



# NARGON NEWS

NEWSLETTER OF THE GROCERY RETAILERS' ASSOCIATION

## SPECIAL POINTS OF INTEREST:

Included with this issue:

- NARGON Wallplanner



## ONLINE GROCERY SHOPPING HAS TREMENDOUS POTENTIAL

Globally, the value of online packaged goods purchases is expected to grow from \$15b today to round \$30b in 2014. Consumers are increasingly shopping from their favoured digital platforms – anywhere, anytime, any day. Online grocery shopping is a growing business though it appears to be increasing more slowly than other on-line retail sectors. However, as more consumers become digitally connected and increasingly comfortable shopping on-line, there is a huge potential for growth.

The New Zealand on-line grocery market probably lags behind the United States, Australia and Great Britain, though a number of stores offer various internet shopping services. Online shopping is currently particularly useful for older New Zealanders and those who have difficulty going to the store but there is no reason it could not become more commonplace.

Most industry commentators expect competition in on-line grocery shopping to steadily increase as the market expands. There is no real reason the New Zealand on-line grocery market could not double in size within the next three years.

## BEYOND THE BUILDING...TURNING NEIGHBOURS INTO LOYAL CUSTOMERS

After meticulous planning, research, blood, sweat, tears..plus 14 months of building... Newlands New World is about to open it's brand new doors for the first time on August 21.

Nargon board member and owner/operator Ross Jordan, and his wife Donna, are excited about opening day, which has felt like "a lifetime in the making." With the state of the art eco-store building completed they have been putting their focus on marketing and launching the supermarket into the community with a bang.

Ross's research of the family suburb Newlands was not only essential for working out the food selection, services and instore display, but also how to promote the new store. In order to gain support Ross believes his supermarket needs to reflect the close-knit community spirit and values of Newlands.

"In our promotional material we are highlighting the fact that 85% of staff are locals, and that we also now live in the neighbourhood. We really want to emphasise that we value community engagement and are committed to making it part of our store's philosophy too. We really are a proudly, locally owned supermarket."

Another focus is aligning with New World's 'foodie' brand image and promoting fresh, high-quality food with a wide range expertly presented. "We want customers to have the distinct 'feel' of food as soon as they walk in the door. The entire area has a rustic, marketplace feel, reflecting the commitment to deliver only the freshest produce to its customers."

With high profile guests lined up for launch day (Mayor Celia Wade-Brown and MP Peter Dunne), Ross is hoping to get some good free PR and start some talking. Opening specials, competitions and giveaways, tastings, in-store events and special offers will continue in the first weeks to keep excitement up and help build customer loyalty.

Ross knows however, that promotions and marketing will only get you so far if you don't have the substance to back it up. That's why behind every promise he has plans and simple strategies that will be consistently executed and evaluated to guarantee success. For example, getting to know customers himself and spending time on the floor to say 'hello.'

Also hiring the right people for the job. Produce manager, Nick Harvey, has come from New World Thorndon. A 'foodie' himself, Nick and his team will not accept substandard produce in their department. And of course day to day systems are essential too. Everything arriving on a daily basis from local suppliers will assure freshness and quality for customers.

When it comes down to it, in a small community the biggest asset you have is reputation. This is why Ross knows his best marketing tool is word of mouth. And in order to achieve this you need to set high standards of service and food from Day One and never let them slip. In this regard, Ross knows that with the supermarket nearly open for business, the hard work has only just begun.

## INSIDE THIS ISSUE:

Food prices and card spending down	2
Government poised to introduce labour law reforms	2
Alcohol legislation delayed amid political squabbling	2
UK: Supermarkets to sell "knobbly" fruit and vegetables	2
Political comment: David Clark (Labour)	3
NARGON opposed to \$15 an hour minimum wage bill	3
UK: Shops urged to do more for older shoppers	4
USA: The Power of Social Media – Celeb Boutique is doing it wrong	4



### FOOD PRICES DROP OVER LAST YEAR, CARD SPENDING ALSO DOWN

Figures from Statistics New Zealand show that overall food prices fell 1.8 percent in the year to July 2012, despite a small monthly increase for July 2012 (up 0.2 percent). In the July 2012 month, fruit and vegetable prices rose 4.4 percent while grocery food prices fell 0.6 percent. Fresh milk prices (down 1.5 percent) fell for the fourth month in a row.

For the year to July 2012, prices for four of the five food subgroups measured dropped. Lower prices were recorded for fruit and vegetables (down 6.6 percent), grocery food (down 1.7 percent), meat, poultry, and fish (down 1.6 percent), and non-alcoholic beverages (down 2.1

percent). The main drivers were cheaper vegetables, dairy products and lamb. Higher prices were only recorded for restaurant meals and ready-to-eat food (up 1.4 percent).

Statistics New Zealand also reported that electronic card spending fell 0.8 percent in July 2012, when adjusted for seasonal effects. Total core retail spending fell 1.5 percent, reversing the 1.4 percent increase in June. The consumables sector, which includes retail grocery stores, was down 0.4 percent (\$5 million). The biggest drop was for hospitality where spending was down \$21 million (3.4 percent).

### ALCOHOL LEGISLATION DELAYED AMID POLITICAL SQUABBLING

The Alcohol Reform Bill, introduced by former Justice Minister Hon Simon Power back almost two years ago, has been stalled for several months and is now expected to be debated in September 2012. The delay has been caused by a busy Parliamentary schedule and all parties scrambling to put in amendments. Justice Minister Judith Collins says the Government has several further changes to make the legislation more "flexible". This is likely to involve backing off her attempt to ban "ready to drink" (RTDs) of more than 6 percent from being sold in off-licences.

The Maori Party has tabled an amendment to introduce minimum pricing for alcohol and to implement further restrictions on alcohol promotion. The Greens and Labour are both expected to introduce substantive amendments having labelled the current bill "pathetic". National is also coming under pressure to give all its MPs a conscience (free) vote on every aspect of the bill instead of just the purchase age currently. This however is considered extremely unlikely as the Government would struggle to control the legislation through the House.

### GOVERNMENT POISED TO INTRODUCE LABOUR LAW REFORMS

NARGON understands that Cabinet has approved a significant employment relations reform bill which is currently being drafted and will be debated by Parliament in September. It is expected to be passed by Parliament this year with changes coming into force in 2013. The package includes National's promised Starting Out Wage for young employees, set at 80 per cent of the adult minimum wage.

NARGON has welcomed this policy while the Minister of Labour, Hon Kate Wilkinson, has noted that "the retail sector, and supermarkets especially, employ a large number of youth workers. The Starting Out Wage will be an added incentive to give more young people a chance at work. It will give some of our youngest and most inexperienced workers valuable experience and a much-needed foot in the door."

National List MP Tau Henare's private member's bill, the Employment Relations (Secret Ballot for Strikes) Amendment Bill, received the Royal Assent on 14 May 2012 and has become law. The transitional provisions require that all unions move to ensure their rules require a secret ballot before strike action is taken. From 15 May 2013, secret ballots will be required before striking.

### RETAIL QUIZ

All NARGON members should know the answers to these three questions:

1. Dr David Clark's private member's bill looks to increase the minimum wage to what hourly rate?
2. Which section of the Alcohol Reform Bill will National MPs have a conscience vote on?
3. What is expected to happen to the online packaged goods business between now and 2014?

### UK: SUPERMARKETS TO SELL "KNOBBLY" FRUIT AND VEGETABLES

At least two large supermarket chains are helping British farmers hit by unseasonable weather by buying entire crops and selling a wider range of fruit and vegetables. In particular, Morrison's and Waitrose will be selling discounted produce which is described as "excellent quality but cosmetically imperfect." These can include shorter carrots, thinner parsnips, smaller strawberries, weather-marked courgettes and "knobbly" potatoes.

Both chains have said it is important to support British farmers whose crops have been affected by high rainfall and reduced hours of sunlight during the key growing time this year.



**POLITICAL COMMENT: DAVID CLARK (LABOUR)**

In this issue, the new Labour MP for Dunedin North, Dr David Clark, explains his rationale for introducing a private member's bill to lift the minimum wage to \$15 an hour. He said:

*"Increasing the minimum wage to \$15 per hour will ensure hard-working kiwi families can put healthy food on the table. Making the minimum wage \$15 an hour will be a big help to about 264,000 workers and their families.*

*Currently the minimum wage is just \$13.50 – well below Australia's minimum which equates to NZ\$19.92. I thought John Key wanted to close the wage gap with Australia. Boosting wages for the lowest paid will give New Zealander's a*

*fair wage for an honest days' work. And it will encourage more young people to stay in the country, rather than join Generation Oz on the other side of the Tasman. Forty per cent of the 158,000 kiwis who left for Australia in the last four years were aged 18 - 30.*

*A minimum wage of \$15 an hour will mean extra earnings of \$427 million a year for our lowest paid workers. Most of that money will be spent on essentials - food, clothing and healthcare – and will go straight back into the economy.*

*The proposed change will not affect most employers. And smart employers who already pay a living wage will be better off, as it will stop*



*less scrupulous firms undercutting them."*

*Dr Clark's private member's bill, the Minimum Wage Amendment Bill, was drawn from the ballot in late July and will be considered by Parliament later in the year. Member's bills are only debated on every second Wednesday when the House is sitting.*

**NARGON OPPOSED TO \$15 AN HOUR MINIMUM WAGE BILL**

NARGON believes Dr David Clark's Minimum Wage Amendment Bill should not be passed by Parliament because it will have a detrimental effect on the very people it is purported to help.

The Department of Labour research cited by Dr Clark, the Minimum Wage Review 2011, contains several critical statistics which are not mentioned in his media comments. His change will add quarter of a percent to inflation through price increases, directly cost the Government \$55m in additional expenses and, most critically, cost an estimated 4,000 to 5,500 people their jobs.

Most of those 5,000 or so people affected will be young workers, employees with little experience or people trying to re-enter the workforce after time away. Supermarkets are large employers of these groups and

so any increase in the minimum wage has considerable significance for the retail grocery sector. That is why we have constantly urged the Government to consider all the implications of lifting the minimum wage.

A further and sudden 15.4% increase from \$13.50 to \$15.00 would be far too large. Excessive increases in the minimum wage cost vulnerable workers their jobs and deprive them of the opportunity to even gain a foothold on the employment ladder.

NARGON also regrets Dr Clark's comments that "the proposed change will not affect most employers. And smart employers who already pay a living wage will be better off, as it will stop less scrupulous firms undercutting them."

It is unfair to characterise employers who pay the minimum wage as 'not smart', 'not paying a living wage' or 'less scrupulous'. The minimum wage is set by Parliament and employers choosing to pay it to employees who choose to accept it is completely legal and, in many low margin industries such as retail grocery, completely necessary.

Hopefully the Parliamentary debate on the bill will avoid such inferences and stereotypes. NARGON believes the bill should be rejected because it will actually hurt hard working New Zealand employers and employees.

Department of Labour Minimum Wage Review 2011: [www.dol.govt.nz/er/pay/backgroundpapers/2011/minimum-wage-review-2011.pdf](http://www.dol.govt.nz/er/pay/backgroundpapers/2011/minimum-wage-review-2011.pdf)

**ON A LIGHTER NOTE – SEAFOOD CAN BE A HARD SHELL**

*This conversation occurred at a grocery store in Bensalem, Pennsylvania, USA – at least according to [www.notalwaysright.com](http://www.notalwaysright.com):*

*(Our store is advertising a big sale on live lobsters. By the middle of the day, we've run out of them. After that, this exchange happens with at least 3 different customers.)*

*Customer: "I'd like two lobsters, please."*

*Me: "Sorry, we're actually out of lobsters."*

*Customer: "Well, what about those?" \*points to the tank\**

*Me: "Those are rocks."*





**UK: SHOPS URGED TO DO MORE FOR OLDER SHOPPERS**

The UK's leading charity for the elderly has warned that stores need to do more to make food shopping easier for millions of older people across the country. While 70% of older shoppers were "content" with their shopping experiences, they still faced barriers such as narrow aisles, cluttered stores, a lack of toilet facilities, no seating areas, poor lighting, deep trolleys, small shelf-edge labels and reaching products at the bottom of the freezer cabinet.

Focus groups surprisingly found "particularly virulent criticism" of Buy One Get One Free offers with many older shoppers reporting that they added to the weight of their shopping and products often reached their use-by dates before people could eat them. Many shoppers also reported packs of meat and vegetables tended to be too large for smaller households.

**USA: THE POWER OF SOCIAL MEDIA – CELEB BOUTIQUE IS DOING IT WRONG**

Celeb Boutique was a little known online store in the United Kingdom. One of their main products is a Kim Kardashian-inspired dress called the "Aurora". On 20 July 2012, the PR person in charge of their Twitter account noted that the hashtag #aurora was trending worldwide. They tweeted "#aurora is trending, clearly about our Kim K inspired dress ;)" followed by the company's website address.

Of course, #aurora was trending because details of the mass shooting at the Batman movie premiere in Aurora, Colorado were emerging. The Celeb Boutique tweet was left up for an hour during which time it went viral with people expressing disgust that the company would use a tragedy to promote a product.

Celeb Boutique then apologised for the insensitive tweet but claimed the person who posted it was not in the US and did not know why Aurora was trending. That did little to placate the situation with hundreds of critical articles appearing. Even their PR industry colleagues condemned the move.

It only takes a minute to click a hashtag and find out what is trending and why – that is the whole point of hashtags after all. All companies active in social media need to double check information and consider the possible repercussions before posting anything – even if it is intended to be light hearted. Celeb Boutique may have learned that lesson the hard way.

**REMINDER ABOUT WRITTEN EMPLOYMENT AGREEMENTS**

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](http://www.nargon.co.nz).

**RETAIL QUIZ ANSWERS**

1. \$15 an hour.
2. The legal purchasing age.
3. It is expected to double in value from US\$12b to US\$25b (NZ\$15b to NZ\$30b).



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