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Competition in the retail sector

A report for Amazon Australia

Public version – some content and references removed

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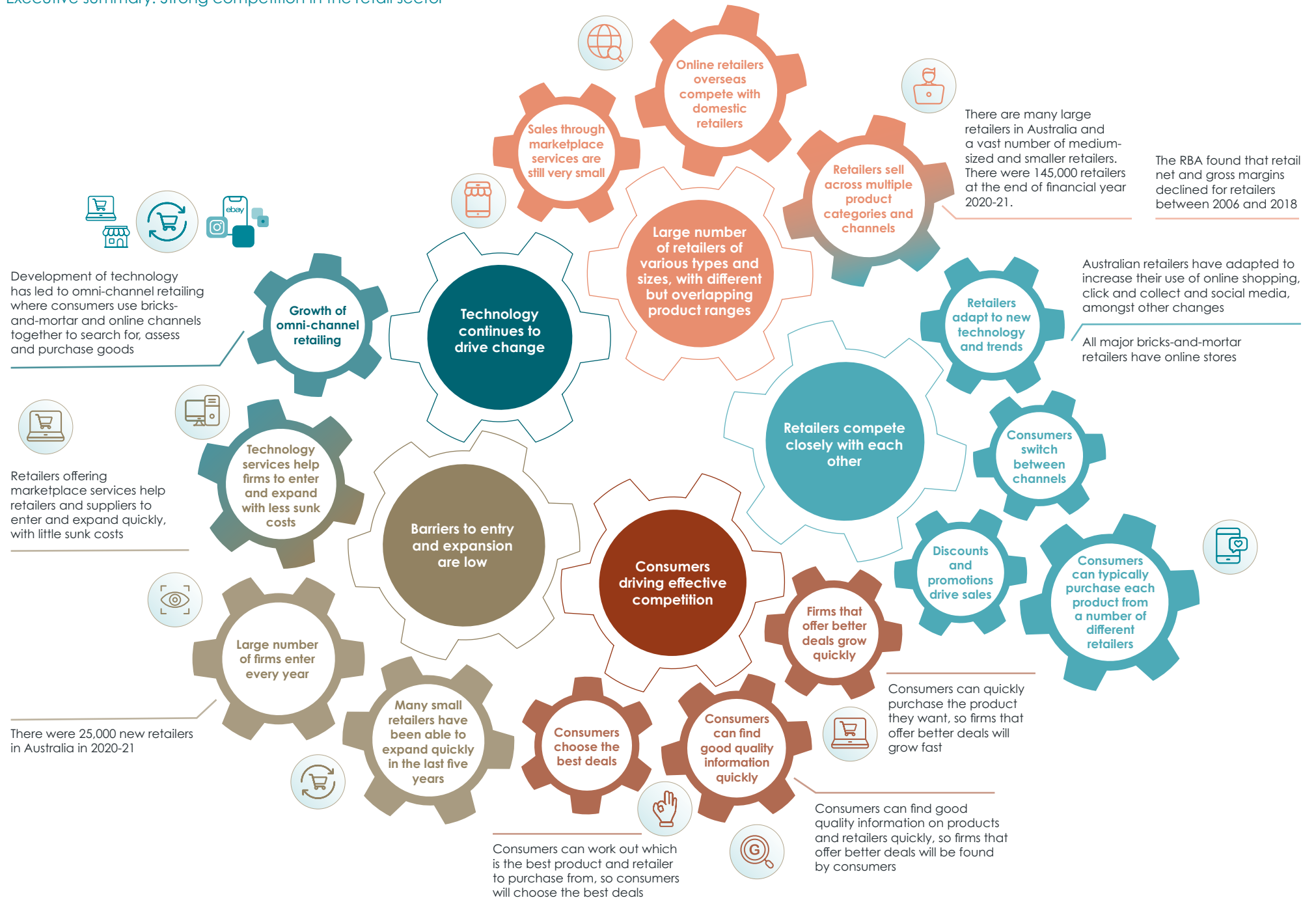
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Executive summary: Strong competition in the retail sector



Executive summary

- Retailers undertake or acquire many functions, such as purchasing products, marketing, operating stores (eg, offline stores, online stores and social media stores), warehousing and fulfillment.
- Consumers use a range of retail channels including offline stores¹, online stores,² and social media to research, compare and purchase products.
- Retailers that offer a marketplace service enable other retailers (eg, brand owners, manufacturers, third party sellers or other retailers) to sell products at their offline (eg, concession stores) or online stores. Marketplaces are just one of many retail channels.
- Competition in the retail sector in Australia is strong because:
 - > consumers can easily access information on the products available, compare offers and purchase the product they prefer;
 - > there are a large number of retailers of various types and sizes, with overlapping or comparable product ranges operating across various retail channels;
 - > manufacturers, brand owners, third party sellers and retailers have a large number of retailers and channels to choose from and/or can sell their products directly to consumers; and
 - > entry and expansion for retailers is relatively easy, particularly given the low costs of entry associated with online channels, leading to many new retailers launching businesses and channels each year.

¹ Eg, high street stores, shopping centres and department stores.

² Eg, retailers' websites or third party websites.

Retail sector is diverse and dynamic

We have been asked to prepare this report on competition in the retail sector in Australia by Amazon Commercial Services Pty Ltd (Amazon Australia). The context is the Australian Competition and Consumer Commission's (ACCC's) inquiry into general online marketplaces.

The ACCC is focused on the supply of 'general goods' by 'marketplaces'. There is no clear distinction between retailers that sell 'general' and other goods. For example, Bunnings is a hardware retailer, but it sells a wide range of products sold by other retailers, and while supermarkets mostly sell food, they also sell a large variety of items commonly sold by other retailers, including marketplaces.³ In this report, we focus on the retail of all products in Australia, excluding food.

The retail sector in Australia is characterised by a diverse and dynamic range of relationships between those involved in selling goods to consumers. Indeed, one party can occupy many roles. For example, a brand owner may sell through their own high street store, their own online store, supply goods on a wholesale basis to a retailer such as JB-HiFi, sell directly to consumers through a concession store at another retailer such as David Jones, and/or sell through an online marketplace. Brand owners and retailers can easily switch between and discard channels. Technology and the presence of firms supplying retail functions (eg, fulfilment) and services (multi-listing software) enables easy entry, expansion and multihoming across many channels at little additional cost.

³ According to IRI, non-food items account for just over 20 per cent of the 'groceries market'. See: <https://www.drinkstrade.com.au/the-retail-trends-that-will-define-2020>, accessed 7 December 2021.

The evolution and innovation of retailing

The retail sector has been characterised by substantial technological changes over the past 100 years that have sped up in the last decade.

Today, retailers use a wide range of channels to reach consumers during the purchase journey as consumers search for, assess and purchase products.

Channels have multiple dimensions, including whether the connection with the consumer is in person, or online, and the extent of intermediation between the retailer and the consumer. Retail channels include offline channels, such as high streets, shopping centres or department stores; online channels such as an online store, marketplace and mobile apps; and social media. There are also hybrid channels such as online purchase with offline fulfilment (click-and-collect).

The different retail channels have been converging as offline retailers have adapted to sell online. Whether a consumer completes their purchase through one retailer (leveraging their offline and online channels) or through multiple retailers (with offline or online channels, or both), it is common for consumers to have an omni-channel retail experience where they switch from offline stores to online and back again through their journey of searching for, assessing and purchasing a product.

Every major Australian retailer we are aware of now sells online, often through multiple channels. Examining competition between retailers that sell online therefore also requires consideration of all the retailers that sell through offline stores.

Marketplaces are just one of many retail channels, and sales through this channel are relatively small.

Retailers often use more than one marketplace with many retailers using two or more retailers offering a marketplace service.

Retailers compete on price, and studies indicate that each retailer usually sets its online and offline prices at the same level (see section 2.2). This implies that competitive constraints in the offline channel usually affect online prices, and vice versa.

It follows that online retail channels are simply a channel to market used by retailers, rather than a type of retailer that can be examined separately from offline retailers.

Strong degree of competition in the retail sector

Competition is strong between retailers in Australia because:

- there are a large number of retailers – 145,000 at the end of financial year 2020-21 – exhibiting great diversity by size of business, sales channels, and the range of products they offer (see section 2.1);
- retailers compete across multiple channels, given that (see section 2.2):
 - > consumers can receive the same product through each channel;
 - > consumers switch between channels; and
 - > retailers can and do use multiple channels;
- barriers to entry and expansion are low, especially for online channels (see section 2.4); and
- there are many entrants each year and small firms are able to expand quickly and at low cost (see section 2.5).

This view is supported by the Reserve Bank of Australia, which found that there is heightened competition in the retail sector (see section 2.6).

There are no existing trends that suggest these forces driving competition will weaken. We therefore conclude that the strong competition in the retail sector is likely to continue in the foreseeable future.

Retailers have a wide range of choices open to them

The retail sector in Australia is characterised by a diverse and dynamic range of relationships between retailers.

Retailers can sell directly to consumers or through other retailers. They can, and often do, use a wide range of channels to sell their products in order to maximise the sales they are able to make.

A marketplace is a retail channel that allows a retailer to increase visibility and access different consumers. No retailer is required to use a marketplace service given the many other offline and online channels available.

There are many marketplaces to choose from and several can be used at the same time. Many large retailers have recently begun offering marketplace services, such as Bunnings, Coles and Woolworths.

A wide range of firms supply retailers with services

A wide range of firms provide software solutions to enable retailers to either sell directly to consumers or replace some or all of the retail functions and services offered by marketplaces, eg, fulfillment.

Effective consumer choice drives competition

Continued innovation has improved the information available to consumers. Consumers can now quickly and easily use a combination of online and offline sources of information and channels to search for, assess and purchase a product. This increases transparency, reduces the difficulty in searching for and comparing products, and leads to greater competitive pressure on retailers.

Consumers use multiple retailers and channels across every step of the purchase process (see section 3.3). Consumers expect to, and can, switch

freely between retailers and channels. Retailers respond by giving consumers the choice of multiple channels to complete their purchases.

Most consumers do not have a preference between shopping online directly from a retailer or through a marketplace. The most common reason that consumers choose a retailer relate to price or discounts (see section 3.3).

Consumers that purchase from a marketplace use many other channels (and retailers), and direct only a small proportion of their retail spend to marketplaces. For example, consumers that use a marketplace service spend substantially more with brick-and-mortar stores than from marketplaces (see section 3.1).

Most products are typically sold through a number of retailers and channels. The product received by consumers is the same, no matter what channel or retailer is used. For example, the products we highlight in the case studies in this report can be purchased from many different retailers and channel. The customer receives the same product no matter which retailer or channel is used.

Report structure

The remainder of our report is structured as follows:

- in section 1, we provide an overview of the retail sector in Australia, including how new technologies are changing the way retailers reach consumers;
- in section 2, we show that there is strong competition in the retail sector as a result of the large number of diverse retailers, competition across channels and low barriers to entry; and
- in section 3, we show that consumers are able to drive competition between retailers because they use a range of retailers and channels and can quickly and easily search for products they want, compare the available offers, and purchase from one of many retailers.

We have included a number of case studies in between these sections showing the options available to consumers purchasing three particular products selected from Amazon Australia's best seller list, and the options available to one well-known clothing manufacturer/retailer.

Note on terms

In this report, we use several terms to refer to different roles in the retail sector, noting that a single party may perform multiple roles, ie:

- a **channel** describes the means or process by which a retail transaction is conducted from consumers looking for products, assessing them, making a purchase and the product being picked up or delivered to the consumer. A channel includes physical channels, online channels or social media channels, unless a specific channel is referred to;
- a **marketplace** is a retailer that offers a service where other firms (eg, brand owners, manufacturers, third party sellers or other retailers) can sell products at the retailer's offline (eg, a concession store) or online stores. The marketplace may also offer various other functions to help retailers to sell their products;
- a **retailer** refers to a party that enters into transactions directly with consumers and could include for example brand owners, manufacturers, or third party sellers;
- a **third party seller** refers to a retailer that purchases a marketplace service to sell to consumers; and
- a **store** refers to a venue – whether physical or online – at which retail transactions takes place.

1. Overview of retail in Australia

Technology has driven changes in the retail sector for the past 100 years, and the pace of those changes is increasing. Retailers have adapted over time to allow consumers to purchase goods from shopping malls, 'big box' stores and, during the past 25 years, online.

Retailers now use a wide range of channels to reach consumers, including offline stores, a retailer's own online store, marketplaces, mobile apps operated by the retailer, click-and-collect, and social media.

The different retail channels have been converging as offline retailers have adapted to sell online, giving consumers an omni-channel retail experience where they can switch from offline to online and back again through their journey of purchasing a product.

Consumers now use a combination of online and offline channels as sources of information to search for, assess and purchase a product.

Every major Australian retailer we are aware of now sells online, often through multiple channels. Online retail is simply a channel to market used by retailers, rather than a type of firm that can be examined separately from offline retailers.

Many retailers now offer a marketplace service allowing firms to sell products on the retailer's online store. Some retailers offering marketplace services also sell their own products, while others do not. There is a great deal of variation in the proportion of sales that retailers make through their own marketplace, and those made by third party sellers.

1.1 Introduction to the retail sector

Retailing encompasses business activities relating to the sale of goods to consumers. Retailers use a wide range of channels to reach consumers. Channels have multiple dimensions, including:

- whether the connection with the consumer is in person, or online; and
- whether there is intermediation between the retailer and the consumer, eg, retailers can reach consumers directly or through an intermediary such as a shopping centre, department store, marketplace or through a social media provider.

Retail channels include:

- offline channels, such as a high street, shopping centre or department store; and
- online channels such as a retailer's own online store, marketplaces, mobile apps operated by the retailer, click-and-collect, or social media stores.

Manufacturers, brand owners and third-party sellers can now reach consumers through these channels directly, or by using one or more retail channels as a result of advances in technology and supply chains.⁴

In recent years, the development of smartphones, mobile networks and cloud-based software has led to the integration of offline and online stores to give consumers an **omni-channel** retail experience. An omni-channel retailer allows consumers to search for, assess and purchase a product across

⁴ CBRE, *30 predictions for 2030: the future of retail in Australia*, p 6.

multiple channels in an integrated manner. For example, a consumer may use a desktop computer at home to undertake research on a purchase, look at various products the following day at an offline store, whilst comparing prices on a mobile phone, and then purchase either at the offline store or on a mobile device on the way home from work.

Alternatively, a consumer may undertake research at an offline store, before deciding to buy the product the next day and purchasing it online, collecting it later instore via click and collect. Click-and-collect is a service that combines offline and online channels. A large number of retailers now offer a click-and-collect function, including many of the top retailers in Australia. Omni-channel retailers also often allow consumers that purchase online to return products back to an offline store.

As early as 2013, it was recognised that omni-channel retailing blurs the distinctions between offline and online retailing.⁵ This form of retail has become very common in Australia. For example, the Sony headphones case study that we provide at the end of this section includes many retailers selling the headphones in an offline store, and through online channels including through a mobile app. This also applies to the other case study products we examine throughout this report.⁶

1.1.1 Retailers use several channels to reach consumers

The development and adoption of technology has led to retailers using various channels over time, from offline stores to online stores in the early days of the internet, to omni-channel retailing in the smartphone era – see diagram 1.1 on the following page. Retailing is likely to continue to develop as new technologies emerge.

Retailers use new channels to take advantage of changes in technology and how customers purchase products. For example, over the last twenty years, the major Australian retailers have added online retail channels to reach consumers.

As a result, every major Australian retailer that we are aware of now sells online, often through multiple channels.⁷ Examining competition between retailers that sell online would therefore also include all the retailers that sell through offline stores. It follows that online retail is simply a route to market used by retailers, rather than a type of retail that can be examined separately from offline retail.

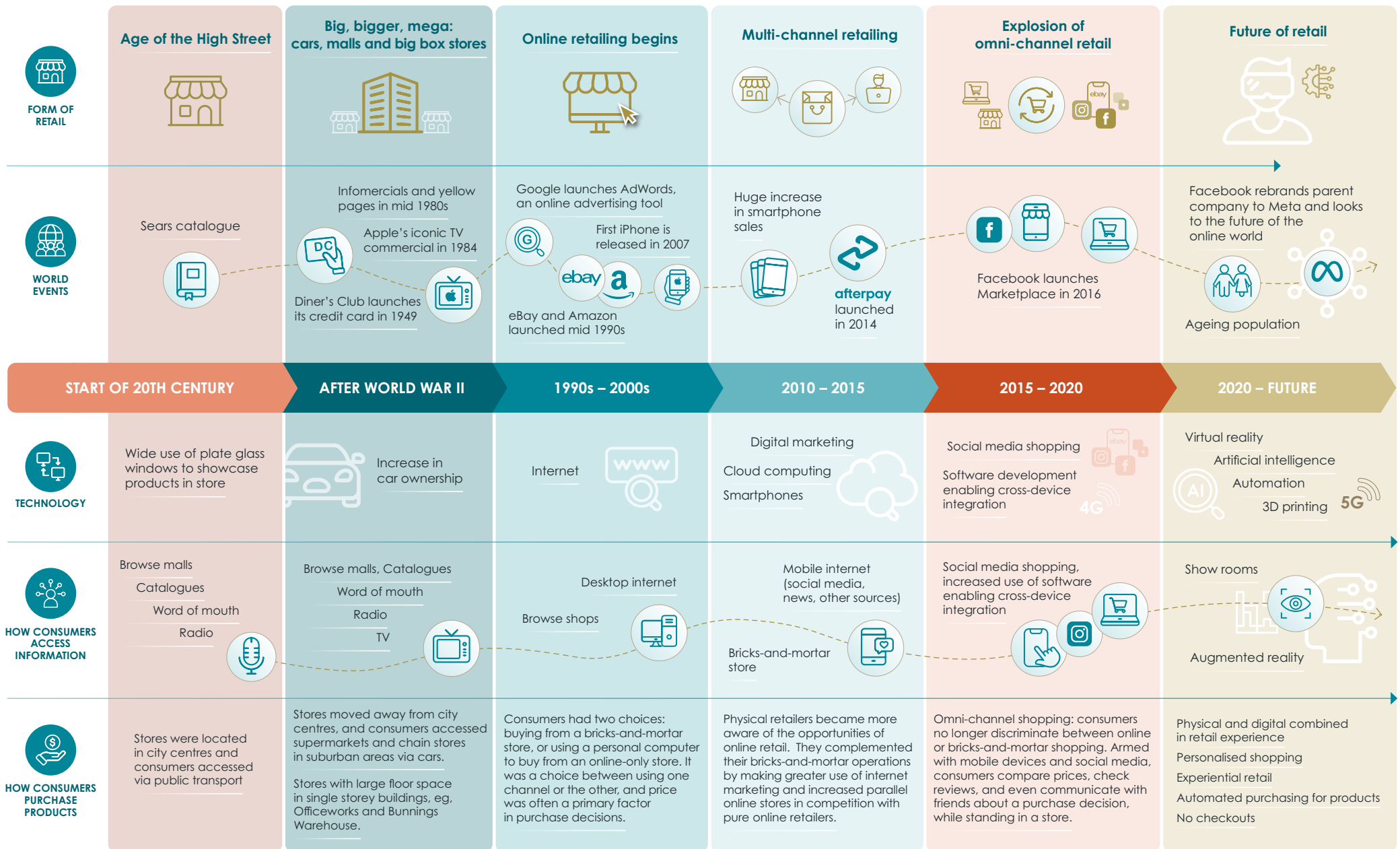
⁵ Brynjolfsson, E, Hu, Y, and Rahman, M, *Competing in the age of omnichannel retailing*, MIT, 2013, p 2.

⁶ See appendix A1.

⁷ For example, all of the top-30 ASX-listed retail companies (ranked by market capitalisation) who operate bricks-and-mortar stores in Australia have at least one online store. The definition of

retail used here is the Global Industry Classification Standard (GICS). Companies which are included in GICS but operate in automotive, transport, or construction industries, were excluded from this analysis.

Diagram 1.1: Change in the retail landscape with development of new technologies



Source: HoustonKemp analysis.

Bunnings is a well-known home improvement store that is part of the Wesfarmers group, which includes Catch, Kmart, Target and Officeworks. Bunnings operated only in the offline channel until long after most other retailers were selling online. It began selling its own products online in 2019, and also started a marketplace. The online offering of Bunnings has quickly become Australia's top online retailer in a ranking carried out by Power Retail,⁸ based on measures such as traffic and time people spend on the site.⁹

eBay went in the other direction to Bunnings, moving into the offline channel by offering an omni-channel service. It was a marketplace for many years before it launched its click-and-collect service in 2014, allowing customers to pick up products they had purchased online from many offline stores operated by other retailers, such as The Good Guys and Dick Smith.¹⁰

The provision of an online marketplace is similar to the offline marketplace that some retailers have been offering for decades through concession stores in department stores, such as Myer and David Jones. Retailers could sell products in these department stores alongside products sold directly by Myer and David Jones (since 2003).

Some retailers offering online marketplace services sell their own products, while some marketplaces offer only products from third party sellers. There is a great deal of variation in the proportion of sales that retailers make through their own marketplace and those made by third party sellers using the marketplace service. Third party seller sales are important to some

marketplaces, such as eBay, but would currently be much less so for Woolworths and Coles.

New technology and retail innovations have changed the nature of Australian retailing and will continue to do so in the future. Developments in cloud computing and 4G networks have made mobile shopping experiences much better than they were ten years ago. For example, more photos and videos can be quickly loaded and viewed on mobile devices. This is continuing to occur as 5G opens up new ways that retailers can serve their customers, such as by using augmented or virtual reality.¹¹

1.1.2 Social media is becoming an important retail channel

Social media is becoming an important way in which consumers discover and purchase products. In a recent survey, many more consumers agreed with the proposition that social media is an important part of how they found products to purchase than disagreed.¹²

Social media has become a retail channel of its own:

- in a recent survey, 46 per cent of small businesses in Australia said they were becoming more active on existing social platforms, and 31 per cent had established new social profiles to promote or sell their products;¹³ and
- in a separate survey, 25 per cent of people said they had purchased a product using social media in 2020, primarily using Facebook and Instagram.¹⁴

⁸ See, for example: <https://www.news.com.au/lifestyle/home/diy/bunnings-crowned-no-1-australian-online-retailer/news-story/cdee81e016aa35da94b7cfef3afb2519>, accessed 9 December 2021.

⁹ See: <https://www.smartcompany.com.au/industries/retail/australias-top-100-online-retailers-revealed-bunnings>, accessed 18 July 2022.

¹⁰ See: <https://insideretail.com.au/news/ebay-launches-click-collect-201412>, accessed 25 October 2021.

¹¹ See: <https://www.business.att.com/learn/tech-advice/how-5g-will-boost-the-retail-industry.html>, accessed 9 December 2021.

¹² Those consumers who agreed with the statement that social media is an important part of how they found products to purchase outweighed those that disagreed by 37 percentage points. See: IAB Australia, *Australian ecommerce*, September 2021, p 26.

¹³ Crazy Domains, *Online state of Australia's small businesses 2021*, March 2021, p 47.

¹⁴ PayPal Australia, *2021 eCommerce Annual Index*, December 2021, p 21.

Retailers are meeting customers on social media platforms. In another recent survey of people across nine countries including Australia, after seeing a product or service on Instagram:¹⁵

- 65 per cent of customers said they visited a brand's website or app;
- 37 per cent said they visited a retail shop; and
- 46 per cent made an online or offline purchase.

Retailers are using social media to connect with and find new customers. Facebook recently announced that it would enable administrators of Facebook groups to set up online stores on their Facebook page, and for product recommendations to be linked to a Facebook shop.¹⁶ We provide some examples of where consumers can purchase a particular pair of headphones by using social media in our first case study at the end of this section.

1.1.3 The future of retail

Changes in technology and consumer preferences are likely to lead to new retail channels. It is in retailers' interests to use any offline or online place that consumers visit, such as social media or messaging apps. For example, retailers of the future may offer a 'cornucopia' of functions that blend product sale, digital payments, group deals, social media, and instant messaging.¹⁷

Brand owners, manufacturers and sellers (many of whom are already retailers) may increasingly also be the 'new' retailers, selling directly to consumers more often using advances in technology and supply chains.¹⁸

There are likely to be changes in offline retailing too. For example, shopping centres may become the new high street with the addition of non-retail uses including community facilities, co-working spaces and last mile collection facilities to shopping centres.¹⁹ Offline stores will increasingly offer more unique instore experiences and complement online offerings by being a place for customers to try products before purchasing online or in store, with augmented reality enhancing the physical buying experience.²⁰

¹⁵ Facebook IQ, *How Instagram boosts brands and drives sales*, 7 February 2019, available at <https://www.facebook.com/business/news/insights/how-instagram-boosts-brands-and-drives-sales>, accessed 11 November 2021.

¹⁶ See: <https://techcrunch.com/2021/11/12/facebook-launches-shops-in-groups-and-live-shopping-for-creators/>, accessed 13 November 2021.

¹⁷ This form of retail business model already exists in China. See: The Economist, *Why retailers everywhere should look to China*, January 2021, available at <https://www.economist.com/leaders/2021/01/02/why-retailers-everywhere-should-look-to-china>, accessed on 13 October 2021.

¹⁹ CBRE, *30 predictions for 2030: the future of retail in Australia*, p 5. The Top Ryde shopping centre already offers co-working spaces. See: <https://www.toprydecity.com.au/store-category/professional-services/>, accessed 7 January 2022.

²⁰ CBRE, *30 predictions for 2030: the future of retail in Australia*, pp 8-10.

1.2 Services provided to retailers

Retailers need to undertake a number of functions, including:

- product procurement;
- marketing and advertising;
- accounting;
- payment services;
- operating a store (offline and/or online);
- enterprise resource planning;
- warehouse management; and
- fulfilment and delivery, for online retailers.

Retailers often undertake these activities in-house but diagram 1.2 overleaf shows that many firms (including some retailers and marketplace service providers) offer some or all of these functions to other retailers as a service, including many firms that offer multiple services or an all-in-one solution that combines the necessary functions required to sell online.

Many retailers offer some or all of these functions as part of a marketplace service to other retailers, which includes at least access to an online retail store but may also include warehouse management, fulfilment and delivery, and other services. A marketplace therefore allows retailers to sell their products without purchasing all of these functions individually.

Diagram 1.2: Many service provider options available to retailers



Source: HoustonKemp analysis.

An **e-commerce solution** is the software that supports the process of buying and selling over the internet. It allows consumers to discover products, shop at an online store by placing items in a cart, and then check out, ie, pay for the items. It also allows retailers to manage various functions of their online stores.

The popular e-commerce solutions in Australia for the top 100 online retailers are Magento, Salesforce, SAP, Shopify, IBM, Neto and BigCommerce, with many others using a bespoke solution. Smaller retailers tend to have different needs and most commonly use Shopify, Magento, BigCommerce, Salesforce, WooCommerce and Neto.

E-commerce solutions can support retailers in providing an omni-channel experience to maximise sales and minimise costs. For example, retailers can use:

- a platform to support sales through mobile and online channels, such as cloud-based Zellis Connect or Maropost;
- software that integrates a retailer's stores (offline and online) with other online channels including marketplaces, eg, Omnivore, which is used by over 1,500 retailers in Australia;²¹
- personalised optimisation and analytics services to drive sales across multiple channels, such as Yieldify; and/or

services to help connect products to consumers, analyse sales performance, manage inventory and pricing and optimise sales, such as Channel Advisor.

Retailers have various options for accepting payments. Popular payment methods used by online retailers are credit/debit cards (Mastercard, Visa,

Amex) and PayPal. Buy now, pay later (BNPL) services have become more common and are now used for a small share of online orders.

Retailers using an online channel need to be able to deliver products to consumers promptly at a competitive rate. Some of the third-party delivery service providers available to retailers are Australia Post, Toll, StarTrack, DHL and Fastway.

Retailers can access a wide range of options for fulfilment services. For example:

- Amazon offers its fulfilment services to third party sellers on the Amazon Australia store (and offers its fulfilment services to other retailers);
- eBay has recently launched a fulfilment service in Australia in collaboration with a logistics provider;²²
- Shopify offers parcel and shipping options available to be added to retailers' Shopify stores;²³ or
- there are many specialist fulfilment service providers, such as eFulfillment Service, Fulfilio, and Rakuten Super Logistics.

The services described above (ie, sales, stock management, integration, analytics, payment and fulfilment) are generally interoperable, allowing retailers the choice of undertaking some functions in-house, and outsourcing others. For example, Amazon's fulfilment services can also be used in connection with sales on other sites and through other channels.²⁴

²¹ See: <https://www.omnivore.com.au/>, accessed 16 November 2021.

²² See: <https://powerretail.com.au/news/ebay-adds-in-house-fulfilment-service-to-sellers/>, and <https://sellercentre.ebay.com.au/ebay-fulfilment-by-orange-connex>, accessed 17 February 2022.

²³ See, for example: <https://www.starshipit.com/blog-content/2018/04/12/top-ten-shipping-apps-for-shopify>, accessed 29 October 2021.

²⁴ See: <https://sell.amazon.com.au/fba-mcf>, accessed 9 December 2021.

1.3 Amazon Australia's entry

Amazon Australia launched its Amazon Australia store in December 2017, which features products from Amazon and other retailers.

Amazon's entry into Australia was viewed as 'good for consumers'.²⁵ It has brought retailing innovations to Australia, including improved shipping, shopping events like Prime Day, and Subscribe and Save.²⁶

Amazon offers a wide range of retail services, including fulfilment, branded stores, application programming interface (API) tools and various programs to support and grow retailers using its online store. Retailers can purchase any combination of these services from Amazon or from the many alternative providers.

Amazon has developed and made available a large number of APIs that allow retailers to push and pull data from and to Amazon Australia's store, which helps them to self-manage their sales, stock, etc and allows other firms to offer services to those retailers using Amazon's store.²⁷ For example, Amazon integration APIs allow a retailer's online store to communicate with Amazon in a two-directional way so product information is synced in real-time with Amazon's store. This way, a retailer's listings are always up to date and reflect any changes in the retailer's stock or product price without having to log into their Amazon account.

According to Choice magazine, Amazon Australia's entry led to other retailers '...bolstering their online delivery systems and renovating their retail stores in anticipation.'²⁸

²⁵ ACCC, *Populism and the CCA*, November 2017. Available at <https://www.accc.gov.au/speech/populism-and-the-cca>, accessed 25 October 2021.

²⁶ See: <https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-launches-prime-australia-offering-free-delivery-fast-two>, <https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australias-massive-prime-day-shopping-event-announced> and <https://amazonau.gcs-web.com/news-releases/news-release-details/amazon-australia-launches-subscribe-and-save-bringing-customers>, accessed 7 January 2022.

On the following page, we set out our first case study, which shows for a particular set of Sony headphones some examples of:

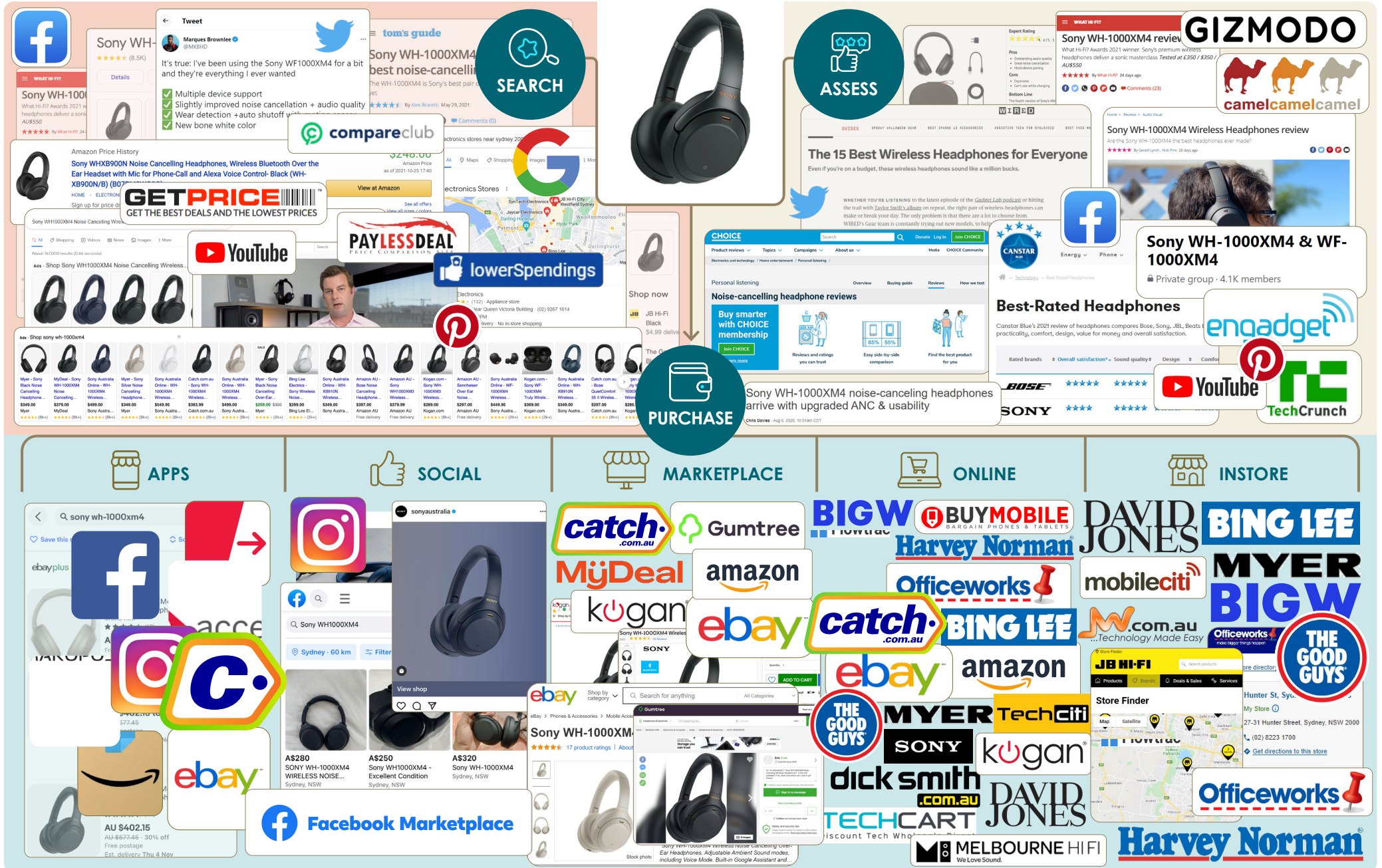
- where consumers can purchase the product from, including many different options across multiple channels;
- where consumers can go to search for information about the headphones; and
- where consumers can go to assess whether these are the right headphones for them.

This case study, and the others in this report, demonstrate the many options and choices available to consumers.

²⁷ See: <https://medium.com/@Sammy.Hager/need-your-amazon-data-here-are-the-amazon-apis-currently-available-8570fed521ae>, accessed 9 December 2021.

²⁸ See: <https://www.choice.com.au/shopping/online-shopping/buying-online/articles/amazon-enters-australia-next-day-delivery-051217>, accessed 27 October 2021.

Case Study 1: Sony WH1000XM4 Noise Cancelling Wireless Headphones with Alexa Voice Control



The busy nature of this diagram reflects the many and diverse options available to consumers.

2. Strong competition in the retail sector

Competition is strong between retailers in Australia because:

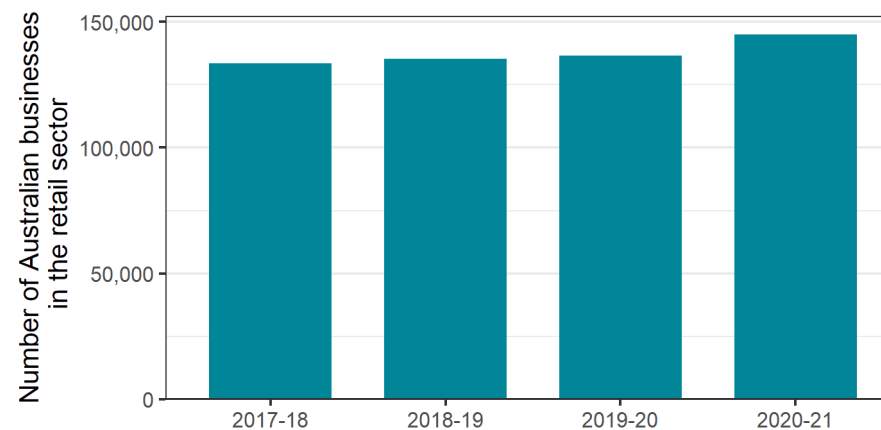
- there are a large number of retailers – see figure 2.1. They exhibit great diversity by size of business, channels, and the range of products they offer;
- retailers compete across multiple channels, given that:
 - > consumers can receive the same product through each channel;
 - > consumers switch between channels; and
 - > retailers can and do use multiple channels;
- barriers to entry and expansion are low;
- there are many entrants each year and small retailers have expanded quickly;
- retail competition also comes from overseas; and
- the Reserve Bank of Australia (RBA) suggests that the increase in the frequency of retailers reviewing prices is likely to reflect changes in technology that have reduced information costs for consumers and firms and that retail net and gross margins declined for retailers between 2006 and 2018, consistent with heightened competition.

There are no existing trends that suggest these forces driving competition will weaken in the near future. We therefore conclude that the strong competition in the retail sector is likely to continue in the foreseeable future.

2.1 Large number of Australian retailers

There were around 145,000 Australian retailers operating at the end of financial year 2020-21, as shown in figure 2.1. They exhibit great diversity by size of business, the channels through which they operate, and the range of products they offer. Figure 2.1 does not include the many international retailers that sell to Australian consumers through online channels.

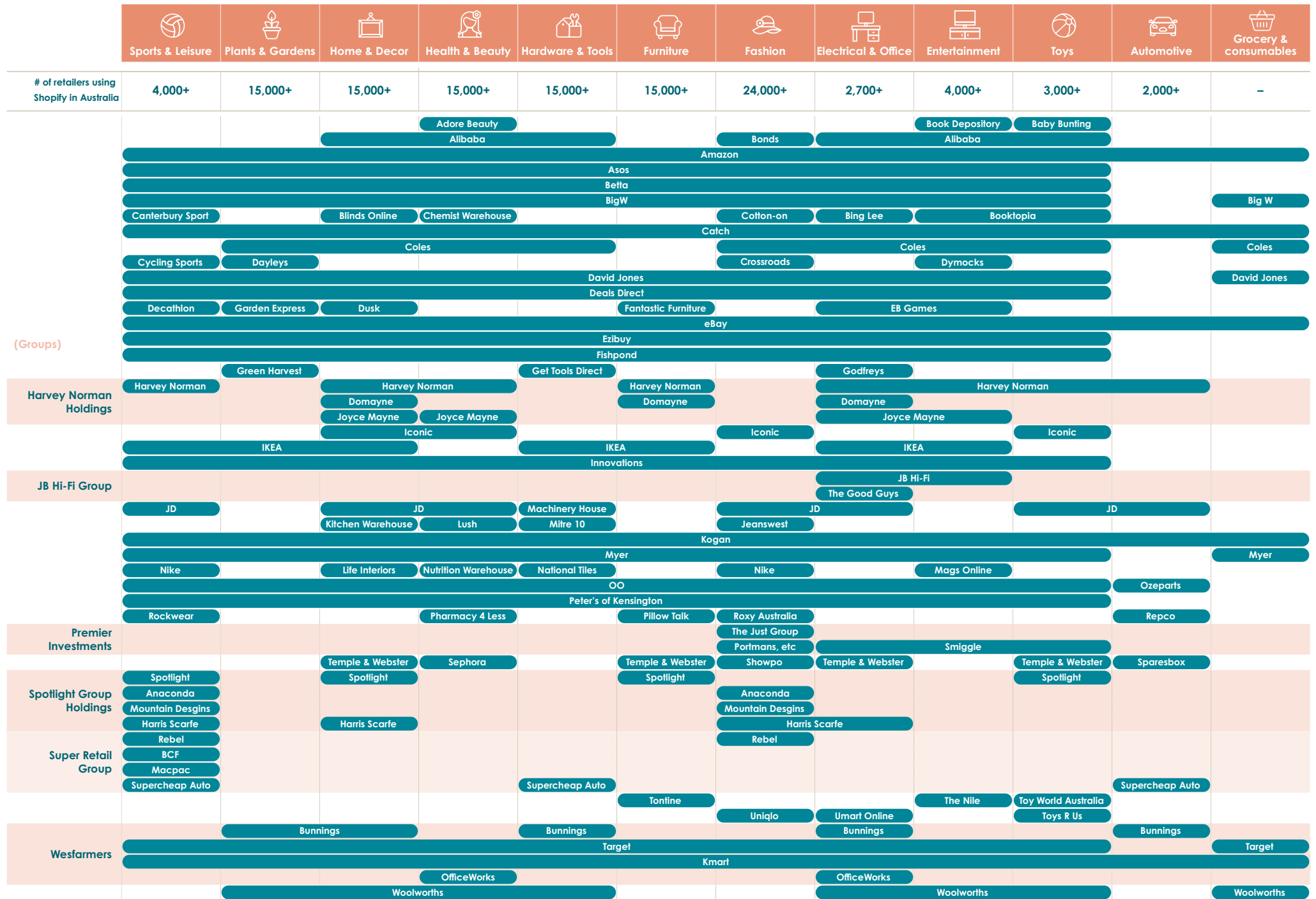
Figure 2.1: Number of Australian retailers



Source: ABS, Counts of Australian businesses, series 8165.0, August 2021.

Diagram 2.1 overleaf shows a selection of some of the retailers in Australia – there are many retailers of all types and sizes selling each category of product, and these retailers often overlap in the products they sell. There is no clear delineation between retailers selling particular groups of products.

Diagram 2.1: Examples of Australian retailers and the range of products they offer



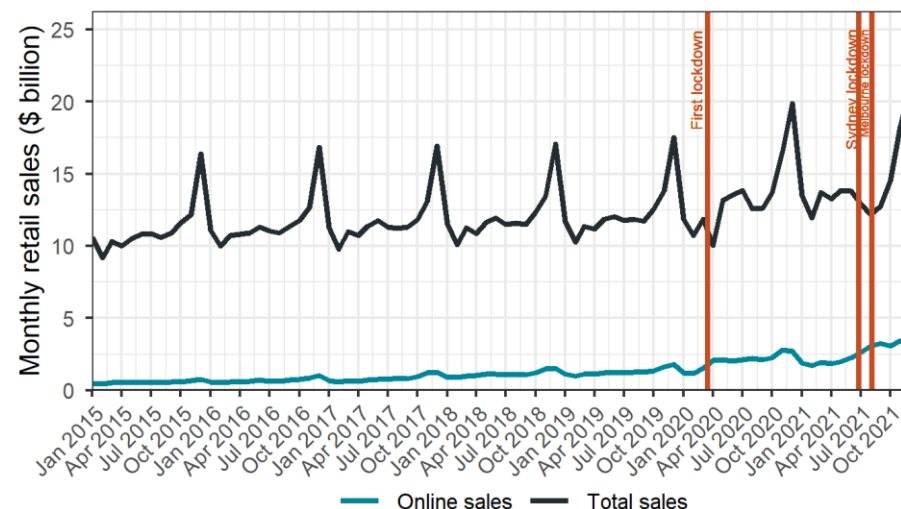
Source: HoustonKemp research and analysis of information from Power Retail and Store Leads

2.1.1 Large majority of retail sales are at offline stores

Figure 2.2 below shows that retail sales, excluding food purchases, have been growing over time, with marked peaks around Christmas.²⁹ Offline and online sales³⁰ both increased during the pandemic relative to the previous trend as spending on other products or services were prohibited, became more difficult or were less attractive.

The non-food retail series shown in figure 2.2 likely underestimates the scale of retail that may be relevant for this report, because it excludes sales by supermarkets, which includes groceries and non-perishables that many retailers offer, such as those in the fashion, beauty and cleaning categories.³¹

Figure 2.2: Monthly online and total non-food retail sales, 2015-2021



Source: ABS, Retail trade, December 2021, tables 1, 21 and 23.

Notes: The data include monthly estimates of turnover for retail businesses, including offline and online sales. The retail sales series exclude food-related retailing, ie, sales in supermarkets and liquor stores and spending in cafés, restaurants and takeaway food services.

The vast majority of retail sales are at offline stores. Figure 2.3 shows that, just prior to the pandemic in February 2020, approximately 89 per cent of non-food retail sales were at offline stores, whilst 11 per cent were online.³²

²⁹ Retail sales (excluding food purchases) reported by the ABS include household goods, clothing, footwear and personal accessory retailing, department stores and other retailing.

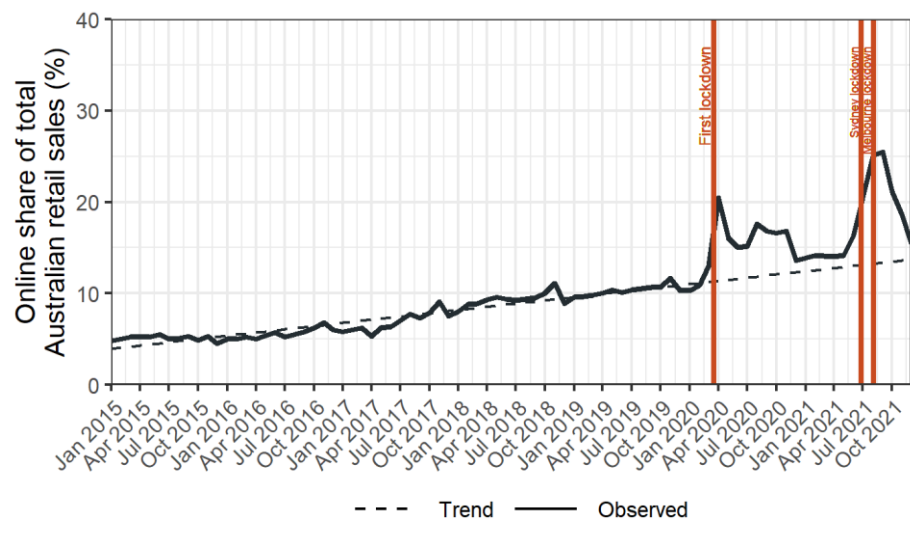
³⁰ Online sales are defined by the ABS as purchases made via the internet from employing retailers who mostly sell to households. The ABS online retail data excludes direct imports (eg, purchased directly from an overseas website) and sales from 'households-to-households'. Online sales include the sale of goods and services that are ordered via the internet or any other computer network. This applies whether the payment and/or the ultimate delivery of the goods and/or services is conducted online or offline. All retail trade where the commitment to purchase is made online is online retail trade, irrespective of the method of payment and/or

delivery used. See: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/8501.0.55.007>, accessed 20 January 2022.

³¹ According to IRI, non-food items account for just over 20 per cent of the 'groceries market'. See: <https://www.drinkstrade.com.au/the-retail-trends-that-will-define-2020>, accessed 7 December 2021.

³² Australia Post and GlobalData report online share of retail sales of approximately 10 and 9.5 per cent in 2019, respectively. See: Australia Post, *Inside Australian online shopping – 2019*

Figure 2.3: Online share of non-food retail sales, 2015-2021



Source: ABS, Retail trade, December 2021, tables 1, 21 and 23. The data include monthly estimates of turnover for retail businesses, including offline and online sales. The retail sales series in the chart exclude food-related retailing, ie, sales in supermarkets and liquor stores and spending in cafés, restaurants and takeaway food services. The trend line is obtained by fitting a 'line of best fit' through the observed online shares between January 2015 and February 2020, then projecting out for the period from March 2020.

The share of sales through online channels during lockdowns does not reflect the level of sales through online channels that we expect in the future without lockdowns. At the beginning of 2021 when the first round of pandemic restrictions were limited, online sales were approximately 1.4 percentage points higher than the pre-pandemic trend would have suggested.³³ We

eCommerce industry report; and GlobalData, Omnichannel retail: observations on the Australian retail sector, April 2021.

³³ Similarly, the online share of non-food retail was trending down after the lockdowns in Victoria and New South Wales ended towards the end of 2021.

therefore estimate that in the absence of lockdowns, online spending at the beginning of 2022 would be approximately 15.2 per cent of non-food retail sales.³⁴ This is consistent with the sharp fall in the share of online sales at the end of 2021, which was 15.4 per cent in December 2021.

The growth in the number and scope of retailers supplying products using online channels particularly benefits consumers who live in areas that are poorly served by offline retailers. The access to products via online channels in these areas has increased competition that would have been primarily from offline stores in the past.

Retail competition also comes from overseas, with Australian consumers spending billions on overseas online retailers. This excludes those overseas marketplaces, such as Alibaba, which have a domestic merchant (ie, credit card) terminal.

2.1.2 Many types of retailers using several channels

Technology has created new channels for manufacturers, brand owners, third party sellers and retailers, in addition to the traditional retail channels, to use in order to reach consumers. For example, brand owners can sell directly to consumers using their own offline or online store or via some of the many retailers available (ie, selling on a wholesale basis or as a third-party seller on a marketplace). These parties can, and often do, use a wide range of retailers, including their own online branded stores to sell their products.

Many firms use several channels. At least 9, 27 and 30 different retailers³⁵ offer the three case study products set out in Table A1.1, Table A1.2, and Table A1.3, respectively, through multiple channels. For example, Bonds sells its clothing products via:

³⁴ The pre-pandemic trend would have put online share of total retail sales at 13.8 per cent in January 2022.

³⁵ This does not include any of the many retailers using marketplaces to offer the same products.

- its own retail channel, both offline and online;
- department stores, such as Myer and David Jones, both offline and online;
- retailers such as Big W and Woolworths, both offline and online;
- retailers offering a marketplace service, such as eBay, Amazon, MyDeal and Catch; and
- social media.

2.2 Retailers compete across multiple channels

There is strong competition across and between all retail channels, including offline and online. Retailers compete to attract consumers across all of these channels because:

- consumers can receive the same product through each channel;
- consumers switch between channels; and
- retailers can and do use multiple channels.³⁶

Consumers are generally not interested in which channels a particular retailer uses. Although some consumers are loyal to certain brands, surveys reveal that typically they do not prefer one channel over another. Many Australians shopping online do not consider whether or not a business is an online-only retailer when making a purchase.

Consumers are happy to use multiple channels for their retail requirements. A recent survey from Global Data found that before the covid-19 pandemic:³⁷

- 37.5 per cent of consumers surveyed would collect online orders from inside an offline store;
- 18.4 per cent of consumers surveyed would collect online orders from a collection location associated with an offline store;
- 52.3 per cent of consumers surveyed would return products ordered online to an offline store;
- 55.9 per cent of consumers surveyed would visit stores for inspiration and ideas before purchasing online; and
- 25.1 per cent of consumers surveyed would seek advice or service in an offline store before buying online.

Our analysis shows that consumers who purchase from retailers offering a marketplace service also shop at many other retailers, at offline and online channels.³⁸

Retailers compete on price, and studies indicate that each retailer usually sets its online and offline prices at the same level.³⁹ This implies that competitive constraints in the offline channel usually affect online prices, and vice versa.

Prices are often similar between retailers. For example, table 3.1 shows that the minimum price from each of the retailers in that case study is, for the most part, contained within a narrow band.

Price competition between retailers appears strong, with consumers reporting that most of their online purchases are made when products are on sale or promotion.⁴⁰

³⁶ See, for example, the case studies in appendix A1.

³⁷ Global Data, *Omnichannel retail: observations on the Australian retail sector*, April 2021, p 14.

³⁸ See section 3.1.

³⁹ The Reserve Bank of Australia has noted that retailers say that consumers are increasingly price sensitive and that retailers have to adjust pricing by offering more frequent and larger discounts. Reserve Bank of Australia, *Bulletin*, June 2019, p 112. In a large global study, Cavallo found that prices on websites and in bricks-and-mortar stores of large retailers selling

through multiple channels were identical for each retailer about 72 per cent of the time. See: Cavallo, A, *Are online and offline prices similar? Evidence from large multi-channel retailers*, *American Economic Review*, 107(1), January 2018, pp 283-303.

⁴⁰ 'The research tells us Australians are increasingly price loyal, with over half (57 per cent) of the nation being happy to switch brands due to bargains or special offers.' See <https://powerretail.com.au/sponsored-post/the-digital-evolution-qa-with-shopfully/>, accessed 18 July 2022.

Consumers often use one channel to research a product and purchase in another. To summarise this blending of channels, KPMG explains that:⁴¹

A sale is not either online or offline; most are a messy combination of both.

Retailers also compete on non-price dimensions, such as:⁴²

- brand recognition and loyalty;
- product availability;
- delivery speed and options, such as:
 - > express delivery;
 - > delivery to a nearby location; and
 - > click and collect / store pickup;
- returns; and
- customer assistance and service.

Many large traditional retailers in Australia do well on these non-price dimensions. For example, Woolworths, Coles, Bunnings Warehouse, Aldi, Kmart, Myer and Big W are among the most trusted brands in Australia and have large store networks.⁴³ This gives them an advantage over other retailers.

Retailers compete to provide the right mix of products to people and this allows scope for differentiation by retailers that curate products or specialise in a particular retail segment, eg, clothing.

⁴¹ KPMG, *Australian retail outlook 2021*, Inside Retail, February 2021, p 15.

⁴² Online delivery speed and delivery options were identified by retailers as the areas in which consumer expectations would increase the most over 2020, followed by customer service and price. KPMG, *Australian retail outlook 2020*, Inside Retail, February 2020, p 16.

⁴³ Roy Morgan, *Supermarkets are the most trusted brands but department stores Myer, Kmart, Big W and Target are the big improvers*, September 2021, available at

Consumers are benefitting from the additional choice provided by online channels in many areas around Australia. The top ten locations for online sales in 2020 include the outer suburbs of Melbourne, such as Point Cook, Cranbourne and Hoppers Crossing.⁴⁴ Consumers in regional areas also benefit from online shopping. Approximately half of regional Australians were frequent online shoppers in 2019.⁴⁵

2.3 Retail sales involving marketplaces are small

Technology has created new retail avenues outside the offline retail channel and one option for a party that would like to sell products to consumers is to purchase a marketplace service.

A marketplace is an additional sales channel and a way for retailers to be able to offer their products to different customers. For example, the case study at the end of this section shows that Reflex is accessing additional customers through a number of different marketplaces. The ABS reports total retail sales of \$311.7 billion in 2020, including food retailing but excluding café, restaurants, and food takeaway services. Retail sales through marketplaces are very small in comparison. The sales made through marketplace services alone (excluding the marketplace operators' own sales) would be substantially lower.

While sales through the marketplace channel have grown in the last few years, more Australian retailers have started to offer a marketplace service including Myer, Bunnings, Facebook, Coles and Woolworths. Some retailers offer a marketplace service with a wide variety of products, while others focus on a particular product category.

<https://www.roymorgan.com/findings/8784-risk-monitor-trust-distrust-september-2021-202109030606>, accessed 27 October 2021.

⁴⁴ Australia Post, *Inside Australian online shopping*, 2021, p 13.

⁴⁵ Deloitte Access Economics, *Economic and social value of Australia Post in regional, rural and remote communities*, 2020, p 33.

There are a number of marketplace service providers, and a significant proportion of customers have used eBay, Catch, Amazon, Kogan or Facebook at least once.

There are a growing number of marketplaces offering a wide variety of products from general merchandise to niche products, such as:⁴⁶

- those that have been around for some time and supply a wide range of products, such as eBay (since 1999), Amazon (2017), Kogan (2019), MyDeal (2011), Groupon (2008), Google Shopping (2011);
- Ezibuy, which focusses on clothing;
- Etsy, which focuses on craft products;
- ASOS, which focuses on fashion;
- Surfstitch, which focuses on surfing fashion;
- newegg, which focuses on electronics, games and software;
- 1stDibs, which focusses on high quality furniture, fittings and art;
- artsy, which focusses on art;
- Moda Operandi, which focusses on high end fashion;
- hard to find, which focusses on unique gifts;
- biblio, which focusses on rare books;
- yellow octopus, which focuses on fun and unique gifts;⁴⁷
- Bike Exchange, which focuses on bikes and accessories; and
- RedBubble, which focuses on art.

⁴⁶ See: <https://marketplacer.com/portfolio-category/successstories/>, accessed 26 October 2021, for some of these examples.

⁴⁷ Yellow octopus was in the AFR Fast 100 fastest growing businesses in Australia in 2020. See: <https://www.yellowoctopus.com.au/pages/awards>, accessed 25 November 2021.

Some of these do not sell their own products, eg, Surfstitch, whilst others offer a marketplace service whilst also selling their own products to customers, eg, Kogan.

Brand owners, manufacturers and third party sellers do not have to use a marketplace service given the many other retail channels available to them and some have had great commercial success without using a marketplace service. For example, according to the AFR, fashion retailer Premier Investments has thrived in the face of the arrival of Amazon.⁴⁸ Other examples include:

- Bedshed (owned by Joyce Corp Ltd), who produces homewares with a focus on bedroom products;
- Dusk, who produces candles and diffusers; and
- Adairs, who produces furniture and homewares.

If a firm wants to use a marketplace service, they can choose from one, two or more retailers offering that service (in addition to other retail channels) with many retailers using two or more marketplaces.

2.4 Barriers to entry and expansion are low

Barriers to entry in the retail sector are low and have fallen over the past twenty years due to changes to the technology available. Retail businesses can now access:

- e-commerce solutions;
- enterprise resource planners, which hold inventory planning, finance, customer and order information;

⁴⁸ See: <https://www.afr.com/chanticleer/how-solly-lew-beat-amazon-20210923-p58u3w>, accessed 9 December 2021.

- warehouse management systems, which process the storage and fulfillment of products from the warehouse to the customer; and
- marketing and advertising expertise to unlock new customers.

These can be purchased as services, reducing the need for the upfront and sunk costs involved in hiring a large number of staff and/or purchasing assets. There are many providers of these services to retailers in Australia, as set out in diagram 1.2.

Retailers find it especially easy to increase sales in their online channel. A recent survey found few genuine barriers to retailers increasing their online sales. The most commonly cited ‘barriers’ to online expansion were the nature of the products or services being sold (31 per cent), customer preference for other channels (25 per cent) and the strength of competition online (24 per cent).⁴⁹ The first of these is only a barrier for products or services that are less suitable for online sale (eg, a sofa that people may want to sit on before purchasing), the second and third of these are not genuine barriers to entry – the second reflects competition from other channels, whilst the third is indicative of strong competition. These do not indicate that there are significant sunk costs of entry or genuine barriers preventing expansion for a suitable product.

Technology services can be used to create and expand retail offerings by existing and new entrants. For example, Marketplacer and Omnify have helped retailers and other firms to offer marketplace services in Australia, including creating a marketplace in as little as nine weeks.⁵⁰

The changes in the retail sector with new technologies and channels to reach consumers create opportunities for entry because new entrants can be early adopters and grow faster than those that are slow to adopt new technologies,

such as selling on mobile phones, marketing or selling through social media and using virtual or augmented reality.

Existing or new retailers can enter or improve their retail offer in a variety of ways, including via a marketplace, with few sunk costs. Newer retail models like marketplaces help retailers to reach a large audience while providing a high quality and price competitive customer service. Marketplaces also allow small or new retailers to compete for consumers using the same channels as larger brands. There are variable costs for retailers to use a marketplace service that are typically charged per item sold, but the initial costs are low and there is limited risk to capital investment.

Given the observations above, barriers to entry and exit in the retail sector are low and can be expected to remain so in the foreseeable future. This will continue to contribute towards a competitive retail sector.

2.5 Many retailers entering and expanding

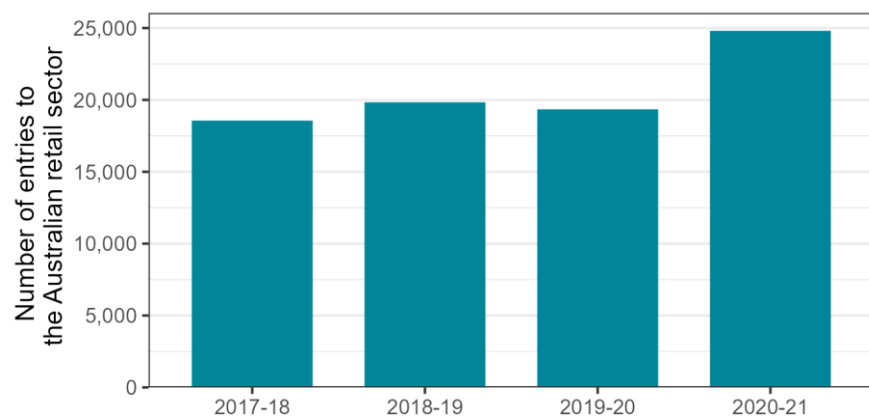
A large number of retailers enter each year, consistent with there being low barriers to entry.

The ABS collects data on the number of Australian businesses operating in what it terms the ‘Retail Trade’. Figure 2.4 below shows that in each of the last few years there have been around 20,000 new businesses created in the retail trade sector, with an increase to close to 25,000 last year. This gave an ‘entry rate’ of new firms of 18.2 per cent in 2020-21, which is higher than the average for the economy, and higher than a number of sectors including manufacturing, construction, wholesale trade, accommodation and food services, financial and insurance services, and education and training.

⁴⁹ Australia Post and Deloitte Access Economics, *Australia’s eCommerce revolution: how it saved businesses in COVID-19 and future strategies to thrive*, October 2020, p 18; EcommerceDB, *Ecommerce in Australia 2020*, December 2020, p 38.

⁵⁰ See: <https://marketplacer.com/portfolio/hmd-global>, accessed 22 October 2021; <https://omnify.com/case-studies/>, accessed 16 November 2021.

Figure 2.4: Number of new retail businesses in Australia



Source: ABS, *Counts of Australian businesses*, series 8165.0, August 2021. This chart shows the gross number of firms entering the Australian retail sector. It does not show the number of firms exiting. In comparison, figure 2.1 shows the total number of businesses in the Australian retail sector, which takes into account both the number of firms entering and exiting.

Many retailers have been able to expand quickly, indicating that there are limited barriers to expansion. Sales from retailers (excluding food-related retailing) increased by approximately 11.3 per cent at the start of the covid-19 pandemic, from March 2020 to May 2020 – see figure 2.2, despite this being unexpected.⁵¹

⁵¹ ABS, *Retail trade*, October 2021, table 1.

⁵² See: <https://www.mckinsey.com/featured-insights/asia-pacific/getting-acquainted-with-a-more-mindful-australian-consumer>, accessed 16 November 2021.

⁵³ Deloitte, *Global powers of retailing 2021*, 2021, p 41.

⁵⁴ Online sales at JB Hi-Fi rose 62 per cent to \$1.1 billion in the six months to December 2021. See: <https://www.afr.com/companies/retail/tv-and-appliance-upgrades-help-jb-hi-fi-in-pandemic-20220118-p59p1c>, accessed 20 January 2022.

Consumers can change their purchasing behaviour quickly, helping new firms to enter and expand. According to McKinsey, more than 50 per cent of Australian consumers have discovered new shopping behaviours, more than 30 per cent have tried new brands, and more than 20 per cent have tried new retailers, stores, and websites since the start of 2020.⁵²

Well-known Australian offline retailers have been able to increase their online sales substantially over the past ten years, including:

- JB Hi-Fi, an omni-channel retailer that has had a compound annual growth rate of retail sales of 16.7 per cent from FY 2014 to 2019,⁵³ and which has recently increased its online sales considerably;⁵⁴
- Showpo, an online retailer of clothes that was established as an offline retailer in 2010 but became an online only retailer in 2013.⁵⁵ In 2014, its sales were \$10 million and in 2017 sales had trebled to \$30 million.⁵⁶ The growth appears to be in part due to its social media presence, and its use of technology solutions, including a warehouse management system, e-commerce solution and shipping software;⁵⁷ and
- Bunnings, the hardware retailer, which has developed from an offline store to build an online store, which now also offers a marketplace service.

A number of retailers have begun offering marketplace services to other retailers and/or have expanded sales through such a service in the last ten years, including Catch, MyDeal, OzSale, The Iconic, Kogan and Amazon.

⁵⁵ See: <https://www.peoplevox.com/success-stories/showpo-warehouse-system-technology>, accessed 2 November 2021.

⁵⁶ See: <https://www.lifehacker.com.au/2017/07/how-jane-lu-built-showpo-into-a-powerhouse-brand/>, accessed 2 November 2021.

⁵⁷ See: <https://www.peoplevox.com/success-stories/showpo-warehouse-system-technology>, accessed 2 November 2021.

Catch was launched in 2006 – it opened the Catch Marketplace in 2017 and was purchased for \$230 million by Wesfarmers in 2019. It has grown to be one of the biggest online retailers offering a marketplace service in Australia..

Kogan launched as an electronics retailer online in 2006. It increased its sales very quickly to over \$160 million in its seventh year of operation⁵⁸ and it expanded across multiple categories including grocery, travel and sportswear. Having started as a retailer using a marketplace service, Kogan launched its own marketplace service in 2019,⁵⁹ which has grown quickly to have sales of \$300 million in FY21.⁶⁰

Many established brands have begun offering a marketplace service, such as Woolworths, Coles, Myer and Bunnings. These brands are part of large groups that have existing store networks, logistics solutions, existing e-commerce solutions and already have substantial data analysis and marketing expertise.

In September 2021, Woolworths launched its marketplace on Woolworths.com.au for customers nationwide (a pilot marketplace had been in place since July 2021). Woolworths announced that its marketplace is designed to complement its existing range with a focus on aisle extension in household appliances, baby, toys, pet care, health and beauty categories.⁶¹ Woolworths said it wants to double its online range and offer tens of

⁵⁸ Kogan Group, *Annual special purpose financial report*, June 2014, p 4.

⁵⁹ See: <https://www.kogan.com/au/blog/kogancom-launches-kogan-marketplace-part-expanded-retail-offering-response-customer-growth/>, accessed 27 October 2021.

⁶⁰ Kogan, *Annual report*, 2021, p 18.

⁶¹ See: https://www.woolworthsgroup.com.au/page/media/Latest_News/woolworths-launches-everyday-market-nationwide-to-help-meet-more-of-australia%E2%80%99s-everyday-needs-online/, accessed 16 November 2021.

⁶² See: https://www.woolworthsgroup.com.au/page/media/Latest_News/woolworths-launches-everyday-market-nationwide-to-help-meet-more-of-australia%E2%80%99s-everyday-needs-online/, accessed 16 November 2021.

⁶³ See <https://www.news.com.au/finance/business/retail/coles-launches-best-buy-website-to-take-on-aldi-and-woolworths/news-story/e787bb3e25bc8fc1a7e83a6023052278>, accessed 2 February 2022.

thousands of new products to customers in the future, and that its website and digital apps are visited by more than 12 million users each week.⁶² Around this time, Coles launched its marketplace offering customers discounted products as exclusive online only deals and offers that are not available in store.⁶³

Technology also allows small retailers to offer marketplace services, for example new marketplace providers include South Melbourne Market Direct⁶⁴ and Only Craft Beer,⁶⁵ which were built by Omnify.⁶⁶

2.5.1 Software enables entry and expansion across multiple retailers and channels

Many, or all, of the retail functions or services required by entrants can be purchased from a single software provider, known as a **unified commerce solution**, which combines the processes and systems connecting product catalogues, inventory and customers data to online, in-store and mobile sales channels.⁶⁷ For example, Channel Advisor allows a retailer to change one set of information about their product on a single website, which will be automatically updated across various channels retailers, including AliExpress, Bunnings Marketplace, Catch, eBay, Facebook, Google, Kogan, The Iconic, Rebel Sport, Westfield Direct and Wish.⁶⁸

⁶⁴ See: <https://shop.southmelbournemarket.com.au/>, accessed 13 December 2021.

⁶⁵ See: <https://www.onlycraftbeer.com.au/>, accessed 13 December 2021.

⁶⁶ See: <https://omnify.com/case-studies/>, accessed 16 November 2021.

⁶⁷ See: <https://www.thebusinessconversation.com.au/2019/07/23/award-winning-australian-technology-company-fusion-factory-boosted-4m-equity-raise>, accessed 1 November 2021. Unified commerce solutions can be purchased from a number of firms, such as, Salesforce, Shopify, Zellis Connect and Comestri. Advice is available on which platform to use from consultants such as Unified Commerce.

⁶⁸ See: <https://www.channeladvisor.com/channels-we-support/?nation=australia®ion=oceania>, accessed 27 October 2021.

Various providers, including Channel Advisor, Shopify and Zellis Connect, offer unified commerce solutions in Australia.⁶⁹ These software solutions make it easy to sell via many channels quickly, with little upfront cost.

2.6 Outcomes of competition

Retailers have reported that consumers are increasingly price sensitive and that retailers have to adjust pricing by offering more frequent and larger discounts.⁷⁰ Most retailers review prices daily or weekly, and the frequency with which they do so has increased over time.⁷¹ The RBA suggests that this trend is likely to reflect changes in technology that have reduced information costs for consumers and firms.⁷²

The RBA also found that retail net and gross margins declined for retailers between 2006 and 2018, consistent with heightened competition.⁷³

One outcome of this competition is that retailers who sell through online channels generally offer fast and, in many cases, free delivery, with the majority of the top 500 retailers offering delivery within three days of ordering.

Retailers need to reduce delivery times as much as possible to compete with retailers selling in the offline channel. Offline retail has the advantage that products can be purchased immediately, but online retailers can better compete by reducing delivery time and the time involved in the shopping experience, eg, driving to the shops and back.

In conclusion, there are a large and diverse number of retailers of all sizes using various channels to reach consumers. New technologies are enabling

all types of retailers to thrive, so there is no reason to think that the retail sector will become more concentrated in the foreseeable future. The diverse and dynamic nature of retailers will continue to contribute to the competitive nature of retail in Australia.

We describe in the following chapter how consumers make effective choices and so drive competition between retailers.

⁶⁹ See: <https://zellisconnect.com.au/unified-commerce/>, <https://www.shopify.com.au/blog/unified-commerce> and <https://www.channeladvisor.com/about/our-story/>, accessed 22 October 2021. Globally, there are a large number of e-commerce solution providers. See: <https://storeleads.app/reports>, accessed 22 October 2021.

⁷⁰ Reserve Bank of Australia, Carter, M, *Competition and profit margins in the retail trade sector*, June 2019, p 112.

⁷¹ Reserve Bank of Australia, Carter, M, *Competition and profit margins in the retail trade sector*, June 2019, p 114.

⁷² Reserve Bank of Australia, Carter, M, *Competition and profit margins in the retail trade sector*, June 2019, p 113.

⁷³ Reserve Bank of Australia, Carter, M, *Competition and profit margins in the retail trade sector*, June 2019, pp 115-116. We note that there are limitations to using sector-wide margins in drawing conclusions regarding competition.

Case Study 2: Reflex Ultra White 80gsm A4 Copy Paper 5 x 500 sheets

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 a4 reflex paper
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 reflex paper woolworths

Stationery Stores

PAYLESSDEAL PRICE COMPARISON SITE

PURCHASE

OzBargain Deals Brands Products Events

Reflex Paper

4.5
32 reviews

Customer reviews
 4.8 out of 5
 188 global ratings
 5 star 87%
 4 star 10%
 3 star 1%
 2 star 0%
 1 star 2%

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 Office National
 Woolworths
 Australia Post
 Bennetts
 Officeworks
 Costco
 kogan.com
 Office National
 Woolworths
 Australia Post
 Bennetts
 Officeworks

The busy nature of this diagram reflects the many and diverse options available to consumers.

3. Effective consumer choice drives competition

Continued innovation has improved the information available to consumers. Consumers can quickly and easily use a combination of online and offline sources of information to search for, assess and purchase a product. This increases transparency, reduces the difficulty in searching and comparing products leading to greater competitive pressure on retailers. Consumers now use multiple channels and retailers, and are able to change between them across every step of the purchase process with essentially no switching costs.

Consumers that purchase from a marketplace use many other channels (and retailers) and often direct only a relatively small proportion of their retail spend to the marketplace channel. For example, consumers that use a marketplace service spend substantially more with brick-and-mortar stores than with marketplaces.

Most products are typically sold through a number of channels or retailers. In that case, the product received by consumers is the same, no matter what channel or retailer is used. The case studies we provide in this report show the many retailers that consumers can choose from to purchase those products.

Consumers expect to, and can, switch freely between channels. Retailers respond by giving consumers the choice of multiple channels to complete their purchase decisions.

Consumers are strongly driven by prices in their choices of retail channels. Most consumers do not have a preference between shopping online directly from the retailer or through a marketplace service, but the most common

reasons that customers choose a retailer's website relate to price or discounts.

3.1 Consumers use a range of retailers

Consumers use multiple channels and retailers and are able to change between them with essentially no switching costs. For example, 82 per cent of consumers responding to the ACCC's survey said they used more than one 'general online retail marketplace'.⁷⁴ A recent study of Australian consumers found that among consumers that have used a marketplace, the average number of marketplaces used was more than three.⁷⁵

Consumers that purchase from retailers offering marketplace services use many other channels (and retailers) and often direct only a relatively small proportion of their retail spend to marketplaces.

This is consistent with cohorts of consumers that shop at offline or various online channels. In other words, consumers that shop at retailers offering a marketplace service behave similarly to all other consumers.

Consumers who use marketplaces also shop at a wide range of other retailers through various channels.

3.2 Products are sold by a range of retailers

Most products are typically sold through a number of retailers and channels. In that case, the product received by consumers is the same, no matter what

⁷⁴ HoustonKemp analysis of ACCC, *General online retail marketplaces report - Consumer questionnaire responses*.

⁷⁵ Akman, P, *A web of paradoxes: empirical evidence on online platform users and implications for competition and regulation in digital markets*, 29 March 2021, (Forthcoming) Virginia Law and Business Review (2022), pp 11-12, available at: <https://ssrn.com/abstract=3835280>.

channel or retailer is used. For example, table 3.1 on the following page shows that Sony WH1000-XM4 headphones can be purchased from at least 30 different retailers that all allow for online purchases, and many have offline stores.⁷⁶ Some of the retailers sell online through their own online stores, through another retailer's online stores, through a retailer offering an offline or online marketplace service and/or through a retailer's or marketplace app.

The headphones received by consumers are the same, whether it is purchased through any of the channels or retailers.

Similarly, the other case studies throughout this report show that the same product can be purchased from many different retailers using a variety of channels.⁷⁷ For example, the case study presented prior to this section is for a particular type of copy paper. It can be purchased at a large number of retailers through many channels.

There are a large number of retailers of various types and sizes, with overlapping or comparable product ranges operating across various retail channels – see diagram 2.1. Part of the reason for this overlap is that the assets and knowhow required to retail one product are often the same or similar to those needed to retail another product.

For example, a men's clothing retailer may be able to expand its scope to sell women's clothing relatively easily, because they require a similar type of online or offline store and the stocking and fulfilment requirements are likely to be the same.

⁷⁶ The full version of this table is at appendix A1, which shows that there are also many more individual retailers offering these headphones via retailers offering marketplace services.

⁷⁷ See appendix A1 for a full list of the retailers from which the products in the case studies can be purchased.

Table 3.1: Retailers of Sony WH1000XM4 Noise Cancelling Wireless Headphones with Alexa Voice Control, sorted by minimum price

Retailer name	Brick & mortar	Website	Marketplace	App	Min Price (ex del)	Max Price (ex del)	Store pickup	Delivery (DA DL) + Extra charge (EC)	Card	Buy now, pay later	PayPal	Cash
Myer	✓	✓	✗	✗	\$349.00	-	✓	DA	✓	✓	✓	✓
Gumtree	✗	✓	✓	✓	\$350.00	\$380.00	✓	N/A	✗	✗	✗	✓
ZUMI	✗	✓	✗	✗	\$375.00	\$385.00	✓	DA	✓	✓	✓	✗
Kogan.com	✗	✓	✓	✓	\$375.99	\$389.00	✗	DA + EC	✓	✓	✓	✗
My Deal	✗	✓	✓	✓	\$379.00	\$399.00	✗	DA	✓	✓	✓	✗
Ebay	✗	✓	✓	✓	\$382.00	\$499.00	✓	DA + EC	✓	✓	✓	✓
Mobileciti Online	✓	✓	✗	✗	\$383.00	\$394.00	✓	DA	✓	✓	✓	✓
Techciti	✓	✓	✗	✗	\$383.00	\$394.00	✗	DA	✗	✗	✓	✓
Catch.com.au	✗	✓	✓	✓	\$383.00	\$399.00	✓	DA	✓	✓	✓	✗
Amazon AU	✗	✓	✓	✓	\$383.00	\$499.00	✗	DA + EC	✓	✓	✗	✗
Oz Sale	✗	✓	✓	✗	\$384.95	-	✗	DA + EC	✓	✓	✓	✗
Buy Mobile	✗	✓	✗	✗	\$384.95	\$439.95	✗	DA + EC	✓	✓	✓	✗
Addicted to Audio	✓	✓	✗	✗	\$388.00	-	✓	DA	✓	✓	✓	✓
Dick Smith	✗	✓	✓	✗	\$389.00	-	✗	DA	✓	✓	✓	✗
JW Computers	✓	✓	✗	✗	\$389.00	\$398.00	✓	DA	✓	✓	✓	✓
Officeworks	✓	✓	✗	✗	\$392.00	-	✓	DA	✓	✓	✗	✓
JB Hi Fi	✓	✓	✗	✗	\$395.00	-	✓	DA + EC	✓	✓	✓	✓
The Good Guys	✓	✓	✗	✗	\$395.00	-	✓	DA + EC	✓	✓	✓	✓
TechCart	✗	✓	✗	✗	\$395.00	\$438.75	✗	DA + EC	✓	✗	✗	✗
Vchain AU	✗	✓	✗	✗	\$397.00	-	✗	DA	✓	✗	✓	✗
Harvey Norman	✓	✓	✗	✗	\$398.00	-	✓	DA + EC	✓	✓	✓	✓
Domayne.com.au	✓	✓	✗	✗	\$398.00	-	✓	DA + EC	✓	✓	✓	✓
Bing Lee	✓	✓	✗	✗	\$399.00	-	✓	DA + EC	✓	✓	✓	✓
Sony Australia	✓	✓	✗	✗	\$399.00	\$449.95	✓	DA	✓	✓	✓	✓
Big W	✓	✓	✗	✗	\$399.95	-	✓	DA + EC	✓	✓	✓	✓
Melbourne Hi-Fi	✓	✓	✗	✗	\$445.00	-	✓	DA	✓	✓	✓	✓

Source: Amazon. Note: Some options have been omitted to allow the table to fit on this page. See appendix A1 for the full list.

Some retailers focus on a specialised category of products, whilst some have a more general range. For example, table 3.1 on the previous page shows that a particular pair of Sony headphones can be purchased from:

- niche retailers, such as Addicted to Audio, which sells audio equipment, including headphones;
- more general electronics retailers, such as JB Hi-Fi or Bing Lee, which sell headphones as well as a wide variety of electronics and media;
- department stores, such as Myer, which sells headphones as well as products across many categories; and
- retailers online through their own website or a marketplace service that may be either niche or general retailers such as Kogan and MyDeal.

3.3 Consumers are channel agnostic

Consumers expect to, and can, switch freely between channels. Retailers observe and respond to this behaviour – Officeworks has observed that:⁷⁸

Our customers expect to be able to shop whenever and however they want, be it online, in-store, with one of our business account managers, or on their phone.

Retailers respond by giving consumers the choice of multiple channels to complete their purchase decisions. For example, 22 out of 26 retailers of the Sony Headphones examined in our case study in table 3.1 are omni-channel

– they sell this product from more than one of: an offline store, their own website, an online store, a marketplace or their own mobile app.⁷⁹

Consumers increasingly use multiple channels across every step of the purchase process, eg:

- digital channels drive customers to offline stores to make purchases,⁸⁰ with customers accessing information online before and during visiting an offline store.⁸¹ 53 per cent of Australian shoppers say they always research on the internet when planning a major purchase,⁸² and 60 per cent of customers primarily search online, greater than the proportion purchasing online;⁸³
- consumers can gather information from offline stores and turn to alternative channels for purchasing, visiting an offline store to evaluate products first, and using mobile technology while in-store to compare products for potential purchase via any number of channels;⁸⁴
- recent research suggests that as much as 91 per cent of Australian consumers are omni-channel shoppers, and 49 per cent of Australian shoppers say they like to order online and pick up in-store;⁸⁵ and
- Australian consumers think that having both an offline and online presence is important for a store – according to a recent survey, 83 per cent of shoppers said it is crucial that a brand now have an online presence, whilst 77 per cent of people think the act of shopping means

⁷⁸ KPMG, *Australian retail outlook 2020*, Inside Retail, February 2020, p 41.

⁷⁹ See appendix A1 for more case studies of products.

⁸⁰ Google, *Omni-channel shoppers: an emerging retail reality*, March 2015, p 2.

⁸¹ A survey from Barilliance found that in 2017, 21 per cent of consumers browse online for information before visiting a bricks-and-mortar stores, with 34 per cent saying they did this sometimes, and 37 per cent saying some of the time. See: <https://www.barilliance.com/study-online-offline-habits-australian-shoppers/>, accessed 13 November 2021.

⁸² Statista, *e-commerce in Australia*, 2021, p 35.

⁸³ EcommerceDB, *Ecommerce in Australia 2020*, December 2020, p 26.

⁸⁴ Rapp, A, Baker, TL, Bachrach, DG, Ogilvie, J, Beitelspacher, LS, *Perceived customer showrooming behaviour and the effect on retail salesperson self-efficacy and performance*, *Journal of Retailing*, 91(2), pp 358-360, 2015.

⁸⁵ Google says that 91 per cent of Australian consumers interact with brands via two or more channels and NielsenIQ says that 78 per cent of shoppers in Asia-Pacific are omnichannel shoppers. NielsenIQ, *Covid-19 has flipped the value proposition of omnichannel shopping for constrained consumers*, 6 October 2020; Think With Google, *Aussies and Kiwis are omnichannel shoppers: show up wherever they research and buy*, August 2021; EcommerceDB, *Ecommerce in Australia 2020*, December 2020, p 24.

going into physical store.⁸⁶ Similarly, another survey found that most consumers prefer to shop in physical stores.⁸⁷

Consumers are strongly driven by prices in their choices of channels and retailers:

- most consumers do not have a preference between shopping online directly from the retailer or through a marketplace service;
- Australians who shop online are likely to abandon a cart due to shipping costs that are too high, consistent with customers being price sensitive and switching between retailers at any point in the purchase process; and
- some retailers with offline stores have responded to consumers' willingness to switch between retail channels by price matching (or beating) both offline and online retailers.⁸⁸

This is consistent with a number of articles from outside of Australia that have found there is strong competition between bricks-and-mortar and online retail stores.⁸⁹

3.4 Consumers are empowered to make good purchase decisions

New technologies have increased the ability of consumers to search for products quickly and easily, assess which is best and make a purchase. This

⁸⁶ See: <https://insideretail.com.au/business/most-australians-still-see-shopping-as-in-store-not-online-shopify-202109>, accessed 2 November 2021.

⁸⁷ See: <https://www.shopassociation.org.au/news/new-research-australians-prefer-shopping-store-virtual-experiences-help-drive-online-purchases>, accessed 2 November 2021.

⁸⁸ See, for example, Officeworks, *Price beat guarantee*, available at <https://www.officeworks.com.au/information/policies/price-beat-guarantee>, accessed 22 October 2021.

⁸⁹ For example, see: Forman, C, Ghose, A and Goldfarb, A, *Competition between local and electronic markets: how the benefit of buying online depends on where you live*, *Management Science*, 55(1), 2008; Forman, C, Ghose, A and Goldfarb, A, *Competition between local and electronic markets: how the benefit of buying online depends on where you live*, *Management*

has strengthened competition. For example, making it easier to access accurate information on product characteristics increases competition because consumers are more likely to find the best product for themselves, and so the benefit to a firm of providing that product increases.⁹⁰

Reduction in search costs (the costs involved in accessing information) can be expected to lead to people purchasing products that more closely match their preferences,⁹¹ lower prices, less price dispersion and the growth of low-cost producers.⁹²

Figure 3.1 shows that retail consumers are able to drive competition by making good purchasing decisions. They can search and find relevant information, compare the products available and purchase what they want.⁹³

Competition takes place on the merits when consumers are able to make good purchase decisions. Retailers must compete by attracting consumers to their stores and providing products at lower prices with greater convenience and a good customer experience.

Science, 55(1), 2008; He, L, Reimers, I and Shiller, B, *Does Amazon exercise its market power? Evidence from Toys R Us*, 2021.

⁹⁰ Goldfarb, A and Tucker, C, *Digital economics*, *Journal of Economic Literature*, 57(1), 2019.

⁹¹ Goldfarb, A and Tucker, C, *Digital economics*, *Journal of Economic Literature*, 57(1), 2019, p 8.

⁹² Syverson et al, *E-commerce and the market structure of retail industries*, *The Economic Journal*, August 2009. Lieber, E and Syverson, C, *Online versus offline competition*, in Peitz, M and Walkfogel, J (eds), *The Oxford Handbook of the Digital Economy*, Oxford University Press, 2012. Bakos, J Y, *Reducing buyer search costs: implications for electronic marketplaces*, *Management Science*, 1997, p 25.

⁹³ Framework based on: Office of Fair Trading, *What does behavioural economics mean for competition policy?*, March 2010, pp 10-11.

Figure 3.1: Consumers drive effective competition in the retail sector



Source: HoustonKemp analysis.

3.4.1 Consumers can search easily

Consumers rely on multiple sources of information in their search process, which can come from independent (and often disparate) channels and there is increasing demand for a seamless experience throughout the buying process.⁹⁴ Consumers use search engines and other technology in finding products and retailers – customer engagement platform Emarsys says:⁹⁵

With countless platforms and channels available, today's consumers have easy access to the information and experiences they want, whenever and wherever they want them. As a result, customers rarely make decisions without substantial research or advice from trusted sources. Why? Because social media, mobile devices, and increased access to the Internet all make it easy to quickly become a well-informed consumer before embarking into any buying process.

The case studies that we have shown throughout this report include a wide range of sources of information for consumers in relation to those products.

3.4.2 Consumers can assess offers from retailers and across channels

The assessment phase of the purchase process can use a broad range of resources, such as:

- video and blog product reviews;
- social networks and other online communities;⁹⁶
- price comparison and 'deal' websites;⁹⁷ and

⁹⁴ Van Bruggen, GH, Antia, KD, Jap, SD, Reinartz, WJ, and Pallas, F, *Managing marketing channel multiplicity*, Journal of Service Research, 13(3), p 331, 2010.

⁹⁵ Emarsys, *Marketer + machine: the empowered marketing revolution*, p 3.

⁹⁶ Customers are frequently interacting with each other on social media to share information. See, for example: Van Bruggen, GH, Antia, KD, Jap, SD, Reinartz, WJ, and Pallas, F, *Managing marketing channel multiplicity*, Journal of Service Research, 13(3), p 333, 2010.

⁹⁷ See, for example <https://www.ozbargain.com.au/> and <https://au.camelcamelcamel.com/>, accessed 10 January 2022.

- examining products instore.⁹⁸

The Reserve Bank of Australia has noted that:⁹⁹

Consumers are able to easily compare the price of products across multiple firms and determine which is offering the lowest price.

The existence of these services help consumers make effective purchasing decisions.

3.4.3 Customers purchase products through various channels and from retailers that offer the best deal

Prices are largely driving consumer decisions, which leads to strong competition on prices between retailers. Australians who shop online are likely to check the price before purchasing. For example, consumers using Google Shopping can see prices from various sellers. This is one of the reasons for many of the retailers of the case study products set out in this report having similar prices.¹⁰⁰

Consumers use marketplaces to make sure they are getting a good price as marketplaces help them compare prices

Once consumers have made a decision based on the wealth of information they have at their fingertips, it is a simple matter to make a purchase quickly and easily at their preferred retailer.

A purchase is not necessarily the end of the purchase journey. Most online stores have generous returns policies so there is opportunity to correct any 'errors' on a purchase within a period after purchase.

Taken together, the evidence in this section indicates that consumers readily switch between different retail channels and retailers within channels, and are

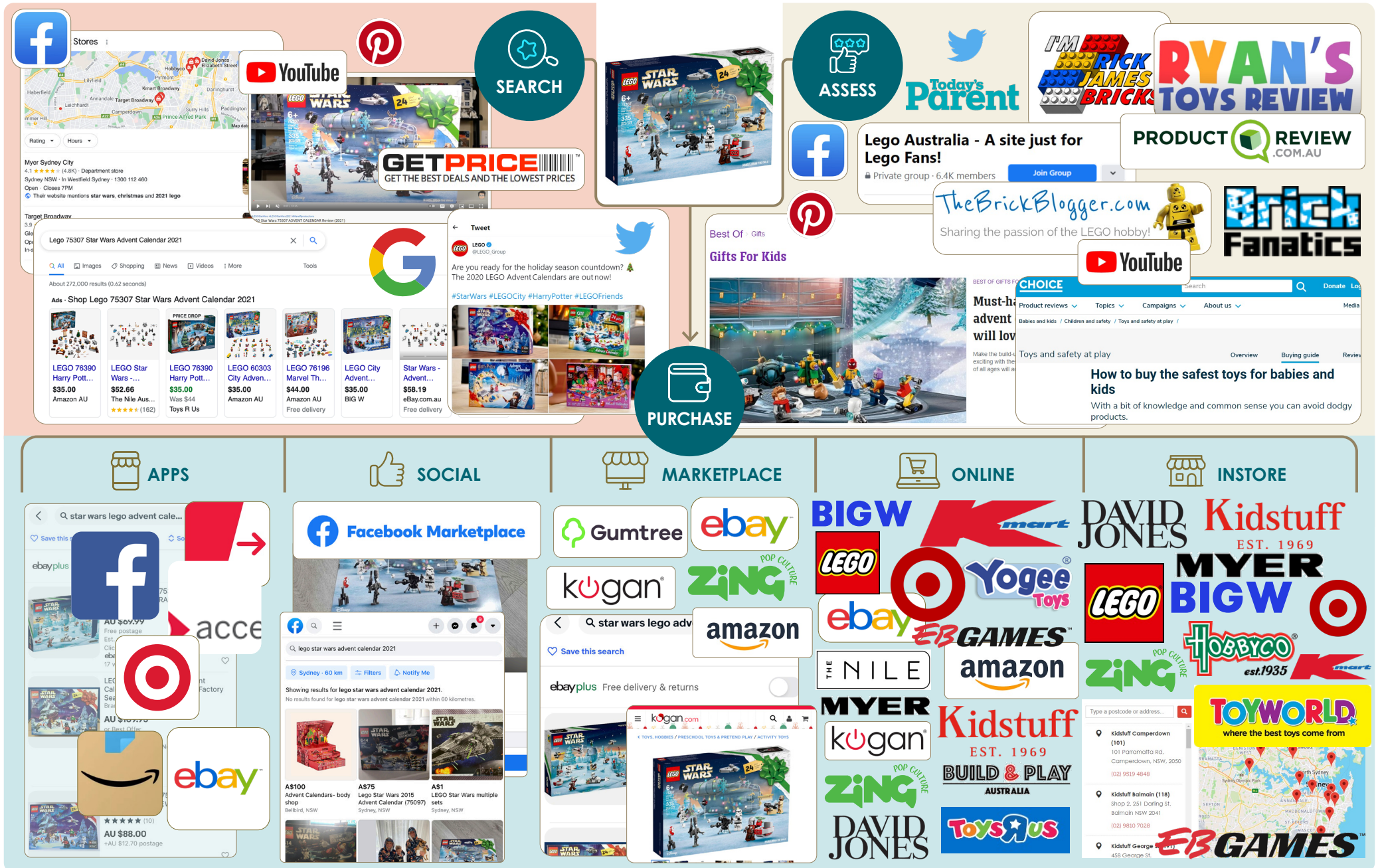
able to search for and find the best combination of price, quality and service across a wide range of products.

⁹⁸ Rapp, A, Baker, TL, Bachrach, DG, Ogilvie, J, Beitelspacher, LS, *Perceived customer showrooming behaviour and the effect on retail salesperson self-efficacy and performance*, Journal of Retailing, 91(2), p 358, 2015.

⁹⁹ Reserve Bank of Australia, Carter, M, *Competition and profit margins in the retail trade sector*, June 2019, p 113.

¹⁰⁰ See Table A1.1, Table A1.2 and Table A1.3.

Case Study 3: Lego Star Wars Advent Calendar 2021



The busy nature of this diagram reflects the many and diverse options available to consumers.

Case Study 4: Breville Barista Express Espresso Machine, Black Sesame



The busy nature of this diagram reflects the many and diverse options available to retailers.

A1. Case studies

This appendix sets out the information collected on the case study products set out in this report. These case studies were conducted through the end of October 2021 and into early November 2021.

Table A1.1: Reflex Australian Made Ink Wise Reflex Ultra White Office Copy Paper A4, 500 Sheets, Carton of 5 Pac7000 Paper

Retailer name	Channel	Multi-channel?	Min Price	Max Price	Store pickup?	Delivery (DA DL) + Extra charge	Loyalty Program	Paid membership programs	Payment methods	Other offers
Amazon (Amazon Retail and 3rd party sellers)	Website; Marketplace (3rd party); App	No	\$23.50	\$24.95	No	DA	No	Amazon Prime	Credit card, union pay, ZIP	Free shipping with Amazon Prime
Australia Post	Brick & mortar (x4,330); Website	Yes	\$24.95 (currently on sale)	\$34.95	No	DA + EC	No	No	Cash in store, Credit cards, AMEX, PayPal, Alipay, WeChatPay	Free shipping over \$30
Officeworks	Brick & mortar (x167); Website; Click & collect	Yes	\$23.50	-	Yes	DA + EC	No	No	Cash in store, credit card, UnionPay, Diners Club, Openpay, ZIP, Afterpay, PayPal, FlyPay, gift cards	2 hour Click and collect Price match Free shipping over \$55
Woolworths	Brick & mortar (x1,051); Website; App; Click & collect	Yes	\$27.50 (currently on sale)	\$34.95	Yes	DL + EC	Everyday Rewards	No	Cash in store, credit cards, Diners Club, PayPal, AMEX, gift cards, Reward \$	Click to boot, reward points Free shipping on first shop or over \$300
Coles	Brick & mortar (x807); Website; App; Click & collect	Yes	\$25.00 (currently on sale)	\$34.95	Yes	DL + EC	Flybuys	Coles Plus (online) \$19.00 per month	Cash in store, credit cards, AMEX, gift cards (in store only), Flybuys rewards, Coles Credit Cards, PayPal	Free shipping over \$250

Retailer name	Channel	Multi-channel?	Min Price	Max Price	Store pickup?	Delivery (DA DL) + Extra charge	Loyalty Program	Paid membership programs	Payment methods	Other offers
Ebay.com.au	Marketplace (3rd party); App; Website	No	\$27.79	\$39.99	Click and collect option for some 3rd parties	DA + EC (some sellers)	No	Ebay plus \$4.99 per month	PayPal, cash on pickup (for some sellers), bank transfer, bank cheques, money orders, credit card, AMEX, Google Pay, Afterpay, Apple Pay, gift cards	Offers discount codes on selected items Free shipping from some sellers
Winc Australia	Website	No	\$27.45	-	No	DA + EC	No	No	Credit cards, AMEX	Price match guarantee Free shipping over \$55
Costco	Brick & mortar (x12); Website (currently out of stock online); App	Yes	\$31.49	-	No	DA + EC	No	Membership \$60 annual fee (individuals) \$55 annual fee (business)	Cash in store, credit cards	Free shipping over \$75
Stationeryworld.net.au	Brick & mortar (x1); Website; Click & collect	Yes	\$36.75	-	Yes	DA + EC	No	No	Credit card, AMEX, bank transfer	
The following retailers sell only singular/varied quantities of this product										
Office National	Brick & mortar (x180); Website; App	Yes	\$31.02	-	No	DA	No	No	Cash in store, credit cards, PayPal	Discount applies for bulk purchases
Mega Thing	Website	No	\$6.60 (singular)	\$93.72 (15 reams)	No	DA + EC	No	No	Credit cards, Amex, PayPal, Afterpay, Apple Pay	Free shipping for orders over \$55
Big W	Brick & mortar (x183); Website; Click & collect	Yes	\$6.00	-	Yes	DA + EC	Everyday Rewards	No	Cash in store, credit cards, ZIP, AfterPay, LayBuy, PayPal, gift cards	Click and collect Free shipping over \$45

Retailer name	Channel	Multi-channel?	Min Price	Max Price	Store pickup?	Delivery (DA DL) + Extra charge	Loyalty Program	Paid membership programs	Payment methods	Other offers
Rapid Office	Website	No	\$5.12 (singular)	\$1,756.36 (pallet)	No	DA + EC	No	No	Credit cards, Amex	Free shipping for orders over \$55 in Melb. Free shipping for orders over \$110 Aus wide
Bennetts Office Supplies	Brick & mortar (x2); Website	Yes	\$5.95	-	No	DA + EC	No	No	Cash in store, Credit cards, Amex, Diners Club, PayPal, ZIP	Discount offered for multiples
Impact Office Supplies	Website	No	\$33.10	-	No	DA + EC	No	No	Credit card	Free delivery over \$55 Fast dispatch 1-2 days Discount for multiples
Facebook Marketplace	Website; App; Marketplace (Peer to Peer)	No	\$6.00	\$35.00	Yes	N/A	No	No	Cash, direct deposit (depending on seller)	
The following retailers sell similar versions of this product (recycled paper)										
MyDeal	Website; App; Marketplace (3rd party)	No	\$65.99	-	No	DA	Shop & Earn	No	Credit cards, Openpay, ZIP, Afterpay, PayPal	Free shipping
Kogan	Website; App Kogan App); Marketplace (3rd party)	No	\$47.99	-	No	DA	Kogan Money	Kogan First (free delivery, express upgrades, priority customer service, discounts, exclusive specials) - Free 14 day trial - \$49 annually	Credit cards, Kogan Money, PayPal, Latitude Pay, ZIP, Afterpay, Humm, OpenPay, Klarna, AliPay, Google Pay, HUMM, Openpay, Klarna, Citipoints, Qantas Frequent Flyer Points	Free shipping

Table A1.2: LEGO Star Wars Advent Calendar 75307

Retailer name	Channel	Multi-channel?	Min Price	Max Price	Store pickup?	Delivery (DA DL) + Extra charge	Loyalty Program	Paid membership programs	Payment methods	Other offers
Amazon AU (Amazon Retail and 3rd party sellers)	Marketplace (3rd party); Website; App	No	\$60.20	\$67.50	No	DA	No	Amazon Prime	Visa/Amex/Mastercard UnionPay, ZIP	Free shipping with Amazon Prime
Lego	Website; Brick & mortar (x12); click and collect	Yes	\$49.99	-	Yes	DA + EC	Lego VIP	No	Credit cards, Apple Pay, AMEX, ZIP, Humm, LayBuy, Openpay, cash in store	Express shipping available Free shipping over \$149
Big W	Brick & mortar (x182); Website; Click and collect	Yes	\$39.00	-	Yes	DA + EC	Everyday Rewards	No	Cash in store, credit cards, ZIP, AfterPay, LayBuy, gift cards, PayPal	Click and collect Free shipping over \$45
David Jones	Brick & mortar (x45); Website; Click and collect	Yes	\$49.95	-	Yes	DA + EC	David Jones Rewards	No	Credit card, Amex, Afterpay, UnionPay, Diners Club, JCB, gift cards, PayPal, AliPay, David Jones Express Card	Click and collect Free shipping over \$50
Myer	Brick & mortar (x60); Website; Click and collect	Yes	\$49.99	-	Yes	DA	Myer One	No	Credit card, PayPal, Afterpay, Humm, cash in store, Apple Pay, gift cards	Same day Click and collect Free shipping over \$49 Bonus gift over \$100
Kmart	Brick & mortar (x52); Website; Click and collect	Yes	\$45.00	-	Yes	DA + EC	Flybuys	No	Cash in store, credit cards, Afterpay, ZIP, PayPal, flypay	Click and collect Free shipping over \$65
Target	Brick & mortar (x38); Website; Click and collect App	Yes	\$39.00	-	Yes	DA + EC	Flybuys	No	Cash in store, credit cards, Afterpay, ZIP, AMEX, PayPal	Click and collect Free shipping over \$45
Kogan	Website; Marketplace (3rd party); App (Kogan App)	No	\$52.99	-	No	DA	Kogan Money	Kogan First Free 14 day trial and \$49 annually	Visa/MasterCard/Amex, Kogan Money, PayPal, LatitudePay, ZIP, Afterpay, AliPay, Google Pay, HUMM, Openpay, Klarna, Citipoints, Qantas Frequent Flyer Points	Kogan First - free shipping, express upgrades, priority customer service, discounts, exclusive specials

Retailer name	Channel	Multi-channel?	Min Price	Max Price	Store pickup?	Delivery (DA DL) + Extra charge	Loyalty Program	Paid membership programs	Payment methods	Other offers
Imrickjamesbricks.com.au	Brick & mortar (x1); Website	Yes	\$40.00	-	No (sold out)	DA	No	No	Cash in store, credit cards, Amex, Apple Pay, PayPal, ZIP, Gift cards	
Zing Pop Culture	Brick & mortar (x142); Website; Marketplace (3rd party); Click and collect	Yes	\$55.00	-	Yes	DA + EC	No	No	Cash in store, credit cards, Diners Club, AMEX, PayPal, ZIP, Afterpay, gift cards, LimePay	Click and collect Same day delivery
Kidstuff	Brick & mortar (x50); Website; Click and collect	Yes	\$59.99	-	Yes	DA + EC	Yes	No	Cash in store, credit cards, AMEX, PayPal, gift cards	Click and collect Free shipping over \$150
EB Games	Brick & mortar (x329); Website; Click and collect	Yes	\$55.00	-	Yes	DA + EC	No	No	Cash in store, credit cards, AMEX, PayPal, ZIP, Afterpay, gift cards, LimePay	Click and collect, same day delivery
Ebay (3rd party marketplace)	Website; Marketplace (3rd party); Click and collect; App	No	\$40.00	\$103.99	Click and collection option available for some 3rd party	DA + EC (some sellers)	No	Ebay Plus	PayPal, cash on pickup (for some sellers), bank transfer, bank cheques, money orders, credit card, AfterPay, AMEX, Google Pay, gift cards, Apple Pay	Offers discount codes on selected items Free shipping from some sellers
HobbyCo	Brick & mortar (x5); Website	Yes	\$49.99	-	No	DA + EC	No	HobbyCo Membership \$30 (yearly)	Cash in store, credit cards, AMEX, PayPal, Afterpay, ZIP	Free shipping over \$99
Bricks to the World	Website	No	\$49.95	-	No	DA + EC	No	No	Credit card, PayPal, Bank transfer, Money order, gift certificates	
The Nile Australia	Website	No	\$52.66	-	No	DA + EC	No	No	Credit card, Afterpay, ZIP, PayPal, AMEX	
Toyworld	Brick & mortar (x120); Website	Yes	\$45.00	\$49.99	Yes - Click and collect at selected stores	DA + EC	Toyworld Club	No	Cash in store, Visa, Mastercard and PayPal	
Yogee Toys	Website	No	\$54.90	-	No	DA + EC	Yes	No	Credit card, PayPal, direct deposit	

Retailer name	Channel	Multi-channel?	Min Price	Max Price	Store pickup?	Delivery (DA DL) + Extra charge	Loyalty Program	Paid membership programs	Payment methods	Other offers
Build and Play	Website	No	\$59.99	-	No	DA	No	No	Visa, Mastercard, PayPal, ZIP	
Bricks Direct (AU website)	Website; Click and collect (warehouse)	Yes	\$35.74 (plus \$41.71 shipping)	-	Yes (temporarily unavailable)	DA + EC	No	No	Bank transfer, Credit cards, Klarna	Free shipping over \$250 Click and collect from warehouse
Legolanddiscovery centre.com.au	Brick & mortar (x1); Website; Click and collect (Melbourne)	Yes	\$49.99	-	Yes	DA + EC	No	No	Credit cards, Amex, ZIP	
The Play Room	Brick & mortar (x2); Website	Yes	\$49.99	-	Yes	DA + EC	No	No	Credit cards, Apple Pay, Google Pay, PayPal, Afterpay, ZIP, cash in store, gift cards	
Toys "R" Us	Website	No	\$39.00 (sold out)	-	No	DA + EC	No	No	Credit cards, Amex, Afterpay, ZIP, Humm, PayPal,	JCB
Zavvi	Website	No	\$47.99 (sold out)	-	No	DA + EC	No	No	Credit cards, PayPal, Klarna, Afterpay, ZIP, AMEX, AliPay	International shipping. Spend \$125, save \$25 with code
The Gamesmen	Brick & mortar (x1); Website; Click and collect	Yes	\$49.95 (sold out)	-	Yes	DA + EC	No	No	Credit cards, Afterpay, ZIP, Openpay, cash in store, bank transfer, PayPal	Same day delivery in Sydney. Same day dispatch
Gumtree	Website; Marketplace (Peer to Peer); App	No	\$40.00	\$55.00	Yes	DA	No	No	Cash, direct deposit (depending on seller)	
Facebook Marketplace (note – not the 2021 edition)	Website; Marketplace (Peer to Peer); App	No	\$40.00	\$75.00	Yes	N/A	No	No	Cash, direct deposit (depending on seller)	

Table A1.3: Sony WH1000XM4 Noise Cancelling Wireless Headphones with Alexa Voice Control

Retailer name	Channel	Multi-channel	Min Price	Max Price	Marketplace prices available	Store pickup?	Delivery (DA DL) + EC	Loyalty Program	Paid membership programs	Payment methods	Other offers
Amazon AU (Amazon Retail and 3rd party sellers)	Website; Marketplace; App	No	\$383.00 (Mobileciti)	\$499.00 (Sony)	Total sellers: 7 \$385.00 (Xtreme Online, ACS Technology) \$394 (AllPhones) \$399.00 (Wireless 1 eShop) \$484.00 (Becextech)	No	DA + EC (some sellers)	No	Amazon Prime	Visa/Amex/Mastercard UnionPay, Zip	Free delivery with Amazon Prime 90 days free Amazon music unlimited with eligible purchase
Kogan.com	Website; Marketplace (3rd party); App (Kogan App)	No	\$375.99 (Heybattery)	\$389.00 (VChain Global Ecommerce)	Total sellers: 3 \$379.00 (Electronics Superstore)	No	DA + EC (non-members)	Kogan Money	Kogan First (free delivery, express upgrades, priority customer service, discounts, exclusive specials) - Free 14 day trial - \$49 annually	Visa/MasterCard/Amex, Kogan Money, PayPal, LatitudePay, ZIP, Afterpay, AliPay, Google Pay, HUMM, Openpay, Klarna, Citipoints, Qantas Frequent Flyer Points	
JB Hi Fi	Brick & mortar store (x204); website; click and collect	Yes	\$395.00	-	-	Click and collect and delivery to collection points	DA + EC	No	No	Visa/MasterCard/Amex, ApplePay, cash in store, PayPal, Afterpay, ZIP, LatitudePay, Latitude Interest Free and JB HI-FI gift cards	Price match (in-store or over the phone, not online)
Officeworks	Brick & mortar store (x167); website; click and collect	Yes	\$392.00	-	-	Yes	DA	No	No	Visa/MasterCard/Amex, UnionPay, Diners Club, PayPal, Open Pay, ZIP, Afterpay, FlyPay, cash in store	Price beat guarantee 5% (in-store or over the phone, not online), free 2 hour click and collect, free delivery over \$55

Retailer name	Channel	Multi-channel	Min Price	Max Price	Marketplace prices available	Store pickup?	Delivery (DA DL) + EC	Loyalty Program	Paid membership programs	Payment methods	Other offers
Harvey Norman	Brick & mortar store (x56); website; click and collect	Yes	\$398.00	-	-	Yes	DA + EC	No	No	Cash in store, credit card, ZIP, PayPal, 24 months interest free with Latitude Go, LatitudePay	Free 1 hour click and collect Check store stock levels Price match (online and in store)
My Deal	Marketplace (3rd party); website; App (MyDeal)	No	\$379.00 (MyDeal)	\$399.00 (Wireless 1)	Total sellers: 4 \$383.00 (Mobileciti) \$383.99 (Allphones)	No	DA	No	No	PayPal, ZIP, Afterpay, OpenPay, Visa/Mastercard/AMEX	Free shipping, 24-48 hour dispatch \$10 discount for using App, \$10 off first order
Sony Australia	Website; Brick & mortar store (x3); click and collect	Yes	\$399.00	\$449.95	-	Yes	DA	Member benefit/discount based scheme: incl special gifts, birthday surprise; invitation to VIP events; exclusive news and offers; tracking of orders and registrations	No	ZIP; AMEX/Visa/MasterCard Express, PayPal, cash in store	Price match on selected products Free shipping on orders over \$200 until 31 October 2021 Bonus gift box Exclusive Limited Edition Colours
Catch.com.au	Website, App (Catch App); Marketplace (3rd party); click and collect	Yes	\$383.00 (Mobileciti)	\$399.00 (VChain Global Ecommerce)	Total sellers: 3 \$389.00 (This and That Discounts)	Yes at selected Kmart and Target stores - Catch Collect	DA	Flybuys (coalition point-based scheme)	Club Catch (30 day free trial - \$6.50 per month) - exclusive deals, discounts, free shipping)	Visa/MasterCard, AMEX, PayPal, Afterpay, ZIP, Latitude Pay, gift cards	Free shipping Earn FlyBuys Points \$1 = 1 point
ZUMI	Website; click and collect	Yes	\$375.00	\$385.00	-	Yes	DA	No	No	Visa/Mastercard/AMEX, Afterpay, LayBuy, ZIP, Humm, Klarna, PayPal, Bitcoin	Free standard shipping 24 hours dispatch

Retailer name	Channel	Multi-channel	Min Price	Max Price	Marketplace prices available	Store pickup?	Delivery (DA DL) + EC	Loyalty Program	Paid membership programs	Payment methods	Other offers
Minidisc	Brick & mortar store (x1); website; click and collect	Yes	\$383.00	-	-	Yes	DA	No	No	Credit card, cash in store, PayPal, Zip, cheque/money order, bank deposit	Australian stock and warranty Free shipping Aus wide 21 day change of mind returns *Authorised reseller Price match
Bing Lee	Brick & mortar store (x41); website; click and collect	Yes	\$399.00	-	-	Yes	DA + EC	No	No	Credit card, Gift card, AfterPay, PayPal, ZIP, cash in store, Latitude Pay, gift cards	Express click and collect Next Day delivery Price Match
Big W	Brick & mortar store (x182); website; click and collect	Yes	\$399.95	-	-	Yes	DA + EC	Everyday Rewards (coalition point-based scheme)	No	Cash in store, credit cards, ZIP, AfterPay, LayBuy, gift cards, PayPal	Same day delivery. Free pick up direct to boot
The Good Guys	Brick & mortar store (x101); website; click and collect	Yes	\$395.00	-	-	1 hour Click and collect	DA + EC	No	Concierge Members	Credit card, Latitude Pay, AfterPay, PayPal, ZIP, Spot, cash in store, Latitude Interest Free	1 hour click and collect Call ahead for best price (negotiate)
Ebay	App; Marketplace (3rd party); website	No	Individual seller/one-off \$305.00 (pmurfitt15) \$382.00 (This and That Discounts)	Individual seller/one-off \$500.00 (crwh55) \$499.00 (Sony, 1800 Memory)	Total sellers: 22 \$383.00 - \$470.79 (detailed description in endnote)	Click and collect option for some 3rd parties	DA + EC (some sellers)	No	Ebay Plus	PayPal, cash on pickup (for some sellers), bank transfer, bank cheques, money orders, credit card, AfterPay, AMEX, Google Pay, gift cards, ApplePay	
Dick Smith	Website; 3rd party marketplace	No	\$389.00	-	-	No	DA	No	No	Credit card, Amex, PayPal, Latitude Pay, Zip, Afterpay, Humm, OpenPay, Klarna	Free shipping Newsletter sign up - \$5 off first order

Retailer name	Channel	Multi-channel	Min Price	Max Price	Marketplace prices available	Store pickup?	Delivery (DA DL) + EC	Loyalty Program	Paid membership programs	Payment methods	Other offers
Myer	Brick & mortar store (x60); website; click and collect	Yes	\$349.00	-	-	Yes	DA	Myer One	No	Credit card, PayPal, Afterpay, Humm, cash in store, ApplePay, gift cards	Same day click and collect / Free delivery over \$49 / MyerOne points
Domayne.com.au	Brick & mortar store (x23); website; click and collect	Yes	\$398.00	-	-	Yes	DA + EC	No	No	Credit card, Amex, Interest free, Latitude Pay, ZIP, PayPal, gift cards, cash in store	Click and collect, reserve in store, product care
Mobileciti Online	Brick & mortar store (x1); website; click and collect	Yes	\$383.00	\$394.00	-	Yes	DA	No	No	Credit card, PayPal, Afterpay, ZIP, cash in store, direct deposit	Click and collect, express dispatch (24 hours), free shipping on orders over \$100
JW Computers	Brick & mortar store (x4); website; click and collect	Yes	\$389.00	\$398.00	-	Yes	DA	No	No	Credit card, AMEX (in store only), PayPal, Afterpay, ZIP Latitude Pay, Humm, Klarna, cash in store, direct deposit	Free shipping over \$200 Aus wide Click and collect
Techciti	Brick & mortar store (x1); website	Yes	\$383.00	\$394.00	-	No	DA	No	No	PayPal Express, cash in store	Free shipping on product
Facebook Marketplace	Website; Marketplace (Peer to Peer); App	No	\$300.00	\$375.00	-	Yes	N/A	No	No	Cash, direct deposit (depending on seller)	
Gumtree	Website; Marketplace (Peer to Peer); App	No	\$350.00	\$380.00	-	Yes	N/A	No	No	Cash, direct deposit (depending on seller)	
Addicted to Audio	Brick & mortar (x4); website; click and collect	Yes	\$388.00	-	-	Yes	DA	No	No	Credit card, Amex, ZIP, PayPal, Google Pay, Shop Pay, cash in store	Free shipping on orders over \$99

Retailer name	Channel	Multi-channel	Min Price	Max Price	Marketplace prices available	Store pickup?	Delivery (DA DL) + EC	Loyalty Program	Paid membership programs	Payment methods	Other offers
Buy Mobile	Website	No	\$384.95	\$439.95	-	No	DA + EC	No	No	Credit card, Amex, ZIP, PayPal, Gift card, Google Pay, Humm, Latitude Pay, Klarna, PayPal in 4, LayBuy, bank transfer	Extended warranty offered at additional cost
Melbourne Hi-Fi	Brick & mortar (x1); website	Yes	\$445.00	-	-	Yes	DA	No	No	Credit card, Amex, ZIP, PayPal, Google Pay, OpenPay, cash in store	Price match
Oz Sale	Website; Marketplace (3rd party)	No	\$384.95 (Buy Mobile)	-	One retailer only	No	DA + EC	No	No	Credit card, Amex, ZIP, PayPal, Latitude Pay, Humm, Google Pay, Afterpay, ApplePay, MasterPass	
TechCart	Website	No	\$395.00	\$438.75	-	No	DA + EC	No	No	Visa/MasterCard, Stripe, Direct Deposit	Price guarantee
David Jones	Brick & mortar (x45); website	Yes	\$549.00	-		Yes	DA	David Jones Rewards	No	Credit card, Amex, Afterpay, UnionPay, Diners Club, JCB, gift cards, PayPal, AliPay, David Jones Express Card	Free express delivery for orders over \$50
Gimmie	Website	No	\$9.52 per week for 1 year (\$495.04)	\$5.89 per week for 2 years (\$612.56)		No	DA + EC	No	No	Credit card, Gimmie (payment plans)	Offers products with payment plans
Vchain AU	Website	No	\$397.00	-		No	DA	No	No	Credit card, Amex, PayPal, Stripe	Free shipping and returns

Table A1.4: Breville Barista Express Espresso Machine, Black Sesame

Retailer name	Software/platform	Channel	Multi-channel?	Store pickup	Delivery (DA DL)	Loyalty program/points?	Paid membership programs	Payment methods	Comment
Breville	-	Website	No	No	DA	No	No	Credit cards, PayPal, Klarna, AMEX	Supplier's website
Amazon	-	Website; Marketplace; App	No	No	DA	No	Amazon Prime	Visa/Amex/Mastercard UnionPay, Zip	
Catch.com.au	-	Website; App (Catch App); Marketplace (3rd party); Click and collect	No	Yes, Catch Collect - free pick up at selected Kmart and Target stores	DA	Flybuys	Club Catch (30 day free trial - \$6.50 per month) - exclusive deals, discounts, free shipping)	Visa/MasterCard, AMEX, PayPal, Afterpay, ZIP, Latitude Pay, gift cards	
Ebay	-	Website; Marketplace (3rd party); App	No	Click and collect option for some 3rd parties	DA + EC (some sellers)	No	Ebay Plus	PayPal, cash on pickup (for some sellers), bank transfer, bank cheques, money orders, credit card, AfterPay, AMEX, Google Pay, gift cards, ApplePay	
David Jones	-	Brick & mortar (x45); Website; Click and collect	Yes	Yes	DA	David Jones Rewards	No	Credit cards, Amex, Afterpay, UnionPay, Diners Club, JCB, gift cards, PayPal, AliPay, David Jones Express Card	
Myer	-	Brick & mortar store (x60); website; click and collect	Yes	Yes	DA	Myer One	No	Credit cards, PayPal, Afterpay, Humm, cash in store, ApplePay, gift cards	
Harvey Norman	-	Brick & mortar store (x56); website; click and collect	Yes	Yes	DA + EC	No	No	Cash in store, credit card, ZIP, PayPal, 24 months interest free with Latitude Go, LatitudePay, AMEX, gift card	
The Good Guys	-	Brick & mortar store (x101); website; click and collect	Yes	Yes	N/A (pick up only)	No	Concierge Members	Credit card, Latitude Pay, AfterPay, PayPal, ZIP, Spot, cash in store, Latitude Interest Free, AMEX	

Winning Appliances	-	Brick & mortar store (x17); website; click and collect	Yes	No	DA	No	No	Credit card, ZIP, cash in store, AMEX
Gimme	-	Website	No	No	DA + EC	No	No	Credit card, Gimme payment plan
JB Hi Fi	Shopify Plus	Brick & mortar store (x204); website; click and collect	Yes	Click and collect and delivery to collection points	DA + EC	No	No	Visa/MasterCard/Amex, ApplePay, cash in store, PayPal, Afterpay, ZIP, LatitudePay, Latitude Interest Free and JB HI-FI gift cards, Spot
Bing Lee	-	Brick & mortar store (x41); website; click and collect	Yes	Yes	DA + EC	No	No	Credit card, AfterPay, PayPal, ZIP, cash in store, Latitude Pay, gift cards
Appliances Online	-	Website	No	No	DA	No	No	Credit card, AfterPay, PayPal, ZIP, Klarna, Humm. AMEX
Kogan	-	Website; Marketplace (3rd party); App (Kogan App)	No	No	DA	Kogan Money	Kogan First (free delivery, express upgrades, priority customer service, discounts, exclusive specials) - Free 14 day trial - \$49 annually	Visa/MasterCard/Amex, Kogan Money, PayPal, Latitude Pay, ZIP, Afterpay, AliPay, Google Pay, HUMM, Openpay, Klarna, Citipoints, Qantas Frequent Flyer Points
My Deal	-	Marketplace (3rd party); website; App (MyDeal)	No	No	DA	No	No	PayPal, ZIP, Afterpay, OpenPay, Visa/Mastercard/AMEX
Kitchen Warehouse	-	Brick & mortar (x15); Website; Click and collect	Yes	Yes	DA	Our Family Table	No	Credit cards, cash in store, PayPal, Afterpay, Latitude Pay
Dick Smith	-	Website; 3rd party marketplace	No	No	DA + EC	No	No	Credit card, Amex, PayPal, Latitude Pay, Zip, Afterpay, Humm, OpenPay, Klarna
Bi-Rite Home Appliances	-	Brick & mortar (x100+); Website	Yes	Yes	DA + EC	No	No	Credit card, PayPal, ZIP, Humm, cash in store, Afterpay, Latitude Pay
RetraVision	-	Brick & mortar (x20); Website	Yes	Yes	DA	No	No	Credit card, Zip, Latitude Pay, cash in store, Humm, Klarna, PayPal, Apple Pay, GooglePay, AMEX

Betta Home Living	-	Brick & mortar (x155); Website	Yes	Yes	DA	Club Betta	No	Credit card, PayPal, Afterpay, Humm, ZIP, cash in store
JC&P	-	Website	No	No	DA + EC	No	No	Credit card, ZIP, AMEX, OxiPay, PoliPayments, PayPal
Billy Guyatts	Yotpo	Website; Click and collect (warehouse)	Yes	Yes (warehouse)	DA + EC	No	No	Credit card, PayPal, direct deposit, ZIP, Humm, Afterpay, AMEX
Stan Cash	-	Website; Click and collect (warehouse)	Yes	Yes (warehouse)	DA + EC	No	No	Credit card, PayPal, direct deposit, ZIP, Humm, Afterpay, AMEX
Domayne.com.au		Brick & mortar store (x23); website; click and collect	Yes	Yes	DA + EC	No	No	Credit card, Amex, Interest free, Latitude Pay, ZIP, PayPal, gift cards, cash in store, Apple Pay