

eCommerce Report

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ACCC approves Visa PayWave monopoly at Stadium Australia, rejects Woolies Everyday Money monopoly plan for ePumps

What changed his mind? Last year Australian Competition and Consumer Commission (ACCC) chief, Graeme Samuel, said a Visa PayWave monopoly plan for Stadium Australia was anti-competitive and not in the public interest.

But on the 29th January this year, Samuel approved the plan, apparently because of a Stadium Australia 'dummy spit'.

It seems **Stadium Australia** said that if the ACCC didn't play ball and endorse its application for an exclusive dealing approval, then the stadium operator wouldn't install the terminals and no one would be able to pay by credit-card.

"Since the draft notice, the ACCC has obtained further information which indicates that the exclusive arrangement, which would operate for three years, is required to enable investment in credit card facility infrastructure" said Samuel.

If that wasn't bad enough, on the same day – 29th January - Samuel said the regulator proposed to knock back Woolies' similar plans for a monopoly at the company's new ePumps.

Samuel said that the giant retailers' plan to only accept payment at epumps from customers using Woolies new *Everyday Money* credit card would "distort the competitive process between card issuers."

Woolies too, has threatened to spit the dummy if the ACCC doesn't approve its plans.

Responding to opposition from banks, the **NRMA** and

others, Woolies told the ACCC that if it didn't get approval, no one would be able to pay at the pumps. It said there would be no pay at the pump option for anyone, no matter what they card they hold. Instead, everyone would have to go into the shop and pay for their petrol at the cash register, as usual. So what's the essential difference between the Woolies situation and the Stadium Australia situation? Why does Visa get a 3 year monopoly for its PayWave contactless card, but Woolies doesn't for its Everyday Money contactless card?

After all, both would seem to suffer from the same 'public interest' problem identified by Samuel's last year when he announced the ACCC's initial knock-back for the Stadium Australia plan.

"If restrictions of this type became widespread across the economy it could have very significant consequences. It could result in consumers needing to carry a range of card products to ensure they can make payments as they wish" said the ACCC's earlier decision.

The contrasting decisions are also significant because they involve the emerging competition between payments card brands over so-called contactless cards. With their built-in radio receiver, these cards don't need to be either swiped or dipped into an EFTPOS terminal or card reader. Instead the customer can just wave them over the top of the reader.

Indeed in some situations you may not even need to take them out of your wallet or your pocket; the receiver will still pick up the signal if you're standing close enough.

The cards are the next big thing in payments systems. They're seen as having a very big future in situations where convenience and speed is a big issue, such as in public transport, or in a fast food queue.

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ACCC approves Visa Paywave monopoly at Stadium Australia, rejects Woolies Everyday Money plan for ePumps (cont)

Moreover, from the credit-card company's point of view, they are a big opportunity to get into a low-value payments – an areas where their products have traditionally been seen as ill-suited and too expensive. Typically, the two major players, Visa and MasterCard, have developed technically competing and incompatible products so that EFTPOS terminals and/or card readers that can read a Visa Paywave card can't also read a MasterCard PayPass card and vice versa.

So the battles before the ACCC are strategically very significant for the card companies, despite the small number of cards involved.

Likewise, ACCC approval for its Everyday Money ePump monopoly is strategically very important for Woolworths.

The company has invested in developing a contactless credit-card that is neither PayWave nor PayPass, and facilitates secure payment at the pump in its Caltex/Woolies and Caltex/Safeway co-branded petrol stations.

Woolworths has begun rolling out the pumps across stations in Sydney and Wollongong, with plans for a full nation-wide roll-out.

But, as the pictures here show, the ePumps only accept contactless cards. There is no slot for swiping a standard card with a magnetic stripe and nowhere to read a chip from one of the newer so-called chip cards.

There can be no doubt that if Woolies doesn't get official approval for its Everyday Money contactless card payment plan, there'll be no 'e' in the ePumps; they'll be dumb pumps like every other.

That is hardly a satisfactory situation for Woolies with some 250 ePumps ready to go as soon as, and so long as the ACCC gives the plan the green light.

As this issue went to press the company was negotiating with the ACCC seeking a pre-decision conference at which it could have an opportunity to get the ACCC to change its mind.

For more information go to the Public Registers at www.accc.gov.au

See also our earlier on-line reports at

<http://www.ecommercereport.com.au/story71.php>

<http://www.ecommercereport.com.au/story69.php>

<http://www.ecommercereport.com.au/story52.php>



The ACCC has so far refused to approve the tap n go payment facility only available to holders of Woolies HSBC issued Everyday Money credit-card at Caltex/Woolies and Caltex/Safeways new ePumps

Federal Police confirm arrest over theft of 60,000 Bottle Domain customer records credit-card details

Australia's Federal Police have confirmed that a 22 year old Perth man has been arrested over the theft of Bottle Domain's entire customer database, including credit-card details.

An estimated 60,000 customer records were stolen, dating back to 2003, with up to 25,000 of the records including complete customer credit-card details.

Even worse, eCommerce Report has obtained convincing proof that the database was being offered for sale on an international hackers web-site.

Following a tip-off from an online forum we joined the hackers site, enabling us take a screen dump of the page seen here.

It shows convincing proof that the hacker had indeed stolen a database of customer records.

Federal Police have not yet indicated whether or not the database was sold.

But if it was sold, then a major credit-card security breach has been perpetrated and tens of thousands of Bottle Domains customers are at risk.

In response to eCommerce Report enquiries, Federal Police have however, provided details of the charges laid against the hacker, and his initial court appearance.

"The AFP can confirm a 22 year old Perth man was arrested and charged with Dishonestly obtain or deal in personal financial information under Section 480.4 of the Criminal Code Act (Clth) 1995.

The man appeared in Perth Magistrates Court on Tuesday 10 February and was bailed to reappear in court at a date to be advised.

The AFP is working in cooperation with industry stakeholders and the financial sector to investigate this matter.

As this is an ongoing matter it would be inappropriate to provide any further comment."

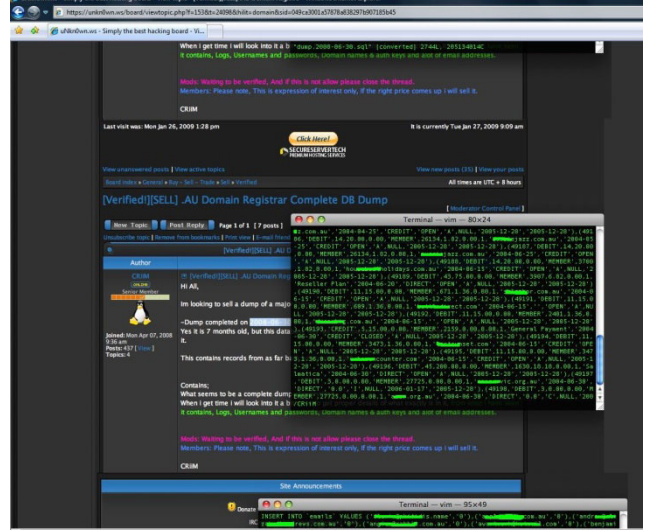
The man arrested, who is presumably the person with the tag name of CRiiM on the hackers web-site, says that he first downloaded the customer database seven months ago, although he didn't finalise the job until the 27th January this year.

He also says the records concerned go back to 2003. That suggests anyone who bought a domain name from Bottle Domains in the second half of last year will not be at risk.

But anyone who bought a domain name at Bottle Domains before that may well be at risk.

CRiiM's postings clearly indicate that a sale price of at least \$10,000 and as much as \$100,000 was expected.

In fact when other postings on the board suggested the price was too high, and that only perhaps 25,000 of the records included credit card details, CRiiM replied he thought the price was very low.



Bottle Domains customer database advertised for sale at <http://unkn0wn.ws>

He said the database included not only the details of all the Domain Registrars customers (including credit card information) but also domain name registry (i.e.) authinfo keys, and reseller user IDs and passwords. The situation has undoubtedly caused considerable concern amongst Australian Internet users and particularly domain name registrars and re-sellers.

Bottle Domains has published an announcement on its web site from **general manager, Andrew Stevens**, advising customers to re-set their passwords.

It also claimed that the hack only affected Bottle Domain customers, and that customers of other **Australian Style** group domain name businesses were not affected.

The announcement said that these other businesses including **Bottle, Domain Central** and **Explorer.Net**.

Steven's announcement appears to have been updated after it first appeared on the 9th or 10th of February, with the addition of a claim that the hacker had formerly been an employee of a competing Au domain registrar.

Stevens has not been contactable to substantiate his claim but a leading Perth based Au domain registrar contacted by eCommerce Report has denied that any ex-employee of theirs was involved.

However reports out of Perth suggest that the man arrested initially pointed the finger of blame at some one else, who he claimed had previously worked for an Au domain name registrar.

It isn't yet clear whether Federal Police place any credibility in that allegation.

The Bottle Domains hack story first came to public attention following a warning announcement published on its web-site by industry regulator - **au Domain Administration Ltd**.

For further information go to www.bottledomains.com.au www.auda.org.au

Reserve Bank U-turn lets Paypal keep ban on surcharges

A change of heart at the Reserve Bank of Australia (RBA) has allowed eBay subsidiary - Paypal - to keep its ban on surcharging.

News of the surprise decision was released today - Tuesday 24th February – following last weeks quarterly meeting of the RBA's Payment Systems Board (PSB).

The statement said essentially that Paypal was too small and unimportant for it to regulate on surcharging *"PayPal is a relatively small player in the online market – outside of eBay, most merchants are able to decline acceptance of PayPal if the benefits of accepting it do not outweigh the costs of the restrictions."*

"At this time, therefore, the Board is not convinced that the benefits of imposing regulation to remove the rule would outweigh the costs."

PayPal isn't completely off the hook, nevertheless, with the Bank warning that it could easily change its mind again, especially if PayPal grows.

"This assessment may change over time, particularly if the PayPal system grows significantly."

And the bank said PayPal understands it is on notice. *"PayPal has indicated to the Bank that it accepts that if it were to increase in size substantially, its no-surcharge rule would need to be removed for consistency with other payment systems."*

PayPal has helped the bank sell its policy U-turn by giving it some good news to announce as well as the bad. PayPal has promised *"it will not increase its standard published fees for eBay sellers for a period of two years."*

PayPal and eBay have also been let off the hook over eBay's policy of forcing sellers to accept Paypal. As we predicted, the RBA has decided that, formally speaking, eBay's auction business doesn't qualify as a "payment system."

So the RBA's Board has no regulatory power over it. *"The Board has also considered eBay's rule that mandates acceptance of PayPal by sellers on eBay. In the Board's view this rule, combined with the no-surcharge rule, is undesirable and limits competition between payment systems. While eBay itself is not a payment system, and thus falls outside the Board's regulatory powers, the Bank encourages eBay to reconsider its policies in this area."*

The RBA's statement also said it had looked at the alleged eBay ban on sellers telling buyers they prefer to be paid some other way than by PayPal.

It said that eBay had assured the Bank it doesn't have such a ban.

However the RBA said it would look at the issue again if it becomes obvious the company isn't living up to its promise.

Finally, the Board has been assured that eBay and PayPal's current 'no discouragement' rules do not prevent sellers from expressing a preference for an alternative payment system.

It will re-examine this issue if it becomes apparent that the 'no discouragement' policies are being implemented in such a way as to prevent sellers from exercising choice.

The RBA's decision not to act on any of the eBay and/or PayPal issues it was looking at is somewhat surprising, given its previous statements.

Last August it said that:

"Where no-surcharge and no-steering rules have existed in other systems, the Board has encouraged their removal on the grounds that these rules can diminish competition in the payments system. Consistent with this, the Bank will shortly be holding discussions with PayPal with a view to seeking the removal of these rules."

The U-turn is all the more surprising given that, following its December meeting, the Board gave no indication it was getting cold feet.

Indeed the December statement said the RBA was continuing its talks with Paypal, and specifically mentioned 'merchant restrictions' and PayPal's 'no-surcharge' rule.

But presumably the Board has discovered it has more important matters on its mind.

The Global Financial Crisis is one obvious candidate. So too is another controversial payments system reform, namely the introduction of direct ATM charges.

That latter reform, which is due to start in only a couple of weeks time, was supposed to stop banks from charging as much as \$2 per transaction for withdrawing funds through another banks ATM. But now some of the banks have said they're going to keep on charging foreign ATM fees.

That's hardly a vote of confidence in the RBA's reforms and indeed is a direct challenge to the authority of the Payment Systems Board.

For more information go to www.rba.gov.au



Telecom NZ closes Ferrit online shopping mall

Telecom NZ is closing its Ferrit.co.nz service, said to be New Zealand's largest online shopping mall. The shock news was announced via a corporate media release dated Monday 12th January, and has also been published on the home page at www.ferrit.co.nz.

It seems that the service was unprofitable and, whilst still growing in popularity, was unlikely to become profitable any time soon.

"Ferrit has continued to grow during the past three years but the current retail environment has meant the break-even point has shifted out a number of years.

The decision has now been made to refocus and resources will be directed to other areas," said **Alan Gourdie**, CEO of Telecom NZ's Retail business.

He added that Ferrit had helped spur the development of a local online and ecommerce sector.

"Telecom's aim in launching Ferrit was to help develop New Zealand's online retail market. Since 2005 we've seen a growth in retail adoption of online with many retail players adopting ecommerce and web capabilities."

Even so, Telecom NZ's decision to walk away from Ferrit is hardly a vote of confidence for online shopping across the Tasman and is particularly bad news for its participating retailers and its suppliers. Around a hundred local retailers had a presence with Ferrit which, although it enabled online shoppers to buy directly, also facilitated links to retailers own on-line stores.

Indeed, in retrospect, it might even be said that Ferrit's fees and charges encouraged participating retailers to direct shoppers to their own online stores rather than buying from within their Ferrit sub-site.

To have a shopping cart in their sub-site, Ferrit charged participating retailers a \$NZ250 setup fee and a three-tiered monthly fee. Small retailers paid \$NZ75, medium-sized retailers paid \$NZ199 and large retailers paid \$NZ499 a month.

Commissions of up to 8% were paid on each sale and cost-recovery charges were also levied on uploads of data and product details.

Participating retailers also needed to have a merchant account with Ferrit's bankers, the ANZ

With such steep fees it is perhaps surprising that the site didn't make money for Telecom NZ.

However the cost of providing the service may have been expensive, and particularly for the German developed ePages software believed to have been supplied by Australian company, **eCorner**.

Other Ferrit suppliers who will lose out from the site's closure include payments gateway, - **Direct Payment Solutions**.

For more information go to

<http://www.telecom.co.nz/ferrit/>

<http://www.telecom-media.co.nz>

\$1.7billion in gambling turnover at stake in Centrebet takeover bid for IASBet

Centrebet's \$20million hostile takeover for its rival, International All Sports (IAS) has underlined just how big Australian online betting has become. At least \$1.7billion in gambling turnover is involved, most of it wagered online and mostly in Australia.

But this takeover is as much a human story as a business story.

That's because whilst both companies are corporate bookmakers, listed on the **Australian Stock Exchange**, they are both very much still family businesses

Centrebet is really Sydney based trackside bookie, Con Kafataris and his family. His takeover target, International All Sports (IAS) is Mark Read's company.

Read is one of the colourful characters of Australian racing. He was originally a high-profile Melbourne trackside bookie before pioneering the move to corporate bookmaking in the Northern Territory.

The Read family still has a presence on the rails at Flemington, in the person of Read's daughter, Kathryn. She holds a Victorian bookie's licence in her own right.

That's what makes the hostile takeover of IAS launched by Centrebet recently, such a fascinating story. It's a battle between families as much as it is between corporations.

Moreover, the tactics are already dirty.

Read put IAS up for sale two years ago. He hoped to cash in to the tune of \$100million or more.

There were plenty of interested parties who signed the confidentiality and standstill agreements necessary to get a look at IAS books. And they included Centrebet.

But ultimately there were no offers and no sale.

So when Con Kafataris popped up with an offer worth less than \$20million, Read was clearly unimpressed.

IAS chairman, Barry Coulter, sent a letter to the Australian Stock Exchange, saying that Centrebet's bid "significantly undervalues the shares of IAS."

Read and IAS are clearly upset that Centrebet has used information given to it during the sale process to frame its bid.

The company has complained to the government's takeovers panel and appears set to try and fight off the takeover.

As a first step it has foreshadowed a 100% improvement in profits when its upcoming half-yearly results are released.

IAS would want to show a big profit lift. Centrebet's main argument why IAS shareholders should accept its offer is that IAS profit record is poor.

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\$1.7billion in gambling turnover at stake in Centrebet takeover bid for IASBet (cont)

By contrast, Centrebet has been quite profitable in the two years or so it has been listed company, with a pre-tax profit last year of just under \$15million.

However the relative profitability of Centrebet and IAS may ultimately be irrelevant if the big boys in the Australian market decide to take an interest.

\$20million would be virtual small change for market giants, TABCorp or the TATTs Group, and they may well be interested in buying out IAS at such a low price.

According to the numbers in the Centrebet offer, IAS has around 39,500 customers for itsIASbet.com and Canbet.com operations.

IASBet.com's core Australian wagering business is profitable, and turned over \$524million in the financial year to June 2008.

The Canbet business it bought in 2004 has however, been a lossmaker. Its internationally focussed business suffered from the US ban and it has still to recover, even though it appears to still be growing and turned over some \$214million last year.

IAS also owns the **Austote.com** operation licensed by the **Norfolk Island Gaming Authority**.

For more information go to

www.centrebet.com

www.canbet.com

www.iasbet.com

www.ckbookmaker.com

www.sportodds.com

www.austote.com

Wiki technology brings practical help to Victorian Bushfire survivors

Internet technologies couldn't help save 200 people from losing their lives to Victoria's bush fires on what has now become known as 'black Saturday' recently. Nor could they prevent 7000 people becoming homeless overnight.

The schools, kindergartens, churches, shops, police stations and other buildings that were completely destroyed in a few short hours would not have been saved by the smarter use or deployment of web 2.0 technologies.

Even more widespread use of the newest new thing - Twitter - wouldn't have stopped the destruction.

The fires were too big, too hot, and moving too rapidly for anything much to be able to be done, by anyone, anywhere - years of drought, unprecedented high temperatures and strong northerly winds combined as never before to generate awesome firestorms in the Victoria bush.



The Red Cross bushfire appeal graphic at www.Westpac.com.au

There is clearly a lesson there. On of them may be that whilst human technology is wonderful, and very powerful, ultimately, we all live at the whim of fundamental forces of nature.

Even so, Internet and online technologies have proved surprisingly useful in helping deal with the aftermath of that terrible afternoon and evening.

As this story is being written, more than \$100million has already been raised in donations, mostly collected online and via the official Federal and State government backed **Red Cross** appeal.

Other charities and organisations too, are using their own web-site and online services to raise funds for bush fire survivors such as the **St Vincent de Paul Society** - the Vinnies .

Some charities are using aggregated or peak body services such to raise funds online for their bushfire related appeals

Indeed the aggregated service at **ourcommunity** is currently hosting donations pages for 18 different online Victorian bushfire appeals, including specialist appeals related to kindergartens, wildlife, pets, bushfire research etc.

These various online donations pages are providing many Australians in other states and overseas with a real and practical way of helping.

Numerous other web-sites have also sprung up to help support the thousands who have lost everything in the fires.

Radio station and official emergency broadcaster, **ABC local radio 774 Melbourne**, via its web-site, had a message board set-up very quickly to handle the enormous influx of offers of material help.

But the board soon overloaded and once the Red Cross and its call centre became the officially-designated focus for all bushfire related information services, the ABC closed the board and handed off the task.

Even so, telephone based services aren't the only way to enable people to make and take advantage of offers of material help and support.

Indeed one enterprising and innovative approach that we here at *eCommerce Report* have been happy to endorse is a wiki hosted by the **Fitzroy Oxfam** group.

Like the most famous wiki of them all - wikipedia - anyone can put an entry into the bushfire support registry.

Continued next page.

Wiki technology brings practical help to Victorian Bushfire survivors (cont)

They don't have to register first, nor learn a sophisticated user interface, or plough through a complicated set of instructions.

You just do the obvious thing and either create an entry detailing your offer (and your contact details) or you create an entry detailing what you need.

Craig Reardon from theeteam.com.au set up this wiki.

And it really is a quick and simple service connecting survivors with those who want to help them.

There are other bushfire related online initiatives that have come to our attention and which we'd like to mention here.

The first is prompted by the fact that the picturesque and popular tourist town of Marysville is now almost completely gone and the local historical society has lost all their photos .

To help prevent its former glory from being too easily lost and forgotten, a web-site has been set-up on the free photography hosting service - **Flickr**.

Anyone with photographs of Marysville is welcome to post them to the special page you can find in the Groups section.

Finally, we'd like to mention a site being constructed to connect the small community who sent their children to the Marysville kindergarten.

Please enjoy the site but please also respect their privacy at this most difficult time.

For more information go to:

www.trianglefamily.com.au

www.flickr.com/groups/marysvillepre2009/

www.redcross.org.au

www.fitzroyoxfam.org.au

<http://bushfireaid.wikispaces.com/>

www.theeteam.com.au

<https://www.vinnies.org.au/onlinedonations/index.cfm?>

www.abc.net.au

www.ourcommunity.com.au

www.wikipedia.org



Retailers offer 8% gift card bonus on ANZ's smartypig.com.au redemptions

With 5% interest paid quarterly, Facebook and MySpace friends having access so they can pay in to your account, and "extra value" bonuses of up to 8% when funds are redeemed at a major retailer as a gift card, the ANZ Banks' smartypig.com.au is certainly different

No doubt the bank has high hopes it will prove very popular with the millions of younger Australians who spend a lot of their time 'hanging out' at social networking sites like **Facebook** or **Myspace**.

Responding to our enquiries about smartypig an ANZ spokeswoman said that the US developed service will be Australia's first online savings account that uses Web 2.0 banking technology and social networking sites.

"SmartyPig accounts currently offer an interest rate of 5%pa and family and friends can securely contribute to people's savings goal through the Australian SmartyPig website or via social networks like Facebook and MySpace.

The account is set up to help customers save for a specific goal and tracks their progress, providing electronic updates as they reach major milestones. As SmartyPig customers reach their savings goals they can also receive "value boosts" of between 4% and 8% from a range of major retailers, announced today, including:

- David Jones
- Myer
- Freedom
- Harvey Norman
- Virgin Blue holidays
- Rebel Sport
- Target
- JB HiFi
- Adairs
- Bunnings Warehouse
- BabyCo Direct

For example, when a customer has saved \$250, they can receive between \$10 and \$20 in extra value as gift cards from their chosen retailer. Customers can choose one retailer per savings goal."

It is just as well the spokeswoman provided this statement because when we last looked none of the financial details about the "value boosts" were provided at the official web-site.

So it isn't at all clear that extra value boosts will be, in fact, 4-8% increases in the value of funds redeemed as gift cards.

Continued next page

Retailers offer 8% gift card bonus on ANZ's new www.smartypig.com.au (cont.)

They may, instead, translate into discounts on normal prices or some other method of defining a "value boost".

A similar confusion surrounds the new "electronic gift cards" available as part of the ANZ's smartypig service.

It seems these are entirely virtual cards. And you don't even have to be a smartypig customer to buy one or even receive one. You just get it in your email. But it'll cost you at least \$10 to accept a smartypig.com.au gift card. That's because you have to open a smartypig account to access the funds and you need to commit to at least \$10 in a savings goal to open an account.

Indeed savings goals are the structural framework of every smartypig account.

That's because all smartypig users have to set a savings goal, with the minimum goal being \$250. They also have to set up a recurring direct debit facility that will regularly transfer funds into the smartypig account.

But what makes Smartypig unique, and innovative, is firstly, that savings goals aren't just monetary targets; they include what the money is for.

Or in other words, what the savers plan to do with their money, whether that's buy a new car, take a holiday, or pay for a wedding.

Secondly, every Smartypig.com user agrees to make their goals either public, or if not, then at least accessible to a group of family and friends.

That agreement, and providing distributed access to the users account via Facebook and Myspace brings it into the web2.0 and online world of the newer and younger generations

And it means lots of online chat and buzz.

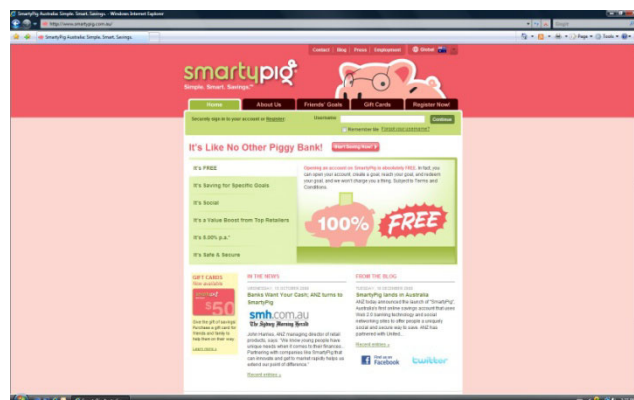
It doesn't take much to get people to talk about about spending money, whether on or off line.

That's why smartypig has been successful as a web 2.0 and social networking innovation - people love to talk about what they would do or buy if they had the money.

Even so, there are plenty of questions about smartypig.

It poses some intriguing regulatory challenges, particularly over the "value boosts" at retailers, the electronic or virtual gift cards that expire in just 90 days, and the fact that it costs recipients to accept those virtual gift cards.

Another noteworthy aspect of Smartypig is that the US bank standing behind it in the US, is West Bank - a very, very small bank, even by Australian standards. To get an idea of just how small it is, the West Bank, which is headquartered in Des Moines Iowa reported a profit of just \$US2million in the latest quarter. So the ANZ has taken some level of risk in becoming associated with this product.



ANZ's new www.smartypig.com.au savings service

Of course, as they've demonstrated with their recently released Account Aggregation product – Money Manager, the ANZ has a much bigger appetite for these technological risks than other local banks.

Moreover, there is a converse risk of not getting on board with these types of new products. That is to risk becoming seen in the marketplace as out of touch with the new generation of banking customers who are very happy to talk, date, bank, shop and live online.

Credit therefore to the three ANZ bank staff listed on the smartypig.com.au web-site executives of the new business.

Mandy Simpson

Mandy Simpson is currently GM, Deposits for ANZ where she is responsible for the development, pricing and distribution of ANZ's savings, investment and transaction products.

Mandy has most recently worked as Head of Finance and Strategy for Banking Products ANZ and was also the Managing Director of ANZ Samoa.

Sam Plowman

Sam Plowman is Head of Online Banking at ANZ. Before joining ANZ in 2008, Sam held a senior role with Fairfax Digital.. He also established the first centralised online sales team for Sensis in his role as Group Manager of Online Products.

Anand Thomas

Anand Thomas serves as Head of Strategy and Business Development of ANZ Online Banking.

For more information go to

www.smartypig.com.
www.smartypig.com.au
www.facebook.com
www.myspace.com
www.westbankiowa.com

New online advertising figures suggest trouble ahead for Seek, Carsales, Trading Post

Online advertising continued to grow in the last quarter of 2008. But growth is slowing and spending on classifieds online is already falling. These are the headline stories from the latest official industry statistics released this week by the **Interactive Advertising Bureau (IAB)**.

Google continues to dominate the online advertising landscape, as does spending on search engine advertising generally.

Paul Fisher, CEO of IAB Australia, said the results demonstrate growing confidence in online advertising.

"...[O]nline is now seen by a growing number of marketers and agencies as a 'core' advertising medium, and they are continuing to shift their investment where they can more cost effectively reach and engage their consumers with their brand and direct response messages."

"...[W]e expect this shift to online expenditure will continue and quite possibly surpass \$2 billion by the end of the calendar year."

Fisher's comments were echoed by **David Wiadrowski from PwC**, who compile the Online Advertising Expenditure Report for the IAB.

Wiadrowski is PwC's lead partner for technology, entertainment and media, and said that there had been "exceptional growth" in both the search and general display areas given the general economic difficulties of recent months.

"However signs of the economic slowdown have impacted the classified market during the quarter."

Indeed the falling spending on classified ads online is perhaps the biggest story arising out of the latest figures.

That's because they show the boom times are well and truly over for specialist online classified advertising businesses like **Seek**, **Realestate.com.au** and **Carsales.com.au**.

According to the report "Recruitment continues to be the leading category for Classified Advertising expenditure, followed by Real Estate, then Automotive."

The total online classified advertising spend dropped by around 2% in the latest quarter with the December quarter spend of \$108million even less than the \$111million spend recorded in the June quarter of 2008.

However the picture for online advertising overall was much brighter, with search and directory advertising up more than 5% in the December quarter to some \$224million.

General display advertising too, was still healthy in the latest quarter, growing \$5million to a total of \$130million.

The IAB's report also provided an intriguing breakdown of spending on general display advertising by the different industry sectors.

It showed that car makers spend more than any other single industry on general online display advertising (i.e. banner ads and the like).

The car manufacturers bought more than \$14million worth of online display advertising in the December quarter (down from \$17million in the September quarter).

Phone companies were the second biggest buyers of online display advertising, spending just over \$8.6million.

Banks and finance sector companies together, spent the most overall, at \$27.6million, with credit-cards the main source of their spending (\$7.6million).

For more information go to www.iabaustralia.com.au



Online market leadership doesn't protect EzyDVD from collapse

One immediately obvious lesson from the collapse of DVD retailer, ezyDVD, last month is that online market leadership doesn't necessarily translate into commercial success.

That point is underlined by the release this week of Hitwise data showing www.ezydvd.com.au as being the clear market leader amongst online video and games retailers in Australia. The site is thought to have attracted around 40,000 consumers every day. Of course, ezyDVD wasn't just an online retailer; the company also owned and operated some 25 stores around Australia, with a further 30 or so stores operated under franchise.

Slowing sales in the stores, rather than slowing online sales, was probably the main reason why its bankers, the **Commonwealth Bank**, decided to call in the receivers **Ferrier Hodgson** just before Christmas.

But the main reason for the collapse hasn't yet been revealed and may never be known.

The receivers said only that the slowing sales compounded an already delicate situation arising from high existing levels of debt and trading losses. In any event, the company has now been sold to the **Franchise Entertainment Group** (best known for their **BlockBuster** and **Video Ezy** operations). Media Reports this week indicated the sale involved the EzyDVD brand, the online business and the franchise network along with stock and equipment and 11 company-owned stores.

Continued next page

Online market leadership doesn't protect EzyDVD from collapse (cont)

But 15 non-profitable stores have been closed while the distribution facility and head office in Adelaide will also close within three months.

EzyDVD, which began trading in 1999, is thought to have had revenues of up to \$100 million a year. One media report suggested it had been sold for around 10% of that namely \$10million, but that hasn't been confirmed.

Nor has there been any confirmation of any future for a planned ezydownload service that the company was working on.

Ezydownload was to rival **Telstra Bigpond's** download movies service, and was created out of the ashes of the failed company **ReelTime**.

EzyDVD founder, Jim Zavos, was involved with both companies. But last year, despite Davos having reportedly said ezyDVD spent a million dollars in development of ezydownload, the launch of the service was deferred.

For more information go to www.ezydvd.com.au

Hitwise Australia - Top 10 Video and Games Websites For the week ending 10/01/2009

This list features the most popular websites based on Australian Internet usage for the week ending Jan 10, 2009, ranked by market share of visits across the Shopping and Classifieds - Video and Games industry.

Rank	Website	Market Share
1.	www.ezydvd.com.au	11.04%
2.	www.ebgames.com.au	7.82%
3.	www.jbhifionline.com.au	6.90%
4.	www.quickflix.com.au	4.44%
5.	www.abcshop.com.au	3.78%
6.	www.sanity.com.au	3.76%
7.	www.bigpondmovies.com	3.69%
8.	www.borders.com.au	3.54%
9.	www.videoezy.com.au	3.37%
10.	www.cduniverse.com	3.28%

Note - the Hitwise data featured is based on Australian market share of visits, which is the percentage of online traffic to the domain or industry, from the Hitwise sample of 2.95 million Internet users in Australia. Hitwise measures more than 1 million unique websites on a daily basis, including sub-domains of larger websites. Hitwise categorises websites into industries on the basis of subject matter and content, as well as market orientation and competitive context.

Source - Hitwise - 10/01/2009 - based on market share of visits.

<http://www.hitwise.com.au/datacenter/retail/rankings.php>

Wotif.com defies downturn, reports improved profit

eCommerce business models may prove to be more resilient than many others in a global recession if the latest results from Brisbane based Wotif.com are anything to go by.

ASX listed Wotif reported increased sales, improved margins and half year profit up 21% in its latest results released on the 18th of Feb 2009.

Even more surprising the online accommodation booking company reported room night sales continuing to grow into 2009.

Wotif.com told the ASX that room night sales were up 33% on the previous years figure for the period from 1 January to 16 February 2009.

Of course, Wotifs latest figures reflect the benefit of acquisitions, including Travel.com.au and Asia Web Direct over the last twelve months.

So their raw sales would be expected to be up significantly on the previous year.

But even the wotif.com site was showing increased room night sales volumes, up 12% during 2009 to date.

So clearly, the almost wholly online business model the company uses to sell accommodation is continuing to prove attractive in the marketplace.

Wotif group managing director and CEO, Robbie Cooke said that the company's continuing extensions to the booking window offered to customer was undoubtedly helping.

Customers can now book accommodation up to three months in advance. Previously the booking window was just 28 days. And, of course, when wotif.com started out the booking window was only a week.

"The Wotif.com business model continues to demonstrate its resilience in these tougher economic times" said Cooke, adding that "customers are very focussed on deals and are coming online to find them."

Remarkably, Wotif's booking data suggests that, although the company is benefiting from Australian doing their leisure travel at home rather than overseas, room booking patterns have remained largely the same, even as the numbers have grown.

From an investor standpoint, nevertheless, the successful integration of its recent corporate acquisitions have broadened its revenue sources, and given Wotif a more diversified product and service range.

With travel.com.au the company gained a foothold in the market for airline ticketing and rental cars, and also with travel packages and tours.

Its Asiawebdirect acquisition also broadened its customer and supplier base to include Asians and Asian operators.

For more information go to

www.wotif.com

www.asiawebdirect.com

www.travel.com.au

www.lastminute.com.au

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