



**BDO RETAIL  
THRIVE GUIDE 2021**  
EXCELLING POST DISRUPTION

# FOREWORD

## RETAIL RESILIENCE AND BUSINESS PLANNING



**Greg Harford**  
Chief Executive  
Retail NZ

The retail sector has proven to be amazingly resilient during the COVID-19 pandemic, a testament to the hard work and passion of retail owners, managers and employees through the difficult times of 2020.

In early 2020, nobody foresaw that the Government would lock down the economy in an effort to stamp out COVID-19. Despite the near total collapse in retail sales in April last year, things have bounced back remarkably. Consumers who had been locked up at home for six weeks were desperate to spend, the Wage Subsidy proved to be very effective at keeping people in work and, unable to travel abroad, Kiwis decided to spend at home.

Astonishingly, the Retail NZ Sales Index suggests that total sales between March 2020 and January 2021 were around 6.4 per cent higher than the previous year, notwithstanding the Level 4 and Level 3 lockdowns. A key factor in this seems to be the fact that borders are closed. New Zealanders have been travelling domestically, and seem to be spending more in retail than foreign visitors do. It helps that interest rates remain incredibly low, and that homeowners are feeling wealthier on the back of rising house prices.

On average, the retail sector has performed amazingly well, but the strong overall performance masks the fact that there are many retail businesses that are struggling. Some firms, such as those catering almost exclusively to the foreign visitor, have found that their market has disappeared; while others have been slow to adapt to the changing market.

A key learning from the lockdown is that successful businesses are those that can adapt and adjust to changing circumstances. Given the monumental change that we have seen across the economy and the world over the past year, it's timely to be thinking about reviewing business strategy and contingency plans. This is a key focus for Retail NZ and for many of our members. This guide, from our friends at BDO, offers useful tools to support these business planning processes, and I hope you find it useful.

## KEY CONTACTS

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Head of Retail  
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# KEY FOCUSES FOR 2021

This Guide has three broad sections; **Planning**, **Strategy**, and **Risk Minimisation**.

It is underpinned by the concept of the Planning Cycle. In its simplest form, this refers to a process of reflecting on past performance, reaching a conclusion if change in process/design is required, then moving on to create a plan and carry it out.

We encourage all retailers to take a look at their existing business processes through the lens of a Planning Cycle to see if improvements can be made.

## PLANNING CYCLE

Reflect on the last twelve months and how your business has performed.

You could ask yourself these questions:

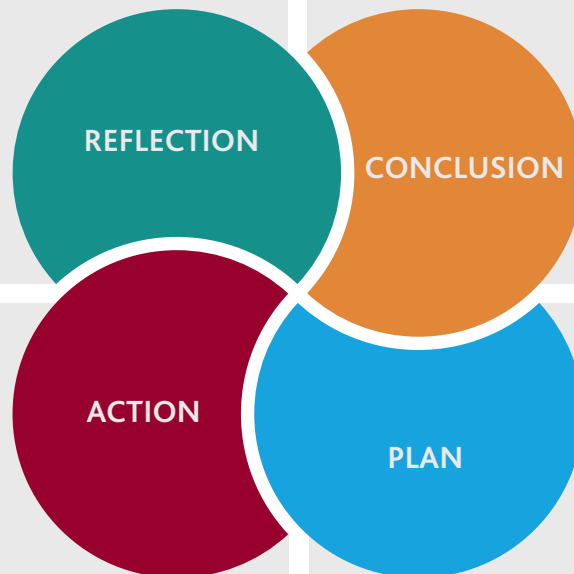
- ▶ What worked well and what would you do differently in the event of another lockdown?
- ▶ How did you manage supply chain constraints over the last twelve months?
- ▶ How do your customers interact with you in the New Normal?

Using your reflections, are you able to reach any conclusions? For example:

- ▶ Supply chain risks could have been better managed
- ▶ Operationally we adapted quickly
- ▶ Clear communication with our customers is vital and needs some improvement

### Planning language

- ▶ Put your plan into action
- ▶ Regularly check actions are being completed, and reflect on process



- ▶ Carry out a SWOT analysis for your business, including categorising the conclusions reached above
- ▶ Update or create a business plan
- ▶ Consider strategies for your business



# PLANNING

## BUSINESS PLANNING – a must have for every retail business

Looking back on the year that was 2020, what learnings emerged from the pandemic induced disruption that you can apply in your retail business this year? One of the key observations we made was those clients who had a business plan (and a budget) were able to make quick decisions, and do so with a higher degree of confidence. If you have not prepared a business plan before, this section explains how to and why it's so important to do this now!


All businesses should have a business plan. For a small or medium sized business this could be as simple as a one page document. A larger and more complex business will likely have a more comprehensive plan with multiple contributors providing input.

There are many benefits to setting a business plan, including:

- ▶ Setting the direction of the business and eliminating procrastination
- ▶ Identifying and prioritising key goals and strategies to achieve them
- ▶ A tool to communicate your goals and vision with your team
- ▶ Provides a template to review actual performance against targets

If you have not recorded your business plan in writing previously, the pace of change and magnitude of disruption seen over the last twelve months are a compelling reason to make a start now! Taking time to plan is well spent time, allowing you to take a step back and consider where your business needs to go and how to get there.

The pandemic reminded us that planning by its very nature needs to be flexible when dealing with an uncertain future. When a major disruption occurs recalibrating your plan is a must do. Consider that the process of, **reflect, conclude, plan and do**, could be more frequent than an annual activity. If you have already documented the components, it's easy to update during the year should you need to.



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These are the essential components to a successful business plan:

- ▶ Setting goals for the next 12 months, with a view to achieve the outcomes over three years
- ▶ Agreeing on an action plan with strategies to support achievement of goals
- ▶ Identifying Gross Revenue Targets and Key Performance Indicators
- ▶ Identifying opportunities and vulnerabilities in your business that need to be managed
- ▶ Establishing a 90 Day Action Plan to address immediate critical issues

Here's an example of what your one page business plan could look like:

**Financial Targets:** "How does the business create for shareholders?"

Financial Targets for the period ending 3 years in the future					
Revenue:	\$		EBIT	\$	
				EBIT %	\$
Cost management initiatives		Asset management initiatives		Revenue growth strategies	

**Customers & markets:** "What market does the business play in?"


Market 1:	Market 2:	Market 3:			
Revenue target:	\$	Revenue target:	\$	Revenue target:	\$
Value proposition		Value proposition		Value proposition	

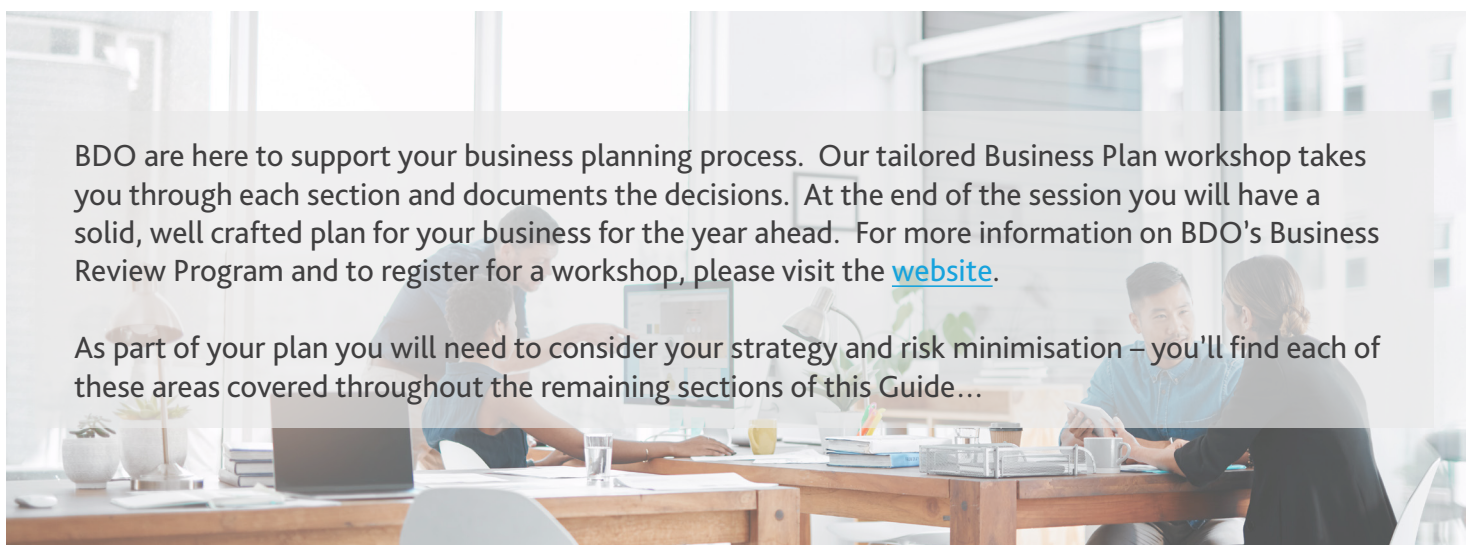
**Operations:** "What processes do we need to excel at?"

Operations initiatives	Marketing process	Innovation initiatives	Risk & compliance initiatives

**Learning & growth:** "What skills and resources do we need?"

People Initiatives	Information technology initiatives	Organisation culture

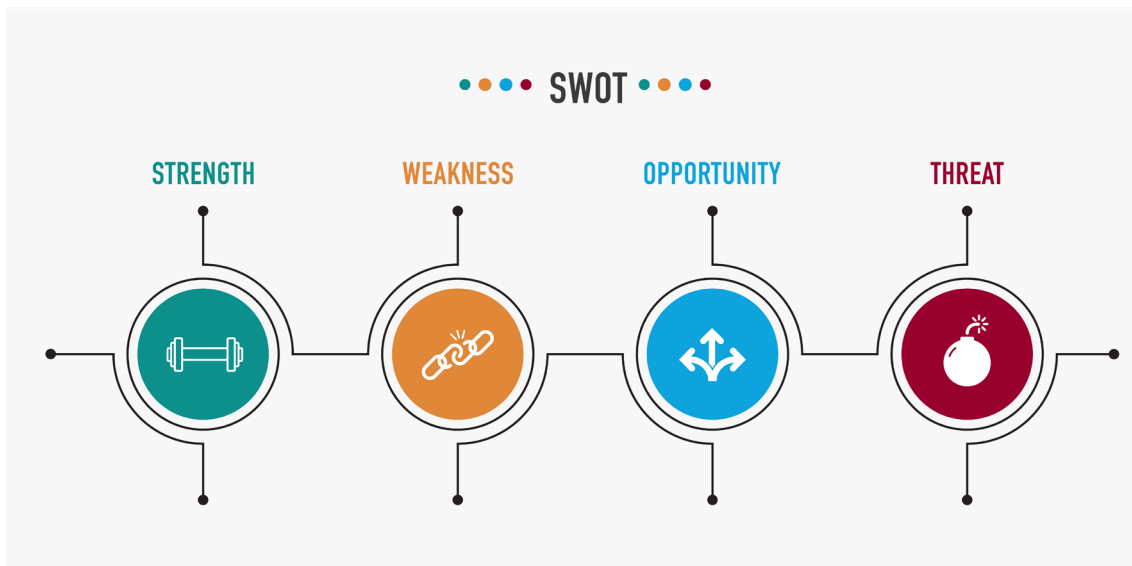




BDO are here to support your business planning process. Our tailored Business Plan workshop takes you through each section and documents the decisions. At the end of the session you will have a solid, well crafted plan for your business for the year ahead. For more information on BDO's Business Review Program and to register for a workshop, please visit the [website](#).

As part of your plan you will need to consider your strategy and risk minimisation – you'll find each of these areas covered throughout the remaining sections of this Guide...

## SWOT - time to revisit the basics and see how your business stacks up



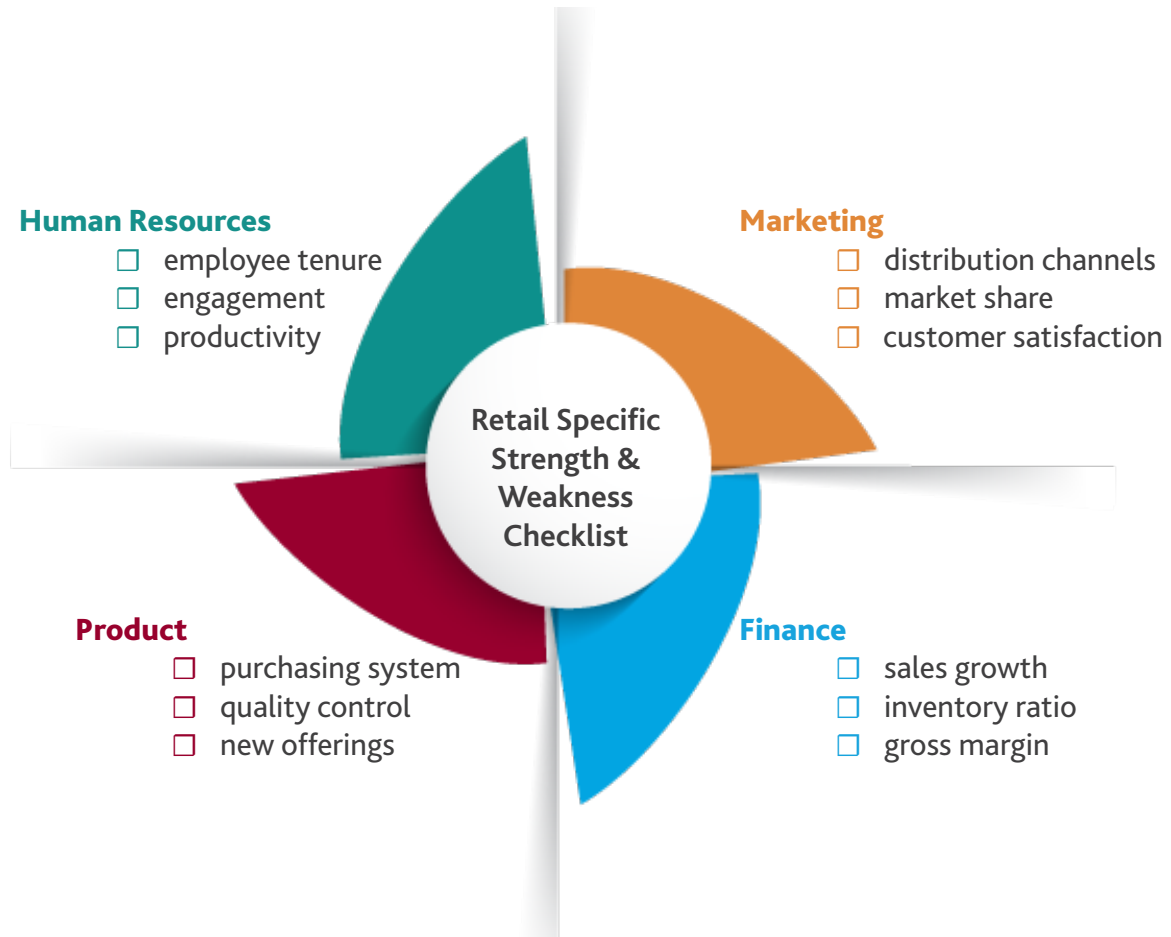
SWOT (strengths, weaknesses, opportunities, and threats) analysis is a review of the internal and external factors that may affect business performance and is a key component of business planning. If you have not prepared a SWOT before, or if you have not recently updated your SWOT, the start of a new calendar or financial year are both great times to get back to the basics and create/update one for your business.



The internal environment (strengths and weaknesses) of a business consists of factors within the organisation itself, including its structure, culture and resources. There is limited ability to change these factors in the short-term.

The external environment (opportunities and threats) consists of variables that are outside the business and are not usually within the immediate control of management.

Analysing the strengths of your business helps identify distinctive competence – strength unique to the organisation that competitors would have difficulty in matching and or give you an advantage. Analysing the weaknesses of your business helps identify issues that may currently, or could in the future, impact on your business success. Below are some examples of the internal environment key to Retail.



When creating or updating a SWOT for your retail business, it is important to pay attention to these key pitfalls:

### **Strengths may not lead to an advantage**

Having a strength does not necessarily translate into gaining a competitive advantage. The strength must be appropriate for the market that you are competing in.

### **Overemphasis on a single dimension of strategy**

SWOT can encourage you to focus too much attention on a single strength or key feature that may blind you to new opportunities as they emerge. Setting a short time frame to review and update your SWOT with an external coach can be a good way to get perspective.



### **SWOT gives a one-shot view of a moving target**

SWOT is a static assessment of a moment in time. While you can see results in a snapshot you need to look at time series data to see trends.

### **Focus on the external environment is too narrow**

SWOT tends to focus on today's environment and the competitors you face today and does not necessarily encourage you to look for new threats on the horizon. This is especially relevant for the fast moving retail sector where new innovations and competitors are emerging both locally in bricks and mortar and via e-commerce.



Remember that the purpose of the SWOT is to gather information that helps you prepare your business plan - it does not need to be perfect!

For help on preparing a SWOT for your retail business, check out this [easy to follow tutorial](#), or contact your usual BDO adviser.



# STRATEGY

## STRATEGY RESET

Resetting your strategy in the wake of Covid-19 is essential for any retail business. In this section we will look at two key pillars to enable this: **recovering revenue** and **retooling for the future**.

### Recovering Revenue

Many retailers have experienced the impact of changing consumer preferences over the last twelve months. For some this means overall more or less revenue, others have experienced variations in demand for specific product lines and delivery methods, or changes to what were well established patterns in seasonality.

It has never been more important to thoroughly analyse your revenue and current customer base and look for opportunities to recover lost revenue and expand.



The following table from McKinsey sets out several options available to retailers:



It may be that you can easily implement one or two of these options in your business. For example, could you improve your customer experience by tweaking your e-commerce functionality? Taken together, these could help boost your revenue and profitability.

Being able to act promptly using a scenario-based approach is critical. Your scenario planning should at a high level model what fluctuating demand could have on your business, including any supply chain constraints. You could also tap into the customer loyalty programs many retailers run to help gauge likely demand and timing as we adapt to a new normal.

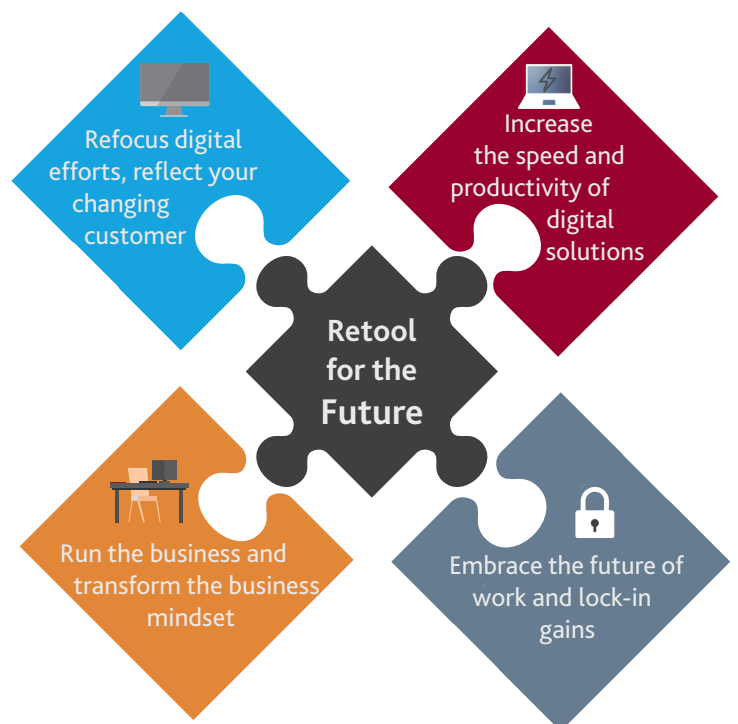


### Retool for the future

Can we take what we've learned through the crisis and retool the business for our next normal? Over the past months, there has been a transformation in the way we interact with our whanau and loved ones, how we work, travel, access essential services, spend our weekend and conduct our day-to-day lives. This change has accelerated the uptake and migration to new ways of operating across every sector.

We recommend you look at how these four aspects could enable your retail business to retool for the future:

Trends like digital and automation that were present before Covid-19 have accelerated and will do so further. But important new questions need to be considered too.



## We recommend that businesses

### Refocus digital efforts to reflect customer's changing expectations

To adapt, businesses need to quickly rethink customer journeys and accelerate the development of digital solutions. For many retailers, this includes creating a seamless e-commerce experience, enabling customers to complete everything they need to do online; from initial research and purchase to service and returns. To address these challenges, leaders will need to set an ambitious digital agenda – and deliver it quickly and monthly as opposed to the previous normal of a year or more.



### Adapting to the Environment

- ▶ Businesses are making the most of existing assets in different ways, such as car rental companies partnering with local supermarkets to offer contactless grocery deliveries. All of these examples identified and accelerated the building out of digital solutions to respond not only to the crisis at hand, but to also future-proof and enhance their business productivity as a result.
- ▶ Businesses identifying the need for masks, more than existing products, modified their manufacturing and/or sales processes.

### Increase the speed and productivity of digital solutions

Retailers need to adapt their organisations to new operating models and deliver these solutions to customers and employees. Solving this challenge may require integrating business processes, incorporating data-driven decision making, and implementing change management.

Most Kiwi businesses have had to innovate new capabilities for remote operations almost overnight and complete the digitisation of core business systems in weeks rather than months or years and they've also had to launch new products in a matter of days.



## SMART GOALS – the importance of goal setting

To help your strategy succeed, you need to have clear goals. [Research](#) has proven that setting clear, specific goals has a positive effect on performance, compared to non-specific goals. Setting SMART goals is an easy way to achieve this:

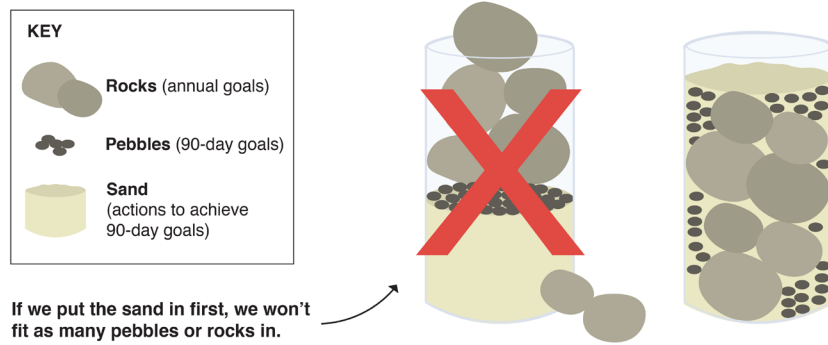


Let's look at an example. Your broad business goal may be to increase sales to new customers. Turning this into a SMART goal could be:

<b>SPECIFIC</b>	I will acquire five new customers for my business	
<b>MEASURABLE</b>	I will use my customer database to enter new customer details and run a report that shows new entries during the time frame	
<b>ACHIEVABLE</b>	I will run a social media campaign to target new clients, as well as offering existing clients a special offer if they introduce a friend	
<b>RELEVANT</b>	Adding customers to my business will help me achieve my vision of becoming a top 10 retailer in New Zealand	
<b>TIME</b>	I set myself a deadline of 30 days to achieve this goal	

Sorting your goals into annual, 90 day, and specific actions is a great way to make reaching your overall goal more achievable. The “Rocks, Pebbles and Sand” analogy on the next page explains this.

## Rock Pebbles and Sand



A simple yet crucial planning concept depicting if we set our annual goals (rocks) first, then our 90-day goals (pebbles) and actions (sand), we will achieve more (we will fit more into the jar).

Goal setting doesn't need to be complex or time consuming, in fact having only three to five annual goals, which are then broken down into one or two smaller goals each quarter can help keep you focused. You could set yourself a reminder at the start of each month to spend five or ten minutes reviewing your progress on quarterly goals for the last month and what you will focus on for the month ahead.

Using the notes function on your phone, [one of these seven goal setting apps](#), or Post-Its, are ways to help visually remind yourself of your goals.

### How can BDO help?

- ▶ An annual [Business Plan](#) is a great way to document your business goals for the year ahead. Our easy to follow template makes this a breeze
- ▶ Our tailored [Coaching service](#) builds in regular accountability check-ins to help keep you on track
- ▶ Our bespoke [KPI dashboards](#) display your annual business goals and track progress toward financial and non-financial goals

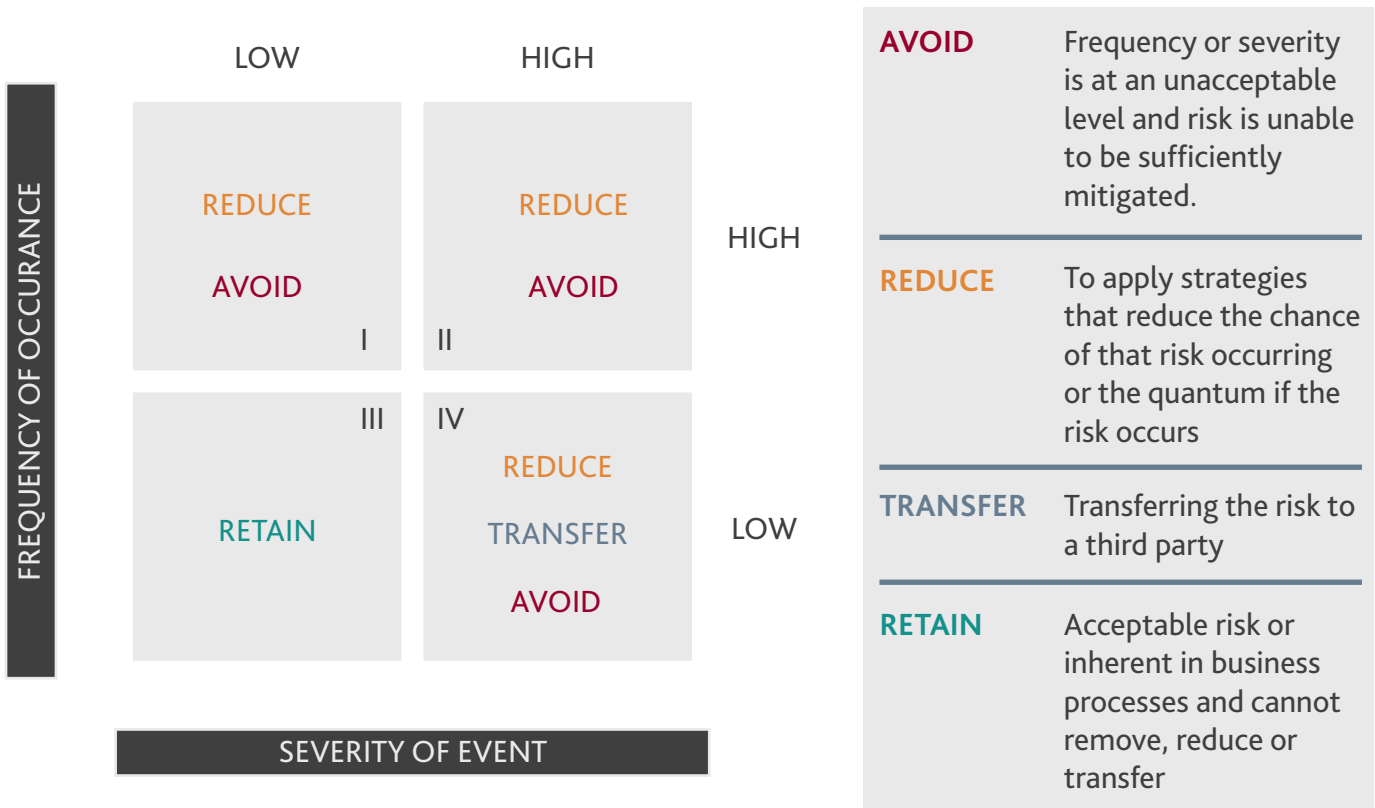


# RISK MINIMISATION

## PLANNING FOR THE WORST

Risk minimisation requires a process of identifying and categorising risks.

Once you have identified the risks, then decide your approach to minimising each risks impact on your business. In broad strokes there are four approaches:



We recommend the risk management strategies are documented in a formal plan identifying owners of each risk and actions, to be taken, should the event occur.

Having a plan in place is key but what are some of the risks that you need to front foot to stay ahead? The two key issues for the retail industry currently are supply chain delays and potential pandemic lock downs. We explore these further on the next page.



## Safeguarding the supply chain - Supply Chain Issues

Many retailers have already experienced the lengthy delays and pressure on supply chains and stock availability. A combination of global lockdowns, international port strikes, and delays coming out of the Ports of Auckland, means the supply chain is being squeezed.

Many retailers are having to order stock earlier than they previously would have, meaning cash is spent earlier which is stretching cash flow as well as having to pay extra for congestion surcharges and higher freight costs. Ordering and inventory systems should be reviewed in line with your strategy as well as your risk appetite. For example, if you have a just in time inventory system you may want to increase the frequency of buying or hold more stock, which may result in extra storage costs and credit costs. [A cash forecast will be helpful to understand how cash may be impacted by additional purchasing.](#)



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## Communication

Communication with customers is essential. Some delays may be out of your control, however, how you communicate with your customer is key in maintaining your relationship. Being honest and upfront with customers often reassures them you are doing your best. Not communicating leads to frustration and customers looking for alternative suppliers and/or products.

Some key questions you could ask are:

- ▶ Is there an option to source locally to fill a gap in your supply chain?
- ▶ How are you controlling the purchase of perishable stock and seasonal stock?
- ▶ Do you have sufficient cash reserves or credit facilities available to order stock earlier?
- ▶ Have you reviewed your selling price to ensure acceptable margins will be achieved? Or have you accepted that you can wear the additional costs?



## Covid-19 Preparedness

The last twelve months have taught us to be prepared for the unexpected. We recommend that you have a plan documented to protect your business from the potential risks of the pandemic. To do this you first have to identify the risks to your business.

To help you identify and plan for the risks your business may face in the next 12 months, we have included a simple table below with some examples.

Risk	Points to Consider	Comments
Revenue	Are you too reliant on a brick and mortar retail store offering?	Evaluate online options
Product	Can you source your product locally, if borders close?	
Product	How will you ensure your shelves remain fully stocked?	
Staffing	Do you have policies around sick staff members and COVID testing?	



# BDO'S RETAIL SERVICES

BDO's retail advisory services include:

- ▶ Performance improvement
- ▶ Cash flow management advice and forecasting
- ▶ Debt repayment and structuring advice
- ▶ Process review and mapping
- ▶ Merger and acquisition services
- ▶ Business recovery and insolvency
- ▶ Forensic services
- ▶ Corporate finance
- ▶ Risk management
- ▶ Succession planning
- ▶ Valuations
- ▶ Technology advisory
- ▶ Financial literacy training
- ▶ Business review
- ▶ Strategic advice

Our tax and accounting services include:

- ▶ Compliance
- ▶ Indirect taxes (e.g. GST and PAYE)
- ▶ Pre year-end tax planning and tax returns
- ▶ Tax provision and deferred tax preparation and review
- ▶ Tax policy advice
- ▶ Technical accounting services



Data is an integral part of our retail advisory offering. Using the latest technology, we can gather a broad range of information to help your business improve:

- ▶ Product mix by considering product margins.
- ▶ By using cutting edge analytics software, we can map key traffic points and times to assess how customers are interacting with your store. Using this information, we can work out where to place high value items. This also enables you to optimise staff rosters to better meet customer needs.
- ▶ Use your point of sale system to guide you on individual sales, staff performance and commission structures.
- ▶ Gather data from other businesses in the same or similar industries to offer additional insights.
- ▶ Identify trends and act on them.

BDO's technology advisory service will offer you recommendations on which retail technologies will help your business reach its wider strategic aims and how best to leverage these with your current cash flow.





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