use so they **save time on processes, minimize training time** and make day-to-day work **friction free** – this makes it easy to onboard staff and helps them enjoy their jobs so they stay longer.





Source: 1. Accenture – release April 28th 2022

04 Sustainability Tensions

Whilst SMEs and Consumers are both very aware of the need for sustainability, in their words, their choices and their actions, it's tough to get the balance right. Overall, SMEs tend to under-estimate how important sustainability is to Consumers.

There are contradictions in how Australian Consumers relate to sustainability. For example, they are much less likely than those in other markets to perceive delivery lead-time as more important than sustainability, but at the same time, they view ESG policies as less differentiating.

Key drivers behind the trend

SMEs currently under-estimate the importance of sustainability to Consumers – and many are only now getting their act together in developing an ESG strategy which could help to differentiate them in the eyes of Consumers.

80%

Four out of five[1] environmentally and socially conscious Consumers actively recommend sustainable products they like.

90%

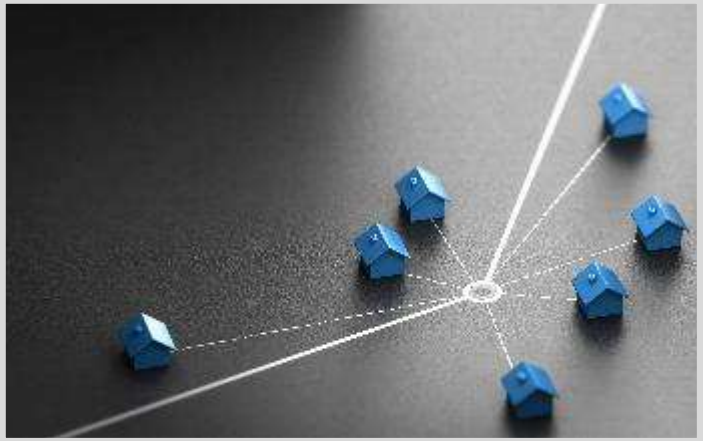
90%[1] of Consumers are willing to pay a premium for products that have a (proven) positive environmental impact..

x 20

Google[1] searches for ESG terms increased more than 20 fold in some Asian markets over the past five years.

Source: 1. Bain & Company – release June 3rd 2022

Sustainability Tensions means there is uncertainty – among SMEs and also among subject matter experts – as to just how important sustainability considerations are to Consumers. Can sustainable business practices truly pay dividends for SMEs or are Consumers just paying lip service to sustainability?



Last mile delivery demands are in conflict with sustainability

SMEs are unclear on where their customers' priorities lie – is fast delivery in conflict with sustainability?



SMEs believe delivery speed and price matter most to Consumers

There is a sense among SMEs (and market experts) that Consumers are paying lip service to sustainability …

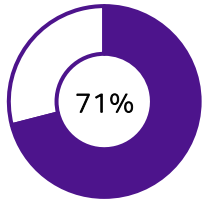


Sustainability and ESG matter more to Consumers than SMEs assume

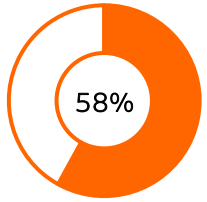
.. but Consumers make it clear that sustainability really does matter and can be a differentiator when they are deciding who to buy from.

Last mile delivery demands in are conflict with sustainability

Experts believe that SMEs are unclear on what the e-commerce customer prioritizes – is it getting their items quickly and cost-effectively, or is it getting them through a sustainable delivery chain?



SMEs who say my company would like to operate more sustainably but it costs too much



Consumers who say I'm just as interested in receiving my goods as quickly as possible as I am in sustainable shopping

Commercial growth is not always good for the environment, and this is particularly pertinent for SMEs that are looking to get their goods in the hands of customers as quickly as possible whilst still demonstrating their sustainability credentials. And in particularly fast-moving markets, like those we see across AMEA, SMEs are racing to figure out the implications of the increased focus on environmental, social and corporate governance (ESG) for their business.

Market experts identify clear tensions around sustainability in the context of delivery lead-times and have a sense that Consumers may be paying lip service i.e., that they will always favor fast delivery when it comes to the crunch.

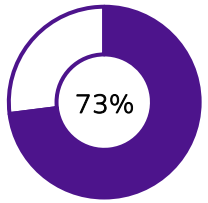
SMEs acknowledge that Consumers expect them to operate sustainably …but there can be associated costs and they are not convinced of any return on their investment in this area.

Consumers confirm that delivery speed is an important consideration for them – but alongside sustainability rather than instead of sustainability.

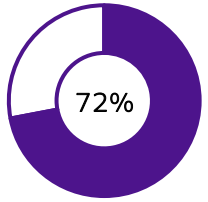
Logistics providers that can work with SMEs to help demonstrate fast and sustainable logistics will be extremely well positioned to capitalize on this market insight.

SMEs believe delivery speed & price matter most to customers

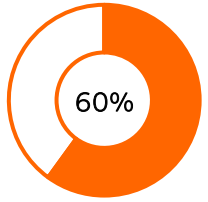
SMEs to some extent feel that Consumers are paying lip service to sustainability, and this is possibly why less than 3 in 10 have an ESG policy in place so far – albeit many are working towards this right now.



SMEs who say our customers are more interested in receiving their goods as quickly as possible than in sustainable shopping



SMEs who say our customers are more interested in receiving their goods as cheaply as possible than in sustainable shopping



Consumers who say I'm just as interested in receiving my goods as quickly as possible as I am in sustainable shopping.

Around three-quarters of SMEs in Australia believe that customers are more interested in delivery speed and delivery cost than they are in sustainable e-commerce – in other words they feel that sustainability is an area they can avoid altogether or put on the backburner.

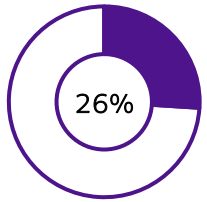
SMEs also, however, agree that customers have expectations around sustainability nowadays

And whilst the majority of Australian Consumers agree that delivery speed matters, they are also highly likely to value sustainability – more so than is expected by industry professionals.

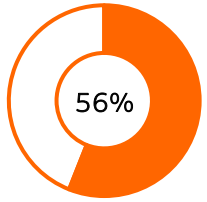
This is a clear opportunity for the logistics industry to take a lead in working with SMEs to delivery on sustainability as well as quickly and at lowest price.

Sustainability matters more to Consumers than SMEs assume

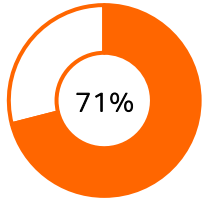
7 in 10 Australian Consumers expect sustainable e-commerce from companies they buy from and Consumers also make it clear that sustainability is a differentiator in terms of who they buy from. Having an ESG policy in place is a clear differentiator in e-commerce with 3 in 10 Consumers indicating it makes them much more likely to purchase.



SMEs who already have an ESG policy



Consumers who are more likely to buy goods from a company that has an ESG policy



Consumers who say a sustainable delivery service is an important consideration when they are deciding which company to buy from

These are very compelling statistics from Australian Consumers around sustainability.

7 in 10 are clear that SMEs that deliver sustainably are likely to get more of their business.

And over half point to ESG policies being a clear differentiation when they are choosing which companies to buy from.

This message does seem to be getting through to SMEs but not quickly enough. Right now less than 3 in 10 Australian SMEs have an ESG policy in place.

In the main, these policies do include logistics.

Over half of SMEs are in fact int the process of developing an ESG policy right now – they are strongly recommended to finalize this process as quickly as possible.

Whilst the region as a whole leans more to a preference for sustainable deliveries rather than a full-on focus on delivery lead-time, this varies considerably, and three markets are more lead-time focused.

Australian sits in the middle of the sustainability vs lead time debate: essentially they should be afforded equal importance.

Markets where the sustainability focus is most pronounced

Sustainability matters relatively more than delivery speed to Consumers in Vietnam, Thailand and South Korea.

In these markets, there is an opportunity for logistics providers to work with SMEs to evolve their ESG policy.

Markets where delivery speed matters more

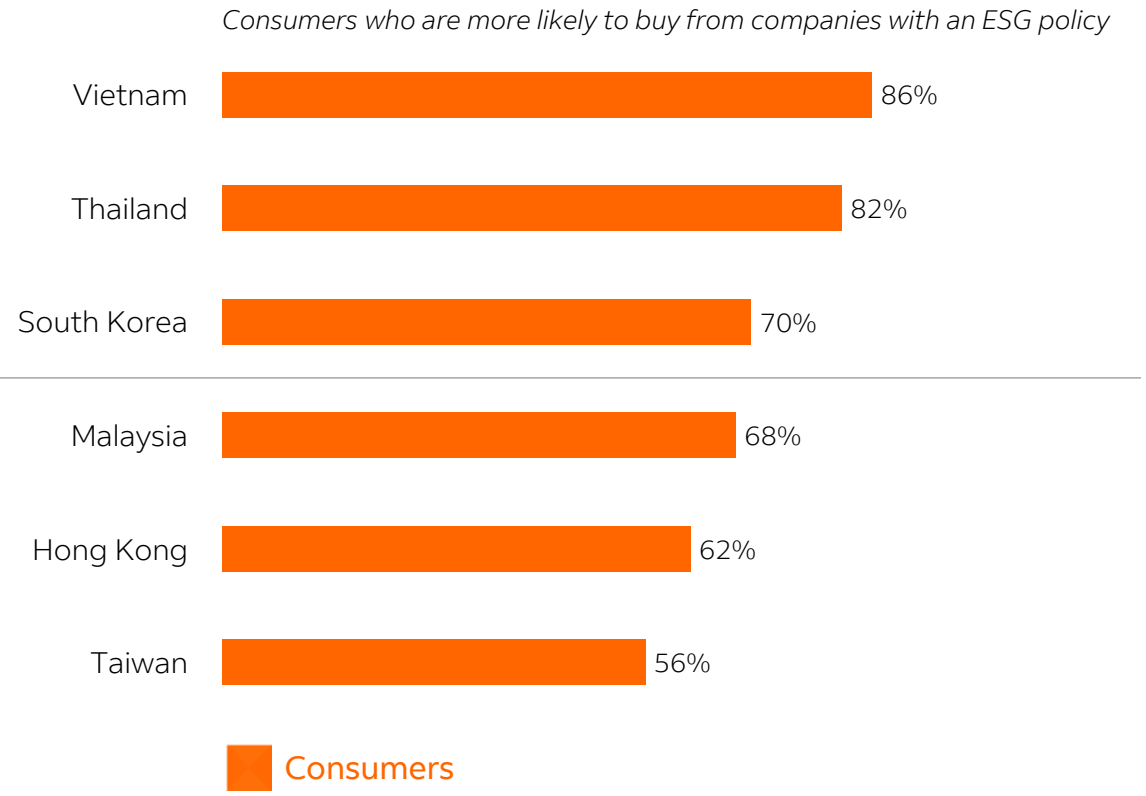
Taiwan, Hong Kong and Malaysia are much more focused on the delivery speed (and cost) than sustainability – in these markets there is an opportunity for logistics providers to educate on what may be coming along in a few years – allowing SMEs to get ahead of the curve.

04

Sustainability Tensions

There is greater focus on sustainability in Vietnam and Thailand and more focus on delivery lead-time in Taiwan and Hong Kong.





Implications for the logistics industry

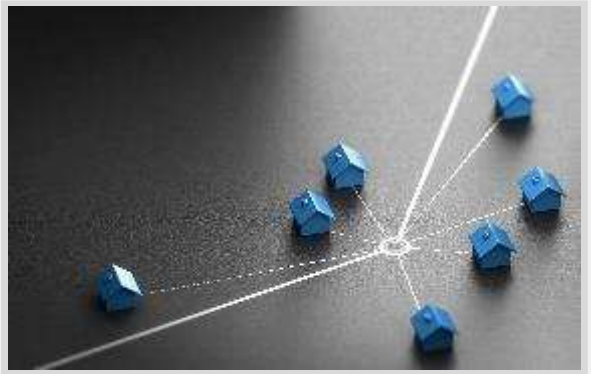
To make and sell goods, consumer businesses need affordable, reliable supplies of energy and natural resources as well as permission from Consumers, investors and regulators to do business. These enabling factors can no longer be taken for granted.

The typical supply chain creates far greater social and environmental costs than its own operations accounting[1] for more than 80% of its total greenhouse gas emissions.

Consumers should be able to get their deliveries as timely and as cost effectively as possible without having to compromise on sustainability.

Logistics partners have a lot more to contribute to making supply chains more sustainable than simply changing how they package goods – though that in itself is important.

Logistics companies should be moving to digital self-serve service models that are efficient and more sustainable. Digital solutions reduce the reliance on paperwork and can be completed quickly and easily by the customer.







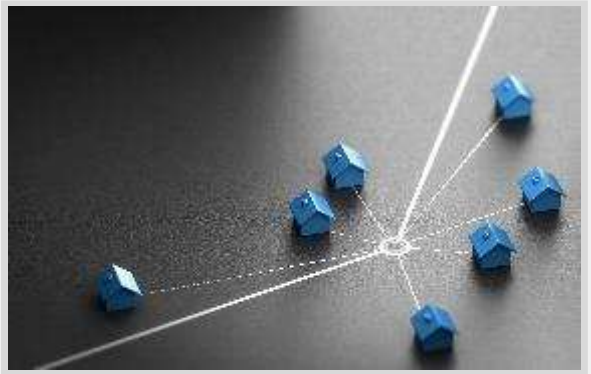
Source: 1. McKinsey & Company – Starting at the source: Sustainability in supply chains

Implications - Continued

When it comes to environmental impact, customers can choose to pick up their deliveries at convenient parcel lockers and busy business districts. This reduces emissions from last mile delivery and helps decongest city streets.

The increasing use of electronic vehicles also helps with this. In future, autonomous delivery solutions will help reduce traffic congestion by keeping larger delivery vans off the road.

Making their entire supply chain/delivery chain more sustainable gives businesses a point of differentiation in the market that Consumers will appreciate and reward through their custom and word of mouth.







05 More Effective E-tailing

SMEs are looking to offer newer payment options, and target audiences more effectively e.g., through personalization and shoppertainment – and Consumers are very receptive to innovations in these areas.

Innovations around the e-commerce shopping experience e.g., newer payment methods, personalization and shoppertainment generate less interest and excitement in Australia than in other AMEA markets from SMEs and Consumers alike.

Key drivers behind the trend

Newer methods of payment can help differentiate e-commerce companies, and SMEs plan to invest more in both personalization and shoppertainment over the next few years – Consumers are on board with both of these initiatives because they demonstrate a sense of innovation and help to differentiate retailers from the pack.

+ 311%

The[1] forecast increase in mobile wallets, across Southeast Asia (2020-2025) resulting in almost 440 million users.

94%

94%[1] of Asia Pacific Consumers say they are willing to spend more with companies that personalize the customer service experience.

39%

39%[1] of Consumers in Asia Pacific have purchased using livestream or live selling in 2021 – the highest region globally..

Sources: 1. Bloomberg – release July 8th 2021; 2. Zendesk – Customer Experience Trends Report 2022; 3. Euromonitor – Retail in Transition: Future E-commerce Opportunities in Asia Pacific and Australasia

More Effective E-tailing means understanding the benefits and potential challenges associated with newer payment options and with businesses targeting Consumers in more personal and engaging ways. SMEs need to know whether there will be a return on any investment in these innovations?



New payment options

New payment methods are exploding onto the scene right now – this opens the door to more customers but can open the door to new challenges.



Personalization of the e-commerce experience

Personalization is considered very useful by SMEs, and Consumers are comfortable with it because it shows that a company really gets them.

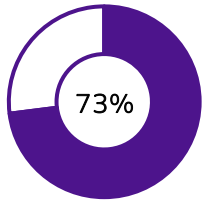


Shoppertainment

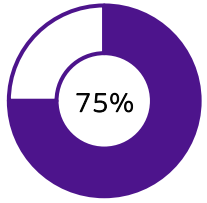
There is good evidence that SMEs should invest more in shoppertainment – Consumers love it and relatively few of their competitors are doing it right now.

Newer payment methods can bring challenges

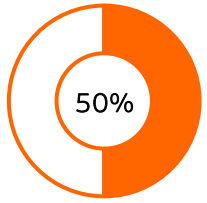
Experts expect to see an explosion in new payment options moving forward – as companies target the widest possible audience in an increasingly competitive e-commerce landscape.



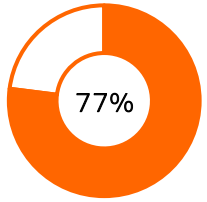
SMEs who say newer payment methods is a great way to differentiate from competitors



SMEs who are concerned about e-commerce cybersecurity



Consumers who say I prefer to buy from companies that offer newer payment methods



Consumers who are concerned about e-commerce cybersecurity

The increasing popularity of mobile wallets, especially in Southeast Asia, where many Consumers are unbanked, is likely to accelerate e-commerce growth across the region.

This is an opportunity for SMEs to innovate by offering payment methods that their competitors may not.

SMEs are still getting to grips with newer / alternative payment options but are aware that they may lose out on custom if they stand still in this regard. Right now 3 in 10 offer Buy Now Pay Later and 14% offer cryptocurrencies.

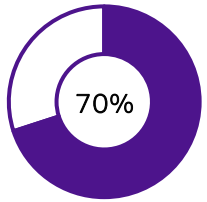
Consumers agree that newer payment methods can help to differentiate e-commerce companies.

Some businesses are struggling to integrate new payment methods into their systems and day-to-day operations and this sometimes causes issues e.g., cybersecurity or fraud.

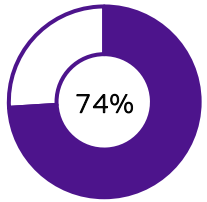
Cybersecurity and customer fraud are SMEs' top two pain points and the areas they would most welcome support from logistics providers right now.

Personalization is a great way to engage Consumers

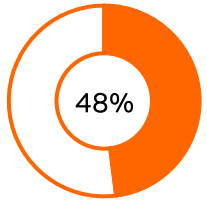
Three-quarters of Australian SMEs believe personalization improves the e-commerce experience. There is also a strong belief that personalization conveys the message that a company really 'gets' its customer base.



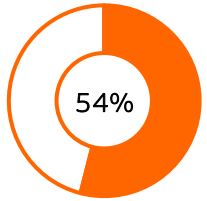
SMEs who say customers will feel comfortable with a personalized e-commerce experience



SMEs who say personalization improves the e-commerce experience



Consumers who actually feel comfortable with personalization



Consumers who say personalization improves the e-commerce experience

In an increasingly competitive retail landscape, it's vital that SMEs stay relevant in the digital space. One way of doing this – that many are already engaging in – is personalization of the end-to-end retail experience.

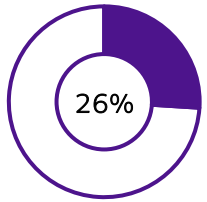
SMEs believe Consumers are generally open to personalization and sharing of their data.

Indeed, very few Consumers have any issues with personalization – the majority feel comfortable with this and believe that it improves their e-commerce experiences.

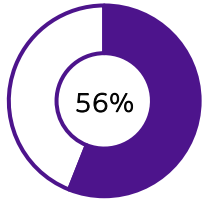
The vast majority of SMEs plan to invest more in personalization – and this is the right move because Consumers say they will give more of their business to companies that personalize effectively. .

Shoppertainment is used less at the moment but is set to grow

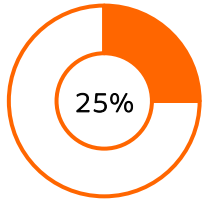
Whilst less than 3 in 10 Australian SMEs are currently using shoppertainment – typically livestreaming and influencers – to engage Consumers, this approach is set to grow significantly in future.



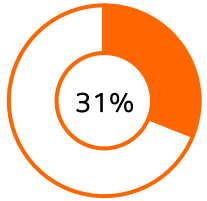
SMEs who are already using shoppertainment



SMEs planning to invest more in shoppertainment in future



Consumers who have engaged with shoppertainment when shopping online



Consumers who agree that shoppertainment encourages them to buy from a company

One of the more obvious impacts of the pandemic was to limit in-person interaction with brands and products – resulting in less of emotional connection.

Digital came to the rescue with the advent and expansion of livestreaming helping to bridge the lack of connection Consumers were experiencing.

Less than 3 in 10 Australian SMEs are currently using shoppertainment to engage with customers – typically this is livestreaming or through influencers rather than gamification.

However, the vast majority of those who are not doing so already are considering doing so.

Other research[1] points to 39% of Consumers in Asia Pacific having purchased using livestreaming or live selling in 2021, the highest region globally.

Source: 1. Euromonitor – Retail in Transition: Future E-commerce Opportunities in Asia Pacific and Australasia

SMEs and Consumers in all eleven markets are broadly positive about innovations around payment and marketing that we have described as 'more effective E-tailing'.

But there are different degrees of positivity to be found across both audiences.

Australia ranks second lowest of the 11 AMEA markets on this E-tailing positivity index.

Markets where the trend is most pronounced

The Philippines, Vietnam and India are the three markets where we see greater desire for innovation – it's not surprising that these three markets were also most positive to the e-commerce Revolution in general.

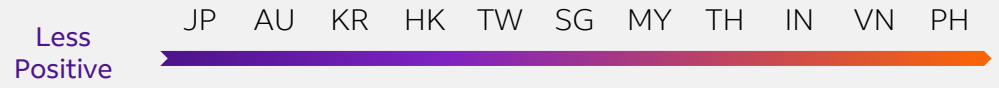
Markets where the trend is weaker

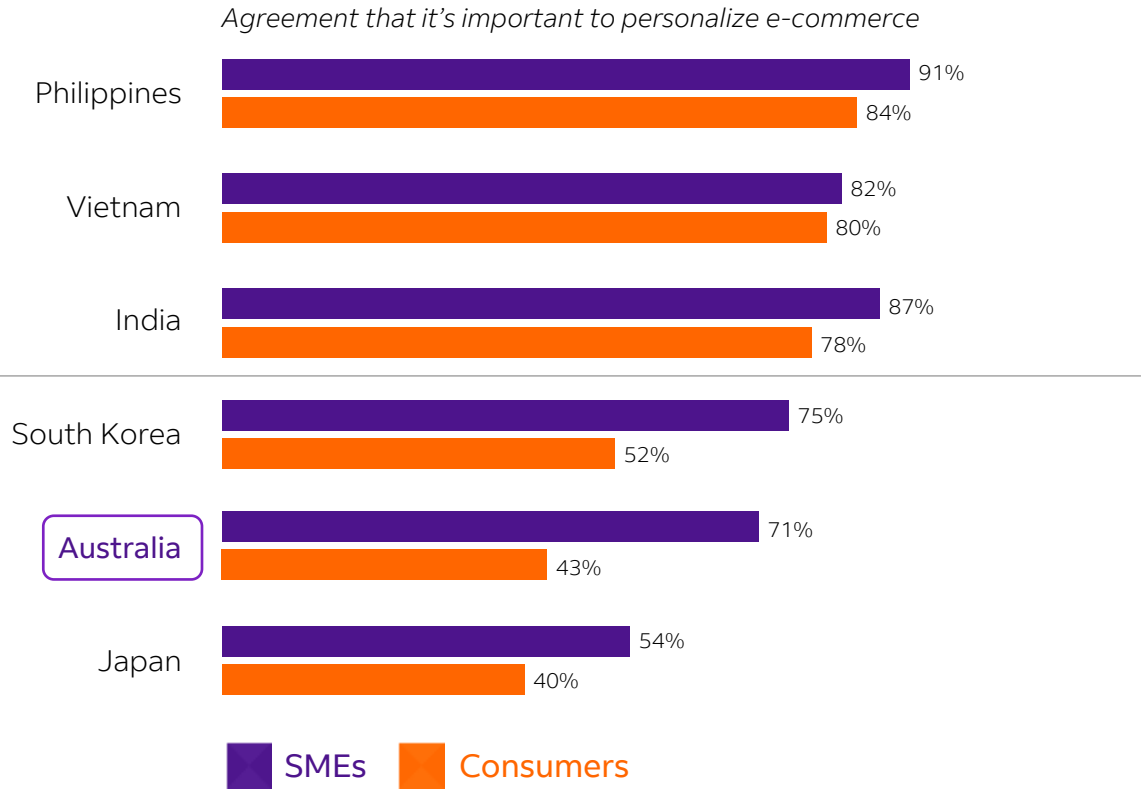
And similarly, markets that are less engaged generally by the e-commerce Revolution, are also less enthusiastic about e-commerce innovations: Japan, Australia and South Korea.

05

More Effective E-tailing

SMEs and Consumers in Philippines, Vietnam and India are most positive about innovations taking place in e-commerce.





Implications for the logistics industry

Logistics partners can contribute significantly to the personalization of e-commerce services through the personalization of delivery.

For example, by allowing customers to choose where and when they want their consignments delivered – and even allowing them to change the time and location part way through delivery.

Asia Pacific retailers need to follow the eyeballs of their customers[1]. They need to optimize their presence on marketplaces and they should keep asking themselves if they are serving up the right content formats for current preferences. Right now this might be through influencers and/or livestreaming but tomorrow this may evolve again.

And let's not forget that livestreaming requires a more responsive logistics service that can accommodate a significant number of orders in a short period to ensure smooth operations and delivery aligned with customer expectations.



Source: 1. Bain & Company – The Future of Retail in Asia-Pacific

06 Shopping Festivals

E-commerce events continue to make a difference to AMEA Consumers – in fact, many would like even more. There is also a clear need from SMEs for increased logistics support during key pinch points.

Whilst shopping festivals are likely to remain part of the e-commerce landscape in Australia, as in other AMEA markets, there is much less desire for more of these on the part of Consumers.

Key drivers behind the trend

Consumers show no signs of losing interest in shopping festival events with around half indicating that they would like to see more.

+ 8%

Alibaba[1] recorded an 8% increase in GMV for Singles Day 2021 despite subdued festivities.

19m

Indian[2] online fashion Marketplace Myntra saw a record 19 million visitors to its site on the first day of its annual Big Fashion Festival 2021.

43%

86%[3] of internet users in South East Asia bought products online during a 2021 double-digit festival with 43% first-time digital buyers.

Sources: 1. CNBC – release November 11th 2021; 2. YourStory – release October 4th 2021; 3. GlobalWebIndex survey for Facebook and Bain & Company

Shopping Festivals we checked whether Australian SMEs and / or Consumers are losing interest in a range of different shopping festival events from seasonal discounts to specific events like Black Friday or Double Days. The clear finding is that SMEs continue to find these beneficial and around half of Consumers would prefer to see more in future.



Festivals remain a key component of the SME strategy

Three-quarters of Australian SMEs will hold events in the next 12 months and most of these will require additional logistics support.

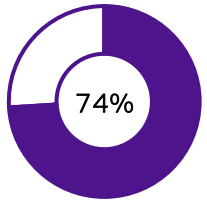


Festivals also remain very popular with Consumers

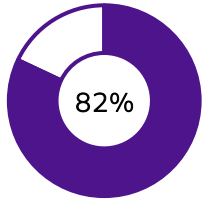
Three-quarters will take part in at least one festival in the next 12 months

Festivals remain a key component of the SME strategy

There are clear pinch points for Australian SMEs around these events when the majority will need greater support from logistics providers.



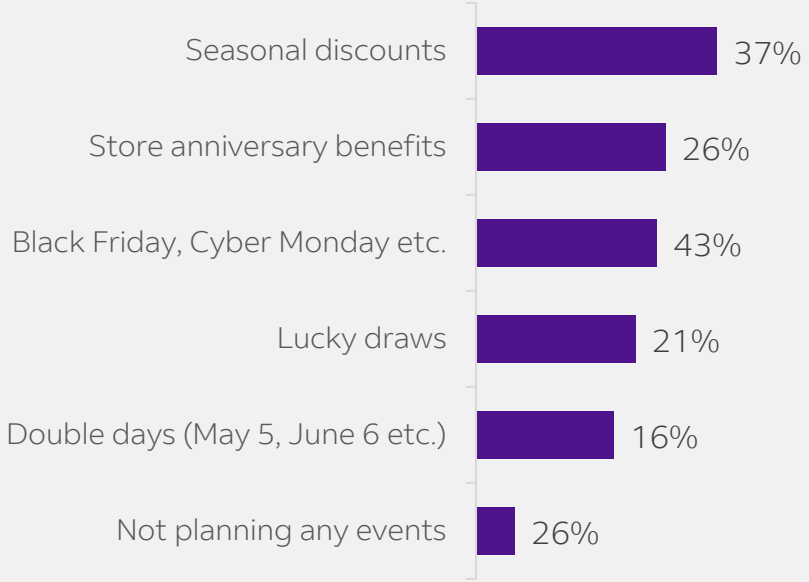
SMEs who will hold e-commerce events in the next 12 months



SMEs who say they will be seeking additional support from logistics providers when they run events

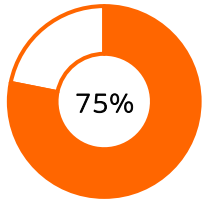
Three-quarters of Australian SMEs will hold e-commerce events over the next 12 months – with seasonal discounts most common.

The vast majority will seek additional support from logistics providers.

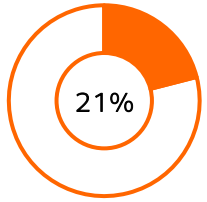


Festivals also remain very popular with Consumers

Most Consumers will take part in at least one shopping festival in the next 12 months but there is no real appetite to see more than there are already..



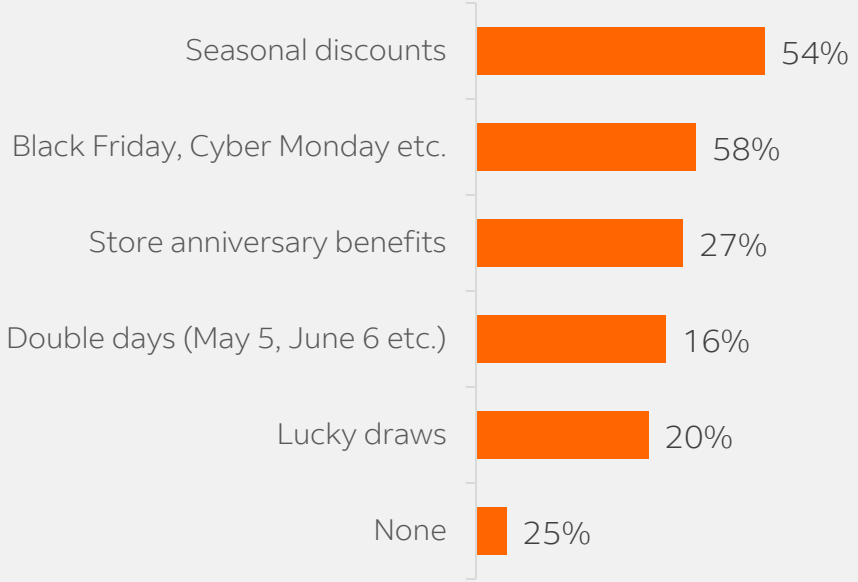
Consumers who will take part in e-commerce events in the next 12 months



Consumers who would like companies to run more e-commerce events

Almost all Australian Consumers across the region will take part in an e-commerce event in the next 12 months.

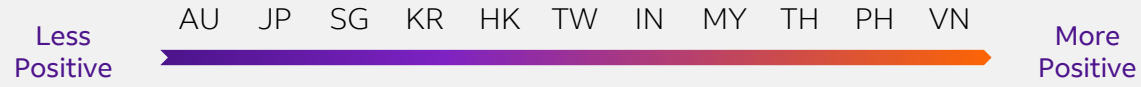
However, only 1 in 5 would prefer it if companies ran more e-commerce events.



06

Shopping Festivals

Festivals and events continue to be popular with SMEs and Consumers, particularly in Vietnam, Philippines and Thailand..



There's high consistency across AMEA markets when it comes to SMEs running and Consumers taking part in shopping events of festivals. These remain very popular!

The differentiation comes with any desire to increase the number and some markets are much more receptive to this than others.

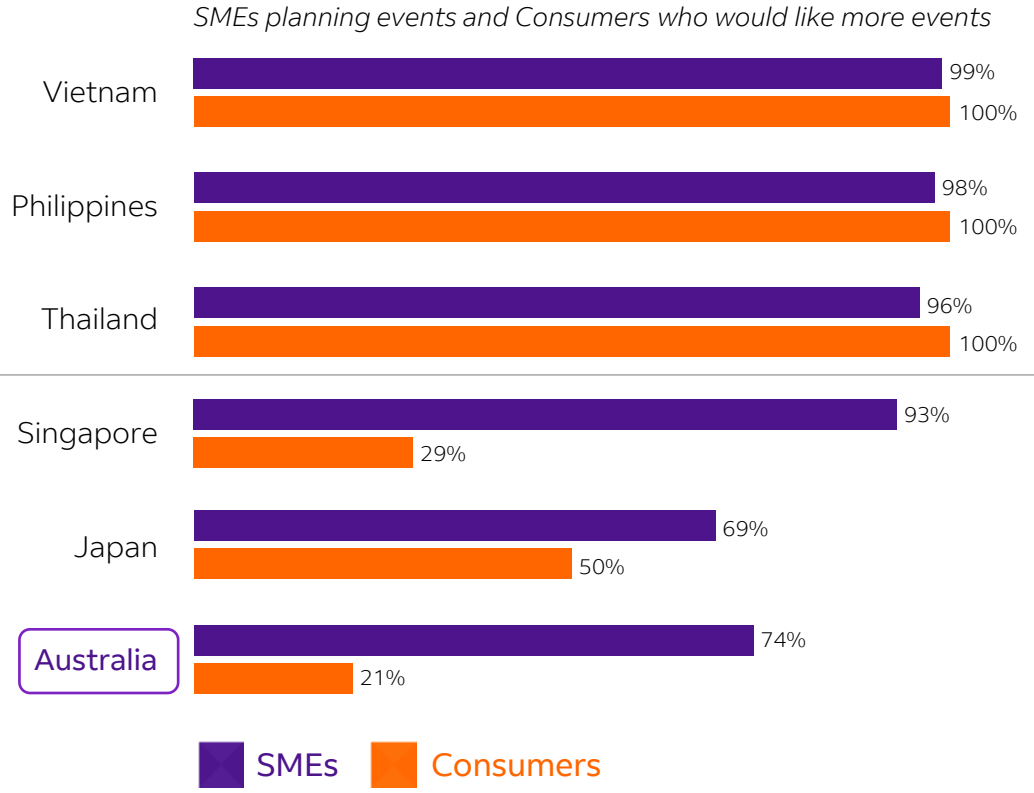
Australia ranks lowest of all 11 AMEA markets in terms of its positivity towards shopping festivals.

Markets where the trend is most pronounced

Vietnam, Philippines and Thailand see the greatest call for even more shopping festivals.

Markets where the trend is weaker

Consumers are less into shopping festivals in Australia, Singapore and Japan.



Implications for the logistics industry

Shopping[1] festivals across AMEA are changing consumer habits by **encouraging adoption of digital payment solutions**, and turning shopping into a more gamified, multimedia experience.

As for livestreaming – logistics service providers need to be able to **accommodate a significant number of orders** within a short period, but also **over an extended period of time** to ensure smooth operations and delivery within service expectations.

In AMEA the gifting season is much longer than it is in the West. AMEA peak season starts with Diwali, continues through to Double 11, Black Friday and Christmas and continues through to Chinese New Year.





Source: 1. Insider Intelligence – Innovation in Asia