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Allowing retailers to get paid for their assistance, not just their sales

A submission by Rbate to the
*Productivity Commission enquiry into
The Economic Structure and Performance of the Australian Retail Industry*¹

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The strongest and least vulnerable advantage of bricks-and-mortar retailers is the hands-on assistance they can offer their customers². At these stores goods can be inspected, demonstrations performed, and face-to-face advice provided. Likewise, Australian-run online stores have a customer service advantage if they can exploit their local knowledge.

But even though an explosion of choice has meant that the demand for consumer assistance is greater than ever³, competition from physical and online discount outlets has pushed retailers to limit their spending on in-store help for shoppers, particularly on the employment and training of customer service staff.

As comparison shopping has become easier, even to the extent of shoppers using mobile devices to investigate alternatives while inside a store, higher prices are less able to subsidise better service. Even online stores that provide great service can be gazumped by people who buy from cheaper vendors after making use of the store's advice. The high Australian Dollar and suppressed Chinese Yuan, along with wage pressures induced by low unemployment, are making the situation worse by increasing the cost of service relative to prices.

I would like to make the Commission aware of some effective ways for retailers to earn income from the help they give their shoppers, separate from any sales income. This should help match the supply of service to its demand, generating sustainable employment — not to mention the real growth in living standards that occurs when better choices result in less waste and reduced buyer's remorse.

The most direct way for retailers to get paid for their product selection assistance would be for them to charge consumers directly. This is [already starting to happen](#)⁴. Such service is hard to sell unless it's out of the ordinary — offering for example in-store testing of a large range of alternatives, out-of-store trial periods, and either adequate well-trained staff (in-store, or over video link), or high-quality computer-based advisory tools, programmed by their product-domain experts, and made available in each of their premises.

In cases where adequate numbers of consumers aren't yet willing to pay for assistance directly, Rbate provides [another way](#) for stores to earn income from their service alone, without charging shoppers for that service up-front⁵. This income stream is also available to other types of consumer assistants, such as consultants, publishers, and broadcasters.

1 <http://pc.gov.au/projects/inquiry/retail-industry>

2 The bricks-and-mortar advantage for delivery and returns is being eroded by increasing time pressures, congestion, and fuel costs. And online shopping will increasingly offer both a rich social experience and a high level of service that's different from, but just as compelling as, a shopping outing.

3 Commoditization (product categories where all competing products are effectively identical to the typical consumer) is rarer than is often believed. Proper assessment will often reveal one or more meaningful differences between choices, whether it be in features, performance, ease-of-use, durability, support, or discounted prices.

4 "Retailers fight online rivals: Shoppers hit with 'try-on' charges." *The Weekend Australian*, April 9-10 2011, p.3.
<http://www.theaustralian.com.au/national-affairs/retailers-fight-online-rivals/story-fn59niix-1226036251221>

5 <http://rbate.com/helpers>

The greater the degree to which consumer advice can be decoupled from selling, the more unbiased that advice will be. Retailers can generate tremendous goodwill when they provide high quality unbiased advice, but there is pressure to orient that advice to a sale, particularly when the salespeople are on commission. A media organisation comes under similar pressure to talk up products when it generates income by acting as a sales affiliate for the products in question. Advertising is a third form of advice that doesn't have the consumer's interest at heart, as well as creating a conflict of interest for publishers.

As technology improves and matures it is inevitable that online vendors will increasingly erode the advantages of bricks-and-mortar stores. Moreover, automation, integration, and economies of scale will increasingly allow certain online stores to offer unbeatable prices. The challenge is to ensure that this doesn't result in a customer service race to the bottom. Even though there's a demand for good service, lack of service can teach consumers to feel helpless in the face of choice, accepting that they must always make a leap of faith based on price, availability, brand, advertising, packaging, or the limited information they were able to dig up. If consumer assistance can be made to pay its own way, without scaring off consumers, retailers who offer top-quality service won't be unfairly disadvantaged.

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