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PAUL JOHNSTON, RBC CAPITAL MARKETS

# Electricity rebates power retailers

ANDREW WHITE  
ENERGY

It is costing almost \$100 million in revenue this year, but the market is interpreting a round of rebates offered to energy consumers in Victoria as good news for the big energy retailers.

Analysts suggested the rebates for customers on standing offers in Victoria indicated the industry was likely to avoid threatened re-regulation to deal with soaring electricity prices.

Shares of AGL Energy and Origin Energy — two of the big three, alongside the unlisted Energy Australia — rose yesterday, as did the prices of APA, Spark Infrastructure and AusNet Services, which operate gas and electricity distribution businesses.

A review of the electricity sector by former deputy premier John Thwaites in August found prices have soared since the sector was deregulated in 2008, and sparked moves by the Andrews government to force retailers to supply more affordable basic services.

In deals offered over the weekend, the big three retailers have agreed to significant rebates for standing-offer customers and some expired market-offer customers from January next year.

About 285,000 customers will receive a rebate of \$250-\$440 a year.

AGL said it would offer a 10 per cent discount on current usage and supply charges for customers who had been with the company more than two years.

Origin said it would fully offset an upcoming 14.4 per cent hike in its electricity prices from January

for concession and non-discounted customers.

Other customers would save 5 per cent of the planned 14.4 per cent rise.

RBC Capital Markets analyst Paul Johnston said that the \$345 midpoint of the savings brokered by the Victorian government equalled \$98m of revenue/EBITDA across the big three retailers.

The offers come as the companies await the Andrews government's formal response to the Thwaites report.

"We suggest that given this announcement the Victorian government is likely to stop short of re-regulating retail gas and electricity prices — this agreement has likely to come about to avoid the re-regulation of retail prices," Mr Johnston wrote in a note to clients.

"We estimated the full impact of re-regulation of electricity prices in Victoria on AGL would be about \$75m per annum. So this rebate agreement appears to have a less significant impact than complete re-regulation but nonetheless it is likely to be material."

The offers also follows pressure from the federal government for the companies to provide better information and offers and for customers to shop around for better offers.

AGL shares rose 32c to \$24.22. Victorian network operators Spark Infrastructure rose 4c to \$2.62 and AusNet Services was flat at \$1.82. APA Group rose 6c to \$9.01. Origin Energy, which is outside the index sector because of its large gas export operations, rose 1c to \$8.59.

ALAN KOHLER P29

# BUSINESS

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19

## Chinese visitors make most of gifts



HOLLIE ADAMS

Husband and wife co-founders Joshua Zhou and Lyn Zheng in their AuMake store near Sydney's Town Hall

GLENDIA KORPORAAL  
RETAIL

AuMake chief executive Joshua Zhou was putting the finishing touches on his new store opposite Sydney's Town Hall at 8.30 on Sunday night when a group of Chinese tourists knocked on the door.

"I told them that we were not opening the store until Monday morning but they insisted on coming in," Mr Zhou told *The Australian* yesterday.

"They said they were going back to China in the morning and were looking for gifts to take back home. There were four of them who came in and they bought more than \$2000 worth of goods."

ship store yesterday. Aimed at servicing some of the 1.3 million Chinese tourists now coming to Australia each year with Australian-made goods to take home, the flagship store is brightly lit with lots of white shelving and green signs and an eye-catching video playing at the front door.

It contrasts with the low-budget looking very traditional Woolworths store on the corner. Mr Zhou said the Chinese tourists who came into the store on Sunday night bought Ugg boots, skincare products and health supplements.

The store features goods from Blackmores, Bellamy's Organic, Swisse, A2 Milk, Devondale, Aptamil, Nutralife, OzFarm and Manuka honey.

Listed on the ASX in October, AuMake International is aimed at servicing Chinese tourists and more than 40,000 Australian-based Chinese daigou sending

local goods to friends and family back home.

The Town Hall store is its sixth in the Sydney area and its modern appearance sets the tone for future stores to be rolled out over the next few months.

The store, which promotes itself as "living for wellness", has Mandarin-speaking staff and several different types of Chinese payment systems including WeChatPay, Alipay and Chinese credit card company Union Pay.

It also features a wrapping section that can pack and send the goods direct to China if people don't want to carry them home.

Yesterday's launch was also videoed by Chinese online platform Yizhibo, which AuMake chairman Keong Chan estimated would be seen by three to five million people in China.

Based in western Sydney, Mr Zhou worked in the travel busi-

ness, helping Chinese tourists coming to Sydney, before deciding to open a store run by his wife Lyn Zheng to provide the kinds of Australian products that Chinese tourists wanted to buy.

He and Ms Zheng set up five shops aimed at Chinese buyers before joining with Perth-based businessman Keong Chan to list on the ASX to raise more capital to expand the business. Mr Zhou says the \$2000 he took in on Sunday night was good business but it was not a surprise.

"We had visits from two Chinese delegations to our Pitt Street store a few weeks ago and they spent \$15,000 in one day," he said.

He said Chinese customers were often prepared to pay a higher amount in Australia to buy goods that they trusted to be genuine because of problems with fake goods sold online in the past.

## Deutsche survey backs turnaround at Woolies

**SUPERMARKETS:** Woolworths' turnaround looks set to continue, with further room for growth identified in Deutsche Bank's latest annual Battle for Baskets survey.

Coles has been the primary victim of the Woolworths resurgence but IGA and Aldi stores have lost customers too, with the relaunch of the Woolworths loyalty program spurring the latest improvement.

"Our survey suggests that consumers are willing to consider making Woolworths their primary supermarket if they see continued improvement in execution, and all of the feedback we get from our channel checks in the industry is that Woolworths' execution is continuing to improve," Deutsche Bank research analyst Michael Simotas told *The Australian*.

"There are certainly a larger number of customers this year who will consider making Woolworths their primary supermarket than what there were last year."

This year's report, which surveyed 2400 shoppers, found the loyalty program was the most important reason for choosing Woolworths for 10 per cent of shoppers, up from 6 per cent last year. Seventeen per cent of Coles shoppers rated the Coles loyalty program as their most important reason.

"With a significant divide remaining between the two, Woolworths still has significant potential in this area to at least catch up to Coles," the report said.

Mr Simotas said the other

area where Woolworths could continue to gain market share was in the fresh produce and meat categories where specialists still occupy a large market share.

Coles and Woolworths would likely continue to dominate when Amazon launches in Australia because of their store networks, brand perception and access to supply, Deutsche said.

Eighty-four per cent of respondents said they did not currently shop online, but of that group, 43 per cent said they would be interested in purchasing from Amazon. But 33 per cent of shoppers who shop online said they would not purchase from Amazon because they value the brands and in-store experience offered by bricks-and-mortar supermarkets.

"If you look around the world at more developed online grocery industries, the UK is a good one to look at because it is quite developed, the incumbent grocers tend to have larger online businesses than the pure online operators do and I'd expect that to be the same in Australia," Mr Simotas said.

"The major supermarkets' own online businesses will also continue to grow."

Woolworths posted a 3.6 per cent fall in full-year net profit of \$1.42bn and a 3.7 per cent revenue rise to \$55.47bn for the 2017 fiscal year.

Reported profit was \$1.53bn, a significant improvement from a \$1.23bn loss the prior year, due to billions in writedowns and impairments.

SAMANTHA WOODHILL

### Coles' advantage relative to Woolworths



## Downer upgrades profit outlook