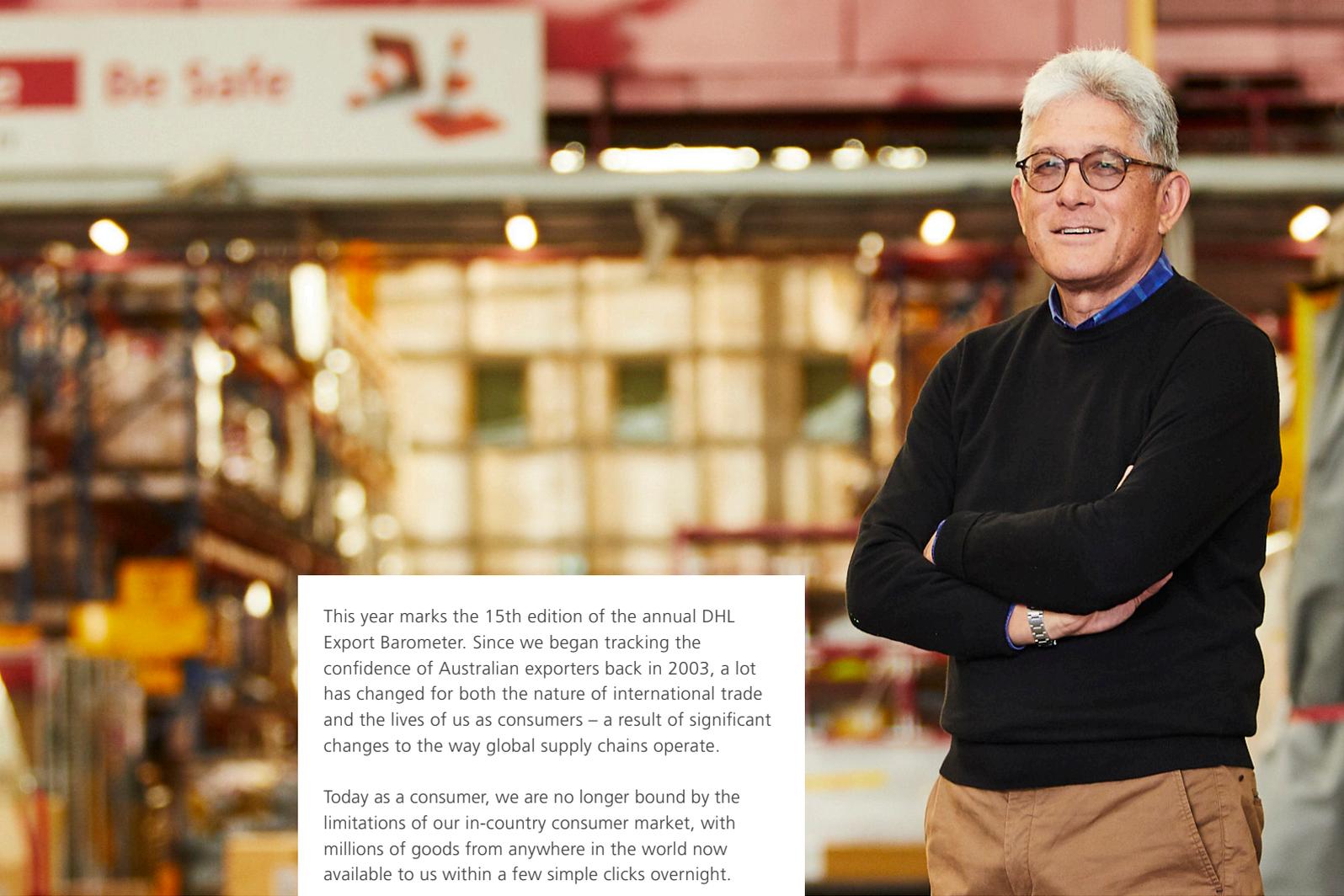




# DHL EXPORT BAROMETER 2018



DHL Express – Excellence. Simply Delivered.



This year marks the 15th edition of the annual DHL Export Barometer. Since we began tracking the confidence of Australian exporters back in 2003, a lot has changed for both the nature of international trade and the lives of us as consumers – a result of significant changes to the way global supply chains operate.

Today as a consumer, we are no longer bound by the limitations of our in-country consumer market, with millions of goods from anywhere in the world now available to us within a few simple clicks overnight.

The main driver behind this new global world of convenience and accessibility has been a phenomenal combination of technological advancements, specifically the development of the internet, and an unprecedented uptake in e-commerce. Together they are dramatically reshaping the traditional supply chain and are bringing change to the business models of both the retail and logistics industries.

Traditionally, the role the logistics industry played in the retail supply chain was predominately on a business-to-business (B2B) basis. Manufacturers used logistics companies to distribute goods to retail networks that in turn sold those goods to consumers like you and I. In the last 15 years, with the growth of e-commerce, that traditional supply chain model has evolved to make room for a business-to-consumer (B2C) segment. Manufacturers now run their own retail networks, giving them the ability to go direct to the consumer.

At DHL Express, we too have felt the impact of an evolving international trade environment. We have had to adapt with industry and work with the ability to embrace change. What history has taught us is that disruption at the hands of technology is no new phenomenon.

As a company, we began back in 1969 as an express document delivery provider, bringing disruption to the international postal industry. In the 1980s, with the rise of fax and then email, we forecasted a decline in our then core business. To maintain relevance, we evolved our business model to move more parcels, the beginning of the B2C shipping industry we know today.

Ultimately for Australian exporters, this development in the B2C supply chain and cross-border e-commerce provides a significant opportunity to export and sell to multiple overseas markets – one like we have never seen before. For small-to-medium-sized enterprises (SMEs) in the last 10 years, this opportunity has been even more advantageous. With social media marketing and plug-and-play e-commerce tools, SMEs that traditionally only traded in the domestic Australian market have been enabled to go global immediately.

To support Australian exporters on their journey into the world of cross-border e-commerce, we are continuing to introduce new technology solutions to accommodate the end consumer, including our 'On Demand Delivery' shipment tracking tool, website integration, new collection points, and evening and weekend deliveries.

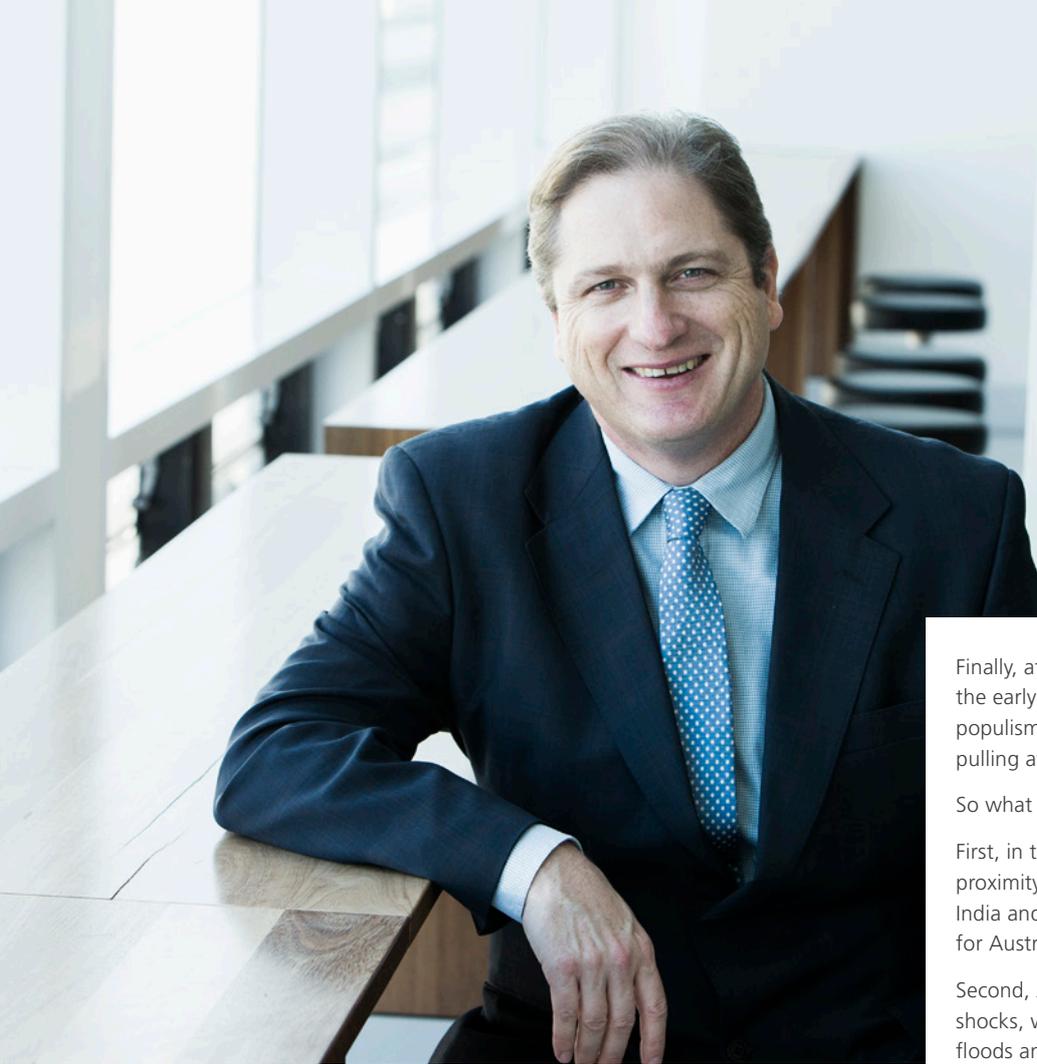
To Australian exporters, from the smallest of enterprises to the most global of conglomerates, I hope that you find the results of this year's report both insightful and beneficial to your business' long-term strategy. Remember, to remain relevant in the market is to be nimble, incredibly adaptable and to always have your eyes on what's ahead.

**Gary Edstein**  
CEO and Senior Vice President  
DHL Express Oceania

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*Remember, to remain relevant in the market is to be nimble, incredibly adaptable and to always have your eyes on what's ahead.*

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Finally, after the glory days of rampant globalisation in the early 21st century we have seen the rise of economic populism with Donald Trump's Trade Wars and the UK pulling away from the European Union in Brexit.

So what lessons have we learnt?

First, in terms of Australia and Asia, the power of proximity has replaced the tyranny of distance as China, India and ASEAN have proved to be resilient markets for Australian exporters.

Second, Australian exporters do recover from one-off shocks, whether they be natural disasters (like cyclones, floods and bushfires), health scares (such as SARS) or geopolitical events (as in the Middle East).

Third, movements in the exchange rate do matter but the Barometer has found that most exporters are also importers, so an appreciation or depreciation in the dollar affects input costs as well as price and revenue.

Fourth, government policy has impact. The Barometer has shown that Australian exporters survived the GFC thanks to the local stimulus package, and the ones in China and Thailand, along with the floating dollar and a commitment to keep tariffs low.

Fifth, the labour market matters. The Barometer has shown us that exporters continue to expand employment and raise wages for their workers, which helps make the case for open trade – a good alternative to tariff protectionism engulfing the current Trump White House.

It's been an honour to author the DHL Export Barometer for the past 15 years and I anticipate with great interest the remarkable changes we will see in the international trade landscape over the next 15 years.

**Tim Harcourt**  
JW Neville Fellow in Economics, UNSW Sydney  
Host of The Airport Economist on Sky News,  
Channel Nine's Your Money, Qantas & LATAM Airlines  
[www.theairporthomeconomist.com](http://www.theairporthomeconomist.com)

It has been 15 years since Gary Edstein suggested the DHL Export Barometer to me in the first years of the new millennium.

The DHL Export Barometer, the first survey of its kind, was designed to see how exporters felt in terms of sentiment and how that would affect their decision-making in global markets. It gave us a real handle on their business strategies rather than mere media speculation.

And in a decade and a half, what changes we have seen in the international trade environment.

We have seen a mining boom (in resources), then a dining boom (in food and agriculture) and a global financial crisis (GFC).

We have seen a proliferation of bilateral free trade agreements (FTAs) as multilateralism in the world has ground to a halt – the World Trade Organisation is as almost dead as a Doha.

We have seen the continued rise of China, and India too as an emerging economic superpower and the rising strength of the Asian middle class driving demand for Australian consumer products as well as services like higher education.

We have seen the rise of technology and the digital economy as exporters in the DHL Export Barometer have embraced e-commerce (after a slow start) in all aspects of their business, integrating social media into their marketing and customer-facing interfaces.

**The DHL Export Barometer, the first survey of its kind, was designed to see how exporters felt in terms of sentiment and how that would affect their decision-making in global markets.**

# ABOUT THE DHL EXPORT BAROMETER

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*Respondents were selected from the DHL database and answered a 10-minute online questionnaire.*

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The DHL Export Barometer is a report generating analysis on export confidence among Australian businesses.

First launched in November 2003, this annual indicator is designed to independently research and examine issues impacting Australian exporters, including the emerging changes in overseas markets.

The DHL Export Barometer 2018 was conducted by ACA Research, which surveyed 212 Australian exporters between 29 June and 23 July, 2018. Respondents were selected from the DHL database and answered a 10-minute online questionnaire.

This group represented a broad cross-section of the country, with VIC/TAS tallying 29%, NSW/ACT 37%, QLD 24%, WA 5% and SA/NT 5%.

Businesses ranged in size from smaller operations with fewer than five employees, to large organisations with more than 100 staff. The data is weighted with services and tourism representing 20% versus primary industries providers, manufacturing and consumer products totalling 80%.

# EXPORTER CONFIDENCE HITS ALL TIME HIGH

*The DHL Export Barometer shows export confidence at its highest level since the research commenced in 2003.*

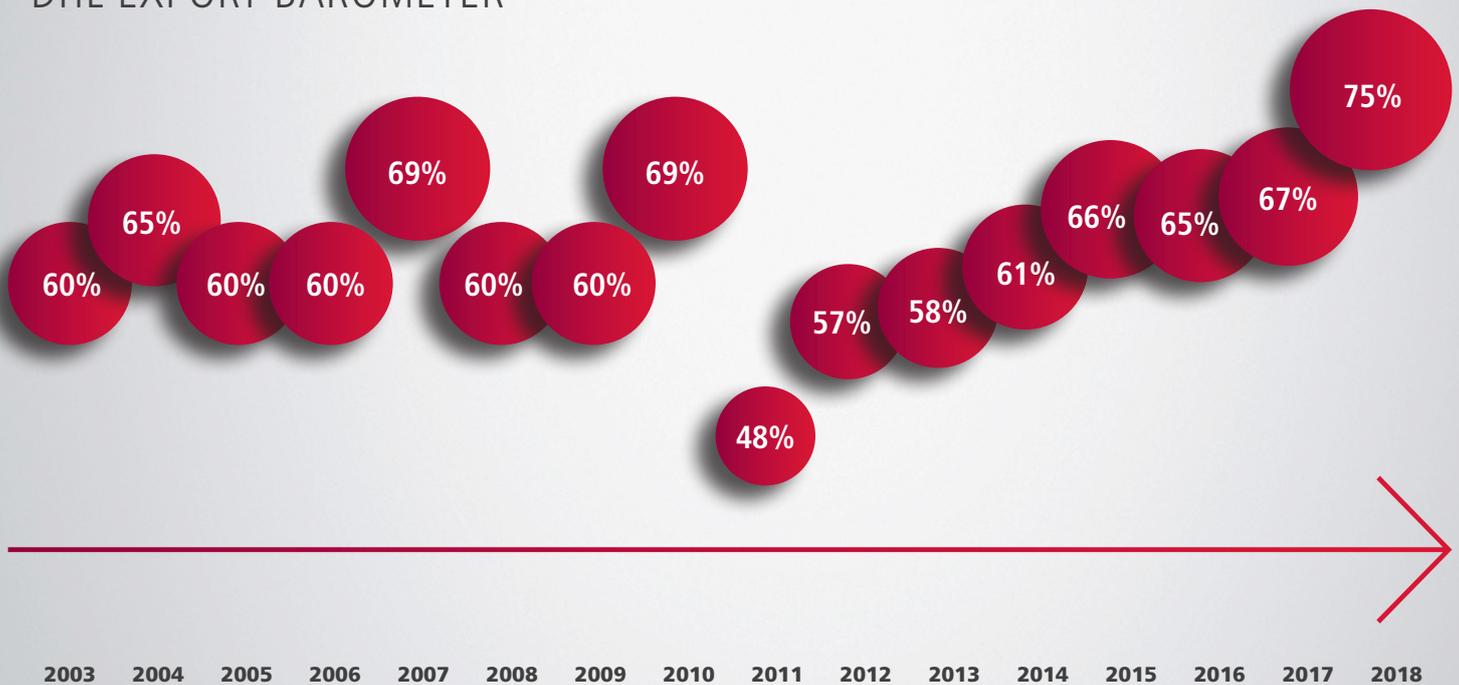
There has never been a better time to be an exporter in Australia with industry confidence rising to record levels.

The 15th annual DHL Express Barometer shows an impressive 75% of Aussie traders expect sales to increase in the next 12 months – the highest level reported since the independent survey began in 2003.

The 8% surge is an undeniable sign international trade is flourishing and that Australian businesses are ready to meet demand.

The overall result also far exceeds the previous industry peaks of 69%, recorded in 2010, and before the Global Financial Crisis in 2007.

## DHL EXPORT BAROMETER



Leading morale is small businesses (81%), along with industry newcomers (80%).

Geographically, Victorian operators report the highest confidence (88%), followed by New South Wales (75%) and Queensland (70%).

Meanwhile, on the ground strong growth is already evident.

Orders have increased during the past year for 61% of Australian exporters – the highest in a decade, setting another industry record.

The growth is attributed to a boost in activity from existing customers, and exporters buoyed by the results are preparing to expand.

Up to 43% foreshadow entering new markets to increase business, and 50% plan to stimulate demand through new products and services.

Additionally, close to half of the companies surveyed plan to broaden current operations into new trade territories.

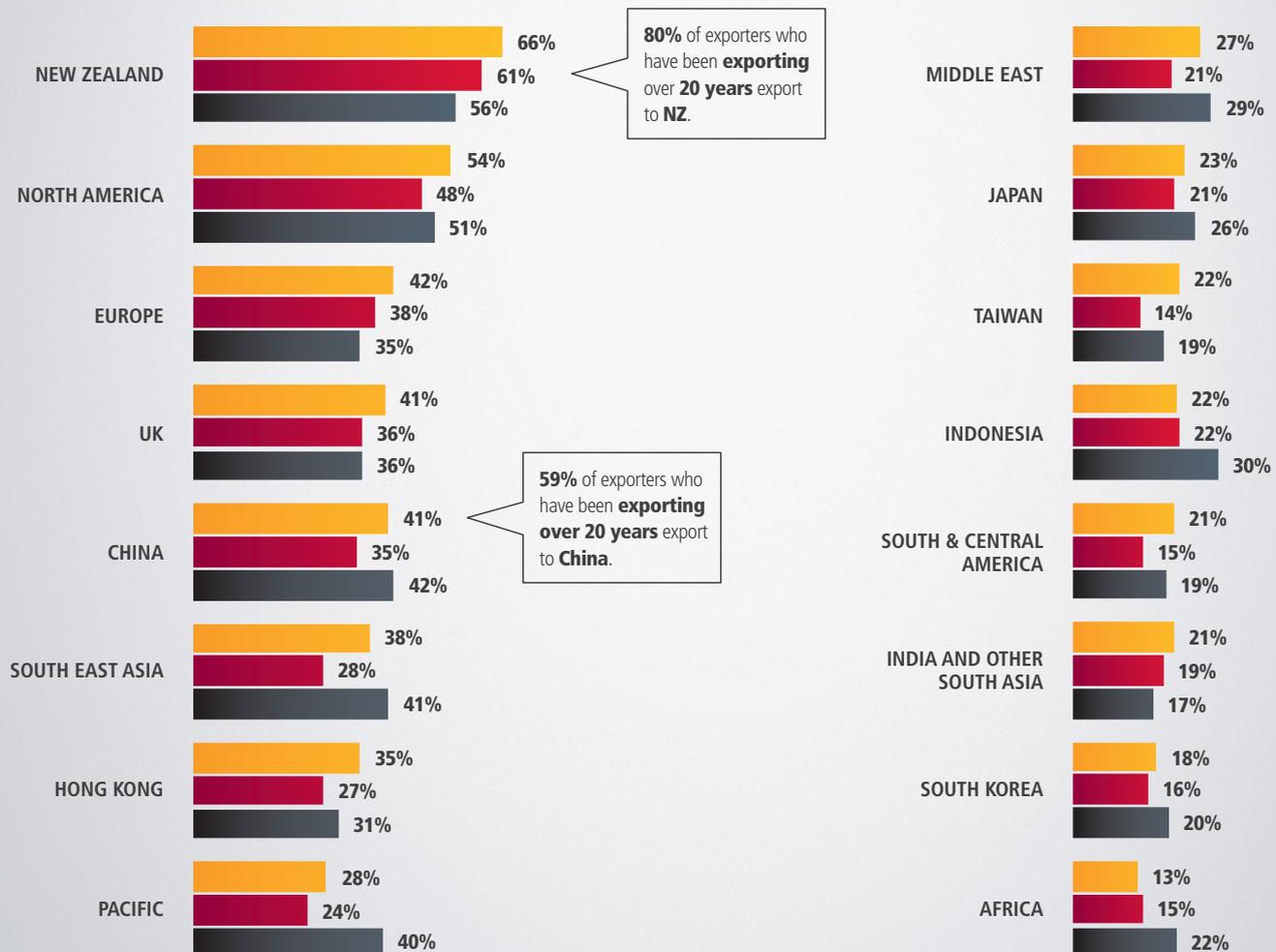
Across the ditch, New Zealand remains Australia's main trading partner, currently attracting business from 66% of exporters.

Other top export destinations include North America with 54% of Australian traders active in the region, Europe (42%), China (41%) and the United Kingdom (41%).

Interestingly, activity in North America has been mounting for several years and the region is currently a key territory to watch.

*Demonstrating the willingness of exporters to expand into new territories, the majority of export destinations have experienced growth over the past 12 months.*

## CURRENT EXPORT DESTINATIONS



# E-COMMERCE STEAMS AHEAD

Australian exporters are harnessing the benefits of the e-commerce boom with four in five businesses generating orders and fielding enquiries online.

Of these exporters, the proportion of their sales from the internet has surged to 47% – up from 42% last year.

However, there is no one-size-fits-all approach with online marketing differing significantly across the sector.

Industry-wide, more than half of all exporters use social media to bring in orders. A third (34%) advertise through Google, while other display ad providers and online marketplaces such as eBay are gaining traction, attracting 23%.

In terms of budget, on average exporters invest only a third (32%) of marketing spend online. Although, individual amounts fluctuate drastically between businesses. The industry average is slightly lower than recorded in the 2017 Barometer results but is likely to rise with 39% of exporters planning a boost to online funding in the coming year.

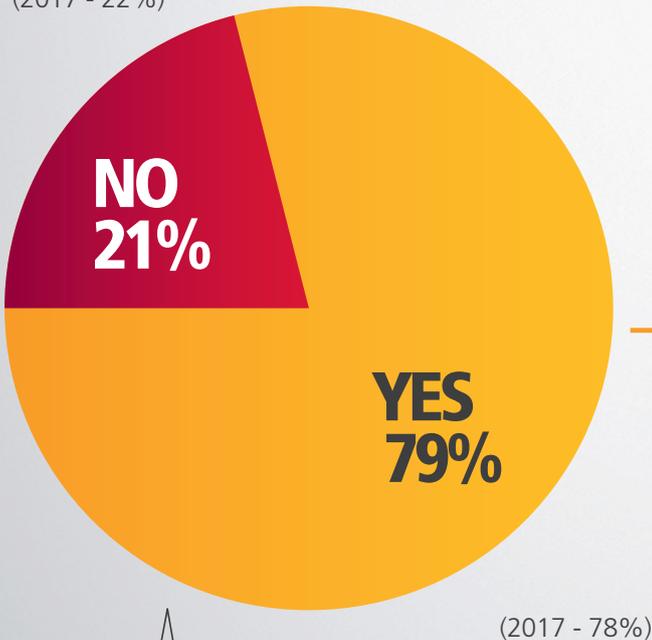
Curiously, this intention is coupled with a significant drop in exporters focusing on their own websites. Only 27% are planning improvements, compared with 35% a year ago.

*The majority of exporters continue to generate enquiries or orders online with the proportion of sales generated rising steadily from 42% to 47%.*

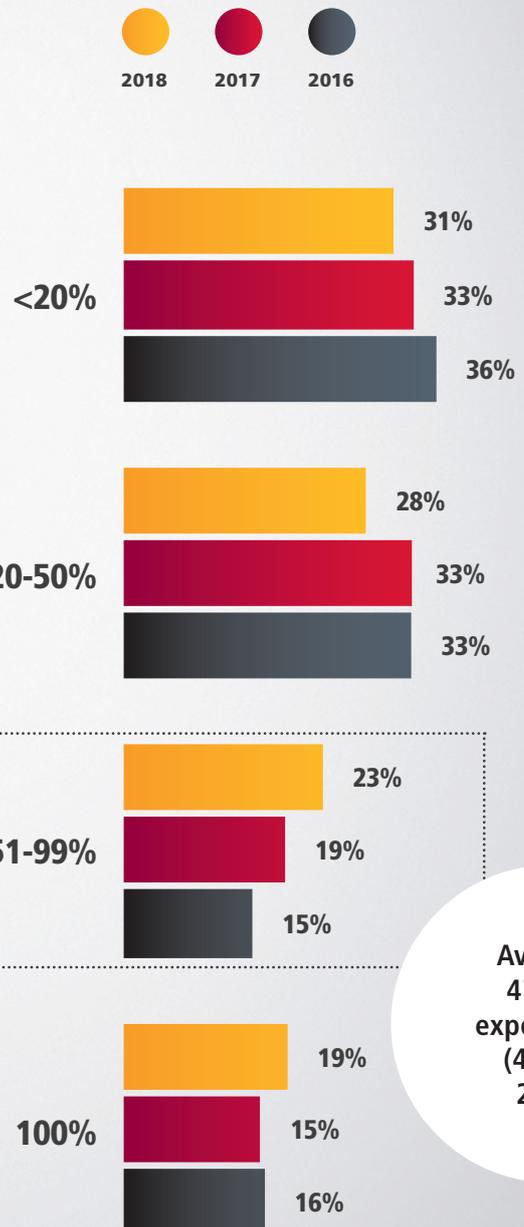
## PROPORTION OF EXPORTERS WHO GENERATE ORDERS OR ENQUIRIES FROM ONLINE CHANNELS

(Amongst those who generate online sales)

(2017 - 22%)



91% B2C vs 71% B2B



Average: 47% of export sales (42% in 2017)

Increasing sales is not the only benefit Australia's exporters enjoy as the e-commerce era hits full swing.

Many are using the opportunity to revolutionise the way they do business, particularly companies moving into new markets.

Almost a third of exporters are improving customer service, while 37% are improving how they source and deliver their products. Product localisation is also emerging as a key focus of the year.

Nearly a quarter of businesses are adapting goods and their advertising content to better suit individual markets.

Exporters believe these initiatives will drive up sales and, in particular, are being applied when targeting the North American market.

Meanwhile, traditional marketing strategies appear to be falling out of favour in the online marketplace.

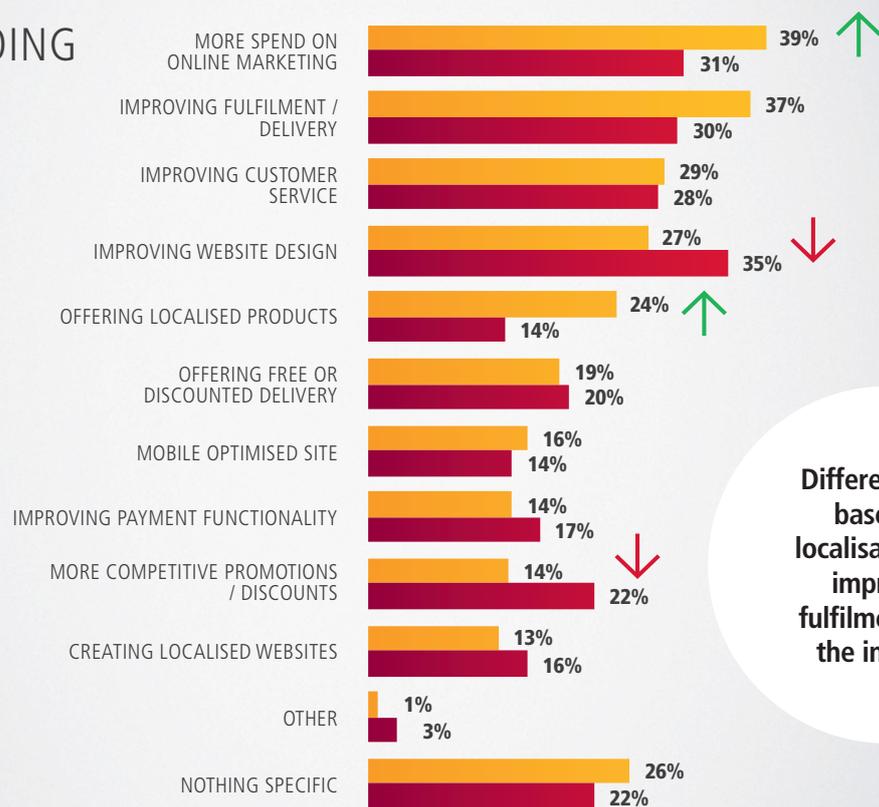
Only 14% of companies are opting for competitive pricing and discounts, down from 22%.

These trends show the internet has become a necessity for many exporters, but the technology has not yet fully permeated the industry.

*Marketing activity and initiatives to improve fulfilment are driving online growth, while fewer exporters are relying on discounting to drive sales.*

## WHAT ARE YOU DOING TO DRIVE ONLINE EXPORT ORDERS?

2018 2017



**Differentiation based on localisation and improved fulfilment is on the increase**

One third of the sector is resisting and not using any channels to generate sales online. Unsurprisingly, these tend to be larger, well-established companies, manufacturers and traders primarily targeting other businesses.

Last year also brought another exciting e-commerce milestone, with online retail giant Amazon launching in Australia, just in time for Christmas.

So far, the arrival has been met with mixed reviews.

About 16% of companies say it is good for business, while 11% claim it will lead to a decline in orders within three years.

Similar results are reported for Alibaba, which also officially set up in Australia in 2017.

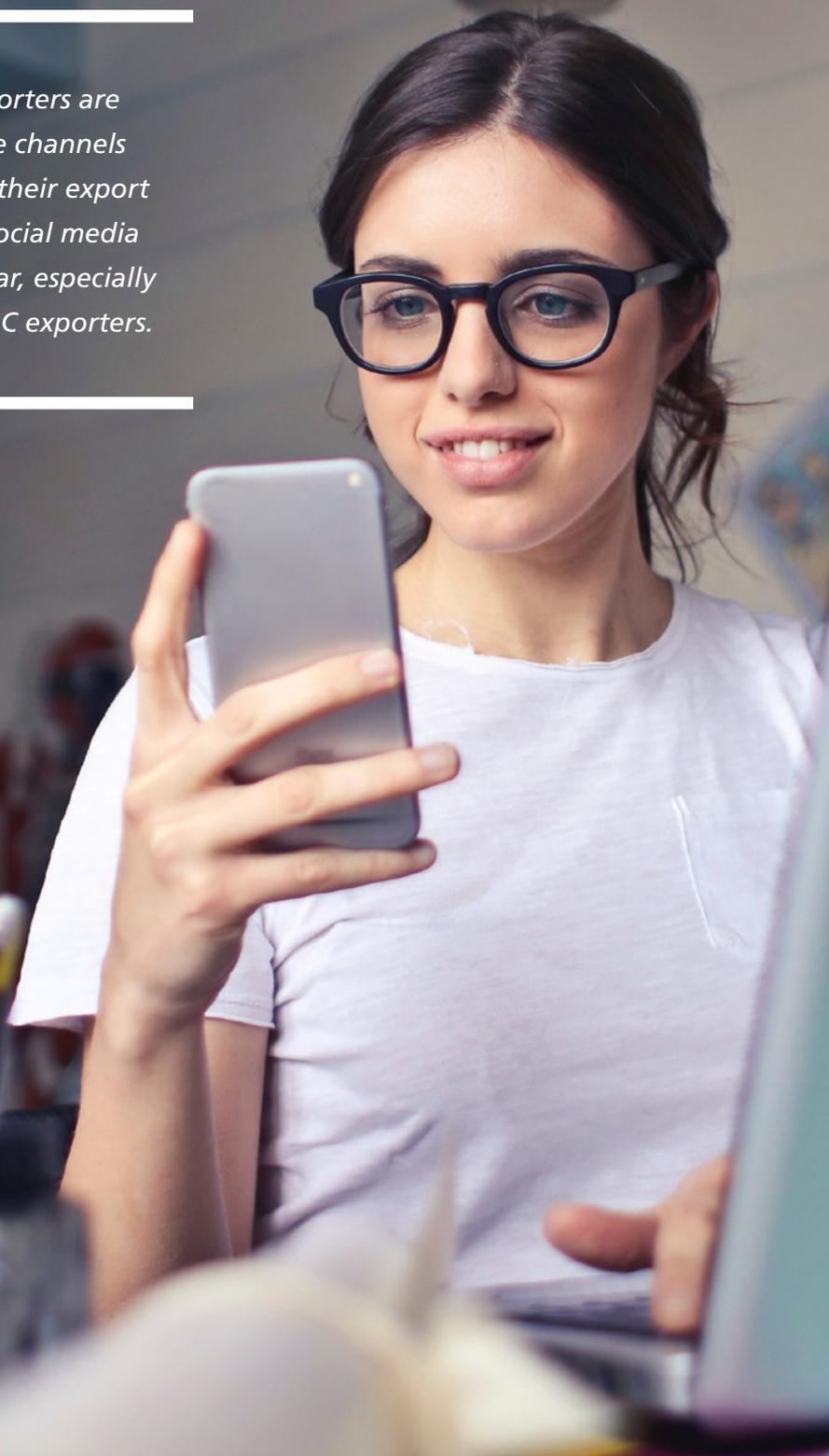
However, the arrival of the Chinese-owned retailer has caused considerably higher apprehension among consumer goods exporters with 27% believing it will have negative knock-on effects.

# AUSTRALIAN EXPORTERS 'LIKE' SOCIAL MEDIA

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*70% of exporters are using online channels to increase their export sales with social media most popular, especially amongst B2C exporters.*

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When it comes to online marketing, social media is the top choice for Aussie exporters wanting to tap into customer networks. More than half the industry (58%) use social media platforms to drive sales.

Facebook, despite recent controversy over privacy, remains the go-to platform. It has the highest usage rate among Aussie traders (45%), followed by Instagram (30%), LinkedIn (20%), YouTube (16%), Twitter (9%) and Snapchat (3%).

A further 6% use the Chinese social domain WeChat, which features for the first time in this year's Barometer. The instant messaging platform has more than a billion active users in the lucrative Asian market.

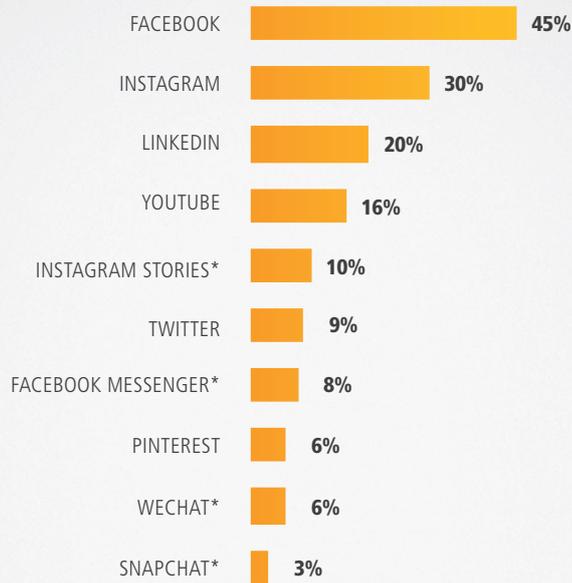
Online influencers and bloggers also make their maiden appearance in the results, with both in use by 10% of businesses.

The broad range of online platforms being used overwhelmingly shows Australian exporters are giving social media the tick of approval. Meanwhile, the growing number of new domains in use is testament to Australian businesses' willingness to quickly adapt to new channels as they emerge.

In particular, smaller exporters are becoming increasingly social media savvy and will likely continue to be leaders in the online field while larger export players lag behind.

## ONLINE CHANNELS USED TO ATTRACT EXPORT ORDERS

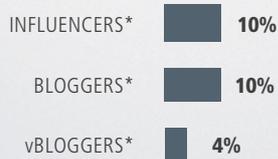
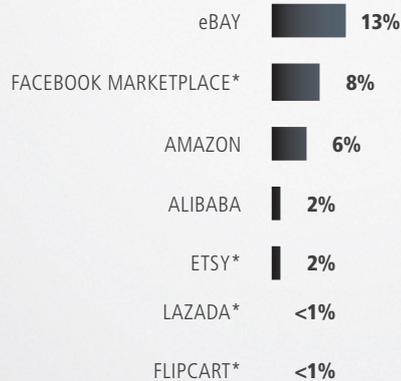
58% USE SOCIAL MEDIA CHANNELS



34% USE ONLINE ADVERTISING



23% USE ONLINE MARKET PLACES



NONE 30%

	B2B	B2C
FACEBOOK	39%	56%
INSTAGRAM	22%	43%
LINKEDIN	21%	18%
YOUTUBE	13%	22%
INSTAGRAM STORIES*	5%	19%
TWITTER	8%	11%
FACEBOOK MESSENGER*	5%	14%
PINTEREST	3%	11%
WECHAT*	5%	7%
SNAPCHAT*	4%	1%
GOOGLE ADS / SEM	27%	36%
DISPLAY ADS	8%	17%
eBAY	10%	17%
FACEBOOK MARKETPLACE*	4%	15%
AMAZON	5%	8%
ALIBABA	2%	1%
ETSY*	2%	2%
LAZADA*	0%	0%
FLIPCART*	0%	0%
INFLUENCERS*	4%	19%
BLOGGERS*	4%	19%
vBLOGGERS*	1%	8%
NONE	36%	21%

\*Options added in the 2018 survey.

# EXPORTERS ON ROUTE TO NEW DESTINATIONS

5

5

#### Recommended weight

1 = 0.5 kg / 1 lb	5 = 10 kg / 20 lb
2 = 1 kg / 2 lb	6 = 15 kg / 30 lb
3 = 2 kg / 4 lb	7 = 20 kg / 40 lb
4 = 5 kg / 10 lb	8 = 25 kg / 50 lb

[dhl.com](http://dhl.com)

It is shaping up to be a big year for Australian traders with the bulk of businesses exporting to multiple regions.

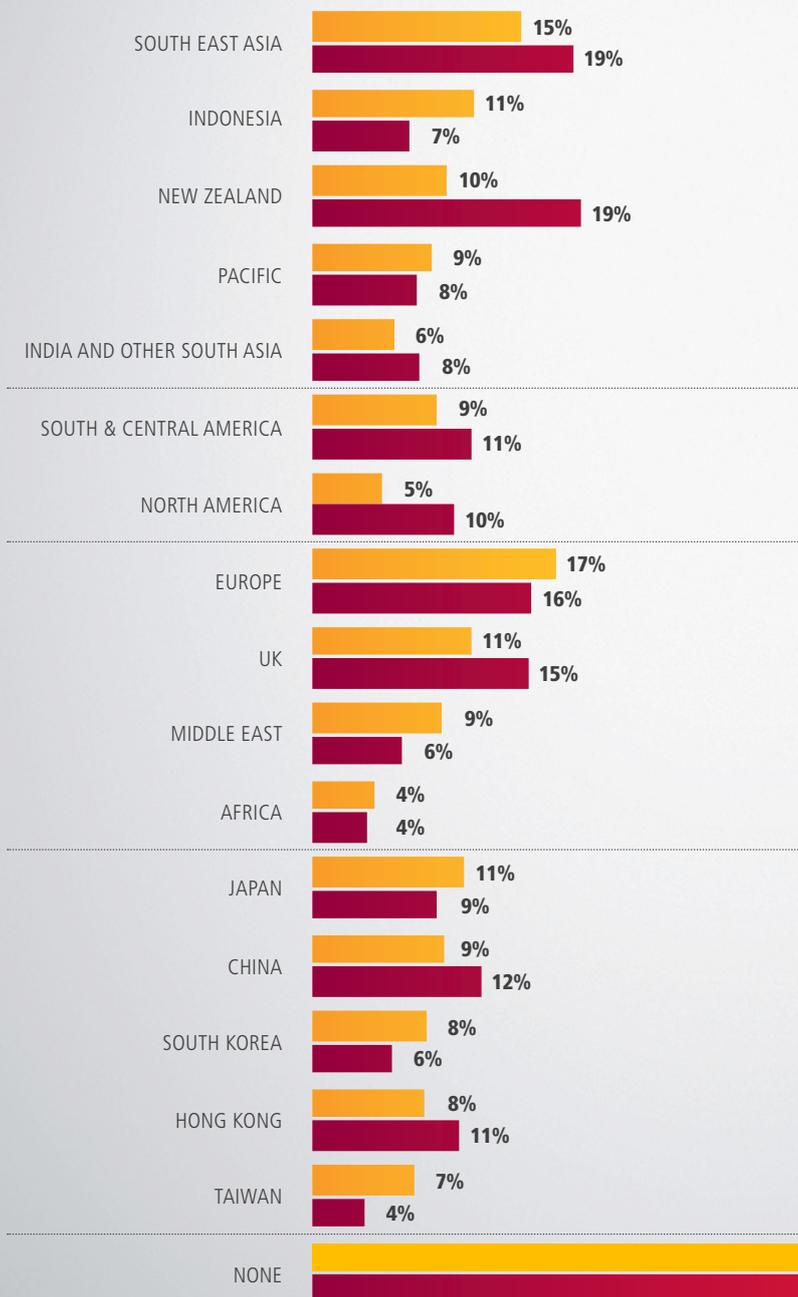
The Barometer found the proportion of traders doing business in more than one destination has rebounded to 75% in 2018.

The result is a complete turnaround from 2017, when the indicator slipped to 68% as exporters chose to focus on fewer markets during uncertain economic times.

The latest upward tick is being welcomed by the industry and is likely to grow again in the coming months with almost half of Australia's exporters intending to increase their footprint.

Topping the desired destination list is Europe (17%), closely followed by South East Asia (15%), the UK (11%) and Japan (11%).

## DESTINATIONS PLANNING TO TARGET IN THE NEXT 12 MONTHS



2018 2017

**The newer businesses**  
(tenure < 5 years) are more likely to target new destinations (63%).

	2018	2017
<b>SOUTH EAST / SOUTH ASIA &amp; PACIFIC</b>	25%	34%
<b>AMERICAS</b>	9%	12%
<b>EUROPE, MIDDLE EAST, AFRICA</b>	23%	22%
<b>NORTH EAST ASIA</b>	20%	17%

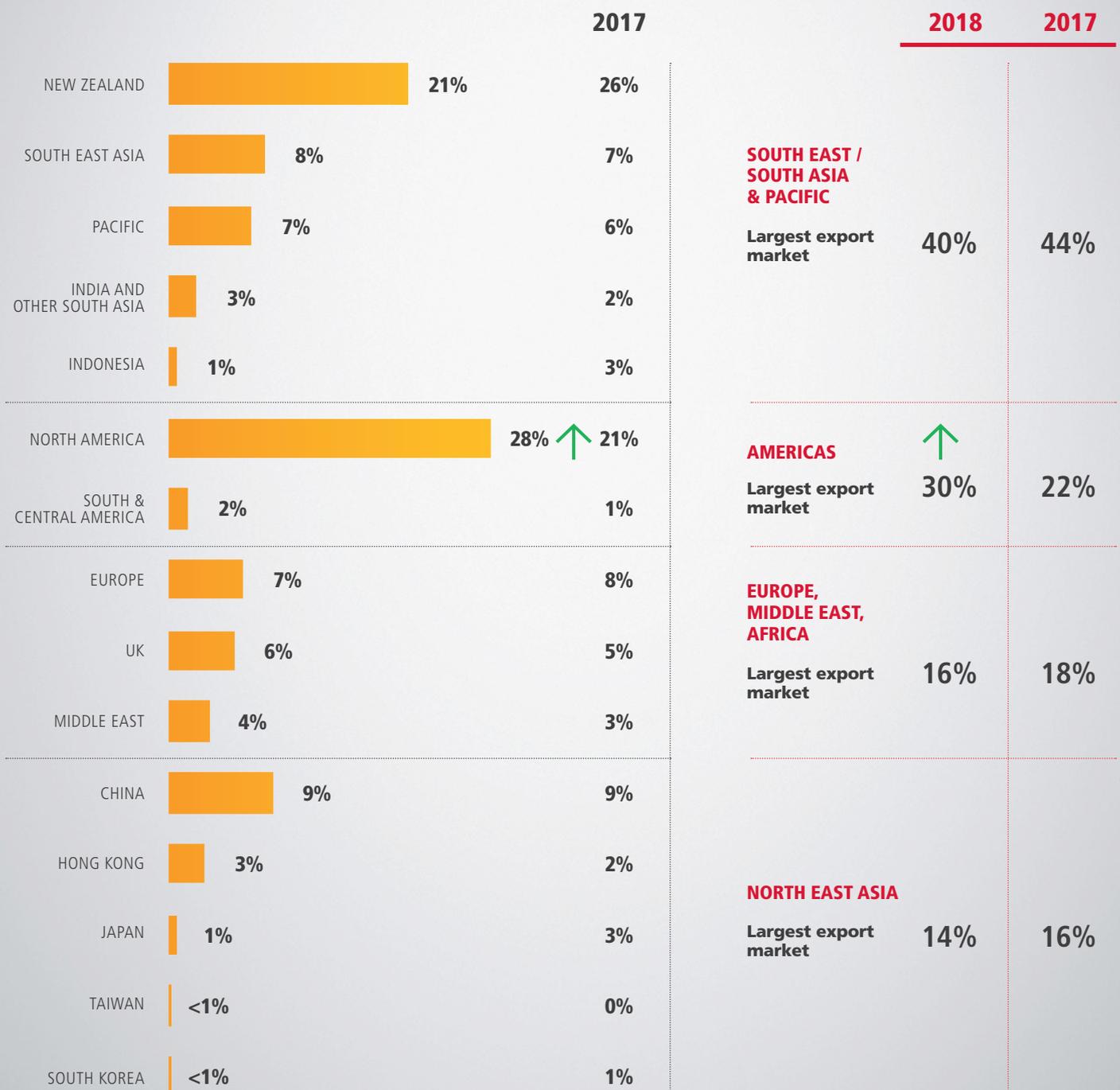
Encouragingly, the plans to expand are preceded by increased trade in New Zealand, North America, Europe, Hong Kong, India and Taiwan. Results have been significantly strong in the Europe, Middle East and African region.

Again, New Zealand remains Australia's top trading partner.

However, when businesses were asked which region is their largest export destination, more nominated America, ahead of our Kiwi neighbour in 2018.

*In 2018, more business indicate North America as their largest export market (28%), topping New Zealand (21%).*

## LARGEST EXPORT DESTINATIONS





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... Australian exporters remain strong with 28% reporting North America as their largest market in 2018.



# AMERICA THE LAND OF OPPORTUNITY

Uncertainty reigns supreme under Donald Trump's presidency and his handling of foreign affairs policy.

But Australian exporters remain strong with 28% reporting North America as their largest market in 2018.

Orders generated in the region have been trending upward for roughly three years.

However, this year is expected to be a pivotal point, likely to result in the US living up to its reputation as the land of opportunity.

The growth is being fuelled by smaller businesses with fewer than 20 staff, along with industry newcomers.

Typically, these operators are extremely active online, mustering more than half (63%) of their sales through social media and other internet platforms.

The new tactics appear to be paying off, with North American traders registering much higher confidence than businesses targeting other locations.

# OVERCOMING EXPORT CHALLENGES

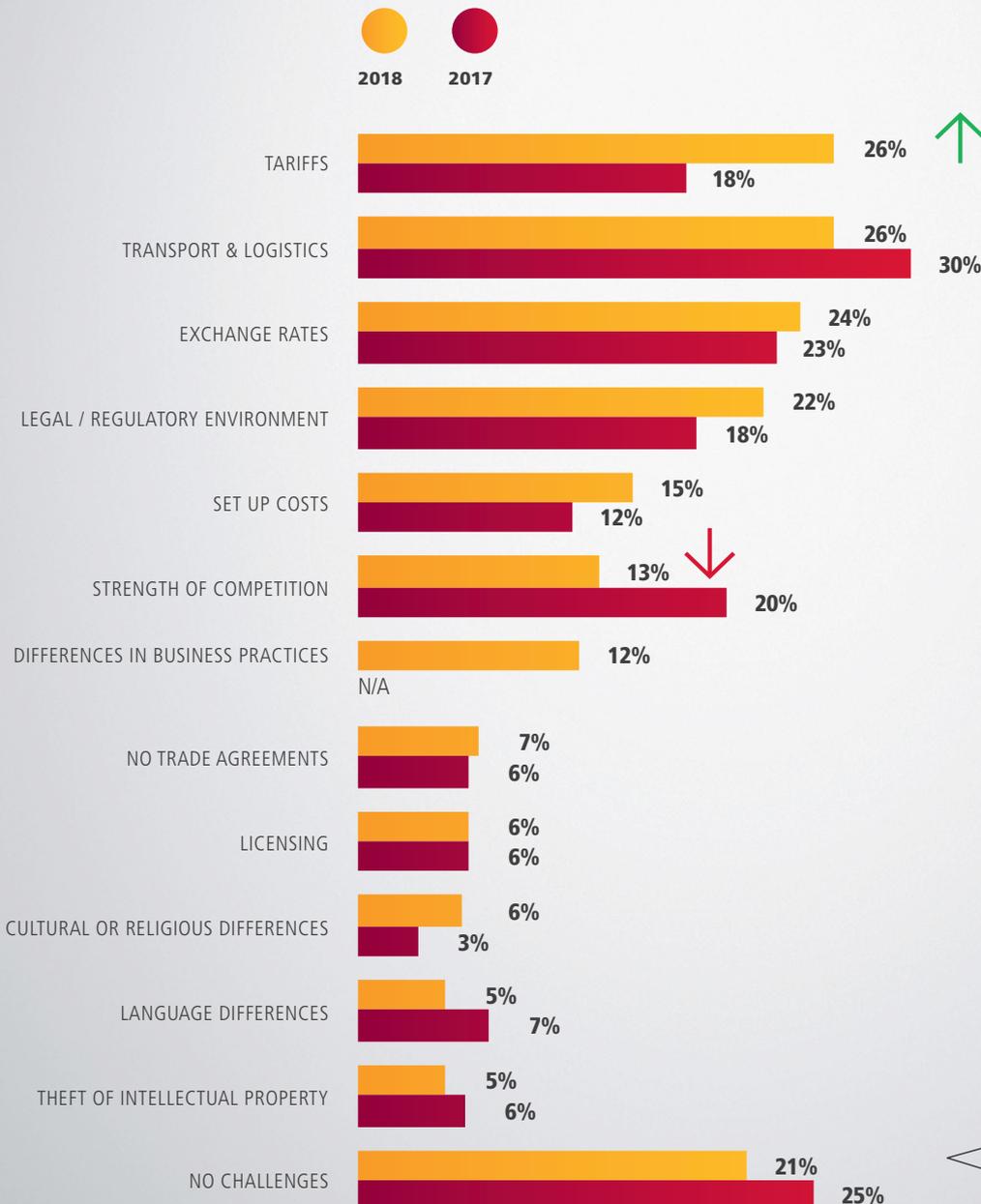
Tapping into offshore markets can be lucrative but it can also pose serious hurdles, and tariffs top the list of concerns for Australian exporters this year.

The Barometer identifies that one quarter (26%) of businesses flag levies as their biggest challenge, a significant rise from 2017.

They present a major barrier for companies targeting Europe, Africa and the Middle East, with more than a third (37%) of companies operating in these areas raising concerns.

*Ongoing changes to tariffs across the globe is presenting an increasing challenge to Australian exporters.*

## BIGGEST CHALLENGES WHEN EXPORTING



Only 15% of exporters who have been exporting for less than 5 years indicate having no challenges.

Tariffs are also increasingly troublesome for exporters in South East Asia, according to one in four exporters (25%) – a 10% jump from 2017.

Meanwhile, America's tit-for-tat trade dispute with China is ongoing and likely to see more excises applied.

Tariffs rated among the top four challenges for North East Asia, however legal and regulatory issues remain the biggest complaint in the region, impacting a third of exporters (34%).

*The impact of tariffs has increased across Asia and EMEA, but remained steady in the Americas. Exchange rates and regulatory issues are also on the rise in North East Asia.*

## BIGGEST CHALLENGES WHEN EXPORTING: TOP 4 BY REGION

AMERICAS	NORTH EAST ASIA	SOUTH EAST / SOUTH ASIA & PACIFIC	EUROPE, MIDDLE EAST, AFRICA (EMEA)
 <b>23%</b> (32%) EXCHANGE RATES	 <b>34%</b> (17%) LEGAL / REGULATORY ENVIRONMENT	 <b>29%</b> (29%) TRANSPORT & LOGISTICS	 <b>37%</b> (29%) TARIFFS
 <b>23%</b> (33%) TRANSPORT & LOGISTICS	 <b>28%</b> (13%) EXCHANGE RATES	 <b>25%</b> (15%) TARIFFS	 <b>27%</b> (36%) TRANSPORT & LOGISTICS
 <b>21%</b> (20%) TARIFFS	 <b>23%</b> (24%) TRANSPORT & LOGISTICS	 <b>22%</b> (15%) EXCHANGE RATES	 <b>27%</b> (41%) EXCHANGE RATES
 <b>19%</b> (17%) LEGAL / REGULATORY ENVIRONMENT	 <b>23%</b> (8%) TARIFFS	 <b>18%</b> (15%) LEGAL / REGULATORY ENVIRONMENT	 <b>26%</b> (23%) LEGAL / REGULATORY ENVIRONMENT
<b>19%</b> (19%) NO CHALLENGES	<b>9%</b> (23%) NO CHALLENGES	<b>31%</b> (30%) NO CHALLENGES	<b>12%</b> (21%) NO CHALLENGES

Significant drop from 2017 where 23% indicated facing no challenges.

(%) indicates 2017 results

Interestingly, despite the concerns, traders appear to be confident the Trans-Pacific Partnership (TPP) will offset these negative effects, with more than a third saying the agreement will have a positive impact.

This optimism extends to China's Belt and Road Initiative, which is tipped to benefit 27% of exporters down the track.

Finally, transport and logistics pose a serious ongoing challenge for exporters in most regions, particularly in South East Asia.

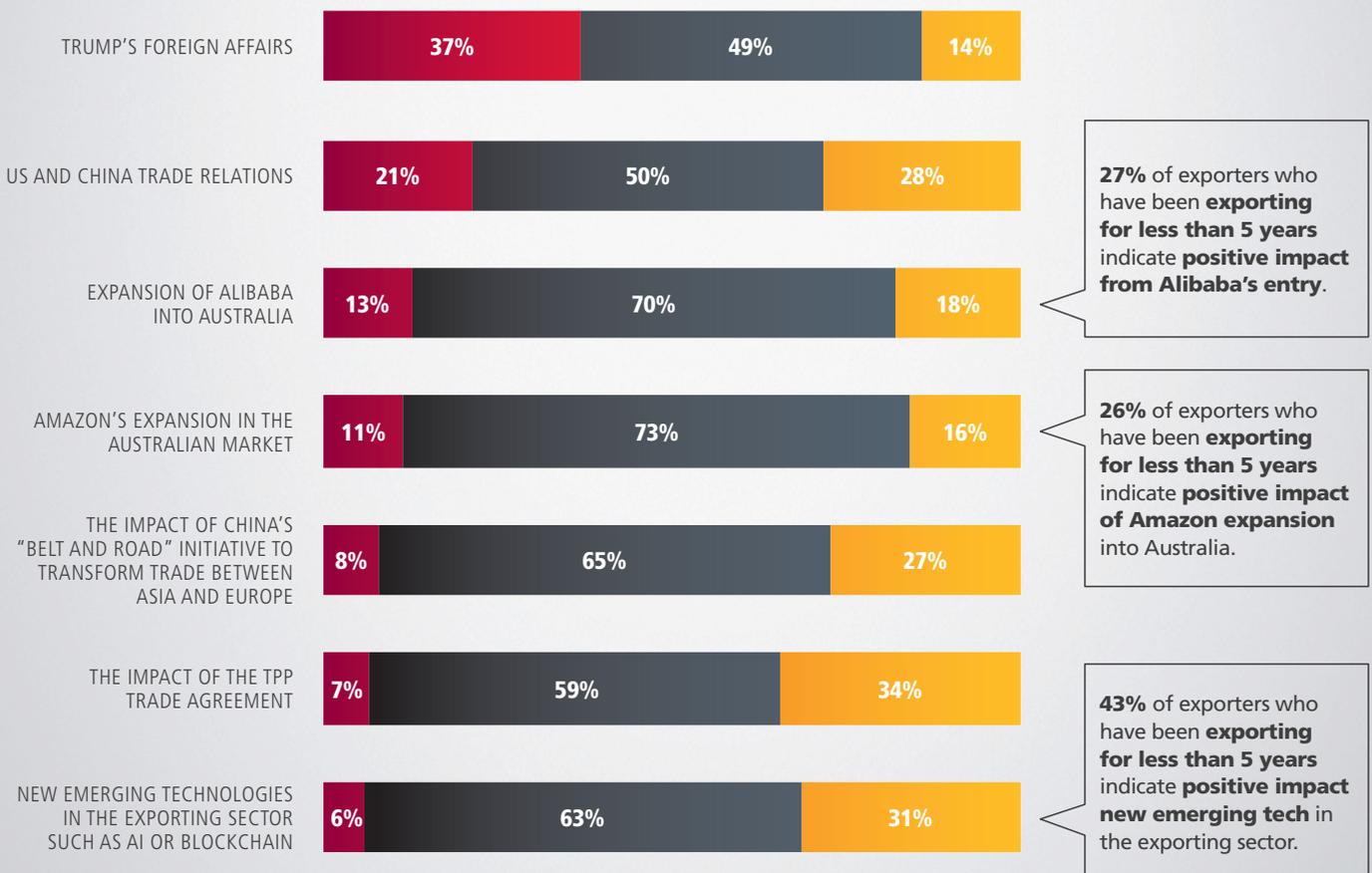
Other issues raised include exchange rates, setup costs and language barriers. On a positive note, gripes over the strength of competition have significantly decreased.

In terms of the global political landscape, the biggest red flags are again Trump and the trade war between the US and China.

Australian exporters are watching the situation closely, and 21% say business will be impacted if the relationship continues to turn sour between the superpowers, and 37% foresee Trump's foreign policies will have negative effects in the next two to three years.

*As tariffs present an issue, it is no surprise that US foreign affairs, especially trade relations with China, are having a negative impact on Australian exporters. However, these issues are offset by positive impact of the TPP, emerging technologies and China's Belt and Road initiative.*

## IMPACT OF POLITICAL AND ECONOMIC ENVIRONMENT



Consumer goods exporters tend to be more negative about Alibaba's entry into the Australian market than others, with 27% of exporters involved in consumer goods believing it will have a negative impact.

# FINANCE WOES



A number of exporters are struggling to obtain trade finance as tighter lending rules take effect in Australia.

Almost one in 10 (9%) businesses surveyed report issues, and of those one in four needing a loan encountered road blocks, potentially derailing expansion plans.

Alarming, of the operators experiencing difficulties 36% say banks do not understand their business. While, the cost of finance is too expensive for 43% of exporters and 40% report a lack of security.

The problems were mostly encountered by small businesses, especially exporters operating for fewer than five years. Newcomers to the industry appear to be especially impacted with 18% reporting difficulties obtaining loan.

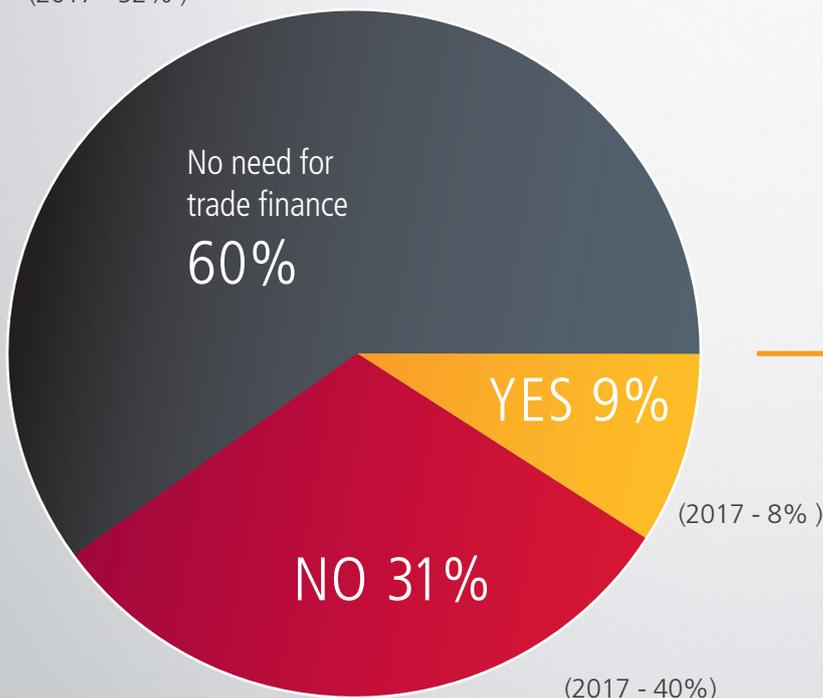
*Access to finance is difficult for approximately 25% of the exporters that have a need. As lending policy tightens, it appears the cost of finance has increased over the past 12 months.*

## EXPERIENCED DIFFICULTIES IN OBTAINING TRADE FINANCE

(Past 12 months)

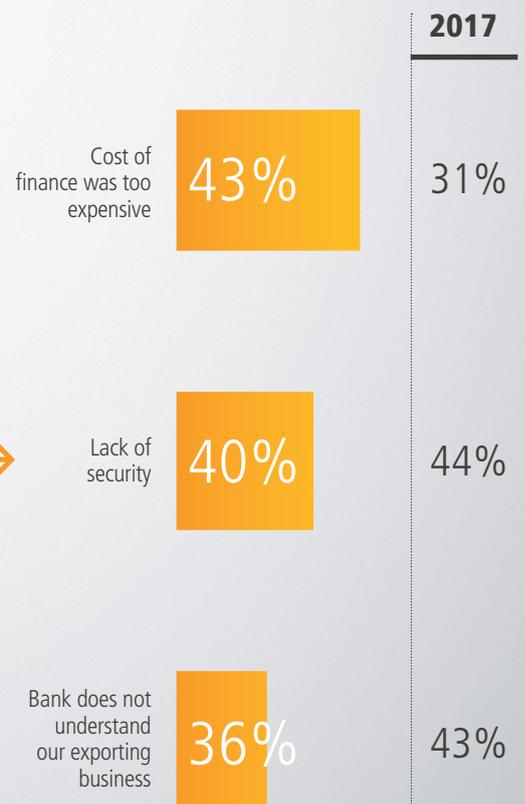
**18% of businesses who have been exporting for less than 5 years have experienced difficulties in obtaining finance.**

(2017 - 52%)



## REASONS FOR EXPERIENCING DIFFICULTIES

(Amongst those who experienced difficulties)



# FASHION EXPORTERS DRESS FOR SUCCESS



Ranging from designer threads to basic streetwear, fashion businesses are dominating Australia's consumer goods export market.

For the first time since the survey began in 2003, the Barometer is examining the consumer field in-depth and finding fashion tops exports in its category.

Apparel ranks ahead of health and beauty products, accessories, electronics, sporting goods and homewares, with the success underpinned by strong internet sales.

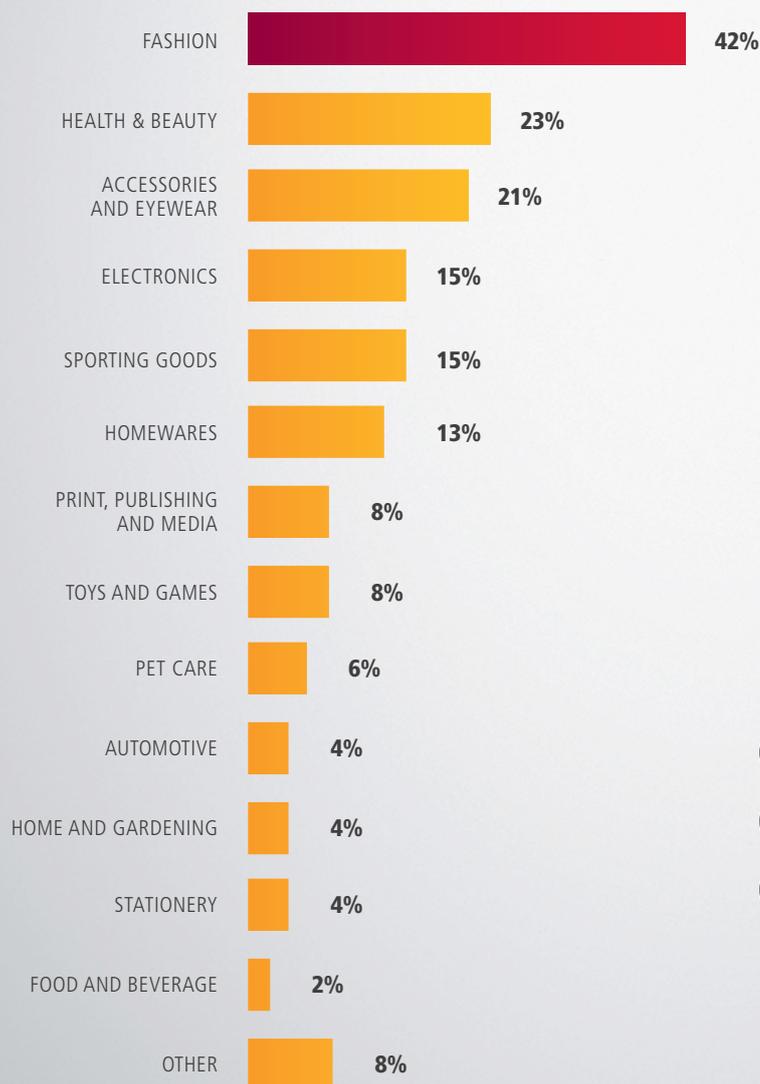
In fact, businesses in the fashion category greatly outspend exporters in all other sectors when it comes to online. A whopping 44% splash more than 60% of their marketing budget on internet platforms – double the industry average (32%).

Photo-sharing giant Instagram is the most favoured, attracting spend from 68%. This is closely followed by Facebook (59%), internet bloggers (41%), and Instagram Stories (32%).

The active online strategy is proving to be overwhelmingly successful with 78% of fashion exporters expecting an increase in orders in 2018.

*Fashion businesses are the dominant category amongst consumer goods exporters.*

## CONSUMER GOODS EXPORTERS SPECIALISE IN



## FASHION EXPORTERS SKEW ON:



**78% expect increase** in orders



**59%** have been exporting for **less than 5 years**



**On average, 68%** of their sales are **generated online**

Much **higher online marketing spend**, with 44% spending over 60% of budget



- **68%** use Instagram

- **59%** use Facebook

- **41%** use Bloggers

- **32%** Instagram Stories

# AUSSIE EXPORTERS GO FOR GROWTH



Business is booming for Australian exporters with increasing demand driven by marketing, new products and expansion into untapped export markets. Among the exporters predicting growth, up to 65% are expecting increasing orders from new and existing customers.

Additionally, roughly half say they intend to introduce fresh products and services, which will likely make the international marketplace even more fruitful.

This level of industry-wide optimism is consequently creating positive outcomes on home soil, mirroring Barometer results from 2017.

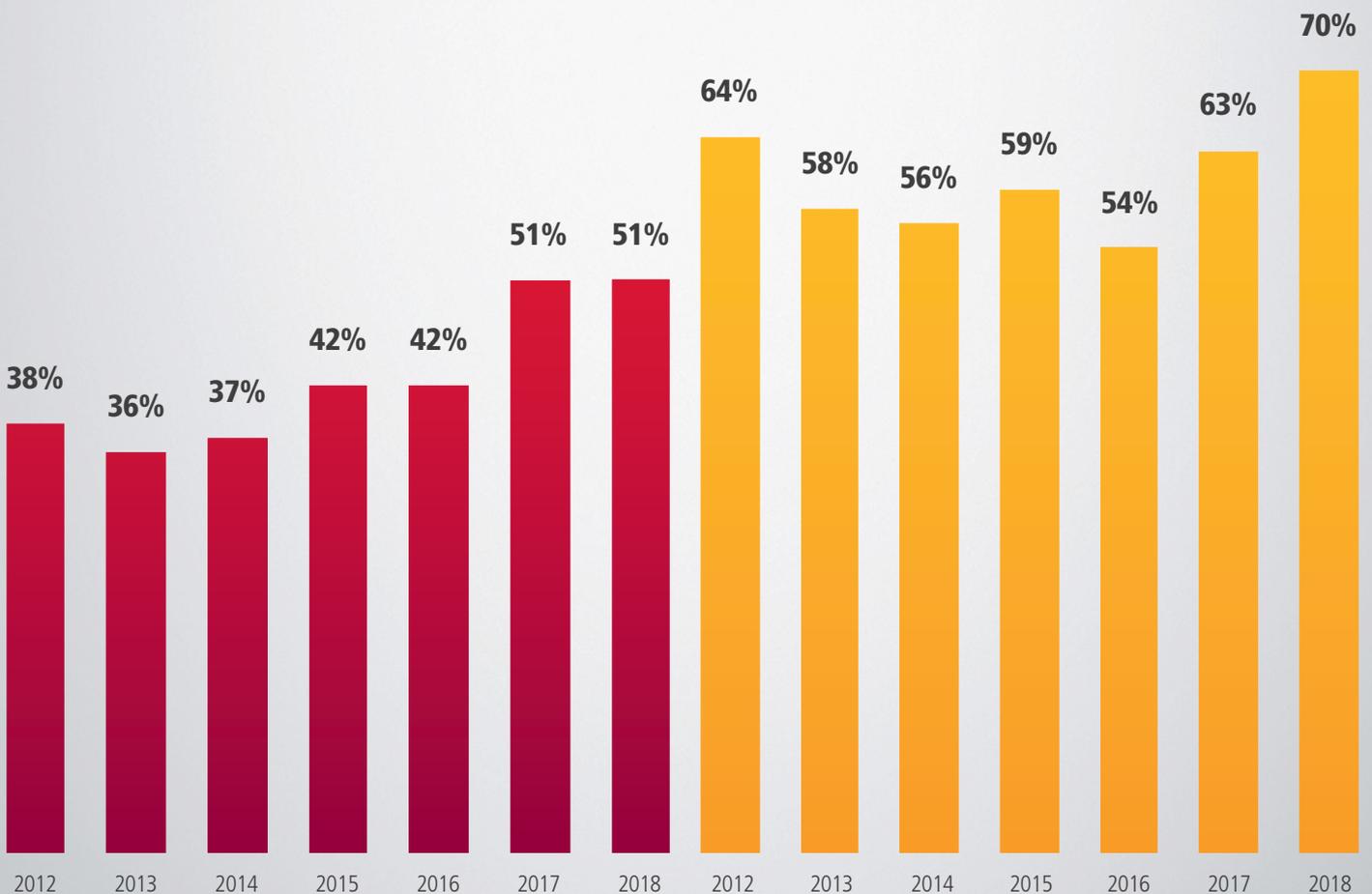
Employment growth is expected to increase with 51% of operators planning to add more staff.

However, interestingly this year 70% also indicate they plan to increase wages – a jump of 7% to the highest level since 2012 (64%) – proving Australian exporters are expecting the boom times to last long term.

*To support business growth, exporters continue to make a significant contribution to the Australian economy by increasing employee numbers and wages.*

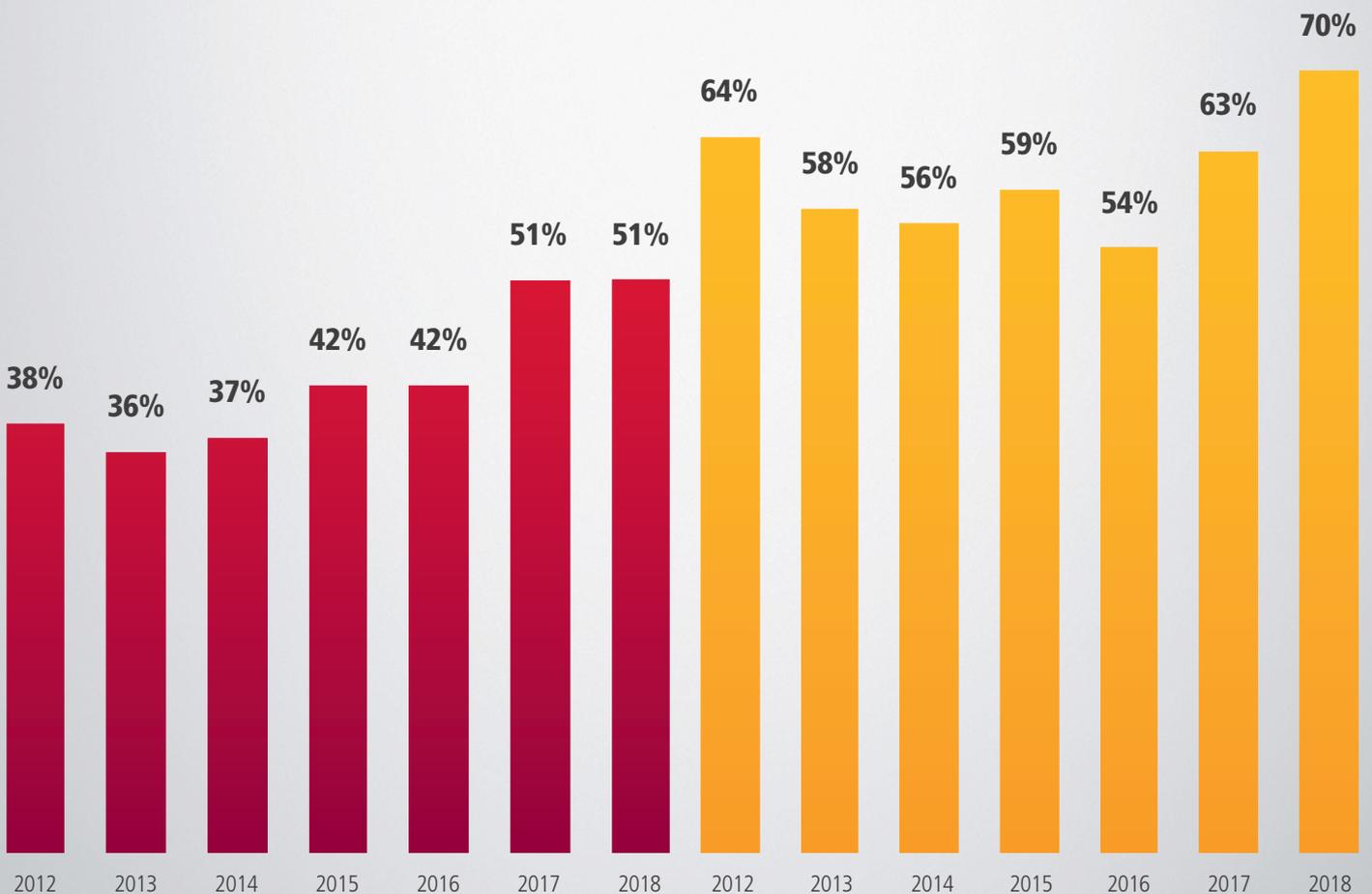
## NUMBER OF EMPLOYEES

**% Increase**



## WAGES

**% Increase**



DHL Express  
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