

## **SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO THE ECONOMIC STRUCTURE AND PERFORMANCE OF THE AUSTRALIAN RETAIL INDUSTRY**

I would like to personally comment on the reasons why consumers are buying IT and Tech products from overseas on-line only stores (Known as Pureplay Stores) instead of Australian based Pureplay Stores, and why GST revenue and taxation is being missed because of this.

The main factor here is pricing. Australian IT manufacturers and their distributors maintain the pricing in Australia depending on which channel the product is sold through. In fact distributors control pricing using an electronic price matrix down to an individual product or range of products per store. In a commoditised market, they can make or break a store, or control which stores sell what, at the push of a button by simply raising prices.

This practise has led to an industry of back door deals and incentives and a who you know driven culture along with dominance and control by the major stores. Having a level playing field and similar pricing between sales channels is often brushed off with comments on the volume of sales, but as Pureplay stores are relative new comers, they are never given competitive pricing, and they never get the opportunity for high volume sales. The playing field is far from level, even if wholesale pricing was equal, and is the reason Australians are being forced to pay up to 30% more for the same product purchased locally.

### **So why is it 30% more to buy from an Australian Pure Play Store instead of Overseas Pure Play?**

Yes, the GST adds 10%, but major stores have such an influence over the manufacturers and distributors, that pricing is forced up on the Pure Play Stores in order for the major stores to compete.

Pure Play Stores generally operate on a 1-3% Margin. Major Chains have published operating costs of 14-20% plus they have price matching policies and share holder profit to add on to this. Recently one had a sale on all notebooks and desktops at 30% of retail and other stores price matched this, so it's evident that there is a major amount of margin in these products at these major stores.

So why aren't Pure Play Australian Online only stores 30% cheaper as they don't have the same overheads? It appears their price matrix is being increased so that the major chain stores can compete and lock the Pureplays out of the market.

### **Do major chain stores need to be supported by forcing all consumers to pay up to 30% more for their goods?**

According to manufacturers and distributors, they do a large volume of sales. So if their wholesale pricing was the same as a Pureplay store, there should be plenty of extra income available to survive compared to Pureplay Stores. On top of that, these store can

have many additional advantages such as, being able to sell shelf space, 90 credit terms, price protection (old models discounted when near end of life), stock rotation (old models replaced with new), non sellers able to be returned, advertising and marketing paid by manufacturers, and free shipping to the stores.

**Lets see a level playing field in regard to wholesale pricing for Australian Pureplay stores and give the choice back to consumers as to where they would like to shop. If the shop front business model costs more to operate, then all consumers should not be forced to pay for it. A Pureplay store should be able to sell at cost + 1-3% as their overseas counterparts do. At the moment, that cost price is inflated by price maintenance by manufacturers and distributors in order to support chain store operating costs and profit demands. Consumers are choosing to shop on-line overseas instead of on-line in Australia because of this.**

Please Feel free To contact for further information.