



**SPECIAL POINTS OF INTEREST:**

Get some independent advice on selling wine.

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Employment review forms are now available on the NARGON website for members. If you don't know your login details contact [director@nargon.co.nz](mailto:director@nargon.co.nz)



## NARGON'S TAKE ON BUDGET 2010

On 20 May 2010, Finance Minister Bill English delivered his second Budget. The key announcements of particular interest to our industry included:

- a rise in GST to 15% from 1 October 2010 (expected).
- reductions in personal tax rates from 1 October 2010 (expected).
- a reduction in company tax rate to 28% from start of 2010/11 income year (better than expected).
- funding confirmed for the Productivity Commission to reduce regulations and red tape (expected).
- not allowing depreciation for buildings with an estimated useful life of 50 years or more, such as rental houses and offices (largely expected but will catch some commercial buildings).
- additional Budget funding for Inland Revenue to enhance compliance, audit and debt collection (not expected – could signal a more aggressive approach by Inland Revenue).

The tax changes, described by the Government as the most comprehensive in 25 years, will have a mixed impact on the industry. Tax cuts and increases to benefits and entitlements mean that people will have more money in their pockets.



However, they will be paying more in GST and the Government is encouraging them to save rather than spend. Overall, the package is fiscally neutral.

Based on what has happened here and overseas when GST (or similar taxes) is increased, we can expect a small jump in purchases immediately before 1 October as people look to 'beat' the increase. However, any meaningful spending boost is likely to be on much larger items such as electronics, appliances or even cars.

Overall, in difficult circumstances, the Budget was carefully balanced and relatively well-received (though there was a small drop for National in the polls.) NARGON would certainly give Budget 2010 a solid pass mark.

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## NEW WEBSITE LAUNCHED FOR YOUNG EMPLOYEES

Minister of Labour Hon Kate Wilkinson has launched the "My First Job" website which is a simple guide for young people about their rights and responsibilities in the workplace. The topics include pay, hours of work, holidays and leave.

Many young workers use the internet as their main source of information and this website presents the issue in a form they should be able to understand. The web address is <http://www.dol.govt.nz/myfirstjob>.



## SALES DROP SHARPLY WHILE FOOD PRICES EDGE DOWN

Figures from Statistics New Zealand show that the value of total retail sales rose 0.5 percent (\$86 million) in the March 2010 quarter. This was the fourth successive quarterly increase. However, the largest decrease was recorded in the supermarket and grocery store sector with the value down 1.0 percent (\$37 million).

In the month of April 2010, food prices fell 0.5 percent according to official figures from

Statistics New Zealand. This meant food prices returned to levels last seen in late 2009 and 3.1 percent below their peak in mid-2009. The biggest decreases were in the meat, poultry, and fish subgroup (down 2.6 percent) and fruit and vegetable prices (down 1.7 percent.) For the year to April 2010, food prices rose 0.4 percent and they are still 8.1 percent higher than two years ago.



“... selling premium wine is about trust!”

**WINE SALES: SOME INDEPENDENT ADVICE**

*Wine writer Jules van Cruysen offers NARGON members his thoughts on selling wine.*

“As wine drinkers – Kiwis have come a long way. We, like our wine industry, are coming of age. Our tastes are changing – we are drinking softer, cleaner and more textural wines – in short, the wines that we are better at making. We are more likely to be drinking a Syrah than a big gutsy Aussie Shiraz. Sauvignon Blanc is becoming less aggressive and overtly grassy, and Chardonnay is becoming lighter and crisper.

We are becoming a nation of ‘food-wine-drinkers’. Because of this, the market for alternate varieties has flourished – first Pinot Gris and Viognier, but there is also an increasing demand for softer alternate red varieties like Montepulciano, Tempranillo and Dolcetto.

As a wine lover, I can only encourage all of you to increase your wine selections, but I do have a few words of advice...

Remember one thing – selling premium wine is about trust! Brand trust: whether for wineries, regions or varieties. People trust Pinot Noir and Sauvignon Blanc but they don’t (for instance) trust Riesling – even if you love it, you don’t know what you are buying. Most importantly, people trust: relationships with the people

they buy wine from. Find someone in your organisation or recruit someone who loves wine and give them the ball – a love and passion is enough – knowledge and experience will come – people trust passion. If possible let them make some buying decisions – give them ownership and when they succeed in increasing sales (and they will) reward them.

Cultivate relationships with a couple of suppliers where possible. If you are buying a lot from a supplier you will get better service, prices and in-store support. Local producers are the best way to start – it is a truism that if you support your community they will support you.

Introduce and promote an affordable product from a premium range – offer it at a discount and offer tastings and such in-store. Once your customers are hooked, gradually introduce more expensive wines from that range – as your customers already trust you and the product they will be more likely to trade up.

However, don’t go overboard – until your customers are demanding it don’t stock top end champagne, icon wines and the like – while they may look great on the shelves they won’t sell and they may in fact scare off customers.

If you need any help contact me on [winewanker@gmail.com](mailto:winewanker@gmail.com) or check out my website [www.winewanker.co.nz](http://www.winewanker.co.nz).”

**RETAIL QUIZ (8)**

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

1. When does GST go up to 15%?
2. Which wine brands do New Zealanders trust?
3. What is the address of the new website for young employees?



Exemption from GST called for so-called ‘healthy’ foods not a workable regime.

**STILL CALLS FOR ‘HEALTHY’ FOOD TO BE EXEMPT FROM GST**

A number of groups are still advocating for exemptions from GST, usually for so-called ‘healthy’ foods. MP Rahui Katene from the Maori Party has introduced a Goods and Services (Exemption of Healthy Food) Amendment Bill. The Bill was immediately mocked by Labour’s Trevor Mallard who correctly noted that an army of inspectors would be needed to define what is healthy and what is not. That is precisely the

situation in many countries overseas.

NARGON believes that New Zealand should retain a clean, broad and simple GST system. Indeed, since 1990 both major parties have been in agreement on this issue. However, Labour Leader Phil Goff has recently hinted that Labour might look at scrapping GST for fresh fruit and vegetables. While in power, Labour consistently (and

correctly) opposed exemptions for items such as food.

The evidence from Australia and Britain suggests that a workable GST exemptions regime cannot be developed and introduced, even with the best intentions from politicians. 1 October is going to be enough of a challenge for retailers without having to wade through a big guide about which foods are healthy, fresh or unprocessed for the purposes of GST.

**GUIDE TO HELP BUSINESS WITH HEALTH AND SAFETY ISSUES**

The Government has launched a “Big Six” series of guides to help small and medium-sized employers with some of the most common problems they encounter in running a business. Those areas are health and safety, hiring new employees, pay, holidays and leave, performance management and ending employment relationships. The resource is on the Department of Labour website at [www.dol.govt.nz/big6/](http://www.dol.govt.nz/big6/).

In the guide to issues relating to health and safety, there are sections on the hazard management process, health and safety checklist, resolving issues and enforcement. There are also links to further information and online tools. It can be viewed at <http://www.dol.govt.nz/publications/big6/healthandsafety.asp>.

**POLITICAL COMMENT: HON MAURICE WILLIAMSON (NATIONAL)**

**In this issue, Minister for Small Business Hon Maurice Williamson explains what the 2010 Budget means for stores.**

“Budget 2010 looked to the future. It focused on building on the recovery so that New Zealand comes out of the downturn in a better position to create jobs, grow productive firms, and attract investment.

The Budget benefits supermarket and store owners both directly and indirectly:

- The cut in the company tax rates from 30 cents to 28 cents in the dollar will give you a greater say over how your hard-earned income is spent.
- The personal income tax cuts in Budget 2010 will also leave more money in consumers’ pockets.

A GST Advisory Panel has been established to help businesses and the Government implement the GST changes. This panel will advise the Government of the concerns for particular industries, activities and types of transactions related to the change in GST.

It is crucial that the GST Advisory Panel hears about potential issues regarding the

GST change. The members of the panel are:

- **Frank Owen** (Chair), retired accountant
- **Karen Radford**, Director, New Zealand Retailers Association
- **Phil O’Reilly**, CEO, BusinessNZ
- **Craig Macalister**, tax director, Institute of Chartered Accountants
- **David McLay**, tax barrister.

As Minister for Small Business and Minister of Statistics, I am also working on other initiatives to improve the business environment for small- and medium-sized businesses.

Statistics New Zealand has recently launched the Business Toolbox, which you can access on the Statistics New Zealand website, [www.stats.govt.nz](http://www.stats.govt.nz). This includes:

- The **Market Mapper** tool, which enables you to view a density map of your residential target market, compare areas and zoom in on suburbs. You can describe your market in terms of age, sex, income, or by household and family type.

- The Industry Profiler, which lets you see how small- and medium-sized businesses in your industry are doing, with information about the number of businesses by region, numbers of new and ceased business in the last five years, worker turnover, survival rates, and average earnings for staff.

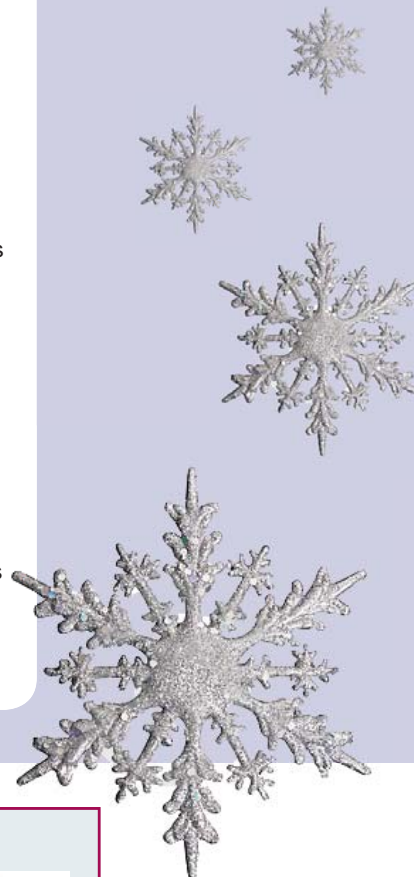
I am driving the redevelopment of the [www.business.govt.nz](http://www.business.govt.nz) website, with a view to it becoming the central place for government services to businesses. The world leading Companies Office is now providing its services through [www.business.govt.nz](http://www.business.govt.nz) and over time more services and transactional functions will be added to the information already available on the site.

We have also been working in partnership with organisations like BusinessNZ and Chambers of Commerce to set up the **NZ Business Assessment** tool: a secure, online service to help business owners and their advisors identify opportunities for growth in their businesses. Check it out at [www.businessassessment.co.nz](http://www.businessassessment.co.nz) – will it help with the development of your business?

I wish you well in your business endeavours.”



“Budget 2010 looked to the future... so that New Zealand comes out of the downturn in a better position to create jobs, grow productive firms, and attract investment.”



**ON A LIGHTER NOTE!**

This conversation actually took place in a supermarket in New Zealand, at least according to [www.notalwaysright.com](http://www.notalwaysright.com).

**Customer:** “Excuse me, I’d like to buy these now please.”

**Me:** “Um, ma’am, I’m not a checkout operator.”

**Customer:** “Yes, but I’m here now and I’m running late, so can you just run these through the scanner for me?”

**Me:** “Ma’am, it’s five thirty. There are no checkout operators as we don’t open for another hour and a half.”

**Customer:** “Oh, I was wondering why there wasn’t anyone in the Deli, but that’s okay because I went back behind the counter and got the ham out the freezer.”

**Me:** “Ma’am, you’re not allowed to do that. How did you get in? The doors are locked until the security guard gets here.”

**Customer:** “Oh, I broke the window because I thought your door wasn’t working. Can you run these through for me now?”



Visit the NARGON website for the latest news and information [www.nargon.co.nz](http://www.nargon.co.nz)



## UK: CONVENIENCE STORES KILL THE VIDEO SHOP

Home entertainment supplier Choices UK believes convenience stores could cash in on the slow demise of specialist video rental shops by installing hi-tech kiosks. Choices UK have rolled out a self-contained kiosk which allows shoppers to select and rent DVD and Blu-Ray discs. The unit takes up about one square metre of space and costs around NZ\$3,100.

## REMINDER ABOUT WRITTEN EMPLOYMENT AGREEMENTS

Though it has been a legal requirement for many years, NARGON reminds all members that full written employment agreements are required for every single employee. The member's section of the upgraded NARGON website contains draft agreements and advice on employment agreements. Visit [www.nargon.co.nz](http://www.nargon.co.nz) for more information.

## CONTRIBUTIONS WELCOME

NARGON members are welcome to contribute articles, opinion pieces and letters to *NARGON News*. We are also looking for people to feature in our Store Profile section.

## STORE PROFILE

In this issue, the NARGON News talked with NARGON News Executive Director Trina Snow.



**How long have you been working for NARGON?**

2 years now.

**How many staff at NARGON Head Office?**

One plus support from contractors.

**How often do you shop at a supermarket or store?**

Couple of times a week.

**What part of your role do you enjoy the most?**

Learning about the industry, helping retailers attain their goals and supporting them in every way I can.

**What's your least favourite aspect?**

Waiting in Select Committee hearings.

**Tell us one thing NARGON members may not know about you?**

I'm an English person who also runs the Buy New Zealand Campaign.

**What is your favourite drink?**

Pinot Noir.

**What three things would you take to a desert island?**

A good Wilbur Smith book, a best of the 80s music album, and a DVD of the movie *Highlander*.

**If you were banished to only one section of a retail grocery store, which one would it be?**

It would have to be the bakery section.

## NEW NARGON WEBSITE

If you are a member of NARGON and do not know your login details, please contact [director@nargon.co.nz](mailto:director@nargon.co.nz) or phone Trina on 04 496 6557.



Visit *Nargon News* at [www.nargon.co.nz](http://www.nargon.co.nz) to view this and past issues of our newsletter

### ANSWERS FROM PAGE 2

1. 1 October 2010
2. Pinot Noir and Sauvignon Blanc
3. [www.dol.govt.nz/myfirstjob](http://www.dol.govt.nz/myfirstjob)



National Association of Retail Grocers and Supermarkets of New Zealand

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