

The Global Financial Chic (GFC)

With the global financial crisis sparking a new trend for GFC (global financial chic), never have Australia's discount department stores been more poised. Discount retailers Kmart, Target and Big W are gaining ground as shoppers "trade down" to lower-priced products. But their success has also come at the expense of more upmarket chains such as Myer and David Jones.



There is no question that what consumers want right now, at every level of the market, is affordable fashion. With a slogan of great style and great value, Target offers consumers catwalk-inspired fashion at prices that are 20 to 30 percent less than its competitors. Inspired by global trends, Target frequently sends a team of buyers, designers and trend forecasters overseas to bring back new ideas to Australia. In addition, there are also trend forecasters located in Britain and the US who look into the latest fashion trends including what celebrities are wearing. Target's fashion collections are mostly inspired from international retailers including Topshop and H&M, particularly for their Hot Options range. Zara and Primark (Spanish and British discount fashion chains) retailers also influence some of Target's latest fashion items. Recently, Target announced the suspension of its strategy of using high profile fashion designers, who in the past have included Stella McCartney and Zac Posen due to the impact of decreased consumer spending.

The red spot store is not alone in its fashion quality at bargain prices mission. Discount chain, Kmart is continuously focusing on stocking fashionable items representing value as well as quality. Fashion retailer, Sussan has also undergone repositioning over the past five years and has started interpreting styles on the catwalk and re-inventing them in-store. Furthermore, Big W has undergone a major revamp over the past 18 months to focus on providing everyday fashion solutions. Australian fashion designer, Peter Morrissey recently announced it will design a range of affordable clothes for Big W. Morrissey will team up with fashion entrepreneur, Bruno Schiavi whose previous design collaborations with Delta Goodrem and Brett Lee have already proved successful for Big W. The partnership will see the launch of a range of women's fashions and men's and women's underwear by spring this year.



This strategy is also being adopted by Myer as they navigate their way through the economic downturn. The implementation of diffusion lines, where big name designers create an affordable offshoot of their main line, has been a

MYER key factor in the growth of women's apparel and accessories segments. Myer's diffusion lines, such as 'Hi There' by Karen Walker and 'Wayne' by Wayne Cooper, have been successful in offering on-trend, affordable fashion. The rise of Myer's in-house brand Basque, which is often worn by Jennifer Hawkins on the catwalk, is another range performing well, offering trend-based style at great prices. David Jones has a similar strategy to Target with its range planning - entry level, mid-level and designer brands - but it has not made big changes to the product mix as a result of the downturn. Rather, it is simply seeing fewer shoppers visit its stores and analysts project David Jones will not do as well as Myer as consumers at the top trade down.

In addition to this trend of 'trading down', a recent craze experiencing success in the present economic climate, is clothes swapping. Already a hit in Sydney and Melbourne, the first Clothing Exchange was held in Adelaide during May. It's a highly organised event, featuring chic clothing from both chain stores and top Australian fashion designers. At the exchanges, consumers bring up to six garments or accessories to swap one-for-one. So it is no wonder that innovative ways of acquiring style are gathering strong momentum. *AFR*, 3 May; *Sydney Morning Herald*, 18 & 21 May; *UK Marketing Magazine*, 26 May; *Inside Retailing*, 31 May

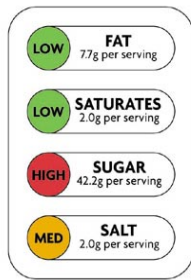


In this issue

<i>The Global Financial Chic (GFC)</i>	1
<i>Retailers encouraging consumers to stay healthy</i>	2
<i>Social networking: a powerful tool</i>	2
<i>Coffee remains a must...</i>	2
<i>Size standards cause concern</i>	3
<i>Baby boom worth millions</i>	3
<i>Big box retailers try a new concept</i>	4
<i>Dollar stores attracting everyone</i>	4
<i>Australian news bites</i>	5
<i>International news bites</i>	7

Retailers encouraging consumers to stay healthy

IGD research in the UK has found encouraging evidence of shoppers taking action to eat healthy, revealing that the healthy lifestyle message is reaching consumers through a range of retailer activities. IGD's Shopper Trends Report 2009 found that 41 percent of shoppers are aiming to eat five portions of fruit and vegetables a day, with over a third saying they exercise more and eat low fat versions of foods.



Nutrition labelling on packaging is key to helping shoppers choose foods that will enable them to achieve a healthy balanced diet. Guideline Daily Amounts (GDAs) shown on the nutrition panel on the back of food products help shoppers to understand the nutritional content in the context of their overall daily intake. Many retailers have now extended the information they provide to

front-of-pack labelling, adopting the traffic light system, GDAs, or a combination of the two. One retailer is even using the slogan "Spoil Yourself Healthy," to demonstrate that being healthy is not just a chore but can be very enjoyable.

The last six months have also seen retailers focusing heavily on produce categories, with the health message being communicated more strongly in-store. The importance of fruit and vegetables in the diet is a key message from the UK's Department of Health which has been promoted for a number of years through their 5-a-day campaign.

Recent store visits conducted by IGD revealed the leading retailers were all displaying the 5-a-day campaign signs above produce fixtures. In addition, retailers are placing greater emphasis on demonstrating value, both with promotions and rounded price points. Leading retailers are using the produce category to showcase affordability by creating gondola end fixtures of fruit and vegetables, all priced at the same low price. By focusing on produce, retailers are also demonstrating their health credentials, earning them respect not just from the government, but also from shoppers who still want to be able to eat healthily, but on a much reduced budget. Looking to the future, communication is key and keeping health and nutrition front of mind through consistent messaging and clear information will give shoppers the knowledge and confidence to make healthy choices for themselves and their families. *IGD, 7 May*

Social networking: a powerful tool

The worldwide economic downturn has prompted many retailers to shift their advertising strategies from more traditional channels, such as TV, to the ever-growing platform of social networks, such as Twitter and Facebook. A survey conducted by US Forrester Research, found that retailers see online retailing, such as social networking, as a key factor in today's economic climate.

The growing acceptance of social networking as a means of advertising by retailers has been identified and targeted by social networking groups, Twitter and Facebook. Blogging website, Twitter is currently developing a variety of tools for use by companies and brands to offer an up-to-date account of the current discussions among its members. Meanwhile, Facebook has also proven to be a powerful and convenient way to reach customers enabling companies to post photos, videos or status updates

facebook

and even collect consumer feedback and opinions. With more than 200 million active Facebook users, AdAge estimates revenue to be about \$500 million this year, equating to a mere \$2.5 per user.

Luxury brand, Louis Vuitton was among one of the first brands to take advantage of social network advertising, promoting their website and new product offerings through their Twitter account. Conversely, Starbucks used Facebook to reach almost 1.5 million "friends" to raise awareness of their brand while raising money for AIDS, which became the most viral event in Facebook history. This trend is also emerging in Australia, with Pizza Hut and Virgin Blue operating Facebook and Twitter accounts. The social networking trend has undeniably taken hold in Australia and worldwide, with a growing number of companies are seeing it as a cheap, but effective, way to reach their target consumers. *AP, 5 May; WARC, 20 May; Mobile Marketer, 22 May; Brand Channel, 25 May; Biz Report, 27 May*

Coffee remains a must...

Despite a widely held belief that non staple items, such as coffee, would be the first area consumers would cut their spending, demand for coffee remains high according to various Australian and international coffee shop owners and chains. The cafe sector has been holding up particularly well, as many consumers see it is a cheaper alternative to eating out at a restaurant. Specialty coffee retailers have been the biggest beneficiary from this trend, with Epic Espresso, a Western Australian company, reporting a strong growth in coffee sales, barista school attendances and raw bean sales. Coffee roaster and wholesaler, Jasper Coffee has also shown strong growth despite a slowing of new store openings, suggesting an in-

creasing frequency of purchase by consumers. Industry analysts suggest that coffee stores will always be successful so long as they are in a good location and have quality products.

In March, Australian cafes, restaurants, and take away food outlets reported a sales increase of 1.4 percent, up 6.8 percent on the previous year. Globally, the trend towards coffee and cafe's is also on the rise with McDonald's recently announcing the expansion of its McCafe concept. Throughout 2009, the company plans to open more than 1,200 locations throughout Europe, as well as 1,400 in Canada. *AFR, 15 & 25 May; Financial Times, 10 May; Retailer daily, May 27*

Size standards cause concern

Unreliable sizes for men's and women's clothing are confusing customers and consumer advocates are calling for a national survey to ensure clothing sizes measure up to changing times. Choice spokeswoman, Elise Davidson, argues there are no uniform size standards and clothing manufacturers are still using data from 1975, despite statistics suggesting the population is now heavier. The consumer organisation believes a national survey would give designers more information about the true shape of Australians and help educate women about different sizes. This would enable consumers to purchase clothing that fits better, is more flattering and more comfortable.

Choice argues differing sizes could lead to body image problems, in particular amongst young girls. Clothing manufactured overseas tends to be smaller and this has the potential to send young girls the wrong idea about their body if they are unable to fit into a particular size. One way to overcome this would be to implement sizing standards that would ensure consistency across all retail

outlets, simplifying the buying process. To combat the issue of negative body image brands such as Sportsgirl and Myer have introduced more sizing options in response to consumer demand, expanding their ranges on both sides of the spectrum in an effort to provide consumers with a better fit. Unified sizing would also benefit the online industry by enabling consumers to confidently purchase clothing from the Internet without worrying about the size.



The practice of 'vanity sizing,' where generous sizes are designed to entice a customer into buying a garment because they feel flattered by fitting into a smaller size, is worth an estimated \$2.8 billion. This is hardly surprising given the desire by most women to fit into smaller clothing, regardless of the size on the label. *Choice Magazine, 27 May; Courier Mail, 29 May*

Baby boom worth millions

A rising birth rate coupled with an "only the best" attitude is set to grow the baby products retailing industry by 3.2 percent this financial year, with sales reaching \$3.9 billion, according to a recent IBISWorld report. The majority of this growth is anticipated to occur in up-market baby products.

IBISWorld (2009) found that modern parents spend approximately \$5394 a year on clothing, accessories and food over the first four years of their child's life, for a total cost of \$21,600. During the last financial year the largest spending category was clothing, accounting for 29 percent of total expenditure, followed closely nappies with 25.6 percent. The large expenditure in baby products is trending towards up-market, higher priced goods which have burst into the market, such as Baby Gucci, DKNY, Gap, Burberry, Timberland and Esprit Kids. Sharryn Ludlow, owner of kidzbrandz.com.au suggests that many

parents sacrifice spending on themselves to ensure their children get top quality clothes, taking pride in how their children are dressed. Eva Guff, store manager of Antz Inc 4 Kids suggests that some mothers would spend up to \$1000 in one store to update their children's wardrobes. This trend towards higher spending on Baby clothes, accessories and foods has opened up a number of niche segments for retailers. One example of a retailer taking advantage of this trend is Organic Bubs, a Sydney based baby-food business who have experienced rapid sales growth. Despite their products being more than three times the cost of many Heinz products, they have been quite successful due to their higher quality, organic ingredients. The market for nappies is now estimated to be worth \$1 billion a year, clothing \$1.1 billion, food and nutrition \$631.5 million, furniture \$394.7 million, toys \$276.3 million and footwear \$98.6 million. *AFR, Herald Sun & The Australian, 22 May*

Women reluctant to give up skincare regime



It looks like nothing can deter a woman from giving up her daily beauty routine. A recent Newspoll survey revealed that 70 percent of Australian women intend to maintain their basic skincare budget. On average spend on average, \$19 a month or \$228 a year on moisturisers, sunscreens, cleansers and other skin savers.

The biggest spenders came from women in their 20s and 30s spending an average of \$22 a month, however, once these women reach their 50s spending drops to an average of \$16 month.

According to another skincare study, commissioned by Ego Pharmaceuticals, eight in 10 women use a day moisturiser while only one in three invest in a night cream. And, for those consumers seeking to save money, many would

switch to multipurpose products, cheaper brands or fewer purchases. The strongest factor influencing skin care product choice was product effectiveness, followed by price and referrals from friends and family. It is interesting to note that only six percent of women said they were drawn in by celebrity endorsements or ambassadors.

Supermarket retailer, Safeway has recently reported a sales spurt for hair colours and treatments, do-it-yourself waxing and bulk buy shampoos, which suggest that many women are opting for alternative products rather than giving up their beauty routine completely. The consumer snapshot coincides with forecast robust cosmetics sales amid the financial doom. *Herald Sun, 19 May*

To find out more, please see our new Health and Beauty report 2009. Contact ACRS: 03 9903 2455

Big box retailers try a new concept



In retailing, sometimes less is more, an insight driving a current trend being adopted by many large international retailers. While intuitively it would seem that in times of economic downturn retailers would be looking to halt new store openings, many are bucking the trend and

increasing new store expansions. However, these openings are not of the traditional big-box format formerly used by these retailers. Instead, concept stores which are smaller and more convenient are being preferred.

OfficeMax recently opened three new concept stores in the Seattle area, covering 2,000 square feet per store, a ninth of a typical OfficeMax store, with a decreased range offering to match. The new stores will offer only a basic range of office supplies, with the focus on convenience.

Preceding this, in 2008, traditionally large store chains such as Walmart, RadioShack and BestBuy all trialed new smaller concept stores.

There are a number of advantages for these large retailers opening smaller concept stores. Firstly, it can allow them to penetrate geographic areas they previously could not fit a large store space in, and may also attract customers who were previously put off or intimidated by the large store sizes.

Secondly, smaller stores are cheaper for retailers to operate, by decreasing costs of rent, staffing and operations. For example, Lowe's, the large home repair retailer is reporting savings of approximately US\$1.9 million in its smaller store format compared to its traditional larger stores. *New York Times*, 19 & 26 May; *Retail Merchandiser*, 20 May



Dollar stores attracting everyone

Considering the current economy, it is not surprising that discount retailers have seen a recent period of strong growth in the US. Interestingly, however, are results of the Nielsen Consumer 360 Conference which showed the highest growth in "Dollar Stores" was among high income earners, those earning over US\$100,000 for the year. The Nielsen report suggests that, despite only 23 percent of dollar store products actually being priced at or less than US\$1, many consumers are still surging into these stores.

Much of the growth in dollar store sales is stated to be from consumers switching from their traditional retail store to dollar stores for their weekly necessities, suggesting a greater focus on cheap and convenient shopping by consumers. This trend has also been targeted by more traditional retailers, with many investigating ways of lowering costs to consumers while maintaining profitable unit margins.

International examples include; Starbucks, who dropped the price of their medium iced coffee to under US\$2 at the beginning of the month, American Eagle, who lowered the price of their khakis by removing the ribbon from the inside of the waistband and Pottery Barn who launched a new sofa that starts at US\$999.99, US\$300 less than their previous cheapest sofa. In Addition, trendy jeans label, Rock & Republic, unveiled a new line of jeans selling for only US\$128, a 29 percent reduction on their previous cheapest offering.

These examples show that the trend towards discount shopping is affecting consumers in a wide range of sub-sectors in the retail industry, and should be a key concern for retailers. *Retail Merchandiser & LA Times*, 12 May; *Retail Wire*, 13 May



John Lewis to open smaller homewares stores



British department store chain, John Lewis is planning up to 50 specialist home stores to target middle-class shoppers in smaller towns across the UK and Ireland. The new format comes after John Lewis earlier this year was forced to scale back its ambitious

plans to open at least nine more department stores over the next five years. Sales of homewares have been hit hard as consumers cut down on discretionary spending.

Figures released by John Lewis showed sales across the group of homewares were down by 12 percent, with electrical and technology sales also down 7.4 percent. The chain is hoping that these new specialist stores will reverse this trend and create positive growth by targeting new consumers and increasing convenience.

Currently, John Lewis has only 27 department stores across Britain, with the average consumer having to drive between 35 and 35 minutes to get to their nearest store. The first store in the so far unnamed chain is scheduled to open at an out-of-town retail park in Poole, Dorset, in October this year. At 5,100 square meters the store will be about a third of the size of a standard John Lewis store and will stock a range of homewares, furnishings and electronics, linen, cookware and haberdashery.

If successful, the idea will be rolled out rapidly to up to 50 stores in the country. Each new concept store will create more than 100 jobs and will have the same shop fittings as regular stores, including a coffee shop, gift list, multi-channel facilities and the same service standards on the shop floor that John Lewis is renowned for. *Guardian*, 7 May; *UK Telegraph*, 6 May



Australia's first discount retailer, **Kmart** has marked a major milestone in its history celebrating its 40th birthday during the month. To celebrate, Kmart hosted a morning tea with special guests including past and present employees from the first ever Kmart in Burwood East, Melbourne. Kmart revolutionised the way Australians shop from the day its doors opened in 1969, attracting over five thousand people from day one. Popular for its large range of products and competitive prices, some of the bargains at Kmart in 1969 included bras for 66c, tyres for \$12.02 and guitars for \$9.88. Kmart now operates 184 stores in all states of Australia and employs over 26,000 staff. *Inside Retailing, 15 May*

Woolworths latest technology initiative, **e-pump** has been installed in almost 80 percent of its company owned sites and is set to extend to sites owned by petrol alliance partner, Caltex. Woolworths launched 'e-pump' in late April and expects to complete installation of the contactless payment system to all 520 company owned and co-branded sites over the next few months. With e-pump, customers can pay for petrol at the bowser using their Woolworths credit card, removing the need for customers to physically pay in-store. Woolworths have also agreed to make the facility available for other contactless cards from August 2010. The company is currently finalising a deal with Qantas to enable Everyday Rewards customers to earn frequent flyer points as well as petrol discounts when they shop at Woolworths stores. This scheme is expected to be launched mid this year. *AFR, 11 May*



The summer and the Easter period has helped car parts, bicycles and outdoor equipment retailer, **Super Cheap Auto Group** achieve sales growth. Like-for-like sales for the first half to May were up six percent for Supercheap Auto, up 10 percent for BCF (Boating, Camping and Fishing) and up six percent for Goldcross Cycles. The group has traded consistently well over the period, benefiting from the introduction of new products, store refurbishments and improved supply chain initiatives. Super Cheap Auto recently announced they will now be focusing on growth categories such as roof racks and garage storage given their core automotive offer has been challenged by wider difficulties in the sector. *AAP, 8 May; AFR, 11 May*

A study commissioned by **Ebay** has found that 80 percent of Australians have bought something in which they felt they needed to hide from their family and friends. Consequently, these shoppers with a guilty secret have helped push retail sales up 2.2 percent in March, with annual sales at its highest level in more than a year. The underlying tendency of shoppers to fib is reflected in the survey findings that one in six respondents felt it didn't seem right to be spending money during a financial crisis. In addition, only 45 percent said they would admit it was a recent purchase when quizzed about it by their husband/wife, while 15 percent tried to deny that the product was a recent purchase. *AFR, 28 May*

Operating for 22 years in Victoria, Australia, supermarket clearance outlet **Not Quite Retail (NQR)** has gone into voluntary administration, putting more than 400 staff at risk. Lack of sales due to fierce competition from big retailers is believed to be behind the failure of the group, which was owned by private equity group Hastings, a subsidiary of Westpac. The company has already cut around 130 jobs in the past 18 months and their last annual accounts in 2007 revealed a \$1.7 million loss for the year. John Lindholm and James Stewart of Ferrier Hodgson will act as administrators and will keep the 26 store chain trading on a business-as-usual basis while seeking potential buyers. *Australian Food News, 13 May; The Age, 27 May*

After 10 years of negotiations, Swedish retailer, **IKEA** is finally set to build its largest store in the southern hemisphere at Tempe in Sydney's south. The NSW Planning Assessment Commission recently approved its construction on the former Tempe rubbish tip site. The 37,000 square metre outlet will have a one way shopping aisle 2.5 kilometres long and be the only Australian store to stock all 10,000 IKEA products. Creating at least 600 jobs, planners expect the Tempe store will be visited by three million customers a year and generate \$120 million in capital investment. The new store is scheduled for completion in late 2011 and there are also plans for up to two more Sydney stores in the near future. *AFR, 11 May*



ABC Commercial's Retail Division has unveiled its new look for **ABC Shops** at the launch of its new concept store at Bondi Junction, Sydney. The store is the first of its kind for the ABC and presents a much closer link between the retail environment and the on-air content of the ABC. New features of the shop include large-format television screens to present a range of product and promotional messages, as well as a children's space for live events such as author appearances. The shop will also feature continual news updates from the ABC News room and program highlights from all the ABC's television, radio and online channels. ABC Commercial plans to roll out the new look in all of its 43 Retail outlets around the country over the next couple of years. *ABC Press Release, 15 May*



Apple has continued its Australian expansion with two new additions to its retail chain, bringing the national store count to five. Earlier last month, Apple opened its first store in Queensland at the Robina Town Centre, attracting over 300 devotees lining up for hours to be the first inside. Most recently, Apple opened its doors to a fifth store in Westfield Doncaster shopping centre, which is approximately twice the size of the Robina Apple Store. Each store features what Apple calls a Genius Bar, where consumers can seek expert help or advice about the company's products. There are also free workshops and personal training sessions on offer. *Courier Mail, 5 May; ARN, 19 May*



US based discount retailer, **Costco** has delayed the launch date of their first Australian store, just two months after announcing the store would open five months ahead of schedule. The store, which will stock around 4,000

product lines, will now open in mid-August. Costco Australia will not only create jobs but also expand visitor numbers, increase retail expenditure and provide new opportunities for Victorian suppliers. Costco still remains coy about the extent of its expansion plans in Australia, although their second store is to be built in Sydney. The Sydney site has not yet been announced, but Costco has plans to build on a vacant 69,000-square-metre industrial site in Camellia. Their need for sites up to 15,000 square metres creates a challenge to find suitable locations in Australia, which are vastly different to the requirements they are confronted with in the US. *Australian Food News, 25 May*

Wesfarmers owned chain, **Bunnings Warehouse** will continue its aggressive expansion strategy opening at least 10 new outlets next financial year. The absence of listed property trusts and several developers meant the market provided excellent development opportunities for Bunnings. Locations earmarked for the new outlets include: Wagga Wagga, Narellan, Morisset, Seven Hills, Balgowlah and Chatswood in NSW, and Pakenham and Ballarat in Victoria each of which will have an average end value of \$15.8 million. More than 2000 jobs are expected to be created each year as a result of the expansion. In the first half of the 2008/09 financial year, Bunnings earned the Wesfarmers Group \$3 billion of revenue, making it one of the strongest contributors within the Wesfarmers stable. *AFR, 26 May*



Department store, **Harris Scarfe** has announced its plans to open a store in Knox Shopping Centre, Melbourne

in October. Previously occupied by Lincraft, the store will span 2700 square meters. The chain is also scheduled to open another store in 2009 at Point Cook Town Centre, Victoria. Harris Scarfe who celebrated its 160th year in April, currently has 40 stores in all states apart from Western Australia and is set to continue searching for future locations. *Inside Retailing, 1 June*

Allied Brands Ltd has announced it will acquire homeware and cafe business, **Villa & Hut** for \$2.8 million. The 10 year old Villa & Hut concept has 16 outlets in Melbourne, Brisbane, Cairns, Adelaide, and Hobart, and the company has committed to open six new stores in the 2010 financial year. Allied Brands, whose portfolio includes Cookie Man, Baskin Robbins, Kenny's Cardiology and Awesome Water, have predicted a full year profit of between \$6 million and \$7 million. Allied Brands said the acquisition was part of the company's strategy of buying businesses with strong five-year growth potential that fitted in with its other brands. Settlement is expected to take place by the end of June. *Business Spectator, 27 May*

From June, retail giant, **Coles** will begin installing self-service checkouts in its supermarkets in a bid to better manage surges in customer traffic. After successfully completing trials at five stores in Victoria, Coles plan to install the latest version of NCR's Fastlane self service checkouts in 50 stores by September 2009. Depending on the customer response, Coles anticipates to have units in around 760 supermarkets in the next few years. Coles rival, Woolworths, has already implemented self service checkouts in 25 percent of its store since launching the program last April. *AFR, 22 May*

The future looks promising for electrical retailer, **The Good Guys** with sales for 2008-09 estimated at \$1.6 billion, up 23 percent from \$1.3 billion in the same period last year. The rapid growth has been driven by new store openings, consistent marketing and aggressive pricing. The Good Guys which operates 91



stores, is ahead of most of its rivals in the \$19.6 billion electrical goods retail sector. The only large electrical goods retailer posting similar growth to The Good Guys is JB Hi-Fi, which expects to lift its 2008-09 sales 28 percent to \$2.35 billion. Like other retailers, The Good Guys benefited from the Rudd government's stimulus package and consumers' strong demand for flat screen televisions. Interestingly, in a survey conducted by the Nielsen company, 82 percent of consumers aged 18 to 65 said they would consider The Good Guys for their next electrical goods purchase. *AFR, 11 May*

Fast food franchise, **Oporto** has partnered with **Coca-Cola Amatil (CCA)** and **Visy Recycling** to trial a new recycling bin in a push to reduce waste in its stores. Oporto customers eating at 13 selected outlets in Sydney will soon be able to empty their drink bottles and cans into the new specially designed Coca Cola recycling bins. This initiative, if rolled out to all NSW stores, could see up to seven tones of bottles and cans per month being diverted from landfill and sent to Visy to be processed for reuse. Oporto has already taken on another environmental initiative by reducing the use of plastic bags by 99 percent across all its stores by switching to paper based products. *Inside Retailing, 29 May*



Bookseller **REDgroup**, plans to spend between \$3 million and \$5 million to enable shoppers to buy products online from its **Angus & Robertson (A&R)** and **Borders** chain. REDgroup, owned by a private equity group, Pacific Equity

Partners, recently reported a \$7.4 million profit for the half-year ended February 28, compared with \$6.47 million in the previous year. REDgroup recently relaunched the A&R website to allow consumers to purchase books directly, and is expected to launch a similar site for Borders - which carries a much larger range of products - later this year. Borders already has an email list of one million customers that it can use to promote the new website, which is expected to include DVD and CD sales as well as books. *Sydney Morning Herald, 15 May*



UK's leading supermarket chain, **Tesco** has announced it will invest £150 million in the relaunch of its Clubcard loyalty card. The move comes at a time when retailers are fighting to retain customer loyalty

and this move marks the biggest change to its Clubcard loyalty scheme since its launch 15 years ago. As part of the new scheme, customers will be able to receive double the value of vouchers either in-store or online on a variety of products such as clothing and Tesco Mobile airtime. A customer currently receiving £5 worth of Clubcard vouchers will be able to exchange them for £10 of 'double up' reward tokens, to be spent on the ranges earmarked by Tesco. The investment is expected to attract at least 1 million more customers to the supermarket chain - taking it to 16 million customers altogether. *Food International, 11 May; UK Marketing Magazine, 12 May*

US discount retailer, **Target** has partnered with RedBrick Health to pilot a new employee wellness initiative designed to support the chain's increased focus on health. In an effort to lower health care costs advocates are assisting employees with all things related to health, including benefits and associated claims, identification of the appropriate medical care, health coaching and the use of online tools to get and stay healthy. Under the pilot program, Target gave participants cash incentives to undergo a biometrics screening and follow recommendations such as talking to a nutritionist or visiting a doctor. So far it has been offered to roughly 4,000 employees and is currently being evaluated to determine whether the wellness initiative will roll out to all 350,000 Target employees. *Reuters, 15 May; Chain Store Age, 18 May*

To celebrate 125 years on the high street, UK retailer **Marks & Spencer** launched Penny Bazaars at more than 300 of its stores nationwide. Held for duration of three



days in May, the penny bazaar hunt attracted thousands of bargain hunters but left many disappointed when the stock ran out earlier than expected. The sale featured over two million products priced for a penny and included items such as jewellery, underwear, mugs, scarves and socks. On average, 60 items per second were sold and 174 stores sold out of all of their 1p products within an hour. While thousands of shoppers left Marks & Spencer stores with bargains, many found that the only products left on offer were cans of fizzy drinks or boiled lollies. All money raised from the sale went to local charities. *UK Marketing Magazine, 14 May; Brand Republic, 21 May*

As part of the growth strategy to triple its number of stores within a year, UK's leading entertainment and communications company, **Virgin Media** will soon open another two more stores in London. So far this year, the company has opened five stores in London, taking the total number of own-branded stores to 27. Virgin Media's cable and mobile services are currently available at 4,000 retail outlets, independent stores and via various home shopping catalogues, online and over the telephone. *UK Marketing Magazine, 1 June*

World's number one retailer, **Walmart** has opened its first cash and carry store in India. The US based chain teamed up with Bharti Enterprises, parent of India's biggest mobile firm Bharti Airtel, in a wholesale joint venture to be called **Best Price Modern Wholesale**. The store will be the first of between 10 and 15 planned wholesale facilities in India, measuring about 50,000-100,000 square feet each, and employing about 5,000 people over the next three years. The Best Price Modern Wholesale store will sell around 6,000 items with as much as 90 percent of the products sourced locally. India's retail industry, currently estimated at US\$500 billion and is believed to rise to more than US\$800 billion by 2013. *Reuters, 28 May; Bloomberg, 30 May*

ASDA

Supermarket group, **Asda** is stepping up its efforts to win customers who are buying groceries over the Internet with a new "virtual store" in the UK. The new store – effectively a shop with shelves but no tills and not open to walk-in customers – will be located in Yorkshire, and will supply items bought by web shoppers living in the area. The move means online orders will no longer be fulfilled by staff trawling the aisles of Asda superstores, as is currently the case in all other parts of the UK. The cost savings from this model includes better use of and reduced numbers of vehicles at store level and the reduction of stock delivered to many stores, which then ends up being re-delivered to customers. This is not the first virtual supermarket store to open in the UK – Tesco already has two dot-com shops, based on the same fulfilment model. *Retail Correspondent, 14 May; Computer Industry News, 15 May; International Supermarket News, 17 May*

Realising that the remainder of 2009 will be highly competitive and shoppers will remain price sensitive, US department store chain, **Macy's** is looking to enter the outlet business in a bid to boost sales. The chain is eager to capture the large customer base that searches for the value and quality found at outlet malls. While the outlet-store concept is still under consideration, the My Macy's initiative to drive inventory decisions down to managers at the local level, will be the company's top priority. The company also plans to open two new Macy's stores and three renovated or replacement stores in 2009. *Cincinnati, 18 May*

In collaboration with MasterCard and RBS WorldPay, British health and beauty retailer, **Boots** will introduce a new innovative payment facility, **MasterCard PayPass** at its stores in London and Liverpool. From the second half of 2009, customers will be able to make instant payments for items under £10 by tapping their MasterCard PayPass cards against specially equipped terminals. Boots is the first major retailer in the UK to accept the contactless payment 'Tap & Go' technology. Many other retailers and card issuers are following in the footsteps of Boots to adopt the technology as contactless payment may be the future. *UK Marketing Magazine, 12 May*





The world's largest convenience retailer, **7-Eleven** has announced aggressive growth plans this year in the US and Canada. 7-Eleven plans to add 200 new stores across the region with importance placed on organic growth, acquisitions, and a franchising effort called the Business Conversion Program. Through the Business Conversion Program, 7-Eleven looks for existing independent retail store operators who want to convert to the national 7-Eleven chain via franchising. The retailer's expansion plans include opening stores in shopping centres as well as free standing stores located in suburban and urban locations. Currently, the company operates and franchises more than 6,200 outlets in the US and Canada. *Food International, 18 May*

Schemes charging UK shoppers 5p for **plastic bags** are leading to significant **reductions** in the number of bags in circulation. Since the launch in May 2008, high street retailer, Marks and Spencer (M&S) reported that it has cut the number of single-use carrier bags by almost 85 percent. The main driver for the reduction is consumers bringing in an alternative bag, either a plastic bag for life or cloth bag with them when they shop. Other stores taking action in reducing plastic bags include Asda, the Co-operative Group, Waitrose, Sainsbury's, Somerfield and Tesco. The Department for Environment, Food and Rural Affairs (Defra) estimates that retail-led efforts will eventually bring about a reduction of five billion bags per year in England, Wales and Northern Ireland. *Guardian, 5 May*

The ongoing economic downturn has played a major role in **Best Buy's** recent decision to cut the number of stores it plans to open in the UK. The consumer electronics retailer planned to open 100 stores by 2013, with that figure has now scaled back to 80. To further increase the reach of its business, Best Buy also plans to open between one and five mobile phone stores in the UK early next year. In terms of product expansion, Best Buy has added to its product ranges by recently introducing items such as barbecue grills and patio furniture on its e-commerce site and in selected California stores. Meanwhile, it is also testing new product categories, including musical instruments, exercise equipment, electric scooters and pool tables. *Retailer Daily, 8 May; CNN, 22 May*



Supermarket retailer, **Albertsons LLC** has cut its prices on as many as 5,000 items at its stores in Southern California. Offered at 222 stores, the special promotion called the "**Big Relief Price Cut**" reduces prices across numerous

product categories including peanut butter, pasta, deodorant and detergent. The initiative is aimed at regaining budget-minded customers both from its rivals and those lost to discounters such as Wal-Mart and Target. Customer feedback showed that Albertsons needed to be more competitive in their everyday pricing. According to estimates by industry analysts Albertsons is in third position with a 13.5 percent market share in the grocery sector in Southern California. *LA Times, 20 May; Retailer Daily, 21 May*

Department store chain, **Nordstrom** remains committed to a long-term, multi-pronged strategy that includes improving customer service both online and in stores. The company has opened two new full-line clothing stores this year, with a third scheduled by the end of this year. The company also intends to open its first store in San Juan, Puerto Rico, possibly by 2014. Nordstrom reported a 32 percent decline in its first-quarter profit, though that was still ahead of Wall Street's expectations. *Seattle Times, 21 May*



According to consulting firm Bain & Co, China and Brazil are projected to be the two fastest-growing **luxury markets** for the five years through 2012. China's sales of designer clothing, jewellery and other goods are projected to climb seven percent this year while the industry's worldwide revenue could fall 10 percent, according to Bain & Co. While other retailers have postponed or limited expansion in the US, European and Japanese markets, more mainstream brands like Starbucks and KFC are expanding fast in China. In addition, higher-end brand Salvatore Ferragamo plans to add seven to eight stores in China stores this year, with further expansion due for 2010. Research has found that wealthy Chinese consumers do 70 percent of their luxury spending in their home country, contrary to the industry wisdom that Chinese people make at least half their purchases abroad. *AP, 10*

Office supply retailer, **Office Depot** has announced the closure of all its stores in Japan due to intense price competition. The company's Japanese subsidiary, has so far closed eight stores this year, with the other 20 expected to close by the end of 2009. The store closures are estimated to cost about US\$13 million. Office Depot will continue its mail-order and online sales, and will soon sell other private-label goods marketed overseas. *Market Watch, 4 May*



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