

Australian online retailers are expecting strong growth in sales in the weeks leading up to Christmas as busy consumers take advantage of the opportunity to shop from home and avoid crowded shopping centres.

According to online research firm, Hitwise, shopping sites accounted for 6.34 per cent of web traffic in the second last week of November, with eBay, Amazon, Trading Post and Emailcash Australia heading the charts. They were followed closely by dealsdirect.com.au and oo.com.au, highlighting the rise in popularity of online retailers.

Comparison Shopping on the Rise

According to John Debrincat of leading Australian ecommerce provider, eCorner, consumers now expect to be able to search, compare and buy online. He says the traditional model of retail sales has changed and will be driven more and more by the Internet.

“We are seeing quarterly growth of nearly 50 per cent in the number of online stores being established, with most large corporations planning their internet strategies at senior executive levels. With companies like News Corporation reporting online revenues of more than \$1.2 billion, it’s clear that organisations without skin in the game will be left behind by their competitors.”

Mr Debrincat said small businesses are also capitalising on the trend to online sales, either by establishing their own online stores or increasingly by partnering with online shopping malls and comparison sites, which allow consumers to weigh up prices and features before making their purchasing decision.

“The push to online sales in Australia and New Zealand has seen the arrival of new businesses like Getprice and Shopping.com in the comparison shopping area. Online marketplaces like Ferrit.co.nz are also providing a new shopping experience in the retail market,” he said.

According to Chris Hitchen, CEO of Getprice, the trend towards online malls was inevitable, but the most successful will be those that provide the most added value.

“Getprice’s focus on comparison shopping rather than price comparison reflects the fact that it’s not always the cheapest price that sells a product,” he explained. “While we recognise that price is a leading criterion for many consumers, other factors such as trust, reputation, a local manufacturer’s warranty and add-on services are also important in winning custom from savvy consumers. We try to reflect this by giving merchants the opportunity to compete on their strong points and we focus on creating a trusted shopping environment.”

ecommerce Enjoys Strong Global Growth

It’s an approach that’s clearly working. ecommerce is enjoying a global rise, with European sales tipped to grow by 25 per cent per annum over the next five years on 2006 revenues of \$133 billion, while spending in the US is expected to exceed US\$200 billion in 2007 with quarterly growth of almost 25 percent.

The trend in Australia and New Zealand has been similar, but off a smaller revenue base with ecommerce sales exceeding A\$45 billion in 2006. Of this, only about NZ\$1.5 billion was transacted online in New Zealand, which has tended to lag the larger markets when it comes to ecommerce sales.

According to Ralph Brayham, general manager of Ferrit, New Zealand’s largest online shopping mall, around half of the dollars spent online goes to travel while another NZ\$500 million goes to popular auction site, trademe.co.nz, leaving only about NZ\$250 million for retail sales.

“Most New Zealand retailers really haven’t invested in establishing their own online presence because of the size of the market, so consumers only have limited options for local ecommerce,” he said. His comments are reinforced by recent Hitwise analysis showing that in October 2007, New Zealand residents visited almost 22,000 online shopping sites, of which only about 1,800 were based in New Zealand and just 11 were domestic, well-known retail brands.

Despite the small turnover, he says the prospect of a Christmas bonanza has seen retailers show greater interest in creating an online presence.

Established to bring a new shopping experience to New Zealand consumers, Ferrit offers hundreds of thousands of products from more than 80 retailers of varying size. Shoppers can search for products, compare features, suppliers and prices, and purchase items from multiple vendors in a single transaction, with in-stock products shipped to their door within 48 hours in most cases.

"Consumers want an easy and convenient online experience buying quality local products with fast, reliable delivery," said Mr Brayham. "We aim to deal only with quality retailers who have the ability to update us regularly on pricing and availability to enable us to appropriately manage customer expectations and deliver on our promises."

Driving Demand

With a commitment to growing the New Zealand ecommerce market over time by connecting buyers and sellers, Ferrit is currently advertising on TV and offering free delivery as a way of enticing people to trial the online retail shopping experience this Christmas season.

"I've had people email me to say they've finished their Christmas shopping and haven't left the house, so we know our approach is working," said Mr Brayham. "But the reality is that we're in this for the long-term. While the market in New Zealand has been slower to build than we would like, the size of the prize is big enough, and we will continue to invest and adapt our strategies as the market grows and matures. At the same time, we are constantly working to improve Ferrit from a consumer experience, merchant experience and technology viewpoint."

When choosing its technology platform over a year ago, Ferrit looked for a solution that would enable it to minimise its costs while driving speed to market. It chose ePages, a market-leading ecommerce platform, offered throughout the Asia-Pacific by Australian ecommerce company eCorner.

In addition to large-scale implementations, ePages allows for the delivery of mass-hosted ecommerce stores. Service providers can "white-label" the technology and roll out their own "self-service" ecommerce stores. ePages is the leading ecommerce platform in Europe today, numbering British Telecom and Lycos amongst its high-profile "mass-hosted" clients.

ePages CEO, Arndt Groth, believes the current strong growth will continue for the foreseeable future. "We have been overwhelmed by the organisations that are taking up an ecommerce mass-hosted model. Today, most leading European service providers offer stores hosted on the ePages platform," he said.

As demand grows, online merchants and their hosts must keep pace by continuing to innovate and extending the range of features offered on their websites.

Website Functionality Improves

"ecommerce merchants are becoming more sophisticated in the way they market their products and that's leading to higher conversion rates," said Getprice's Chris Hitchen. "Another factor influencing growth has been the improvement in credit card security, leading to greater confidence amongst consumers that it's safe to purchase products online, and the wider range of payment options available, which adds up to greater convenience for shoppers."

One of Australia's leading secure payment gateways is eWAY, which has been operating since 1998, but is now enjoying exponential growth as a result of its recent push into the UK and New Zealand.

eWAY founder and CEO, Matt Bullock, said his company has focused on making life easier for online merchants by offering connectivity to over 60 of the leading shopping carts and real-time transaction processing to provide peace of mind.

"We were the first payment gateway to link into ezimerchant and we're also about to become the only one in Australia to be certified to resell American Express and Diner's Club, in addition to the standard Visa and Mastercard options," he said.

"Even more importantly, we've invested substantial resources to become the first gateway to integrate with Salesforce.com, which means that merchants using this CRM solution can now automatically update their customer history to show the details of online transactions and confirm payment receipt."

Mr Bullock believes the availability of more sophisticated transactional systems for ecommerce will lower the barrier to entry for small businesses still contemplating an online presence.

“We’re seeing growth of between 10 and 30 per cent each month in terms of transaction volumes as more merchants transition online,” he said.

While some major retailers have been slow to fully embrace the online opportunity, others are enjoying the fruits of being early adopters.

“Online retailer DealsDirect continues to grow traffic and is in the process of expanding its warehouse facility, with revenues in excess of A\$50 million per annum,” said Mr Hitchen. “You’d have to assume Harvey Norman and Bing Lee, which both offer only limited ecommerce capabilities, are watching with interest.”

Fly in the Ointment

But some manufacturers, particularly in electronics and computing, have held back from supporting ecommerce, often refusing to supply online merchants with a full range of products.

“The way manufacturers treat online-only businesses is definitely an issue. Some refuse to give ecommerce merchants access to the same products at the same pricing levels as the big bricks-and-mortar retailers because those companies hold such sway with consumers.

“The manufacturers need to show greater leadership in developing the ecommerce marketplace, although there is a conflict given the global trend for the big manufacturing brands to sell direct online, thus bypassing retailers. Dell is the classic example of the direct-to-consumer model and others like Sony, Lenovo, HP, Acer and Sanyo have followed suit. It also happens in general apparel and sporting goods with companies like Nike and Adidas,” Mr Hitchen said.

With Christmas creating new impetus for consumers to trial online shopping and ecommerce merchants aware of the importance of creating a superior purchasing experience, analysts predict that revenues from online gift buying in Australia will easily exceed last year’s A\$9.8 billion.

“As more and more marketplaces appear online, we’ll continue to see strong growth in ecommerce. These online shopping malls can rival their ‘bricks-and-mortar’ equivalents by offering the consumer an extensive selection of quality products at the click of a button. When you can back that up with competitive pricing, flexible delivery options and new online shopping experiences, it’s a pretty compelling business model,” said eCorner’s Mr Debrincat.

“And that’s good news for business and consumers.”

ENDS

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eCorner® is a leading provider of eBusiness solutions for small and medium enterprise’s. eCorner delivers technology solutions that help you build and deploy an electronic commerce capability quickly and effectively. We are the Australia & New Zealand master distributor for ePages® software – a proven storefront technology with over 30,000 installations worldwide, and of Cloudmark - the leading provider of messaging anti-abuse solutions to ISPs. www.ecorner.com.au

About ePages

ePages Software powers more than 30,000 online shops, making it one of the leading providers of e-commerce solutions in Europe. Based on ePages Hosting Edition, a scalable shop hosting platform, numerous leading hosting providers and telecommunications companies offer powerful rental web shops. These include British Telecom, Deutsche Telekom, Host Europe, Amen, Lycos and Strato. A worldwide network of ePages partners tailors e-commerce solutions for small and medium-sized companies, customised precisely to their integration and range of feature requirements. Companies like Carl Zeiss, Leonardo, Lindt, Slimfast, Skoda or Encyclopaedia Britannica run their e-commerce activities on ePages Merchant Edition. ePages is based in Hamburg and has offices in Jena, San Francisco, London and Barcelona. www.epages.de/eng

About Getprice

Founded in 2005, Getprice is Australia’s leading independent shopping comparison site and the first port-of-call for savvy Australian consumers. Getprice displays up-to-date product and pricing information from Australian retailers, as

well as useful buying guides, product reviews and user opinions in order to empower Australia's consumers and provide them with both choice and transparency. In doing so, Getprice provides valuable sales leads to Australian retailers. The Getprice shopping comparison service is also accessible to consumers from their mobile phones, either via Optus Zoo for Optus customers, or by typing mobile.getprice.com.au into any phone's web browser. www.getprice.com.au

About Ferrit.co.nz

Ferrit is New Zealand's largest online shopping mall. People can access hundreds of thousands of products from a huge range of NZ Retailers all in one place, easily search, browse and compare product features and prices, and buy products from different retailers with one simple online transaction. www.ferrit.co.nz

About eWAY

eWAY provides gateway payment services for secure online and mail order processing of credit cards in real time on the Internet. The company was created to enable Australian businesses to perform credit card transactions via the Internet. eWAY is owned by Web Active Corporation Pty Ltd, a web development company that was formed in 1998. It is 100% Australian owned and based in Canberra, Australia. www.eway.com.au

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