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High-speed internet sees retail minnows trampled

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PAYMENT processing group Tyro has warned the Productivity Commission that the increasing use of smartphones and high-speed internet will allow major retailers to increase their market dominance by using digital marketing.

In a submission to the commission's inquiry into the future of the retail sector, Tyro chief Jost Stollmann called for regulatory action to prevent major banks and retailers from selling "bundled" products, saying the arrangement was anti-competitive.

"For the retail community to survive in this new, media-rich and interconnected digital world, a vigilant regulator and competition authority is required so big banks and big retailers will refrain from discriminatory behaviours and anti-competitive bundling opportunities made possible by the new digital environment," he said.

Mr Stollman said loyalty programs operated by the larger retailers gave them a head start in convincing customers to buy other products such as financial services. "The increasing preponderance of smartphones and ever-present broadband access allows the big retailers to deploy customer engagement strategies bundling financial and marketing services capabilities," he wrote in the submission.

"The dominant retailers have embraced the opportunity to use this new, media-rich and multi-channel digital environment to aggressively compete and to significantly grow their market share" at the expense of small and medium enterprises.

He said the major retailers had amassed data on millions of customers through their loyalty card programs which allowed them to send personalised messages based on past purchases.

"The lack of transparency created by loyalty, bundling and finance offers erodes the market share of the SME retail community and protects against new competitive offers and competitors," he wrote.

Smaller retailers could not match the majors in terms of technology and lacked the ability and investment capacity to bundle financial services such as credit cards into their product range, he said.

Tyro has attempted to market similar capabilities to the small and medium enterprise sector, but has found it difficult to build a portfolio of merchant clients.

"If one believes that innovation in payments is a critical factor in retailers' survival into the digital future, the barriers to expansion for a new entrant into the Australian payment system have to be flattened," he said.

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