

The Australia Retail Report 2023

Connecting ambitions



adyen

engineered
for ambition

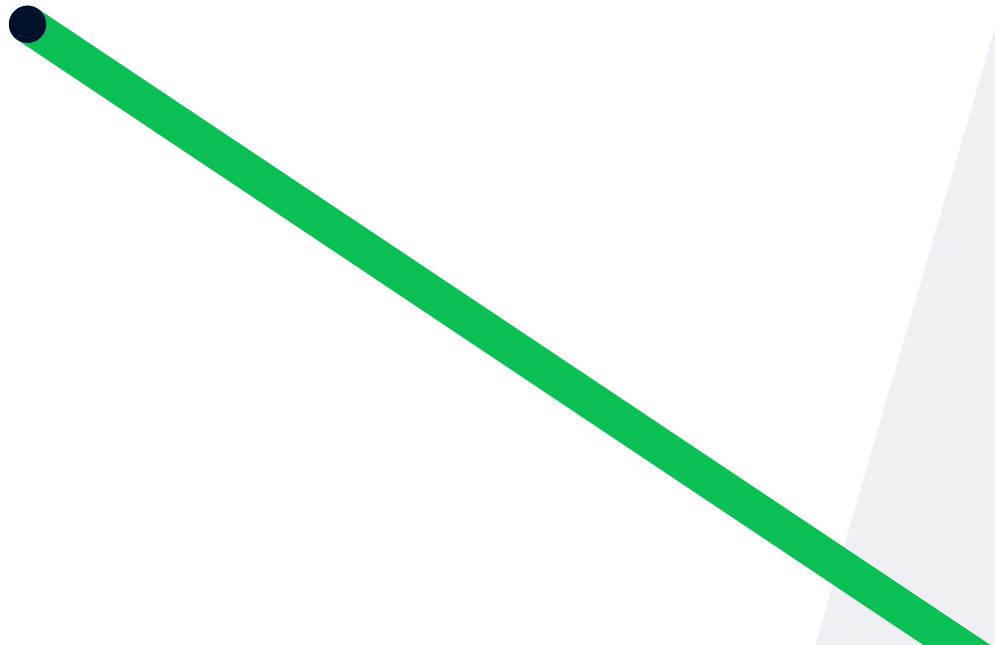
We asked over

12,000 businesses from 24 markets

to detail their fears, hopes, strategies, and investments for 2023 and beyond.



Then we asked 36,000 consumers
from 26 markets if they're getting it right.



Welcome to the Retail Report 2023

Connecting ambitions

Over the last few years, disruption has taken on a double meaning in retail. The pandemic ushered in new challenges, but also creativity and innovation. Digital transformation, omnichannel experiences, artificial intelligence, and marketing automation are changing the ambitions of the industry.

This year, retailers face a questionable global economic outlook, supply chain challenges, and staff shortages. Consumers in Australia are more value conscious than the average shopper globally. While we're currently somewhat insulated from the severity of global challenges, uncertainty often closes wallets – making the path forward for local retailers a little less clear.

We polled 1,000 consumers and 514 businesses in Australia, as part of a global study of more than 12,000 businesses and 36,000 consumers worldwide. And we've complemented this with economic research into the retail industry's latest trends. The results are clear. Despite the global headwinds, Australian retailers are ambitious.

This year, 92% of Aussie retailers will invest in improving their business. Their goals are to boost revenue (33%), reduce costs and increase efficiency (25%), identify innovative products (20%), and improve customer experiences (19%).

We are seeing industry leaders actively pursue connections to stay ahead of the curve. They connect with consumers to understand their behaviour. They integrate their internal systems to improve efficiency and management. And they are working to make these connections safe from unwanted fraud.

We've done the analysis in Australia and beyond; now it's your turn to get inspired. Are you ready to connect and disrupt? Let's talk shop.

Hayley Fisher
Australia and New Zealand
Country Manager
Adyen

Retail in 2023

Chapter 1	Shoppers want more choices in return for their loyalty
Chapter 2	Australians still love stores, but change is afoot
Chapter 3	Unified commerce is a AU\$44 billion retail opportunity
Chapter 4	1 in 4 shoppers experience fraud
Conclusion	A connected industry is a disruptive one

Methodology

The Adyen Retail Report is a comprehensive guide to the global and local trends impacting businesses around the world, fueled by evolving consumer behaviors and the possibilities of financial technology.

This study includes business and consumer data from a wide scope of countries, examined and compared on both global and local levels to ensure a holistic view complemented by regional nuances.

Consumer insights

Opinium Research LLP polled 36,000 adults in Hong Kong, Japan, Malaysia, Singapore, India, Australia, UAE, UK, Ireland, Austria, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Canada, USA, Brazil, and Mexico. Respondents were incentivised to participate.

Business insights

Censuswide polled 12,328 businesses in Hong Kong, Japan, Malaysia, Singapore, Australia, UAE, UK, India, Ireland, Belgium, Denmark, France, Germany, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Canada, USA, Brazil, and Mexico. Respondents were incentivised to participate.

Fieldwork was conducted between February 6 and March 1, 2023. Opinium and Censuswide campaigns are conducted in accordance with all ESOMAR principles and best practice.

Economic insights

We commissioned the Centre for Economics and Business Research (Cebr) to provide analysis on the impact that the use of technologies has on the global retail industry. Calculations made use of the Censuswide poll, as well as data from the Organisation for Economic Co-operation and Development (OECD) on retail businesses from 23 countries.

Chapter 1

Shoppers want more choices in return for their loyalty





66% of shoppers want more rewarding experiences

The post-pandemic consumers are more deliberate in their buying. Against a backdrop of global uncertainty, Australian shoppers are prioritising value, affordability, and convenience.

Shoppers are now spending more time bargain hunting, either searching for the best deals online, in stores, or both. Almost a third of them (31%) are holding off from purchasing until seasonal sales like Black Friday, Boxing Day, or Click Frenzy for added discounts.

Retailers are feeling this trend. 59% of them reported an increase in customer expectations because of the cost-of-living squeeze. And around two in five (39%) saw a decrease in customer loyalty over the past year. That's why 43% of retailers started offering discounts year-round.

But consumers aren't just motivated by price. More and more consumers want shopping to be made more convenient through tailored rewards and experiences. Almost two-thirds (62%) of shoppers want more

personalised discounting from retailers they regularly shop with. And 43% want retailers to remember their preferences and purchase history for more customised browsing.

When it comes to rewarding shopper loyalty, retailers need to up their game. Two thirds of consumers (66%) want retailers to improve the ways they reward people for shopping with them.

It's not that Australians won't do their bit to earn better loyalty bonuses. 67% of them would download a retailer's app to receive better loyalty bonuses, a 37% increase from last year. It's more that rewards lack relevance or feel generic – half of Australians say loyalty programs rarely offer things they actually use.

As consumers rethink their spending, retailers are looking at innovative ways to stay in tune with their consumers' dynamic sentiments and behaviour. Investing in personalisation proves essential.

Accurate shopper data is the way forward, but can be where retailers fall short. 44% of businesses find it harder to categorise shoppers by their needs. Only 29% of them use a customer relationship management (CRM) system to curate stronger personalised journeys. And 25% of retailers can connect online and in-store transaction data.

Yet 33% of retailers are already planning to invest in collecting and analysing payments data this year, a 44% increase from last year.





54%

of retailers are in a better position from investing in customer experiences



66%

of consumers want retailers to make shopping more rewarding



62%

of consumers want to see more personalised discounting at places they shop regularly



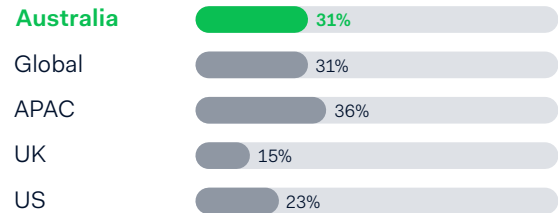
42%

of retailers don't have a system to reward customer loyalty at all

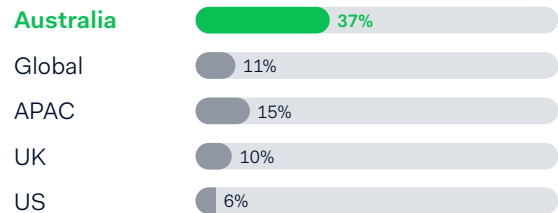
Looking further afield

Australian consumers have shown a marked shift in behaviour in the past year. They are more willing than those in the UK and US to hold off from spending until key discounting moments. And there's a greater willingness towards personalisation and downloading apps for loyalty bonuses – things that Australians had been resistant to in the past. With these shifts, more Australian retailers are investing to make better use of data than most other regions, except for the USA.

% of consumers that are waiting for seasonal calendar moments before spending



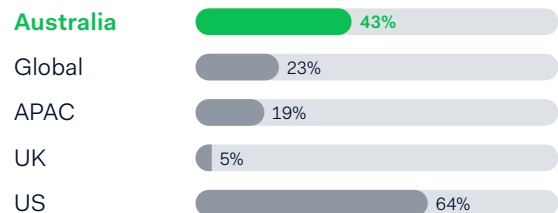
% growth in consumers that would download a retailer's app to receive better loyalty bonuses or rewards



% consumers that would like to see more personalised discounting at retailers they shop regularly



% growth in retailers investing in payments data collection and analytics





**GUZMAN
Y GOMEZ™**

“In the past you'd walk in, get your product, and leave. But there's so much more today – people are hunting for loyalty programs, points, rewards, and incentives. People are really more conscious of value and incentives, and that can be very important for the in-store experience.”

Josh Bell — Principal, Guzman y Gomez Singapore

From insight to action

Power your personalisation strategy with data

Turn transactions into relationships with unified commerce

Retailers can elevate their personalisation strategies using data. A unified commerce approach allows you to manage online and in-person payments data better and draw more accurate insights from it. It connects real-time data from across your different channels, payment methods, brands, and regions into one centralised view. It shows you exactly what your shoppers are looking for, when and where they want to get it, and how they want to pay for it.

This keeps you ahead of the curve and lets you respond to your customer preferences quicker, more accurately, and at scale.

Unified commerce also helps you design more effective strategies to give shoppers the best value for money. You can use actionable insights to offer tailored loyalty programs, promotions, sales bundles, perks, dynamic pricing, and subscriptions that go beyond mere discounts. And you can meet your shoppers wherever they are in their nonlinear journeys.

Having the right payments partner by your side can help you curate these customer relationships and optimise your business performance.



Chapter 2

Australians still love to shop in store, but change is afoot

A decorative graphic on a light gray background. It features a large white circle in the lower-left quadrant. A thick green line enters from the bottom-left, passes through the center of the white circle, and extends towards the right. Another thick green line enters from the top-right and extends towards the center. A third thick green line enters from the right side and extends towards the center. The lines are solid and have a slight shadow effect.



63% of consumers embraced self-checkout kiosks

Despite the meteoric rise of ecommerce and widespread innovation in the retail sector during the pandemic, Australians love to shop in store, more than any other market in our global study.

But the way Australian shops look, feel and operate is changing.

The line between physical and ecommerce is blurring on the balance sheet. Two-thirds (66%) of retailers believe that physical stores help boost brand and purchase consideration, even if customers return home to make purchases online. This paves the way for stores to become places for retailers to 'wow' consumers and forge deeper connections, rather than

just selling things. In fact, the majority of retailers (56%) believe their stores will evolve into 'experience centres' rather than traditional shops.

Technology has a huge role to play to curate a more exciting in-store experience, especially when it's harder than ever to find staff.

And Australians are embracing in-store technology in a way they hadn't previously. Almost two-thirds of shoppers (63%) have used self-checkout kiosks in store in the past year, 27% had been served by a roving staff member using mobile point-of-sale technology and 20% said they used a brand's app to self-checkout and secure loyalty points.

In-store technologies had an overwhelmingly positive impact. 36% said they were happy with the technology because it made shopping faster, 23% said it made shopping in store more fun and 16% said they are more likely to return to stores that used this technology over those that do not. Only 4% of all shoppers said they had a bad experience with the technology.

It's not just about technology in store – the link to online channels is vital. Two in five shoppers now say they are more loyal to retailers that enable shopping seamlessly across channels, a 25% increase from a year ago.

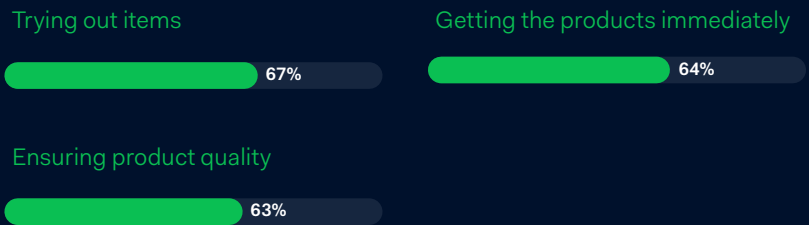
Blurring the line between online and offline won't just help ease pressure on stores in labour shortages, it will ultimately win over your customers.



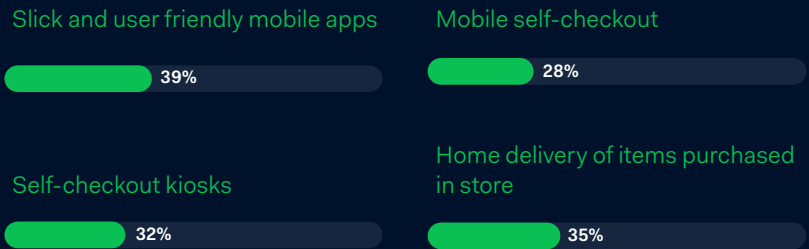
How do Australians prefer to shop?



Top reasons consumers prefer brick-and-mortar shopping



Technology that positively influences consumer purchasing decisions



Looking further afield

Australians prefer to shop in physical stores more than any other country in our study. Even though the majority of Australian retailers understand that stores need to evolve and become more closely linked to online offerings, they should look to the US for inspiration on how stores should operate in the future. In a marked change from previous years, Australians' preference for in-store technology to bust queues and expedite the checkout process is above the global average.

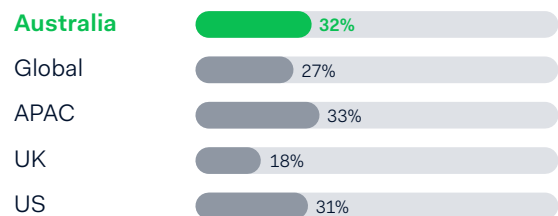
% of retailers that say physical stores help to boost brand and customer consideration, even if they return home to make purchases online



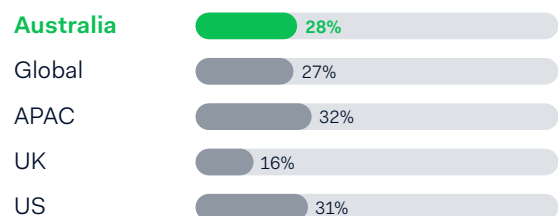
% of retailers that say physical stores will evolve into experience centres in the future



% of consumers that say in-store kiosks for self-checkout would boost their intention to shop with a retailer



% of consumers that say self-checkout through a mobile app would boost their intention to shop with a retailer



From insight to action

Transform your store operations with the right payment solutions

Empower staff with the right hardware

From cash registers, or POS software on ancient computers, to separate solutions for card payments and printing receipts, each legacy piece of technology in store can represent a compatibility error or piece of the customer experience waiting to go wrong.

Modern POS solutions can combine all of your hardware requirements into one device to completely transform your store's operations, from orders and payments, to staff and inventory management. They enhance the customer experience, freeing your staff from a fixed till to better serve customers, and improve authorisation rates at the same time.

Unify payments to unlock new customer experiences

Customers don't see a difference between online and offline transactions, neither should your payments systems behind the scenes. Adopting a single platform for payments makes deploying queue busting technology a breeze. Whether it's a traditional POS, self-checkout kiosk, self-checkout through a mobile app, or the full endless-aisle experience, a single payments platform gives you higher authorisations, greater customer insights and complete security.



Chapter 3

**Unified commerce
is a AU\$44 billion
retail opportunity**





7 percentage point revenue growth last year as retailers broke down silos

In the face of consumer uncertainty, retailers are looking to streamline operations and reduce costs to sure up their business. Unified commerce is helping retailers solve challenges right across the organisation.

In fact, retailers who used unified commerce in 2022 saw a 7 percentage point revenue boost over those who did not. Our research finds an estimated \$30 billion increase to the Australian retail sector if more retailers adopted unified commerce.

By connecting detached frontend and backend systems into a single platform, retailers can shift how they use technology to support their businesses. Technology becomes an integral part of their offering, from customer experience, to inventory, to supply chains and everything in between. All feeding valuable insights and data to one central location.

On the shoppers' side, the demand for seamless and flexible omnichannel experiences increases by the day. Almost two-thirds (63%) of consumers are more loyal to retailers that enable them purchase an out-of-stock item in store, and have it sent directly home. While 62% of consumers are more loyal to retailers that let them buy online and return in store. The same percentage will abandon purchases if they can't pay using their preferred methods, whether in stores or online. These channel agnostic experiences aren't possible if backend and frontend systems are connected through unified commerce.

But not all retailers are reaping the benefits. Only 31% of businesses say they have the tools to collect and analyse data across the business to identify areas for improvement, and only a quarter can connect online transaction data with in-store transaction data.

That's why 20% of retailers are already heavily investing in unified commerce. 32% are beginning to invest in it, and 36% are considering doing so. This is just over the span of this year.

Additionally, more than a third of businesses (34%) plan to invest in connecting backend systems to customer-facing payment channels, which is a 113% increase from last year. And 42% plan to invest in technology to improve the overall shopping experience.



30%

of retailers say customers can easily shop and complete transactions across channels

29%

of retailers say customers can easily return items bought online at physical stores

The key benefits of unified commerce, according to retailers

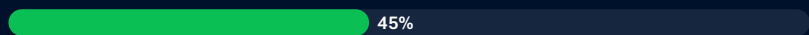
Increased sales



Increased loyalty



Improved customer experience



Better understanding of customers behaviour for targeting and marketing



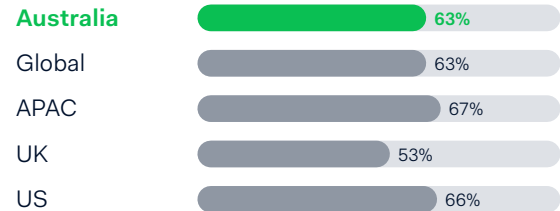
Improved efficiency in fulfilment



Looking further afield

Unified commerce is certainly gaining momentum in Australia, both amongst consumers and retailers. Consumers now match the global average when it comes to unified customer experiences, after being below for several years. And more Australian merchants are investing heavily in unified commerce than the global average. The evolution of Australian stores is likely to drive adoption of unified commerce further in the future.

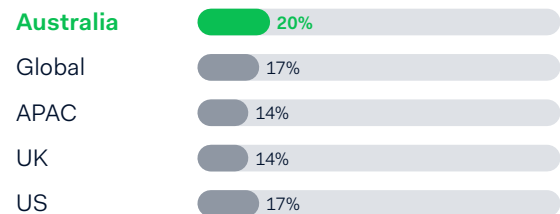
% of consumers that would be more loyal towards retailers that enabled shoppers to purchase out-of-stock items in store and have them shipped directly home



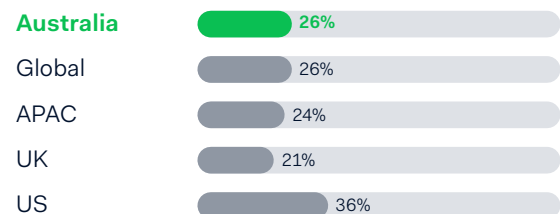
% consumers that are more loyal to retailers that let them buy things online and return them in store



% of retailers that are already investing heavily in unified commerce



% of retailers that enable consumers to easily return items purchased online at physical stores



T2

“Customers are running a million miles an hour and our job is to keep up with their expectations. Unified Commerce enables our consumers to shop how they want and when they want. If we reward our customers with a really great experience, they’ll give us their loyalty and patronage.”

Cat Parker — Global Director Commercial, T2 Tea



From insight to action

Shift your focus from touchpoints to journeys

Connect the dots through unified commerce

Shoppers focus on end-to-end experiences and not individual channels. Yet businesses have been interpreting customer experiences through the lens of siloed touchpoints. Unified commerce makes both see eye to eye and helps retailers keep up with their customers' complex and dynamic habits.

It connects multiple touchpoints into a seamless journey and curates personalised, frictionless experiences for your customers.

Take back control of your operations

Operational agility is key in today's global economy. Break down silos through unified commerce to connect your frontend channels and backend systems and streamline your operations.

Embrace a holistic, long-term strategy as you do so. Think of key business, organisational, and technological factors. Consider the channels you'll connect and the supply chains, legacy systems, and operating models involved. Are you conducting cross-border and local transactions? And do you need to revise your team structures for more agility?

Strengthen your supply chain management

Unified commerce can help retailers better manage their supply chains. It connects components like warehousing, inventory, and procurement, showing you the weak links.

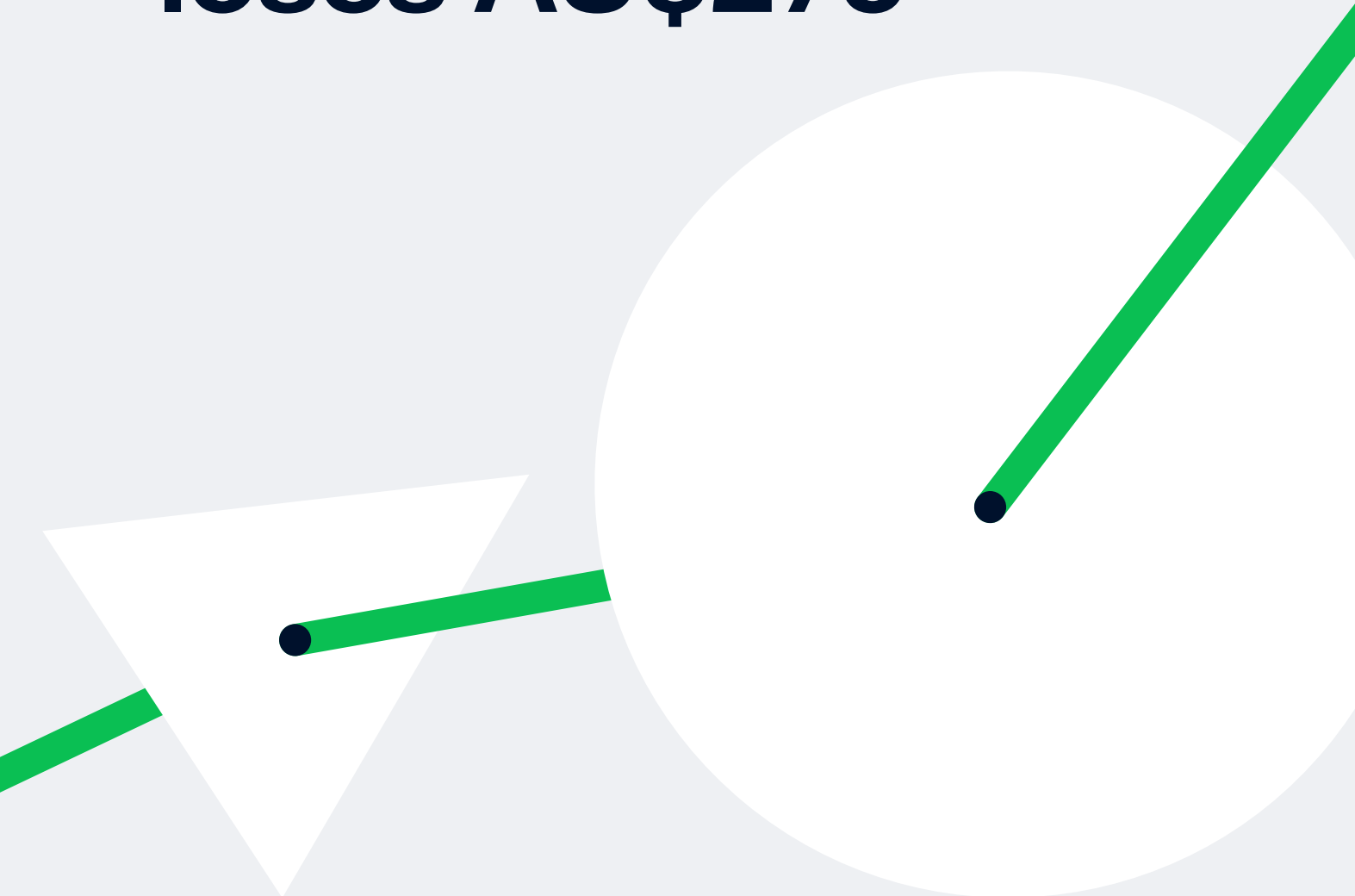
It powers your operations with data. This optimises your stock allocation, delivery, and returns, wherever you conduct your business. And it makes you reliable for your shoppers.

Manage your payments better

Move away from a fragmented payments ecosystem to a unified one. Instead of aligning different payment solutions across multiple channels, unified commerce means you can have a single payments stack. This improves authorisation rates, optimises costs, and eliminates downtime. It gives you a consolidated view of your payments across channels, payment methods, banks, and currencies.

Chapter 4

**The average victim
of payments fraud
loses AU\$275**





More than two in five retailers face considerable costs from fraud and chargebacks

As the retail industry continues its digital transformation, shopping experiences are becoming more innovative, diversified, and sophisticated. And so do fraudsters.

Cybercrime really made headlines in Australia in the past year with two very high profile data-breaches having a lasting impact on the nation's psyche.

Retailers weren't exempt. During the last year, about two in five (39%) experienced increased payment fraud attempts. And over a third (33%) experienced cyberattacks or data leaks.

This is proving costly for retailers. 45% suffered significant losses from fraudulent transactions and chargebacks in the past year. Technology can offer a solution helping to detect and prevent fraud – reducing the costs and administrative burden for retailers. 52% of businesses deploy AI to help prevent fraud.

On the consumer side, 17% of Australians admit they have been victims of payment fraud in the past year, losing an average of AU\$275 each. This more than doubles for consumers using digital currencies like bitcoin, with 50% of shoppers using these currencies online experiencing fraud.

As shoppers reconsider their spending habits to cope with surging prices, their confidence is taking an extra hit from cybercrime. Around 61% of consumers find online shopping less attractive because of fraudsters. 70% want to know who is processing their payments on behalf of retailers. And 75% want retailers to communicate their online fraud protection measures better.

Shoppers also undertake various techniques to minimise fraud risks themselves. 40% of consumers check whether a website is secure before purchasing, and 62% won't shop on an outdated website. Up to 31% avoid saving their payment details for security concerns. And 21% rely on biometric authentication online and in stores.

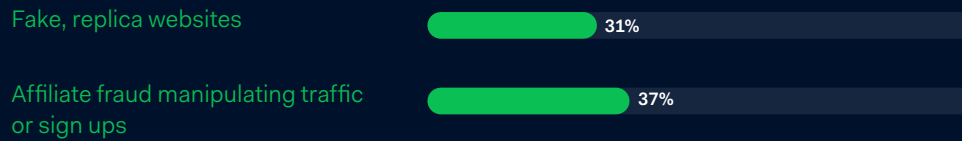
A quarter of retailers (24%) plan to invest in fraud and risk management systems over the coming year. Over two in five of businesses (40%) will expand their fraud and risk teams in 2023. Technological solutions are on the rise. And the number of businesses using artificial intelligence in fraud prevention increased 33% from last year.



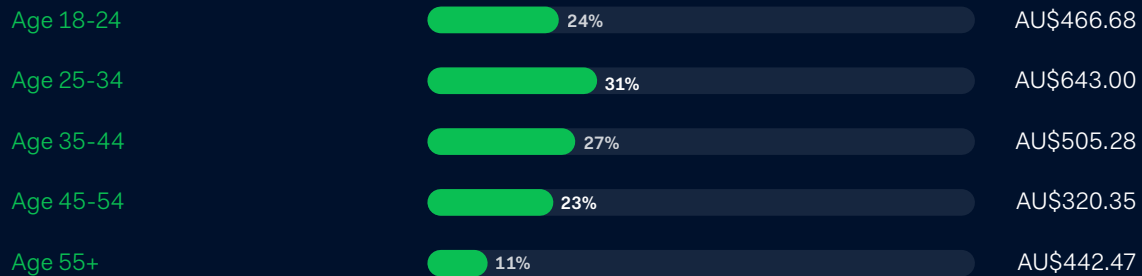
22%

of retailers consider increased fraud a major threat to their business

Top fraud tactics in 2022



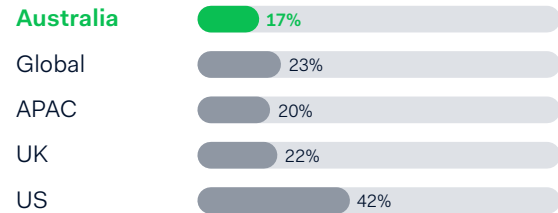
Shoppers experiencing fraud in 2022 and average amount lost in AU\$



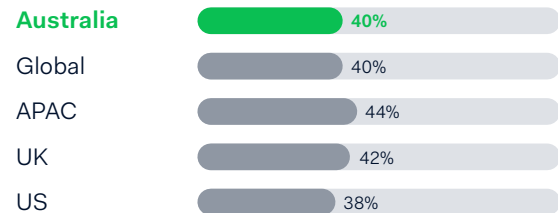
Looking further afield

Although it's cold comfort for victims, fewer Australians experienced payment fraud in the past year than in other regions. Similarly the average amount lost by Australian victims is below the global average. And with such high profile cases of data-leaks fresh in the memory, retailers would do well to remain vigilant against payments fraud.

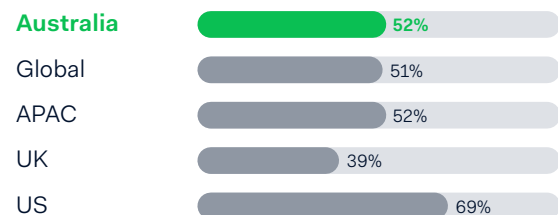
% of consumers who have experienced payment fraud



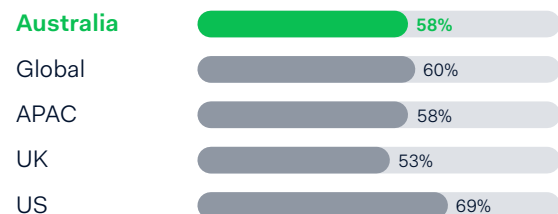
% of consumers that check a websites URL to ensure it doesn't look suspicious before making a purchase



% of retailers that use AI to help prevent fraudulent transactions



% of retailers that say their fraud prevention systems are effective





“The challenge for every organisation is deciding where to set the threshold between the number of checks and controls to manage your fraud risk, versus the happiness of your customer as they go through a smooth payments journey. We spend a lot of time assessing how strict we want our risk tools to be.”

Aurélie Saada — Director, Global Fraud Risk Lead, Microsoft



From insight to action

Optimise your detection and create secure connections

Stay one step ahead of fraudsters with technology

Choose the fraud prevention model that suits your business needs. The most effective solutions today combine machine learning with customisation. They let you identify unusual behaviour and differentiate genuine shoppers from fraudsters. And you can set up additional measures tailored to your business.

Stay up to speed on industry regulations and trends

Know the latest updates on your different markets and shopper behaviour. And keep track of the changing regulations, cybercrime trends, and risk management solutions. The right global financial technology partner will help you customise your approach to managing fraud, regardless of where you are across the globe. And it will ease your compliance on top of that.

Streamline operations

Managing risk can be a costly game. Retailers have entire teams dedicated to it. In an environment where finding staff is difficult and there's more pressure on costs, the right technology can help streamline this process. Ensuring you stay protected, while reducing administrative burdens.

Conclusion

A connected industry is a disruptive one



Retailers can become trendsetters. By connecting with their consumers and integrating their technologies and systems, they can sync with ongoing trends and set the course for new ones. Instead of reacting to disruptive forces, they can become creative disruptors.

At Adyen, we support our customers' journeys toward long-term sustainable growth. We're passionate about engineering new solutions for their ambitions and ensuring they're ahead of the curve in this rapidly changing and complex industry. We look forward to exploring with you how financial technology can power your way forward.

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Adyen is the financial technology platform of choice for leading companies. By providing end-to-end payments capabilities, data-driven insights, and financial products in a single global solution, Adyen works with the likes of Lorna Jane, the Cotton On Group, SHEIN, Nando's, Freelancer.com, Kogan.com, Budgy Smuggler, Movember, Showpo, Rodd & Gunn, and Jurlique.

