

# ONLINE BUSINESS INDEX

AUSTRALIA • MARCH 2012

## Getting mobile

The race is on to adapt to mcommerce

## Ahead of the curve

How our top sellers are winning in retail

## Future confidence

eBay's top sellers expecting significant growth

## A new retail landscape

Find out what's shaping the way we shop



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2012 will be the tipping point for mobile shopping in Australia

**SURVEY  
METHODOLOGY**

The *Online Business Index* is a major survey of Australian businesses engaged in online retail. Launched in 2010, the Index is now in its third year.

The survey's aim is to provide insight into the experiences of online businesses on eBay, and to reflect any changes over the previous 12 months. It is sent to the 3,000 sellers who register the greatest sales volume on the Australian eBay site, eBay.com.au

In 2012, 387 sellers with annual sales ranging from \$67,000 to \$4.7 million responded to the survey.

Market researchers Stokes Mischewski conducted the survey between 16 December 2011 and 11 January 2012.

The *Online Business Index* is produced by Businesswriters & Design for eBay.

**HAVE  
YOUR SAY**

The *Online Business Index* provides an insight into entrepreneurial businesses. But it also provides this increasingly important sector in the Australian economy with an opportunity to express their views.

Thank you to all business owners who contributed to this edition of the *Online Business Index*. If you believe there are issues it should canvass, we'd be delighted to hear from you. Please email us at: [mediaaustralia@eBay.com](mailto:mediaaustralia@eBay.com)

# A NEW RETAIL LANDSCAPE

For the third consecutive year eBay has surveyed its top 3,000 sellers in Australia to gain an insight into their world of commerce. What this year's *Online Business Index* clearly reveals is that while 2011 was the tipping point for online shopping, 2012 will be the tipping point for mobile shopping in Australia.

With further data from Forrester Research suggesting that Australian online retail sales will increase from \$29.7 billion in 2011 to \$34.8 billion in 2013<sup>1</sup>, the impact on Australia's retail landscape appears irreversible.

Innovations in mobile technology, changing consumer behaviour, and the willingness of retailers to incorporate a multi-channel sales strategy are providing significant growth opportunities for the retail sector, and the findings of the 2012 index reflect these shifts.

In Australia six in every 10 online shoppers shop on eBay, which explains why the top 2,000 businesses on eBay.com.au experienced phenomenal growth in 2011, their turnover on eBay.com.au growing by 45% in 2011. eBay's 'millionaires' club<sup>2</sup> has also grown with 157 businesses achieving sales volumes of greater than one million dollars last year, up 31% since 2010.

The 2012 *Online Business Index* shows eBay retailers expressed significant levels of confidence about their future. Fifty-six percent of businesses expect their eBay sales to grow in the coming 12 months, thanks to growing consumer demand.

## The move to mobile

This year's *Online Business Index* research also vividly demonstrates how our business partners are responding to the changes in technology that are having an impact on retail. Overwhelmingly, eBay.com.au's top businesses are embracing the idea of mobile technology to boost their business prospects.

Recently, Nielsen reported that the number of smartphone subscribers using the mobile Internet had grown by 45% in just two years<sup>2</sup>. eBay research revealed that over four million Australian smartphone

owners use their mobiles to compare prices before making a purchase, blurring the lines between online and offline shopping.

In 2011, eBay transacted \$5 billion through mobile devices globally – an overall increase of 150%. eBay expects to transact \$8 billion in 2012, with Australia and the UK the fastest growing international eBay mobile markets.

Unsurprisingly then, half of eBay's top sellers in Australia acknowledge more customers are demanding mobile

**45%**  
growth in turnover  
for eBay.com.au's  
top 2,000 sellers

integration, and over 70% say mobile strategy will play an important role in their 2012 business outlook. Furthermore, a majority of these respondents (61%) are planning to invest in mobile technology for the first time in 2012.

## Multi-channel approach

More than half this year's respondents sell on their own websites as well as on eBay. The growing trend towards a multi-channel sales strategy is being adopted by traditional retailers as well. In the past year well-known Australian brands like Supré, Marcs, Alannah Hill, Mimco and Seafolly have all joined eBay's new dedicated *Fashion Gallery*.

## Enabling commerce

As in previous years, this year's *Online Business Index* suggests that freight costs continue to be an issue for online sellers. Specifically, more than half of respondents cited postage costs as a major barrier to growth, while two-thirds would like to see more competitive shipping rates.

Respondents are also keen for eBay to negotiate on their behalf for volume-based discounts; tracking included on all eBay shipments; and a push for a wider range of flat rate products.

As a result, eBay has partnered with Australia Post on a number of solutions and we are currently looking at how we can enhance the existing partnership.

eBay's global vision is to enable commerce. Here in Australia, eBay welcomes the fact that more and more traditional retailers are embracing the changing retail landscape and new technologies, and that government is supporting this by investing in infrastructure and removing barriers for growth. At eBay we are working hard to be an even better partner for Australian retailers. eBay has a tool kit of business solutions for retailers to succeed including the eBay marketplace, PayPal, shopping.com, Magento and more. These solutions are helping retailers turbo charge their online and mobile presence. We will continue to work to create an environment where businesses can flourish online, as we all seek to share the spoils of this new retail climate.



**Deborah Sharkey**  
Vice President, eBay

1. A commissioned study conducted by Forrester Consulting, Q3 2011

2. Nielsen State of the Media: Mobile Media Report, Q3, 2011

# ONLINE PROSPECTS BRIGHTER THAN EVER



eBay is Australia's leading online shopping destination with 6.8 million unique visitors recorded in November 2011 alone

More than 12,000 CHOICE readers voted eBay Best Online Retailer at the most recent CHOICE Consumer Awards – ahead of next place-getters, Apple and Amazon

An item is purchased every 15 seconds in Australia through eBay's mobile app

Long a pioneer of online shopping with an enormous global reach, eBay has always offered Australian retailers a distinct advantage in the marketplace. As a result, vendors have typically expressed a high degree of confidence about Australia's online retail future and their own business prospects.

The 2012 *Online Business Index* suggests that confidence remains high. Specifically, sellers are embracing the idea of multi-channel retail platforms and beginning to seriously focus on mobile technology for growing sales.

### eBay remains the dominant sales channel

For the third year running, eBay's contribution to vendors' success is vividly demonstrated. While more than half (54%) of respondents boast their own website and one-third (33%) have a bricks-and-mortar retail outlet, on average two-thirds (or 65%) of total vendor sales are transacted via eBay.

Around 15% of sales on average are made via sellers' own websites and retailers express confidence that this percentage will grow in the next 12 months.

Among the two thirds of businesses who don't currently have an offline shop, 61% view it as unnecessary for their business, 60% indicate that overheads

(rent, property costs, staff costs, insurance costs) would be too high, while 42% indicate that an offline shop would not allow them the same flexibility with their schedule. A quarter of businesses agree that offline retail has lost momentum.

### Upbeat about the future

The majority (63%) of online businesses are feeling optimistic about the coming year, with almost one in four saying they are 'very optimistic.' More than half of the respondents (56%) view "consumer demand" as the key growth driver.

### eBay's 'millionaires club' grows

In the past 12 months, the largest 2,000 eBay retailers enjoyed a remarkable 45% growth on the previous year. eBay's 'millionaires' club' also experienced a significant growth spurt last year and now boasts 157 members, up 31% since 2010.



CASE STUDY:  
LOGITECHSHOP

### PROFITING FROM eBay's SAVVY

Selling computer peripherals and gaming accessories in a cut-throat industry where margins are small and competition is rife, is no mean feat. Logitechshop nevertheless sold around 100,000 units on eBay last year, making the company rise meteorically through the ranks of eBay's fast-growing 'millionaire club'.

While most of Logitechshop's revenue is generated on the company's own website, [www.logitechshop.com](http://www.logitechshop.com).

au, together both websites generate thousands of unique visitors every week. Many of these website impressions convert to sales, compelling the company to freight an enormous amount of inventory to locations all over Australia.

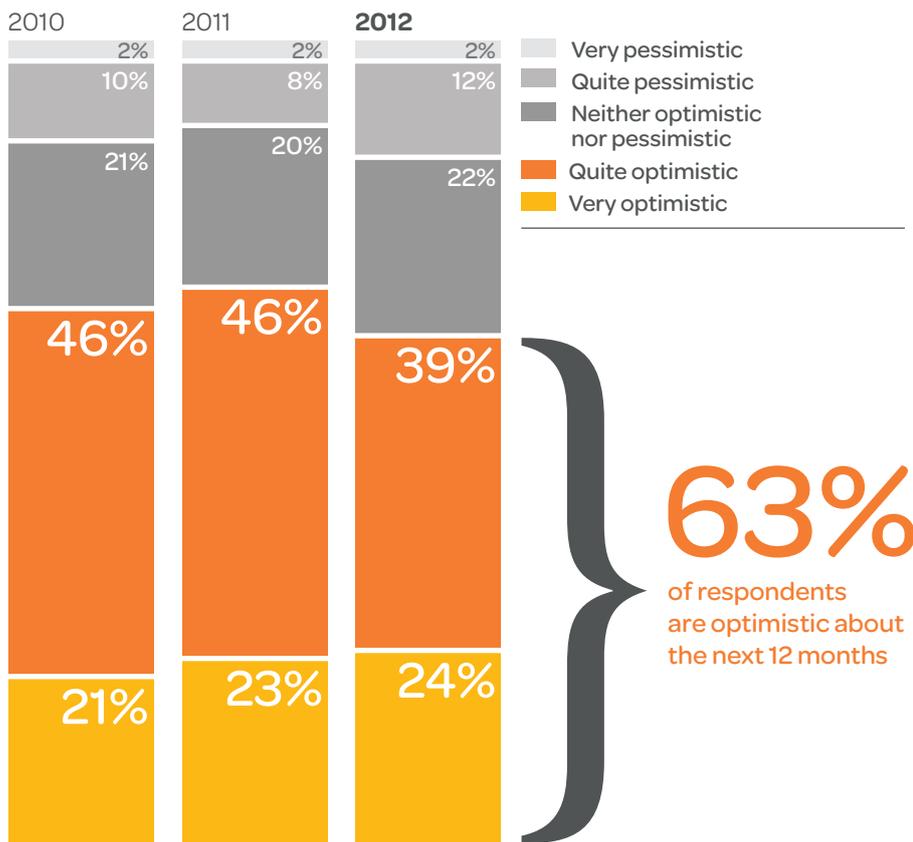
"It's all about customer service," says the company's Managing Director, Laiwah Broadhurst. "We display our merchandise clearly, make it easy to transact, and we deliver to customers quicker

and better than anyone else. The proof is in the pudding, really; we get a minuscule amount of negative feedback from customers."

Logitechshop, Laiwah points out, always had its own website, but after signing up with eBay in November 2010, the company has enjoyed satisfactory growth. Sales via the eBay portal has grown steadily and "today we wouldn't dream of not being on eBay. It brings a lot of traffic to our door."

Laiwah points out that eBay has done a fantastic job of communicating to the market that it is no longer an auction site, but a global shopping destination. "We piggyback off their massive online presence, and why wouldn't other retailers? To us, it's strategically smart to take advantage of eBay's online advantage. We believe in using every tool we have available to us to grow our business, and we're here to stay."

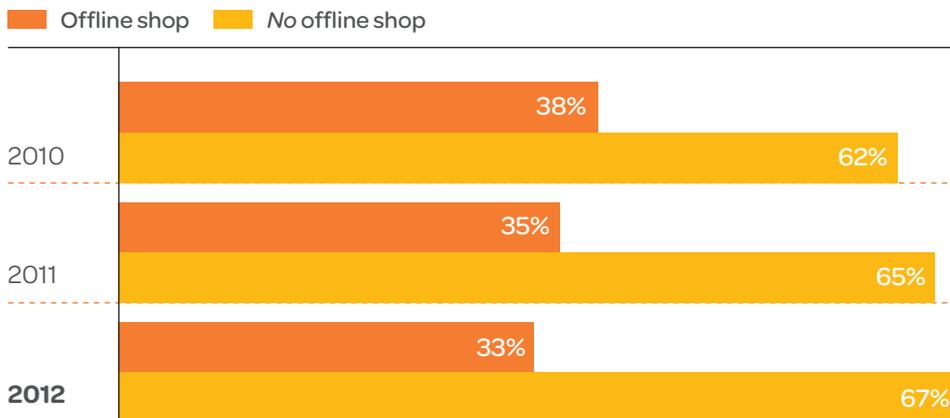
## BUSINESS OUTLOOK FOR THE NEXT 12 MONTHS (% RESPONDENTS)



## DISTRIBUTION OF SALES ACROSS BUSINESS CHANNELS

	2010 (%)	2011 (%)	2012 (%)
eBay	63	68	65
Own website	12	12	15
Offline shop	13	11	11
Other websites	3	2	2
Group buying/ daily deal sites	not asked	not asked	<1
Mobile site/ app	not asked	not asked	<1
Other	9	7	7

## BUSINESS SALES CHANNELS (% RESPONDENTS)



CASE STUDY: OZHUT  
‘RETAIL IS DETAIL,’ SAYS OZHUT FOUNDER

Wai Hong Fong was a student when he launched OZhut on eBay in mid-2008. Almost four years later, the canny entrepreneur has multiple websites, both off and on eBay, and total turnover nudges \$3 million a year. Revenue on eBay, Wai Hong points out, also grows steadily each year, with the global portal an integral part of the marketing mix, delivering roughly one-fifth of OZhut's total revenue.

“When OZhut started with eBay it was like riding a

bicycle on trainer wheels,” Wai Hong says. “Today we’ve thrown away the trainer wheels, and we’re cycling side-by-side with our eBay partners, learning, leveraging and growing the business together.”

Selling everything from kitchenware to expensive telescopes to bubble wrap, Wai Hong says the key to his business success has been paying attention to customer service. “Retail is detail,” he says. “We learned very early in the game that customers

want products to be listed and described accurately; and they want the visuals to show them clearly what to expect. A lot of our business is about managing customer expectations so that they get, ultimately, what we promise to deliver.”

With customer service in mind, Wai Hong opted early on to use alternatives to Australia Post for shipping and distribution. Because Australia Post did not provide tracking services, he used Australian Air Express

to ship OZhut's goods, ensuring accountability along the way, for the customer's sake; now that Australia Post offers tracking at affordable rates, he is using both companies.

So what of the future? Wai Hong is currently investing in more specialist websites as well as mobile-friendly applications to take advantage of the growth in customers buying on mobile devices. Unusually, Wai Hong's websites sell to Australian customers only.

# GLOBAL SQUEEZE FOR ONLINE RETAILERS



More than one third of respondents see the strength of the Australian dollar as a sales drawback, while only about two in 10 respondents see it as an advantage

Respondents are keen for eBay to negotiate on their behalf for volume-based discounts; tracking included on all eBay shipments; and a wider range of flat rate products

eBay's 2012 Index suggests that suppliers continue to put pressure on online sellers

Increasing competition is top of mind for many retailers. Almost seven in 10 respondents (68%) cited increasing competition, either from international online businesses or from offline retailers moving online, as a barrier to growth.

Business owners are also clearly concerned about the state of both the global and local economies as well as the strength of the Australian dollar, survey responses show. More than one third of respondents (37%) see the strength of the Australian dollar as a sales drawback, while only about two in 10 respondents (17%) see it as an advantage.

## Postage costs a barrier to business growth

Postage costs continue to be a headache for online sellers, according to this year's Index. Specifically, more than half of respondents (55%) cited postage as a continued barrier to growth, more pressing than cost of supplies per se (42%), or staff wages and super costs (28%). Specifically, concern about postage costs increased 10% on last year.

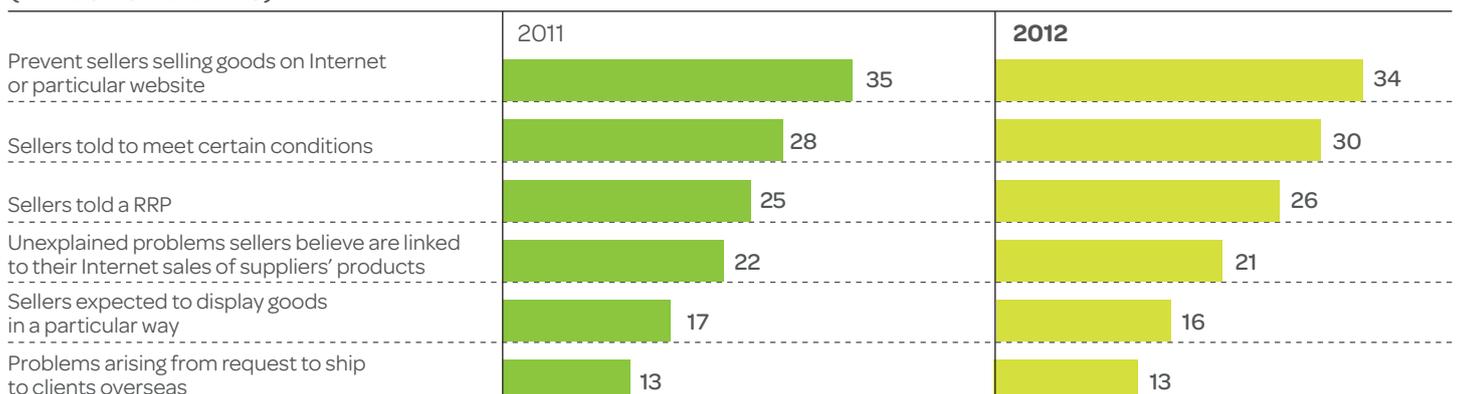
In this regard, eBay sellers welcome talks with Australia Post. A whopping 68% of respondents would like to see more competitive shipping rates while more than half of respondents (54%) would like to see improvements to tracking.

Respondents are also keen on eBay negotiating on their behalf for volume-based discounts (68%); tracking included on all eBay shipments (46%); and a push for a wider range of flat rate products (41%).

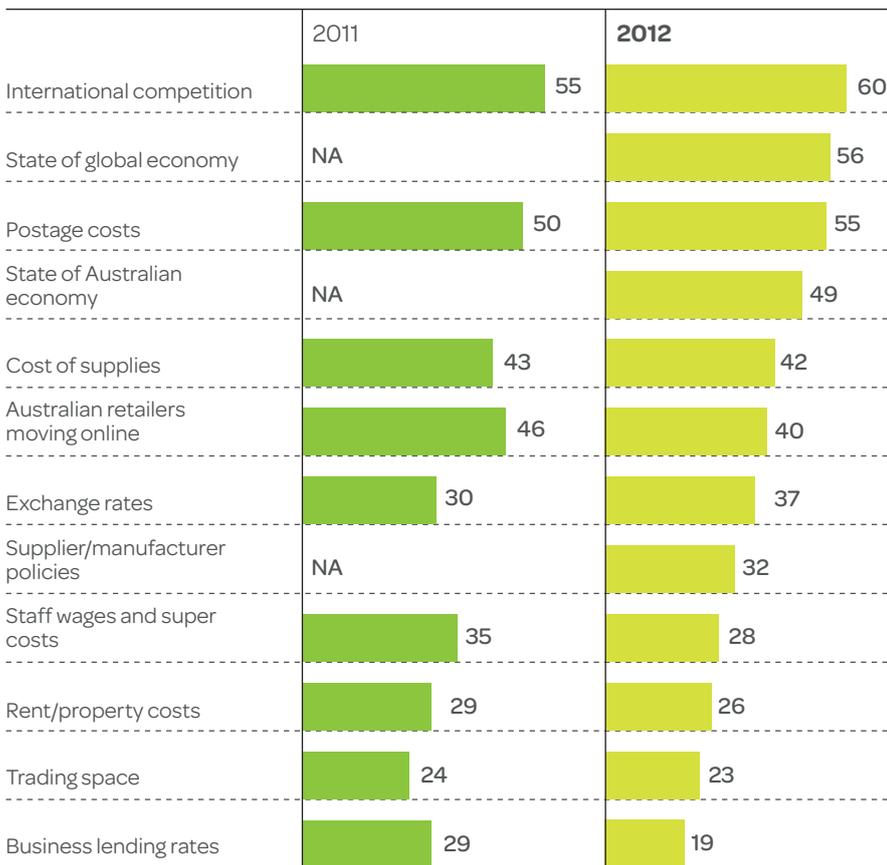
These results validate eBay's efforts in negotiating and collaborating with Australia Post on behalf of eBay sellers.

eBay's 2012 Index also suggests that suppliers continue to put pressure on online sellers, with little change in survey responses over the past 12 months regarding key aspects of supplier relationships. eBay continues, however, to educate vendors about their rights and the steps and strategies they can take to protect themselves.

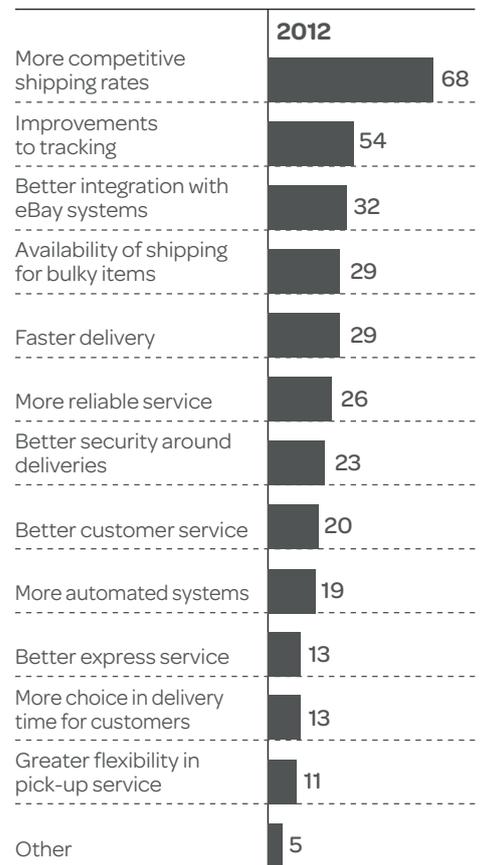
## VIEWS ON SUPPLIER RELATIONSHIPS (% RESPONDENTS)



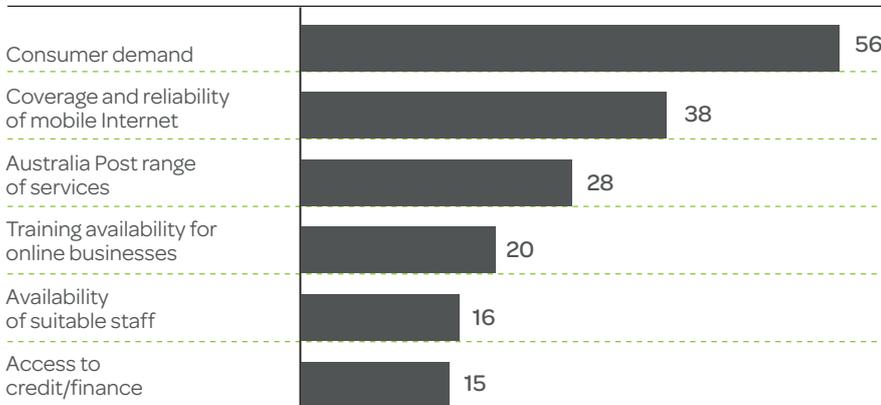
## NEGATIVE FACTORS IMPACTING GROWTH (% RESPONDENTS)



## KEY IMPROVEMENTS SOUGHT FROM SHIPPING (% RESPONDENTS)



## POSITIVE FACTORS IMPACTING GROWTH OVER THE NEXT 12 MONTHS (% RESPONDENTS)



**CASE STUDY: ALIBIONLINE**  
**EBAY PARTNERS WITH FASHION RETAILER TO BUILD THE BUSINESS**

AlibiOnline's co-directors, Rick Drummond and Gianna Parker, are very pleased they took the decision to join eBay's Fashion Gallery when it launched in October 2011. From the beginning, eBay's exclusive fashion portal has been contributing to AlibiOnline's overall sales and eBay's role continues to steadily grow.

"There's no shortage of fashion retailers in this world," says Gianna. "To be a success online, you

have to offer more than just clothes: you have to offer an experience. And you have to be willing to go the extra mile for your customers! Both eBay and we keep the customer in mind at all times."

AlibiOnline joined eBay initially in 2010, "but eBay has changed dramatically since those days," says Rick. "It's not an auction site anymore; it's our 'partner' in the true sense of the word because they are just

as keen as we are to grow sales. Their margin is based solely on sales performance, and that makes sense to us."

Gianna and Rick have both been continually surprised by the active interest eBay takes in their business; the amount of energy eBay puts into promoting the Fashion Gallery and individual stores within the hub; and the many co-promotions eBay discusses and stages in partnership with Gallery

stores on a regular basis.

"They may be an enormous global company, but they haven't forgotten the small business owner," says Gianna.

"Furthermore, eBay does everything it can to attract more visitors to the eBay fashion site, and therefore our site, and that's what we want after all! It feels like a true partnership, and that's why we're here to stay."

# MOBILE TECHNOLOGY TO BOOST SALES



In Australia, an item is sold every 15 seconds on an eBay mobile app and PayPal processes a mobile payment transaction roughly every three seconds

Persons accessing the Internet via mobile handsets has grown 45 per cent since 2010

A large segment of online businesses acknowledge eBay's investment in mobile commerce to date.

Retailers' biggest driver to mobile literacy is their awareness of how many more customers are using mobile handsets for shopping

Seven in 10 online businesses see a role for mobile commerce in their overall business strategy. Of these the majority (61%) are planning to invest in mobile technology for the first time in 2012.

This is most likely in response to the swell in smartphone usage in Australia over the past couple of years. Only recently, Nielsen reported that the number of smartphone subscribers using the mobile Internet had grown since 2010 by a whopping 45 per cent.

### Mobile phone users use handsets for shopping

A large segment of online businesses also acknowledge eBay's investment in mobile commerce to date. However, more retailers want to take matters in their own hands. Our Index shows that seven in 10 eBay retailers (72%) believe that the role of mobile commerce in their business strategy over the next 12 months is important.

Of these, almost half (48%) wish to work more closely with eBay because it already invests heavily in mobile commerce. A slightly smaller group (46%) plans to focus on optimising their online content for mobile usage.

### Retailers seek education about mobile commerce

These Index findings are a sign of the times, as more retailers are compelled to become

mobile and 'app' literate. It also gives eBay an opportunity to educate its thousands of sellers about the possibilities of mobile commerce.

Retailers' biggest motivation to mobile literacy is their awareness of how many more customers are using mobile handsets for shopping. Almost 8 in 10 respondents (79%) note that more customers have access to mobile phones, while 6 in 10 respondents (63%) believe mobile savviness increases their ability to attract new customers.

### Digital naysayers and advocates

While research suggests that mobile penetration is on an upward spiral, there remains a group of eBay retailers who don't yet see a role for mobile commerce in their business plans.

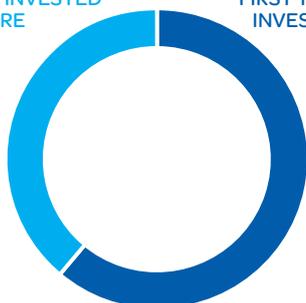
Roughly a quarter of respondents (28%) don't plan to invest in mobile commerce in 2012, and of this group, about four in 10 claim to not see a role for mobile technology in their business.

Many business analysts are predicting nonetheless that the future in retail is digital. In a recent marketplace analysis, financial services firm Morgan Stanley forecast mobile broadband penetration will reach 67% by 2015. Here's what our 2012 OBI index indicates:

## INVESTMENT IN MCOMMERCE (% RESPONDENTS WITH MCOMMERCE STRATEGY)

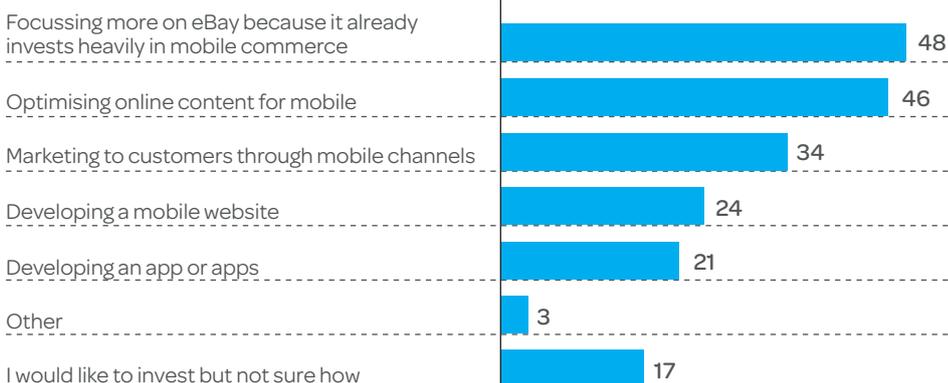
39% HAVE INVESTED BEFORE

61% FIRST YEAR OF INVESTMENT

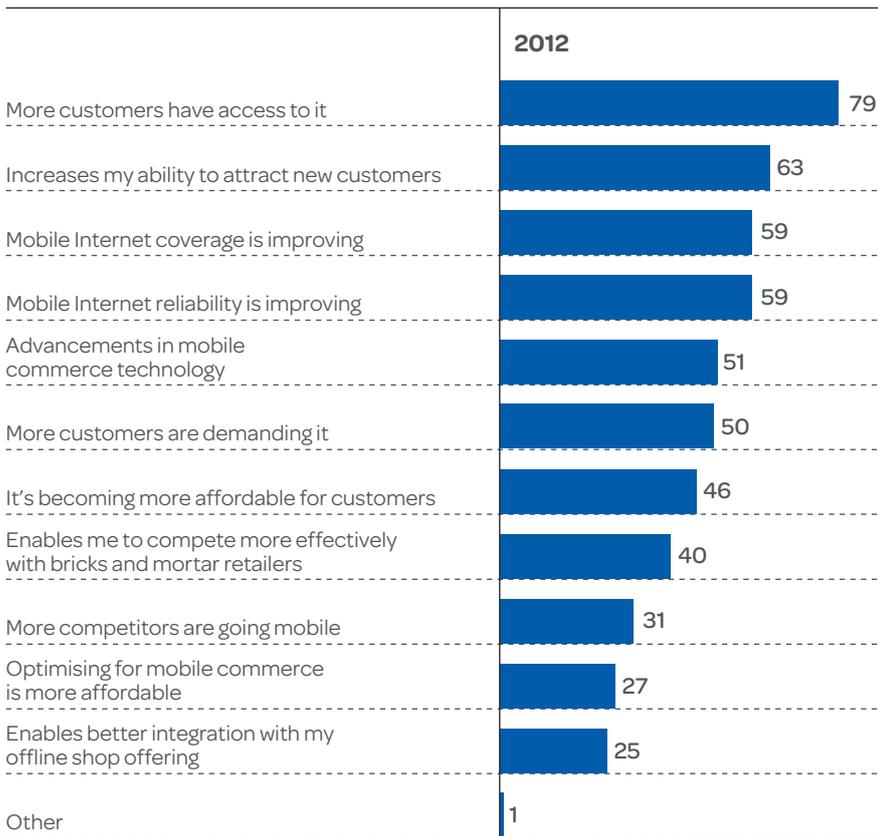


## WAYS OF INVESTING IN MCOMMERCE

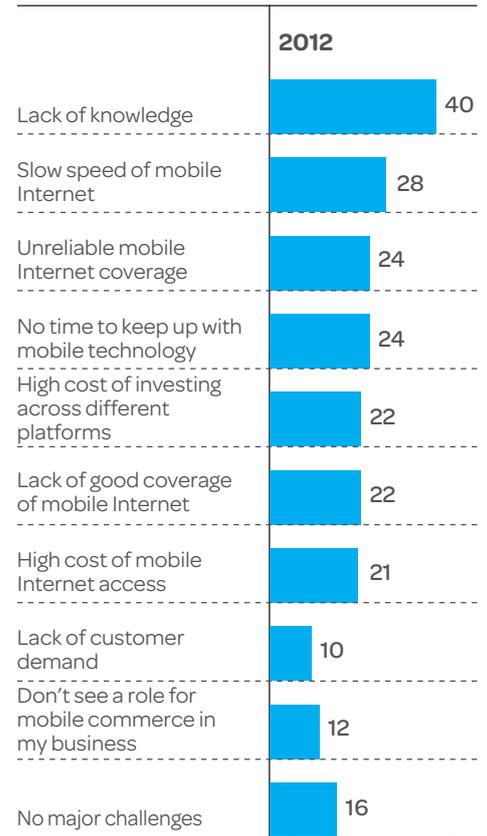
(% RESPONDENTS WITH MCOMMERCE STRATEGY)



## REASONS FOR WISHING TO INVEST IN MCOMMERCE (% RESPONDENTS WITH MCOMMERCE STRATEGY)



## BARRIERS TO MAKING THE MOST OF MCOMMERCE (% RESPONDENTS)



## MOBILE FAST FACTS

- In 2011, eBay transacted \$5 billion through mobile devices globally – an overall increase of 150%. eBay expects to transact \$8 billion in 2012
- In 2011, more than half of eBay's mobile purchases came from outside the US – the fastest growing international eBay mobile markets are Australia and the UK
- An item is purchased every 15 seconds in Australia through eBay mobile apps
- In the third quarter of 2011, Australians bought over 180,000 auto parts via the eBay mobile app
- The most expensive item purchased through a mobile device on eBay in Australia in 2011 was an 18kt gold men's luxury watch for \$21,500
- On eBay in Australia, every five minutes a pair of ladies shoes and a ladies handbag are bought via mobile
- The top categories for purchases via mobile on eBay in Australia are fashion, technology and home and garden.



**CASE STUDY: SUPRÉ**  
MULTI-CHANNEL APPROACH THE SECRET TO GIANT FASHION RETAILER'S SUCCESS

When you sell thousands of fashion items a week to customers all over the world, a five per cent improvement in online store sales is no small thing. Since giant fashion retailer, Supré, joined eBay's Fashion Gallery in September 2011, it has enjoyed just such a sales spurt. As a result, Marketing Director Catherine Taouk is working to leverage eBay's global reach with the aim of ultimately building eBay sales to 20 per cent of total online turnover.

Supré believes in a multi-channel approach to grow the business. "It's been great to get to know eBay's traditional customers," says Catherine. "They're loyal to eBay, and they know how to buy on eBay. We're taking advantage of the familiarity and security that eBay customers feel about their favourite online site, and we're reaping the benefits." Catherine says it's been important to offer customers something on eBay that they can't already get on

the Supré website. "We have sales on eBay that we don't have on our own website and we host promotions exclusive to eBay. We also offer slightly older, more trans-seasonal clothing, because eBay's demographic is older, and more global."

Supré recently invested approximately \$20,000 in a mobile-friendly website to make shopping at Supré more convenient. "We noticed a growing volume of transactions coming

from mobiles and tablets – roughly 15 per cent in the last 18 months – and we expect this trend to boom."

Because margins in fashion retail are minimal, Catherine is continually vigilant about shipping costs. Eighteen months ago she moved the Supré overseas shipping account to Fedex because of more competitive delivery times and rates. "We saved 20 per cent on our shipping costs," says Catherine.

# DIGITAL INITIATIVES



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What steps is government taking to support mcommerce and online retail, and what else should it do to support the industry? Gillard Minister Senator Conroy and Opposition spokesmen Turnbull and Bilson share insights.



The Government has moved to release additional spectrum to support the explosive growth in mobile data applications”

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## SENATOR STEPHEN CONROY

MINISTER FOR BROADBAND, COMMUNICATIONS AND THE DIGITAL ECONOMY

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The Gillard Government recognises that the Australian economy is undergoing fundamental structural reform.

As part of our preparation for a new economy I released in May 2011 the National Digital Economy Strategy. One of the eight goals included in that strategy is that by 2020, Australia will rank in the top five OECD countries in the portion of businesses and not-for-profit organisations using online opportunities to drive productivity improvements, expand their customer base and enable jobs growth.

The development of mobile commerce and ecommerce requires three things; underlying communications infrastructure, awareness and skills in the business community, and appropriate regulatory settings to support new modes of business.

The Government’s investment in the National Broadband Network (NBN) will provide the ubiquitous high speed access necessary for ecommerce participants to conduct their business. It will allow large and small business to reach customer bases around Australia, and the world. Its capability will support innovation in how we buy and sell online.

The Government has also moved to release additional spectrum to support the explosive growth in mobile data applications. The Digital Dividend auction is scheduled to take place late in 2012 allowing mobile operators to commence planning for the use of this spectrum from 2014.

As part of the Digital Economy Strategy, the Government has announced the Digital Enterprises Initiative. This program provides \$12.4 million over three years to assist small-to-medium sized enterprises in the first 40 communities to receive the NBN to better understand how they can take advantage of ecommerce.

This initiative joins the [www.digitalbusiness.gov.au](http://www.digitalbusiness.gov.au) website and the Government’s support of, and inquiry into, online retailing.

The ecommerce ecosystem has many players, those that will trade online, and those like eBay who facilitate it. The Government continues to welcome engagement with all sections of industry in supporting the development of ecommerce.



The biggest barrier to success online is not technology but technological imagination”

## MALCOLM TURNBULL

SHADOW MINISTER FOR COMMUNICATIONS AND BROADBAND

The boundaries between bricks-and-mortar and online commerce have been blurring for years, and an increasingly number of Australians behave as though there is no distinction.

Where should Government fit in this picture? I contend that the marketplace is taking care of the innovation and increasing consumer convenience needed to draw people online. The biggest barrier to success online for many established firms is not technology but what I call ‘technological imagination’: a vision for using the cloud to appeal to consumers and build an even better business. There are real limits to what Government can do – it almost always finds itself years behind the private sector – and no public service is going to come up with the imagination or keen sense for consumer needs that we see from so many companies in technology and elsewhere.

Nor is it the role of the Government to stand against the tide of change if this happens to be detrimental to certain interests. Government may be able to ease

the most abrupt of these transformations with retraining and structural assistance to the hardest-hit industries, but we must not prop up the old economy in a way that inhibits the potential of the new.

The most useful thing a Government can do is remove barriers to competition, innovation and entrepreneurialism.

Online, governments do have a role in enforcing laws and ensuring public safety, just as they do offline – so protecting consumers and providing education and awareness of the perils that sometimes accompany the promise of the internet are important tasks.

A final thought: one of the highest barriers to eCommerce in Australia is fulfilment – that is, the cost of distributing and delivering goods from the point they are sold (which often is overseas) to a consumer’s home. Governments should give businesses – including Australia Post – flexibility to adjust their models to accommodate online commerce, and incentives to do so soon.



We need to better nourish and inform the adaptiveness of small business”

## BRUCE BILSON

SHADOW MINISTER FOR SMALL BUSINESS, COMPETITION POLICY AND CONSUMER AFFAIRS

Mobile and ecommerce technologies are becoming more important for small businesses and family enterprises than ever before. Large enterprises continue to flex their muscle to take advantage of dominant market positions and prominent physical presences to squeeze out smaller businesses.

Much of the public policy debate about the digital economy and ecommerce is consumed by discussions about hardware and engineering specifications. As interesting as ‘meg measuring’ can be, the key to small business success in a digital economy is available and affordable capability.

Having access to affordable and available capability would allow small business to entice consumer interest, build confidence in service and support, better meet and exceed customer expectations and take the fight up to bigger competitors.

The great strength of small business is its nimbleness and responsiveness. We need to better nourish and inform this adaptiveness with practical ‘how to’ experiences, the

helpful choices that were instrumental to success and proven pathways that might lead the way for others in the ecommerce space.

Connecting small businesses with what has worked would best carry forward their business plan and ambitions. This would accelerate the uptake and cost-effective engagement with ecommerce and build confidence within smaller enterprises.

By sharing the journeys of success others have taken, more small businesses can take advantage of the opportunities presented by the digital economy.

The Coalition is committed to facilitating access to fast broadband at a price that is within the reach of all Australian small businesses and that is available much sooner than a centrally-controlled over engineered and extraordinarily expensive solution that over-builds current capacity and is immune to competition.

