

Sweet scent of success

TRADITIONAL bricks and mortar retailers have been urged to step up their efforts to keep customers who may otherwise buy online.

Australian Retailers Association director Russell Zimmerman says constantly evolving retail technologies will change the way business is conducted.

"Progressive physical retailers that understand their consumers and the different ways they can interact with technology will continue to prosper as consumers use technology to shop across many different platforms," he said.

Mr Zimmerman said small and medium-sized retailers embracing technology to enhance the customer experi-

Tap new techniques to win clients, retailers told

BUSINESS OWNER
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ence would thrive this year. "The crucial element is understanding consumer data and using it correctly, to not only meet consumer demand but ensure they come back to your store because of the great service you provide," he said.

"There is a lot of talk around artificial intelligence, and small

retailers are well placed to use AI to engage with their local consumers, possibly even better than their major counterparts as homegrown retailers have the local understanding of their communities at a deeper level."

Consultancy house Mood Media said the physical retail experience could top the online experience if retailers adopted a holistic approach, from cutting checkout times to finetuning customer service.

"Few shoppers buy exclusively online but if traditional retailers want to stay competi-

tive in the 24/7 retail landscape, they have to use the advantages of their physical retail environment," Mood Media managing director Steve Hughes said.

In a physical environment, retailers could control the experience by engaging shoppers using visual cues and soundtracks that appealed to their chosen demographics, Mr Hughes said.

"Physical retailers can even develop a signature scent for their brand," he said.

Mr Hughes, writing in the ARA's just-released magazine,

said while people received pleasure from browsing and decision making, they didn't want to be kept at the checkout.

"Reducing the checkout process time of the retail experience will increase customers' satisfaction with shopping in store and free retail staff, allowing them to provide better customer service," he said.

Mr Hughes suggested another option was to develop a click-and-collect offering.

This allows customers to browse and buy online and then pick up their purchases at

bricks and mortar stores.

"Retailers can also marry the best of a digital shopping experience with their in-store space," he said.

Mr Hughes said poor customer service remained an obstacle for online shopping.

"By investing in a good team, customer service is an advantage in store," he said.

"Unlike bots, staff can tailor their approach in line with the type of help a customer requires and in a manner to which the customer is most responsive."

Mood Media delivers sensory branding, including background music, scent branding and mobile marketing.

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Gus Berger at his cinema site in Thornbury. Picture: DAVID CROSLING

CINEMA VENTURE IS PICTURE PERFECT

THREE years after St Kilda's George Revival Cinema faltered, Gus Berger is back in business with a new project on Melbourne's booming north side.

Mr Berger has been running pop-up cinemas via his Blow Up Cinema business and making documentaries but the desire to run a boutique theatre was strong.

After searching for a venue he came across an old garage in Thornbury's High St. Next month it will reopen as the Thornbury Picture House.

"It is a beautiful and unique building," Mr Berger said.

Built in 1919, the Art Nouveau garage has been home to a second-hand furniture dealer in recent years. "It is a great location and a good size with loads of character," he said.

Mr Berger said he was keen to keep the building as close to its natural state as possible. The cinema, which will accommodate 57 people

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in comfy chairs and feature a 6m screen, was inspired by visits to cinemas in New York, Los Angeles and Austin, Texas, where old cinemas had been revived and buildings repurposed, he said.

Mr Berger said Thornbury was ripe for the cinema with many arts-minded people and families moving into the area.

He said the local Darebin Council was supportive of business and arts and he was hoping to tap into businesses and communities in the area to develop events and screenings that would appeal.

"The seats will be really generous with a wooden table so people can take in a glass of wine and something to eat," he said.

The venue would also be a backdrop for independent film makers to show films, Mr Berger said.

The offering will include baby-friendly sessions and cheap Wednesdays.

Making sense of the Aussie – it's all a matter of balance

HAS the recent weakness in the US dollar surprised you?

Has the strength in the Aussie dollar had you scratching your head at all?

To many, including your author, these moves have been counterintuitive to some degree. So what could possibly be pushing the greenback down and the Aussie up?

For answers, the teachings of Professor Michael Pettis are strongly recommended.

In his outstanding book *The Great Rebalancing*, Pettis points out that: "The classic explanation of the origin of crises in capitalist systems ... points to imbalances between production and consumption in the major economies as the primary source of monetary instability".

While Pettis was giving



THE SHORT CUT
with **ANDREW MACKEN**

consideration to the underlying drivers of the global financial crisis, these same imbalances exert force on global currencies.

Pettis goes on: "Imbalances in one country can force obverse imbalances in other countries through the trade account".

The link between domestic savings, domestic investment and a country's current account — a measure of the flow of transactions between the country and the rest of the world, including trade, financial income and transfers — is not immediately clear and often counterintuitive.

Pettis explains this as

follows: "Every country's current account surplus is by definition equal to the excess of domestic savings over domestic investment.

"If a country saves more than it invests domestically, these excess savings must be invested abroad, and one of the automatic consequences of net foreign investment is an excess of exports over imports."

So to recap, a country's domestic growth is driven by three sources: (1) domestic consumption; (2) domestic investment; and (3) net consumption and investment from abroad — which is the current account surplus. And

it is the change in the current account that acts as a force on a country's domestic currency: an increasing current account corresponds to increased demand for a country's domestic currency; and vice versa.

Cue the US fiscal stimulus. In recent weeks, President Donald Trump has signed into law at least \$US1.5 trillion of unfunded tax cuts over the next 10 years; as well as the next budget deal, which will add around \$US300 billion of new unfunded government spending over the next two years.

This fiscal stimulus will likely increase domestic consumption significantly.

At a minimum, it is a direct increase in "government consumption", though household consumption will likely increase as well, given

short-term income tax cuts for many Americans combined with a positive wealth effect from the booming stock market.

A consequence of a strong increase in domestic consumption is, logically, a significant decrease in the national savings rate.

Meanwhile, there is a strong argument that domestic investment will increase. In part, this is due to the favourable tax treatment (full expensing) of new domestic capital investments for the next five years under Trump's tax reforms.

Combining the two would result in a declining savings rate combined with an increased investment rate.

This would equate to a larger current account deficit. And recall, if the US increases its current account deficit,

then other economies must, by definition, increase their current account surpluses.

An increasing current account deficit would likely push the US dollar down in the near-term. What does this mean for the Aussie dollar?

Well, given the US economy is around 16 times larger than Australia's, our current account is highly sensitive to changes in the US current account.

A significant blowout of the US current account deficit could well lead to some reduction of Australia's.

And this in turn, could explain some strength in the Aussie dollar we are currently experiencing.

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