

APPAREL RESOURCES

— EVERYTHING SOURCING —

HD Australasia: The land of growing retail opportunities

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Online retailing the next big thing!

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While international brands and apparel manufacturers are always on a lookout for new and emerging markets to explore, Australasia comprising of Australia, New Zealand and the **island** of New Guinea, is emerging as the new favourite. Within Australasia, Australia and New Zealand's retail sector is getting the much needed boost from growing invasion of international brands due to high-growth and lowinflation. The country's economy is supported by robust political and economic institutions, and an internationally competitive business sector is providing the cutting edge.

Being the 13th largest economy in the world in terms of GDP, Australia's growth chart cannot remain unnoticed followed by New Zealand, which is seeing the strongest growth amongst the fastest-growing economies with growth rate expected to reach 2.9 per cent in 2014 according to International Monetary Fund (IMF). While Australia has seen a humungous surge of international retailers on its home turf, New Zealand is comparatively at a much more nascent stage of retail development and efforts are now being made to give extra thrust to retail in the country. "The Auckland Council's initiatives to invest in the development of 'shared use streets' have increased the attractiveness of the city to shoppers and retailers alike and by 2019, central

British retailer Topshop and Topman are the latest to enter New Zealand

Auckland will have a vastly improved central retail area," predicts Nathan Male, Retail leasing agent of Metro **Commercial**. Nonetheless both the countries are seeing a surge in online retail spending as Australians account for 40 per cent of ASOS international sales alone.

Online: The way to go

Both these vibrant markets sell everything from fresh local produce to handicrafts and high fashion, but most importantly, the rapidly increasing online retail is keeping both Australia and New Zealand markets strong. Online and international e-tailers like Net-a- Porter, Matches Fashion and ASOS count these two countries amongst their biggest markets. Research **firm** Roy Morgan reports that in the last 12 months, Australians spent an estimated US \$ 3.4 billion (up from US \$ 2.4 billion a year ago) shopping for fashion online. "Today's Internet-enabled consumers are savvier and have access to greater choice than ever before. Only those brands will succeed who have a distinct IP and that continuously innovate," says David Bush, Director of DB Consulting. While online retail spending by Australians is expected to grow 39 per cent to reach US \$ 25 billion by 2015 (Research by NetSuite Inc.), New Zealand's total online market is expected to reach US \$ 5.37 billion by 2016 (Research by PwC). The online market which is to grow by geometric progression is giving the local retailers jitters.

International Brands vs. Local Brands

As compared to Western markets, the Australian and New Zealand markets are relatively smaller, but competitive and well serviced by local brands such as Metalicus, Cotton On, Lorna Jane, RM Williams, Woolworths, Coles, etc. in Australia while New Zealand's fashion labels such as Karen Walker, Nom*D, Huffer, Zambesi, World, etc. have cornered good market share. Although Australia is the only advanced economy that did not enter a deep recession as a result of the global financial crisis, but today the

country's own fashion industry is facing tough times due to pressure from international competition, manufacturing woes and unaffordable real estate. Among them are women's wear retailer Ojay, which went into liquidation for the second time in two years; premium brands Kirrily Johnston and Lisa Ho, both of which were forced to close late last year and Marnie Skillings, Colette Dinnigan and George Gross & Harry who have also shut shop. Nicky Zimmermann of Australia's successful swimwear label Zimmermann claims, "Earlier it was easier to make mistakes and learn as we went along, but now there is no room for error or bad collections. A fashion label has to be global now."

Local labels are facing tough competition from the likes of H&M, ZARA, Uniqlo, River Island, Bulgari, Gucci, Chanel, Miu Miu, Burberry in Australia and Forever New, Levi's, Topshop and Topman in New Zealand. The latest to enter New Zealand is British retailer Topshop and Topman, whose physical retail stores will compete against the brand's global website. "The British retailer's outlets are planned for all of New Zealand's main centres. Whether we do our second store in Auckland or go to Wellington or Christchurch, we really haven't decided on that yet. Location is absolutely crucial - having the right space in the right retail area," informs Jamie Whiting, Managing Director, Barkers. On the other hand, Uniqlo is the latest in the string of major international retailers to target the Australian market after Swedish fast fashion brand H&M; opened its store to the Australian consumers. "We believe the market will strengthen with the entry of various international brands and we believe the Australian market will provide Uniqlo with great opportunities," avers Kate Evans, Uniqlo Australia.

Going forward

Both the countries have a diaspora consisting of origins from China, India, Vietnam, Philippines, Korea and Indonesia resulting in mix consumer behaviour. However for Giordano and Uniqlo, marketing their products to all Australians has been key to their success, but for others, targeting the Asian diaspora within the country has proved just as rewarding.

Increasingly, it's becoming important for the local retailers in both countries to be pricecompetitive in comparison to international brands. In order to reduce costs, local brands are now exploring the option of manufacturing overseas. With Australian retail turnover rising 6.2 per cent in January 2014 compared to January 2013, and New Zealand's retail spending in clothing, footwear and accessories increased to 9.9 per cent in December 2013, these figures reflect a market which is making its presence felt globally.

Online Retailing, the next big thing in Australia and New Zealand

- * Widespread usage of mobile devices
- * Continued strength of the Australian and New Zealand dollars
- * Use of social media by both consumers and retailers to drive brand awareness
- * Predicted online shopping expenditure to reach US \$ 26.9 billion by 2016.
- * Research highlights that 75 per cent of Australia and New Zealand consumers make purchases from offshore sites with around 45 per cent of online expenditure going overseas, according to PwC research.

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