



Special points of interest:

- NARGON AGM 7th April 2009
- 90 Day trial employment information
- Changes in alcohol legislation

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The Mathematics of Retailing

Whilst more than a few of us are not mathematicians, there are a few basic mathematic equations that every retailer should be familiar with in the everyday operation of their business.

Here are just a few areas where retailers need to know the fundamentals of mathematics, in relation to retailing:

Stock turn productivity,

a low stock turn could mean you're overstocked, or landed with slow moving stock. Aim for a higher stock turn, whilst ensuring adequate stock levels.

Knowing the difference between "margin" and "mark-up."

Return on equity (is the persons investment in the business worthwhile?) calculated simply by dividing the net profit with the owners equity.

Minimum mark-up in relation to overheads.

How liquid is your business,

using the **liquidity ratio**? The liquidity ratio measures how much liquid assets you have on hand to meet your bills.

Try your hand at these examples:

- Stock turn, average stock held is \$100k and the Cost of Goods Sold is \$500k. What is the rate of stock turn, assuming these figures are based on an annual term?
- A product has a sale price of \$25 and is achieving a gross profit margin of 15%, what is the cost price?
- What is the return on equity (as a percentage) for the business owner, if the owner has sales of \$1m, assets of \$800k and with liabilities at \$200k, and a net profit of \$60k?
- If a stores overheads run at 20% of turnover, what is the minimum mark-up percentage needed to be put on a product to ensure it breaks even?
- Calculate the liquid ratio

from the following information. Current assets = \$50k (of which stock is \$40k), and current liabilities are \$12k.

- A retail business is set up, with fixed annual overheads of \$60k, with the aim of selling 22,000 units per year and making a desired profit of \$50k. What must the selling price of each unit be to achieve these financial goals?
- A mark-up of 66% will provide a gross profit margin of what percent?

In summary, these are only but a few examples of ratio and percentage analysis, and can easily identify trends and can alert you to dangers where timely intervention can avert a crisis. They provide a useful personal yardstick of your business in comparison with fellow retailers in the same industry, or within banner groups within your industry.

*Robert Scott
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(Answers on page 2)*

Member Invitation to the NARGON AGM

When: Tuesday 7 April 2009
4pm Start followed by drinks and nibbles

Where: 6th Floor, Lumley House,
3 - 7 Hunter Street, Wellington

This invitation is free to NARGON members

RSVP by Friday 27 March 2009 to director@nargon.co.nz
or register online at www.nargon.co.nz



"Nick Smith said the increases were "as modest as legally possible" and "less than those recommended by officials."

NARGON has updated employment contracts available on the NARGON website with the 90 day trial employment clause



"From 1 April 2009 some changes are being made to KiwiSaver."

ACC levies rise in 2009

Late in 2008 the new National Government announced that it was "reluctantly" increasing ACC levies for employers and workers starting from 1 April 2009. The announcement followed revelations that the previous Government may have left the ACC accounts underfunded by up to \$4 billion. ACC Minister Hon Dr Nick Smith said the increases were "as modest

as legally possible" and "less than those recommended by officials."

Of particular importance to supermarkets and retailers are the changes to the composite employer and self-employed levy. On average, this levy will increase from \$1.26 to \$1.31 per \$100 of payroll. This figure excludes GST and the actual rates for industry groups do vary. The

actual rates for each industry group have not yet been announced. They were expected to be available in late February.

While additional costs for supermarkets and retailers are never welcome, NARGON recognizes that the perilous state of the ACC accounts meant that levy increases were unavoidable in the short-term.

90 day trial employment period coming into force

The Employment Relations Amendment Bill was passed under urgency in the middle of December last year. This is the legislation which introduces 90 day trial employment periods for employees in small

businesses. While the Bill has remained essentially unchanged, the implementation date has been brought forward to 1 March 2009.

The Department of Labour

are providing guidance to the new law on their website (<http://www.ers.dol.govt.nz/relationships/trialperiod.html>) and on the Workplace Contact Line (0800 20 90 20).

Kiwi Saver Changes

From 1 April 2009 some changes are being made to KiwiSaver.

- The minimum employee contribution rate will reduce to 2% of a member's gross pay.
- The compulsory employer contribution (CEC) will increase to 2% and won't increase further in future years.
- The employer superannuation contribution tax exemption (ESCT) will be capped at the compulsory employer contribution rate of 2%
- The employer tax credit (ETC) will be removed.
- The fee subsidy will be removed - this change affects KiwiSaver members, not employers.
- The KiwiSaver Act will be amended and the Employer Relations Act amendment relating to KiwiSaver will be repealed

so that gross pay can't be reduced for staff who join KiwiSaver

- You'll need to increase your employer contribution rate to 2% from 1 April 2009
- You may need to reduce the contribution rates for existing KiwiSaver employees

More information can be found on the NARGON website or at (<http://www.ird.govt.nz/news-updates/like-to-know-april-2009-kiwisaver-changes.html#02>)

Answers from page 1

1. 5 (\$500k divided by \$100k = 5)
2. \$21.25 \$25 multiplied by 85% (100- gross profit margin of 15% = \$21.25)
3. 10% \$800k - \$200k = \$600k, The \$60k net profit is 10% of \$600k equity.
4. 25% 100- 20% margin = 80. 20 is 25% of 80.
5. 1:1.2 \$50k less stock of \$40k = \$10k, and liabilities are \$12k, therefore a ration of, 1 to 1.2. (In this example the firm would be experiencing payment difficulties)
6. \$5 per unit. 22,000 multiplied by \$5 = \$110k. (\$60k for overheads and \$50k for 'profit')
7. 40% \$10 multiplied by 1.666 (\$6.66) = \$16.66. \$6.66 is 40% of 16.66.

Significant changes expected in alcohol legislation

Justice Minister Hon Simon Power has confirmed the National-led Government will proceed with the liquor legislation tabled by the outgoing Labour Government in August. The Minister indicated to NARGON News that this issue will be a focus for him in 2009.

The Sale and Supply of Liquor and Liquor Enforcement Bill includes provisions which would ban alcohol sales in shops of less than 150 square metres and give local councils the power to draw up local alcohol

plans controlling hours, location and density of liquor outlets. The Bill will go to a Select Committee to hear public submissions early this year. NARGON will be looking to make a submission on behalf of members.

Small retailers may also be subjected to a new ruling which appears to exclude convenience stores, petrol stations and possibly dairies from obtaining liquor licences. In rejecting an off-licence application for a convenience store in

Wellington Airport, the Liquor Licensing Authority ruled that "convenience stores" should not be granted liquor licences.

The first applicant to be affected by the change was the Night'N Day Food store in Dunedin's Octagon which had its liquor licence application refused recently. They are appealing the decision to the High Court. The new standards have been described as a "line in the sand" are likely to have a major impact on the sector this year.



"Small retailers may also be subjected to a new ruling "

Australia: Large supermarkets must introduce unit pricing

The Australian Government has announced that large supermarkets will be forced to introduce unit pricing before the end of the year. Standard unit pricing will show the prices of goods

per 100 grams or 100 millilitres to enable shoppers to make quick price comparisons. Small corner stores and supermarkets less than 1,000 square metres will be exempt. The

new compulsory requirements will cover more than 50% of Australia's supermarkets. Smaller stores are entitled to introduce unit pricing if they wish to.

Buy New Zealand Made campaign continues

While the new Government has suspended the Buy Kiwi Made advertising, the privately run Buy New Zealand Made campaign will

continue to promote New Zealand products. The famous 'kiwi in the triangle' will still be found in shops all over New Zealand. More

information on the Buy NZ Made campaign, including products and firms, can be found on www.buynzmade.org.nz.

On a lighter note

A British shopkeeper left an honesty box in his unattended DIY store for customers to serve themselves on Boxing Day. He returned to find nearly NZ\$500 in the box and virtually nothing stolen. Tom Algie left his "Practically Everything" open and unattended in North Yorkshire because he wanted to spend the holidays with his family but thought it

would be" quite nice to open the shop." He said "I didn't think twice. Settle is a lovely, quiet, rural town and there's never any trouble here." Algie left a note on the honesty box saying "Yes, I have given everyone the day off, including me, so please choose the items you want and place the right money inside."

In related news, Wal-Mart, the world's biggest retailer, famously

employs "greeters" at the entrance to its stores. Whether or not they boost sales, a friendly welcome is said to cut shoplifting because it is apparently harder to steal from nice people.



"the privately run Buy New Zealand Made campaign will continue to promote New Zealand products"



Visit the NARGON Website for the latest news and information www.nargon.co.nz

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Store Spotlight - Shoprite Inglewood

How long has the store been open?

Shoprite Inglewood has been trading for 32 years and was one of the original Shoprite sites.

How long have you been in the supermarket industry?

I have been involved in the industry since leaving school 35 years ago. Started off in Produce, then managed Buy Rite New World in New Plymouth for 5 years and worked for Foodstuffs Wellington for 20 years in Retail Operations.

How many staff do you employ?

I presently have 32 staff 13 are full timers and 19 part timers.

What is your favourite aspect of the food retail business?

The ability to be a trader, to make changes that lift sales and I do enjoy the company of the customers, there is never a dull moment. There is nothing

like working in the store when it is buzzing. Christmas Trading has a lovely atmosphere.

What is your least favourite aspect?

Staff Challenges, the paper work that prevents you from being on the shop floor.

What is your favourite department within the store? Why?

I suppose I should say they all are. I do enjoy being the Liquor manager, I enjoy Produce. If you do it right you can really increase sales.

What future challenges do you see the grocery industry facing both globally and internationally?

Supplier base will shrink as manufacturers look at supplying as a global base, pressure from the multi national chains could try and squeeze out opposition suppliers and retailers. The industry needs to ensure that it can still source product regardless of

size.

Best piece of advice anyone has ever given you?

Go on the shop floor and listen to what your customers have to say, be a face that customers know.

What is your favourite food?

Fresh bread from the bakery and fresh vegetables.

Favourite spot to visit in NZ?

I think New Plymouth is a lovely area, it has the mountain, the sea, great walking tracks and great places to have a coffee, and a meal.

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