



**Information Paper**

**Measurement of Online  
Retail Trade in  
Macroeconomic Statistics**

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## INTRODUCTION

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### INTRODUCTION

Online retail trade is a current topic of discussion within the Australian community. Interest centres on the size and growth of online retail trade as well as its performance relative to traditional store-based retail trade.

This information paper explains where online retail trade activity is currently included in ABS macroeconomic statistics and describes enhancements to improve measurement and coverage of online retail trade activity in both retail trade statistics and the wider macroeconomic accounts.

### DEFINING ONLINE RETAIL TRADE

The Australian and New Zealand Standard Industrial Classification (ANZSIC) defines ‘retail trade’ as “the purchase and onselling, commission-based buying, and commission-based selling of goods, without significant transformation, to the general public”. This broad definition includes the sale of goods to the general public using non-traditional means, including the internet.

Online retail trade may be defined according to the Organisation for Economic Co-operation and Development (OECD) definition of e-commerce. Using this definition, an electronic transaction is the sale of goods and/or services which are ordered via the Internet or any other computer-mediated network. This applies regardless of whether the payment and/or the ultimate delivery of the goods and/or services is conducted online or offline. Therefore, all retail trade activity where the commitment to purchase is made online may be considered to be online retail trade activity, irrespective of the method of payment and/or delivery used.

Other descriptions of online retail trade have also emerged to distinguish between different forms of online retail trade. Retailers who trade with consumers solely via an online store, and have no physical store, are commonly referred to as ‘pure-play’ online retailers. Similarly, retailers who combine a physical store with other non-traditional means such as catalogues, mail-order, telephone-order and/or an online store, are commonly referred to as ‘multi-channel’ retailers.

### RELEVANCE TO MACROECONOMIC ACCOUNTS

The overarching conceptual framework for all ABS macroeconomic statistics is the System of National Accounts. Online retail trade activity is conceptually included in several places in macroeconomic accounts. Specifically:

- Online retail sales by Australian resident retailers should be included in estimates of the gross value added by the Retail Trade industry in the production measure of Gross Domestic Product (GDP);
- Online retail purchases by Australian resident consumers should be included in estimates of Household Final Consumption Expenditure in the expenditure measure of GDP; and
- Online retail purchases by Australian resident consumers from non-resident retailers overseas should be included in estimates of imports (and vice-versa for exports) in both the international trade statistics and the Balance of Payments accounts.

At present, the main ABS publications which capture online retail trade activity are *Retail Trade, Australia* (cat. no. 8501.0), which includes online retail sales by Australian resident retailers, and *International Merchandise Imports, Australia* (cat. no. 5439.0), which includes imports of high-value goods purchased online from non-resident retailers overseas.

## SCOPE OF MONTHLY RETAIL TRADE STATISTICS

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### PURPOSE AND SCOPE OF THE RETAIL BUSINESS SURVEY

The ABS publishes estimates of Retail Trade turnover in *Retail Trade, Australia* (cat. no. 8501.0). These estimates are compiled from the monthly Retail Business Survey. The primary purpose of this survey is to provide a monthly indicator of the value of total retail turnover by Australian resident businesses from selected retail trade and food services industries. The survey also provides an important quarterly partial-indicator of Household Final Consumption Expenditure (HFCE) in the Australian System of National Accounts (ASNA).

With this primary purpose in mind, the scope of the survey is defined as all employing businesses within Australia from selected retail trade and food services industries which predominately sell to households. This includes retailers using non-traditional means, such as the internet. To be within the scope of the Retail Business Survey, a business must;

- Have a base of operations within Australia;
- Hold an Australian Business Number (ABN);
- Be registered to the Australian Tax Office (ATO) Pay-As-You-Go withholding scheme; and
- Have an ANZSIC classification on the ABS Business Register which is within the industry scope of the survey.

Both store based and non-store based retailers, including pure-play online retailers, are within scope of the Retail Business Survey so long as they meet these four conditions. Notably, only sales by Australian resident retailers will be included in ABS retail trade statistics. Resident retailers are those with a centre of economic interest in Australia's economic territory (i.e. a base of operations in Australia). Non-resident retailers are those with no base of operations in Australia, regardless of whether or not they sell to the Australian general public via an online store.

### WHERE ONLINE RETAIL SALES ARE INCLUDED

The ANZSIC classification of businesses engaged in online retail trade activity determines whether they are within the industry scope of ABS retail trade statistics and, if they are within scope, to which retail industry group their sales contribute to.

In most cases, the ABS classifies businesses to individual ANZSIC classes according to their predominant activity. ANZSIC also provides more specific treatments for some situations. Within ANZSIC Division G – Retail Trade, pure-play online retailers are classified to Non-store retailing (ANZSIC Class 4310) along with other retailers whose predominant activity is retailing goods without a physical store presence, such as direct selling via telephone and/or mail. However, online retail trade activity is not limited to this single ANZSIC class because businesses engaged in online retailing may also undertake other activities, such as store-based retailing, wholesaling and/or manufacturing.

The ANZSIC classes which are within the scope of the Retail Business Survey are defined in paragraphs 5 and 6 of the Explanatory Notes of *Retail Trade, Australia* (cat. no. 8501.0). Online retailers whose predominant activity is outside this scope are not included in ABS retail trade statistics. Online retailers whose predominant activity is within this scope contribute to the industry group which reflects their specific ANZSIC classification.

For example, a multi-channel supermarket retailer, which operates both a physical store and an online store, would be classified to Supermarkets and grocery stores (ANZSIC Class 4110). When surveyed, this business would provide their total retail sales for both distribution channels, and this would contribute to ABS estimates of retail turnover for the “Supermarkets and grocery stores and non-petrol sales of selected fuel retailing” industry subgroup.

## SCOPE OF MONTHLY RETAIL TRADE STATISTICS

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Similarly, a pure-play online retailer which sells groceries only via its online presence would be classified to Non-store retailing (ANZSIC Class 4310), and their reported online sales would contribute to ABS estimates of retail turnover for the “Other retailing n.e.c.” industry subgroup. Note that Other retailing n.e.c. is a broad grouping of both store-based and non-store based retail businesses. The ABS estimates that pure-play online retailers account for less than 20% of turnover in this industry subgroup.

Finally, a coffee wholesaler, which predominantly sells coffee to supermarkets and cafes, but also sells coffee directly to consumers via an online store, would be classified to Other Grocery Wholesaling (ANZSIC Class 3609), and would not be included anywhere in ABS retail trade statistics because it is outside the scope of the Retail Business Survey.

## IMPROVING MEASUREMENT OF ONLINE RETAIL TRADE

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### MEASUREMENT OF ONLINE RETAIL TRADE

Although online retail trade activity is conceptually included in macroeconomic accounts, there are limited data sources available for estimating the value of online transactions, particularly for low-value goods imports and services delivered online (e.g. downloads of computer software, audio-visual material, e-books and the provision of telecommunications and information services). Therefore, the ABS is investigating ways to improve measurement and coverage of online retail trade activity; both domestic online retail sales and imports from overseas.

### ENHANCEMENT OF THE RETAIL BUSINESS SURVEY

With respect to domestic online retail sales, the ABS has enhanced the monthly Retail Business Survey by adding a new online retailing question to the survey. This new question has enabled the ABS to estimate the proportion of Australian retail turnover which is derived from online retail sales.

Preliminary results from the enhanced survey show that 1.8% of the May 2013 estimate of Australian retail turnover was derived from online retail sales. Pure-play online retailers contributed approximately 40% of this estimate. Multi-channel retailers contributed the remaining 60%, of which half was food-related (i.e. derived from the food retailing and food services industries).

If the same proportion of online retail sales (1.8%) is applied to the annual Australian retail turnover estimate for 2011-12, then the annual turnover of domestic online retail sales would be \$4,554m in 2011-12.

Results from the enhanced survey will only reflect the value of domestic online retail trade activity which is within the existing scope of the Retail Business Survey. As described earlier, non-employing businesses and non-resident businesses are outside the scope of the survey. The survey also excludes online retail sales from businesses with a non-retail ANZSIC classification, such as businesses which sell predominantly to other businesses (which are predominantly wholesalers) and businesses which produce goods for direct selling to consumers from the same premises (which are predominantly manufacturers). These scope limitations may explain why the preliminary results from the enhanced survey are lower than other estimates which have been published externally in the media. Complete results from the enhanced Retail Business Survey are expected to be available from November 2013.

Further enhancements to improve the coverage and variability of estimates of domestic online retail sales are the subject of ongoing investigation by the ABS. These include (but are not limited to) potential enhancements to the methodology of the Retail Business Survey which would optimise the survey design for estimating both online and total retail turnover, rather than the current design which is optimised for estimating total retail turnover only.

### ENHANCEMENTS TO THE WIDER MACROECONOMIC ACCOUNTS

In addition to enhancing the Retail Business survey, the ABS is investigating data gaps in the wider macroeconomic accounts created by online retail trade activity. Imports of goods above the Low Value Threshold (LVT), currently set at \$1000, are currently included in International Merchandise Trade statistics. As a result, these are reflected in both the international and national accounts. However, data gaps exist for imports of goods below the LVT, including low-value goods imports from overseas online retailers.

There are three main channels through which goods are imported under the LVT into Australia:

1. As part of a consignment of goods with a total value above the LVT. These are required to be included on a Full Import Declaration (FID);

## IMPROVING MEASUREMENT OF ONLINE RETAIL TRADE

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2. Through Self-Assessed Clearances (SACs). SACs are consignments that are generally carried and delivered by freight forwarding companies; and
3. As parcels conveyed through the international postal network.

Imported goods under the LVT which are reported to the Australian Customs and Border Protection Service (Customs) on an FID are not included in International Merchandise Trade statistics, although estimates of these goods are currently included in Balance of Payments statistics and the national accounts using information supplied by Customs. However, there are currently no estimates for imports of goods under the LVT which are not included on an FID. Therefore, a large number of parcels imported under the LVT, including low-value purchases from overseas online retailers, are not currently included in the macroeconomic accounts.

To improve measurement of online transactions in the wider macroeconomic accounts, reliable data on the value of SACs valued under the LVT arriving via air cargo and the number of consignments received has been sourced from Customs data, covering the financial years 2008-09, 2009-10 and 2010-11. The volume of SACs valued under the LVT arriving via sea cargo was too insignificant to separately estimate. Estimates of the number of parcels arriving through the international postal network were also sourced from the Productivity Commission report on the Economic Structure and Performance of the Australian Retail Industry, released on 9 December 2011. This was in respect of the financial year 2010-11 only. The value of post parcels for 2010-11 was then derived by multiplying the number of parcels received by an estimate of the average value of a parcel in that same year. This average value was then derived by the ABS using value information relating to comparable SACs imports. The SACs and post parcel estimates were then backcast to 1997-98 under a range of assumptions. It is important to note that the method of purchase, online or other, was not relevant in the context of compiling these estimates.

Based on this investigation, the ABS estimates the value of goods imported under the LVT which are not currently included in the macroeconomic accounts was \$5,375m for 2010-11 and \$6,226m for 2011-12. These estimates are made using a range of assumptions. More reliable sources of data may become available in future to replace these assumptions and improve the quality of the estimation process.

The ABS anticipates that these estimates will be published for the first time as part of the Balance of Payments coverage adjustment in the August 2013 issue of *International Merchandise Imports, Australia* (cat. no. 5439.0) and all subsequent Balance of Payments estimates of Goods Debits including the August 2013 issue of *International Trade in Goods and Services, Australia* (cat. no. 5368.0) and the September quarter 2013 issue of *Balance of Payments and International Investment Position, Australia* (cat. no 5302.0).

Estimates of the value of goods imported under the LVT are also being incorporated into the supply-use tables which underpin the national accounts. As a result, they will be included in the accounts for the first time with the release of the 2012-13 issue of *Australian System of National Accounts* (cat. no. 5204.0) and the September quarter 2013 issue of *Australian National Accounts: Income, Expenditure and Product* (cat. no. 5206.0). Detail on the sources, methods and assumptions used to estimate the value of goods imported under the LVT will be published in a Technical Note before these publications are released.

There is a comparable low value threshold for the reporting of exports of goods to Customs, which is currently \$1,999. There are fewer reliable sources of information to enable estimation of this trade, and it is expected to be much less significant. As a result, no estimates of goods exports under the low value threshold have been made at this time.

The ABS is also investigating methods to estimate the value of intangible products consumed by households. These are services that are delivered online, such as e-books, films, music, apps, online newspaper and magazine subscriptions, and gambling services.



## CONCLUSION

This information paper has sought to explain where online retail trade activity is currently included in ABS macroeconomic statistics and described enhancements to improve measurement and coverage of online retail trade activity in both retail trade statistics and the wider macroeconomic accounts.

ABS retail trade statistics include online retail sales by Australian resident businesses. However, sales by non-resident retailers overseas who sell directly to the Australian general public via an online store are not included, nor are they within the primary purpose or scope of the Retail Business Survey. However, the Retail Business Survey has been enhanced to produce estimates of domestic online retail sales. Preliminary results from the enhanced survey show that 1.8% of the May 2013 estimate of domestic Australian retail turnover was derived from online retail sales. Pure-play online retailers account for approximately 40% of this estimate. If the same proportion of online retail sales (1.8%) is applied to annual retail turnover for 2011-12, then the annual turnover of domestic online retailers would be \$4,554m in 2011-12. These estimates only reflect the value of domestic online retail trade activity which is within the existing scope of the Retail Business Survey. Complete results from the enhanced Retail Business Survey are expected to be available from November 2013.

The ABS is also investigating data gaps in the wider macroeconomic accounts created by online retail trade activity. The largest gap is imports of goods below the Low Value Threshold (LVT). The ABS estimates that the value of goods imported under the LVT, which are not currently included in the macroeconomic accounts, was \$6,226m for 2011-12. This estimate includes, but is not limited to, goods purchased from overseas online retailers. This estimate will be included in the Balance of Payments coverage adjustment for the first time in the August 2013 issue of *International Merchandise Imports, Australia* (cat. no. 5439.0).

Further enhancements to improve the measurement and coverage of online retail trade activity in ABS macroeconomics statistics is the subject of ongoing investigation by the ABS.

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