

Successful Mainstreet Retailing
August 2013



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1 Successful Mainstreet Retailing

In this report we aim to give you, the mainstreet retailer, tools to help you succeed. By this, we mean attracting customers, getting them to buy, and getting them to come back, i.e. creating loyal customers. This formula is especially important for mainstreet retailers!

See Through the Customers' Eyes

Everyone is a retail customer, but often as Retailers, Business Operators, Tenants and Landlords, we lose sight of the viewpoint that makes our local shopping villages tick: the local customer.

The customer operates in a world of many choices. There are the everyday shopping choices that mostly centre on grocery and convenience shopping – banking, dry-cleaning, pharmacy, DVD hire, petrol etc. The consumer might be looking to eat outside of the home, either with a quick take-out meal, or a more socially oriented snack, drink or meal. Using the terminology in the Auckland Plan, these needs are often met in ‘neighbourhood centres’ or ‘local centres’.

Then there are less frequent, more special occasions, focused on the personal appearance of themselves or family, such as buying apparel or health & beauty items. Consumers might be buying for their hobbies, activities and entertainment: reading, music, sports & recreation, crafts, movies etc. They may be buying for their home and garden – kitchen & dining wares, furnishings, furniture, appliances, plants, outdoor equipment. They may be shopping for services – insurance, real estate, accountancy, legal advice, design advice, property maintenance etc. These needs may be met in a shopping centre, an LFR centre, or a town centre.

Shopping is about journeys, and we have described some of the different types of journey above. Consumers will set aside different timeframes for each one, and they will go into each one with different mindsets.

The local shops are generally the closest shops to home, and so are the most convenient for frequent shopping journeys such as Grocery, Convenience and Hospitality occasions. Locals expect their local shops to cater for these needs and match their aspirations and lifestyles. With the advent of the Internet and the increase of competition for customers, the consumers of today believe they can shop from anywhere, all the time. However, social contact remains important.

The largest retailers with the highest visibility – and by visibility we mean prominent buildings in lots of locations, and lots of media visibility (TV, Radio, Newspapers, Internet), are becoming more open to customers 24 hours, seven days of the week, online and in-store. Supermarkets and department stores like Pak N’ Save, New World, Countdown, The Warehouse, and Farmers are examples of this, and banks are heading in a similar direction.

Shopping malls are essentially a cluster of smaller retailers who group together under a single landlord and brand, to become a major retail presence with high visibility. The largest and most visible shopping malls are owned by Westfield, Kiwi Income Property Trust and AMP.

Westfield Newmarket and Sylvia Park sit directly outside the Orakei LB area, and are no more than 15 minutes' drive from the furthest part of Orakei (Glendowie). These two malls contain some of the large retailers we mention above, and clustered around them are many other retailers. Newmarket is open 54 hours across every day of the week, from 9 am to at least 6 pm. Sylvia park is open even longer, for 69 hours a week.

However, in general, almost 50% of the sales in shopping malls are made during the weekend. This is because of the nature of mall shopping being more special occasion-oriented, and less convenience-oriented. It requires more time and attention from shoppers who are at work or school during the week.

Malls offer the convenience of easy and often undercover car parking, dry and warm pedestrian areas, and a relatively big range of shops – and therefore, choice. The shops are all required to achieve very high levels of attractiveness in design and merchandising appearance. Lots of hospitality choices enable customers to stay in the mall, refuel and shop longer than they may have expected.

Sylvia Park has 200 stores, and there are another 13 large national chain retailers next door at the Apex Mega Centre. Newmarket Westfield has 100 stores (including Nuffield St), with another 300 retailers clustered in Newmarket within walking distance. These large shopping malls, and the surrounding retail precincts, occupy a large share of customers' minds, and attract customers from a much wider catchment.

However what these malls struggle to offer is personalised service, with owner-operated stores where the customer is recognised, and their purchases, tastes and interests remembered. These malls struggle to create the intimate experience of shopping and eating where neighbours, friends and family bump into one another unexpectedly. Malls are also full of chain stores and struggle to offer something unique, quirky, and diverse. Malls offer a very narrow range of experiences, and by their nature cannot be very flexible.

Local mainstreet retailers can and should offer something different to a mall. Customers are not concerned with whether a retailer has chosen to locate outside of a large mall because the rent is cheaper – this is only relevant to them if it produces a significant and marketable price saving.

Most of the owner-operated small retailers that make up the majority of local shopping villages cannot compete on price or media promotion with multi-national and national chain stores. Competition has to be based around the customer experience in the store – service, activity, design.

In a world of shopping anywhere all the time, customers now desire emotional experiences when they shop. In a global marketplace customers want to connect to something local and tangible, they want to be part of a social community. “Local” is an ideal proposition for service businesses, such as health and beauty or F&B services, travel agents and so on.

The latest retail research clearly indicates the following trends, which will be beneficial for local mainstreet retailers.

Customers Want Personal Connection on the Internet

Customers' main priority is to feel attracted to your brand and offer, and understand what you have in-store, so that it is worth their effort to visit the store. They then want to remain connected via the Internet with regard to their feedback on purchasing and product experience. Then, if they choose, they will become part of an ongoing online relationship about loyalty and re-purchasing. Buying online is not their priority. Online sales make up less than 5% of retail revenue, and research clearly shows that people shop in “bricks and mortar” stores as a leisure activity.

Increasingly, most online shopping activity is done on smartphones. Local retailers need to have and invest in an online experience that is tailored to mobile devices.

Customers Want a Rich, Meaningful In-Store Experience

Consumers want simplicity. This means environments free of confusion. Shoppers want some sort of logic or clear understanding of your offer, they want clear simple communication of what you are.

Consumers want to be surprised and delighted. They want this to be meaningful and relevant. This means you have to know who your target customer is, and understand their interests, cultures, lifestyles, tastes etc. Your customers want displays and layouts and store designs that surprise and delight. They want product or services that surprise and delight. Mostly, it's the small details and small gestures that make the big difference. As a retailer you are a host. Louis Vuitton have a famous saying that their windows are the invitation to a party and the staff are the hosts – this is a great way to think of your store and staff, no matter what you sell.

Excellent retailers create stories that connect products to users/customers. This is about using emotion in the store design, display and ticketing. Customers want to see, hear and feel your passion.

Customers Want Personalisation

Customers want personalisation when they shop, and they want to feel they are in partnership with the retailer. Most customers want to be greeted and recognised when they enter a local shop. Technology now enables retailers to recognise customers, with check-in and location sharing via mobile phones. For example, you can offer free Wi-Fi to customers at entry, by a simple one touch registration that also doubles as a check-in.

Most customers are happy to be part of a Customer Management System. For example, staff with an iPad app can enter in customer comments and requests under the customer's name, along with a record of all sales. This means that you can collect information that is useful to the customer: it may be that you can contact them to let them know that something they have expressed an interest in has arrived, or is on sale.

You have to communicate your beliefs and the benefits of what you sell to the customer, and make it plain that the customer, you, the community and the environment are all better off as a result of them shopping with you.

Customers Are Interested in the Local Community

Your store should communicate anything and everything that is local – that you live locally, that you have local suppliers, that you contribute/participate in local initiatives, that you reflect the local culture. This is more than just a sign saying “locally owned”; it should be meaningful and relevant to the customer.

Competing Effectively

To compete against Malls and Large Format Retailers, small local retailers have to do and be something different. Simply leasing a shop, fitting it out at the lowest possible cost and filling it with product, then hoping customers will walk in and buy, is no longer feasible.

You have to carefully research your local customers – their incomes, education level, jobs, home values, tastes, lifestyles, and shopping behaviour. You have to have a service or product range that will appeal to that local market, which you can present in a unique way that is relevant to the customer.

In the Orakei LB area the customers are mostly above average in income and education. They are mostly in Professional/ Managerial occupations, living in expensive homes, with relatively expensive tastes. They are well travelled, and they have high expectations of their shopping experiences and the services and products they buy.

These consumers are very conscious of value, and in particular, they value their time highly. They expect local shops to be equal or almost as good as a mall chain shop in terms of fitout and presentation. Orakei customers would be more loyal to a local shop than a mall chain shop, even if it is slightly more expensive. They expect local shops to be more individual and have products that are a bit different. Lastly, they expect service to be better from a local shop than a mall chain shop.

Local shops have to market strongly to local customers: this should be on a more direct, one-to-one basis. TV, radio and newspapers are generally very expensive mediums for marketing spend, and returns from this will be small. Creating and building a customer database should be the main key initiative for marketing. This database can then be used to communicate with customers on a regular basis.

Communication with the customers on your database needs to be based around thanking them for their purchase, and making sure they are happy. Then it is about letting them know that you have new items they may be interested in – a new menu, new staff, new product, new brands, new in-store event. Most customers want to hear about new, interesting things. This is not a chain-store catalogue/flyer type of communication: it should be more of a newsletter, and the more personalised, the better.

If you want to encourage more traffic through your store, offer something free (and valuable) to customers that visit. This can be a small item: it could be a service such as free parking, or it could be a free coffee: you can organise a cheaper price with your local coffee shop. It does not have to be a discount on your own products. These kinds of free offerings could also be integrated into a loyalty programme.

You need to be part of your local community even when you might not live there, and encourage your staff to do the same. Attend community events, participate in community groups, and do local voluntary work. When you do this, let people know who you are and that you have a local shop, and tell them how well you will look after them if they come in. Make sure all your staff know what you are involved in, so that this effort is not wasted. Word of mouth recommendation is still the biggest and best marketing tool. Make contact with local newspapers and send them news and stories that might interest their readers that feature your shop – free editorial is the best advertising.

Having a well-designed and up-to-date website is your best advertising. Get expert help to make sure you are set up for higher attention by search engines. Have social media platforms (Facebook, Twitter) where you can introduce new products or services, engage in two-way conversations with customers, allow customers to share stories about their purchases, and above all respond quickly.

Retailers have to be people-oriented: you and your staff need to be very interested in people. You need to be friendly and open without being overbearing, and you need to embrace a service attitude. You need to be a natural smiler, have good manners, and be able to bite your tongue even when faced with a rude or grumpy customer. You need to be passionate about what you sell. If you are not a natural leader, you can learn to be one, and your staff will expect to be led by you.

Be part of your local Chamber of Commerce or Business Association, and advocate and support any initiatives to market your local village as a destination and to brand your village. Remuera, Ellerslie, St Heliers and Mission Bay have all created village brands, websites and support organisations.

2 Store Design, Fitout and Merchandising

The store design, and experience, is about creating an image and perception with customers. Your image must appeal to your target customers. This starts from outside – the general appearance and signage, and window displays. Moving inside, there is the overall layout of the store, and how that directs customer movement. There is the overall décor – colour, materials, and finishes – and the way that they are placed on floors, walls, ceilings, fittings and furniture to create an ambience.

Don't forget the other senses – sound (music), smell, touch and taste. All of the above need to be considered. They need to be consistent with your image, and how you want to be perceived. It's also important to remember the basics, such as keeping your shop clean and tidy.

You should review and refresh your fitout at least every five years, and we recommend that reputable designers and shop fitters be engaged. Graphic designers, lighting specialists, window display and visual merchandisers can also be valuable. Professional advice is a good investment!

Shopfronts

Shopfronts should be relevant and appeal to your target customer. They should reflect the character of your brand.



Lighting

Remember that your store faces the main street, and pedestrians will find it difficult to see into your store unless it is lit more brightly than the outside environment.



Fitout

Ensure that good floor finishes, wall finishes, fitting and fixtures are incorporated in the design.



Merchandising

Merchandising is the best way to make a strong statement and attract customer attention.

Retailers should use innovative window display elements, and fixtures & fittings, to engage the customer's attention. Product display areas should be dramatic and carefully thought out.



Graphics

Graphics are another great way to make a statement and display a brand's character.

Graphics, and well-lit specific features, should reflect the design concept and brand.



3 Site Selection and Evaluation

Choosing a site to trade from is one of the most important decisions a retailer will make, and it could make the difference between the shop failing or succeeding. The decision becomes even more important when there are few vacant sites to choose from.

High pedestrian count locations will tend to have higher occupancy costs, and retailers must weigh up the costs and benefits of each potential site. However, there are many more factors which retailers should also consider.

Checklists for Site Selection and Evaluation

It is worthwhile to use a checklist when evaluating potential sites. Of course, a checklist can never incorporate all the factors that should go into site selection. For multi-site retailers, it is always a good idea to draw comparisons with existing stores in the network, and to use objective statistical data as well as subjectively looking at the site.

We have attached a checklist for retailers which you can use for your own evaluations, although we encourage you to add any other criteria which are relevant for your business!

Site Selection and Evaluation Checklist

Criteria	Satisfied?	Notes
Local Market/ Catchment		
Catchment Defined?		
Resident Population Size/ Growth Trends		
Employee Numbers/ Key Businesses		
Special Markets (e.g. Hospital, Tourists)		
Household Incomes		
Age/ Ethnic Profile		
Psychographics (Consumer Behaviour)		
Traffic Flow & Accessibility		
Pedestrian Counts Past Site (Weekday/ Weekend)		
Security and Safety (Pedestrians/ Vehicles)		
Traffic Counts Past Site (Weekday/ Weekend)		
Ease of Entrance and Exit for Vehicles (inc. Delivery)		
Availability/ Fees for Onsite/ Nearby Parking		
Availability of Public Transport		
Roading Connections		
Congestion		
Planned Infrastructure Upgrades?		
Geographic Barriers in the Catchment		

Criteria	Satisfied?	Notes
Retail/ F&B in the Catchment		
"Retail Mix": Range and Quality of Retailers		
Key Anchors, e.g. Supermarkets/ Department Stores		
Food and Beverage		
Other Complementary Uses (Entertainment, Civic etc)		
Assessed Strength of Competitors. Over/ Undersupply?		
Possibility of Joint Promotions with Local Retailers		

Criteria	Satisfied?	Notes
Site Characteristics		
Outline Specifications of Site		
Visibility of Site from Street		
Compatibility of Nearby Stores (Current/ Proposed Mix)		
Opening Hours of Nearby Stores		
Size and Shape of Premises		
Condition of Existing Building		
Availability of Exterior Seating		
Disabled Access		
Signage (Restrictions?)		
Type of Zoning		
Development Plans in the Area		
General Appearance in Area		

Criteria	Satisfied?	Notes
Environmental Factors		
"Above-Ground" Risks		
Asbestos/ Lead Pipes/ Hazardous Materials		
Motor Oil/ Underground Storage Tanks		
Lease and Occupancy Cost Factors		
Lease Provisions: Term, Renewals etc		
Base Rental		
Percentage Rental (if applicable)		
Insurance, Opex, Other Costs		
Utility Costs		
Local Body Rates/ "Mainstreet" Targeted Rates		
Expected Capex		
Capex by Landlord/ Improvements Rental?		
Restrictive Clauses in Lease		

4 The Landlord-Tenant Relationship

For most retailers, occupancy costs will be their third-largest expense, after stock purchases and staff costs. Occupancy is also the largest “fixed” cost, and potentially a major liability if the business fails. As such, the landlord-tenant relationship is very important to the retailer’s bottom line.

The main points of the landlord-tenant relationship are set out in lease documents, and we cover leases below – but some things are impossible to cover in a contract, and these can be just as important as what is laid out in a lease.

The First Steps

Once you have identified a potential location for your store, and received an indication as to what the rent will be, you can prepare a business case to see whether the location is likely to stack up financially.

Retail shops can take several years to “mature” and reach a stable level of turnover. It takes time to build up a customer base and develop a niche in the market: retailers should plan for turnover to start out low, and increase over time. Usually, it is appropriate to factor this into your business case.

Similarly, it is quite common for new leases to include a rent-free period (a “rent holiday”), or a “stepped” rental which increases over time. Alternatively, the landlord may make a financial contribution towards the tenant’s fitout, or other incentives may apply. These kinds of incentives can make a big difference to cashflow in the first few months, and it is important to have an idea of what you can expect when you develop the business case for the premises.

The first person you should talk to is your accountant, who will be able to critique the business case, tell you what level of turnover might be reasonable to expect, and whether the shop is likely to be viable or not, given the proposed rent.

After this, it is usually worthwhile to seek advice from a property professional, real estate agent or valuer. He or she will be able to advise on whether the rent (and the other provisions in the lease) are reasonable for the location and premises.

Legal advice can also be useful to explain and negotiate the provisions of the lease, and it is very important to ensure that you understand your rights and obligations before signing any lease documents. In particular, retailers must understand their obligations to maintain the property that they lease.

Lease Form

The most common lease form is published by the Auckland District Law Society. This sets out the contractual arrangement between the landlord and the tenant.

The lease allows for several items, including provisions for:

- Repairs and maintenance
- Review of rentals (this can be to market or CPI)
- Lease renewals and terms
- Insurance requirements
- Operating expenses – what the tenant pays for outgoings on the premises, which may include rates, insurance and services
- All other agreed terms relative to the store, appearance and operation of the business.

Tenants and landlords should also consider the following matters:

- Outline specification – what is the landlord contributing towards the design of the tenant's store?
- Signage opportunities
- Building services available in the location and premises. Are there facilities for gas, data, grease traps etc?
- Parking for staff and customers
- Loading facilities
- Weather protection
- Design of shopfront, tenancy, and fitout. Is there an ability to change the landlord's fixtures and fittings to suit tenant requirements?
- Compliance with current building codes – this affects maintenance, and the ability to lease to higher quality tenants e.g. government or established retailers

Rental Arrangements

The most common lease arrangements are for retailers to pay a fixed rent each month. However, some leases specify "percentage rent", based on a percentage of the retailer's turnover – the retailer will usually pay the higher of this sum or a fixed "base rent". These kinds of provisions are more common to shopping centre environments, but they may be worth considering for mainstreet retail premises.

This kind of rental structure can often be advantageous for retailers, especially for new stores: if the store trades poorly, the rental will not be too onerous, whereas if the store is a great success, the retailer will be better able to afford a high rent.

The disadvantage for the retailer is that he must disclose his turnover to the landlord, which may be a valuable piece of information during future negotiations. The landlord should also insist that the figures are audited, since otherwise there is an incentive for the retailer to under-report turnover.

This arrangement makes the landlord more of a partner in the business, and means that the landlord sees some rental upside if the shop is successful. The downside for the landlord is that there is less certainty about what rent will be paid, making the property a riskier investment.

Understanding Your Landlord

Before entering into a lease, retailers should understand the person or company that they are contracting with. Is the landlord a “passive investor”, who is primarily interested in receiving a return on his investment, but does not want to deal with the day-to-day issues which may come up during the lease term? If so, it is important to check that the landlord employs a professional property manager to ensure that issues are dealt with properly and promptly, regardless of when they might occur.

The landlord-tenant relationship is much more likely to be a positive one if both parties have some understanding of each other’s business.

5 Know Your Business

Retailing today is a complex and diverse industry. Consumers are well-informed and have a wide range of shopping options. As such, they are only partially “loyal”, and there are plenty of opportunities for them to go elsewhere if they do not receive a good shopping experience.

Retailers should also be well-informed, and have a good understanding of their business. There is a wealth of information available to modern retailers, whether they are independents or major multi-site businesses, and this chapter gives some ideas, along with links for further information.

Smarter Stocking

In most cases, stock purchases will be your biggest expense. Making sure that stock is purchased and managed efficiently will give you an important competitive advantage.

Independent retailers have fewer resources to devote to purchasing than major retailers, and they don't have the same buying power. However, independents can join buying groups which provide many of the same benefits enjoyed by the big players. Buying groups in New Zealand include Composite Retail Group and the Appliance Network.

Independent retailers can also seek out merchandise which isn't stocked in other stores. The Internet makes it easier than ever to find new stock ideas, although it is important to give consumers reasons to buy from your store rather than bypassing it and buying direct from the manufacturer's website. You can address the particular needs of your market, unlike chains which are driven by head office decisions.

Stock turns are an important measure of success, and within any store there will be fast-moving and slow-moving product lines.

- Small, discretionary items like postcards, chewing gum or reusable shopping bags will turn over rapidly, and every retailer should be thinking about how they can incorporate such items into their store – even to simply create upselling opportunities.
- Big-ticket items like furniture or artwork will tend to sell more slowly.
- Space which is further away from the store entrance, or not at all visible from the store entrance, will tend to be less productive, and merchandise will sell more slowly.

Retailers should recognise which items are likely to sell quickly or slowly, and make sure that the slow-selling lines are still pulling their weight – for example, through higher gross margins, or making use of secondary space within the store.

Faster stock turn will also give customers a reason to check into the store more frequently, to see what new merchandise is available.

Of course, stock turn depends on the amount of inventory carried in the store. An abundantly stocked store gives a positive impression, and is a good and effective means of creating in-store ambience. This must be balanced against the need to turn over stock fast enough to support cashflow.

Retailers can often become too focused on a “cost-plus” mentality, and try to maintain gross margins across the board. This can tie up valuable cashflow, and it is often better to reduce the price on an item and sell it more quickly, rather than leaving it unsold in the store.

Retailers should have a good idea of the space available to them, and how their store is laid out. It is possible to analyse sales and profitability on the basis of product lines, or on the basis of areas. Sales/ profit per square metre are useful measures, and retailers can improve their performance by keeping a close eye on how the different parts of the store are trading, and reallocating (or reconfiguring) space if necessary.

Develop Your Competitive Advantages

It can seem like the cards are stacked against independent retailers, but we think that local stores still have plenty of competitive advantages.

Local Knowledge

Independents can build up a better knowledge of their local area, and their (potential) customer base, than chains. Demographic analyses are important, but there's more to it than that – you can know your customers by name, know what else is happening in the community, when there are events that bring more people into the town centre, and so on.

Local/ New Zealand Ownership

Being able to say that you're New Zealand-owned is an advantage – Kiwibank and Foodstuffs (New World/ Pak N' Save) make heavy use of this in their marketing. Being able to say that you're locally owned is even better.

This also goes back to the idea of being a part of the community – sponsoring community events, hiring from within the community, and so on.

Product Offering

As an independent retailer, you can choose which products you want to stock, based on whether you think they will be popular with your local market. Most chain stores don't have the same flexibility, and tend to stock a similar range in each store.

Responsiveness

Independent retailers can adapt to changes in their local environment, faster than the larger chains. As an independent, you should be “nimble”, and always looking for ways to improve your business and match it to customer needs. This can be done as fast as you like, without needing to secure approval from a head office or board of directors.

Motivation

As a store owner, you have all the motivation you need to improve your store, boost profitability and so on. Store managers should also be motivated – and it's important to have schemes in place to reward them for good performance – but they may not have quite the same level of dedication as a business owner.

Consistency

When you have one store, it should be easier to deliver a consistent customer experience. This extends from the way in which your staff interact with customers, to your store branding and layout, and so on.

If you decide to update your brand, signage, or store format, this can be done much more quickly than it can for the chains. Z Energy managed to rebrand nearly 300 Shell sites in just eight months, but it can often take years for this kind of work to be done across an entire chain.

Getting Independent Advice

There are plenty of resources available for retailers who want advice on improving their business:

- Your accountants are a good place to start when looking for business advice: they should have good knowledge of your business, and they may also have experience with similar businesses which they can put to good use in helping you;
- Your business association, or Business Improvement District, will often have a range of resources available. These may include information on your local demographics, or customer spending patterns;
- The New Zealand Retailers Association has some excellent resources available to their members. Membership starts at \$385 a year (excluding GST) for retailers with a turnover of less than \$500,000, and also gives access to a range of other benefits;
- Business Mentors New Zealand offers a free mentoring service which is available to all businesses, and this is well worth looking into;
- AUT and MIT offer papers in retail.

There are also some freely available tools for benchmarking your business, and we outline these in the next section.

6 Benchmarking for Retailers

Multi-site retailers can compare the performance of different stores in their network, but this is not possible for independent retailers. However, useful benchmarking information is available from some government sources:

- The Annual Enterprise Survey (AES), produced by SNZ;
- Industry Benchmarks, produced by Inland Revenue.

Annual Enterprise Survey

The AES is a very extensive survey, and in fact includes information from most businesses in New Zealand (usually sourced through IR 10 forms filed with Inland Revenue, with a sample survey from other businesses). AES information can be obtained by:

- Going to the AES entry page, either through the SNZ website or via the following link:
http://www.stats.govt.nz/browse_for_stats/businesses/business_finance/annual-enterprise-survey-info-releases.aspx;
- Clicking the “Annual Enterprise Survey: 2011 financial year (provisional)” link;
- Clicking the “Annual Enterprise Survey: 2011 financial year (provisional) – supplementary industry tables – NZSIOC level 4” link, which links to an Excel file with useful information for fairly detailed industries.¹

We have attached an example of AES information overleaf, for the combined “recreational, clothing, footwear and personal accessory” store types. This shows that, for the 2011 financial year, this industry had:

- Combined income of \$5,389 million, or \$5.389 billion, made up mainly of “sales of goods not further processed”;
- \$850 million of salaries and wages paid (15.8% of income);
- “Total income per employee” of \$178,400;
- An average current ratio of 125.4%;
- Average gross margins of 45.4%;
- Average return on equity of 23.5%.

Note that these statistics are for the overall industry, and may be skewed by large fashion businesses such as Hallenstein Glasson or large recreational goods businesses such as Whitcoulls or Warehouse Stationery. These statistics may not reflect what an independent footwear retailer, for example, can expect, and they must be used carefully for “mom and pop” businesses.

¹

<http://www.stats.govt.nz/~media/Statistics/Browse%20for%20stats/AnnualEnterpriseSurvey/HOTP11/aes-11-sup-tables-industry-NZSIOC-level-4.xls>

Table 4.45

Recreational, clothing, footwear, and personal accessory retailing
 ANZSIC06 groups G424 and G425

Financial item ⁽¹⁾	2009	2010 ⁽²⁾	2011 ⁽²⁾	Percentage change from last year	
	\$(million)			2010	2011
Financial performance					
Total income	5,271	5,276	5,389	0.1	2.1
Sales of goods not further processed	5,146	5,121	5,119	-0.5	0.0
Sales of other goods and services	90	100	109	11.1	9.0
Interest, dividends, and donations	27	27	142	0.0	---
Government funding, grants, and subsidies	0	0	1	...	...
Non-operating income	8	28	18	250.0	-35.7
Total expenditure	5,080	5,102	5,084	0.4	-0.4
Interest and donations	105	80	79	-23.8	-1.3
Indirect taxes	17	18	15	5.9	-16.7
Depreciation	116	112	125	-3.4	11.6
Salaries and wages paid	821	817	850	-0.5	4.0
Redundancy and severance	2	2	1	0.0	-50.0
Purchases of goods bought for resale	2,839	2,909	2,794	2.5	-4.0
Other purchases and operating expenses	1,166	1,142	1,179	-2.1	3.2
Non-operating expenses	16	23	41	43.8	78.3
Opening stocks	1,204	1,128	1,279	-6.3	13.4
Closing stocks	1,143	1,202	1,258	5.2	4.7
Surplus before income tax	130	248	284	90.8	14.5
Financial position					
Total assets	2,964	3,325	3,529	12.2	6.1
Current assets	1,760	1,809	2,062	2.8	14.0
Fixed tangible assets	531	552	580	4.0	5.1
Additions to fixed assets	143	153	128	7.0	-16.3
Disposals of fixed assets	53	32	29	-39.6	-9.4
Other assets	673	964	887	43.2	-8.0
Total equity and liabilities	2,964	3,325	3,529	12.2	6.1
Shareholders' funds or owners' equity	975	964	1,210	-1.1	25.5
Current liabilities	1,122	1,557	1,644	38.8	5.6
Other liabilities	868	804	674	-7.4	-16.2
Financial ratios⁽¹⁾					
Total income per employee count ⁽³⁾	\$165,400	\$170,800	\$178,400	3.3	4.4
Surplus per employee count ⁽³⁾	\$4,100	\$8,000	\$9,400	95.1	17.5
Current ratio	156.9%	116.2%	125.4%	...	...
Quick ratio	55.1%	39.0%	48.9%	...	...
Margin on sales of goods for resale	44.8%	43.2%	45.4%	...	...
Return on equity	13.3%	25.7%	23.5%	...	...
Return on total assets	4.4%	7.4%	8.0%	...	...
Liabilities structure	32.9%	29.0%	34.3%	...	...

1. Refer to the 'Definitions' section of this release for definitions of financial items and ratios.

2. These figures are provisional.

3. Rolling mean employment is used. Refer to the 'Definitions' section of this release for a definition.

Symbols:

... not applicable

--- figure too large to express

Source: Statistics New Zealand

Similar AES statistics are available for the following store types:

- Motor vehicle and motor vehicle parts and fuel retailing;
- Supermarket, grocery stores and specialised food retailing;
- Furniture, electrical and hardware retailing;
- Recreational, clothing, footwear and personal accessory retailing;
- Department stores;
- Pharmaceutical & other store-based retailing;
- Non-store and commission-based retailing;
- Accommodation;
- Food and beverage services.

The New Zealand Retailers Association produces an annual publication called “The Retail Market in New Zealand”, which is available from their website. This publication also makes use of AES data, customised to provide more information for the retail sector, and for more detailed store types.

Industry Benchmarks

Industry Benchmarks information is provided at the “individual business” level, not the industry level, and it also provides statistics for small, medium and large businesses within the industry. Industry Benchmarks information can be obtained by:

- Going to the Industry Benchmarks entry page, either through the Inland Revenue website or via the following link: <http://www.ird.govt.nz/industry-benchmarks/>;
- Clicking the “Find your industry benchmarks” link;
- Clicking the link for your store type.

Unfortunately, this Industry Benchmarks information is currently only available for F&B operators, fruit and vegetable retailers, and supermarket and grocery stores, but Inland Revenue is likely to add more store types in the future.