

FAIR WORK COMMISSION

FWC MATTER NO: AM2014/270

Modern Awards Review 2014

Award: General Retail Industry Award 2010

Award Code: MA000004

STATEMENT OF HEATH GODDARD

On Monday, 10 August 2015, I, Heath Goddard, Managing Director in the State of Queensland say:

1. I am the Managing Director, founder and owner of Pillow Talk Pty Ltd trading as Pillow Talk.
2. Pillow Talk commenced operation in or about 1977 and now operates approximately 56 stores throughout Queensland, New South Wales, the Australian Capital Territory and Victoria.
3. In my role Managing Director I have ultimate responsibility for the operations of the business including matters involving employment relations, together with the productivity and profitability of the various retail establishments.

Pillow Talk Retail Operations

4. Pillow Talk is a leading Australian homewares retailer specialising in home linens.
5. Pillow Talk is a family-owned business that has been operating for over 38 years and is still 100% Australian owned.
6. Despite Pillow Talk enjoying relative business success and continuing to grow this has been achieved against a difficult trading environment which has impacted upon our success.
7. These factors include, but are not limited to, increased competition through both domestic and international retailers, eroding sales lost to online retailers, exchange rate fluctuations which have dramatically impacted the price at which stock is acquired, and increased costs in all areas of our bricks and mortar retail operations.

8. Pillow Talk currently operates approximately 56 retail stores and employees approximately 557 employees across those retail establishments, together with many more employees within the businesses head office, warehouse and distribution centres.
9. The Pillow Talk retail workforce is made up of approximately:

Category	Number
Casual	440
Part time	12
Full time	105

Industrial Regulation & Use of Labour

10. Employees working in our retail stores are covered by the *General Retail Industry Award 2010* ("GRIA").
11. We structure our use of labour on the basis that Store Managers are required to operate within an established labour budget, and the business manages Store Managers' performance, at least in part, on this.
12. The way the business does this is to estimate, based on historical sales data and marketing initiatives which may be taking place at that point in time, the likely sales in each store and budgets a number of hours across the week. This includes budgeting for the number of hours available on Sundays.

Sunday Trading

13. Pillow Talk trades across all seven days of the week in the majority of our retail stores with the exception of only 1 store which does not trade on Sunday due to, in part, cost of wages not being commensurate with turnover on that particular day.
14. In the event that Sunday penalty rates were reduced, being the single most significant cost factor impacting upon Sunday trade, I would re-evaluate the trading hours of this particular store to determine the viability of trading on Sunday's so as to meet the service expectations of our customer base.

15. Through our sales figures we have observed that customers generally want to be able to access our stores on Sundays.
16. For the purpose of this Statement a detailed analysis has been undertaken of 21 stores which currently trade on Sundays and which were also in operation and trading in 2009, being a date prior to the introduction of the modern award system (the "**Sample Data Set**").
17. For the purpose of this detailed analysis a sample 4 week reference period of Monday, 1 June 2009 to Sunday, 28 June 2009, and Monday, 1 June 2015 to Sunday, 28 June 2015 was taken (the "**Sample Period**").
18. I am of the view that this sample reference period provides a fair and accurate account of our trading experience, however, significantly also provides clear examples of how the business has responded to increased costs within an extremely difficult retail trading environment.
19. The following table represents the contribution of each day of the week to our overall sales of the Sample Data Set over the Sample Period (which has been rounded to the nearest whole percentage):

Day	Mon	Tue	Wed	Thu	Fri	Sat	Sun
% of sales	12	11	12	14	14	22	16

20. Accepting for minor variations our retail stores within the Sample Data Set typically operate over the following times:

Day	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Time	9.00 – 5.30	9.00 – 5.30	9.00 – 5.30	9.00 – 7.00	9.00 – 5.30	9.00 – 5.00	10.00 – 4.00
Hours	8.5	8.5	8.5	10	8.5	8	6

21. The importance of Sunday trade to Pillow Talk is better represented in terms of sales per hour, as Pillow Talk operates shorter trading hours on Sundays than on other days. The table below represents average hourly sales figures across the Sample Date Set over the Sample Period:

Day	Mon	Tue	Wed	Thu	Fri	Sat	Sun
\$/hour	\$21,187	\$19,380	\$20,739	\$21,375	\$24,862	\$41,058	\$41,610

22. Regardless of these figures the profitability of Sunday trade is marginal given the significantly higher wage costs. The significance of this is highlighted when adult casual employees, who make up the majority of our weekend workforce, who receive an additional \$12.34 per hour when compared with Saturday rates of pay.
23. From this information it would be assumed that the business would engage a greater number of employees to work on a Sunday given the significance that customers place upon that day, however, as a direct result of the higher wage costs on a Sunday the business has taken active steps and measures to minimise the total volume of work performed on a Sunday. This is shown within the table below, which represents the volume of work performed each day of the week as a percentage of total hours worked across all retail establishments across the Sample Data Set over the Sample Period:

Day	Mon	Tue	Wed	Thu	Fri	Sat	Sun
% of hours	14	14	14	18	16	14	10

Comparison of store hours

24. Within the retail establishments contained within the Sample Data Set it is evident that the total volume of hours worked over the Sample Period has reduced significantly from 24,482 hours in 2009 to 20,421 hours in 2015.
25. This reflects a total reduction of 4,061 hours which has largely arisen given the significant increase in staffing and operational costs from 2009 to 2015. Given the extremely competitive and volatile environment in which all retail establishments currently operate Pillow Talk is unable to pass these increased costs onto consumers meaning that Pillow Talk has had to look at all areas of its cost base to reduce costs

and improve productivity in order to maintain profitability and ensure the viability of the business. Naturally staff and wage cost are not immune from this consideration.

26. While there has not been a reduction in total hours worked on a Sunday over the Sample Period, the business has recently implemented a policy to alter the roster structure on a Sunday to generally cap hours worked by any given employee at 5 hours to avoid having to provide staff with an unpaid meal break and necessitating rostering an additional team member to work on that day to cover rest periods.
27. In addition the business is effectively operating a roster system that results in Sunday now effectively being a "service only" day. This means that the number of employees working on a Sunday is kept to an absolute minimum restricting them to selling activities only, to the exclusion of merchandising, stock, cleaning and administrative tasks.
28. From this it is clear that Sunday wage rates are resulting in significantly lower levels of employment/engagement on that day.
29. As a service orientated business it is unfortunate that Pillow Talk is unable to provide the desired level of service to our customers who choose to shop on a Sunday given the prohibitively high cost of wages. It would be our preference to increase our staffing levels on Sundays to ensure the customer experience is of a high level and we can maximise sales.
30. In the event that the costs of doing business continue to increase, including wage costs, the business will eventually need to make difficult decisions concerning the viability of trading on particular days of the week which would result in a reduction in hours provided to employees and/or the direct loss of employment.

Impact of reduced penalty rates

31. In the event the Sunday penalty rate were reduced from its current level of an additional 100% to an additional 50% Pillow Talk would almost certainly provide more hours of work to existing employees and/or engage new employees. In the 21 stores that were part of the Sample Data Set alone 2072.5 hours were worked on Sundays. For those stores, a reduction to a 50% Sunday penalty would mean that 936.25 additional ordinary hours of work could be put into those stores without any impact on labour cost percentages.

32. While I am unable to exactly predict the increase in employment and/or the volume of additional hours which would be provided to employees, Pillow Talk would not simply look to accept the labour cost savings and keep hours in stores at current levels. As a customer service focused business, and given the relative importance of Sunday as a trading day, the business would like to add greater staffing volume on Sundays and a reduction in Sunday labour costs would provide the business with the opportunity to do so.

Signed by Heath Goddard

at Darra, Queensland

on Monday, 10 August 2015



Signature