

of investors led by Greg Smith, who remained CEO of the electrical retailer up until its collapse last year.

## Eftpos deadline looms

EMILIA TERZON

All eyes will be on ePAL on Monday as its 14 owners approach a deadline that could affect the way Australian retailers use their Eftpos terminals.

The new interchange fee arrangements, announced by Eftpos Payments Australia Limited (ePAL) in March, need to be either individually accepted or rejected by members, which includes the major banks and grocery retailers by Monday.

The changes, which take effect on October 1, reverse the current arrangement of a cardholder's bank paying the retailer's bank a fee for each Eftpos transaction.

Instead, the new interchange scheme will charge the retailer's bank five cents for every point of sale transaction of \$15 or more. ePAL does not determine whether these fees are ultimately passed on by banks to retailers.

"It's really a matter for the banks if they'll absorb these costs or pass them on," said Bruce Mansfield, MD of ePAL.

He said that, whichever decision was made, the changes were being brought on to continue Eftpos' competitiveness against Visa and Mastercard, with increased revenue to be invested in contactless technology and chip cards.

Jost Stollmann, CEO of Tyro Payments, said he was supportive of ePAL investing in ways to make Eftpos more competitive, however, "the manner they have gone about doing this we completely disagree with".

He said it was highly unlikely that banks would accept the changes only to absorb the costs associated internally, and that as a result ultimately small ticket retailers, like newsagents, and small businesses will be disadvantaged.

"It's unjustified and untimely to increase the interchange fee for retailers... especially at a time when most of them are doing it tough," said Stollman.

He said that the major supermarket chains, which also have an investment in Eftpos, will also most likely



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opt out of the interchange fees, meaning that chains Coles and Woolworths will have an advantage over smaller grocery chains and independents that have no alternative.

"Woolworths and Coles have invested many millions of dollars in Eftpos since it was introduced in 1998," Bruce Mansfield said in response to claims of reduced competitiveness.

Russell Zimmerman, executive director of the Australian Retailers Association (ARA) and chair of the Australian Merchants Payment Forum (AMPF), said that he'd warned the ARA's members about a potential increase in costs.

"Most are aware of the situation, but not of the specifics. Some of them are more worried than others, specifically those who are involved in low value, high volume transactions," said Zimmerman.

He said that the GFC had driven consumers back to the option of Eftpos as using credit functions became less attractive, and that whichever way the decision on Monday goes that the payment method would still remain more attractive for retailers than credit functions.

Zimmerman said that in the interim retailers should be contacting their banks and putting pressure on them to absorb the fees either in full or partly.

"The banks are making plenty of money. Retailers should force their bank to take back the fee or otherwise shop around for a better deal," he said.

## Management changes fell chain

Directors of Associated Retailers appointed Deloitte as administrator to the 40 store Brown Sugar women's fashion chain after losses of more than \$5.7 million in the past two years.

Deloitte insolvency specialists, Sal Algeri and Tim Norman, have advertised for expressions of interest by August 15 and will determine whether or not to close stores based on the prospect of finding a buyer for the chain.

The first creditors meeting on August 12 heard that the chain had suffered as a result of successive management changes since 2009 and was unable to stem losses in the current trading climate.

Algeri said all Brown Sugar stores had started a stock clearance sale to generate cash and reduce inventory levels while Deloitte assesses the chain's financial position and tests the market for a buyer.

Brown Sugar has 40 stores in Victoria, NSW, South Australia, Tasmania and Western Australia.

The chain was started by Brian Ambler in 1975, borrowing the name from a Rolling Stones song for his first store in Brighton.

Ambler built the business into a 20-store chain, initially selling apparel bought from wholesalers but later designing and manufacturing its own ranges under the Brown Sugar label.

Associated Retailers purchased the chain in 1995 and Ambler remained involved for a further 11 years as GM, expanding the business beyond its home state of Victoria into NSW and WA.

He developed a new wholesale label for Associated Retailers in 2006 before leaving the company to establish a retail consulting and training firm.

Inside Retail understands Ambler retains some rights to the Brown Sugar brand and would need to approve any sale of the chain to new owners if they intended to retain the brand.

Although Brown Sugar continued to expand to 40 stores across five states after Ambler left, the chain struggled in its market positioning and sales and earnings growth, recording substantial losses in the past two financial years and facing a sharp decline in sales in the past year.

Brown Sugar's retail offer was built around coordinated collections of apparel and accessories at a mid point price tag, primarily for women 25 to 50 years.

Associated Retailers was the buying and marketing group behind the Mensland chain in Australia but expanded its brand portfolio through a series of acquisitions, including Toyworld, Shoex, Sportscene and Compleat Angler.

The acquisitions were crucial to the continued viability of the brands, cutting costs on buying, marketing and retail services using a shared services model.

Associated Retailers bought another Melbourne retail chain, Meredith, as well as Brown Sugar, and