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Debt has a bad name. Polonius said “neither a borrower nor a lender be” (Hamlet Act 1. Sc 111) Election campaigns are highlighted by particular parties claiming that they will reduce and eliminate debt whilst saying that their opponents have run up huge debts. Throughout history money lenders have been vilified and banks are not popular institutions.

However borrowing is quite common and indeed is essential for a well functioning society. About 72% of Australian households have debt and the Federal Government for example has a debt to GDP ratio of 37% (up from 10% in 2008) Most businesses have relied upon debt to fund their establishment, and for expansion and operations.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Role of borrowing</th>
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</thead>
<tbody>
<tr>
<td>Governments: Local, state and federal</td>
<td>Fund long term infrastructure, meet emergencies, e.g. financial crisis, external threats, and invest in areas such as education that will improve productivity. The Australian debt to GDP ratio is quite low compared to 177% in Greece.</td>
</tr>
<tr>
<td>Businesses: sole traders to large corporations</td>
<td>Businesses gear (borrow) to become established and to expand. If the return on the investment is higher than the rate of interest, borrowing is a sound business practice. Borrowing has taxation advantages and avoids diluting ownership.</td>
</tr>
<tr>
<td>Private: Households and individuals.</td>
<td>Borrowing is usually essential to purchase homes and expensive items such as cars. Borrowing also enables wealth creation such as investment properties. Student loans also increase long-term earning capacity</td>
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A debt is the amount that is owned when funds are borrowed. This is made up of:

1. The principal, the amount borrowed
2. Interest, the additional amount that is due, i.e. the cost of the loan.

The rate of interest will be influenced by factors such as:

- The length of the loan, usually the shorter the length of the loan the higher the rate of interest.
- The value of the security offered to safeguard the loan, e.g. land and buildings.
- The perceived risk of the loan, (the chances that the loan will be repaid in full and on time).

Usually the higher the risk, the higher will be the rate of interest. Governments with a Triple A rating plus well established businesses and, individuals and households with security will incur lower rates. Individuals with little or no security and with low paid and insecure employment and who may have a poor credit history usually pay much higher rates of interest. There have always been marginal sources of loans for such borrowers e.g. pawnbrokers, however in recent years there has been a growth in institutions that lend, at high rates of interest, to such borrowers, often with severe social and economic consequences.

### Student activities

1. Suggest why “debt” often has a bad name
2. Outline the positive roles of borrowing in the community.
3. What factors influence the fact that some borrowers pay a higher interest rate than others?
4. The Australian Government can borrow at a low rate of interest. Why might this be so?
Household debt in Australia

Economist Steven Keen suggests that the ratio of private debt to GDP is 210%, up from 180% in 2007. Over the last 20 years average household debt has ballooned. Taking into account inflation, the level of debt has increased four times since 1987. It is now on average $250 000 with annual growth of 5.3% above inflation, which is much above the income growth of 1.3%. Australia ranks 5th in the household debt stakes. This is well above the U.K. ($140 000), U.S.A. ($100 000) and Germany ($75 000).

Household debt has helped increase wealth and has made possible the purchase of high value assets such as the home. This however has been at the cost of increasing the ratio of loan repayments to income. Surprisingly the vast majority of households have been able to cover these repayments. The level of outstanding debt (90days) is less than one half of one percent. Low interest rates, relatively stable employment and prudent bank lending policies have helped. However if (undoubtedly when) interest rates rise and growing inequality and increasingly precarious work environments begin to take effect, many Australian household will face increasing financial stress. Average statistics also hide a significant number of households already experiencing financial stress with its associated social and health costs.

Composition of Australian Household Debt:

<table>
<thead>
<tr>
<th>Income Quintile</th>
<th>Student %</th>
<th>Mortgage</th>
<th>Credit Card</th>
<th>Investor</th>
<th>Personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 (lowest 20%)</td>
<td>2.3</td>
<td>54.3</td>
<td>2.2</td>
<td>37.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Q2</td>
<td>3.3</td>
<td>63.4</td>
<td>3.1</td>
<td>26.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Q3</td>
<td>2.7</td>
<td>62.8</td>
<td>2.2</td>
<td>28.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Q4</td>
<td>2.3</td>
<td>61.1</td>
<td>1.8</td>
<td>31.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Q5 (highest 20%)</td>
<td>1.5</td>
<td>49.5</td>
<td>1.5</td>
<td>44.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Age
- <30: 8.3, 58.3, 1.5, 26.6, 5.4
- 30-50: 1.3, 62.8, 1.6, 31.7, 2.6
- 50-65: 2.2, 45.9, 2.2, 46.3, 3.4
- 65+: 3.0, 28.2, 5.0, 39.7, 5.1
- All: 2.1, 56.3, 1.9, 36.5, 2.1

(Source: ABS Survey of Income and Housing) 2014

Some observations:
• Homes and investments(mainly properties) are 92.8% of total loans
• Mortgages are more important for the Q2-Q4 income groups, investor properties are highest for the Q5 income group
• Credit card and personal debts are highest for the Q1 and Q2 income groups
• Credit card debt is high for the over 60s but they are more likely to repay early without incurring any interest.
• Student loans are higher for the under 30s and who are in the Q2 and Q3 income groups.

Traditionally individuals and households borrow from the major banks and credit unions, this is still the case for most. People with few resources, low and precarious incomes and perhaps with poor credit histories have difficulties borrowing from these institutions. Since 1998 Payday lenders have been targeting this section of the community. Rent/Buy businesses have been operation for much longer.

Such institutions target people in immediate need of cash, typically they have few or no financial resources, and they have very few options. Severe problems develop when they miss a payment and a penalty is incurred, another loan is necessary and the spiral begins. A major difference between the loans and financial arrangements of this section of the community and the more financially well off is the level of interest that is paid. This makes the loan so much more expensive.

Student activities

5. Australian households generally carry quite high levels of debt. Why might this be so?
6. Despite the relatively high levels of household debt, most Australian households can service their debts. Suggest the reasons for this.
7. What are some of the potential problems that exist in the long term for household debt?
8. Contrast the debt situation for the bottom and top quintile income groups, and as well for the under 30s and the over 65s.

The poor pay more to service their debts.

The financial institutions targeting the financially less secure have grown from a fringe financial sector with a small number of operators serving the desperate to a large mainstream industry actively exploiting vast numbers of Australians. These businesses have been labelled by some as Poverty Profiteers.

Who are we talking about?

The most exploitive part of the financial sector operates in these main areas:

1. Payday loans: Companies such as Cash Converters, Nimble, Cash Train, Money 3 and Wallet Wizard offer short term loans (often for only several weeks) of relatively small amounts (average $420) to financially stressed low income people. 60% of Money 3 customers for example are Centre Link recipients. Many of these people have been rejected for other loans. Interest rates are high and were often over
250% P.A. Security is the contract that money will be deducted from the borrower’s next pay.

The roll-over trap

The real annual rate of interest for pay-day loans is extremely high. However what can really cause a problem for low income borrowers is their inability to repay the loan by the due date. This necessitates another loan to repay the original loan. This associated loan has another establishment fee. This compounds the amount owing and can lead to a disastrous spiralling debt trap.

2. Renting appliances: Companies such as Radio Rentals rent appliances such as fridges to clients who cannot afford the up-front price. The ultimate cost to the client is quite high. A fridge from Rent4Keeps would cost $4800 over three years. The same fridge only costs $1140 at Good Guys. This is a 300% mark-up.

ABC News: “Radio Rentals made $90m from Centrelink payments”

Centrelink payments made up almost half of the white goods leasing market leader Radio Rentals income last year the ABC revealed. This amount came directly from the federal Department of Human Services through the direct debit Centrepay system.

This system was originally designed to help Centrelink customers budget. Money could be directly debited from their bank accounts to nominated businesses. In recent years over 12% of all Centrelink payments went towards the rental of household goods.

Customer action Law Centre chief executive Gerard Brody said it was scandalous that Radio Rentals enjoyed such business security from the welfare system.

3. Credit repairs: Businesses such as Debt Cutter offer to repair a client’s bad credit record. There is usually an up-front charge. What is done by the company could be done by the client themselves for nothing. If a client has a current bad credit history there is really nothing that can be done apart from developing a history of paying on time. The company simply compounds the debt problem.

4. Credit card minimum payments: This area of financial exploitation is carried out by the major banks such as Westpac and the Commonwealth. People in financial stress are given the option to make minimum payments. The interest rate on the outstanding amount is, exceptionally high, usually over 17%. The average interest paid by card holders per year is $700.

Avoiding the Credit Card Sting

Bessie Hassam from finder.com.au says card users with the means should pay their credit card debt as soon as possible.

If a consumer with an average credit card debt of $3073 paid the minimum repayment of $62 it would take 24 years to settle the debt with a total interest bill of $6 000. If the amount paid was increased to $112 the debt would be paid in three years with only $867 in interest. If the debt was paid at the end of the month the interest would be zero.

Why has the problem of loan exploitation grown?

These marginal and often mainstream, financial companies are taking advantage of changes in economic and social conditions, changing technologies, and rather weak legislation. They have seen a market opportunity and have exploited it.

Contributing causes of the problem include:

• There has been a gradual weakening in the community of the reluctance to take on credit.
• Growing consumerism has given people a feeling that they have an entitlement to a wide range of products.
• More people are in insecure employment and so have trouble borrowing from traditional sources.
• There is increased financial stress due to low wage growth and higher mortgage and rent payments.
• Government regulations and sanctions are too weak. The proposed regulations of the Gillard Government have been watered down. Fortunately Finance Minister Kelly O’Dwyer has recently announced new
Debt becomes a severe problem for households when they cannot afford repayments. The higher interest rates paid by the less wealthy increases their level of financial stress. The ABS takes into account the following when gauging household stress:

- Could not raise $2,000 in one week
- Could not pay electricity bills on time
- Could not pay registration/insurance on time
- Had to sell items
- Went without some meals
- Could not afford to adequately heat the house
- Sought financial assistance from welfare or community groups

- Sought financial assistance from family or friends.

According to these criteria 25% of households experienced at least one period of financial stress in the last year. In the lowest financial quintile this was 40%. For single parents the incidence of financial stress was 65% and renter families have far more financial stress than those with a mortgage. In general low income families are six times more likely to experience financial stress than high income families.

Among the top 10% of indebted households the debt/interest repayments to income ratio was a staggering 60%. This leaves very little disposable income to maintain a sustainable family life.

Fact box

- Over $400m in pay day loans were granted in 2014
- 1,136 businesses operate in these fields. Major banks such as Westpac have funded these operations
- 54% of customers have had two or more loans in the last 90 days
- Effective interest rates at one time could exceed 240% P.A.
- There has been a 125% increase in loans since 2011. This is the fastest growing sector of the finance industry.
- 77% of Australians favour increased government restrictions and regulations in this areas
- There has been a 60% increase in new online customers in 2014
- Over 33% of customers become long term clients.

Can this debt treadmill be broken?

The AMP/NATSEM report into household debt concludes that:

“Financial stability in Australian households will ultimately rest in their own hands; they must take appropriate levels of debt, relative to their incomes.”

Such a simplistic conclusion is based upon the assumption that people are personally responsible for their own poverty and if only they worked harder, and made more responsible decisions all would be well. Such a view totally ignores the structural, social, historical, institutional and societal forces that help to inflict poverty

Student activities

9. Do you consider the term “poverty profiteers” valid?

10. Suggest why vulnerable borrowers may get caught in the “roll-over” trap.

11. Why are some Centrelink recipients and some other low income groups more likely to be customers of businesses such as Radio Rentals and Rent4Keeps than those with higher and more secure incomes?

12. Write a letter to a friend outlining why it is important for them to pay their credit card debt as soon as possible.

13. List five major reasons why the issue of loan exploitation has grown. For each reason suggest a possible remedy.

14. Describe the symptoms of household financial stress. What groups tend to be the most likely to suffer from financial stress?
upon particular households. Individuals and households with resources and secure employment are able to shop around and negotiate competitive terms and rates. Those less advantaged often find themselves in desperate situations and due to their circumstances, are shunned by mainstream lenders as they are considered too “risky”. They then become vulnerable to the exorbitant terms of the marginal providers.

Long term sustainable strategies to reduce the exploitation of the disadvantaged include:

- Provide other options for people in financial hardship
- Reverse the trend towards casual and insecure work.
- Ensure that the minimum wage and social service benefits at least keep pace with average wages.
- Introduce measures to make housing more affordable e.g. examine negative gearing and capital gains tax concessions.
- Improve the levels of financial literacy in the community.
- Implement programs to change attitudes to consumerism and the use of credit facilities.

It is unlikely that Australia is going to progress to become a more just, fair and equitable society in the next few years. Immediate short term actions are needed now. Immediate short term actions would be to tighten regulations and increase resources to regulatory agencies and increase penalties for non-compliance of these tighter regulations. A bright note is that a class action against Cash Converters resulted in $24m being returned to clients due to false advertising of actual interest rates. Another bright note is that due to new federal regulations unscrupulous companies will not be able to charge up to 880% interest on consumer leases for white goods. The response from the Consumer Household Equipment Rental Providers Association (representing the leasing companies) was a statement that 380 small businesses would be destroyed and 1500 jobs lost, (most likely debt collectors and enforcers.) It is unethical to entice people to commit to loans that cannot realistically be serviced. If the profitable business model of these marginal lenders is to exploit societies’ most exploitable, government is duty bound to restrict their activities.

Student activities

15. Do you agree with the conclusion from AMP/NATSEM relating to household debt?
16. Write a 1-2 page letter to your local Federal member outlining why tighter regulations should be introduced to deal with the marginal loan situation.
17. Watch the ABC Four Corners program that was originally shown on 30/3/15 (www.abc.net.au/4Corners) Prepare a 2-3 page summary and review of the program.
18. Outline a range of government, non-government, not for profit and community based borrowing options for low income families. (e.g. amooney@microfinance.org.au)
19. Discuss the role of changing technology in the increasing uptake of high interest loans.

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Smiggle, a word that combines the words ‘smile’ and ‘giggle’, is a stationery retailer popular with the ‘tween’ market (8-12 year olds). It was founded as a private company in 2003 by Stephen Meurs and Peter Pausewang. After 20 or so stores had opened across three states, the Just Group (owner of Just Jeans, Jay Jays, Dotti, Jacqui E, Portmans and Peter Alexander), a public company listed on the ASX, added Smiggle to their portfolio in 2007. Just a year later, Premier Investments, another ASX listed company, took over Just Group. Smiggle has grown from a single Melbourne store in 2003 to being a global business today with stores in the UK, Malaysia, Singapore, Hong Kong, New Zealand and Australia.

It has successfully tapped into a niche market of an industry that had been virtually immune to the influence of fashion by marketing Smiggle stationery into the tween craze it is today.

Finance
The financial depth of Just Group, and then Premier Investments, enabled the global expansion of Smiggle on a grand scale. In 2008 Smiggle opened their first New Zealand store, in 2011 they opened in Singapore and in 2014 an ambitious launch into the UK market commenced. They aim to have 200 stores in the United Kingdom by 2019. The first of 50 planned Malaysian and Hong Kong stores were opened in 2016, making a total of 239 stores across the world at the end of July 2016. In the last financial year more than half of Smiggle’s revenue of $188 million was generated outside Australia. Also, the Sydney Morning Herald (18 March 2016) reported that Premier Investments “had kept costs under control through a disciplined approach to labour, rents and inventory management”. Increased revenue and steady costs mean greater profits. Although Smiggle is helping Premier Investments to increase its retail profits, dividends paid to shareholders have only increased slightly. The retained profits (the profit left in the company after dividends are paid) are being used to finance the global expansion of Smiggle and Peter Alexander.

Marketing
Smiggle always intended to be retail sellers but while they looked for suitable store locations, they promoted their products at trade fairs with the hope that they could also enter the wholesale market. They were pleasantly surprised by the positive reaction at these trade fairs and in the early years Smiggle products could be purchased at Myer and Australia Post. Smiggle products are still stocked at Australia Post but they are not entering any further wholesale arrangements. They opened their first retail outlet in South Yarra (Melbourne) on the Chapel Street shopping strip, a second store at Southland Shopping Centre and then rapidly increased their number of stores to approximately 200 stores today. The stores are primarily located where there is a high amount of foot traffic. They are small but jam-packed with brightly coloured goods which consumers are invited to touch and examine in detail. Nag appeal plays an important role at Smiggle, meaning that when children accompany parents and grandparents when they are shopping, they pester to go inside. In fact, children are often promised Smiggle products in return for good behaviour during a shopping expedition, since adults tend to view stationery rewards as a better option than fast food bribes. They also think it will be a cheap reward. By having a high range of cheaper items, consumers think they can buy something small to make their child or grandchild happy but the average final sale price is over $20. A handful of products adds up very quickly. Products are also packaged on a theme basis, such as a journal kit and an activity pack. The individual items would cost more if purchased separately but together purchasers could be buying more than they originally intended. The packs also make it easier to buy birthday presents.

Originally, Smiggle thought their products would appeal to 14-25 year olds but have since expanded the target market to a greater range of ages. However, the tweens are the heart of the target market. The theory is that tweens are attracted by the bright and funky colours (focusing on the core colours of purple, pink, blue, green, black, white and more recently, orange) and the various themes applied to a range of products. Unicorns are very popular at the moment. The Smiggle name and its logo also could be considered childish, the logo having a scribble or squiggle as the dot of the ‘i’. The
colour scheme, the store layout, the logo and basically everything associated with the branding of Smiggle is consistent on a global scale.

Every week new products are delivered to the Smiggle shops to encourage repeat visits, creating a high turnover of inventory. It is worth noting that although Smiggle is primarily a stationery store, there are many products being sold that would not be ordinarily classified as stationery. The hook for parents may be the stationery but the younger crowd are more often attracted by the toys including yo-yos, glitter balls and bouncy goo. There are also lunch boxes, drink bottles, torches, alarm clocks, lip balm, wallets and keyrings. According to Smiggle’s ‘best sellers’ list, pencil cases are the most popular items but they are not just pencil cases. They are neon or rainbow or snazzy or, for $29.95, a city pop out fan pencil case requiring two AAA batteries (not included). The world of stationery has definitely changed.

Smiggle implements a range of promotional strategies. Over summer they have Christmas advertising, post-Christmas sales and back-to-school campaigns. On Facebook they run competitions, respond to complaints and queries and promote new products. Sales promotions include a free gift for spending over $140 and discounts for buying multiples of particular products (for example, rulers that normally cost $4.95, selling 2 for $7). They also have a loyalty program and a birthday club.

However, the most successful form of marketing has been word-of-mouth, a promotional strategy that Smiggle has very little control over. When Smiggle first came on the scene, it quickly became popular with school children and the FOMO (fear of missing out) effect took over. Now children over the world upload their passion for Smiggle to YouTube so the word spreads even further afield than simply within a school. Examples include:

- A nine minute video of a girl in Hong Kong who received Smiggle products via an online order from Australia in 2013. It has over 65,000 views.
- A 20 minute video of a girl in Thailand whose father was visiting Australia in 2012 so filled an order from Smiggle for her. It has over 125,000 views.
- A 24 minute video of a girl in the UK, Tiana, who presents toy reviews on her own YouTube channel (managed by a parent), ‘Toys and Me’. This video of her Back to School Shopping has her in Smiggle for the first five minutes and has over 5 million views, even though it was only uploaded in August 2016. Her videos regularly feature Smiggle.

Social media influencers like Tiana on YouTube are the modern opinion leaders of the world. Some businesses will advise these influencers of new products coming out in the hope they will provide a positive review. Some businesses pay for positive reviews.

**Competition**

Kikki.K commenced in Australia in 2001 with a simple plain-coloured elegance whereas Smiggle went with a multitude of bright and funky colours. Smiggle also differentiates from kikki.K by having a more extensive range of small, cheap products such as rulers, erasers and sharpeners. Kikki.K has a greater emphasis on notebooks and journals. Hence, these two stationery stores cater for very different tastes and age groups.

Typo, part of the Cotton On group, entered the stationery market in 2009 and slotted fairly neatly between the tween market of Smiggle and the adult women buying kikki.K products. Typo’s sometimes controversial products (including depiction of swear words and references to alcohol and sex) appeal to the rebellious teen market. Additionally, the Wesfarmers (Coles Group) owned Officeworks are offering an increasingly diversified range of designer stationery and there are several boutique online stores, mainly catering for an adult market, for example, NoteMaker and Hello Frankie. Officeworks sells the majority of stationery goods in Australia with Smiggle coming in second place. Newsagents are losing stationery sales rapidly.

**The people**

Stephen Meurs is credited with the original concept of stationery as a fashion concept. He partnered with Peter Pausewang to then develop that concept and Kate Martino to put their plans into action. Their vision and strategic thinking established the tone for the success of Smiggle today. Right up to the time that the Just Group took over Smiggle in 2007, the management team was small (10 people) in comparison to the retail staff (60 people), according to Spicer’s article in Dynamic Business at the time. From the very beginning it is obvious that Smiggle’s management developed the right product and excelled at marketing.

Bright and funky products need to be matched by bright and funky people. The careers section of Smiggle’s website states:

We’re always looking for bright, customer oriented people with retail experience who have a passion for our products, and are SUPER FUN. From store managers to casuals, it’s the Smigglers in our retail team that make Smiggle what it is today! We can’t do it without YOU!

Specific jobs are advertised on the Smiggle website and applicants apply online. The Just Group recruitment process involves an interview which can be on the phone, face-to-face or as part of a group. If a potential employee then passes the interview round, two reference
checks are made and then if these checks go well, a job offer is made. Once someone becomes an employee, there are opportunities for a range of benefits and rewards.

However, the employment relationship does not always go to plan. In January 2016, Nicole Peck commenced as Just Group’s Chief Financial Officer (CFO). She resigned after only five months (May 2016), to take a position with Cotton On. With Cotton On’s head office in Geelong instead of Melbourne, it offered a more convenient location to provide the convenience and flexibility required for Ms Peck to have more time with her children. High executive positions such as CFOs often come with a restraint cause in the employment contract which restricts departing employees from working for competitors over a stipulated period of time. This is to protect the company from the employee taking sensitive information to the new firm. In Ms Peck’s case, a 12 month restriction was placed on 50 brands named in the restraint clause. The list included Cotton On, due to the similarities between Smiggle and Typo. Just Group therefore took her to court for breach of contract. They argued that the information Ms Peck obtained about Smiggle’s expansion into the UK could assist Typo’s similar expansion, to the detriment of Smiggle. It was a legal dispute that lasted six months but one which Just Group lost. The judge ruled that the restraint clause was unreasonable, being too broad in its scope. Ms Peck was finally able to take up her position as Cotton On’s Finance Chief late in December 2016.

A court case like this is costly, in financial terms, particularly because Just Group lost, but also for its reputation since the dispute was widely reported by media.

The Future

Obviously Smiggle continues to grow through global expansion but there is some uncertainty around the impact that Brexit (Britain leaving the European Union) could have. Premier Investments conducted an analysis of the situation after the Brexit vote and concluded that Brexit was more of an opportunity than a threat and are thus continuing with their aggressive expansion.

Included in the UK expansion, is a bigger focus on technology than back in Australia. For instance, the official Twitter and YouTube accounts appear to be managed out of the UK marketing department whereas the main Facebook account is administered in Australia, with a separate account for the UK. There is a possibility that Smiggle could increase their online presence further.

As technology continues to advance, people move from pen and paper to the cloud, and retail purchases across the stationery market industry are thus dropping. However, successful stationery retailers view technology as an opportunity to develop products to accommodate that technology. For example, Smiggle sells bluetooth speakers, headphones and ‘media pouches’ as part of their range. Additionally, the strength of Smiggle lies in its design elements, so it is about identity and lifestyle rather than mere function. While Smiggle continues to appeal to its young target market, its success will also continue.

The Just Group is currently operating on the basis of an Enterprise Bargaining Agreement (EBA) that expired in August 2012 (see smh article by Catie Low). Penalty rates covered by the awards system were traded away in this EBA. Many companies with enterprise agreements like this have recently come under scrutiny as to how they passed the Better Off Over All (BOOT) test. The Fair Work Commission applies the BOOT test to enterprise agreements to ensure employees have a better arrangement under the new agreement than they had under the awards system. Employer associations and business owners (including Lew Solomon of Premier Investments) have been arguing that penalty rates should be removed from the awards system. This would make it easier to keep them out of EBAs. Penalty rates increase employment expenses and thus erode profits. It will be interesting to see the final result of the enterprise agreement currently being negotiated for Just Group employees. Will they be smiling and giggling?

To date, Smiggle has successfully expanded on a global scale and it appears this growth will continue for at least the next few years. There are some obstacles that may appear, including Brexit, changes in fashion and employment costs but for the moment Smiggle’s future looks bright.

Student activities

1. Distinguish between private and public companies.

2. Discuss the advantages a flat management structure may have had for Smiggle in the early years.


4. Discuss the advantages and disadvantages of global expansion.

5. Outline two advantages of businesses promoting their products at trade fairs.
6. Outline two factors that influence consumers to buy Smiggle products.

7. Describe Smiggle’s marketing strategies in terms of the four Ps (Product, Price, Promotion, Place) and evaluate the effectiveness of these strategies.

8. How has technology changed the role of marketing?


10. Smiggle stock their stores with new products on a weekly basis. What are the implications of this for operations management?

11. Discuss various stakeholders’ points of view towards penalty rates.

12. How can employee rewards help a business achieve its goals?

13. Analyse the causes of workplace disputes and the possible strategies used to resolve them.

Resource List


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