



# TALKING RETAIL

Value retailing, innovations, visions and the increasing threat of the digital world were topics of this year's annual conference of the New Zealand Retailers Association held at Sky City in Auckland last month.



**Left** Steve Ogden-Barnes

**Right** John Key

**Opposite** The NZRA Retail Conference 2009 was held at Auckland's Sky City.

“How do you make a living in these times?” is the question Steve Ogden-Barnes posed during his presentation about key global trends. The programme director of the Australian Centre for Retail Studies (ACRS), Monash University, was one of the main speakers presenting ‘Global Retail Insights’.

The financial meltdown has changed the retail landscape. The fight for customers and margins is in full swing. Even genuine luxury strongholds such as Dubai have to face the grim reality of the recession with sales down by 25–35 per cent. Retail giant Wal-Mart had to admit to having lower sales than expected and Carrefour, another global player, is severely reducing its holdings in China, he told the conference delegates.

### DIGESTING DIGITAL

The internet has affected consumer behaviour more than anything else. Although 70 per cent of purchase decisions are still made in the store, shopping research on the screen is increasing. “We have failed to integrate the internet into the store,” conceded designer and conference speaker Roy Tavenor, managing principal of the Red Design Group in Australia.

“The digital world is yet to be discovered by most retailers,” remarked Ogden-Barnes. However, there are retailers who

are already making the most of the on-line opportunity. Great Deals Singapore, an on-line shopping coupon portal, is one of them. It offers customers a communication platform through Twitter, Facebook, blogs and RSS.

Ross McDonald, industry marketing manager of Google Australia, explored the multichannel possibilities and showed how on-line access could fit into a retail model. Being a specialist in retail strategy, channel and category development, McDonald has a good understanding of shopper behaviour and business models.

“Retail is constant, marketing changes,” he opines. People go on-line for information; they search and navigate through the net. According to statistics, three million New Zealanders have been on-line in the last three months, which means that every shopper in New Zealand is on-line. “How can retailers capitalise on that?” McDonald asked.

A survey done by Google Australia on ‘the Internet’s role in off-line purchase behaviour’ reveals the growing preference for the internet as an information source; 25 per cent of the shoppers surveyed described it as ‘the most crucial’ source – more than TV, radio, brochures and catalogues combined.

The report found that of the 50 per cent of shoppers who used the internet for research, 44 per cent

of this group used it to find out about a particular product, with another 36 per cent using it to compare prices. Convenience was highlighted as a major advantage to using the internet for research by 31 per cent of shoppers.

One in three of the survey participants conduct on-line research for clothing and entertaining; two in three look for digital information before buying computers and one in two searches on-line for beauty products.

“Retailers could do much more to anticipate the basic needs of customers from their websites. If consumers are researching, they want to know many things such as: which of your stores carry the products they seek? Do you have a website with an easy-to-use store locator? Where is their closest store? Can they park there? This information can be easily supplied on a one-page website,” says McDonald.

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A good website gives the retailer an opportunity to connect with the shopper, reckons McDonald. American Eagle Outfitters, a clothing and accessories retailer based in Pittsburgh, is an example of how a creative website can attract people into the store. “The

search activity is increasing all the time. Make use of all the channels you have to reach your customer,” he advised the audience.

### VALUE RETAILERS

The so-called value retailers already know about a good mix of multichannel retailing. Value retailers are mainly discounters. They have increased in the UK by 60 per cent during the last two years according to research. Aldi and Lidl, who had some difficulties getting a foothold in the UK market, are now ‘having their day in the sun’. Both discounters have increased their sales by 20 per cent and 14 per cent respectively. Last year in the UK, discounters had a market share of 6.2 per cent. Discounter Netto could be added to the successful group. Shoppers across the UK voted Netto ‘Discounter of the Year in 2009’.

“All three discounters have a simple range and competently use all available channels,” said Ogden-Barnes.

Consumers, however, have not changed – they just need more help to make ends meet. Home brands and private labels are increasing. They appeal to the ‘recession shopper’ and ‘bargainist’. Successful player, recession-proof UK retailer Tesco accepted the challenge and is developing a discounter range with 350 skus. Competitor Sainsbury has started with a strong performance in private labels.



**Above** The New Zealand Retailers Association president, Bill Wallace, at the conference.

**Middle** Association CEO, John Albertson, addressing delegates.

**Right** Police Deputy Commissioner Rob Pope signed a letter of agreement between the NZ Police and the NZRA designed to assist both parties to reduce retail crime.

Tesco was also mentioned as a good example when it comes to making the most of digital communication. The British retailer showed a professional approach when installing a television network in their stores, said Roy Tavenor: "Tesco takes content management seriously." In his presentation, Tavenor focused on design trends. He is convinced that "the next 10 years will be customer-driven" – therefore a store has to be built from the perspective of the customer.

The conventional supermarket and middle-market retailer is losing market share. Woolworths UK, for example, went bankrupt last year. Strong non-food competition, high debts, increasing rents and an overall weak performance were the main causes for the company's decline.

## CASE STUDY

ACRS' Andrew Cavanagh had the chance to visit the headquarters of the Inditex group in Spain and shared his experience with the audience.

Inditex runs eight different brands, including Zara – one of the most

successful global fashion retail concepts. The group is still enjoying increasing sales. They rose from €9,435 million in the year 07/08 to €10,407 million 08/09. It operates 1,520 Zara stores worldwide with a turnover of €6,824 million. The keys to its success are:

- Customers;
- Stores;
- Teams;
- Design production; *and*
- Logistics.

"The success starts with their total focus on the customer," explains Cavanagh. No money is spent on external advertising. Instead, it goes into the performance of the store. The goal is to get the products as quickly as possible onto the shelves. The range changes continuously – which helps to convince the customer to buy now rather than later – and products only come in small batches.

Constantly on the lookout for new locations, Inditex has gained quite a reputation for being very sensitive when it comes to the renovation of old houses, like monasteries, post offices or

government buildings. With excellent store designers, they are able to "preserve the essence of the original," says Cavanagh who pointed out, "value does not mean doing things cheap."

"Consult your customer" is the lesson retailers can learn from Inditex.

Prime Minister John Key was an honoured guest and shared his optimistic views with the audience. "Things are starting to pick up," Key said.

"The challenge for New Zealand is to know how to put ourselves on a completely different plane.

"We have to fix the things that hold us back," he said, "and make them as effective as they can be." He also promised to fix up a lot around the regulation side. Overall, Key was optimistic about New Zealand coming out of the recession soon.

Keynote speaker Dr. Roderick Deane, however, painted a grimmer picture of the New Zealand economy. Although he concedes that retail sales growth will recover once the recession is over, he predicts that it

is unlikely to return to previous growth rates.

"We have to make major changes to get there," said Deane, who is currently chairman of Fletcher Building Limited. "Less government regulation is one step towards the goal."

Alan Gourdie, chief executive of Telecom Retail, was the final speaker at the conference. In his speech, he shared some background information on the separation of Telecom business units in the New Zealand markets and the creation of Telecom retail.

During the information-packed day, the NZRA announced the five retailers inducted into the new Retail Hall of Fame Awards at luncheon and the day concluded with the announcement of the finalists and winner of the Retail Modern Apprentice Awards, followed by a cocktail and networking function. ■

By **Doris Evans**, a freelance retail writer based in Auckland and regular contributor to *NZRetail*.