



Moving Forward

The Future of Commerce

dentsu

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**Commerce today has no boundaries.
Customers no longer 'go shopping' but
are instead 'always shopping' and to
stand out in today's competitive
landscape, businesses need to think
beyond having a static website.**

Introduction

Unpredictable transformation

In our Retail 2020 piece we spoke about the forces driving disruption in retail and ecommerce; the new consumer, the enabler (technology) and the “new retail” driven by next level competition; then COVID-19 arrived, and within the space of three months has caused unpredictable transformation and upheaval, changing consumers mindsets and behaviours, accelerating the uptake of ecommerce and “re-tech” and given agile retailers an even more significant competitive advantage.

Retail in Australia has been extremely volatile; consumers shopping behaviour has been unpredictable and fluid during the crisis, benefiting some retailers whilst hurting others and the industry is facing some key challenges. In this piece we are going to explore some trends, opportunities and strategies that would enable Australian commerce to come out of this crisis leaner, more flexible, competitive and technologically ready.



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A grayscale photograph of a group of people in a retail setting. In the foreground, a woman with blonde hair tied back is seen from the side, wearing a dark, textured sweater. She is looking towards the camera. In the background, several other people are visible, including a man in a dark jacket and a woman in a light-colored top. The image has a soft, slightly blurred quality, suggesting a candid moment in a store.

COVID-19 Retail Disruptors

New Consumer Mindsets

Distressed consumers

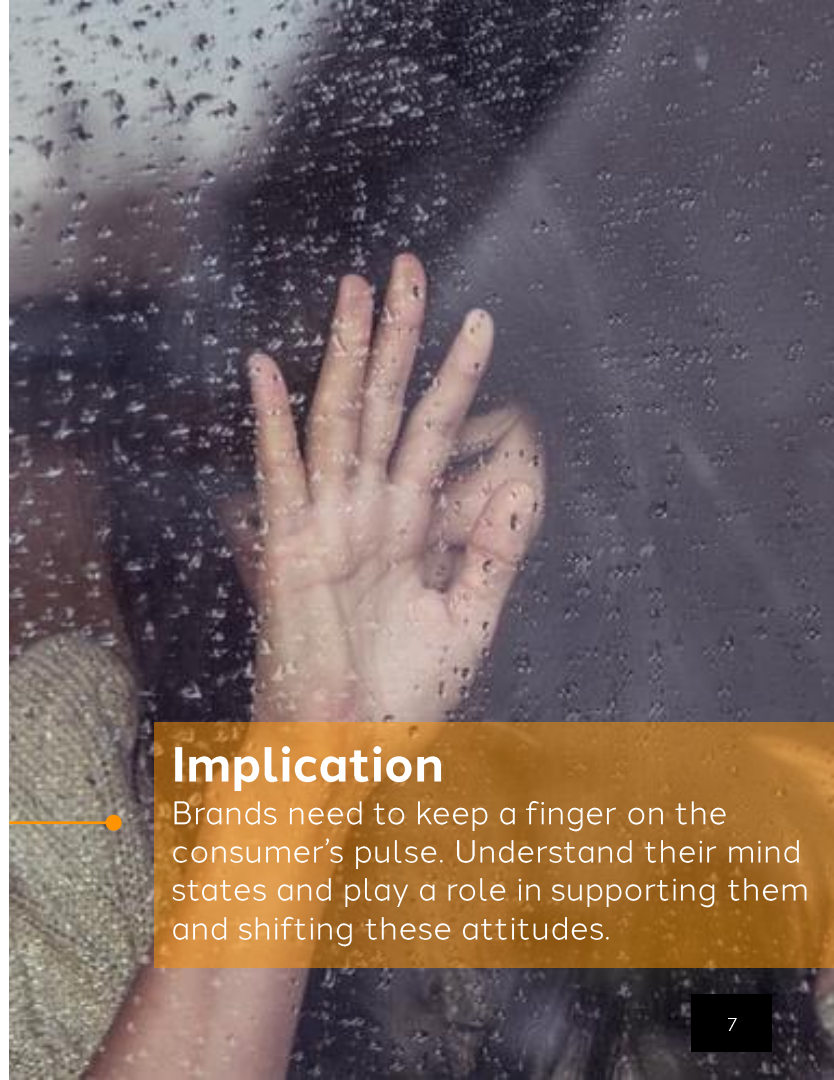
Feeling overwhelmed and more vulnerable

The COVID-19 pandemic has accelerated change significantly and driven new consumer mindsets. We have defined these new attitudes as the new 4Ds: Diverse, Distressed, Disconnected and Disillusioned. Brands and retailers have a role to play in shifting these attitudes and genuinely helping consumers.

Australians were coming out of isolation facing another unknown reality “the new normal” slowly starting the journey back to their normal routines and schedules, whilst concerns over job security, household finances and mental health were on the rise. Many Australians were confident that the worst was behind us when a new wave of coronavirus cases in Victoria left the country once again in fear.

As cases increase and the crisis lengthens, people are becoming more pessimistic about the timeframe for Australia to overcome coronavirus. Our dentsu Intelligence COVID-19 tracker shows that in the early stages of the outbreak, people were confident that Australia would overcome the crisis in 9 months (Wave 1) and life would return to normal. This has increased to 11.2 (Wave 12).

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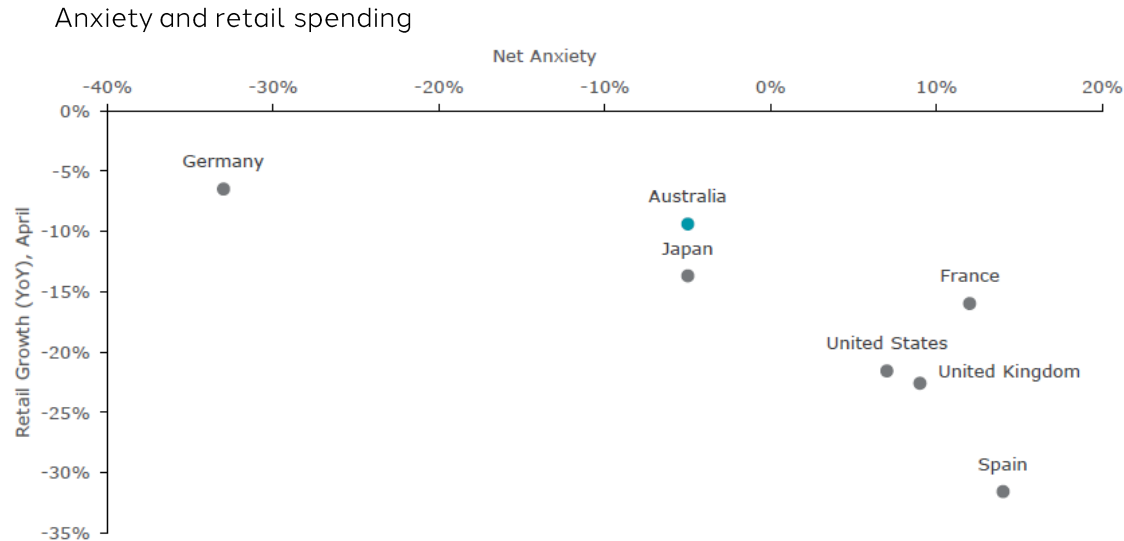


Implication

Brands need to keep a finger on the consumer's pulse. Understand their mind states and play a role in supporting them and shifting these attitudes.

Anxiety index

Deloitte found that there is a clear link between low levels of anxiety and a better retail performance, highlighting the need to continue to monitor consumer anxiety/confidence as a source of insight into spending trends. At present Australia is showing lower levels of anxiety than other leading economies due to a better management of the pandemic.



Behavioural adaptability

Fluctuation through the crisis

Not only have consumers mindsets changed, but also their shopping behavior in response to the crisis.

Retail in Australia has been extremely volatile in 2020, consumers shopping behaviour has been unpredictable and fluid, benefiting some retailers whilst hurting others.

Sales were initially up (8.5%) in March driven by stockpiling, then down in April (-17.7%) during the high of the crisis and then up in May when stores re-opened. Australian retail turnover rose 2.4 per cent in June 2020, seasonally adjusted, according to preliminary retail trade figures released by the Australian Bureau of Statistics (ABS). Rises in June 2020 were led by cafes, restaurants & takeaway food services and clothing, footwear & personal accessory retailing.

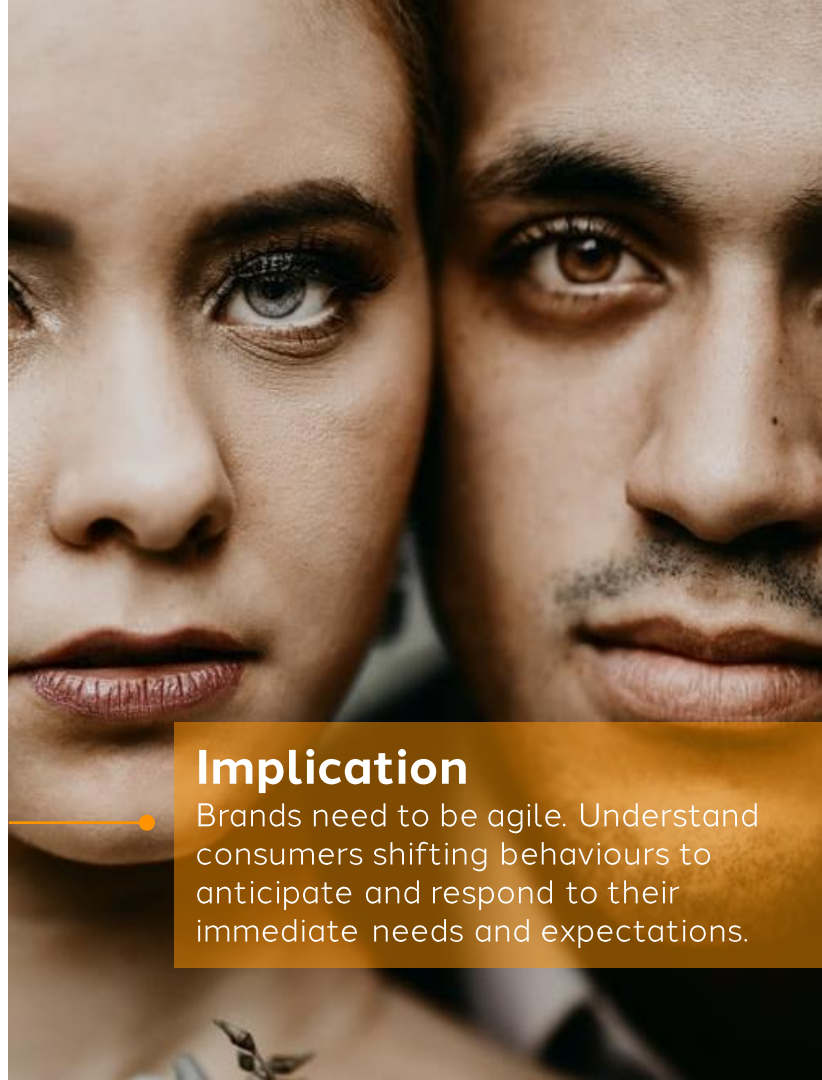
Our dentsu Intelligence COVID-19 tracker (wave 16) shows that compared to pre-COVID, **32% respondents expect to change the way they shop for retail** (other than groceries) after the pandemic is contained.

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Source: ABS

Implication

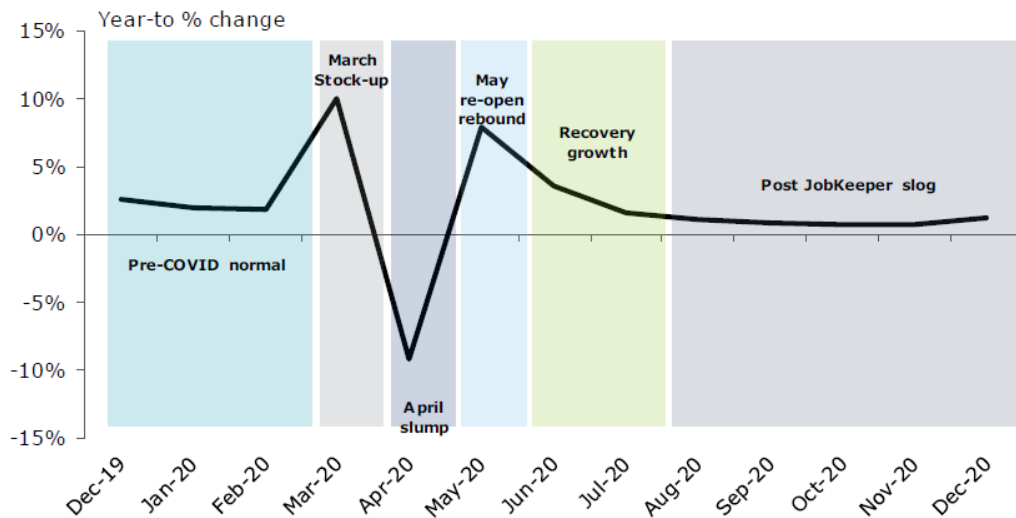
Brands need to be agile. Understand consumers shifting behaviours to anticipate and respond to their immediate needs and expectations.



Retail swings

Deloitte predicts Real retail turnover to fall 1.4% in 2020, making it the worst year on record and anticipates ongoing volatility in consumers ability and willingness to spend during 2020.

Retail phases 2020

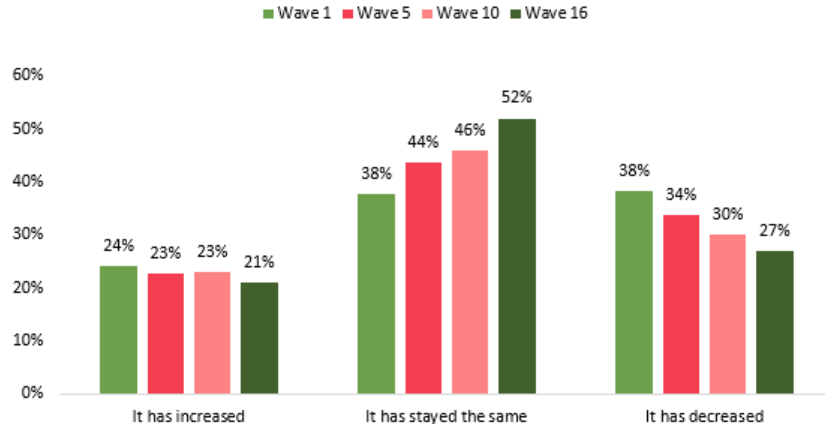


Source: ABS Cat 8501.0; Deloitte Access Economics

Maintaining current spending levels

Australian consumers expect to maintain current spending levels next month

Changes in household spends over the last month

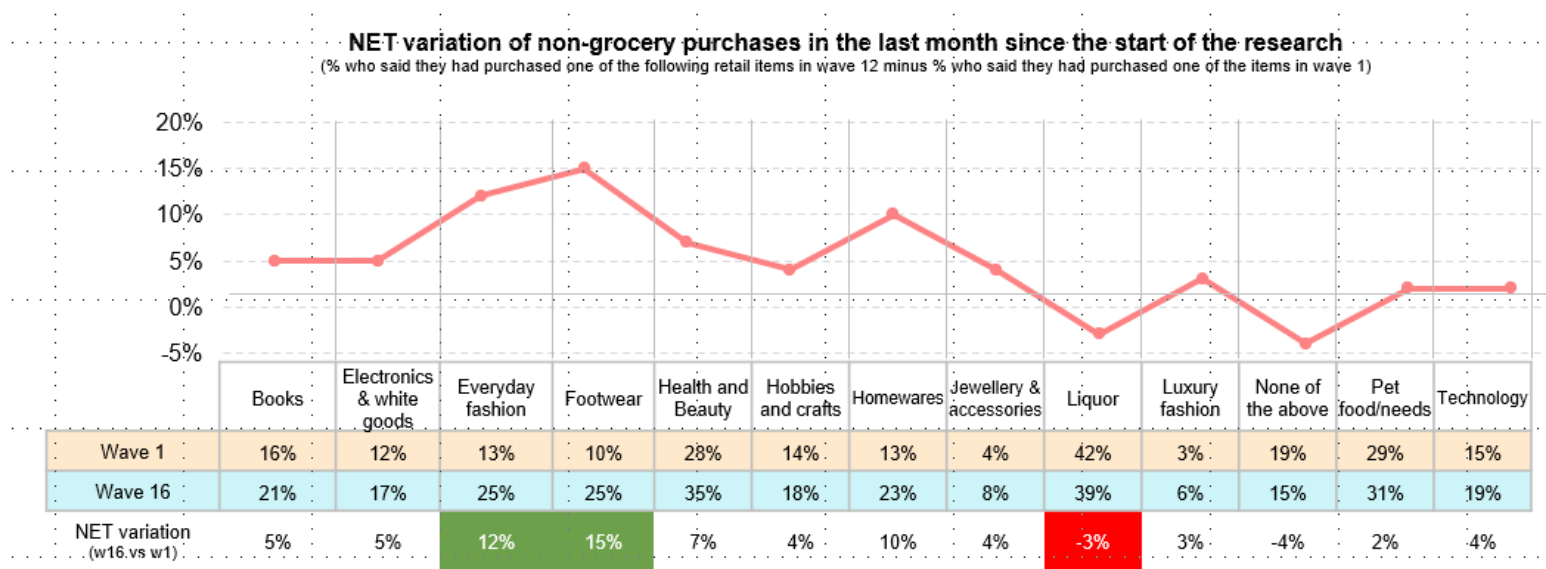


Their expectations for the month ahead



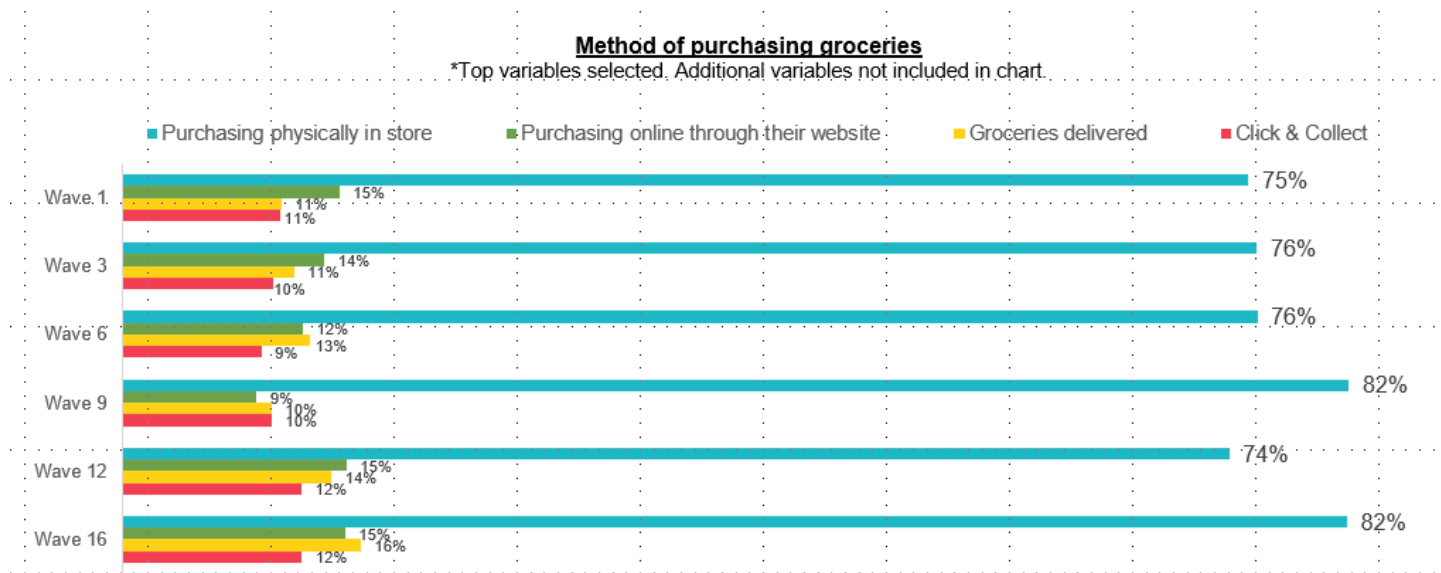
Back to “normal” retail shopping list

As we move to our “normal” life, we see spikes in purchases of everyday fashion and footwear. Homeware purchases continue to gain momentum as people continue to transition to a life of flexible working arrangements. As consumers come out of isolation, they are purchasing less liquor than during lockdown.



“Physical” supermarket shopping

Over the course of the pandemic, physical stores have continued to be the preferred way of purchasing groceries and since the country entered the recovery phases, this trend kept growing.



Source: dentsuIntelligence COVID-29 tracker Australia Wave 16

— Back to basics

Re-evaluating life's priorities and cautious spending

With more time spent at home and a slower pace of life COVID-19 is helping many Australians families to reconnect and re-evaluate their priorities, routines and spending habits.

This “focusing-on-what-really matters” mindset coupled with increasing financial constraints is making Australians prioritise “Essentials” when it comes to retail spend.

When asked what they intended to spend on other than necessities once the virus passed, a survey by CIT Group shows that 44% Australians said they were going to visit restaurants and cafes and 42% have a domestic holiday.

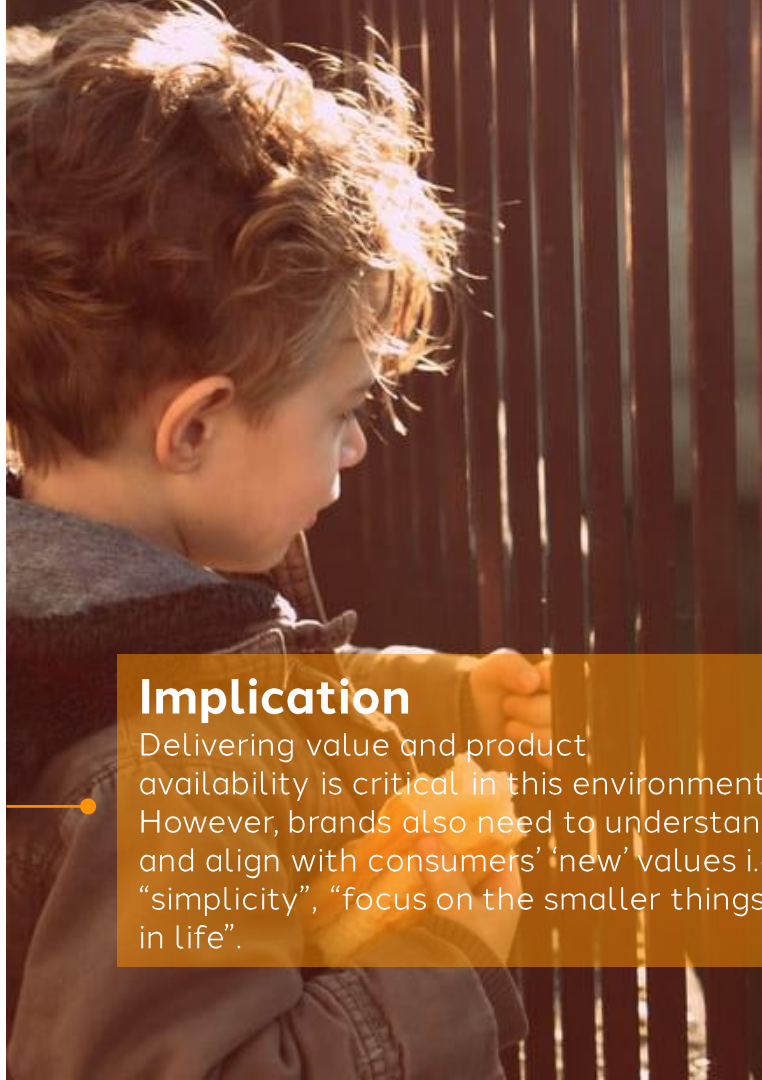
A McKinsey survey shows that **54% Australians have tried a new shopping behaviour during this pandemic including a different brand (31%)**. These changes are primarily driven by value and availability but also other factors such as supporting local communities.

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Source: CIT Group; McKinsey.

Implication

Delivering value and product availability is critical in this environment. However, brands also need to understand and align with consumers' 'new' values i.e. “simplicity”, “focus on the smaller things in life”.



What really matters

Consumers are re-evaluating their values and life priorities during this pandemic. Our dentsu Intelligence COVID-19 tracker captured some of these emerging values.

“How important family and friends are”

“The simple things are the most precious”

“Health”

“Spending time with family”



“Be grateful for what you have”

“I don’t need so much stuff in my life”

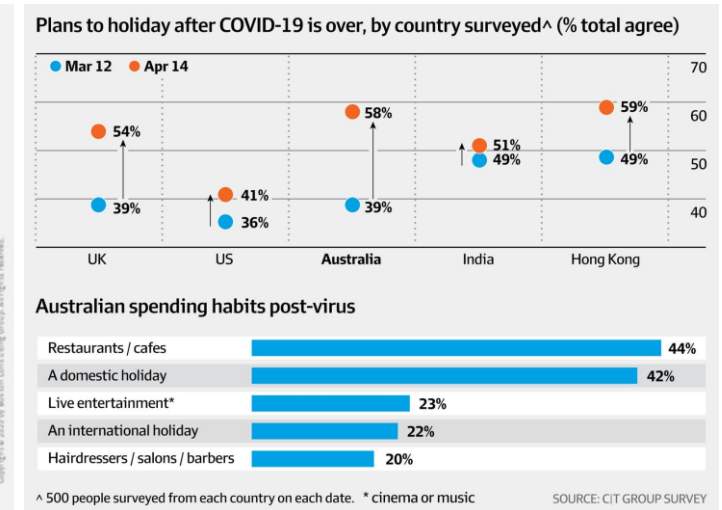
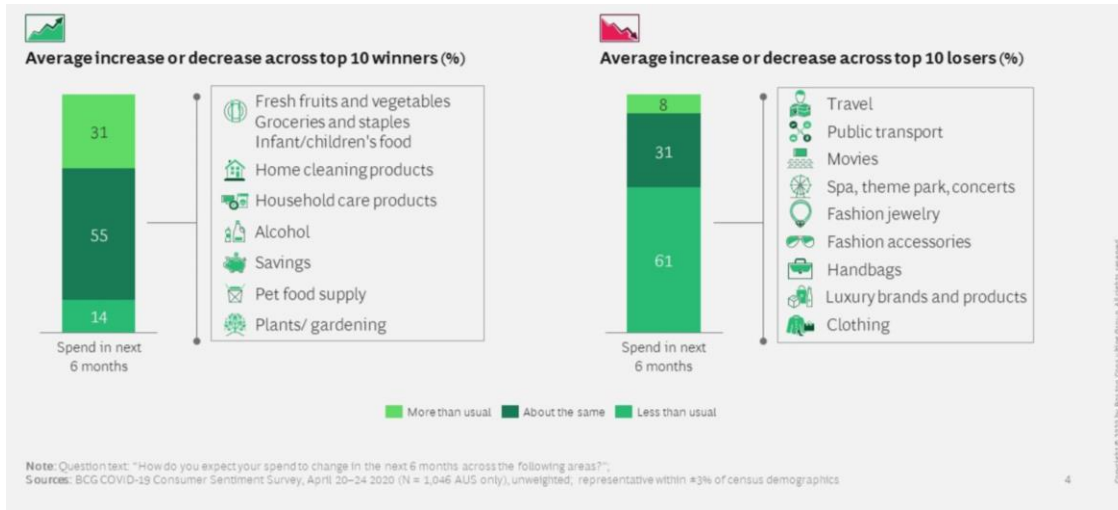
“Appreciating the little things”

“Community spirit”

“Need to save up more”

Prioritising 'Essentials'

A BCG COVID -19 survey shows that Australians expect to increase spend on 'Essentials' and reduce spend on Travel, Recreation, Fashion and Luxury.



Seeking value

Our dentsu Intelligence COVID-19 tracker (wave 16) shows that when it comes to brand attitudes 'discounts' is becoming the focus for consumers



41%

Of respondents think more of brands that **offer discounts at this time.**



37%

Of respondents expect companies to **look after their employees.**



36%

Of respondents value more brands that actively **respond to the outbreak.**



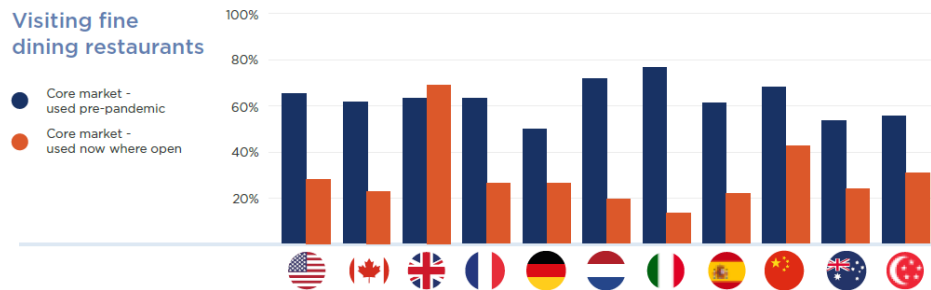
36%

Of respondents believe businesses should **advertise as normal**

Dining out. Gradual recovery

According to a Dynata Global Survey, Recovery for restaurants and cafes will not be immediate. Two-thirds of their core customer base (often or occasional users) will return within a month and the rest of core within 3 months irrespective of restaurant type (Fine, Casual or Fast Food)

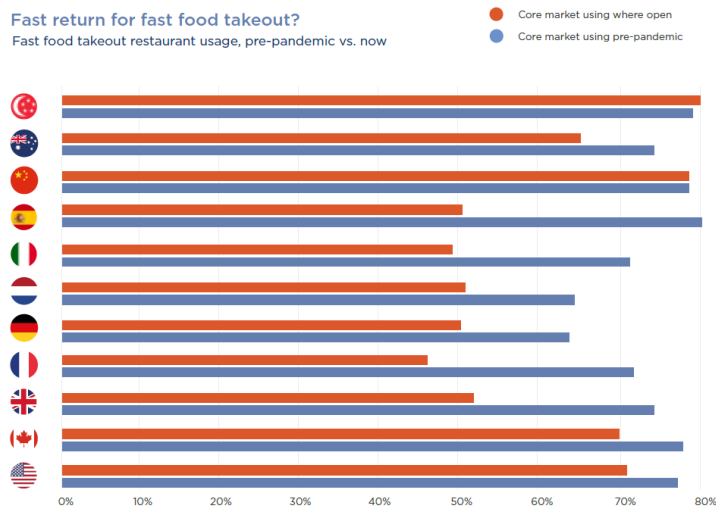
Visiting fine dining restaurants



Source: Dynata Global Consumer Trends Report COVID 19 Edition The Reopening 2020

Fast return for fast food takeout?

Fast food takeout restaurant usage, pre-pandemic vs. now



Source: Dynata Global Consumer Trends Report COVID 19 Edition The Reopening 2020

“Australians are now spending almost \$32 billion online, or about 10 cents in every shopping dollar. It is predicted that by 2021, 80 per cent of us will shop online, with e-commerce reaching \$35.2 billion.”

Inside Retail

eCommerce uptake

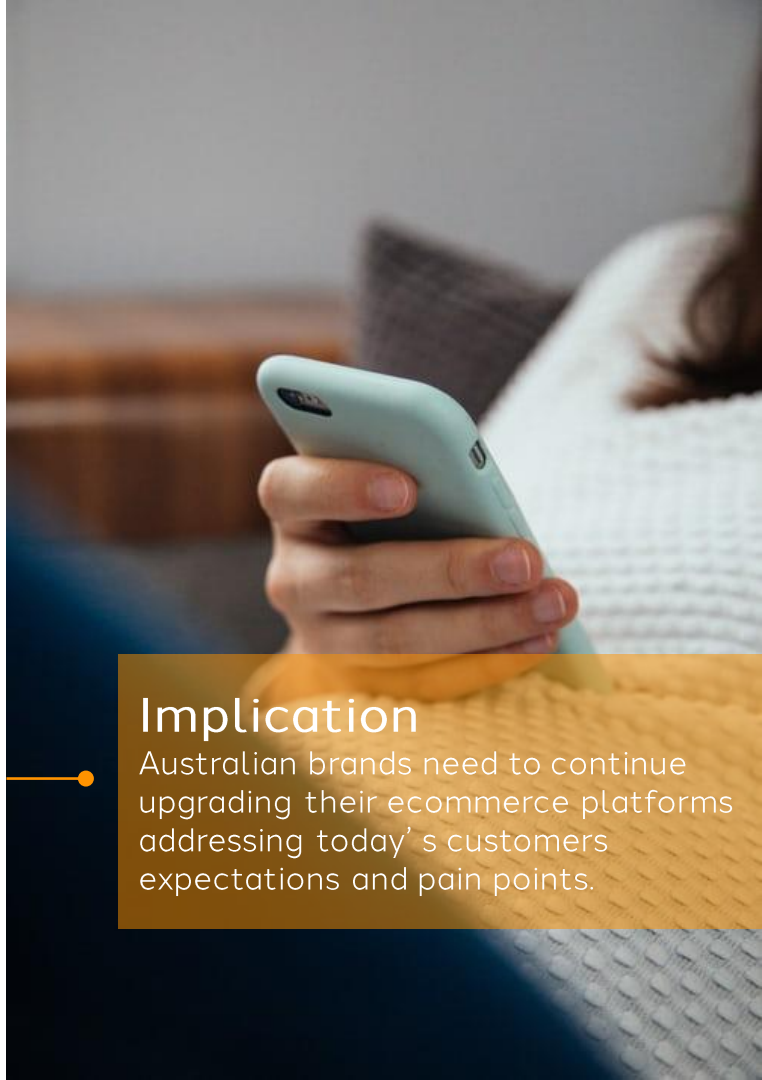
but some retailers were unprepared

eCommerce has experienced an enormous uplift in Australia, with 80% growth YOY in the 8 weeks since the COVID-19 pandemic was declared by the WHO. Australia Post anticipates that by the end of 2020, online spend will hold a 15% share of the total retail market. According to their data, in April more than 200,000 new shoppers entered the market and purchased something online for the first time, and over a third of new shoppers made multiple purchases.

However, the Australian consumers that switched from bricks and mortar to online during the pandemic were often frustrated by poor eCommerce CX. Some retailers were unprepared or overwhelmed, leading to poor usability, excessive delivery times or fees, fulfilment inconsistencies, limited or out of stock products and price increases.

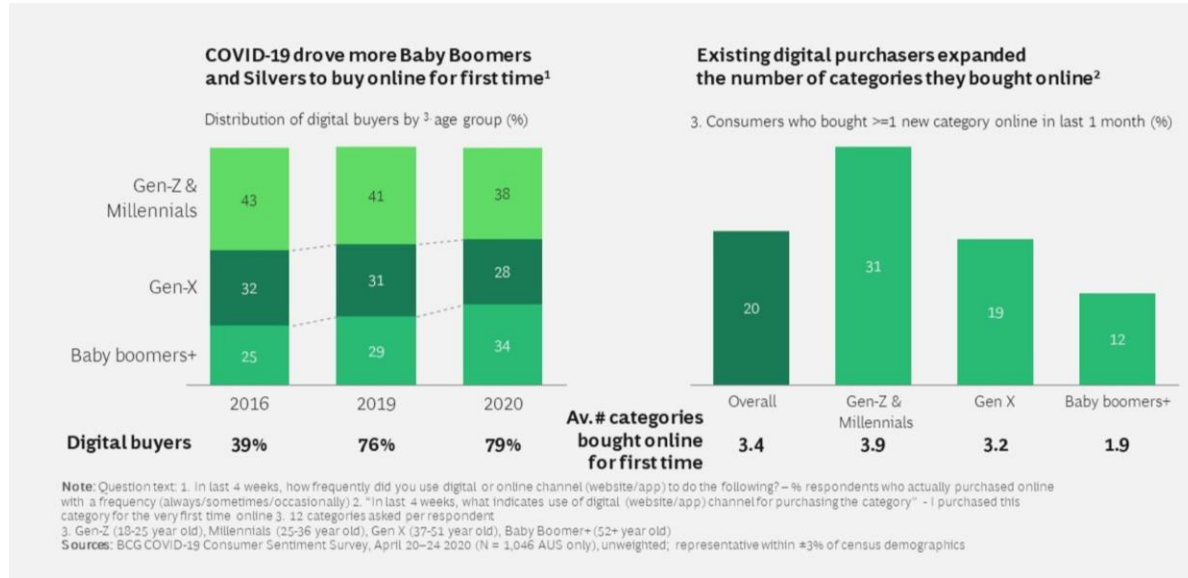
Implication

Australian brands need to continue upgrading their ecommerce platforms addressing today's customers expectations and pain points.



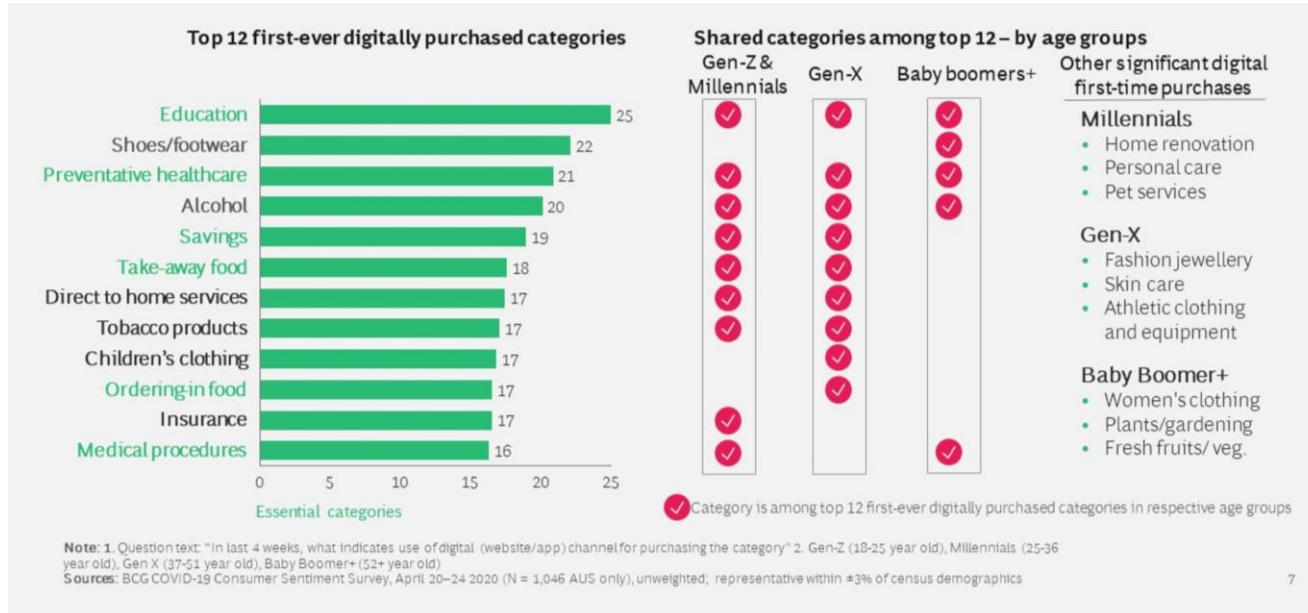
eCommerce expanded to new demographics & categories

eCommerce attracted new demographics during the pandemic (Baby Boomers in particular) whilst existing online shoppers expanded the number of categories and services bought online.



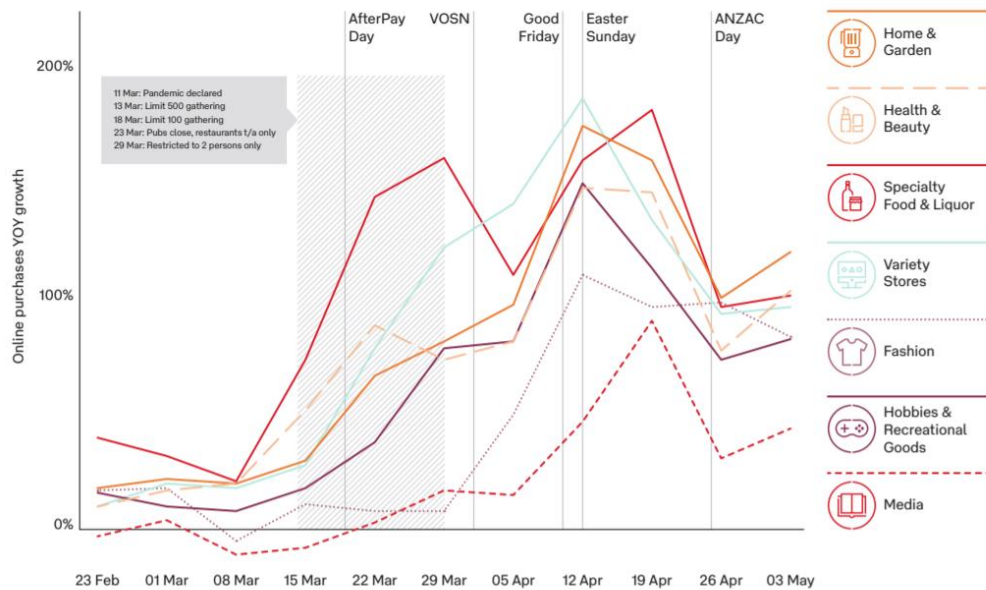
Education & telehealth led new eCommerce categories

Education and preventative health led first-ever digital purchases across all demographics



Elastic eCommerce shopping behaviour

According to [Australia Post data](#), whilst the initial focus for online shoppers was on essential items, as Australians settled in at home, online purchases shifted to entertainment, self-improvement, DIY, loungewear and athleisure and gifts. Online alcohol purchases peaked during March and April reaching highs of over 160% YOY. Department store purchases also grew by 400% YOY during the Easter week.

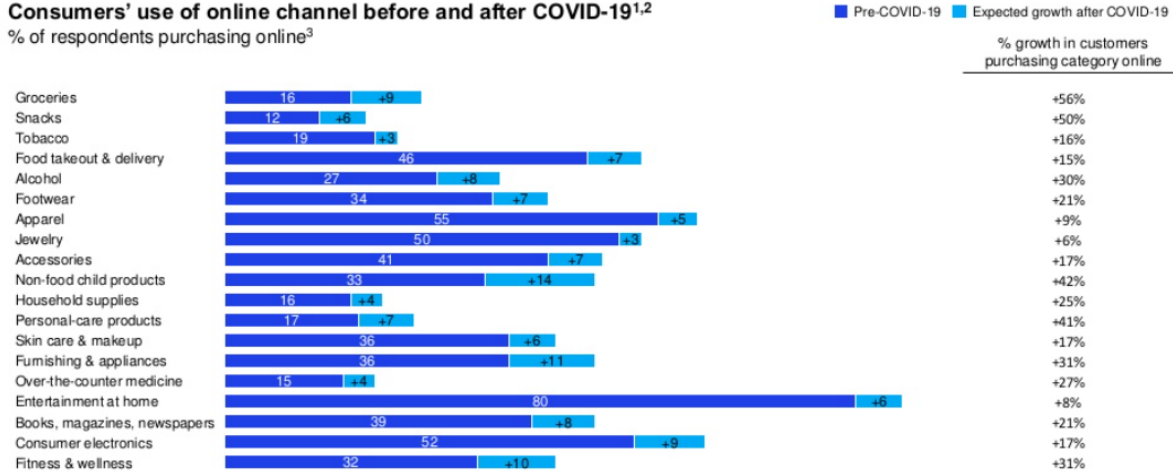


Source: Australia Post eCommerce Industry Report 2020

More purchases online in the future

According to a [McKinsey study](#), more Australians expect to make a greater portion of their purchases online post COVID-19 than before.

Consumers' use of online channel before and after COVID-19^{1,2}
% of respondents purchasing online³



¹Q: Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in-person?

²Q: Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in-person?

³Respondents who indicated that they have not bought the category online and do not intend to do so in the next two weeks are classified as not purchasing online.

Source: McKinsey & Company COVID-19 Australia Consumer Pulse Survey 6/19–6/21/2020, n = 799, sampled to match Australia's general population 18+ years

McKinsey & Company 8

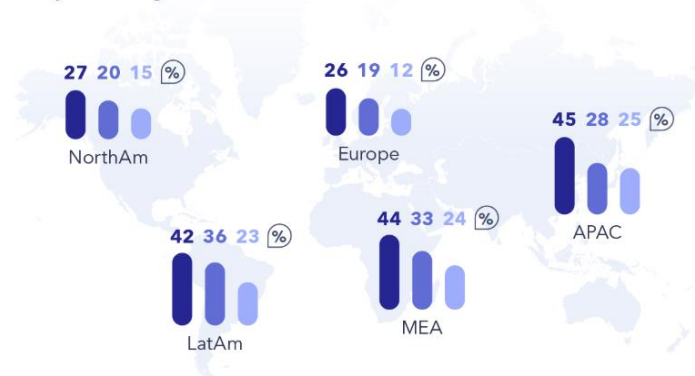
Online behaviours will stick

Buying things online for home delivery, online browsing before visiting stores and buying more things online for in-store collection

Accelerated trends in online shopping

% of internet users who say they'll do the following after the outbreak is over

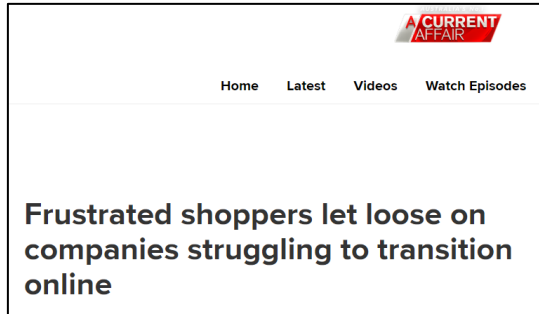
- Buy more things online for home delivery
- Spend more time browsing/researching online before visiting stores
- Buy more things online for in-store collection



Question: After the outbreak is over, do you think you'll do any of the following? Source: GlobalWebIndex Coronavirus Study, April 22-27 Base: 15,274 internet users aged 16-64

Poor eCommerce CX a source of customers' frustration

Lack of eCommerce readiness and expertise by some Australian retailers has been a source of frustration and brand backlash for some otherwise well regarded brands like Kmart or David Jones



Sources of frustration:

40% of omnichannel and 31% of pure play online retailers had been **out of stock** of the items consumers wanted to purchase.

28% of omnichannel and 29% of pure play retailers had **slower** than indicated **shipping and delivery**,

27% of omnichannel and 18% of pure play retailers had a **limited product range** available online.

Elevated CX

“New retail” omnichannel becomes the norm

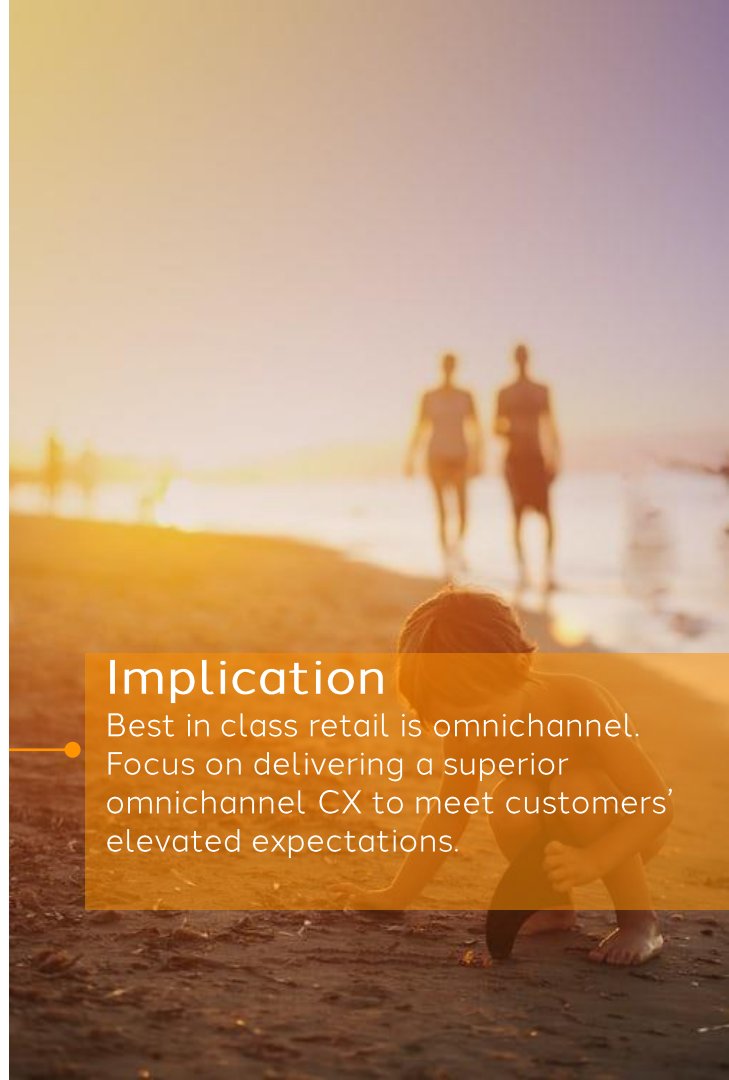
What is the “future normal” in retail and commerce?

Throughout the different phases of this crisis Australians have proven to be fluid shoppers shifting behaviours and shopping channels based on their impending needs. Retailers that had a solid and consistent omnichannel CX were able to meet their customers’ expectations as they fluctuated from physical to digital. However, retailers that had an inconsistent omnichannel experience or were ill-prepared for digital commerce suffered.

In our Retail 2020 piece we spoke about the “new retail” epitomised by Hema who has been a global leader in blending physical and digital retail experiences. Before COVID-19 Hema was a forward thinker, post COVID-19 Hema CX’s will be the new standard.

Implication

Best in class retail is omnichannel. Focus on delivering a superior omnichannel CX to meet customers’ elevated expectations.



Superior CX with omnichannel

In general omnichannel retailers were better prepared to deal with the challenges posed by COVID-19 but there is still room for improvement and further investment is required to improve fulfilment and CX delivering the seamless shopping experience that consumers demand.



41% of respondents said they had a better experience shopping online with **omnichannel retailers**.



31% said the experience was better with pure play retailers.

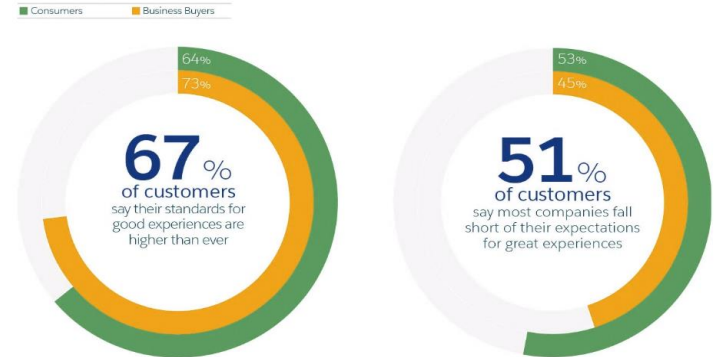
Below expectations on experiences

Research from [Salesforce](#) shows that companies are missing the mark on experience. Marketers are not meeting consumers high expectations on the experiences they deliver.

The Customer Experience Stakes Have Never Been Higher



Companies Are Missing the Mark on Experience



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COVID-19 Retail Disruptors “Re-tech” Accelerators

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'Re-tech' accelerators

COVID-19 has accelerated some 're-tech' trends



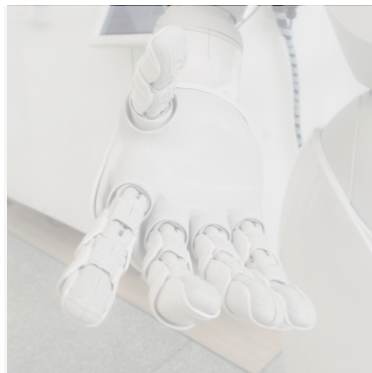
Touchless Commerce

Whether driven by consumers safety or convenience. New retail technology is accelerating the shift towards automated commerce



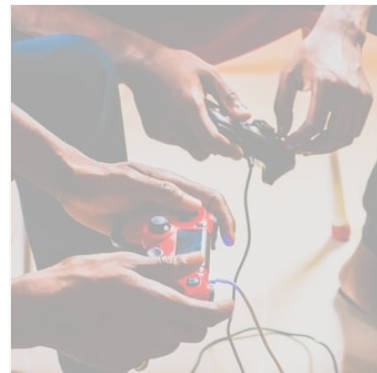
Social Commerce

Has taken off during COVID-19 offering brands and retailers untapped potential to develop deeper online engagement and build new communities



Closer to commerce metaverse

AR and VR are helping retailers and brands take their physical products and stores to their customers' dining room



Gaming commerce

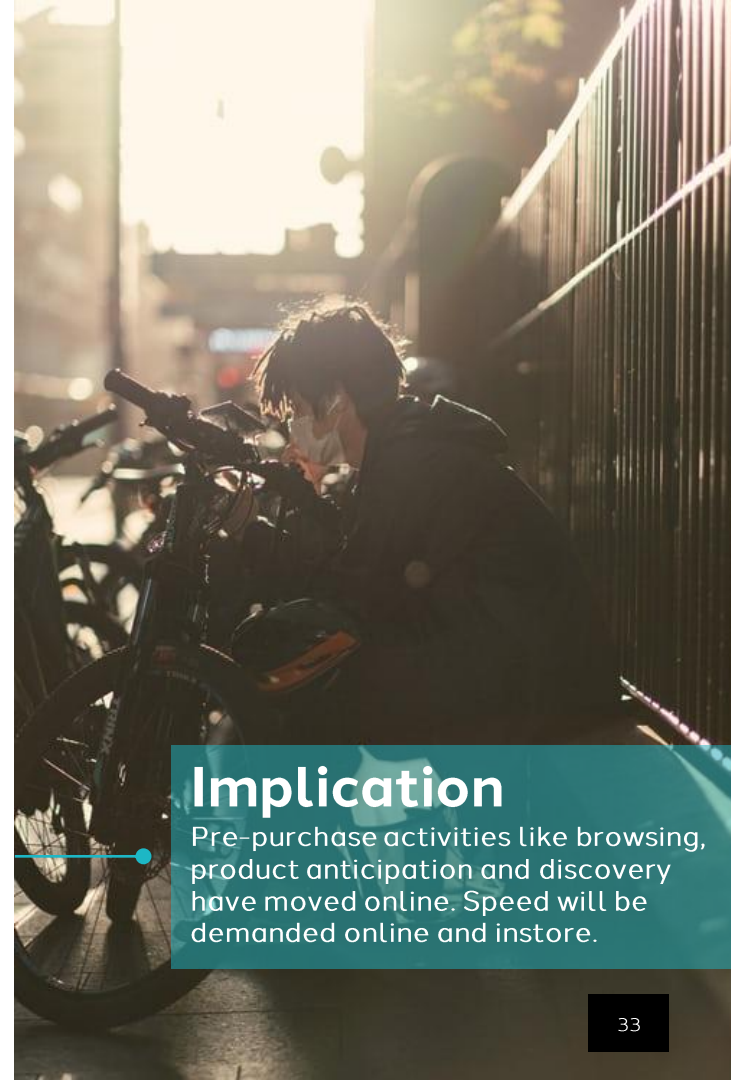
COVID-19 has accelerated the uptake of gaming. Gaming commerce will be the next frontier for marketers and retailers

Touchless commerce

From safety to convenience

A trend that was born out of safety during the pandemic has now become synonymous with convenience and effectiveness and consumers will continue to demand it online and in-store.

Consumers will continue to opt for touchless home delivery services but they also expect a speedy shopping experience in-store. During the recovery phase, consumers will want to be in and out of stores with minimal human interaction. New retail technology will support this new shopping habit, reducing the need for time-consuming queues, unsafe checkouts and frustration about location of products in-store and whether they are in stock. During COVID -19 some retailers utilised virtual shopping services to connect sales assistants with customers answering their online requests and sending personalised e-mails with product recommendations.



Implication

Pre-purchase activities like browsing, product anticipation and discovery have moved online. Speed will be demanded online and in-store.

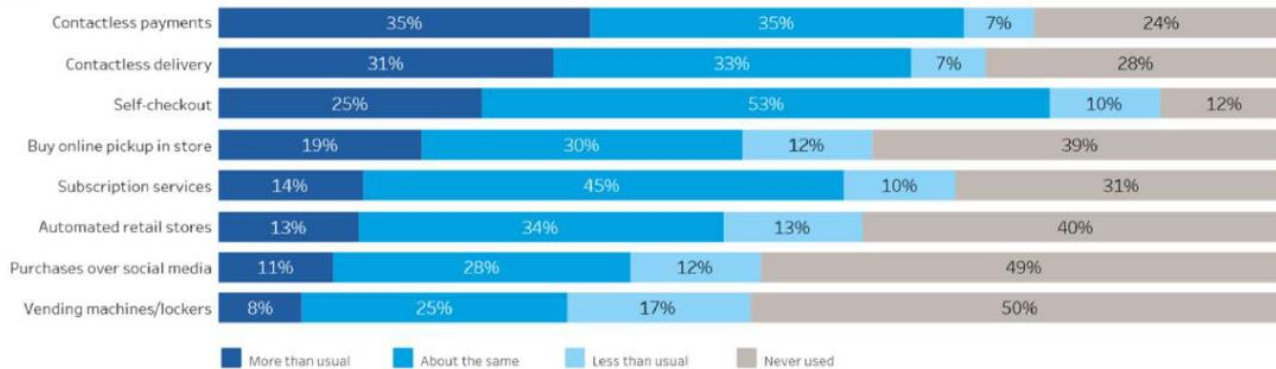
Contactless commerce

Contactless and automated shopping methods are growing in Australia – minimising human interaction for now.

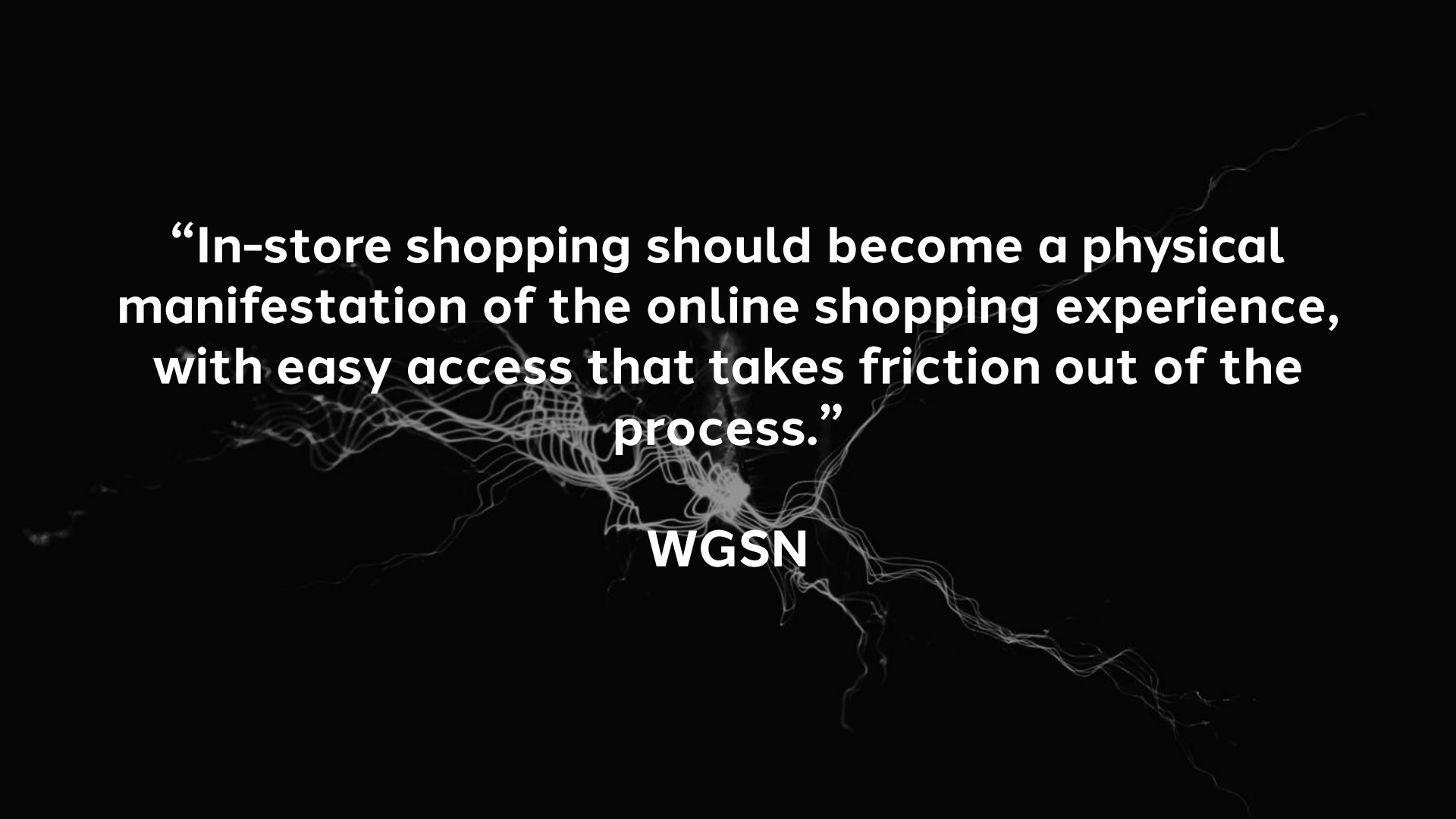
Over the past two weeks, to what extent have you used the following shopping methods compared to before the COVID-19 pandemic?

Select survey dates

June 16-17, 2020



Source: Salesforce Research (AUS) June 2020

The background of the slide is black, featuring a complex, abstract pattern of thin, white, branching lines that resemble a network or a stylized lightning bolt. These lines are most concentrated in the center and spread out towards the edges, creating a sense of dynamic energy and connectivity.

“In-store shopping should become a physical manifestation of the online shopping experience, with easy access that takes friction out of the process.”

WGSN

Physical stores

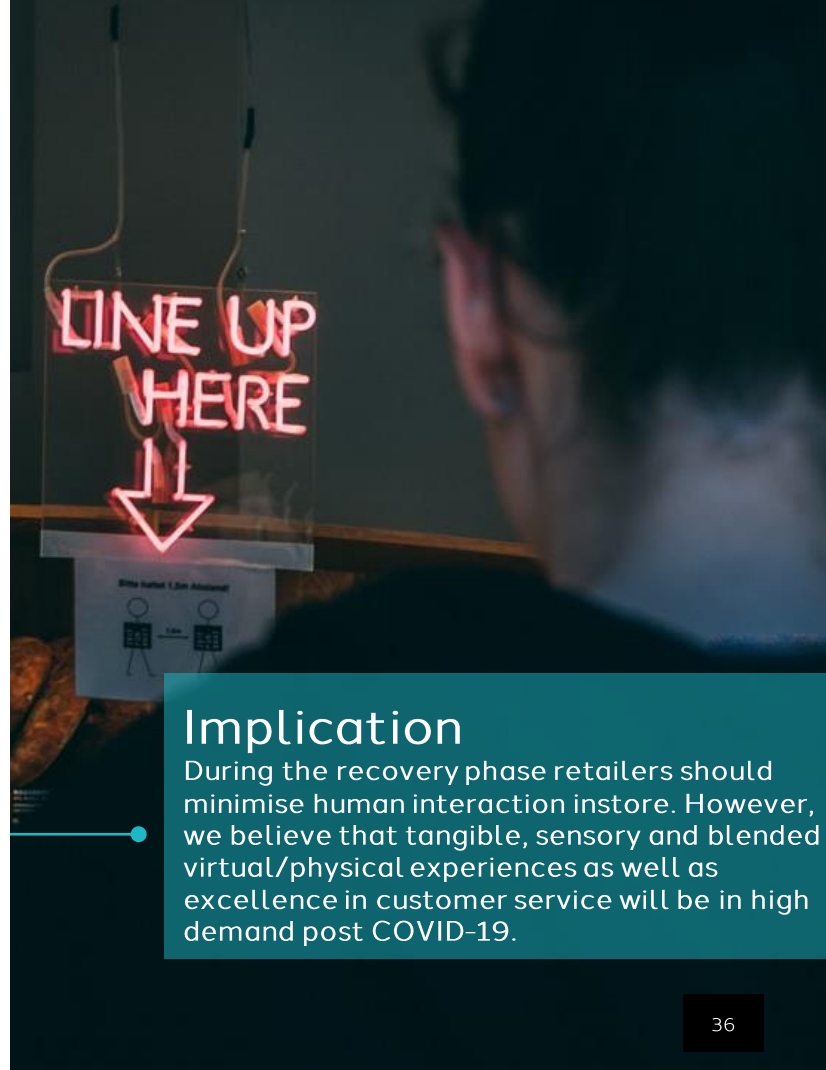
Online experience

A new efficient, cautious consumer is emerging from COVID-19. A consumer that, for the time being, is often going to prefer to minimise human interaction and touch points to complete a transaction. In this context, 'virtual' will often be preferred to 'physical' and in-store shopping experiences will be fast and task-oriented.

WSGN has identified two consumer shifts that have been accelerated by COVID-19 and that are going to shape consumers in-store experience; firstly, consumers that value their personal space and will increasingly want to control how much they opt in or out of human interaction, creating their own in-store experience; secondly streamlined shoppers increasingly looking to shop in stores that limit touchpoints, where decision-making is made easier and the journey is hassle-free. Woolworths recently launched a global-first feature to check availability of products and the aisle in which they can be found, through chats initiated by a customer in Google Search or Maps.

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Source: WGSN Coronavirus: Ecommerce Shifts & Strategies; Nielsen; Itnews.com.au



Implication

During the recovery phase retailers should minimise human interaction in-store. However, we believe that tangible, sensory and blended virtual/physical experiences as well as excellence in customer service will be in high demand post COVID-19.

An example: Blended virtual/physical stores

In July, Burberry opened its first “social retail” store in China. Created in partnership with Tencent, Burberry’s 5,800 square foot store combines a physical store experience with a digital one (via the new WeChat mini-platform).

All of the store’s merchandise contains a tag with a QR code. Via the app customers can not only book appointments, reserve fitting rooms, make a reservation at the store’s café, contact customer service, receive exclusive content, share their own content or book a preferred fitting room but also accrue “social currency” (similar to a card rewards program but on social media: the more costumers use it, scan codes and share content, the more rewards they unlock)

Source: Trendwatching: The Cut



'Re-tech' accelerators

COVID-19 has accelerated some 're-tech' trends



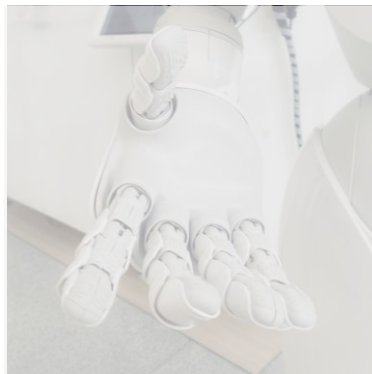
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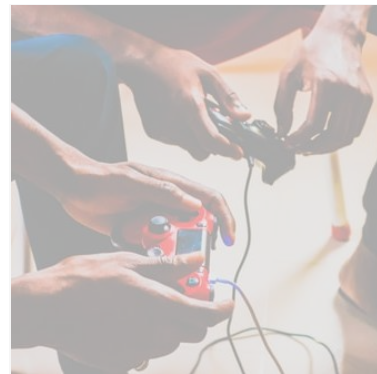
Social Commerce

Has taken off during COVID-19 offering brands and retailers untapped potential to develop deeper online engagement and build new communities




Closer to commerce metaverse

AR and VR are helping retailers and brands take their physical products and stores to their customers dining room



Gaming commerce

COVID-19 has accelerated the uptake of gaming. Gaming commerce will be the next frontier for marketers and retailers



**“Social networks have transformed
from hubs of discovery, community and connection
into robust commerce engines”**

WGSN

Social commerce

Building new communities

From shoppable ads and posts to livestream shopping. According to WGSN livestream shopping has boomed in China during this pandemic. The number of merchants using Alibaba's Taobao Live marketplace grew 719% from January to February, and Shanghai Fashion Week was livestreamed in its entirety on the platform, allowing viewers to pre-order clothes direct from the runway. It's early days for livestreaming in the west; Amazon launched a live-streaming platform last year, and Facebook last month.

1.6 Million people use Tik-Tok in Australia (mainly Gen Alpha and Gen Z) TikTok has experience significant uptake since the start of the Covid-19 lockdown. Brands like Levi's saw their video engagement time grow twice the average on the platform, doubling the product page views of its customised denim. E.l.f. used a music-driven strategy to drive user engagement. Other brands like Sephora are using this creative platform to showcase products and brands.

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Source: WGSN Coronavirus: Ecommerce Shifts & Strategies; [Ray Morgan](#).

“Overall, social spend is set to rise 22.2% due to Covid-19”
WGSN

Implication

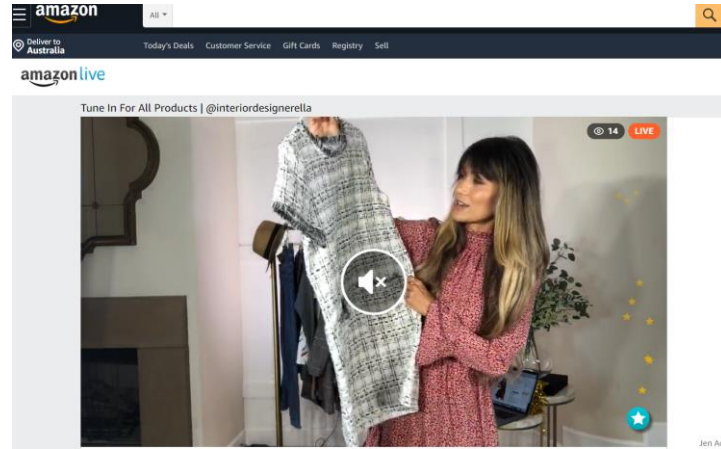
Social commerce will provide brands and retailers with new ways to interact with consumers online and build and grow new online communities as well as quick conversion.

Social Commerce - Shopping with 'my community'

From shoppable ads to 'Live commerce' (e-commerce live streaming)



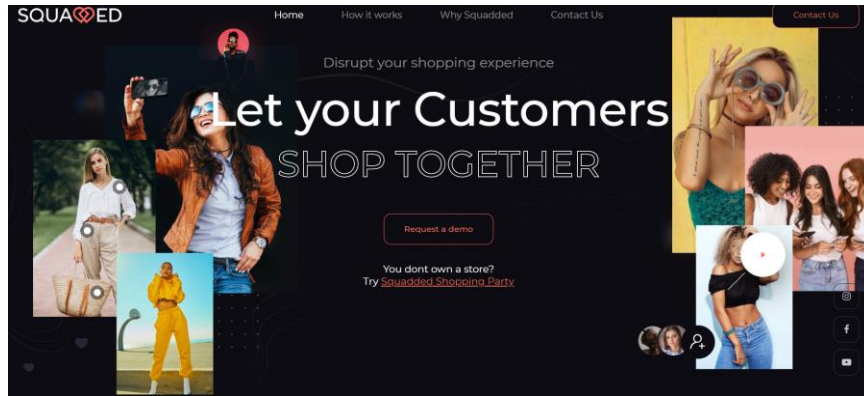
"King of Lipstick," Li Jiaqi, the live streaming beauty product salesman and influencer who once sold 15,000 tubes of lipstick in just five minutes.



Amazon Live launched in 2019 to enable retailers to engage with shoppers in real-time and drive sales with interactive livestreams.

Bringing the 'social' aspect of the SX to the customer

During this pandemic consumers are using the internet to spend time with friends and family and online shopping. Combining both is just the natural progression. This trend will likely be accelerated from now.



Squaddd, a new social "shopping party" platform, is a browser extension that is compatible with fashion e-commerce sites including ASOS, Boohoo, Sephora etc and allows users to talk to their friends over it to get their opinions on items.

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Source: WGSN; image The Sun.com; Vogue;

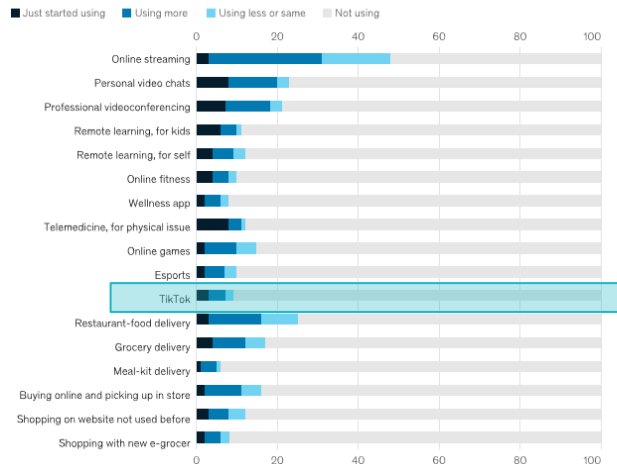


Launched in May 2020, Facebook Shops allows users to create mobile-first online stores for customers on Facebook and Instagram. The free tool aims to help brands and small businesses display and sell products seamlessly online.

Growth of Tik-Tok amid security concerns

Increased uptake of Tik-Tok in Australia since the beginning of the Pandemic.
Will Tik-Tok be banned in Australia following the steps of other countries?

Change in digital-activity behavior since COVID-19, % of respondents¹



¹Question: Have you used or done any of the following since the COVID-19 situation started? If yes, which best describes when you have done or used each of these items? Survey conducted Apr 24–26, 2020, n = 985. Sampled and weighted to match Australia's general population 218 years.
Source: McKinsey COVID-19 Australia Consumer Pulse Survey, Apr 24–26, 2020

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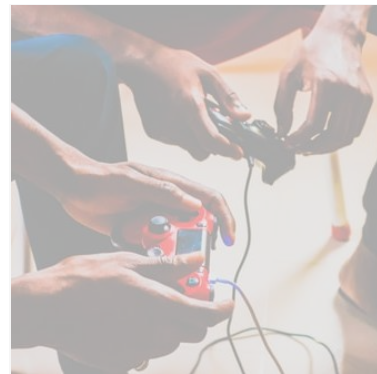
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Commerce metaverse

AR & VR – Shops in your dinning room

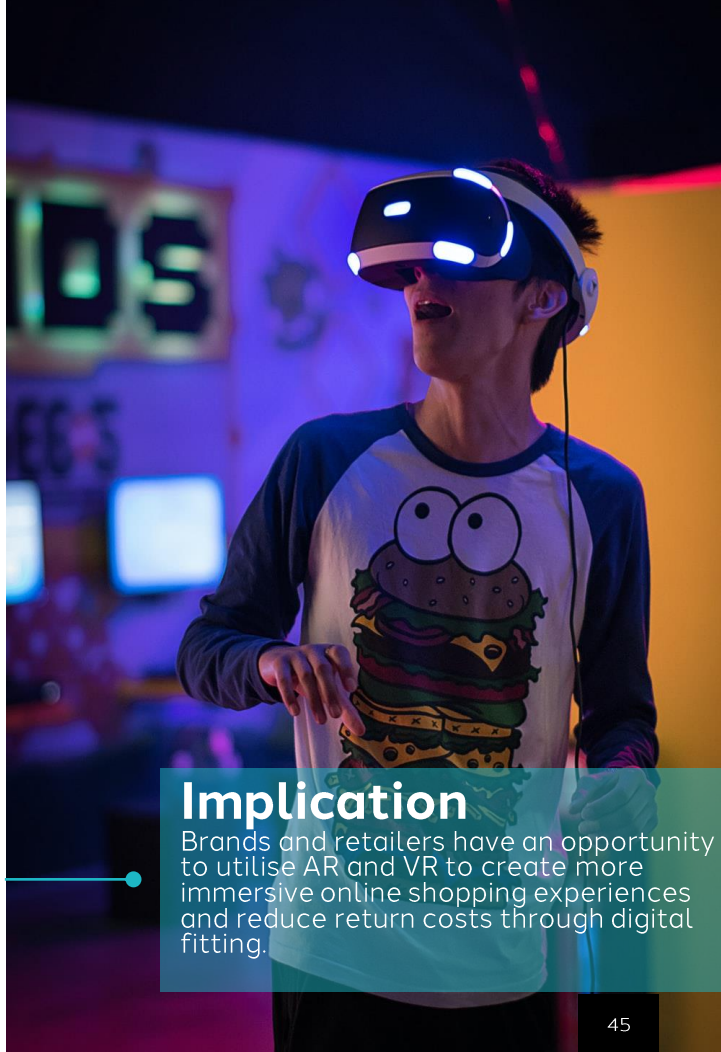
AR and VR are helping retailers and brands bridge the gap between physical stores and online shopping during the crisis; providing more immersive online shopping experiences and allowing consumers to still enjoy the “physical” experience of browsing and discovering products whilst shopping online.

- Luxury mall K11 in Guangzhou China launched “VR shopping” app via a WeChat that allows customers to virtually explore and shop from their physical stores.
- Suitsupply has introduced a guided virtual shopping experience with live experts as well as an online appointment booking tool to reserve prepared fitting rooms and private fitting rooms to help with reopening after the lockdown.
- In April L'Oréal USA released the first beauty augmented reality lenses for Snap's desktop app, letting customers virtually try on looks from brands such as Garnier, Lancôme, L'Oréal Paris and Maybelline.
- Jewellery brand Kendra Scott has introduced a virtual try-on tool using augmented reality to enable consumers to test items remotely.

Other examples of retailers embracing AR & VR are Asos, Ikea or Estée Lauder.

dentsu

Source: WGSN Coronavirus: Ecommerce Shifts & Strategies



Implication

Brands and retailers have an opportunity to utilise AR and VR to create more immersive online shopping experiences and reduce return costs through digital fitting.

'Re-tech' accelerators

COVID-19 has accelerated some 're-tech' trends



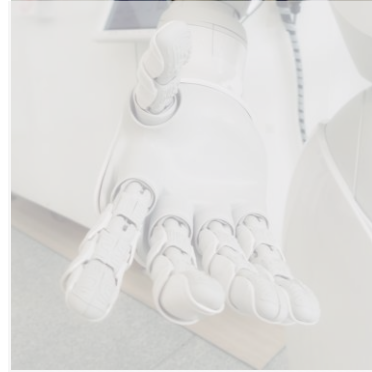
Touchless Commerce

Whether driven by consumers safety or convenience. New retail technology is accelerating the shift towards automated commerce



Social Commerce

Has taken off during COVID-19 offering brands and retailers untapped potential to develop deeper online engagement and build new communities



Closer to commerce metaverse

AR and VR are helping retailers and brands take their physical products and stores to their customers dining room



Gaming commerce

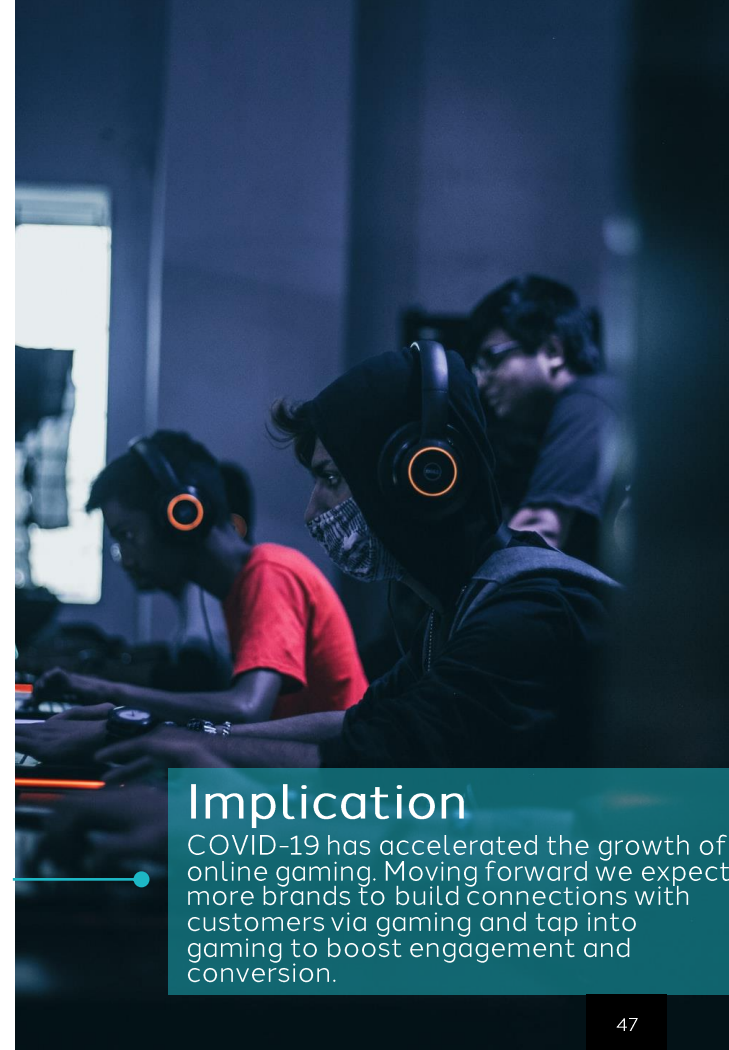
COVID-19 has accelerated the uptake of gaming. Gaming commerce will be the next frontier for marketers and retailers

Gaming commerce

Building new e-communities

According to [AdColony](#), 80% of Australians game on a regular basis. Gaming has the potential to become the next social media platform – a platform of extremely engaged customers that is widening and has grown during the lockdown. Brands are already tapping into this new opportunity:

- [Louis Vuitton](#) has a partnership with Riot Games for League of Legends where the brand created a unique case for the League of Legends World Championship trophy. [Burberry](#) has its [B-Bounce game](#) and [Gucci](#) its [retro arcade games](#).
- [Sandy Liang](#) has recently created a pop up in Animal Crossing so users can wear her collection in the game (Nintendo doesn't allow any direct selling through the game)
- With the European Championship cancelled, sponsor Adidas recreated the tournament for fans in Turkey on football game FIFA 20, streaming matches between footballers and celebrities on Facebook Live, IGTV and YouTube Live as part of the '[Uncanceled Cup](#)'.



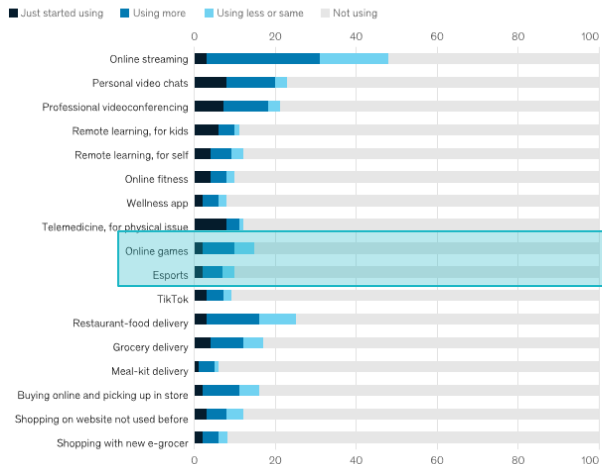
Implication

COVID-19 has accelerated the growth of online gaming. Moving forward we expect more brands to build connections with customers via gaming and tap into gaming to boost engagement and conversion.

Online games & Esports uplift during COVID-19

Opportunity for Australian retailers to tap into a new pool of valuable customers.

Change in digital-activity behavior since COVID-19, % of respondents¹



¹Question: Have you used or done any of the following since the COVID-19 situation started? If yes, which best describes when you have done or used each of these items? Survey conducted Apr 24–26, 2020, n = 985. Sampled and weighted to match Australia's general population 218 years.
Source: McKinsey COVID-19 Australia Consumer Pulse Survey, Apr 24–26, 2020

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The background of the slide is black, featuring a complex, abstract pattern of thin, white, branching lines that resemble a lightning bolt or a network of roots. These lines are concentrated in the center and spread out towards the edges, creating a dynamic and energetic visual effect.

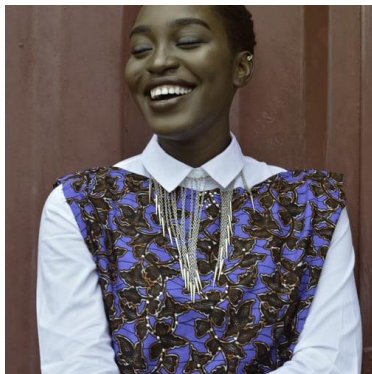
COVID-19 Retail Disruptors

Next Level Competition

—

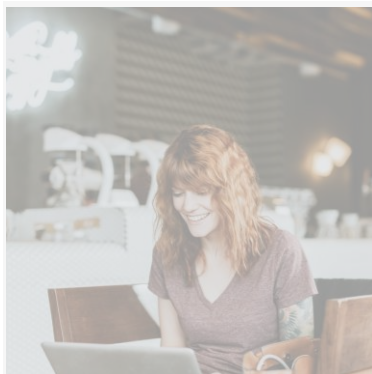
Next level competition

Focusing on delivering a closer relationship with customers and a better CX



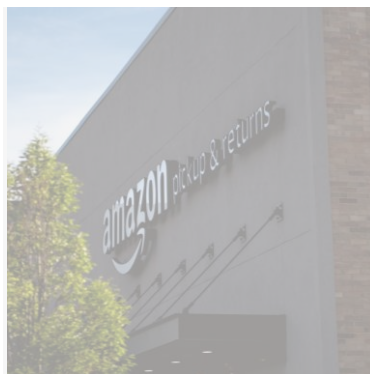
DTC

Fundamentally, DTC commerce offers the streamlined eCX that consumers are looking for during COVID-19. More “big” brands should be learning from it



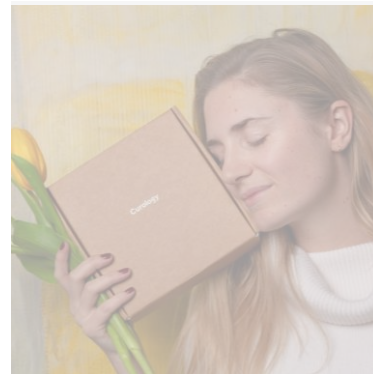
Marketplaces

With new altruistic “support-small-business-credentials” marketplaces are offering a massive platform to showcase product range and value



The big get bigger

Commerce giants continue to grow, showing other retailers that investment in a better CX is always rewarded by customers



Subscription

What to do when customers are not able to browse product in-store? Surprise & delight at home. Subscription commerce continues to grow during the pandemic

DTC gaining momentum

Small but nimble

DTC has become an increasingly appealing option for small businesses and brands looking to build a direct relationship with their customers during the lockdown. In general, DTC commerce offers the streamlined e-commerce experience that consumers are looking for during COVID-19 (good website usability, product availability, speedy check out & delivery and shipping & returns policies).

Some established brands are exploring DTC during the pandemic potentially to gain customer insight and data to optimise their strategies:

- In May 2020, Pepsi launched two new DTC sites ; Snacks.com (100+ varieties of chips and dips) and PantryShop.com (bestselling drinks and snacks, organised into pandemic lifestyles like "Snacking" and "Workout & Recovery"). They were created and launched in less than a month, with two-day shipping guaranteed for most orders.
- Also in May, Amazon launched a small and medium-sized designer marketplace with Vogue and the CFDA called Common Threads. Selling a small edit of luxury clothing and accessories. The main objective is to provide a platform for designers to generate income during the pandemic.



Implication

As more small businesses move to online (only) DTC offers the perfect platform to build a personal relationship with customers whilst controlling and optimising the customer experience and journey; from marketing to logistics and fulfilment.



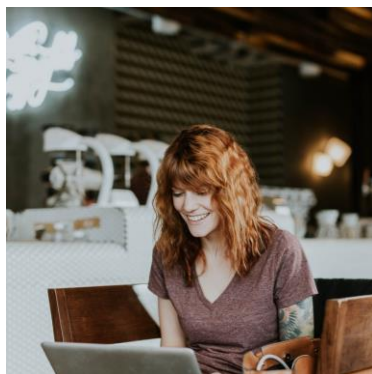
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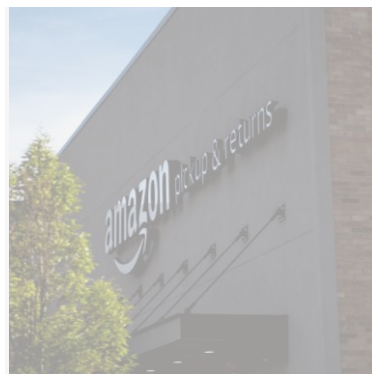
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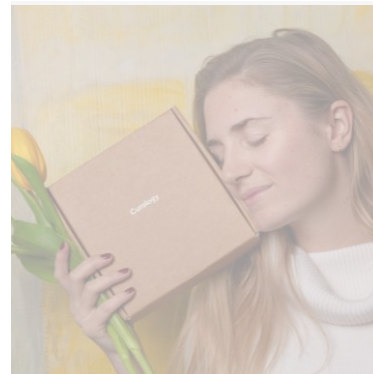
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Supporting small businesses

Marketplaces are using the pandemic as an opportunity to grow their platforms and increase visibility and support for struggling small and local businesses:

- Zalando has allowed partner small and midsize businesses access to the its e-commerce platform of 32 million customers, putting them higher up the pages on the marketplace as well as giving them flexible payment terms to try and help with liquidity issues.
- In April 2020, Farfetch launched a new section of its platform called #SUPPORTBOUTIQUES, where shoppers can find curated items from small, local boutiques. As well as helping move inventory, Farfetch has reduced the cost on items on the page by 25%.



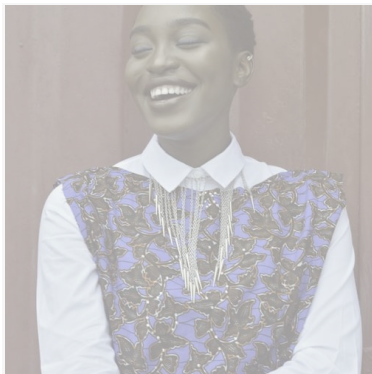
Implication

Some popular marketplace platforms are leveraging their support for local businesses during COVID-19 building loyalty and a point of difference from Amazon.



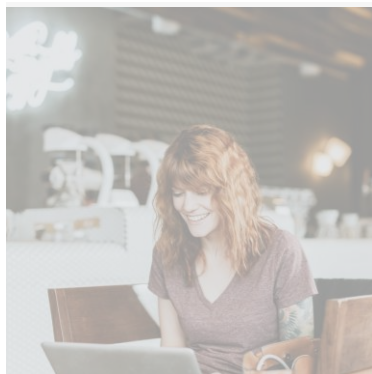
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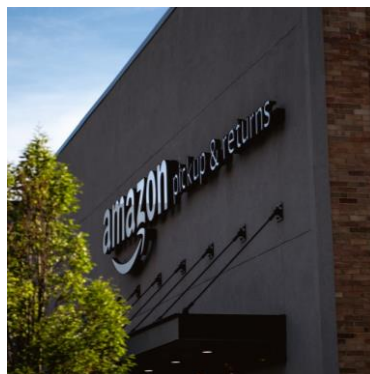
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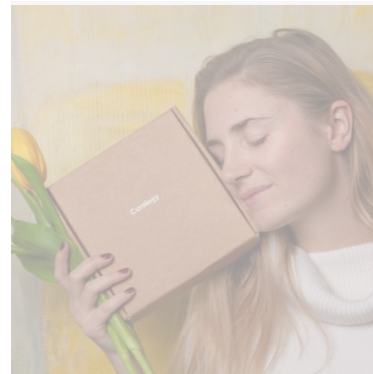
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The Big get Bigger

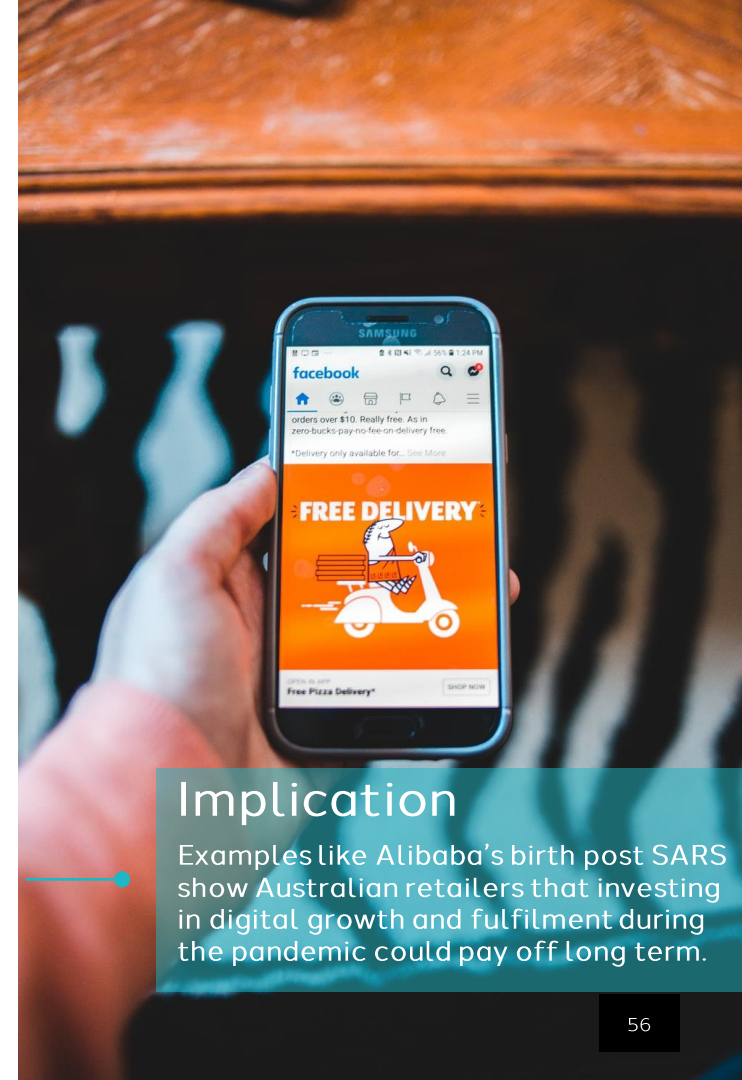
A safe bet

The big are taking advantage of their efficiency, infrastructure and established supply chains to guarantee the safe and swift delivery of the products that consumers need when they can't venture outside. Unlike other retailers their business and operational model is perfectly suited to this pandemic and 'new normal' times and they enjoy a reputation for reliability.

Alibaba Group has recorded growth for the quarter and fiscal year ended March 31 2020, despite the challenging economic conditions in China as a result of COVID-19. Amazon and Walmart are also gaining market share in 2020. As highlighted by McKinsey, consumer changes during pandemics (like Alibaba post SARS) can lead to the creation of new ecommerce ventures that could become the next commerce giants.

dentsu

Source: WGSN; itbrief.com.au; McKinsey



Implication

Examples like Alibaba's birth post SARS show Australian retailers that investing in digital growth and fulfilment during the pandemic could pay off long term.

Growth continues for the big

Amazon Australia is the company's fastest growing marketplace and it doubled its revenue in 2019.



The Big get Bigger

Google Commerce

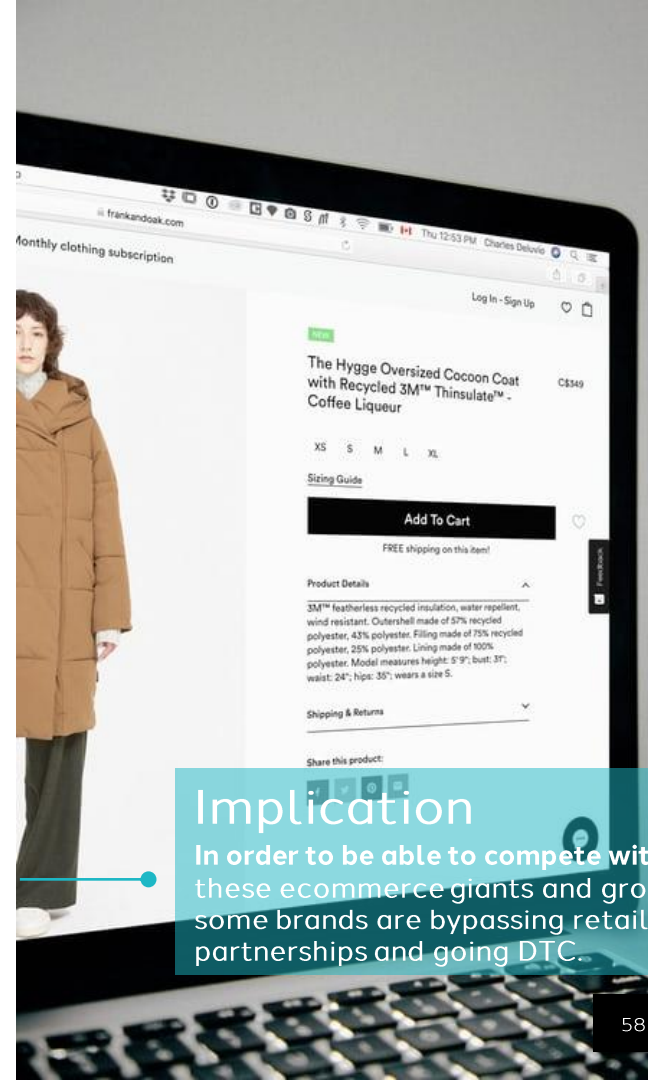
Google is the next tech giant to jump on the ecommerce wagon. Google Shopping has been around since 2002, but in the last few months it has ramped up its ecommerce capability in order to be able to compete with Amazon and Facebook; first Google made product listings on its 'Shopping' service free, then it brought those listings to 'Search' as well. Now they are taking another step to make it easier for retailers to sell on Google. Soon, sellers who participate in their 'Buy on Google' checkout experience will no longer have to pay a commission fee.

Google is also opening the platform to third-party providers such as PayPal and Shopify.

Google is also simplifying its tools and making them more compatible with retailer existing processes. This means retailers can connect their inventory to sell directly on Google without having to reformat their data.

dentsu

Source: Google





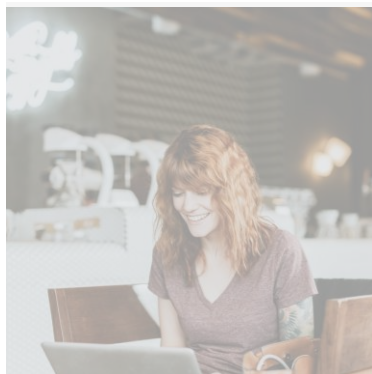
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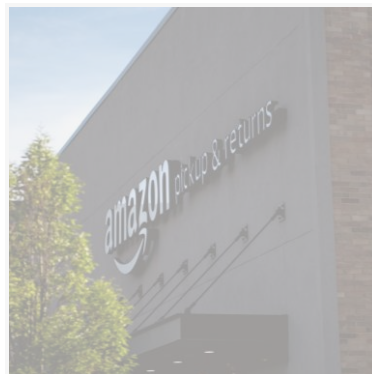
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Subscription boxes

Surprise & delight at home

Books, food and alcohol, fitness, fashion, kids; the list of subscription services in Australia keeps growing.

Subscription services are booming across verticals as consumers embrace its convenience, personalisation, value and the novelty and anticipation of product discovery.

With consumers unable to leave the house, subscription models continue to experience growth as they offer a form of experiential shopping in consumers' homes during shutdown. A 2020 Subscription Impact Report by Zuora found that subscription companies have proven their resilience during the pandemic. Overall, the report found that 53.3% of companies have not seen a significant impact to their subscriber acquisition rates and 22.5% of companies are seeing their subscription growth rate accelerate.



Implication

With increased acceptance and trial of subscription ecommerce during the pandemic, we anticipate that the post-COVID market will be broader.

The background of the image is a solid black field. Overlaid on this are numerous thin, white, wavy lines that resemble a complex network or a series of interconnected paths. These lines are most concentrated in the center-left area, where they form a dense, tangled web. From this central point, several lines extend outwards towards the right and bottom edges of the frame, becoming more sparse and less tangled as they move away from the center. The overall effect is one of dynamic movement and interconnectedness.

Rising Commerce Trends

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Rising Commerce Trends

The rise of the 'Direct', task-driven, cautious customer



Cashless commerce

COVID and our desire for safer, touchless transactions, is accelerating an existing trend originally driven by convenience



Local/ proximity

Australians are developing a strong sentiment towards supporting local communities and shopping local



Health/ Hygiene

More conscious about health and safety Australians purchase more health and safety products and expect high levels of hygiene when shopping



Frugality

Current economic conditions and financial uncertainty are driving Australians to seek value and be more cautious shoppers

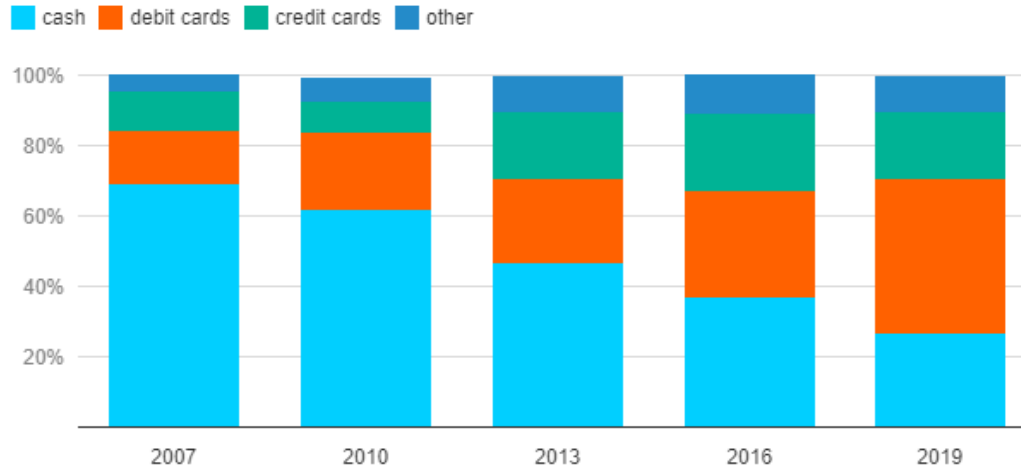


“Mastercard’s recent global survey shows that 79% of consumers are now using contactless payments, citing safety and cleanliness as the main motivations for adoption of the technology”.

Inside Retail

Cashless commerce

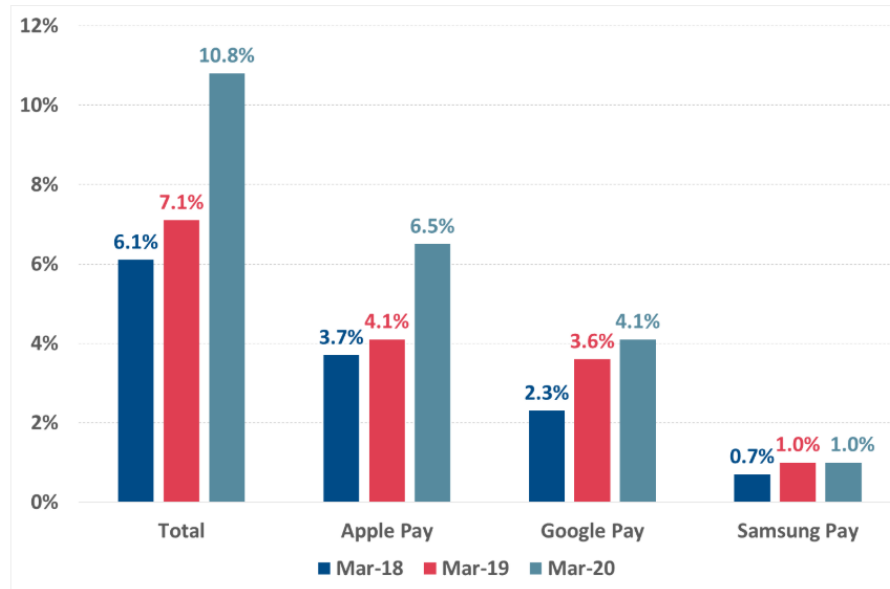
The Reserve Bank's 2019 Consumer Payments Survey, released in March, found that in the space of a decade cash went from the main form of payment to just about a quarter of all transactions. At the current pace, Australia could be cashless by 2021



Source: [Reserve Bank of Australia](#) • [Get the data](#) • [Embed](#)

Cashless commerce

Data from the Roy Morgan [Digital Payments Report](#) shows a sharp increase in use of non-bank contactless mobile payment services compared to a year ago. This trend has been driven by the young and tech-focused Australians.



What's next?

“Mastercard predicts that voice payments will account for US\$40billion in 2022”.

RetailWorld

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Current economic conditions and financial uncertainty are driving Australians to seek value and be more cautious shoppers

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Our COVID-19 Tracker (wave 16) shows that Australians are worried about the impact of the pandemic on local businesses. According to [Dynata](#), Australians feel compelled to help smaller business survive. This attitude is more strongly held by the older generation than by the young

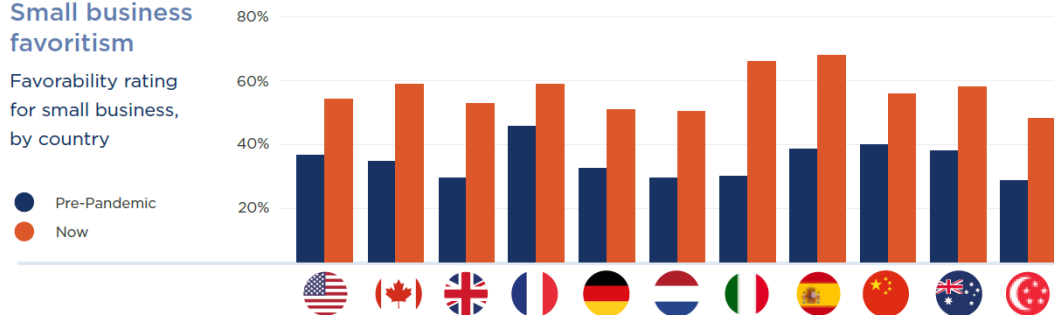
THE CONCERN IS REAL

49% are very worried about the impact of CV-19 on local businesses (▲ +3pts since the second wave started)

42% are moderately worried about the impact of CV-19 on local businesses (▼ -2pts since the second wave started)

Small business favoritism

Favorability rating for small business, by country



61% Australians agree that they feel obligated to help smaller businesses survive, rather than larger companies.

Source: dentsu Intelligence COVID-29 tracker Australia Wave 16

Source: [Dynata The Reopening Report](#)

Rising Commerce Trends

The rise of the 'Direct', task-driven, cautious customer



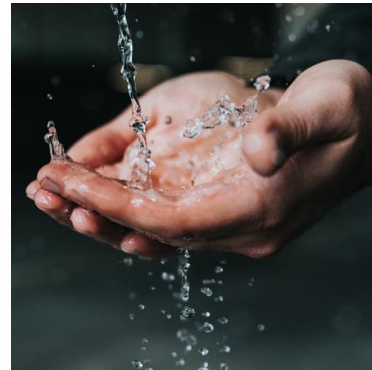
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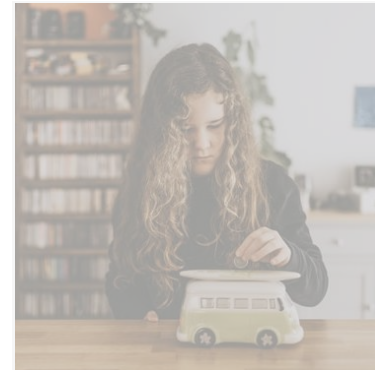
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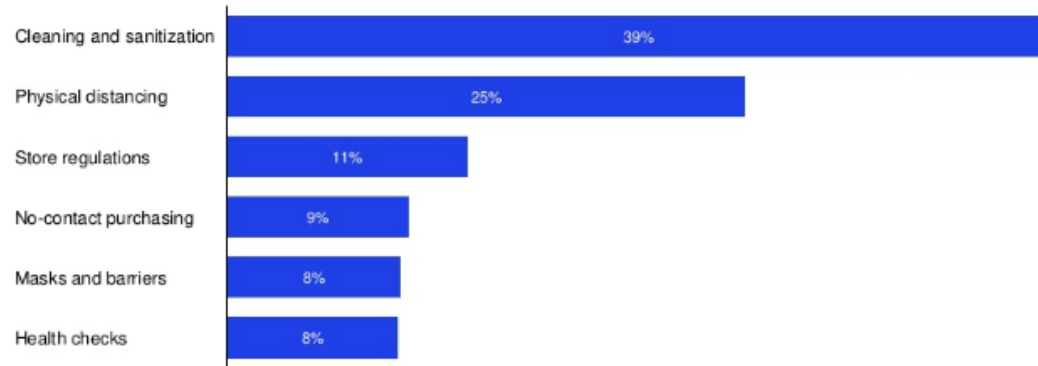
Current economic conditions and financial uncertainty are driving Australians to seek value and be more cautious shoppers

Health/Hygiene

A McKinsey survey in Australia shows that cleaning and social distancing are the top priorities for Australians as they decide where to shop in-store,

Top priorities when deciding where to shop in-store¹

% of respondents for whom this criterion is the most important²



¹ Q: Once restrictions lift, which of the following factors will be most important to you as you decide which of these places to visit in person? Respondents were asked to select the most important.

² The following categories are included in each bucket: Cleaning and sanitization—increased cleaning, improved air filtration, availability of sanitizing supplies throughout the store; Health checks—customer wellness check (e.g., temperature) on entry, employee wellness check (e.g., temperature) on entry; Masks and barriers—customers and employees wear masks, customers and employees provided masks and gloves, plastic barrier with cashier; No-contact purchasing—outside pick-up, cashier-less checkout, no contact delivery, buy online for pickup in store; Physical distancing—customer number limit, distancing in customer line, reduced employee activity during shopping hours; Store regulations—no customer product testing, one-way store aisles, special hours for high-risk shoppers.

Source: McKinsey & Company COVID-19 Australia Consumer Pulse Survey 6/15–6/21/2020, n = 759, sampled to match Australia's general population 18+ years

McKinsey & Company 20

Health/Hygiene

Research from Nielsen BASES has found that consumers now believe that when it comes to home care products claims focused on killing germs, providing immunity and overall health promotion i.e. “kills germs and bacteria in an effective way”, “keep my family protected against germs bacteria” are more relevant than claims around naturalness, sustainability, quality and brand.

RELEVANCE OF HOME CARE PRODUCT CLAIMS DURING COVID-19

	NORTH AMERICA		ASIA							MIDDLE EAST		EUROPE			LATIN AMERICA	
CLAIMS FOR HOME CARE PRODUCTS	USA	CHN	THA	IND	JAP	ROK	VNM	AUS	KSA	UAE	GBR	DEU	ITA	BRA	MEX	
Keep my family protected against germs-bacteria	1	1	2	1	1	3	3	2	3	1	2	6	2	1	1	
Kills germs-bacteria in an effective way	2	4	1	5	2	6	8	1	4	3	1	2	1	2	2	
Kills germs-bacteria in a natural way	3	2	3	6	6	5	7	4	5	11	4	1	3	6	5	
Keep my immune system strong	4	3	7	3	4	2	2	5	1	2	5	3	5	4	4	
Keep my family safe from diseases	5	7	4	2	3	1	4	3	2	4	3	5	4	3	3	
It has essential antibacterial oils	6	8	8	3	10	14	5	12	6	7	10	12	7	7	8	
Sanitize my home	7	11	14	11	7	8	16	10	8	9	6	10	6	9	7	
Superior cleaning effect	8	9	6	14	5	7	12	6	11	17	7	13	13	12	11	
Protect the skin on my hands while I sanitize my house	9	6	15	10	8	10	14	9	13	13	9	9	8	5	6	
Can be used on any surface	10	18	12	17	15	16	15	7	15	12	8	8	10	14	13	
High quality ingredients	11	9	10	9	13	11	9	14	7	6	12	11	9	8	12	
Natural ingredients	12	5	9	7	11	9	6	11	10	7	13	4	11	13	10	
Made under the highest safety standards	13	12	5	11	9	4	1	8	9	5	11	14	11	10	9	
Made by a company that I trust	14	15	13	13	14	13	10	16	12	10	18	17	16	16	17	
Sustainable ingredients	15	13	17	15	11	15	13	15	17	19	14	7	15	10	14	
Organic ingredients	16	14	11	8	16	12	11	17	14	14	15	15	14	15	15	
Sustainable packaging	17	16	16	16	16	17	19	18	18	16	16	18	17	17	16	
Locally made	18	19	18	19	19	19	18	13	16	14	17	15	18	19	19	

* By March 13th, **Dark green** represents number 1 in relevance vs rest of claims. **Dark red** represent lowest relevance.
Source: Nielsen BASES Quick Screen, March 2020

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Rising Commerce Trends

The rise of the efficient, cautious customer



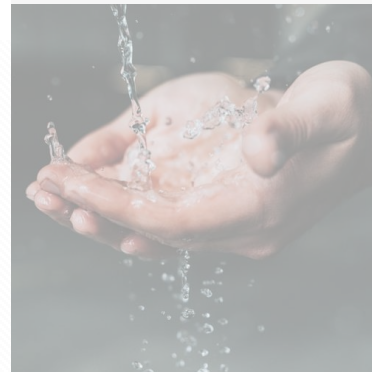
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Local/ proximity

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Health/ Hygiene

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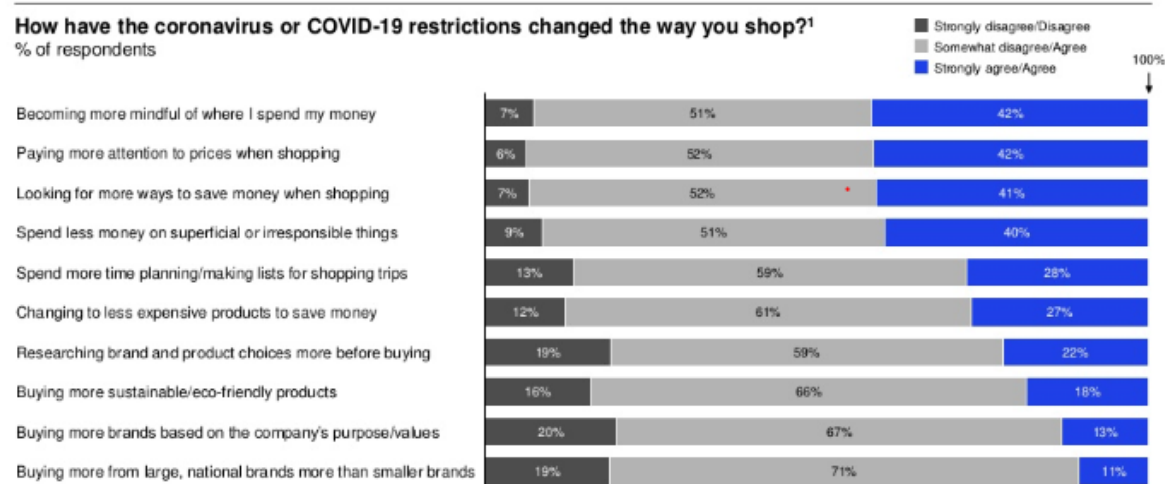


Frugality

Current economic conditions and financial uncertainty are driving Australians to seek value and be more cautious shoppers

Frugal & Cautious

McKinsey also shows that Australians are becoming more mindful of how they spend their money and researching and planning more before buying.



¹ Q: How have the coronavirus/COVID-19 restrictions changed the way you shop? Please select your level of agreement to each of the below statements, thinking about your planned behavior after the restrictions will be lifted (and no vaccine is available).

Source: McKinsey & Company COVID-19 Australia Consumer Pulse Survey 619-6/21/2020, n = 799, sampled to match Australia's general population 18+ years.

McKinsey & Company 6

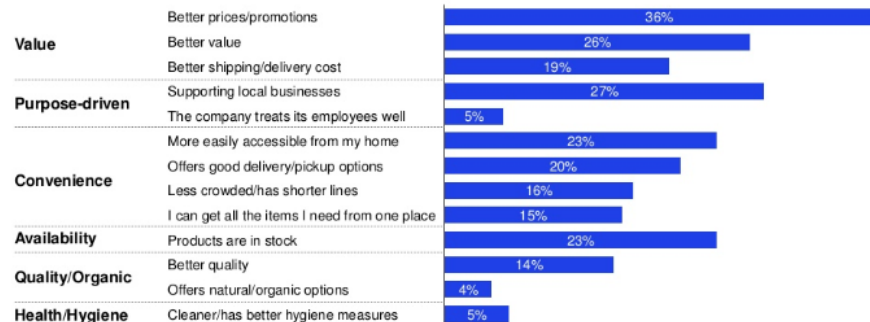
Frugal & Cautious

Seeking better value is also a key driver for Australians consumers to try new brands or places to shop, according to this [McKinsey](#) survey.

Seeking better value and supporting local businesses are key drivers for consumers trying new places to shop

Reason for shopping at a new retailer/store/website in the past three months¹

% of respondents selecting reason as top three



¹ Q: You mentioned you shopped from a new retailer/store/website since the coronavirus (COVID-19) situation started. What was the main reason you decided to try this new retailer/store/website? Select up to 3.

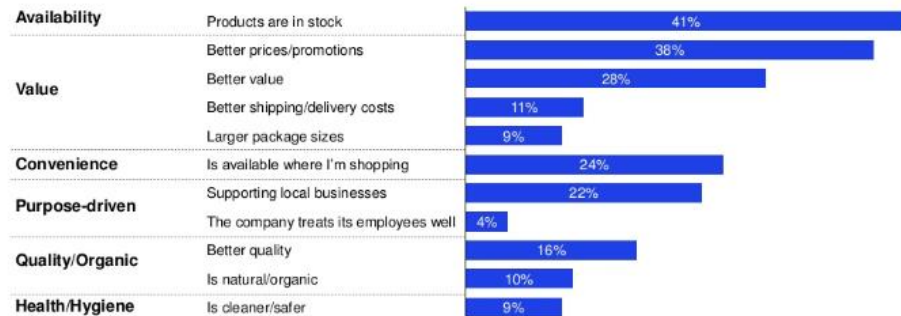
Source: McKinsey & Company COVID-19 Australia Consumer Pulse Survey 6/19-6/21/2020, n = 798, sampled to match Australia's general population 18+ years

McKinsey & Company 10

Many consumers have tried a new brand based on availability and better value

Reason for trying a new brand in the past three months¹

% of respondents selecting reason as top-three



¹ Q: You mentioned you tried a new/different brand than what you normally buy. What was the main reason that drove this decision? Select up to 3. "Brand" includes different brand, new private label/new brand.

Source: McKinsey & Company COVID-19 Australia Consumer Pulse Survey 6/19-6/21/2020, n = 798, sampled to match Australia's general population 18+ years

McKinsey & Company 11

Frugal & Cautious

Our dentsu Intelligence COVID-19 tracker (wave 16) shows that more than 1/4 of respondents are planning on cutting back on Everyday fashion, Luxury fashion and Jewellery & accessories

Q: How will you change the way you shop in the following categories after the COVID-19 outbreak is contained

	Purchase more online	Purchase more instore	Purchase more through apps	Cut back on purchases	No change
Everyday fashion	27%	28%	10%	25%	18%
Luxury fashion	17%	19%	12%	28%	30%
Footwear	24%	24%	12%	24%	23%
Jewelry and accessories	20%	21%	10%	26%	31%
Books	28%	19%	13%	19%	27%
Hobbies and crafts	26%	20%	10%	21%	29%
Technology	28%	21%	11%	21%	26%
Electronics and white goods	26%	22%	15%	23%	24%
Homewares	26%	23%	11%	21%	24%
Health and Beauty	30%	24%	11%	22%	21%
Pet foods/ needs	22%	18%	10%	13%	43%
Liquor	21%	20%	12%	24%	30%

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05. dentsu Commerce

The background of the image is a solid black field. Overlaid on this are numerous thin, white, wavy lines that resemble smoke, mist, or perhaps a complex network of fibers. These lines are most concentrated in the center-left area, where they form a dense, tangled mass. From this central point, several distinct, more linear paths extend outwards towards the right and bottom-right corners of the frame. The overall effect is one of dynamic movement and organic complexity.

Building blocks for the future



The 'Direct' consumer demands an efficient CX

Respond

Understand consumers changing mind states and demands and proactively respond to them.

Simplify

Simplified CX online and instore. Make it easy to buy anywhere, anytime.

Speed

Increased automation, more efficient supply chains, agile 'last mile' fulfilment capabilities (dark stores).



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The 'Selective' consumer will demand an adapted CX

Commerce Everywhere

Smartphones are the new showroom.

Anticipate (next level personalisation)

Predicting customers demands via insights and first party data and analytics.

Curated stores

Re-think stores, less and smaller. Curated local edits. Reinvent stores for branding, sensorial, human experiences. Exceptional CS.

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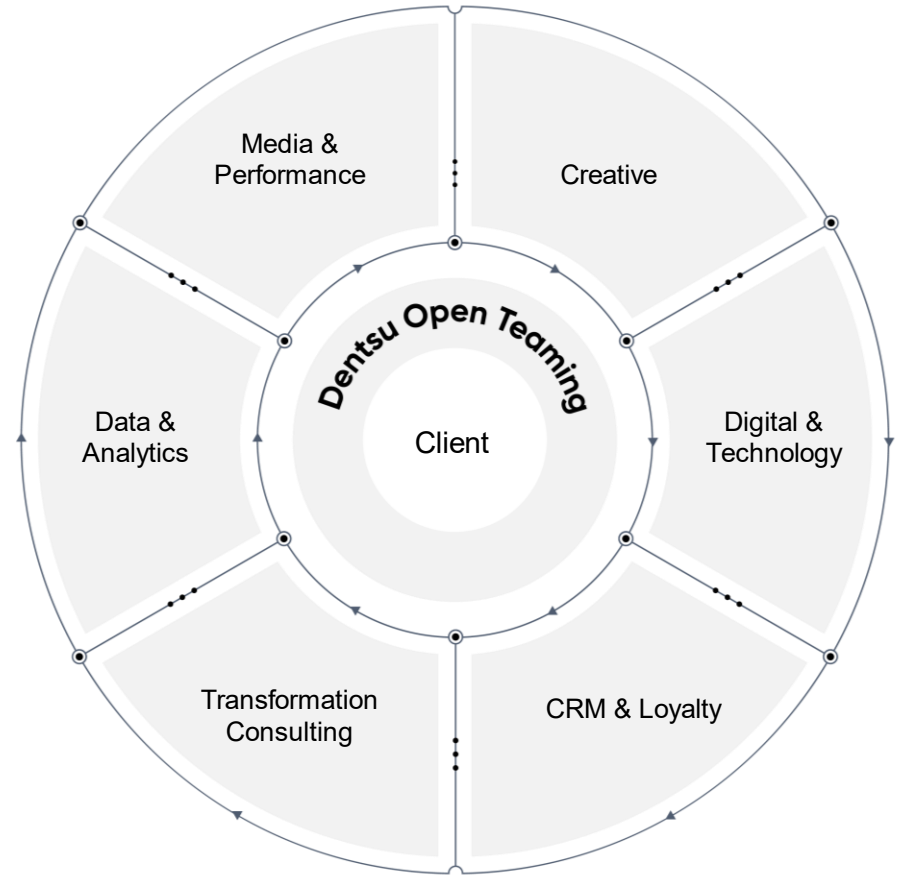
05. dentsu Commerce

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C O M M E R C E

We deliver meaningful & personalised omni-channel experiences to drive long term, sustainable business growth

Please contact **Mark Byrne** (mark.byrne@dentsuaegis.com) if you would like to have an initial conversation as to how you clients could benefit from the dentsu Commerce capability to improve their commerce platforms and experiences.

We have all the capabilities needed to deliver on this value proposition



Our diagnostic approach is key to unlocking solutions

01

Past

Realign on strategy & disrupting context

02

Present

Seek out pain points & opportunities across your connected commerce ecosystem

03

Future

Re-prioritise & build investment roadmap & business case

Different customer engagement models

Commerce Foundations

Businesses either don't have a digital presence or need to make better use of their existing ecosystem to deliver end-to-end commerce experiences.

Establish brilliant commerce basics.

Quickly set direction & deliver MVP commerce solutions or maximise value of existing channels and platforms.

Commerce Transformation

Businesses have a commerce platform that is no longer fit-for-purpose, or it's not creating tangible value.

Create new value & revenue through product, service or experience innovation.

Define business strategy, design end-to-end future state experiences and deliver a new connected commerce ecosystem to maximise return on investment.

Commerce Optimisation

Businesses with an established presence who want to accelerate growth and optimise their commerce ecosystem to improve profit margins.

Increase value across the end-to-end customer journey.

Refine commerce strategy to unlock areas of opportunity across customer acquisition, retention and operational efficiencies. Deliver commerce ecosystem improvements.

The dentsu Commerce community

Exec Sponsor



Erik Hallander

Leadership



Lucy Povlsen



Catherine Krantz



Jeremy Francis



Anthony Mangos



Mark Byrne

Subject Matter Experts



Rachel Legge
Client Engagement
Director



George Mortimer
Social
Commerce



Shae Healey
Marketplaces



Erin Hunter
Retail Activation



Dave Calleja
Experimentation



Andrew Molan
Offline
Integration Hub



Rose Harvey
Fast Track
Commerce

A dark, high-contrast photograph of a person's silhouette holding a smartphone up to take a picture of a night scene. The background is filled with out-of-focus lights (bokeh) and the person's arms are visible in the foreground. The word "dentsu" is overlaid in white text on a circular graphic element.

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