



KITCHEN WITCH

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KITCHEN WITCH submission to the ACCC

15/08/2012

Peter McInnes Pty Ltd - Notification - N95877

Dear Sir or Madam,

Please consider the following, which is a typical and very real retailer's experience of the "internet kind" in 2012.

- A customer walks in and enquires about a product.
- Our trained staff may spend twenty minutes or more with them, explaining the characteristics of the product and its comparative merits.
- When the customer has gained sufficient knowledge to decide on purchasing the product, they announce that they can get the same item on the internet for anything up to 30-40% off (Often displaying it on their mobile phone). And they ask if we will match this internet price.
- When we say we are unable to, they take it to actually mean that we do not want to, and no amount of explaining our higher operating costs and quality service (Which they have just benefited from) is able to wipe the frown off their brow.

The net result is:

- The customer feels rebuffed and walks out.
- Our staff has spent their time effectively securing a sale for someone else, through the passing on of the product knowledge that we have trained them to acquire.
- We are deprived of the profit from this sale.
- The Customer views us in a poor light because we have bruised their ego. They are then unlikely to come back to us, even for a cash purchase.
- And when they do, it is more often than not to enquire if we can take up a warranty problem that they have encountered with their internet purchased product.
- Our staff feel dispirited by the experience and gradually come to resent the product because of it.

Internet retail is the biggest challenge confronting retail since the introduction of self-service.

But unlike self-service, which could viably replace counter service, Internet retail cannot fill the void that will result when Street-front stores are not able to meet their operating expenses and fail. If it could be considered that a "New order" would emerge from this situation, it is hard to imagine it as anything other than an impoverished shopping environment, while the path to it is shaping up as financial chaos for our economy.

In effect, if the current situation is left to endure, it is likely to lead to a substantial reduction in Street-front retail outlets, with the remaining ones left to survive on the crumbs made up of small-ticket products, emergency purchases and purchases made by the minority of customers who refuse to shop on the internet.

Accessorially, the consequences will include:

- A dramatic increase in vacant commercial tenancy, causing a drop in real estate value with the associated financial woes.
- A massive impact on commercial real estate revenues with, in particular, their flow-on effects on superannuation investments.
- A severe rise in job loss as street-front stores close and fired staff fail to find employment with internet retailers because they are able to operate with fewer staff, requiring minimal training and skills.
- A cascade of blows to associated industries: Fit-out fabricators and suppliers, electricians (The type of lighting in a showroom being far more elaborate than a warehouse), Cleaners, sign-writers, etc...
- The damage sustained by suppliers of high-quality products as retailers decide to no longer carry or display their wares, or simply disappear, leaving a free field for lower quality, traditional "Discount Store" type products.

Conclusion

Given that:

- 1- It is undeniable that the Internet retail sector operates with sufficiently inferior costs that it can afford to viably undercut the Store-front retail sector by a margin exceeding their perceived differences. The majority of customers feel that the savings made by purchasing on the Internet, more than offset the absence of customer service, particularly when product information can still be freely obtained from the latter.
- 2- It is undeniable that the human trait of opting to grab the best of both worlds when it is accessible, is not about to change.
- 3- The above detailed list of negative consequences to Street-front retailers is a reality.
- 4- The above detailed list of negative consequences to our general economy is highly probable.
- 5- We see no way, under the current legislation, in which Street-front retail can adapt in order to maintain its viability, while preserving the rich retail landscape Australians have always enjoyed.

Kitchen Witch respectfully submit that Internet retail and Street-front retail cannot competitively co-habit in our economy while they are governed by the same laws.

We sincerely believe that the actions taken by Peter McINNES are very much in the public interest and join our voice to theirs in requesting the granting of Statutory Protection from Section 47 of the Competition and Consumer Act 2010, upon them.

Sincerely,

Alain Lapellerie (Director KITCHEN WITCH)