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15 August 2007

Ms Philippa Kelly
Executive Director
Bulky Goods Retailers Association
PO Box 78
North Balwyn VIC 3104

Dear Philippa,

INFORMATION FOR SUBMISSION TO PRODUCTIVITY COMMISSION REVIEW OF THE MARKET FOR RETAIL TENANCY LEASES IN AUSTRALIA

The Productivity Commission is currently carrying out a review of the market for retail tenancy leases in Australia. We understand that the Bulky Goods Retailers Association ("BGRA") is preparing a submission to the inquiry and it requires some background information to assist in the preparation for the submission. Deep End Services has been commissioned to provide this information, with a focus on two key issues:

1. The rate at which bulky goods stores have opened within Australia during the past few years; and
2. The corresponding rate of sales growth recorded by bulky goods retailers in comparison with sales growth recorded by the balance of the retail marketplace.

1. Store openings

The attached **Chart 1** sets out numbers of stores operated by some of Australia's largest listed bulky goods retailers. The chart shows that the total number of stores operated by the chosen retailers has grown strongly as follows:

- 2004 548
- 2005 610
- 2006 695
- 2007 758



Indeed, the average number of stores operated by these retailers has increased at an average rate of 11.4% per annum between 2004 and 2007.

We have also estimated the total floorspace occupied by these stores and this has increased from 1.25 million sqm in 2004 to 1.66 million sqm in 2007. The increase – 414,000 sqm – is equivalent to the amount of floorspace contained within more than 5 typical regional shopping centres.

2. Bulky goods sales

Chart 2 sets out sales change data for two of the key categories of Australian bulky goods retailers:

1. Furniture & floor coverings – Domayne, Freedom, Fantastic Furniture, IKEA, Nick Scali, Oz Design, Plush etc
2. Domestic appliances & recorded music – Betta Electrical, Clive Peeters, Dick Smith, Godfreys, Harvey Norman, JB Hi-Fi, Retravision, The Good Guys etc.

The chart also provides sales change data for the most valid comparison category which is all non-food retailers excluding those operating in the household goods sector (which includes bulky goods retailers).

Chart 2 shows that sales growth recorded by retailers operating in the two key bulky goods categories has consistently outpaced growth recorded by other retailers. Average growth for 2001-2007 has been as follows:

- Furniture & floor coverings 9.0% per annum
- Domestic appliances & recorded music 8.7% per annum
- Non-food excluding household goods 5.4% per annum

The sales increases recorded in the bulky goods categories are even more impressive when the generally buoyant state of the Australian retail market during the past six years is considered.



Conclusion

Australian consumers have demonstrated a healthy appetite for the bulky goods sector during the past six years. Retailers have responded to this by opening many new stores in a variety of locations in metropolitan and non-metropolitan markets around Australia. The result has been sales growth in this sector outpacing sales growth in the remainder of the retail sector by at least 3% per annum.

I trust that this satisfies your requirements at this time but please call me on (03) 9696 6196 if you should wish to discuss any issues raised in this report.

Kind regards,
DEEP END SERVICES PTY LTD

A handwritten signature in black ink that reads 'Justin Ganly'. The signature is written in a cursive, flowing style.

JUSTIN GANLY

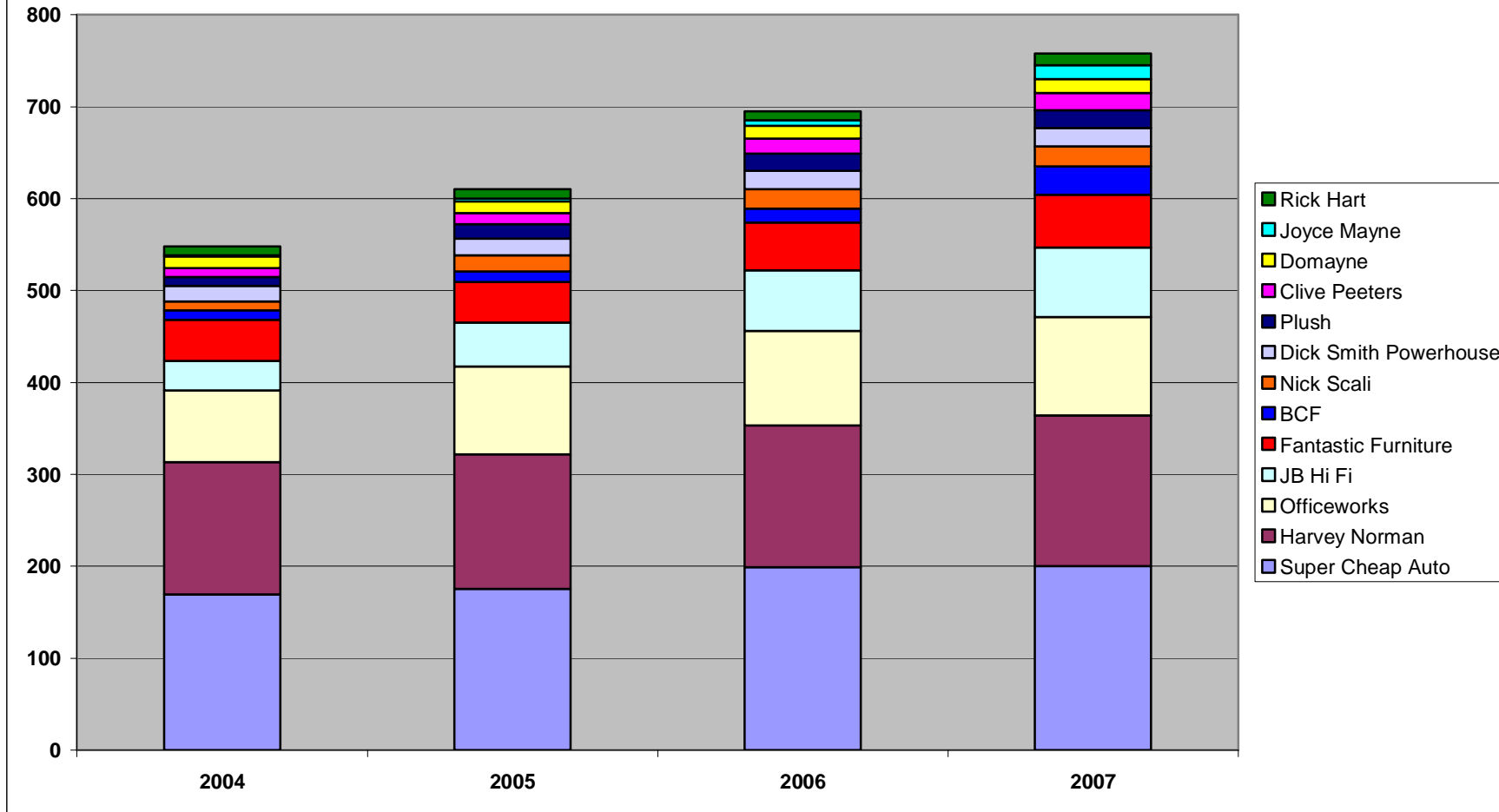
About Deep End Services

Deep End Services is an economic consultancy business formed in June 2003 and now consisting of three professional staff and one contractor. Deep's managing director is Justin Ganly who has more than ten years of retail economics consulting experience at KPMG, Coopers & Lybrand and Coles Myer. During this time, Justin developed sales forecasting models for a range of large scale retail outlets including Bunnings, Big W, Kmart, Target, Myer, Coles, Bi-Lo and Franklins. He also worked extensively with Fly Buys data during his time at Coles Myer and used this to gain an insight into the customer distribution patterns for new stores and impacted stores.

Deep provides economic consulting services to leading Australian and New Zealand retail clients such as The Good Guys, Capt'n Snooze, Barbeques Galore, Mitre 10 and Harris Scarfe as well as to property owners and developers such as Macquarie Bank, Stockland, Valad, Becton, Austexx, MAB Corporation, Walker Corporation, Harvey Norman and Pivot Group.

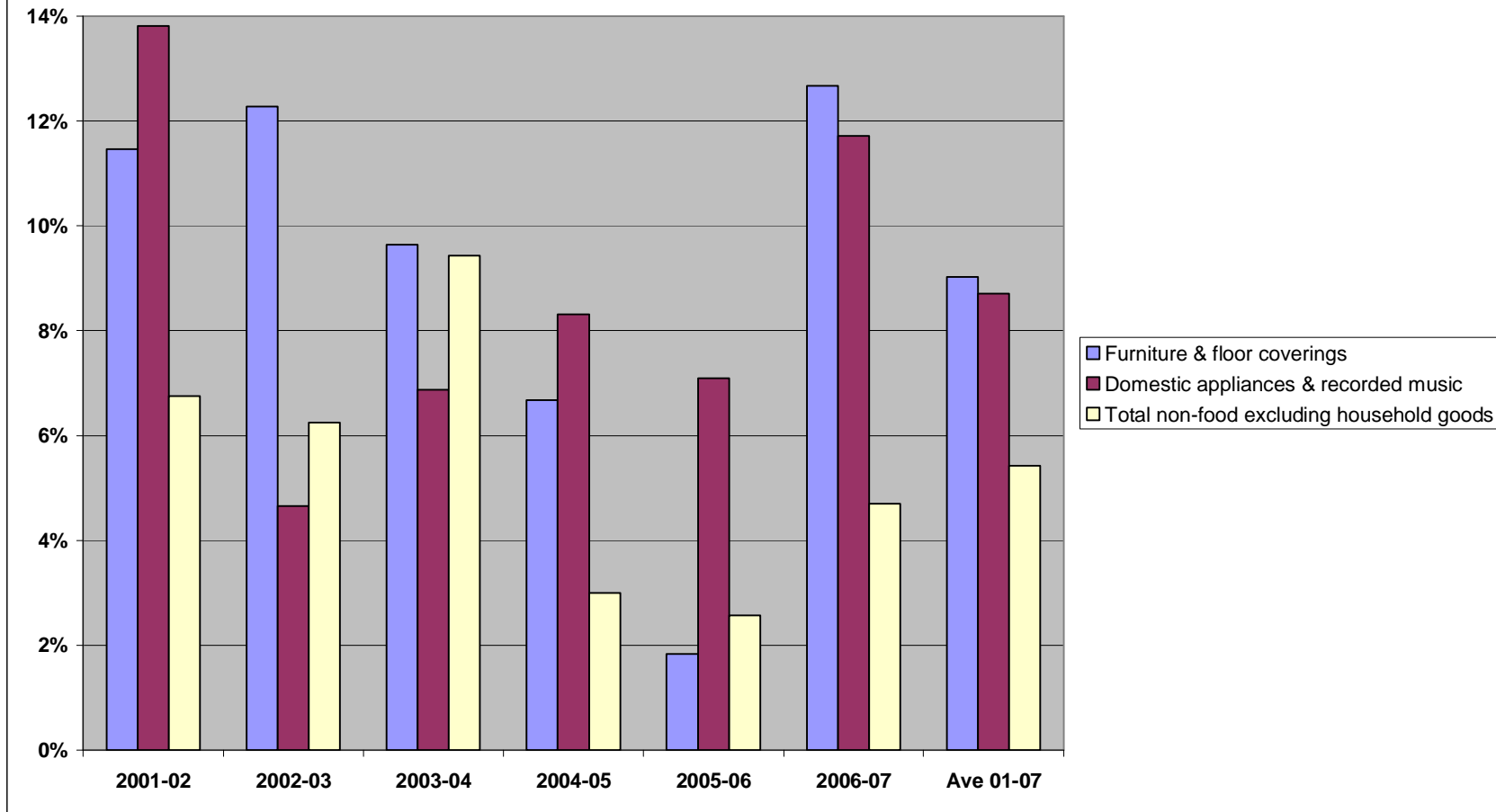
For further details please see www.deependservices.com.au

Chart 1 - Numbers of selected bulky goods outlets



Source: Annual reports, various web sites

Chart 2 - Sales change of selected retail categories



Source: Australian Bureau of Statistics