



## Online stores expose rampant gouging



By Stuart Bennie\*

For those not familiar with the term, a shear pin is a small metal rod designed to shear or break when a propeller on an outboard motor hits something solid like a rock. By breaking and thereby disconnecting the propeller, the gearbox is saved from damage.

Now let's look at the maths. On the internet I can buy two pins for my Mercury motor for A\$5.13 (It's good always to have a spare). The freight on this is US\$5.33 by USP First Class Mail. So all up I'm in for say A\$10.50 with about 50 per cent being spent on the goods and 50 per cent on freight.

In Australia one shear pin sells for \$13.29. A mere 417 per cent more than its internet rival.

But let's include the freight. The 417 per cent drops to only 153 per cent more than buying off shore. Take into account the petrol and hassle to buy one of these pins and you have a very clear answer as to why Australian retail is in trouble – big trouble.

An isolated example? I think not.

A second example is the purchase of a three-way solenoid on a Miele washing machine. The part costs A\$110.60 in Australia plus \$8 postage. An identical item ex Poland costs euro 18.80 plus postage of euro 5 - a difference of 300 per cent.

These examples are not for mainstream retail purchases and therefore these retailers are not complaining – yet. But once people cotton on to the notion that they have to check **all** prices before buying – even washing machine and outboard motor bits, these outrageous prices will have to drop – significantly.

The retailer is not entirely to blame.

The shear pin example reveals the retailer was paying more than the retail internet price. So it is the wholesalers who should be held to account. They'll argue the off shore items are not genuine. How many factories in the world are producing shear pins or three-way solenoids for specific brands? I would suggest it is quite likely that these parts originate from the same source.

The furore about the Low Value Threshold of \$1000 becomes ludicrous in the light of these outrageous margins.

All sectors of retail and wholesale are going to need to wake up and do some nimble arithmetic.

One of the biggest potential losers is the cosmetic industry which has had it far too good for far too long.

The Estee Lauder Group has gone to extraordinary lengths over the years to avoid (or minimise) parallel imports. They have invested significant dollars to identify where leakage occurs so that they can plug it. They then price goods according to what the country market will bear.

During the Asian crisis in the late 1990's, they had four different prices which were advised to all their counters on an hourly/daily basis as the currency fluctuated. They also required a passport or identification from customers and limited them to two of any item. Gestapo tactics if ever there were!

Right now compare prices on the Australian site and the US site. Take a "Perfectly Clean Splash Away Foaming Cleanser" 4.2oz and you'll pay US\$20. Take the identical item here (125ml) and you'll pay A\$52. A difference of about 160 per cent.

Now our friends at Estee Lauder will not ship outside the US/Canada but [www.priceusa.com](http://www.priceusa.com) will circumvent that barrier for you. So why would any cost conscious consumer buy from David Jones or Myer and pay a whopping premium?

The glory days are over. The playing field is levelling. Let the games begin!

*\*Stuart Bennie is a retail consultant at [Impact Retailing](http://ImpactRetailing.com.au) and can be contacted at [stuart@impactretailing.com.au](mailto:stuart@impactretailing.com.au) or tel 0414 631 702*