



**ANNUAL REVIEW
2009/2010**

NEW ZEALAND RETAILERS ASSOCIATION WILL BE THE KEY PROMOTER OF A **VIBRANT + SUSTAINABLE** RETAIL SECTOR

MISSION

To provide quality, strategic leadership and services which assist the business success of our members and to ensure their needs are promoted and advanced.

Or more simply: Promoting Excellence in Retailing.

VALUES

- + Integrity
- + Fairness
- + Balanced Viewpoint
- + Open Minded
- + Fiscally Responsible

GOALS

Provide excellent products and services that are valued by our members.

Promote well researched views on the importance of retailing.

Be the voice of the retail industry in public and political forums.

Listen to our members and ensure we are responsive to their needs.

Provide superb service to all Association customers, both internal and external, in a timely and professional way.

Achieve organisational cohesiveness on behalf of our members.

Promote knowledgeable debate on selected issues.

FOR 2009/2010

PREMIER BUSINESS PARTNERS



Westpac



NATIONAL BUSINESS PARTNERS



PRESIDENT'S REPORT



Following the last AGM, I was delighted to be elected by the Board to the position of President of your Association. Leading an organisation comprising some 6,000 members (representing some 13,000 shops) is an honour and a privilege and for this, I thank you.

My first year in office has certainly been a tough year for the retail sector and the short-term future doesn't look much brighter. Over the 12 months ending March 2010 the whole sector, at \$65.6b, was only 0.5% ahead of the prior 12-month period. The prior year, in turn, was 0.6% down on the 2008 year. The conclusion from all of this is that we are back to where we were in 2008.

It could have been much worse and the pleasing thing is that we are at least seeing a little bit of positive progress occurring. We are not going to suddenly get back to the 6% - 7% growth of a few years ago but we are on the right side of the ledger.

In talking about 'being back to where we were', we have to be careful that we don't simply think that the market has reverted back to the marketplace of 2008:

- + The customer has changed – more risk averse, less appetite for debt and less equity in the family home to borrow against.
- + The marketplace has changed – the level of price promotion over the last couple of years has taught the consumer that if they wait they will get a deal (and often the wait is not very long).

Against this background, I am pleased to report that your Association has performed very strongly:

- + In membership terms, we were close to replacing resignations on a one for one basis. Our total membership at the end of March was 5,800, down 3% on the previous year.
- + The financial report that we will bring to the AGM will show a positive contribution before tax that is in excess of \$200k.

- + Our membership survey completed in November 2009 showed that:
 1. With a couple of exceptions, our services and product offering were well known and used by our members.
 2. 95% of respondents would recommend Association membership to another retailer, and nearly half of them had actually done this in the past year.
 3. However, it is not all 'a bed of roses'. There are a number of things that we need to do better and the survey also highlighted a couple of new services worthy of consideration.

For example, you indicated that you wanted:

- + A better Shell card offer – we have worked with Shell and we are currently re-launching this offer with a more competitive saving.
- + You wanted help with sustainability issues – we now have a resource in place and you will be hearing more on this soon.
- + Mentoring and business advisory services – we are well on the way to having an extended service in place.

Therefore, we have plenty to be going on with and there are many more things we can bring to you, to further enhance the value of Association membership.

With the new government really hitting its straps we have had plenty of views to express on a wide variety of topics. Over the last 12 months, we have presented many formal submissions including:

- + Resource Management Act Amendments
- + Waste Minimisation
- + Auckland Super City legislation
- + Liquor legislation
- + Holidays Act Review
- + Trade Marks Amendment Bill
- + Employment Relations Personal Grievances Review
- + Minimum Wage Review

As well as submitting on specific pieces of legislation, we have also had ongoing dialogue with a number of government agencies including the Ministry of Economic Development, Ministry of Consumer Affairs, Food Safety Authority, Department of Justice, Statistics New Zealand, IRD, and Department of Labour to name a few.

It has been a very full and busy year, and the Association has worked very hard on behalf of its members. In this regard, I would like to thank my fellow Directors who have significant input into the governance of the organisation. They give their time freely and willingly and all have made a significant contribution.

Secondly, I would like to thank the management and staff of the organisation who work tirelessly in support of you, our members. Thank you.

Looking ahead, we believe we still have some way to go before we can witness real improvement in trading conditions. You can rest assured that the Association is doing everything it can to negotiate savings for you, reduce compliance costs and help the sector improve productivity and profitability.

Finally, I would like to thank all of our members. Your continued support is critical for the success of the Association.

A handwritten signature in black ink that reads 'Ray Clarke'.

RAY CLARKE, PRESIDENT
NEW ZEALAND RETAILERS ASSOCIATION INC

CEO'S REPORT



As I prepare my report for the 2009/10 Annual Review it is a good time to reflect on the past, but more importantly it is also a time to think about the future.

As Ray has commented in his report, the Association has achieved much over the past year and has represented the interests of retailers across a really wide range of topics. From tax to employment to resource management, we have been involved in them all.

One issue worthy of comment, that wasn't political in nature, was the outcome of the litigation taken by the Commerce Commission and a group of retailers with regard to credit card rates and fees. While the case didn't make it to court (the card companies and banks requested settlement before it actually got to court) the outcome will benefit retailers in the years ahead. Although we didn't come away with a settlement that said, 'the merchant service fee will drop by x%', we came away with significant changes to scheme rules that will result, in time, to improved terms and conditions for retailers. It is now up to the sector to work hard to achieve these outcomes. When we took the first steps on this journey five years ago, we understood that it was going to take time. We were not wrong, and we will get the outcome we want.

Looking ahead the importance of representation is not going to diminish. There are a whole range of issues emerging that need a unified industry voice. For example:

- + The implementation of the GST increase
- + The review of all the various consumer laws
- + The review of the sale of liquor rules
- + The impact of on-line shopping from overseas sites, and the GST disadvantage faced by New Zealand retailers
- + The ongoing debate over shop trading hours, especially Easter Sunday
- + The introduction of a GST refund scheme for tourists, and so on

There are also a number of 'non-political' issues facing the industry where a united position is essential:

- + The introduction of new eftpos terminal standards and the necessity to have all 5.1 terminals replaced by June next year
- + Taking advantage of the Rugby World Cup without crossing over the line of 'ambush marketing'. What can we do and what goes too far?
- + How do we demonstrate to consumers that retailers are serious about running sustainable businesses?
- + How do we ensure that our people are well trained and that we improve productivity in the sector? How do we establish retailing as a 'career of choice'?
- + We must reduce the level of theft in the sector (both internal and external). What steps do we need to take as an industry sector to make progress with this problem?

We can tackle these issues on our own as individuals or we can work collectively. We are of the view that the collective approach is the best approach and this is our reason for being. We are here to bring the industry together on issues of major importance.

As the President highlighted in his report the financial performance of the Association over the past year was very strong. Our final audited accounts will be available at the AGM, but a preliminary view indicates a surplus for the year of the order of \$200k before tax. This gives us the necessary funding to expand our service to members without any increase in subscription.

- + We are in the process of developing an accreditation process around issues of business sustainability. This will allow members to review their business processes to ensure that they have a focus on efficiency: energy efficiency, staff efficiency, waste efficiency, compliance efficiency etc.
- + We will continue to apply resources to the issues around credit/debit cards with a view to delivering a more cost effective process for the retail sector.
- + We believe that a well-informed sector will, in the longer term, be a better performing sector. To this end, we are looking to ensure all relevant information is shared with our members.

So... looking ahead, we have plenty to do. We need to manage all of these things that are 'business as usual', and we need to add further value to ensure that we continue to feed the appetite of the membership for further benefits.

Finally, I would like to take this opportunity to sincerely thank the President, Directors, management and staff for the huge effort they have all made over the last year. The services provided, the surplus generated, and the 'wins' achieved didn't all happen by chance. They are all the result of very hard work by a team of very dedicated professionals.

Thank you.

JOHN ALBERTSON, CHIEF EXECUTIVE OFFICER
NEW ZEALAND RETAILERS ASSOCIATION INC

KEY HIGHLIGHTS FROM THE YEAR

REGIONAL OFFICES

2009 was a year of correction in the market, following five years of continued growth. There were new independents, franchises, and chain stores entering our market, in particular new Australian brands. There was also a number of major acquisitions and mergers.

2010 has started with three relatively slow months and is probably more the year of recession for retailers with across the board discounting in all sectors ranging between 20% and 60% – a level that is not sustainable, but that has created a consumer who is now educated to never pay full price and has no urgency to make a purchase.

Auckland in particular is now well-served with malls and big box retailers and this has put real pressure on many of the traditional Mainstreet shopping precincts. Throughout the country, these retailers are meeting the challenge through more collective activity and by having events that are more regular. Another trend has been the expansion of specialist food stores, delicatessens,

butchers, bakeries, and fresh fruit and vegetable stores. Many retailers are also requiring more in-depth advice on a one on one basis on how to handle surprise. This has led to the regional offices holding more regional talks and presentations on how to survive and manage businesses during these tough times.

Overall, it was a good year for new membership sales and all specialty Trade Group activities and events were successful for the year ended 31 March 2010.

ADVISORY SERVICES

Our advisory team continues to provide members with valuable support, direction and advice on all matters but most significantly, those that concern the biggest cost areas of their businesses – employment and leasing. Our 2009 membership survey highlighted the high level of satisfaction our members have with the service, but indicated that we need to do more to raise awareness amongst our membership.

Having said that, the free advice delivered by our advisory team has seen us respond to over 10,000 calls from members and we are also seeing an increase in the preference for members to contact us via email with their queries. The level of information available on our “members only” section of the website has also proved useful to members with increased usage in the past year.

In providing alternative avenues for communication and access to information, we find that members are also preferring to ‘help themselves’ on simple matters such as obligations in regards to public holidays, meaning that the majority of our telephone calls now tend to assist with more complex matters.

The longevity of the Association’s advisory services team cannot be underestimated, and the knowledge acquired over many years is a key benefit that continues to be highly valued by the organisation and its members.

GOVERNMENT RELATIONS

The Association has represented our members’ views in 20 formal submissions to Government and government agencies in the past 12 months. The issues have been wide-ranging in regards to their impact on the sector – from Employment Relations matters (including Personal Grievance and Minimum Wage, and Holidays Act Review) through to Sale and Supply of Liquor – and we are delighted with the increased level of member engagement in participating in the consultation and preparation of views through our surveys and direct feedback.

The result is that the Association provides practical and constructive input, which is highly regarded by policymakers, and more often than not, our recommendations are agreed with and acted on. For example, the Association’s successes include:

- + Reshaping of Credit Card merchant and interchange fees, providing a more competitive landscape by giving retailers more leverage to negotiate with their banks.
- + Inclusion of Trial Periods in employment legislation – while only currently available to employers with less than 20 employees, we have also strongly advocated for this to be extended to larger sized businesses.
- + Maintaining of the de minimis value of private imports at \$400 – it was proposed that this be raised to \$1,000, which would have seen a burgeoning of goods, purchased offshore, impacting the viability of local retailers.
- + Removal of the proposal to require large non-issuer companies to file their financial statements, averting issues around privacy and commercial sensitivity.
- + Extension of allowable storage of flammable liquids on premises from 2,000 litres to 8,000 litres – of considerable benefit for the hardware sector in the merchandising and promotion of products such as paint.
- + Regulations for the Water Efficiency Labelling Scheme that incorporate the key concerns raised by the Association’s Plumbing Distributors Trade Group.

The coming 12 months will also see the Association’s advocacy role continuing at full momentum with Consumer Law Reforms and the Government’s response to the Law Commission’s recommendations on liquor to be the first major cabs off the rank.

TRAINING AND EVENTS

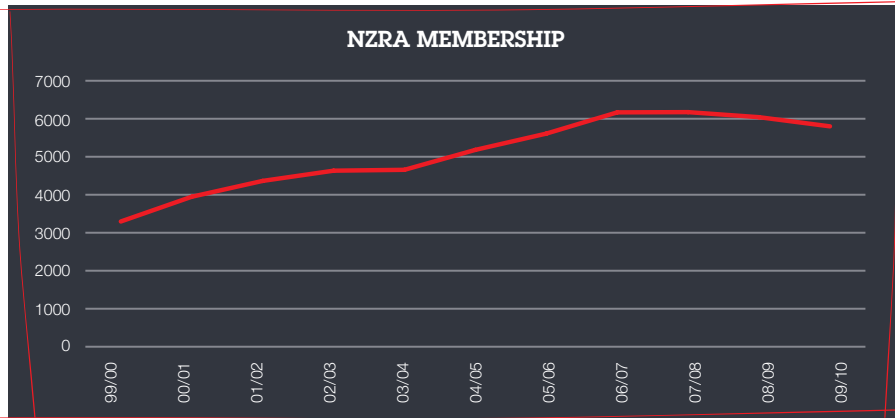
Over the past year, there were a number of opportunities for members to participate in training and events including the Monash University Global Retail Insights programme and our eRetail Seminar Series. Last year saw the return of the NZRA National Conference, which will now be run bi-annually with the TOP SHOP® Retail Excellence Awards every alternate year.

Training is even more important in these economic times and moving forward we are looking at holding more regional seminars that will help members survive and grow in the current tough market.

MEMBERSHIP SERVICES

Membership has still been quite tough over the past year, but things are starting to pick up and there are positive signs with enquiries from new businesses opening and more calls about joining. The 2009 membership survey results, with 95% of respondents prepared to recommend us to another retailer, suggest that the overall level of member satisfaction is high.

We have been working hard to improve our current member benefits and have brought on new benefit providers, including our new business partner Viaduct NZ as an alternative payments provider. We have recently improved member deals with the Westpac eftpos terminal and Shell fuel card offers, and are always negotiating with our providers to get the best offers for our members. We are also always looking at member benefit opportunities available to the members and will continue to grow and develop these over the coming year.



WHAT OUR MEMBERS SAY

Here are a few things our members had to say about the Association in the 2009 Membership Survey.

"Great for the little person in business to have help at hand when really needed. The wisdom there is really great and I find [it] very helpful."

"Keep up the good work, I think you guys do a fab job and I enjoy the magazine."

"[It's the] confidence of knowing that someone with greater wisdom than myself is available at the end of the phone. Also realising that NZRA is working solely for us, the employer, and thus can give firm and sensible advice."

RETAIL HALL OF FAME

The Retail Hall of Fame celebrates the achievements of those who have made a highly significant contribution to the New Zealand retail sector.

2009 was the first year for the award and saw the induction of five worthy recipients. They come from a range of retail backgrounds and have laid the platform for many of the retail concepts that we see today.

We hope the Retail Hall of Fame will continue to grow and develop over the coming years and will become a regular feature of the New Zealand retail calendar.



ROBERT ALEXANDER CROOKSTON LAIDLAW
 Founder of Farmers Trading Company Limited



RICHARD MICHAEL HILL
 Founder of Michael Hill Jeweller



THOMAS HENRY AH CHEE
 Founder of Foodtown Limited



BENDIX HALLENSTEIN
 Founder of Hallenstein Brothers Limited



SIR STEPHEN ROBERT TINDALL
 Founder of The Warehouse Group Limited

NZRETAIL MAGAZINE

NZRetail remains the leading retail business magazine in New Zealand, having been awarded the prestigious Magazine of the Year 2009 in the trade and professional category of the Magazine Publishers Association awards.

In keeping with this award, Editor Trudy Cliff carried off the Editor of the Year at the same awards. The publication has also been recognised with several international awards from the Trade, Associate, and Business International Association based in the US.

The magazine has a strong subscriber base and continues to attract quality advertisers who wish to communicate with the sector. The strength of the magazine is that it is New Zealand's leading retail business magazine and it is a vital educational tool for all members of the Association.



THANKS TO OUR SUPPORTERS

There are a number of organisations who support retail through their involvement with the Association. Your continued support and assistance allows us to keep developing, growing and delivering to our members. We thank each and every one of you for your contribution.

- + Advantage Business
- + APN Media – The New Zealand Herald
- + Courier Post
- + Davis Consulting
- + Easy Mix 98.2FM
- + Paymark
- + Fleet Partners
- + Ford
- + Friedman Group
- + Gilrose Finance
- + Hotel Grand Chancellor
- + Jericho
- + Kongs NZ Ltd
- + Meridian Energy
- + Monash University – Australian Centre for Retail Studies
- + Moneyworks
- + NetGrowth
- + Netconcepts
- + New Zealand Post
- + OfficeMax
- + Paragon New Zealand Ltd
- + RCG
- + Retail Institute
- + RetailPlus (Brokerweb Group)
- + Retailworld Resourcing
- + Shell/changed name to Greenstone Energy
- + SkyCity Auckland
- + SLI Systems
- + Solutionists
- + Telecom
- + The Colour Guy
- + The Dominion Post
- + The Duxton
- + The New Zealand Herald
- + The Press
- + The Radio Network (NewstalkZB)
- + Thrifty Rental Car
- + Viaduct NZ
- + Visa
- + Waikato Times
- + Westpac

BOARD OF DIRECTORS



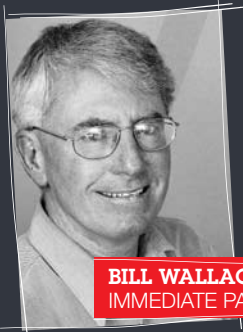
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PRESIDENT



JOHN ALBERTSON
CEO



TERRY CORNELIUS
VICE PRESIDENT



BILL WALLACE
IMMEDIATE PAST PRESIDENT



TERENCE DELANEY
DIRECTOR



PHILIP RICHARDS
DIRECTOR



PAUL DOLHEGUY
DIRECTOR



RICHARD HARFORD
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JONATHAN MILNE
DIRECTOR



PETER SMITH
DIRECTOR



KAREN RADFORD
CO-OPTED DIRECTOR

NATIONAL OFFICE

PO Box 12 086, Wellington
P: 04 472 3733 F: 04 472 1071
E: helpline@retail.org.nz

www.retail.org.nz 0800 472 472