



# **Australian Passport 2015**

## **Cross-Border Trading Report**

Your guide to international e-trading

A report researched & compiled by ecommerce Worldwide

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**The Australia Cross-Border Trading Passport is our latest publication in a series of international trading guides produced and maintained by eCommerce Worldwide, our sister associations and supporters for a variety of key territories around the globe.**

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## FOREWORD

By wnDirect

**Sharing a language, a rich history and a love, if not intense rivalry, of rugby and cricket, it is hard to think of two countries with more in common than Australia and the UK.**

With a commonwealth bond built on a shared monarchy and standing shoulder to shoulder in two world wars, it is no wonder that millions of our antipodean cousins have found a home in the UK and vice versa.

With such familiarity with globetrotting, lack of availability of global brands locally and ecommerce sophistication it comes as no surprise that international online sales penetration in Australia is amongst the highest in the world. There are also many British born people living in Australia keen to purchase the brands they already know and love. According to Citigroup, overseas purchasing accounts for between 35 and 40% of online sales in Australia, with Australians mostly purchasing from the UK and USA. So it seems, when it comes to online shopping, convenience and access far outweighs patriotism.



You can find more information about wnDirect's services at:  
**[www.wndirect.com](http://www.wndirect.com)**

A 2014 Pitney Bowes study found that 63% of Australians would be happy to shop internationally. This is supported by a 2014 report from Research and Markets that found Australian consumers to be one of the most active buyers from international retailers.

In addition to the familiarity with British and American brands and the high percentage of Brits in Australia, this trend is due to the high wholesale prices paid by local retailers and a loophole exempting foreign websites from charging a 10 per cent general sales tax on purchases under A\$1,000. The import environment is, in fact, so favourable that local retailers continue to campaign for a change to the current GST regulations claiming it puts them at considerable disadvantage. Consumers counter this by arguing that a lack of GST isn't the primary motivator for purchases and that convenience, price and access to global brands are the real drivers. Regardless of whether or not it is what motivates a purchase no one could argue that the favourable import market has paid dividends for international retailers as, in 2013, Australian consumers made €3.11 billion worth of purchases consisting of imports worth less than 1,000 Australian dollars.

It seems that Australian shoppers love to do just that, shop, and they aren't simply out for a bargain as both ends of the shopping spectrum perform well in this market. Luxury fashion retailer, Net-a-Porter, which attracts over 6 million visitors per month, cites Australia as one of its biggest markets. Net-a-Porter has a 'Live' section on its website which displays a roaming map of the world and every time a sale is made a shopping bag pops up in the buyer's location; Australia features with considerable frequency!

Mr Porter, the men's global fashion destination from the Net-a-Porter Group is fairing equally as well in Australia. Mr Porter launched in 2012 and its first Australian order came in 30 minutes later. Within the first 24 hours of trading nearly 20 per cent of purchases were for shipment to Australia; three times more than any other country outside of Britain.

The opportunities in Australia don't show any signs of stopping anytime soon. eMarketer has projected ecommerce sales in the region to reach AU \$32.56 billion by 2017. From October 2013 to October 2014, National Australian Bank (NAB) reported that online sales represented 6.8% of total retail spend that year.

With a surface area of 7Mn Sq<sup>2</sup> (twice the size of India) and a population of 23 million (less than Texas) Australia may not, at first glance, seem like an ecommerce paradise. Although it is exactly these qualities that have motivated the phenomenal rise of online shopping.

With high purchasing power assisted by high disposable income levels, healthy economic growth and low unemployment the Australians have embraced online shopping with significant gusto. Australia is ranked as one of Asia-Pacific's most highly developed ecommerce markets offering a substantial market size and tech savvy customer base that is already switched on to the benefits of online shopping such as convenience and wider product selection.

With keen consumers and a supportive environment it is no wonder that Australia has featured in the priority list for a number of English speaking online retailers. Known for exploring uncharted waters, ASOS was one of the first international e-retailers to launch in Australia. In 2013 the online fashion retailer was flying nearly four full jets of clothing to Australia each week and by August 2014 ASOS had sold around \$200m worth of clothes to fashion savvy Australians. Although sales briefly weakened due to a fall in the dollar, ASOS has returned to growth in the region and continues to eat into the market share of its bricks and mortar competitors.

Frost & Sullivan predicts this percentage will increase even further to 9.8% by 2017. In 2014, Shopify predicted that by 2016, the average Australian online shopper will spend USD \$4,500 online. By 2018, 8.4 million Australian shoppers are expected to make a cross border purchase spending a not insignificant sum to the tune of USD 14.9 billion with apparel and footwear the favoured shopping categories.

Australian consumers were far ahead of the game when compared to local retailers. With only around a half of Australia's retail businesses having websites and an equally poor proportion offering the ability to shop online, Australia's retail companies have been very late to the ecommerce party and are paying heavily for their apathy. Whilst we would always advocate a tailored offering, Australian customers are not really all that different to their international counterparts wanting choice, brand assortment, price benefits, convenient delivery options and ease of returns. And if Australian retailers can't deliver then Australian customers are just as happy to get it cross-border. Interested? Well you know where to come!







## EXECUTIVE SUMMARY

**With a global outlook for trade and ecommerce, a multicultural society, Australia represents a key opportunity for many business sectors.**

For retailers with eyes on international expansion, and particularly those that already have a web presence based on the English language, it is even more interesting as internet penetration is particularly high and nearly 40% of Australian consumers already buy products across borders.

This report explores some of the key statistics that will help merchants to understand the opportunity and some of the risks or pitfalls.

### **Australian Politics and Socio-Economics**

Australia is a constitutional monarchy with federal division of powers. Consisting of 6 states and two territories, the country is ruled by a government based in the capital Canberra.

The Australian government sits for three years and voting is compulsory for those eligible to vote. With a growth rate of 1.8% per annum, the current population of c 24 million increases mainly due to immigration creating a strong demand from the ex pat community for products from home. With a multicultural society the population looks both east and west for those products. The majority of the population is based on the Eastern Seaboard.

**Economy** With a national output of over US\$ 1.5 Trillion, the Australian economy is a major player on the global stage. Interestingly, the services sector is responsible for 68% of national output whilst mining is at 8.5% and agriculture at 12%. The recent slowdown in the Chinese Economy (2015) does threaten the Australian outlook; particularly those areas that rely on mining commodities such as iron ore. Overall though, the economy is forecast to grow at a respectable 2.3-5% and there are increasing numbers of Australian brands now starting to trade internationally themselves.

**Trade** Traditionally Australia has been a trading nation with good international links to both Asia-Pacific and Western nations. China is currently the largest trading partner, representing 29.5% of the total whilst Japan comes in at 19.3% and South Korea at 8.0%. The main import partners are China at 18.2% and the US at 11.6%. The current Government is focusing on boosting the economy through investment in '21st Century' infrastructure, improving trading links with Asia, diversifying and encouraging the growth of SME's as a key part of job provision.

**Online & Statistics Overview** The Australian market is already digitally enabled with over 80% internet access penetration amongst the 24 million population. There are nearly 13 Million internet subscribers and 8 million consumer regularly active online. Mobile is playing an increasingly important role in how consumers are accessing products and services online. Over 60% of mobile phone users have a smartphone and 55% of these say that this is their favoured method of going online; often more than 5 times per day. 6 of the top 10 retail sites are international brands. E-consumers are already trading cross border with favoured 'destinations' being USA, UK, China, Hong Kong and Canada.

**Marketing** Social media, email marketing and Search Engine Marketing are priority areas for Australian retailers. The key search engine is Google although there are a number of local alternatives such as Ansearch. Social media does have a high level of engagement but growth appears to have flattened off. However, Facebook has 13.6 million users and appears to be increasing its user base despite the overall number of social users declining marginally. Personalisation is an important development and consumers are expecting increased levels of localisation from international traders.

**Payments** Credit and Debit cards are used widely online although PayPal is by-far the most popular payment method. Australian consumers are also well advanced as adopters on online/mobile banking and this has led to the increased use of Bank-to-bank and overlay payment services (OLAP). However, care should be taken when selecting some of these services as many don't offer a refund service which might lead to a dis-jointed customer service proposition. Penetration is still relatively small, but is growing.

It is also worth noting that at present, products sent to customers in Australia that cost less than AUD \$1,000, do not attract sales tax (GST). However, local businesses are looking for this to be changed. Likewise, for products that are worth more than this, when a customer returns them they will not have the GST refunded by the Government.

**Law** Australia has a stable and long standing legal system, originally based on the British system but now developing its own identity. Most provisions would be recognisable to any Western lawyer; particularly around consumer rights and data protection. As always, it is advisable to get local advice on this area.

**Logistics & Fulfilment** with cross-border being a normal exercise for many consumers, sourcing the right product and speed of delivery is more important than where it came from. International carriers have developed services that enable international merchants to compete with local businesses and the vast size of the Australian continent make domestic supply lines particularly long and expensive.

Consumers value choice in delivery options, including speed, traceability and booked services. Click & Collect is starting to grow and international services are linking up with Aus Post to roll these options out nationwide.

It is clear from the number of active online shoppers that there is still considerable room for expansion of online retail. Good device penetration, improving fulfilment offerings, appetite for cross border shopping and a strong economy all point to an opportunity for merchants looking to expand their offering to new territories.





# INTRODUCTION

**A vibrant population, high levels of digital connectivity and growing population mean that Australia is an attractive market for many businesses.**

Coupled with its geographical location, multicultural society and global trading status, it should be no surprise that its citizens are already embracing cross-border shopping. Indeed, due to limited choice, a number of international brands have already established a strong digital presence in the country.

However, local businesses are now adopting e-Commerce, with start-ups, pure-plays and established retailers all entering the market. However, certain trading conditions allow international businesses to compete effectively with very few major differences to other 'western' markets. Issues to watch are taxation on imported products and the development of internal fulfilment solutions. Changes to the former would dramatically change the competitive proposition and requires close attention.

# AUSTRALIAN POLITICAL & SOCIO-ECONOMICS

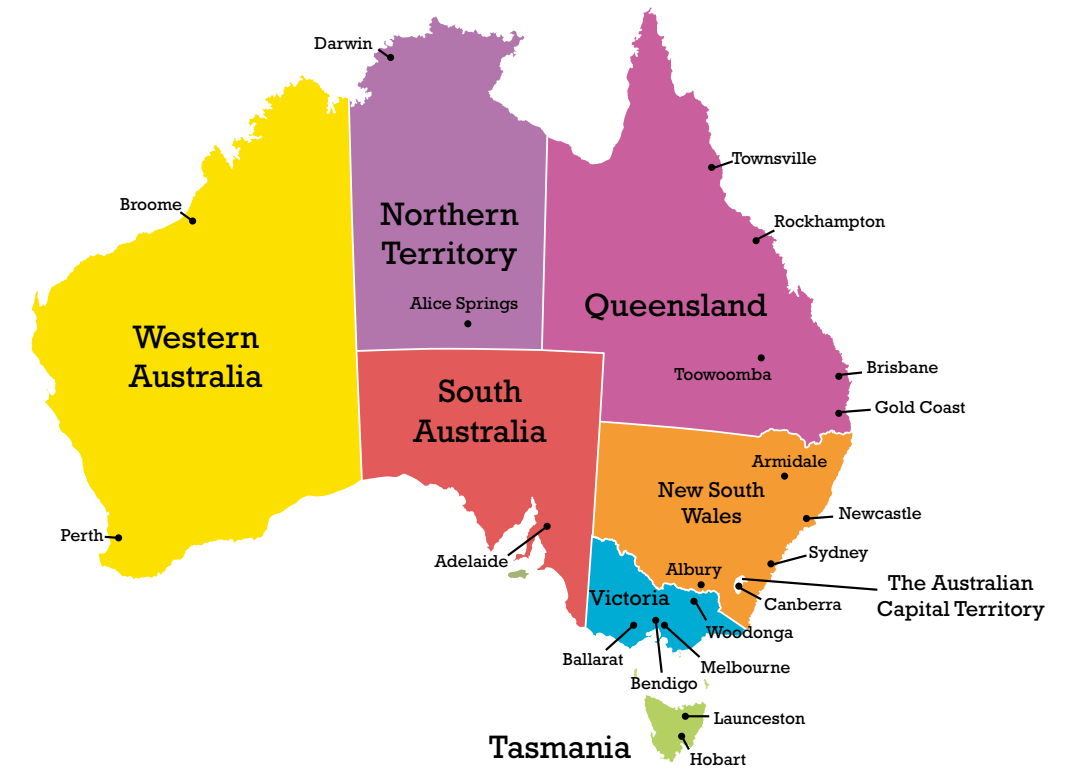


Figure 1: Territories and States of Australia: (Source: picswallpaper.com)

## Government of Australia

Australia is a constitutional monarchy with a federal division of powers. As part of the Commonwealth its official head of state is Queen Elizabeth II, who is represented by her viceroys in Australia, the Governor-General at the federal level and a separate Governor for each state. Australia has six states and two territories, and the national capital, Canberra, is in the Australian Capital Territory (ACT). The current prime minister of Australia is Tony Abbott, who leads a right-wing coalition government.

Elections take place in Australia every three years, with the next election due in 2016. The two major political groups are the broadly left-wing Australian Labor Party and the Coalition, which combines the right-wing Liberal Party with the traditionally rural-focused National Party. Voting is compulsory for Australian citizens and uses preferential voting.

Most of the Australian population is concentrated on the South Eastern seaboard, with major cities including Sydney, Melbourne, Brisbane and Adelaide. Perth, on the West Coast, is the only major population centre elsewhere.

Quick stats:

Population 23.8m

Components Six states and two territories

Official language English

GDP 1.525 trillion USD

Currency Australian dollar (AUD)

### AUSTRALIA and wnDirect - A World class opportunity

#### AUSTRALIA - THE FACTS & FIGURES

- The population of Australia is 22.68 million (2012)
- The capital is Canberra, not Sydney
- The national currency is Australian Dollars (AUD)
- Australia is the world's 6th largest country by total area
- The name Australia comes from the Latin word 'australis', meaning 'southern'
- Vegetation covers 91% of Australia, nearly 7 million square kilometers
- There are almost always more kangaroos in Australia than people

#### Internet Penetration

94% of Australians access the internet, 79% do so every day. [AIMIA / Sensis]

60% of Australian internet users go online multiple times a day. [OAG]

In 2012-13, over three quarters (76 per cent) of Australia's 15.4 million internet users made a purchase or order over the internet (Australian Bureau of Statistics - ABS)

#### ECOMMERCE FACTS & FIGURES

- There is a slightly higher proportion of male than female internet users (64% compared to 63%). However the reverse is true for online shopping in 2012-13. Over three quarters (76%) of female internet users shopped online compared to 75% of male internet users
- Travel, accommodation, memberships or tickets of any kind were the most common purchases for both males and females. The second most popular online shopping items for females were clothes, cosmetics or jewellery (61%). Males' second most popular purchases were of CDs, music, DVDs, videos, books or magazines (50%)
- The most lively Australian age group to shop online are those aged between 35-44 years old (73% of total online consumers) [ACMA]

#### OUR PARTNERS

##### Australasian Mail Services

AMS are our broker in Australia. They receive wnDirect traffic at hubs across the country. They process the parcels before passing to the final mile carrier.

##### Australia Post

Australia Post are our final mile in-country partner. They are the postal service who deliver the parcels to the end consumer.

#### SERVICE OVERVIEW

- For consignments over \$1000 AUD, duty and tax are calculated before the goods leave and paid upfront by wnDirect. DDP is then paid for by retailer
- Delivery progress is tracked end to end
- wnDirect inject into 4 cities: Sydney, Melbourne, Brisbane and Perth
- A scan will take place to show the parcel has been delivered. No signature required, but Aus Post will obtain one if the customer is in. Delivery costs include 'carded' if the customer is not in
- 2 hour delivery window am or pm
- In-country delivery time is 3-8 business days from when the parcel is processed
- The customer will receive an email notifying them that their parcel has arrived and will be delivered soon
- wnDirect offers a consolidated returns option in-country (to minimise retailer and customer returns costs. Returns are collected weekly
- Aus Post items cannot be intercepted for bad address etc.

DELIVERED IN-COUNTRY

3-8 BUSINESS DAYS

For more information visit [www.wnDirect.com](http://www.wnDirect.com)

	UNIT	2012	2013
<b>Production and income</b>			
GDP per capita	USD current PPPs	43 676	44 706
Gross national income (GNI) per capita	USD current PPPs	42 664	43 616 e
Household disposable income	Annual growth %	0.9	1.5
Economic growth			
Real GDP growth	Annual growth %	2.5	2.5
Net saving rate in household disposable income	%	10.3	9.7
Gross fixed capital formation	% of GDP	2.0	-1.5
<b>Economic structure: share of real value added</b>			
Agriculture, forestry, fishing	%	2.4	2.5
Industry	%	18.4	18.6
Trade, transport, accommodation., restaurants, communication	%	20.0	19.4
Finance, insurance, real estate, business	%	30.7	30.9
Other services (ISIC Rev.4 O - U)	%	20.0	20.1
<b>Taxes</b>			
Total tax revenue	% of GDP	..	..
Taxes on income and profits	% of GDP	..	..
Taxes on goods and services	% of GDP	..	..
Taxes on the average worker	% of labour cost	27.2	27.4
<b>Trade</b>			
Imports of goods and services	% of GDP	21.1	21.3
Exports of goods and services	% of GDP	19.9	20.9
Goods trade balance: exports minus imports of goods	Bln USD	5.8	..
Imports of goods	Bln USD	250.5	..
Exports of goods	Bln USD	256.2	..
Service trade balance: exports minus imports of services	Bln USD	-12.3	-14.0
Imports of services	Bln USD	65.2	67.2
Exports of services	Bln USD	52.9	53.2
Current account balance of payments	% of GDP	-4.2	-3.2

	UNIT	2012	2013
<b>Prices and interest rates</b>			
Inflation rate: all items	Annual growth %	1.8	2.4
Inflation rate: all items non food non energy	Annual growth %	2.1	2.4
Inflation rate: food	Annual growth %	-3.5	0.3
Inflation rate: energy	Annual growth %	7.3	6.3
Producer Price Indices (PPI): manufacturing	Annual growth %	-0.5	1.1
Long-term interest rates	%	3.38	3.70
<b>Purchasing power and exchange rates</b>			
Purchasing power parities	AUD per USD	1.52	1.52
Exchange rates	AUD per USD	0.97	1.04
Indices of price levels	OECD = 100	155	146
<b>Information and Communications Technology (ICT)</b>			
Exports of ICT goods	Mln USD	2 241	..
ICT related occupations: business sector employment	%	..	..
Households with access to the Internet	%	..	..
<b>Employment</b>			
Employment rate in population aged 15-24	%	59.6	58.7
Employment rate in population aged 25-54	%	79.5	79.2
Employment rate in population aged 55-64	%	61.5	61.5
Incidence of part-time employment	%	24.5	24.8
Self-employment rate: total employment	%	10.6	10.3
Self-employment rate, men: male employment	%	12.4	12.2
Self-employment rate, women: female employment	%	8.4	8.1



	UNIT	2012	2013
<b>Unemployment</b>			
Unemployment rate: total labour force	%	5.2	5.7
Unemployment rate, men: male labour force	%	5.1	5.7
Unemployment rate, women: female labour force	%	5.3	5.6
Long-term unemployment: total unemployed	%	19.0	19.2
<b>Population</b>			
Total population	‘000 persons	22 724	23 131
Population growth rates	%	1.7	1.8
Total fertility rates	Children	1.9	..
Youth population aged less than 15	% of population	18.9	18.9
Elderly population aged 65 and over	% of population	14.2	14.4

**Source:** *OECD Factbook statistics. For explanatory notes, see OECD Factbook 2014 (DOI: 10.1787/factbook-2014-en)*

### Economy

Australia’s economy is one of the largest mixed market economies in the world, with a GDP of around 1.525 trillion US dollars. The service sector comprises 68% of GDP, with economic growth largely dependent on mining (8.4% of GDP) and agriculture (12% of GDP). Australia’s stock exchange, the Australian Securities Exchange (ASX) is the ninth largest in the world.

The rapid growth of China, in particular its demand for resources, helped Australia largely escape the 2008 Global Financial Crisis. The Australian government also provided a fiscal stimulus programme to help keep the economy out of recession.

### Trade

International trade remains critical to Australia’s economy and nurturing trade links has been a priority for successive governments.

China remains Australia’s largest export partner (29.5%) followed by Japan (19.3%) and South Korea (8.0%). Its main import partners are China (18.2%), the US (11.6%) and Japan (7.8%). China is considered increasingly important to Australia as a trading partner, and China is already the largest purchaser of Australian debt. The recent (November 2014) Signing of the China-Australia Free-Trade Agreement has the potential to drastically increase Chinese investment and trade.

Australia has also entered into free trade agreements with ASEAN, Canada, Chile, Korea, Malaysia, New Zealand, Japan, Singapore, Thailand and the US. It is a member of the APEC, G20, OECD and WTO.



### Issues facing the Australian economy

**Remote geographic location** Australia’s location makes transport and logistics lengthier and more costly than for many other developed markets. This often results in higher consumer prices on imported goods, a phenomenon nicknamed the “Australia tax”.

**Large size** The size of Australia is a challenge for national operators and drives up the cost, speed and complexity of domestic logistics. Rural residents are often forced to travel hundreds of miles to major cities for certain services, and upgrading the country’s internet infrastructure has been more expensive and challenging than in countries with a more concentrated population density.

**Relatively small population** Australia has a similar landmass to the US but less than a tenth of its population, meaning a limited consumer market size, as well as limited potential for economy of scale.

**Rising unemployment** Unemployment reached twelve-year highs in the first quarter of 2015. Rural and regional areas are particularly severely affected. While official estimates by the Australian Bureau of Statistics put unemployment at just over 6%, independent analysts suggest it is over 10%, and combined with underemployment and casual, cash wages, this combined may affect over 20 per cent of the population.

**Skills shortage** Despite rising unemployment Australia still suffers a shortage of skills in key areas, notably ICT, finance and certain trades. The government provides some support to industry to address this, including the 457 visa scheme which allows Australian employers to sponsor skilled workers from overseas.

**Currency volatility** the Australian dollar has experienced significant volatility against its main trading pairs. Over the past four years it has lost nearly a third of its value against the US dollar and shows a similar performance against Sterling (GBP) and the Euro (EUR).

### Australia's macroeconomic plans

Australia’s short election cycles (three years) have been criticised for discouraging a longer-term economic outlook. There has long been a call to diversify the economy away from mining and resources to a technology-led, knowledge economy with greater support for other sectors including retail.

The previous government’s ambitious plan to create a national fibre-to-the-home high speed broadband network attracted considerable international interest, but has since been cancelled by the current government. Internet speeds, as well as access in more remote areas, are hampering the growth of ecommerce in rural and regional areas.

The current government’s economic aims are to build more “21st century” infrastructure, to deepen engagement with and growth from Asia, to build a more diverse economy, and to help small business create stronger jobs growth.

While of benefit to exporters, the weakened AUD\$ has significantly increased the cost of imports, forcing local retailers to raise prices. The overall impact has been negated by customer demand for international brands from global merchants.

**Overseas retail** many Australian retailers have been lobbying for a reduction in the “low value threshold”, which currently sees goods worth less than AUD \$1,000 exempted from GST (10% goods and services tax). They would like GST to be added to international purchases to bring them into line with local retail prices. The exemption was a particular issue when the Australian dollar was above parity with the US dollar, making overseas retail prices more attractive to Australian consumers than local prices.

**Property bubble** Australia offers very generous tax breaks to property investors, which has driven up investment in property as well as the price of property. Investors account for more than 50% of lending in many areas. This has been exacerbated by undersupply in many areas. While the “FIRE sector” (finance, insurance and rental, hiring and real estate) is a beneficiary, there is concern that credit growth is primarily being funnelled into property rather than being invested into infrastructure and innovation. The current property market has been described as a “bigger bubble” than the US property bubble that preceded the subprime crisis.

**High cost economy** a high minimum wage combined with stringent employment regulations present a challenge for many smaller businesses, notably bricks-and-mortar retailers. The current property boom is also driving up the already high cost of doing business in Australia and eliminates the productivity of our certain industries.



## Australian population

Australia's population is growing at around 1.8%, higher than many of its OECD peers. Most of this population growth in recent decades is due to immigration. One in four Australians are born overseas and two in five have at least one overseas-born parent. Of the overseas-born population, 21% are from England and 9% from New Zealand and 6% from China. India and New Zealand are seeing the biggest growth in migration to Australia.

Australia is a secular country with no official state religion, though 61% identify as Christian. The adult literacy rate is estimated to be 99% with education compulsory from age five to fifteen or seventeen, depending on the state or territory. Nearly 45% of Australians aged 25 to 34 had attained tertiary education in 2010.

Australia has a high minimum wage combined with low unemployment and historically low interest rates, meaning that many Australians have a comfortable disposable income. On the flip side, the cost of living is high, and property costs are among the highest in the world. Home ownership is very important to Australians but property prices are increasingly putting ownership out of reach to first time buyers. Australians have also grown thriftier during and since the Global Financial Crisis. They are frequently described as a “nation of savers”. Despite this, consumer spending has seen a modest rise in recent quarters.

## Government and business

Australia has a well-developed, business-friendly market and all recent governments have shown strong support for entrepreneurialism. There are several incentives and schemes to nurture enterprise and promote investment. The current flagship initiative is the Entrepreneurs' Infrastructure Programme for business competitiveness and productivity. It supports businesses in three ways: business management, helping them collaborate with the research sector, and accelerating commercialisation.

Other schemes relevant to the retail sector include funds to assist with skills training, regional innovation funds in certain states, tax incentives for research and development, and support and advisory service for small business.

Australian governments pride themselves on fiscal discipline but generally avoid over-intervention in markets. The current government has also been trying to cut bureaucratic red tape and ease tax complications particularly for small businesses. The headline aim is to “ease red tape by AUD \$1 billion a year”.

## Entering the Australian market

Australia's business environment is very conducive to international trade. The Federal Government is keen to see that consumers have choice and welcomes competition in the market. Global retail is viewed as providing fair competition and more choice for Australian consumers. Australian retailers are also encouraged to use export channels and free trade agreements to explore overseas markets, particularly given the limited size of the domestic market.

International retailers face no serious procedural or regulatory difficulties when trading cross border into Australia. The level of intervention is not different for foreign retailers when compared with domestic ones. The government has signed three new free trade agreements in the last two years alone: to China, South Korea and Japan. Corruption is also low in Australia, with all businesses following standard practices and procedures to establish their operations.

The retail industry in Australia is governed by Australian Consumer Law (ACL) which replaced the previous Trade Practices Act. This law is long established and has the broad acceptance and support of the industry. The Australian Competition and Consumer Commission (ACCC) is Australia's competition regulator and national consumer law watchdog that helps ensure that ACL is complied with.

The Australian Trade Commission (Austrade) promotes foreign direct investment (FDI). It helps international companies establish and build their business in Australia. Its services include market intelligence and advising on investment opportunities, identifying suitable investment locations and partners, as well as advice on government programmes.

Another regulation that organisations need to be aware of include the Anti-Dumping Commission which investigates alleged dumping and subsidisation of goods imported into Australia. It imposes duties to address any material injury to the Australian industry that manufactures similar or the same goods. The work of the Commission complies with World Trade Organisation (WTO) rules as well as Australian legislation.

# ONLINE & STATISTICAL OVERVIEW:

## Internet Insight

The Australian digital market is very interesting to international merchants for a number of reasons, not least consumers willingness to shop cross border and their access to the internet. There are 21 Million Internet users out of a population of nearly 24 Million, a penetration level of over 80%!

**Source:** <http://www.internetlivestats.com/internet-users/>

There were 12,691,000 internet subscribers in Australia at the end of December 2014. This is an increase of 2% from the end of December 2013. A year later, 99% of internet connections were broadband.

**Source:** <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8153.0/>

Websites aimed at Australian consumers can have domain names including the country code top level domain (ccTLD) .au. At the time of writing, there are over 3 million .au domain names registered. The domains available are:



**Source:** <http://www.domainregistration.com.au/>

There is currently a consultation (2015) underway for website domain names that can sit directly under the ccTLD .au. For example companyname.au rather than under the current companyname.com.au. It is important to note that for any .au domain registered, the registrant should be individuals, organisations or companies registered and/or residing in Australia.

Mobile is playing an increasingly important role with consumers accessing digital services. In 2013 there were over 7.5 million users (**Source:** <http://www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/australia-mobile-digital-economy>) and 62% of Australian mobile owners are internet connected smartphone users. This adoption increased from 52% in 2012, according to The Telstra Smartphone Index (**Source:** <http://www.telstra.com.au/aboutus/download/document/telstra-cross-platform-consumers.pdf>).

In 2014, 55% of mobile web users used a mobile device as their favoured means of going online, often instead of using a laptop/desktop top. This uptake represented an increase of 15% over the previous year (**Source:** *InMobi Report*: <http://www.inmobi.com/company/press/inmobi-study-reveals-86-percent-of-australian-mobile-users-to-engage-in-mob/>). What is also becoming clear is that using these devices makes access to the internet more available or 'omni-present'; 53% of Australian smartphone users access the internet more than 5 times a day – with 20% going online 15 times a day or more! (**Source:** *Sensis eBusiness Report, September 2014*: <https://www.sensis.com.au/about/our-reports/sensis-ebusiness-report13>.)



E-Commerce overview

Measuring the value of any marketplace is fraught with difficulty as different sources use different data points. However, whatever the total value of the market, the following insights point to a growing digital market in a vibrant retail industry. Many of the top brands are ‘home-grown’ whilst international players are continuing to make their mark.

In terms of sizing the opportunity, National Australia Bank’s (NAB) latest Online Retail Sales Index shows Australians spent \$14.9 billion online in the year to January 2014, up \$1.9 billion or 11.3% on the previous year. (Source: <http://www.nab.com.au/about-us/media/media-releases-2014/online-retail-sales-increase-past-year>) On average, digital consumers are spending \$2,616 per year (Source: <http://www.businessinsider.com.au/australians-online-shopping-spend-has-grown-again-to-2616-per-person-per-year-2013-12>) . With these figures in mind, it is worth noting Australia is in the global top 10 for e-commerce sales, according to the A.T Kearney 2015 Global Retail E-Commerce Index.

COUNTRY	RANK	CHANGE IN RANK VS 2013
United States	1	+2
China	2	-1
United Kingdom	3	+1
Japan	4	-2
Germany	5	+1
France	5	+1
South Korea	6	-2
Russia	7	+5
Belgium	8	+15
Australia	9	-1
Canada	10	-1

Source: <http://www.insideretail.com.au/blog/2015/04/08/australia-remains-top-10-e-commerce-market/>

Retail in Australia in 2015 is expected to be worth \$238.59 Billion with e-Retail worth 3.1% of the total (Source: <http://www.emarketer.com/Article/Australian-Retail-Ecommerce-Sales-Top-10-Billion-2015/1011823>). Excluding travel and event tickets, e-Retail will be worth nearly \$11 Billion in 2015. The variance between these figures and those presented by the NBA previously, can be explained by the difference in which type of transactions are included, as well as currency fluctuations.

Interestingly, the following table shows a trend of online taking an increasing percentage of total retail sales through to 2018. In common with other maturing markets such as the UK, the rate of E-Retail growth starts to reduce but is still a respectable 9.0% in 2018.

Total Retail and Retail Ecommerce* Sales in Australia, 2013-2018						
billions, % change and % of total retail sales						
	2013	2014	2015	2016	2017	2018
Total retail sales	\$222.09	\$231.41	\$238.59	\$245.75	\$253.12	\$260.46
—% change	3.0%	4.2%	3.1%	3.0%	3.0%	2.9%
Retail ecommerce* sales	\$8.01	\$9.40	\$10.76	\$12.05	\$13.32	\$14.52
—% change	11.6%	17.3%	14.4%	12.0%	10.6%	9.0%
—% of total retail sales	3.6%	4.1%	4.5%	4.9%	5.3%	5.6%
Note: converted at exchange rate of US\$1=AUD1.04; excludes travel and event tickets; *includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment						
Source: eMarketer, Dec 2014						
183091 www.eMarketer.com						

(Source: <http://www.emarketer.com/Article/Australian-Retail-Ecommerce-Sales-Top-10-Billion-2015/1011823>)

There are significant numbers of internet enabled consumers in Australia; the second highest in Asia-Pacific. It is expected that 79.4% of internet users will make a purchase via a digital channel in 2015 which is only behind Japan at 82%. Overall however, with the relatively small size of the total ‘digital’ population at 12.1 million, Australia has the smallest e-Retail consumer base in Asia-Pac (Source: <http://www.emarketer.com/Article/Australian-Retail-Ecommerce-Sales-Top-10-Billion-2015/1011823>)

Digital destinations

6 of the top 10 retail websites in Australia during 2014 were international brands. There can be some discussion as to what the term ‘retail’ means in the context of these websites, particularly when some of the volume is made up of consumer-to-consumer sales.

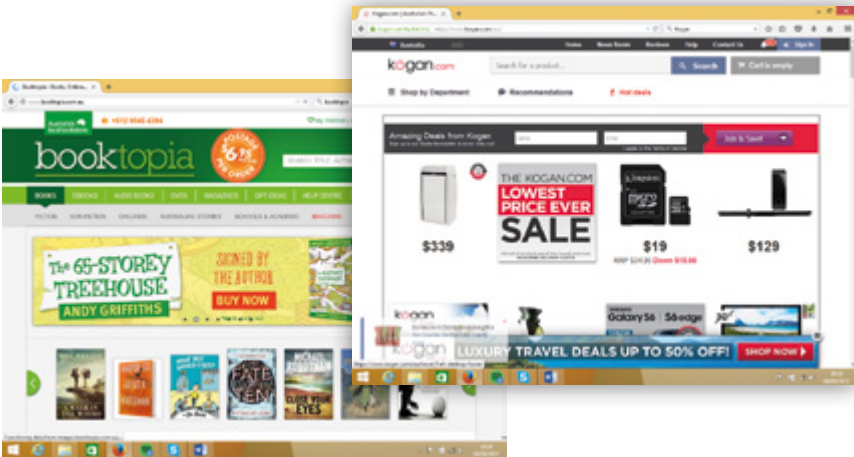
Top 10 Retail Sites in Australia, Ranked by Total Visits, Week ending Oct 18, 2014		
millions and % share of visits		
	Total visits	% share of visits
1. eBay Australia	23.1	12.9%
2. Gumtree AU Splashpage	13.3	7.4%
3. eBay	13.2	7.4%
4. Amazon	11.6	6.5%
5. OzBargain	1.9	1.1%
6. JB Hi-Fi Australia	1.8	1.0%
7. Bunnings Warehouse	1.6	0.9%
8. Apple	1.4	0.8%
9. AliExpress by Alibaba.com	1.4	0.8%
10. Target Australia	1.3	0.7%
Source: Experian Marketing Services, Oct 21, 2014		
181053 www.eMarketer.com		

(Source: <http://www.emarketer.com/Article/Australian-Retail-Ecommerce-Sales-Top-10-Billion-2015/1011823>)

Leading online retailers 2015:

Looking at the domestic picture, SmartCompany reported in March 2015 that the following brands were leading the online retail pack in Australia:

- 1. Temple & Webster
- 2. Kogan
- 3. The Iconic
- 4. Catch of the Day
- 5. Booktopia
- 6. JB Hi-Fi
- 7. Red Balloon
- 8. Dan Murphey’s
- 9. Lorna Jane
- 10. Shoes of Prey



(Source: <http://www.smartcompany.com.au/marketing/796-online-sales/46163-australia-s-top-20-online-retailers-for-2015.html#>)





Across the board there are signs of solid growth in department and variety stores (33% of sales), homewares and appliances (17%), and groceries and liquor (15%), according to estimates by NAB.

### Cross-border

With digital comes the ability for customers to globally for products and services. This is particularly true where domestic availability is limited or the proposition isn't competitive. PayPal recently published a report on cross border trade. Called "Modern Spice Routes" the report looked at several key global economies and analysed the consumer behaviours in those territories. According to this report, Australia had 6.3 million online cross-border shoppers, spending AUD 6.5 billion in 2013. This is expected to grow to 8.4 million online cross-border shoppers spending an estimated AUD 16.6 billion a year by 2018. By any measure, this represents a good sized market for any aspiring merchant to target.

The report also highlighted key global markets that Australian consumers are already trading with: US (69%), UK (47%), China (31%), Hong Kong (29%) and Canada (9%). (Source: [https://www.paypal-media.com/assets/pdf/fact\\_sheet/PayPal\\_ModernSpiceRoutes\\_Report\\_Final.pdf](https://www.paypal-media.com/assets/pdf/fact_sheet/PayPal_ModernSpiceRoutes_Report_Final.pdf))

### Mobile & Tablet Usage

Smartphone penetration has doubled since 2010, reaching 72 percent of total mobile users and of these, 71% percent access the internet on their smartphones on a daily basis, up from 56 percent in 2014<sup>1</sup>. In common with other developed economies, device ownership is also on the increase with 53% of Australians owning 3 electronic devices; a smartphone, tablet and computer. This is an increase on the 28% of the previous year<sup>2</sup>. 56% of Australians own a tablet device up, 12% over the past 12 months and resulting in a major requirement for website owners being able to serve their offering in a device responsive manner<sup>3</sup>. As would be expected, 18 to 45 year olds are most likely to have tablets although older age groups are catching up, even if they don't have smartphones<sup>2</sup>. Smartphones, have reached household penetration levels of 287% in 2014<sup>4</sup>. This level of availability means that Australians are expected to increase their spending on mobile devices by 43 per cent in 2014 to \$8.8 billion, according to research released by PayPal and Ipsos.

Foot Notes:

<sup>1</sup>[www.telecompaper.com/news/smartphone-penetration-grows-to-72-in-australia--973504](http://www.telecompaper.com/news/smartphone-penetration-grows-to-72-in-australia--973504)

<sup>2</sup>[landing.deloitte.com.au/rs/deloitteaus/images/Deloitte\\_Media\\_Consumer\\_Survey\\_2014.pdf](http://landing.deloitte.com.au/rs/deloitteaus/images/Deloitte_Media_Consumer_Survey_2014.pdf)

<sup>3</sup>[www.sensis.com.au/about/our-reports/sensis-ebusiness-report13](http://www.sensis.com.au/about/our-reports/sensis-ebusiness-report13)

<sup>4</sup>[www.cmo.com.au/article/568469/australians-buying-more-their-phones-new-report-finds/](http://www.cmo.com.au/article/568469/australians-buying-more-their-phones-new-report-finds/)



## MARKETING

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IE is a digital innovation agency at the intersection of the startup and corporate worlds. We provide Strategic Consulting, Agile Marketing, Platform Development, On-site Teams and Product Incubation to some of the largest and most loved brands in Australia. IE is known for challenging best practice with innovation to create experiences that resonate more profoundly with people. As we help our partners discover new revenue streams and increased relevance, we transform brands, grow businesses and change people's lives for the better. Our partners include Telstra, Nike, Sportsgirl, Tourism Victoria, Movember, Sitecore, Demandware, Magento and Adobe.

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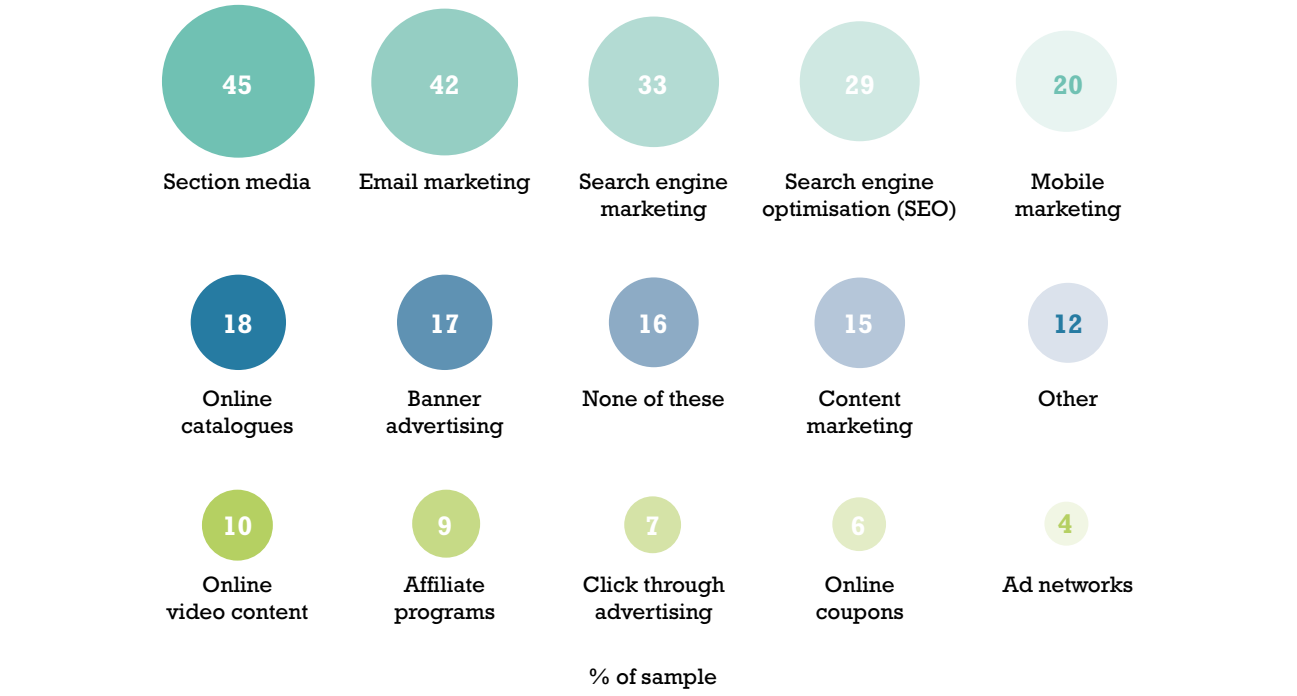
According to the 2014 AIMIA Australian Retail Research Report, online retail remains only a small part of the overall retail landscape, accounting for 5% of global retail spending in 2013. However, as more of the global population embraces online shopping, brands and marketing have been investing more heavily here within the last 10 years. In 2014, according to Sitecore's Emerging Trends report, 80% of Australian marketers have planned to increase their online activities in 2015. However, marketing spend on offline activities still outstrips spend by more than 50%.

**5%** online retail accounts for 5% of global retail spending in 2013.

Marketing channel selection

Australian consumers respond to many of the same marketing cues as their international cousins. In response, local retailers are targeting their investment to maximise revenues. However, it should be noted that popularity doesn't always mean that the channel is worth paying for advertising. In some situations, organic is the most effective option but this will differ across brands. Across 3 core marketing channels 68% of marketers are focusing on Social media (up 11% from the previous year), most retailers (90%) are using email and 67% are using campaign management. In revenue terms, 50% of online transactions are now carried out via mobile devices so there is a growing focus on a mobile optimised user experience. (Australian Sitecore Emerging Trends report for 2014)

This growth in mobile is also impacting expectations around how transactions take place. Mobile payment is a massive growth area in the Australian market as consumers are growing more accustomed to the reduced friction that this payment mechanism offers. It was projected in Australia's CIO publication that mobile payments will grow by 60.8% come the end of 2015. This is due to many reasons, but the advances in Apple payments have paved the way and been readily embraced by a large portion of the public.



**Note:** Other responses = Booking systems, Review websites.

Figure 2: 2014 Priorities for Australian retailer investment

Like many other international territories, Australian consumers are multi-channel and the priority of marketing effort depends on the business structure. In the e-commerce space it's important to have a balance of online and offline channels present in your marketing mix. The biggest focus, and what marketers are paying attention to, is the customer driving marketing campaigns. Without putting the target audience at the centre of every execution, the campaign will be unsuccessful. In the Sitecore Emerging trends report it is clear that social media integration has increased in relevance, with 68% of marketers focussing on this area, rather than 57% in the previous year. This only reflects hard budget spends - much of a strong online marketing strategy relies on content marketing, and Australian marketers are putting a heavy focus on this area currently.

Another report, by AIMIA, put a slightly different spin on where Australian retailers are expecting to invest their marketing efforts. Social Media is still a strong area but interestingly Coupons and Ad networks aren't receiving the same focus as in the past. This isn't to say that their importance has reduced but rather they are perhaps more mature channels and better understood. However, Email is still a strong performer and mobile advertising is gaining importance with 20% of retailers investing in this area.

IE advise their clients to use the following channels (as a bare minimum):

- Pay-per-click (PPC) on social media
- Paid search via Google and other engines (SEM)
- Social media - organic content
- Organic search via search engine optimisation (SEO)
- Email marketing - 2-3 emails per week to nurture customers

A major shift amongst Australian marketers has been a focus on personalisation, particularly in the B2C space, for Australian marketers. Of the marketers questioned in the Sitecore Emerging Trends report, 26% saw personalisation as the greatest growth opportunity for the 12 months following (2015/2016). As consumer expectations have been steadily increasing, particularly around the customisation of content, marketers are now realising this is a huge growth area.

It was quoted in the Power Retail 2014 social commerce report that "2014 looks to be the year of social commerce, with companies finally able to generate a significant percentage of revenue." This rings true in particularly on Facebook over all channels. 97% of all social networking users are connected via Facebook. The most important thing to remember, as confirmed in the report, is that investing in social spend for growth is important at the beginning, but it needs to be backed with a solid content strategy. If your content is not appropriate or shareable, you're not going to have engagement.

Most popular social media (Sep 2014):

1. Facebook – 13,600,000 users (up 200,000)
2. YouTube – 13,100,000 UAVs
3. WordPress.com – 6,000,000
4. Tumblr – 4,600,000
5. Instagram – 4,000,000 Active Australian Users
6. LinkedIn – 3,900,000
7. Blogspot – 3,100,000
8. Twitter – 2,791,300 Active Australian Users

**Source:** <http://www.socialmedianews.com.au/social-media-statistics-australia-september-2014/>



Social media is used, by varying degrees, for content consumption from friends, family, businesses, news organisations and brands. The difference between Australia and other markets is that local expectations for customised content are quite high. You need to understand your consumer's interests before marketing to them on social media by paid channels.

With regards to search, the major search engine is Google, followed by Bing and Yahoo. For this market, advice includes spending on paid for search on Google in particular, and optimise content for organic across all three channels. There are also a number of local search engines that focus on Australian results. Examples include Ansearch, Ausfind and Webwombat.

Localisation of content is important for a country the size of Australia. For a merchant looking to trade into the country language is the obvious one, followed by localisation of search terms. An Australian consumer is likely to look for products in different ways to a US or UK customer; despite 'sharing' a language. The merchant's proposition is an important element of this. For example, IE creates sites unique for each country for their clients, that way they get the most traction in each location. Tourism Victoria's website has been geographically targeted so customers travelling to the state are able to have the most relevant information served to them based on their location. Where global brand guides are present, these can be adopted to match local market conditions and expectations.



# PAYMENTS IN AUSTRALIA

## Regulatory background

Australia’s central bank is the Reserve Bank of Australia (RBA), which oversees payment systems in Australia, through the Payment Systems Board. The Payment Systems Act 1998 allows the RBA to regulate any payment system and create binding rules for security and performance in the system.

Over the past two decades the Reserve Bank of Australia has implemented several reforms in the sector, which include controlling risk, promoting the efficiency of payments and promoting competition for payment services.

Despite the RBA’s continued oversight, payment systems in Australia largely operate without regulatory intervention. Credit card use remains high, despite average interest rates not falling in line with Australia’s record low cash rate.

### The “Four Pillars”

Australia’s banking industry is dominated by four major players, the “Big Four”: Commonwealth Bank (CBA), ANZ, National Australia Bank (NAB) and Westpac. The government policy to maintain their separation and prevent mergers between them is known as the “Four Pillars policy”. Between them the banks hold 84% of the credit card market of all banks (APRA, 2014).

### Australian consumers overview

Australians are early adopters of new technology, including online and mobile retail as well as Consumer-2-Consumer and social commerce.



### Smartphones

Australia has one of the highest smartphone penetrations in the world, at 76% higher than the UK, US and most of western Europe. The Australian smartphone market is split between Samsung (32%) and Apple (38%), with the iPhone clearly the preferred device among under-45s. A third of survey recipients had made an online purchase using their smartphone. (Deloitte Global Mobile Consumer Survey, 2014).

### Tablets

Tablet penetration among Australians is 49%. While Australians are most likely to buy music and fast food via a smartphone, for all other categories of online retail a tablet is preferred. (Nielsen; The Telstra Smartphone & Tablet Index 2014, September 2014)

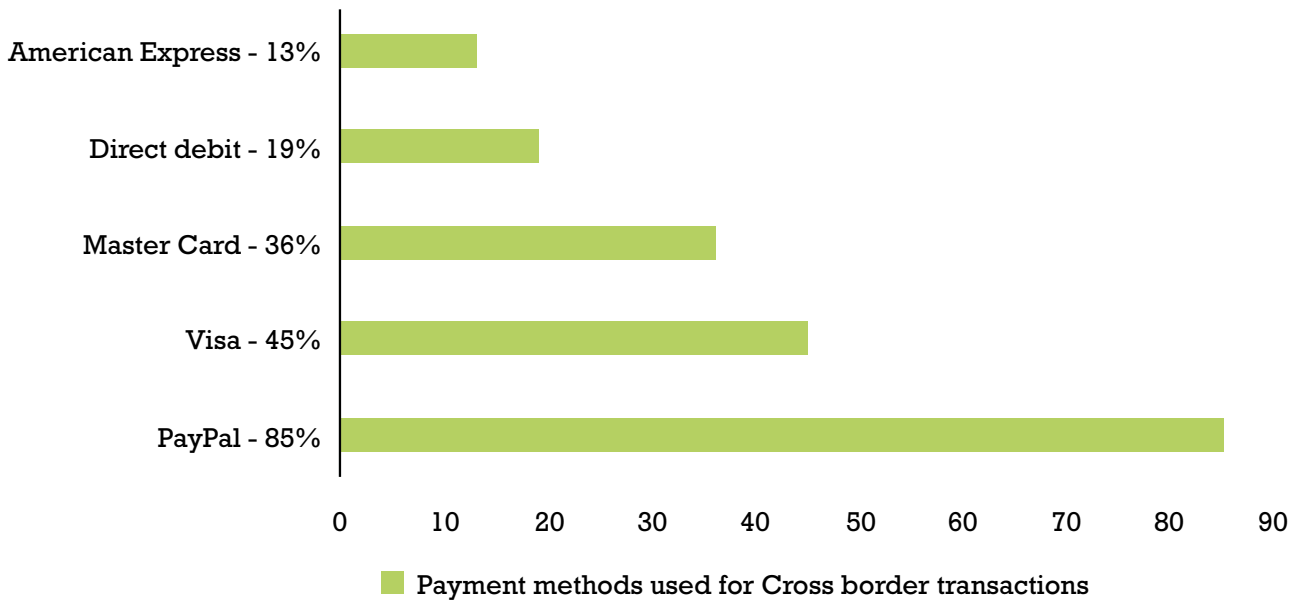
### Online retail spend

National Australia Bank (NAB) publishes a monthly index of Australian Online Retails Sales. Annual spend is currently estimated at \$16.8 billion, up 8% on a year ago (12 months to March 2015), equivalent to equivalent to 6.9% of spending at traditional bricks and mortar retailers. Online retail spend is growing at over double the rate of traditional retail spend.

### Trust

When it comes to mobile transactions, Australians trust their banks above all (73%) followed by financial institutions such as Visa and MasterCard (26%) and money transfer services such as PayPal and Western Union.

## Preferred online payment methods



**Figure 3:** Graph showing Australian consumers preferred payment methods for cross border transactions (Source: Nielsen survey commissioned by PayPal, 2013)

## Primary online payment methods in Australia

There are six online payment methods in Australia:

### Credit cards

These have different transaction costs associated with them, but are a popular option due to the widespread use of credit cards in Australia. New services have also increased security, such as MasterCard SecureCode and Verified by Visa, which requires a customer to have their mobile phone with them to receive a security code when they make a transaction. Retailers will likely need a Merchant account and payment gateway to accept credit card payments.

Merchants that don’t wish to use a payment gateway will need to purchase and register an SSL certificate, obtain a unique IP, and will usually be required to undergo PCI (Payment Card Industry) compliance, which audits your network security systems and methods of collection and storage of credit card information.

### Debit cards

These use the same payment processing technology as credit cards, but access funds directly from the card holder’s transaction account. Merchants able to accept Australian credit cards can generally accept debit cards without making any changes.

### Direct deposit and direct debit

Australians are one of the world’s biggest users of online banking, including mobile banking. Over 80% of Australians use online banking to pay bills, buy goods and services with their phones (ACMA, 2013). Direct deposit, ie transferring money directly into a merchant’s account, is another widely used payment method for goods and services online, however on a much smaller scale than credit cards and PayPal.

### Online payment services

Online retailers have two main options when it comes to online payment service providers in Australia. These providers allow customers to pay by credit card or electronic transfer without the merchant having access to their credit card or bank account details.

Payment gateways: these link an online store with a merchant account, allowing the immediate transfer of funds. Merchants have more control with this method, as they own both the gateway and the merchant account.

Third party processors: these don’t require sellers to have a merchant account. They are often cheaper and easier to set up in the short term, but they don’t settle funds daily and their fees may be higher.



Some of the main third party processors include:



• **PayPal** 5.5 million Australian account holders, 110,000 merchants



• **eWay** over 15,000 merchants globally



• **Stripe**



• **Braintree**



• **Paymate**

Some of the main payment gateways, which are accepted by most Australian merchant accounts, include:

- Merchant Warrior
- IP Payments
- SecurePay
- SCNet
- Fat Zebra

Australian banks also offer their own payment gateway services. One of the main ones of these is MIGS (MasterCard Internet Gateway Service) which also powers the gateways of around seventy banks in the Asia-Pacific region as a white label service. These bank owned gateways do not always offer the same level of support as third party gateways.

**Electronic bill payment services**

These allow large organisations to offer bill payments over the internet. The major players are BPay and Australia Post Bill Pay.

**Cheques and money orders**

These have become increasingly rare, but are offered by some merchants.

**Service Selection**

As always, the payment methods chosen should reflect the channel and customer proposition. More importantly, the method should also work from the customer's perspective. For example, does the mobile enabled payment method offered reflect the types of devices a customer would use and if bank-to-bank payments, or an overlay payments service is used, can the merchant refund the customer using the same mechanism? If not, what would the customer proposition look like?



Credit and debit cards in Australia

Both credit cards and debit cards are widely and accepted in Australia. There are 7,793,000 credit card holders in Australia (Roy Morgan, 2013)

There are nearly 16 million credit and charge card accounts in Australia, according to RBA statistics. Monthly credit card spend reached \$25.6 billion in March 2015 with over 192 million transactions made. Overall, the value of card transactions in Australia has grown at an annual rate of 8.8 per cent since 2002, well above the average growth of 6 per cent in household consumption.

Recent years have also seen a shift from credit cards to debit cards. In August 2004, 49% of card purchases were via debit card and 51% were via credit card. By August 2014, 66% were via debit card and 34% via credit card.

Visa and MasterCard are the cards accepted most widely, with AMEX usually accepted with some exceptions.

The total value of all card transactions passed \$510 billion in 2014.

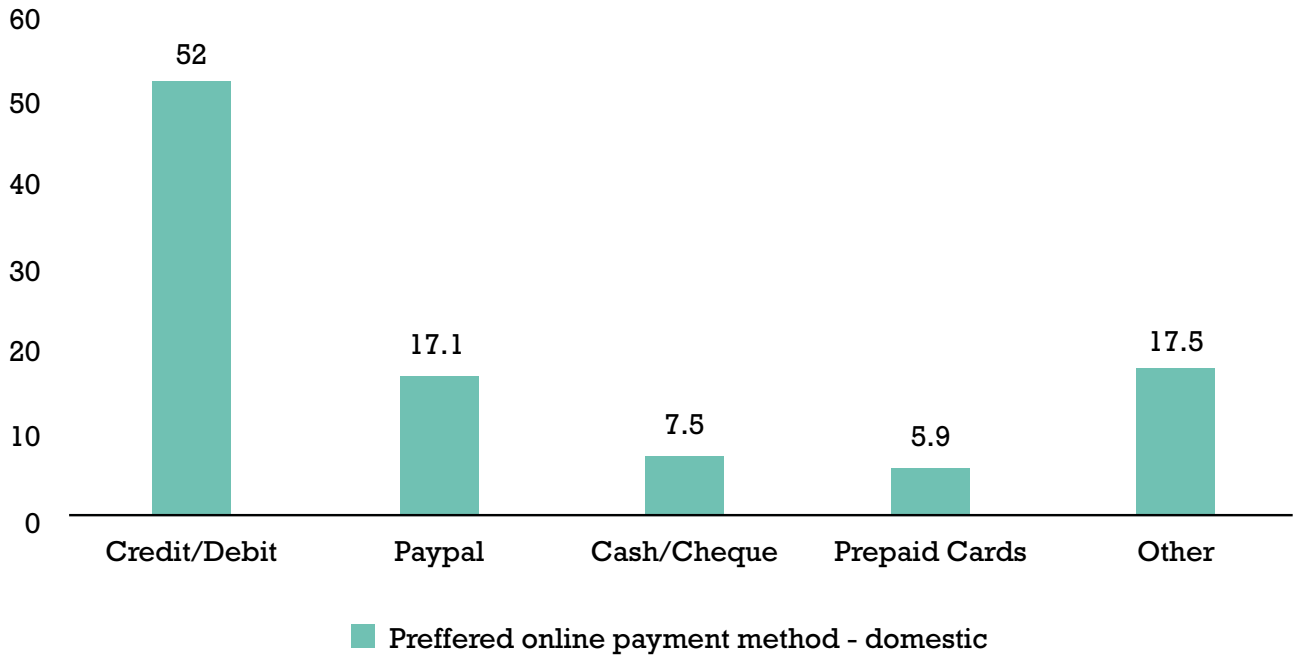


Figure 4: Graph showing payment methods used for domestic online transactions source: Asendia Pocket Guide to cross border e-commerce 2015

Figure 3 highlights the differences in trust that Australian consumers have between buying from a domestic online merchant and a cross border transaction. PayPal is the preferred method in that situation with its buyer protection and global reach going a long way to comforting the customer.

Innovations in the payments sector

New Payments Platform (NPP)

The New Payments Platform (NPP) is new infrastructure for low-value payments in Australia. The aim is provide Australian businesses and consumers with a fast, versatile, data-rich payments system for making everyday payments, using the global ISO20022 messaging standard.

Currently in the “Design, Build, Test” phase (as of December 2014) the project involves Australia’s four major banks as well as small banks and card providers, ACPA (Australian Payments Clearing Association) and the RBA.

EFTPOS

EFTPOS (electronic funds transfer at point of sale) is the primary system in Australia and New Zealand for electronic funds transfer though payment cards. Australia’s system is country specific and does not interconnect. The EFT network is owned by fifteen members who have interchange agreements. Merchants wanting to accept EFTPOS payments must enter an agreement with one of the members, who rent the terminal to the merchant.



Because EFTPOS payments require a PIN it has not previously been used online. But EFTPOS is currently developing new payment products including contactless, online and mobile. It anticipates beginning to offer some online and mobile EFTPOS solutions in late 2015.

**Cryptocurrencies**

Bitcoin is the primary virtual currency getting attention in Australia. Merchants and service providers have started experimenting with allowing Bitcoin payments.

The Commonwealth Bank plans to start using the Ripple digital currency network to settle payments between its subsidiaries, and says this could eventually enable adding cryptocurrencies.

**Mobile commerce**

Australians are relatively early adopters of mobile banking compared with the US and UK, though behind many Asian and Scandinavian countries.

Mobile payment apps are at a considerably earlier stage in Australia than mobile banking apps, but Deloitte predicts mobile payments will increase in 2015 due to a “clear appetite for use”, and new entrants into the payment space such as Square, which established Australian operations in early 2015.

Issues affecting the payments sector

**GST (Goods & Service Tax):** Australia’s GST is a 10% tax on goods and services, equivalent to the UK’s VAT (Value Added Tax). For international purchases, goods worth less than AUD \$1,000 are currently exempt. However many local Australian retailers have been lobbying the government to lower this threshold to bring international prices in line with local prices.

**Interchange fees:** Interchange fees have been capped by the RBA since 2003, but the Bank is reviewing them. Currently, there can be a difference of up to 180 basis points in the cost of the same card presented at different merchants, and merchants often have no way of determining which are the high-cost cards. The RBA wants to make it easier for merchants to respond to differing card costs.

**Merchant service fees:** Large merchants with more market power are often able to secure lower interchange fees and merchant service fees than smaller merchants, reducing smaller retailers’ ability to compete. The Australian Retailers Association says that by capping fees, it could ensure retailers pay similar merchant service fees, no matter their strategic importance to scheme providers.

**Payment card surcharges:** In 2002 the RBA allowed surcharging on card payments, but it remains unpopular with consumers. The Bank indicated in 2015 that it may step in to limit “excessive” surcharges and to prevent certain surcharges, for example on low value debit card transactions.

Conclusion

- Australia is a highly developed market for online and mobile retail, with high penetration and usage across all demographics
- By accepting both credit cards and PayPal, international retailers will be accessible to the vast majority of Australia’s online consumers
- The payments sector in Australia is currently undergoing rapid innovation, and while Bitcoin and other virtual currencies currently remain a niche interest, there may be significant demand in future.
- Regulatory review and reform in certain areas is imminent, with Australia’s Reserve Bank keen to improve payment issues for both consumers and smaller merchants



LEGAL FRAMEWORK & REGULATION

Section Sponsor: Emil Ford

Overview

As a former UK colony, Australia’s legal system is largely derived from the common law system that it received from Britain in the Nineteenth Century. For this reason, many of the current legal traditions and institutions reflect their English origins. However, over time, Australia has attempted to move away from this model through its judicial system (which was initially modelled on the English system) and by recognising that there has been a variety of sources from which Australian law has arisen – the Constitution, statute, common law, equity, customary law and international law.

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TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
Privacy and Data Protection	Privacy Act 1988 (Cth)  (as well as the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (Cth))	These are data protection laws which regulate the collection, use and disclosure of personal information about individuals in the public and private sector. They do not protect privacy of the individual in a broader sense.
EFFECTS		
<p>The Privacy Act 1988 (Cth) regulates the way personal information is collected and handled. In March 2014, the Australian government introduced new, harmonised privacy principles called the Australian Privacy Principles (APPs). The new APPs were passed by the Australian Parliament in November 2012 by the enactment of the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (Cth), which amended the Privacy Act 1988 (Cth).</p> <p>The APPs apply to all businesses with an annual turnover greater than \$3 million, as well as all health service providers, government agencies and some small businesses. The APPs are made up of 13 principles, which are described below:</p> <ol style="list-style-type: none"><li>1. Open and transparent management of personal information. This means that an entity must have a clearly expressed, up to date and available (usually via a website) privacy policy about its management of personal information.</li><li>2. Anonymity and pseudonymity. This means that individuals must have the option of not identifying themselves, or of using a pseudonym, when interacting with an entity in relation to a particular matter.</li><li>3. Collection of solicited personal information. This means that an agency or organisation must not collect personal information (other than sensitive information) unless the information is reasonably necessary for one or more of the entity's functions or activities.</li><li>4. Dealing with unsolicited personal information. This means that if an entity receives personal information and it did not request the information, the entity must determine whether or not it could have collected the information if it had requested it, or if it must destroy the information or ensure that the information is de-identified.</li><li>5. Notification of the collection of personal information. This means that if an entity collects personal information about an individual, it must notify the individual or ensure that they are aware of such matters.</li><li>6. Use and disclosure of personal information. This means that if an entity holds personal information about an individual that was collected for a particular purpose, it must not use or disclose the information for another purpose.</li><li>7. Direct marketing. This means that if an organisation holds personal information about an individual, the organisation must not use or disclose the information for the purpose of direct marketing.</li><li>8. Cross-border disclosure of personal information. This means that before an entity discloses personal information about an individual to a person (the overseas recipient) who is not in Australia and who is not the entity or the individual, it must ensure that the overseas recipient does not breach the APPs in relation to information.</li><li>9. Adoption, use or disclosure of government related identifiers. This means that an organisation must not adopt a government related identifier of an individual as its own identifier of the individual unless authorised.</li><li>10. Quality of personal information. This means that an entity must ensure that the personal information that it collects, uses or discloses is accurate, up to date, complete and relevant.</li><li>11. Security of personal information. This means that if an entity holds personal information, it must protect the information from misuse, interference and loss, unauthorised access, modification or disclosure.</li><li>12. Access to personal information. This means that if an entity holds personal information about an individual, it must, on request by the individual, grant access to the information.</li><li>13. Correction of personal information. This means that if an entity believes that it holds personal information about an individual which is inaccurate, out of date, incomplete, irrelevant or misleading, or in the alternative, if the individual requests the entity to correct the information, the entity do so.</li></ol> <p>It should be noted that there are exceptions to all of these principles. Also, principle number 8 (cross-border disclosure of personal information) only operates when an entity is based in Australia and sells to an Australian or overseas buyer (not when an entity is based overseas and sells to an Australian buyer). But it will be applicable in the event that an overseas company establishes a subsidiary in Australia.</p>		

TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
Employment	Fair Work Act 2009 (Cth)	To provide minimum national employment standards.
EFFECTS		
<p>Most employers in Australia are covered by the Fair Work Act 2009 (Cth), which applies to all private sector employers and their employees in all Australian states (other than Western Australia). This Act provides significant protection to employees.</p> <p>The Fair Work Act provides for a National Minimum Wage, a system of modern awards, a small business fair dismissal code and statutory relief for unfair dismissal. Employees may also be covered by an enterprise agreement, which is subject to the Fair Work Act.</p> <p>The Act imposes 10 National Employment Standards on employers:</p> <ul style="list-style-type: none"><li>• Maximum weekly hours of work: 38 hours per week, plus reasonable additional hours.</li><li>• Requests for flexible working arrangements: An entitlement allowing employees in certain circumstances as set out in the Fair Work Act 2009 to request a change in their working arrangements because of those circumstances.</li><li>• Parental leave and related entitlements: Up to 12 months unpaid leave per employee, plus a right to request an additional 12 months unpaid leave, plus other forms of maternity, paternity and adoption related leave.</li><li>• Annual leave: Four weeks paid leave per year, plus an additional week for certain shift workers.</li><li>• Personal/carer's leave and compassionate leave: 10 days paid personal/carer's leave, two days unpaid carer's leave as required, and two days compassionate leave (unpaid for casuals) as required.</li><li>• Community service leave: Unpaid leave for voluntary emergency activities and leave for jury service, with an entitlement to be paid for up to 10 days for jury service.</li><li>• Long service leave: A transitional entitlement for employees as outlined in an applicable pre modernised award, pending the development of a uniform national long service leave standard. Under state legislation, the entitlement is usually one month for each 5 years of service which can be taken after 15 years or paid out if an employee is terminated between 5 and 10 years, or if an employee leaves for any reason after 10 years.</li><li>• Public holidays: A paid day off on a public holiday, except where reasonably requested to work.</li><li>• Notice of termination and redundancy pay: Up to five weeks notice of termination and up to 16 weeks severance pay on redundancy, both based on length of service.</li><li>• Provision of a Fair Work Information Statement: Must be provided by employers to all new employees, and contains information about the National Employment Standards (NES), modern awards, agreement-making, the right to freedom of association, termination of employment, individual flexibility arrangements, union rights of entry, transfer of business, and the respective roles of the Fair Work Commission and the Fair Work Ombudsman.</li></ul>		
Employment	Superannuation Guarantee (Administration) Act 1992 (Cth)	This Act requires employers to make regular superannuation contributions for their employees.
EFFECTS		
<p>Superannuation is typically included in the salary specified in an employment contract. The current level is 9.5% of salary, with plans to raise this to 10% by 2021 and 12% by 2025.</p> <p>Superannuation contributions are paid by an employer into an independent superannuation fund each pay period.</p>		



TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
Employment	Racial Discrimination Act 1975 (Cth)	This Act makes it illegal to treat someone less fairly than another person on the basis of race, colour, descent or national or ethnic origin.
EFFECTS		
The Act, administered by the Australian Human Rights Commission, ensures that the human rights and equal opportunities of Australians are protected, whilst also conferring upon the AHRC the power to investigate complaints for an alleged breach.		
Employment	Sex Discrimination Act 1984 (Cth)	The purpose of the Act is to prohibit discrimination on the basis of sex, marital or relationship status, actual or potential pregnancy, sexual orientation, gender identity, intersex status or breastfeeding in a variety of areas of public life (including the workplace.)
EFFECTS		
The Act represents Australia satisfying its international obligations under the Convention on the Elimination of All Forms of Discrimination Against Women. It provides a range of penalties for those who contravene its provisions, thereby encouraging the elimination of both discrimination and sexual harassment across Australia, whilst simultaneously encouraging recognition and acceptance of the principle of equality across the Australian community.		
Employment	Age Discrimination Act 2004 (Cth)	An Act preventing age discrimination in many areas of life, including employment, education, accommodation and the provision of goods and services.
EFFECTS		
The Act seeks to ensure that, as far as possible, everyone has the same rights to equality before the law, regardless of age. This means that employers should take care when dealing with matters involving young or elderly employees, because dismissal from work purely because of age will almost certainly attract penalties under the Act. In addition, the Act also provides for positive discrimination for those who need additional assistance or experience a disadvantage because of their age.		

TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
Employment	Disability Discrimination Act 1992 (Cth)	An Act relating to the rights of people with disabilities and promoting their rights in areas of housing, education, employment and provision of goods and services.
EFFECTS		
The Act has the effect of encouraging people to be involved in the enforcement and implementation of the Act, and to share in the overall benefits that it can provide to the community. It also compels businesses to make reasonable adjustments in the provision of goods and services to ensure that they are accessible to those with disabilities.		
Digital Signatures & Authentication	Electronic Transactions Act 1999 (Cth)	This Act provides a regulatory framework that facilitates the use of electronic transactions and enables businesses and the community to use electronic communications in dealing with government. It also (1) specifies the requirements for an electronic communication to act as a signature, and (2) generally confirms the effectiveness of a transaction with an electronic element.
EFFECTS		
The Act is ‘technologically neutral’, meaning that no particular electronic signature must be used. This allows for greater flexibility for people and businesses to determine which form of signature technology to use, so long as it is as ‘reliable as appropriate in the circumstances.’		
The Act also suggests a general rule – that a transaction is not invalid because it took place wholly or partly by means of an electronic communication.		
With regard to the role of digital signatures in Australia, there is no legal difference between them and electronic signatures under the Electronic Transactions Act 1999 (Cth). Rather, under the Act, they are considered to be an example (or subset) of an electronic signature. This causes some problems, particularly because digital signatures are increasingly being used as a way of electronically authenticating or identifying someone and their intention associated with an electronic communication.		



TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
<b>Competition &amp; Consumer law</b>	Competition and Consumer Act 2010 (Cth) (including Sch 2, Australian Consumer Law)	The aim of the Act is to promote competition and fair trading whilst providing for consumer protection.
<b>EFFECTS</b>		
<p>Competition is regulated by the Competition and Consumer Act 2010 (Cth), which seeks to ensure and encourage fair competition in the Australian commercial environment, and prohibit anti-competitive conduct. The Act prohibits certain agreements between competitors and imposes criminal sanctions for cartel conduct. The Act also requires authorisation for certain joint ventures, mergers and acquisitions. Resale price maintenance is illegal, regardless of its effect on competition, although consideration is being given to amending this section of the Act.</p> <p>Consumer protection is regulated by the Competition and Consumer Act 2010 (Cth). Schedule 2 of the Act also introduced the Australian Consumer Law (ACL) (discussed below). The ACL distinguishes ‘General Protections’ from ‘Specific Protections’.</p> <p>The ‘General Protections’ include provisions proscribing both misleading or deceptive conduct and unconscionable conduct, and introduced a regime empowering the courts to alter unfair terms in consumer contracts.</p> <p>The ‘Specific Protections’ include provisions relating to other false or misleading conduct, pyramid schemes, referral selling, harassment and coercion, terms implied in consumer contracts, and protections from defective goods.</p> <p>However, the ACL also contains further provisions directed at unsolicited consumer agreements and lay-by agreements, and broadens the terms implied into consumer contracts for both goods and services.</p> <p>The ACL does not apply to conduct that is in connection with supply or possible supply of financial services; this matter is regulated by the Australian Securities and Investments Commission Act 2001 (Cth).</p>		
Mergers and Acquisitions	Foreign Acquisitions and Takeovers Act 1975 (Cth)	This Act mainly regulates foreign investment in Australia, and gives the Treasurer the ability to examine proposals by foreign persons to acquire an interest in Australian urban land, or acquire an interest in a substantial shareholding/controlling interest of particular Australian corporations.
<b>EFFECTS</b>		
<p>Under the Act, prior approval is necessary for the acquisition of shares in certain Australian corporations above a certain shareholding. Prior approval of the acquisition of certain types of land is also mandatory. The Act also provides a safe harbour notification and approval process for acquisitions of businesses and arrangements giving control of an Australian corporation.</p> <p>The Foreign Investment Review Board (FIRB) is responsible for applying the Australian Foreign Investment Policy and applications pursuant to the Act. It reviews proposed acquisitions, and advises the Treasurer, who decides whether to accept or reject applications. FIRB provides guidance notes for potential investors.</p>		

TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
<b>Advertising</b>	Australian Consumer Law (Schedule 2 Competition and Consumer Act 2010 (Cth)	To guard consumers against false or misleading representations.
<b>EFFECTS</b>		
<p>The Australian Consumer Law (ACL) prohibits businesses from making false or misleading representations regarding:</p> <ul style="list-style-type: none"><li>• the standard, quality, value or grade of goods or services;</li><li>• the composition, style, model or history of goods;</li><li>• whether the goods are new;</li><li>• a particular person agreeing to acquire goods or services;</li><li>• testimonials by any person relating to goods or services;</li><li>• the sponsorship, approval, performance characteristics, accessories, benefits and uses of goods or services;</li><li>• the price of goods or services;</li><li>• the availability of repair facilities or spare parts;</li><li>• the place of origin of a product - for example, where it was made or assembled;</li><li>• a buyer's need for the goods or services; and</li><li>• any guarantee, warranty or condition on the goods and services.</li></ul> <p>Section 35 relates to bait advertising specifically. It states that a person must not, in trade or commerce, advertise goods or services for supply at a specified price if they believe that they will not be able to supply those goods or services at that price and in those quantities that are reasonable.</p> <p>Section 157 states that this is an offence. If committed by a body corporate, the penalty is AU\$1,100,000. If not committed by a body corporate, the penalty is AU\$220,000.</p>		
<b>Intellectual Property</b>	Copyright Act 1968 (Cth)	The main aim of the Act is to protect the exclusive rights given to the creator of an original work. It seeks to prevent people from profiting by copying another's creative output, and it does this by detailing the punishment/s for infringers.
<b>EFFECTS</b>		
<p>The Copyright Act 1968 protects four traditional classes of work (literary works, dramatic works, artistic works and musical works) and Part IV protects four classes of ‘subject matter other than works’ (films, sound recordings, television and sound broadcasts and published editions of works.) Computer software is deemed to be a literary work. Material that does not fall within these boundaries will not be protected by copyright. It is also important to note that a work must also be expressed in a material form – that is, ideas or information will not be protected unless and until expressed and preserved in some way.</p> <p>The main effect of the Act is that the right to make copies of protected subject matter vests in the owner of the copyright. This includes the right to reproduce, publish, perform, adapt and communicate the work. A copyright infringement will occur when someone else, without the authorisation of the copyright owner, commits one of the acts that fall within the owner's exclusive rights, although there are some exceptions. However, where an infringement has occurred, the owner of copyright can commence legal proceedings against the infringing party, often pursuing remedies such as damages, an account of profits or injunctive relief.</p>		



TOPIC AREA	RELEVANT REGULATIONS	PURPOSE
Intellectual Property	Designs Act 2003 (Cth)	This Act provides for a system of registration to protect rights in registered designs.
EFFECTS		
Design protection only extends to registered designs that have been embodied in a 3D work or product.  There are important Copyright/Design overlap provisions found in sections 74-77A of the Copyright Act 1968. An artistic work loses its copyright protections once it has been applied industrially. At this point, a design owner must acquire a registered design to protect their product from infringement.  Design registration is administered by IP Australia.		
Intellectual Property	Patents Act 1990 (Cth)	The Patents Act incentivises innovation and creativity by granting monopoly rights, for a limited period of time, to exploit a new product or process.
EFFECTS		
The Patents Act 1990 (Cth) currently provides for two types of patent: an innovation patent and a standard patent. An innovation patent protects innovative, as opposed to inventive, advances in technology, and provides an 8 year period of protection, as opposed to the standard 20 year period.  The Australian patent system differs slightly from its European counterparts in its interpretation of patentable subject matter, and applies the “manner of manufacture” test.  Patent registration is administered by IP Australia.		
Intellectual Property	Trade Marks Act 1995 (Cth)	The purpose of the Act is to define trademarks and to define what constitutes trademark infringement, whilst also addressing the defences and exceptions available. The Act also outlines the procedure for registration.
EFFECTS		
The Act defines a trade mark as being a ‘sign’ used (or intended to be used) to distinguish goods or services provided by someone in the course of trade. This includes any combination of letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packing, shape, colour, sound or scent. The Act also provides the procedure required to apply for the registration of a trade mark (filed with IP Australia) and the check performed by an examiner to ensure compliance with formalities and substantive requirements.  Trade Mark registration is administered by IP Australia.		

Local regional differences.

The Commonwealth of Australia is a federation of six states (New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania) with two major territories (Northern Territory and Australian Capital Territory).

There are three levels of government – Federal, State/Territory and Local – each with different and overlapping law-making responsibilities. In the event of a conflict of laws, the Commonwealth Parliament prevails. The Commonwealth Parliament also has power to legislate in regards to the Territories and can override Territory laws.

The Commonwealth Parliament derives its authority from the Australian Constitution, which enumerates areas of responsibility of the Federal Government such as Banking, Defence, Immigration, Tax, Intellectual Property and Corporations.

The State and Territory parliaments have broad legislative powers, except in those areas reserved for the Commonwealth Parliament. It is important to note that though there is a broad similarity between State and Territory laws, there can be important differences in legislation.

Local governments have limited power in the following areas:

- Building Approvals
  - Local Roads
- Local Services
  - Planning

Legal and regulatory transparency

There are very few concerns in Australia regarding issues of legal and regulatory transparency. Traditionally in terms of investment, Australia has always been a nation which not only welcomes foreign investment but actively encourages it, with its liberal and transparent screening process for incoming investment proposals. It is very rare that the Government will even consider blocking proposals, and this is only the case where the future investment has been determined by the Foreign Investment Review Board (FIRB) to be contrary to the national interest. However, some restrictions may apply in sectors considered to be ‘sensitive’, such as in residential real estate, banking, media, telecommunications, shipping, civil aviation and airports.

Hierarchy of courts

The High Court of Australia is the highest court in Australia, and its main function is to deal with appeals from the State/Territory Supreme Courts or to deal with matters concerning constitutional review. While it does possess original jurisdiction, it mainly serves as the final court of appeal with the ability to interpret the common law for the entirety of Australia. It was established by section 71 of the Australian Constitution, and is composed of seven Justices: the Chief Justice of Australia (a position currently held by Robert French) and six other Justices.

The Federal Court of Australia hears matters related to areas of federal legislation, and this may include issues of bankruptcy, corporations, trade practices, industrial relations, customs and immigration. It was established by the Federal Court of Australia Act in 1976, which grants this court original jurisdiction in the aforementioned areas, whilst also allowing it to hear appeals from tribunals and other similar bodies. There is also an appellate level usually comprising a panel of three judges.

The Family Court of Australia has jurisdiction over family law matters, and therefore deals with issues such as marriage, divorce, parental disputes, child support and custody and matrimonial property.

It was established by the Family Law Act in 1975 and attempts to be ‘less adversarial’ in nature, recognising the need to make family law matters more informal and friendlier for participants.

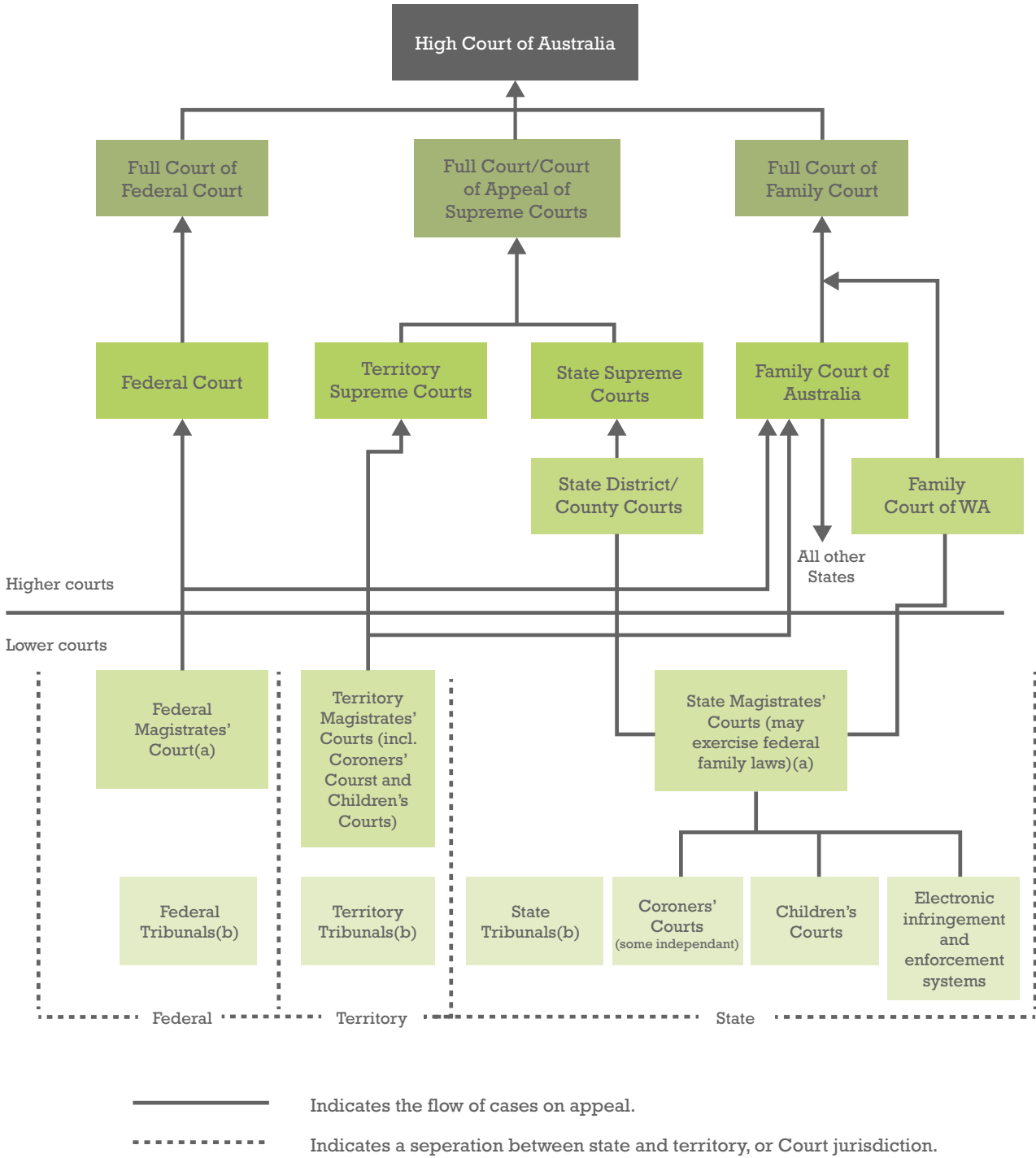
The Federal Circuit Court of Australia (previously known as the Federal Magistrates Court of Australia) was created in order to lighten the workload of both the Federal Court and the Family Court by hearing less complex and demanding cases. It is a fairly recent court which can exercise its jurisdiction in matters of privacy, intellectual property (copyright), industrial law, human rights, consumer law and administrative law, but its main areas of work are in the fields of bankruptcy, migration and family law.

Each State and Territory of Australia also has its own court hierarchy, which varies from State to State (or Territory to Territory) but often contains a fairly similar structure. The highest court in each State or Territory is the Supreme Court (for example, the Supreme Court of NSW) which has both original and appellate jurisdiction, and generally hears large civil disputes or serious criminal matters.



However, even though the Supreme Court is the highest court for a particular state or territory, an appeal by special leave can be made to the High Court of Australia, or appeals can also be made to the Full Court/Court of Appeal of the Supreme Court (for civil matters) or the Court of Criminal Appeal (in criminal matters).

Beneath the Supreme Court in each State/Territory is the District Court (or County Court in Victoria), which generally hears most criminal trials for less serious indictable offences, and most civil matters below a certain threshold (usually \$1 million). Finally, in most States/Territories, the Magistrates Court (or Local Court in NSW) falls below the District Court, and hears summary matters and smaller civil matters. These are usually heard before a single magistrate and without a jury.



(a) In some jurisdictions, appeals from lower courts or district/country courts may go directly to the full court or court of appeal at the supreme/federal level; appeals from the Federal Magistrates' Court can also be heard by a single judge exercising the Federal/Family Courts' appellate jurisdiction.

(b) Appeals from federal, state and territory tribunals may go to any higher court in their jurisdiction.

Source: Steering Committee for the Review of Government Service Provision, Report on Government Services 2011.

Key legal considerations for digital merchants

For information about digital and electronic signatures in Australia, refer to the table.

Prospective e-merchants may also wish to consider The Australian Guidelines for Electronic Commerce, which apply specifically to business-to-consumer (B2C) commerce. However, businesses are also encouraged to follow these guidelines when involved in transactions with other businesses (B2B). It is also important to note that these are merely guidelines, and as such, where there is a conflict or inconsistency between the guidelines and the law, the law has precedence and will prevail.

Nevertheless, the main aim of the guidelines is to foster consumer confidence in B2C commerce by providing advice and recommendations on a broad spectrum of issues including:

- fair business practices;
- accessibility and disability access;
- advertising and marketing;
- engaging with minors;
- disclosure of a business's identity and location;
- disclosure of a contract's terms and conditions;
- the implementation of mechanisms for concluding contracts;
- adopting privacy principles;
- using and disclosing information about payment, security and authentication mechanisms;
- the establishment of fair and effective procedures for handling complaints and resolving disputes; and
- the law and forum for the resolution of contractual disputes.

Data Protection

The relevant privacy and data protection legislation is the Privacy Act 1988 (Cth). This Act is still current and relevant, although was amended when the Privacy Amendment (Enhancing Privacy Protection) Act 2012 (Cth) came into force in 2014. See the table above for more information.

Legal certifications for trading online

If a company is operating merely as an online retailer outside of Australia, it is unlikely that they would be considered to be carrying on business in Australia. If they establish a business in Australia, they would need to apply for an ABN and register for GST, as well as registering with ASIC. Recent changes will require GST to be collected and remitted to the Australian Taxation Office on goods sold directly from overseas entities for delivery in Australia.

A foreign company can either register a branch, or establish a local subsidiary, but in either case, it will need an Australian registered address. A branch will require a local agent whereas an Australian subsidiary must have at least one resident director.

It is also recommended that a retailer consider registering a business name or trade mark to protect its business name.

Cross border trading into Australia

Trading between Australia and foreign nations in the area of agricultural produce is highly regulated by a number of acts, including the Quarantine Act 1908 (Cth), the Export Control Act 1982 (Cth) and the Imported Food Control Act 1992 (Cth) among many others. Together, these acts are the backbone of a system which seeks to protect Australia's produce and wildlife from contamination or disease by authorising restraints on individuals and businesses engaged in exporting or importing.

The Export Control Act 1982 (Cth) is fairly broad and provides for the application of export controls to goods specified in regulations. It also makes clear the inspection responsibilities and the authority of inspection staff to carry out these responsibilities, whilst setting penalties to apply in the case of fraud or deliberate malpractice. The Imported Food Control Act 1992 (Cth) has a similar effect, albeit in the field of importing particular goods and foods which may carry disease that could threaten Australia's agricultural sector. In terms of the Quarantine Act 1908 (Cth), this deals more broadly with powers concerning "the examination, exclusion, detention, observation, segregation, isolation, protection, treatment and regulation of vessels, installations, human beings, animals, plants or other goods or things."



Possible changes to legislation

Australia’s participation in the 2015 United Nations Climate Change Conference in Paris might result in the implementation of domestic legislation. UN negotiators recently released a proposed skeleton agreement, with the hope of reaching a binding and universal agreement on climate from all the members who will be in attendance – close to 200. Because of Australia’s high level of emissions per capita, it is possible (but certainly not guaranteed) that Australia will return from the December 2015 conference with an obligation to introduce or amend legislation to meet these environmental goals. The government could choose to adopt something similar to the previously proposed emissions trading scheme (ETS), or it could choose to explore different avenues if it has been compelled by the international community to reduce its environmental footprint. However, it is worth noting that if any subsequent legislative changes were to be made, it could take a significant amount of time to implement them.

Key official sources of information

**Austrade:** for information on setting up a business in Australia.  
*<http://www.austrade.gov.au/International/Invest/Guide-to-investing/Setting-up-a-business>*

**Australian Business Register:** to register a business name, or apply for an ABN.  
*<http://abr.business.gov.au/ContactUs.aspx>*

**Australian Competition and Consumer Commission:** for competition and consumer concerns.  
*<https://www.accc.gov.au/contact-us/contact-the-accc>*

**Australian Government- Business:** for business related enquiries.  
*<http://www.business.gov.au/contact-us/Pages/default.aspx>*

**Australian Securities and Investments Commission:** for corporate, markets and financial services enquiries.  
*<http://asic.gov.au/>*

**Australian Taxation Office:** for taxation enquiries ranging from individuals to large corporations.  
*<https://www.ato.gov.au/>*

**Fair Work Commission:** for most employment enquiries.  
*<https://www.fwc.gov.au/about-us/contact-us>*

**Foreign Investment Review Board** for acquisitions by foreign entities.  
*<http://www.firb.gov.au/content/policy.asp>*

**IP Australia:** for intellectual property related enquiries.  
*<http://www.ipaustralia.gov.au/about-us/contact-us/>*

**Office of the Australian Information Commissioner:** for privacy related enquiries.  
*<http://www.oaic.gov.au/about-us/contact-us-page>*

Before commencing e-retailing and distribution in either a B2C or B2B model into Australia, E-retailers should make themselves familiar with the laws and regulations governing customs within Australia:-

- Customs Act 1901
- Commerce (Trade Descriptions) Act 1905
- Copyright Act 1968
- Trade Marks Act 1995
- Customs Regulations 1926
- Customs (Prohibited Exports) Regulations 1958
- Customs (Prohibited Imports) Regulations 1956
- Commerce (Imports) Regulations 1940

Prohibited and restricted goods

E- retailers should also take note of the prohibited and restricted goods noting in particular the permits, declarations, and applicable fees.

- Anabolic or androgenic substances** (restricted import)
- Antibiotics** (restricted import)
- ANZAC** (restricted import)
- Asbestos** (restricted import)
- Cat and dog fur products** (restricted import)
- Ceramic ware - glazed** (restricted import)
- Cetaceans** (whales, dolphins and porpoises)
- Chemical weapons** (restricted import)
- Chewing tobacco and oral snuff** (restricted import)
- Cigarette lighters** (restricted import)
- Cosmetics - toxic materials** (restricted import)
- Credit cards - counterfeit** (restricted import)
- Crowd control equipment** (restricted import)
- Cultural heritage goods from Papua New Guinea** (restricted import)
- Cultural heritage goods - general**
- Diamonds - Kimberley Process** (restricted import)
- Dog collars - protrusion** (restricted import)
- Dogs - dangerous breeds** (prohibited import)
- Drugs and narcotics** (restricted import)
- Endangered animal and plant species - CITES** (restricted import)
- Erasers - novelty** (restricted import)
- Explosives, plastic** (restricted import)
- Firearms and Ammunition** (restricted import)
- Fish and toothfish** (restricted import)
- Fly swatters/mosquito bats - electronic** (restricted import)
- Goods bearing an image of the Australian national flag and coat of arms** (restricted import)
- Growth hormones and substances of human or animal origin** (restricted import)

- Hazardous waste** (restricted import)
- Hydrofluorocarbons (HFCs)** (restricted import)
- Incandescent lamps** (restricted import)
- Kava** (restricted import)
- Knives and daggers** (restricted import)
- Laser pointers** (restricted import)
- Money boxes, novelty - toxic materials** (restricted import)
- Ozone depleting substances/Synthetic Greenhouse Gases** (restricted import)
- Pencils and paintbrushes - toxic materials** (restricted import)
- Pesticides and other hazardous chemicals** (restricted import)
- Polychlorinated Biphenyls, Terphenyls and Polyphenyls** (restricted import)
- Pornography and other objectionable material** (restricted import)
- Radioactive substances** (restricted import)
- Sanctioned countries/entities**
- Security Sensitive Ammonium Nitrate (SSAN)**
- Suicide devices** (prohibited import)
- Tablet Presses** (restricted import)
- Therapeutic drugs and substances** (restricted import)
- Tobacco - unmanufactured leaf** (restricted import)
- Toys - toxic material** (restricted import)
- Trade Practices Act goods** (restricted import)
- Viable materials/stem cells derived from human embryo clones** (prohibited import)
- Warfare Goods and other Weapons** (restricted import)
- Woolpacks** (restricted import)





# CUSTOMS CLEARANCE OVERVIEW

**Australia has a rigorous set of customs clearance regulations and procedural requirements that e-retailers should educate themselves on prior to commencing trade. It is recommended that e-retailers seek professional advice from Licensed Customs Brokers or Freight forwarders especially for those transactions over \$1000 AUD.**

Within Australia customs clearance is strictly exercised and occurs before goods are released to the purchaser/ owner from clearance centres. As Australia is surrounded by water without physical borders with other countries, all goods are imported either by Sea, or Air Cargo or International Post (the carrier of which is Australia Post within Australia). Therefore Ports, Airports are the entry points for Cargo (the majority of which are in Metropolitan Cities) into Australia with clearance centres (licensed depots and warehouses being situated around these areas).

Generally speaking all declarations, permits, taxes and duties are the responsibility of the owner/ purchaser of the goods and must be provided and paid prior to goods being released. There is some variation depending on the value of the goods whether they are a B2C or B2B arrangement.

## The Value of Goods

E-Retailers should note that the process for customs clearance on goods purchased via B2B or B2C channels varies depending on value; with the threshold being \$1,000AUD.

## B2B and B2C Goods under \$1000 AUD

The majority of overseas internet transactions will be B2C, under \$1000 AUD and will be delivered by International Post (the carrier being Australia Post within Australia). A customs broker would not be required. These goods may be imported free of customs duties and taxes (except Alcohol and Tobacco) with only a parcel declaration needing to be completed. Australia Post will deliver the goods straight to the consumer. A permit is required for restricted goods (see list on previous page).

For goods being delivered via air freight or sea freight, the system is slightly more complex with the same rules applying except these goods must be reported to Customs and Border Protection on a Self-Assessed Clearance (SAC) declaration. SAC declarations are usually made on the consumers behalf by the freight forwarder handling the consignment but sometimes the supplier may be required to make a SAC declaration.

SAC declarations can only be made electronically to Customs and Border Protection via the Integrated Cargo System (ICS). The owner may need to use a licensed customs broker or service provider to make SAC declarations on a fee for service basis.

## B2C and B2B Goods over \$1000 AUD

For goods over the value of a \$1,000 the customs clearance system becomes slightly more complex again. These goods will require an Import Declaration to be lodged electronically via the Customs Integrated Cargo System (ICS). Duty and/or taxes will more than likely be payable. The responsibility for this sits with the owner of the goods.

This could be the **a)** consumer purchasing over the internet from the supplier (B2C); **b)** One business from another ( B2B); or **c)** one business importing containers into Australia to distribute through a physical presence i.e. either online or via a retail outlet.

According to Customs law, an owner of imported goods may be the importer, someone who holds themselves out to be the owner, someone who has a beneficial interest in the goods or someone who has control of the goods. Note that there is no requirement for companies or individuals to hold an import license, however, they must be able to have a good understanding of Australian Customs law, permits, prohibited goods, product labelling requirements and information on tariffs and hence duties and taxes available as well access to the ICS system.

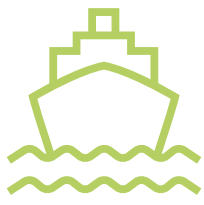
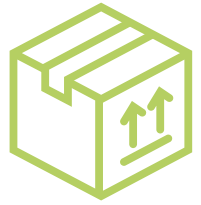
Many choose to have a licensed customs broker facilitate the Import Declaration and assist in dealing with all obligations with the importation of their goods. Brokers provide their services on a fee for service basis. Employees may also act on an owner's behalf to make import declarations provided they are not also an employee of another entity.

When goods are imported they will be assessed for customs duty and Goods and Services Tax (GST) of 10%. The rate of duty depends on the nature of the goods and is determined by the Tariff classification of the goods (Customs Tariff Act 1995). The duty, if any, is calculated on the customs value of the goods. The customs value is usually the price paid and converted to Australian dollars. Customs and Border Protection may require the owner to produce receipts or invoices etc. to substantiate that the customs value claimed applies. GST (at a rate of 10%) is also calculated on the Value of the Taxable Importation known as the VoTI.

The VoTi is the sum of:

- the customs value
- any duty payable; and
- The amount paid or payable to transport the goods to Australia and to insure the goods for that transport.

To obtain a Tariff Classification and an exact duty rate, refer to the Customs Tariff.



#### Typical process with financial and logistics considerations involves:-

- Check if goods are prohibited, or require a permit for completion and lodgement.
- Assess value of goods under or over \$1000 AUD.
- Consider use of a licenced customs broker, and logistics carrier (Air, Sea or International Post).
- Assess tariffs and hence duties payable and other taxes (GST, Wine Equalisation, Luxury Car, Other).
- Engage Carrier / Logistics Solution.
- Legal confirmation of goods for entry into the country: Import Declaration completed by importer submitted via ICS system; SAC declaration or Australia Post Declaration.
- Confirmation of product prices: Calculation can be completed by Importer, confirmed via ICS system when goods arrived in Australia and cleared. Duties and Taxes are now payable.
- Consider warehousing, storage and insurance fees.

### Customs Clearance System

The customs clearance system largely relies on purchasers and importers self-declaring and regulating incorporating the paperwork and declaration process. Most goods are held up in the clearance process due to the assessment of value (over \$1000 AUD), the goods being of a prohibited nature, incomplete paperwork or payment.

It takes up to five working days from receipt of completed documents for Customs to process the import declaration. It may also take up to three working days to process any payments made re duties and taxes with goods being held in a depot or warehouse. By Law this may happen indefinitely until payment is received, however the individual bonded warehouse or depot may have their own regulations, restrictions and fees for goods held. There are a number of service providers, such as wnDirect, that provide a 'wheels-up' clearance system whereby the required records are completed whilst the goods are in transit; speeding up the processing time on landing.

#### Notes:

*B2C-International post where goods are held up to 30-45 days at Australia Post clearance centres and returned free of charge should goods not be cleared. Australia Post will issue a "First Notice" to consumer stating the reason goods may be held and the necessary action to be taken.*

*B2B the importer is responsible for any additional storage costs whilst waiting for clearance.*

### Customs Investigations in Australia

Approximately 24 000 parcels each year are intercepted and either destroyed, sent home or filtered with regard to high risk category goods.

Higher risk category of goods include:- Prohibited, restricted and regulated goods including goods of counter-proliferation concern, firearms and weapons, hazardous goods and goods presenting risks to consumer safety, objectionable material and other regulated goods.

Document checking: Electronic reconciliations and checking to screen for closer evaluation.

Physical inspection: according to Customs and Border Protection this occurs regularly to ensure information provided to Customs and Border Protection is correct and to detect prohibited and harmful goods, including illicit drugs and firearms, as well as checking clients are complying with import and export controls and safeguards. Examinations are normally carried out at a Customs and Border Protection licensed premises. Where the nature of the cargo or some other circumstance warrants it, the examination may be carried out at the owner's premises. In these situations, the cargo remains subject to Customs and Border Protection control. Customs and Border Protection use x-rays, ion scan technology, detector dogs and radiation and chemical warfare agent detectors in the examination process and may also require samples for analysis.

Saturation exercises of whole consignments are also carried out at random as is leverage exercises involving greater numbers of clients.

Targeted audits and desktop verifications are also carried out for B2B suppliers.

### Returns

Customs advises consumers "If you have physically received the goods and paid Customs duty on goods imported but they were returned them to the supplier because, "I changed my mind", "they don't fit", or "I don't like them" then a refund on duty is not available under current legislation. However, as an alternative option if you export the imported goods, subject to certain conditions, you may be entitled to a drawback of the duty paid."

### Considerations and things to look out for

An e- retailer would also need to consider the geographical location of Australia in terms of delivery and distribution times for would be purchasers, as well as significant costs in setting up warehousing and distribution services within Australia should that be a considered option.

Lack of knowledge or experience amongst internal staff of the customs process i.e. in the valuing of good, tariffs, permits, and logistics services can cause delay as well as incomplete paperwork. For goods over \$1000 AUD and those businesses wanting to trade larger volumes it is advised to use a licensed broker.

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# LOGISTICS & FULFILMENT

Section Supported by wnDirect

**Although domestic retailers in Australia represent the highest proportion of online spend, with 74.6% of the total market value, this still means that just over 25% of the total is being spent with over-seas merchants and cross-border shopping is not at all unusual amongst Australia with over 80% of consumers having made an overseas purchase at some point; this far exceeds the global average of 51.2%. The most popular cross-border targets for Australian shoppers are UK and US retailers, both of course sharing (mostly) a common language.**

Rather than ‘where’ a product comes from, Australians are far more interested in how quickly it can reach them and therefore consideration needs to be given to the volume of transactions being imported into Australia and the channels used.

As a non-Australian e-retailer reaches critical mass and transactions increase, the supply chain model used will need to adapt to a physical distribution presence. A typical supplier will start off sending individual products.

Traditionally most individual deliveries into Australia will have been made through the postal routes with Aus Post as the local delivery link providing:

- Economy – 3 to 5 day delivery with ‘signature on delivery’ and ‘safe place’ options
- Express – next day delivery to about 80% of the country and with the option of additional on line tracking (Premium)
- Collection at the Post Office

Or by using services provided by the big global integrators (TNT, UPS, DHL, Fed Ex) mainly providing Express services, some with time slot delivery options.

However neither the slower postal route nor the more expensive ‘courier’ route were ideally suited to the needs of cross-border ecommerce.

Over the past few years we have seen the emergence of direct access solutions where orders from many retailers are consolidated in the country of origin, flown in bulk to the country of destination (customs cleared on the way if necessary) and handed to a local deliver partner for the ‘final leg’. These services are tracked all the way and are faster than post and cheaper than express. In addition, Australian Customs allows for purchasers and importers to ‘self-declare’ cross-border transactions and service providers are increasingly providing services that enable declarations to be made whilst goods are in transit; reducing processing time, paperwork and improving the competitiveness of cross-border merchants.

wnDirect is the forerunner of these services and shipped almost 50,000 individual parcels to Australia in August 2015 alone, on behalf of UK e-retailers.

This type of solution provides an ideal bridge to the point where a retailer may eventually move to importing container loads of product with a view to utilising a local 3PL solution, finally setting up their own logistics, warehouse, and distribution solution. A larger importer may take the option of making application for their own licensed depot, warehousing and customs broker facilities located in Australia.

Retailers offering fast and inexpensive shipping can very quickly gain themselves a competitive advantage as Australians are used to ‘waiting’ even for domestic purchases. The promise of delivery within a specified time frame is not enough; online shoppers in Australia also expect an element of choice when it comes to delivery options. In fact research suggests that, despite the delivery distances involved in this huge country, 94% of Australian e-shoppers expect to have various delivery options. Rapidly catching up with the demanding approach seen in other countries, Australian online shoppers no longer simply expect their packages to get to them within a decent period of time, they want more.

Once orders arrive ‘in country’ it is worth considering where the demand is and what mechanisms will be required to service this custom. In 2014, the National Australia Bank reported a detailed breakdown of which regions made up the online shopping population.

AREA	PERCENTAGE SHARE OF TOTAL ONLINE SPEND IN 2014
Northern Territory (NT)	1.2
Queensland	19.1
New South Wales	33.1
Victoria	23.4
South Australia	6.8
Western Australia	12.1
Tasmania	2.2
Australian Capital Territory (ACT)	2.1

ACT, whilst representing one of the smallest users of online shopping, had the highest spend per capita.

The geographical split of delivery locations is also interesting as the size of the landmass provides one of the biggest challenges to efficient fulfilment in Australia. In particular the postal areas, including Northern Territories; Tasmania; Queensland County and Western Australia County represent specific challenges, particularly around geography and population density.

Of the August volume delivered through wnDirect, the majority went to the major metropolis whilst only 8.12% went to rural areas.

ACT	1077
Adelaide Metro	843
Brisbane Metro	3720
Melbourne Metro	12595
NSW Country	4204
NT	462
Perth Metro	5092
QLD Country	2223
SA Country	4250
Sydney Metro	11927
Tasmania	564
VIC Country	1885
#N/A	39
WA Country	784
Grand Total	49665

This diverse range of destinations with delivery ‘hot spots’ requires multiple points of injection through which an international carrier can interface with local delivery solutions. wnDirect for example, ships in through Sydney, Melbourne, Perth and Brisbane thereby shortening the final ‘leg’ whilst also providing redundancy in the case of natural disasters such as the bush fires of 2014.

In common with other markets, Australian employers are starting to restrict their employees from receiving domestic orders being delivered to their work address; partially because of security risks but also due to the increasing volume overload post rooms and internal services.

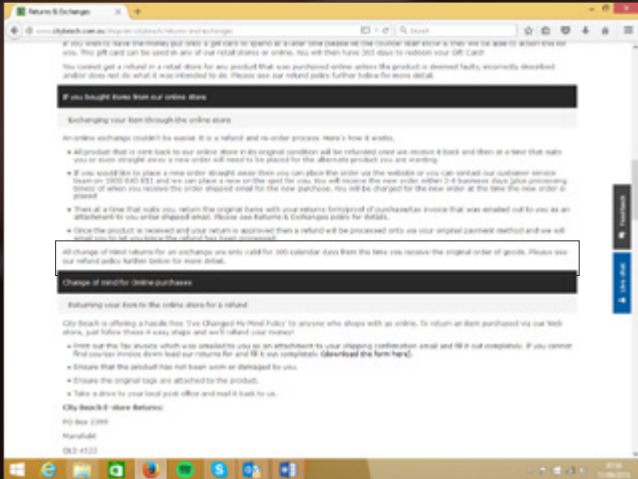
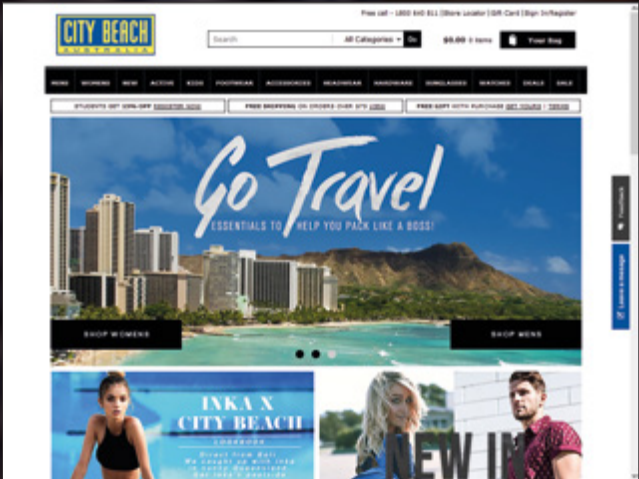
Keen to innovate, the national mail carrier, Aus Post now not only provides delivery services for wnDirect and UK e-retailers but provides the facility for Click & Collect, opening the largest network of parcel lockers in Australia offering 24/7 access to 30% of the population in a location less than 10 minutes from home via 200 locations and thereby answering some of these delivery challenges.

This now forms part of wnCollect, the world’s first worldwide international click & collect solution launched earlier this year by wnDirect. It is already gaining traction in Australia with a number of brands adding the service to their delivery portfolio.

## Returns

Australian consumers expect to be able to return unwanted goods and receive a replacement or credit with the minimum of fuss or delay.

In response to this customer demand, the retailer ‘City Beach’ changed its returns policy from 14 days to 100 days. Interestingly, increasing the timeframe for returns did not change the volume of returns received. “In fact, increasing the time that returns will be accepted almost seems to lessen the return rate! It gives the customer security,” says Michael Leard, Online Manager for City Beach. (Australia Post Whitepaper: Returns, 2013)







EziBuy, a fashion and homewares brand in Australia, reports a returns rate of 23% and offers a 30 Day-money back guarantee.

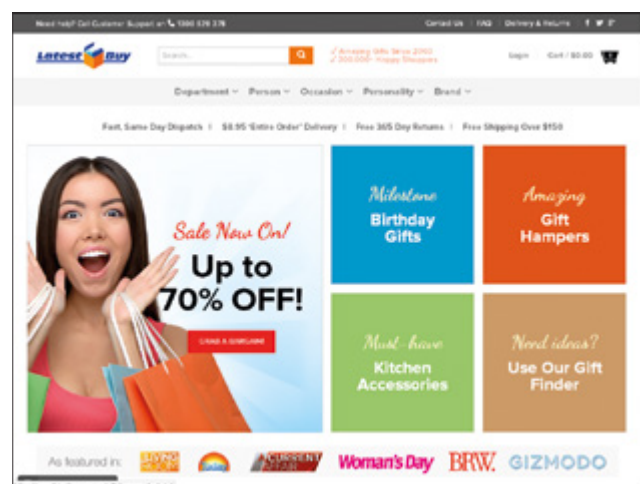
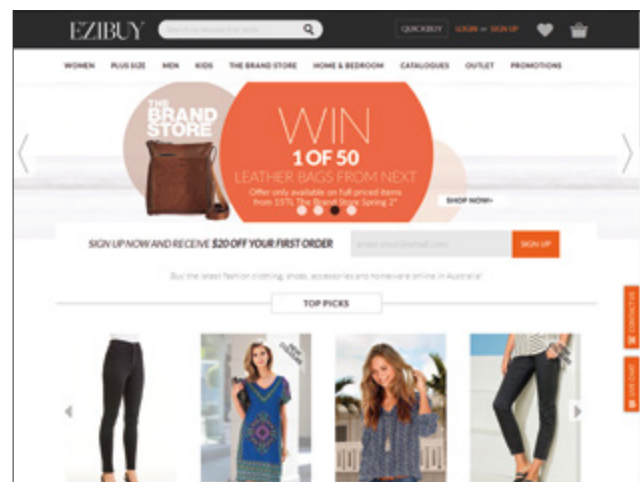
By way of contrast, LatestBuy.com.au offer a 365 day return period and are reported to have a returns rate of 1.5%

These brands have taken their own views as to how the returns process fits with their overall proposition and customer base.

Central to these services, Aus Post, through the postal network, provides the traditional route and most people prefer to return via AUS Post post offices - all demographics show a preference above 40%. Retirees show the strongest preference for postal return, closely followed by Youth category. **(Source: RealityCheck Research Feb 2015).** Aus Posts new locker solution, with wnDirect, also now gives significant comfort in this area.

Typical issues facing merchants include getting the product back in to inventory so that it can be resold. With the costs and distances involved, many international merchants consider destroying the stock rather than return to their domestic distribution centre. Alternatives include creating a local stock pool so as to services future orders. Aside from the obvious physical issues around product returned by the customer, there are also the financial implications of the transaction itself; in particular customs duties on more expensive items.

As previously advised within the Customs and Clearance overview, Australian Customs take on how cross-border returns are dealt with will impact how returns and refunds operate. Professional advice should be sought as to how a merchant might want to cover this in their terms & conditions but also how they might want to arrange their reverse logistics and refund processes.



## ABOUT ECOMMERCE WORLDWIDE

Set up in association with IMRG, ecommerce Worldwide provides online retailers with all the information, and resources, they need to develop cross-border strategies for entering new markets around the world.

Our dedicated Cross-Border Trading Passports constitute invaluable A-Z guides for retailers looking to set up and run successful ecommerce channels abroad (and potentially at home, too). All this is backed up by our annual Summit.

ecommerce Worldwide is the one stop shop, to help you trade successfully across borders.

For more information, please visit [ecommerceworldwide.com](http://ecommerceworldwide.com) or email [info@ecommerceworldwide.com](mailto:info@ecommerceworldwide.com)







## ABOUT NORA

**NORA is an association that's bringing a fresh, balanced and optimistic view of Australia's retail future.**

As the world has become smaller and smaller, the retail landscape has changed. Businesses today must not only compete with international giants on domestic soil, but also embrace a variety of opportunities offshore. Consumers are more informed than ever before; shopping wherever, whenever and however they choose – demanding exceptional service and direct engagement with their brands. Things move fast in this brave new world – technology is rapid and reactive, and the industry must keep innovating to stay in front. It's a new playing field. A new set of opportunities. We call it New Retail. NORA aims to provide the community with a catalyst for collaboration, conversation and growth. And we welcome anyone who shares the New Retail view to join us.

For more information, please visit [www.nora.org.au](http://www.nora.org.au) or email [info@nora.org.au](mailto:info@nora.org.au)



## ABOUT WNDIRECT

*More than just a logistics partner*

wnDirect came to market determined to do things differently. Its international logistics offering quickly gained traction with a number of leading e-Retailers and it has since become renowned for its disruptive way of thinking.

Since launch wnDirect has evolved to offer a broad range of solutions designed to enable e-Retailers to 'go global'. Its comprehensive services can support both large and small retailers alike to realise their international aspirations and achieve success in global markets.

More than just a logistics partner; wnDirect is a retailer's key to global success.

We don't just understand international logistics; we also understand retail. As a business many of the Board members, managers and staff have worked in retail and, therefore, understand you and your business – not just how to deliver your parcels.

Combining young, flexible and entrepreneurial thinking with leading edge technological developments to provide turn-key solutions which enable retailers to 'switch on' their global expansion plans. Supporting retailers successfully navigate the complexities of cross border trade in key markets quickly, easily, reliably and cost effectively.

For more information, please visit [wndirect.com](http://wndirect.com) or email [marketing@wnDirect.com](mailto:marketing@wnDirect.com) to speak to one of the wnDirect team.



A full range of added value services:

- Unique fully integrated customs service – a paperless solution at the pack bench
- Full tracking and visibility throughout the entire delivery lifecycle
- Automated email and SMS updates to the consumer in their local language
- Can be integrated into a retailer's online shopping solution
- Duty Payment & ID Upload solutions
- Access to a Global PUDO network
- Solution to support entry to the China Tmall marketplace
- Simple Returns solution
- Comprehensive bespoke reporting to your requirements
- Best-in-class, independent delivery partners trusted by your consumer



# SECTION SUPPORTERS

## ABOUT IE

IE is a digital innovation agency at the intersection of the startup and corporate worlds. We provide Strategic Consulting, Agile Marketing, Platform Development, On-site Teams and Product Incubation to some of the largest and most loved brands in Australia. IE is known for challenging best practice with innovation to create experiences that resonate more profoundly with people. As we help our partners discover new revenue streams and increased relevance, we transform brands, grow businesses and change people’s lives for the better. Our partners include Telstra, Nike, Sportsgirl, Tourism Victoria, Movember, Sitecore, Demandware, Magento and Adobe.



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**Australia Passport 2015**  
Cross-Border Trading Report

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