

# Inquiry into Australian Retail Industry

## Productivity Commission

I am a small business owner in the hobby products industry. I run my business from a retail premises and have a busy online website which constitutes about 80% of sales.

The majority of the products we sell are also available from online shops in the USA and to a lesser extent Asian based online shops. The majority of our sales are under AUD\$1000.

We directly import about 85% of the products we sell and source the remainder from local importers/distributors.

We set our retail prices on most products by taking the USA retail price, converting to \$AUD using the exchange at the time we paid for the goods and adding GST. Often with products sourced from local suppliers we are unable to use this formula as our cost price on the products would be more than the retail price. In some cases with large or heavy products we have to add a factor for shipping costs. We believe this pricing method should put us on par with overseas shops however we estimate we are only supplying approximately 30% of Australian market for the goods we provide, the remaining 70% being bought by consumers from 2-3 USA based online retailers.

With the cost of running a business being higher in Australia and the added costs of shipping goods to Australia we are actually selling at a lower profit margin than USA shops yet still get accused by consumers of charging too much.

We often get asked to price match USA shops and often are forced to sell products at or near cost just to keep a sale in Australia.

On occasion we have even seen consumers pay more for a product from a USA shop simply because they have become accustomed to buying from particular shops and neglect to even check local prices before placing orders.

When the exchange rate rises we get told by consumers that we should drop all of our prices accordingly and accept a loss and the consumers argument is we will recoup that loss when the exchange rate drops and we in turn increase our prices! The consumers do not realise that with 2000+ products we cannot simply alter prices on all of them on a weekly or even monthly basis due to exchange rate fluctuations.

We also suffer from the USA shops interfering with the local market, offering wholesale prices to individuals with no retail premises and no website of any sort whilst being very strict on access to wholesale prices in their own country. These individuals are simply enjoying cheaper prices between themselves and a few friends and the only reason we can see for this behaviour is the USA shops attempting to dominate the world market and make sure no other shops can grow beyond a certain level.

A further issue that affects us is return of faulty goods. Consumers will quickly return a product to us they are unhappy with and demand a resolution whereas the overseas shops 90% of the time do not have to deal with customer returns as the consumers simply don't bother.

We believe GST should be levied on all purchases made overseas regardless of value. We believe a processing fee should also be applied to encourage consumers to support there local retailers. Unfortunately in the hobby industry it seems that among many consumers a mentality has been built up that 'everything cost more here' and 'local hobby stores are a rippoff'. There are valid reasons for goods to cost more in Australia eg shipping, higher shop rents, higher staff wages, higher insurance costs etc however in general consumers will be on a higher income than there USA equivalent so are really no worse off as far as what they can afford. Consumers however will not choose to buy goods locally at a slightly higher price, the government needs to ensure that taxes and fees level the playing field.

The argument has been made that collecting taxes on imported goods under \$1000 will cost to much to implement, this makes no sense to me as more taxes collected will in turn pay for more customs staff and more employment for Australians. The other factor is that a lot less goods will be imported so there will be a lot less work in collecting the taxes.

Michael Johnson

PowerSlide Racing

Adelaide, SA.