

15<sup>th</sup> June, 2011

Retail Industry Inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City, ACT, 2601

retail@pc.gov.au

Dear Commissioner,

I provide a short summary of the issues that I see within the retail industry, and respectfully put forward three suggested actions for consideration.

To explain my background and credentials, I have worked within the Information Technology Industry since 1976, mainly working with retailers in delivering technology-based projects to assist with the management of various retail operational areas. The last 10 years has seen me consult to small, medium, and large retailers on a vast array of technology-related topics, including Point of Sale, Stock control, Multi-Channel, Loyalty, and experiential applications.

I currently lead a consulting practice formed under the banner of Josem Consulting, and am a Teaching Associate at Monash University where I lecture on Marketing Channels and Retail Technology. I also contribute to the retail industry via the Australian Retailers Association and the Association for Retail Technology Standards.

**A key issue for retailers is the take-up rate of technology.**

The facilities for consumers and retailers to trade online has been available for many years, however, as a generalisation, Australian Bricks & Mortar (B&M) retailers have been slow to integrate this form of commerce into their operation.

Why is this so? There are a number of reasons that underlies this multi-faceted issue the industry participants face, not least of which is vision.

**A key issue that needs to be addressed is to increase Australian retailers' level of understanding on how to make technology work within their businesses.**



Other issues include:

- The globalisation of major retailers and their ability to act locally
- The costs of tenancy
- The availability of labour, and the structural issues around employment, retention, and education of retail staff
- The different issues faced by retailers who service rural communities from those that service metropolitan communities
- The activities of distributors who act to preserve their market and control at the expense of retailers
- The future proliferation of new and emerging payment technologies

The debate about applying GST to transactions under \$1,000 of course goes to the provision of a fair and productive business trading environment, and many other submissions deal with this.

My area of expertise is the use of technology within retail, and from my perspective, the overwhelming issue for today is how B&M retailers should integrate the online world into their businesses. This really amounts to adding a new channel to their businesses in an increasingly fast changing technological trading environment. Associated with this issue is how retailers might get technology vendors to deliver more appropriate solutions to solve individual needs.

With more pervasive broadband, social networking, and mobile (and fixed) access to the “always on” Internet, the opportunity for retail trading via the electronic channel has clearly become mainstream. The proliferation of new and varied ways for consumers to pay for goods is also likely to require careful planning to ensure Australian consumers safely benefit from the availability of new services.

A key problem and inhibitor to retailers, the gravity of which is generally inversely proportional to a retailer’s turnover, is that retail managers neither have the necessary understanding nor the disciplines to successfully manage technology projects.

As a general rule, small to medium retailers do not invest in educating themselves or even in familiarising themselves on what technology can do for their business until it becomes standard practice within the industry (eg: POS and scanning systems), and the competition begins to bite. In the current environment, by this time many will have gone out of business.

And many who do invest relatively early, do not get the rewards they expected because they themselves didn’t really understand the issues, and in addition, their advisors and technology vendors, could not deliver on their pre-sale promises.

Until the retail and technology industries together can deliver solutions that suit consumers more reliably, shoppers will choose to trade with those who have managed to convince them they deliver the best level of service for their dollar, and at present, anecdotal evidence suggests much of that trade is at risk of going off shore from Australia.

Australian Consumers need real and practical help to differentiate retailers with integrity and processes that safeguard consumer and industry interests from cowboys who are after a quick buck at the expense of gullible consumers. The current dearth of trustworthy information is likely to result in harming future retail industry productivity benefits to be enjoyed by the whole community.



**So... what can Government do to address this issue? I have three actionable recommendations for consideration:**

- 1. *Fund the development, marketing, and execution of conflict-free education programmes that address the known impediments to small to medium retailers from taking up investments in technology.***

It is obvious that small to medium retailers need help in this area, but good execution will be vital. Delivery of these programmes must be “vendor agnostic”. Participants must be confident to trust the advice being put forward. And the advice must come from people experienced with the Australian retailing environment.

Currently, it is extremely difficult for retailers to find practical education programs that are not sponsored by those with vested interests. The objective of the training must be to help retailers determine their vision for their businesses, and then how to go about achieving it.

Once retailers themselves know what they want, technology vendors will quickly react to deliver the services required to meet the industry’s needs.

It needs to be a retailer driven process, not a technology vendor driven process.

- 2. *Seed or subsidise investments in technology advisory services that seek to deliver real improvements to consumers via online service delivery within the Australian retail industry.***

The problem at present is that the fees required to provide retailers with quality advice are out of reach to the small to medium sized retailers that most need such advice.

I recommend the Government fund a mentoring scheme, similar to the Victorian Government’s programme that mentored small to medium package liquor merchants in preparation for deregulation of the packaged liquor industry.

Once an education programme has been delivered to a retailer, a substantial mentoring programme is required to assist retailers with the implementation issues that always follow new technology deployments. Without this follow-up programme, investments in technology by inexperienced retailers will be less than optimal.

- 3. *Develop and promote “safe trading” guidelines to Australian consumers, and develop a voluntary retailing online trading “Code of Practice”.***

I recommend two activities: FIRST, develop a set of easy to follow guidelines written to help consumers trade safely online. This will naturally promote Australian retailers over off-shore retailers. Helping consumers understand that buying a product is more than providing a credit card number is important; Delivering the item into their hands, using it, and having a mechanism to handle problems if something goes wrong with any part of the purchase is what makes up the price a consumer pays for goods.



Setting such guidelines will help Australian retailers justify their prices to consumers on the services they provide rather than just by relying on the fact they are Australian firms.

This in itself would lead retailers to align their systems and processes to deliver according to those guidelines.

SECOND: A complementary activity recommended is for the Australian retail industry to develop a voluntary Code of Practice where retailers who sign up to the code, agree to be bound to a set of processes to safeguard the interests of Australian consumers.

This needs to be driven voluntarily by retailers with input from Government and consumer stakeholders, with Government seeding the development costs.

I believe that the Australian Retailers Association is the most experienced and best organisation to construct the code. No other consumer or retailing body can garner the representation that is so necessary for the code to be adopted from all stakeholders.

The online retailing Code of Practice must be implemented by small, medium, and large retailers, and must have the interests of consumers in mind – the ARA has successfully developed other codes in similar situations in the past (eg: Ethical Clothing Code of Practice and Code of Practice for the Computerised Checkout Systems in Supermarkets).

I trust the information provided makes sense, and if there is anything further you feel I can contribute, please do not hesitate to contact me. I would be delighted to work through implementation details to enact the ideas for the programmes I have put forward.

Sincerely,

JOSEM CONSULTING

**Julian Josem**  
Principal Consultant