

PERSONAL IN CONFIDENCE*

8 June 2011

Dear Sir/Madam

**Economic Structure and Performance of the Australian Retail Industry:
Public Inquiry Submission**

I wish to make a brief submission to the inquiry as an active purchaser/consumer of goods and services purchased online – both from Australian and international businesses/websites.

Specifically, I wish to comment on the matters raised in the Issues Paper regarding the “Impact of online trading on businesses and consumers”, and in particular on the classification of products that are purchased online.

While the Issues Paper differentiates between “identical”, “similar” and “modified international products”, I believe these differences should be more clearly articulated as they form a fundamental premise of the arguments regarding possible positive and negative effects online retailing may have on Australian businesses and consumers.

I believe the Inquiry could consider definitions along the lines of:

- Product manufactured offshore, sourced from country of manufacture
- Product manufactured offshore, sourced from third country
- Product manufactured offshore, modified for local use
- Product manufactured in Australia

In my experience, the large majority of the products purchased online are consumer items that have been manufactured outside Australia.

Should this be true, I believe ‘protecting’ Australian retailers from online competition provides a false benefit in that:

- Purchasing products online directly from the country of manufacture provides a more efficient supply chain, which has both economic benefits (in that consumers can capture the value that would be otherwise lost to additional layers of the supply chain) and environmental benefits in removing the need for products to be trans-shipped to and via third countries (as is often the case for consumer goods entering Australia). There is some irony I believe in Australian retailers selling consumer goods manufactured in China seeking protection from online competition.
- It creates an artificial barrier to competition that ultimately means (from an economic standpoint) that labour and resources are not allocated to their “highest and best use”.

It is my strong belief that the trend towards a greater share of purchases being made online is inevitable, given it provides fundamental consumer benefits in terms of avoiding supply chain inefficiency, not to mention convenience and other benefits. This has clearly been the case in more advanced Western markets such as the USA and UK.

I believe scarce Government and industry resources would be much better targeted towards adapting to and taking advantage of this trend (for example by identifying opportunities for Australian

businesses to compete globally online), rather than towards protecting business from a global trend that will inevitably impact all retailers, Australian and otherwise.

Members of the inquiry may wish to consult a classic work in the world of marketing, “Marketing Myopia” by Theodore Levitt – which includes a case study of Government and industry in the USA in the 1800’s attempting to “protect” the railroad industry from the advances in automobile transport – with the ultimate result that while there is still very much a place for railroad transport, the move to automobiles was a global trend (and one that the USA ultimately benefited greatly from over many decades).

Sincerely

[Name supplied]

*Note this submission is marked personal-in-confidence as I wish my name to remain private and not be published.