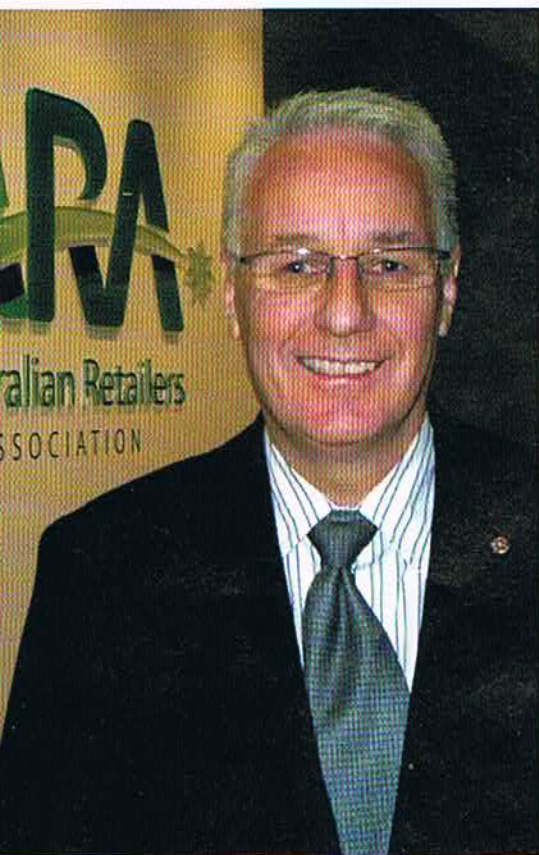


Q&A: Australian Retailers' Association



Russell Zimmerman

My Business (MB): What are the key issues for retailers in 2011?

Russell Zimmerman (RZ): There are a number of things. Uppermost in retailers' minds is concern about how retailing has slowed. That's for everyone from small retailers all the way up to the likes of Myer.

MB: Why is retailing slowing?

RZ: Rising interest rates for consumers is one reason. Rising costs of utilities, especially in NSW, but also across the board.

These are a double-edged sword, because consumers stop spending, but retailers have to bear the cost.

EXECUTIVE DIRECTOR RUSSELL ZIMMERMAN

With retailers under pressure from the combined might of online and offshore competitors and waning consumer spend, we asked Australian Retailers' Association Executive Director Russell Zimmerman for his views on the future of the industry.

The rising cost of fruit and vegetables is a concern for retailers who have to keep price rises to a minimum. And Internet retailing is a concern. For retailers who are not involved, they worry about how to get into it. Those that are involved want to do a better job.

MB: Things like interest rates are hard for retailers to control.

RZ: Yes. Retailers are countering it by discounting and reducing margins to make sure money comes through. But I have talked to retailers about trade, even January back-to-school trade, and they say there has been a slow-down.

People are moving their spend patterns — they used to spend \$50 on a pair of shorts. Now they spend less.

MB: Is deflation to blame? And what about the rise of discount retailers?

Yes. Clothing over the last 12 months has deflated at around six percent. But people want

to spend less. So there are two pressures. One is cheaper goods, the other is reducing prices to ensure that the consumer is buying the product.

MB: How do you think landlords are behaving? Are their marketing programs helping retailers?

RZ: There is a love/hate relationship. Retailers are screwed very hard by their landlords. They are very concerned about the increase in cost of rent.

There are major concerns about the cost of space is in relation to their tenants.

And while there is a lot of marketing by landlords, I think retailers have to get out there and do their own promotion. They have to have the right product to attract.

MB: Is it only product? What about the retail experience?

RZ: Retailers need to ensure they are providing the consumer the service they want, not

them, making sure there are sufficient staff to at least acknowledge them. I call it the 'theatre of the shop'.

MB: Do you think Australian retailers do that theatre well? Store greeters have been a part of the overseas retail experience for ages. Here it's hard to find an assistant, never mind be greeted.

RZ: Our wages may make it hard to have people like a store greeter, but there is a lot we can do to improve the experience.

When the Internet issue came up, people said they would shop at certain shops, but there is no-one there to assist them. Service levels depend on the type of shop you have.

For instance, you don't need a lot of staff in a self-help shop, but a fashion business at a certain level needs the people.

MB: You adopted a third position on the Internet GST issue. Why?

RZ: Our position on this has been that there is a problem with Internet retailing and it is going to grow.

We have also taken a position that if you went out to the public and said please pay more tax so you can buy from the Net, that would never be a win/win.

I think the big retailers' campaign has been a PR nightmare. The Fair Import Alliance [of which the ARA is

a member] went to the retailers and asked them not to do it. But I think there is a broader issue than just the GST.

There is also customs duty, consumer protection and illicit trade.

Customs duty is simple: there are duties beyond the GST and you need to take that into account.

On illicit trade, I have seen the paperwork for a guitar that was bought online and its declared value was \$90. It was really worth \$1,500.

On consumer protection, let's imagine you went to an electrical retailer and bought a toaster; you could take it back at least to the manufacturer. But if you buy it off the Internet and it says it is a 240-volt toaster, but it is really an 110-volt toaster and it explodes and your kitchen goes up, would you have recourse?

Also, when you buy a digital camera online, will the manufacturer's local office want to assist you with a warranty claim?

MB: How do you suggest we address these

RZ: Well, we have got to see what the gov doing in its review [in the Productivity Commis

It is too early to say what we will achieve with but we have taken the view to work with gover to belt it over the head. That's the way to ach not the way other groups have gone.

MB: What would be a good outcome of the for retailers?

RZ: I think we need to look at the total situati rents. Our retail tenancy costs are the highest in

I'm not sure how we address wages. We h industry and the best times for people to sh weekends, but we have penalty rates.

We want an industry that is going to opera consumer-friendly times and yet we want our paid a higher rate.

I don't know what the way is to get over thos but they need to be looked at very closely.

MB: The good news, I suppose, is that retailers are still coming here. I see Staples, Zara, among others, opening in Australia. something positive, doesn't it?

RZ: It is fine if that is a level playing field for thos

MB: Are you suggesting landlords are of newcomers good deals to help drive footfal

RZ: I'll just say it needs to be a level playing fi

MB: What about the new consumer law?

RZ: That's of concern, because under the cu let's assume you buy something and take it ba not happy.

The retailer now has the chance to say it problem and have it repaired [instead of r straightaway]. The issue is, what is a minor pr

Let me give you an example: you buy sc for your kids and after three weeks the stich undone. The retailer says it is a minor proble can have that stitched in a couple of days, rules say your kids absolutely must wear black

Or think of a watch company from Switz sells \$5,000 watches. They might say that minc have to be sent back to the factory for repairs a 12-week turnaround. A Japanese company watches and gives a replacement watch.

Is it a major problem or a minor problem? W expectation as a consumer?

The law also says issues must be addr reasonable time. Is 12 weeks reasonable manufacture swaps for a new one right away?

“I think the big retailers’ campaign has been a PR nightmare”