Local Ecommerce Reveals the Secrets to Regional Growth

Will 2011 be remembered for the moment that many of our regional communities began their long term decline? Queensland’s recent natural disasters have pushed some communities to the tipping point. Local Ecommerce provides a once in a generational opportunity to secure the regional future for our children and our grandchildren. Do we have the ability to embrace this opportunity or will we contribute to the decline of Regional Queensland?

The future of the Australia’s regional identity and vitality will be determined by our ability to replace the diminishing rural employment with new families who can secure well paid local jobs. This will be underpinned by retaining the vibrancy and profitability of businesses within our regional centres and adjacent towns…and the internet is going to be critical to achieving this goal. To thrive and prosper in the future we should facilitate:

- Innovation as a competitive advantage
- Multidisciplinary and technology convergence
- Education, creativity and access to the internet
- Sustainable growth through ongoing private sector investment
- Competitiveness through the integration of Government programs

Australians and Social Media

A recent report, the Sensis Social Media Survey “What Australians Are doing with Social Media” (May 2011), found that 63% of internet users have a presence on social networking sites such as Facebook, Twitter, MySpace or LinkedIn. Facebook (see later) dominates the social media space capturing 97% of social networking users and 60% of all internet users. It is used by more tan 90% of social media users from both sexes and by all age groups, with average users spending more than five hours a day on the site.
This is significant in the context of this paper which is highlighting the opportunities for local communities to leverage these phenomena as a genuine e-commerce drive in order to build communities in regions. The vast number of people using social media indicates a huge opportunity for brands to connect with people. It is also a huge opportunity for local e-commerce to build relationships for commercial purposes.

Some highlights of the findings are:

- 79% of respondents said they used social media every day
- 100% of respondents aged between 14-29 accessed the internet
- 62% of internet users use social networking sites most days with roughly a third use every day, with most of the balance using it at least a few times a week
- 12% of social media users access group buying sites with the 40-49 olds most likely to do so
- Facebook and LinkedIn are the most frequented social media sites

Internet shopping

Internet shopping has been in the news of late for all the wrong reasons. Too many entrenched traditional businesses – particularly retail have bemoaned the rise and rise of internet shopping. Once again, this should be viewed as opportunities in the context of regional Australia. Consider the following statistics:

- EBay Australia has 8 million registered users. 11 years ago it was an auction site...now 59% of global sales are fixed price business to consumer operators.
- Australian retailers have been slow to service online when compared to other countries. Consider too the following data;

Retail Spend Online....

- Australia 4-5% (40% spend overseas)
- US & UK 7-8%
- The Future 50% retail online?

Australia 2010 – 2014: Annual Growth Rate

- Online 15.4%
- Print 1.9%
- TV 3.9%

(Source: PriceWaterhouseCoopers' Media and Entertainment Outlook 2010 – 2014)

Meanwhile, online retail entrepreneur Paul Greenberg, founder of Deals Direct believes online retail is rapidly heading towards 7-8 percent of retail sales. He says “There is no doubt that online will play a crucial role in the Australian retail sector. Already shoppers use online research before they purchase.”
Online advertising is only going to increase. Executive director of the Australian Retailers Association, Russel Zimmerman says an increasing number of his members are moving online, indicating that 60 percent of our small retailers have indicated that they are looking to establish an online presence.

Not surprisingly the ‘pure’ online retailers are flexing their new found muscle. In the US, Amazon acquired e-commerce site Zappos for USD$807m. Amazon is a leading global online company and one of the most trafficked Internet retail destinations worldwide. It directly sells, or acts as a platform for the sale of, a very broad range of products, including books, music etc. Zappos is an online retailer specializing in shoes. In addition, they sell handbags, clothing, eyewear, watches and accessories.

Mr Greenberg says Amazon are the industry standard. “You would have to argue they are one of the smartest online retailers.” He believes Amazon’s acquisition of popular e-commerce site Zappos is an example of how big online retailers are scooping up smaller rivals to tap into their energy. Zappos built a reputation for excellence in customer service experience.

He says the Australian online industry is not as mature as that of the USA. “The offline retailers are forward committed to their physical model for decades. But they have a fantastic opportunity to leverage their off line businesses.”

**High Speed Broadband a.k.a. NBN is a game changer**

If there was any doubt about increased usage of the internet the NBN has assuaged such fears. Despite the political debates, the NBN is a game changer in terms of what will be facilitated online. According to a recent article in *The Australian* (Mitchell Bingemann; August 10), a conference heard that technology increasingly makes it easier to connect business to customers and vice versa. The point stated was that when you build something so enabling as high-speed broadband and make it pervasive and consistent across the country, it will change the dynamics of business and the services that government can deliver.

*Business and consumer internet usage in Australia is forecast to increase sixfold by 2015 as the number of devices connected to the web surges towards 84 million.*

According to a report from network vendor Cisco, by 2015 the amount of internet traffic passing through Australia will hit the 6.2 exabyte mark, which in storage terms is the equivalent of two billion DVDs.

Cisco said the expected increase would largely be driven by consumer and business demand for high-definition video, which is expected to make up 81 per cent of consumer internet traffic by 2015.

That traffic growth will be spurred on by a surge in the number of Australians connected to the internet. Clearly, the increase in internet video traffic highlights that Australians are seeking more visual, virtual and mobile internet experiences.

This has implications for key industry sectors such as education, retail and entertainment and how they may consider creating more interactive, engaging learning, shopping and social experiences for Australians.
Online Video
As noted above video is surging: it’s “cheap as chips...and just as popular”. Video capability was the fastest-growing website feature for small-business advertisers in 2009-10, with one in five hosting website video by the end of the year, according to a study released last year by Irvine-based WebVisible.

Research shows that more and more internet users are making and viewing video clips for all sorts of purposes; YouTube is an obvious example.

YouTube is gigantic; claiming to serve two billion video views per day. So big has t become that Google (the owner of You Tube) has actually started to build it into the algorithm.

Additionally, video advertising is the fastest-growing form of online advertising. On just YouTube alone, the number of advertisers rose tenfold in the past year (2010).

Facebook : The Social Media Giant

With more than 750 million active users Facebook has taken Social Media from a curiosity to a business tool, alongside smartphones and computers. Consider that:

- 50% of active users log on to Facebook in any given day
- Average user has 130 friends
- Users spend on average 55 minutes/day on Facebook
- There are more than 250 million active users currently accessing Facebook through their mobile devices.
- People that use Facebook on their mobile devices are twice as active on Facebook than non-mobile users.

What this has done, in effect is move marketing from a Marketing 1.0 single channel platform to Marketing 2.0; a two-way channel - “moving from transactions to relationships & reputation”.

Local search – Local Communities

These days, smart phones of all shapes and forms are selling like hotcakes. Mobile Internet use is growing strongly and new kinds of devices like tablets with built in 3G connectivity are also becoming popular. Mobile service providers appear to have responded to the challenge of this increased mobility not just by providing broadband internet access to mobile handsets and smart phones but also by providing application functionality, such as the application stores which enable consumers to directly download the applications of their choice to their handset.

Examples include Apple’s App Store and Nokia’s Ovi application store. New generation handsets with larger screens are also making it more practical for users to browse internet sites successfully from their mobile handset or device.
US research firm comScore reported that April data showed that mobile browser usage (as a share of US mobile subscribers) increased from 28.6 percent to 31.1 percent over the first quarter of 2010 and that downloaded apps surged from 26.6 percent to 29.8 percent. In Australia the increased availability of internet-enabled mobile phones is changing the dynamics of internet use as noted earlier in this paper.

With the growing availability of larger-screened devices like smart phones and tablets, participants in the mobile marketing ecosystem are learning to understand the potential of engaging an audience using larger, rich media formats that were once not available on the more limited screen of earlier generation mobile phones and first-gen smart phones.

**Convergence and its impact on local ecommerce**

The trilogy of Local Search – Social Media – Mobile Access is powerful driver in connectivity. With 62% of Australian Internet users use social media (Facebook, LinkedIn, Twitter, MySpace) and a rapidly growing uptake of smartphones, it is an opportunity for otherwise isolated communities to ride the convergence wave.

The recent *Telstra Smartphone Index* released by The Nielsen Company revealed some compelling findings, including that the Australian mobile population is becoming increasingly sophisticated. 46% now own a Smartphone, up from 36% in 2010. It is expected to reach 60% in the next 12 months.

- More Australians are using the internet on their mobile phone. 60% have ever accessed the Internet on a mobile phone up from 56% in 2010.
- 61% of Smartphone Internet Users are accessing Mobile Internet on a daily basis, up from 53% in 2010.

The other data was that there was a significantly higher penetration in Metro areas (52% vs. 34%) when compared to penetration non-metro areas). Does this present as an opportunity?

- Smartphone Ownership from 36% in 2010 to an expected 60% for 2012.
- Three in five of the Mobile Phone Population have used Mobile Internet and 46% of the mobile population are Smartphone Owners and.
- 90% of Smartphone Owners have accessed the Internet on their mobile phones.
- More than a third has participated in mobile commerce in the past 6 months...
- 45% have done so 3 or more times
- 31% have done so 5 or more times
- 13% have done so 10 or more times

The most common product categories for purchase are mobile-centric such as applications and mobile games; however 25% have made other non-mobile items (from clothing, fashion accessories, books, tickets – to food and consumer electronics.

Mobile pre-shopping on the rise with 47% of Smartphone Internet users have ever used mobile internet to find out more about a product or service to support a purchase decision (up from 40% in 2010).

**Location based marketing**
The rise and rise of deal-of the-day services (mostly by Smartphone), social media businesses around the globe has sparked a new round of start-ups and spin-offs. In the USA, FourSquare, as a case in point, is a location-based social network/mobile application where users “check in” at venues on their iPhones, BlackBerrys, Android and other smart phones to share with friends via mobile updates, or updates to their Twitter and/or Facebook pages.

In Australia, a number of start-ups, including social networks Myzerr, RushCrowds and Roamz, have been developing location platforms. Facebook recently announced its new ‘Places’ feature has launched in Australia, with users now able to use the site’s iPhone app to “check in” to a location and see where their other friends are located.

FourSquare works by having businesses and other shops register a profile. Once registered customers can then check in to those locations and tell their friends where they are and what they’re doing. Businesses can also promote deals and discounts over the FourSquare app, drawing in new people. A business participating may, for example, put up a profile saying “every second check-in receives a 10 percent discount”, which any customer can see on the app.

This type of service is a response to the turbo-charged growth of deal-of-the-day operators such as Groupon and Living Social. Commentators are now pointing to this new service as the next “big thing” and evidence of a growing trend towards location-based marketing.

Slade Sherman, founder of internet company Myzerr, agrees. The Australian social media company has developed a platform called CrowdSauce.com which allows users to search for businesses and then request a deal from that business using the ‘Reward Me’ button on the website or Location Aware iPhone application.

Businesses can view their crowd to see the number of people who request a deal from their business. In short, CrowdSauce connects business with their loyal customers who have asked for a deal from their store.

Sherman says “It’s like traditional reward programs but (on) a social media platform.” He says it’s a service that offers advantages over the now established deal-of-day model. “There are so many deals out there; but not necessarily a lot in your area. Deal-of-the-day sites send you a deal they want to sell you; our approach is to source deals for you based on what YOU want.” This is contrast to the deal-of-the-day approach of blasting a single deal to a large database.

“You can walk down the street, open up the app and it shows all the businesses that have deals there. And I think that’s going to happen more,” he says.

“This (location based social networking) brings people together in local areas. Take for instance a person in Bondi (who) might know a good wine bar. Online you can share this information with your friends. Once a user requests a deal they have the option of setting up a virtual ‘Flash Mob’ to invite friends to also ask for a deal from that business, thus building the crowd around popular businesses.”

With new players in the deal-of-day phenomenon opening up shop almost every other week, businesses could well be suffering inundation. Sherman, 36, has 15 years experience in the coupon marketing industry, co-founding The Rewards Factory, a coupon promotion company. At the end of
2008 he set up MyZerr motivated by a desire to “help people to help each other, especially enabling users to contribute free content and for communities to collaborate for the collective good of those communities.

He notes that Wikipedia as an example of this very process. As a small business, why wouldn’t they make use of a service that enabled them to promote products and goods to the local community if it was free and assisted with connecting them to more customers?

As the crowd for businesses grow, those businesses will have the option of promoting deals to their crowd and active users in the CrowdSauce network will also be rewarded with additional incentives and benefits. Thus, when a user checks into a business’s location a notification goes out to all of that person’s contacts. That’s social promotion and advertising that you can’t buy!

In effect, a profile can be like a second webpage for a business, and can act as another online hub for customers. Here, FourSquare is the default app for location marketing. Businesses only need to go to their website and register their location. The business owner would probably add some details about the business - a description and perhaps opening hours. Sherman, speaking for his CrowdSauce application says “What location does is quite amazing – it has the potential of taking online traffic and turn it into traffic for physical stores.”

Conclusion

The FourSquare illustration of the effect of this convergence is very much an urban phenomenon; it relies on a ‘crowd’ of qualified leads (members) being sufficiently motivated to participate in an offer. Smaller communities however can be enablers of such convergence opportunities. The potential for regional communities in the sense that the intensity isn’t as much as metro areas but the ubiquitous take up of this new personal technology creates new opportunities for local business everywhere. If anything there is much more upside in non metro areas given that they are starting from a lower based. Indeed, the NBN rollout is actually favouring non metro areas in terms of population density.

What the data is telling us is the convergence has no boundaries; that after all is why it is such an exciting, nascent opportunity for non urban areas which traditionally felt they are disadvantaged by the tyrannies of distance and demography. Watch this space!...for more information visit www.localvitalplaces.com.au

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