

Impact of globalisation on retail in australia



This paper references two recent newspaper articles, which focus on the rise of online retail in Australia and the decision of global retail giants to enter the Australian marketplace respectively. The paper aims to identify and discuss the implications for the Australian government, Australian businesses, particularly within the retail sector, as well as implications for international businesses which have been highlighted through these articles. This paper recognizes globalization as the most applicable and influential international business concept relevant to the changes within the Australian retail landscape.

The paper also realizes theories related to differences in culture in reference to international business, specific to global retail giants entering the Australian marketplace are particularly relevant. The growth of the retail industry is stagnant at current, this is largely due to diverse competitive challenges; specifically, the rise of online retail as a result of globalization and the entry of innovative global retail giants. Globalisation is the integration of economic, political and cultural systems across the globe. Globalisation and the free exchange of goods continue to have a prolific impact on the retail industry.

The retail industry in Australia accounts for 4.1% of Australia's GDP and 10.7% of employment. The article "Click, shop - Australians love doing their fashion shopping online" published in The Australian on October 29, 2013 identifies prolific growth in online shopping for the Australian market: "According to John Riccio, national digital change leader with PricewaterhouseCoopers, citing the NAB Online Retail Index for 2012, " their

research shows that online remains much stronger than traditional retail” in terms of year-on-year growth since 2010 .”

The growth of global online retailing within Australia poses a major threat to the Australian government. As previously mentioned, the Australian retail sector accounts for 10. 7% of employment, should online retailing continue to grow, this alleviates the number of required retail staff within the Australian market place. The government is also under pressure by local retailers to lower the GST threshold in order to put them in a better position to compete with international websites .

The increase of online shopping has prompted the Australian government to examine new ways to increase productivity and economic growth. In November 2013, as a result of pressure from Australian businesses, the Australian government began exploring options on how to collect GST from online purchases under AUD \$1, 000 . The current trend of online shopping has resulted in retailers pressuring the Australian government in relation to the restriction of the fair right to trade and the restriction of retail trading hours.

Given that online retailers can trade twenty four hours a day; earning them a competitive advantage over retailers in Australia. The Westfield Group has commenced lobbying the Australian government to lift regulations as to when it is ‘ economically sensible for retailers to trade’ . Similarly to Australian government, the rise of online retailing poses a major threat to the profitability and livelihood of Australian businesses, particularly within

the retail sector. The increase of online retailing in Australia is rapidly eroding the revenue, profitability and market share of Australian retailers .

This change in the market calls upon Australian retailers to establish new and inventive ways to service their customers and influence customer loyalty; giving consumers a reason to spend in-store as opposed to online. This trends also calls for new and inventive marketing techniques. The rise of online shopping has also resulted in Australian businesses not being able to markup goods as much as in the past, causing them to have to absorb the majority import duties and shipping costs which affects their profitability .

The rise of online shopping in Australian presents an opportunity for multinational corporations, online shopping allows international firms to gain an in-depth insight into Australian consumers spending habits and allow them to acquaint themselves with local tastes prior to international expansion, giving international firms an up-to-the-minute competitive advantage when expanding into the Australian retail market .

Furthermore, Australian based multinational companies, such as retail giants ranging from Westfield to David Jones have been forced to launch e-commerce sites in order to maintain a market share and a competitive advantage with international sites. The recent rapid expansion of global fast-fashion giants into the Australian marketplace has had a similar impact on the Australian fashion-retail industry that the increase in online shopping has, putting Australian retailers and small business under immense pressure and stress to remain in a position to compete with these global retailers.

The article “ Local retailers feel the heat from International invasion” published in The Sydney Morning Herald on November 26, 2013 highlights the ways in which ‘ fast-fashion’ retailers have revolutionized how Australian consumers shop with big-name internationals establishing a presence within the Australian retail landscape .

The article acknowledges that the catalyst for the International expansion of the majority of these retail giants has in fact been the internet. The expansion of retail giants into the Australian marketplace has impacted the Government in order to enhance competitiveness between fast-fashion giants and Australian retailers through becoming more flexible to the regulatory retail environment, particularly surrounding shopping hours and workplace practices .

The Australian government is also under pressure to revise manufacturing laws and regulations in order for Australian business to be able to compete with global giants such as Zara or H&M who aggressively price their products as a result of their global manufacturing and distribution facilities , none of which are held within Australia due to the high cost. Australians purchased over one billion units of clothing in 2013, 90% of which was imported . Local businesses are under extreme pressure to compete with global fast-fashion retailers.

However, on a positive note, it has been recorded that the introduction of retailers such as Zara and TopShop has encouraged traffic into the Sydney CBD area, presenting an opportunity to smaller retailers that may not have been apparent in the past due to the rise of online retailing. The aggressive

and competitive pricing strategies of many of the global fast-fashion retailers has pressured local businesses to lower their own prices on their products in order to compete, this has called upon many retailers and Australian brands to relocate production and manufacturing of their products offshore .

Local businesses have been forced to review their pricing strategies in order to maintain any market share held within the Australian retail fashion industry . Similarly to the growth of online retailing, while the expansion of global fashion-giants into the Australian marketplace poses a threat to local businesses, it poses an opportunity to multinational corporations however presents a challenge to Australian based multinational corporations.

Australia's largest retailer, MYER, has reduced entry level price points on garments in order to compete with global brands such as H&M and Zara. However, MYER CEO, Bernie Brookes sees the introduction of global retailers such as H&M into the market as an opportunity, as they will attract more foot traffic . The expansion of global fashion retailers into the Australian market calls upon Australian based multinationals to adapt pricing and marketing practices to remain competitive.

The perceived success of international fashion retailers thus far makes Australia a very attractive market for many more international chains to expand into the country, presenting an opportunity to boost GDP and create more jobs for Australians. Globalisation allows for an integrated, interdependent world economy, allowing markets from all over the world to become connected as one global marketplace . Globalization is heralded as a key driver for online retailing and e-commerce .

When analysing the article Click, shop - Australians love doing their fashion shopping online by Glynis Traill-Nash it is evident that the most relevant international business concept is globalisation. Globalisation is particularly relevant to online retailing as Australia has traditionally been a segmented market due to its geographic isolation, however, through the rapidly expanding global marketplace, the internet and e-commerce has allowed Australia to become part of the global marketplace. In the article, Click, shop - Australians love doing their fashion shopping

online, Traill-Nash refers to the online shopping site, Net-A-Porter, and makes reference to how Australians are shopping the same product at the same time as consumers in Europe or the United States. This was not physically possible due to the geographic isolation of Australia in the past, due to many factors stemming with shipping times for product to arrive in Australian stores. A key factor of Globalisation is the merge of separate national markets, encapsulated in this is the global offering of the same products worldwide.

This is particularly relevant in reference to online retailing and multi-national online stores; as the world is viewed as one huge global market place, as opposed to a store in a particular city in a particular country. Furthermore, e-commerce heralds falling trade barriers, another key factor of globalization. With the globalization of e-commerce expanding rapidly to many different markets, the varying cultures of these markets cannot be neglected.

When analysing the article Local retailers feel the heat from International invasion by Rachel Wells; the most relevant international business concept is

differences in culture. The global expansion of international retailers identifies the need to apply international business concepts and theories related to difference in culture, as many of the retailers who have entered the Australian market have come from very different host nations and have had to adapt their practices in order to successfully operate within Australia.

Cross-cultural literacy is paramount for the success of International retailers entering new markets. As outlined in the article, Local retailers feel the heat from International invasion, Wells highlights that many global retail-giants plan to enter the Australian market, ranging from Swedish-based H&M to Spanish-based, Zara to Japanese retailer, UNIQLO; all of which have very varied cultures to that of Australia, thus highlighting how important cross-cultural literacy is.

Cross-cultural literacy is also very relevant for global e-commerce sites as varying markets within the global marketplace can vary on many levels, ranging from consumer tastes and preferences to language to religion; all of which must be considered for elements of e-commerce ranging from marketing to navigation of the site.