



9 November 2018

Committee Secretary

Senate Standing References Committee on Economics

Department of the Senate

Parliament House

Canberra ACT 2600

Dear Members of the Committee,

The NORA Network (National Online Retailers Association) was formed in 2013 to support the growing and vibrant online retail industry.

We are pleased to write a submission of support of the vibrant payments landscape in Australian retail with a particular note of support for the Afterpay business which, in the last four years or so, has had a very positive impact on retail sales growth.

Australian retailers in general, are potential beneficiaries of the consumer shift to digital engagement with their brands of choice, and many Australian retailers are selling their products globally, providing a significant opportunity for our retailers to grow their addressable markets.

Afterpay in many ways can be seen as an improvement on the traditional 'layby' model which has been a part of retail for many years. Buy Now Pay Later services ensure that customers have a satisfying buying experience and retailers have a less onerous requirement to store products as is expected with traditional layby services. Many of our retail members report that in excess of 20 percent of their sales come directly from the Afterpay payment service, and this number is growing.

It is also clear that generational change in shopping is a resonant theme at retail. In this regard, a business like Afterpay is providing a significant shopping service for so-called 'millennials', who, at six million people, make up 24 percent of the population. Millennials are savvy shoppers and their changing shopping habits are very important to the retail industry. Millennials are not in favour of credit cards and are leading the change to debit cards. They like to spend 'their own money' and are cautious shoppers, increasingly enjoying the benefits of shopping online. By 2030 they will be between 30-50 years old and will earn two out of every three dollars in Australia. It seems clear that they avoid traditional interest-bearing loans to purchase smaller lifestyle items, they simply want the flexibility that aligns with their spending preferences. In summary, millennials favour lifestyle, convenience and flexibility – the hallmarks of the Afterpay product.

Retailers who have launched Afterpay have seen consistent growth and in some cases the single most popular online payment method that they offer. Customers want choice, and good retailers are

responding accordingly. Simple, non-onerous payment methods offer increased conversions, improved average order values and, importantly, repeat purchases. Our retailers tell us that many of their new customers have found them via the Afterpay directory, showing that consumers are looking for stores with Afterpay and will not purchase if Afterpay is not available.

Credit card products have several downsides that are not presented in the Afterpay product. The reduction/absorption of Card Not Present fraud, (CNP), is significant to the retail industry and is a cost born by the retailer. Some retailers are losing in excess of 3% of sales in CNP fraud. Retailers pay a fee to Afterpay for the service, but as part of the service, Afterpay absorbs the CNP risk as part of the transaction fee.

Some of the benefits of Afterpay to the retail industry include:

- Next day payment
- Millions of monthly referrals
- Access to new customers through monthly referrals
- Sales events driving more customers to retailers
- User-friendly Apps
- Excellent customer service
- Fee includes CNP absorption

In short, it is clear that Afterpay has changed the way Australians purchase fashion and small luxury goods. The service that they offer is high yield for the retail industry and low risk for the consumer.

Our retail members are most concerned that any major change through legislation would have both a significant impact on the Afterpay business and a deleterious impact on the retail industry, which is not without its challenges currently. We urge the Senate Committee to consider the benefits that Afterpay has, not only for the consumer, but also to maintain a healthy retail industry in Australia.

We appreciate the opportunity to make this submission and thank the Senate Committee for reading it.

Yours faithfully

Paul Greenberg

Director/Founder

NORA Network

[www.nora.org.au](http://www.nora.org.au)