Grant Thornton
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APRIL 2014

Industry Intelligence Unit
Retail sector

Grant Thornton's Industry Intelligence Unit (IIU) blends the latest information and analysis of specific industries from publicly available sources (including the Australian Bureau of Statistics and the national press) with pragmatic, commercial and practical initiatives to improve stakeholder value.

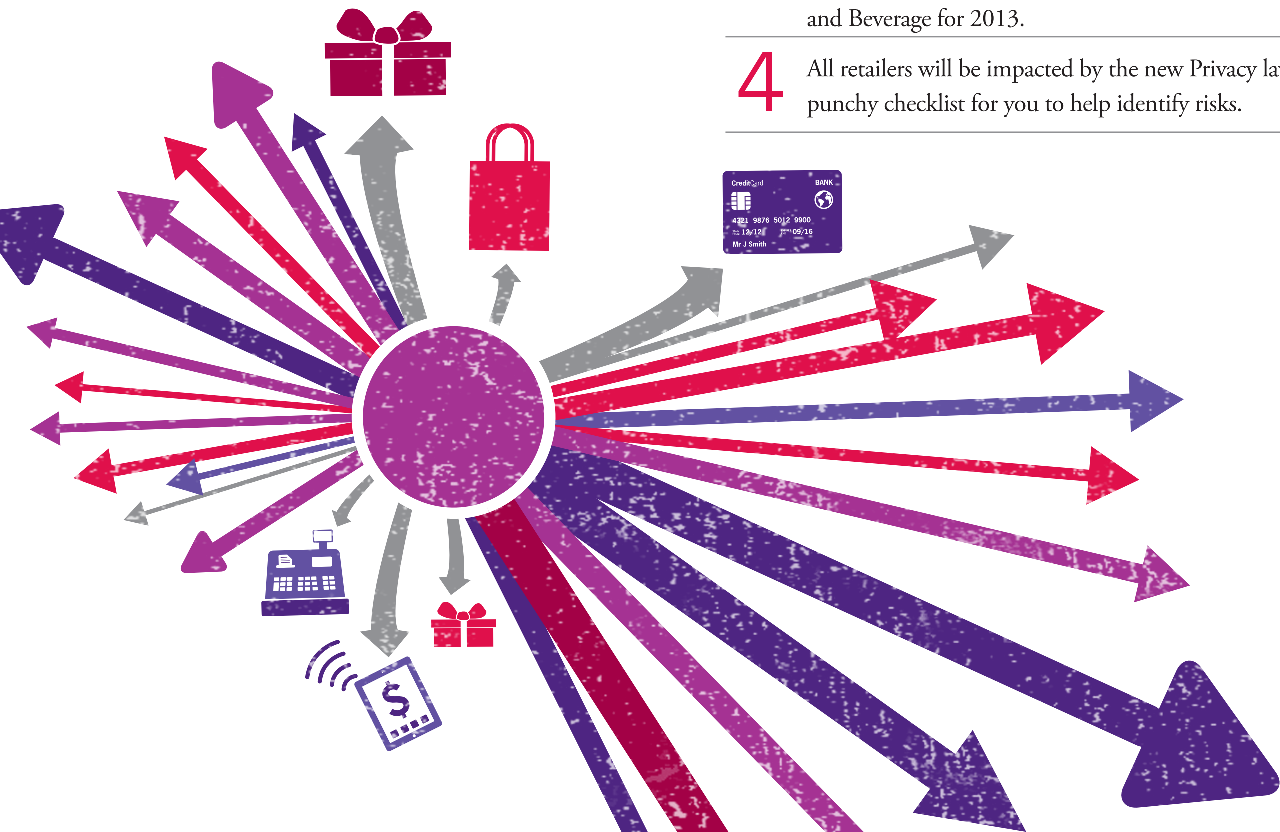
This edition covers a number of topical issues for retailers, as well as our usual summary of the latest retail statistics:

1. We provide our reflections on 2013 and predictions for the year ahead.

2. After a busy Christmas season, you should have some time now to reflect on your strategic direction, and to help you we have highlighted some key questions to consider in your retail business planning. We expand on a couple of key themes discussed:
   - Are you incentivising employees the tax savvy way? As we head into the tax lodgement period, we highlight Fringe Benefit Tax criteria for retailers and manufacturers.
   - Our guest contributor, David Fletcher from StyleFocus, provides his insights on "Retail – where to from here?"
   - Negotiating with landlords…the time is now.

3. We also share insights from a new food retail player on the scene "Zambrero Mexican". Angela Spowart interviewed the FC of the 5th fastest growing franchise across all industries and the fastest in Food and Beverage for 2013.

4. All retailers will be impacted by the new Privacy laws and we provide a punchy checklist for you to help identify risks.



Reflections on Christmas Trading and the year ahead

The trend in retail sales heading into 2014 is creeping growth, however the outlook is looking more stable (December retail sales reflected a trend growth of 0.6% - the same as October and November 2013 but encouragingly double the sales growth seen in December 2012).

Feedback from our retailer clients is “yes, it’s tough” but they generally seem to be gaining in confidence that 2014 will be a better year than 2013 (as are consumers). A common theme has developed that businesses and consumers are ready to see a return to growth. Our in-house economist expects that an increase in consumer spending will help to drive the Australian economy in the latter part of 2014. Some of the hurdles of 2013 have been overcome including the election, and interest rates have stayed consistently low. In Australia, we expect that private home building and mining exports in 2014 will help pick up the baton from mining construction to drive economic growth. We have also seen house prices slowly rising and generally more confidence in the global economy. Having said this, however, there is not too much data to back this up - as we are still seeing very slow growth outside the mining sector, and we think that is going to put pressure on the RBA for a further rate cut later in the year.

Outside of the impact of the broader economy, there are still many challenges for retailers in 2014. Those that have not structurally adapted to “the new retail environment” will be exposed more than ever. There continues to be unprecedented pressures on Australian retailers – with marginal overall retail sales growth and a new wave of international entrants (H&M, Cos, Uniglo and Marks & Spencer to name a few) chipping away at domestic Australian retail sales. In particular, some areas of retail are more stressed than others including wholesalers, department stores, apparel, consumer electronics and pharmacists. Other retailers such as fast food, home-wares, supermarkets, hardware and restaurants continue to grow sales higher than overall trends.

Over the last few months the potential for a David Jones - Myer merger has grabbed retail headlines and seems to be tabled for proper consideration and negotiation. This is not an easy outcome to predict as there are many complex factors involved to satisfy investors. However, this could be a great marriage to bring about the structural change necessary (by allowing them to raise capital to spend on internal systems for example) for both players to step up and once again excite the Australian retail industry.

In summary, some of our key predictions for 2014 are:

- Retail sales will continue to trend upwards.
- Landlords are willing to negotiate and support retailers, where merited.
- We expect the trend of consolidation in the online retail space to continue as players look to take advantage of synergies and acquire new customers.
- Early adaptors of new technology – both customer and internal systems – will be best placed to grow and maintain margins.
- Australian retailers will feel pressure on their margins as the Aussie dollar may go as low as US$0.80 by the end of 2014.

Key Retail Industry statistics

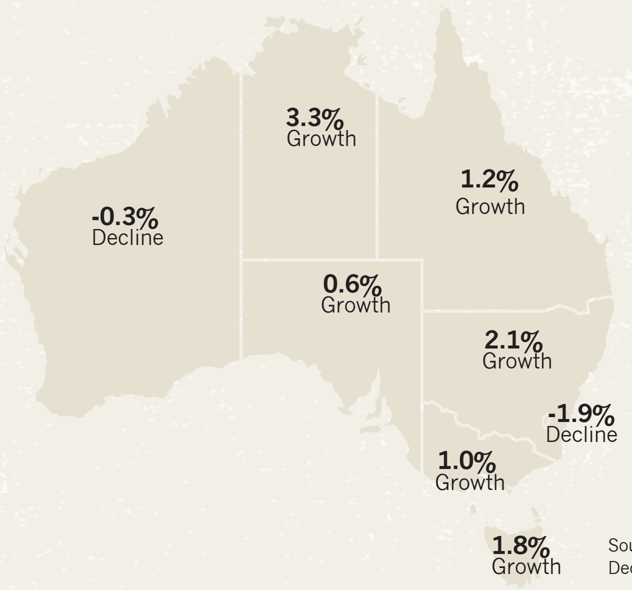
The latest data from the ABS show that Australian retail turnover rose 6.2% in January 2014 compared to January 2013! The result comes off the back of 5.7% year on year growth in December.

The growth was largely driven by significant improvement in the café, restaurant and takeaway food services, together with food retailing – it seems the festive season well and truly continued through to Australia Day! Department stores also had a strong month with an increase in turnover of 2.6%.

So perhaps the RBA's monetary policy is now starting to make inroads into the retail sector with some indicators of stronger confidence in the economy despite unemployment rates creeping up and recent announcements of job losses at Qantas and car-makers. However, the falling Australian dollar is likely to cause headaches to the bottom line for importers, wholesales and ultimately retailers with overseas goods as the parity of the Australian dollar to the greenback has now been long forgotten.

But as with everything in retail, every cloud has a silver lining, so we watch with keen interest on what impact the fall in the Australian dollar may have on overseas sales.

% of retail sales growth by state



Detail by industry group

Source: ABS January 2014 retail turnover (seasonally adjusted) growth by state. December 2013 to January 2014 % changes

Key questions to ask: retail business planning

Retailers need to continue to focus their business planning on how they are adapting to the changing landscape, to be able to leverage opportunities in Australia and further afield. We highlight below some key structural changes and opportunities to be considered in any retail business plan (this is a summary list only!)

Our Retail Industry team can help you consider the best approach to each of these important questions.

Retail	Some key questions to ask yourself or your retail clients	Why it's important
The evolution of technology • Consumer • Inventory management • Data analytics	• Is your inventory management best in class? Do you have the right SKU's and levels of inventory? • Are you accessing and analysing the huge amounts of data on your customers now available?	• Most retailers estimate 70-80% accuracy in inventory records, however new technology can increase this to 98% - this can directly improve your gross margin and customer engagement. • Major retailers are heavily investing into data analytics to predict how, what where and when a consumers next purchase will be.
Changes to consumer behaviour	• What channels are you using, is your online presence helping in store? • How 24 hour is your offering? • How customer-centric is your offering (ancillary services such as café, free wifi)? • How do you understand your customers – do you utilise data analytics?	• Customers want to be able to shop when it suits them around the clock. • A good omni-channel strategy sees your online channel supplementing and enhancing your physical channel. • Customers expect an experience from retailers – not just a transaction but a deeper connection (Nespresso and Apple are both great examples).
Online & mobile	• How fast is your website and is it mobile optimised? • How much does the website lead the user and how well does the site "know" the user? • How seamless is my customer experience?	• If your website takes more than 3 seconds to download most consumers will go to an alternate site. • Despite the weak growth in the wider retail landscape, online retail sales continue to grow strongly with year on year sales growth of around 10%. Most online retail sales (over 70%) are to "pure-play" e-tailers only (such as eBay) – this seems like a huge opportunity to grow your online sales.
Impact of global retailers	• What makes your services and products unique? • Are your stores located to leverage from foot traffic to these new offerings?	• The number of global entrant stores is forecast to grow to around 200 stores by 2016 – often taking prime anchor tenancies. • Are you rising to the bar set by global entrants?
China	• Do you have an Asian retail footprint – online, distributors, concessions or stores? • Is your brand desirable in Asia? • Do you know how Chinese consumers shop?	• By 2030 two-thirds of the global middle class will be in the Asia Pacific region. • There are huge opportunities to grow Australian brands in Asia, however there have been expensive flops – you need the right local partners to do this.
Stores	• Have you re-negotiated or exited your lease obligations for under-performing stores? • The role of the physical store is shifting to a multi-function/Omni-channel hub - are you re-examining the financial viability of your store footprint?	• Anecdotally, we have seen increasing concessions, flexibility and rental breaks as landlords assist retailers to avoid an empty store. • The challenging retail conditions have resulted in a power swing from landlord to tenant.
Finance, tax and profit improvement	• Is there scope to improve margin (as well as sales)? • Does my accountant understand my business and am I structured properly? • Are there ways to more efficiently structure operations, tax and finance? • Are my finance facilities right for my business? • Above all else, don't let your structure get in the way of interacting with your customer. If they can't deal with you seamlessly between online and stores for example, returning something they bought online in a store, next time they'll shop somewhere that they can.	• As the dollar normalises back to long-term, historical levels, retailers will find their margins and their operating models under severe pressure. Do you push prices up or squeeze your margin? • Not all retailers/wholesalers properly structure their employee incentives **(see later article).** • Interest rates continue to be low and we are seeing banks hungry for deals – it isn't quite the heady days of pre-GFC, however now is a good time to review your banking arrangements and shop around.
Vertical integration	• Is your business susceptible to being taken out of the equation as retailers look to vertically integrate? • How is your wholesaling business trading?	• Vertical integration is increasing as retailers want to be in control from end to end. • Bunnings is moving to a stock replenishment system which will make it more efficient, however likely middle men will be cut as Bunnings goes direct to suppliers.

Incentivising employees the tax savvy way…

Providing employees with benefits and sales incentives is a crucial way to retain the best people and motivate your team. With the end of the 2014 FBT year coming upon us, it is an opportunity for business to review their FBT policies and benefits provided to employees.

Consideration should be made when determining what types of benefits are provided and how the benefits are structured, as the taxation of the different benefits varies greatly. Four key areas that retailers should consider when reviewing their FBT policies and procedures are discussed here.

1 Are you a retailer or manufacturer?

As Australian retailers continue to adapt to the changing landscape of technology, increasing consumer demands, competition and global influences, the way business are structured is continuously changing.

The distinction between a manufacturer and retailer is difficult as businesses can be a hybrid of the two. The days of a business doing one line of activity are diminishing as they seek to improve efficiency, eliminate the middle man, reduce costs and increase delivery turnaround time.

From an FBT perspective the definition and distinction of a retailer versus manufacturer is relevant when in-house benefits are provided to employees, for example providing employees with products that are sold to customers in the ordinary course of business, at a discounted price.

The taxable value of the in-house property fringe benefit changes, if an employer is classified as a retailer or manufacturer.

The distinction between a retailer and manufacturer can be grey as it is dependent on the level of involvement the business has in producing and processing their product. Although a business may not physically produce the product, such as when they outsource the production of the product, it does not necessarily dismiss their activities as a manufacturer.

If you are deemed to be a manufacturer the taxable value of the benefit provided is 75% of the lowest selling price to the public. For example if your lowest selling price to the public is $100 during a stock take sale, the taxable value would be $75.

In contrast, a retailer's taxable value is the purchase price/cost of the goods.

2 System integration of cost and sale price

A key component of being ready for the end of the FBT year is ensuring that your reporting systems are integrated with your POS system so that accurate data is transferred between the two. Often businesses keep track of and know their purchase/cost price of goods, however the actual selling price per product may not be known.

As discussed above, the selling price of a product/benefit for a manufacturer is important so that you know your lowest selling price of your goods. Knowing this will allow you to correctly calculate the value to which your 75% discount is to be applied.

Incentivising employees the tax savvy way…

3 Gift Vouchers

As a retailer, a common benefit provided to your employees may take the form of a gift voucher.

This gift voucher may take the form of gift card, for example a Westfield gift card, or a 'store credit' to use against future purchases of products sold by your business. If the latter benefit is provided it is more likely to be deemed an 'in house property' fringe benefit.

The type of gift voucher provided to employees should be reviewed, as depending on the nature of the voucher the taxation of it from an FBT perspective will change. There may also be opportunities to review and amend how a gift voucher is provided so that it is structured in the most efficient way, for example being able to access FBT concessions such as the $1,000 exemption per employee.

4 Tracking benefits provided

When providing benefits to your employees it is important to have records that clearly detail and distinguish the benefits provided to each individual employee. This includes records from motor vehicle odometer readings to in-house property fringe benefits provided.

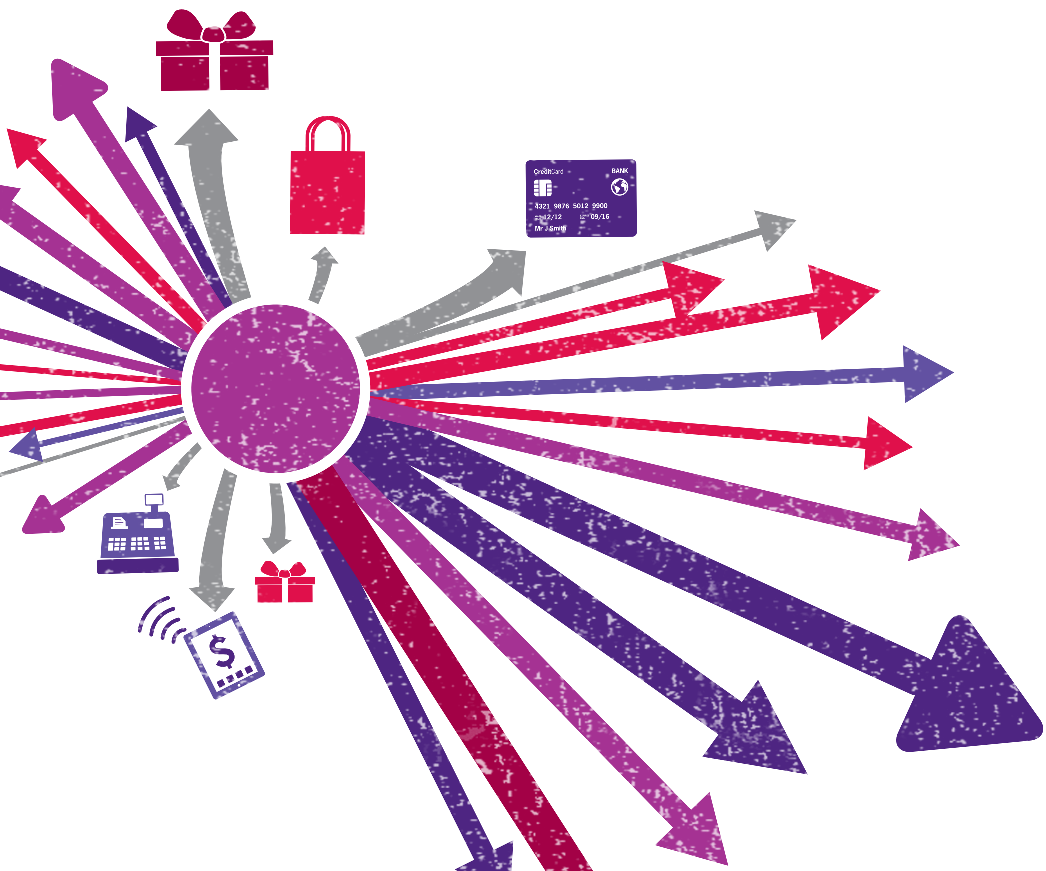
When looking at in-house property fringe benefits specifically, a register of the following details should be kept for each employee and transaction:

- Date benefit provided
- Cost of benefit provided
- Regular retail price of benefit provided
- Lowest selling price of benefit provided

Summary

There is a great opportunity to review and revise the types of benefits provided to employees to not just incentivise them, but to do it in a tax effective way.

Business should devise an employee benefit strategy that complements the needs and wants of the employees and business as well as be effective and efficient from a taxation perspective.



Retail - where to from here?

We regularly invite guest contributors from our retail network to share their insights, and this month David Fletcher, Director at StyleFocus, provides his expert commentary on the challenges facing Australian retailers in the foreseeable future.

Retail in Australia remains extremely challenging right now – and my expectation is that it will remain challenging for the foreseeable future. The balance of 2014 is likely to see a continuation of recent economic trends – low interest rates are not about to disappear, the A$ is back to something closer to "fair value", but the Australian economy is forecast to remain bumpy at best, and consumer reticence to spend is not likely to change.

What does that mean for retailers?

Retailers have to be better at juggling all the balls that they have in the air. We all have to get smarter at what we do, adapt to the changing world – and, most importantly, get our own business into optimal shape. The one thing that is definitely not an option is the status quo – do nothing different. In this fast changing and adapting world we live in, that is tantamount to an exit strategy.

So what is "optimal shape"? Our approach is to analyse the "whole of business" – all key elements of the business operations, the people, as well as the capital employed – and look for the various opportunities to improve. And at the outset, we need to recognise that we all can find room to improve. The analysis should cover all key financial elements, as well as the many non-financial elements. But it will all ultimately come down to two key outcomes – EBITDA (operating cash flow) and then overall cash flow (including working capital funding).

Improvements required in a retail business will come from multiple sources. The starting point is invariably people – your staff (and that includes management). Do you have the right staff, the right mix; do they have the right skills? Unfortunately many retailers under invest in staff training, particularly at the pointy end. Put your customer hat on, and think how frustrating it is when you are looking at products (or services) and the staff don't have the knowledge to answer your questions. That lack of skills will then convert into an inability to "close the sale". And the frustrated customer leaves your shop and either goes to a competitor or goes online (via a competitor).

That training (or lack thereof) will have a major impact on how your business interfaces with online retailing as well. Whilst that is a subject of an entirely separate discussion (we address this regularly with our clients), I firmly believe that online retail is an opportunity and not a threat. The opportunity comes from embracing it and ensuring that your CVP (Customer Value Proposition) is consistent and the customer experience is seamless, the threat is where you don't embrace it and don't engage with your potential customers in whatever channel they choose to use.

When retailers get into trouble (or experience challenging times!), the most common mistake is where they take a 'slash and burn' approach to expenses. You have to spend money to make money. It's about spending (and sometimes more) on the right activities (those that value-add), and minimising the non value-add parts. Unfortunately, the easiest expenses to cut are often those that shouldn't be.

The other common mistake is in inventory ordering – sometimes too much, sometimes too little, and sometimes just the wrong mix. All are just as damaging to your business, and is probably the most common problem after people (and remember the people are ordering the inventory too…). Aside from the loss of gross profits from either the missed sale or the excessive markdown, it's also the cash tied up in the wrong/excess inventory. I know of several examples of retailers who entered insolvency for both excessive inventory and for too little inventory. The excess inventory was unsold from a prior season, and they did not aggressively clear it to generate cash (they thought the markdowns were excessive, and "could do better"). That lack of cash meant that they bought too little current season inventory, so then generated insufficient sales and gross margin (it all sold out early in the season). In the meantime, the prior season stock was "gathering dust", and this double whammy resulted in the bank stepping in and taking action, the consequences of which meant the owner losing their business. Very unfortunate, but was also preventable if action had been taken when it was recommended. Needless to say, that person now regrets not taking the necessary action at the time.

Retail - where to from here?

As I always say, inventory is not like fine wine – it does not improve with age! This element of managing inventory is one I am going to explore in a little more depth in this article, and show you some tools that you can use to help provide some objective measures to better manage inventory levels and inventory mix.

The tool is called "GMROI" – Gross Margin Return On Inventory. In essence it allows you to better manage product margins and inventory levels. There are many different ways to calculate it, but I have found the simplest is to take the mark-up % (not gross margin %) and multiply it by the average number of inventory turns per annum. To provide an example, an item with a 100% mark-up (which we know is a 50% GM), and turning 3 times per annum, gives us a GMROI of 300. As a general rule, I like to see all GMROI's over 200 minimum, and your overall retail GMROI preferably double that. This will obviously depend upon your particular retail segment dynamics, and does require some review and refinement.

We usually approach GMROI on a top-down basis initially. Look at your total inventory pool and calculate it for your retail business. That will give you a very quick indication of whether you have a major problem or not! We then segment the inventory into its major categories (typically up to maybe 8 to 10?), and perform the same calculations. You will now most likely see a bell distribution curve emerging. There are likely one or two categories over performing, a majority in the mid-range, and likely a few at the bottom (the "long tail" starts to emerge!).

This is where the opportunity starts. Why are these underperforming? Is the margin too low (sell price vs buying price opportunity)? Can this be remedied by better buying practices (smaller orders and shorter lead times)? Essentially, you are looking for the different levers that can be pulled to improve GMROI. If they can be fixed, then put in place the changes required. If not, then some hard decisions may need to be made and alternatives considered – is this category really needed? The easy thing is to say yes and carry on – but are you in business to lose money (a GMROI 160 or lower is losing money at an EBITDA level, hence my 200 GMROI threshold has a safety margin)?

Depending upon the results in each category, and assuming you have the detailed information available, you can then dig deeper into each inventory category and go down to sub-categories and even individual SKU's if desired. Each of them will usually have the bell distribution curve again – you must focus at all times on reduction of the "long tail". However deep you choose to go, you will succeed in bringing some robust measures to help reduce inventory levels, remove underperforming parts of your business, and improve profitability and your cash flow.

There are other areas of balance sheet management that we also address (creditor and debtor terms in particular, together with levers to incentivise behaviours), that can have a material beneficial effect on your cash flow as well.

Please contact a member of the Grant Thornton retail industry team or David Fletcher

E david@stylefocus.com.au | W www.stylefocus.com.au

About Style Focus

StyleFocus is a specialist retail advisory practice covering the full range of retail operational requirements, as well as advisory services ancillary to retail – supply chain, wholesale, consumer services and FMCG.

Review your rent: the time is now…

In this Retail IIU we consider the pressures that landlords place on retail tenancies and consider whether landlords always hold the power when it comes to renegotiating lease terms.

Often seen as always holding the advantage, landlords are often criticised for squeezing retailers by setting rents close to break-even positions, particularly for those retailers just starting off.

Coupled with the recent downturn in the retail market, this has left some retailers fighting for breath.

But what can retailers do when they know their rent is financially crippling? Our top tips are below:

1. It's not all doom and gloom. The shift in retail sales channels to online has resulted in many retailers changing their strategies away from the traditional "bricks and mortar" approach. Landlords realise this, and now more than ever they are flexible and willing to negotiate, adapt and compromise.
2. Maintain a clear, honest and robust dialogue with your landlord. Co-operation between the landlord and retailer is key as increased business and profits for the retailer will ultimately result in the landlord receiving increased rents.
3. Understand how your lease works, how your rent is calculated, and how your rent stacks up with other tenants. Do not be afraid to discuss and compare rates with your neighbours.
4. Don't be afraid to negotiate for a fairer deal with your landlord, but if you do, have a clear plan to negotiate. For instance, you should consider:
   - What assistance you need, and why? Does your business require a rent reduction, or a rent reprieve?
   - What would happen if you defaulted upon a payment; e.g., would the lease be terminated, or would guarantees (personal or bank) or cash bonds be called upon?
   - How easy would it really be for your landlord to replace you?
   - Is your space still fit for purpose? Can you downsize or upsize?
   - What are the break-costs (including any make good requirements) if you needed to get out after all?
   - Where could your business go? Consider nearby occupancy rates for similar or adjoining property with similar exposure and traffic.
5. Negotiate for a middle ground win/win outcome.
6. Who can assist you in these matters? We are now seeing business owners retaining Tenancy Advocates who act on their behalf in negotiations to protect their interests.

Case Study

Formal Restructure including the Renegotiation and Exit of Onerous Leases.

One of our clients, a high profile retail group, faced continuous working capital pressure due to high overhead costs, poor trading performance and under-performance of 25% of its stores. Over the previous 18 month period, shareholders had tipped in a significant amount of equity, however this had evaporated. Through our health check, we determined:

- The Group had to exit the under-performing stores as soon as possible;
- The rent paid by the Group for a number of stores was above market; and
- Without a significant further injection of equity, the only available option to the Group was to consider a restructure through a voluntary administration and the implementation of Deed of Company Arrangement.

The last option, a carefully managed restructure via an administration, can be a useful method to transition to a viable and sustainable business moving forward. In this situation, the advantages of the Deed of Company Arrangement were that:

- The Group was able to exit the non-profitable stores;
- Reduce support office costs; and
- Renegotiate with the remaining landlords to obtain sustainable rents within the protection and moratorium environment which a voluntary administration provides.

Ultimately a Deed of Company Arrangement was propounded and accepted by Creditors. The Group successfully restructured to become a more efficient business.

Client focus: Growing your franchise ...insights from the frontline

We caught up with Ryan Barnes, the Financial Controller of Zambrero, the fifth fastest growing franchise across all industries and the fastest in Food & Beverage for 2013 (and a valued client of the firm!), to get some insights into the fast food franchise industry.

So how did the Zambrero story begin?

Zambrero is a group of quick service restaurants that sells healthy Mexican food to support humanitarian projects in Africa, Asia and the Americas. Since being formed in 2005 by Dr. Sam Prince, a 21-year-old medical student with a passion for food, customer service & philanthropy, millions of meals have been provided to those living in poverty around the world through the Plate 4 Plate initiative. At the point of writing this, Zambrero has 44 restaurants, at least 15 others in various stages of development and more than 150 restaurants thereafter committed.

What have been the top 5 challenges you have faced as a fast growing franchise?

1 **Securing growth**
It is very difficult to predict just how many franchises you will sell in a year and also how their sales will perform - the variables are vast and there are many situations where you have a perfect franchisee but no location, or vice versa – reducing risk is important. We find balance through an area developer relationship that gives structure around new store development targets; this also dilutes the reward, the age old trade-off. We continue to pursue this model with success.

2 **Control**
The model of franchising is about selling a solution and then policing it. With so many different stakeholders in your business (and an incredible amount of "experts" within the system) you can have plenty of issues with individuals having different opinions as to how we should operate or market the business. You need to listen to all the feedback but still be prepared to put your foot down and utilise the power you have under the franchise agreement.

3 **Leveraging the franchise agreement**
You can use the franchise agreement to dictate the relationship but also ensure that you remain completely aware of the franchised business position (both from a financial and compliance perspective) – you can only get this right once with a franchisee so consider how much control is need. This will be useful for future banking accreditation and can decrease risk – ensure that you have registered any third line enforcing that may result from this with the ACCC.

4 **Creating and retaining quality staff**
While you build brand recognition it is difficult to be an employer of choice and get the best staff, especially if you are a growing debt-free business. You need to balance your internal needs with your limitations and where possible, leverage off the publicity (in our case charitable) of the business to gain exposure and interest.

5 **Funding**
Will be difficult for both you and your franchisees, especially if you're still growing. You will need to consider obtaining accreditation from the banks and ensuring your financial models and forecasts are up to date to project your strength; you may want to consider when the right time is to go for accreditation in your business development. It may be that some additional methods of financing are used such as:

- Second tier financing;
- Asset financing of store equipment;
- Asset financing (kiosk model) of the entire store/build.

Growing your franchise… insights from the frontline

Zambrero seems to have mastered the franchise business model and has a good mix between company owned and franchised stores. What do you think is the key to ensuring all franchisees run a successful and profitable store?

Profitability and success can often be very different concepts, for financial sustainability and a return on investment, the three keys for retail food operations are as follows:

- Sales – keep growing the sales;
- Wages – control, reduce and monitor;
- Cost of goods – manage inventory, wastage, serving sized, and employee dishonesty.

To be a success you need to also be a strong franchisee, this will allow you to be approved to become a multi-site operator. Franchisees need to ensure they remain fully compliant with their responsibilities under the franchise agreement - not only will that entitle them to potentially grow their wealth by having additional stores, it also means that if they have followed our model exactly they can be profitable.

If a franchisee focuses on growing sales, controlling wages and cost of goods while remaining compliant to the franchise agreement, then they will be both successful and profitable.

And finally, what can we expect next from Zambrero?

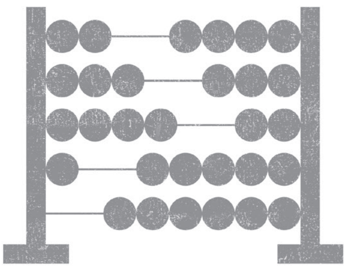
Our growth in Australia year on year is still significant enough for us to keep on top of the fast-growing lists and hopefully we can continue to get exposure for our charitable program Plate 4 Plate and Dr Sam Prince's other charity One Disease at a Time. We have forecast to continue to retain our triple digit growth on top-line revenue and will start expanding the brand internationally from early 2014. Watch this space!

More detail can be found at:
www.zambrero.com
www.1disease.org

Franchises

generate $154bn in revenue in Australia each year

THE ACFE* ESTIMATES THAT **5%** OF REVENUE IS **LOST TO FRAUD** ANNUALLY...



= $7.7bn

*in potentially **lost revenue** to the franchise industry*

* Association of Certified Fraud Examiners

What is causing these losses?

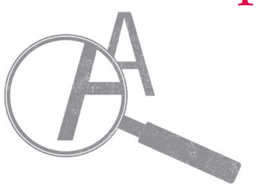
OPERATIONAL ISSUES

- Ineffective controls
- Non-adherance to policies procedures

SYSTEMIC ISSUES

- Lack of awareness of red flags
- Breach of franchise agreement

So, how can Grant Thornton help to reduce your risk of fraud?



1. In-store franchise investigations
2. Forensic analysis to identify red flags
3. Benchmarking
4. Employee and franchise due diligence
5. Cash management/ control reviews
6. Fraud awareness training

Are you ready for a new era in privacy?

Australia is entering a new era in privacy
With the ratification of the Privacy Amendment (Enhancing Privacy Protection) Bill 2012 by both houses of Parliament, the government is introducing a new era of privacy laws in Australia, which commenced on 12 March 2014.

This new regime has set us on a path that will require more rigour around privacy practices, and will have long term implications for organisations operations and compliance. In addition, the introduction of legal implications, with a maximum fine for serious and repeated privacy breaches of $1.7 million, and organisations should not expect a 'softly, softly' approach.

For the retail sector and in particular on-line retailers, ensuring you are prepared will be critical given the pivotal role customer information plays in customer loyalty programs and tailoring of direct mail communications. Privacy and the use of private information is a significant and sensitive issue for the community. For those who do it well the rewards in terms of customer loyalty are great but for those who fail the ramifications can be severe, in terms of brand reputation as well as legal implications.

Take our quiz to ascertain if the National Privacy Principles pertain to your business, and identify the areas that you need to review to ensure you meet the new regulations.

Checklist		YES	NO	Notes
01	Do you understand the new requirements for your Privacy Policies under the new laws?	☐	☐	
02	Do you provide customers with a copy of your privacy policy when you collect their information?	☐	☐	
03	Are formal documented procedures in place, which outline the required 'reasonable' steps to ensure compliance?	☐	☐	
04	If personal information is sent overseas and/or to third party IT service provided (e.g. cloud), is it adequately protected?	☐	☐	
05	Do you have a simple means in place to allow for an individual to opt out direct marketing communications such as sales and competitions promotional communications?	☐	☐	
06	Does your information security system ensure the protection of personal information that you maintain as part of customer loyalty programs?	☐	☐	
	How did you rate? (One point for every YES response)	/6		

Score
Under 3: Call us now to ensure you are ready.
4 or under: There are some higher risk areas and you should consider undertaking a review, or seek a gap analysis.
5 or over: You appear well placed to meet the challenges of the new National Privacy regime.

How can we help | Talk to Grant Thornton, we can help you understand the impact of the legislation and Australian Privacy Principles, identify gaps in your current practices and prioritise the aspects that need to be changed. We'll give you a robust roadmap that helps you implement the changes so the transition is as smooth as possible.

Industry intelligence unit

About Grant Thornton Australia

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms.

These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions.

Grant Thornton Australia has more than 1,300 people working in offices in Adelaide, Brisbane, Cairns, Melbourne, Perth and Sydney. We combine service breadth, depth of expertise and industry insight with an approachable "client first" mindset and a broad commercial perspective.

More than 35,000 Grant Thornton people, across over 100 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work. Through this membership, we access global resources and methodologies that enable us to deliver consistently high quality outcomes for owners and key executives in our clients.

What is the Industry Intelligence Unit?

The IIU is unique in its objective of providing stakeholders with information, understanding and analysis of the issues faced within specific industries and subindustries. The IIU also seeks to provide pragmatic, commercial, practical measures and initiatives to improve stakeholder value.

Industry focus

The IIU utilises the industry experience and expertise of Grant Thornton partners and staff across Australia. The IIU is predominantly focused on the following industries and their related sub industries:

Automotive Dealerships
ENERGY & RESOURCES
Financial Services
Food & Beverage
Hospitality & Tourism
HEALTH & AGED CARE
LIFE SCIENCES
Manufacturing
PROFESSIONAL SERVICES
Not for Profit
Major Projects & Infrastructure
PUBLIC SECTOR
Technology & Media
REAL ESTATE & CONSTRUCTION
Retail

Our national retail team

Simon Trivett
National Head of Retail
T +61 3 8663 6001
E simon.trivett@au.gt.com

Adam Pitts
Partner
T +61 3 8663 6186
E adam.pitts@au.gt.com

Peter Thornely
Partner
T +61 3 8663 6229
E peter.thornely@au.gt.com

Michael Skinner
Partner
T +61 3 8320 2330
E michael.skinner@au.gt.com

Gayle Dickerson
Head of Retail · Sydney
T +61 2 8297 2706
E gayle.dickerson@au.gt.com

Michael Catterall
Partner
T +61 2 8297 2535
E michael.catterall@au.gt.com

Kim Batcheldor
Partner
T +61 2 9286 5666
E kim.batcheldor@au.gt.com

Angela Spowart
Associate Director
T +61 2 8297 2605
E angela.spowart@au.gt.com

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www.grantthornton.com.au