



Three questions

1. What is the highest rating under the Health Star food rating system?
2. Which was the only category of alcohol to reduce in sales in Britain during the Soccer World Cup?
3. Which party leader recently announced a policy to remove GST from basic groceries?

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Food prices up, card transactions flat

Statistics New Zealand figures show food prices rose 1.4 percent in June 2014. This rise followed 0.6 percent rises in both May and April. Food prices in June were influenced by seasonally higher prices for fresh vegetables, butter, milk, chicken, fish and beef. Conversely, bananas prices fell to their lowest level since August 2011.



In June 2014 compared with May 2014, fruit and vegetable prices rose 5.0 percent, meat, poultry and fish prices rose 3.6 percent, grocery food prices rose 0.5 percent, and restaurant meals and ready-to-eat food prices rose 0.2 percent. The only category where prices fell was non-alcoholic beverages which had a 1.0 percent drop.

In the year to June 2014, Statistics New Zealand reports that food prices increased 1.2 percent. Food prices are now at their highest level since they peaked in July 2011. From June 2013 to June 2014, meat, poultry, and fish prices increased 2.8 percent, grocery food prices increased 1.3 percent, non-alcoholic beverage prices increased 0.5 percent, and restaurant meals and ready-to-eat food prices increased 2.0 percent. The one category to record a drop was fruit and

vegetable prices which decreased 2.3 percent.

Meat, poultry, and fish prices are now at their highest level, reflecting higher prices for beef (up 6.9 percent), lamb (up 20 percent), and chicken (up 2.4 percent). Beef prices are at their highest level, 3.1 percent higher than their previous peak in April 2014. Significantly lower prices were recorded for avocados, bananas, capsicum and kumara.

Retail spending using electronic cards was flat in June 2014, according to Statistics New Zealand. Transactions have generally been rising since the series began in October 2012. Three industries recorded increases while three recorded declines. The consumables industry, which covers most supermarket and retail grocery sales, recorded a very small drop (down \$1 million on May 2014 when seasonally adjusted).

NARGON is on Facebook

Some thought it would never happen but NARGON is delighted to now be on Facebook to better interact with members, media and customers. NARGON's first foray into the world of social media can be found here - <https://www.facebook.com/nargon?ref=hl> - or by searching for us on Facebook. Please Like the page, leave a comment and check back often for interesting discussions and articles about our industry.



[Go to NARGON's Facebook Page](https://www.facebook.com/nargon?ref=hl)

ITM Cup Virtual Tipping Contest – Suppliers versus Grocers



To say Kiwis are passionate about their rugby is an understatement. Here at NARGON we know there a lot of armchair coaches and bar stool experts out there so we decided to create a unique opportunity for people to prove their rugby nous by setting up the NARGON ITM Cup Virtual Tipping Contest. Players will be asked to predict the results in the upcoming ITM Cup and all players' results will be displayed on a ladder.

To make it even more interesting, we have set up two teams - Grocers versus Suppliers. In addition to individual results, there will be running team versus team scores based on the averaged totals of punters in each team. It's our version of mate versus mate. Who will have the bragging rights after the final kick – Grocers or Suppliers? No money is involved, only pride.

Check out the site at <http://tipping.nargon.co.nz/servlet/tipping.Home> and register your team. Happy tipping.

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Service IQ can now offer your staff the National Certificate in Retail levels 1 through to 4 as online courses.

You can access the online courses on your smartphone, tablet, laptop, Mac or PC and across a variety of Operating Systems: Windows XP, Vista, 7 or 8, Mac OS X 10.5+, and on browsers such as Google Chrome, Mozilla Firefox 10+, and Microsoft Internet Explorer 8+.

View more information about these and other courses here:

<http://serviceiq.org.nz/our-programmes/retail/retail/>



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GST back on the election agenda

At the 2011 election the New Zealand Labour Party had a formal policy of removing Goods and Services Tax (GST) from fresh fruit and vegetable purchases. While Labour did not become Government, they kept the policy. Then leader David Shearer indicated the intent was to make healthy food choices cheaper, increase the consumption of fruit and vegetables, and save people money at the checkout.



In January 2014, new Labour leader David Cunliffe confirmed the “no GST on fresh fruit and vegetables” policy had been officially dropped. He described it as a “worthwhile” idea but noted there was new evidence that items such as fresh fruit and vegetables were mainly consumed by people who could afford to pay more. Crucially, he argued that Labour now felt there were better ways to provide more targeted and effective relief to families who were less well off and struggling with the cost of living.

Now, making certain types of food exempt from GST is back on the political agenda after New Zealand First announced a policy to cut GST from what it calls “basic household groceries.” It has been incorrectly reported in some media as a promise to remove GST from all food. However, even this limited exemption will still cost the Government around \$3 billion in lost revenue. New Zealand First leader Winston Peters says that substantial cost will be met by a crackdown on tax evasion.

While the New Zealand First policy is well-intentioned, it has the same flaws as the Labour proposal. Fundamentally, it would destroy the simplicity of our universal GST system. Our sales tax system is internationally admired for its clarity and consistency.

The policy would also create confusion and bureaucracy. Government agencies and stores will have to define what counts as a “basic household grocery” for tax purposes. This will be time-consuming and complicated. Where should the line be drawn for each product? At what point do biscuits, for example, stop being “basic” items and become “luxury” groceries? These are the issues which prompted Labour to abandon their policy.

Jordan Williams from the Taxpayer’s Union believes the New Zealand First policy has not been thought through. He argues “policies such as these force the IRD to decide the difference between what is a food and what is a meal. A frozen pie would not be taxed,

but once placed into a warmer then GST would apply." Like Labour, he concludes there are better ways to help families, possibly by reducing GST across the board.

The New Zealand First policy is not the same as Labour's but it suffers the same problems. The proposal is unlikely to be adopted by National or Labour unless it is made a condition of a coalition agreement. NARGON continues to believe there are many better options to help low-income Kiwi families than tinkering with GST on certain foods.

Voluntary food labeling on the way

In late June, the National-led Government announced that New Zealand was joining with Australia's voluntary Front of Pack Nutrition Labeling system. This uses the Health Star Food Rating system which calculates a star rating scale of ½ to 5 stars based on the overall nutritional value of the food product. It does not just evaluate one aspect such as sugar or fat content. Stars can be used on all packaged food products for retail sale but there are some exemptions (including alcohol).



Foods with more stars are considered to have better nutritional value. The number of stars associated with each food is determined by an algorithm that considers the overall nutritional value of the product. The Ministry of Primary Industries has developed a calculator to determine the star rating and a style guide to ensure consistency in labeling.

It is important to note that using the 'Health Star Food Rating' system is voluntary. Additionally, it will take some time to set up and implement so the labels may not begin to appear in stores for six months to a year. There will be a public education campaign to inform people how the system works. Additionally, stores handling products with labels – whether the labels are generated in-house or by suppliers – will need to ensure staff understand the star system and can explain it to customers.

Overall, NARGON believes this is a positive move though the implementation will have to be monitored carefully. Crucially, the system is voluntary – not compulsory. We believe voluntary, industry-led solutions are usually more effective than centrally imposed, compulsory systems. This voluntary nature enables companies and stores to make their own decisions based on their own requirements and customer needs. The Health Star system is also more nuanced and robust than alternative systems such as Traffic Light labeling.

NARGON will be providing more guidance as the system rolls out but the resources – including the Health Star calculator and label style guide – can be accessed from the Ministry of Primary Industries website: <http://www.foodsafety.govt.nz/industry/general/labelling-composition/health-star-rating/>

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Promotions struggle to boost sales

A new European report from market and shopper intelligence firm IRI has highlighted the continued failure of promotions to boost volume sales. IRI collected sales, pricing and promotional data across seven European countries (France, UK, Germany, Greece, Italy, Spain and The Netherlands) and the USA for the 52 weeks ending 29th March 2014.



According to the data, the amount of food and non-food goods sold on promotion rose 0.8% in the last year to 27.5%. However, more promotions did not boost volume sales, which continued to decline in food categories (down by -0.7% in the last year) and non-food (down by -0.8% in the last year), as consumers remained cautious.

Tim Eales, strategic insight director at IRI, said “not all promotions are destined to drive increased sales but eventually they must pay for themselves. Brands must lose their focus on increasing sales volumes and look to develop more innovative and creative promotions, such as themed offers, experiential in-store events and the use of mobile apps to ensure that they deliver value for brands and retailers alike and improve the transparency of their deals for sceptical shoppers.”

UK: World Cup exit hits sales

England’s early soccer World Cup exit has cost British supermarkets up to £55m (NZ\$108m) in lost sales over the last two weeks of the tournament. Sales data analysis by IRI showed sales of alcohol, soft drinks, bagged snacks, pizza, chilled party food and bread rolls jumped by over £50m in the first week of matches. However, following England’s defeat, the sales of these products slumped by £38m though they remained higher than pre-tournament levels. For some reason, sales of Scotch Eggs actually increased by 5% after England’s departure from the Cup.



Even though alcohol sales overall were up during the Cup, wine largely missed out with volume sales down 3% and value down 2.9% during the third week of the tournament. All other alcohol categories were higher including ale and stout sales up 13.9% in volume, Champagne and sparkling wine up 13.3%, cider up 11.2%, lager up 11.8% and spirits up 10.3%. British supermarkets can sell spirits.

UK: Supermarkets continue charity work

Supermarket chain Asda has announced that its Tickled Pink fundraising drive has raised £40m for two breast cancer charities, Breast Cancer Care and Breast Cancer Campaign. Founded by Asda in 1996, Tickled Pink raises awareness and funds for the treatment of breast cancer through the sale of pink products and staff fundraising efforts.



Rival Tesco has announced that customers have donated 5.1 million meals for people in need, following its latest Neighborhood Food Collection. In partnership with two charities, customers were asked to donate non-perishable food items such as long-life milk, cereals and tinned vegetables and fruit, with the collected food going to benefit people living in food poverty. Tesco said the total number of meals provided since January 2014 was 5.1 million, taking the total since the campaign began in December 2012 to 15.3 million meals

On a lighter note' - One kiwi can fly

This actually happened at a supermarket in Australia , at least according to www.notalwaysright.com

(As we fill the bunks in the fresh produce department off loaded trolleys, we often get customers asking if they can take items directly off the trolley instead of the display. Of course, we tell them yes.)

Me: **cheerfully filling kiwi fruit**

Customer: **takes one off the trolley** "Can I take this?"

Me: "Of course."

Customer: **kiwi fruit in hand, strolls out of the store**

Me: **stunned**

(Now I always remember to say "only if you pay for it." Thanks, random customer.)

Answers

1. Five stars.
2. Wine.
3. Winston Peters (New Zealand First).

Reminder about written employment agreements - top

NARGON reminds all members that full written employment agreements are required for every single employee. This is a strict legal requirement. The member's section of the upgraded NARGON website contains draft agreements and advice on employment agreements:

www.nargon.co.nz.

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