

In response to the PC draft report = “*Economic Structure and Performance of the Australian Retail Industry*”

The draft report presented by the Productivity Commission and the submissions made by individuals and companies highlight many difficulties facing retailers today.

It is evident that, sales are down for retailers and that consumers are generally dissatisfied with retailers.

I make this submission to hopefully assist

1 – My view as a consumer and as a retailer

2- How I turned an ailing retail business into a successful one.

I am currently employed at a small and specialised clothing business. I have been employed there for eleven years. I was initially employed as a sales man, however gradually moved into a business development role. Previously I was in the employ of “Georges” and with a concession retailer within David Jones as well as other various fashion retailers.

1 – My view as a consumer and as a retailer

I don't buy local, unless I'm desperate for an item. I have been shopping online for over 8 years. It is a more enjoyable experience because it provides, better value, greater range, no queues, flexibility to shop at any time, and the service quality is better when compared to local retail.

I estimate that my household spends approximately \$1500 monthly on internet purchases. The bulk of this goes to American sellers.

Looking back at when I did buy local retail, I feel like I was taken advantage of (High sales margins, poor stock, bad service, queues, and noisy commercials). I will not buy local retail again until it can offer similar value and conditions as internet shopping presently provides.

As a consumer and as a retailer I have observed that Australian retailers have been slow to comprehend and respond to international retail competition. Cheap air travel, fast internet speeds, and a more proactive consumer base have exposed local retailing as being viewed as old fashioned.

Sales are down for retailers because of

- 1- dissatisfaction
- 2- global competition

3- cost of living

Combined, these elements make internet shopping a better prospect.

Zara, Costco, IKEA and internet shopping provide much more value than otherwise found in local business.

It is easily identifiable that Zara has better quality stock, superior design and importantly more affordable when compared to similar retailers who appeal to the same target audience such as: Roger David, Witchery, Susan's, Portman's, Sports girl, Forever New, Bardot, and Politix.

These Retailers must innovate to regain consumer confidence. Price discounting has lost its glamour it can no longer be reliant upon to generate sale.

Retailers here need to look at successful businesses overseas to emulate and draw inspiration from such as Apple, Amazon and Steam who are retail market leaders. These three retailers share a common retail model = strong net based presence, purchases are delivered direct to customers thus greatly reducing stock and space commitments. They are also more service then sales based

In my experience and shared by submissions made to the Productivity Commission = good customer service is no longer evident at many retail establishments. Retailers seem to have forgotten that good customer service results in sales.

Earlier this year, Myers David Jones and Harvey Norman, via a national media blitz complained about the advantages enjoyed by internet retailers. They were primarily referring to GST free imports and the \$1000 import threshold. These retailers appealed for it to be revised.

Wayne Swan the Federal Treasurer, Martin Parkinson the Secretary of Treasury, the business community and the productivity commission express a common view that any amendment at this stage will be impractical and likely a detriment to growth.

Retailers need to accept this and move forward.

It is simply bewildering that Myers, DJ's and HN have not invested in creating an effective and quality internet shop, this is complacent.

These three retailers previously "threatened" to create a warehouse space situated on foreign soil, to ship purchases directly to customers, which will reduce local investment.

This is a brilliant idea and proven to be successful by other internet businesses; they should invest heavily into creating a net presence whilst gradually reduce their brick and mortar costs. They will then be able to sell at prices competitive with internet retailers. This will regain consumer confidence and possibly attract foreign consumers.

Big Box retailing =

Consumers have responded well to big box retailing hence the success and intention of Costco, IKEA, Masterchain, Bunning's and Aldi to open more stores. Costco are perceived as moderate, practical and low margin. Costco do not have glossy advertising, glamorous buildings or expensive models> basically costs that contribute to retail pricing, these retailers simply present quality brand merchandise, massive range at a low retail price.

When Bunning's opened, its sheer scale and purchasing advantage inevitably forced many hardware stores to close. Costco with its extensive range of products affects an even greater range businesses, this will no doubt affect a wide range of supply businesses.

Cost of living =

The draft report mentions that, poor retail trade cannot wholly be blamed on internet competition but is also attributable to the cost of living which reduces consumer's disposable income. Living costs have increased a greater rate than salaries.

Recently some organisations have sought for revisions to restrict retail employee wages and salary, this will only serve to further diminish consumer disposable income. It would be more helpful for retailers if staff were better paid and trained, this will result in a more effective and motivated workforce.

2- How I turned an ailing retail business into a successful one.

My employer became more economically viable when we changed the perspective from a "sales and profit" point of view, to a business whose first priority should be presenting value and service to the consumer.

The following were introduced =

1. Superior quality design and manufacturing
2. Price is cheaper than competitors.
3. Service levels surpassing expectations
4. Develop good will with organisations to which our clients belong
5. Regularly review product and services.
6. Orders are processed and delivered to customer within 48 hours
7. Free alterations for the lifetime of garments we manufacture
8. Dry cleaning and repair service charged at cost.

This created more work and increased labour costs, however it gives customers reason and confidence in shopping with us.

Other contributing factors =

1. Vertical Integration

Having things made locally became unviable. It was also surprisingly difficult, because local wholesalers in our experience were difficult and non-compliant.

The introduction of foreign product manufacturing allowed our company to improve supply chain coordination, provided opportunities to differentiate by means of increased control and it reduced cost of goods by benefit of scale.

Only a fraction of our merchandise is now made locally.

2. Know your competitor.

Fortunately we service a small and specialised market, therefore we have few competitors. We have four primary competitors.

Routinely we test the competitors = we do this by buying from them. We evaluate their product; consider their order processing and customer service. We then apply what we have learned and build our stock and processes to surpass theirs. We also make a continued effort to constantly look at ways to improve our products and service.

3. Paid staff more

The company I work for attracts quality staff by offering high remunerations. Commissions and bonuses further empowered staff to develop the business.

4. Marketing Initiatives

Previously we frequently advertised in newspapers. Given the saturation of newspaper advertising we felt that its appeal diminished, it was also very expensive. Thanks to advances in technology we found better ways to communicate marketing to the customer.

We also heavily invested into creating a web presence; again we looked at what our competitors were doing, and then looked at how successful international businesses achieved their web presence. We drew inspiration from that, tailored it, and then tendered.

A large part of our success has derived from this; we have gone from appealing to only a local market to selling nationwide. Since this investment we have also increased our international sales.

Recommendation/ Conclusion

Considering retail contribution to society and the fact retailers have only recently realised the severity of competition and changing consumer habits. I believe it will be helpful if the final report can include some advice for retailers.

Often freight into and out of Australia is provided by the same company. Why does freight out of Australia cost more? There are also weight and box dimension limitations. These are significant barriers for Australian business to sell successfully to international markets.

Example = I recently received an order from the United States of America (a single box weighing eighteen kilos). That freight cost was \$155 and it was received within nine days.

Cost to return

DHL \$730

Aus Post =

ECI {Express courier international, \$431 3-6 day service

Express Post International \$330 5-10 day service

Sea Mail \$186 2-3 Month service

Can the PC please recommend that freight limitations be reviewed

The PC should also consider the consequences of further restricting retail employee earning potential; instead recommend increasing wages and salaries for retail employees but also recommend revisions to make it easier for employers to retrench poor performing staff.

Kind regards

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