

# Retailers brace as Amazon launches in Australia

SYDNEY, Australia - US internet giant Amazon launched in Australia on Tuesday in time for Christmas, with retailers scrambling to cut costs and boost their online offerings as they brace for an expected shake-up of the sector.



The arrival of the behemoth - which has grown from an online bookstore to one of the world's largest firms - poses a threat to a market already grappling with weak consumer confidence amid tepid wages growth.

The American giant is offering "millions" of products from well-known Australian brands, as well as small and medium-sized Australian businesses selling on Amazon Marketplace. They will be shipped from a warehouse in Melbourne.

Online shopping only accounts for between 8-13% of total sales in Australia, leaving room for growth in a sector estimated to be worth more than Aus\$300 billion (US\$227 billion) annually.

"We believe Amazon's full entry into Australia will likely be a success," UBS analysts said in a note ahead of the launch, adding that Australia was an "attractive market where online is under-penetrated".

"Australian online shoppers spend the third-most globally of Amazon's markets."

Retail categories most likely to be hurt by Amazon's entry include electrical, appliances, apparel and cosmetics, UBS added.

The US firm was likely to absorb losses initially to boost its market share, IBISWorld senior analyst Kim Do said, pressuring the profitability and margins of its competitors.

Several top Australian retailers have recently succumbed to pressure from foreign giants such as Japan's Uniqlo and Sephora of France, while others have cut back on bricks-and-mortar stores.

But Australian Retailers Association executive director Russell Zimmerman welcomed Amazon's arrival, saying it provided an additional platform to boost sales.

"With over 300 million active users already on Amazon's Marketplace, the majority of Australian retailers view Amazon's platform as a supplementary channel to their current retail offering," he said.

Some analysts warned Amazon would face challenges, such as low access to broadband and the large size of the island continent.

"A key reason why Australia lags behind its peers (in the development of the e-commerce sector) is the low access to broadband," BMI Research, Fitch Group's research arm, said in a note.

Broadband subscriptions in Australia stand at 57.3 per 100 people, rising to a forecast 60 in 2021, in contrast to markets like Singapore which is projected to have subscriptions of 75.3 per 100 that year, BMI said.

"Slower delivery speeds due to the large geographic size of the country and as a result, more costly delivery services... will not bode well for the success of an e-commerce company."

Retail analyst Brian Walker said according to his research, Amazon was "producing a positive return" in just one-third of the countries it was operating in outside of the US.

"The rest are still in the various stages of growing. And that is the point about Amazon," Walker told AFP. "They will take in our view of somewhere between two to five years to hit any form of scale in Australia."

Amazon, a Seattle-based company, has expanded far beyond its roots as a digital bookstore, moving into the groceries and other retail sectors as well as cloud computing, streaming video, artificial intelligence and more.

It has become one of the most valuable companies on the planet alongside US tech rivals Apple, Facebook and Google parent Alphabet, and in October reported third-quarter profits of US\$256 million.

*Source: AFP*