

## Pumpkin Patch's problems highlight retail sector challenges

**News of children's clothing retailer Pumpkin Patch going into receivership is another reminder of just how tough it is in the retail sector. The company appointed voluntary administrators in October after succumbing to the issues of falling sales and too much debt.**

Research from Roy Morgan into children's clothing released this month found one of the reasons for the demise of Pumpkin Patch may be the rise of larger retailers such as *Kmart* selling into this space. The research also found that the number of shoppers turning to other companies for children's wear — such as *H&M*, *Aldi*, and *Zara* — could have taken away as many as 95,000 shoppers from Pumpkin Patch each month.

This year has seen a number of brands fail. Another clothing retailer *Meredith & Moore* collapsed into voluntary administration in March after running into cash-flow problems and the issues that led to *Dick Smith's* demise were well advertised.

Jirsch Sutherland has been involved with a number of retail insolvencies of late, including New Zealand-based *Valleygirl*, which had 40 stores across the country, and the Australian retail and supply companies *MHN Trading Pty Limited* and *Hanama Collection Pty Limited*, which respectively traded as *Paper Scissors* and *Chicabooti*.



Stewart Free

[Stewart Free](#), a partner with Jirsch Sutherland, was one of the administrators appointed to handle the troubled businesses. He says *Valleygirl* suffered as a result of a downturn in trade and problems securing stock, which led to difficulties maintaining creditors' payments, notably to landlords.

"The Australian operation suffered because of similar reasons," he says. "We investigated the best options for realising any remaining stock, which included opening a pop-up store in the short term."



Meanwhile, Jirsch Sutherland senior manager **Peter Moore** says the historical issues within the retail sector of operating a bricks-and-mortar store and inventory turn are being compounded by the rise of online shopping in this space.

“Many shops are closing down in Sydney following declining sales and the high cost of rent,” he says. “One of the main causes is the need to compete with online retailers. More people are choosing to buy online and these type of retailers don’t have the same issues around rent and staffing costs.”

There’s no doubt the retail sector is suffering in parts of the country, especially from the competition that is coming in from overseas retailers entering the local market — particularly in the clothing space. As we move towards the Christmas shopping period — a time when most retailers should be feeling confident — it’s understandable that instead many are feeling concerned.

Accountants with retail clients should be watching out for warning signs such as a decline in sales against forecasts, which may result in cash-flow issues. Peter says, “Retailers walk a delicate forecasting line at this time of year, particularly given some of the seasonal stock that is carried. If sales forecasts are not reached, then the retailer can wipe out significant amounts off their bottom line,” he says. “Retailers’ trusted advisers play a pivotal role as a sounding board for building forecasts for this peak trading period.”