



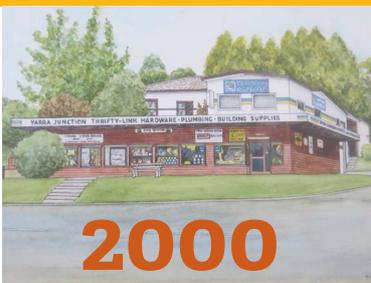
Vol. 3 No. 09



# YARRA JUNCTION H HARDWARE STORE



1943



2000



2015



2017



## BEAUMONT TILES GOES UPMARKET



## STANLEY BLACK & DECKER 2017 H1 RESULTS



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# contents



## Yarra Junction H Hardware

Chris Moorfoot took what was basically a wrecked business and, with a great amount of care, attention, and business acumen, brought it back to life. This is the story of how he collaborated with suppliers, and made good use of his membership in Hardware & Building Traders (HBT) to restore a vital part of community life in the exurban area of Yarra Junction. But it is also the story of that region itself, and the way growth and development is still taking place in these areas between the distant suburbs and the pure rural lands.

[30: click to view](#)



## Beaumont Tiles Studio

With the tile market constantly under attack from the commodities end by everyone from Bunnings to local garden suppliers, Beaumont Tiles has made a smart move into premium tile products. To sell those successfully it has opened two stores, one in Melbourne, and one in Brisbane, which are styled to sell to the high-end market. HNN caught up with Beaumont just as they were launching two collections of exclusive Italian designed and manufactured tiles.

[62: click to view](#)



## Consumer Laser Levels

Up until just a few years ago, laser levels were almost exclusively purchased by tradies and other building professionals. Now, with the price of diode-based lasers falling rapidly, manufacturers such as Stanley Black & Decker and Bosch are pursuing the consumer end of the market. HNN looks at what devices are on offer, and at how commodification may change this market in the near future.

[70: click to view](#)

# contents - II

## Stanley Black & Decker 2017 H1

The results for the year so far are impressive for Stanley, as its FLEXvolt power tool series sets sales of USD300 million. However, that comes at the cost of around USD100 million in “cannibalisation” of other ranges, which the company claims are mostly older corded



tools. Meanwhile, Stanley has also launched its answer to Milwaukee's One-Key “connected tool” system, which Stanley calls “Tool Connect”.

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Packout is Milwaukee's major effort to make what it calls the world's first truly modular system of tool storage. The Packout system is unique in that it can stack more than one

size of storage, and includes modular soft storage bags. This is done with the use of top and bottom cleats that universally fit every Packout storage option.

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## ABS hardware retail stats

With the June 2017 retail figures available from the Australian Bureau of Statistics (ABS), we can now look back on the complete financial year. What is revealed is ongoing growth, but growth which is becoming tightly constrained. What forces are at work, and how will this play out over the next two years?



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## COMMENT

The technology exists to make table saw much safer. But, ever since its development in 1999, various forces have been at work in the industry to block its adoption. Now, with a landmark ruling blocking Bosch's attempt to get around the original patent, US regulators are moving to make this technology mandatory.

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# RETAIL CASE STUDY

# #30

Mark Rohde – Director  
Abbott Supply  
Bendigo



“ It was all so simple and they left us alone to run our own business. ”

#### **How old is the business?**

It started out as a mining supply business in 1853 during the goldrush in Bendigo, and has evolved to the business it is today, which currently employs 32 local people.

#### **How long have you been involved?**

My parents purchased the business with four other local families in 1986. It is presently owned by two of the original families (Rohde & Woodman), and the Keogh family who joined us in 1994. I started work here in 2005.

#### **Who are your customers?**

Our wholesaling side has customers all around central and northern Victoria, whereas our direct trade and steel yard customers are generally around the Bendigo district.

#### **You joined HBT in July 2011 – why?**

We thought it was a good idea to be part of a national group and we could see that those rebates would be very attractive... and they were. Also it was all so simple and they left us alone to run our own business, so from that perspective nothing changed.

#### **What else would you say about HBT?**

The conferences are a great resource and source of information for our business.

#### **Can people call you about this?**

The number is 0419 586 186.



[www.hbt.net.au](http://www.hbt.net.au)

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Head Office 02 4472 1515. HBT is a buying group for the independent hardware and building materials retailer.

# comment

Innovation, entrepreneurship, and free and open markets have been the recipe for a lot of positive changes in the world. What often gets missed in that mixture — largely due to some odd political biases — is the role that government has often played.

That's relevant to the global power tool industry today, because we've recently seen how, despite the fact that every major manufacturer in the sector declaims their pursuit of all that is innovative, they are also capable of resisting innovation.

Which brings us to the work of one Stephen Gass, and his invention of what has come to be known as the SawStop mechanism. In case you haven't heard of this yet, SawStop is a revolutionary system developed by Dr Gass that makes table saws much safer to use. The technology was invented in 1999. The company that Dr Gass and some of his colleagues was forced to form, SawStop, sold its first safety saw in 2004.

Table saws — which are those with a bare, naked blade rotating at high speed poking up out of a “table” surface — are one of the most dangerous power tools you can buy, if not the most dangerous. A moment's lapse of concentration, and a carpenter can lose a finger, or even an entire hand.

6 Dr Gass's invention works by inducing a small electric current in the saw blade. When a change in that current occurs — i.e., when it has contact with a conducting surface — the blade is instantaneously jammed to a stop, and automatically lowers beneath the surface of the table, preventing injury. The system is so sensitive and fast, that it is usually demonstrated by using a hot dog touching the saw blade. The surface casing of the hot dog in these demonstrations is barely scratched.

Of course, there are some difficulties with the system. Use it on timber that is even a little damp — from morning dew, for example — and it will trigger the stop mechanism. That stop mechanism also completely destroys the blade that is currently in use, which, while it sure beats any kind of injury, can make false alarms pretty expensive.

This problem led Bosch to develop its own version of the SawStop. Instead of jamming the blade to a stop, the Bosch Reaxx saw relies on airbag-like technology to force the saw blade under the table. However, SawStop sued Bosch over patent breaches, and recently won that case, which means distribution and sale of the Reaxx saw will cease in the US. Bosch still has further legal avenues to pursue, but, in general, its prospects do not look the best.

When Dr Gass first invented the saw technology, he sought to licence it to power tool manufacturers, for an 8% royalty. No manufacturer agreed to those terms. The end result was that Dr Gass and some associates set up their own company to make the saws, and the SawStop range of table saws was developed.

In the latest twist to the tale, it seems that the US Consumer Product Safety Committee (CPSP) could soon introduce standards that require this form of protection on all table saws. The documents proposing these regulations state in part:

*The proposed rule would establish a performance standard that requires table saws, when powered on, to limit the depth of cut to 3.5 millimetres when a test probe, acting as surrogate for a human body/finger, contacts the spinning blade at a radial approach rate of one metre per second (m/s). The proposed rule would address an estimated 54,800 medically treated blade-contact injuries annually. The Commission estimates that the proposed rule's aggregate net benefits on an annual basis could range from about USD625 million to about USD2,300 million.*

Arguments against the introduction of these standards and the technology are, in HNN's opinion, specious at best. There are complaints against the cost, the weight of the system, and even claims that Dr Gass, given his patents, would exercise near-monopolistic control over the market.

We've heard most of these arguments before, particularly about issues such as airbags in cars. Today, people regularly choose one car over another because it has more airbags and a better safety rating. Whatever the initial resistance is to better safety technologies, it has proved time and time again that, once adopted, the protests rapidly fade to a welcome acceptance.

In terms of the patent difficulties, in an age when we have developed machine vision and artificial intelligence capabilities that can safely drive cars going 120kmh, it seems likely that similar systems could be developed to handle stopping a saw blade when fingers are in proximity to it. Gloves with a special coating that is highly visible to infrared cameras, for example, could sense when a finger is within 20mm of a blade, and swing it down to safety.

It seems likely to HNN that the real problem manufacturers have with SawStop and similar technologies is that admitting they are a good idea could open up a swath of other, similar situations.

Many modern tools remain unsafe, and there is little reason for this. To take one good example, consider the electrical brake that is available on some circular saws. The brake works by reversing current on the electric motor when the trigger is released, creating inductive braking (the magnets in the electric motor slow rotation instead of creating it). This stops the blade rotating in around two seconds. Without braking, the blade can continue to rotate for 10 or 12 seconds more, creating a risk.

Not to pick on either Bunnings or Ozito (they are just a convenient example of an industry-wide practice), but the Ozito 1200 watt circular saw model CSW-7000 is listed as not having an electrical brake. The Ryobi 1350 watt circular saw model RCS1350-G is listed as having one. The difference between the two? The Ozito costs \$59 and the Ryobi \$69.

Without regulations mandating such basic features, the industry could get behind the idea of labelling the safety features on all power tools clearly. The sad fact is that the person who will most need that electrical brake is the same one who will not know that it exists, or that it is important, especially for novice users.

Yes, there is extra cost, yes there is extra bureaucracy. But as with airbags, it's likely that paying attention to these matters will grow the overall market, and create new marketing opportunities.

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# statistics

## ABS Hardware Retail Revenue

### in this update:

- Retail sales growth continued in FY2016/17
- However, it followed the narrow range of confined growth seen in the previous two years
- Growth could be subdued due to a slowing real estate market
- However, that slowing is likely the result of the end of the major adjustment in real estate prices that followed Australia's transition out of manufacturing, and into services

With the June 2017 retail revenue statistics now available from the Australian Bureau of Statistics (ABS), it's possible to look back over the 2016/17 financial year, and to contrast this with previous financial years.

As Chart 1 illustrates, the proportion of revenue earned by each

state has been relatively stable. More recently, NSW has gained ground, while VIC has lost ground. SA, after relatively lean times in 2012/13 and 2013/14, has recovered, as has Western Australia (WA) after its lean years in 2009/10 and 2010/11.

Chart 2 provides a closer look at the

proportional contributions of the states for 2016/17, the previous year, 2015/16, and the pre-GFC year, 2006/07.

In the two most recent years, virtually the only change has been that Victoria (VIC) has lost 1%, and New South Wales (NSW) has gained 1%. For 2006/07, the

contributions by South Australia (SA), Western Australia (WA) and Tasmania (TAS) were much higher than those of recent years, reducing the proportional contributions of VIC and NSW. So, in recent years, there has been an increasing centralisation of revenues to both VIC and NSW.

### ABS: Hardware Retail Sales

Figures for trailing Financial Years

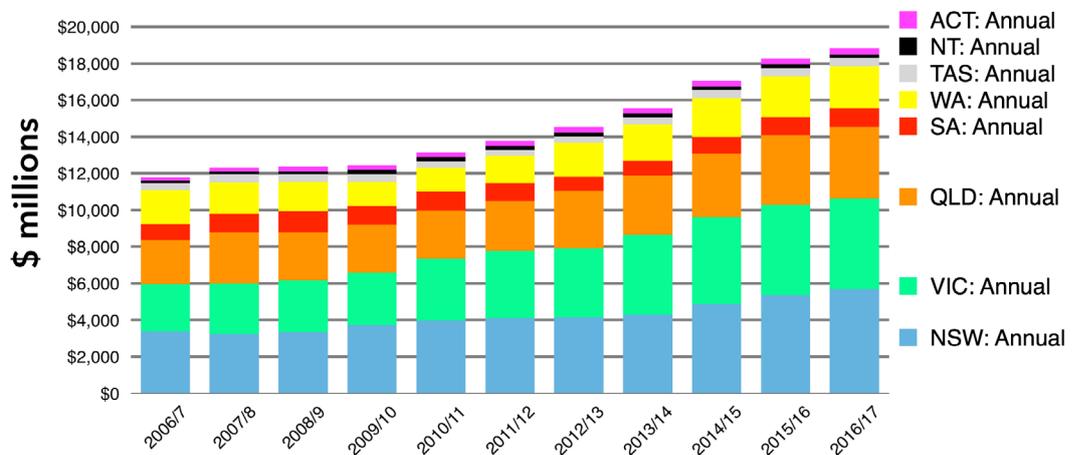


Chart 1. ABS hardware retail sales, annual by financial year.

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Using the original data provided by the ABS (rather than trend data), Australia overall reported its most subdued growth for the past seven years, with the national hardware retail industry growing by just 3.14%. The states that were the least subdued were the Australian Capital Territory (ACT), with growth of 16.09%, SA with growth of 6.64%, and NSW with growth of 6.06%. Both Queensland (QLD) and VIC reported quite low growth, of 1.09% and 0.96% respectively. Only the Northern Territory (NT) reported negative growth, with revenues falling by 8.18%.

Chart 3 provides some further insights into these changes. The top five states have continued to consolidate their position in a growth range between 0% and 7%, while the two smallest (by total hardware revenue) territories have broken out of this, with the ACT gaining, and the NT losing.

## Real estate and hardware revenue

If we accept that growth in the housing industry, driven by ever-higher real estate prices, has had a big influence on hardware retail expenditure, then we could think that these increasingly restrained growth

rates reflect something that is happening in real estate, which in turn is driving changes in the housing market.

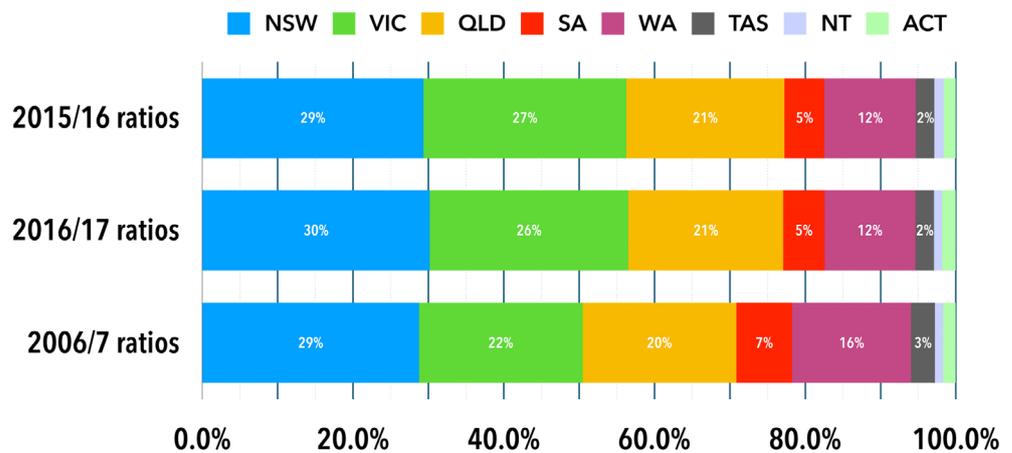
One possibility is that the real estate markets are not so much in a “downturn”, or that the “real estate bubble

has burst”, but rather that we are seeing a market finally reach a state close to equilibrium. To understand

such an equilibrium, it’s necessary to first consider what disrupted the market in the first place.

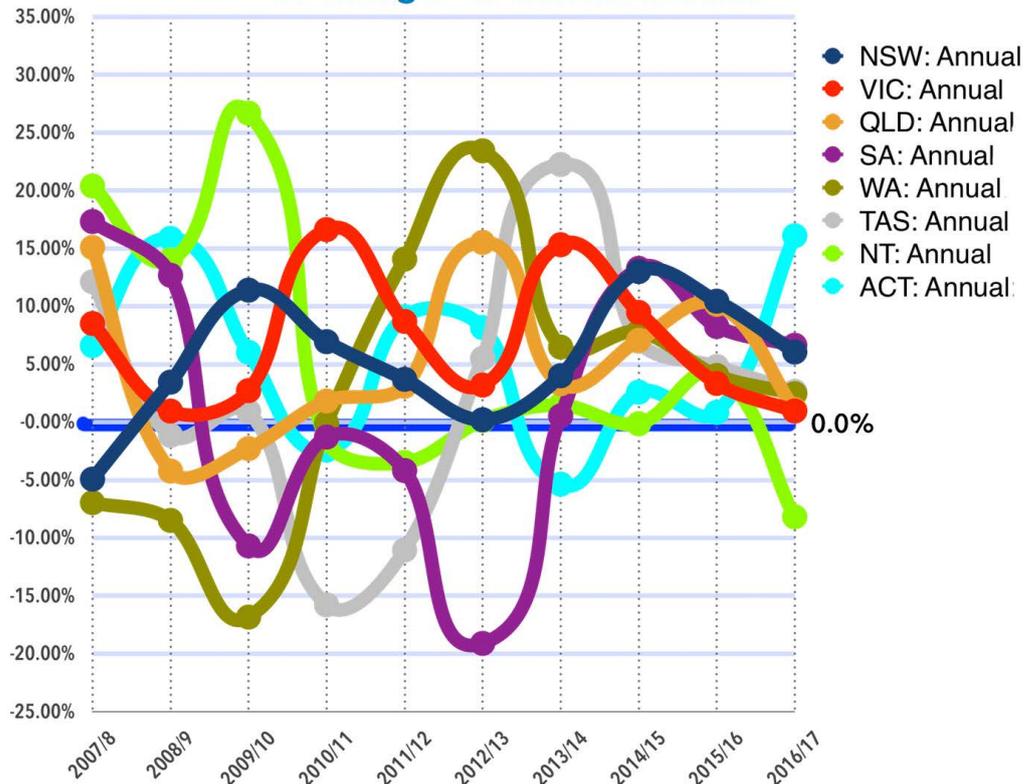
## ABS: Hardware Retail Sales

Figures for trailing Financial Years



## ABS: Hardware Retail Sales to FY 2017

% change 12 months to June



Top, Chart 2, shows proportional contribution of state and territory revenues to overall revenue for current year, previous year, and 2006/7. Bottom, Chart 3, shows annual financial year revenue growth percentages.

Charts 4 and 5 indicate what might be the disrupter. Chart 4 shows the number of persons employed full-time in manufacturing, FIS and IMT.

Chart 5 shows the trend for what is known as "Gross Value Added" (GVA) for manufacturing, construction, information media and telecommunications (IMT), and financial and insurance services (FIS). GVA is essentially the contribution of an industry to Australia's gross domestic product (GDP).

Chart 4 shows the steep decline in manufacturing employment. While employment for IMT remains flat, and FIS shows moderate gains, both of these also produce substantial "halo" employment opportunities.

As can be seen in Chart 5, growth in manufacturing moderated to almost nothing in 2004, then entered a decline in 2013. Meanwhile, FIS has, since 2003, entered into a period of high growth. IMT has not grown as strongly, but it has produced consistent growth, despite a flat period from 2010 to 2013.

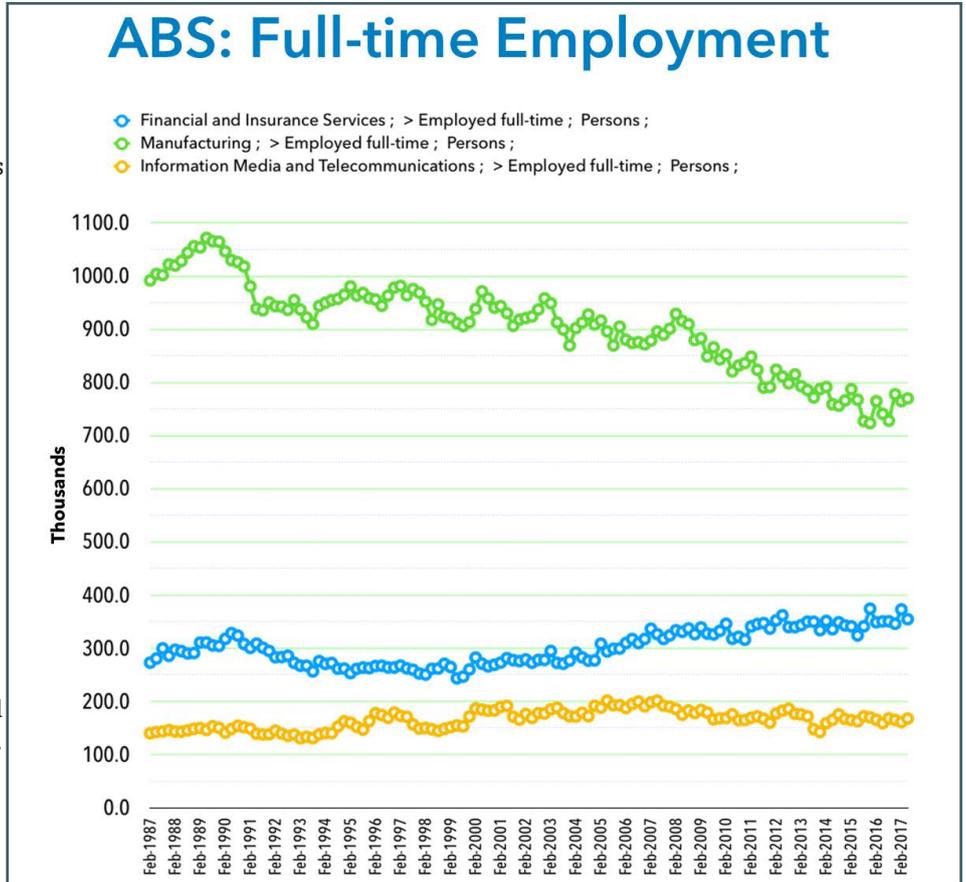


Chart 4. Employment

## ABS: Gross Value Added

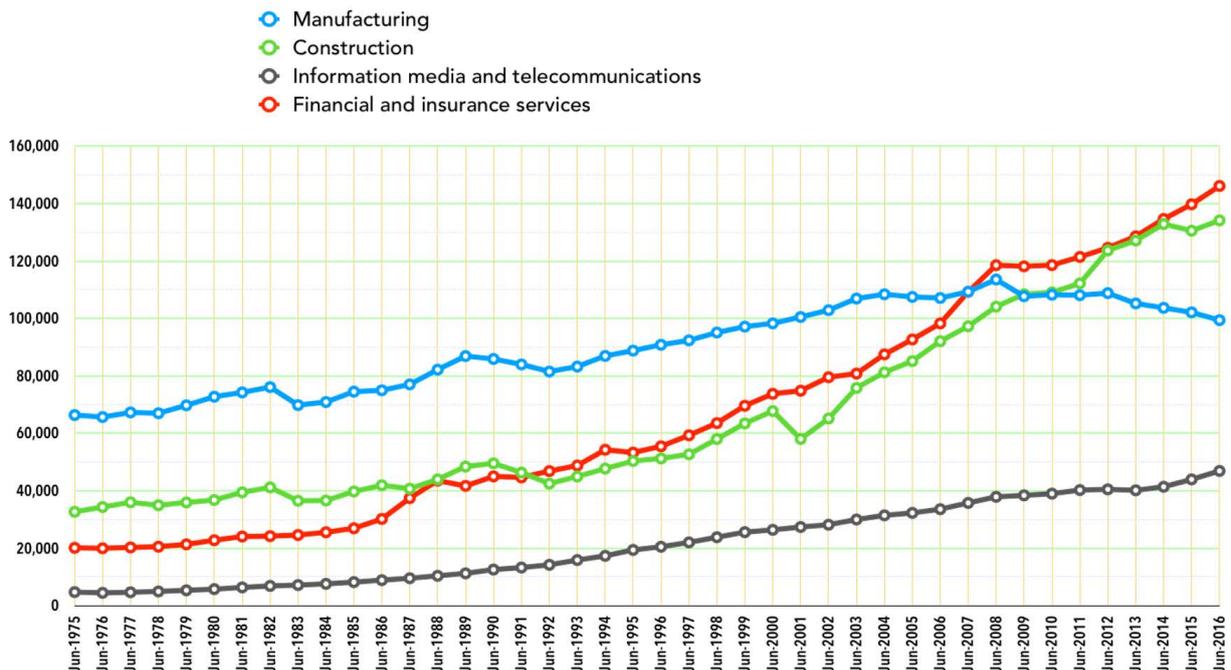


Chart 5. Gross Value Added to the Australian economy.

## stats

Construction has largely kept pace with the growth in FIS.

In short, what has been happening over the past 12 or 14 years is that a big part of the Australian economy has transitioned from being manufacturing based to being services based. This has exerted two influences on population distribution.

The first influence is that by its very nature, manufacturing is decentralising. You don't open a factory in the middle of a city, or even in its immediate suburbs. Instead, you choose an area some distance from the city, on a major transportation hub. People who work in the factory naturally choose to live close by to reduce their commuting time. Thus significant population centres outside of the main city grow.

As manufacturing first reduced its total employment due to increasing automation, and then further reduced employment as businesses shrank or ceased entirely, the attraction of these remote centres was reduced. This was combined with the second influence, the increase of employment in FIS. FIS, of course, will exert pressure to create urban centralisation. The service industry relies on multiple, internal and external layers of services. The providers and facilitators of these layers need some degree of co-location, as this helps with both service reliability and the ongoing development of those services.

What has happened, then, over the past 12 years or so, has been a revaluation of urban land. It held one value in a city economy where manufacturing played a major

role, and another value where manufacturing played only a minor role, and FIS played a major role.

The signals that are currently coming from the real estate market indicate that this process of revaluation is entering its "infill" stage in Sydney and Melbourne, and elsewhere in Australia. In this stage, revaluation is largely completed, while there remain some areas — formerly neglected — that will continue to be revalued.

### Forecasting

How will this affect future revenues for the Australian hardware/home improvement retail industry? It is quite likely that the kind of constrained growth that the industry has seen over the past two to three years will continue for another three to four years, with annual growth rates for the states with higher revenue levels delivering between 3% and 6% annual growth. The states and territories of NT, ACT and TAS will vary outside of this range, subject to local influences.

By the end of that time, it's likely that cities will be entering into the final stage of the manufacturing to service economy transition. They will begin to develop significant centres of decentralisation — effectively semi-urban clusters that specialise in particular service areas. These will, in turn, open up new areas for real estate development, and new housing projects, driving annual growth rates over the 6% mark.



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# indie update

## Store closures in Mitre 10 network?

### in this update:

- Geography continues to play a big role in hardware for 2017
- The Forster Mitre 10 in Forster, NSW, will close its doors on 1 September 2017.
- Some sources indicate the store is relocating, others suggest it may be ceasing to trade
- Further rumours suggest the Metcash-owned Mitre 10 Sunshine Hardware store in Smithfield, Queensland may also be closing

Shortly before the deal for Metcash to acquire Home Timber & Hardware Group closed in September 2016, HNN said it seemed likely geography would become a major competitive factor in the new world independent hardware retailing was entering.

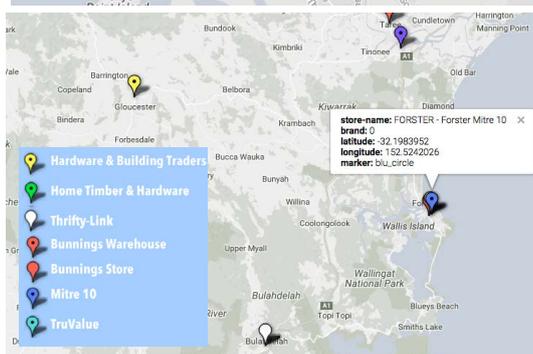
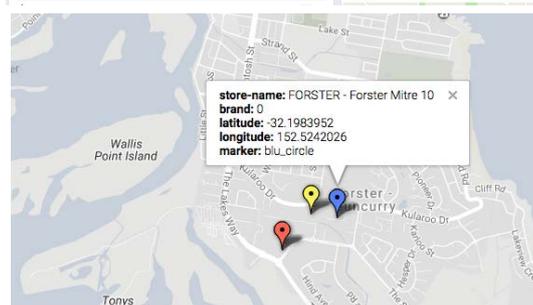
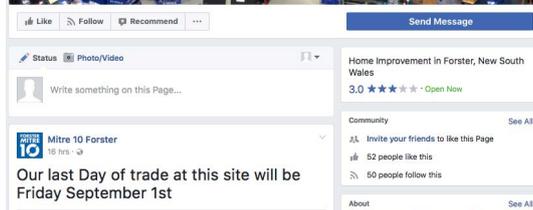
Partly that was due to the acquisition, and the changes the newly integrated network of stores would bring. As importantly, however, as Woolworths' efforts at establishing its own hardware empire ("how hard could it be?") rapidly wound down, what would be left standing after the dust settled was a vastly expanded network of Bunnings stores.

### Shuttering of Forster Mitre 10

We've seen some evidence of just how tough these changes have been for some independent retailers. Most recently we've heard that the Mitre 10 store in Forster, New South Wales (NSW) will be closing down. According to some statements by its current owners, it would seem it may be relocating. However, HNN has also heard

some unsubstantiated rumours that the situation is less fortunate than that, and that the business may be closing (we hope that's not true). Among other accolades the store won the "best small format store" for the Northern Toolers region two years in a row, for 2014 and 2015. As the screenshot of the store's Facebook page shows, the last day of trading in its current location will be 1 September 2017. The other screenshot is of the store's listing on a real estate site, with a suggested rent of \$5600 per month.

Maps 1 and 2 show what may very well be much of the source of the difficulty the store encountered. In the middle of a region with very scant hardware stores, this Mitre 10 is located almost next door to both a Bunnings Warehouse. The Australia Bureau of Statistics (ABS) data for the region paint a portrait of a region that, while it is far from collapsing, is subsiding gradually as far as its economy is concerned. The number of retail businesses have declined from 86 in 2011, to just 61 in 2015, and retail is regarded

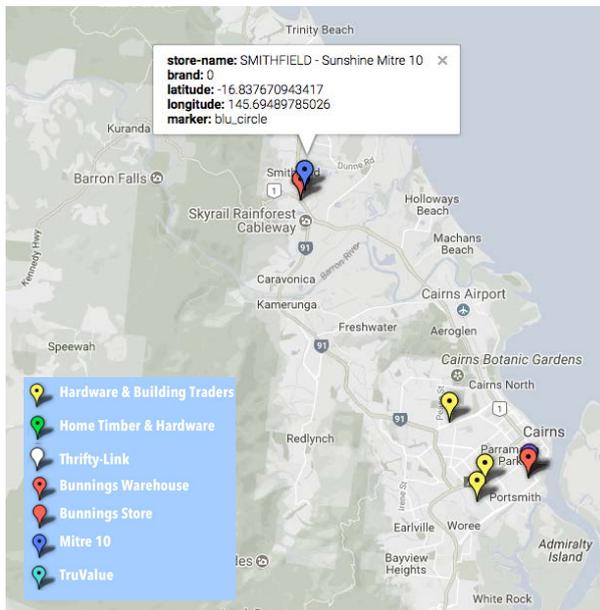


3 Boona Street  
Forster NSW 2428  
\$5,600/mth + GST + Outgoings



Top, Forster Mitre 10 Facebook page. Middle top, Map 1. Middle bottom, Map 2. Bottom, real estate listing for Forster Mitre 10 location.

# indie update



Top, Map 3. Bottom, Sunshine Hardware Mitre 10 in Smithfield, north of Cairns.

14

as the main employing industry. The overall population has expanded slightly, but the number of people at working age has fallen. The median age of residents is 55, versus the Australia median of 37.

## Mitre 10 Smithfield store closing?

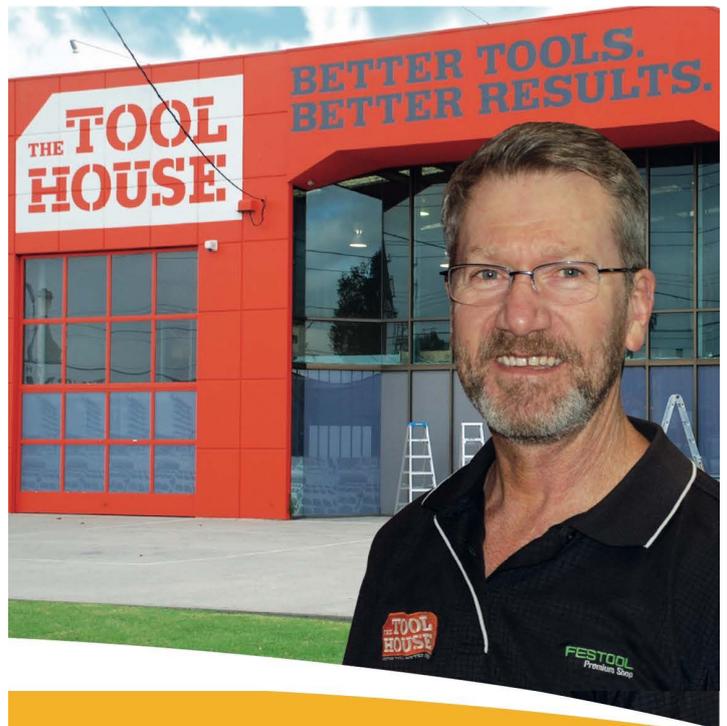
HNN has also heard rumours that one of hardware stores owned by Metcash's Independent Hardware Group, the Sunshine Mitre 10 in Smithfield, Queensland, might be closing sometime this calendar year. Metcash seems to have acquired a controlling interest in this store in FY2013/14.

Once again, the map tells

us much of the story. Map 3 shows that not only is the store located in close proximity to a Bunnings warehouse, but it is also a 20 minute drive from a Bunnings in Cairns, which was opened in 2015.

And just to add to the competitive picture, there is also a Tradelink outlet a few minutes drive away as well.

This remains an unsubstantiated rumour, but, given the difficulties the Queensland economy has had, it would be understandable that two Bunnings stores in close proximity could pose something of a problem.



**Chris Bird**  
Owner  
The Tool House  
Dandenong South, VIC

**RETAIL CASE STUDY #36**

### **You joined ITT in 2011 - why?**

A supplier strongly recommended that it would be good for us. We've never been in a group before.

### **How did it go?**

My big concern was losing direct terms I'd negotiated with some suppliers, but they weren't affected. In fact the deals only improved.

### **That was your concern but what benefits did you see?**

For a business our size, ITT has offered us suppliers and pricing we would not normally have achieved or been able to deal with. Every quarter we get a rebate report and a rebate payment for our efforts.

### **Any other comments?**

This group is a win win for everyone.

### **Is it ok if people call you about the group?**

The number is 03 9791 1497.



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# big box update

## Tradies tax scam targets Bunnings

### in this update:

- Approval is gained for Warwick (QLD) store
- Bunnings Kingaroy plans revealed
- Proposed Panorama store is considered "too big"
- Delay in Landsdale (WA) site
- Bunnings Colac has been sold
- Plans for a distribution centre in Glynde (SA)
- Bunnings boosts its presence in the Illawarra
- Bunnings' ABN is one of the most quoted in Australia

Tradies have been fraudulently quoting Bunnings' ABN (Australian Business Numbers) as their own on invoices, according to report in The Australian. This allows them to allegedly operate in the black economy, as part of a scam that is undermining the tax system.

Bunnings now has one of the most quoted ABNs in the country.

Treasury's black economy taskforce chairman, Michael Andrew, admitted that the ABN system — introduced at the same time as the GST 17 years ago to ensure people did not escape the tax system — was "not working".

Much of the ABN fraud has had two unwitting victims: Bunnings and the taxpayer. Abuse of the Bunnings ABN has been rife, particularly in some parts of the country, potentially costing the government hundreds of millions of dollars. Mr Andrew told The Australian:

*We found out that more than 40% of ABNs quoted in the Northern Territory were Bunnings. Of course, every trades-*

*man goes to Bunnings. They get an invoice — the ABN's up top.*

Mr Andrew said the Bunnings ABN scam occurred when businesses or individuals employing the services of tradesmen and other service providers asked for an invoice. The document is provided containing the bogus ABN. He explains:

*People ask for an invoice or valid receipt and they get the name of the company, but they then get an ABN of someone else such as Bunnings: the result of which (is) you can't trace then where the money really went.*

Federal Revenue and Financial Services Minister Kelly O'Dwyer said the government commissioned the black economy taskforce to clamp down on situations such as the Bunnings ABN fraud. She told The Australian:

*We know there is a big problem here, and we know it is costing the economy a huge amount.*

Ms O'Dwyer has also released a set of 54 "policy ideas" from the black economy taskforce, ahead of its final



Image credit: Mick Reardon from LinkedIn

report to government in October. Several of these ideas focus heavily on ABN reform. She said she wanted to fully consider the final report before taking formal action on possible reforms, such as real-time ABN recognition: "It will require a properly calibrated response."

There is no sugges-

tion that Bunnings has done anything wrong. <https://goo.gl/mir7Ze7>

<https://goo.gl/OvP-DWF>

## Bunnings in the Illawarra

Bunnings will open a new store at 9 Watts Lane, Russell Vale (NSW) and staff at its Shellharbour location is set to move into the former Masters Albion Park site.

Andrew Marks, general manager property at Bunnings confirmed it received development approval to make the necessary conversions of the former Masters site. He told the Illawarra Mercury:

*Following the reformatting works, our intention is to relocate our existing Shellharbour warehouse including all current team members. The conversion of the site is pending the Home Consortium agreement with Woolworths Limited which is subject to the consent of Lowe's Companies, Inc.*

The 13,000sqm Albion Park Masters closed its doors last December,

having been open for a little over a year.

The big box retailer lodged a development application with Shellharbour City Council last November, seeking to modify the Masters being a classed as a "home improvement centre", Bunnings sought to create a "hardware and build-ings supplies" store.

Meanwhile, Mr Marks said construction works are currently under way and progressing as planned at the Bunnings Warehouse Bellambi/Russell Vale site.

The Bunnings Bellambi store is expected to open late 2017.

<https://goo.gl/bmNr89>

## DC plans for Glynde

Bunnings wants to build a distribution centre (DC) in Glynde (SA) after its plans for a \$26 million store at the same site were knocked back. The big box retailer has lodged an application with Norwood Payneham & St Peters Council for a site on the corner of Penna Avenue and Glynburn Road.

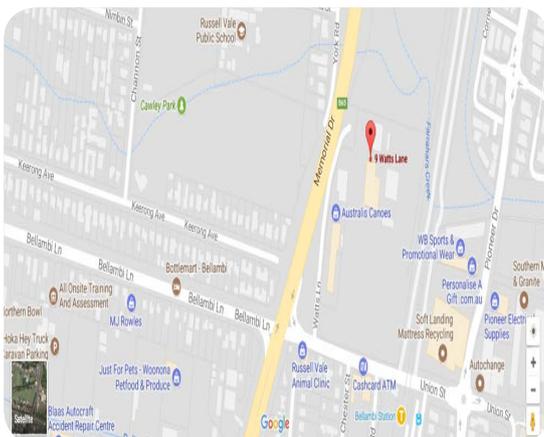
Bulk materials would be brought to the distribution centre, repackaged and then transported to other shops for sale. It would not include a retail outlet. Bunnings general manager – property Andrew Marks did not say how much the development would cost.

In May, the Development Application Panel rejected Bunnings' application for a retail

store, saying it would generate heavy traffic in surrounding streets. Approximately 1000 small-business owners and residents signed a petition last year opposing the original plan because of traffic concerns.

The council could not say when the new application would be assessed.

<https://goo.gl/pxi4fA>



## Melbourne-based investors buy Bunnings Colac

A smaller format Bunnings warehouse in Colac in regional Victoria has been sold to a Melbourne family for \$7.8 million, on a yield of 6.1%.

The 6500sqm retail property on Bromfield Street in the centre of Colac was sold with an eight-year lease in place to the big box retailer,

The sale of the Bunnings in Colac was negotiated by Mark Wizel, Joseph Du Rieu, Justin Dowers and Kevin Tong of CBRE. DBR Property's David Ryan represented the buyer. Mr Wizel said:

*Whilst the price point cre-*

*ated a far higher level of accessibility for a wide range of investors, the smaller format store did present a hurdle for many investors as we have seen Bunnings continue to move toward large format sites in recent times.*

Other recent sales include Bunnings in Warragul selling for \$6.43 million last September with a six-year lease, on a 6.6% yield

Bunnings Warehouse in Yarrawonga sold for \$11.6 million last August on a 10-year lease, and on a 4.9% yield.

A Bunnings in Osborne

Park (WA) with a new 12-year lease sold for \$7.05 million on a 4.65% yield in June last year to a Perth investor.

<https://goo.gl/Efg1RU>



## Plans for Kingaroy revealed

Bunnings' plans to build a new store in Kingaroy may not get final approval until mid-2018.

According to the development application tendered to South Burnett Regional Council, the total retail space of the Kingaroy store will be about 7597sqm. Of this about 3893sqm will be the main retail warehouse. The outdoor nursery, soil and stone sale area will be about 1523sqm. A timber trade sale area will be about 1399sqm while the landscaping yard will be 730sqm.

Bunnings has also planned 203 parking spaces, four disabled spots and four trailer bays.

While the council has received a draft of the building application,

more information is needed.

It is unlikely the final plans for the project will proceed to community consultation before early 2018. This pushes the estimated date of the council approving the project to mid-2018.

The timeline could shorten if the state government approves the council's new planning scheme soon. In this case, the land currently under development would be rezoned to allow for this scale of construction.

<https://goo.gl/dwToao>

## Proposed Panorama store "too big"

The fate of a \$42 million Bunnings store in Panorama (SA) will remain unknown until at least October following almost three years of objectors trying to stop it from opening. A Mitcham Council report shows that a conciliation conference between Bunnings, Panorama resident Neil Baron and Mitcham Council has been adjourned.

It comes after the big box retailer lodged plans for a \$45 million store in Edwardstown, 2km from the Panora-

ma site, in May.

Bunnings general manager – property, Andrew Marks declined to comment about whether the case had been adjourned until the Development Assessment Commission looked at the Edwardstown application. The state government did not say when that would occur.

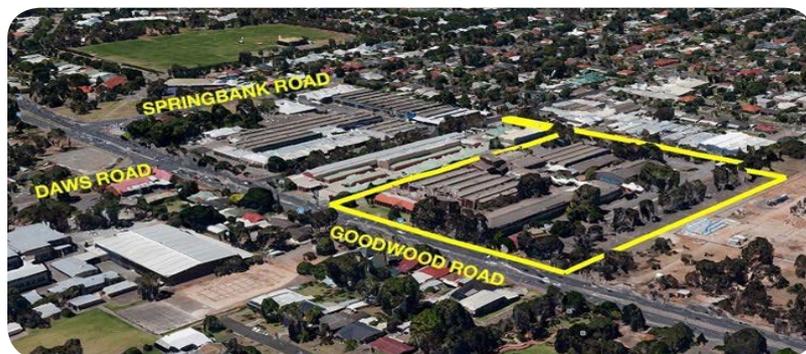
Mitcham Council's Development Assessment Panel rejected Bunnings's first application for the TAFE site on Goodwood

Road in Panorama a year ago. It argued the store was too big for the area and would create traffic issues.

Bunnings submitted an amended plan in December – which was also rejected.

Panorama resident Neil Baron has appealed the decision in the Environment, Resources and Development Court because he thinks the store is well designed and will create jobs.

<https://goo.gl/EX9F-Wd>



## Uncertainty remains over Landsdale (WA) site

Bunnings is waiting on negotiations between stakeholders of the former Landsdale Masters site in Western

Australia before it can announce an opening date for its takeover of the warehouse.

The outlet will give

Bunnings a presence at all compass points in Perth's far north, adding to Whitfords (south), Mindarie (north) and Joondalup (west) stores.

The big box retailer secured development approval for the Hartman Drive-Gnangara Road premises more than five months ago. But Bunnings property general manager Andrew Marks explained they could not proceed

in Landsdale until matters were finalised with Woolworths and Lowe's, former joint venture partners in Masters.

Bunnings will be dealing with property group Home Consortium when given the go-ahead to develop the Landsdale site.

Home Consortium agreed to take control of all Masters buildings in Australia when Woolworths shut down

its home improvement chain last year.

David Di Pilla from Home Consortium told The Australian in December there would be a staggered opening of the former Masters sites. The former Joondalup Masters building has been approved for conversion to a multi-tenancy large retail format.

<https://goo.gl/kdMfFA>



## Flood concerns continue over Warwick Bunnings

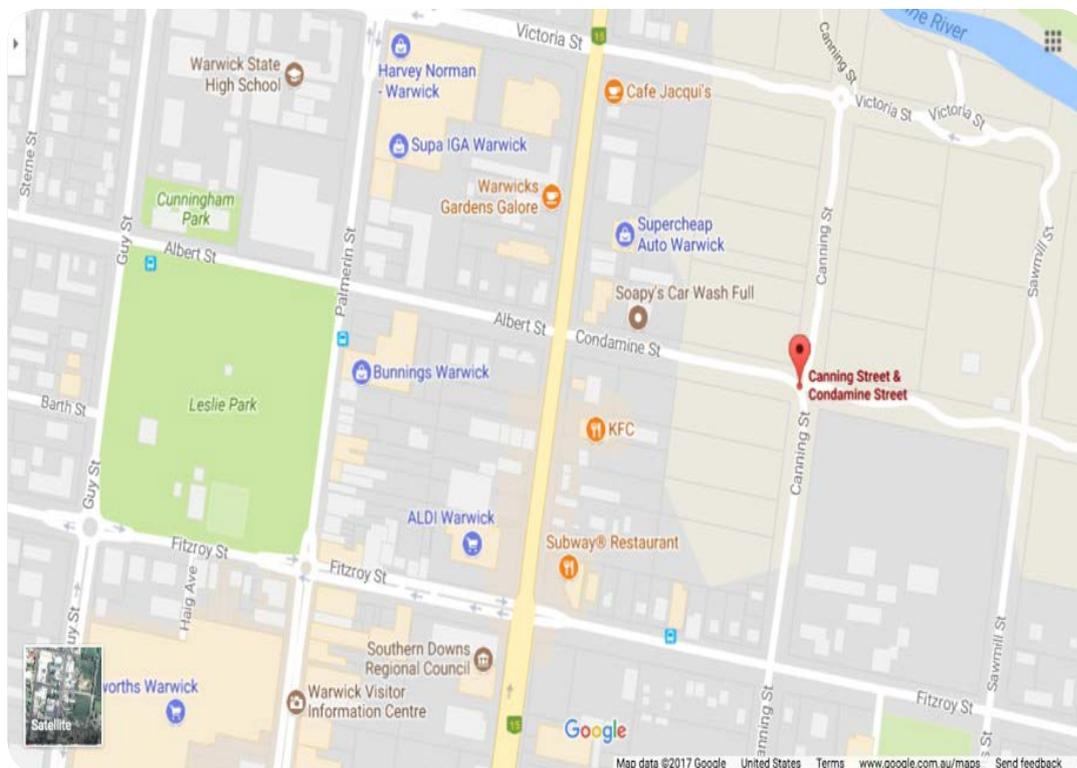
A legal objection to the \$16 million Bunnings development in Warwick (QLD) has been dropped but neighbouring businesses say their concerns have not receded.

Construction of the 8000sqm development at the corner of Canning and Condamine Streets is expected to begin in the next few months. It should be completed by mid-2018.

The project, approved by Southern Downs Regional Council in January, was appealed by a group of concerned local business people and residents on the basis the warehouse was to be built in a known flood zone, an area understood to be "off limits" to new developments.

Bunnings general manager – property Andrew Marks said the company was satisfied with the outcome of court proceedings and was excited to start building a store in Warwick.

On the question of lessening a flooding



Bunnings is building a store on the corner of Canning and Condamine Streets in Warwick (QLD)

impact on local businesses, Mr Marks said Bunnings had worked with local authorities and technical experts throughout the development application process. He told the Warwick Daily News:

*The development application took into account the findings and recommendations of the Jacobs Consult-*

*ing report, which was commissioned by the council, which concluded that the development would have no significant effect on flooding.*

Olsen's Home Timber and Hardware owner Alan Olsen said it was not Bunnings people were objecting to.

*It's never been about competition for me. It*

*wouldn't matter who was being allowed to build there. Anyone who has had to deal with our major floods will know that anything that might worsen the impact is a bad idea.*

The original flood impact statement reported there would be minor changes in water depth at around

25-50mm and some changes in the energy of the water at the north-west, north-east and south-east corners of the site.

<https://goo.gl/f4AWbY>

## Acquisitions on the agenda for Hitachi Koki

### in this update:

- Brickworks upgrades FY12016-17 guidance
- GUD restructuring leads to \$7.3m loss
- Canstar gives Victa top marks for customer satisfaction
- Legrand launches IoT products in Australia
- Loscam turns 75 and launches repair facility
- Swann celebrates 30 years in business
- Hitachi Koki is going on a buying spree

Japanese power tool maker Hitachi Koki will spend up to about 50 billion yen (AUD573.5 million) on acquisitions with the help of US buyout firm and new majority owner, Kohlberg Kravis Roberts (KKR). The company is aiming to become one of the top three players in the industry worldwide.

The Tokyo-based company's sales totalled 178.7 billion yen (AUD2 billion) in the fiscal year ended in March 2017. This places it among manufacturers roughly tied for fourth in the global power tools market. It is looking to add to its lineup of high-end professional-grade

tools by offering mass-market versions via acquisitions. Company president Osami Maehara told Nikkei Asian Review:

*We will grow sales 70% to around 300 billion yen in fiscal 2021.*

Hitachi Koki plans to expand its network of sales outlets in Japan from 39 to between 50 and 60 within three years. This will ease its dependence on dealerships under the umbrella of former parent Hitachi, which account for half of its domestic sales. Industrial conglomerate Hitachi sold its power tools business to KKR in March as part of a wider restructure.

Hitachi Koki is also



looking to change its name but Mr Maehara did not provide a time frame for the move. He said:

*Apart from [Japan] and other markets where the Hitachi*

*brand is strong, we will quickly build up a new brand.*

<https://goo.gl/p5bQqx>

### Swann reaches 30-year milestone

DIY security monitoring company, Swann recently celebrated its 30th anniversary.

From starting out in the basement of David Swann's family home in Melbourne in 1987, the business started out with making modems. It moved into security in 1999 with a "spy cam" that pioneered the DIY security category at retail stores.

Now it has offices in Australia, USA, Canada, UK, Italy, Hong Kong and China with approximately 120 staff. Swann has also expanded its presence to over 40 countries and sells its products through retailers including Bunnings, JB Hi-Fi, Harvey Norman, Costco, and Office-works.

Jeremy Stewart, vice president – global mar-

keting at Swann, said:

*Swann ... has seen at least 10% growth year on year, for the last 10 years. This growth is a testament to our unique selling proposition and reflects the demand we're experiencing from home and business owners, who want control of their safety and security.*

The Swann range includes DIY wired and wireless security

systems with new developments that include state-of-the-art professional-quality super HD (such as 3, 4 and 5 Megapixels) and ultra HD 4K recording systems and cameras.

The Swann family retired from the business in late 2014 and it is now part of the Infinova Group.

<https://goo.gl/R2snMD>

## Legrand targets Australian building market with IoT

The growing demand for connected devices is creating new opportunities for the building sector. France-based electrical equipment manufacturer, Legrand believes the expansion of the “Internet of Things” (IoT) will lead to an increase in “smart” solutions for end-users. Legrand has created the Eliot range of IoT products for this market.

Legrand’s Eliot program was unveiled at Sydney’s Museum of Contemporary Art recently.

Connected products with the Eliot brand can simplify usage, facilitate maintenance and customise products based on users’ needs. The range includes the Classe 300, Arteor with Netatmo, Smarter and Nuvo.

The Classe 300 is Legrand’s connected video

door entry system, and allows the user to interact with the caller by voice and image, locally or remotely, on their mobile device. Made easy to install thanks to the Door Entry app, Classe 300 also enables controls for lighting or automated sprinklers.

Arteor with Netatmo provides controls for lighting or shutters in the home. Legrand developed this range with Netatmo, a French company specialising in connected objects.

The Smarter connected thermostat can be controlled remotely via a smartphone app. A Wi-Fi connection lets users program, control and adjust the temperature, anytime, anywhere.

The Nuvo music distribution system enables music from a



The Classe 300 connected door entry system is part of Legrand’s Eliot program

single digital source to be played in multiple rooms.

At the Australian launch the company highlighted a number of other IoT products including:

- Legrand eco-meter that can be used to measure and display electricity consumption directly and on web pages.
- My Home system for controlling and monitoring

electrical functions, and setting predefined scenarios for heating, blinds and lighting.

In the future, all Legrand products with connectivity capabilities sold in Australia will carry the Eliot label.

### Legrand in Australia

Legrand acquired electrical supplier

HPM in 2007 and today sells some 15,000 products in Australia and New Zealand through a network of more than 5,000 electrical wholesalers, hardware retailers and mass merchants under the HPM, Legrand, BTicino, Cablofil and CP Electronics brands.

<https://goo.gl/Lxx1y6>

<https://goo.gl/NqMT-dX>

## Loscam opens repair facility in Queensland

Pallet equipment pooling company Loscam has opened its new Brisbane pallet repair facility, located in the new Richlands

industrial park in Queensland.

Over 120 dignitaries, customers, suppliers, executive team members and staff from

Australia and New Zealand gathered for the ribbon-cutting ceremony. The launch of the facility coincided with the company’s 75th anniversary. Daniel Bunnett, executive vice president for Australia and New Zealand, said:

*There is an enormous amount of work which goes into driving a Greenfield site development. The effort from the local team in driv-*

*ing the market share gain and then leading this development has been first rate. I would also like to acknowledge our parent company in China Merchants Group who continues to invest in the long-term, strategic future for the region.*

The Richlands facility is expected to deliver significant expansion of repair and storage capacity for the state

and is complemented with brand new machinery.

Linda Tsui, executive vice president – finance, Loscam, delivered a speech on behalf of Zhao Huxiang, Loscam chairman and vice chairman, CMG.

<https://goo.gl/J1w3HC>



## Restructuring leads to \$7.3 loss for GUD



GUD Holdings, owner of the Oates cleaning brand, made a loss of \$7.3 million in FY2016-17. It follows a net loss after tax of \$43 million in fiscal year 2016. The consumer and industrial products supplier said the results were largely due to the sale of its Sunbeam, Lock Focus and Dexion

businesses. Company revenue for FY2016-17 was \$426.3 million, which is an increase of 4% from the previous year. GUD's EBITDA for the period was \$87.7 million, which is a 3% rise from last year.

GUD said underlying profit from the three key businesses it

continues to operate was \$51.5 million in the year to June 30, up 45% from the prior year.

The company's automotive parts business includes the Ryco and Wesfil filter brands and Narva accessories. It also owns the Davey pumps and pool products business in addition to Oates.

The sale of storage and logistics business Dexion and lock manufacturer Lock Focus contributed the majority of a \$58.9 million loss.

GUD said its automotive interests remain the key source of revenue and earnings.

Earnings in automotive climbed 11% to \$74 million, contributing almost 90% of GUD's total earnings.

However work remains to be done with Davey and Oates. Earnings declined 15% in the Oates business due to lower sales caused by the collapse of Masters Home Improvement stores and the withdrawal of Oates products from Woolworths supermarkets.

A new chief executive at Oates is refocusing the business on opportunities in commercial markets and performance improvements, according to GUD.

Davey's earnings

dropped 24% as demand was impacted by poor weather conditions. GUD said the dependence of Davey on seasonality is being addressed through new products, including pumps and connections linked to real-time weather data.

<https://goo.gl/G2jq8b>

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## Victa satisfies customers: Canstar Blue

Canstar Blue has awarded Victa five out of five stars for overall customer satisfaction in its 2017 lawn mower reviews.

With the core purpose of helping consumers make better purchase decisions with its unbiased assessments, Canstar Blue's reviews are an effective way for consumers to find out more about a product, brand and service. Canstar Blue editor, Simon Downes, said:

*Our aim is to help Aussie consumers make more informed purchase decisions*

*every day. Whether it's lawn mowers, home appliances, internet providers or new vehicles – our reviews and ratings are based on real world experiences across more than 100 consumer categories.*

For Victa, the review rating showcases its history and quality of the company's range of lawn mowers. Victa marketing manager, Laura Clarke said:

*We focus on customer insights and design and produce lawn mowers that appeal to the Australian market. Our team continually aims to innovate and*



*deliver products that satisfy customer needs, and that is why we are Australia's number one choice in lawn mowers.*

Assessing reliability and performance; ease of use; value for money; grass cut qual-

ity; maintenance; and servicing, the Canstar Blue review describes Victa's range of lawn mowers as authentic as any other Australian staple. According to the review:

*Victa has expanded*

*to offer a large range of lawn mowers that are known the world over for the enduring quality and top-notch craftsmanship, designed and assembled in Australia.*

## supplier update

### Brickworks upgrades net profit guidance

Brickworks has forecast its net profit this financial year will be about double that of the prior year, as a result of continued strength in its land and development portfolio. Underlying earnings are expected to be up about 25% on the prior year, it said.

But the company also said earnings before interest and tax (EBIT) for its building products arm was likely to be lower due to difficult market conditions and restructuring in Western Australia, plus the impact of wet weather on its east-coast operations that reduced product deliveries in the wake of Cyclone Debbie in late March.

All Queensland operations were closed for a period after Cyclone Debbie, and brick plants in NSW were affected when they were taken off line for long overdue maintenance.

Still, earnings from its building products business on Australia's east coast would be higher than in the previous fiscal year, because of strong

performance from the Austral Bricks unit. Brickworks said the order book across businesses in the region remains buoyant. Any delays caused by wet weather have simply resulted in extensions to the pipeline of work.

Brickworks said it had sold its former brick making site at Malaga in Western Australia for \$19.2 million, part of an ongoing restructuring of the company's brick, roof tile and timber operations in the state. Production from the Malaga plant has been transferred to the upgraded Cardup plant.

Brickworks is scheduled to release results for the year through to July on September 21.

<https://goo.gl/goi5vp>

<https://goo.gl/x8Tmf3>



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Brickworks' multi-purpose corporate retail environment in Sydney's CBD



## Stanley Black & Decker 2017 first half results



Stanley Black & Decker (SBD) has made a strong showing in the first half of 2017. For the company overall, sales revenue was USD6,035.1 million, up by 7.68% on the previous corresponding period (pcp), which was the first half of 2016. Earnings before tax were USD830.3 million, up over 34% on the pcp. For the company's tools & storage division, net sales were USD4,114 million, up by over 18% on the pcp. Profit was USD661.6 million, up 5.94% on the pcp.

One contributor to these growth numbers was the acquisition of both Newell Tools and the former Sears brand, Craftsman. The company stated that, for tools and storage in the second quarter of 2017 alone, increased volume contributed 9% to growth, and acquisitions contributed 11%. Divestitures brought the number down by 1%, and losses due to foreign currency exchange rate fluctuations contributed a further negative 1%. Of the 8% organic growth in the second quarter, North America produced 9%, Europe 8%, and emerging markets lagged with 3%, with Latin America contributing strongly.

In a statement quoted by the press release accompanying the press release, SBD CEO James Loree said:

*Stanley Black & Decker continued to generate impressive results in the second*

*quarter. Each of our businesses contributed to 7% organic revenue growth and the Company posted a strong 15.7% operating margin rate. Of particular note was the performance of Tools and Storage and Engineered Fastening, which generated organic growth of 8% and 6%, respectively.*

The press release also notes that the company carried USD43 million in merger and acquisition costs for the second quarter.

As shown in the slides at this presentation, SBD US management reported that Australia

### Results for FY 2017 First Half

Category	2017 1st half	2016 1st half	Change
Sales Revenue	6,035.1	5,604.5	7.68%
Earnings before tax	830.3	616.1	34.77%
Net earnings	670.3	460.1	45.69%
Diluted earnings per share	\$4.41	\$3.12	41.35%
<b>Tools &amp; Storage Division</b>			
Net Sales	4,114.0	3,638.5	13.07%
Profit	661.6	624.5	5.94%
Profit/Sales	16.10%	17.20%	-1.10%
USD millions			
<b>Stanley Black &amp; Decker</b>			

- Stanley Black & Decker performed in the second quarter of 2017, lifting its overall performance for the first half.
- The company's breakthrough product, FLEX-Volt, continues to sell well, generating USD300 million in revenue. However around USD100 million of that has been generated by displacing sales of other products.
- The company is committed to Industry 4.0, and is working to bring data analysis to the factory floor to improve efficiency.
- The company's CEO reiterated its engagement with ecommerce.

contributed organic growth of positive 1% for the second quarter, but was down by 1% for the first half of 2017. (See illustration marked "Slide 1" for full details.) That is largely due to very high growth in other markets.

## Analyst questions

In his opening comments at the analyst presentation of the results, Mr Loree stated:

*Tools & Storage led the way in total growth, up 17%, up 8% organically. We believe about 2x the market with all regions once again contributing to the continued growth and share gain. The FLEXVolt battery system continued its steady march to USD300 million, making it the largest, fastest-growing cordless launch in our industry's history.*

*Our Tool business keeps delivering and exceeding expectations through commercial and operational excellence, including outstanding core and breakthrough innovation, while at the same time integrating two major transactions. 2017 is shaping up to be another superb performance by the entire global Tools & Storage team.*

In his opening remarks, Don Allan, the company's chief financial officer, commented that:

*Additionally, we have seen the e-commerce channel increase its share of the market and become a larger contributor to our growth within emerging markets. As you know, we have what we believe to be leading positions in e-commerce in the developed markets*

*and we are leveraging that know how as our emerging markets teams work to develop this critical channel over time.*

He added that:

*We had another strong quarter for the FLEXvolt products with approximately USD60 million in revenue. Based on year-to-date results and planned second half FLEXvolt product launches, we still believe that we are on track to deliver revenue approaching USD300 million from FLEXvolt in 2017. When factoring in cannibalisation, however, this represents*

*USD200 million of SBD revenue or USD100 million of growth versus the prior year.*

*Our hand tools, accessories and storage organisation delivered 5% growth on new product introductions and benefited from a strong performance within the North American industrial end markets led by our Mac Tools business.*

## Intra-company product competition

A number of analyst questions dealt with the effects of intra-company product competition, referred to colloquially as "cannibalisation). In response to one analyst's question, Mr Allan described the cannibalisation situation around FLEXvolt more clearly:

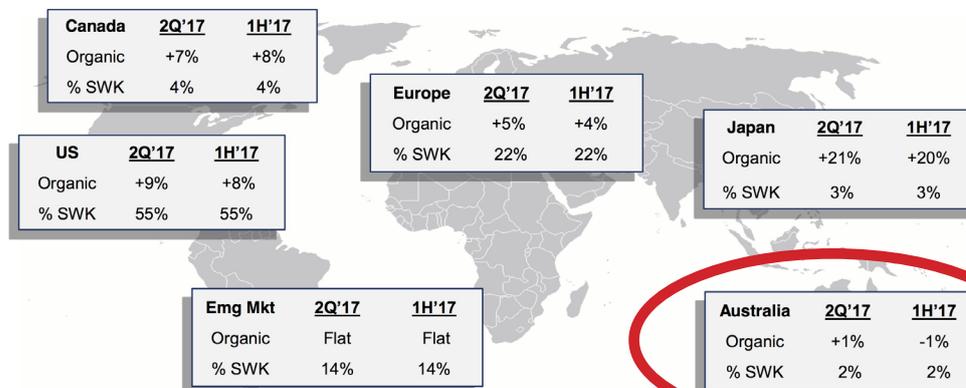
*What we are seeing is that, as we have been communicating probably now for three to four months, is that we started seeing cannibalisation in the spring, early springtime related to certain products that we were replacing on the corded side with FLEXvolt technology. So we still offer those particular products.*

*However, when someone goes in to make a decision about a 120-volt product or 60-volt product that is now something they can get through FLEXvolt, they have a choice to make between the FLEXvolt technology or the corded DeWalt technology.*

In response to an analyst's question seeking more details about the margin impact of cannibalisation, Mr Loree stated:

*Stanley Black & Decker US management reported that Australia contributed organic growth of positive 1% for the second quarter, but was down by 1% for the first half of 2017. That is largely due to very high growth in other markets.*

## Global Presence



StanleyBlack&Decker

2Q'17 OVERVIEW | 11

Slide 1. From the presentation given by Stanley Black & Decker's CEO and CFO to analysts.

I would also like to say that — congratulations to the operations team in Tools & Storage, they have done a fabulous job with productivity. We had a series of years where we had a Design to Value initiative going, which is now pretty mature. But at this point we are starting to get in — pretty significantly into industry 4.0. And that basically involves creating smart factories and then embellishing them with robotics and 3D printing and these types of things.

We are far from the robotics and 3D printing phase of it, but we are definitely making a lot of progress in making the factories more data-driven, more real-time in their execution. And what we are seeing is that we are getting above average — above historical average productivity out of this and we expect to continue that as we go forward. So that's really helping boost the margins as well.

Mr Loree also commented on the difficulties of understanding intra-company product competition in an environment where demand involved both the needs of the ultimate end user, and the purchasing decisions of the intermediary which supported sales to the end user.

You hit it on the head with FLEXVOLT is this is about share of wallet when it comes to cannibalisation. And you have two wallets, you have the end user's wallet and you have the channel wallet. And that's what makes it so difficult to really predict what the cannibalisation will be because, at the end, there's only a finite demand for power tools.

And there are competitive power tools out there and then there are our power tools and there's FLEXVOLT. We can't really analyze at this stage, and may never be able to fully analyze what the impact is on cannibalization because of those various share of wallet items. And I think the thing you hit on the head was that FLEXVOLT is more expensive.

So to the extent that people are buying more units of FLEXVOLT they are more challenged to buy units of the 20 volt or 18 volt type products in the marketplace. So I don't think there's any clear or easy answers to the question, but what we are doing is to monitor this we are actually looking at point-of-sale in the non-FLEXVOLT areas, corded and cordless.

And we haven't seen any dramatic decreases at this point in time but I think we do see some decreases at the margin and that's what we can't really quantify. So we will keep an eye on it. We will report back as we learn more and more, we do more analysis over time. But it's going to take

several quarters before we can really pin down exactly what the impact is.

Mr Loree also expanded on the nature of the FLEXvolt line, as a relatively new product, still carving out a niche in the market:

So I think FLEXvolt is a good story. It's going to be really good and it's going to be supportive of a USD300 million number gross. And we will see what happens when the new SKUs come out and if they are really successful that will be even — it will be great. And then the fact that we have no answer yet in the marketplace to FLEXvolt and we are almost a year in now.

And so this is about building an installed base. A battery system is about an installed base. And getting that installed base built means that it creates the foundation for future growth and future expansion. And if you recall, the whole concept of FLEXvolt is to eliminate cords from the job site. And the more SKUs we can come out with over time where people use that battery system will be a definite competitive advantage here as we go forward. So we are very excited about FLEXvolt.

We are thankful that the innovation was protected well enough so that it could not be leapfrogged in short order. And I think it would be foolish to think that sooner or later a competitor or competitors won't come out with an answer of some sort. But the answer we've seen so far, which is 9 amp hour 18 volt, clearly has not been the answer to FLEXvolt.

*"[FLEXvolt] is about building an installed base. A battery system is about an installed base. And getting that installed base built means that it creates the foundation for future growth and future expansion. And, if you recall, the whole concept of FLEXvolt is to eliminate cords from the job site."*

—James Loree



DeWalt has released the DCS570 20V Max Circular Saw in the US market, expanding its range with a brushless motor saw in the larger 7 1/4 inch blade size.

## Acquisitions

Asked about the Craftsman acquisition, Mr Loree said:

*I will tell you that we are working on designing a complete comprehensive product line that spans all categories, that it will be a high quality product line that is high quality, high-value for the customer and will take some of the best attributes of our high-value products from across all our brands and incorporate them into the designs. The channel discussions, the customer discussions are going very well. The interest level is very high.*

*We haven't really changed too much in terms of our strategy. There will be some decisions made in terms of how we expect to go to market from a channel perspective in the late third-quarter, early fourth quarter. And then it will be all systems full speed ahead for a mid-2018 launch.*

Asked by an analyst about the impact of FLEX-volt on outdoor power equipment that was traditionally driven by petrol engines, Mr Loree took the conversation to the Craftsman acquisition, and how the company had gained new access to petrol engine outdoor equipment.

*First of all I would say that Craftsman brought many positive elements to the table. One of them is that it's complementary to exactly what you are talking about. Because prior to Craftsman we did not have a large gas engine or small gas engine lawn equipment power initiative. We did have the string trimmers and those types of things, but they were electric. So this gets us into gas.*

*And we are learning a lot about lawn and garden as we speak and we are experimenting with the application of DC brushless electric motor technology to lawn equipment. We do think there is a big future there. But there are some technological breakthroughs that will have to occur relative to the cost of doing that. And so, there's a lot of work going on there. And the answer to the question are we too busy with Craftsman; actually this is part of our busy-ness with Craftsman.*

## Ecommerce

Following up on the introductory comments made by Mr Allan, Mr Loree provided a comprehensive overview of the company's attitude towards the ecommerce channel, and its ongoing development:

*So we as the largest tool Company in the world,*

*as Don mentioned earlier, have taken a pretty aggressive stance in terms of making sure that we participate in the e-commerce opportunity and I will call it a transformation.*

*And, of course, e-commerce has its limitations. However, we would be foolish to think that it's not going to be a substantial part of the market in the years to come. It already is a substantial part of the market. As was mentioned earlier, back in 2010 we elected to enter the e-commerce market in the US, and we did it not only with traditional e-commerce players or player, but also our traditional customers and especially the home centres. The traditional home centres are forces to be contended with as it relates to e-commerce.*

*My guess, I would never ever comment upon the health or survival of our large customers, but I would say that both home centres embrace e-commerce and I think they have certain advantages and certain disadvantages relative to pure e-commerce players. And therefore, without getting too much into those, but you think about omni-channel and the advantages that brings and you look at the recent purchase of Whole Foods [by US ecommerce company Amazon], and you scratch your head and say why did that happen?*

*I think if you start to envision how omni-channel could play an important role in e-commerce you could see an unfolding scenario that says there can be successful pure players and successful omni-channel players. And maybe it all gravitates towards omni-channel at some point.*

*So I think there probably are going to be lots of changes as time goes on. We are really well-positioned; largest e-commerce player in the tool industry by an order of magnitude — probably as much as an order of magnitude. And have developed skills and capabilities that we share readily with all our customers that are interested.*

*And now, as Don mentioned earlier, also internationally into the developed countries in Europe and other developed countries in the world and the developing countries. I think in the developing countries what's interesting about e-commerce is that it will enable us in certain areas, such as China, where we don't have number one market share, to take a fresh look at how does one go to market in that type of a — with that type of an opportunity to leapfrog maybe traditional distribution channels.*

*So very, very interesting space. We have done a lot of analysis and review of e-commerce in*

*"[Y]ou look at the recent purchase of Whole Foods [by US ecommerce company Amazon], and you scratch your head and say 'why did that happen?' I think if you start to envision how omni-channel could play an important role in e-commerce you could see an unfolding scenario that says there can be successful pure players and successful omni-channel players. And maybe it all gravitates towards omni-channel at some point."*  
—James Loree

*the last year or so. We are very comfortable with our strategy there. And we look forward to that being a major growth driver for us as we go forward across our customer base.*

## Analysis

In terms of its tools and storage business, it is evident that DeWalt is putting much of its energy into its 54-volt/60-volt max FLEXvolt product line. This does raise a number of interesting questions.

One good question is: Just how important is the “flex” part of the product? That is, how many people who use the tools actually switch the large batteries over to use on their 18-volt power tools?

Reading user comments from the US, it seems a surprising number of people do use the higher-voltage capable batteries on their lower-voltage tools. In fact, at least among the population of those who comment on tools, there seems to be a number who have bought the bigger batteries and chargers, but not yet purchased any of the FLEXvolt tools themselves.

That said, however, with DeWalt establishing the market for higher-voltage tools, does this leave more of an opening for a competitor to enter the market with non-flexible, high-voltage tools, at a lower price point?

Another point of concern is in exactly what kind of market this is. Is this a relatively small, but high-demand market, which will quickly reach saturation, and then tail off into replacement sales, rather than constantly expanding? Or will DeWalt find ways to constantly grow the market, by seeking out new niches where power and portability are both prime considerations?

Finally, will the development of FLEXvolt turn out to have been brought about at the cost of further product development in other areas? While we are currently seeing a continued launch of new 18-volt tools, as SBD has something close to a three-year product development cycle, will we see, in another year or two, a “hollow” develop in its 18-volt lineup, as legacy tools are extended a year or so beyond their best replacement date?

It is likely we won't know the answers to these questions for another 12 to 18 months. In the meantime, it seems quite clear that, at least in European and North American markets, SBD has developed a line of best-selling tools, and that their popularity is set to spread still further.

## DeWalt's Tool Connect platform expands

Two years after it launched its first “smarttool product” consisting of Bluetooth enabled batteries, DeWalt has launched the first major revision to what is now a “connected tool” platform, Tool Connect.

There are four hardware parts to this system. The Bluetooth batteries continue, providing the means to automatically shut down batteries when they wander out of range, or after a period of days or weeks. DeWalt has also added the Tool Connect Tag, the Tool Connect Connector, and is launching a range of tools which allow access to settings and diagnostics via Bluetooth connection. All of these options also enable tracking features.

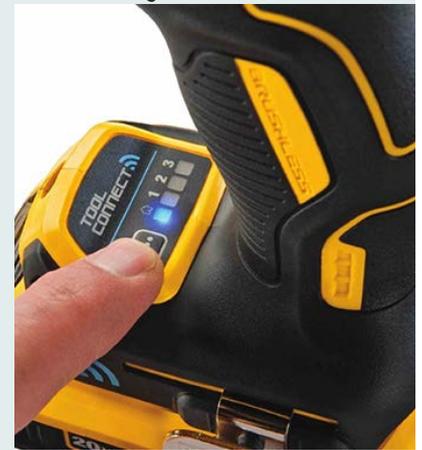
The Tag, which will sell for USD79 for a four-pack, attaches to any tool, much as Milwaukee's Tick does, and provides location information. It includes a light, making it easy to know which tool is being accessed, and a simple pairing button.

The Connector slots into the battery shoe on the tool, with the battery then attaching to the connector. DeWalt says the connector is “permanently” attached to the tool, so, unlike the Tag and the Tick, it cannot simply be removed or disabled.

The Connector will recharge its own battery when attached to the tool's battery, extending its useful life. DeWalt claims it adds very minimal bulk and weight to the tool. The Connector can also be set to disable the tool, by cutting off battery power when, for example, the tool is out of range of the Bluetooth-enable phone or tablet to which it is linked.

DeWalt has announced four power tools will be released with Tool Connect built-in. They are a compact hammerdrill, a compact drill/driver, an full-sized impact driver, and a full-sized hammerdrill. Tool Connect will be able to adjust settings on these tools, including its LED light

behaviour, speed, and torque. These tools come complete with a touch pad located in front of the handgrip above the battery that will give users three customisable settings for the rpm of the drill. Additionally, LED worklights and distance measuring devices will be equipped with Tool Connect integrations.



Top, the new Tool Connect tools feature a three-button touchpad in front of the handgrip. These can be customised to different rpm settings, making it easy to set speed on the job. Middle, the Connector, which slips into the battery shoe, and then connects the battery. Bottom, the Tag, with inbuilt light.

## Software

Behind all this mechanical and electronic development, is software that runs on both Apple's iOS and Alphabet's Android operating systems. This provides inventory management for the tools, along with the ability to assign them to specific individuals or groups. It also provides tracking information, including a "last seen" feature, which works automatically to provide users with information about when the tool last checked into a Bluetooth-enabled device running Tool Connect. This includes a "community mapping" setting, which will extend the search for a lost tool to any user running Tool Connect, setting a wider net to find a misplaced tool.

The inventory management is located on a cloud-based system, meaning it can be accessed via devices such as personal computers, for an easier working environment.

## Analysis

While there are some innovative features to Tool Connect, the system is also highly emulative of Milwaukee's One-Key system, which has been on the market for 18 months now. The Connector battery "sleeve" is new, and it will be interesting to see if it gains acceptance. As HNN noted when we first saw the mocked-up tools, it seems

a slightly odd decision by DeWalt to angle the button touchpad on the Tool Connect Tools back towards the user, rather than forward facing, as they are on Milwaukee One-Key tools. Effectively, the user ends up using it side-on.

What remains to be seen, of course, is what action Milwaukee will take now, based on its development work over the past two years or so. Milwaukee could, for example, come out with WiFi-enabled tools, which would not only extend their connectivity range, but also add a degree of GPS-like positioning capability.

Systems exist which include maps of available WiFi networks within a specific area, and by judging the strength of the signals those WiFi routers are sending out, can estimate the location of a device. This is currently used by both iOS and Android phones to help conserve battery power expended through energy-expensive satellite GPS pings.

Launching such a system in, say, February 2018 would effectively flat-foot DeWalt, which would have committed resources to Bluetooth, and be unable to back out to WiFi rapidly.

It may prove the case that DeWalt might have been wiser to have skipped the Bluetooth stage of the technology entirely, and have launched a WiFi system in 2019 instead.



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## 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.

Get the  
right stuff ✓





# Yarra Junction H Hardware

Some of the best things that happen are accidental — or at least they seem so. Chris Moorfoot, the owner of Yarra Junction H Hardware Timber and Building Supplies in Victoria, didn't really set out as a young man with the goal of one day running an independent hardware store. Looking back over his life and experience, however, it's evident that he ended up with a very useful background to draw on when he decided to make the move into retail.

However, there is more to the story of Yarra Junction H Hardware (YJHH) than a good yarn about a talented retailer bringing a store which was about to collapse back to health, growth, and making a real contribution to its community.

It is also a story about success coming from pure, real independence — not the corporatism of Bunnings, nor the hybrid half-corporate hard-bargaining purchase cycle of Metcash's newly minted Independent Hardware Group (IHG). There was an expression Mr Moorfoot used when HNN interviewed him that seems to perfectly sum up this kind of direct, personal retailer operation.

*HBT [Hardware & Building Traders] survives on real belly-to-belly selling. Both going into the store, and coming out of the store.*

Real “belly-to-belly selling” might seem an almost “rustic”, or old-economy kind of statement to make, but while the store does have a history that dates back to 1939, its recent story is anything but a harking back to a nostalgic period, pre-Bunnings, pre-Mitre 10. In fact what Mr Moorfoot and his partner, Anthea Moorfoot, did to make the business viable has strong similarities to the way other modern businesses have been started up: a reliance on “bootstrapping” — self-generating capital — to further invest in opportunities, a redefinition of the market the store serves, and a heck of a lot of a “whatever it takes” style of thinking, which meant that not too many opportunities were wasted.

It's an approach that has had rewards that go beyond developing in a good business. As Mr Moorfoot told HNN, the local community appreciated what he did with the store, and provided support.

*I had one lady who said to me, “I'm so pleased we've got our hardware back.” These are some of the things you underestimate, just how passionate people are about having a community that is serviced by this type of business.*

What the story of this store underscores more than anything else is that the Australian home improvement retail market is anything but a “one-speed” environment. As evidenced by Bunnings' success, there are markets where a big-box “superstore” is the answer to the needs of many customers. But alongside that market there is a thriving, vital place for independent stores, especially in areas which have a high level of community engagement.

## **Background**

To understand the revival of YJHH it's necessary first to review some background details, including its location, its market, and how this has evolved over the nine years — from 2008 to 2017 — since Mr Moorfoot acquired the business.

## **History**

The town of Yarra Junction is located what is today a 65km drive east and a little north of the Melbourne CBD, in Victoria. The town's name comes from its location at the junction of the Little Yarra River with the Yarra River. According to “Warburton Ways”, written by Earle Parkinson in 1984:



## **Yarra Junction H Hardware**

- Yarra Junction began as a timber railhead for lumber businesses in the Yarra Valley.
- Its economy has long benefited from the wine and tourism industries, as well.
- As an exurban area, residential development is restricted.
- However, the area has grown economically, as job growth continues in Melbourne's eastern expansion, making Yarra Junction a more viable commuter “dormitory” town.
- Chris Moorfoot, the owner of the store, acquired it in 2008, prior to this growth.
- It was not a viable business on acquisition.
- By applying techniques familiar to startup businesses, such as careful use of capital, and “bootstrapping” growth, Mr Moorfoot has restored the business to health.
- A key element to its recovery was building relationships with suppliers.
- This was facilitated by the store's membership with Hardware & Building Traders (HBT).
- In late 2016, the store transitioned to the H Hardware brand of HBT.
- This has enabled the store to “upscale” into a true branded presence.
- Mr Moorfoot sees a strong future with HBT, as it continues to grow in numbers and reach, and continues to consolidate and strengthen its supply lines.
- The result of Mr Moorfoot's efforts is not only a thriving retail business, but also the restoration of an important part of the Yarra Junction community — which will help encourage future growth.

*When the gold seekers and prospectors tramped along the "Williams Track" there was an area beyond Launching Place known as "The Black Swamp". Here a track branched off and followed the "Little Yarra". At this junction of the ways arose the township of Yarra Junction.*

During the latter half of the 19th Century, gold prospecting helped drive settlement. The gold was alluvial in nature, and by the turn of the century, the easily accessed reserves had been depleted. Production of fruit, grapes for wine, and timber production took over instead. A timber mill had been built in 1901 at the settlement of Powelltown. A larger mill was completed there by the Victorian Powell Wood Processing Company in 1913, and a tramway was constructed between Powelltown and Yarra Junction that year. From 1913 to 1945 the mountain ash timber harvested at Powelltown was brought down the tramway to Yarra Junction, which served, along with Warburton, as a railhead for the area. (The original Yarra Junction Timber and Hardware Store was established around 1939, so it would have begun operating while the tramway was still in use.)

The wine industry in the region, which started in the 1830s, reached a peak in the 1880s, then gradually fell out of favour in the early 20th Century, as the popularity of fortified wines increased. Production all but ceased after 1920. It began a revival in the 1960s, and by the 1990s, viticulture was back to where it had been 100 years before.

Yarra Junction Timber & Hardware Co. circa 1942-1943. While the modern development of the store has expanded on this drastically, including the construction of a timber yard behind the store, the basics of the current store can be seen in this photograph. Note in particular the living accommodation above the store. While that space has been converted into selling floor, there is still a dwelling tucked away in back of the store in 2017.



Fortunately for the economic health of the area, even as the wine industry was declining, market gardens supplying vegetables to the tables of Melbourne started to flourish, enabled in part by an influx of Albanian migrants in the 1920s.

Tourism also played a considerable role in the local economy from the late 1800s onwards. The Yarra Valley became a favourite holiday destination for the citizens of Melbourne, offering a refreshing taste of forests and rural life through the long summer months.

Post World War II, in the 1950s through to the 1960s, timber milling continued in the town of Yarra Junction. Local accounts describe the rather dangerous mills of those days, with huge twin timber cutting blades operating at high speed without guards, driven by unprotected machinery.

In the 1960s, the town began to see development as a “dormitory” town for people working elsewhere in the state, in centres such as Lilydale and Bayswater, and as far to the west of the town as Melbourne itself. The entire area grew rapidly, especially during the 1970s, changing from being a purely rural area into a more mixed environment. Local accounts of that time describe the difficulties of improving services such as sewage and rubbish disposal to cope with the increasing population.

From top to bottom:

- Powelltown tramline, which linked Powelltown, further to the east, with Yarra Junction, constructed in 1913;
- main street of Yarra Junction in the 1930s;
- main street of Yarra Junction today;
- grape harvest at the Bulong Estate, near Yarra Junction; and
- an outdoor table setting for a wedding at the Bulong Estate, which has become a well-known tourist destination.

[www.bulongestate.com.au](http://www.bulongestate.com.au)



The roads into the area also underwent near constant repair and improvement.

And, of course, like most Australian rural communities, bush fires have played a role in shaping the community as well. The area suffered heavily during both the Black Friday fires of 1939, and the Ash Wednesday fires of 1983.

## Location

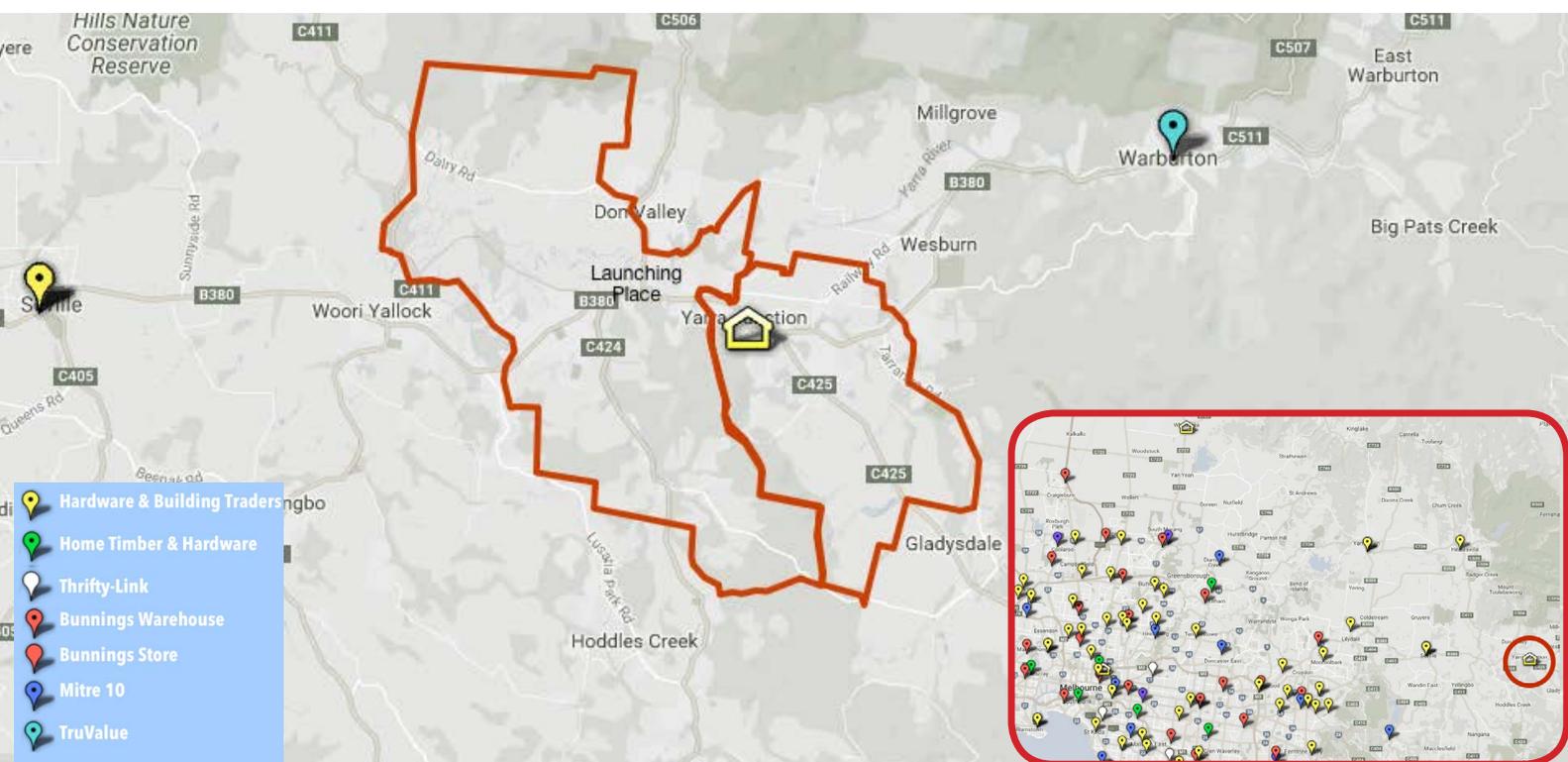
In looking at the immediate market “catchment area” for YJHH, HNN has chosen to use two adjacent “State Suburb” statistical areas (SSCs) determined by the Australian Bureau of Statistics (ABS). These are the SSCs of Yarra Junction, and of Launching Place.

The selection of these two areas is based on two things: first that, given the road transportation structure in the area, these areas will likely include a majority of customers who would regard the YJHH as their “local” hardware store. Secondly, while that sense of the “local” will extend beyond the boundaries of those two SSCs, they work well as a general representation of the area.

Map 1 shows the general outline of these SSCs. Map 2 provides satellite imagery of the area. Close examination of the latter shows that the area includes much of the more intensive (though still low density) housing in the area, as well as a mix of park/forest and agricultural use land.

Location, of course, means much more than just the geographic region itself. It also involves the way in which that region interacts with surrounding areas. Later, in demographics, we will look at how the economic makeup of this area relies both on activities close by, as well as activities that take place at a distance, with the Yarra Junction area providing a “dormitory”, housing area for people who commute.

**Map 1.** The main map shows the boundaries of the Yarra Junction and Launching Place SSCs overlaid on a map of surrounding competitive hardware stores. The inset is a small scale map of the same area, with Yarra Junction H Hardware circled in red, showing the competitive situation to the west of the store.

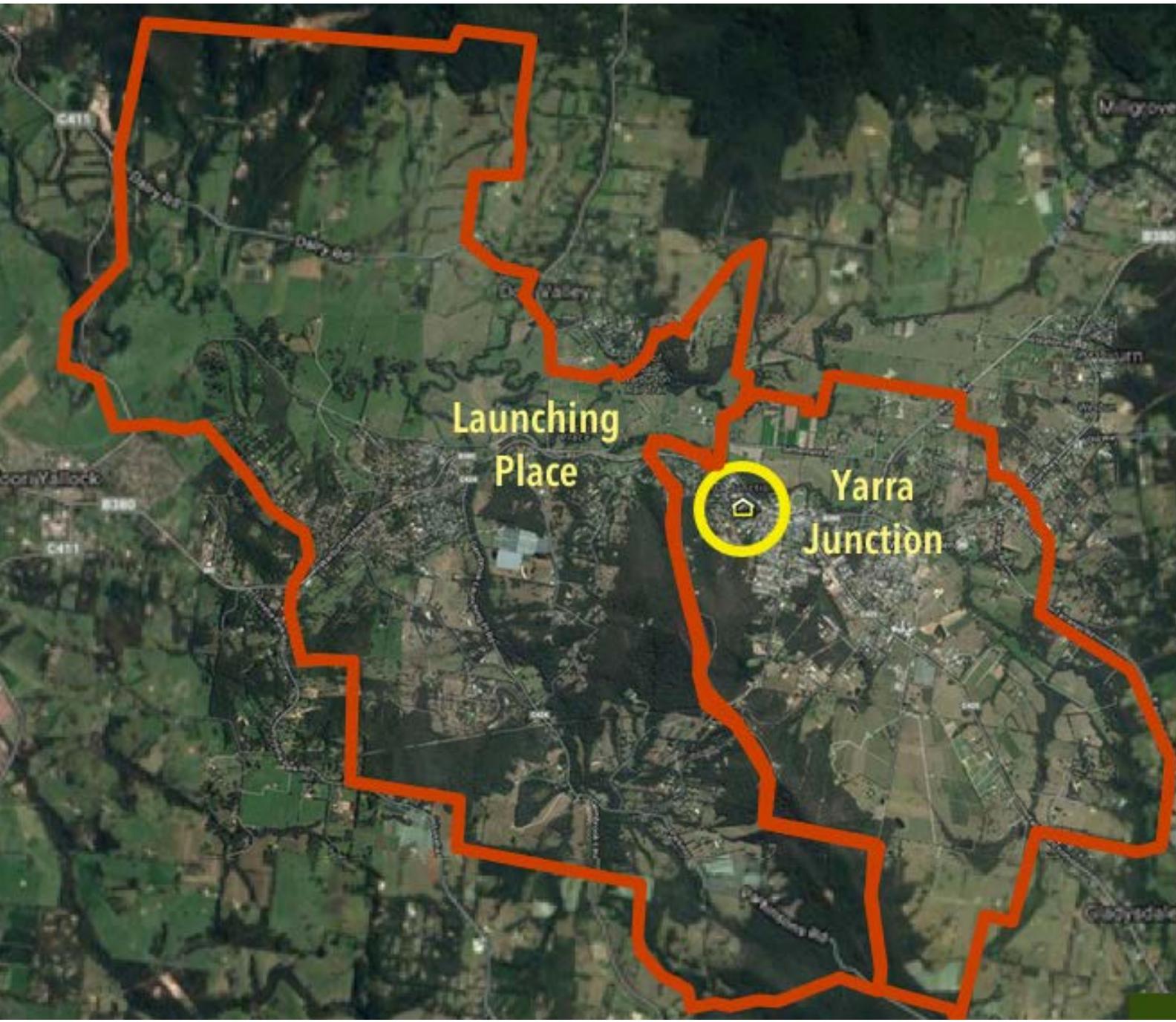


In terms of commuting directly to the Melbourne CBD, Yarra Junction is beyond the range of what most would consider a comfortable commute. Interestingly, research by an Italian physicist and systems analyst, Cesare Marchetti, has shown that, since Neolithic times, humans have regarded a period of around 70 minutes a day, or two 35-minute commute journeys, as being the maximum they will accept. Anything beyond a total of 90 minutes in a day is regarded as being stressful.

A commute to Melbourne under the best conditions takes around 80 minutes each way, and, especially on the return journey at the end of the day, can sometimes reach 120 minutes. Even a commute to Melbourne's most vigorous decentralised region to the east of the city, Box Hill, takes around 75 minutes, and runs to 90 minutes during the congested rush hour. These are not commutes that would be feasible for most people in the long term.

However, the structure of Melbourne has been changing radically over the past 20 years. A landmark in that structural

**Map 2.** Below, boundaries around the Yarra Junction and Launching Place SSCs, overlaid on a satellite map of the area. The yellow circle locates Yarra Junction H Hardware. Close examination shows that these combined boundaries take in much of the more developed areas in the region.



change was the completion of the M3 Freeway, from the city all the way to Ringwood in the east, a distance of over 27kms, in 1997. The effect of that link has been to assist industry in developing at a more rapid pace to the east of the city. In June 2008 the EastLink toll road system was commissioned, further increasing transportation links.

In an interesting study entitled “Melbourne’s Transformation: Rust Belt to Renaissance”, Terry Rawnsley and Marcus Spiller of SGS Economics & Planning have applied analysis techniques from the UK to the situation around Melbourne. As the authors describe their work:

*To further understand the employment dynamics within Melbourne, a methodology developed and used by the Office of National Statistics in the United Kingdom has been employed. This has used Census origin destination journey to work data to define distinct self contained employment areas in Melbourne.*

The basic self-contained employment areas (SCEAs) developed in the study for the region around Melbourne are shown in Map 3. Ringwood and the Yarra Valley Shire, including Yarra Junction, are contained in region 4. The conclusion reached from analysing the data is that employment opportunities for people in each of these SCEAs are higher within the same SCEA than through travel to other SCEAs.

What is the nature of the employment opportunity within these SCEAs? SGS has also done work on that issue, by estimating what it terms the “Effective Job Density”. SGS explains this measure like this:

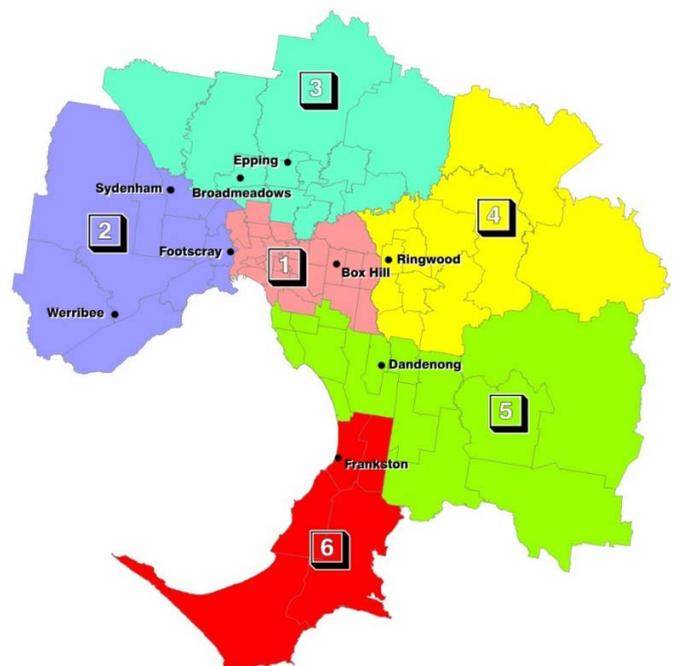
*However, you don’t just have to be IN a dense [job producing] location to gain an advantage. Being near to one, or multiple, is just as beneficial. This is why we have seen strong demand for development within our established urban areas and rapid growth in settlements on the fringe of our big cities. While they are relatively low density themselves, they are just a short trip away from denser employment nodes.*

*SGS has developed a spatial index of this agglomeration phenomena which is referred to as Effective Job Density or EJD. EJD is a measure of the relative concentration of employment, derived from the density and accessibility of all jobs across a region. The region might be a city or, in this case, the entire Australian continent. The ‘National EJD’ of a specific area provides a relative rank of how agglomerated one location is, compared to any other location in the country. It is calculated using two variables:*

- Car travel time from location a to location b
- calculated using actual road networks
- Number of jobs at location b - sourced from 2011 Census.

**Map 3.** Below, boundaries around the Yarra Junction and Launching Place SSCs, overlaid on a satellite map of the area. The Yellow circle locates the Yarra Junction H Hardware. Close examination shows that these combined boundaries take in much of the more developed areas in the region.

From: *Melbourne’s Transformation: Rust Belt to Renaissance* written by Terry Rawnsley and Marcus Spiller of SGS Economics & Planning.  
[goo.gl/nTrB3V](http://goo.gl/nTrB3V)



Map 4 is an image of the interactive map that SGS has developed to describe EJD. (The map can be viewed at: map url: [www.sgsep.com.au/maps/EJD.html](http://www.sgsep.com.au/maps/EJD.html)) HNN has added the commuting lines from Yarra Junction to regional areas closer to Melbourne, where there are strong signs of job availability.

What we can say in looking at this data is that the “location” of Yarra Junction has shifted subtly over the past 10 or more years. Where it was once relatively remote from job opportunities, which were clustered closer to inner Melbourne, there has been a steady migration of opportunity outwards, especially towards the east (though there are signs now the real growth is towards the north and west).

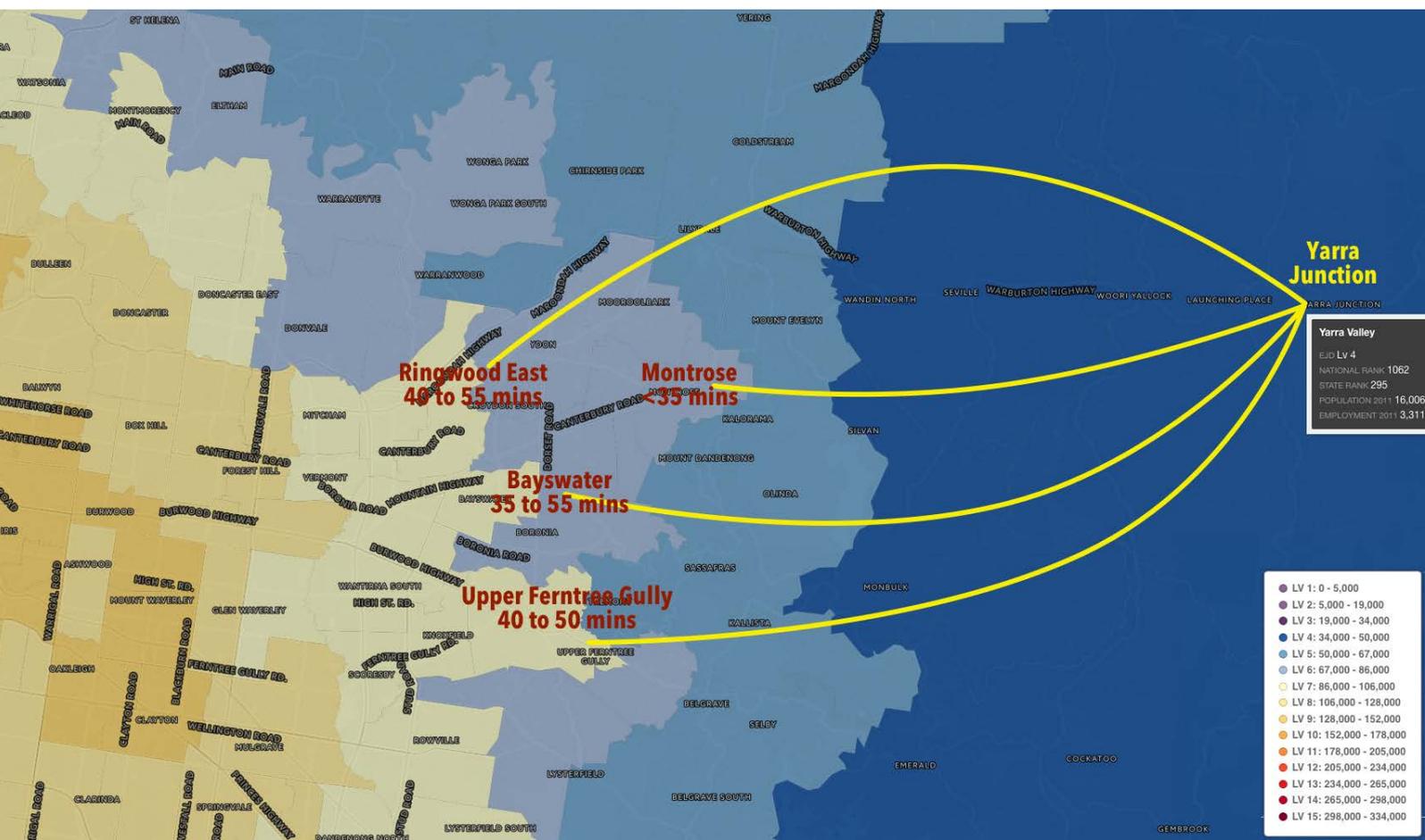
## Planning

In geographic terms, Yarra Junction is clearly what has come to be called an “exurban” area. The formal definition of exurban would be:

*Exurban settlements refer to housing patterns that are located between rural and suburban areas, and are characterised by dispersed, relatively low-density residential land uses and pockets of small-scale commercial development*

Exurban areas, unlike other demographic areas, are unusual in being defined by more than just a single, dominant usage. They typically mingle together a unique mix of uses, which include: rural (farming and extractive) industries, tourism, local services, retirement communities, either in individual dwellings or as part of “retirement home”, and use as “dormitory” or “bedroom” communities, which house commuters who work elsewhere.

**Map 4.** SGS Economics & Planning have developed an interactive map that lays out the regions of effective job density. [goo.gl/1Zxj5t](http://goo.gl/1Zxj5t)



Their mixed nature has a number of consequences. In more stratified areas, such as outer city suburbs, building more dwellings is seen as a natural consequence of growth. While there may be some resistance to moving from medium-density to high-density (especially high-rise) attached dwellings, development is generally welcomed.

In exurban areas this is seldom the case. Growth in the number and area of dwellings is seen to intrude on the other uses in the region. More residences will take up former agricultural land, impinge on natural features such as forests which benefit the tourism industry, and lower the perceived amenity for current residents, who have typically moved to these regions to escape the congestion of city/suburban life.

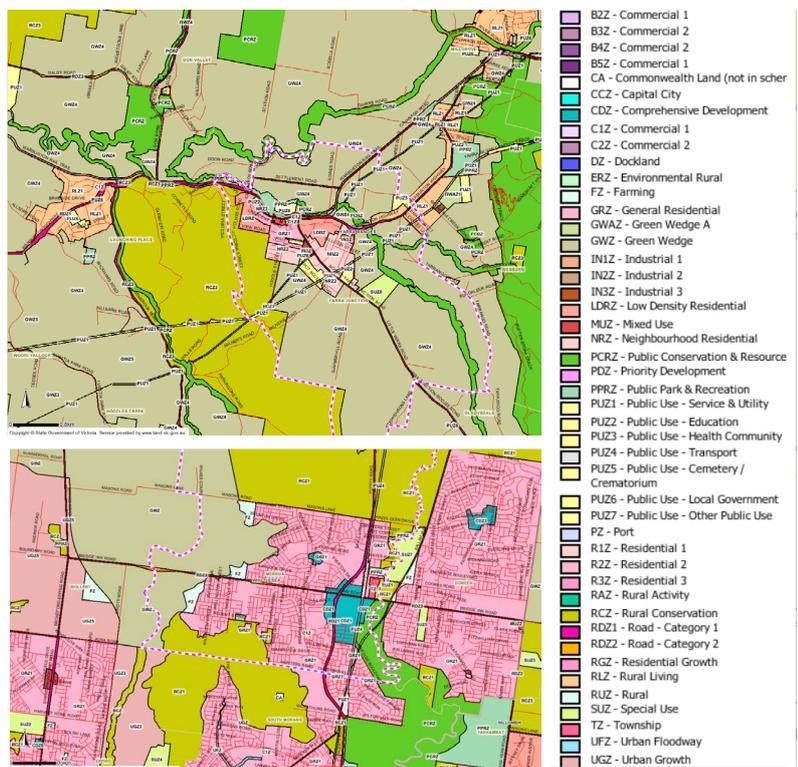
In the Yarra Ranges Localised Planning Statement Exhibition Draft (2016) this conflict in the Yarra Junction area is clearly spelled out:

*As an area on the fringe of metropolitan Melbourne, Yarra Ranges experiences conflicting aspirations for its future. There is increasing pressure for recreational facilities, tourism and residential development within rural land. To maintain the attraction of the Region it is critical to protect the unique landscape, environmental and agricultural values from use or development that does not support or contribute to these values. For this reason, specific land use and development controls are required to protect the special character and features of Yarra Ranges for future generations to enjoy.*

Backing this up are the development planning zones for Yarra Junction and Launching Place, shown in Map 5. The khaki colour that dominates the map — as the legend indicates — is a “green wedge” classification that forbids development. The greenish-yellow colour is for the rural conservation zone, and the darker green that dominates the eastern edge of the map is a public land conservation zone. The smaller pink, red and orange areas are designated for mixed (including commercial) and residential use.

A good contrast is offered in Map 6, which is a similar planning map for the area of Mernda, which is in the Melbourne area’s northern growth corridor. While geographically closer to Melbourne than Yarra Junction, the commute time is roughly the same at 90 minutes to 120 minutes (though this will be cut to a reliable 80 minutes by the extension of Melbourne’s suburban railway system to the area). As can be seen, much of the area is in red, pink and blue, which indicate residential development zones.

Top, **Map 5**. This is a planning map for the Yarra Junction and Launching Place areas. It shows the minimal amount of land (marked out in red and pink) that has been allocated for residential use. Bottom, **Map 6**. This is a planning map for the Mernda area, located to the north of Melbourne, Victoria. While also a regional area, it has developed a suburb rather than an exurban area. It displays far larger regions dedicated to residential uses.



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## Demographics

Given its restrictions, economic growth in the exurban area, then, is not a matter of building, but rather a matter of “upscaling” of existing residences and locations.

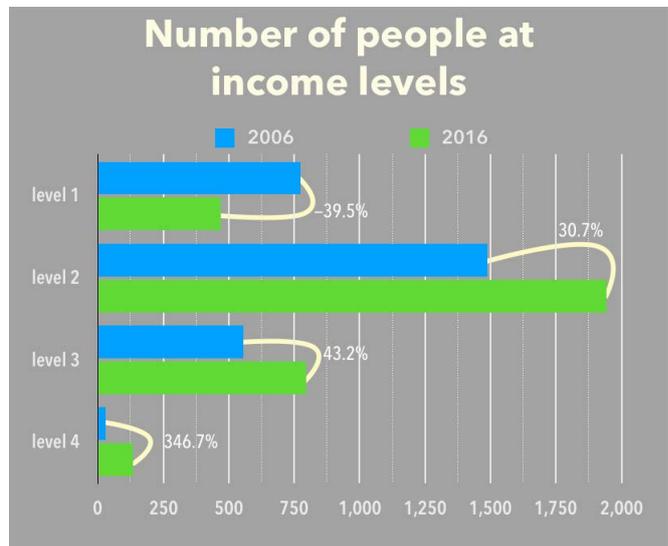
As (usually remote) employment opportunities increase, and house price pressures continue to grow in urban areas, the attraction of the exurban area increases for prospective residents. Existing residents can gain benefits from better employment prospects, and other existing residents, seeing a rise in house prices, will sell out to incoming residents who can make better use of the new opportunities. (For example, existing residents may be employed locally, and have greater freedom of residence selection in the area.)

The demographic data from the 2016 Census contrasted with that from the 2006 Census clearly show that this kind of growth is occurring in the Yarra Junction area. In general terms, Yarra Junction increased its population from 1740 in 2006 to 2549 in 2016, while Launching Place saw a decrease in its population from 2599 in 2006 to 2394 in 2016. Combined, the population grew from 4339 to 4943, an increase of over 13%.

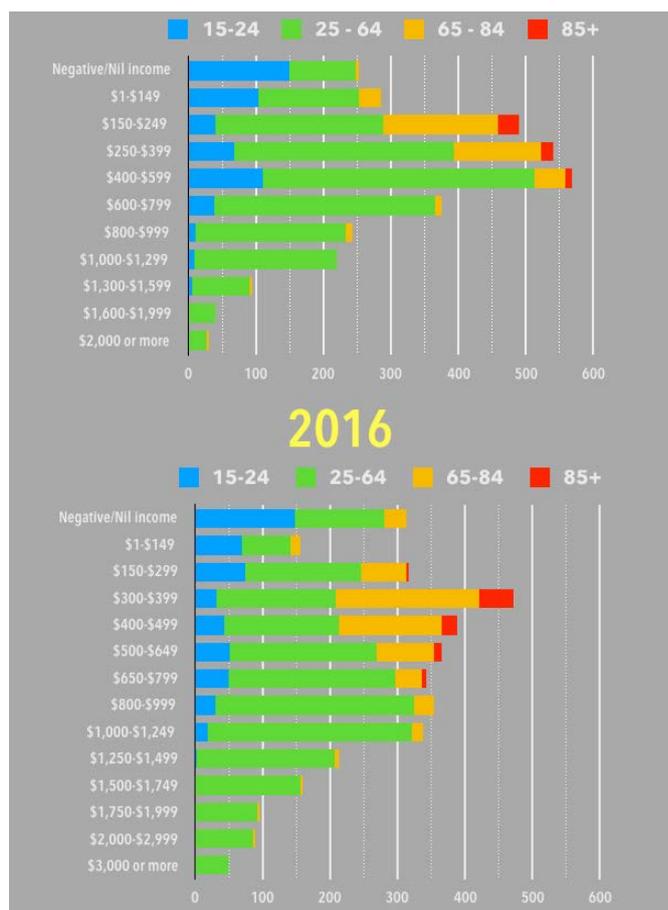
The data for employed persons, not including those who did not report an income range to the Census, shows an increase in earned income. Chart 1 shows the data for 2006 and 2016 for four income ranges. Income for 2006 has been adjusted for inflation to 2016 levels. Table 1 provides details of the income ranges and how these have been adjusted for inflation, with Level 1 being the lowest income, and Level 4 the highest income.

It is clear from the chart that the number of people in the lowest income level has declined, with a moderate increase in the mid-income level, and a large proportionate increase in the two highest income levels.

Chart 2 shows the overall distribution of wages according to four age groups for 2006 and 2016. This has not been adjusted for inflation.



	2006 orig.	2006 adj.	2016
level 1	under \$250	under \$315	under \$300
level 2	to \$799	to \$1007	to \$999
level 3	to \$1599	to \$2015	to \$1999
level 4	over \$1600	over \$2016	over \$2000

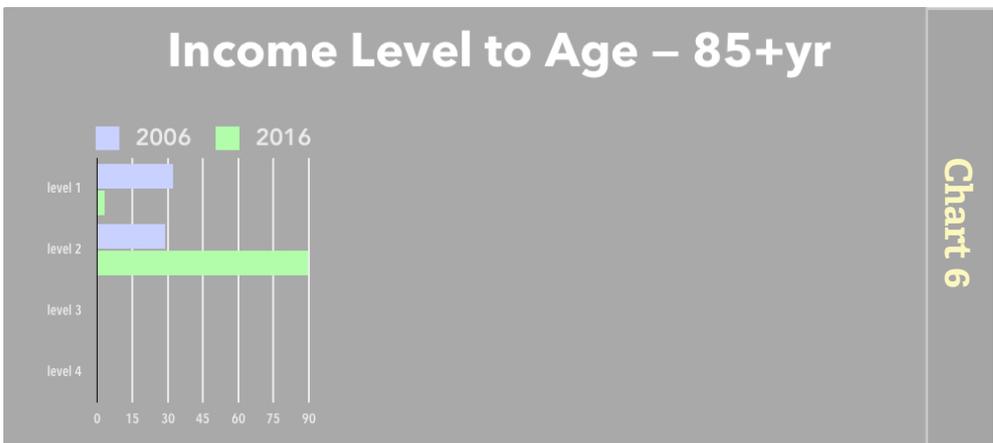
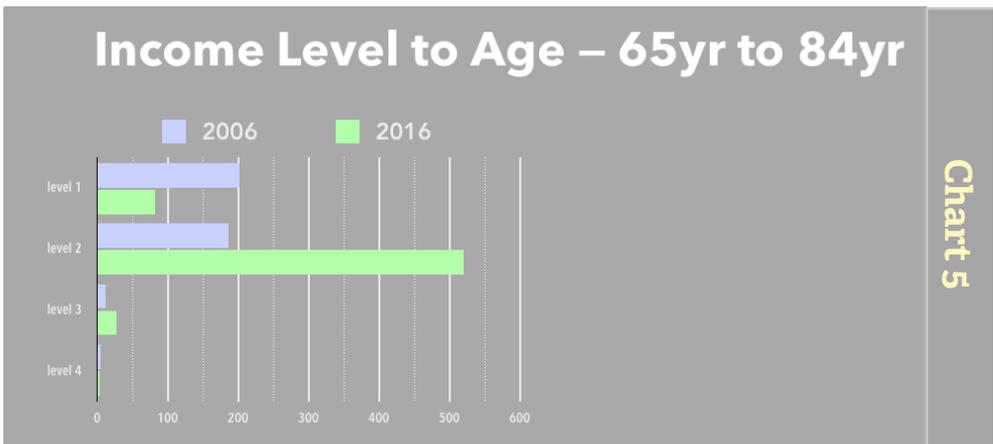
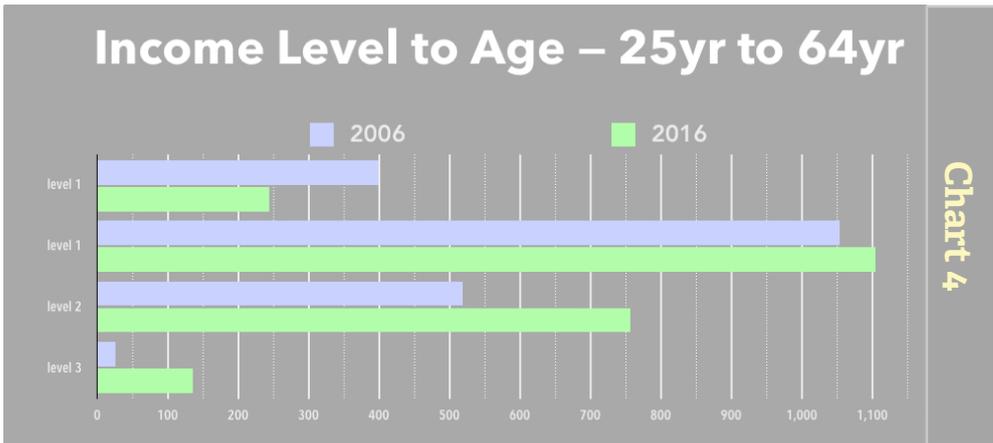
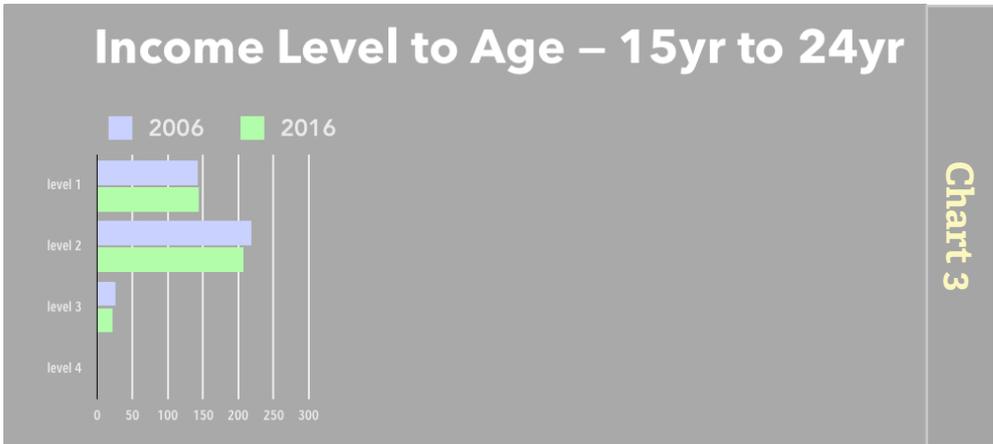


Top, **Chart 1**. This chart is an overview of the number of people at one of four income levels in the Yarra Junction and Launching Place areas, combined. This is based on ABS Census data for the years 2006 and 2016. To clarify the details, 10 income levels from the 2006 Census and 13 income levels from the 2016 Census have been condensed into four levels. Those levels have been designed to compensate for inflation, by adjusting 2006 dollars to 2016 dollars (a 26% difference). Middle, **Table 1**. This shows income ranges and their adjustments. Bottom, **Chart 2**. This is based on the original, non-inflation adjusted Census data, showing the number of people in specific income ranges. The nine Census age ranges have been reduced to four for clarity.

Charts 3, 4, 5 and 6 show the changes between 2006 and 2016 for each of the age groups, using the same inflation-adjusted income levels that were used in Chart 1.

The age distribution indicates a number of changes. The two most significant are the increase in level 3 earners for the 25 to 64 year-old range, and a boost in level 2 income for people aged 65 to 84 years. The other substantial increase is in earnings over \$3000 (in 2016 terms) for the 25 to 64 year age range.

Taken together, these indicate two developments in the Yarra Junction area: there has been a sharp increase in both people earning middle-class incomes, and in what are most likely older, wealthier retirees.



# The store

## *established enterprise, modern approach*

It should be fairly clear from the above that YJHH did not present itself, back in 2008, as a sterling opportunity in a high growth area. Instead, it was a rundown, poorly performing store that was one of two being sold by brothers who had decided to get out of hardware retail.

It's not so surprising, however, that Mr Moorfoot had developed a bit of a retail sixth sense, and could see some potential in the failing business. Much of his life has been spent in industries associated with home improvement retail. That began with his first job as a casual sales assistant at McEwan's in 1984, before he turned 18 years-old. While working there he added a job as an automotive spray-painter, working for his father's business.

All that came to something of an abrupt halt in 1990. After getting engaged, and spending eight weeks on a trip overseas, he returned to find much of Victoria's economy seemingly upended. The Pyramid Building Society had collapsed, John Cain stepped down as state premier to be replaced by Joan Kirner, and Mr Moorfoot's father was basically out of business — so much for his plans to eventually take over the family enterprise. In Melbourne and Victoria the event famously described by the then-Treasurer, Paul Keating, as “the recession we had to have”, cut deeply, as asset prices declined, leading to defaulted loans and financial collapses. The AUD was at one stage worth USD0.51, despite expensive intervention by the Reserve Bank of Australia.

Mr Moorfoot's experience in the paint department at McEwan's proved invaluable, as he found a job working for Dulux-Group, where he stayed for eight years. At the end of those eight years he began a working journey through many of the key players in the hardware industry, such as Danks and Kincome. Mr Moorfoot describes this time of his life like this:

*I have to say that my motivations for leaving were always good, and I suppose also, you apply to a place, and you hear how good it is going to be. I was always thinking “well we're going to change this, it all can be fantastic.” Then two years later, it's as though nothing has happened.*

*Any business that has been around for a while is a little like a big lumbering bus, and you get new passengers on board that say “yeah were going to take it off in this direction.” But it turns out that the bus is really hard to turn!*

In many ways, McEwans was to presage the dominance of big-box retailers in the Australian home improvement market. From humble beginnings in Ballarat in the mid-1800s, McEwans grew through the 1960s and 1970s to become a strong force in hardware retailing. Its reach extended to an “iconic” store in Melbourne's centre, and branches in most of the major shopping malls, such as Doncaster, that were being built during the 1970s. McEwans was eventually acquired in 1993 by Wesfarmers, to form the basis of the modern Bunnings operation.



## **Finding a business**

After 18 years of that kind of effort and disappointment, and after a particularly bad experience with one employer, Mr Moorfoot decided he would try a different direction.

*I had a lot of exciting opportunities that turned out to be disappointing. I think I was also probably a bit anxious and ambitious to try to make things happen. So I ended up saying, "Well, you know what? This is getting too hard."*

While he had experience working in many different businesses, Mr Moorfoot had yet to run a business himself. After looking at several opportunities, such as franchises, and an aborted consideration of taking over the Post Office in Warrandyte — which was, he says, incredibly expensive for its declared earnings — he began to consider hardware stores. He passed over one located in the eastern Melbourne suburb of Templestowe, as he wasn't happy with a location that was too urban.

Then he came across the hardware store located in Yarra Junction.

*I thought, "Hello, I know exactly where that is." As a rep, I used to call out here [Yarra Junction]. At that stage we were channelised reps, so I was doing Mitre 10 stores only. But I was driving past the store all the time. It always seemed to be busy. It was a Thrifty-Link at the time, and I knew the rep who was dealing with the store. He said the place was amazing and that they would sell a lot goods there.*

His first consideration was the same one that most people getting into hardware have: Bunnings. However, he could see that Yarra Junction was an unlikely destination for a big box store, with both Lilydale and Healesville more likely to attract their business.

Next stop was to start looking through the books for the store. That's when he discovered that the store in Yarra Junction was paired with the store in Templestowe. He also found out that both stores were in a lot of financial trouble.

*So we started to go through the process. I don't think we ever really thought we would complete the purchase. We thought we would go through all the financials, through*



Owners of Yarra Junction H Hardware, Chris Moorfoot, left, and Anthea Moorfoot, right. Speaking of his life and business partner, Mr Moorfoot says: "Anthea came on board three years in and it's a real partnership, it really feels like we do it together, and I don't really have the issue of "how can I work with my partner?" She runs the administration side, and she's very quick to say I'm not trained to do this, I didn't sign up for this – but she's bloody good at it. She always looks at me with a wry smile and a raised eyebrow about my filing system... the contribution she makes to the business is second to none and, literally, if she wasn't here I wouldn't be able to do it."

all the legal requirements and then something would happen, and we would think, "Well that was a real experience." But everything, rather than becoming a roadblock, became a hurdle that we managed to jump over. So we ended up taking over the store in July 2008.

Taking over and starting to run the business, Mr Moorfoot found himself facing some unpleasant realities.

*It was a shell of a business. There was no core range, there is no goodwill. The computers were held together with Band-Aids. It was really shocking. Even though we didn't pay a huge amount, we still overpaid, both for the stock and for the business. But then we were green. We simply didn't know.*

A lot of it came down to what the previous owners had done to the business.

*It did come with a few accounts, but they were all really quite shocking. For the most part [the previous owners] had transferred their business over to their other store in Templestowe, which was a larger enterprise. They did a number of other things as well. In my opinion, they basically raped and pillaged this business.*

Surprisingly, though, all these troubles did not really put Mr Moorfoot off the business — quite the contrary, in fact.

*Thankfully there was still some life in the old girl yet, and it turned into a labour of love, because when you're passionate about an industry and you enjoy it, you keep going.*

That said, it was still pretty tough.

*I remember going home each night. At that stage my wife, Anthea, was not in the business as yet. I remember the numbers were quite woeful: \$1500 one day, \$1200 the next. We spent our first three months apologising to customers for not having stock. Because the store had such a bad credit history that we couldn't get any stock.*

Just as icing on the cake, Mr Moorfoot discovered that some of their problems had to do with their staff. The most serious one had to do with the person handling their accounts.

*We found out that one person who was running the administration side of our business was a thief! This person knew the system better than any of us, and it was only when my wife Anthea came on board, and became more familiar with things, that we found that person out.*



Top, YJHH timber yard wranglers, (l-to-r) Barry, Colin and Bill. Bottom, Chris Moorfoot outside the timber yard out back of the store

We had blocks of invoice numbers that were missing, and we couldn't work out why that was happening. This person was actually reversing cash sales out. Then the person would pocket the cash. Since that employee left, all of our invoices are back to being sequential. Previously, we had thought there was a fault in the system.

We would caution anyone who is buying a business that comes with an employee who has been running accounts receivable, payments and paying bills for a long period of time, that they should audit the entire business.

So we had some real challenges with staff, some serious. There were psychological issues, whatever. It has taken us some time to get staff that are here because they want to be here. They understand this will never be a business that will make them a fortune, but they are five minutes from home, and that means a lot to them.

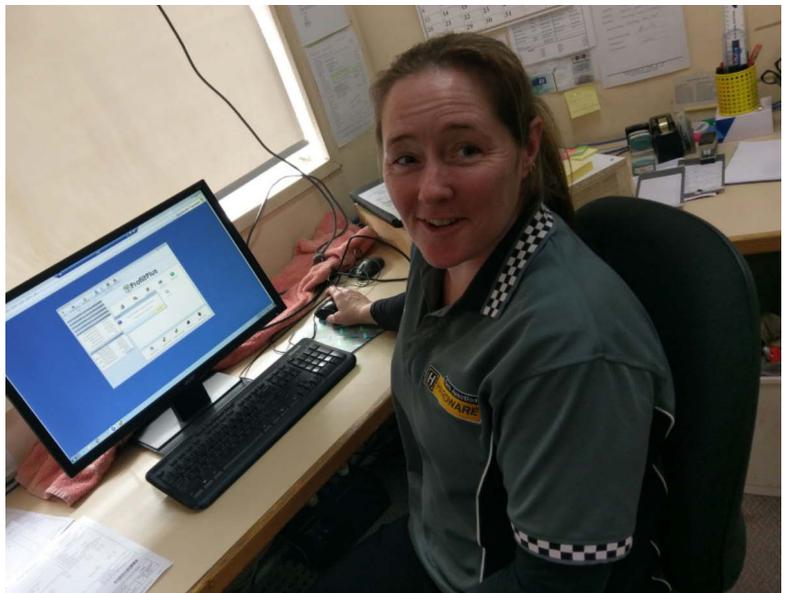
All of the original staff are now gone, except for one, Ken, who is definitely a "keeper".

Ken who works here, we worked out that between the pair of us, we have close to 90 years of experience! He has just turned 65, and I think he started in Wales at the iron mongers, when he was a wee lad. He has probably forgotten more about hardware than I know.

### Developing the business

In getting the business going, Mr Moorfoot faced a major problem in simply stocking the shelves and displays. Few suppliers were willing to extend any credit. Having chosen to go it alone without any partner, the business did not have a lot of cash to spread around. That meant the store had to become proficient at stocking the bare minimum needed to keep functioning.

The challenge that we had back in the day, was the that as our business



Top, YJHH has annual staff awards, for important benchmarks, such as who can eat the most on a single shift. The ornately crafted "Golden Globe" goes to the staff member who has successfully managed the worst encounter with a supplier. Middle, Sue at the computer. Bottom (l-to-r) Stewart, Ken and Kate.

was so damaged we couldn't buy a lot of stuff, because we did not have a lot of money. So one of the things that was prohibitive was the matter of minimum orders.

We didn't want to buy an entire box of anything. We wanted to know if we could just have, say, six. For example, while today we buy timber in packs, back then we would buy small assorted lots instead. Thankfully we had some suppliers that were willing to help us out, to put up at least some stock in the racks so that we had something. Then, as it progressed, we were able to buy a box of this, and boxes of that. Now it is no longer an issue, because the stock is turning over. Before, we were simply not able to tie up money in dead inventory as we had much slower turnover.

In particular, YJHH received a boost of assistance from long-term HBT supplier Romak.

Speaking about suppliers, some were willing to give us a crack, and supply us with stock. Romak came in, and at that stage we put one product on the hook. Just one. And then we built up from that to having one to show and one to go. Then we went to getting the entire Romak range in stock. We had to look at the value of every order. We didn't have a bottomless pit of money, and no one was giving us any credit. So we had to really drag it out of the dirt.

Even with that kind of help from suppliers, getting the store to function well remained a monumental task. In the end, what really made the difference was the support the store began to receive from the local community and its trade customers.

We knew at the time [we bought the store] that the name "Yarra Junction Hardware" was actually not good. People didn't like it.

But it was a lot like waiting for patient to recover from a serious illness. You know they are not going to recover overnight. Thankfully, our customers were patient. They knew that this business had been fantastic back in the day, and the guys that had owned it afterwards, they had just killed it.



HBT's H branded products feature in the store. At top, is an ad-hoc display of H branded decking finishes supplied by Haymes Paints. Middle, is a range of H branded PVA adhesives, in a range of size. Bottom, H branded exterior paint from Duralux nestles between Haymes paints and Dulux paints.

## Customer focus

It doesn't take long in a conversation with Mr Moorfoot to discover just how much he focuses on his customers.

*We would know 70% to 80% of [our customers] by their first name. We know their fathers, we know their children, we know when they have had good times, we know when they have had bad times, they've cried on our shoulders, they've celebrated with us, with the birth of their babies, that's all been happening over the nine years that I've been here.*

It's also a business that has a surprisingly high level of pure retail trade.

*The customer base we have today is really mixed. It is about 50% trade, and trade has been the greatest source of growth over the last three years. The retail is a combination of the people who shop locally, and who are around during the week. Then on the weekends we see different regulars and these are the people who commute during the week, but do stuff around the home during the weekends. There is a small rural element, but it is not huge, and we certainly don't do things such as stock feed.*

That said, Mr Moorfoot is aware of just how diverse the store's customer base really is:

*What I like, too, is that we have a very diverse mix of customers. So that means it is not only builders, it's not only tradies – it is a very diverse business. It's not even confined to the [Yarra] Valley either. For example the [store delivery] truck was going to Glen Waverley yesterday and it's going even further out tomorrow. We say to our customers that if they are willing to pay the delivery fee, we are willing to go to where they are working. We have done deliveries to for the Philip Island, Seymour, and even to Lorne.*

The diversity isn't just something that he has encountered in the market — he encourages it as much as possible, as it creates a more stable business.

*Diversity is a strength. We couldn't survive solely on trade or retail, we need both. And the nice thing is when the trade tends to drop off, it tends to have this see-saw*



One topic that comes up often in speaking with hardware store owners is the importance of supplier-supplied display stands. At top Bordo, of whom Mr Moorfoot said, "Bordo are amazing. If you email an order at 11am, the product usually arrives the next day before lunchtime. Middle, Sutton Tools. Bottom Klingspor, well-known for its cutting disks.

kind of effect, with consumer increasing. It is really important for us to maintain our balance.

For all the customers, though, the store is as much another point for community connection, as it is a supplier of goods.

*The way I try to think of it is that they don't come in here to buy stuff, they come in here to have a chat, and while they are here, they pick up what they need. They give us an update on what has been happening. Never does a day go by in this business without a real element of fun and laughter. It's an interaction with people. It's genuine.*

*I think it is one of the things that the good independent businesses, that are doing well these days, they keep that as their number one thing. Their customers are number one.*

While he has taken this to a new level at his own store, Mr Moorfoot is quick to point out that it's an attitude that was once more common in hardware retail in general.

*I would also say that even back in the day, when I was at McEwan's, you still had that first name basis with customers. Even as a casual. You developed your own clientele at McEwan's, absolutely. The customers would come to see you at the hours during which you were working because they like dealing with you. So there is still that real element of personal service, that is irreplaceable.*

Mr Moorfoot sees the advantages independents provide their customers as reaching beyond these close relations.

*It is an ever present fact that the big box stores have an impact. There would not be a day that goes by that this would not be mentioned in the store. However, a lot of it is negative. A lot of it is "I don't want to go there. Please tell me you have it."*

*I mean, one scenario I had was where – I won't mention the product name – a lady had bought three of the same item from one of the big box stores, they had all broken, all of them broke. Then she came here and asked "Have you got one that won't break?"*



The exterior signage of the YJHH gives it real street presence and "pop". Top, left, Steve Fatilleh of HBT and Chris Moorfoot stand outside the store's secondary entrance. Middle top, the store from the street. Middle bottom, the approach to the store along the footpath. Bottom, while YJHH has caught on to the growth produced by higher incomes, other local stores remain more rural than semi-urban in their focus.

*I said "I can sell you this one, because I just used the same one to paint the floor in the shop." I put it down on the floor and I bounced on it, and I said "if you break that one bring it back."*

It is providing this level of service that has enabled the store to expand its market in what is really a quite small, connected community:

*That is where we have managed probably over the past three or four years to build not only loyalty, but trust. You really can't have loyalty without trust. It takes time, and you cannot build that overnight.*

*I guess it is also the case that our customers know we will not get it 100% right all of the time. But if we do muck it up, we try to fix it up as best we can.*

### **Hardware & Building Traders (HBT)**

Based on what Mr Moorfoot has told HNN, it seems unlikely that YJHH would have managed to recover as quickly and grown as rapidly without the assistance its link to HBT provided. One of the initial big changes he made at the store was to enhance its relationship with HBT.

*In terms of our history with HBT, I had known about HBT when I was working on supplier side. I had had some minor interaction with the group around about 10 years ago.*

*When we bought this business, it was already a member of HBT, but not actively. It did not go to conferences, we could barely see any HBT product in here. So the first thing we did was to immediately jump on board as best we could. It was more about understanding what we could get from those suppliers that were suppliers to HBT.*

More than anything, what HBT provided was a basis for the store to negotiate with suppliers. HBT does not see suppliers as "the opposition" that needs to be scrunched down on price at any cost. Rather, it's about coming to an understanding of how both the independents, and the suppliers can grow and be profitable.

*The suppliers that understand [how HBT does business], the suppliers that embrace that, they really cannot do anything but well, in my opinion. That is because you can still come into an HBT store today and "wheel and deal". You have a framework, a structure, to come in and to say: "how can we do business together?"*

The flexibility of supply that HBT provides its members has also been critical to helping YJHH to compete with other,



Left, Steve Fatileh of HBT, alongside store owner Chris Moorfoot. Mr Fatileh says of Mr Moorfoot: "Chris was one of the first stores that I called on when I first started. And it was a bit of a connection straightaway, a bit of a mateship, and Chris did not just look at his own store. He looked at the bigger picture for everyone too.

He helped me with suppliers to approach, holes to plug, areas where we didn't have suppliers, and although he had been looking at it for his own store, he actually helped other businesses who were in the same boat. He ended up helping a lot of other people.

Since then, he has always been a bit of a confidante for me, and he's part of the executive, this is the second year, and part of our H committee. So he is one of the leaders in our group.

non-HBT independents. The breadth of available suppliers meant that YJHH could easily find brand alternatives, and thus escape direct product-to-product competition, finding their own, unique niche in the market.

*In terms of the number of suppliers that are in the market, having a high number of suppliers is good one way, in that it allows us to brand differentiate. We had to do that very early on, because we didn't want to have big-box brands.*

*Also, however, we had some highly competitive stores nearby, that if we went head-to-head with them on the same branded product, they would've beaten us every time, because they were willing to work on almost no margin. They owned [all their assets], their business was all family, so brand differentiation to us was really, really important. Again HBT allows you to do that because of the breadth of its product lines.*

At the same time, YJHH has benefited from having friendly links with other HBT stores.

*We've got a good relationship with another HBT store nearby where, if I have a tradie who wants particular tool, and I don't have it, then they will sell it to me at their cost. And I will sell it to the tradie. Again it's that reaction and speed to the market. Ask me [for a product] and if I can get the product, I'll try to have it in by tomorrow.*

It's not all business when it comes to HBT either. Two of Mr Moorfoot's friends in HBT are Campbell and Karen Ford, who run the HBT hardware store in the resort town of Mt Beauty.

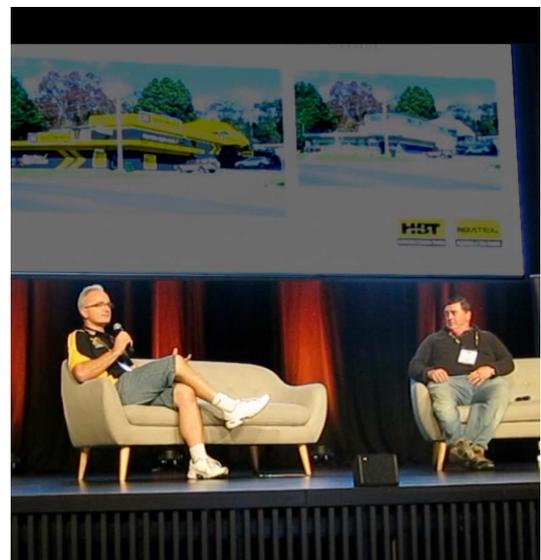
*Now how would I know them? Well, I'll tell you how. Just before the first conference I attended, we were both gagging for a coffee and we struck up a conversation. I found out that they had bought their business within six months of us. They have one more child than we do, but the kids are about the same age. We just bonded immediately. And now whether it's a state conference, or a national conference, we always get together. They've stayed at our place, we've stayed at their place. And this is a friendship that's just come out of HBT.*

### **Moving to H Hardware**

It was also Mr Ford who was at least partly responsible for Mr Moorfoot taking the step to transform what had previously been the Yarra Junction Timber and Hardware Store, into an H Hardware store, featuring HBT's distinctive yellow branding.

*Please quote this because he will kill me if we don't. Campbell from Mt Beauty hardware said to me that, after the store became an H Hardware, he would be the first to tell me "I told you so". Because he said to us five years ago, H hardware would be great for your store. He is a great guy, and a real stirrer. He will never let me forget this!*

As Mr Moorfoot told the assembled members at the 2017 HBT Conference in Sydney, one of the obstacles



Top, the original logo that Mr Moorfoot helped to design for the store. It was in part an effort to distance the store under his management from the store under the previous management. At first reluctant to let go of the logo and move over to H Hardware branding, he discovered after he change over that customers had not really bought into the old logo.

Bottom, Mr Moorfoot, left, and Leigh Muggleton, right, who owns the H Hardware store in Inverell, New South Wales. The pair of them gave a presentation, with Steve Fatilleh, at the HBT 2017 Conference in Sydney, discussing the process of switching to H Hardware branding.

to converting to H Hardware had been the logo that the store previously had, into which they had poured considerable time and effort to design.

*We had been fiddling around with paint programs, colour schemes, and everything we did looked awful. It really did, because we desperately wanted to keep our old logo, and, as it turns out, we let it go and the only people it affected was us. And you know what? We got over it!*

Things might have been different, if the H Hardware livery had been available when the store was first acquired.

*Had H hardware been available at that time, it would've been a no-brainer. We would have just jumped on board. But it wasn't available at the time. We knew at the time that the name "Yarra Junction Hardware" was actually not good. People didn't like it. When we developed our logo, we tried to take the emphasis off Yarra Junction Hardware.*

It's not just that the store branding has become available. H Hardware began to become a "real" brand in 2016, and that has accelerated into 2017, with the addition of more H branded products, and the launch of HBT's own H branded catalogue.

*With the move to H and the catalogues, and everything else, it has just strengthened us as a business. Back in the day this business was reliant on Thrifty-Link catalogues, there used to be six a year. That was way back when, before my time.*

*That was an element that we were not able to offer. I wasn't willing to do it on our own, because I thought I would do a terrible job. I thought if we do it, let's do it properly.*

*The H catalogue has allowed us to do that. It has allowed us to re-enter that market, control it a little bit because of its core product, which is great.*



The history of the Yarra Junction store in four pictures. Top, the store as it was around 1943. Middle top, a painting of the store before Chris Moorcroft bought it, kitted out as a Thrifty-Link, and, dating from between 2002 and 2005. Middle bottom, the store as it was in 2015, under Mr Moorfoot's ownership. Bottom, the store transformed by H Hardware branding in mid-2017.

The H branding itself is so prominent. Several things have happened, we had one guy that said I saw one of your stores in Batemans Bay, and I said yes that's one of us, and I had one of the builders say, I saw one of your stores in Clifton Hill. Yep, that's us. And he said that our prices are competitive. So, even in the minds of people who may not think globally, or more broadly, they think "There's a few of them, so they might have more buying power."

## **HBT's future**

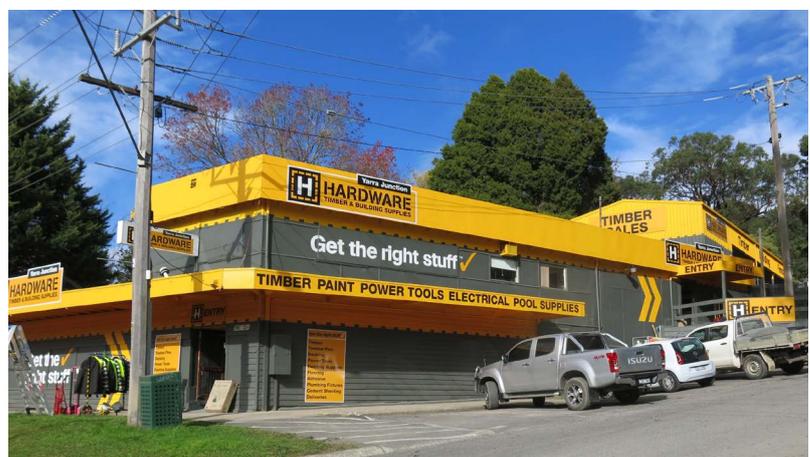
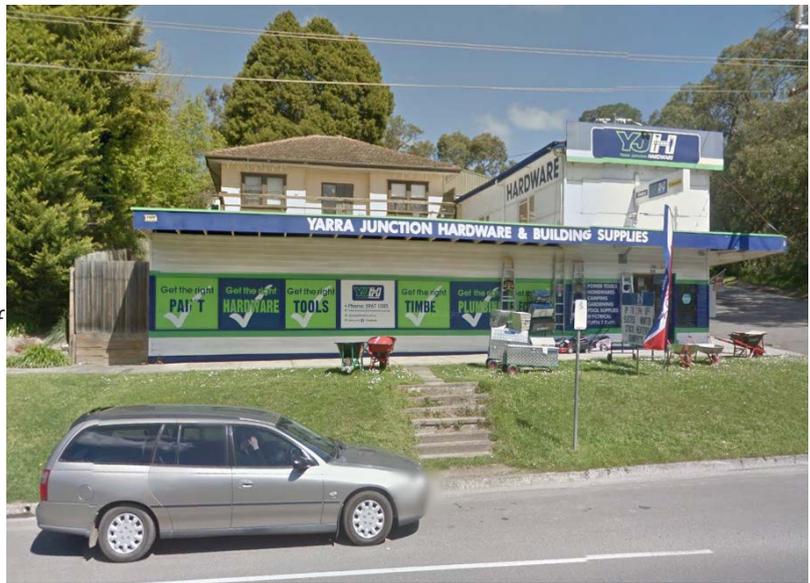
What really excites Mr Moorfoot about HBT, however, is that it is going through a period of rapid change and some expansion, adapting swiftly to the changed circumstances in the market.

*I'm really excited about the future of HBT. We've had such a groundswell of members, which is great because critical mass is so important. It has only been in the last three or four years where we have become big enough to be important.*

*I don't say that because I am bitter at all, what I mean is that you start getting suppliers who are willing to take us more seriously. And the prices start to become more realistic and all of a sudden, you can start to compete because you are taken seriously.*

*It's almost like a rite of passage, you have to get to that point. I feel now that with HBT, with the framework we have now, the mass of stores that we've got, but also what the two Mikes [Mike LoRicco and Mike Coates] are talking about, I think there is a real emphasis on making the existing membership stronger.*

*I think HBT can only benefit if we do that. If we are doing more business with suppliers, if we are consolidating more orders, then that is going to make the group stronger, and it's going to make the supplier base stronger as well.*



These side-on comparisons show the clever way in which the H Hardware branding brings together the architectural aspects of the store. In the top photograph, from around 2014, the street-level banners give some indication of what the store sells, but also break it up as a space. In the two lower pictures, the use of just two colours gives the store a real "mass", and provide a bit of a dynamic aspect to the otherwise well-proportioned, but quite staid building.

## Suppliers

Help from supplier relationships forged through HBT was a big part of keeping the business running in its early days.

*HBT is a major factor to facilitating those supplier relationships. Those suppliers that "get it", that do the work at the head office, and then deliver results to the store, are fantastic.*

*However, I get some HBT suppliers that come in here, and they don't know that we are HBT. Now that has happened less, because we are H hardware now, but previously I had HBT on the wall, on the door, they get member lists – and they still didn't realise. I would actually consider that to be the result of untrained salespeople. They get pushed out onto the marketplace with the list of customers, a set of keys, and it's "good luck boys!"*

As someone who worked for suppliers for many years, it's an area Mr Moorfoot is passionate about. He sees good suppliers, and good supplier relationships as vital to his ability to deliver good results for his customers.

*In terms of how good suppliers can help us out, things such as credit can be useful, but they're not really critical. Keeping us up-to-date with what's going on in the industry, being consistent with the supply, letting us know when there's new products coming out, and reacting quickly, are all very important.*

*To give an example, there was a long weekend this past week. Now, we run seven days a week, and we have a whiteboard which controls not so much customers coming in, as what customers have ordered, and what needs to go out. We are a 50-50 trade/retail business here, so while we have a lot of old stuff going out, we also have a lot of "rats and mice" sort of stuff going out as well. Tuesday morning, 7:30am the whiteboard was clear. By 7:50 it was full. There is no time to react. The orders came from four major customers, they all wanted stuff "today". Did they know about it last week? Yes. Did they tell us about it? No. So it's just that need to react as quickly as possible, and without supplier assistance...well.*

*For example, I did an order today of three or four packs of timber. They will be here tomorrow. Because we are not a big store, we cannot afford to store \$50,000 worth of timber. If nothing else we would run out of room. We need to be able to say, "get it here tomorrow," so that we can get it out on time.*

*So that is all about the need for speed to market. We need to be able to trust them, and they need to be able to trust us, to know that we will be able to pay our bills. It has to be a partnership, it really does. The ones that are not willing to partner with you tend to drop off, or don't get the opportunity to begin with.*



- Get the right stuff ✓
- Timber
  - Treated Pine
  - Decking
  - Power Tools
  - Painting Supplies
  - Flooring
  - Adhesive
  - Plumbing Fixtures
  - Cement Sheeting
  - Deliveries

The H Hardware branding extends to the interior of the store as well. Top, Mr Moorfoot has added a "tickler" poster right in the upper entrance to the store, notifying customers of the new H catalogue that has been released. Middle pictures show some of the internal branding signs. Bottom, the "Get the right stuff" list of general products sold is a feature of all H Hardware stores.

As an ex-sales rep himself, Mr Moorfoot is critical of the way supplier reps are trained, and how some of them perform in the field. However, he also understands the growing pressures they, and their parent companies, are under.

*I look at it this way: any company that is willing to send the rep into my store, I will at least give them a hearing. I won't say "I haven't got time for you," because they have spent money to send them here, so let's at least hear what they have to offer. And then if it is a product range that I don't need, I will tell them. I will say to them "look it's great, fantastic, I'm already covered in that category, it is already supplied by HBT, but thank you for coming anyway."*

*Basically, if a rep comes in with product x, y & z, it might look great, but if I've got a HBT supplier who has already earned their space in the store, then I'm not going to change it. But I thank you for coming.*

On the other hand, though, Mr Moorfoot believes that many suppliers are skimping a little too much both on training reps, and in assigning them too large a geographic area.

*I don't think many of the reps that are out there today have been properly sales trained. I think I could count the reps that I would consider to be adequately trained that I deal with on two hands. Which is really sad. That would be out of 60 or so, which sounds like a lot, but you don't really see them that often.*

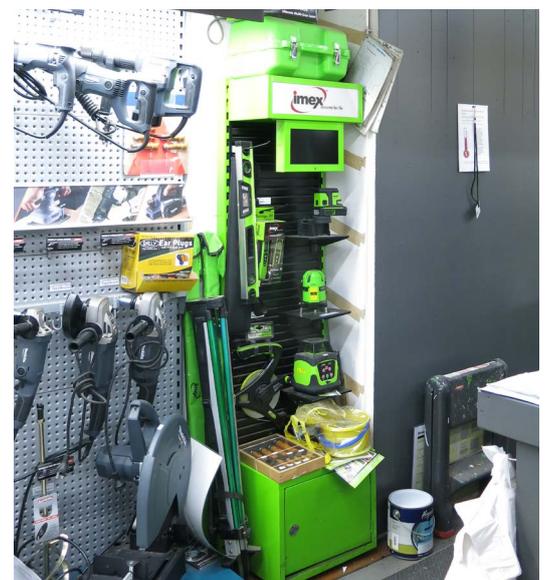
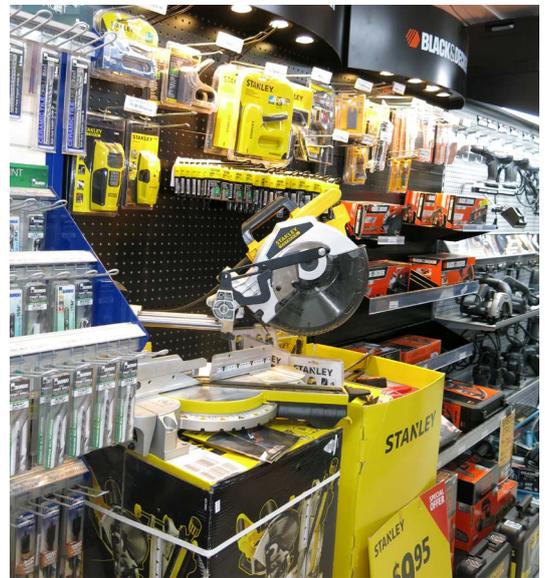
*Most of the reps you do see, they are stretched really thin, and that's not their fault at all. They rep for an entire state sometimes, one for an entire state, sometimes one for three states. Something like Victoria, Tasmania and South Australia, and that's a big area to cover.*

*I repped for five years. I did something like 75,000 km a year in the car, I was only covering a small part of the state. From Bendigo up pretty much. So I can't imagine doing 100,000+ kilometres a year.*

*Much of this comes down simply to cost. What is your biggest cost? The sales rep costs about a hundred thousand dollars a year. So if you want to cut costs, you get rid of one. Sometimes without measuring it, and then asking yourself how can the supplier get better bang for the buck out of all this?*

In particular, Mr Moorfoot sees some reps that don't understand the importance of the work they do when they are not directly with the customer.

*I was introduced to new rep here the other day. This guy was pretty green, he didn't really have a sales background, at all. I thought I would put my sales hat on and just talk to this guy to give him the benefit of my meagre experience. I said to him, think about this: let's say you have a 30-day call cycle. If your call expectation is eight calls per day, and then your time with the decision-maker in the business is about five minutes, maybe 10 minutes, you need to think*



The importance of product stands in modern hardware retail continues to increase. Top, the stands for allied brands Stanley and Black & Decker. Middle, the stand for Imex laser levels is compact and well-designed, making it ideal for smaller stores. Bottom, the BossWeld display is comprehensive.

about this: how are you going to influence him not in the five or 10 minutes you're with him, which is easy because you're there face-to-face. You need to consider how you are going to influence him for that 98% of the time that you're not there with him.

The sales reps who come into the store should know the figures, just to understand whether I am up or down on last month, on last year, what is my sales history and so forth.

It is a funny industry. I think that there's been some necessary winding back, purely because it's not cheaper to be doing business. But if you are going to put people out in the market to actually represent you, and sell your product, you need to make it worthwhile. Don't blame them for not doing the job if you haven't trained them.

Mr Moorfoot also wonders whether management of some suppliers pays that much attention to the feedback that comes in from the field.

What staggers me is that I've changed suppliers sometimes, more often than not to switch to an HBT supplier. That is the main reason, unless I've had one that's really stuffed up. And I can think of three shining examples where I've taken conservatively \$40,000 to \$50,000 worth of business, put it somewhere else, and no one has come to me and simply asked the question "why?" That is quite unbelievable.

Now they say that you run a rep depending on the sort of margin companies are doing. They need to be doing between \$1.3 million \$1.4 million of turnover. That's for one territory. Now \$50,000 is not a small chunk of that. And that is just gone.

I just don't understand what happens with that. Are they not looking at their figures? Obviously they are not. Because that is just money that has simply dropped out of the territory budget.

### **Power tools**

One of the interesting features of YJHH is that it has a very carefully chosen range of products on display — and they are not necessarily what you would expect. One of those choices is running an extensive range of Makita's MT Series brand, which it launched in mid-2016. The MT Series tools are certified for trade use, but less expensive than the mainstream Makita



Top and middle, stand displays for pure hardware items also work well in the store. Bottom, the Makita MT Series display enables the YJHH to mount a good selection of tools, which keeps them in the game when it comes to power tools.

tools. Usually this is because they are built on designs which are several years old. While they don't incorporate the very latest technology (such as brushless motors), they are built to Makita's familiar high standards of quality.

As with most things at the YJHH store, there is a bit of a story behind the decision to stock Makita MT Series.

*I don't think power tools in the past is something we did particularly well. We stocked the Einhell brand and we were one of their ambassador dealers, that's what they called us. I had 90% of their range, and the moment I saw Einhell come out, I think I was the second phone call. The markup they offered was about 35% and there was the rebate, the product was made for trade and DIY. Then I would also stock a bit of Makita blue as part of the top end.*

*Happy days. But there were unhappy days when Einhell pulled out of the Australian market. I actually saw the writing on the wall because I heard that they had bought Ozito. I knew the big boxes will not put up with them continuing the Einhell brand.*

Mr Moorfoot considered several brands, but not many of them really had good service for retailers at that time.

*Then I saw Makita MT and thought, look at this! First of all, there was a stand, 2nd of all, price points. I think my investment was \$3000 to \$4000 dollars. I thought that's the answer because I don't have to spend \$30,000. Makita allowed me to pick and choose because I had a bit of the old Maktec product [which the MT Series replaced] left over.*

*Now people come in and say, "Oh is Makita doing grey now?" This gives us the chance to tell them a different story. Now I can sell a belt sander for a reasonable price and it will still have a warranty if you are a tradie. So that's allowed me to play in that market, where originally I couldn't.*

### **The industry**

With almost 33 years experience in various aspects of the home improvement industry, Mr Moorfoot has some interesting observations about how it has changed (and not changed) over the years.

*The industry has changed a great deal since I started. I wouldn't say that it is becoming better. There is an incredible consistency about this business, and this industry. The best way I can describe that is that I'm getting asked the same questions now at 50 that is get-*



YJHH allocates a decent amount of selling floorspace to clothing. According to Mr Moorfoot: 'it's a tricky area but we sell a lot of footwear. Particularly in winter, gumboots, if we could get Bata on board as a supplier that would be great. Because the Chinese brand of gumboots it's a no good. The downside is if Bata is running black plastic then you can't buy different coloured gumboots because they've got to change to dye and it's just whatever they got at the time'.

ting asked when I started at 17 years. So people are coming in with exactly the same issues.

The only difference I would say is that some customers will come in with a bit more knowledge. By that I mean they will say things such as “I just Googled this”, or “I had a bit of a look at this on YouTube, is that right? Do you have the stuff to do that?” But I would say that they would be the minority, not the majority. Most people are coming with basic hardware queries, which are the same as they have always been.

I would say from a customer perspective the industry is good as it has ever been. I think from the industry perspective itself, the fact that there are fewer of these businesses around is really sad. And I know lots of areas that are not really serviced by hardware stores. Where I live [in Warrandyte] used to have one. Now they don't have a hardware store anymore.

## **Conclusion**

For the most part, when we think today of a successful independent business, we think of someone who sets up in a high growth area, and by the end of 10 years or so is running two or three stores with high turnover in a competitive market. The point of Chris and Anthea Moorfoot's HBT store in Yarra Junction is that there are more paths to success than that.

This isn't just the story of a problem store that's been returned to profitability. It's really the story of someone who has restored a missing piece of a community. By doing that, they've certainly benefitted from the growth taking place in that community — but they have likely directly and materially contributed to it as well. The result of that — and what could very well be something like HBT's second motto — is that “everybody benefits”.

We'll let Mr Moorfoot have the final word on this.

*People sometimes say to me, oh Chris how are you going? You know what, I am the consummate success story because when I was 17, I was tinting paint and cutting keys. And now I am turning 50 – and I'm tinting paint and cutting keys!*

*It is a full circle well and truly. My career has done a complete flip-flop, and I am back at the start again. Except that I am now older and greyer.*

## **Analysis**

While much of what YJHH has done fits into a standard pattern for turning around a rundown retail operation, there are also some newer, unique aspects to this story.

In the world of technology startups, especially those with internet-based businesses, a new way of doing startup businesses has attracted a good deal of interest from about 2010 onwards. This became known as the “lean” movement, borrowing the term from lean manufacturing, which was popularised by various authors who had studied how Toyota gained advantages in its manufacturing processes, through a

focus on reducing waste in all its forms, as much as possible.

The lean startup was popularised by a book written by Eric Ries, titled “The Lean Startup”, and another book, “The Startup Owner’s Manual”, written by Steve Blank and Bob Dorf. At the core of these books, and of the lean startup movement itself, is the idea that the “old” way of starting up a business, which consisted of a large amount of planning, followed by execution, followed by review and adjustment, just wasn’t suited to the modern business world. As many people in the business world would agree, much planning falls apart once it is applied in the real world, and to real world customer interactions.

Instead of using that kind of business system, which could be termed a “waterfall” approach, lean startup has proposed a more circular, iterative approach. The general idea is to begin with a slim, bare essentials kind of business, just enough to get customers engaged, then rely on customer feedback to shape and build the business further. This is generally referred to as an “agile” approach.

We can condense what the lean startup approach has to offer into five basic principles: the minimum viable product (MPV), experiments/mistakes, differentiations/market type, speed, and burn rate.

As a canny retail business owner operating in an uncertain, quite stressed business, Mr Moorfoot really adhered quite closely to these principles. In fact, YJHH is virtually a test-case for how these principles can be successfully used in the Australian home improvement retail market.

### **Minimum Viable Product (MPV)**

The real purpose of the MPV is simply to gather information. Rather than doing prospective customer surveys, emulating what competitors are doing or relying on third-party market surveys, the MPV encourages entrepreneurs to start with a “best estimate” of what the market will want.

This should involve as little time as possible in development, and virtually no longer-term fixed costs. It should be as open to future innovation and change as possible.

The one catch, and where developing such a product can be difficult, is that it should also produce results that can be assessed immediately, and return useful information.

A classic example of an MVP is what YJHH did with its early stocking decisions. Unable to afford to carry much stock, instead of trying to work out a few products that customers would buy,



Cycled development of a business. From *The Startup Owner's Manual Vol. 1*, by Steve Blank and Bob Dorf. [www.bobdorf.co/book.html](http://www.bobdorf.co/book.html)

then stocking up in those, YJHH took on the extra expense and difficulty of stocking very small quantities of a wide range of products, usually just what could be displayed in the store.

When a product began to prove popular, YJHH increased the stock available, but only marginally — as Mr Moorfoot put it, one to show and one to go. It was only after iterating through those two MVPs that YJHH expanded, bringing in the full range of Romak products, for example.

Were some customers disappointed in that process? Probably. But what is important is that vital, real world customer information was gathered, and it was done with very little waste, in the form of unsold stock and disappointed suppliers.

### **Experiments/Mistakes**

If you wanted to be a little rude, you could say that the corporate world consists of two complementary processes: formulating big, reasonable plans based on thoroughly researched results and projects; and then developing equally ingenious reasons why their failure is really no one's fault.

In the world of the stressed startup, there really is no time for that nonsense. It's better to quickly develop ideas, see if they work, and if they don't quickly move onto the next idea, which should be influenced by the information gathered in the initial failure.

YJHH spent much of its first year or so trying out a wide range of different products. Due to the way in which it stocked them, it became very swiftly evident which ones were selling and which ones weren't. Because each product had to prove it "deserved" a place in the store before YJHH would commit to buying in larger quantities of stock, destocking an unsuccessful item was relatively painless, so there was less incentive to rely on hope rather than the actual sales numbers.

### **Differentiations/Market Type**

Virtually every independent hardware store entering the market today does so as a niche entrant. That means it must offer something truly unique if it is to obtain and retain market share. To put that a little bit differently, every hardware retailer in all but the most remote areas is competing, on some level, with Bunnings and its low-cost approach. That means there is a need to provide something beyond just price to attract customers.

In the case of YJHH, there are a number of differentiations it offers. The first and foremost one is simply regionality. Mr Moorfoot overtly chose a location that not only was very unlikely to be profitable for a Bunnings-style big box store, but would also be relatively remote from those areas that would attract Bunnings. Core to that selection was avoiding areas

where growth would be generated by increasing numbers of houses. Instead, as we outlined in the first section of this article, Mr Moorfoot chose a place where growth would occur, but “organically”, as people with higher incomes became attracted to the region.

There was also, as Mr Moorfoot points out, a great deal of differentiation in the products offered for sale. Offering a slightly different range from hardware retailers nearby meant that customers were given a better reason to drop by.

Selecting the range of power tools offered in the Makita MT Series was also a great move. The disadvantage is that this is really (in Australia) a corded range, with the MT Series cordless tools not really making so much sense in terms of price points. Yet for the region serviced by YJHH these tools are nearly perfect. Unlike urban areas, the amount of work for tradies will always be constrained. Where in more competitive urban environments the advantage of cordless is speed and convenience, in the Yarra Valley tradies will value low-cost (both for purchase and long-term operation — no need to buy replacement batteries), durability, and service.

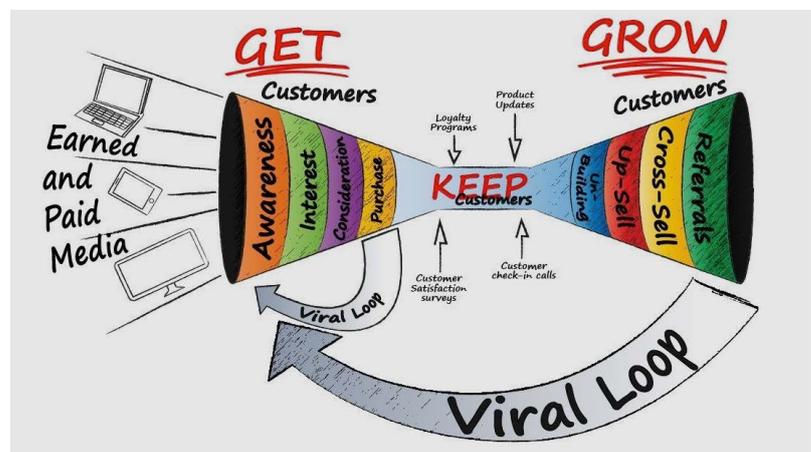
### Need for Speed

If HNN were to add a note of caution for other retailers thinking of adopting this way of business, it would be about the need for an ability to create speed. Though he is modest about it, it is very evident that Mr Moorfoot is quite gifted when it comes to forging good relationships with suppliers. Not everyone is going to be able to build a business where suppliers can move quickly to supply a hardware store.

That rapidity of response from suppliers has enabled YJHH to hold minimum stock, and also gives it great flexibility when it comes to trying out new products, or following up on customer requests to supply products it might not usually have available.

A good example of this was that early in the store's development Mr Moorfoot discovered that there was a substantial demand for toboggans from tourists travelling through Yarra Junction up to the snow country. He located a nearby supplier rapidly, and for one or two snow seasons did a really booming business in these.

Of course, other retailers soon caught on, and the business declined, but being able to respond rapidly to this opportunity, simple speed, netted YJHH some welcome additional profits, and likely a good reputation with a valuable, though seasonal, market.



Business as a means of customer acquisition. From *The Startup Owner's Manual Vol. 1*, by Steve Blank and Bob Dorf. [www.bobdorf.co/book.html](http://www.bobdorf.co/book.html)

## **Burn Rate**

Many startup businesses get weighed down by a lot of accounting measures, such as cashflow, the P&L, and so forth. These are vital measures for established businesses, but they don't really provide a good basis on which to judge how a startup is running.

The most useful measure for just about any startup is the pure burn rate, which is the amount of loss it is making every month. The startup's "runway" — the time it can continue to operation — is the capital that is available, divided by the burn rate. So a business with losses of \$14,000 a month and a capital reserve of \$200,000, has a remaining runway of around 14 months.

The goal of the business is ultimately to slow down the burn rate as much as possible. While that certainly does mean eliminating waste, it really means the business needs to experiment quickly, and find ways of getting more profitable operations going as quickly as it can. The initial goal, however, is not simply to get to profit, but rather to extend the period of experimentation for as long as possible, so that there is enough information available on how customers really are behaving, and what they really want, to enable a really profitable business to be built up.

Again, YJHH is an almost classic illustration of this process. Mr Moorfoot talks about the difficulty of going home to report some days when the store's takings were truly dismal and disappointing. What he doesn't talk about is giving up, or going back to a very low cost, non-experimental model of operation. That wasn't an option

## **Conclusion**

If we were to characterise the difference between older models of retail business, and the newer model that has been followed by YJHH, we would say it really comes down to the attitude of the business to the current market. Older business models look at the existing market, work out what its needs and wants are likely to be, then, in the framework of those assumptions, tweak the settings of price/quality, availability/demand, and service/cost.

The newer business model recognises that a retail operation which is run well will actually fundamentally alter the market with which it interacts. Customers in that market will discover new needs, new solutions and a different way of doing business. This is building a relationship-based approach to a market, one which is ever-changing. That approach also needs a relationship-based approach to suppliers, where opportunities are clearly outlined, and expectations on both sides are constantly set, and reset.

Or, as we began this article, what we could call, using Mr Moorfoot's phrase, "belly-to-belly selling". An understanding of what that means, and the knowledge of how it can be facilitated, is what makes up HBT's own unique niche as a retail-supplier linking organisation. This is driven by the underlying ethic that doing good business means that "everyone benefits".

### Final note

HNN would like to extend our thanks to Chris Moorfoot for his time and hospitality in helping us put this article together. It's rare to find a retailer willing to take several hours to explain his business, including its failures and successes, in such a modest, thorough way.

HNN would also like to thank Steve Fatileh, group buying manager at HBT, who helped to arrange our time with YJHH, and sat in on the interview, offering some valuable guidance and ideas along the way.



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# Beaumont Tiles Studio

Under some pressure from competitors such as Bunnings in the lower end of the market, Beaumont Tiles has been securing more of the high-design top end of the market. Its most prominent move in that direction has been the establishment of Beaumont Studio, which consists so far of two high-style stores, one located in the Melbourne inner eastern suburb of Malvern, and the other in the inner Brisbane suburb of Bowen Hills.

Beaumont has decided to up its game by a notch for 2017, and has entered into a collaboration with two Italian tile firms, Decoratori Bassanesi and Cerim.

Miles of tiles. Beaumont Studio in Malvern, Victoria, combines both luxurious displays of tiles, and more practical "physical catalogues" for customers to browse.

## Decoratori Bassanesi

There are four Bassanesi collections. **Bonbon** is styled — as the name suggests — to look a little like hard candies, and consists of mosaic tiles in colour bodied porcelain. The tiles come in eight different colours, and are sold on 305mm by 305mm sheets. This was designed by Paola Navone.

**Luci di Venezia** is a collection that has been inspired by the light and designs of the ancient lagoon city of Venice. The collection is available in formats 60mm by 60mm and 30mm by 60mm. It comes in two thicknesses, 12mm and 4.8mm, and in eight colours: red, blue, green, mud, grey, graphite, white and ice.

The **Trax** collection plays with the idea of flecks, marks and “tracks” in the tiles, and is available in both a soft and hard texture. According to the company:

*Trax investigates the presence of tracks and signs and their layering through the time building personal but discreet surfaces, decorated but at the same time neutral enough to create the basis for different combinations. The tiles are sold in two sizes (374mm by 749mm, and 749mm by 749mm), and four colours*

**Linea** has been created by the Italian designer Lex Pott. There are eight colour combinations, including four metallics. According to the Beaumont press release, they are:

*Configured in tessellating combinations of trapeziums, triangles and parallelograms of contrasting colour shades. The tiles are 147mm by 170mm.*

It's true: if you are choosing tiles, you need many seats at the table. The “decision centre” in Beaumont Studio, Malvern. A creative space for clients and their designers to get together with the in-store experts.



## Cerim

Cerim specialises in larger format tiles. These range all the way from 297mm by 597mm, up to 597mm by 1197mm, in a 10mm thickness. There are also two slab sizes, in 797mm by 797mm, and 797mm by 2397mm, which are 6mm thick. These are available in five “nuanced” colours: white, cloud, iron, sand and shadow.

## The store

Aside from securing the top end in the tile world, the Beaumont Studios seem to have their sights set on Reece stores as well. The difficulty the company runs into is the same one every bathroom retailer encounters, which is how to produce a very public display of the most private room in the house. Reece remains the master at creating that kind of display, but Beaumont Studio is not too far behind. Where Reece usually goes for a linear layout, Beaumont uses a “nooks and crannies” approach, tucking a wide variety of displays into a small space, and making good use of multi-display techniques, so that a dozen bathroom sinks are in reach, or three to four kitchen taps.

Tile display is equally tricky, of course, with a need to both offer design direction by making choices for customers, and at the same time, offer a kind of “physical catalogue”, where customers can touch, feel, and pick up the precise tile they are considering using. As a result, a considerable portion of the floorspace in the Malvern Beaumont Studio store is devoted to racks of tile displays, which is necessary, but also quite utilitarian. Elsewhere, however, the store does manage to produce interesting displays of tiles, which highlight the various combinations and their uses.

Beaumont Studio makes good use of medium-scale. Displayed on the wall, the larger tiles provide an interesting display, and enable customers to get up close to their surfaces.





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STUDIO

LEGEND

1	2	3	4	5	6	7
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TAPWARE

1.	552094	Alyn Basin Mixer Chrome	
2.	552065	Logan Basin Mixer Chrome	\$165.00 ea
3.	552077	Koa Basin Mixer Chrome	\$214.01 ea
4.	552083	Veketa Basin Mixer Chrome	\$177.00 ea
5.	552071	Eltava Basin Mixer Chrome	\$248.00 ea
6.	552053	Jaya Basin Mixer Chrome	\$214.01 ea
7.	552059	Jaya Basin Mixer Chrome/White	\$230.00 ea

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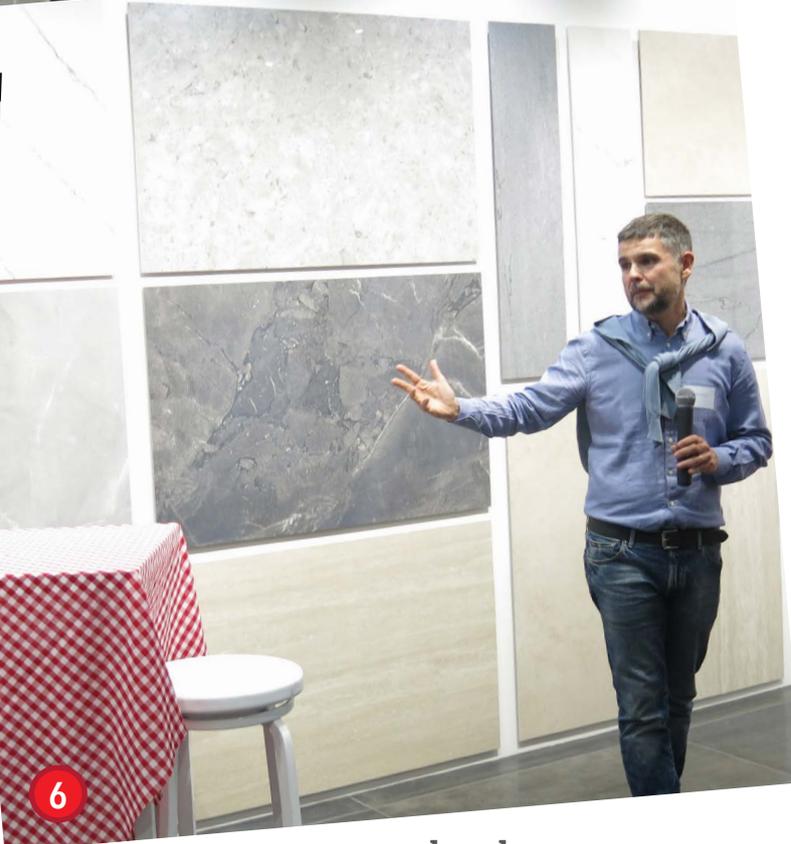
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6

- 1 Beaumont Studio Malvern from the street
- 2 Bathroom sinks are in the moderate price range
- 3 View across the floor-space, to a representative of Decoratori Bassanesi introducing the range.
- 4 Publisher of HNN, Betty Tanddo, in conversation with John Tornese, a designer with Beaumont.
- 5 Robert McKay, head of retail at Beaumont, MC'd the presentations.
- 6 Representative of Cerim introducing the new range



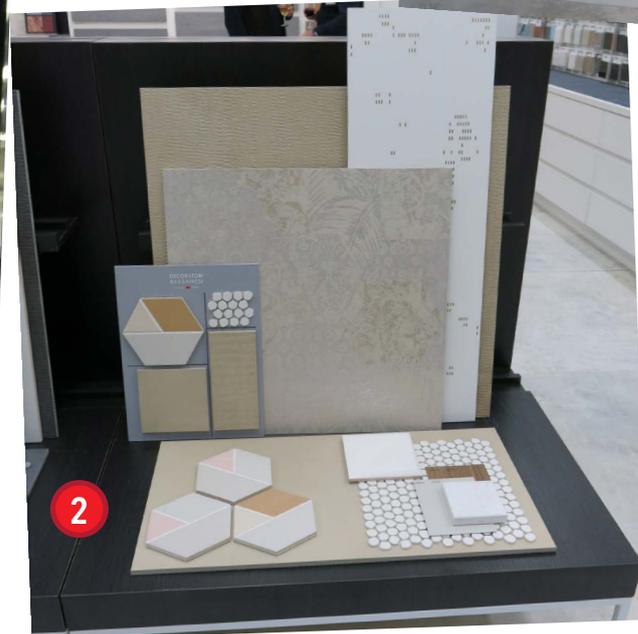
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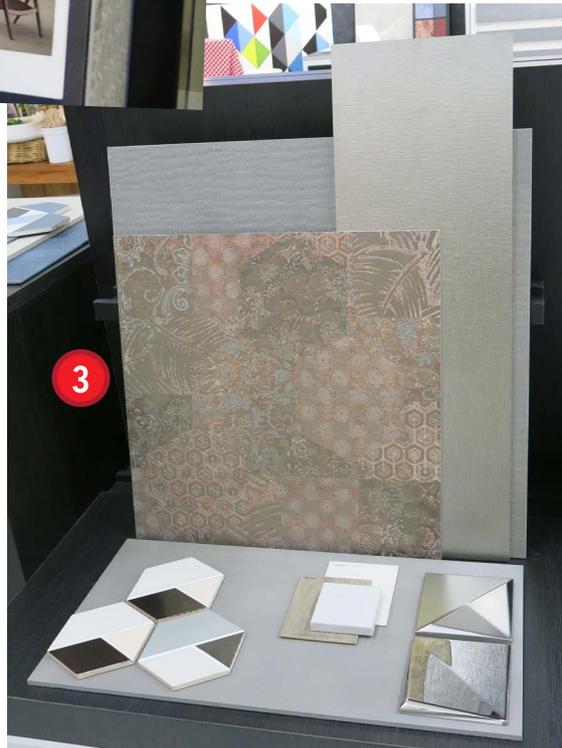
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1 2 3  
Tile combinations based on the Decoratori Bassanesi collections

4  
Tile selection based on Bassanesi's Luci di Venezia collection.

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Poster featuring the two designers of the Bassanesi lines, Paola Navone and Lex Pott.

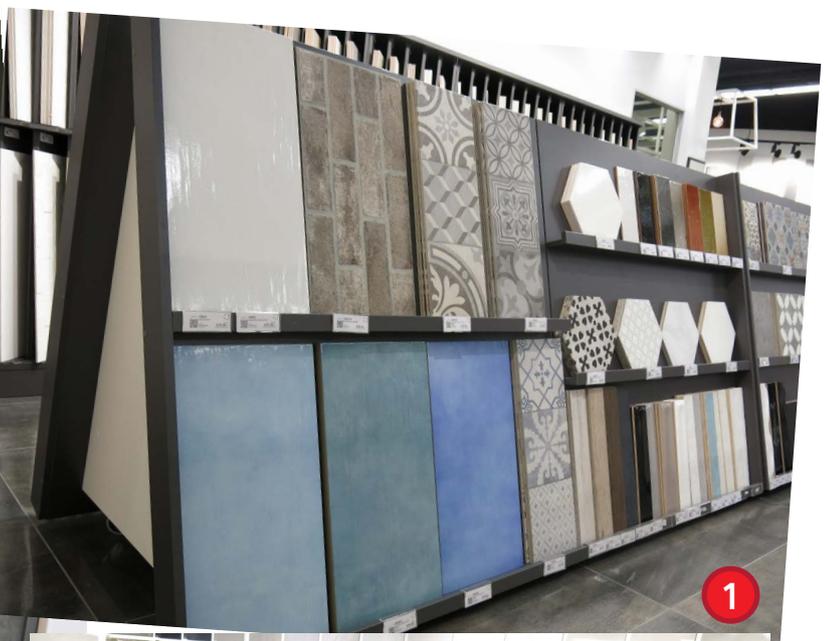
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More tile combinations from the Bassanesi lines.

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[hnn.bz](http://hnn.bz)



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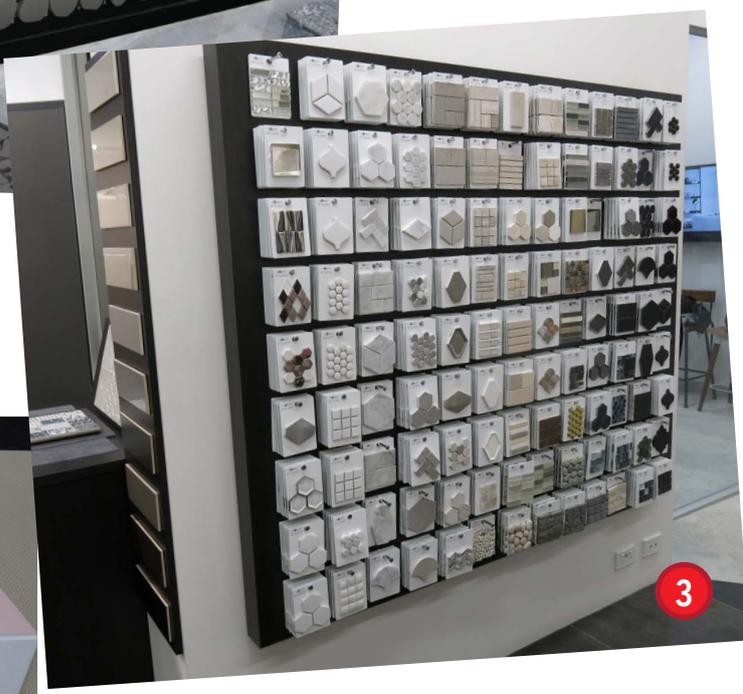


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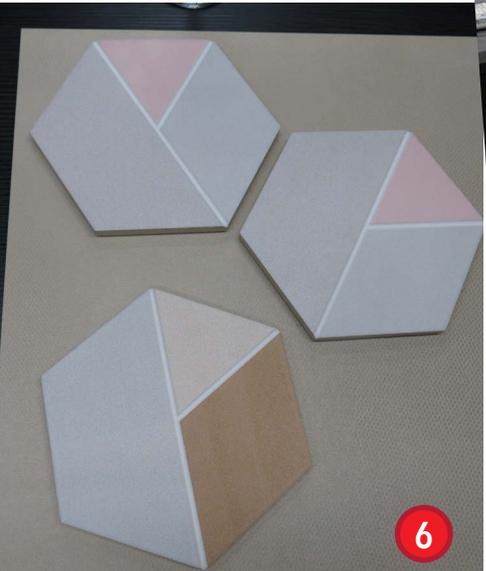


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3



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1 2 3  
General tile displays in  
Beaumont Studio

4  
This collection from Deco-  
ratori Bassanesi is called  
Bedononvedo, which is a  
play on words in Italian,  
meaning "I see, I don't  
see". The tiles are of glass,  
offering different degrees  
of translucency. Design  
by Paola Navone

5  
Bonbon tiles from Bassa-  
nesi, designed by Paola  
Navonne

6  
Tiles from the Linea col-  
lection by Bassanesi



# RETAIL CASE STUDY

# #30

Mark Rohde – Director  
Abbott Supply  
Bendigo



“ It was all so simple and they left us alone to run our own business. ”

#### **How old is the business?**

It started out as a mining supply business in 1853 during the goldrush in Bendigo, and has evolved to the business it is today, which currently employs 32 local people.

#### **How long have you been involved?**

My parents purchased the business with four other local families in 1986. It is presently owned by two of the original families (Rohde & Woodman), and the Keogh family who joined us in 1994. I started work here in 2005.

#### **Who are your customers?**

Our wholesaling side has customers all around central and northern Victoria, whereas our direct trade and steel yard customers are generally around the Bendigo district.

#### **You joined HBT in July 2011 – why?**

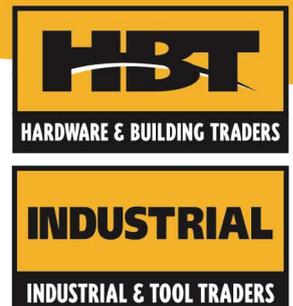
We thought it was a good idea to be part of a national group and we could see that those rebates would be very attractive... and they were. Also it was all so simple and they left us alone to run our own business, so from that perspective nothing changed.

#### **What else would you say about HBT?**

The conferences are a great resource and source of information for our business.

#### **Can people call you about this?**

The number is 0419 586 186.



For more information and  
membership application call

**1300 305 719**

Head Office 02 4472 1515. HBT is a buying group for the independent hardware and building materials retailer.

[www.hbt.net.au](http://www.hbt.net.au)



# Consumer Laser Levels

70

If you spend any time at all working on construction, whether professionally or as a DIY project, you eventually will become haunted by that one, single question: Is it level? Just about everything begins and ends with that question, because it establishes a key part of structural integrity, as well as a primary aesthetic requirement.

As a result, not that long ago, if you stopped to watch tradies working on a construction project, you would see them taking up their bubble levels and consulting them with a frequency pretty close to that of teenagers checking their phones for text messages. All that started to change about 20 years ago, when laser-based levels began to become more affordable, a trend that has accelerated over the past ten years. Over the past two to three years, the laser level has passed an inflection point in its development, and has become truly affordable for even occasional DIY use around the home.

If you have any doubts that laser level companies are actively targeting consumers, you should watch the video from which the above image is taken, at: [youtu.be/82hCgPxdKw4](https://youtu.be/82hCgPxdKw4) This highlights the many uses of the laser level, from putting up wallpaper, to painting elaborate patterns, and putting up shelving. The video was produced by Stanley in the UK, to help promote its Cubix self-leveling laser, which is described on the following pages.

## History

Lasers were themselves initially developed in 1960. It didn't take too long for inventors to see how useful they could be in construction, and the first construction laser was launched in 1968 by Spectra Physics. This consisted of a simple laser that had to be levelled by the use of the traditional bubble level. The plasma tube, which contained the helium and neon gasses which were "lased" to produce the laser would last for up to 300 hours of operation. The rig cost USD8,000 — equivalent in today's US dollars to over USD56,000.

The first innovation Spectra made was to add a motor to rotate the laser beam, which meant the level standard could be available to multiple workers building the interior fittings of a room. Next, the first self-levelling laser was developed, again by Spectra, in 1973. By the late 1970s there was general acknowledgement of just how useful the lasers were, with sources stating they increased productivity by 30% to 40%.

The next big thing to happen to the industry was the commercial development of the diode laser in the mid-1990s. These used semiconductor materials similar to those in light emitting diodes (the familiar LED lights). Much less expensive to produce than gas-based lasers, and offering a much longer operating period, these began to fundamentally change the laser level industry. The effect was to produce lasers that lasted for 30,000 hours of operation instead of 300, and cost half the price of gas-based lasers.

Over the past 10 years, as production in China and other low-cost labour countries has taken off, the prices of laser levels have plunged even further. Once used only on high-value construction sites, then by professional tradies, laser levels are today easily within reach of DIY consumers, as a convenience around the home.

## Types of consumer levels

There are basically two types of laser levels for consumer use, with a third, in-between type emerging as well. The simplest type is basically a bubble level with a laser attached. These are typically fixed to a wall or other surface, levelled-up with the bubble level, and then project a reliable level laser line across the surface. These can be purchased for less than \$45.

The second, more complex type is the self-levelling laser level. These can sit on the floor, or, more commonly, be placed in a more elevated position, either by fixing to a tripod, to a special attachment fixed to a wall, or, using a universal attachment, to some other "holder" such as a ladder, plumbing, or even a chair back, bed frame — anything. Most consumer levels use a pendulum system to provide



Physicists John Emmett (left) and John Nuckolls were the key Lawrence Livermore National Laboratory pioneers in laser and fusion science and technology. Credit: Lawrence Livermore National Laboratory.

levelling.

The third, emerging type is something of a hybrid of the other two. This makes use of a smartphone with an accelerometer. Connected to the phone via the headphone or connectivity port (Apple's Lightning port, micro-USB or USB-C), the connected device mainly produces the required laser line, while the phone provides the technology to sense when it is level.

## Market development

Pioneered by companies such as Bosch, laser levels are becoming a more common consumer purchase. At the moment, there are not that many levels in the consumer price range produced by the major manufacturers.

However, if we accept that these consumer products need a price point under \$120, there are already a range of reliable trade offerings between \$180 and \$240. It won't be long before we see more of these these reach down to the \$80 to \$130 market, and begin to become attractive to consumers.

Of course, what will cause that to happen will be a higher adoption rate of laser levels among consumers, driving better volume, and leading to manufacturing and distribution cost reductions. The question then becomes, how big is the potential market? Which leads us to an underlying question, just how useful is a laser level to the average DIYer?

The answer, HNN believes, is "very useful". That is in part because we need to remember that the average DIYer today probably has fewer skills than the DIYer of 20 years ago. It might seem like a bit of a joke to suggest that using the traditional beam bubble level is difficult, but if you only ever put it to use a couple of times a year, it is tricky. Many DIYers confidently get out the level, draw a pencil line, put up a shelf or cabinet — only to find that things have drifted out, and the bubble in the level is now distinctly out of the middle-zone.

In contrast, the laser level is a constant reminder to check the level, and offers an easy way to check and correct the seemingly inevitable drift. Spending \$80 for what might amount to two hours of use over a three year period might seem excessive. However, while cost-saving is great motivator for DIY, once undertaken the main motivator is making sure that you don't make mistakes. The shelf that is out of level by enough that it needs to be shifted 2mm or 3mm creates all kinds of problems. How do you drill mounting holes for the brackets that are so close to the existing holes, for example. Correcting mistakes is particularly difficult if you are inexperienced, and don't know some of the tricks professionals can use.

## Bubble/laser levels

There are surprisingly few tools offered in this area by major manufacturers. This is likely due to increasing commodification. Doing a search for this type of tool on Alibaba, for example, returns a wide range of tools.

### Bosch PLL 1 P Laser spirit level

With a length of 270mm and a width of 120mm, this is a simple, portable Bosch green tool that effectively boosts the functionality of a standard, small bubble level. One end of the level can emit a laser line, which has an effective range of around five metres. The other end can emit a single laser dot, which has a claimed range of 20 metres.

The level is attached to the wall using a mounting bracket. The bracket itself is attached to the wall using nails, pins, screws, or adhesive tape. The level then attaches to the bracket magnetically. The same mount can also be used to attach the level to a tripod with a 1/4 inch mounting thread. Once mounted, the level can be adjusted to an angle, for use in construction of items such as stairs.



Bosch PLL 1 P

The laser is a class 2, and accuracy is stated as around 0.5mm per metre.

### Ryobi AirGrip Laser Level

The AirGrip dates back to the time when Ryobi tools were darker blue/green and not their current colour, though a revised model in the current colour has been released. It's a device based on a unique idea. One of the main difficulties in using this kind of laser level is how to position it safely on a wall or other vertical surface. The AirGrip solves this problem by incorporating a small, battery powered suction pump in the design, which maintains enough of a vacuum, even when faced with some slightly porous surface, to keep the device in place.



Ryobi AirGrip

### IKEA Fixa Laser spirit level

We're including this to give some idea of the market. This is a very simple device, which provides means of attaching to surfaces magnetically, but in no other way, unless the user drives in a couple of nails to hold it in place. The laser has a limited range of three metres, and accuracy, at 1.4mm per metre, is not great.

On the other hand, it retails for \$20, and is designed for light tasks, such as hanging pictures.



IKEA Fixa

## **Ryobi Phone Works Laser Level Device & App**

This is one of eight Phone Works products that Ryobi produces, including an inspection scope, an infrared thermometer, and active noise suppression earphones.

Rather than relying on a bubble level to adjust the system, it instead relies on the inbuilt accelerometer in many smartphones. The advantage of the system is that it offers additional features, such as photos of the level line which can be shared. The disadvantage is that the accelerometers in many smartphones are notoriously unreliable. Often it is necessary to first calibrate the phone using a standard bubble level. Additionally, as smartphone design is quite variable, getting the laser attachment to line up with the phone display can be difficult.

Considering that this approach costs more than many self-levelling laser levels, it's best to regard this as a developing area for special uses.



## **Self-levelling laser levels**

### **Stanley Cubix**

The Cubix is perhaps the most interesting of all the self-levellers that would be suitable for consumers. While it is at the very top of the consumer price range, with an average price of around \$105 on eBay and other places, it has a good range of features, and, importantly for smaller retailers who might only stock one item of this type, it is certified for trade use as well. About the only issue is that its accuracy is rated at 0.8mm per metre, with the laser line visible for up to eight metres.

It has most of the features needed, including the generation of cross-line for alignment, and the inclusion of a handy grip that slots into the body of the tool, making it easy to attach it to anything from a ladder to a vertical stud. It also includes a 1/4 inch socket for a tripod.



### **Stanley Cross90 Self Levelling Laser Level**

The Cross90 is really pushing the upper end of the consumer price range, but it does deliver for the extra cost. It features a class I laser, and provides accuracy of 0.5mm per metre. Like the Cubix, it uses Stanley's mounting system.

Its unique feature in a device at this price point, is that it offers a second laser at an angle of 90 degrees to the main laser, making it easy to set up the Cross90 in reference to a secondary point.



## **Bosch Quigo III**

When you think self-levelling laser levels for consumers, the Quigo is one of the first devices that comes to mind. Bosch virtually pioneered the category with the Quigo, and now into its third generation, it remains a strong performer. Accuracy is rated at 0.8mm per metre, and the line is visible on surfaces up to 10 metres away, inside buildings.

It is a Bosch “green” tool, but it does come with a two-year warranty, which is automatically extended to three years when the tool is registered.

HNN chose the Bosch Quigo III to review in more depth as it is one of the more recently updated consumer self-levelling laser levels. Retailing for less than \$90, it is also a very consumer-oriented level.

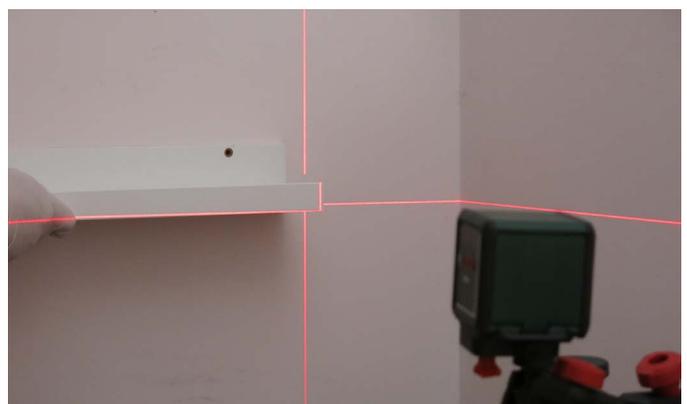
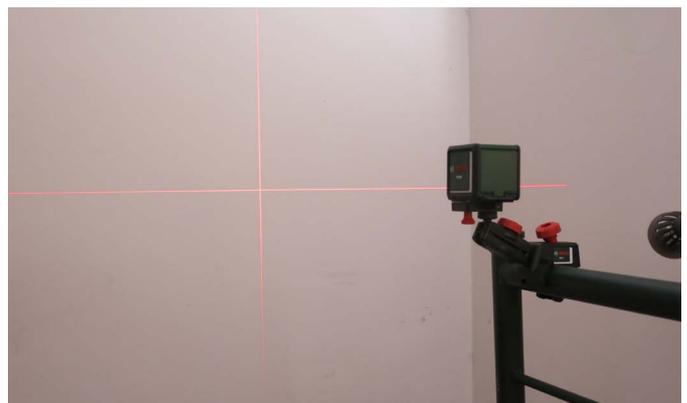
After you get into the Bosch packaging (which requires some serious “plastic” surgery with a pair of scissors or a utility knife), you find it contains the Quigo unit, what Bosch calls its “MM02” grip, a mount for the MM02 grip which can clip onto any one of three sides of the Quigo, two alkaline AAA batteries, and an instruction manual.

To insert the batteries, you need to unclip the mount, and flick open a latch to reveal the battery compartment. There is really only one external moving part on the Quigo, which is an oversize switch which when pushed up reveals the laser opening. The switch is a bit big because, in a very sensible move for a consumer device, when the unit is switched off, the pendulum is locked into place. This protects it from the odd clumsy bump, and means it is always ready for storage or travel once switched off.

### **In use**

The project HNN chose to test the Quigo on is one that tested its capabilities to deliver simple solutions for slightly tricky situations. As more and more hardware retail customers are going to be apartment dwellers, it’s also the kind of project that is going to become more common.

Whether it is new apartments built with limited space to appeal to first-time buyers (because they are less expensive), or older apartments designed for single-dwelling, and now being used for couples, many owners are finding space in the bedroom, once the queen bed has been added, to be a little tight. One solution is to put the bed in the corner, with one side up flush against the wall.



The problem is, of course, what do you do for a bedside table? One solution is to put up a shelf, but where does the shelf go, where it won't intrude on the bed, or make changing sheets overly difficult when the bed has been pulled out for that purpose?

A good solution is to use a narrow shelf, and to position this over a metre off the floor. That means usable space is limited, so the solution is — put up two shelves, one above the other. The problem with that, for a novice DIYer, is that it is an alignment nightmare. It's not just a matter of being level, but also, with the two shelves forming a close reference point, that they need to be very parallel. And, of course, their edges also need to be perfectly aligned.

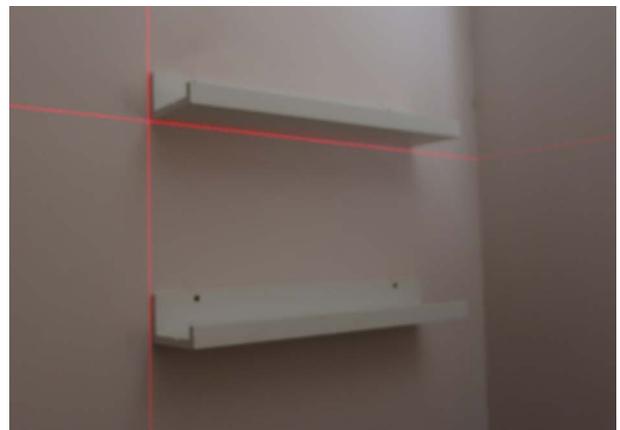
HNN decided that most apartment DIYers probably would not use a shelf they made themselves, because of the need to finish the wood (it's hard to find space in an apartment for tasks such as that). Instead we looked for a suitable shelf somewhere that would suit the task.

And looked. And then looked a bit more. Hardware stores are just not stocking this kind of item, yet. You can fit out a garage, put in pantry storage, hang stuff on hooks in a hallway, but about the only small shelves HNN could find were for kitchens, and just didn't work.

Instead, HNN's money ended up going to IKEA, where we bought a "Mosslanda", which is a 120mm x 550mm white shelf, with a groove running down it, designed to support pictures weighing up to five kilograms.

The first problem with any laser level is finding a place to put it, in the correct position so that it shines its level line right where you need it. There is no doubt that the best way to do that, in a larger room, is to use a tripod. The Quigo comes with a standard 1/4 inch tripod socket, which fits a camera tripod. If you don't have a tripod, or if the space is too confined, you get to try out Bosch's MM02 clamp.

It turns out the MM02 is not perfect, but it is very good. HNN tried attaching it to the bed frame, which was tubular steel, to begin with, but it was evident it could not be adjusted vertically enough to work with both shelves. So, with a twist and a bit of a flick, it was put on the door of the closet, which worked very well. The MM02 even features a screw-based fine-tuning adjustment, making it easier to set the last two or three millimetres. To be perfect, it really needs an additional 20cm arm, so that it's easier to adjust for height.



While the horizontal level lines were very useful, the most appreciated feature was the vertical plumb line that the Quigo also generates. There is something quite difficult about getting two shelves free-floating on the wall to line up perfectly, and that red vertical line made it very easy. In fact, where HNN usually finds itself having to, at some point, correct a basic mistake made in measuring or setting up, this time we were surprised to find that wasn't the case.

In short, for a device costing less than \$90, the Quigo would be good value for most hardware retailers' customers. The major problem most novice DIYers have isn't the cost of the tools (within reason), but the unfortunate mistakes they make, which can be difficult to fix, and just overall discouraging. The Quigo not only solves quite a few problems, there is also something genuinely fun about using it.

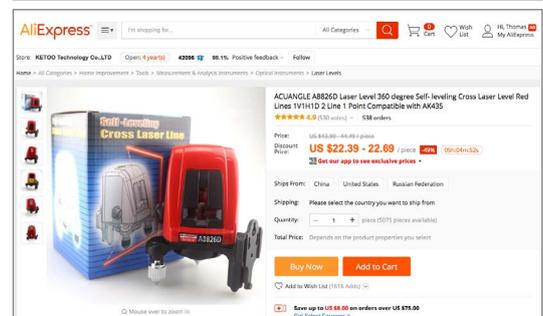
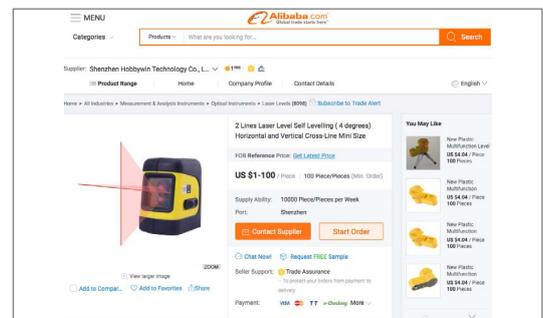
## Conclusions

What HNN hasn't mentioned so far is that, outside of the major manufacturers, there is actually a very wide range of laser levels of all kinds available from a range of manufacturers in China.

In fact, it's possible that the laser level market of today presages what much of the power tool market in general may eventually look like, in another 10 years or so. Log onto the Chinese online wholesale marketplace Alibaba and search for laser levels, and you will see over a hundred variations on every kind of laser level imaginable, ranging from \$20 up to \$1000. Even if you go to a website such as Chinese online retailer Banggood — which, in electronics, largely gives you an idea of what are the more reliable offerings on Alibaba, for an additional cost — there are still dozens of choices.

This leaves Australian retailers in something of a tricky (and very interesting) situation. Some of those unfamiliar brands coming out of China will prove to be reliable, and offer customers a good deal — but which ones? While there are several Australian brands that have taken on the task of getting reliable laser levels manufactured in China — Imex, Redback and Spot-on, to name a few — these companies concentrate on trade-level devices. Except for the simplest levels, those used for tile-laying, they don't really cater to the consumer market.

One way through that morass is, of course, for retailers to establish a relationship with a reliable Chinese supplier, and effectively “own brand” the product. That is what Sydney Tools has done, for example, with its CPI line of self-levelling laser levels. The CPI X-Line sells currently for \$49, and the CPI Cube sells for \$99.



The phases of the Chinese supply line to business and consumers. Top, the original Alibaba site, which sells wholesale quantities, and ships FOB. Middle, Ali Express, which sells one or more units, offers standard shipping fees, and can provide small wholesale quantities. Bottom, Banggood, not directly associated with Alibaba. This takes the best of Alibaba sourced products, offers them in consumer quantities, sometimes with warranty, and usually offers a free shipping choice. Banggood will also make wholesale arrangements.



# DIGITAL

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## True Value's potential sale attracts interest

### in this update:

- A study shows that Ace Hardware is America's favorite home improvement retailer
- Home Depot joins forces with digital decorator
- Lowe's launches UpSkill program
- Ace Hardware guarantees paint projects
- Retail competitors express interest in potential True Value sale

Hardware retail co-operative True Value Co. is weighing up a sale that could value the home improvement chain at about USD800 million, sources told Bloomberg.

The company said it is working with an investment bank to examine strategic options, including a sale. The process is expected to attract private equity firms. However no final decision has been made and the company may elect not to pursue a sale.

According to a report in the Chicago Tribune, Ace Hardware is open to making a bid for True Value. In an email to the newspaper, Ace president and CEO John Venhuizen wrote:

*It is our understanding that True Value is evaluating or conducting a formal auction process for the sale of its business. At this point, we have received no contact to participate in that auction process. If contacted, we would have interest in exploring it.*

The Tribune's business columnist Robert Reed believes Ace is signalling it is serious about competing with other suitors, should



True Value hit the selling block. Among those he expects to evaluate a True Value deal include private equity groups, national or regional hardware and retail chains and, perhaps, online seller Amazon or another web-based consumer goods company. He writes:

*A buyout of True Value, with nearly 4,400 stores, would almost double Ace's retail store network of about 5,000 stores. Ace has 17 product distribution centres compared with 13 for True Value.*

Another retail chain, Do It Best also said it is interested in acquiring True Value. It told Chicago Business it is "enthusiastic about the many growth opportunities" an acquisition of competitor True Value could provide.

Do It Best operates nearly 4,000 stores, with 20% of them outside the US. In 2016, the company generated USD671 million (AUD852.8 million) in net income, according to its annual report.

Spokesman Randy Rusk said the retailer does not break out revenue but that Do It Best is the second-largest home improvement co-op in the world, with Ace first and True Value third.

Ace generated USD5.13 billion (AUD6.5 billion) in revenue in 2016 and operated 4,994 worldwide stores as of December 31. True Value generated USD1.51 billion (AUD1.9 billion) in 2016 revenue and operates more than 4,000 stores.

True Value would benefit more from a sale to Do It Best than

to Ace because True Value and Do It Best share a company culture focused on keeping stores independent, Mr Rusk said. He said Ace feels more like a franchise, with every store looking the same and stocking the same products despite their different locations. Do It Best President and CEO Dan Starr said in a statement:

*While our top priority is generating sustained growth among our current member base, we're also focused on expanding our business by adding new members from other co-ops like True Value.*

<https://goo.gl/MXz-7VU>

<https://goo.gl/Mi8X-LW>

<https://goo.gl/ErQ57E>

## Ace Hardware's latest paint guarantee



The Extra Mile Promise™ is a guarantee that Ace has the expert advice and supplies needed to help consumers successfully tackle any paint project with just one trip to the store.

It was created to address the frustration they deal with when

faced with the proposition of yet another trip to the store as a result of forgotten items or not enough paint. By providing the right products and expert knowledge, Ace said it is committed to helping consumers complete their paint projects successfully

the first time.

The retailer is so confident in their one trip guarantee that they are willing to go “the extra mile” and provide free delivery to consumers who may be in need of additional paint supplies. President and CEO, John Venhuizen, said:

*While it hurt our pride to learn this, the truth is that while consumers trust Ace as the Helpful Place, far too many of them believed that our speedy sized stores didn't have enough product to complete their paint project.*

*We know this isn't the case, so to assuage these misperceptions, we decided to stand behind our large paint assortment with the Extra Mile Promise. Our objective is simple: to be known as the #1, best, most convenient, most helpful and most credible store for paint in the neighbourhood.*

The Extra Mile Promise applies to all brands of paint and paint sup-

plies available at Ace, and is only applicable with the original paint purchase receipt showing the purchase of minimum of one gallon (3.78litres) of paint.

You can see the TV commercial here:

<https://goo.gl/MCM-vyy>

<https://goo.gl/5LPm9N>

## Empowering a new generation of home improvers

Lowe's has introduced the UpSkill Project, a program committed to teaching DIY skill-building and helping customers become confident home improvement project-doers. Through the UpSkill Project, more than 200 homeowners across 40 US cities will learn skills from Lowe's teachers and complete a DIY project, combining hands-on expertise, real-world experience and training.

Lowe's research reveals that while home improvement spending increases, attitudes toward DIY

are changing as new and existing generations cite a decline in confidence to complete home projects. With the introduction of The UpSkill Project, Lowe's is addressing the home improvement skills gap.

The UpSkill Project enlists the help of both Lowe's associates and specialised experts, including designers, general contractors, craftsmen and teachers, to help participants – known as UpSkillers – define their project, plan it, style it, purchase materials and tools, and master

the skills necessary to realise it.

The experts don't do the project for them – they roll up their sleeves and teach and guide as needed. They help participants overcome obstacles by showing them failures are a normal part of the process and by instilling confidence to make the next time, the best time.

Once an UpSkiller has completed the project, Lowe's will give the homeowner an opportunity to “pay their skills forward” to their friends, family and neighbours.

Aspiring DIYers in each market apply to become UpSkillers by submitting a video describing their project and skill goals. Winners are selected based on a number of criteria, including passion and

excitement for learning home improvement skills.

Link to video:

<https://goo.gl/zr7SZb>

<https://goo.gl/MyAdsQ>



## America's favourite home improvement retailer

Ace Hardware has beat out its big box competitors to rank as the America's favourite home improvement retailer in a recent study by Market Force Information. It achieved a composite loyalty score of 63%, according to the study.

Menards ranked second, with a 60% score, followed by Lowe's, with 55%, and Home Depot, with 51%. (In order to be included in the category, a traditional home improvement brand must have been selected by 100 or more respondents representing 2% or more of total. Only Ace, Menards, Lowe's and Home Depot qualified).

Market Force also looked at how the retailers fared in operational and product attributes that matter most to consumers. Ace Hardware ranked first in most categories, with particularly strong marks for ease of finding merchandise, staff service and knowledge, and speedy checkouts.

Menards scored highest for merchandise variety and value, while Lowe's earned the top spot for parking availability. Home Depot ranked last of the brands in all service categories, as well as cleanliness and value.

Market Force's research revealed that 60% of consumers consider themselves "DIY enthusiasts" who not only purchase the materials and products themselves, but also complete their own home improvement projects. Another 22% fall in the "do-it-for-me" group that purchases the materials and products, but outsources the labour.

In other findings:

- Home Depot's app is most popular, with 45% using it, followed by Lowe's, Walmart, Ikea and Menards. Of the 18% of consumers who indicated they have used an app, 93% of them said the app was



A study by Market Force Information shows that Ace Hardware is America's favourite home improvement retailer

- helpful.
- One-fifth reported that they participate in the loyalty program offered by the retailer they most recently visited. Ace Hardware's program is overwhelmingly the most popular with 67% participation, Lowe's ranked a distant second with 21%, Menards was third with 11% and Home Depot trailed with 8%.
- Nineteen per

cent indicated they have a home improvement store-branded credit card, with most choosing Lowe's (25%) and Home Depot (21%). Just 7% have a Menards card and 3% have an Ace card.

For the home improvement rankings, Market Force polled more than 7,800 consumers. The participants were asked to rate their satisfaction with their last experience

at a home improvement or furnishings store and their likelihood to recommend it to others. That data was averaged to rate each brand on an aggregation of the two measures – a composite loyalty Index.

Market Force also looked at the attributes that drive these preferences, analysing factors such as merchandise and brand selection, cleanliness and value.

<https://goo.gl/JJbuCW>

## Digital decorator partners with Home Depot

Home Depot has joined with Laurel & Wolf, which describes itself as a "digital decorating platform" to provide customers with a professional designer. Through the Home Depot Pro Referral

Service, Laurel & Wolf connects customers with "top designers to transform your space" online through a flat fee – from USD59 to USD259 – using Home Depot supplies.

The program will

integrate Home Depot's existing Pro Referral service into Laurel & Wolf's platform, essentially referring its customers to Laurel & Wolf depending on their project needs.

Laurel & Wolf is an

online startup formed in 2014 that has expanded to a team of more than 60 employees and a marketplace of more than 1,000 interior designers, according to the company's website.

The video shows an example of how the two companies are working together. You see it here:

<https://goo.gl/iQCvws>

<https://goo.gl/Gzutjo>

# europa update

## Kent gets more Bunnings stores

### in this update:

- Sales decline and losses at B&Q and BUKI
- House stores to roll out in UK
- Bunnings stores are opening in Kent and Essex
- A Homebase store in Somerset will be converted into a Bunnings Warehouse

The fifth Bunnings Warehouse in the UK opened its doors to customers in Folkestone, Kent recently.

The new store at Park Farm Retail Park is the first Bunnings Warehouse in Kent. It is over 74,000 square feet and stocks over 30,000 products including a mix of international and British brands – from Purdy's paintbrushes to Ryobi and DeWalt power tools. There is also a colour wall with more than 3,000 colour tiles and paint mixing from Johnstone's Trade, Crown and Dulux.

British skeleton

Olympic champion Lizzy Yarnold MBE joined a welcome breakfast for team members.

The big box retailer also confirmed two more Bunnings stores will be opening in Kent this year. Following the opening of the Bunnings Folkestone outlet, there will soon be branches in Broadstairs and Sittingbourne.

### Basildon launch this year

The town of Basildon, Essex, will also be a location of a Bunnings



Warehouse later this year. However it is not known if it will be converted from the Homebase store on London Road in nearby Vange, or launched on a different site.

The big box retailer said the move was inspired by positive

feedback from customers to two new Hertfordshire warehouses.

<https://goo.gl/f6a3S2>

<https://goo.gl/cY9ywJ>

## Somerset Homebase turning into Bunnings



Bunnings United Kingdom & Ireland (BUKI) has confirmed that the current Homebase store in Worle, a large village

in North Somerset, would be replaced by a new store under the Bunnings brand later this year.

All existing staff will

be retained, with up to 20 additional full- and part-time positions being created. A BUKI spokeswoman said:

*We can confirm that the next Bunnings Warehouse pilot store will open in Worle later this*

*year, replacing the existing Homebase on Bristol Road. The new store is approximately 76,000sqft...*

This will be the

first Bunnings store to open in the south west. Existing stores are confined to the south east in locations like Folkestone, Hemel Hempstead, Milton Keynes and St Albans.

<https://goo.gl/cwB-MoA>

## B&Q sales fall in Q2, losses at BUKI



83

British and European consumers appear to be turning their backs on DIY as B&Q reported a slump in sales and Bunnings UK & Ireland (BUKI) posted a loss of more than GBP50 million (AUD81.2 million).

B&Q owner Kingfisher said sales at the home improvement chain were down 8% in the second quarter, or 4.7% on a like-for-like basis.

Meanwhile BUKI reported a GBP54 million (AUD87 million) annual loss in its first full year of ownership of the DIY chain.

Kingfisher said ongoing problems in its French business had continued over the past three months, with sales declining 3.8% to GBP1.2 billion (AUD1.9 billion).

In the UK, Kingfisher said B&Q was affected by a tough comparison with last year, as total sales fell by 7.8% to GBP967 million. The decline was partially offset by the Screwfix business, where sales rose 10.8% thanks to new specialist ranges and its “digital capability”.

The company is

undergoing an GBP800 million overhaul of its business, which it hopes will bring in around GBP500 million more in profit each year by 2021. But Kingfisher warned that the transformation was causing “business disruption”.

Chief executive Veronique Laury said there was a “significant amount of change” planned for the second half of the year. She added that she was “well aware this year would be challenging given the step up in transformation activi-

ty” and that Kingfisher remained “cautious” on the outlook for the second half of the year.

BUKI said that onerous costs related to its purchase of Homebase as well as work to overhaul stores had affected trading, with sales of kitchen and bathroom products particularly affected.

BUKI owner, Wesfarmers said the first four Bunnings pilot stores were opened in the UK and Ireland during the year with a format that was “resonating well with customers”. Outgoing

managing director Richard Goyder added:

*While significant transition, separation and integration activity was undertaken throughout the year to progress the acquisition agenda, the volume and pace of re-positioning Homebase affected store execution and consequently trading performance.*

The company warned that “trading is anticipated to remain challenging, particularly in the short term, as customers continue to adjust to the new offer”.

(Editor’s note: HNN will take a more detailed look at Bunnings and Wesfarmers latest results in the next edition.)

<http://www.telegraph.co.uk/business/2017/08/17/bq-sales-drop-kingfisher-homebase-owner-bunnings-falls-54m-loss/>

## europa update

### Aussie retailer House in UK launch

Australian homewares specialist House has plans to open 75 stores in the UK market in the next three years, according to Retail Week. It aims to open its first stores by April 2018 and will also launch a transactional ecommerce platform.

House has 104 stores in Australia and is owned by Global Retail Brands. It typically carries 4,000 core SKUs including cookware, glassware, small electrical appliances, knives and crockery. The House website sells an additional 8,000 lines, including products in the bathroom, bedroom, décor and pet categories.

House's entry into the UK follows a other Australian retailers already operating in this market including Bunnings, Typo, Kikki.K, Smiggle and Lovisa.

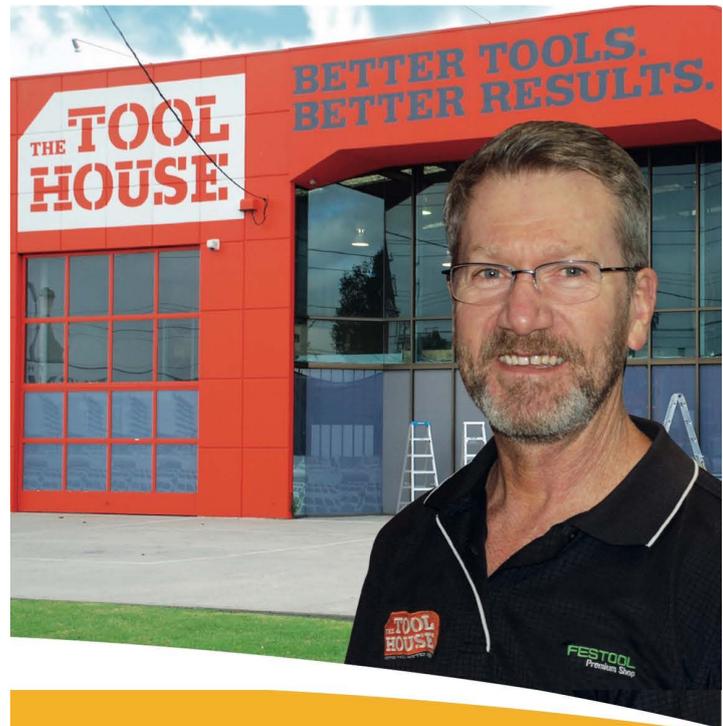
Executive chairman Steven Lew told Retail Week he was "pumped" to be bringing House to the UK after visiting almost 100 potential locations up and down the country over the past 18 months. He said:

*Over the last couple of years we've looked at different markets and different markets internationally, watching the traffic flow, footfall, shopping habits, the internet – and the UK seemed like a very good fit for us.*

*We think 75 stores is a safe number, but it will be opportunity-led. We are not fixed on that number. If we can't get the right stores and we end up with 50, then that's still a good job.*

*Likewise, if we find 90 great stores then we'll have 90. So long as the market is there we will keep opening. We like to under-promise and over-deliver. But we want a sustainable product. We are not about putting a showcase on Oxford Street. We want the first store to be the same as the 75th store.*

<https://goo.gl/tr4J9x>



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#### Chris Bird

Owner

The Tool House

Dandenong South, VIC

RETAIL CASE STUDY  
#36

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A supplier strongly recommended that it would be good for us. We've never been in a group before.

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My big concern was losing direct terms I'd negotiated with some suppliers, but they weren't affected. In fact the deals only improved.

#### That was your concern but what benefits did you see?

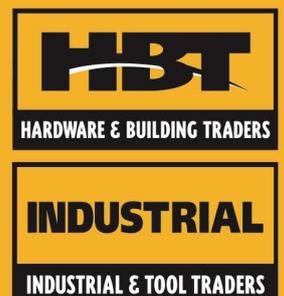
For a business our size, ITT has offered us suppliers and pricing we would not normally have achieved or been able to deal with. Every quarter we get a rebate report and a rebate payment for our efforts.

#### Any other comments?

This group is a win win for everyone.

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## More sponsors sign up for The Block 2017

### in this update:

- Data shows that more renovations incorporate environmentally-friendly features
- Australian Made Campaign working with Master Builders Association to promote locally made building products
- Number of sponsors grow for the latest season of The Block

Nine has confirmed its biggest list of commercial partners to date for The Block including Mitre 10 renewing its sponsorship a tenth time, becoming the series' longest serving partner. Other major partners this year include McCafe, Stayz, Domain, Youfoodz, Centrum and Volkswagen.

National and local sponsors include Carlton & United Breweries, Industry SuperFunds, RACV, HBF Home Insurance, and Revolution Roofing. Lizzie Young, Nine's group content strategy director, told Mumbrella:

*When you've got re-turning sponsors that have been there for so many years, it really just demonstrates that it does as a show, impact their business outcomes.*

*!We know people are obsessed with property in this country, and all of the categories that we've got really play into that, and I think when you've got such a clear message, it really does do a serious amount of grunt work for them.*

This year, The Block's sponsorship by McCafe



will include a digital series on 9Now, while Centrum's partnership will include a digital content series.

Ms Young said the way this year's series is formatted – with five family homes set to be built – has added more elements to the show, thus more content.

*That's the thing about The Block, it constantly reinvents itself, so we've gone from apartment buildings to houses, and there's no greater Australian dream than having your own patch of dirt, with a house on it an it taps into that national obsession.*

*The more elements to a show, the more*

*content you can extract from it. That's absolutely true, and there's always more ways to connect with the audience through digital and social, and we see time and time again, the audience cannot get enough of a room reveal and then checking through all the imagery with each and every room.*

*When you're talking about houses of this scale, there's just going to be so much of that content.*

She also said consistency was another key reason brands were attracted to the program.

*It is that classic multi-night co-viewing*

*must watch television content but it also exists on other platforms but it really does capitalise on the digital and social space and I also think it's a really strong brand that clients can take into their own ecosystem and actually get great value out of it.*

<https://goo.gl/oX8C7a>

## Renovations are turning green



Homeowners are spending close to \$9 billion a year on renovations, and an increasing portion of that money is going into green improvements.

The latest Australian Bureau of Statistics data shows that renovators spent \$8.8 billion last year, up 44% in a decade, as rising property transaction costs prompt more people to stay put.

A separate analysis of thousands of loans by peer to peer lender Ra-

teSetter has found that green borrowers are spending an average \$13,230 on environmentally friendly home improvements, and account for almost one in five home improvement loans.

RateSetter's data shows that among all renovators, 89% see the use of energy efficient and environmentally friendly options as important or somewhat important to their project, selecting options such as energy efficient lighting, alternative

power sources and low toxicity products in their renovation.

About 41% of home improvement borrowers indicated they would make additional green changes to their home over the next 12 months. Batteries and solar panels, energy efficient lighting and solar water heaters were the most popular modifications being considered by homeowners.

The research found that borrowers spent an average \$16,794 on

renovations and the most popular jobs were painting and decorating (35%), outdoor upgrades (20%) and energy efficient upgrades (18%). Kitchens and bathrooms were next, followed by swimming pools. CEO Daniel Foggo said:

*We are finding people are becoming more environmentally conscious...We have seen a large increase in the amount of homeowners borrowing to improve the energy efficiency of their home.*

Mr Foggo said while it may seem extreme to borrow money to cut back on a bill, the cost of electricity is now so high the loan is actually often cheaper.

*In many cases you'll have reduced your cash outflow because your power bill will either be significantly reduced*

*or even eradicated. And what you're paying in loan repayments is less than what your bill was.*

In May 2017, the Clean Energy Finance Corporation it would invest \$20 million to fund green loans" in a partnership with RateSetter, aimed at households and businesses.

RateSetter, established in the UK in 2009, has facilitated nearly 10,000 loans since it was launched in Australia in November 2014.

<https://goo.gl/3sz2x1>

<https://goo.gl/SVxvR3>

## Promoting Australian made building products

A new partnership between the Australian Made Campaign and Master Builders Australia aims to boost exports and the use of locally made products by the building and construction sectors.

The initiative will encourage building and construction firms to source Australian-made goods and assist local businesses in marketing their products and services

to export markets.

Recently released Roy Morgan research found 75% of Australians prefer Australian-made building and construction goods. Australian Made Campaign chief executive, Ian Harrison, said Australian-made often translated to better quality and durability. He said:

*Manufacturers and developers promoting goods as genuinely*

*Australian should leverage country-of-origin branding whenever possible. Research shows the Australian Made logo is recognised by 99% of Australians, and has been found to increase sales in export markets as well, so it should form an important part of any marketing strategy. As a registered certification trademark it defends the authenticity of Australian*

*goods.*

Master Builders Australia chief executive, Denita Wawn, said the organisation was proud to be working with the Australian Made Campaign.

*Formalising the long-standing relationship between Master Builders Australia and the Australian Made Campaign demonstrates our commitment to local industry. This initiative will greatly*

*benefit Australian manufacturers and the broader building and construction industries.*

The Australian Made logo will be central to the branding of Master Builders Australia trade missions and exhibitions to be carried out in 2017/18.

<https://goo.gl/pCy-CMo>

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# NEW PRODUCTS



Milwaukee introduces **Packout** as the first “truly modular” storage system. What the company means by this is that it is the most diverse and innovative modular storage system available.

The Packout system is unique in that it can stack more than one size of storage, and includes modular soft storage bags. This is done with the use of top and bottom cleats that universally fit every Packout storage option. The cleat design is simple to use, yet tough enough to withstand a jobsite environment. The system works by simply placing any Packout box or bag on top of another and sliding it backwards in to locking place. The release mechanism can be found on the face of most boxes and is a one handed release design that is designed to work quickly and smoothly.

<https://goo.gl/pqgw5s>



Makita has released a new cordless cutting solution for wood panels and sheet goods with the 18V X2 (36V) **LXT Lithium-Ion Brushless Cordless 6-1/2” Plunge Circular Saw**, model XPS01.

It’s powered by two 18V lithium-ion batteries so users can get maximum performance with no cords needed. When used with the optional guide rail (sold separately) the XPS01 is engineered for smooth, accurate and splinter-free cuts in plywood and other large wood panels.

The variable speed control dial has a range of 2,500 – 6,300 and allows users to match the speed to the application. For demanding applications, the Automatic Speed Change Technology adjusts cutting speed and torque during the cut.



SumeC has launched a series of high power garden tool series using a brushless DC (BLDC) motor. The design uses **Active-Semi® Power Application Controller (PAC®)** for the BLDC motor control.

The PAC family of devices is optimised for BLDC motors and enables back-EMF and Field Oriented Control (FOC) algorithms that can be implemented with or without Hall sensors. The PAC devices contain a mix of digital control and integrated analogue components that provides an optimal motor control solution. Only the power MOSFETs (metal-oxide semiconductor field-effect transistor) or IGBT’s (Insulated Gate Bipolar Transistor) are external.

<https://goo.gl/NsXSzi>



**Pro-Fit® Modera™ LedgeStone** from Cultured Stone is the first of its kind in Australia. Capturing the beauty of natural stone while being easier, cleaner and faster to install, it is a practical way for architects to achieve unique ledge stone looks inside and out.

Saving installation time and effort, the primary building blocks of Pro-Fit Modera feature groups of small stones bundled together to form modular components of equal height.

Available in three modern colours, including dark grey Carbon, sandy Vellum and chocolate Intaglio, Pro-Fit Modera provides a contemporary neutral palette for homeowners to decorate with.

Cultured Stone is distributed by PGH Bricks & Pavers.

# 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. ABS-CO 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](http://www.abscosheds.com.au)

