

## GERRY HARVEY'S LAMENT

# I've got a shop in every town, and it's tough

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■ RETAILING  
Vanda Carson

THE era of double-digit sales growth is well and truly over at electrical and homewares retailer Harvey Norman, with real sales growth – discounted for inflation – almost grinding to a halt in the past three months. And the future is looking grim.

Analysts had been expecting a big slowdown.

The company yesterday posted better than expected sales of \$1.43 billion for the three months to the end of June, an increase of 5.2 per cent.

But ignoring inflation, real sales growth in the three months to June came in at just 0.7 per cent, only slightly higher than the 0.4 per cent real sales growth in the three months to March.

Sales at stores open more than a year grew by 3 per cent in the past quarter, down from 9.5 per cent in the last three months of last year and 6.9 per cent in the first half of 2007-08.

In the first half of 2007-08, sales grew at 12.4 per cent.

The executive chairman, Gerry Harvey, said that sales had slowed since January as the high interest rates and petrol prices took their toll.

While sales were reasonable in July, Mr Harvey said he was concerned about what would happen between now and Christmas.

"I am not looking forward to July to December because I think we are going to have a more difficult period than we



Gerry Harvey ... 'There's a lot of pressure on.' Photo: Rob Homer

have had for a very long time." He said retailers would be battling just to produce flat sales growth. He said that he was in a unique position to gauge the climate because of his 254 company-owned and franchised stores nationwide.

"No one's got a better barometer on the economy than I've got, because I've got a shop in every town in Australia," he said.

Consumer spending is at a 16-year-low already, Westpac has said, and the National Australia Bank has forecast that the economy will grow by just 1 per cent in the 2009 calendar year, excluding growth in mining and farming.

Mr Norman said suppliers had warned that other furniture and

electrical retailers were also finding it tough.

"There's a lot of pressure on out there, and I know that a lot of suppliers have got a lot of retailers on stop-credit," he said.

Stop-credit is used by suppliers when retailers are behind in paying for their goods.

"If we are going to find it a bit hard, I know that most of our competition are going to find it a lot harder," he said.

"In some respects if things got really tough between now and the next year or two, that would be very good for us – we would drop but our opposition would fall over."

The company was already using the downturn to grab market share and was reassured by the fact that income from sales was holding up, considering the constantly falling prices in the technology sector.

But Mr Harvey said he was confident that while shoppers were tightening their belts, they would not stop shopping while employment levels were high.

He said the key categories of bedding and furniture were "holding up" although sales growth of anywhere from 1 to 3 per cent was considered good.

He said rivals were struggling to sell non-essential homewares to shoppers, who were on the lookout for bargains – or not even venturing into stores.

"We all say to each other, 'How's business, mate?' and everyone says, 'Oh shit, it's a lot quieter'."