



### The Mathematics of Retailing continued.

#### Special points of interest:

... **Business NZ Fifty Point Action Plan.**

... **Supplier Awards Registration and invitation inside**

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In a previous Nargon newsletter earlier this year, I mentioned that all retailers should have a simple grasp of the basics of mathematics. Following on from this are further retail mathematics examples, that you can try your hand at.

1. **Breakeven point.** Is the point in business where the sales equal expenses and there is no loss, and also no profit. If a store buys widgets then puts on their markup, and has to sell 667 widgets a month to breakeven, generating \$20,000 worth of sales. The store also has monthly expenses of \$10,000, what is the original purchase price of the widget? (Answer = \$15, calculated as follows, sales of \$20,000 less expenses of \$10,000 = \$10,000 divided by 667 widgets = \$15)

2. **Margin.** The amount of gross profit made when an item is sold. Margin % equals (retail price less cost) divided by retail price. If a product has a sale price of \$50 and is achieving a gross profit margin of 15%, what is the cost price? (Answer = \$42.50. \$50 multiplied by 85% (100 less gross profit margin) = \$42.50).

3. **Markdown %** = If a product is marked down \$20 to sell at \$80, calculate the markdown percentage? The key point with markdowns is that if they are excessive, it is usually a sign of over buying. ( Answer = 25% , \$20 divided by \$80 = a 25% retail markdown expense).

4. **Stockturn** indicates how quickly a business is turning over its stock, a low stockturn could indicate inefficient buying habits or being landed with dead stock.

If a product has \$2000 in sales over a the past twelve months, and a gross-profit margin of 35%, and has on average \$100 of product at cost on

the shelf, what is the stockturn of the product? (Answer = 13times per annum. \$2000 x 65% = cost of sales of \$1300 divided by \$100 = 13 times)

5.. **Debtors Turnover** is similar to stock turn and is number of times credit sales turnover in a year. If average debtors balance is \$10,000 and credit sales for the year amount to \$40,000, what is the age of debtors expressed in days? (Answer = 91 days, \$10,000 is 25% of \$40,000. 91 days is 25% of 365days.) Controlling debtors will become increasingly important if the economy gets worse, and usually the first person who gets tough with a shaky debtor has the best chance of being paid.

6. **Overheads**, refer to the ongoing expense of operating a business. The term overhead is usually used to group expenses that are necessary to the continuing functioning of the business, but do not directly generate profits. If overheads to a store run at 20% of turnover, what is the minimum markup % required to put on a product to break even? (Answer = 25%. If overheads run at 20% of turnover, then the breakeven point gross-profit margin is 20%, therefore the mark-up % will be 20 divided by 80 multiplied by 100 = 25%)

Retail mathematics does not require too much skill, just a good knowledge of basic elementary math. For example, in my case when I started in my store in 1992, I knew little about debtor turnover, but learnt very early on, after a few non-paying debtors and being left out-of-pocket, the importance of managing debtors tightly.

*Robert Scott*

**REGISTRATION FORM AND INVITATION FOR THE 2009 SUPPLIER AWARDS IN THIS ISSUE.**

**BOOK NOW TO AVOID DISAPPOINTMENT**



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# 2009 SUPPLIER AWARDS



These tough economic times mean shoppers are looking for a bargain and some unusual foods are becoming more popular.

It is increasingly important for companies of all sizes to have clear policies on the use of the internet at work



"Setting New Zealand Apart – Getting more productive and competitive".

## Sales and prices down slightly

In July 2009, Statistics New Zealand figures show seasonally adjusted total retail sales were down 0.5 percent (\$25 million) overall. This followed flat sales in June. Supermarket and grocery sales were down slightly (0.3 percent). Most industries moved up or down by less than \$3 million. Sales were up in Auckland (0.8 percent) but

down in all other regions.

For August 2009, food prices decreased 0.9 percent, the largest monthly fall in three and a half years. Nearly all of this decrease was due to lower prices for grocery food, fruit and vegetables. Prices for cheddar cheese, milk and butter returned to levels last seen in late 2007 or early 2008. For the year to August 2009, food

prices rose 4.6 percent, the smallest annual increase since January 2008.

These tough economic times mean shoppers are looking for a bargain and some unusual foods are becoming more popular. Apparently, sales of tinned spam are up 350% on last year.

## Rulebook for web surfing at work



Cyber watchdog Netsafe has launched a website to help small-

and medium-sized businesses develop policies to promote the "sensible and safe" use of the internet in the workplace (including Facebook and TradeMe). Businesses can view 17 policy options on the

personal use of workplace information technology and chose how strict they want their rules to be. Policies range from a stringent position of IT lockdown to a flexible position.

It is increasingly important for companies of all sizes to have clear policies on the use of the internet at work to protect both themselves and their staff. The site can be found here: [www.thewhatsit.org.nz](http://www.thewhatsit.org.nz)

## Infant feeding code

From 1 April 2009, employers have been required to provide appropriate facilities and breaks for employees who wish to breastfeed either at the workplace or during a work period, as far as is reasonable and practicable in the circumstances. The Department of Labour has developed a draft Code of Employment Practice on Infant Feeding to provide quick and flexible guidance to help

## Fifty-point productivity action plan released

Business New Zealand, the country's largest employers group has released a new document titled "Setting New Zealand Apart – Getting more productive and competitive". Action points of particular interest to NARGON members include:

- ... Establish a New Zealand Productivity Commission to keep on top of new regulation and review existing regulation.
- ... Make regulatory bodies more accountable.
- ... By mid-2010, deal to the top five areas of red tape for

business - tax, health and safety in employment, the Employment Relations Act, ACC and the Holidays Act.

- ... Restrain Government spending to allow for tax reductions.
- ... Achieve the Government's medium-term goal of a 30 percent top personal tax rate.
- ... Cut tax compliance costs.
- ... Keep rate rises low by sticking to core activities.
- ... Encourage the phasing out of business differentials except on the basis of specific services provided.

... Encourage local authorities to replace land value rating with capital value or annual value rating.

- ... Allow collective agreements to end at their expiry date.
- ... Allow employees not covered by a collective agreement to have the same terms and conditions as those of the collective.

NARGON is a member of Business New Zealand's Affiliated Industry Group. The full report is available here: [www.businessnz.org.nz/file/1702/SETTING%20NZ%20APART.pdf](http://www.businessnz.org.nz/file/1702/SETTING%20NZ%20APART.pdf)

## Breaks law to change

The Government is looking to pass legislation to allow more flexibility around statutory rest and meal breaks.

This move was prompted by possible disruptions to regional air services because of a dispute over breaks at regional airports.

However, the new law will have implications for all sole attendant operations including some dairies, stores and petrol stations.

## Commentary – Business New Zealand

This issue, Phil O'Reilly, chief executive of Business New Zealand and diehard rugby fan, outlines the potential of the Rugby World Cup for all businesses:

*The countdown has begun. Now that the dates and times for all matches in the 2011 Rugby World Cup have been tied down, we can start thinking about playing our part in the biggest party New Zealand has ever held.*

*During September and October of 2011 we'll have tens of thousands of overseas visitors flooding into the regions of the chosen venues – Whangarei, North Shore, Auckland, Hamilton, Rotorua, Napier, New Plymouth, Palmerston North, Wellington, Nelson, Christchurch, Dunedin and Invercargill.*

*Auckland gets the big final during Labour Weekend 2011 but the other centres will have had a good share of the hosting of this memorable event.*

*About four billion people all over the world will be watching it. And four million of us – the hosts of this amazing event – will get the chance to show off our slice of heaven. It's not just for sports groups, homestay operators and rugby fans.*

*In many centres, businesses like ours will also be playing their part for the World Cup. There'll be a lot of voluntary roles including a business hosting programme – hosting visiting rugby fans and business people. And retail businesses, for example, will no doubt get in the spirit with rugby-themed window dressing and other displays.*

*Retail grocery businesses will have many points of contact with our visitors from overseas. It will be great to introduce them to our wonderful kiwi foods and beverages and to give them a taste of the kiwi culture and environment along the way.*

*Plans unveiled by the host regions so far are pretty impressive. Local councils are*

*upgrading stadium and transport facilities, roads, footpaths, street lighting and so on.*

*There'll be banners on arterial routes and at match and training venues, decorative bus and taxi themes, and free buses and trains in some areas. Festive events will include street parades, cultural performances, fireworks displays, vineyard tours exhibitions and shows.*

*During the World Cup we'll all be ambassadors for New Zealand and I think we'll have a lot of fun doing it. There'll be opportunities to volunteer from next year, when the volunteer recruitment website gets up and running.*

*In the meantime, you can keep up to date with all the planning on [www.rugbyworldcup.com](http://www.rugbyworldcup.com).*

*There will be lots of opportunities for businesses to contribute to and gain from this big party – we should start thinking now about how we can make the most of it.*



**And retail businesses, for example, will no doubt get in the spirit with rugby-themed window dressing and other displays.**

**NARGON reminds all members that full written employment agreements are required for every single employee**

## 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 NARGON website contains draft agreements and advice on employment agreements – [www.nargon.co.nz](http://www.nargon.co.nz). The Department of Labour also has information on the topic including an employment agreement builder [www.ers.dol.govt.nz/relationships/](http://www.ers.dol.govt.nz/relationships/).

## Retail Quiz

All NARGON members should know the answer to these three questions: *(answers on page 4)*

1. When is the Rugby World Cup being held in New Zealand?
2. Do employers have to provide breast feeding facilities in every workplace?
3. Which Government department has an on-line Employment Agreement builder?



The Daily Telegraph has gleefully reported that a Michelin-starred restaurant in Canterbury (United Kingdom) received bottom marks for hygiene after a surprise inspection from the local council.

They noted that the \$160 a head Abode Hotel's cleanliness was well below the city's Age Concern rest home which earned the full five marks.

## On a lighter note



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



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**National Association of Retail  
Grocers and Supermarkets of  
New Zealand**



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**We have three positions available on the board. If you are interested, please contact the Executive Director below for more information.**

### Executive Director

|            |  |             |
|------------|--|-------------|
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### Store Spotlight - Broadwood Four Square

The NARGON News had a chat with John from the Broadwood Four Square:

**How long have you been in the supermarket and grocery industry?**  
34 years!

**How many staff at your store?**  
Three in all!

**Which product surprised you most with its success?**

We sell a lot of petrol here. We are in the middle of nowhere!

**What part of the industry do you love the most?**

Meeting people over the counter. Being a small store you get to know everyone and meet a lot of tourists.

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

Getting up early and working seven days a week

**Tell us one thing your customers may not know about you?**

Probably my full name.

**What is your favourite drink?**

Speight's, Sprite.

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

A stack of good books,  
a tent and a  
decent sleeping bag.



**if you were banished to one section of your store, which one would it be?**  
I love helping at the petrol station.

### Contributions welcome

NARGON members are welcome to contribute articles, opinion pieces and letters to the NARGON News. We are also always looking for volunteers for our Profile section.

#### THE NEW NARGON WEBSITE IS LIVE!

NARGON members should have received their login details via email for the new website. If you are a NARGON member and have not received these, contact: [director@nargon.co.nz](mailto:director@nargon.co.nz) for your login information.

The new website includes new features including a forum and a free business directory for suppliers. Visit the website to view or for more information.

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. September and October 2011
2. No. They must do so as far as is reasonable and practicable
3. The Department of Labour.