

# RETAILING

13 May 2011

US, quickly followed by Borders and Angus & Robertson in Australia.

Online retail is not the only culprit of course (much has been made of RedGroup's management in the case of Borders/A&R), but it is one of the key forces that is causing significant shifts in the retail landscape.

We now live not so much in a global village, but a global shopping mall that is open 24 hours a day, seven days a week. As a physical merchant today you not only compete with the store down the street, but the online site in San Francisco, or Stockholm, or Singapore.

And if they offer a wider range, better bang for the Aussie buck, free shipping and no tax, then you've got a very serious competitor indeed.

What will happen when the dust settles? I received a thought-provoking contribution from an Inside Retailing reader who believes that the space allocation and financial metrics of bricks and mortar retail in this country will have to change.

"We deal with several international retailers and in discussions about Australia, real estate costs are a recurrent theme.

"Given that average specialty occupancy costs in Regional shopping malls are around 18 to 20 per cent of sales, traditional retailers in Australia

have an instant 10 to 15 per cent disadvantage before you even factor in cheaper shop worker wages, exchange rates and the like... over the longer term, Australia will not require the amount of retail floorspace per capita, and sales per sqm will grow more slowly as online continues to erode traditional retail."

So one view of the future is that bricks and mortar rents will be forced to reduce in the short to medium term, and then space and store networks will shrink in the longer term, with retailers supplementing their physical stores with a strong online presence.

Physical retail will continue to be a major force of course, because nothing beats a 'real' store to build a brand and generate an experience.

And you can't touch products or interact with your customers in quite the same way online.

It's likely that stores will retract in size across the world.

US retail in particular is generally regarded to be heavily over spaced, and the days of the category-killer megastore are numbered, at least within shopping malls.

Twenty years ago, Borders in the US was creating havoc with its superstore format.

Customers loved the idea of tens of thousands of titles in one location, and smaller bookstores suffered as the Borders juggernaut rolled across the States.

Now it's ironic that what Borders once did unto others has been done unto them, as a new phase in retail begins.

The lesson is that it's well worthwhile "going e-tail" before you have to "close retail".

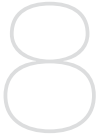
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## Payments competition welcomed

The Senate Economics Committee is pushing for greater competition in the provision of payment, clearing and settlement services.

Tyro, a payment clearing company, has welcomed the recommendation of an ACCC examination of the barriers to competition in the Australian payment and banking system.



According to Tyro CEO Jost Stollmann, there are 13 barriers to entry and expansion that need to be addressed for a more competitive and consumer-friendly payment sector.

Stollmann says some of these include:

- \* Banks should be required to pay merchants (including SMEs) every day the same day
- \* Banks should not be allowed to offer worse settlement terms to new entrant merchants versus their own merchants thus reducing competition
- \* Banks should not be allowed the bundling of acquiring services as working capital packages or support for debt facilities thus eliminating competition
- \* Banks should not be allowed to increase interchange fees cross-subsiding the acquiring business, lowering competitive pressure and sheltering their fee revenue against competitive tension
- \* Banks should not decide to raise EFTPOS interchange charged to acquirers and eventually to retailers and that with Coles and Woolworths not impacted
- \* Government should ensure proper access to oligopolistic and monopolistic markets such as private health funds.

"There needs to be a continuous effort in detailed reform steps to secure real banking reform," said Stollmann.

"The playing field needs to be levelled for new players to enter this space and to build up scale. The banks have to credibly undertake to refrain from bundling and discriminatory behaviour.

"It took Tyro four years to overcome most eftpos entry barriers. Tyro has introduced transparent pricing, non-stop acquiring, broadband integrated eftpos and specific solution in the health, newsagents, duty free and restaurant space. For four years, Tyro is battling the many barriers to expansion in order to build an overall market presence.

"Now it is all about keeping up the momentum and reducing entry and expansion barriers, one by one without delay. The enemy is the defeatist attitude. There is no silver bullet. Rebuilding a more competitive environment is hard work, let us get on with it," he said.

## Store emits an Aura

UK retail designers, Dalziel and Pow have created an entirely new homewares and fashion brand from scratch.

Made for the Middle Eastern Market, the Aura store is based in Riyadh, Saudi Arabia, and spans 850sqm.

The brief was to create a brand identity, store environment and brand communications, including packaging, to encapsulate a new confident and younger Saudi Arabian and wider Middle Eastern style.

Dalziel and Pow's result is a brand that although largely western in influence, appeals to the young style conscious Saudi consumer. The new logomark, logotype and all instore communications, were all designed in both English and Arabic versions.

The brand has been built around quality and design, from the translucent carrier bags with opaque patterns, to the dark cerise backlit glass cash desk.

The store is zoned in departments, from bedroom to bathroom, living to dining, lighting to rugs and accessories. The atmosphere of the environment is dark and moody with strong accent lighting picking out the product to a jewel like quality. The merchandise is grouped in lifestyle displays, bringing together vibrant colours and patterns in the contemporary area, mixed with a more subdued palette in the classic display.

The new brand has tried to encapsulate a new confident Saudi style by bringing together products from across the globe and creating a unique mix that will excite the largely conservative Saudi customer.

The highlight of the store and the jewel in the crown is the 'iconic' area, which sits in the centre of the store as a white glowing glass structure radiating light and pulling the customer towards it.

According to Dalziel and Pow, the iconic area represents the heart of the brand in which traditional Middle Eastern products are restyled with a contemporary twist, making these pieces unique and desirable as never before.