HI NEWS

Vol. 2 No. 16

MAKITA'S GLOBAL STRATEGY

INSIDE STORY: WHAT REALLY WENT ON BETWEEN LOWE'S AND WOOLWORTHS AT HYDROX

TRIO WAKES UP LOCK DESIGN WITH PATRIOT

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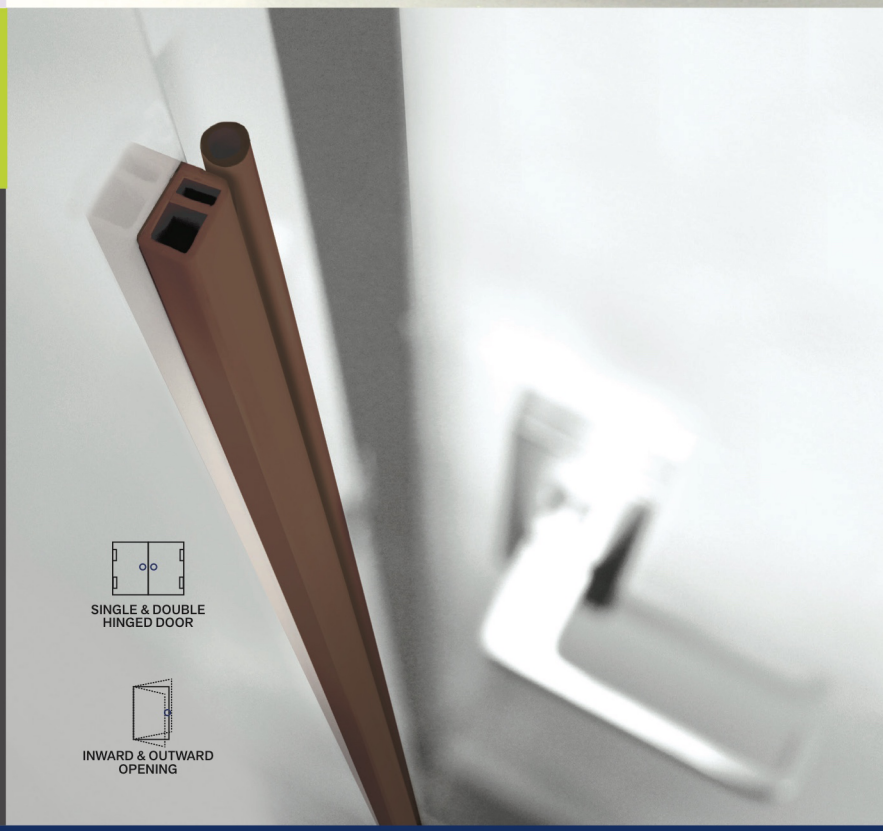

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Makita's Global Strategy

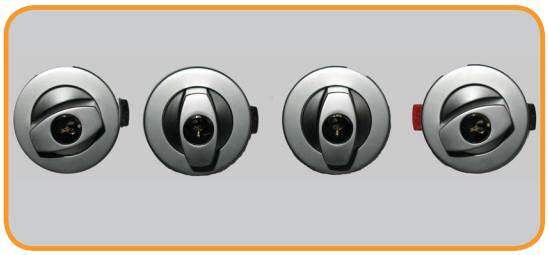
While DeWalt and Milwaukee release radical new power tools, Bosch sprints to catch up, and Hitachi acquires Metabo, Makita seems to be "slow and steady". In fact, Makita is pursuing a high-risk, highly strategic global strategy, that could see it come out the winner in the next five years.

66: click to view

Inside Story: What has really gone on between Woolies and Lowe's

While Woolworths appears to have had a "win" in Federal Court, with Lowe's request for liquidation stalled, some of the information that has emerged could do damage to Woolworths' commercial reputation.

45: click to view



Trio wakes up lock market

The new, evolutionary design of the Trio Patriot could change the existing premium deadlock market.

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Mitre 10's new executive team

With the deal closed for Metcash to buy Home Timber & Hardware Group, Mitre 10 has released details of its new executive team. Six are Mitre 10, and two are HTH.

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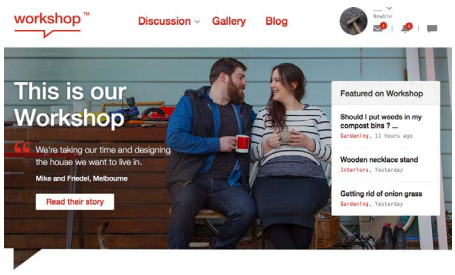

Bunnings goes social

Bunnings has launched Workshop, a social community website for DIY enthusiasts, and people who want to do renovation projects.

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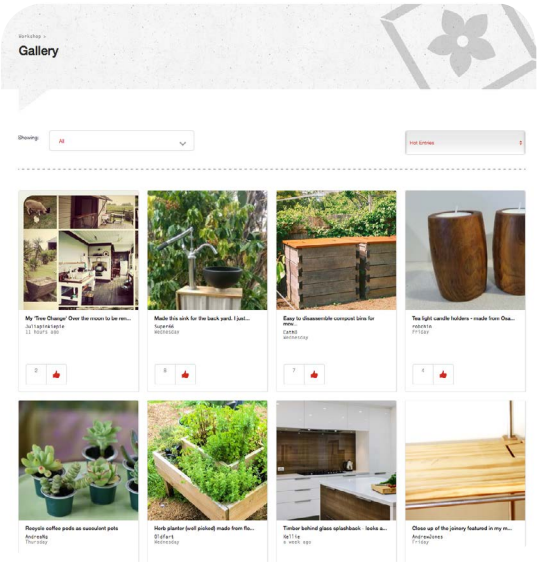
Bunnings goes social with Workshop website

in this update:

In a surprise move, Bunnings has unveiled a new web venture, Workshop (workshop.com.au). This is an effort to start a DIY community, sponsored by Bunnings, but with (so far) very little Bunnings commercial presence.

This also makes more sense of a comment made by the CEO of Bunnings, John Gillam, back at the Strategy Day on 22 June 2016. Mr Gillam reminded the investment analysts gathered there that the main Bunnings website was not the only digital asset Bunnings was working on. At the time, HNN assumed Mr Gillam was referring to the "PowerPass" driven website designed to service tradies, as well as the wealth of online DIY videos that Bunnings has spent considerable time and effort creating. It seems likely, now, that this was also a forward reference to this community site, as well.

As far as HNN can tell, the community site has become available to the wider public as of October 2016, though it has been up and running in invitation-only, "stealth" mode for quite some time. The initial posts on the site date all the way back to December 2015. So Bunnings has spent around 10 to 11 months getting the details right before opening it up.



Gallery feature on Workshop similar to Pinterest

In its origination post, back in December 2015, community manager Jason introduces the site, and explains a little about its purpose:

Australians and Kiwis are incredibly house proud, and have an ever-increasing appetite for home improvement. We start around seven million DIY and home improvement projects every year. Unfortunately, it's not always easy to finish them.

Workshop will help everyone to do it themselves. We'll give you the support you need to D.I.Y. and feel what it's like to enjoy a job well done. It's a place to help ignite imagination, foster D.I.Y. conversation and celebrate your accomplishments.

This is a friendly, welcoming community. We encourage everyone to participate by asking questions, sharing information, knowledge and inspiration. We can always learn a lot from each other, whether it's just a few tips to MacGyver a quick fix, or inspiration for a massive project.

Taking a strategic view of this introduction, it would seem that Bunnings is seeking to address one of the main problems identified by Veronique Laury, the managing director of the UK-based Kingfisher, and a serious competitor to Bunnings' Homebase retail outlets in the UK. Ms Laury has identified the number of projects that get started, but end up incomplete due to technical and other difficulties, as a major source of growth. By providing a community where DIYers can share their knowledge, experience and ideas – and, of course, do a little community bragging about their achievements – they might be encouraged to do more with the projects they start.

While it is true that this kind of activity – growing the overall DIY market – will benefit most participants, it is also a fact that with a near-dominant presence in that market, Bunnings will likely benefit the most. It will be interesting to see how Bunnings goes about using the site as a marketing tool, how heavy or light its touch

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Workshop from Bunnings (cont.)

is, and what rewards it is able to get from these interactions.

It is at least quite evident that Bunnings is sensitive to the potential apparent conflicts of interest that might come up. In the site's terms of use, one paragraph states:

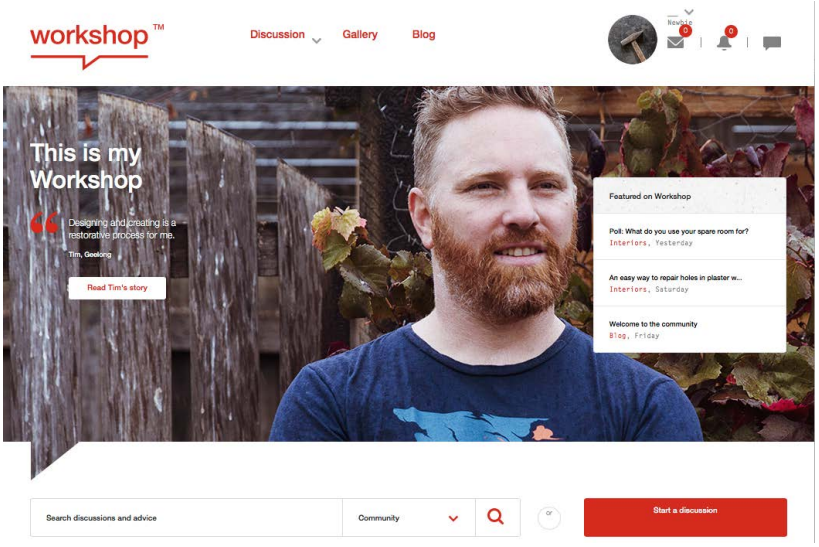
As Bunnings team members are naturally passionate about D.I.Y., they may participate in Workshop as individuals to share advice, projects and expertise. If they recommend a product or service we've asked them to let you know they're a Bunnings team member.

At the moment, it is pretty evident Bunnings intends to have a light touch. There are posts about, for instance, buying DeWalt and Bosch tools at other retailers (such as Sydney Tools) and some (mild) criticism of things such as Bunnings' charges for shipping items.

Manners

Also on the terms of use page, there is something of a plea that the postings on the site do not take on the over-emotional character that many community sites find themselves suffering from:

The most important thing is to show respect to all Workshop members. Personal attacks and offensive content are not on. Please treat others the way you'd like to be treated.



On the site's FAQ page this topic is described further:

The Workshop moderation team actively monitor the community and reserve the right to remove any content from the community.

We actively discourage anti-social behaviour, including posts that are intolerant, aggressive or rude. We are also vigilant about comments that could be seen to be defamatory, infringe copyright or privacy.

There is also an interesting disclaimer in its terms of use:

Please remember to take care as you assume any risk and responsibility of acting on information or advice. Bunnings is not responsible for the accuracy, reliability or legality of Workshop member posts. The Workshop community is also subject to our terms of use and privacy policy.

Even with these safeguards in place, the site has wisely added a facility where users can choose to "ignore" certain other users, simply not seeing the messages they might send.

First look

It is a little unfair to really delve too deeply into how a community site such as this is doing so early after its release. Sites like this can do very little other than to provide a good active framework, and then see how the users interact with the site.

Some of the basics are already in place. The typography and design is quite good, with a lot of whitespace and a good use of graphics that makes the user-contributed images and photographs the major feature of the pages where contributors can post.

A little surprisingly, the view from a mobile phone is not very advanced. It remains readable, but in 2016 for a site that intends to be influential, it really needs a custom view designed for devices with smaller screens.

The site follows the standard community format. There are interest areas, at the moment just four: Interiors, Gardens, Outdoor Living, and Getting Started. Users can make posts in these areas, or start discussion on any subject they choose to.

The areas of my expertise

There are also topics, which would be Workshop's equivalent of the Twitter hashtag. At the moment the main topics offered on the site are:

- Barbecue
- Building and construction
- Craft and hobbies
- Decking and Paving
- Decorating
- Flooring
- Furniture
- Gardening
- Getting Started
- Heating and Cooling
- Lighting and Electrical
- Other
- Plumbing
- Pools and Spas
- Renovation
- Tools and Equipment

A good example of a post under the "Tools and Equipment" heading is one about a unique cordless tool and charger station a member built:

goo.gl/JyoQ8l

While the initial post is simply a very intriguing picture, with a little prompting from the community manager Jason, the member, Wayne, provides some details on how he built the charging station – details that are surprisingly well-written and complete.

It will be interesting to see how all this develops. How long, for example, until the site has an interest area for Apartments? Will people who can't quite be bothered to start their own interior design blog show up, and

continues next page

Workshop from Bunnings (cont.)

post some great ideas? And so on. The potential is there, but whether it gets realised is another matter.

Connections

If there is a single element that can be identified as being a little worrying even at this early stage, it's the degree to which the site offers connections to other areas of the internet. That begins with the need to do the initial account setup "the old way", by entering personal details, rather than through authentication with Facebook or Twitter.

It is fairly evident, even at this early stage, that to be successful the site will need to seek out better integrations that go beyond Twitter and Facebook post buttons.

A touch of Pinterest

That said, there is certainly something of a bit of "creative copying" going on as well. The Gallery section of the site turns out to be a kind of junior Pinterest, offering images from post on the site, with the opportunity to click the "like" button, or to go read the full post. These can be sorted by "Hot Posts" for the most popular current, "Top Posts" for all-time favourites, and "New Posts".

It is quite well done, offering a quick way to get an overview of what is happening on the site, and to make sure the user doesn't miss out on something interesting.

Analysis

Bunnings, once again, manages to surprise us. Just when we are wondering if it will be able to make any advances in the digital area, and transform its culture to make this possible, it manages to come up with a surprising solution.

It is, as we say, far too early to assess this site, and to see if it is really working or not. That kind of assessment will have to come after six months or more of open access. At the moment, however, we can say that it is very promising

Contributor photo of power tool storage and charging station

Blanco brand in Bunnings

Appliance Retailer exclusively reports that a range of Blanco appliances including two ovens, a gas and ceramic cooktop, a telescopic and under-mount rangehood are now being ranged in Bunnings stores.

The move could represent a change in Bunnings' approach as it usually just stocks house brands, Everdure and Bellini, in the appliance category.

German-made Blanco is distributed and marketed by Shriro in Australia and New Zealand. In the six months to June 30, 2016, revenue for Shriro fell due to a change in distribution for Blanco kitchen appliances in October 2015.

The brand was previously sold in Harvey Norman and The Good Guys stores. It continues to be sold through Harvey Norman commercial channels. Shriro general manager of retail appliances, Craig Handley told Appliance Retailer:

With the departure of Blanco from traditional retailers Good Guys and Harvey Norman, and many longstanding customers loyal to the Blanco brand, Bunnings presents an ideal opportunity to reach millions of people who highly value the Bunnings shopping experience.

Bunnings is also one of the largest sellers of flat pack kitchens, so adding Blanco with the recognition and history it has will likely appeal to a large number of these kitchen customers.

A tight range has been selected designed to offer the customer real value and quality synonymous with the Blanco brand, with all products made in Italy and offering a four year warranty. I believe the Bunnings partnership positions Blanco well for growth in the future, and both existing and new customers will be delighted with the offering.

https://goo.gl/J7fM-mK

Masters' inventory sale update

A number of newspaper reports have indicated that sales of Masters' inventory has at times broken company records but has been marred by consumer complaints of discounts that don't live up to the promised bargains.

HNN believes the main effects of the sale on the industry may not be seen until mid-November.

Some customers have complained on social media about smaller discounts than expected, provoking angry exchanges with Masters more loyal supporters. On every occasion, Masters has apologised and promised to investigate.

Fairfax Media gathered a number of customer complaints regarding the sale for its article.

https://goo.gl/DsYI55

News Corp. had a similar story about the Masters sale and referred to it as a "disaster".

https://goo.gl/ssidJ3

Smartcompany.com.au has taken a look at the complexities of liquidating stock. Insolvency experts told the website that going out of business sales are incredibly complicated, and some of the specifics on the Masters arrangement are not known.

In broad terms, selling stock to a liquidator could lead to that liquidator setting prices and deciding on the amounts at which items are discounted to maximise the amount recouped – then communicating the prices and information to a company's staff if they are still involved in operating the business. Managing director at Insolvency Guardian Jarrod Sierocki told SmartCompany:

What they're doing is a controlled sell down – they're trying to sell as much stock at the best price that they can. If Masters has set an end date of December, I'd say they will fire sale everything right up until that time.

Gess Rambaldi, partner in the business recovery and insolvency team at Pitcher Partners, said a liquidation process doesn't have to have a formal time frame attached to it. If a public end date for a business is set, but all the stock is not sold by that time, it is possible for a liquidator to look at other ways of selling stock. He said:

It could be sold through the use of other agents, brought to different markets to different forums. One of the things that can happen is that they can remove the stock from the businesses and sell them off site.

https://goo.gl/ilClUC

Masters "cancels orders"

A supplier — who wished to remain anonymous — has told Fairfax Media that Masters has attempted to cancel orders and suggested the fire sale was not going as well as expected. He said:

I understand week one of the sale went really well, the first week straight after the announcement, but after that it's been pretty terrible. What they had to do was go hard in the first week so people would buy and then tell their friends.

The supplier said there was a view within Woolworths that stock divestment specialist Great American Group Australia (GA), which is responsible for the inventory sell-down, had moved too slowly and failed to capitalise on shopper excitement about the closing down sale.

Some suppliers also claim Masters has tried to bring forward the delivery date for existing orders and warned it may not accept stock received after this new deadline which would free Woolworths from having to buy the products and limit the risk to GA of even more unsold stock.

Masters confirmed it has tried to bring forward supplier orders, but a Woolworths spokesman claimed this was only to give it more time to clear stock. He said:

It's not [on the basis that] if you can't bring the order forward it's cancelled. [It's] better for Masters, they have more time to clear stock and better for the suppliers, they get paid earlier.

A spokesman for GA said the only reason suppliers had been asked to bring forward orders was because the sale was going so well and it expected to get a big uptick in sales now the football grand finals were over.

GA claims the sale is ahead of schedule and the chain may shut down ahead of the December 11 deadline.

However, the closing down sale is not just stock on the floor at Masters or in distribution centres, it is also understood there are as many as 5000 pallets "on the water" which have not hit Australian ports yet, let alone distribution centres or stores.

https://goo.gl/9QVI2V

Consideration for Bunnings in Warwick

A decision on the Bunnings site for Warwick (QLD) is expected at the next Southern Downs Regional Council meeting.

Public submissions on the plan for a new Bunnings store on the flood plain at the corner of Canning and Condamine Streets near Warwick East State School closed recently.

It is understood that at least a dozen business and property owners in the vicinity of the site have lodged objections, with at least one engaging a professional planning consultant from Brisbane to put their submission together.

https://goo.gl/ql5vN8

Alan Olsen of Olsen's Home Timber & Hardware insisted it was not Bunnings the residents had a problem with. He told the Warwick Daily News:

It could be any business that decided to build in the flood zone, and we would be equally as zone concerned. The matter is, no one should be building there.

A group of 20 local residents gathered recently to discuss their issues with the Bunnings development lodgement, compiling a list of reasons why they thought council should knock it back. The group claims the development:

- Compromised the planning schemes of the area;
- Did not comply with the purpose of the zone;
- Conflicted with the framework of the planning;
- Was at a height above natural ground level that was excessive for the area;
- Did not provide sufficient car parking;
- Was over development of the site
- Was subject to flooding

Flooding is the main concern, according to Mr Olsen, whose business is one of the first to go under during floods. He said:

The proposed site for Bunnings in Warwick (QLD)

They have worked off a one-in-a-100-year flood model. What we want to know about are the smaller floods and what effect the Bunnings building will have on us then. Then there's the one-in-200 [year] flood; what effect will something more intense have?

He feared that once one building was allowed in the flood zone, others would follow suit.

Former Deputy Mayor Ross Bartley agreed, saying the land came under mixed zoning, something that would be compromised by the introduction of a bulky goods trade store.

https://goo.gl/TFbfOL

Costco has no plans for Masters sites

The Australian managing director of Costco, Patrick Noone said it would not be acquiring Masters' sites, referring to recent media reports as a "mix up". He said speculation the company was acquiring Masters sites around the country was "incorrect".

Numerous media outlets reported the retail giant had its eyes on soon-to-be vacant sites. Mr Noone said the confusion appeared to have come from a consultant suggesting in the media that Costco take over the failed stores.

Retail analyst and managing director of Marketing Focus Barry Urquhart told news.com.au that it would be a smart move for Costco to take over Masters sites. Purchasing the abandoned Masters stores would be a logical plan, according to Mr Urquhart, as they were built for shopping in bulk. He also believes purchasing the former hardware sites would not be a risky move for the discount supermarket. He said:

Simply, Masters wasn't around long enough to establish an image or position in consumers' minds. Masters was not successful, all the stores had annual sales that never exceeded the annual profit of Bunnings, so there'll be a lot of 'virgin' consumers walking into these stores that used to be Masters.

https://goo.gl/ycm8jT

Ballarat has a Masters at Wendouree, which will close with other stores around the country by December 11.

Plans for the Home Consortium – comprised of Aurrum Group, Spotlight Group and Chemist Warehouse – to take over the lease at Eureka Homemaker Centre and redevelop the site into a large format retail centre are unchanged, according to a company spokesperson.

https://goo.gl/nfqjXG

Bunnings remains confident about UK

Bunnings CEO John Gillam spoke recently at an Australian British Chamber of Commerce event in Melbourne. He said the big box retailer is no "one-trick pony" and the fragmented nature of the British home improvement sector presents a lucrative opportunity.

He also said it has experience running smaller stores, with a quarter of Bunnings outlets the same size as those it picked up in its British Homebase acquisition. He said:

One of the things we are most remarkably misunderstood on is people think it is the same Bunnings warehouse everywhere. We have got about 330 trading locations across Australia and New Zealand and there are hardly two that are the same.

Mr Gillam said Bunnings was well versed in getting the best out of smaller shops. He said:

Twenty-five per cent of our fleet across Australia and New Zealand is the same size as the Homebase fleet so we understand merchandising intensity in that size format. We have embraced variability on property size as a way of fuelling growth versus trying to find the same site everywhere and being stymied by our inability to do that.

Mr Gillam said the British market was highly fragmented, with the top two players having a combined market share of less than 15%.

We see a more fragmented market and that is attractive to us... We paid for a platform...it's very hard to get a network and start from scratch and that has proven to be in this (Australian) market.

Mr Gillam said the Homebase turnaround was a long-term project and Bunnings would be experimenting with various store formats in its early rollout.

We don't expect the first store to knock the lights out. Stores one, two and three have got to do some different things as we work out what is more impactful and more space efficient and more customer friendly.

https://goo.gl/lhunus

Bunnings CEO John Gillam

Succeeding in Britain

Mr Gillam also talked down the risks from Britain's planned exit from the European Union while urging patience as the group "learns like crazy" through its British expansion. He believes the long-term opportunity in the British market is exciting and its Homebase acquisition sets a platform for a "new Bunnings", according to a report in The Australian.

Eventually the group will completely overhaul all Homebase outlets with the Bunnings branding, but this will take place steadily over a broad two- to five-year time frame as it refines its strategy.

Mr Gillam added that the integration was proceeding "boringly well", while warning significant supply chain work was needed to repair a business plagued by poor stock availability. He said:

Out of stock levels were possibly the worst we've seen from any player of scale in our sector globally.

Not long after Bunnings purchased Homebase, confidence in the British economy was hit by the yes vote in the Brexit referendum. It caused a severe weakening of the pound but Mr Gillam said the vote would not affect Bunnings' plans. He said:

Brexit was a very obvious risk. [But] over the long term we think the market characteristics that attracted us to the UK don't change.

The ageing housing stock gets older, the population ages and has more needs, and the population grows and has more demands. And the way that people use their homes and gardens...we think supports a strong home improvement and garden operator if we can get our offer right.

Mr Gillam believes the shock Brexit vote could offer opportunities in expanding its network as property prices potentially stall.

The UK property market post-Brexit has probably got a little bit more pause in it in terms of price appreciation than it had before and we certainly don't want to waste that opportunity.

https://goo.gl/tnoiUL

Decision expected on Bunnings Coolum

Bunnings' third attempt at getting a store approved in Coolum (QLD) will be decided soon. However the Sunshine Coast Daily believes the big box retailer will be knocked back at establishing one of its warehouses in the region.

Sunshine Coast Council officers have recommended refusal as the scale of the development sits outside the planning intentions of the area, with visual amenity a major factor in the advice given.

Out of the 982 public submissions made, 980 were opposed to the development.

One of the arguments made against the development has been the impact it would have on local employment. The other side of the argument is that a new Bunnings would be a boon for local employment.

The council's economic development branch advised a 5850sqm store would deliver about 70 extra retail jobs, delivering about $15 million per year in economic impact and 113 ongoing jobs based on "economic modelling".

The branch was broadly supportive of Bunnings' argument the development would not significantly impact other higher-order centres or "compromise the role of Coolum Beach and its intended function".

Surveys conducted by opponents of the Bunnings proposal found 18 local businesses in similar sectors (hardware, garden, landscaping etc.) were currently operating below capacity. Coolum resident Fiona Sykes found

127 employees were currently employed by those 18 businesses, but that could rise to 184 employed if local stores were operating at full capacity.

Bunnings' latest proposal for a 5850sqm store was the smallest of the three put forward. The previous two proposed stores had gross floor areas of 12,150sqm and 8600sqm respectively.

https://goo.gl/BWL-5ny

https://goo.gl/HHP1lT

Petition against Bunnings in Glynde

Over 1000 small business owners and residents have signed a petition opposing Bunnings' plan for a store in Glynde (SA). The petition, initiated by Glynde Mitre 10, opposes the big box retailer's proposal for a $26 million store in the suburb, citing increased traffic congestion.

Monza Crash Repairs Sandy Russo, whose business neighbours the proposed site, was frustrated by the plan. He told the Adelaide Advertiser:

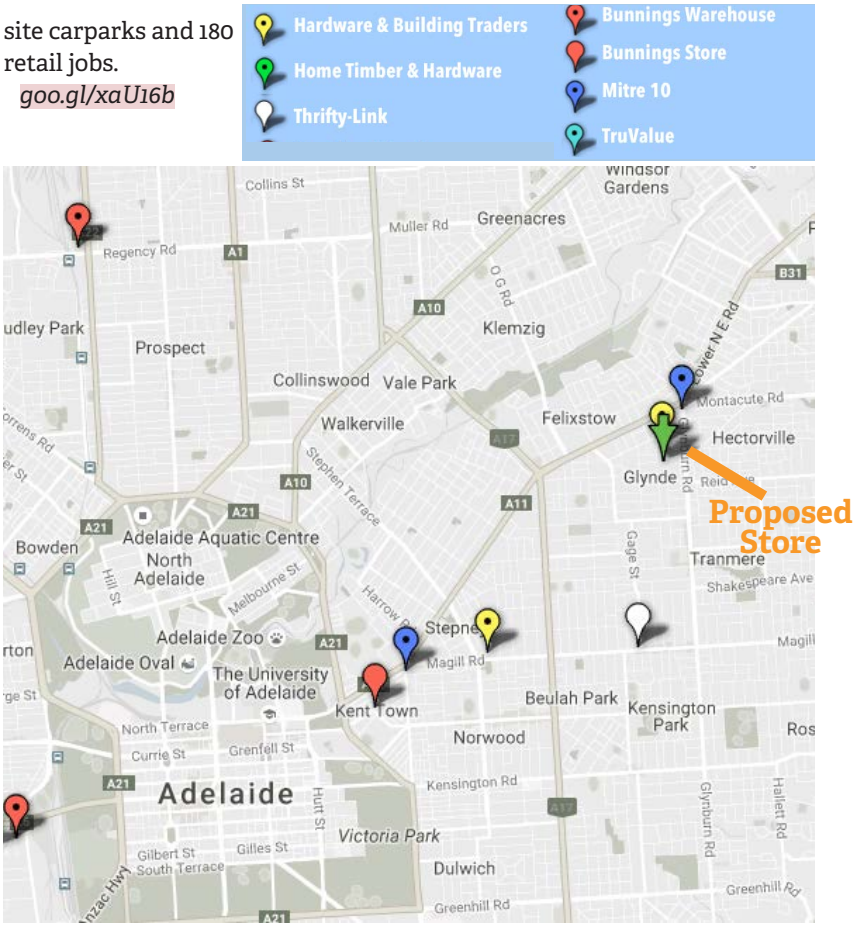
The traffic flow on the street is already a problem as it is. It will affect the business as there will be trucks coming up and down the road. All the businesses around here are complaining and worried about it as is it going to affect all of us.

Bunnings' application for the site comes after Home Timber & Hardware closed its store on the corner of Magill and Glynburn roads last year.

The retailer lodged plans with Norwood, Payneham and St Peters development panel in April this year. That application is expected to be considered by the panel over the next few months.

Bunnings general manager – property, Andrew Marks said it was "reviewing feedback from the local community". The new store was expected to provide up to 350 on-site carparks and 180 retail jobs.

goo.gl/xaU16b



Rocky Point MULCHING

IT'S ALL IN THE FAMILY

Our story started way back in 1949, when Alexander and Phyllis Keith purchased their first block of land in the Rocky Point area. In the beginning they planted and cut sugar cane by hand, and burning the sugar cane was common practice.

Approximately 25 years ago, during severe drought, there was a desperate need for cheap stockfeed and sugar cane bales were supplied to feed starving cattle. When rain finally fell, there were thousands of bales left on the farm that got wet. These were sold as mulch to avocado growers to use in their orchards. Rocky Point Mulching was born. Since then, a co-operative of cane growers have benefited from the added income sugar cane mulch has provided. Many jobs have been created, and new technology has been adopted to bring the highest quality sugar cane mulch to the market. These days Rocky Point Mulching leads the way as the longest running brand. Three generations to be precise. We are Australia's only family owned and operated sugar cane farm and mulch processing plant. Unlike competitors, our sugar cane mulch is not out sourced for production.

WE GROW IT. WE PACK IT.

The range has expanded into more mulches, top quality potting mix, growing media and organic fertilisers. The purchase of national award winning Green Fingers, by the family's grandchildren in 2011 was another step up. Green Fingers is now running from the same site as Rocky Point Mulching, and continues to innovate and expand, supplying the highest quality growing mixes to production nurseries, landscapers and the home gardener. In January 2016, further investment in innovation and sustainability was implemented with the creation of Rocky Point Recycling, an environmentally conscious resource recovery initiative. Rocky Point Recycling collect end of life timber and turn it into something beautiful – a unique range of coloured, multi-purpose mulches.

With all of this said Rocky Point Mulching strives to grow gardeners and promote a healthy way of life. We are passionate about partnering gardeners with quality products to grow fresh healthy food and beautify this world for generations to come. With a sustainability focus, we continue to expand economic and employment opportunities to a growing community, adding value to those around us. We are intent on enjoying the journey, recovering usable resources and restoring one garden at a time.

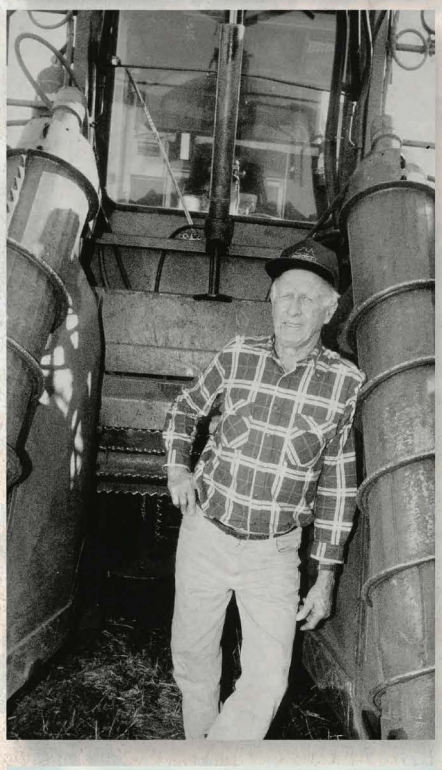
PARTNER WITH OUR VISION

and

SHARE IN OUR HISTORY

The Next Time You Shop

CHOOSE **ROCKY POINT MULCHING**



More info in PDF

For more information visit rpmulching.com.au

Metcash closes HTH deal

in this update:

Hardings Hardware site to be sold

Woolworths has completed the $165 million sale of Home Timber & Hardware (HTH) Group to Metcash.

Metcash is expected to emerge as a new force in the $45 billion Australian hardware and home improvement sector as it absorbs HTH to give it a more powerful network of wholesale customers. Metcash chief executive Ian Morrice said in a statement:

We are very pleased to have successfully completed the acquisition of Home Timber & Hardware. We are passionate about supporting successful independents and contributing to the growth of a vibrant independent hardware sector in the long term.

The increased scale of the combined Mitre 10 and Home Timber & Hardware business, together with the opportunity to realise significant efficiencies, will enable us to be more competitive and deliver a better outcome for both our hardware retailers and their customers.

In an interview with Fairfax Media, Mr Morrice spoke at some length about Metcash's intent to use supply-chain efficiencies to leverage better margins, which it would, he claimed, then share with member stores.

Areas that he highlighted included timber, fasterners and paint. Rumours have long indicated that Metcash have achieved special deals with companies such as ITW.

Mr Morrice also said he believed that Mitre 10 had developed specific programs that would help to lift sales in many of the hardware stores which are members of the expanded operations.

Previously, Metcash had said its hardware operations now account for more than $2 billion in sales from 800 stores operating under the Mitre 10, True Value Hardware, HTH and Thrifty Link brands, as well as wholesale to unbranded independent stores.

continues next page

Mitre 10 Integration Team

Mitre 10's integration team (l to r): Laurette Chang Leng, Greg McKean, Andrew Toomey

Former hardware site to be sold

A property site that used to house the Hardings Hardware store in Geelong West (VIC) is on the market and expected to fetch upwards of $3 million.

The site has two frontages to Gordon Ave and Spring Street, measuring 61 metres. Close to Pakington Street, with future residential potential, it should be hotly contested. Selling agent Tim Darcy, of Darcy Jarman, told the Geelong Advertiser:

It is a site that is owned by the Harding family. They originally operated Hardings Hardware and sold out to Woolworths 18 months ago and the hardware store was relocated to Home Hardware, which was formerly Belmont Timber. They no longer require the site, hence they've made a decision to divest of the asset and we've offered it with vacant possession.

It's comprised within a zone of Commercial 2, and it has got some existing building improvements that provide for about 2500sqm of the existing building area.

Given its size and location, the property has numerous potential uses. Only minutes from the Geelong CBD, location is integral to the appeal of the property and its price tag. Mr Darcy said:

The biggest attribute this site has is its strategic geographic location between Pakington Street and Latrobe Terrace and the city centre.

Despite being zoned Commercial 2, potential buyers are vetting the property as a residential venture. He said:

A number of people have asked if it has an element, or potential for residential use. It speaks to it, particularly the Spring Street frontage and its proximity to essential amenities and services that residential buyers would be seeking, but under its current zoning its highest and best use is of a commercial nature.

There is also potential for the site to be used as offices, or for strata use, showroom and bulky goods combined with commercial, or any large flexible commercial operation. Nearby are a number of similar operations, securing the street. Mr Darcy said:

There's scope for redeveloping, tinkering with the existing improvements or expanding or reducing... Conversely, it would be an opportunity and more than suitable for a total redevelopment.

goo.gl/9nUSj3

Metcash buys HTH (cont.)

New team

Meanwhile, Metcash has also released details of the new executive team that will head up the combined Mitre 10/HTH operations. As well as the Mitre 10 CEO, Mark Laidlaw, it includes a further six Mitre 10 executives, as well as two HTH executives. Chris Tsotra will continue his role managing joint venture operations.

Salem departs

Surprisingly missing from the executive team is long-time Metcash employee, and the right-hand man for Mr Laidlaw, Carl Salem, who held the position of general manager merchandise and marketing. Sources have informed HNN that Mr Salem has decided to leave Metcash so as to assist a member of his family in operating a mobile cafe.

Mr Salem leaves behind a considerable reputation in the industry.

goo.gl/uR0H54

Carl Salem was one of the key figures in helping to rebuild Mitre 10

RETAIL CASE STUDY #35

Liz, Nicole, Paul & Chris
Management Team
DeMar H Hardware
Clifton Hill VIC

> **“If you are an independent, why wouldn’t you be a member!”**

You joined HBT in January 2000 – why?

We wanted the independent buying power and access to more suppliers. We’d never been in any other group.

How did you find membership?

The buying was better and the excellent rebates easily covered the cost of joining. But most importantly we liked the flexibility because HBT don’t ‘dictate’ anything.

You joined H Hardware about two years ago – what did you want from it?

We needed to refresh and present a more corporate look. Everyone says it looks fantastic. For a stand alone store the branding is very strong.

Any other comments?

If you are an independent we don’t understand why you wouldn’t be a member!

Is it ok if people call you about the group?

The number is 03 9481 3200.

TV Show "The Block"

The 12th season of Channel Nine's "The Block" renovation TV series garnered 1.28 million viewers on Sunday, 16 October 2016, at the start of its ninth week. This was the largest market share recorded for that night, and helped to lift Channel Nine to a market-winning share for the night of 34.6%, followed by Channel Sever at 26.4%.

The show in question featured the "kitchen reveal", which has in past series frequently been one of the most popular episodes, second only to the finale shows, where the renovated apartments are offered for sale at auction.

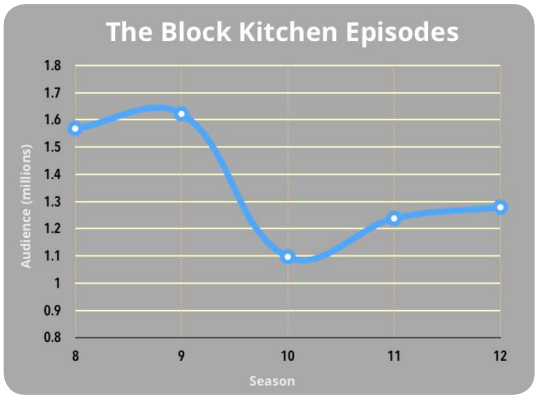
In this season the series' producers and programmers at Channel Nine have chosen to delay the kitchen reveal to slightly later in the season. It will be followed up by what the TV company has described as the "outdoor kitchen" reveal, which consists of the outdoor, terrace areas of the apartments. Then it is on to the finale for the season.

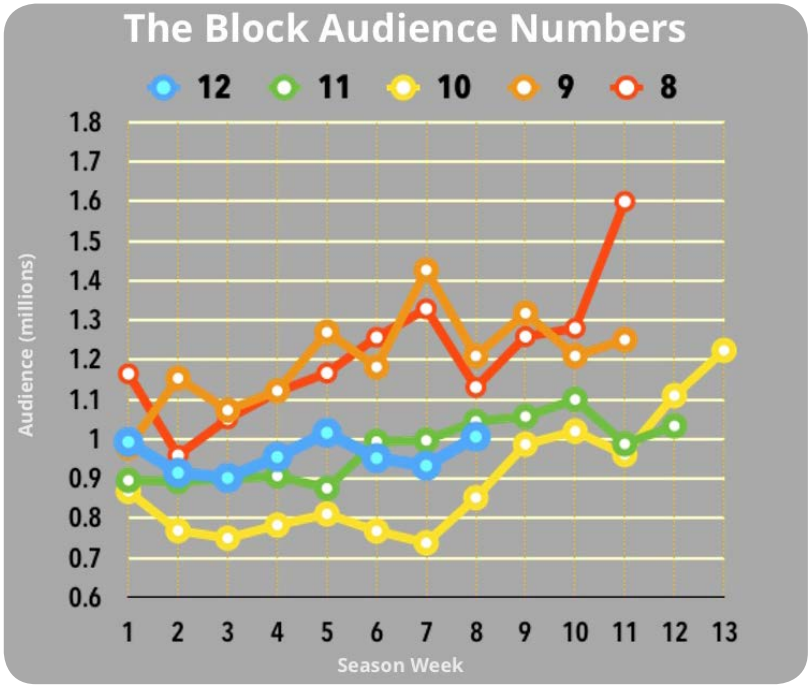
While the episode won the night in terms of overall audience ratings, in audience terms it still ranks far below the kitchen episodes for series eight and nine, and has a slight, but significant improvement over season 11.

Viewed overall, this season can be seen to be tracking pretty much inline with the previous season, which was regarded as being not all that successful. Likely of high concern for the show's producers (and Channel Nine) is whether this season will be able to deliver the kind of very high ratings that seasons eight and nine delivered, or will suffer the kind of plunge that happened with the previous season. The fact that this season is shorter, and that it is the only "The Block" series for 2016, while the others typically had a second series as well, will boost the likelihood that it will do better.

How these numbers will affect the chances for the TV series to continue into 2017 is difficult to know. It seems unlikely that the series will ever regain the strong audience numbers it had during series eight and nine unless it manages to make significant changes to the format, and attract new audiences.

At the very least, however, the show's numbers do indicate that the "crash and burn" of Channel Nine's DIY show "Reno Rumble" had more to do with mistakes made in trying to bring that format to a second season using unknown competitors, and overall poor casting, rather than a more general failure in renovation audiences.





a few quick stats:

A recent Houzz survey of Canadian homeowners revealed interesting details about their 2015 renovating activity:

49% renovated because they liked where they lived and didn't want to move

Average spend was CAD81,000, with 25-34 year olds spending CAD63,500

Countertop changes were the top kitchen renovation, with 73% choosing that option

ABS 8731: Building Approvals

There has been concern among analysts that with the real estate market showing some signs of slowing going into 2017 there is the potential of oversupply, especially when it comes to apartments. However, looking at the most recent statistics from the Australian Bureau of Statistics (ABS), it would appear that the rate of increase has slowed sharply for both houses and other kinds of dwellings (mostly multi-unit buildings, such as apartments).

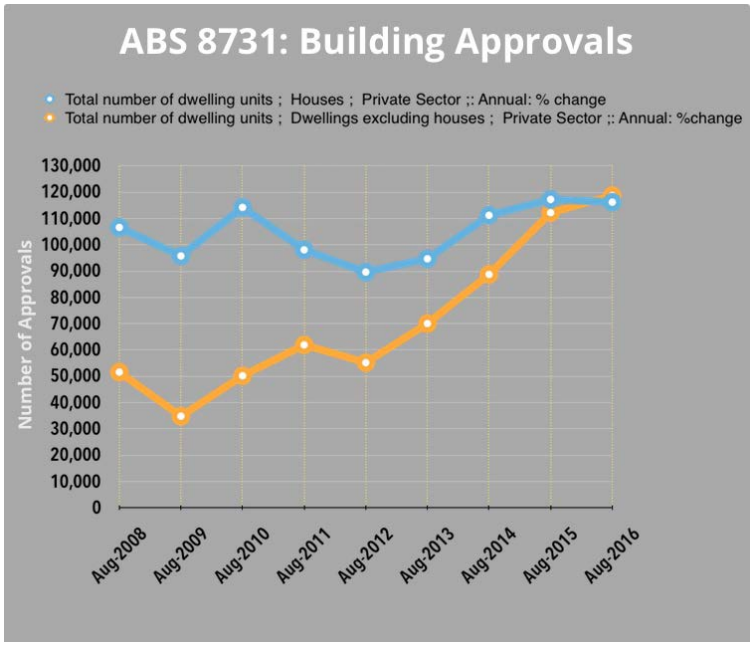
At the same time, the ongoing transition in the building and construction industry from houses to multi-unit continues, with the year-to-date figures for August 2015 showing houses just winning out, but the year-to-date figures for August 2016 showing more non-house constructions.

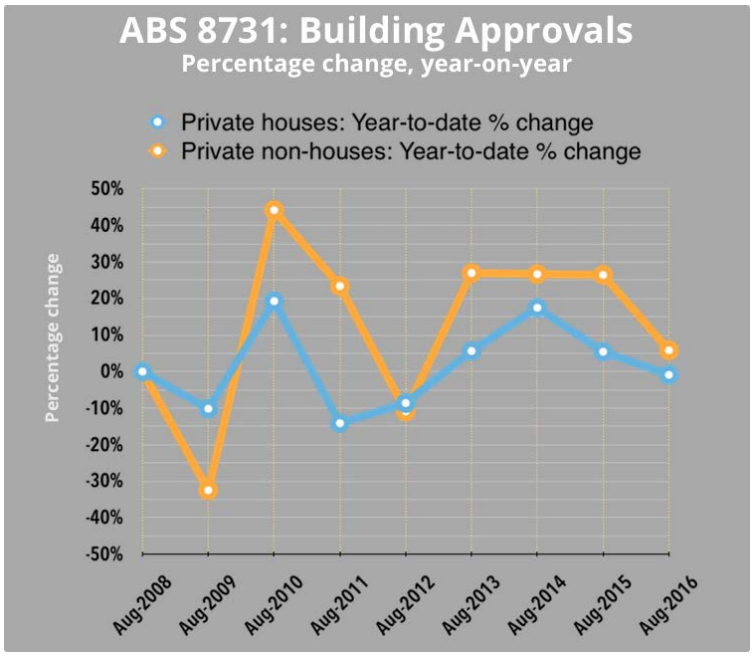
In terms of seasonally adjusted estimates, houses show a drop of 6.5%, while non-house dwellings show a rise of 26.3%. The trend estimate shows a drop of 4.0% for houses, and an increase of 12.4% for non-houses.

In terms of the value of buildings approved, the ABS has this to say:

The trend estimate of the value of total building approved fell 0.1% in August after rising for eight months. The value of residential building rose 0.7% and has risen for nine months. The value of non-residential building fell 1.8% and has fallen for two months.

The seasonally adjusted estimate of the value of total building approved fell 7.7% in August after rising for two months. The value of residential building rose 0.5% and has risen for two months. The value of non-residential building fell 24.3% and has fallen for two months.





Hills' deal with Masters ends early

in this update:

The demise of Masters has prompted Woolworths and Hills Ltd to scrap a deal where Woolworths took control of the manufacturing and selling of the Hills hoist clothesline and 240 other Hills products for up to 19 years, reports The Australian Financial Review.

The unwinding of the deal will result in Woolworths paying Hills at least $6 million as part of the confidential settlement that covers the royalties and licence fee income that was due to be paid to Hills for the next three years.

The initial term of the contract signed on December 3, 2014 was for seven years and there were three four-year options to renew, which would have taken it to 2033. A base royalty payment of $2 million annually was agreed upon in the original deal.

Woolworths pursued the Hills brand as one of the "hero" offerings in the $75 million clothesline category in hardware as it sought to beef up its range inside Masters to compete against the Wesfarmers-owned Bunnings.

Woolworths generated most of the Hills sales through the Masters chain, which is being shut down. The December 2014 deal gave Woolworths control of manufacturing, distribution and sales of 240 Hills products across a range of clotheslines, clothes airers and garden sprayers.

Hills told the ASX recently that it was "considering potential permanent replacement brand licensing arrangements" for all Hills products and was commencing discussions with interested third parties.

But the trouble for Hills is that by siding with Masters and Woolworths in the first place, it cut off important channels to the market. Bunnings sells a large range of clothesline brands such as Sunfresh, Whites, Morgan and Daytek.

The Woolworths deal was struck during a time when former Telstra executive Ted Pretty was running Hills as he attempted to transform the staid Adelaide-based firm from an old world manufacturer into a company with strong growth prospects in security systems, health technology, and audiovisual.

Hills appointed David Lenz as its new chief executive in September, taking over from Grant Logan. Mr Lenz has moved quickly to resolve the Hills clothesline situation.

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Stanley buying Irwin Tools

Stanley Black & Decker has agreed to purchase Newell's tool business that includes the Irwin, Lenox and Hilmor brands for USD1.95 billion in cash, according to Bloomberg.

Newell's tool division had sales of USD760 million in the last 12 months and Stanley Black & Decker expects to net cost synergies savings of USD80 million to USD90 million by the third year after close. Stanley Black & Decker president and CEO James Loree said:

QUOTE

Newell Tools is an important step in our quest to further strengthen our presence in the global tools industry. The addition of the iconic Lenox brand and very strong Irwin brand, as well as their associated power tool accessory and hand tool products, opens up exciting new sources of global growth in similar ways, albeit on a smaller scale, to what Black + Decker did in recent years.

Thus, the acquisition of Newell Tools, our first major acquisition since 2013, will provide both a source of inorganic growth in year one and an organic boost thereafter.

SFS 2.0, our operating system, with its growth enhancing elements of digital excellence, commercial excellence and breakthrough innovation will also be deployed to rev up organic growth. This transaction, with our multi-faceted approach to revenue expansion, is entirely consistent with our strategy of driving above-market growth in a low growth world.

For Newell, the sale helps streamline its sprawling product portfolio after its merger with Jarden Corp. in April 2016. The combination with Jarden created a company with USD16 billion in sales and pushed Newell into new categories such as home fragrances and outdoor products.

The deal is expected to close in the first half of 2017.

More tools M&A

Sources also told Bloomberg that Sears Holdings has been shopping around its Craftsman tool division, which may fetch about USD2 billion. It has attracted bidders including Stanley Black & Decker and Hong Kong's Techtronic Industries. Other companies such as Apex Tool Group and Sweden's Husqvarna AB have explored possible offers for Craftsman too, according to the sources.

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Stopping Bosch saws in the USA

Saw maker, SawStop has sued Robert Bosch GmbH of Germany and its subsidiary Robert Bosch Tool Corporation for patent infringement. The lawsuit is before the US International Trade Commission (ITC). Recently, administrative law judge Thomas B. Pender confirmed that the Bosch Reaxx saw infringes patents related to SawStop's implementation of active injury mitigation technology and components thereof. Here is an excerpt:

Based on the foregoing, it is my Initial Determination that there is a violation of Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337, in the importation into the United States, the sale for importation, or the sale within the United States after importation of certain table saws incorporating active injury mitigation technology and components thereof, in connection with the asserted claims of U.S. Patent Nos. 7,895,927 and 8,011,279. (U.S. I.T.C., Inv. No. 337-TA-965.)

SawStop is asking the ITC to order US Customs to exclude Bosch's Reaxx saws from entering the United States, and to order Bosch to stop advertising and selling the saws and associated parts, which might include replacement cartridges essential to the saw's operation.

Dr Stephen Gass, SawStop's president, notes that "the technology in SawStop saws wouldn't have made it to market except for the protection offered by the United States patent system". He said:

We have invested millions of dollars in research and development to protect woodworkers from serious injury, and our inventions have been awarded numerous patents. Bosch chose to introduce the Reaxx saw in disregard of our patents, and we were left with no alternative but to defend our patent rights in court. We are very pleased Judge Pender confirmed that Bosch infringes our patents.

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Hilti turns 75

On the occasion of its 75th anniversary, construction technology group Hilti pays tribute to its tradition of innovation.

In 1941, engineer Martin Hilti and his brother Eugen established Hilti Maschinenbau in Schaan, Liechtenstein where they began producing engine parts, lighters and kitchen mixers. With their focus on innovative blot gun technology and direct sales, they soon created the cornerstone of today's global Hilti Group. It has over 23,000 employees in more than 120 countries.

The events celebrating the company's anniversary reaffirm the continuity of the group's management. Michael Hilti, the son of founder Martin Hilti, became CEO in 1990 and served as chairman of the board for 13 years and remains a member of the board of directors. He said recently that the creative restlessness of innovative minds has always and will always be the engine of the company.

In 2015, Hilti inaugurated a new innovation centre for more than 450 employees at its headquarters in Schaan. In the same year, it released the BX 3-ME battery actuated fastening tool.

The tool is the first one in its category that generates enough power to set fasteners and nails into hard surfaces such as concrete or steel. The end-user benefits from a high level of comfort, low noise, a slight recoil and dust-free work.

In addition to a wide range of premium power tools, site positioning equipment and other devices, Hilti also offers a service model targeting large contractors and rental companies. Through Hilti Fleet Management, a fixed monthly charge covers all tool, service and repair costs. The idea is to simplify financial planning for customers, while all tools in the fleet are replaced at regular intervals with tools of the latest generation, thus helping to avoid downtime and ensuring compliance with the latest safety standards.

Going forward, the company will focus strongly on important trends in the construction industry. For example, increasing productivity will be a constant theme and it is currently being reinforced through digitalisation and modern industrialisation.

The acquisition of the German PEC Group can be seen in this light. The move will strengthen Hilti's market position in the fastening solution segment and optimise its access to Asian markets.

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JELD-WEN adds to its portfolio

JELD-WEN recently announced its purchase of Breezway, a manufacturer of residential and commercial louvre window systems based in Brisbane (QLD).

With this acquisition, JELD-WEN broadens its product offering. Terms of the acquisition were not disclosed.

However a report in The Australian estimates that Breezway sold for a price thought to be as high as $100 million. Its owner, private equity firm Crescent Capital held the division within its ArcPac Building Products business for about three years.

Breezway, which has a development centre in Brisbane, is leveraged mainly to the Australian and New Zealand detached housing market and has been among the top two players in its markets of louvre windows and garage doors.

It began manufacturing louvre windows in 1947 and prides itself on being at the forefront of window technology and design, with a constant stream of product improvements including automation and climate management systems. Peter Farmakis, executive vice president and president of JELD-WEN Australia, said:

Like JELD-WEN, Breezway has a long history of innovation. It's a perfect fit for our focus on elevating the design and style that windows bring to beautiful spaces.

Breezway is the third acquisition in Australia by JELD-WEN over the past 12 months. Previous Australian acquisitions include TREND Windows & Doors and Aneeta Window Systems. They are now part of JELD-WEN's existing family of brands in Australia that includes Stegbar, Corinthian, Regency, Airlite, William Russell Doors, and JELD-WEN Glass.

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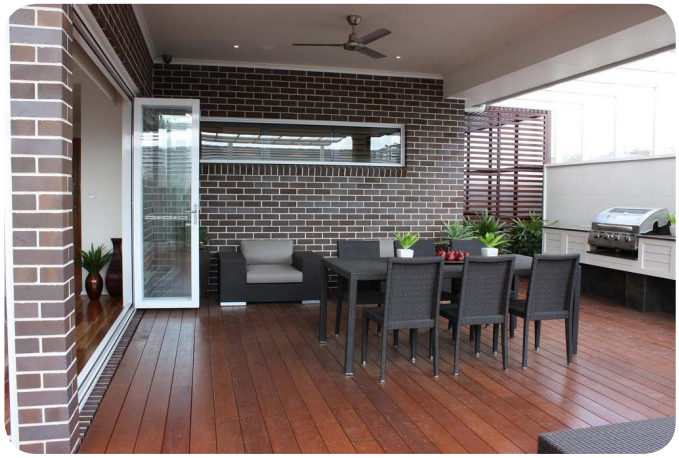
BrickWorks looks east for growth

BrickWorks believes the east coast home building boom will see it through the current decline in construction activity in Western Australia.

The building materials supplier's net profit was flat at $78.2 million on the back of a drop in building activity in WA. Revenue was up 3.8% to $751 million.

BrickWorks posted a $68.9 million impairment charge after closing its Austral Bricks and Austwest Timbers plants in the state. However, its earnings rose 18.1% to $195.9 million in the 12 months to July 31.

The company is much more optimistic about its building products business over the current year. Managing director Lindsay Partridge said conditions were positive with residential building approvals at record highs, driven by strong population growth, low interest rates and rising house prices. He said resilience of the east coast housing market was in stark contrast to the decline in building activity in WA. But Mr Partridge said despite setbacks last year, the west remained an attractive market.



Despite the current cyclical downturn, Western Australia has a strong and entrenched tradition of brick usage, with sales per capita being more than three times any other state in Australia.

As such we are making the necessary investments to upgrade our facilities and rationalise our brick operations in that state, starting with an upgrade to the Cardup brick plant. Completion of this project will be a key focus in the first half of financial year 2017.

The company is also positive about raising earnings through the sale of its Oakdale West property in western Sydney next year and raising investment earnings and dividends over the longer term.

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Boral FY2015/16 results reward transformation

Fix, Execute, Transform is itself transforming as Boral seeks optimisations by building into growing markets

Joint venture with Forterra Bricks in USA is underway

Mike Kane ponders the future of house prices and the demand for construction

In its results for its full FY2015/16 Australian-based construction products company Boral has managed to continue the redevelopment success story it began in the previous corresponding period (pcp), which was FY2014/15. Once again, overall revenue has nudged down slightly, but earnings before interest and taxation (EBIT) has lifted. The company has moved clearly into the end stages of the "Fix, Execute, and Transform" program initiated by Boral's respected CEO, Mike Kane, several years ago. It stands in a good position now to take advantage of the increase in infrastructure expenditure over the coming two years, as civil construction comes out from under the lingering shadow of budget cuts and delays made in response to Australia's economic difficulties in past years.

Total revenue came in at $4311.2 million, down by 2.34% on the pcp. Revenue from continuing operations, however, climbed by a modest 0.32% over the pcp, to reach $4311.2 million. EBIT was $397.9 million, up by 11.55% on the pcp. Net profit after taxes was $256 million, down by $1 million, or 0.39% on the pcp.

The headline financial ratio is Boral's return for funds employed (ROFE) based on EBIT, which came in at 9.0% for the current year, up from 8.2% in the pcp. The importance of this is that Boral has begun to subtly shift its future strategy. While retaining a strong direction in improving efficiencies, the company is also moving towards better portfolio management, allocating its investments to the product lines and geographic regions where better returns can be planned for.

Company changes

As Boral moves into its FY2016/17, the company continues to undergo changes. As announced earlier in 2016, its building products division in Australia will be combined with its construction materials & cement division to form a new Boral Australia division. As Boral's CEO, Mike Kane, said at the time:

This is a sensible and logical next step for Boral as portfolio realignment has seen the building products division substantially reduce in size over recent years.

At the time of its results release, Boral also announced the formation of a new joint venture in North America with US company Forterra, which owns Forterra Brick. The joint venture will grant both participants an even share. According to the media release:

The joint venture will bring together Boral's US clay brick operations and distribution network and Forterra's clay brick and concrete brick businesses in the USA and Canada. The combined business will have a capacity to produce over 2.6 billion standard bricks per year, and will include 27 clay brick manufacturing plants, 2 concrete brick plants and 41 building products distribution centres.

Boral

	2015/16	2014/15	Change
Revenue from continuing operations	4311.2	4297.6	0.32%
Revenue from discontinued operations	0	117.1	
Total revenue	4311.2	4414.7	-2.34%
Earnings before financing costs, tax and significant items	397.9	356.7	11.55%
Net profit after taxes (NPAT)	256.0	257.0	-0.39%
Earnings per share (EPS)	$0.333	$0.309	$0.024

AUD Millions

In answering a question from financial analyst Emily Smith of Deutsche Bank during the results presentation to analysts, Mr Kane expanded further on the reasoning behind the joint venture:

Putting together these two leading companies who have the capability to reach the key segments for the brick markets in the US, and to get – to drive up the efficiency from bringing these companies together, is going to be an important step. We've got to get velocity through the plants and through distribution. At 54% or 55% capacity utilisation, it's very difficult to get drive, but we were able to prove that when we took out almost 50% of our capacity in the past, that we can shrink back. Some consolidation has to happen between our asset bases, and the plans are in place. People know what we're going to do. We've identified – we've tried to be conservative in our projections, but I'm an optimistic fellow and I'm telling you I'm looking for more than what we're saying here.

Divisional performance

The headline performance figures for the four divisions Boral had operating during 2015/16 was very positive. The largest division by far, construction materials and cement (CMC) saw its EBIT outside of property earnings lift by 4.0% over the pcp. However, including property, the total EBIT was $293 million, representing a drop of 2.7% on the pcp.

Building products returned EBIT of $33 million, up by 11% over the pcp. USG Boral saw its EBIT lift by 27% over the pcp, to reach $179 million. Boral USA returned USD32 million (AUD44 million), up considerable over its EBIT of USD5 million (AUD6 million) during the pcp.

Construction materials & cement

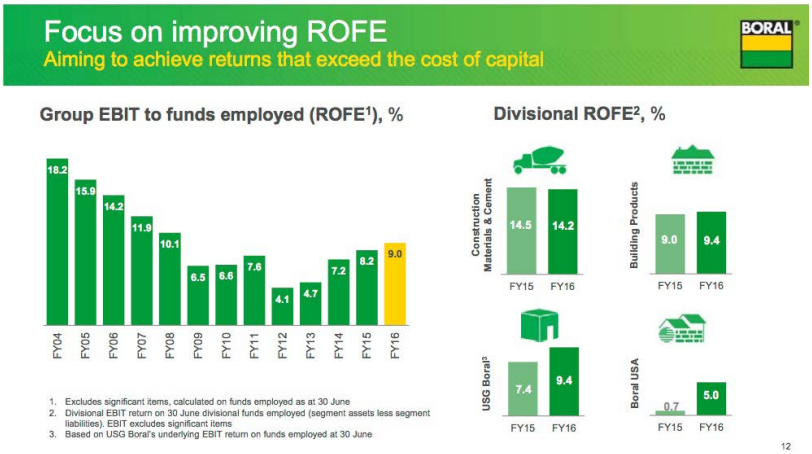
Revenue for this division fell by 6% to $2900 million. The company states that this was largely due to a decline in liquid natural gas (LNG) construction projects. Other impacts included the sale of its landfill business, and a lower profit realisation from its property business, which has been anniverseried against a particularly strong year in FY2014/15. Additional costs included some restructuring to the logistics fleet in Western Australia and Victoria.

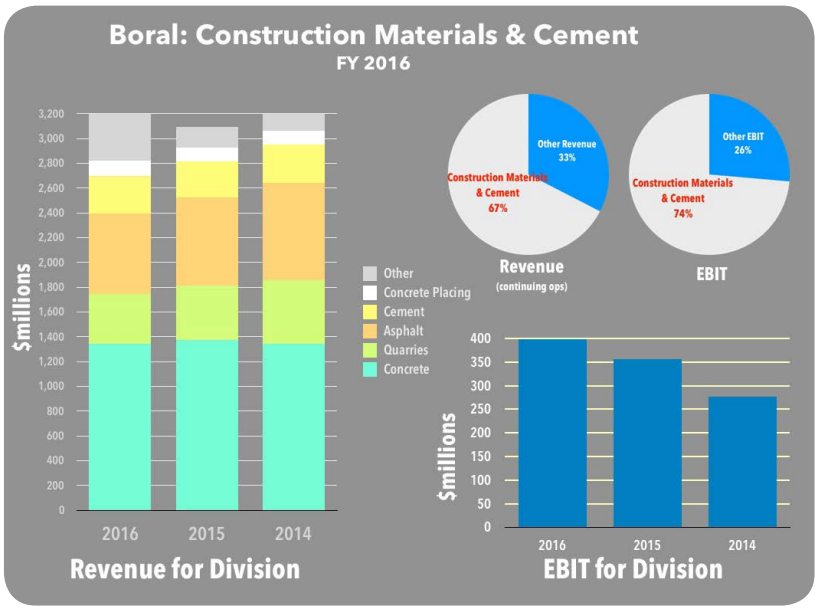
Positive influences, which enabled the ex-property EBIT to actually lift despite revenue falls, included the receipt of $4 million in damages from the company's long-running (and highly commendable) action with the Construction, Forestry, Mining and Energy Union (CFMEU), and lower fuel costs. Boral reported a reduction of around $16 million in diesel costs for the company overall during FY2015/16. As a result, ROFE came in at 14%.

In its concrete business, overall volumes are reported to have fallen by 2%, while prices increased, also by 2%, though the company reported that as the mix of products sold shifted, the average price increase for Boral was closer to 1%.

Boral's asphalt business had a similar outcome, with declining volumes but improved pricing, delivering a steady result. The company notes that this remains a very competitive market.

Quarries continued to provide good earnings, driven by ongoing growth in metropolitan Victoria and South-East Queensland. Results for New South Wales were mixed, with regional areas providing good sales, but the area around





Sydney less so, due to materials produced by tunnel excavation activity.

Transition

The underlying story to this division is the movement, predicted by Mr Kane in 2015, of its business from resource-based projects, to infrastructure and residential construction. As he said during his response to a question from Ms Smith:

Underlying, when you look at Australia, there is this transition. Last year I was talking about this transition. I think there was a lot of cynicism about what would happen with the housing market in Australia. There wasn't anyone in the room suggesting it would go up, even including me. But it did go up to 226,000 starts.

The strength in the housing market in the eastern states in Australia is a phenomena. It's a phenomena that has sort of defied expectations of everyone in the market. We look at our forward order book, we look at the activity we have going on in New South Wales, which is extraordinarily strong, we see a strong base of business in Queensland, a strong base of business in Victoria, and we have to say there's nothing on the horizon that suggests any significant negative activity in housing in Australia, clearly dominated by multi-family, which we benefit from in our construction materials and cement division. So we're positive and we're confident that that will continue.

I said last year we were moving from a resource base, strength in the LNG projects, into this new housing arena. We expected it to continue to be strong, and it was. It was even stronger than we expected. The roads, highway and infrastructure work, which was all sort of pending and talked about, and in the exploratory stage in the last financial year, came forward in financial year 2016 with projects being let, pouring having started, and the early stages of the road, highway and infrastructure work starting to pick up.

Later, in response to a question from Andrew Johnson of CLSA, Mr Kane expanded further on his thoughts about the housing market:

It's all about the eastern states. It's all about the footprint we have that covers those eastern states. I'm very encouraged and enthusiastic – 226,000 housing starts. I had a question this morning from the media that said isn't the high price of housing in Australia, isn't that going to curtail the housing market? If that was true, we shouldn't have increased housing starts in Australia in the last year. I said high housing prices in Australia have been a phenomena for over 10 years, over a decade. So that's not having that impact. There are other things we can attribute to what's happening to the primary demand. This is a very robust housing market.

Meanwhile, the pipeline of possible road projects for Boral continues to increase over the next three to four years.

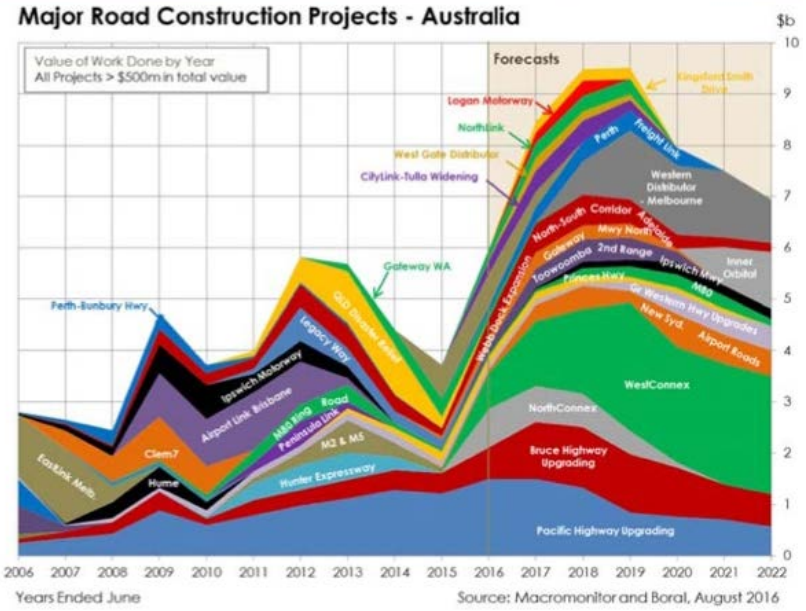
In response to a question from Kathryn Alexander, an analyst with Citi, Mr Kane described some details of the project bidding process for roads:

Unlike the LNG projects that as I've said in the past, where we took the majority of the LNG projects across Australia, we could do that. We cannot take all the infrastructure projects. We don't have the capacity or the capability of doing that.

So you have to have a bidding strategy that says you're going to lose a significant percentage of these projects, you're not going to get them all. Which ones do you want to win? Which ones do you want to lose? And that hierarchy of decision making, you'll find that we'll bid on just about everything that's out there. But we'll have different expectations depending on the project.

It has a lot to do with the simplistic notions of proximity to the project, proximity of our quarries, proximity of our fixed plant operations, whether or not a portable plant and we have the availability to report on plant as required. How long – where – can we get cement to this? Can we not get cement to this?

...you'll find that we'll bid on just about everything that's out there. But we'll have different expectations depending on the project



Boral building products

Allowing for a shift in accounting practices regarding the Boral/CSR Bricks joint venture, underlying revenue for this division grew by 1%, while EBIT grew by 11% over the pcp to reach $33 million. Bricks and roofing saw price rises of between 1% and 4%. Timber revenue grew, with hardwood seeing a 4% increase in price.

Boral gypsum

Revenue for this division grew by 10% over the pcp, while EBIT rose by 27% to come in at $179 million. The company sees much of this gain coming from efficiencies. Sheetrock brand plasterboard experienced high demand, and an increase in prices of 4% delivering a price premium of around 5%. Volume was particularly high in Australia, increasing by 13%.

Boral put much of the 27% increase in revenue down to operational improvements, including better cost management strategies.

In commenting on the growth strategies for this division, Mr Kane stated:

Asia and North America are our growth platforms, and in USG Boral we are targeting organic growth through innovation, growth in Asian economies, and accelerating market penetration for interior linings and associated products.

Boral USA

Revenue grew by 8% to reach USD751 million, while EBIT recorded a substantial increase from USD5 million in the pcp to USD32 million. This came about through a combination of better margins along with volume and price increases. The company sees this as a result of the improvement in the US housing industry. Overal US housing starts increased by 13% during the year. Boral saw a 16% uplift in starts in the US states where it sells tiles, and a 6% increase in the states where it sells bricks. That said, the increase in sales in the brick states was only 4%, due to starts occurring predominately in lower-cost housing.

Roofing revenue increased by 11% of USD176 million, while revenue from fly ash grew by 5% over the pcp to reach USD170 million.

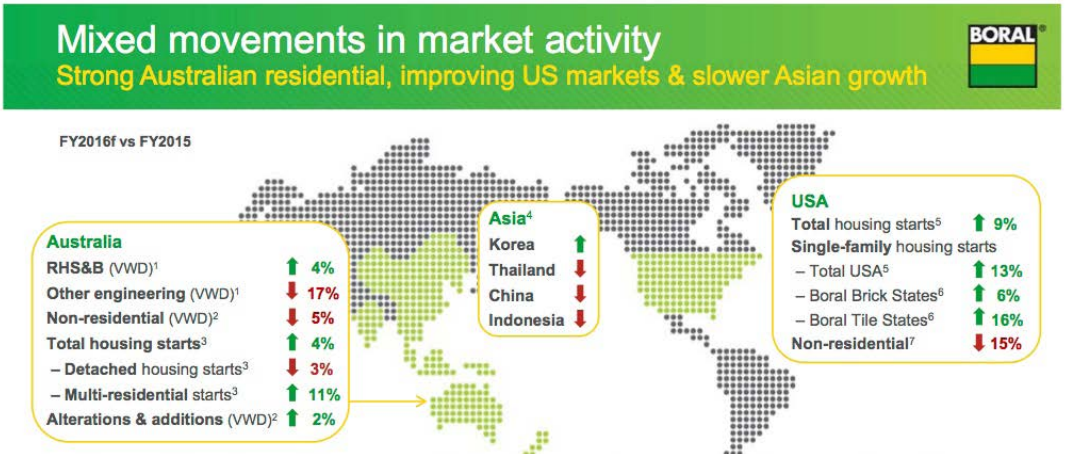
Analysis

One of the most important statements that Mr Kane made during the presentation was this:

Boral's geographic diversification positions the company well to leverage growth opportunities. The priority for Boral Australia is to protect and strengthen our leading, integrated construction materials position, which will benefit from a significant pipeline of major roads and infrastructure work over the next several years, and to optimise returns across all building products and construction materials businesses. However, our ability to grow through cycles is limited by the scale and scope of the Australian market, which is why Boral has identified Asia and North America as our growth platforms.

One aspect of this is something that is being consistently heard from the CEOs of big companies. It's not that they don't believe in the economic future of Australia, but they do see its as, in the medium term, being quite uncertain. The current wave of infrastructure building, for example, is largely servicing latent demand. Once that is done, the continuing level remains difficult to predict.

Likewise, as Mr Kane hints, while the housing markets, especially in Sydney and Melbourne, do not seem to be all that price-constrained, the actual drivers behind the ongoing growth in the value of real estate do not seem all that well-defined. This leads to an uncertainty about predicting future demand beyond two or three years.



GWA Group FY2015/16

GWA Group has made its first steps to transition from local to remote manufacturing successfully

GWA has committed to ongoing innovation to drive growth

Its other major strategy is to make its services more responsive to customer needs

At this stage, Australia's GWA Group has all the makings of a good turnaround story. After seeing its business decline as it persisted with a diversified business with manufacturing capacity in Australia, GWA has narrowed its focus to two product lines, and moved to offshore manufacturing in China.

Reporting its full year results in late August 2016, the company has declared revenue of $429.7 million for FY2015/16, up by 3.16% over the previous corresponding period (pcp), which was FY2014/15. Earnings before interest and taxation (EBIT) rose by 7.51% over the pcp, to come in at $78.3 million. Normalised profit after taxes (a non-standard measure devised to make a genuine comparison with previous results) was $51.9 million, up by 14.98% over the pcp.

Company evolution

In its FY2013/14 GWA found itself in something approaching a crisis. The company wasn't doing as well as it should, and GWA sought external advice from Second Road Consulting. The conclusions the company reached, as detailed in GWA's Annual Report for FY2013/14 were this:

It is clear that our market context is changing and while GWA remains Australia's leading supplier of building fixtures and fittings, our markets are evolving:

- *The relationship with our buyers is becoming more equal and also less predictable, through trends such as channel consolidation and digitisation.*
- *Shifts in supply chain are required for us to be more efficient and effective.*
- *Value does not lie solely in the products themselves but also in the systems and experiences that come with them.*
- *Industry boundaries are not what they used to be – innovations from outside of the traditional building and construction spaces are becoming relevant.*

The solutions which GWA decided to follow at that time were also detailed in the Annual Report:

- *We recognise markets are changing and will deliver products and solutions that save time for tradesmen, builders and across commercial projects.*
- *We will refocus our business units on their target market segments to ensure they have unmatched understanding of customer needs, able to reach and influence the key decision makers in these segments.*
- *We will free up our business units to focus on their markets by leveraging corporate functions which will enable:*
  - *Increased innovation and market insights;*
  - *Closer customer engagement and information*
  - *via group information systems;*
  - *Supply chain effciencies and responsiveness;*
  - *A supportive culture and pipeline of appropriately skilled management; and*
  - *Unmatchable scale.*
- *This resulted in a number of changes which were summarised in the Annual Report for FY2014/15:*
- *The sale of the Brivis Climate Systems business;*
- *The sale of the Dux Hot Water business;*
- *The sale of the Gliderol Garage Doors business; and*
- *The phased exit from manufacturing of vitreous china and plastic sanitaryware products at the Wetherill Park and Norwood factories and the subsequent sale of the Wetherill Park site.*

In effect, GWA pulled out of Australian-based manufacturing altogether, eliminated its heating and cooling segment, and cut down its doors & access division by selling Gliderol Garage

GWA Group

	2015/16	2014/15	Change
Revenue from continuing operations	439.7	426.2	3.16%
Earnings before interest and taxation	78.3	72.8	7.51%
Normalised profit after taxes	51.9	45.2	14.98%
Normalised profit after taxes	$0.190	$0.148	28.38%

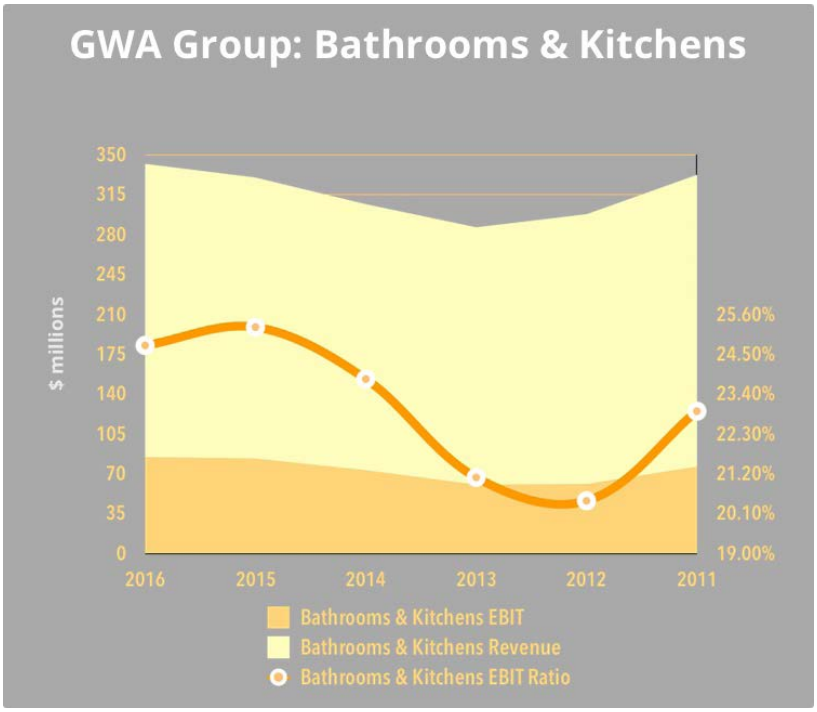
AUD Millions

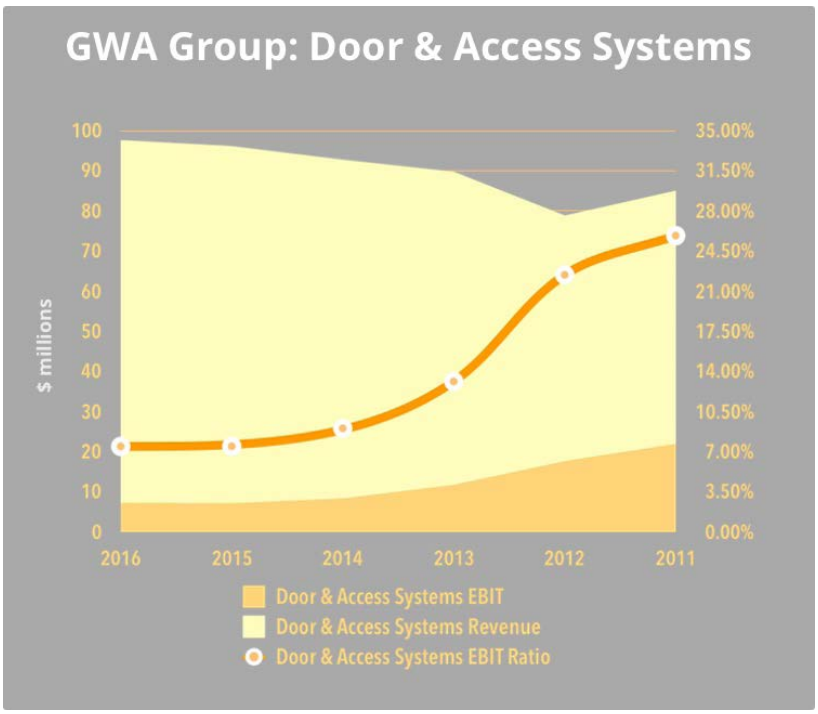
Doors to Reliance Doors.

The other major change was that, having driven this transformation of the company, the then-managing director, Peter Crowley, announced his plans to step aside. GWA had already found a worthy successor, Tim Salt, who was at that time the managing director of Diageo for Australia and New Zealand.

Diageo is an alcoholic beverages company, which markets Smirnoff vodka, Baileys and Johnny Walker whiskey, among other well-known brands. It has a strong focus on both sales and increasing sales through innovations in products. Tim Salt had held his position there from 2008, and prior to that he had worked for Arnott's in a series of increasingly senior management roles from 2004. His background also includes time at Lion Nathan and Pepsico.

Unusually, Mr Salt began his time at GWA in charge of its bathrooms and kitchens segment in September 2015. He was made CEO of GWA on 1 January 2016, and assumed the full managing director role on 1 July 2016.





April assessment

One of Mr Salt's first moves as a senior executive was to provide an investment market briefing on 21 April 2016. He delivered a very focused presentation which outlined the strengths of GWA, and details of how the company would make the best use of those strengths.

In particular, what became very clear was that, after some years when GWA had not really innovated much in its sector, Mr Salt intended to increase the role of innovation in the company as a means of delivering differentiated products with a higher margin. Further, it was plain that this innovation, in contrast with many of GWA's competitors, would have a strong basis in engineering, as much as in pure style and design.

A second focus was market alignment. Many of GWA's products were aimed at detached dwellings, and it was underweight – in terms of building approvals and even completions – in the multi-unit residential area. Also, Mr Salt indicated that the company would be directing more resources at the renovation and repair markets, due both to their size potential, and their modest contra-cyclical trend to the new build market.

Mr Salt identified a number of emerging opportunities, such as the movement towards "ageing in place", where "safe" bathrooms could form a major part of making houses more friendly to older Australians.

Mr Salt's third focus was on reducing costs. He could see a clear path to reducing selling, general and administrative expense (SG&A), as well as improving logistics and therefore inventory expense.

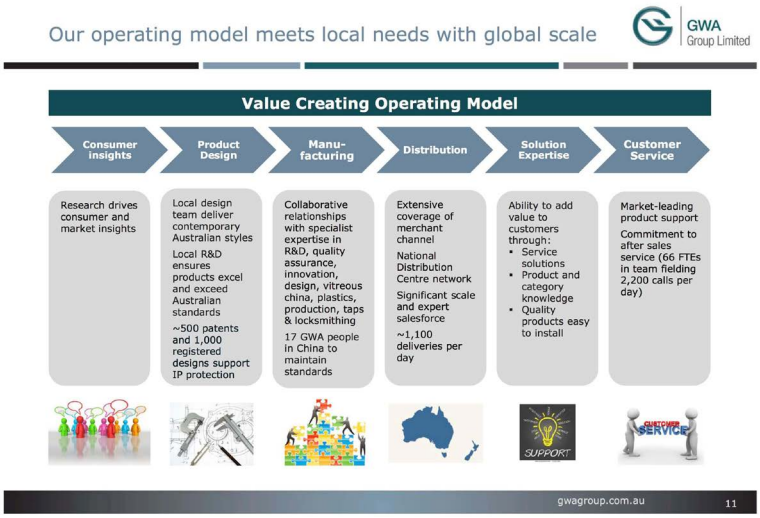
The results

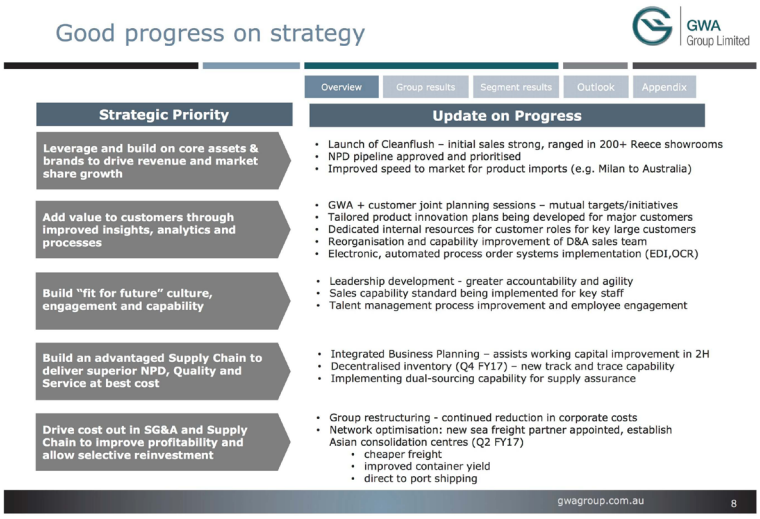
The clearest indication that GWA has met

many of its targets is that the number of brands under its management has declined sharply. In the company's Annual Report for FY2013/14 it lists 15 brands in total for its bathrooms and kitchens business. In its current annual report it lists 10. Of these, it owns just five: Caroma, Dorf, Fowler, Stylus and Clark. The other five – Hansa, Schell, EMCO, Virtu and Sanitron – are just distributed.

With many of the fundamentals in place, Mr Salt has begun to shift some of the priorities for GWA from restructuring to leveraging established assets to gain better revenue. The priorities he lists in the FY2015/16 annual report include:

- Drive cost out in SG&A and supply chain to improve profitability and allow selective reinvestment;
- Build an advantaged supply chain to deliver superior new product development, quality and service at best cost;
- Build a "fit for future" culture, engagement and capability;
- Add value to customers through improved insights, analytics and processes; and
- Leverage and build on core assets and brands to drive revenue and market share growth.





Segments

Bathrooms and kitchens

The company's annual report defines GWA's operations in this area as consisting of:

- Vitreous china toilet suites, plastic cisterns, seats, urinals and basins
- Acrylic, pressed steel and solid surface baths
- Tapware, showers, accessories and thermo-static mixing valves
- Stainless steel sinks and laundry tubs
- Solutions for aged care and commercial applications

Revenue for this segment came in at $342 million, up by 3.6% on the pcp. EBIT also rose, by a lower 1.6%, reaching $87.7 million.

Queensland led sales growth with an improvement of 12%, followed by New South Wales and Victoria with 6% growth. Sales in both Western Australian and South Australia declined by around 6%.

GWA suggests that the segments return on funds employed (ROFE) has been 24.1% for the year, an improvement over the ROFE of 22.5% for the pcp. The company sees this as a result of its exit from Australian-based manufacturing.

Door and access systems

The company's annual report defines GWA's operations in this area as consisting of:

- A comprehensive range of door hardware and access systems comprising door handles (knobs and levers), door closers, hinges and other door accessories
- Commercial locksmithing services for security systems and safes
- Supply and installation of electronic access control systems and associated products including CCTV, alarms and intercoms.

Revenue for this segment increased by 1.6% over the pcp to come in at $97.7 million. EBIT was close to flat, coming in at $7.3 million, as contrasted with $7.2 million for the pcp, an increase of 1.4%. ROFE grew from 13.2% in the pcp to 13.7% in the current year.

Victoria led with a sales increase of 12%, followed by New South Wales at 7%. Western

Australia had a 7% decline in sales revenue.

Analysts' presentation

Underlying all of these, however, is a very strong emphasis on new product innovation. This is something he highlighted during his introductory remarks at the analysts' conference call for the current results:

I think the successful launch of Caroma CleanFlush demonstrates how we are leveraging our investment in research and development to bring innovative new products to market. We launched this product in the 4th quarter and initial sales have been strong. The product is being ranged in over 200 Reece showrooms and that creates a positive platform into FY2017. We have also strengthened our new product development pipeline, with a core focus on improving our share in renovations and replacements, which is the largest segment opportunity for GWA.

The second priority is to add value to our customers. We have appointed a new executive general manager of sales in the bathroom and kitchens division, Craig Norwell. Craig has already made good progress with our major customers and merchants, particularly in working more closely with them on market initiatives, and that is a key focus for us.

So as part of that Craig [Norwell] is establishing joint planning sessions with our major customers, working on mutual targets and initiatives that will benefit both GWA and that customer's businesses. Further to that we are also working with customers on tailored product innovation plans, where we are developing specific products for them.

To better drive growth, we are realigning GWA resources to support our major customers. That is not just sales, but includes marketing and product development, to ensure we are genuinely harnessing our full resources to build a superior understanding of our customers' businesses so that we grow with them. We have also reorganised our sales team in the door and access business to drive sales growth in the multi-residential and commercial segments.

Our third objective is to build a "fit for future" culture, engagement and capability. On that score we are implementing leadership development programmes to drive greater accountability and agility across the organisation. We are also improving our talent management processes to better identify the key talent, and capability gaps.

A key component here is implementing a sales capability standard in the business. Ensuring our key customer facing staff have the right skills and training to support our customers' businesses.

Our fourth objective is to build an advantaged supply chain to deliver superior new products, quality and service at best cost. We have made good progress here, particularly with the launch of integrated business planning across the business.

We are betting on aligning sales and supply processes to better enhance working capital utilisation, reduce inventory, and improve service deliver to our customers. In the second half, that contributed to a $14 million reduction in inventory. We have also commenced the work to decentralise our inventory into Australian capital cities, which will enable us to get product from its origin to customers more quickly and efficiently. That is being supported by track and trace capability, to provide greater visibility over orders from supplier to port, and from warehouse to customer in real time.

These initiatives together will drive sustainable improvements in our customer service as measured in a shift in our DIFOT (delivery in full on time).

Our final objective, driving costs out in SG&A and supply-chain to improve profitability and allow selective reinvestment. We have continued to reduce our corporate overhead in the second half. We have also implemented changes to our supply network across Asia, appointing a new sea freight partner, and commencing the work to consolidate our freight operations. That is designed to reduce freight costs, improve container yield, and enable shipping direct to port. That is contributing to our overall plan to generate $13 million to $16 million in cost savings progressively from FY2016 to Fy 2019, through a combination of SG&A and supply-chain efficiencies.

In an overall sense, while we clearly have a lot of work to do, the group has made good progress on our strategy this year.

In response to a question by an analyst from UBS regarding future price rises for products, Mr Salt explained the role that new product development could play, especially for the Caroma brand:

I think the market is getting more challenging in FY 2017, and we've already seen this at the lower, cheaper end of the market. As a result, our focus in FY2017 is much more about how we drive mix, and improve profitability through

We are also working with customers on tailored product innovation plans, where we are developing specific products for them

looking at some of the higher end products. I talked about Caroma Cleanflush as an example of that where we have seen good growth in some of our higher end toilet suites, and that is what we want to continue to focus on to drive mix more aggressively across FY2017.

Tradelink and Samios

An analyst from Credit Suisse asked about GWA's relationship with plumbing distributor TradeLink, which has suffered from a diminished reputation in recent years. Mr Salt went into some detail about GWA's major customer base in his reply:

I think the best way to characterise that at the moment is that we are seeing good intent [from TradeLink], but we are not seeing any improvement, as we speak.

So that is probably the one from the customer's perspective that is disappointing for us. We are currently working with them on programs to beef up the first half activity on TradeLink, to build momentum, but we didn't see that reflected through in FY2016.

We had good performance with Reece, plus 5% [in revenue on sales] and Bunnings, plus 8%, among the other top 5 players being Plumbing Plus at plus 5% and Harvey Norman at plus 12%. So we had great growth across all of them.

And then TradeLink was a challenge for us. It is interesting in our business, though, that I'm learning that as you move in those areas, another customer will come in to take some of that business. We've found that we've had very strong growth with a group called Samios out of Queensland, which for the year has grown just shy of 60%, and they are now our seventh largest customer. They are a similar type operation to TradeLink, and they have filled a gap with some of the underperformance we've had with TradeLink.

That said, we are very clear that we need to get back, and improve our performance with TradeLink, and we are committed to that, and certainly with the new management team that we've got in TradeLink here in Australia, through Alan Ball and Steve Lewis, they are committed to getting us back into growth with them, and that's the key thing for us.

Approval to completion lag

In making forecasts for 2017, Mr Salt had mentioned the benefits of a considerable backlog of work to be completed, dwellings completed statistics lag behind building approvals granted. An analyst from CitiGroup asked him if he could clarify this further:

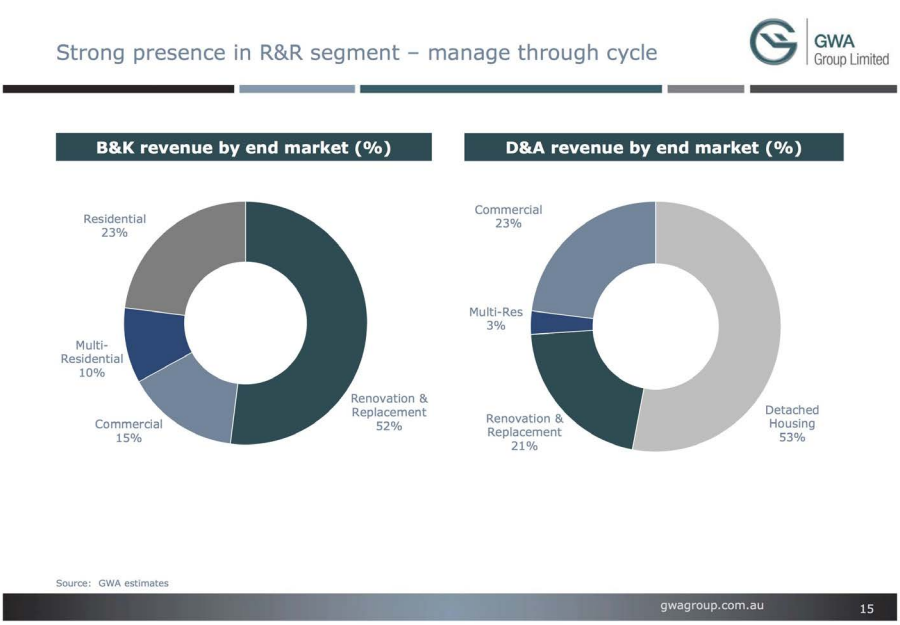
Completions are running at around 190,000 versus commencements and approvals that are around 230,000. So we think the lag is still somewhere around the 30,000 to 40,000 units of stock, if you like, that still has to play out through FY2017. So even if the market does come off the highs that we're seeing in that new build area, we still think that over the course of FY2017 you will see a fairly robust building schedule going through. So we don't see that dropping off as yet.

The unknown on that, we think, will be the impact of Government restrictions on lending to foreign investors, and that is the bit that I guess the unknown, how that is going to impact when new properties become available and settlement has to go through. But at the moment we're not seeing any pressure as things stand.

So in terms of the actual time from that, it is a bit hard for me to say what it is, but it can be up to six to nine months, I think at the moment, the delta between when something kicks off and when it is finished. That is getting longer, not shorter, driven by the lack of labour.

Bunnings/Homebase opportunities

An analyst from Credit Suisse asked if GWA thought there were any immediate opportuni-



ties to supply Homebase in the UK through its relationship with Bunnings in Australia. Mr Salt replied:

I think there is no doubt that Bunnings said they would be looking at some of their suppliers in Australia to potentially work with them in the UK. We would like to think that we could be considered in that, but as yet we have not had any further conversations on that.

It is more just an opportunity for both parties. Our focus is on making sure we get the business with Bunnings right here, and then potentially leverage over into the UK at a later date. So definitely an opportunity but no plans in the pipeline at the moment.

Analysis

Pulling off this kind of company transformation can be very difficult. That GWA has done so well so far can be put down to the efforts of the former managing director, Peter Crowley, in making some radical changes after he realised GWA could not go on in its previous form. It looks like Mr Crowley also deserves credit for having the acumen to help pluck Mr Salt out of his role at Diageo, and plunge him into a slightly unfamiliar business – one where it looks like he is set to thrive.

While Mr Salt's predictions that GWA's results will be somewhat cushioned throughout FY2016/17 by the backlog of residential building work to be done, there is, of course, a problem that comes with this. If building approvals do fall off during the coming 10 months, then the backlog will come to work in reverse during FY2017/18 and possibly the first half of FY2018/19 as well, as it will take time for the effects of an improved building economy to filter through to purchases of "second fix" goods such as taps, basis, sanitary suites and locks.

At least, however, such a lag will give Mr Salt nearly a year in which to pivot GWA somewhat away from the new build market, and towards the repair and renovation market, which has both a more steady base, and a slightly contra-cyclic trend to the construction new buildings.

The other, longer term difficulty that GWA could face, particularly in its doors and access business, is not being able to stay in touch with the rapidly evolving technology, as this sector of the business rapidly becomes part of the Internet of Things (IoT) area. While today Bluetooth-linked locks and doorbells that work via smartphone apps are not mainstream, they likely will be within three to four years. Developing and marketing systems in this area will require a different skillset.

Fletcher Building 2015/16 full year results

Strong housing demand has lifted Fletcher's results

Both plasterboard and insulation have driven strong Australian results

Tradelink is a focus for improvement

New Zealand based building products and distribution company Fletcher Building has reported positive results for FY2015/16. Sales revenue came in at NZD9004 million, an increase of 3.96% over the previous corresponding period (pcp), which was FY2014/15.

Overall company earnings before interest and taxation (EBIT) was NZD682 million, up 4.44% on the pcp. EBIT from Fletcher's Australian operations grew particularly strong, coming in at NZD 151 million, up 31.30% on the pcp. Australia contributed 23% of the company's EBIT, as compared to 18% for the pcp.

Net earnings before significant items were NZD462 million, up by 4.76% on the pcp.

Divisional results

Of Fletcher Building's five divisions, only International showed a drop in EBIT as compared with the pcp, down 7% to NZD133 million. Building products increased EBIT by 6% over the pcp to NZD274 million. Distribution added 19% to the EBIT of the pcp, to report NZD176 million. Residential and land development reported EBIT of NZD84 million, up 27% over the pcp. Construction increased EBIT from NZD74 million during the pcp, to NZD78 million, an increase of 5%.

Building products

The star performer for building products was building materials, with good performance from plasterboard and insulation sales contributing to its 21% increase in EBIT to NZD93 million. Plasterboard sales increased in volume by 11% and earnings from insulation doubled across the Australian and New Zealand markets. The EBIT from Fletcher Insulation has reportedly increased by 150%.

In answering questions from analysts during the results presentation, Fletcher Building CEO Mark Adamson remarked that demand for insulation had been high enough in Australia that extra capacity was needed:

I announced that we are restarting Rooty Hill [insulation factory in New South Wales] – I never thought I'd hear myself say that – simply because we're full, because we've taken a lot of market share and the management team there has done a great job. So that will certainly alleviate any medium-term pressure in Australia.

Similar capacity problems were also encountered with plasterboard, he remarked:

I think wallboards is starting to get up against the buffers of capacity. Every few months they manage to eke out a little bit more, and that's where the manufacturing excellence program isn't so much driving cost as driving additional capacity out of the same kit. That should see us through certainly FY 2017 and we're working on plans as to how to address that going forward. That is a tight one.

Another standout producer was Iplex Aus-

Fletcher Building

	2015/16	2014/15	Change
Sales revenue	9004	8661	3.96%
Earnings before interest and taxation (EBIT)	682	653	4.44%
New Zealand EBIT	527	495	6.46%
Australian EBIT	151	115	31.30%
Net earnings before significant items	418	399	4.76%
Net earnings	462	270	71.11%
Earnings per share before significant items	NZD 0.606	NZD 0.580	

NZD Millions

tralia, which makes plastic pipes. It managed to turn a loss of NZD27 million during the pcp, into a break even result for the current year. Mr Adamson warned, however, that future growth for this operation would be more subdued.

Other results included an increase in ready-mix cement volumes by 7%, in volumes for New Zealand cement by 6%, and a decrease in cement pipe volumes in New Zealand by 8%.

Distribution

The overall EBIT lift of 19% compared to the pcp to NZD176 million was driven by steel distribution. Australian steel distribution rose by 43%, and New Zealand steel distribution rose by 22%.

The Australian plumbing supplies distribution Tradelink saw a 2% decrease in its revenue, and the operation went through a reset during the year. According to Fletcher Building's annual report for FY2015/16, its intentions as regards Tradelink are:

The focus has been on cost-effectively expanding the store footprint, implementing a service guarantee oriented around the core requirements of the trade plumber, and on lifting the capability of people within the business. There remains much to be done to get that business to acceptable returns but we are clear on our strategy and the early signs of customer acceptance are encouraging.

In response to an analyst's question, Mr Adamson expanded on the company's plans for the business:

Yes I think Tradelink, it's fair to say, is the one standout turnaround that we continue to pay the most attention to. Partly because unlike manufacturing businesses – we say Iplex have a fairly rapid turnaround, Formica Europe is already making money from a fairly average first half. Distribution turnarounds tend to be longer because you've got to get customers to buy stuff from you in your new branches.

I think what we take faith in is not some clever magic bullet strategy, but we're very much relying on the experience of Dean Fradgley and Alan Ball and their teams. They're extremely credible. We ask them the same question that you've asked me almost every week, and they remain very, very positive. The early signs from the store rollouts that we've done, we've done seven so far, in the last three months, two of them are already turning a profit, do look promising.

But I think it needs to be a strong conversation at the half year. I think at the half year we'll be able to be more definitive from a numbers point of view around whether that's going to be successful. They are absolutely convinced we can get that business to the 40 million we keep on talking about.

At an investor day in April 2016, Fletcher Building provided more details about its plans for Tradelink. One key to this is an increase in Trade stores from 107 in 2016 to 165 in 2019. These will be low-cost format options, which the company tested out in the Australian Capital Territory. The plans are to build 23 new branches in Queensland, and 26 new branches in New South Wales, will 11 branches spread out through the remaining states and territories.

Tradelink also has plans to refurbish its showrooms, through a AUD1.5 million investment. Currently Reece is thought to capture 63% of showroom sales, independent operators 26% and Tradelink 11%.

Analysis

As an overall company, Fletcher Building remains something of a challenge to analyse, as it deals with about 20 different markets, some of which interact, and others which are at least partially independent.

From the building supplies perspective, however, it remains challenged by the problems of most building supply companies, in that it is difficult to know what level of market activity it should optimise for. At the moment in areas such as plasterboard and insulation, it is not able to comfortably meet demand. Some of the expansion it is undertaking in these areas relates to better efficiencies, and some requires the addition of more capacity. By the end of FY 2016/17, there should be a better picture as to how those strategies will work with the developing market.

In terms of Fletcher Building's distribution business, while much of that business continues to product good results, Tradelink in Australia continues to recover from persistent problems. As Tim Salt, the managing director of GWA Group has commented, the company seems to be very willing to improve its operations, but it has yet to deliver on this. Meanwhile, competitors such as Samios in Queensland are finding ways to get better market share, and Reece continues to consolidate its leading market position.

Digital engagement with Pros

in this update:

The Home Depot CEO Craig Menear recently spoke at the Goldman Sachs Global Retail Broker Conference where he discussed the use of digital technology to target the home improvement professional (Pros).

Sitting alongside the enthusiastic amateur, the Pro customer is an individual with regular needs and a different, more specific, set of requirements. As such, they need to be targeted with particular care, he argued. Digital is at the heart of this with personalisation the key. He said:

The marketing that we do to the Pro customers is now beginning to take advantage of the digital capabilities that we have. Instead of broad-brush marketing to the Pro as a Pro segment, it's individual marketing to a specific type of customer within Pro with defined messages that meet their needs.

The Pro customer wants to engage with Home Depot via digital channels and in growing numbers. They are looking for very specific things from digital engagement. Mr Menear said:

The thing that customer responds to is enhanced capabilities. Visual capabilities on the site are hugely important to the customer. The data that you provide around the product is important. We have seen strong engagement with the video content at a product information page level helps drive conversions. So the customer is definitely guiding how you engage with them in the digital world. And they are requiring upgrading content.

One of the things that we have built into our app and mobile web is the ability for a consumer or a Pro to look up inventory in-store. We get a lot of feedback from our Pro customers that this is something that they value and benefit. So we are seeing the Pro engage. We are seeing the Pro engage in what we call BOPUS (Buy Online, Pick Up in Store). So they can be home at night, take a look at some things that they need, they can place their order and we have that ready for them for pickup the next morning when they swing by.

But Mr Menear was also keen to emphasise that there are limited expectations for the firm's app play. He said:

We don't believe that that The Home Depot app is going to be the first app that people are going to go to. But we also have to be relevant and continue to offer the app. But everything we put on the app, we also try and migrate to our mobile website as well as tablet and PC.

Ted Decker, executive vice president – merchandising, believes that when it comes to pitching to the Pro customer base, there's an inherent advantage that the firm can exploit. He said:

What we have with the Pro business is many of our Pro customers have our private label credit card. We have quite a bit of information. Other than digital marketing, we haven't done a lot of individual marketing.

In data overall, we have always had a tremendous amount of data. And we are continuing to build tools and processes and in teaching our merchants and marketers how to better price the product and look at elasticities by market, how to assort our products, constantly looking to leverage that data map across the enterprise.

We are increasingly contacting through e-mail campaigns those customers based on more in segmented customers as opposed to an individual customer. So we know someone is more engaged in garden, for example or may know someone is looking at a kitchen remodel. We will approach them as a segment, not so much individual.

https://goo.gl/xdSJ4w

Lowe's debuts Open House

Lowe's has launched Open House, a digital newsroom that will take consumers behind the scenes at the brand.

About a year in the making, Open House was a "cross-functional" effort involving IT, recruiting, marketing, corporate communications, supported by an external agency, according to Colleen Penhall, vice-president of corporate communications. She said:

People want to know more about the companies they shop with beyond the products and services they sell. At Lowe's, we are trying to build deeper and more meaningful relationships with our customers and, ultimately, more brand loyalty and advocacy.

Open House serves as a digital avenue through which Lowe's can meet consumers "where they are," she added.

The newsroom launched with stories such as the refurbishment of a Detroit school gym that was made possible because of a partnership between Lowe's and The Ellen DeGeneres Show. Ms Penhall said:

We want to share authentic content they will not only share across channels, but they also feel is inspiring and relevant to them.

Social media weighed heavily in the team's decision-making and the way consumers share "snap-able, bite-size" content, but long-form storytelling isn't off the table either. Ms Penhall said:

[It's not] a cookie-cutter approach. We approach it from a variety of different ways people consume content and taking those [lessons] and applying them in the future.

Lowe's marketing division recently launched "The Weekender," a 10-part DIY web series that shows homeowners how they can tackle a project in a weekend on a small budget, hosted by Monica Mangin, co-author of the East Coast Creative blog.

The retailer also launched an app on Apple TV, and made content available on Amazon Fire TV and Roku TV.

Rather than spearhead a campaign, Open House will serve primarily as a branding tool and "give people more insight into what went into the strategic thinking at Lowe's", Ms Penhall said.

https://goo.gl/onwRLd

Mobile shopping expectations

Retailers in the US such as The Home Depot are optimistic about the upcoming holiday season and they believe mobile payment users could be a big factor affecting their end-of-year sales. To cater to the mobile shopper, Home Depot is introducing chatbots.

The home improvement retailer is pursuing beacons and chatbots for mobile consumers, who account for 50% of the company's online traffic, according to Mobile Commerce Daily. The chatbots can help consumers with advice.

In a presentation at the MMA SM2 Innovation Summit 2016, an executive for The Home Depot stated that the growth in mobile is inspiring exploration of Internet of Things (IoT) technologies to drive sales. By focusing on mobile platforms, the company hopes to attract younger consumers from Gen Y and Gen Z, who The Home Depot calls "mobile prodigies". According to Yvette Davis, manager of media strategy for Home Depot:

Mobile prodigies value personalisation, and they use mobile for shopping inspiration. Everything that we're doing is keeping those mobile prodigies in mind.

The Home Depot is also experimenting with beacon technology and creative optimisation but claims it still has a ways to go. Ms Davis said:

We have our beacon technology that we've acquired, but...we have to get mobile right. Mobile significantly drives foot traffic to my physical retail locations.

https://goo.gl/7cqcAm

Home Hardware targets growth

Tony Flanagan, a 25-year veteran of Canadian-owned Home Hardware, operates in a tough retail environment – the Home Depot, Lowe's and Canadian Tire are all in close proximity to his 18,500-square-foot store. He said:

The reason I'm still here at the age of 69 is because I'm still having fun. I worked too many hours to develop hobbies, so now I'm turning my job into my hobby.

Long service, such as Mr Flanagan's 25 years, is a common trait at Home Hardware, which has had just three chief executives since entrepreneur Walter Hachborn founded it in 1964. It's a retailer-owned enterprise – the proprietors of its 1,100 retail locations across Canada are also its shareholders. Each dealer/retailer can tap into a range of services offered by corporate headquarters, in the heart of Ontario's Mennonite community. Chief executive Terry Davis explains:

It's a culture of service. Retailers are normally controlled and owned by the head office. Our only purpose here is to serve those dealers in the stores, so we just have a different mindset. We are here to look after them. We are like a concierge service at the best hotels. I absolutely believe that makes us a strong competitor.

Mr Davis, who is 65 years-old, joined Home Hardware in 1970 as a "picker" in what was then a modest warehouse operation, and he never left. Hired as the firm's 36th employee, he now oversees an operation with 2,300 employees at its head office and central distribution centre, and C5.8 billion in annual sales.

Mr Davis admits Home Hardware's quasi-co-operative business model presents some challenges because the firm has neither the deep pockets of its publicly traded rivals, nor the top-down control of a franchise operation. But he says the model also offers benefits rivals can't match.

He cites flexibility and communication as two factors that help Home Hardware compete. For instance, individual retailers select the goods that will best meet the needs of their local markets. Management conducts regular surveys of store owners' priorities.

Twice a year, about 70% of the dealer-owners show up for big marketing events at its headquarters, where they can meet management, talk to suppliers and generally stay in touch with what's going on. Mr Davis said:

One of the biggest challenges we face is having to be nimble and competitive and aggressive and all of those things without having the funding that's available to publicly listed companies.

It must be nice to be a franchise organisation, and go out and tell every branch exactly how it has to operate, but we don't have that either. We don't dictate to our members as much as we persuade them. We are a group of 1,100 retail operations out there trying to work as best we can as one big team, and I think we do it very well.

Yet Mr Davis also recognises the need to maintain quality. The company is four years into a five-year plan that targets 42 locations for termination – ordering dealer-owners to improve their stores or leave. He said:

There were a number we ended the relationship with. It was a difficult exercise, and the first time we've done anything like that. But we feel pretty strongly about what the brand stands for.

So far, 29 of those 42 stores have closed; in nine of those markets, Home Hardware has recruited new retail members.

Mr Flanagan shares the desire to protect the brand and concedes that the need for consensus among retailers can make the company conservative and risk-averse. For instance, there would be no agreement on moves like increasing loan funding for dealers wishing to open stores in Canada's biggest urban centres, where, he says, the brand remains relatively weak.

But Mr Flanagan is very satisfied with the service he receives from the management team, a pay-as-you-go list of options that includes help with branding, design and display materials, as well as access to experts in fields like human resources, finance, health and safety, and real estate. He said:

If I were to sum up the Home Hardware culture in one word, it would be 'helpfulness. We are run by a board of directors that are Home Hardware dealers, so it's the dealers telling head office what we require. We're a ground-up, not an ivory-tower-down, organisation.

https://goo.gl/NedDkQ

Kingfisher results 2016/17 first half

in this update:

Screwfix sales revenue GBP612 million up 24%

Screwfix like-for-like sales up 14.7%

Kingfisher MD Veronique Laury acknowledges the success of Bunnings in Australia, but suggests the UK is a very different market

The first product lines from Kingfisher's transformation will reach its stores in 2017

UK-based global home improvement retailer Kingfisher has released its results for the first half of 2016/17. The results on the surface show promising, though not extraordinary growth, with UK & Ireland and Poland doing well, and Kingfisher's French operations relatively steady. Both Russia and Spain show a concerning lack of growth. The retail "star" remains Screwfix, which has expanded both inside the UK, and in Germany.

The financial numbers for the company show that sales revenue came in at GBP5749 million, up by 6.82% on the previous corresponding period (pcp), which was the first half of the company's FY2015/16. In constant currency terms, the increase would have been 2.7%. Underlying pre-tax profit was GBP436 million, up by 13.5% on the pcp. Statutory post-tax profit was GBP321 million, up 0.94% on the pcp.

On a regional basis, B&Q UK & Ireland returned sales of GBP1997, slipping down by 1.8% over the pcp, with like-for-like (LFL) sales coming in at 4.6% in constant currency terms. Screwfix reported sales revenue of GBP612 million, up 24% overall on the pcp, with a 14.7% increase in LFL sales.

Sales in France were worth GBP2175 million, up 10.1% on the pcp, but posting a more modest 0.3% gain in constant currency terms, with LFL sales in constant currency dipping slightly, by 1.6%.

Poland recorded sales of GBP587 million, up 15.3% on the pcp, 11.4% in constant currency terms. Sales in Russia fell by 10.7% on the pcp, 0.6% in constant currency terms, returning GBP157 million.

Bunnings/Homebase competition

During the presentation of results to financial analysts, competition from Bunnings and its Homebase acquisition did not form part of the formal presentation, but the analysts themselves did bring it up in questions. Andrew Hughes from UBS asked if Kingfisher could detect any positive benefit from the closure of some Homebase stores. The chief financial officer of Kingfisher, Karen Witts, replied that there may have been some slight benefit, but the main driver of growth for B&Q had been the increase in online sales.

Claire Huff from RBC followed up on Mr Hughes' question, asking if there had been any disruptive effects from the entry of Bunnings into the UK market. Kingfishers' managing director, Veronique Laury, responded that:

On Bunnings, I'll stick to where I've been since the beginning. I think they are very valid competitors and we are really looking at what they do. We value what they've done in Australia and – but the context is very different.... And I think what is important is that we are not fighting against Bunnings. Of course, we have those competitors, but we are sticking to our plan.

Ms Laury went on to comment on some of the competitive activities of Bunnings/Homebase:

They've done a little bit of price activity over summer on certain lines. But again, I think the starting point was that they were owned, they were 15% more expensive than B&Q. So, even

Kingfisher

	2015/16 H1	2014/15 H1	Change
Sales revenue	5749	5382	6.82%
Retail profit	464	410	13.17%
Statutory post-tax profit	321	318	0.94%
Transformation costs	18	0	
Store-on-store (comp) revenue growth (constant currency)	3.3%	2.0%	1.3%
Earnings per share before significant items	£0.141	£0.136	3.68%

GBP Millions

with what they've done, we are still much cheaper than what they are.

Results and transformation strategy

The narrative that is suggested by Kingfisher, with some numbers to support it, is that the real story for the company is happening beneath the surface of its acceptable but not great results. Aside from pure performance, these company results also represent progress for Kingfisher six months into an ambitious five-year transformation plan.

For this financial year that will see the company transform some 4% of its overall retail floor space with product range changes driven by radical changes to its supplychain. In the next financial year, this will expand to cover 20% of the company's floor space.

The narrative suggests that the situation with Kingfisher is "wait and see". The expansion of revised product lines in the coming financial year will, the company suggests, revitalise its bottom line.

Ms Laury introduced this as a topic in her opening remarks. She said that the transformation would:

... create huge value for our shareholders, as well as our customer. This presentation is going to be, let's say, about 80% to 90% about the transformation. And you should expect to have probably a little bit more about the result in such a presentation. I think this is a choice we've made because we think it's very important for you to understand where we are in terms of transformation.

Later she expanded on this idea:

And it is really good to say that and to have delivered that set of numbers alongside of really starting the real transformation, because – and I will come back on that and you will see in the different integration – we've really started. We are really at the heart on the transformation now, much more than where we were six months ago. So, to manage to deliver that set of result of business as usual as well as really entering into that phase of transformation I think is a good result.

Questioned by the analyst Anthony Shiret of Haitong about whether Kingfisher's results had really been a little mediocre, she expanded further:

I think the performance on B&Q, I will be less harsh than what you are on the performance of B&Q. I think the performance of B&Q is okay actually, and I think to have so many quarter of positive like-for-like is not what happened in the past. Anyway, having said that, we are conscious that we need to improve our customer proposition in our B&Q store. I think part of that, I was talking about the fact that, next year, we are going to touch 22% of the footages across the group. It will be true as well for B&Q.

So, I think there is two ways to improve. I think that the offer that is going to arise in the B&Q store, to be specific about that, is going to be much better than what we had in the past.

Transformation experiences

Much of the presentation was given over to Arja Taaveniku, Kingfisher's chief offer & supply chain officer, whose work history includes lengthy experience at IKEA. Ms Taaveniku talked through some of the process the company was going through in revitalising its product ranges. She outlined the scope of the project in these terms:

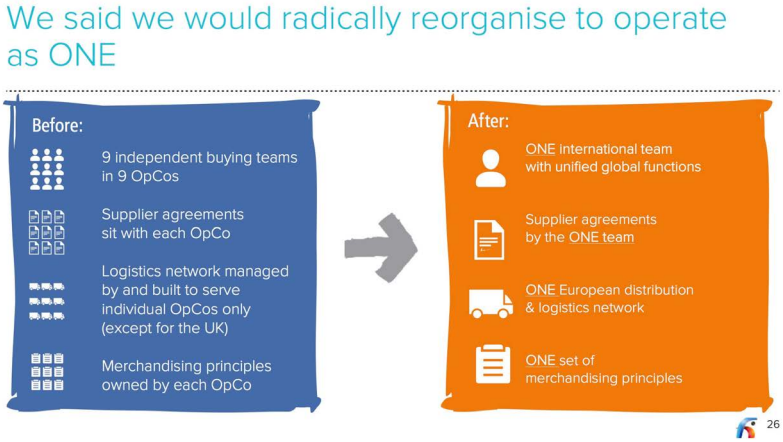
The result from these ranges that we have been working on in the first wave is that we are going from 28,000 SKUs on growth level down to 7,000. We are going from 842 suppliers down to 131, and it goes without saying that those 131 suppliers are, of course, given much better conditions to put up highly efficient production.

A natural concern arising from this kind of consolidation would be that individual preferences would be washed out. However, Ms Taaveniku indicated that Kingfisher was well aware of this problem, and sensitive to how its products would "play" in different cultures:

We have been able to do this unification, but still continue to address the local needs, because there are some. And as an example, in Poland and Romania – and I would say Russia as well

"...we are going from 28,000 SKUs on growth level down to 7,000. We are going from 842 suppliers down to 131, and it goes without saying that those 131 suppliers are, of course, given much better conditions to put up highly efficient production."

-Arja Taaveniku



– there's still a need of having light-coloured sinks... We can add that into the unified range. We're not removing that.

In the UK, you probably know about the Belfast sinks. We are still having that in the range, so we're adding that as a local need. We have also been able to add new good functions to markets that didn't have it. Example is scratch-resistant, linen finish sinks into the UK. We didn't use to have it here and we've been able to add that. Those local ranges, they are still benefiting from the cost price reductions that we're achieving on the unified ranges. In many of them, we can use the same supplier base. The Belfast sink is a porcelain sink and we are using the same supplier base as for the unified ranges.

On the sinks, well, it's a fewer SKUs you see on the screen, we're going from group SKUs from 516 to 113 and it's now 13 suppliers as compared with 36 before.

One area that was emphasised not just during Ms Taaveniku's presentation, but also during the questions from analysts, is that the transformation process is less about pricing and more about delivering the products customers want through a better customer experience. As she explained:

This plan will deliver significant customer benefits, which is the main thing with our plan. This is not a cost price reduction exercise entirely. The main thing is that it would deliver much better ranges for our customers.

She expanded on this further:

These ranges are easier to shop for our customers in terms of how we have displayed the merchandising and how we created the packaging. But also how we have created the range composition, what we are really offering to the customers.

It's newer products. And as an example, two-thirds of these bulbs will now be LED and sold under our own brand, Diall, where we have really secured a good quality at the very low price.

That said, Ms Taaveniku also noted that the changes should bring about an overall cost benefit of around 5%, with some ranges benefitting as much as 15%. However, most of the cost benefits, she states, are being reinvested in terms of offering higher quality products at lower price points.

A core part of this transformation process is that Kingfisher is getting involved in the design process for the products. This seems to be an involvement that goes further than that of, say, Lowe's Companies, or The Home Depot in the US, or Bunnings with its "captive" brands, such as Ozito and Kaboodle. As Ms Taaveniku explained:

We are setting up the new design hub in London. Our new design director started just a few weeks ago. And if you wonder why we are doing that, recruiting those new competencies, while we used to do – we come from a culture of just buying the products from suppliers. So, we are moving into a world of Kingfisher where we're also designing our own products and owning our own [intellectual property] rights. And we will do business directly with the factories. So, for example, one part of that cost that suppliers used to have baked into their costs, the R&D, much of that we will carry ourselves.

Transformation organisation

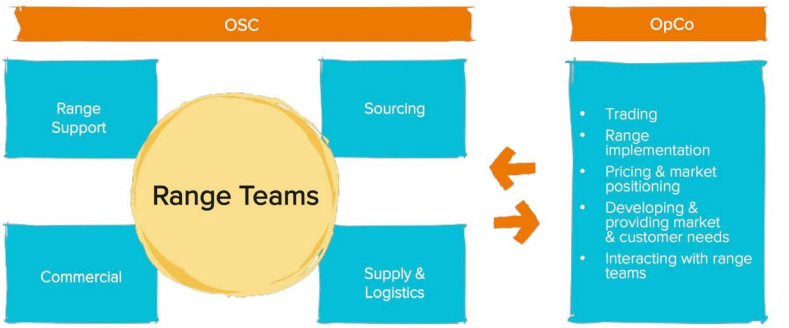
Ms Taaveniku used the example of taps to illustrate how the new organisation works at Kingfisher. Firstly she pointed out that half of the part of Kingfisher she runs, Offer & Supply Chain, consists of range teams. These teams are based in the UK and France. The kitchen team operates out of the UK, and the bathroom team operates out of France, for example. There are seven range categories, each with its own category director.

Each new product project is assigned a product lead, who looks after that project. The project begins with an assessment of what the customer needs, and how the customer buys the product. This includes the timing of when these goods are purchased, and what part they play in the daily life of the customer. As Ms Taaveniku explains, this forms the basis for the development of the product:

They will base that whole range offer on those customer needs. They will also look on the range

the transformation process is less about pricing and more about delivering the products customers want through a better customer experience

Working closely with OpCos



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composition. How many taps do we need to offer for use where you want to have a relevant offer as a customer? And they will also look at what price targets should we put at on those products.

The next step is to determine how to source the products that are required. One of the insights that Kingfisher has gained is that beginning with a strong assessment of what customer needs really are frees up the company to explore a wider range of sourcing options. As Ms Taaveniku puts it:

When you really start with customer needs, we have realised that we are much less dependent on international brands than we have previously thought. So, you will have designers, you will have engineers that are constructing part of it.

Part of the process is to have internal quality control and specification teams go over the product requirements as well:

There are also quality specification people here telling – saying that this is the quality requirement we have to set on this, and this is requirement we are setting on suppliers.

Another important team looks after how the product will fit into the Kingfisher brand story, how it will be packaged, what will be printed on the display box, as well as the writing of any instructions or warnings that might be needed.

Once the process has reached this point, it is time for the experts in sourcing to take over

They are handling, managing the whole tender process. So they are the ones who are putting out to suppliers and asking who wants to be part of this tender process. They are managing all the supplier relations and also deciding who is the supplier going to be that will supply these taps.

Next there is the commercial part of the operation, where things such as merchandising solutions, and store displays are designs. Part of that is also the product data experts, who will work out how the data produced by the product will be integrated with that of the product range to providing meaningful results.

Finally, there are the product logistics teams. As Ms Taaveniku describes:

In the supply and logistics, we have currently project people working on – deciding on what are the routes to market on this one. How do we supply it? Does it go directly to stores? Does it go through distribution centers or how do we supply it? They're also managing the forecast, trying to estimate how much of it sell of it?

The end result of this kind of process is an insight into the products that is not available to most other home improvement retailers. Ms Taaveniku can easily describe the core aspects of Kingfishers' tap range:

The commonalities on kitchen taps are really the type, brand, colour and the finish, and on product commonalities. Because the product as such, well, you have the body and the spout on the tap, there are product commonalities. And as a matter of fact, 94% of our sales come from three body types, only three body types. The customer needs are, of course, to secure quality because quality is the main thing in taps, and durability. And we also see that what saving is coming up as a big demand from customers.

...

New trends are coming out while industrial taps are, of course, a very big new trend. We can also see that is coming, more demand for colours, other colours than only stainless steel. We have been able to reduce the number of group SKUs by 84%.

"The commonalities on kitchen taps are really the type, brand, colour and the finish, and on product commonalities ... And as a matter of fact, 94% of our sales come from three body types, only three body types."
-Arja Taaveniku

Analysis

Kingfisher's approach to product sourcing and ranging is quite unique in the home improvement industry. One way of thinking about this is that Kingfisher is moving away from a demand-driven model, towards a needs-based approach. If we think about demand as a demonstrated capacity in a market to purchase a product, then we could say that needs relate to the intent and potential to purchase elements from a narrow category of products.

A pure demand-driven approach comes close to not registering one of the market resources that Kingfisher has mentioned extensively in

Veronique Laury at the DIY Global Summit: https://youtu.be/hGw2pZk657Q

the past, customers who abandon renovation projects (such as bathrooms), simply because the task becomes too difficult for them.

Bunnings, for example, is very much a demand-driven retailer, and known for its laser-like focus on what customers want and what they buy. This fits with the statement by the CEO of Bunnings, John Gillam, that "the margin is the outcome". Demand and price have a close relationship, and the role of the retailer is to deliver a product at the "trigger price" necessary to make a purchase possible. Margin, then, is not something extracted from the customer, but rather the outcome of the entire sourcing process.

Building the customer base from such a demand-driven approach is a highly complex task. Demand seldom expresses itself in terms of just a single product. Generally, it expresses itself in an intricate network of products. Someone installing a new door, for example, will need (obviously) the door itself, hinges and a lock. But they are also likely to need the tools to install the lock – a holesaw, a jig to make sure the lock is mounted correctly, and potentially a bit for a router as well. They might need a jig for the hinge installation as well.

Satisfying all of those demands, all at the same time, in an easily accessible way, creates something new for Bunnings: a customer. What defines the customer is simply this: Bunnings first. In other words a Bunnings customer is someone who will begin most home improvement tasks by visiting Bunnings, because they are reasonably confident that they will find everything they need there, in one stop.

HNN has become increasingly convinced that this creation of the customer, and the customers themselves, are the primary economic units for Bunnings' management. While total retail sales remains an important metric, what every Bunnings store is very much about is the creation of customers.

The Kingfisher approach is quite different. Its role is less about satisfying a known demand, and more about transforming a need into a definite demand. The main tool used to achieve this in retail is the product narrative. These product narratives, which basically link things together with a "this goes with that goes with that" structure, become more effective the more specific they can be.

One area where these two approaches produce very different outcomes is in regards to how vertically integrated the retailers choose to become in regard to the products they sell. With its demand-driven approach, Bunnings has almost no vertical integration into product production and marketing under its own brand-name. Bunnings does have a number of major "captive" brands, such as Ozito and Kaboodle, as well as more minor ones, such as Clever Closet. Bunnings' relationship to these captive brands is not one of close design involvement, however. It is aware of demands in the marketplace, and communicates these to these brand suppliers, but it also expects the brands to innovate independently as well.

Kingfisher has adopted a much more vertically integrated approach. Its primary insight is that, to a larger extent, "sourcing is sourcing". That is to say that the processes the company undergoes when sourcing a product from an external source, or by developing a product internally then seeking a supplier of that product, are very similar. That is because it is looking beyond demand, and is researching the core, basic needs of its customers.

Vertical integration for Kingfisher leads to very specific products, and ones that closely integrate with each other from the point of view of the customer. That enables the company to establish a very tight narrative, and that tight narrative aids the customer in moving from generally expressed needs to specific demand for specific products.

A good example of this in the Australian market can be seen with Reece bathroom products. Customers enter a Reece showroom with a vague sense of what they want. The tight integration of its products by Reece enables them to pick and choose the "look" they do want.

It's important to note that neither approach is generally a "winner" or superior to the other approach. The Kingfisher approach, for example, requires massive investment of capital, and a highly talented pool of people to implement, factors which increase its risk. The Bunnings approach carries less risk and more certainty, but depends on a very quick reacting, agile organisation to keep it operating at maximum profitability.

How these factors will play out in the UK market will be interesting to see. At a guess, each company will likely find success in different categories, with Bunnings doing better at the more "prosumer" end of the market, and where purchases are less integrated, while Kingfisher will do better with highly integrated purchases.

Bunnings, for example, is very much a demand-driven retailer, and known for its laser-like focus on what customers want and what they buy.

...

The Kingfisher approach is quite different. Its role is less about satisfying a known demand, and more about transforming a need into a definite demand.

Woolworths/Lowe's face off over property

In a famous wireless broadcast from October 1939, Winston Churchill, then First Lord of the Admiralty in Britain (for the second time), made a wry statement about the Soviet Union, which later became famous as a useful description of everything that went on in that nation during the Cold War:

> *It is a riddle wrapped in a mystery inside an enigma; but perhaps there is a key. That key is Russian national interest.*

We could borrow that to describe some aspects of the dispute between WDR Delaware, a holding company owned by US big box hardware retailer Lowe's, and the Australian supermarket retailer Woolworths.

Paraphrasing Churchill's statement, we might say that the Lowe's/Woolworths dispute is an arbitration wrapped in a secretive property deal, inside some rumoured bizarre goings on at the Hydrox board.

The two companies were operating together through the vehicle of a joint venture, Hydrox Holdings (Hydrox). This joint venture was formed with Lowe's, through WDR Delaware, owning one-third of its shares, and Woolworths owning two-thirds of its shares.

Hydrox sought to radically alter the Australian home improvement retail market through its big-box venture Masters Home Improvement. It ended in failure, and with the partial collapse of Woolworths itself, though whether Masters' failure was part cause of that collapse, or more symptom of an underlying malaise, is something yet to be determined.

The fallout from the collapse of Masters was brought to a head on 24 August 2016. In a rushed attempt to dispose of the matter of Hydrox and Masters before presenting its poor annual results for FY2015/16, Woolworths proposed a three-way deal to dispose of the assets of Hydrox. The Home Timber & Hardware Group (HTH) would be sold to Metcash, US retail disposal company the Great America Group would, through its Australian subsidiary GA Australia, conduct a liquidation sale of the remaining retail stock of Masters, and the real estate assets of Masters would be sold to Home Investment Consortium Company Pty Ltd (aka Home Consortium).

Lowe's agreed to the first two disposal actions, but would not agree to the third. Despite this, Woolworths announced the sale as a virtual fait accompli. Lowe's shortly thereafter launched an action in the Federal Court located in New South Wales, seeking to have a liquidator appointed to resolve the dispute over what should happen to the assets of Hydrox.

Best of friends: Churchill, Roosevelt and Stalin take a break at the Yalt conference, February 1945

Public Domain, https://commons.wikimedia.org/w/index.php?curid=40547477

The matter at hand

The matter that was brought before the Federal Court is summarised in the judgement as follows:

> *In their Originating Process, the plaintiffs claim:*
>
> *A declaration that the affairs of Hydrox have been conducted in a manner oppressive to, unfairly prejudicial to or unfairly discriminatory against WDR; and*
>
> *An order pursuant to s 233(1)(a) of the Corporations Act 2001 (Cth) (Corps Act) or alternatively, pursuant to s 461(1)(k) of the Corps Act, that Hydrox be wound up; and*
>
> *Consequential relief.*

Essentially, Lowe's is claiming that the actions of Woolworths have been so far outside of what would be expected that the matter cannot be resolved through arbitration. Woolworths, however argued that all the matters involved, except for liquidation, could be solved through arbitration. The presiding judge, Justice Lindsay Forster, summarised this as follows:

Neither the plaintiffs nor Woolworths submitted that an arbitrator appointed under the JVA could make an order winding up Hydrox. The plaintiffs argued that no part of the proceeding was arbitrable. Woolworths submitted that all of the plaintiffs' claims other than that part of those claims that comprised the claim for relief in Prayer 2 of its Originating Process were arbitrable.

A key consideration by Justice Forster is stated as follows:

A dispute between members of a company or between shareholders and the board about alleged breaches of the articles of association or a shareholders' agreement is an essentially contractual dispute which does not necessarily engage the rights of creditors or impinge on any statutory safeguards imposed for the benefit of third parties.

The core of the judgement is presented in these words:

In substance, the present case is a dispute between the sole shareholders of Hydrox involving the way in which those shareholders performed their contractual and other obligations inter partes. In truth, there is no substantial public interest element in the determination of these parties' disputes. At the present time, it is not suggested that Hydrox is insolvent. Indeed, there is evidence to the effect that Woolworths has provided letters of comfort to the directors of Hydrox in order to allay any concerns that they may have as to the solvency of Hydrox. No creditor has attended any Court hearings or has sought leave to participate in the proceeding. This is despite the fact that it has been advertised as required under the relevant regulatory regime and despite the fact that the dispute between the plaintiffs and Woolworths has received considerable press coverage.

In my judgment, the mere fact that a winding up order is sought does not alter the characterisation of the real controversy between the parties in this proceeding as being an inter partes dispute. Of course, it is for the Court, and the Court alone, to decide whether such facts and propositions of law as may ultimately be presented at the hearing of the plaintiffs' winding up application constitute sufficient proof and persuasion entitling the plaintiffs to the declaration and winding up order which they seek.

For all of the above reasons, I see no difficulty in all of the matters identified at [116] above being referred to arbitration and for further steps in this proceeding to be stayed until such time as those matters have been determined by arbitration.

This is more formally stated in the opening paragraph of the judgement:

Until further or other order of the Court, pursuant to s 7(2) of the International Arbitration Act 1974 (Cth) (IAA) and Art 8(1) of the UNCITRAL Model Law on International Commercial Arbitration which has the force of law in Australia (as to which, see s 16(1) of the IAA), pending the determination by arbitration of all matters involved in this proceeding save for the ultimate question of whether a winding up order against the first defendant should be made, the whole of this proceeding be stayed.

The message in the details

It is interesting to note, however, exactly how much detail about Lowe's allegations against Woolworths as regards its treatment by the Hydrox board, as influenced by Woolworths, has made its way into the judgement.

While it is very necessary to point out that only Lowe's has publicly presented its views on these actions, and we have yet to hear any additions or justifications by Woolworths, on the face of what we do know Woolworths tends to suffer a bit in terms of its commercial reputation.

From this broader perspective, there are really three key issues to look at:

- Lowe's dispute with Woolworths over the initial valuation Woolworths provided for buying the one-third of Hydrox Holding Lowe's owned;
- A property deal, which would see Woolworths buy two of Masters' property sites for $105 million, where the method of valuation has not been disclosed to Lowe's; and
- Activities at the Hydrox board that Lowe's claims resulted in basic provisions of the joint venture agreement (JVA) between the two companies being breached.

Board actions

The nature of what happened on the Hydrox board lend themselves better to a timeline presentation, and HNN has provided that on the pages that follow. Just to give a idea of what took place, the following is a summary of the characterisation of what happened as described by Lowe's, provided by Justice Forster:

> *At the behest of Woolworths and its nominees on the Board of Directors of Hydrox, Hydrox failed to provide certain information that was requested by the Lowes nominee directors on the Hydrox Board on 9 August 2016;*
>
> *The Woolworths nominee directors on the Hydrox Board purported to require the Lowes nominee directors on that Board to vote on resolutions put to that Board on 12 August 2016 without the Lowes nominees having the information previously requested by them;*
>
> *In respect of each of the Hydrox Board meetings held on 12, 23 and 24 August 2016, Woolworths caused the Lowes nominees on that Board to be swamped with a large amount of information and voluminous documents immediately before those meetings in circumstances where the Lowes nominees had insufficient information and insufficient time properly to consider that information and the resolutions put at those meetings;*
>
> *At the Hydrox Board meetings held on 12 August 2016 and on 24 August 2016, the Woolworths nominee directors purported to exercise by majority vote and without the approval of any Lowes nominee director, powers of the Hydrox Board which*

require the approval of at least one Lowes nominee director;

During an adjournment of the Hydrox Board meeting held on 24 August 2016, Woolworths wrongfully and in bad faith purported to terminate the JVA for the improper purpose of allowing the Woolworths nominees on the Hydrox Board to pass, by majority vote and without the consent or approval of any Lowes nominee on that Board, a resolution concerning the winding up of the Masters business that Woolworths wished to have passed prior to the announcement of the Woolworths FY16 Preliminary Final Report the following morning (25 August 2016);

Woolworths caused the resolution described at (e) above to be put to the meeting of the Hydrox Board against the advice of the lawyers retained to advise Hydrox and over the objections of the Lowes nominees on that Board; and

Woolworths has thereafter taken control of the affairs and management of Hydrox to the exclusion of WDR, Lowes and their nominees on the Hydrox Board.

It all begins with the arbitration

The starting point of everything that has gone on with Hydrox is actually way back at the beginning of 2016, when Lowe's first informed Woolworths that it was going to exercise the put option it held on its one-third share of Hydrox. Lowe's holding company in Hydrox, WDR Delaware (WDR) gave notice that it would exercise its put option on its shares of Hydrox on 16 January 2016. On 18 January 2016 Woolworths gave notice that it would exercise its corresponding call option, acquiring those shares.

As negotiations over a price for the shares between the two parties were not successful, the procedure detailed in the joint venture agreement (JVA) was set in action. This called for each party to obtain an "Independent Expert Valuation". The Lowe's valuation came back at $654 million. The Woolworths valuation came back at zero dollars. The difference between the two, as described by the judgement, was that Lowe's had valued the business as an ongoing operation, and Woolworths had valued it as progressing through an orderly windup process.

This is the important point, and the place where this entire dispute really begins:

Since 7 March 2016, the plaintiffs and Woolworths have been in dispute about whether Woolworths' Independent Expert Valuation is a valid Independent Expert Valuation for the purpose of Annexure B to the JVA.

As HNN does not have access to the agreement, there is no way that we can add substantive direct comment on this matter. Many readers might be forgiven for finding some kind of innate contradiction in a circumstance where Woolworths is now offering to pay Lowe's a sum of money for the orderly windup of Hydrox's assets, and yet also presenting a valuation that sets a value of zero dollars.

Article continues on page 46.

Following pages show timeline of interactions.

Timeline: Woolworths and WDR Delaware (Lowe's) dispute

JAN

16 On Saturday, 16 January 2016, WDR gave notice pursuant to cl 22.2(c) of the JVA requiring the purchase price of its shares in Hydrox to be determined in accordance with Annexure B to the JVA.

18 On Monday, 18 January 2016, at 9.31 am, Woolworths made an announcement to the ASX in which Woolworths said that:

Woolworths intended to exercise its call option under cl 23 of the JVA

FEB

16 Woolworths exercises call option.

25 WDR's Independent Expert Valuation valued Hydrox on the assumption that it was to continue to operate as a going concern and valued WDR's shares in Hydrox at $654 million.

25 Woolworths' Independent Expert Valuation:

Did not value Hydrox on the assumption that it was to continue to operate as a going concern; Valued Hydrox on the assumption that there was to be an orderly wind up of the Masters business; and

As a result, valued WDR's shares in Hydrox at $ nil as at 18 January.

MAR

10 On 10 March 2016, WDR, through its solicitors, informed Woolworths that the dispute about the validity of Woolworths' Independent Expert Valuation was a dispute that was required to be resolved pursuant to the dispute resolution provisions set out in cl 30 of the JVA.

12 On 12 March 2016, WDR, through its solicitors, gave notice of a dispute for the purpose of cl 30 of the JVA, namely, whether the Independent Expert Valuation obtained by Woolworths was a valid Independent Expert Valuation within the meaning of Annexure B to the JVA. The position adopted by WDR at this time was that the process for the appointment of a third expert under Annexure B was required to be suspended pending resolution of the dispute as to whether or not the Independent Expert Valuation obtained by Woolworths was in fact a valid valuation for the purposes of Annexure B.

16 On 16 March 2016, Woolworths, through its solicitors, gave notice of a dispute pursuant to cl 30 of the JVA, namely, whether WDR had breached, and was continuing to breach, its obligations under the JVA by failing to do all things reasonably necessary to appoint a third expert for the purposes of Annexure B to the JVA.

22 Since around 22 March 2016, Woolworths has engaged Korda-Mentha to assist it with a potential winding up of the Masters businesses and Woolworths' exit from those businesses.

APR

30 In about April 2016, Woolworths and Citi prepared information memoranda concerning the sale of the shares in Hydrox or the sale of the businesses of Hydrox. According to the plaintiffs, those information memoranda did not include in the statement of Masters' "trading" and "pipeline" sites, the Dubbo site, being a Masters site that Woolworths was seeking to acquire for itself. The information memoranda also excluded the Warwick Farm site.

From time to time after April 2016, the plaintiffs requested copies of these information memoranda. The plaintiffs allege that, at no point prior to the commencement of the present proceeding, did Woolworths provide those information memoranda to them

JULY

12 On 12 July 2016, WDR commenced an arbitration against Woolworths in respect of, amongst other things, the dispute which had arisen as to whether or not the Independent Expert Valuation obtained by Woolworths was a valid Independent Expert Valuation for the purposes of Annexure B to the JVA. Woolworths did not commence any arbitration in respect of the other disputes raised by it

12 On or about 12 July 2016, Citi informed the Hydrox Board that it was not going to be possible for the businesses to be sold as a going concern and that they would have to be wound up in as orderly a fashion as possible.

Timeline: Woolworths and WDR Delaware (Lowe's) dispute

AUG

5 Hydrox Board meetings held on 5 August 2016 and on 9 August 2016, the WDR nominee directors requested certain information to be furnished to them so that they could sensibly decide how they should approach certain decisions which were likely to be put to the Board in the near future.

12 Woolworths caused the Lowes nominees on that Board to be swamped with a large amount of information and voluminous documents immediately before those meetings in circumstances where the Lowes nominees had insufficient information and insufficient time properly to consider that information and the resolutions put at those meetings;

13 On or about 13 August 2016, Woolworths documented a plan by which Woolworths might bring about a state of affairs entitling it to terminate the JVA. The WDR nominee directors on the Board of Hydrox continued to complain that they had not been fully informed as to Woolworths' intentions in respect of Hydrox and its businesses.

In the Concise Statement, the plaintiffs set out in some detail the Game Plan, Plan A and Plan B, all of which were developed by Woolworths in mid-August 2016

23 The Board papers for the 23 August 2016 meeting included a recommendation from Citi that:

The HTH business be sold to Metcash for $165 million; Great American be appointed as agent to liquidate Masters' inventory by 11 December 2016; and The Masters property portfolio be sold for $830 million to Home Investment Consortium Company Pty Ltd (Home Investment Consortium) via an acquisition of the shares in Hydrox–of which $725 million would be consideration provided by Home Investment Consortium and the remaining $105 million would be provided by Woolworths as consideration for certain sites that would be retained by Woolworths.

The Board papers provided to the WDR nominees for the 23 August 2016 meeting did not reveal how the figure of $105 million had been calculated.

The Citi recommendation was discussed at the 23 August 2016 Board meeting but no resolution for its adoption was put. At the conclusion of that Board meeting, the Board agreed to meet again at 6.30 am (Sydney time) the following day, 24 August 2016.

9 At the behest of Woolworths and its nominees on the Board of Directors of Hydrox, Hydrox failed to provide certain information that was requested by the Lowe's nominee directors on the Hydrox Board on 9 August 2016;

12 The Woolworths nominee directors on the Hydrox Board purported to require the Lowe's nominee directors on that Board to vote on resolutions put to that Board on 12 August 2016 without the Lowes nominees having the information previously requested by them;

12 At the Hydrox Board meetings held on 12 August 2016 and on 24 August 2016, the Woolworths nominee directors purported to exercise by majority vote and without the approval of any Lowe's nominee director, powers of the Hydrox Board which require the approval of at least one Lowe's nominee director;

23 On 23 August 2016, a further meeting of the Hydrox Board took place. Approximately 12 hours prior to the meeting, the WDR nominees were provided with Board papers for that meeting. The papers comprised over 1200 pages. The papers included notice from Woolworths pursuant to cl 5.4 of the JVA replacing three of the four Woolworths nominees on the Hydrox Board (being all of the Woolworths nominees other than Dr Dammery) with partners of KordaMentha, including Mr Mark Korda.

23 On 23 August 2016, less than 24 hours prior to the 24 August 2016 Hydrox Board meeting, the WDR nominees received the Board papers for that meeting. These papers comprised over 1100 pages. Those Board papers gave notice of proposed resolutions:

To approve the sale of HTH to Metcash;

To approve the proposed inventory agreements with Great American; and

To approve Hydrox doing all things reasonably necessary to facilitate the implementation of a restructure plan contemplated by the Home Investment Consortium Transaction.

None of the resolutions to which I have referred at [92] above had been foreshadowed during the course of the Board meeting held on 23 August 2016 although the subject matter of those resolutions had been discussed at that meeting.

Timeline: Woolworths and WDR Delaware (Lowe's) dispute

During an adjournment of the Hydrox Board meeting held on 24 August 2016, Woolworths wrongfully and in bad faith purported to terminate the JVA for the improper purpose of allowing the Woolworths nominees on the Hydrox Board to pass, by majority vote and without the consent or approval of any Lowe's nominee on that Board, a resolution concerning the winding up of the Masters business that Woolworths wished to have passed prior to the announcement of the Woolworths FY16 Preliminary Final Report the following morning (25 August 2016);

AUG 24

In their Concise Statement, at pars 88–97, the plaintiffs set out in detail an account of what occurred on 24 August 2016 including events which took place at the Hydrox Board meeting held on that day.

At the time the Board papers for the 24 August 2016 Hydrox Board meeting were sent, Woolworths had negotiated a call option over its shares in Hydrox in favour of Home Investment Consortium (a company associated with Mr Di Pilla and Aurrum). The existence of this call option was not known to WDR or Lowe's. The call option was on the same terms as the terms negotiated for the Home Investment Consortium transaction referred to at [89(c)] above. The call option did not become exercisable until after the restructure plan contemplated by the Home Investment Consortium transaction had been implemented. That restructure plan included the transfer out of the Hydrox group of sites that Woolworths wished to acquire for itself. It was a term of the call option that each party would do all things reasonably requested by the other to obtain WDR's consent to the Home Investment Consortium transaction.

During one of the adjournments of that meeting which took place on that day (the adjournment which occurred between 8.10 am and 10.30 am), Woolworths, by its solicitors, sent a letter purporting to terminate the JVA with immediate effect. The letter also purported to terminate any separate contract whereby Woolworths agreed to buy WDR shares that had arisen upon the exercise by Woolworths of the call option in cl 23 of the JVA.

The plaintiffs argue in the present proceeding that Woolworths' purported termination of the JVA on 24 August 2016 was invalid and of no effect. This contention seems to be a critical part of the plaintiffs' case.

The plaintiffs also complain that important information has been denied to their nominees on the Hydrox Board being information in relation to Woolworths' intentions in respect of the winding up of the Masters businesses.

However, it is frequently the case that what seems to be commonsense does not really apply when legal matters are involved. It's possible, for example, that the JVA has a very particular interpretation on how these valuations are made.

Continued from page 42.

The divide

Where things get a bit tricky to follow is that at this point the matter Lowe's is arguing about and the matter Woolworths is arguing about split into two paths.

Woolworths argues that as the two parties cannot agree on a value based on their expert assessments, the matter now has to follow the course set by the JVA, where a third, independent party is assigned to decide the matter.

Lowe's, however, does not agree to this course of action. This is how the judgement describes its actions:

> *On 12 March 2016, WDR, through its solicitors, gave notice of a dispute for the purpose of cl 30 of the JVA, namely, whether the Independent Expert Valuation obtained by Woolworths was a valid Independent Expert Valuation within the meaning of Annexure B to the JVA. The position adopted by WDR at this time was that the process for the appointment of a third expert under Annexure B was required to be suspended pending resolution of the dispute as to whether or not the Independent Expert Valuation obtained by Woolworths was in fact a valid valuation for the purposes of Annexure B.*

Woolworths then responded in a way that is described in the judgement:

> *On 16 March 2016, Woolworths, through its solicitors, gave notice of a dispute pursuant to cl 30 of the JVA, namely, whether WDR had breached, and was continuing to breach, its obligations under the JVA by failing to do all things reasonably necessary to appoint a third expert for the purposes of Annexure B to the JVA.*

This is the core, unresolved dispute at the centre of the entire Lowe's/Woolworths matter. The argument is not even directly about whether the valuation obtained by Woolworths is valid, it's about whether that is a matter that should be considered. Lowe's wants the Woolworths valuation overturned, and Woolworths says that it is valid, and the dispute needs to move on to trying to resolve the difference between the two, valid valuations.

The next two moves are about that basic dispute. According to the judgement:

> *On 12 July 2016, WDR commenced an arbitration against Woolworths in respect of, amongst other things, the dispute which had arisen as to whether or not the Independent Expert Valuation obtained by Woolworths was a valid Independent Expert Valuation for the purposes of Annexure B to the JVA. Woolworths did not commence any arbitration in respect of the other disputes raised by it to which I have referred above.*

At the same time, Citi, consulting to Woolworths, indicated that Masters could not be sold as a going concern, according

to the judgement:

> *Until shortly prior to 12 July 2016, the sale process had been conducted with a view to selling each of the HTH and Masters businesses as a going concern. On or about 12 July 2016, Citi informed the Hydrox Board that it was not going to be possible for the businesses to be sold as a going concern and that they would have to be wound up in as orderly a fashion as possible.*

The most recent move in this matter has been made by Woolworths:

> *However, on 12 September 2016, Woolworths lodged a Defence and Counter-Claim in the arbitration commenced by WDR in which it advanced matters in connection with those consequential disputes.*

At the moment, it seems this matter remains unresolved. It seems likely to HNN that little more will be heard about this matter until after the Woolworths Annual General Meeting, which will be held on 24 November 2016.

The real estate deal

One part of the deal that would sell most of the Masters assets to Home Consortium that has not gained much mention, is that Woolworths would, as part of that deal, retain two sites: one at Dubbo, and one at Warwick Farm.

As the judgement states, the proposition put to the Hydrox board on 23 August 2016 defined the terms under which the Masters assets would be sold to Home Consortium. The judgement states:

> *The Masters property portfolio be sold for $830 million to Home Investment Consortium Company Pty Ltd (Home Investment Consortium) via an acquisition of the shares in Hydrox– of which $725 million would be consideration provided by Home Investment Consortium and the remaining $105 million would be provided by Woolworths as consideration for certain sites that would be retained by Woolworths.*
>
> *The Board papers provided to the WDR nominees for the 23 August 2016 meeting did not reveal how the figure of $105 million had been calculated.*

So, the deal with Home Consortium – which has been characterised by the general media across a wide range of values, from $750 million to $890 million – is worth (definitively) $725 million, according to this document.

A further $105 million, it would appear, is being paid to Hydrox through Home Consortium using funds provided by Woolworths, in consideration for the two properties Woolworths wishes to retain. However, this document states, Lowe's has not been informed how Woolworths/Hydrox came up with this $105 million figure.

In effect, combining this information with a press release from Wesfarmers, the disposal of the Masters property assets actually has three parts: 15 sites were to be sold directly to Wesfarmers through Home Consortium; two sites were to be

retained by Woolworths; and the remainder were to be sold to Home Consortium for other uses. The Wesfarmers press release cites a grand total of 97 sites, but it is unclear if the two sites retained by Woolworths form part of that 97 or are extraneous to it.

Lowe's sought more information about these real estate dealings:

> *In about April 2016, Woolworths and Citi prepared information memoranda concerning the sale of the shares in Hydrox or the sale of the businesses of Hydrox. According to the plaintiffs, those information memoranda did not include in the statement of Masters' "trading" and "pipeline" sites, the Dubbo site, being a Masters site that Woolworths was seeking to acquire for itself. The information memoranda also excluded the Warwick Farm site.*
>
> *From time to time after April 2016, the plaintiffs requested copies of these information memoranda. The plaintiffs allege that, at no point prior to the commencement of the present proceeding, did Woolworths provide those information memoranda to them.*

So, in effect, the pricing reasons behind 12.7% of the total real estate deal remain opaque to Lowe's.

Analysis

Once again, we must caution that much of what is presented above is quite one-sided, as we have yet to hear the version of events from the perspective of Woolworths. Nonetheless, it could well be argued that the character of what seems to have happened at Hydrox is quite different from many of the assessments we have read in the general press. In particular, HNN cannot recall having found any substantive details about the $105 million of the real estate deal that involves Woolworths keeping two sites for itself, before 18 October 2016.

It seems highly like that this matter will drag on through the first calendar quarter of 2017. Either nothing will happen until after the Woolworth's annual general meeting on 24 November 2016, or something will happen a few days before, such as an additional legal action which will mean the Woolworths executive team cannot answer questions regarding the matter. Any court dates that are set will likely not take place before February 2017.

However, in terms of how the home improvement retail industry fares in the immediate future, this dispute will have very little effect. The Masters liquidation sale will continue to influence retail earnings through until the first week of December 2016, then it will be gone, and we will hopefully see more revenue flow to other sectors of the industry. By far the most profound impact on the industry, however, will be what takes place as Metcash's Mitre 10 continues to absorb and change HTH.

While this matter will likely drag on until, at a guess, May 2017, we can return to the famous broadcast by Churchill, and the statement with which he ended it, foreseeing the conflict to come, and its inevitable aftermath:

> *We may remember the words of old John Bright, after the American Civil War was over, when he said to an audience of English working folk: "At last after the smoke of the battlefield had cleared away, the horrid shape which had cast its shadow over the whole continent had vanished and was gone forever".*

Trio's Patriot wakes up lock design

The Moment: The door is locked – but is it really locked? Telling whether a lock has been left in the correct status is often a matter of touch, feel and some guesswork. The Patriot lock by Trio Australia removes the guesswork, making the lock status absolutely certain, every time it is locked.

Trio Australia has developed a double-cylinder lock, named the "Patriot", with some interesting features. It's aimed at home renovators who want to upgrade their front door locks. The Patriot is a product that has potential, going into an accessible, highly desirable market.

Like many innovations, however, it could face a difficult struggle to gain market traction.

That's not because there is anything wrong with the product. In fact, HNN would go so far as to say the Patriot itself is inspiring – which is not something we ever thought we would find ourselves saying about a lock.

Trio has really defined some specific problems and needs, and found a way to at least reduce the effect of those problems. It has then moved on to a core problem with locks such as this, which are sold predominantly as a replacement for existing locks: how to make it easier for the low-skill home handyperson to install it?

All that sounds great, but marketers reading this are probably already nodding their heads as they see what's next. The problem? Instead of concentrating on one, single feature/solution, and making that the primary, marketable benefit about this lock, Trio has developed a device that has three – arguably four – features that would be of interest to a consumer.

To make matters more difficult, these features all point in slightly different directions, so that tying this story into a single, understandable narrative becomes very difficult. How do you define and present the benefits?

There is even another, additional marketing problem that Trio faces with the Patriot. This is that, in explaining how the lock works to a consumer, the consumer is likely to nod along, get to the end of the explanation, and glance at the sales associate with a look that says "So?"

Because, in fact, the way the Patriot works is close to the way that people think most premium locks should work. Which means the sales assistant will have to get a lock that doesn't work that well, and demonstrate the difference.

Well, nice problems to have, certainly, but they still are real, actual problems.

Quiet pioneers

All this points to the sense that the Patriot lock belongs to a class of products that we could label as being "quite pioneers". These are products that actually do revolutionise a category, but do it in such a subtle way that it is sometimes difficult for consumers to grasp what is going on.

This is definitely both an advantage and a slight disadvantage. The disadvantage comes from the difficulty of getting the product started in the market, understood by consumers, and edging out that first 1% of adoption.

The advantage, which is long-term and significant, is that for many consumers, once they buy one Patriot, they will buy others as well. With a little bit of encouragement, those early purchasers will also become influencers, and get friends and family to consider buying this type of lock as well.

Reviewing

These difficulties extend not only to consumers, but to reviewing the locks as well. Reviewing the Patriot on its own would not really reveal all aspects of its design, so we've chose to review it alongside two other locks. We should say that each of these locks has its own unique application, but

The locks that are being compared.

comparing them reveals the contrasts more clearly.

One lock that is a close competitor to the Patriot is the Assa Abloy Lockwood Paradigm lock. The other lock we chose to add to the mix is the Kwikset Smartkey lock, which enables the owner to "rekey" the lock, so as to grant temporary access to, for example, tradies, or even AirBnb guests.

Deadbolt dilemma

At the core of the developments in the Trio Patriot lock is the problem just about everyone with a deadbolt lock has faced at some time. Many deadbolt locks can be "double-locked", meaning that a key is required to open them from both the outside and the inside.

The sole purpose of this double-locking is to prevent someone who has broken into your premises through a window or via an elevated balcony from being able to easily carry the occupants belongings, such as televisions and computers, out through the front door. Double-locking can be particularly useful in apartment buildings, for example, as even the very best second-storey man is going to have trouble climbing back down with your 60-inch flat-screen TV under one arm.

Lock states of Lockwood Paradigm lock

Lock is unlocked. Door can be opened freely from inside and outside

Lock is locked, requires key from outside, but can be opened without key from inside.

Key used to double-lock the lock from inside. Cannot be opened without key. Red indicator shows status.

From outside, door is single locked. Can be opened freely from inside, but requires key from outside.

Key turned a further 20 degrees, to double-lock door. Cannot be opened without key from outside or inside.

Lock states of Trio Australia Patriot lock

Lock is locked, requires key from outside, but can be opened without key from inside.

Lock is unlocked. Door can be opened freely from inside and outside.

Lock is unlocked, but about to be double-locked. Black tab has been pushed into lock.

Lock is double-locked. Both red tab and black tabs are visible. Requires key to open from inside and outside.

One problem with double-locking is that a large number of consumers simply don't understand that this is the purpose of the feature. There's an understandable, but very misinformed, idea that double-locking a door somehow makes the occupant safer.

Nothing could be further from the truth. Once a modern lock is locked, it's just locked. Double-locking doesn't really make it any more locked. All it does it prevent the lock from being unlocked from inside without a key.

However, when occupants are inside the building and the door has been double-locked, if there is a fire they may have trouble getting out of the building. It is a mistake that results in preventable deaths every year. In the US between 2007 and 2009, over 18% of preventable fire deaths were caused by egress difficulties, including locked doors.

Yet most people have at least one relative or acquaintance who not only doesn't know this, but also can't be convinced. You go to visit your Nana in her little flat, ring the doorbell, and she calls out "Just a minute!" There follows about five or six minutes while she looks around for the key to unlock the door. And you think, "if there is ever a fire..."

Or, in some ways even worse, you go to leave for work for the day and find that the front door has somehow, inexplicably, been deadlocked through the night. In winter. With electric radiators going. And the children sleeping upstairs.

Comparing to standard locks

As was mentioned above, before getting into what makes the Patriot lock special, it's best to go over the way a "normal" lock works.

First of all, there are the standard single cylinder locks, such as the Kwikset Smartkey lock we are illustrating here. This lock cannot be double-locked, because the interior portion of the lock can always be opened by rotating the lateral knob.

The Assa Abloy Lockwood Paradigm is a double-cylinder lock, with keyed access available on both the exterior and interior of the lock. This is a quite advanced deadbolt design, and actually has some features that are a little like the Patriot. When the Paradigm is not double-locked, it behaves just like the Kwikset, with keyed access from the exterior, and simple lateral knob access from the interior. When it is in this mode, the a small green indicator appears in a slot at the top of the interior knob.

To double-lock this device from the interior, with the lock in the locked position, the key is inserted into the

Assa Abloy has developed packaging that is easy to open, at least during the first stages, for its Lockwood lock product

lock, and it is rotated about 20 degrees counter-clockwise. There is a slight "snap" sensation, and the indicator in the slot shows red.

To double-lock from the exterior, the key is first rotated through 90 degrees to lock the door, and is then rotated a further 20 degrees.

The Patriot difference

The double-locking mechanism on the Patriot lock is quite different. The first noticeable difference is that on the interior portion of the lock, the bezel has a black plastic push tab sticking out to the left.

As with the other two locks, operating it in single-locked mode is simply a matter of rotating the lateral knob. In the case of the Patriot, this mechanism is more highly geared than the other two, so locking/unlocking requires only a 60 degree rotation, rather than the full quarter-turn 90 degree rotation.

Now, to double-lock the door, the first thing you need to do is, with the lock in the unlocked position, push the black plastic tab into the bezel. This has a nicely weighted action, so that it is quite a soft push, but quite definite. Once the black tab has been pushed in, to double-lock the door, you simply use the same action you would use when you single lock it: rotating the external key by 90 degrees, or rotating the internal knob by 60 degrees.

As the lock moves into double-locked mode, the black tab is pushed back out of the bezel on the left, and on the right of the bezel, a slightly longer (about 5mm) red tab emerges. The lock is now in its double-locked mode, and this is clearly indicted by that red tab. It will require a key both externally and internally to open the lock.

Advantages of the Patriot system

While this seems to be a very simple mechanism, it carries with it multiple advantages.

The single biggest advantage is that it de-skills the use of the double-locking mechanism for every user. One of the biggest problems with locks such as the Paradigm is that, especially if you are unused to using the lock, it is hard to know how far to turn the key from the outside. The temptation (and sometimes the accident) is to turn the key just as far as it can go, thus double-locking the door. It's quite common to see people when they first use one of these locks standing there with the door open, twisting the key on the outside portion of the lock, learning just how far they need to turn the key.

While accidentally double-locking the door is one risk, the other risk is, of course, intending to double-lock the door, and not quite getting there. There is simply no way of having ab-

How Kwikset lock handles door thickness

Kwikset lock uses a long connecting rod, which in thinner doors slides into recess in inside knob, leaving room to expand when door is thicker.

How Lockwood Paradigm lock handles door thickness

Assa Abloy Lockwood Paradigm lock relies of different-sized links to accommodate different widths of doors.

solute surety about what state the lock in the door is in from the exterior. Again, it's not uncommon to see people locking this kind of lock play with the lock for 20 seconds or so, making sure they have locked it the way they want it to be.

With the Patriot, none of these problems apply. Users of the lock must select the double-locking mode by pushing in the black tab, and once that tab has been pushed in, they can be absolutely sure the lock has been double-locked.

Using the large red tab to indicate the double-locked status is also a very good design feature. While the Paradigm goes part-way to providing the same feature, the slot that shows the red or the green dot is very small, about 4mm tall by 3mm wide. It would be hard to spot from more than a couple of metres away, and just about invisible for older people with failing eyesight. In fact, the Patriot's tab mechanism means that the status of the lock can also be determined by touch, making it easier to sense in the dark, and for people who are vision impaired.

An additional feature of the Patriot mechanism is that a key is not required in order to double-lock the door from the inside. All the user needs to do is to push in the black tab, and manually rotate the lock closed using the lateral knob. This can be very handy when locking up a house, where there are multiple doors to get double-locked quickly.

Of course, there is also a slight drawback to this. Users could, inadvertently, double-lock themselves into the house, if they do not have access to a key. While that is unlikely to be a problem for adults, a curious child could potentially get in a bit of trouble. For most households that will not be a major concern.

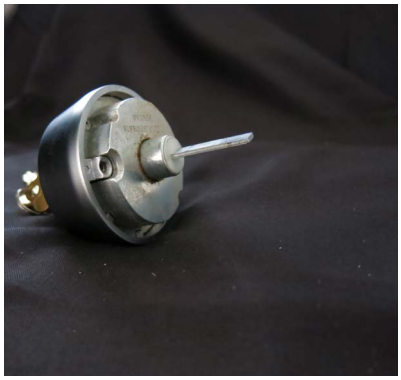
Lock installation

The other area that Trio has chosen to address with the Patriot lock is ease of installation. There is a very good reason for this. The Patriot falls into the classification of a premium replacement product (PRP). This means that most purchasers of this lock will not be being an installation for a new door, but rather upgrading an existing lock. The big difficulty with this is that many, if not most customers will likely have next to no experience at installing or replacing door locks. So Trio is actively taking the next step, finding some way to lessen potential objections to a lock upgrade purchase.

The area Trio has chosen to concentrate on is the problem of how a lock can adjust to different widths of doors. It's an interesting choice because, if you do know something about installing locks, the width of the door really isn't so much of a problem.

For example, the other two locks to which we are comparing the Patriot have common solutions to this problem that actually do work quite well. In the case of the Paradigm, this comes supplied with three different sized metal links be-

How Patriot lock handles door thickness



Patriot uses spring-loading, so that the lock automatically adjusts to different door thicknesses.

tween the exterior and interior mechanisms, and the installer simply picks the link that suits the width of the door.

In the even simpler Kwikset mechanism, the rod that connects the interior and exterior mechanism is quite long, and it fits into a very deep socket in the interior knob. There is enough "play" in that setup to accomodate a range of door thicknesses.

The Patriot uses a spring-loaded mechanism that is tensioned to provide easy use with a range of door widths. Of the three, it is certainly the most designed, and the easiest to explain. It also does offer some real advantages. Certainly the linkages on the Paradigm lock are annoying to get right on installation, and typically take a few minutes and several attempts to get just right.

What is clever about this move by Trio is that is shows the company understands a slightly unfortunate truth about DIY: sometimes you have to spend as much time resolving imagined problems as you do actual ones. The person who purchases a Patriot lock wants to go home, spend ten or fifteen minutes reading instructions, fiddling with tools, and end up with a new lock they can be happy with. (Trio says four minutes, but let's be honest, there is a lot more to installing a lock than Trio takes into account. Making the coffee, finding the electric screwdriver, finding the bits for it, finding the bit that actually works for it, drinking the coffee, trying to install the lock upside down the first time, and so forth.)

By paying attention to this one detail of lock installation, Trio is providing comfort and assurance. It's suggesting this is not a "pro" operation that requires experience and serious tools. (In the installation videos Trio has made to support the product, the installer uses the absolutely wimpiest electric screwdriver that could be found on the planet.) We've got you, Trio is saying, we know what you're worried about, and we've thought this through.

For the sales associate in the store, this feature can also be used to answer customer concerns. In response to the question "Is it easy to install?" instead of offering bland reassurances, they can say: "It sure is. For example, unlike on other locks, this lock automatically adjusts to the size of your door, so you can be sure it will work for you."

After installing and uninstalling each of these locks three or four times, HNN can say that the Patriot lock does seem to have a slight advantage in terms of overall ease of installation. For example, the links on the Paradigm lock that help it adjust to different width doors are a little fiddly to keep in place while fitting the lock. The Paradigm is also quite sensitive to the lock setback, due to the way the bolt itself connects to the lock. Being out by a millimetre or two requires some extra finessing to get everything to work. The Kwikset,

Trio Australia's Patriot point-of-sale display.

which is a cheaper lock than the other, consisted of three components instead of two, and this created some problems as well.

The machined fit and finish on the Patriot lock was slightly better than that of the other two locks as well. However, Trio Australia were kind enough to supply this lock, which came in a point-of-sale (PoS) presentation, while HNN purchased the other two locks. It's likely the PoS display locks are the pick of the current production run.

In fact, the PoS solution by Trio looks as though it would work well. According to the Trio website:

> *The Patriot range comes available in a highly vibrant and informative PoS stand. The top shelf is tiered to maximise packaging exposure for each finish. The shelving in the stand body is designed to hold additional stock of up to 4 units of each finish. Therefore a total range of seven SKUs of each colour.*
>
> *Use this POS stand as an off-site location for maximum exposure in-store and return on investment. The stand has its own working display included for customers to test out the Patriot.*

Analysis: The marketing problem

As was mentioned at the beginning of this article, the Patriot is a very good product, but it does have a marketing problem. How do you go about describing how good it is, and how helpful its features can be?

One direct way is to make sure that potential customers get a chance to try it out in the store, and it would seem that Trio has gone some way to taking care of that, by providing comprehensive point-of-sale material that includes a working lock.

Looking at the rest of Trio's marketing materials and web presence supporting the Patriot, it is evident there is a problem developing. It's the same problem that just about everyone who has developed a product encounters, and it is a really difficult one to overcome. It's also the number one problem that gets mentioned in every marketing textbook, that every marketer knows all about – and that every marketer struggles with throughout their career.

Yep, it's our good old friend: inadvertently highlighting features instead of benefits.

Trio does make a running at promoting benefits, but, aside from ease of installation (which is actually arguably a feature), the only core benefit that gets promoted is the safety aspect of not getting locked-in during a house fire. Having a better chance of staying alive is definitely a big benefit, but it's a little problematical when it comes to marketing. It's the kind of benefit you can appreciate, but you sincerely hope you are never going to need.

So, what is the real benefit of the Patriot lock? One way of looking at this is to consider The Moment.

What is The Moment? It's something most of us experience everyday. It's that instant that happens soon after you leave the house for the day, either at the moment when you have turned the key in the lock, or perhaps those four or five seconds when you've entered the car before you've started the motor. You think: Have I got everything? Have I done everything I need to do? Cat fed, iron turned off, thermostat turned up/down, curtains closed.

And door locked. Not just locked, but locked properly.

The Patriot completely removes the door lock question from that list of concerns. It's about piece of mind, one less thing to worry about every day of the customer's life. That is the real benefit.

Makita's Global Strategy

When competitors are going high-tech, one response is not to follow, but to pursue those markets which a high-tech strategy will tend to under-service.

That could be the line of thinking that is driving Makita's current long-term strategy, as it continues to expand in less-developed markets throughout Central/Eastern Europe, South-East Asia, India, and even into Africa.

HNN has reported already on the outline of what seems to be a subtle shift in Makita's strategy. HNN believes that Makita is seeking to differentiate itself from competitors not through technical advances, but by making products that have a very broad base of appeal. This is what is behind this steady, constant growth in widespread global regions.

Where the other power tool companies – in particular TTI and DeWalt – are seeking growth through speeding up the replacement/adoption cycles and introducing new categories of tools, Makita is seeking to "own" the baseline, conventional tool market. While that market may thin somewhat over the next decade in some developed economies, there are high-growth prospects in developing nations and economically emerging economies.

It is an extremely clever strategy, and also, one suspects, a very satisfying one for a company that has always placed a premium on simply making the best tools it can.

Looking at this development from the pure product perspective, Makita's approach to its markets is unique and highly differentiated from the approaches of the other "big five" global tool brands. Stanley Black & Decker is concentrating on developing a series of key touchpoint products, such as its Flexvolt 60v/20v range of construction-oriented power tools, which then support its range of less differentiated products.

Techtronic Industries' (TTI) professional Milwaukee brand is all about "lines" of high quality tools, all sharing basic characteristics, and marketed as a kind of "support team" of tools for the professional. With Bluetooth connectivity, TTI is interested in extracting whatever value it can from any kind of network effect.

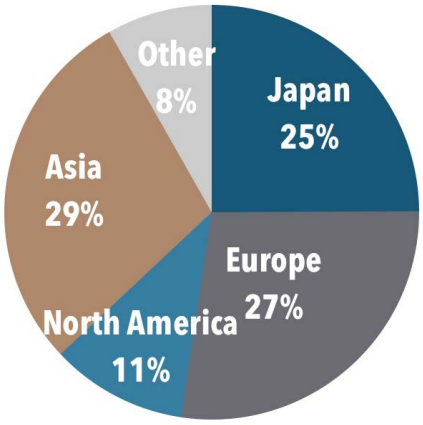
Bosch Power Tools has become very research and development focused, with the aim of having each of its tools provide the answer to a need to perform tasks to achieve a result. Hitachi Koki power tools, with its recent acquisition of Metabo, seems to be seeking to overlap its own unique electric motor technologies with the unique Lithium-ion battery technologies of Metabo, to produce high-end niche products that provide solutions for very specific categories.

Makita, however, concentrates on developing tools for customers who want to perform conventional tasks using conventional tools in the best way possible. The company places a premium on factors such as the "hand-feel" of its tools, their repairability and endurance. Its recently launched CXT line of Li-ion, brushless, 12-volt tools really exemplifies this. By moving the battery from an in-handle placement, to a slip-on position at the base of the handle, Makita has reduced the handle diameter, making it suit a wider range of hand sizes, and balancing the tool better in the conventional vertical use situation.

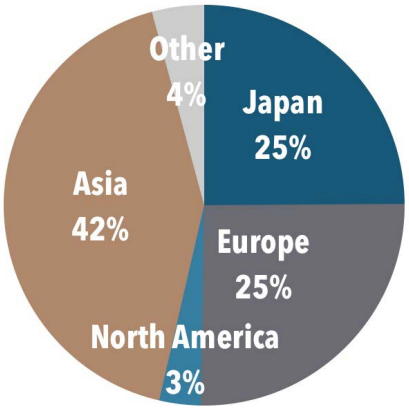
Developing nation growth

Just how much growth will there be in developing nations, and will this really replace potential short-term market loss through a slower pace of high-tech innovation? A good illustration of the potential, especially in Africa and Asia, can be seen in four charts taken from a report by accounting and

Makita Regional Sales
2016/17 Q1



Makita Operating Income
2016/17 Q1



consultant firm PwC (formerly Price Waterhouse Coopers), entitled "Real Estate 2020: Building the future" (goo.gl/wfqkg4).

Chart 1 gives an overview of developed versus developing countries, and shows the expected growth rate for institutional-grade real estate investment assets. For developed countries, the compound growth rate between 2012 and 2020 is expected to be 3.7%, while for developing countries it is 8.9%.

Chart 2 shows the relative size in institutional-grade real estate assets by region. The highlight of this graph is the growth in assets for the Asia-Pacific region.

Chart 3 shows the trends in institutional-grade real estate assets across the regions. Again, developing Asia-Pacific shows strong growth, but proportionally, so does the Middle East and North Africa region.

Chart 4 shows the annual average housing completions expected during the period from 2012 to 2025.

In a paper published in 2010 entitled "Housing Crises: A theorectical study of the home building industry in Nigeria" U. Joseph Nnanna points out that:

> *In Nigeria and most developing and emerging countries there has historically been housing shortage. The federal government of Nigeria set out to build 121,000 units to curb the shortage.... Despite the push by the federal government for the construction of 121,000 units, it was reported that a little over 1000 units were completed. Without the formation of private home building companies the housing shortage will remain a major socio economic and financial constraint for these economies.*

Underlining the extent of the demand, Mr Nnanna writes later:

> *The opportunity for a well capitalised home building company is present. In the major cities mentioned, an estimated supply gap of 6000 – 10000 thousand units is needed per annum in the near term to curb the housing shortage.*

Throughout many developing regions, one of the major constraints on housing is the way in which ownership of land is handled. In some cases, establishing clear title to land is a near-impossible task, and in others it is a lengthy and wearisome process. Table 1, taken from "African Housing Dynamics: Lessons

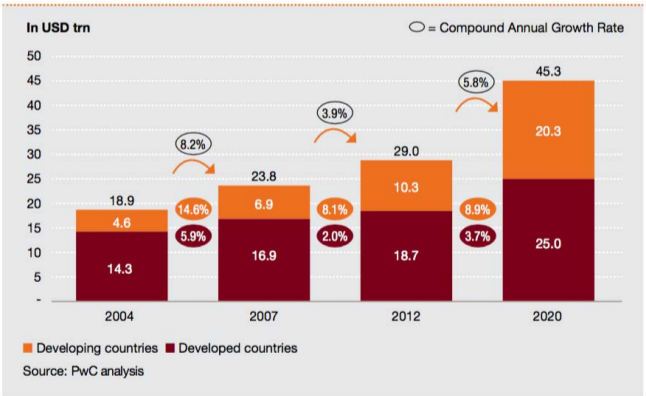


Chart 1: Real estate assets, contrasting developing and developed countries

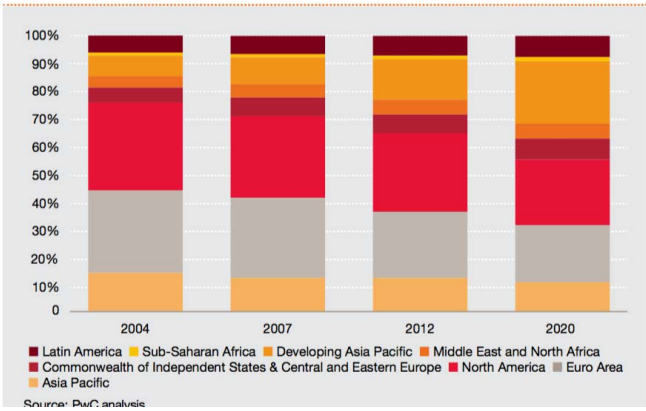


Chart 2: Relative size in institutional-grade real estate assets by region

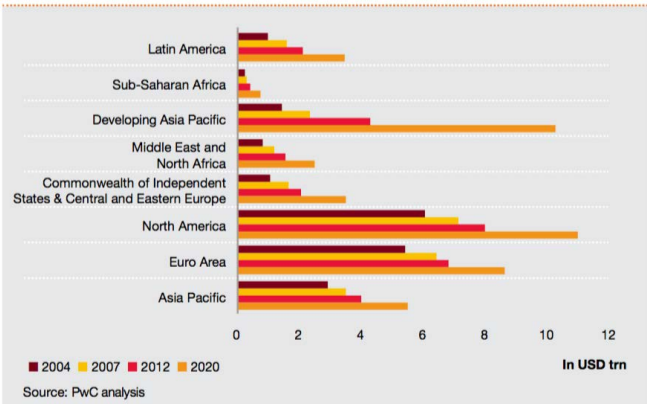


Chart 3: Trends in institutional-grade real estate assets across the regions

India	11,507,476
China	9,326,381
Indonesia	1,513,865
US	1,485,966
Nigeria	1,484,362
Brazil	1,389,872
Mexico	742,780
Russia	572,517
UK	220,046
Australia	194,148
Germany	186,499
Saudi Arabia	184,135
Poland	167,560

Source: Global Construction 2025

Chart 4: Annual average housing completions expected during the period from 2012 to 2025

from the Kenyan Market" by Yannis Arvanitis (goo.gl/RHwXFw) shows how long this process can take in some nations.

The point of this is that what has been holding back housing development in many developing regions is not, as it was for much of the 20th Century, a lack of resources, or a too small middle-class with money to invest in housing, but rather a political and social situation that made this kind of investment difficult. The point of the PwC study is that there are forces at work in many developing nations today that will see this socio-political situation change over the next five years.

	Days to register property	Cost to register property (% of property value)	Procedures required to register property (number)
Kenya	73	4,30	9
South Africa	23	5,90	6
Tanzania	68	4,40	8
Uganda	52	1,90	12
Zambia	40	8,20	5

Source: Doing Business database, World Bank 2012.

Table 1: Processes for registering property in several African nations.

Central/Eastern Europe/Asia/South America

Of course, the development of Africa is something that will likely take until 2025 to start having an effect, though it will be be a bit effect. In the meantime, the global development strategy of Makita can be seen in its expansion through Central/Eastern Europe.

In Europe, Makita branches include: Finland, Norway, Sweden, Estonia Latvia, Czech Republic, Slovakia Hungary, Poland, Slovenia, Ukraine Romania, Bulgaria, Russia and Kazakhstan.

In Asia, Makita branches include: Singapore, China, Hong Kong, Taiwan, India, Vietnam, Malaysia, and Cambodia.

In South America, Makita branches include: Brazil, Mexico, Argentina, Chile, Peru, Colombia, Panama and Bolivia.

The Makita strategy

As housing development progresses over the next five years in developing nations, it is likely the peak demand for power tools in these areas will be at the more basic end of the spectrum. How exactly that plays out as regards cordless versus corded will be interesting to see.

While corded tools have a large price advantage (in general), in some developing nations electricity availability can create problems. It's possible that just as mobile phones enabled many developing nations to overcome the problem of not being able to build landline cable infrastructure, so cordless tools will help to overcome problems with the electricity infrastructure. For example, while generators can be a big help during the first phase of construction, during second fix, when building enclosure is complete, they can be much more difficult to deploy.

Regardless of that, it's likely that Makita tools, and the Makita philosophy of slightly under-stressed, durable and highly repairable tools will work very well for developing nations as they begin to accelerate the build-out of their housing stock.

Though there is, of course, one problem: even though they represent good value, Makita tools can be pricey. In developing countries, there is less access to capital to fund business investment, which limits just how much can be spent on equipment.

Which brings us to the way that this long-term strategy of Makita has come to influence the present day, particularly the launch of Makita's MT Series brand.

The diffusion brands

At first glance, what the MT Series is, and how it is supposed to work in the Australian market, is difficult to understand. That's because the MT Series is really a multi-role brand. One aspect of the brand is really all about the strategy Makita has in developing nations, and another aspect relates to markets in Australia and Europe.

Maktec

As Makita has described it, the MT Series is really a continuation of the Maktec brand. To understand Maktec, it's necessary to understand the two great economic shocks that Makita has had to withstand in its past.

Those shocks were actually built on the basis of success, not failure. By 1991, Makita had succeeded in capturing close to 50% of the then-USD400 million (USD737 million in 2016 US dollars) professional tool market in the US. At that time, in addition to its factories in Japan, it was making tools in the US, Canada, Brazil and the UK.

In 1992 the US power tool company Black & Decker decided to do something about Makita's dominance, and improve its 10% share of the professional market. It launched a new line of tools aimed at the professional, making use of the company name of a stationary saw company it had acquired in 1960: DeWalt.

In a somewhat ironic twist, the strategy Black & Decker applied to DeWalt was termed its "Acura concept", after the high-end brand Honda created in the US to sell more expensive vehicles. That was a term invented by Michael Hammes, president of Black & Decker's USD2.5-billion-a-year power tools and home improvement group, who had recently joined Black & Decker from the Chrysler car company.

The strategy extended to more than just a name change and rebranding. Mr Hammes copied many other marketing techniques from Toyota's Lexus division, McDonalds, Apple Computer, and even the Hallmark greeting card company.

In another slightly ironic twist, the DeWalt effort was largely led by one Joseph Galli – the same Joe Galli who is today the CEO of Techtronic Industries, which owns DeWalt's arch competitor, Milwaukee Tool.

It's likely that Makita tools, and the Makita philosophy of slightly under-stressed, durable and highly repairable tools will work very well for developing nations as they begin to accelerate the build-out of their housing stock

The campaign DeWalt launched went after professionals where they worked by doing demonstrations at lunch hours at construction sites, where they lived by hosting fun events at lumberyards with free food and competitions, and where they played, by sponsoring everything from NASCAR racing to rodeos.

The DeWalt strategy worked, and Makita found its net earnings fluctuating considerably all through the 1990s. After net earnings of USD90 million in 1990, it closed out 2000 with earnings of just USD40.7 million.

In the early 2000s, Makita experienced its second crisis. The world's manufacturing base had shifted to the low-cost labour available in China. Low-cost tools entered many markets, including the US, and sales began to suffer, so much so that its US subsidiaries made losses during 2001 and 2002. This was despite a string of innovative products, including a line of 18-volt cordless tools, and the introduction of Nickel-metal hydride batteries.

In a somewhat ironic twist, the strategy Black & Decker applied to DeWalt was termed its "Acura concept", after the high-end brand Honda created in the US to sell more expensive vehicles

This time, Makita responded swiftly. It did what it could to reduce manufacturing costs, and switch much of its production to factories in China, while simultaneously expanding into South America, and the former member states of the USSR, including Russia.

As part of that response, at the start of 2002, Makita launched the Maktec brand. Manufactured in China these tools were initially targeted at Asian countries outside of Japan. With their own, distinctive bright orange livery, and tool designs that were based on Makita tools from one or two generations previous, the tools were aimed at keeping the other Chinese manufactured tools out of the market.

Maktec in Australia

Maktec seems to have made its way to Australia sometime in 2004. The launch of the product was handled by Makita brand manager Yvette Knapp, who now works for Avery Labels.

The problem that Makita seemed to face with the range was that it could both help the company and hurt the company. If it directed sales from competing cheap Chinese

Maktec has a strong following in some developing nations.

manufactured tools to Maktec, that was good. If, however, it became a brand consumers bought instead of Makita, that was not so good.

Word of mouth suggested that some of the Maktec tools, such as the small routers that do laminate trimming, were almost as good as the more expensive Makita models. While debate raged in various online forums whether that was the case or not, pitting Japanese versus Chinese manufacturing, and floating suggestions that the bearings weren't the same standard, a lot of woodworkers went with the Maktec brand and stayed happy.

For retailers, who by 2009 were finding that Bunnings was difficult to compete with in power tools, Maktec offered a point of difference. Usually the Maktec tools were strategically selected to fill in key gaps in a range. While Bunnings might offer a cheaper tool in each category, the half-magic of the almost-Makita brand meant tradies could consider them a serious tool.

M3700G: MT Series 6.35mm (1/4in) Laminate Trimmer

The MT Series

In terms of the long-term strategy Makita is pursuing, moving from Maktec to Makita MT series does one very important thing: it establishes the Makita brand front and centre for consumers in developing countries.

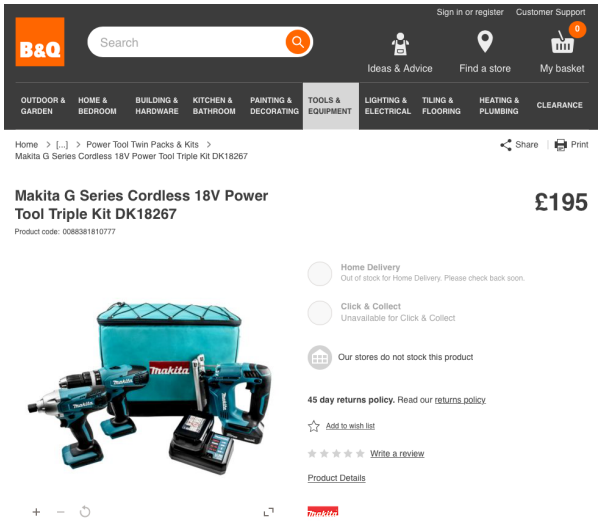
There are some indications that Makita in nations such as India might actually have dipped into the Makita parts bin to outfit some Maktec tools with more power. They did that because the consumers in India and other regions had come to identify specifically with Maktec, and to not really see it as part of Makita. That would mean that, as the building industry developed, and those consumer sought to buy better, more expensive tools, Makita would be competing on the same level as Stanley FatMax and other brands. By making the MT Series distinctly Makita, they are helping themselves "own" these customers, making their upgrade choice more likely to be a step up to the "real" Makita tools.

M9400GMT Series 100mm (4in) Belt Sander

At the same time, to keep the Maktec loyalty alive and well, Makita is releasing the MT series in the familiar Maktec orange in most developing markets.

In Europe, the Maktec replacement is referred to as the "G" series, and the tool colour seems to be quite close to the standard Makita teal. In addition to a range of cordless power tools, the G series batteries work also on a range of gardening equipment, such as hedge trimmers. Tools are available in both 14.4-volt and 18-volt.

In Australia, the Maktec orange has been replaced by a very dark green colour, that is both subdued and professional-looking. The cordless tools are available only in 18-volt, and there is a



The cordless "G" series sold at B&Q

more limited range than in Europe, with only three available: a drill, a hammer drill and an impact driver.

The range in Australia is a very split one. In terms of the corded tools that are being sold as MT Series, these could end up being some of the better sales opportunities for independent hardware stores. The pricing and the positioning really picks apart the Bunnings power tool strategy at its most vulnerable points.

Take, for example, the MT laminate trimmer (M3700G), which is really a very lightweight router. These retail for somewhere between $96 and $110. Bunnings undercuts this with its Ozito trimmer, at under $79, and equals it with its corded Ryobi trimmer at $99, and a cordless Ryobi trimmer at the same price (without battery). But, of course, neither the Ryobi or the Ozito are warrantied to be used by tradies, while the MT Series is. It's a really clever pricing strategy.

The same thread-the-needle strategy repeats across the corded range. The MT 100mm belt sander (M9400G), for example, retails for around $155. Bunnings has an AEG belt sander for $189 – but its only a 75mm sander.

MT Series cordless

However, as good as the corded tools are, it has to be said that the pricing/market strategy for the cordless MT Series tools makes a lot less sense. HNN purchased and tested the MT Series cordless drill kit, with the M6301D drill/driver. There is nothing wrong with this drill. It's a little larger and heavier than modern Makita drills, and the twin batteries that come with it are only 1.3 amp-hour. The charger is also the slower, one-hour version.

As a drill, though, it works fine, and it does have some of the same characteristics as a Makita. Dedicated Makita users will know what we mean when we say it has the distinctive Makita "meow" noise when you start it up on low revs, and it provides that same fine control over low speeds that is so valuable in all Makita power tools.

The real problem is the price, as these are set at around $195 retail. That puts it into an absolutely killer pack of drill kits. This includes, for example, the Bosch Blue GSR 18-2 Li Plus, which comes with two 2.0 amp-hour batteries.

In fact, it's even competing with a mainline Makita drill, the DDF453, which comes complete with two 1.5 amp-hour batteries. Bunnings sells this for less than $190.

What's happening here? One possibility is that this is a product that has been caught up in the fluctuations between Japanese, Chinese and Australian currencies. To compete effectively, it would need to be priced around $159 at least, and possibly really $149.

However, it is also possible that there is a different Makita strategy at work here as well. It may be that we will see,

The Makita MT Series cordless drill available in Australia

sometime late in 2017, Makita radically revamp its product offerings. The core, standard Makita range may be about to become brushless motors only. All the brushed motors could be displaced into the MT Series brand.

That would help to really clarify what Makita is exactly and, with improved volumes moving through the MT Series, it should make it possible to reduce those prices.

Analysis

There is another aspect to this strategy as well. While it's tempting to think that Makita may be abandoning the high-tech solutions of TTI and others, what it is more likely to do is to make use of a "second-mover" advantage. If it can maintain and grow sales by getting better market penetration in high-grow developing nations, in another two years or so it can move into the high-tech tool space far more inexpensively than developers such as TTI and Stanley Black & Decker.

However, choosing that path also carries a good deal of risk. The real difficulty is that virtually any path Makita would follow to develop high-tech products are just as risky. The only two options open to the company would be to enter into a joint venture with a more tech-savvy company, as it did with Sharp in developing its vacuum-cleaner robot, or to acquire a company with the necessary expertise outright.

Faced with the three choices, it seems very likely that it has chosen the best path. As the cordless power tool market continues to develop, it simply will keep getting riskier. It won't be too surprising if in another two years those risks lead some companies to amalgamate. By 2020 we could see a market with only four, or even just three major players.

Oz made flat-pack homes

in this update:

A Sydney architect has designed a flat-pack home, describing it as IKEA on steroids, in order to combat sustainability and housing shortage issues. The one bedroom, 13.75sqm home comes on the back of a trailer.

A drill, a hammer and a wrench are all that are needed to put together the 37 panels that make up the house. Architect Alex Symes, founder of Big World Homes, said anyone can put it together. He said:

It's like IKEA on structural steroids. It has all its water tanks; we have two potable water tanks, we've got one grey water tank, so all the waste water effectively comes to the grey water tank, you add an additive to it and then effectively that's safe to go on your garden.

We've got the gas cylinders for cooking and also for hot water heating, [and] we've got batteries at the back – they're linked to the solar PV and that's effectively what runs all your lights.

Australians live in the biggest homes in the world, averaging 89sqm and increasingly owning a home is becoming unaffordable for many Australians.

Currently the flat-pack home design costs $65,000 and it includes everything to get the house running, such as the trailer the home sits on, the off-the-grid technologies and all the white goods.

Architect Tim Horton says they just need land to build the homes on. He said:

We actually need to be able to curate land, big blocks of land, say brownfield sites or other pieces of open land in which we can host these big world communities. These pop-up communities where people who want to, say, spend a couple of years saving for a deposit or have a more flexible approach to their housing lifestyle can live on site on these curated communities.

He said tiny homes are part of a worldwide movement. China is already printing 3D homes and WikiHouse allows people to download DIY plans. Mr Horton said:

This is happening around the world. WikiHouse chapters occur in every state of Australia. Big in the US. Big in the UK. Big World Homes in some ways is Australia's answer to this – a home grown version.

https://goo.gl/9laVwc

Renovations hit a six-year high

Australia's renovation market is estimated to be worth over $31 billion, according to the latest edition of Renovations Roundup released by the Housing Industry Association (HIA). Its report indicates the volume of renovation activity increased by 4.7% in 2015, which is the strongest growth since 2010.

In 2016, it is projected that activity will grow by another three per cent, with the pace of expansion slowing to 1.4% in 2017.

Growth is expected to pick up to 2.4% in both 2018 and 2019. Overall, the volume of renovations activity is anticipated to increase from $31.38 billion in 2016 to $33.37 billion in 2019, an overall expansion of 6.3%.

HIA senior economist Shane Garrett said the housing industry was becoming increasingly dependent on home renovations as the pace of new home building subsides. He said:

With new home building set to fall back over the coming years, there will be increased reliance on home renovations activity as a source of demand within the industry.

Home renovations' demand has a lot going for it at the moment – low interest rates, a strong pace of dwelling price growth in key areas and healthy labour market conditions in the larger cities.

Our renovations market survey also indicates that the price of houses in Sydney and Melbourne is persuading homeowners previously considering moving house to instead embark on major renovation projects in their current homes.

The turnover of existing homes also generates additional renovations demand. This is important because many renovation jobs are initiated by the new buyers of aging houses.

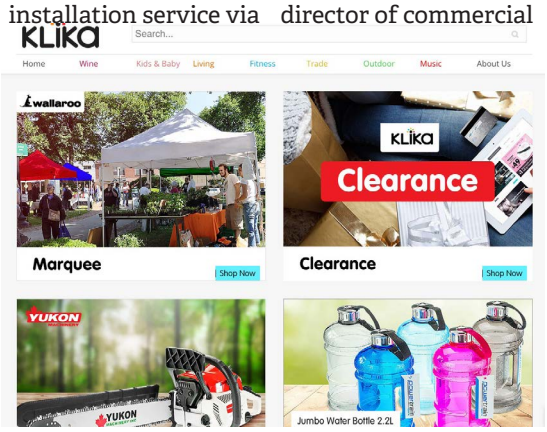
Overall, we anticipate that renovations activity will continue to grow modestly over the next few years and take up some of the slack that will result from weaker levels of new home building. With annual home renovations expenditure topping $31 billion, the sector packs quite a punch across the Australian economy.

https://goo.gl/A6sVa9

Klika partners with hipages

Online retailer Klika announced its recent collaboration with hipages.com.au, making it the first Australian e-tailer to offer customers an in-home installation service via the hipages network.

Klika sells and delivers large, lifestyle products. Now Klika customers can get products assembled in their homes. Klika's director of commercial operations Leo Zaitsev said:



We've always been customer centric and are continuously looking at ways to improve our customers' shopping experience with us. We believe that there is a gap in the market for after sale services by way of home installations for larger items such as our trampolines, multi-function gym sets, and renovation products.

We are one of the few e-tailers which offers bulky products and delivers them directly to our customers' door steps, so it made perfect sense to partner with hipages for home installations...

Hipages says it connects people with over 80,000 home experts, building professionals and trade services. Klika's customers can now gain access to hipages' nationwide registered tradie database and get the bulky items from Klika assembled and installed for them. Gideon Kline, hipages chief commercial officer, said:

At hipages, we thrive on making people's life easier and look forward to assisting Klika's customers with their assembly and installation needs. We will extend the ease of ordering large lifestyle products online to having them installed at home, for a seamless customer experience

https://goo.gl/szRoED

Ladies becoming tradies

New data shows that thousands of women each year are joining the ranks of qualified tradies.

Australia's largest online network of trade professionals, hipages.com.au, now has 28,600 tradeswomen members. Last year was the strongest year for women joining Hipages: almost 5000 signed up, a 490% increase on the year before. This year is on track for a similar boost. By comparison, the number of male tradies on Hipages grew by 259% in 2015.

About 6500 of Hipages' women tradies are based in Victoria. It's 1000 more than a year ago, though they make up just 14.4% of the total.

Hipages chief operating officer Roby Sharon-Zipser said the multiple trade specialties offered by tradeswomen on the website showcased the diversity of skills and qualifications of lady tradies. She said:

This shows that, in an industry traditionally male-dominated, there is no job a woman cannot do. It is very exciting to see more and more tradeswomen entering the industry and being recognised for the great work they do.

Helen Badger, who chairs the National Association of Women in Construction, said more women were entering construction and renovation industries as they realised "there's no career you can't do because of your gender".

Recent Box Hill Institute of TAFE figures revealed one in 10 trades students are females.

Ms Badger said they were proving to be jacks-of-all-trades, cropping up as painters, carpenters, electricians, landscapers and arborists. Many are starting their own businesses.

Rebecca D'Angelo established Mrs Splashback in Bentleigh (VIC) about 18 months ago with her tradie husband. They have found the business is popular among women who feel male tradies "aren't paying attention to them".

Sally Liddell, who has run North Melbourne's Right Connection Electrical for two-and-a-half years, said she received inquiries on a weekly basis from women who wanted to follow in her footsteps.

https://goo.gl/VHFohi

NSW building boosts lady tradies

Statistics compiled for The Daily Telegraph by Hipages show women now represent about 17%, or one in seven, of NSW's tradies.

A factor in the growth of female tradies in NSW could be the number of jobs currently available in the building industry. The latest ABS statistics show Sydney reached a record month of housing approvals in July with 6341 homes approved for construction — the highest monthly rate since ABS records started in 2011.

Building is now better paid than most white-collar jobs, with the average NSW builder earning $77.85 an hour. The average lawyer earns about $37 an hour.

Supporting and Linking Tradeswomen president Fi Shewring said word is getting out to young women that becoming a tradie is a viable career. She said girls as young as 17 were signing up for apprenticeships.

https://goo.gl/DvC6Qs

Gender gap closing in QLD trades

More than 1000 Queensland tradeswomen are listed on Hipages. The female tradie trend hasn't gone unnoticed, with TAFE Queensland Gold Coast offering an annual "Try a Trade Day" for female high school students. General manager Jenny Dodd told the Gold Coast Bulletin:

At TAFE Queensland Gold Coast, we aim to ensure that young females wanting a trade career feel supported in their search for an apprenticeship. In our endeavour to achieve this goal, we decided to launch the girls only 'Try a Trade Day' to inspire more young females to take up a trade career, by providing them with hands on experience across various trades.

https://goo.gl/mv2E1F
https://goo.gl/xd8D6i

McGrath FOUNDATION

together we can make a difference®

#PULLONYOURSOCKS

and support families experiencing breast cancer.

www.mcgrathfoundation.com.au/shoppink

Triple Hammer tool

Hitachi Power Tools' latest addition to its 18V brushless Lithium-ion cordless line is the WH18DBDL2 Triple Hammer Impact Driver.

This professional impact incorporates a third anvil for ultimate torque, less vibration and faster tightening speed, according to the manufacturer. It is powered by Hitachi's new compact 3.0Ah battery that delivers the same capacity as an 18V 3.0Ah Lithium-ion battery, but in about half the footprint and weight.

By incorporating a third anvil (thus the name Triple Hammer) compared to the standard dual-anvil system, this tool is able to achieve 1832 in/lbs (207 N*m) of torque, 4,000 max BPM, as well as reduce the vibration produced when using the tool. Weighing just 2.9lbs (1.32kgs), the WH18DBDL2 tackles heavy applications like tightening and loosening carriage bolts, driving lags and sinking deck screws with minimal effort. Additionally, it can drill into wood, metal and concrete.

Being equipped with four different speed settings, a professional end user can tackle a wide variety of applications with just one tool in hand. It delivers a no-load speed from 0 to 2,900-rpm and an impact rate of anywhere from 0-4,000 BPM.

The tool's ergonomic grip, lightweight and centre balance design is evident during continuous use operation. The WH18DBDL2 has a brushless motor, which plays a large part in decreasing the weight, while increasing runtime per charge as well as improving the overall life of the tool.

Hitachi has also acquired IP56 certification, to add a degree of protection against dust and water exposure.

This Triple Hammer Impact Driver has a white LED light, a low battery indicator, metal belt hook, 1/4-inch hex chuck for easy bit replacements and a responsive variable speed trigger to ensure the end user has a productive working environment, while achieving the appropriate amount of power for the application.

The WH18DBDL2 Triple Hammer comes with two compact 3.0Ah Lithium-ion batteries, a rapid charger and redesigned stylish carrying case.

The Hitachi compact 3.0Ah battery (model BSL1830C) is a brand-new addition to Hitachi's battery platform. These batteries have the same capacity as a conventional 18V 3.0Ah Lithium-ion battery, while the new footprint is 3/4-inch shorter in height and 0.6lbs (0.27kgs) lighter in weight (compared to Hitachi battery model BSL1830. The batteries are also equipped with Hitachi's Multiplex Protection Circuit to prevent over-load, over-charge and over-discharge, further extending the lifetime of the battery. They are compatible with all Hitachi 18V Lithium-ion slide type tools for more flexibility across Hitachi's cordless line.

The Rapid Charger (model UC18YSL3) cools the battery during the charging cycle to prevent overheating and comes with a colour light indicator to clearly indicate the stage of charging the battery has achieved. The charger is produced with a USB port that can charge smartphones and other mobile devices for added jobsite convenience.

The carrying case for the WH18DBDL2 Triple Hammer comes with two compartments; one designed to store the tool, batteries and charger, and the other to organise and safely hold a number of accessories.

https://goo.gl/Op5Ld6

EDGE runtime and performance

Porter-Cable's 20V MAX* Lithium-ion Brushless Drill/Driver (PCCK607LB) and 20V MAX* Lithium-ion Brushless Impact Driver (PCCK647LB) are both part of the new Brushless EDGE™ family of tools. They are extensions to the 20V MAX Get Linked System® tools. These two tools operate on any Porter-Cable 20V MAX Lithium-ion battery.

(*Note: Maximum initial battery voltage [measured without a workload] is 20 volts. Nominal voltage is 18.)

Integrating brushless motor technology for the first time in its system of tools, these two brushless products offer up to 50% more runtime** to minimise downtime on the jobsite.

(**Note: PCCK607LB vs. PCC601 and PCCK647LB vs. PCC641, using 2-inch screws into 2x pine.)

The 20V MAX Lithium Ion Brushless Drill/Driver (PCCK607LB) boasts longer runtime as well as 20% more power and improved bit retention compared to the prior model (PCC601). Its efficient brushless motor, high-speed transmission, and 1.5Ah battery deliver up to 370 Max Watts Out (MWO) to maximise drilling and fastening speeds.

A two-speed gear transmission delivers 0-450-rpm in low speed for high-torque applications and 0-1,800-rpm in high speed for maximum fastening speed. Since compact size is an important feature for professionals, the 20V MAX Lithium-ion Brushless Drill/Driver is just 7.4 inches in length and weighs only 3.3lbs (1.5kgs) with its battery.

Compared to its predecessor (PCC641), the 20V MAX Lithium-ion Brushless Impact Driver (PCCK647LB) features more runtime and shorter tool length. The brushless motor and transmission generate 1,400 in/lbs (158.18 N*m) of maximum torque for large fasteners and the variable speed trigger delivers 0-2,700-rpm.

The Impact Driver is equipped with a 1/4-inch quick chuck for fast and easy one-handed bit changes. This trim tool is 5.8 inches in length and weighs only 2.9lbs (1.32kgs) with its battery.

Both brushless unit kits come with two Lithium-ion professional-grade batteries and each tool hosts an on-board state of charge indicator to gauge battery life over the course of a job. Each tool is designed with an over-moulded grip for comfort and an LED work light that stays on for 20 seconds at a time to help illuminate dark work areas.

There are rubber bumpers on the sides of the tool and a belt hook for storage at arm's reach.

https://goo.gl/yRxXqo

Mowers maximise productivity

Toro has a new line of zero-turn mowers—available in three model families. The Titan HD 1500 series, Titan HD 2000 series and Titan HD 2500 series all emphasise quality, comfort and versatility. They are ideal for acreage owners and value-minded landscape contractors.

To improve productivity, the Titan HD series has the ability to easily attach tools and other accessories to the mower with tool-mounting brackets. This feature allows operators to transport tools around the property, including string trimmers, 5-gallon buckets and other yard tools.

For enhanced operating comfort, the all-new Titan HD platform has an adjustable deluxe suspension seat, isolated floor pan design, deck step guide, easy side and front mower access, and a 12V outlet accompanied by deep storage pockets. Easy-to-use, commercial-grade hydraulics provide a smooth, powerful response, and also minimise maintenance requirements.

Titan HD mowers are built on a rugged, reliable frame enhanced by Toro's popular Turbo Force cutting decks that provide quality cuts and durability. The Titan HD lineup is powered by a series of professional-grade engines from Toro, Kohler and Kawasaki. The Titan HD Series reaches top ground speeds of up to 10 mph with deck widths up to 60 inches.

https://goo.gl/eZw3b8

High capacity backpack sprayer

The STIHL SR 430 gasoline-powered liquid-only backpack sprayer delivers a wide spraying range, the manufacturer said, effectively reducing the time required to treat large areas.

STIHL said the SR 430's high-performance pressure pump provides a constant flow of product with no loss of pressure, regardless of the spray angle. While the engine is running, the pump also continuously mixes and agitates the tank contents, delivering a more consistent application of product.

The company said its new sprayer is also comfortable to wear, featuring an anti-vibration system, soft rubber grips and an optional chest and hip belt accessory to evenly distribute weight.

Thomas Techow, product manager at STIHL, said this machine not only has more power than the STIHL SR 420 backpack sprayer, it also boasts a 20% greater spraying range. Translated, this means the SR 430 can "save one hour for every five previously needed to treat the same sized area".

STIHL cites the following key features of the SR 430:

- 7-gallon container allows operators to work for long periods of time without stopping to refill
- 33% larger container opening can be filled easily without spills
- Pre-installed pressure pump provides a constant flow of spray with no loss of pressure
- The throttle trigger traveller limiter gives the user the option to set the most effective throttle speed for optimal control of power and pressure
- The single-lever control with simple starting procedure results in fast start-ups
- Three different push-baffle screens allow for adaptable spray patterns and direction
- A metering knob delivers five discharge levels
- Backpack-style carrying system allows for comfortable work during long jobs
- Anti-vibration system minimises vibration levels and reduces fatigue
- Soft rubber handle grip provides enhanced comfort and control while working

https://goo.gl/JBJxjq

Foam sealant offers more density

Henkel Adhesive Technologies said its LOCTITE® TITE Foam® expands to fill, seal and insulate gaps and cracks with four times more density than conventional foams.

LOCTITE TITE Foam can be used to seal out drafts and moisture while blocking entry from pests and bugs, and is suitable for interior and exterior projects. It also provides adhesion to most building materials including wood, metal, stone, brick and PVC.

The foam fills gaps and cracks and can be used for sealing around wiring and plumbing penetrations, HVAC ductwork, basement and crawl-space drafts, sill plate and rim joists, attic hatches, under baseboards, gas line penetrations and outdoor water faucets. Other benefits include:

- UV resistance reduces foam brittleness and darkening
- Strong adhesion while providing flexibility to move with building materials
- Applies soft and cures rigid; bright white colour
- Tack-free in eight minutes, trims in 50-70 minutes
- Sandable and paintable

Luke Jones, product manager for Henkel Consumer Adhesives said: "As seasons change and people give thought to protecting their properties, we want to ensure that they have the tools they need. TITE Foam offers solutions to meet construction and maintenance needs, and our goal is to provide this and other reliable products to the marketplace."

DeWalt adds blower to lineup

DeWalt has introduced a new professional-grade corded blower to its outdoor power equipment range. The 12 Amp Handheld Blower (DWBL700) is built for jobsite conditions. There is no mixing, cans or combustibles – and there are weight savings as a result of it.

The new DeWalt 12 Amp Handheld Blower will provide construction pros with the following professional-grade features:

- Performance – 409 CFM and 145 MPH
- Durability – three times the motor life (vs. Toro 51619), impact-resistant Xenoy® housing, and pro warranty
- Speed control – variable speed trigger and speed lock
- Attachments – flat concentrator for stubborn debris (increases air speed to 189 MPH) and 1-inch round concentrator for blowing out holes and crevices in masonry (increases air speed to 210 MPH)

The DeWalt 12 Amp Handheld Blower comes standard with a three-year limited warranty, one-year free service contract, and 90-day money-back guarantee.

;The view from Pro Tool Reviews

There is clearly still a market for corded blowers despite DeWalt's commitment to its 40V Max handheld and backpack blowers. That is going to be the segment that wants to avoid the mess, noise, and maintenance of gas blowers and the premium price tags that accompany Lithium-ion models.

The design is reminiscent of the 40V Max model, minus the rotation-reducing bend in the tube. Performance is on par with the better battery-powered blowers on the market today – at least on paper – with one notable exception.

With so many DeWalt 20V Max tools on the market, it may be surprised to find that dragging a cord around would be preferred to the cordless blower already in the system. That said, the bigger the space, the faster end-users can be done with more power on their side.

https://goo.gl/GoXm41

Level best laser range

Lufkin has released a new Laser range suitable for both DIYers and tradies on the job site.

It features lasers with miniscule variations in accuracy. The components used in Lufkin products are as tough as they are precise.

The extensive range covers all bases from self-levelling to manual levelling rotary and cross line lasers, to laser distance measurers, line levels, laser square and optical levels (Dumpys).

The LLS2 Laser Square projects two lasers at exactly a 90-degree angle on the wall or floor, ideal for use around the home or on smaller indoor jobs. The LLS2 is equipped with a wall mount, and two bubble vials for wall and floor levelling. A 7-metre range allows for effective use in tiling, flooring, picture hanging, wallpapering, painting and many other applications.

At the other end of the scale, Lufkin's LR600 Dual Beam Auto Levelling Rotary Laser & Detector is the heavy hitting measuring tool with the capability to handle the biggest jobs. The LR600 projects rotary laser horizontal plane, as well as laser plumb beam. The gradient feature allows slope scanning at selected grade angles. It also incorporates an innovative electronic auto leveller.

This laser can help achieve a high level of accuracy on professional jobs. A rainproof and dust-proof casing makes it suitable for all weather conditions, while a detector and a remote control enables long range operation.

The LR600 is a sophisticated piece of equipment designed specifically for trade professionals, and will deliver accurate results.

Lighting for connected homes

Perth-based technology company Airstream has developed a wireless, smart lighting product, iLight, which allows users to experience more than 16 million colour shades in their homes or offices.

iLight can connect with other automated home devices via a smartphone app. Airstream co-founder Mike Temple said what differentiates iLight from existing wireless lighting is its ability to integrate with other systems, including Airstream's air conditioning system, iZone. He said:

Older non-wireless smart lighting systems could cost $20,000 or more to install, whereas our iLight wireless system costs a fraction of that at around $1,000. iLight can connect with iZone and other systems with the touchscreen interface or via their own separate apps... Currently, other home smart lighting systems do not have this level of integration with other devices...

iLight systems can be installed using the existing sockets, without needing an electrician. It has the option to add wireless light and motion sensors to the system, as well as responding to fading daylight and people entering and leaving rooms. Airstream co-founder Walter Kimble said:

As the sun goes down, iLight can automatically increase in brightness, and similarly lights can be dimmed or turned off in unoccupied rooms. It's also been designed to mimic the circadian rhythm, or body clock. This feature can help people maintain more consistent sleep cycles, such as those suffering from jet lag or children that may be affected by extended daylight during summer.

Airstream recently signed a Memorandum of Understanding with WA builder Blueprint Homes to promote iLight and iZone systems as part of some of its home building packages.

Blueprint Homes general manager Craig Park said the company was excited to introduce home automation to its customers. He said:

Home automation is set to accelerate, and we are pleased to offer West Australian homeowners a unique opportunity to be amongst the first to harness this technology through iLight and iZone.

Mr Kimble said the company is an approved partner of IFTTT, an application that allows users to connect apps to work together as a series of user-specific "recipes". More than 200 companies partner with IFTTT including Apple, Google, Instagram, Facebook and Twitter.

Airstream's vision is to further develop smart home technology, with systems controlled intuitively from one device. In addition to iLight and IZone, the company is planning to release more automated home systems next year.

https://goo.gl/7x-2WEF

Upgraded surveillance system

Uniden has refreshed its Guardian digital DIY surveillance system range with the introduction of the G37xx series.

The new models – the G3720 and G3710 – each include a seven-inch touchscreen tablet and weatherproof cameras (two and one, respectively).

The range can be expanded to include up to four weatherproof cameras. In addition, the ability to install cameras where cables cannot reach means users can change the camera configuration quickly and easily as required.

The G37xx series cameras communicate wirelessly via the touchscreen tablet. It has full High Definition (HD) 1080p resolution, allowing homeowners to clearly see details such as registration plates and facial features that are critical in the event of an incident.

Unique to the market is the introduction of an optional motion detection spotlight with a weatherproof outdoor camera. This deters unwelcome visitors by casting a bright light when movement is detected. Remote access via an iOS/Android app means homeowners can log on from anywhere. The app also sends push notifications and email alerts whenever the system detects movement.

ABSCO INDUSTRIES
ORGANISED & ORGANIC

At ABSCO Industries, it is our mission to manufacture the best outdoor storage and garden products available anywhere.

ABSCO Industries is a wholly owned Australian company manufacturing a large range of steel products including garden sheds, large outdoor structures and garden beds.

From its manufacturing facility in Brisbane, ABSCO offers an extensive range of over 350 different types of outdoor products. ABSCO Industries has been the major supplier of these products to the hardware and outdoor building industries for over 40 years. The good reputation that we built up during those years is now being recognised throughout Australia and rapidly expanding overseas markets.

SNAPTiTE Technology

ABSCO products feature the unique patented SNAPTiTE technology. This revolutionary assembly system dramatically reduces the time and effort required. ABSCO Sheds assemble up to 80% faster than its competitors.

Most components are marked with part numbers which are also clearly identified throughout the three dimensional drawings displayed in the assembly instruction booklet. SNAPTiTE reduces screws by 75%! It permanently locks all perimeter channels to all roof and wall sheets without the need for tools and fasteners. Most other connection points have been fully pre-punched to maximise the ease of assembly.

ABSCO has an ongoing dedication to product development. Being small and nimble allows ABSCO to design products that are on trend and bring them to market quicker than a traditional manufacturer.

For more information, please visit our website at www.abscosheds.com.au

Rocky Point Mulching

Three generations of family producing high quality, environmentally friendly garden products

Rocky Point Mulching is a family-owned and operated Sugar Cane Farm and Sugar Cane Mulch processing plant. The company is completely vertically integrated, as it grows, processes and packs its own mulch.

The company's history reaches back to 1949, with the purchase of a block of land in the Rocky Point area of Queensland by the company's founders, Alexander and Phyl Keith.

Accidental innovations

In the early 1990s, as a drought swept through the agricultural areas, the demand for stockfeed increased substantially. The sons of Alexander Keith developed mechanical processes which enabled them to harvest the sugarcane in its green state. It could then be used to produce high-nutrient stockfeed.

When the rain finally returned, the Keith family found itself with a large number of bales of the sugarcane which were wet. Improvising, they sold this material as mulch to local growers of avocados.

Now into its third generation of the family, Rocky Point Mulching products have expanded to include a full range of premium feeder and decorative mulches, potting mixes, growing media, sands, animal bedding and more, with the products supplied throughout Australia.

As the company has evolved, sustainability has become increasingly important to Rocky Point Mulching. Concerns about sustainability to the environment influence every component of the business, including the bi-products created during manufacturing, and ensuring that transportation logistics are as efficient as possible to minimise carbon footprint.

One particular area where Rocky Point scores high marks, is that Rocky Point Mulching Potting Mixes do not contain peat or peat product. Environmental damage has been done to some areas where intensive mining of peat has taken place.

Lawn Star

Rocky Point Mulching's Lawn Star Premium Top Dress & Feed is a superior blend designed to enrich and rejuvenate lawns. This carefully screened and formulated mix is packed with excellent mineral content for levelling undulations in lawns, and slow-release fertiliser to produce a green, healthy lawn.

The slow release fertiliser in Lawn Star is designed to feed the lawn for three to four months after top dressing. It is perfectly balanced with mineral content and nutrient rich organic matter along with wetting granules to help improve dry, tired lawns.

Active 8

Rocky Point Mulching's Active 8 is a well-balanced soil improver designed for the home gardener to plant directly into, with no fuss. Active 8 contains a rich earthly blend of organic compost, composted chicken manure, composted cow manure, blood and bone, gypsum, fish meal, seaweed extract, iron, zeolite, trace elements and humates.

Its benefits include:

- Creates a balanced, nutrient rich growing environment that ensures spectacular growth
- Ideal for planting raised garden beds, planter boxes, herb gardens & large containers
- Active 8 can be used on all garden types, but is best suited for vegetable gardens
- Designed to absorb and retain water
- Ideal in the preparation of planting fruit trees and building up garden beds
- Increases soil nutrient holding capacity
- Reduces the loss of nutrients by avoiding leaching
- Active 8 is prepared and tested under strict conditions and is fully certified to the Australian Standard 4454

Rocky Point Mulching

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Agmer Workwear

From the 1940s to today, an Australian company offering style, comfort, durability and safety.

Agmer has been proudly Australian owned and operated since the early 1940s.

We have been keeping Australians safe and dry for over 70 years and have built our reputation in the industry on the backs of the Australian worker.

As a trusted supplier of the iconic bluey jacket, we continue to expand our range from quality hi vis garments to specialised fire retardant clothing.

Incorporating the latest advances in fabric technology and modern designs, our range of workwear continues to appeal to a spectrum of tradies and corporations looking for that edge over their competition.

This can be found with our industry leading ultra hi vis polos, vests, and large range of jackets and pants.

We are also leading the pack with our Hardline workwear range , built and designed for the modern craftsman. Nothing has been spared to bring about the hardest wearing and street inspired designed pants and jackets to Australia's tradies.

In addition to our ever growing product range, we also offer an in house embroidery service, ensuring you an easy road from order to completed product.

We look forward to continuing to ensure the safety and protection of the "Aussie battler" from the dangers of the workplace and the elements of nature.

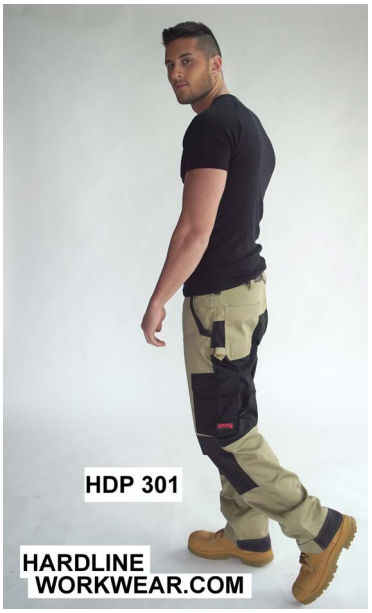
Agmer makes the iconic "Bluey" jacket at its factory in Thornburym, Victoria, drawing on over 60 years experience at this craft.

Bluey Flying Jacket

Australian iconic jacket that has served to protect the Australian worker year after year. The Agmer Bluey Jacket is made from 21 oz wool fabric with cotton flannel lining. Heavy duty zip ensures quality and continued durability of jacket on the work site. Deep side pockets for all your bits and pieces, with quality waist and wrist band. Colours - Black, Navy, Charoal. Sizes Sm to 6xl. Also available in Hi Vis Style.

HDP - 301 Craftman Pants

The HDP 301 is the next level in the craftman's gear on the work site. Built from our harden poly-cotton 310 oz fabric, double stitching along the seams and reinforced with cordura, you got one helluva of pant. Add the Hardline styling with our black contrast trade mark, and your assets will be demand. Black trimming at the botton of the leg keeps the dirt where needed. Deep side pockets for all your nuts and bolts. No bulls$^%@ 3D designs here. Black, Navy and Khaki. Sizes 77R to 107R



Contact Agmer:

03 94806255
sales@agmer.com.au
agmer.com.au
hardlineworkwear.com
19 Anderson Rd, Thornbury, Victoria 3071

Malco Shear Attachments

Labour-saving, cost-effective, Malco makes power tools even more capable

Malco shear attachments are labour saving and cost effective.

A metal-cutting power shear is now a more accessible and practical job-site addition than ever before. Cost-effective TurboShear attachments from Malco Products quickly insert into the chuck of a corded or cordless drill, or impact driver, to make fast straight, curved or square cuts in sheet metal, metal roofing and building panels.

A sleek, lightweight aluminium cast shear head and a compact, moulded polymer drill clamp allow maximum portability and ease to go wherever the work is. The telescoping clamp adjusts to fit both length and width of a drill motor housing as well as smaller bodied impact drivers. The clamp collar allows the shear head to be rotated 360-degrees and set in any position to optimise tool clearance and facilitate easy material flow.

Malco TurboShears can be operated at high or low speeds for the control users need to make precise trim cuts, follow tight patterns or navigate cuts over profiles.

A Malco model TSCM TurboShear attachment provides enormous value for both the time savings it offers and the low investment required to achieve clean precise cuts in corrugated metal roofing panels every time.

Specialised, elongated blades with compact jaws create a steep 75-degree offset so that the drill is held at a more vertical approach when starting a cut. As the offset blades follow the rising angle of a corrugated profile, the drill handle or battery pack has clearance to naturally tip downward and still clear the roofing panel surface. These hardened carbon steel blades offer long service life in 0.31 to 0.61 mm steel roofing material.

A versatile model TSHD TurboShear attachment features heavy-duty gearing and larger, wider-opening blades for cutting up to 1.22mm cold rolled steel, including layered metal and seams. The model TSHD is easily manoeuvrable and capable of making precise trim cuts, following tight patterns. With the head rotated for adequate clearance, it can also navigate mild corrugated profiles.

Both of the TurboShear models have a lateral blade adjustment capability to ensure that cutting performance and manoeuvrability can be maintained for the life of the blades. Replacement blades are available and can be easily installed on the job.

Contact BND Australia on

1300 883 520

for your nearest retailer.

More information on the Malco range in Australia can be found at

http://bndaustralia.com.au/

BND

Merlin Software

Merlin's cobalt is Australian retail management software-as-a-service tailored for hardware stores

Providing retail management software is something of a balancing act between its true cost (the software itself, installation and ongoing support), the features it provides, and the way the product fits with the specific needs of individual retailers.

What makes Merlin Software's Cobalt Retail outstanding in its field is that it has found the right balance between these elements. By designing not only the software, but its provision and support services, Merlin enables its clients to get just the right features, along with the best levels of support and service. This makes using the software convenient and easy, while also providing a high value proposition.

At the core of these innovations is Merlin's understanding that the best way to deliver retail software is through what has been called "software as a service". Rather than, as in the old days, selling software as a standalone product, then charging extra for everything – such as support and upgrades – Merlin provides Cobalt Retail for a single monthly fee that covers most of what a retailer needs, including regular quarterly upgrades.

As a result, there's no initial capital investment, only a monthly budget friendly figure to rely on (subject to each client's installation requirements).

This also means that Merlin works to maintain a constant relationship with its customers. The software costs are also much easier to forecast and plan, with the system remaining up-to-date, and functioning at its highest efficiency.

History

Merlin has been providing software for over 30 years, and its Cobalt Retail product has been around for 15 years. Its happy clients include the Sanders H Hardware in South Australia, the famous Pedders Suspension Australia-wide Group, and TAFCO Rural Supplies in Victoria.

Installation

Replacing existing and familiar software – even if it is just MYOB or other non-customised solutions – can be a difficult task. There is bound to be some business disruption, and a learning curve. Even when it is evident the long-term advantages make the short-term inconveniences well worth it, that initial few weeks spent adopting a new system can seem daunting.

Merlin has really thought through this process with its Cobalt Retail software. To begin with, rather than having retailers struggle installing software on their existing computers, Merlin supplies a complete, high-specification, fully warrantied server with the software completely pre-loaded. There are simply no concerns at all about making an installation work.

This server is simply plugged into the existing network in the retail management location. To make integrating the server as easy and cost-effective as possible, Merlin offers a range of assistance even at this level. The monthly fee for using Merlin includes a generous allotment of time for initial assistance with installation, including remote access by Merlin staff, who can work directly on the server via an internet connection.

Merlin is equally happy to provide technical assistance and information to third-party or in-house IT support teams, or directly to retailers themselves, if they prefer to look after their own installation details. Merlin leaves that choice entirely up to its Cobalt Retail clients.

The Merlin Software team at the Hardware & Building Traders' 2016 National Conference in Townsville, Queensland. From left: Michael Procyk, Sam Roberts and David Beard.
Merlin Software organises user group meetings, and regularly attends tradeshows, making it easy for clients to interact directly with the team.

Getting started

When the Cobalt Retail software is up and running, there remains (of course) still quite a bit of setup work to get done. Merlin has worked hard to make sure this process is as easy as possible for its clients. For example, in creating new databases for the client information, Merlin supplies its clients with a set of master spreadsheets. The client fills out the database details in the spreadsheet (or exports the details from an existing system), then uploads these into Cobalt Retail, and the necessary databases are automatically created.

Once again, Merlin is happy to provide online support to make this task easier and faster for its clients. The company can also provide on-site staff to work through the process.

Continues following page

Inside Cobalt Retail

Cobalt Retail consists of five separate modules: Point of Sale (Pos), Accounting, Payroll, Commission Sales, and Ecommerce.

Clients are free to select all or any of these modules to use.

PoS: Sales

Cobalt Retail's PoS module has been designed to enable the user to access almost all of its functions from a single screen.

The Sales component includes cash, account and layby sales, as well as estimates and suspended sales. It also provides management features, such as creating accounts and products, changing price level, and calculating discounts to maintain margins. It also integrates with the Accounting and Ecommerce modules.

From a management perspective, the Sales component enables a wide range of reporting features.

All of these functions are designed to scale as needed. Cobalt Retail works just as well for a single store operation, on up to franchises with over 100 sites.

PoS: Stock

Hardware retailers need a really robust stock database. The Stock component can allocate three sort levels of sub-categories to product files. Stock movement is fully integrated with Cobalt Accounting. Receipting of stock into Cobalt Retail will automatically generate a creditor invoice (or accrual). Supplier information allows stock to be ordered and tracked, and stock-take facilities ensure accuracy.

Of course, the system scales easily. Retailers can maintain a product and pricing file for a single store, or a group network.

Merlin has a history of working with large buying groups to create integrations with their ordering systems and other features. This helps to achieve the best result for both the stores and the group.

PoS: Customer

Cobalt Retail's Customer component combines aspects of accounting with functions from customer relationship management (CRM) software to help retailers get the most from their client relationships. The Debtors Ledger looks after customer accounts on an ongoing and historical basis, never deleting transactions, so that past accounts can be easily viewed.

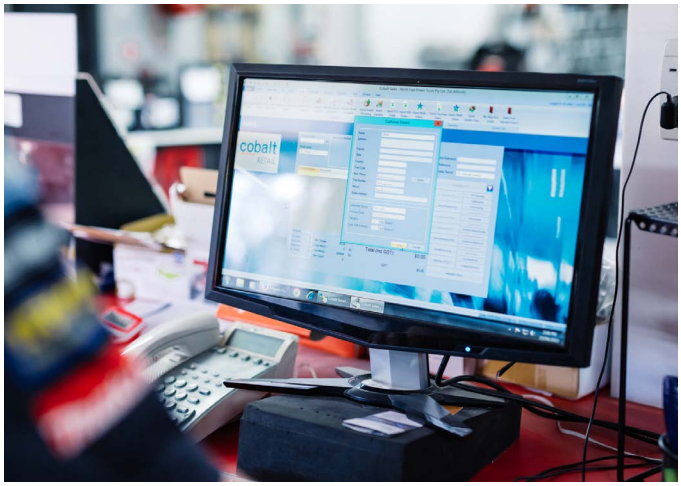
Individual pricing contracts can be recorded, customer accounts can be consolidated, customer details can be used for marketing purposes.

Accounting module

Cobalt Retail's Accounting component fully integrates the Sales and Payroll modules. Adding supplier invoice details when stock is receipted, for example, will update Accounting, eliminating the double-handling found on some other systems.

Cobalt Retail Payroll

Designed for small to medium businesses, and fully compliant with Australian Taxation Office requirements, Cobalt Retail Payroll had help eliminate such annoyances as as repetitive data entry into separate systems after a pay run. Its facilities include: Tracking employee information and accrued leave, importing or entering tax scales as released by the ATO, and preparation of PAYG taxation.



Merlin Software's Cobalt retail management system provides a modern, clean interface, that works the way today's empolyees expect software to work.

Cobalt Retail Ecommerce

The Ecommerce module of Cobalt Retail is designed to make it as easy as possible for web designers to access the data they need directly from Cobalt Retail. This leaves them free to use the latest web techniques to deliver the best possible web site.

Cobalt Retail Multi-Site

Users with more than one retail site using Cobalt Retail can access the softwares multi-site systems. Based on internet technology, Cobalt Retail Multi-Site combines the best of connected systems, with the addition of individual site robustness. The system enables "real time" control of sites. Should one site suffer an interruption to internet connectivity, it continues to function for normal sales functions, then reports back to the centralised system automatically whenever connection is restored.

Services

Merlin provides a full range of services to support its Cobalt Retail product. These include:

- Configuration of the system to suit your business
- Training of relevant staff in each modulePOS, computer and other IT hardware and software
- Hardware quotes from major suppliers
- Website and email hosting under your domain name (charges apply)

Cowdroy Weatherseal range

Easy-to-install range of weather seals and gap fillers for windows and doors

Cowdroy's Weatherseal range can be integrated into any design, or fitted by the consumer to existing doors or windows. The range is made as easy as possible to install and come complete with fitting instructions and self-adhesive backing tape. They are a cost-effective way to seal gaps and cut energy bills.

The range of weatherseals and gap fillers can be fitted to jambs, faces or edges of most windows and doors. Choosing the right product depends on the specific needs.

CM11 Gap Filler

Gap Filler seals gaps in most windows and doors that are 3mm to 4mm. It is easy to apply and saves time and money on expensive sealants when large gaps or cracks require filling.

It is suitable for domestic and commercial applications and is available in 6mm, 10mm and 15mm diameters. The product comes in a 5m roll and is available in white.

CM14 Foam Windows & Door Seal

This continuous foam seal may be fitted to jambs, faces or edges of most windows and doors. It is suitable for most windows and doors and seals against the heat, cold, dust, draughts, noise and insects.

It is available in three different sizes. CM14 measures 9mm x 6mm, suitable to seal gaps 3mm to 5mm and is 5m long. It is available in grey and white.

CM14A is 19mm x 6mm, suitable to seal gaps 3mm to 5mm, is 5m long and is white.

CM14B is 12mm x 12mm, seals gaps 8mm to 11mm, is 2.5m long and is white.

CM48 Rubber Windows & Door Seal

This continuous rubber seal may be fitted to jambs, faces or edges of windows and doors. It suits most windows and doors and will seal against the rain, heat, cold, dust, draughts, noise, insects and seals against rodents. It will seal gaps 3mm to 5mm, is 5m long and comes in white or brown.

CM59 Rubber Window & Door Seal

This continuous rubber seal can be fitted to jambs, faces and edges of windows and doors. It suits most windows and doors and seals against the rain, heat, cold, dust, draughts, noise, insects and rodents. It seals gaps 2mm to 3mm, is 5m long and comes in white and brown.

CM61 Brush Window & Door Seal

This continuous brush seal may be fitted to jambs, faces or edges of windows and doors and seals against the heat, cold, dust, draughts and insects. It suits all windows and doors and seals gaps 3mm to 5mm. It is 5m long and comes in grey.

Contact Cowdroy

Cowdroy can be contract by phone at:

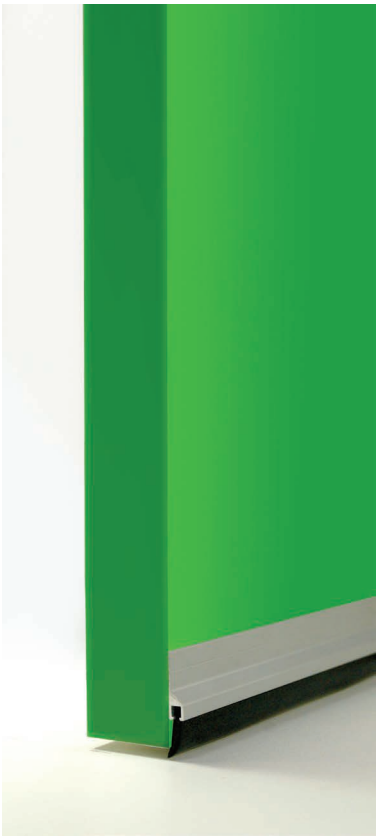
1800COWDROY

or by email at:

sales@cowdroy.com.au

The Cowdroy website is located at:

www.cowdroy.com.au



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