



NZ

Retail

2018 Retail NZ Report

Does the dairy have a future?



Dairies provide essential opportunities for social interaction for isolated people.

Dairies are at the heart of local communities

The local dairy store is a cornerstone of many neighbourhoods and small towns throughout New Zealand. There are about 4000 dairies and convenience stores around the country. These small businesses are often owner-operated family businesses operating on very low margins.

The small scale of these businesses may mean that they only employ one or two other people, but they provide an essential service to communities. Typically, a dairy's business is built on the sale of milk, confectionery and tobacco, but dairies also sell many other goods, including grocery items and sometimes hardware, magazines and stationery. In an era where Post Offices, video shops and butchers have often closed in suburban environments, dairies truly sit at the heart of communities. In many cases dairies are the only accessible store for some members of the community, and they provide essential opportunities for social interaction for isolated people. For many members of the community, access to a main shopping centre can be more difficult. These consumers may not drive or have accessible public transport from their area.



If dairies close, communities will be deprived what is often the last business standing.

The viability of dairies is under threat

While they play an essential role in communities, our local dairies are facing challenging times.

Many dairy owners struggle to pay themselves the equivalent of the minimum wage. This means there are real questions about the long-term viability of many dairies. If they close, communities will be deprived of what is often the last business standing. These businesses often face cash-flow constraints, making it difficult to implement changes and tackle business difficulties.

Dairies are under pressure because of the increasingly mobile nature of many New Zealanders which makes it easier for customers to access other retailers. Sales at dairies and convenience stores are reported to have dropped 18 per cent over the past five years¹. Dairies face additional pressures from retail crime, regulations around the sale of alcohol and tobacco, and issues around obesity. However, there is significant opportunity for these businesses to do more in order to be successful in the coming years.

¹ EuroMonitor, reported on Stuff.



Retail crime

Retail crime at these businesses is increasing rapidly, and becoming more aggressive and violent, particularly as the price of tobacco has increased rapidly, driven by increases in Government Excise Tax. Tobacco and cash are the two most valued items being stolen in these robberies and often violence is threatened or inflicted on the shop worker. Even in non-violent incidents, these robberies leave shop workers and business owners very shaken. On average there are around five aggravated robberies in a dairy every month.

Alcohol

A tightening up of regulation under the Sale and Supply of Alcohol Act 2012 meant that some convenience stores could no longer sell beer and wine, depriving them of a revenue stream.



Tobacco

As the Government continues to work towards its goal of a Smokefree Aotearoa by 2025, innovative new products are now available that help support this goal. These new alternatives, including smokefree heated tobacco and vaping products, are significantly less harmful alternatives than conventional cigarettes. It is crucial that small businesses which sell tobacco products can include these smokefree products in their store, as part of a diversification strategy, as well as providing a less-harmful alternative to cigarettes.

However, dairies are currently hamstrung by regulations that see less harmful smoke-free tobacco products treated the same as cigarettes. That means products must be in plain packaging and carry inaccurate and misleading warning labels designed for smoked tobacco. Additionally, the current regulations prohibit retailers from displaying these products. This approach will not only set the Government back in achieving a Smokefree 2025 by dramatically limiting the retailers' ability to inform smokers about less harmful alternatives but will also undermine the long-term sustainability of retailers who need new sources of revenue to offset declining cigarette sales. Retailers are well-positioned to contribute

to Smokefree 2025 but need the tools to do so, such as the ability to share information about the available alternatives to cigarettes. It is important that the Government moves quickly to introduce risk-proportionate regulation specific to smoke-free tobacco products. This will give retailers the assurance that the products they sell comply with the law.

Obesity

Kiwis like to treat themselves and, in moderation, there is a place for customers to enjoy the odd chocolate bar or packet of chips. The sale of these products and similar snack foods have underpinned many dairy businesses. More recently, dairies are now facing pressure from health lobbyists, some of who believe these products should be banned, with potentially big impacts on the bottom line of dairies, and their ultimate sustainability.

If dairies are to be encouraged to change their business offering, then food on-the-go is an option, but there needs to be customer demand.



Success and the future

Dairies can help build stronger and more sustainable businesses by diversifying and investing in a new in-store experience. However, the Government needs to do its bit to ensure the policy setting help support successful dairies.

Location is a competitive advantage

Despite the challenges, the placement of dairies at the heart of communities gives them a huge competitive advantage over other retailers. They are located within walking distance of homes and are often the only store in some communities. This advantage will only grow as New Zealand's population density increases over the coming years - but dairy owners need to review their businesses and consider how to maximise their opportunities.

Security and in-store experience

Like all other retailers, it is important for dairy owners to reconsider their security, and update their in-store experiences. Customers expect clean, well-lit and pleasant environments, and outstanding customer service.

Knowing what the members of the community want and need will make it easier to keep the right mix of products in store. However, what works for one community may not work for another. Based on the demographic composition of a community, consumers will need different things and want different offerings at their local dairy.

Diversification

It is also important for dairies to examine their business and diversify their offerings in order to see success in the future. This could include offering high-quality coffee, fresh food to go, fresh produce and smokefree tobacco products. Organic products are increasingly demanded in some communities, but dairies should consider their customers and stock products that are appropriate to meet local demand.

Government can help

Specific Government action is required to introduce instant fines for shoplifting to help break the cycle of crime; to set targets for retail crime reduction; and to deliver a social education programme to help Kiwis understand the importance of staying on the right side of the law. This will help deliver a community that works together to support safety and social and economic well-being.

It is also important that the Government enact risk-proportionate regulations to enable the sale of smokefree tobacco products in all retail stores, allowing retailers to let their customers know about them, and give retailers the assurance that the products they sell comply with local standards and safety laws.

The Government also needs to work through the education system, to ensure that Kiwis know about healthy eating, and how to treat occasional snack foods. This will, ultimately, drive demand for healthier food on-the-go options in local dairies.



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