Inside Retail weekly

News and views on the world of retail since 1972

insideretail.com.au

Issue 2190
30 May 2018
RRP $14.95

Lapping up luxury online

High-end retailers are investing heavily in digital, but is it possible to replicate premium experiences online?

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NEWS

In the lap(top) luxury realm

Once late to the party, luxury retailers are now investing millions in digital platforms to fast track their e-commerce capabilities. But is it possible to replicate a high-end shopping experience online?

By Heather McIlvaine

E-commerce historically has been of little interest to luxury retailers, who believed discerning customers would never spend small fortunes on items without feeling the quality and fit of the material in person, or receiving superior customer service in bricks-and-mortar stores.

How wrong they were. Recent years have seen major luxury groups investing millions in digital platforms and players to fast-track their e-commerce capabilities.

Louis Vuitton owner LVMH was recently the lead investor in fashion search platform Lyst's latest funding round, which closed somewhere between US$67 and US$134 million, according to *Reuters*. This follows its launch last year of 24 Sèvres, an online platform for more than 150 luxury womenswear brands, including Louis Vuitton, Christian Dior, Chloé and Valentino.

Meanwhile, Cartier parent Richemont in May completed its takeover of online-only luxury fashion company Yoox Net-A-Porter (YNAP) after offering US$3.32 billion to increase its stake in the company from 25 per cent to nearly 95 per cent. YNAP will de-list from the Milan Stock Exchange on June 20.

Analysts say these deals are paying off. In a presentation to investors earlier this year, LVMH CFO Jean-Jacques Guiony said the group's digital sales increased by 30 per cent in 2017 to around US$3 billion. This presumably includes revenue from 24 Sèvres as well as sites for individual brands.

Kering-owned Gucci recently saw online sales more than double in the first quarter of FY 2018.

"That's a pretty clear statement that there is a pay-off here," Gartner analyst Thomas O'Connor told *IRW*.

According to O'Connor, who previously led the Australia/New Zealand supply chain department for Louis Vuitton, e-commerce now accounts for around 9 per cent of luxury sales globally. McKinsey & Company predicts online sales could account for as much as 20 per cent of the overall luxury market by 2025.

Much of this growth is being driven by millennials, who are driving the growth of e-commerce across categories. Australia Post's annual *Inside Australian Online Shopping* Report on Monday showed that younger consumers were largely responsible for the 18.7 per cent jump in online spending in Australian last year.

> "At the end of the day, luxury goods purchased online likely arrive in the same brown cardboard box as an Amazon order."

According to Australia Post's report, Australians spent $21.3 billion online last year, with fashion the top-selling category, increasing 27.2 per cent in the past year, health and beauty products growing 13.2 per cent and homewares and appliances growing 10.9 per cent.

How to deliver luxury experiences online

But even as luxury retailers see an opportunity to profit from e-commerce, they face many of the same challenges around data quality and software integrations that traditional retailers do, as well as unique challenges, such as how to convey that high-end feel online.

A sort of shorthand exists that signals to customers they have entered a luxury store. There may be marble floors, brass fixtures, designer furniture, incredibly attentive and knowledgeable staff. It is harder for luxury retailers to differentiate themselves in similar ways online. Can they use higher-end fonts? Can they ensure better uptime?

At the end of the day, luxury goods purchased online likely arrive in the same brown cardboard box as an Amazon order. In fact, as O'Connor points out, luxury retailers are far less likely than other retailers to put their branding on the outside of packages due to the increased risk of theft.

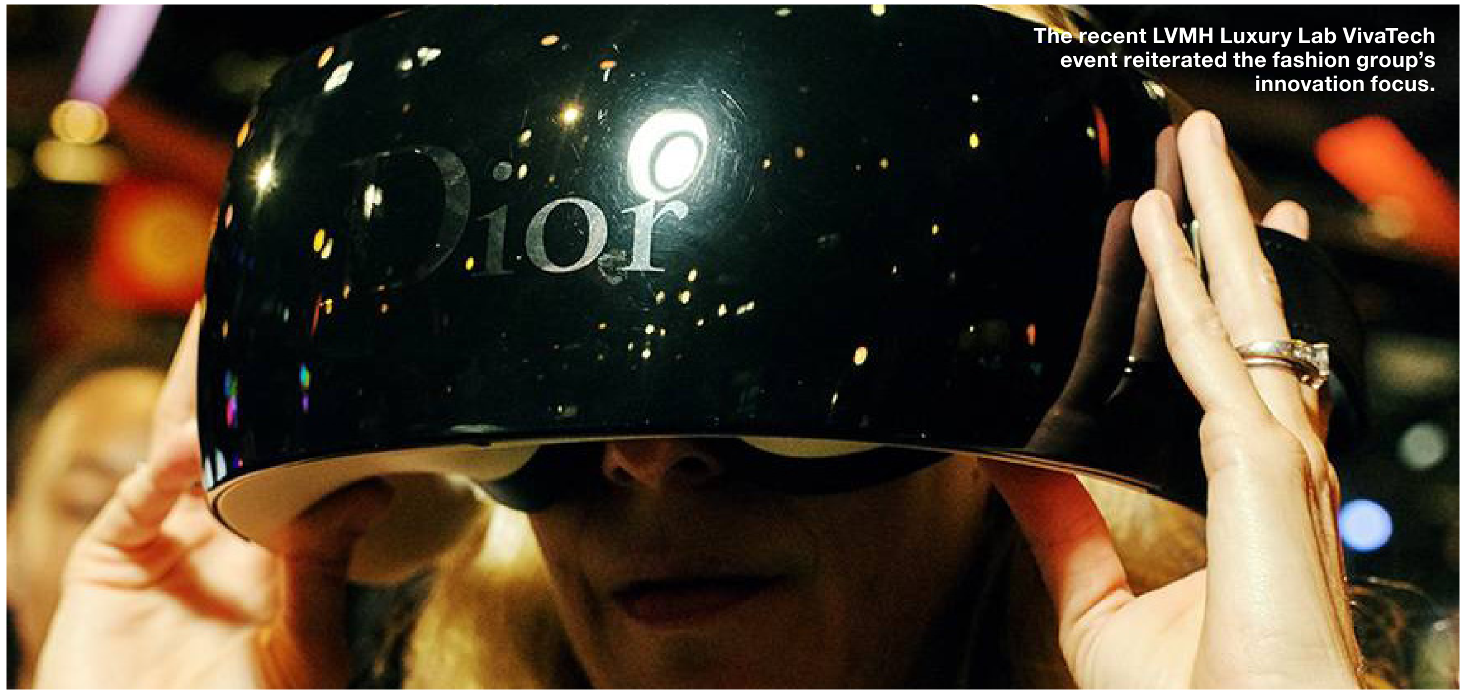
"The problem luxury retailers have when it comes to online as a standalone channel is that differentiation only goes up so many levels. You can't go as far as you can in a store environment. It's really about taking away friction," O'Connor said.

Still, he suggests there are "small touches" where luxury retailers can set themselves apart.

"It's more around the reveal…what happens inside the box. Some retailers include the shopping bag you would get if you went to a bricks-and-mortar store to be as close to the in-store experience as possible. You may see the brand name on the inside of the box. These touches are where we're seeing retailers differentiating," he said.

One place where luxury retailers may have a head start over their mid-market counterparts is around customer data. O'Connor said luxury players have traditionally done a much better job at capturing that data at the point of sale. The challenge now lies in matching that data up with online shoppers.

"They typically have good data already…that's where they'll likely be able to move faster. But the data quality issue is still a challenge," he said. IRW



The recent LVMH Luxury Lab VivaTech event reiterated the fashion group's innovation focus.

This week's Top 10

Our most read stories from the past week at insideretail.com.au.

1. David Jones boss to go in structural shake-up
2. Wesfarmers runs ruler over retailers
3. 'A theme park for fashion': General Pants shoots a three
4. Toys 'R' Us Australia falls into administration
5. Myer hires Sears exec as new merchandise chief
6. Myer signs cosmetics brand
7. Consolidation bites footwear as Shoe Box liquidates
8. Myer hits back at Premier as hostilities escalate
9. Chadstone achieves $2 billion sales milestone
10. Myer appoints new chief executive

Comment of the week

"I cannot believe that one can say "important lessons were learnt from the experience" and "executives are facing a bonus cut" in the same breath! Shareholders do not need to be fed this nonsense."

Phillip - *Wesfarmers execs facing bonus cut over UK divestment*

Wesfarmers chief rolls up sleeves

After deciding to exit the the UK hardware market, analysts and shareholders are questioning Wesfarmers' merger and acquisition credentials.

By Matthew Elmas

Wesfarmers managing director Rob Scott is developing a reputation for rolling his sleeves up and getting the job done.

Less than seven months after being appointed as the successor to the throne of the Perth-based retail conglomerate, Scott has overseen a $700m sale of the Curragh coal mine, made the decision to spin-off Coles and as of this week, announced the divestment of the troubled expansion of Bunnings into the UK.

Also notable: a move to write down $306 million from troubled department store Target and the creation of a new data unit at the group level to oversee digital synergies across its retail businesses.

A new chief clearing the decks is not abnormal, and predecessor Richard Goyder has left Scott and new chief financial officer Anthony Gianotti with plenty to do, although the extent to which Wesfarmers' new king has shaken things up has taken many in the market by surprise.

Last week's deal with Hilco Capital to divest from BUKI exemplified this. Wesfarmers managed to offload around $2 billion in lease obligations in the deal and will only book a $350 - $400 million loss on the investment in FY18.

Wesfarmers will also retain a 20 per cent claim to any equity arising from a future sale of the business – providing Hilco turn it around for sale.

It means that by the time the deal processes in June, Wesfarmers will have a stronger balance sheet and will no longer be investing capital in delivering mounting losses overseas.

But it will be in the market for something new, and with an understandably shorter leash.

Wesfarmers paid $705 million to acquire the Homebase network in 2016, booking more than $160 million in losses and a near $1 billion writedown on the value of the business before stemming the bleeding.

This was despite being warned repeatedly that the UK market was competitive and subdued – two explanations offered by Scott last week as to why Wesfarmers ran into strife.

Analysts questioned Wesfarmers M&A acumen last week, probing Scott on whether the failed UK venture was purely execution driven or whether poor due diligence had played a role.

Scott conceded that it was both: "There was an underestimation of the competitive environment and there was also arguably an overly optimistic outlook in terms of the growth opportunity and the capital investment that was required," he told analysts.

Regaining trust

Merrill Lynch analyst David Errington, who had expressed concern last year that BUKI could turn into a "black hole", said the ordeal was a "dent" to confidence in Wesfarmers' ability to pull off acquisitions.

Scott defended the transparent approach Wesfarmers had taken

Bunnings' format hasn't resonated with UK consumers.

towards BUKI, having signalled a review into the venture in February, and assured analysts that executives and board members would likely have their bonuses cut.

That's accountability sorted. But regaining market trust over Wesfarmers M&A capabilities will be more difficult.

Scott is acutely aware of this, and sought to bolster internal confidence last Friday by repeatedly saying he didn't want his business development team to become gun shy on the prospect of future deals.

"Whilst there has to be accountability I don't want people to feel nervous and afraid to pursue new opportunities and take risks," he said.

Not one to sit on his hands, Scott has already responded to the failings of his predecessors by bolstering Wesfarmers' business development team, who were on show in the BUKI divestment, securing a deal that has been well-received by the market.

Scott said the team should not be discouraged from considering deals at home or abroad, but it seems unlikely that there will be much appetite for another overseas investment any time soon.

That leaves Scott with Australia and two core competencies – industrials and retail.

Officeworks was already the subject of an abandoned spin-off attempt last year, but remains a strong business that's making money.

Kmart is steaming ahead, defying the retail blues with its almost viral status as the go-to cheap and cheerful player.

Then there's trouble child Target, which increasingly looks like it will have a smaller presence in the coming years.

Industrials has a superior outlook to the subdued retail sector, but it lacks synergy with the ace card in Wesfarmers pack of cards – Flybuys.

The loyalty program will be retained by Wesfarmers in its spin-off of Coles and could become increasingly important in the modern world of retail.

Scott has already signalled possible benefits to existing Wesfarmers brands with the program and its new data unit, but Flybuys itself is also primed for expansion – having inked a deal with Ebay earlier this month that expanded the program substantially. IRW

Country Road's new concept

In the latest example of retailers localising their offers, Country Road has unveiled a new flagship store in Westfield Bondi Junction, designed specifically to appeal to coastal appetites.

"Our shoppers are at the heart of everything we do," said Country Road managing director Darren Todd, "and we are constantly innovating to offer them unique, engaging and personalised experiences that fit their busy lifestyle."

The new flagship will serve as a basis for a new retail concept for the business as it looks to remain relevant in Australia's competitive discretionary retail environment, spanning three levels with high ceilings and a light colour pallet to match the local Bondi area.

Country Road has additionally launched a series of master classes, called 'CR. Concierge', with interior stylist Jason Grant and celebrity stylist Marina Didovich to celebrate the launch. These have been designed to provide one to one personalised service to shoppers, including valet parking, hands free shopping and express checkout.

This new store comes less than a week after General Pants launched its own concept store in Parramatta which was tailored specifically to its local customer base – a move that seems poised to differentiate online shopping from a more tailored, personalised experience available in-store.

Myer, Premier battle escalates

The battle between Myer executive chairman Garry Hounsell and Premier Investments chairman Solomon Lew has heated up once again.

Lew's recent two-page letter to Myers shareholders, in which he expressed concern over Myer's performance and Hounsell's ability to steer the company to a profit, prompted a response from Hounsell that Premier found was "focused almost solely on protecting the personal reputations of its failed board".

In a targeted press release, Premier noted it was telling that "Mr Hounsell saw fit to respond only to matters impacting his own personal reputation and that of his fellow director Ms Julie Ann Morrison."

According to Premier, Hounsell failed to respond to several of Lew's accusations, including that Myer would report a very substantial loss for the financial year, and was close to announcing another profit downgrade during Q4 by "blaming the weather".

Premier Investments is conflicted since it is a "major supplier and competitor to Myer," according to Hounsell, and that they continue to be "engaged in a hostile and obstructive campaign that seems to be designed to destabilise Myer."

These comments set the stage for a volatile extraordinary general meeting, threatened by Lew, which could see the department store retailer's board overthrown.

Woolies ahead in fresh battle

Woolworths has continued to dominate the Australian fresh fruit-and-veg market in the first three months of 2018.

According to new research from Roy Morgan, Woolworths increased its fruit-and-veg share by 1.3 per cent between April 2017 - March 2018, while rival Coles has lost 0.7 per cent of the market. Woolworths had 27.4 per cent of the market at the end of March, compared to Coles' 23.9 per cent.

The 'Big Two' now control more than 51 percent of the overall fruit and veg market, with independants holding the remaining 48.7 per cent - though this figure is expected to shrink in the coming years as the larger chains aggressively pursue this category.

According to Michele Levine, CEO of Roy Morgan, it's not surprising that supermarkets are increasing their market share as "56 per cent of Australians who purchased fresh fruit or vegetables from a fruit shop also purchased fruit or vegetables from a supermarket in an average seven days."

Woolworths was not the only store to increase its market share, with German entrant Aldi ending March 2018 with 10.1 per cent of the market, an increase of 0.6 per cent in the year from last April.

Roy Morgan noted Aldi are fast becoming the "third major supermarket group set to overtake fruit shops", which currently account for 15.8 per cent of the market.

Gamification: Hype cycle victim, or here to stay?

Norrelle Goldring looks at the uses of gamification and who's doing it well around the globe.

It's the hype cycle in action. Two to three years ago, everybody was talking about gamification and big data, which they're still talking about but now in the context of analytics. Now we've all moved on to AI and machine learning.

In the meantime, has gamification died a slow death of irrelevance, or picked up scale? Well, it's still being used, and is evolving in better integrated and more innovative ways beyond pure short-term novelty engagement and sales conversion, not that there's anything wrong with that.

What is gamification?

Fundamentally, gamification is combining elements of play and game mechanics to engage and/or convert customers. Or as Steve Sims from Badgeville says, "taking techniques and psychology behind games and using it to get more people to do more stuff more often, for longer periods of time."

Typically this means online, and often mobile first (app-based).

According to Jeremy Boudinet of agency Ambition in a 2017 article, gamification is made up of three parts: challenge, instruction and reward. The challenge should urge a potential customer to interact and go for the reward. The instruction should simply and clearly explain why and how to participate in the gamification process. Finally, the reward could range from discounts to free product; it just needs to be something of value potential customers.

Mechanics include things like scavenger hunts, referral competitions, loyalty points, leader boards and badges, badges, interactive quizzes, and price bidding and negotiation.

Successful gamification is considered to be easy, winnable (sense of attainability) and trackable.

How it works and can be used

Gamification can be used to recruit new customers, get your existing base to buy more, or simply to interact with your brand more in order to become advocates. It can help your sales people be more productive, or it can boost engagement for your social channel or loyalty program.

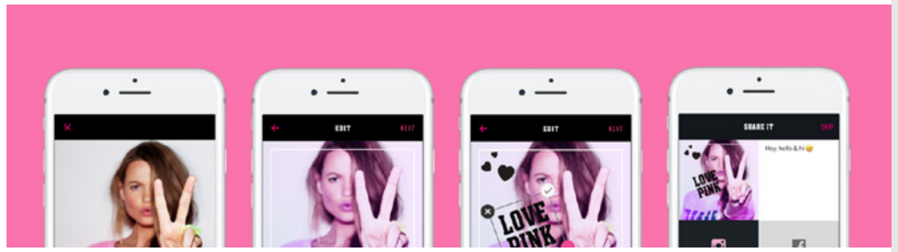
Quiz marketing is often used to gamify the product personalisation process, particularly when traffic is new to a retailer and the retailer doesn't have data on a potential new customer. Customers engage in a fun quiz before entering the online store so that the only products they're shown are in their size and based on their sense of style. Brands like Fabletics use this tactic with great success. Ideally you let customers have access to see the results of any public polls you run as customers are keen to see where they stand.

Spinner apps eg Shopify's Spin-A-Sale can be used to offer discounts for various behaviours such as if a customer shows intent to exit your website. These types of mechanics can be used for remarketing as the store visitor needs to enter their email address in order to spin the wheel. Discount codes and amounts can vary and part of the fun for the customer is in not knowing what level of discount they will spin up. WooHoo's email pop-up does something similar, with the addition of an offer expiration window (eg 15 minutes) to add urgency.

Points and referral programs require customers to exhibit behaviours in order to earn points which can be redeemed for discounts, free merchandise and other gifts. Behaviours can range from purchasing to social media following to new customer referrals.

Who's using it well?

- Victoria's Secret PINK (USA): The PINK Nation app merges the classic e-commerce experience with fun games and contests. Users of the app get an initial offer just for downloading the app, then they can quick play games where they find items for a chance to win prizes (including trips), download stickers to use in other mobile applications, and create unique looks with the merchandise and then vote on the best ones.
- Nike Fuel (USA): Leveraging their target audience's competitive nature, this program brings together runners, trainers, and athletes. It allows users to post their best times, track and compare progress, and challenge friends and family to increase fitness and meet goals. Rewards include early access to products and events, free shipping, and customised workouts. Nike has access to customer data including which activities they use their products for.
- Asos (UK): Enables users to create and then share 'outfits' with other online shoppers and compete to see who receives the most 'follows'. They regularly gamify the online shopping experience with competitions such as fashion bingo, matching celebrities with clothing and Pinterest competitions to win prizes. Flash sales and leaderboards to gain early bird exclusivity to sales are also employed to encourage customers to participate in retail games.
- Jack Wills (UK): British fashion retailer incorporates interactive games into its Christmas period. Customers can scan their gift guide calendar each day for a chance to win prizes.
- Navo Orbico (Poland): This interesting HR application of gamification won the Gamification Europe Award for our outstanding project in 2017 (it seems the gamification industry in Europe is now big enough to have its own awards). The sales team of a major FMCG distributor was unproductive. A gamification solution was developed which integrated with their CRM. The game involved an adventure where sales team members became 18th century traders who traded with their clients (colonies). Trades resulted in the cities increasing their wealth and health. Sales team traders could gain larger vessels, avatars, unlock boosters, chat and discuss with other traders. Nearly 100 per cent of the sales team signed up for the program, sales increased by 21 per cent, KPIs increased 70 per cent and interactions between staff increased 300 per cent.
- And in Australia, last month Boost Juice announced the launch of 'Find the Fruit', the sequel to its successful 'Free the Fruit app' which saw 329,000+ downloads and 225,000+ prizes given away. Find the Fruit rewards players with 1,000 free Boosts and other vouchers every day during the campaign.



If it's so fabulous, why did people stop using it?

In short, jumping on bandwagons…assuming everything needed to be gamified (a bit like when QR codes first came out and they were plastered all over everything, without adding any value beyond redirection to a website URL). Poor implementation and a lack of clear objectives. Rewarding the wrong behaviours and not seeing a commercial result. Or trying to put the proverbial lipstick on a pig and try to make a boring task more interesting.

Lessons for implementing gamification: be clear on the objectives and reasons for using it. Just because you can, doesn't mean you should. Understand the behaviour changes you want to influence and the best mechanics for doing this.

Where to from here?

Gamification is becoming part of introducing larger digital transformation and innovation programs, rather than use only for short-term sales promotions:

- Increasing use in HR functions including content managed employee reward systems (Deloitte already does this.)
- Applications for education recognition systems, including student badges.
- AR and VR applications.
- Blockchain applications and transparency.

Despite the examples above being mostly from Western countries, given the young and mobile first nature of Asian, Middle Eastern and African countries, these geographies are anticipated to lead the development of gamification in retail.

According to a 2017 survey from Boston Retail Partners, almost nine out of 10 (US) retailers (87 per cent) will use gamification methods in the next five years.

Ultimately gamification can be used to motivate a company's stakeholders across their value chain, not least with their retail customers. IRW

Norrelle Goldring has 20 years' experience in retail, category, channel and customer strategy, marketing and research, working in and with global retailers, manufacturers and research houses.

M&S to close 100 more stores

UK department store Marks & Spencer will have closed one in three of its clothing and home stores by 2022 as part of a radical transformation plan designed to overhaul its business.

Over 100 stores will close under the plan by the end of 2022, including 21 that have already wound down and 14 already earmarked for closure in 2018/19.

More than 600 jobs will be impacted in 2018/19 by the move, compounding the more than 900 employees who have already been caught up in the consolidation program, designed to tackle several years of declining sales and profit.

M&S had already said it was targeting around 30 store closures, but rumours began spreading in the UK earlier this week that those plans were about to be scaled up.

M&S chief executive Steve Rowe is hoping that slashing the retailer's floor space will free up resources for investment in its businesses without severely impacting top line sales.

Zara unveils tech-heavy flagship

A new Zara flagship unveiled in London last week gives an insight into its new global direction.

High in technology, compact in footprint, Zara believes the new Westfield Stratford store concept will "transform the customer shopping experience at its heart", integrating online and in-store shopping.

A separate area has been designed to house two automated order collection points.

The system's optical barcode reader scans QR or pin codes that customers receive when they place orders online. Behind the pick-up point, a robotic arm collects trays and organises the packages optimally according to their size, delivering orders for customers to collect in seconds.

The system can handle 2400 orders simultaneously, enabling shoppers to collect purchases made through Zara's e-commerce platforms. Interactive mirrors equipped with RFID readers can detect the garment a customer is holding, enabling customers to see what a complete outfit will look like in the mirror.

Old Navy fills gap

Gap Inc again had to rely on its budget brand Old Navy to deliver modest growth in the first quarter, as its core namesake brand stuttered yet again.

Of its three main labels, Old Navy's global sales rose 3 per cent, far slower than the 8 per cent of the same period last year, but better than the 4 per cent decline of Gap, an identical decline to last year.

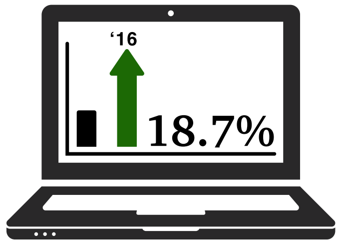
The smaller, more premium Banana Republic brand achieved 3 per cent growth verses a 4 per cent decline last year.

When the performance of new stores is included in the figures, they seem a little more robust. Net sales were $3.8 billion, up 9.9 per cent on last year, and gross profit was $1.43 billion, up 10 per cent. IRW

$21.3 billion

Amount that Aussies spent online in 2017.

Source: Australia Post



86 years

Revlon appoints first female chief executive in its history.

$350 million

Wesfarmers' expected loss after divesting from Bunnings UK

180 years

David Jones celebrates milestone

$33 billion

Unibail-Rodamco gets shareholder approval for its Westfield takeover

Both retailer's shares of the fruit and vegetable market.

Woolworths 27.4 per cent
Coles 23.9 per cent
Other fresh fruit and vegetable retailers

Retales

The end of financial year is fast approaching, with customary stocktake sales kicking into gear this week. Of course, it was less than a month ago that a warmer start to winter was driving typical EOFY level discounting, so consumers aren't likely to notice much difference, besides the big signs.

It appears full price has become a thing of the past, joining shopping centre echo domes and successful department stores (too soon?) in the dustbin of retail history.

Myer is flaunting discounts as high as 70 per cent off, but still aren't as cheap as Kmart who – while playing in the discount end of the market – has even begun taking share off fashion players, some analysts believe.

Retales won't be surprised if rag traders in Pitt Street Mall or Bourke Street start giving the clothes away this year – it may be the only way to offload those winter wears.

Eyes off the customer

The banking royal commission will let us vent but has little chance of fixing the problem.

OPINION | Peter James Ryan

The Royal Commission into financial services – the inquiry that was resisted but is now acknowledged as 'long overdue' – has been exposing issue after issue in the most important sector of our economy.

By my simple reckoning, its cost won't be the estimated $80 million often quoted but more likely will top $500 million after submission preparation, legal advice, management time and organisational drain are factored in for all the various companies, organisations and individuals that have been swept up into its net.

Other than shining a light on major issues ranging from poor practice to corruption, conflict of interest and arguably illegality, what will it achieve in terms of positive reform?

The short answer is very little. Undoubtedly – because media and government are involved – there will be regulation and increased governance. But as anyone who has worked in financial services will tell you, it is already the most overburdened business sector with government regulation, oversight and governance.

Some would argue that more than forty per cent of the organisational capacity of running a financial services business are consumed with paperwork, risk assessment, governance and legal sign-offs.

And yet it clearly does not work as is evidenced by revelation after revelation at the Royal Commission hearings.

There is one simple truth at the heart of these issues that is papered over by the political system. Legislation doesn't solve problems like these. It just displays evidence of industry and outrage.

Retail ridicule

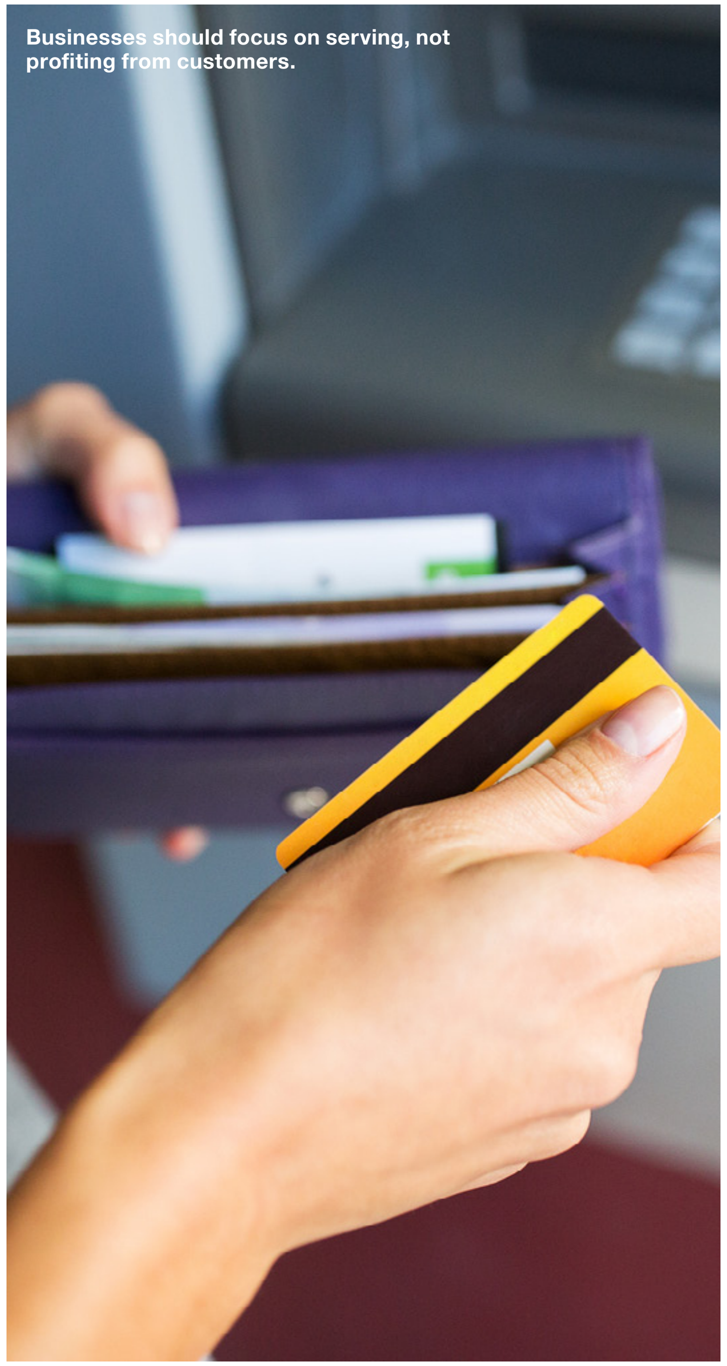
The fundamental problem in the financial services industry is a cultural one that cannot be changed by rules, regulation and paperwork. Arguably this regime is the very thing that magnified the problem in the first place as it divides businesses into those that seek to wield draconian power applying non-productive compliance face off against the members of the business who are driven to produce results for personal and professional gain.

Financial services businesses today have not only lost a retail culture, they ridicule it. From the most senior leadership down, the very people we turn to in the vain hope of stewardship and care to grow our financial health have become maniacally focussed on sales rather than being the guardians of our money.

The model was supposed to be one of them making money by making us money, not selling us stuff and having no linkage to customer outcomes.

The only way to change this mess is for wholesale cultural change. Change that means all stakeholders are valued, not just shareholders; customer outcomes become the primary source of income generation; board composition moves away from being accounting and legal skill biased in favour of customer and industry experience; and employees being hired for customer empathy above all else.

Financial services are the lifeblood of the economy. It must be admired and trusted by all of us for it to fulfil its potential. The quantum of a banks profit is not relevant. But it should generate its profit out of serving its customers interests first and generating its profits from how those customers profit. Just as any retail business should. IRW



Businesses should focus on serving, not profiting from customers.

FROM THE SOURCE

Being a stayer, not a player

A chance encounter with Australian retail executives over 20 years ago in the US, was the spark for the retail career of this week's profiled executive. Now he has his sights set on driving up the coffee game Down Under. By Dimitri Sotiropoulos

At the age of five, Zarraffa's Coffee CEO Kenton Campbell already exhibited an entrepreneurial spirit, starting up a bottle collection agency for all the bottles in his neighbourhood and carting them down to the local Safeway in Eugene, Oregon in the USA.

As a 20-year-old in 1990, Kenton worked as a waiter, developing an interest in all the money passing through his hands. Key moments in the next couple of years also helped shape his business focus and a love affair with coffee.

After establishing a successful startup coffee cart, Kenton learnt a hard lesson about subleasing when the shop owner wrapped up the business from under him.

Prior to closing the cart down, Kenton had a chance meeting with two Australian businessmen who walked past his cart. Little did Kenton know that this encounter would change his whole life as the businessmen were in Seattle representing the firm RFG to investigate current coffee trends.

"I told them that they couldn't walk away without trying one of my coffees and they enjoyed it so much they came back every day for a week," he says. "Each day I would greet them by name and make up their order from memory. It must have made quite an impression because at the end of the week they offered me a job to relocate to Australia."

In 1995, Kenton made the move to Australia as a consultant to the Espresso Coffee trade, educating the industry about the added value carts could bring to their business and working as a barista.

During Kenton's first week after arriving from the States, he had a major car accident, which led to him meeting his wife Rachel [Zarraffa's co-founder], who was his sports massage therapist at the time.

"After convincing my wife to co-sign a $9,000 personal loan we established Zarraffa's Coffee, on the Gold Coast, in 1996."

Zarraffa's, originally a roasting house operating from the backstreets of Southport where customers would come in for their coffee and perch on hessian bags of unroasted beans, now operates in Queensland, Western Australia and New South Wales.

Inside Retail Weekly: How has business been for Zarraffa in recent times?
Kenton Campbell: It's been overwhelming. The business itself is in the middle of moving to a new facility that is in Eagleby. We brought our packaging business and logistics back in-house to our new 18,000 square metre facility, which has really good loading and unloading bays, so logistically it's been a lot easier.

Over the last three years, we've been spending on technology including Salesforce and Pitney Bowes to get demographic information, and have also brought our IT in-house as of a few months ago.

And so all the behind the scenes work has now come to fruition over the last 12 months.

A lot of the hard work we've been putting in the last few years, things like Salesforce, which we call Mufasa [Lion King fictional character], because everything links in through Mufasa, is now all coming to fruition.

At the beginning of this calendar year, I said this will be the hardest but best year we'll ever have with our business because everything will start happening for us. All the hard work will start paying off.

Three or four weeks ago we completed moving the packaging and logistical company to the facility. In July, our roasting will be from there and by August, we'll move into a 1000 square metres new office complex for Zarraffa alone, which will have a hot desk and soon be paperless.

The new facility will have an amphitheatre that will seat between 80 and 120, depending on how we set up the full theatre. We also have a kitchen out the back for R&D and use for functions to train and show what we're doing in the future.

For this calendar year, we've been gearing up for a 17 drive-through store increase. Some of those are moving a few of our franchisees out of traditional shopping centres and into drive-throughs. Only two of those are new blood franchisees, so new people coming in to drive-throughs. The rest are either corporate or current franchisees, doubling or tripling the portfolio of stores.

IRW: Would they form the bulk of the short-term expansion plans for the company?
KC: For the first time in our company's history, we have gone from an entrepreneurial plan – which is me saying we're just going to do this many stores, let's go for it – to last year at our conference at Hamilton Island, where we produced a ten-year business plan, which outlines 239 drive-through stores by 2025.

In the next three years we will transition almost completely out of any stores-only – certainly out of the shopping centres like Westfield, we will no longer be in those situations.

That's just a matter of leases coming up. If you take our store at Helensvale Westfield, the rent was $170,000 in the first year and now they want $250,000 for a renewal – so that gives you an idea of why, we are no longer there, it's lunacy.

But the good part is, in six months those franchisees are going to be out but they've already got two drive-through stores they're looking to transition to next year, so are basically relocating.

We love our current franchisees and they are more important than the ones of the future, so we have to treat those with the utmost respect before we go out and try and get new people in.

Our Zarraffa area developers [franchisors] in New South Wales and Western Australia were supposed to get only get one new store each this year but now we're going to get 17 between us [corporate and franchise stores] this year.

I don't like to use the term master franchising, because it's not. Our approach is similar to Subway in the way they treat it, but we are much more in control than them in Australia, because we have to be.

Basically it's operations manager down, so they [franchisor] won't hold a huge office, they'll basically just be out and opening up stores, finding new locations. Since we've had the area developers in Western Australia, we've now got three new stores on the boil, where before we just couldn't, it was too far away.

We're not going out just to be the monster in an area, if we don't do four in an area, fine, it means that we couldn't find four good locations. But we believe that we can, from history we will probably get at least that.

At our conference, we said we're going to complete the brand, so have all the infrastructure, where we don't have to move again. We're basically set up at our new roastery to do quadruple what we do now in volume to fulfill about 240 stores.

And that means I don't have to think about it [infrastructure] in the next ten years. All of our area developers eventually will have their own distribution points and roast fresh.

> "If you go into any business blind, or naive, it's not a power tool or weapon, it's just plain stupidity."

IRW: What is your general appraisal of the state of play in franchising, given all the problems facing the sector?
KC: You definitely can't judge an industry by what certainly are a few that are on the extreme when it comes to not caring about their franchisees or staff as a whole.

There is no doubt every organisation, whether it's franchise or not, will always have issues when it comes to making mistakes, having to evolve and grow when it comes to how they treat their employees, staff and it's no different for franchising.

Zarraffa's wants to open 239 drive-through stores.

Franchising is not a cure or answer to no accountability or responsibility when it comes to franchisees or risk. The fact is, and the way I look at it and I've always been very honest with my franchisees, what you're [prospective franchisees] really getting into is the opportunity to pay me to use the current system, which is evolving every day and getting better we think.

But you basically are paying me a percentage to use the brand and you're getting a license under our lease to operate that brand within a location.

It's up to you – and this is no different in business – as a franchisee or business-owner, to do your due diligence. If the bank gives you money, they're thinking that you know more than they do and believe in you, but it's like anything, they're supplying you money you need to pay back.

If you go into any business blind, or naive, it's not a power tool or weapon, it's just plain stupidity, that includes me or anybody. If I go into something and I don't know and I haven't done enough real due diligence, then I am going to more than likely going to pay a price.

When you talk about a fee – the fee in our business is really only for the right to use the brand and conduct within a premise that you've agreed under a license.

Now our brand has and always will, invest back into the brand above and beyond what the agreement does. Otherwise we would not go from about half a million dollar average turnover to a $1.5 million average turnover in about eight years. That wouldn't have happened. ►

We wouldn't have food costs lowering, as wages are rising to offset that, because if we didn't invest the time, energy and money to look for better ways of doing things, it wouldn't just happen.

In our franchise systems, including Zarraffa's and all the other ones, I can say the clowns got it right, McDonalds, Hungry Jacks, KFC some of the bigger franchise chains that have been around generations and no longer have entrepreneurs running them.

Our business is very lucky, if you look at the world, not just Australia, there would be very few businesses our size that still have me, dealing with franchisees. I [founder] would have sold out by now. In many many cases around the world, when you start to get to the volume we are at, the entrepreneur disappears.

So the thing that the other giants had to do and we have to do to keep me sane and me as an asset, is systemise it.

We are more like those bigger players, because we've had to be. So what the franchisee then gets is a world class system, that's always evolving, better buying power – our food costs have gone down by 2-3 per cent and that's been offset unfortunately by the penalty rates but, what can you do? Your hands are tied, you try to do what you can do. It's been offset by us leaving the centres and getting better overall rents.

When you talk about our drive-throughs being out of the centre or strip malls, in many cases it's becoming over a 10 per cent difference in rent and outgoings. Now that money is right in the franchisee pocket. We are not naive as a brand, we reinvest.

In fact, basically except for my pay cheque, a nice car allowance and allowance to travel, all the money that has come from franchise management, has been reinvested into it. And I'm talking all of it. I have not taken a dividend, except to get this new facility going, and building a $2 million office and a new infrastructure up here and really, it's a different way of investing in the brand.

> "In many many cases around the world, when you start to get to the volume we are at, the entrepreneur disappears."

I have done nothing but invest back in the brand and I think that any franchisor that doesn't do that will fail, period. If you look at the ones you're talking about, I won't infer, it's pretty much out there, those are ones that let accountants run the business, they tried to suck everything dry.

For us, we always needs to put and invest back in for the next best thing, to revitalise the brand, so that when it comes to the time for a refresh or refit, it's current, what the customer's expecting, we're relevant still. We're a stayer, not a player brand.

My goal in the next three years is to be in a position where the brand uses me as an asset, not the other way around and I don't have to be the brand.

So in the current state of play, don't judge me by those fucking people, because our brand is not like that. Do we have people that don't agree with what I do as a leader? Of course. Do they have a choice to not be in the brand? Of course.

But I can sleep at night with every decision I've made, we never churned anybody.

Now everyone needs to look at themselves in the mirror and this is in small business too, if you go into a business naive especially thinking that a franchise is everything you ever wanted, then you are lying to yourself and it's up to you to grow up, if you're an adult.

Our store at Harbour Town when we started, was doing $700 days the first February – my stomach churned a bit and I went okay, what have I got to do? Everything. I went out and if you walked by me, I'd be offering you a coffee for free, because I knew that the next day you'd probably come in and that's that happened.

Last year, that store did a $60,000 week during Rogue One [Star Wars film] – over $9 grand a day. This from a $700 day almost 18 years previous. Now did that just happen? No. It took all the systems, investments and time. Here's the thing, the minute that we take our eye off the ball, we are in trouble.

Even McDonalds, if you go to one of their restaurants and if it's run like shit, unless it's in a really good location, usually they fall down the tubes. And that's true of fitouts and training.

Again, naivety is not a power tool or a weapon, it's just plain stupidity. It's my responsibility to make sure that the franchisee knows exactly where they're at. If you can't do 15 hours on your feet and unwilling to always work in your business as a franchisee, then don't look at Zarraffa's, because it's never going to be for you.

Business is hard at the best of times but at the same time, we've got franchisees that have come to me and said you've changed my life. More than not, there's not a table you wouldn't sit at our conference now and get people saying, "I know where the brands going, never been more excited and I'm there."

IRW: In terms of other challenges and the competitive side of things, what are your thoughts on the rise of trendy independent coffees all throughout Australia at the moment?

KC: We've gone through about a decade of the bearded wonder – $100,000 for a little cheap roaster and some milk crates and you're in business. Guess what guys, I did that 20-odd years ago. Here's the thing, it goes back to my point, I'm a stayer not a player.

I'll give you an example on the coast – a cafe I used to go to after yoga, because the landlord got greedy and saw what they were doing and asked for too much rent, now guess what, they're gone. They're having to move because they can't find a spot. So what's going to happen is, and it happened in the United States, is there's going to be a culling.

Business still happens. The crates aren't cool anymore, shave your beard.

So there will be a culling and those people will not be replaced and because our competitive edge is, we are the number one in my books, the number one coffee drive-through in the world.

I've been around the world enough and we are the number one. Isn't that fitting in Australia, I had to come here to do the American dream. Australia punches way above its weight and because I came here and have been here long enough, that's what we're doing, punching way above our weight. Because the business still has an entrepreneur running it, it's still going to be valid and evolve.

My focus is on how to stay, and not be burnt out by corporatising. I've had people come in and offer very large cheques over the last few years. We've got the competitive edge. Go out and put your ass on the line and spend $750,000 up the street from us and good luck. Being in big business is tough, you have to get it right.

We are not naive at all but even then, we're still not going to get it 100 per cent right, though that's all we try to do.

I think that the time's coming back to us. At our recent conference, one franchisee asked if our growth's done, and I said no, eventually the shopping centres won't be convenient anymore, we're going to be because we are outside, so I think we are ahead of the curve.

If you come into my store and I smile and hand you a great coffee and don't treat you like a number and like a person and have a good arms length relationship the rest of your life, you're going to keep coming in.

And you might go occasionally go to someone else because it's more convenient, but I'm going to be your other one [cafe]. You go to four or five others, but 50 per cent of the time I'll be the main one you come to. When all these other guys let you down, because they sold, didn't refit or lost their position, you're going to come to me.

And that's why McDonalds in my opinion, is a stayer. Everybody just says, 'I might as well just go to McDonalds. Because at least I can count on getting what I know I'm going to get, 99 per cent of the time'. Now, I think we're doing better than that. I'm coining the fourth wave of coffee, we're bringing all those something waves into the fourth wave and I've got a beard to prove it.

IRW: How does digital play into your strategy?

KC: In terms of e-commerce, IT and especially marketing, we're behind. A couple of years ago I realised, even my kids, they looked at us and said your memes are shit Dad. And we're not relevant in that space. The good part about that is, we know we've got a lot of room for growth and have a strategy around it and we're coming back to coffee.

We've done corporatising, it took us the last couple of years and we're finishing that off. Now, we're coming back to and showing just how much we care about coffee – that's that fourth wave.

We're convenient as a brand, where our speed of service gives you time back whether it's in the car or in-store, we've got a great environment for you to do that at.

But, there's also a story behind it – and I'm not talking we buy fair trade, we are fair trade and are coming out with more than just a cup, which we can speak about at another time because it's a whole new campaign we're about to bring out.

IRW:In that context, how important is sustainability for the company?

KC: I've been doing for years what people are just buying a stamp for. Now a lot of people are sourcing and doing the right thing, but we've been doing it for a number of years when it comes to recycling, getting compostable cups, and helping communities.

Now everyone's caught up, but when it comes to our footprint, we don't buy fair trade, we are fair trade.

In that space, I've been supporting the Meru Coffee Co-op now for six years.Nobody has known their blend but now they're going to. Everyday they're already helping over a thousand families with supplementing their income to get their coffee growing – they're right next to the Lewa Wildlife Conservancy. We buy at market, we help them with their profits and their seeding nursery, so we aren't giving them money and hoping, we are actually participating, which is harder, but more fulfilling.

Now they're right on the border to the people that we help with their anti-poaching community. There's 20 schools around and I think we're the 30th largest single donor.

I'm just the vehicle, everytime you sip a cup of coffee, you're putting into these things initiatives including cancer research – because I had cancer – and also children that have suffered abuse.

Companies that don't support the community and don't do it for real, people nowadays will know and they will shut you down.

It's possible to actually go and physically see the kids and schools that we're supporting. You can go to a glamping safari and see these schools and the directors and the people that run the anti-poaching campaign.

Now I'm only supporting communities that are already supporting themselves and that's the other thing I learned. You can't just give money and hope. You can only give support, time, energy and money to someone who already has it and a community behind it, otherwise you might as well just throw the money into a fireplace.

There's no doubt it's harder, you have to be committed, you have to sacrifice time, have to deal with, in this case, different cultures who work a bit differently. You have to be more patient and understand that they've got a second set of politics.

The first time we ordered coffee from the co-op and nobody knew, and I knew it was in the cup, was probably one of the proudest moments in my life. I just thought, you know, it's something else. IRW

How hard will Amazon really hit Aussie retailers?

Though the e-commerce giant is a formidable opponent, it still has a long way to go before Aussie retailers should be scared.

By Cal Doggett

Yes, online retail is here and it's here to stay. Yes, it will impact the retail industry and it's gaining momentum. Yes, Amazon is a giant and it's crushing segments of the traditional retail market.

Now we have that out of the way, here is why the biggest expected threat to traditional retail – Amazon – is not as black and white as you might think.

My favourite discussion topic is when people ask me to compare Amazon in USA to Amazon in Australia. So here are the facts.

Amazon is a formidable opponent to any retailer (whether online or traditional physical store). This is largely because of their distribution network, which is significantly greater than its competitors.

In America, Amazon has over 70 e-fulfilment centres (EFC) – automated warehouses used for package distribution – with over 60 per cent of the American population within 50 miles of one.

This is an unbelievable statistic. The next best is Walmart, with 26 EFCs, and GAP has three. Effectively this means Amazon's average shipping distance is 75 miles, whereas Walmart is 137 miles, and even Walgreens is 812 miles.

You can see what's happening here. Amazon's incredible network significantly reduces transport costs, meaning Amazon can derive higher margins and/or pass these saving onto the consumer WITHOUT compromising convenience and shipping times.

Amazon currently has one EFC in Victoria and another one expected in Sydney later this year, so it has a long way to go.

It took Amazon approximately ten years to gain significant traction when it initiated its introduction into Canada.

Why? Because it needed to bed down its distribution network BEFORE it could start penetrating the market and offering something attractive to customers.

Australia is far more demographically thin than the USA (24.1 million people compared to 325.7 million over a similar sized area).

In other words, Amazon would have to bed down a huge distribution network in Australia to cater to a potential buying market which is 13.5 times smaller than their American counterparts. A lot of effort and expense for 1/13th of the potential market.

Large American cities had the foresight to implement a grid-like structure in their town planning, so every block is rectangular or square-shaped.

This makes deliveries incredibly easy and is something major Australian cities are not lucky enough to boast. It may seem insignificant, however, this minor detail is extremely relevant for an organisation whose major competitive advantage is distribution and delivery times.

And probably the biggest difference is the amount of retail floor space per capita in America vs Australia. Total shopping centre space in Australia is about 0.35 sqm per capita.

The equivalent ratio in the US is 1.25 sqm which means the US has over 3.5 times the retail space per capita than Australia. In effect, the US market is oversaturated with physical retail stores which are not relevant and never were.

So, of course the introduction of Amazon is going to wipe out the weaker part of the market, which weren't any good to start with.

And that's what we're hearing and experiencing at the moment

in Australia. We've already recently seen the demise of Outdoor Furniture Specialists, Oroton, Aussie Farmers Direct, Baby Bounce, Esprit, and Masters to name a few.

> "With the margins they have been enjoying, Australian retailers have had it far too easy for far too long, so the introduction of new retailers was an inevitability."

Mecca of margins

So, the big question is, why would Amazon make the move to Australia with the above factors considered?

It's because of our margins.

This is exactly why Aldi, Costco, and H&M have all entered the Australian market, and it's why Lidl, Kaufland, and Decathlon are also placing their flag in Australian soil.

Australia is a mecca for retail margins, and is providing higher margins than Europe, America or Asian retailers could expect.

With the margins they have been enjoying, Australian retailers have had it far too easy for far too long, so the introduction of new retailers was an inevitability. And who wins? The consumer.

Online retail is here to stay, but I would suggest it's not all doom and gloom. Penetrating and entering a new market is no easy feat, even for a sophisticated retailer like Amazon.

All we have to do is look at Masters, and how badly that went, to realise how different consumers and retailers can be in different parts of the world.

Bunnings is also experiencing an enormous loss after entering the UK, which adds more fuel to the fire. Bunnings is an absolutely magnificent retailer with over 60 per cent market share in Australia, and even they are facing challenges.

It goes to show, you cannot presume one thing will work in another country.

I don't think Amazon will be all that scary in the next five years. I do feel the lazy Australian retailers will get a shake-up, so you will continue to see stores and brands go under.

In a lot of ways, these are the brands which have been lazy with their offering and have lost touch with their consumer base.

The best retailers in the world are still competing fantastically with online retail trends and will hold their relevance far longer. IRW

Cal Doggett is managing director of Pathways and Property.

$33b Westfield gets shareholders' approval

French property giant Unibail-Rodamco's $33 billion acquisition of Westfield Corporation is all but complete, after shareholders overwhelmingly voted in favour of the deal at the company's AGM.

The takeover excludes Westfield's shopping centres in Australia and New Zealand, which will remain under the control of separately listed entity Scentre Group, and will make Unibail-Rodamco the world's largest shopping centre owner with 104 shopping centres in 13 countries, all of which will now carry the Westfield brand.

The deal was overwhelmingly supported by Unibail shareholders at a meeting last week, and backed by Westfield directors and the Lowy family – whose stake in Westfield is valued at just over $3 billion. It is the largest M&A transaction in Australian history.

The company's security holders will receive $US2.67 ($A3.53) in cash and 0.01844 securities in Unibail for each Westfield share.

Westfield founder and chairman Frank Lowy said he is "totally at peace" with the $33 billion takeover of his shopping empire that heralds his retirement.

Lowy, after 58 years, over 60 AGMs and EGMs and over 500 board meetings – at which he said he hadn't missed one – said that there was a tinge of sadness.

"But I must tell you I am totally at peace with the decision, which is supported by the vast majority of shareholders. It is the right thing for all shareholders, and Westfield will be in very good hands with Unibail-Rodamco," he said.

Calculated by the ASX, the value of 1,000 dollars invested in Westfield in 1960 would today be worth more than $400 million dollars.

Lowy said some of Australia's finest business minds have contributed to developing the Westfield strategy. "By any measure you care to choose, Westfield has been a great Australian success story," he said.

Lowy's teary farewell of his almost 60 year-old company was on Thursday met with a standing ovation from current and former executives along with shareholders at his final annual general meeting as Westfield chairman.

The company was established in Sydney's west and listed on the share market in 1960, before growing rapidly under the control of Lowy, who was chief executive for 50 years before handing over to his sons Steven and Peter in 2011.

Lowy's son, Steven, spoke on behalf of his brothers Peter and David in thanking their father for his dedication and hard work.

"I want to say what a privilege it has been to work with out father, and our chairman, Frank Lowy," said Steven Lowy.

"He is recognised globally as a business legend, a great Australian, and we are all proud and privileged to have shared this journey together."

Lowy, who will now chair a newly created advisory board for Unibail, became emotional when recalling his arrival to Australia as a World War II refugee and Holocaust survivor, and described the feeling of freedom as "overwhelming".

"No-one was chasing me, and I didn't have to hide," the 87-year-old said.

"I encountered no prejudice. Instead, I was embraced and given every opportunity to flourish."

He expressed his gratitude to Australia and thanked his family, and Westfield for the "incredible journey".

Appetite for Aussie assets still high

Institutional investors have added $5.28 billion worth of retail assets – greater than $5 million – to their portfolios, representing over double the total value for the previous 12 months.

According to Savills Australia's latest research, the dip in foreign investment inflows into the sector for the first time in three years had not yet impacted overall volumes.

"Total investment inflows for retail assets greater than $5 million reached $9.1 billion in the 12 months to March 2018, 21 percent higher than March 2017 year-end volumes and a 10-year record high," said Katy Dean, Savills associate director for research and consultancy.

"Investment appetite was the strongest in the last quarter of 2017, led predominantly by institutional investors trading large-scale assets on the eastern seaboard."

Dean said that throughout the past 10 years, institutional investment had averaged about 40 percent annually.

"In the 12 months to March 2018, total acquisitions for more than $5 million by funds and trusts accounted for 58 percent of total investment volumes at $5.28 billion, which compares to a share of 26 percent for the same time last year," she said.

"In contrast, acquisitions by foreign investors accounted for 19 percent of national investment volumes, a total of $1.71 billion in the markets surveyed in the year to March 2018.

"While this is down from a 25 percent share in March 2017 ($2.27 billion), it is close to the 10-year average, suggesting that this cycle of investment is beginning to shift at the same time that institutional capital is competitively pursuing strategies to deploy capital into core real estate through direct acquisitions or development."

The report pinpoints an investment surge in the final quarter of 2017, led by asset sales in the $200 million-plus range in New South Wales and Queensland, was largely responsible for the record-breaking 12-month figures.

The large format retail sector was also a major stand-out nationally, with sale volumes for more than $5 million coming in at $1.504 billion.

Chadstone hotel begins build

Construction work will begin this week on Vicinity and Gandel Group's co-owned Chadstone shopping centre's new hotel, with Hickory Group confirmed as the chosen builder to develop the $130 million project.

In February, Vicinity Centres managing director Grant Kelley said the property firm will look to the company's "opportunity-rich real estate" for growth.

Last week Chadstone achieved, for the first time, annual sales of more than $2 billion in a 12-month period.

The milestone has again put Chadstone among the top five best-performing shopping centres in the world by sales.

Hotel operator AccorHotels will manage the 250-room luxury hotel under its MGallery by Sofitel brand, which will become part of a new shopping, dining and entertainment destination.

"We want to create Melbourne's premier suburban hotel experience from the moment our guests walk through the lobby," said Chadstone general manager Fiona Mackenzie.

"The highest quality finishes will continue through every room and suite, and throughout the restaurants, rooftop pool and leisure precinct."

Construction and management of the hotel will create over 1,300 new jobs, including 1,250 jobs in construction and 120 ongoing roles in the operation of the hotel.

Mackenzie said the hotel would capitalise on the 23 million visitors that visit Chadstone each year, including the estimated 350,000 international tourists.

"Guests will enjoy superior boutique accommodation with views of Melbourne's cityscape, Port Phillip Bay and the Dandenong Ranges, as well as premium dining and conference facilities.

Vic centre goes for over $36 million

A local Melbourne-based private investor has paid $36.5 million for Bellarine Village Shopping Centre, the fourth shopping centre to sell in a month through CBRE's retail investments team for a total of over $160 million.

The sale, on a passing yield of 5.8 per cent, brings to nearly $340 million the total sales through CBRE's retail sales team since April last year on an average yield of 5.4 per cent.

"Retail is, as ever, the darling of the investment market," said CBRE mational director investments, Mark Wizel, who brokered the deal with Justin Dowers and Joseph Du Rieu.

"If anything there has been a new intensity in interest as investors focus not simply on secure lease covenants and rental returns but on genuine upside provided by prime, city centre, sites, which offer exceptional future development potential.

"Retail has historically been regarded as the safe, defensive, investment with significant GLA leased to non-discretionary spend tenants, and that is absolutely the case, but the potential to add a mixed-use development in the centre of town down the track adds another very attractive string to their bow."

Located on the Bellarine Highway at Newcomb, the 10,443 square metre neighborhood centre is anchored by Woolworths (25yr lease) and Dan Murphys (15yrs) and includes another 16 specialty retailers including The Reject Shop and Hungry Jacks, returning an estimated $2.3 million per annum.

"Geelong is one of Victoria's fastest growing regions with a forecast 32 per cent increase in population by 2036 and Bellarine Peninsula is expected to experience an even stronger rate of growth of 63 per cent by 2036," said Dowers.

"That is extraordinary growth and growth which will deliver the sort of catchment which underpins the most successful neighborhood centres. And that is exactly what investors are looking for.

"The fact that we are now seeing shopping centre investments within Geelong and the Bellarine Peninsula trade at similar returns and pricing levels to metropolitan Melbourne adds to the attraction." IRW

Bellarine sits in an increasing catchment, with a projected 63 per cent population growth rate by 2036.

DJs boss to go in structural shake-up

John Dixon, the retail executive charged with overseeing David Jones and Country Road Group for South-African based Woolworths Holdings, has resigned from his position.

In a statement to the Johannesburg Stock Exchange last week, Woolworths Holdings said it had discontinued Dixon's role leading its operations in Australia, a job it had handed to the former Marks & Spencer executive only last year.

David Jones' chief executive David Thomas and Country Road Group boss Scott Fyfe will now report directly to Woolworths Holdings Group chief executive Ian Moir in an organisational restructure of the company's Australian operations.

Dixon's departure comes just three months after David Jones' rival Myer announced the departure of chief Richard Umbers, as both department stores contend with unprecedented pressure on their retail operations.

Myer hires Sears chief

Myer has bolstered its turnaround team, hiring Sears executive Allan Winstanley as its new chief merchandise officer.

Winstanley brings more than 30 years of department store buying experience to Myer, including nine years at UK-based House of Fraser, where he worked under Myer's new chief executive John King.

Myer executive chairman Garry Hounsell said that Winstanley was a high-calibre appointment who had a proven track record working alongside King.

"John and Allan represent a formidable and proven team, being two highly experienced executives who are committed to making Myer more relevant again, to improve the financial performance of the company and delivering shareholder value," Hounsell said.

The appointment of Winstanley is a signal that Myer's turnaround strategy may be starting to firm up ahead of what is likely to be a refocus under King's leadership.

Revlon hires first female CEO

Cosmetics company Revlon has named Debra Perelman as chief executive, marking the first female CEO in it's 86-year history.

Perelman, who has been with Revlon for 20 years and was appointed chief operating officer in January, will replace Fabian Garcia who stepped down in the same month she was appointed company COO.

"Beauty has emerged as one of today's most dynamic and fastest-growing industries," Perelman said. "I am committed to driving the company to compete and thrive in today's dynamic environment and encouraging our talented team's entrepreneurial spirit, agility and bold creativity."

Perelman is both an executive and a board member of Revlon who has been overseeing corporate strategy and leading the company's ongoing digital transformation, including forming a data and analytics group, establishing infrastructure and deploying resources necessary to create a leading-edge e-commerce business.

Winning Appliances shakes up management

Julian Kipping, former Bang & Olufsen ANZ general manager, has joined Winning Appliances as the company's new head of retail.

Kipping joins Winning Group after 20 years at Bang & Olufsen, during which he oversaw a turnaround of the audio retailer and began opening a new format of experience-focused concept stores.

Also joining Winning Applications is former Fisher & Paykel retail marketing & trade activations manager Siegfrid Bacani, who will serve as the retailer's head of environment, responsible for in-store experience.

Meanwhile, Clara Hinch, Winnings' head of retail for Queensland, will relocate to Sydney for a new role as head of partner engagement.

PEOPLE

Godfreys announces key appointments amid takeover

Godfreys Group has undergone a series of management changes as it transitions toward ownership by Arcade Finance, which is the vehicle for 99-year old co-founder John Johnson's takeover of the company.

Jason Gowie, chief executive officer and executive director, has resigned, with John Hardy being appointed interim chief executive officer.

Hardy was CEO at Godfreys from 1983 to 2010, and again from mid-2016 to December 2017, and has an "unsurpassed understanding of the Godfreys business".

Chief financial officer Andrew Ford concluded his employment after just 18 months at the business, replaced on Friday by David Lee, former chief operating officer for the Munro Footwear Group.

Veteran Lawyer Nicholas Stretch has been appointed as an independent non-executive director and chairman of the retailer's board effective immediately.

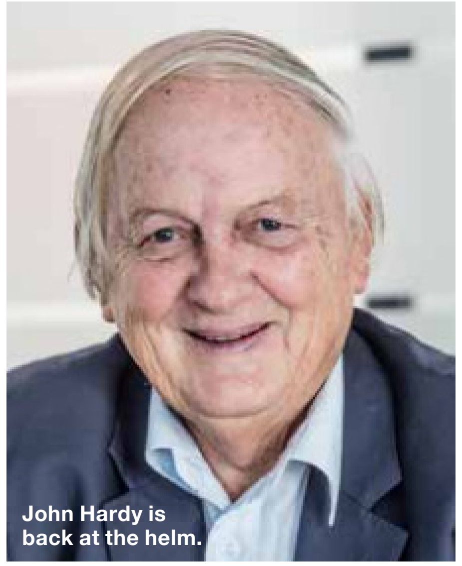
In a statement to shareholders, Godfreys said Stretch has extensive experience in mergers and acquisitions. Stretch has previously acted for KordaMentha as receivers and managers of the Lincraft retail chain during its successful restructure.

Four further board members, Brendan Fleiter, Penny Burke, Kathy Gramp and Sue Morphet, resigned in the leadership exodus, while director of Arcade Finance Grant Hancock was appointed to the board as a director.

"This is the right team to running Godfreys at this time," according to Johnson, who welcomes the return of Hardy and the appointment of Lee.

"John has a deep understanding of the business and has a clear vision of what needs to take place to restore its value. David and John have worked together at Munro Footwear Group and have a proven track record in turning around large retail businesses."

Arcade Finances, having built up a 66.2 per cent stake in Godfreys, officially made its 33.5 cent per share takeover offer unconditional last week. It is expected the complete the takeover in coming weeks. IRW



John Hardy is back at the helm.

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ISSN 1448-1642
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