

## Amazon In Australia: Internet Giant Will Be A Friend And A Foe, Retailers Warn

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The pending arrival of the internet giant Amazon has seen mixed reactions from the retail sector, with advocates saying it will boost all channels of consumerism, while others have said it will "destroy and exploit" smaller local businesses.



An Amazon warehouse in Germany. Local retailers are divided over what effect the internet giant will have when it arrives in Australia. Photo: Supplied

According to Stephen Jones, the co-founder of website marketplace House of Home, Amazon is "purposely attempting to exploit small, local business" but he is not intimidated by its entry "as 93 per cent of retail sales in Australia happen in-store".

"House of Home's focus is to help bricks and mortar retailers by raising brand awareness and point of interest online, to then increase foot traffic offline by driving consumers in-store," Mr Jones said.

"Never before has the consumer been so empowered and they want to buy their own way – that is via the web or in a brick and mortar shop.

"With Amazon and other websites, it's a case of 'here is the product and get it while it lasts!'"

Mr Jones said the focus for retailers and the consumer should be on the 93 per cent of people who still shopped in a physical store and supporting that side of the market.

"It is about putting the power back to the consumers," Mr Jones said.

"We know that customers are researching and discovering online more and more, but they are still heading in store to actually purchase, particularly with the larger furniture items like sofas and coffee tables. House of Home makes it easy for the retailers to have their products found online, and even easier for the customer looking for that perfect product."

# THE AGE

House of Home marketplace currently offers more than 100,000 products from 400 retailers around Australia.

Mr Jones said it employed an unique "inquiry" model presenting four options for customers to connect with retailers including phone, email, in-store enquiry or online purchase.

"The company's focus is to offer a one-stop-shop to make it easy for people to find furniture and home products and link them to a local bricks and mortar provider," Mr Jones said.

***“Not all retailers and centres will survive the onslaught of Amazon, other online retailers and shifts in consumer preferences.”***

But Reece Birtles, chief investment officer of Martin Currie Australia, an equity affiliate of Legg Mason, says contrary to some reports, the entry of online retailer Amazon in Australia could boost the domestic retail sector instead of being a "doomsday scenario".

"It's clear that some hedge funds have been shorting discretionary retailers such as JB Hi-Fi (JBH) and Harvey Norman (HVN) since the market became aware of Amazon's Australia strategy to open distribution centres later this year," Mr Birtles said.

"They have based their analysis looking at the demise of bricks and mortar retailers in the US, a very mature market, due to the 'Amazon effect'.

"However, before we jump to any such conclusions in Australia, it's worth looking at a comparable company to JBH, which is Best Buy USA."

Best Buy reported a rise in earnings excluding abnormal items of 40 per cent on the previous corresponding period for the first quarter of 2017. The share price rose 22 per cent.

Mr Birtles said "we believe that given JBH and HVN are very dominant and profitable retailers with leverage to population growth and housing, similar to Best Buy USA, they will be well placed when Amazon begins to operate in Australia".

"Wesfarmers and Woolworths are also well prepared for the entry of Amazon with on-line home delivery already a significant part of their customer focus and innovation," he said.

He said the other key point was that Woolworths, Coles (owned by Wesfarmers) and JBH were located in large shopping centres around Australia.

"And there are considerable differences between the US and Australian retail sector that need to be taken into account when considering the likely impact of Amazon's entry into the local market." Mr Birtles said.

According to Adrian Harrington, head of funds management at Folkestone, investors looking at the retail sector are at a cross-road.

"Not all retailers and centres will survive the onslaught of Amazon, other online retailers and shifts in consumer preferences. The gap between the winners and losers will widen and picking winners will be lot more difficult," Mr Harrington said.