

- IBISWorld Predicts One in Four Items Will be Purchased Over the Internet by 2035 -

The latest information from business information analysts IBISWorld reveals that 25per cent of all retail transactions will be conducted online by 2035 as one of Australia's fastest growing industries continues to become part of our everyday lives.

While internet and home delivery shopping currently comprises less than one per cent of all retail sales in Australia, this figure is on the rise with the online shopping industry experiencing a massive growth boom over the past five years. Industry revenue has increased by almost 280per cent since 1999 - now generating over \$7 billion annually.

This increase is reflected in the growing acceptance of on-line shopping by a greater proportion of the population. "In 2000, just 10per cent of our adult population had shopped online, whereas that figure is expected to increase to 70per cent by 2005," said Jason Baker, General Manager of IBISWorld (Australia).

Why do people shop online? Historically, IBISWorld reports, surveys have revealed people's main motivations for internet shopping as: convenience and ease; avoiding crowds; and saving time.

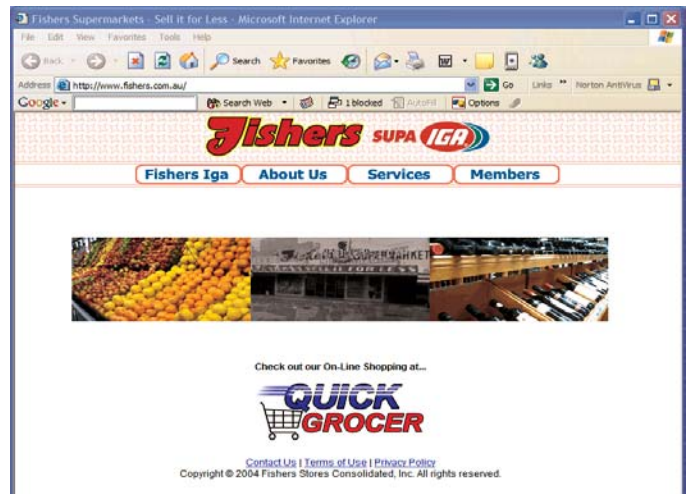
"Those services which can be payed for and delivered conveniently via automated systems will continue their strong growth in the online sector," Mr Baker said. "Two stellar examples of this are ticket purchasing (either for travel or for a show or sporting event) and bill payment. Holiday and event booking online generated \$931 million in 2003/04, while online bill payment has become an almost ubiquitous part of modern life with 23per cent of internet users paying their bills online."

IBISWorld also believes retailers offering a clear advantage in buying their product - such as lower prices or a greater range - will continue to do well online. The ongoing success of e-tailing giant Amazon.com has seen books consistently hold the position of most purchased item online, with Australians spending more than \$1.3 billion dollars on books purchased over the Internet last year.

"Books are a great example of an item that is well suited to online shopping as they are, to a degree, a known quantity. People can read the reviews and the blurb on the book they are interested in, just as they can do in the physical world. While fulfilment is deferred, this is addressed by advantages in pricing and the range available," Mr Baker said.

According to IBISWorld, competitive pricing is also an area where online retailers can maintain a clear edge as they do not need to pay expensive shop-front rentals. "A simple warehouse in the outer suburbs is all that most e-tailers will need, given they have a good and well-publicised website, and cheap and reliable freight arrangements," said Mr Baker. "These two factors are what constitutes the virtual shop-front for online retailers and they can, if managed properly, be done at much lower cost than bricks and mortar outlets, meaning more savings, and greater impetus, for the online consumer."

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Quick Grocer is run by The Fishers IGA group, It also provides this service for other independent retailers wanting to get into e-tailing.

All of this means there is serious potential, particularly for small retailers, to reduce costs and increase product exposure. They will have more opportunities to compete with major players because of the lower capital costs associated with the establishment of a website. However, according to Mr Baker, e-tailing is still largely the domain of sizeable, established retailers.

"Consumers are more likely to purchase trusted brand names online, and despite significant growth in this part of the retail sectors, online shopping is unlikely to replace conventional retailing, since it's also hindered by security and privacy concerns," he said.

And not everyone is championing online shopping as the future of modern retailing. "Industry research shows retailers are divided on the Internet's ability to generate serious sales revenue," explained Jason Baker. "It has been reported that some of our largest retailers, such as Coles Myer, David Jones, and Harvey Norman, believe that while the internet educates consumers on product range and function, it does little in terms of sales generation."

Major hurdles to online purchasing for consumers identified by IBISWorld include: credit card security; fear of disclosing personal information; not wanting to pay for delivery; not trusting online merchants; finding the ordering process too complex or too time-consuming; and having difficulty locating either sites or products.

IBISWorld has found many consumers are using the Internet as a research tool before making a large purchase. "The web is a great place to get all the information you need on any number of topics, consumer products included," said Mr Baker. "Even when people are buying items from physical outlets, it is apparent that more and more are doing their research and comparisons on-line before purchasing. This has been seen particularly in the case of cars and other technologies such as consumer electronics. This trend could give rise to a new segment of the industry - websites that give competitive comparisons of consumer items, acting as a kind of quality and price-conscious directory for the discerning shopper."

Another major factor likely to influence the success or otherwise of online retailing is Internet penetration. Some 50per cent of Australian households now have the Internet connected, a figure that is expected to grow to 60per cent by 2006.

However the growth in broadband connections, and the added convenience that comes with high-speed service, will mean that online shopping will continue to prosper well into the future.

For more information and analysis on the retail industry, or any of Australia's other 500 industries, log onto www.ibisworld.com.au