



Lessons from Down Under

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I recently had an exciting adventure visiting a PROFIT*systems* client in Australia. The first thing that I observed is that Aussies are some of the most friendly people that I have met; and I've traveled and lived throughout North America, Europe, and Asia. They seem to look at the good side of life and are always up for a friendly and direct conversation.



Janet Sheppard of Dare Gallery, Australia and David McMahon of PROFIT*consulting*.

On the business side of things, they are resourceful. My PROFIT*consulting* client, Dare Gallery, like other Australian retailers, is faced with a business climate where the required minimum wage for all employees is above \$14 per hour, there is full employment (meaning everyone that wants a job has a job in the country, so it is hard to find people), and retail occupancy costs are much higher than in North America. At the same time, the economic expansion in the last few years has brought an increase in independent retailers. Competition is fierce for employees and for customers.

Dare Gallery has confronted these challenges with an energetic "glass is half full" attitude. They are working hard to become an even more efficient company in operations, selling, merchandising, inventory control, and inventory management and are developing a fantastic team to implement their improvements.



Dare Gallery's, Richmond, Melbourne showroom – a top producer.

I was particularly impressed with the management of their inventory flow. This is one of the key areas that has allowed them to compete and expand in their marketplace. Their inventory to sales ratio is less than 15% and they are achieving numbers that are better than NHFA high profit companies in sales per square foot, sales per employee, and GMROI.

It is no secret that some of the keys to doing this with any operation lie in establishing international and domestic vendors with the right product price points that ship fast and with good terms. This allows retailers to carry fewer inventories, increase turns, GM, GMROI, and cash flow. Ultimately, the consumers get delivered faster. How many stores can say that their customers can special order a high quality, custom made sofa and have it in their home in three weeks? Dare Gallery can!

Fast delivery times are symptomatic of what has occurred with Australian manufacturers. They have either been forced to close their doors because of cheaper imports or become competitive. A few, like Dare Gallery's domestic vendors, have met the import challenge.



Dare Gallery's, Bayswater, Melbourne factory-outlet and clearance center.

I can't help but notice the contrast to the way the North American industry has gone. The traditional factory rep system remains in place while the largest manufacturers increasingly compete for market share by opening their own stores, competing



directly with independent retailers. On average, North American vendor lead times and terms are poor.

I believe that the future of the North American independent retailer is to embrace efficiencies at all levels and to drastically improve competencies with respect to inventory management. It is the only way to prosper in a climate of increasing competition and operating costs.

Take a lesson from our friends *down under* – Have fun and become even more efficient!

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G'day Mate!