



FUTURE TOOL

TTI 2017 RESULTS



Vol. 4 No. 3

RICHARD ABELA RESTORES OLDFIELDS



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contents



Oldfields: A rightful share

Sometimes it's not easy being Aussie, but Oldfields has just about pulled off the trick of moving production mostly offshore while carrying on the best of its traditional values as a leading heritage hardware brand. How? The trick is in undertaking some inspiring R&D work —and having a very inspiring CEO, Richard Abela.

33: [click to view](#)



Future tools

Every year the range of cordless power tools grows larger. There is no retailer in Australia — including Bunnings — that can adequately represent all those tools, and bring them to their customers? What is the solution, and how do we get there?

48: [click to view](#)



Techtronic Industries results

TTI's dynamic CEO, Joe Galli, presents the 2017 results from the innovation leader in cordless power tools. While there is plenty to talk about from work over the past year, Mr Galli promises there are some exciting developments coming in the near future.

58: [click to view](#)



HBT 2018 Conference Preview

While HNN needs at least a few more weeks of followups and analysis to bring you a complete view of the conference, we couldn't resist presenting a preview of what will be coming in the next issue.

9: [click to view](#)

contents - II

Bids for Homebase

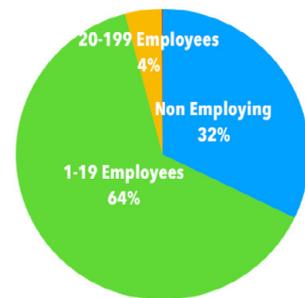
As Wesfarmers continues its examination of its Homebase expansions, part of the process has been to seek offers for acquiring the fleet of stores. Meanwhile, the future of the UK operations continues to look uncertain, as sales slip further, driven in part by inclement UK weather.



15

Entries/exits from retail

ABS has released its latest numbers of entries and exits in hardware retail, which reveal an interesting portrait of the industry.



13



DeWalt has a new line of seven ExoCore sledge hammers and three ExoCore axes, marking the company's first foray into this category. The sledge hammer range is designed to

meet a variety of applications, from metal to drywall to driving a punch or chisel. A Blacksmith sledge hammer with a triangular head is also available.

79

COMMENT

We've only just started to feel the effects of the merger of Mitre 10 and HTH. How will buying groups react to counter this new market force, and what will the long-term consequences turn out to be?

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Home Improvement News is a publication of Net Percent Pty Ltd.

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SLIDING WINDOWS
WP25540

AWNING WINDOWS
WP19120

comment

In this issue we are giving a very brief preview of the 2018 HBT Conference (because we can't resist), but we will be following this up with a full conference issue, which should be out by late May 2018.

While we do have two weeks of follow-ups and analysis before we can say much about the conference, there is one aspect we can comment on almost immediately. The conference was certainly lively and interesting (in fact, it had one of the best speakers we have ever heard, not just at hardware trade shows, but anywhere), there was another, almost unmentioned presence at the show as well, which had a somewhat hidden, but powerful effect.

We cannot point to anything all that specific, but HNN did feel that the new power in the independent market, the combined force of Mitre 10 and the Home Timber and Hardware Group (HTH) in the Metcash-owned Independent Hardware Group (IHG) really, as the saying goes, took the oxygen out of the room in some areas.

A lot of attention has been paid as to whether stores are going to switch into or out of IHG, but what hasn't really received enough attention is how much of an effect the now over \$2 billion in revenue division of Metcash (which itself has a market capitalisation of around \$3.4 billion) is having on the supplier marketplace. And it is necessary to consider what further market effects there will be if that increases to \$2.5 billion over the next three years, which is possible.

It is becoming increasingly difficult to imagine a future for independent hardware retailers where there is not more consolidation in the industry. That could mean the amalgamation of several of the smaller buying groups, but it seems to HNN more likely that what is needed is greater cooperation between those buying groups outside of IHG. This could extend to larger, more comprehensive supply contracts with some key suppliers, but it could also mean cooperation in matters such as hosting conferences and trade shows.

Not that things are in any way "desperate", but this kind of competitive pressure should also get buying groups thinking about more modern and more creative ways of organising how they go about basic business of being a buying group. A good example of this is the system of "rebates" on which they rely, and that seem, in the modern context, to be something of a relic of a mid-20th Century way of doing business.

Rebates are, effectively, a wholesale post-sales incentive aimed at increasing the volume of sales to end-users rather than pure profit margin. They are, in market terms, opaque, in that they suffer from an uncertain conditionality that makes directly allocating risk difficult. Their greatest weakness, however, is their complete lack of any transferability.

A more modern market mechanism is the future. Futures are pre-sales predictive risk contracts that can presuppose set volumes of sales in a totally transferable and transparent manner. In the situation we find with buying groups with low market volumes buying from suppliers with potential high market volumes, futures provide a mechanism for very clear allocation of risk.

In fact, it is possible to see that the reliance on rebates rather than a futures-based system has resulted in the “non-sensical” imbalance which so troubles most buying groups, where it is evident that consolidating sales into particular suppliers of essentially commodity items would improve profitability of retailers, but this is — unaccountably — resisted.

In fact, this resistance really isn't so unaccountable. While retailers say they resist on the basis of long-term relationships with certain suppliers, the reality is that they are reluctant to move from a situation with known risks to one with less-known risks. Using futures as a market mechanism makes the risks easier to know, and can thus facilitate this kind of much-needed market agility.

It is a complex topic, of course, and it is one HNN is currently working on. We hope to present a more fully worked-out futures-based model for buying group/supplier relationships in an upcoming issue of Hardware News after the conference issue (along with an analysis of the the Wesfarmers Strategy Day).

So stay tuned!

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REPORT PREVIEW

Well, it's going to take HNN a number of weeks to fully analyse and followup on everything that happened at HBT's 2018 Conference in Adelaide. But in the meantime, we couldn't resist giving you at least a preview of the coverage.

It was a landmark conference in many ways. Not just because it marked the debut of HBT's new CEO, Greg Benstead, but also because it was the first conference to take place after the effective merging of the Home Timber & Hardware Group into Mitre 10, forming Metcash's Independent Hardware Group (IHG).

Both of those influences meant that this year HBT was very much cautiously looking into its future, and making tentative plans for how it might come to grips with both the external and internal circumstances it faces.

There were some thoughtful speeches given by both Mr Benstead, and Mike LoRicco, the buying group's second-in-charge, celebrating some of the growth in member store numbers over the past couple of years, and looking ahead to ways in which HBT can leverage some of its market advantages. This ranged from more effective consolidation of buying, to the possible introduction of Electronic Data Interchange (EDI).

Some interesting retailers received awards this year, including the H Hardware store in Lakes Entrance (VIC). There was also one of the very best speakers we've heard at any event, as Anna Meares told the tale of how she came back from a severe fall to take on the favourite in sprint cycling at the London Olympics in 2012, local gal Victoria Pendleton, and won gold.

For HNN, of course, the real core of the event is always what happens on the trade show floor during the two days it is open. Perhaps it was just our individual experience but we found many more stories this year of smaller Australian companies that were coming to their first or second HBT trade show, as well as some really heartwarming tales from companies such as Parklands, which celebrates a really significant anniversary this year.

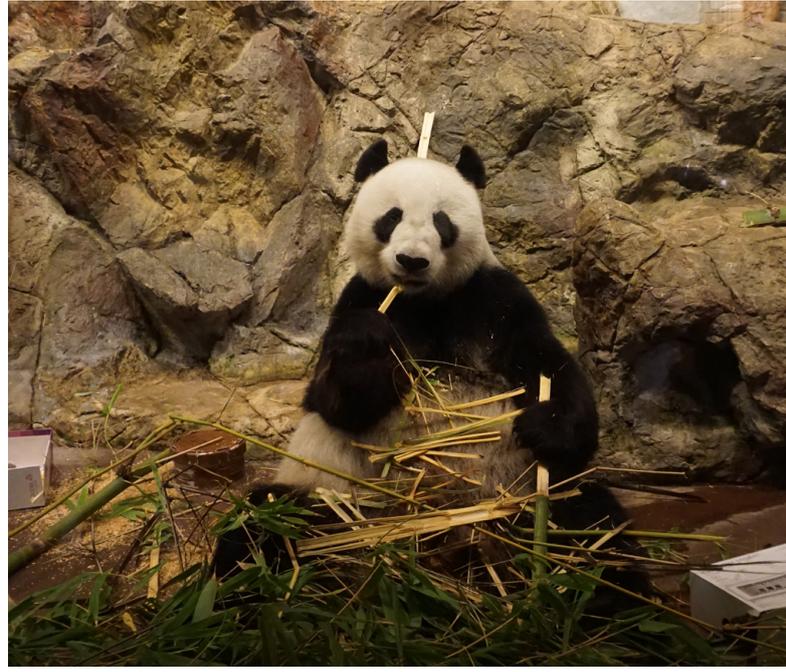
And then, of course, there was the Gala Dinner, where a riotous mob of hardworking hardware retailers get together to pause work for a moment or two, and enjoy the company of their fellow colleagues.

On the following pages, we share a few of our favourite photographs from the event.

Grand Champion Hardware
& Building Supplies
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Soudal Australia

HBT*Soudal Australia wins Grand Champion Supplier**Anna Meares told of Olympic Gold**Parklands celebrates anniversary**The Gala Dinner*





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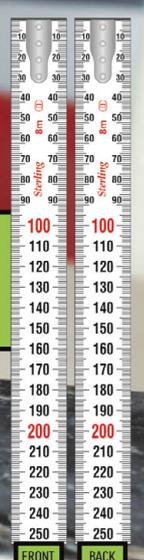
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ABS: Hardware retail entries and exits

in this update:

- The number of hardware retail businesses in Australia for 2016/17 as compared to 2015/16 held mostly steady, declining less than 1%
- Non-employing and employing fewer than 20 employees businesses continue to make up the bulk of the hardware industry
- Somewhat concerningly, over 10% of hardware retailers have revenues under \$50k a year

The ABS has released 8165.0 - Counts of Australian Businesses, including Entries and Exits including the period for July 2016 to June 2017. For the hardware retail industry it reveals a familiar trend. For businesses employing fewer than 20 staff, there were 476 entries recorded during the year, and 512 exits. For businesses with more than 20 employees there were only three entries, and five exits. At the close of the year, there was a total of 5381 hardware retail businesses in Australia, with 5159 of them in the under 20 employees category.

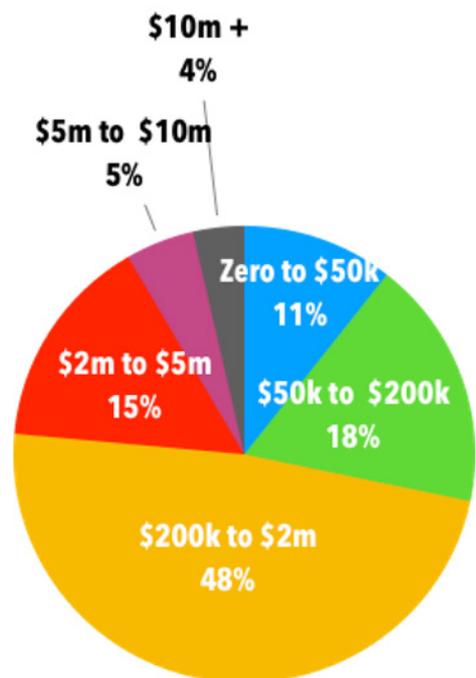
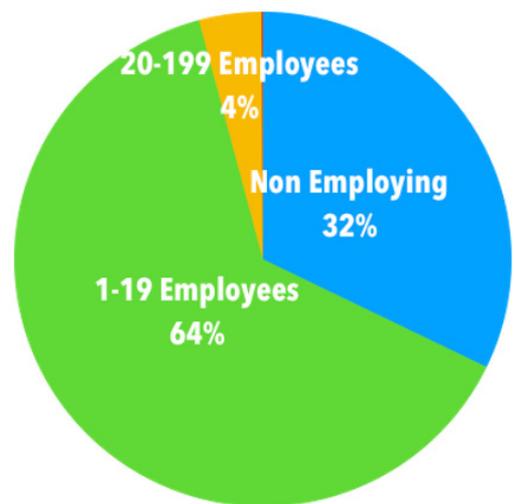
As Chart 1 shows, the second largest category next to the under 20 employee category is for those businesses without any employees — most likely family enterprises. In terms of revenue distribution, as Chart 2 illustrates, almost half of all Australian hardware retailers are in the \$200,000 to \$2,000,000 category of earnings. Perhaps the real surprise of this chart is that fully 11% of hardware retailers in Australia are earning under \$50,000 in revenue a year.

In Australia overall, for 2016-17, all states and territories saw an increase in business counts. In percentage increase terms, the Australian Capital Territory led other regions, with an increase of 4.5%. New South Wales had an increase of 3.6%, and Victoria an increase of 3.6% as well.

The industry with the most business units was construction, with 371,599 units, which represented 16.6% of total businesses.

Transport, postal and warehousing showed the largest increase from 2015-16 to 2016-17, as well as a new business entry rate of over 26%. This was largely driven by the category for taxi and other road transport, which could point to ongoing participation by workers in Uber and other personal transport services.

The industry that saw the steepest decline in business units in percentage terms was mining. Meanwhile, agriculture, forestry and fishing showed the steepest declines in terms of raw numbers.



Top, Chart 1, illustrates the distribution of numbers of hardware retailers in Australia by size of workforce. Bottom, Chart 2, shows the distribution of numbers of hardware retailers in Australia by annual revenues.



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big box update

Bids for Homebase as Q3 sales slide

in this update:

- Plans for Bunnings stores in SA, QLD, NSW and WA
- Store openings in NSW, WA, QLD and ACT
- Bunnings sales up in Australia, down in the UK as Wesfarmers considers options

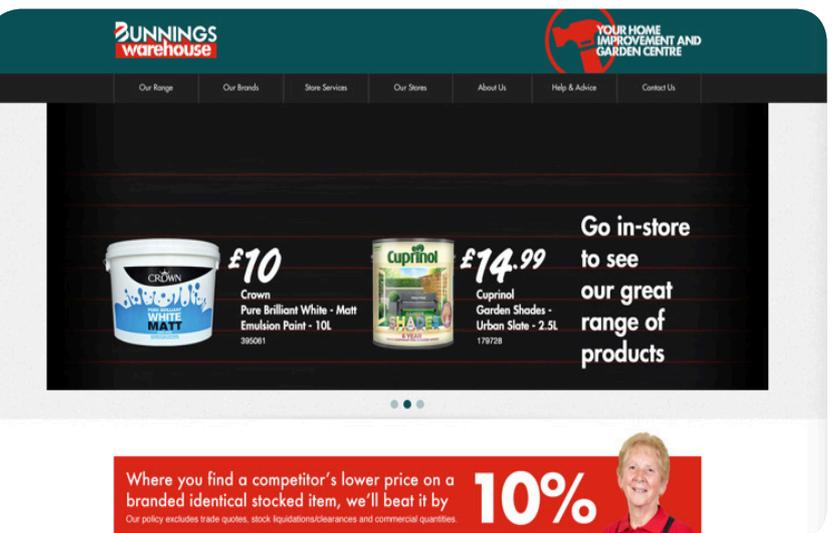
15

Wesfarmers has asked prospective buyers for Homebase, as part of its Bunnings UK and Ireland (BUKI) business, to submit initial offers, according to a report by Sky News.

Sources told Sky News the conglomerate is putting together a large financial package for any new owner to help contend with BUKI's large losses. The value of the package has not been confirmed but there is speculation it could exceed GBP100 million (AUD184.2 million).

Same store sales at BUKI's fell 15.4% in the third quarter – an acceleration from declines in previous quarters of 15.1%, 11.9%, and 4.3%. Total sales – which includes the impact of opening or closing stores – fell 13.5%. Wesfarmers said sales were impacted by storms in the UK in the quarter which cut foot traffic at Homebase stores. Wesfarmers said:

For BUKI, better execution and improved trading results in the early part of the quarter were offset by unusually poor weather in March 2018, resulting in a decline in total



Bunnings' tagline in the United Kingdom has changed following customer feedback

sales of 6.5% (13.5% in local currency terms) for the quarter.

This is in contrast to sales at Bunnings Australia and New Zealand which grew strongly with comparable sales up 7.7% in the quarter, compared to 6% in the same quarter last year, while total sales rose 9.1% compared to 7.4% a year ago.

External consultants

Sky News also revealed that Alvarez & Marsal, a restructuring specialist, has been called in to advise Wesfarmers on alternatives to a sale, including a Company Voluntary Arrangement, a mechanism that would

see it closing many Homebase outlets. This would help Wesfarmers cut its financial liabilities.

Investment bankers at Lazard are handling the sale discussions, and its involvement in the review of options for Homebase is notable because of its role in Wesfarmers' purchase of the chain in 2016.

Archie Norman, chairman at British multinational retailer Marks & Spencer, also chairs Lazard's London operation. He has held separate roles with various Wesfarmers operations for years.

Boston Consulting Group have also been tasked to advise the management team at

BUKI led by managing director Damian McGloughlin.

Private equity firms, including Hilco, Endless and Lion Capital, as well as bargain retailer B&M, are also considering a bid for the business. It is unclear at this stage whether any bid would be for the entirety of the business, part of it, or in B&M's case, a chunk of Homebase's store estate.

Switching things up

Recently, BUKI completed a change of its tagline from "Lowest prices are just the beginning" to "Your

continues next page

Bunnings store network continues to grow

Western Australia had three new Bunnings store openings while customers were welcomed to individual stores that opened for business in NSW and QLD. The Canberra Airport store is expected to open in late May. The big box retailer is also negotiating with Brisbane City Council about a housing estate in Keperra (QLD) which it believes will have “adverse impacts” on its newly opened warehouse store.



Bunnings' new store in Keperra in Queensland has just opened, and backs onto a residential housing estate

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Gregory Hills

Legendary racing driver Dick Johnson helped to officially Bunnings' new store in Gregory Hills (NSW) at the site of the former Masters outlet. The \$41 million warehouse store spans over 13,000sqm. Complex manager Ben MacDonald said the Bunnings team had been active in the community prior to the opening.

<https://goo.gl/UHYTeI>

Keperra

Bunnings' new \$40 million store in Keperra (QLD) has opened recently. The 17,000sqm warehouse is one of the retailer's larger outlets, and is almost 30% bigger than its 13,000sqm store in Stafford.

Bunnings has also agreed to meet with Brisbane City Council ahead of a court hearing to resolve the big box retailer's appeal

against the Brookfield Residential Properties (BRP) housing estate development which has been approved by the council.

According to the Sunshine Coast Daily, Bunnings lodged an appeal in December, claiming BRP's development would cause “unacceptable adverse impacts” from stormwater entering adjoining lots, and the possible impacts from its business on homes

in the development. It also cited conflicts with the rural and extractive industry zones, and said impacts on “local amenity and values” had not been adequately considered and addressed.

The Keperra store backs onto the BRP site. Bunnings general manager – property Andrew Marks told the North-West News:

We do not believe that Brookfield Residential Properties has prop-

erly identified how the proposed residential development will interact with the operation of our newly opened Keperra Warehouse in a compatible way.

There are a number of issues such as lighting and noise impacts that do not appear to have been considered in their submission to Council.

BRP's \$313 million plan for the Keperra

continues next page

Bids for Homebase (cont.)

home improvement and garden centre”. It has updated all exterior signs to educate UK shoppers about Bunnings' offering.

The retail group said the change is based on customer feedback and

that it will still offer low prices, but it wants to show customers what it actually sells through its marketing.

The new management team has also set about rejigging its product range to

appeal to British shoppers. Mr McGloughlin told Horticulture Week:

Customer feedback is really important to us and as we continue to establish the Bunnings brand in the

UK and Ireland, we are updating our tagline and building signage to showcase our great range of home improvement and garden products. We remain committed to delivering the widest range, best

service and our policy of lowest prices, backed by our Price Promise Guarantee.

<https://goo.gl/W44Kjq>

<https://goo.gl/28dYrh>

<https://goo.gl/61Qm-bV>

big box update

Bunnings network (cont.)

quarry site includes 700 homes and a 3000sqm shopping centre.

<https://goo.gl/DXxQdF>

<https://goo.gl/ckwcyU>

Canberra Airport

Bunnings \$42 million store at Canberra Airport is expected to open its doors at the end of May. Mr Marks said the Fyshwick store would remain open and continue to trade as normal.

There are currently four Bunnings stores in the ACT: Fyshwick, Gungahlin, Belconnen and Tuggeranong. The Canberra Airport will be the fifth store.

<https://goo.gl/NZSVP3>

Wangara

West Coast Eagles footballer Josh Kennedy visited Landsdale (WA) to help open the Bunnings Wangara store. He joined the company's marketing and merchandising director Clive Duncan, operations general manager Debbie Poole, complex manager Marty Hornbuckle and staff at the store's official opening recently.

The warehouse covers over 13,000sqm and includes an indoor timber trade sales area with a four-lane drive-through, flooring display, DIY workshop space, five kitchen displays, four bathroom displays, playground and cafe.

<https://goo.gl/T5PROD>

Bayswater

Another West Coast Eagles player Nic Naitanui was guest of honour at the official opening of the new 14,000sqm Bunnings Warehouse in Bayswater (WA) recently. Complex manager Patrick Kelly said his team looked forward to continuing to help community groups in the future.

<https://goo.gl/HO8mZg>

Mandurah

The new \$38 million Bunnings Warehouse Mandurah is located at 21 Kirkpatrick Drive, Greenfields (WA). Complex manager Von Soriano told Community News:

Team members have provided assistance in local community projects such as donating equipment to help reduce safety hazards at the Mandurah Surf Life Saving Club, renovating the outdoor living area for volunteers at the Mandurah Volunteer Fire and Rescue and creating a play area for students from the Peel Development School.

<https://goo.gl/1BiWew>



Chris Bird

Owner

The Tool House

Dandenong South, VIC

RETAIL
CASE STUDY
#36

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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.

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Plans for more Bunnings stores underway



18

Additions to the Bunnings Balcatta store in WA are being considered

Bunnings' latest stores are located in South Australia, New South Wales, Queensland and Western Australia. The recent fire that destroyed the Bunnings store in Inglewood (WA) has amplified concerns about fire risk for proposed additions to the hardware chain's Balcatta store.

Edwardstown

A former Bridgestone factory in Edwardstown (SA) will be converted into a \$45 million Bunnings Warehouse. Building has started and the new Bunnings is expected to open in the first half of next year.

Bunnings general manager – property, Andrew Marks told

Adelaide Now the company was still deciding what to do with the former TAFE site just 2km from Edwardstown on Goodwood Road, Panorama, where it had previously planned to build a store.

Mitcham Council's planning panel rejected that project, following backlash from some residents. The Marion store located within the Westfield complex would remain open, Mr Marks said.

Southern Business Connections chairman Greg Garrihy said the Bunnings development will help strengthen Edwardstown's position as an employment hub and help offset manufacturing job losses.

<https://goo.gl/cxAEs6>

Port Macquarie

Bunnings hopes to commence construction on its proposed store in Port Macquarie (NSW) soon and anticipates it will be completed in 2019.

The Northern Joint Regional Planning Panel approved an application to modify a bulky goods premises and hardware and building supplies development at 18 John Oxley Drive.

Bunnings is awaiting official documentation from the planning panel which confirms its decision for a Bunnings Warehouse in Port Macquarie.

Mr Marks told Port Macquarie News that once confirmed, the Bunnings Warehouse Port Macquarie development would repre-

sent an investment of more than \$43 million for the land, construction, fit-out and stock.

The new Bunnings store will replace the outlet on nearby Lake Road.

The modified application includes re-positioning of each building, floor area changes and minor modifications to the car park.

<https://goo.gl/79AT4t>

Kembla Grange

A Bunnings store is proposed for Northcliffe Drive in Kembla Grange (NSW), which will be considered by the regional planning panel. It is set take up almost a third of a 40,000sqm site, with parking for 415 cars included in the

plans. The proposal includes a large roundabout at the intersection of Northcliffe Drive and the Princes Highway, which will eventually form a major access point into residential areas of West Dapto

<https://goo.gl/sL8zGg>

Warwick

Signs of construction on the Bunnings Warehouse in Warwick (QLD) can be seen the first bricks being laid. The Warwick Daily News reports that a brick wall about four metres high has been built on the Canning Street site, which spans about 7000sqm. Real estate agent Helen Harm said she did everything she could with the funds available to stop the development. Concern about the potential damage caused by flooding is still on Mrs Harm's mind. She said:

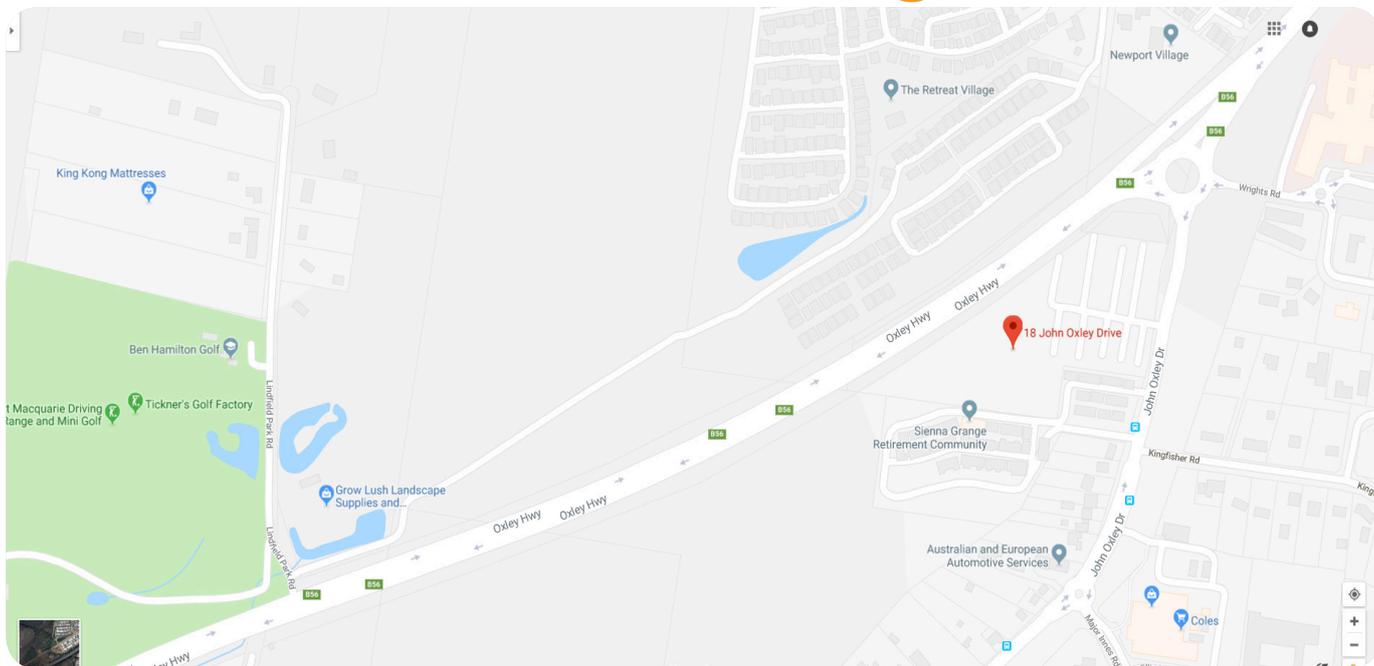
You can't put a two-acre island in the middle of the flood stream and expect nothing to happen, it's unrealistic.

Mr Marks said a design was developed based on a flood report.

As part of the development application for the new Bunnings Warehouse Warwick, a flood report by a qualified engineer confirmed the design

continues next page

Plans for more Bunnings (cont.)



The proposed Bunnings store in Port Macquarie (NSW) is expected to be completed in 2019

requirements for the project. These will be adhered to.

The store is expected to open in late 2018.

<https://goo.gl/JncY3R>

Inglewood

Bunnings is likely to return to Inglewood (WA) following a fire that burnt the Beaufort Street store burnt to the ground in late February. Arson Squad has determined the blaze was not deliberately lit.

Bunnings chief operating officer Debbie Poole confirmed the company was “continuing to work with the landowner to rebuild the Bunnings Inglewood store”, according to Community News.

The fire to its Inglewood store has also raised questions about

additions to the Bunnings Balcatta outlet. The big box retailer has sought approval from the Metro North-West Development Assessment Panel for various changes including extending its timber trade sales area and enclosing the building materials and landscape yard.

A report by the City of Stirling recommended approving plans for changes to the garden centre, hardware showroom, parking, landscaping and signage but refusing the timber trade and building materials yard additions because of bushfire risk.

The report said the site was in a bushfire prone area and the bushfire management plan and bushfire emergency evacuation

plan submitted by the applicant “failed to adequately convey an alternative solution to demonstrate compliance” and had many inconsistencies.

It said there was not sufficient justification for the location of the structures so approving the extension would represent a “high to extreme risk”.

Burgess Design Group associate director Mark Szabo presented on behalf of Bunnings and said the changes would increase safety because the open timber sales area would become enclosed and described the fire risk area as “small bush” in a road reserve.

Bushfire behaviour analyst Mike Scott, of Bushfire Prone Planning, also spoke on

behalf of Bunnings and told the panel there were “minimal” fatalities from building fires in the past 100 years and the non-combustible materials used in the proposed structure would reduce the risk of a building fire.

<https://goo.gl/9VT3e9>

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

Newstead

Construction is about to begin on Bunnings’ four level store on Breakfast Creek Road in Newstead (QLD), The Courier-Mail reports.

With a total floor area of more than 17,000sqm over the four levels, the Newstead store will be more than double the size of a typical Bunnings, which generally come in at about 8000sqm.

The mixed-use site, located about 4km from the CBD, will consist of a basement carpark, the main warehouse, outdoor nursery, bagged goods area, cafe and timber trade sales area, and will also feature six street-level tenancies for retail or office space, totalling just under 1600sqm.

Bunnings purchased the original site in 2011 and the initial development application (DA) was rejected in the same year. A revised DA for the new-look store was submitted in 2014 and approved last year.

<https://goo.gl/dsXC2o>



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indie update

“Local bloke” cut from CRT branding

in this update:

- Heathcote Rural Merchandise have been in business for 25 years
- Yolla Co-op is the “most progressive” store for AIRR
- CRT’s tagline featuring “bloke” is being dropped gradually



Ruralco-owned CRT (Combined Rural Traders) branches across Australia will have the “Your Local Bloke” slogan removed. CRT general manager, Greg O’Neil, announced the decision at the group’s annual conference recently.

It has already disappeared from corporate advertising and the slogan will now gradually be removed from uniforms and store advertising at 500 locations around Australia as the branding is updated, he said.

Mr O’Neil told conference delegates the word “bloke” was a problem when women were increasingly taking professional roles in agriculture. He said:

It was felt that the word ‘bloke’ was limiting in today’s environment.

Ruralco managing director, Travis Dillon,

believes the familiar “Your Local Bloke” message “has had its time”. He said:

Your Local Bloke is not a branding you would choose today if you were starting from scratch.

Mr Dillon also said the Ruralco marketing team decided it was time for a refresh and that the slogan change was not motivated by political correctness. He told The Wellington Times:

It’s just unfortunate our timing has come around that of which political correctness is in the headlines. It is a discussion that has been going on within the company for years in order to make it more relevant to our customers and CRT members.

The Local Bloke, while it has been part of the business since 1988, it’s just not as relevant as

it was before ... it’s just not contemporary or fits with the profile or our business.

Mr Dillon said it is unlikely the company will create a new slogan for CRT, instead a number of brands around rural Australia will be upgraded and refreshed in what will be rolled out as a staged approach.

Not everyone will have to change overnight, it is a gradual upgrade over the years. In terms of stores, they’ll be given a time frame to change it so we don’t expect it will be a massive impact to our branches.

However he admitted the news hasn’t been well-received by all members of the group, some who have been a part of it prior to the slogan even being introduced. Mr Dillon said:

I think everyone

understands we need to have a more contemporary logo and that ‘Your Local Bloke’ doesn’t necessarily represent our customer base anymore, so generally it’s all been pretty supportive.

During the past year it acquired “a portfolio of high quality businesses”, including five CRT member sites in WA, NSW and Tasmania, with help from a \$65 million capital raising a year ago. Mr Dillon said:

We’ve looked to grow our base by attracting existing member businesses to come over to Ruralco, and we’ve also acquired businesses not previously part of the network.

<https://goo.gl/JG6TXD>

<https://goo.gl/P58Znb>

Rural retailers celebrate 25 years in business

Cheryl and Dave Thomas, owners of Heathcote Rural Merchandise in regional Victoria, have reached the quarter century milestone of operating the business.

In March 1993, they moved from Dandenong to take it over. Cheryl told The McIvor Times that after 25 years, she is unsure if the time has gone fast or slow but sometimes it can be both. She said:

It seems like a very long time when you look back on it, but then again time flies when you're having fun and we sure have had fun.

When the couple took

over, the newspaper ran an article in which Dave said they were "looking forward to getting to know the people here". Cheryl said he anticipated correctly that it is what they've enjoyed most about the job.

The most rewarding and enjoyable part for us has been the people – the people you meet every day and what we have learnt from them and are still learning.

The relationships you make out of a job like this mean a lot to Dave and I, some of them will last a long time.

Cheryl was hopeful the milestone wasn't going to attract atten-



tion. She said:

We were hoping it was going to just drift by!

While Cheryl and Dave have enjoyed their time at Heathcote Rural Merchandise,

Cheryl mentioned it hasn't always been smooth sailing.

There have definitely been tough times, it obviously depends on the season, but the whole way through we have

tried to stick to the positives and think about the good times because there have been plenty of them.

<https://goo.gl/tSQyVV>

AIRR chooses its most progressive store

Yolla Co-op in Tasmania has won the award for Most Progressive Store for the second year running, at the Australian Independent Rural Retailers (AIRR) conference. General manager Peter Moore told The Advocate:

This award for the best marketed store is voted on by suppliers around Australia. It's a great honour.

Mr Moore credits Yolla Co-op's success to the relationships staff and management build with suppliers. He said:

We run the largest

in-store open day each year, where 60 national suppliers attend.

Yolla Co-op runs supplier information sessions and regularly sends staff to mainland Australia or New Zealand for training. Mr Moore explains:

We are heavily into forming good relationships with suppliers.

It's that commitment to work with suppliers in partnership and understand their objectives.

This is recognition of what we do in the field and store and is a good indication of what we put into the store.

AIRR group sales general manager Peter Lourey said the award was based on driving sales, promotional support, in-store merchandise, service and use of technology, and Yolla Co-op won "fairly resoundingly".

Suppliers spend a lot of money to get in front of the end user and

Yolla harnesses that exceptionally well. They really see the worth in partnering with suppliers to bring value to their customers.

They're leading the way Australia wide.

AIRR said it has 400 members in the group.

<https://goo.gl/xcBic9>



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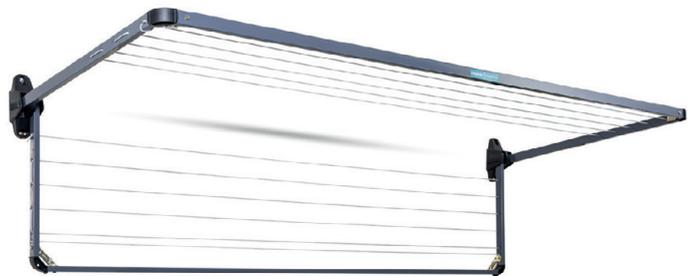
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supplier update

Fletcher takeover target for Wesfarmers?

in this update:

- Briggs & Stratton will display its Resilient range at the Hire & Rental show
- Jeld-Wen makes another Australian acquisition
- Philips Lighting changes its name but not for its products
- Brickworks could be looking to off-shore production
- USG rejects Knauf's bid
- DuluxGroup invests in AI
- Wesfarmers could be eyeing Fletcher Building
- QEP buys an Australian flooring company



Fletcher is expected to make a loss on Auckland's International Convention Centre

There is growing speculation that New Zealand's Fletcher Building has become a potential acquisition target for Wesfarmers. Sources close to the company have told Fairfax Media that Wesfarmers has bought a stake of about 3 to 4% in the construction and industrial materials company.

Wesfarmers is expect-

ed to chase acquisitions in its industrials division after completing the demerger of Coles. The Coles business accounts for 60% of the capital employed across the Wesfarmers portfolio so the spin-off should free up funds to invest in existing and new businesses.

The revelation of Wesfarmers' stake in Fletcher comes as the

market anticipates where it will look to expand under managing director Rob Scott. When Mr Scott announced that he would spin off Coles into a separate company sitting in the ASX top-30, he said the supermarket chain was not growing fast enough to generate the kind of returns shareholders expected.

He said carving it out

would allow the company to drive growth at its remaining businesses and look for new acquisitions that promised the kind of growth Coles delivered during its decade-long turnaround under Wesfarmers' ownership.

The potential attractions of Fletcher as a turnaround investment would potentially fit well with Wesfarmers' stated strategy. The Auckland-based company has been in crisis in recent months after cost blowouts at a string of construction projects led to heavy losses and it breaching debt covenants with its lenders.

Fletcher's troubled projects include the building of Auckland's International Convention Centre for listed casino company SkyCity, which Fletcher estimates will lose it \$410 million on instead of an intended \$400 million to \$500 million profit. The project is due to be completed about six months behind schedule in mid-2019, and SkyCity has indicated it will take legal action to recoup

continues next page

DuluxGroup makes more use of digital

Paints, garden care and home improvement manufacturer, DuluxGroup, is increasing its investment into machine learning and algorithmic-based virtual assistance technology by signing an expanded partnership with Complexica.

Nine months after announcing its initial investment into the Complexica Customer Opportunity Profiler (COP) system for its trade paints, texture coatings and protective coatings business, the company will now extend usage to its group digital capability team.

Specifically, the plan is to integrate COP, which is based on Complexica's AI-powered digital analyst and sales assistance tool, Larry, with the Adobe Campaign Plat-

form to drive more personalised campaigns for its brands, Dulux, Yates, Selleys and Cabot's. DuluxGroup group head of CRM, James Jones, said:

Complexica's software will enable DuluxGroup to reduce the amount of time required to generate usable insights, increase our campaign automation capability, personalise our communications based on core metrics, and close the loop on sales results to optimise on-going digital marketing capability.

DuluxGroup started rolling out the Adobe Marketing Cloud more than two years ago as the centrepiece of its marketing technology stack to support its digital offering to customers across both B2B and B2C brands.

Complexica director of customer engagement, Mike Costa, said DuluxGroup is a significant customer and said his team was looking forward to expanding the relationship across the digital space.

Our next-generation Customer Opportunity Profiler will provide DuluxGroup with the seamless ability to generate personalised campaigns using the advanced machine learning and knowledge discovery algorithms within Larry, the Digital Analyst.

Initially, the original project (COP) was designed to help automate questions for DuluxGroup's sales team around which customers to visit and prioritise and what



Matthew Michalewicz, CEO of Complexica

to discuss with each customer.

Complexica managing director, Matt Michalewicz, said the new deployment is for Dulux's digital team, which has a goal of driving personalisation into their digital communications by better understanding what is the next-best conversation to have with each individual customer.

From there, it's then about deciding wheth-

er that personalised conversation/message should be delivered via a sales rep or via a digital channel.

Complexica pitches Larry as a form of Siri for business, using a combination of algorithms on big data sets to help with data-driven decision making.

<https://goo.gl/HJx6xN>

Fletcher Building takeover target? (cont.)

losses from Fletcher because of the delays.

Fletcher's building and construction division lost \$619 million in the first half of 2018, and the company ran at a loss of \$332 million, down from a \$310 million underlying profit in the same half a year earlier.

Fletcher's business includes making building products, including under the brands

Winstone Wallboards, Altus aluminium, and the road barrier supplier Australian Construction Products. It also has a number of retail brands selling trade and plumbing supplies including Tradelink, PlaceMakers and Calder Stewart Roofing, which could complement Wesfarmers' Bunnings chain.

Fletcher is dual-listed on the Australian and

New Zealand stock exchanges and is one of the largest listed companies in New Zealand. It has assets on both sides of the Tasman and a market value of NZD4.1 billion (AUD3.9 billion). However Fletcher's share price has fallen 45% since January 2017 and it is considering selling assets as part of a business-wide review.

It is likely Wesfarm-

ers would buy stock on an anonymous basis through a nominee entity and would only have to declare its holding once its stake reached 5%.

Sydney-based fund manager Ellerston Capital recently took on a 5% stake on behalf of a secret investor in Fletcher Building. Ellerston said its stake of Fletcher shares, worth about

\$214 million at their current price, were "owned by third party account under the discretionary investment management of Ellerston Capital".

<https://goo.gl/ke3jwE>
<https://goo.gl/4sYRsX>

Knauf's offer to buy USG is rejected



information and that the company would require significant capital investment to remain competitive. It has called its bid, which infers a 30% premium to USG's 12-month average closing share price, attractive.

Knauf also said it had not decided whether to take up Berkshire's proposal is unusual, structured as a six-month option contingent on Knauf buying the rest of USG. Knauf would pay a USD2 per share upfront fee, or USD86.8 million, which Berkshire would keep if the six months expired without an acquisition. The option's exercise price would equal Knauf's eventual bid for USG, less USD2 per share.

USG have rejected a USD5.9 billion bid by Knauf, arguing it undervalued the company. That was despite Warren Buffett's Berkshire Hathaway, which is USG's largest

shareholder, offering to sell its 31% stake at that price, if Knauf clinches a deal for the entirety of USG. Knauf said in a statement that voting against USG's four board nominees would send a message that the company must engage in deal negotiations. USG has a staggered board, meaning only four of its 10 directors face a shareholder vote this year. It also has a "poison pill" defence available, preventing Knauf from launching a hostile bid.

USG said its financial and legal advisors met with Knauf's advisors in one of several meetings between company representatives. It added that Knauf's campaign against its board was a tactic to push through what it called a "wholly inadequate, opportunistic" USD42 per share cash bid.

In the meeting, Knauf's advisors suggested that USG consider providing at least limited additional

information under a non-disclosure agreement, Knauf said in a regulatory filing. USG's advisors responded that the company would not do so, according to Knauf. USG chief executive Jennifer Scanlon said in a statement:

Knauf knows this industry well and understands that USG, with our Sheetrock brand, is the crown jewel within North American building products, and to date has not indicated any willingness to pay full value to all of our shareholders.

Knauf has so far resisted raising its bid further. It has argued that USG's share price has "dramatically and consistently" underperformed the market,

<https://goo.gl/5eag8Q>

German building materials supplier, Knauf is seeking to take over the Chicago-based gypsum manufacturer USG Corp. It recently called on USG shareholders to pressure it to engage in deal talks by withholding their support for its board nominees.

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QEP expands Australian operations

Manufacturer and marketer, QEP has acquired the assets of PR Floors, a wholesale flooring distribution company established in Queensland in 1961. It provides a wide range of branded flooring products, tools, underlays, marine sealants and accesso-

ries. Chairman, Lewis Gould, said:

We are extremely pleased to welcome customers and associates of PR Floors to the QEP family. The addition of six locations throughout Queensland to our fifteen existing Australian Flooring Supplies

(AFS) stores throughout Victoria and New South Wales creates the largest distributor of its kind with an unmatched ability to meet the needs of the professional flooring installer throughout Australia. The acquisition will add efficiency, purchasing power,

operational strength and geographic reach to our AFS operation.

QEP Australia managing director, Bruce Maclaren, said:

We have enjoyed a relationship with PR Floors and its founders as long-time QEP customers. Through this addition, we are

excited to have the opportunity to expand the range of products and services available to PR Floors and AFS customers.

Terms of the transaction are confidential.

<https://goo.gl/GkhZnd>

Brickworks' offshore option

Building products group Brickworks has begun looking into shifting some production offshore as it prepares to face higher energy prices. The company has warned that the surge in gas prices will add \$20 million to its costs over the next few years that it will not be able to absorb.

Brickworks has posted a net profit of \$97 million on revenue of \$396.2 million for the half-year period ending March 31 2018. The profit and revenue were down 6.7% and up 7% on the prior corresponding period (pcp).

The company has warned that activity in the building industry

was being hampered by "trade shortages and a lack of titled land". Managing director, Lindsay Partridge, told Fairfax Media:

We're looking at alternative markets such as New Zealand and Malaysia. Malaysia already has a well-developed brick sector.

Brickworks already sources some of its bricks from Spain, where the deep economic downturn has helped to make some of this product competitive. Mr Partridge said:

Brick prices from Spain are very cheap, and back-freight prices are also cheap.

The company was also facing the prospect of a lack of gas



supply from 2025, on present indications, he said. Brickworks has contracted gas supplies until the beginning of 2020 but with supplies for 2019 priced at "76% above where we are today", Mr Partridge said. Similarly, the company was facing steep rises in the price of electricity.

"On the forward price curve we are facing up to an 80% increase", he said of the outlook for the price of electricity.

Mr Partridge's warnings came as the company said it was enjoying a "full order book" across the east coast of Australia, where builders have a long pipeline of work,

with little change expected through to the middle of the year at least.

Given the size of these projects, they will take some years to complete, with the prospect of continued buoyant activity for a few years yet, he said.

<https://goo.gl/qgK-PNg>

Corporate name change for Philips Lighting

Philips Lighting is changing its name to Signify, shareholder approval pending.

The Dutch company said the new moniker originates from the fact "that light becomes an intelligent language, which connects and conveys meaning". The company, however, will continue to use the Philips brand on its products.

The Philips Lighting stock exchange ticker will remain LIGHT.

The name change could also reflect

the move by lighting vendors such as Philips to outfit LED lights, luminaires, and the lighting infrastructure with chips and sensors connected to the Internet. Vendors hope to turn lights into valuable information nodes, and to turn the lighting infrastructure into vital information networks linked into cloud computing systems.

This Internet of Things (IoT) strategy would then position lighting vendors as

gatherers and providers of data that will help run all types of operations.

LEDs magazine also speculates there may be another reason for the rebranding. The company's ownership split from former parent Royal Philips contractually

required an eventual change. Royal Philips spun off Philips Lighting in an IPO in May 2016, at first retaining



a large share which it has been steadily reducing. Royal Philips, which today focuses on healthcare, owned 18%

of Philips Lighting as of late February 2018.

<https://goo.gl/tQH2fq>
<https://goo.gl/AaAX9W>

Jeld-Wen grows footprint in Australia



Window and door maker, Jeld-Wen has completed the acquisition of A&L, an Australian manufacturer of residential aluminium windows and patio doors. Founded in 1980, A&L has a strong reputation of supporting homebuilders and contractors. It has a network of manufacturing facilities and showrooms across the

eastern seaboard.

Jeld-Wen has acquired five other Australian-based companies since 2015. John Linker, senior vice president, corporate development and investor relations, said:

A&L's excellent position in the first-time home buyer market expands the reach of our current product range and customer

base. The addition of A&L's brand name expands our portfolio of leading Australian brands and supports our strategy to build leadership positions in attractive markets. We expect to deliver synergies through operational savings from the implementation of JEM [Jeld-Wen Excellence Model] and by leveraging the benefits

of our combined supply chain...

A&L was privately held by its founders. Terms of the deal were not disclosed. Jeld-Wen expects the acquisition to add approximately AUD130 million in annual revenue.

In another recent development, Jeld-Wen president and CEO Mark Beck unexpectedly departed the company. According to a statement, Mr Beck and the board of directors decided to part ways "by mutual agreement". Kirk S. Hachigian, who chairs the company's board and preceded Mr Beck as president and CEO, will take over as CEO while a search for a new leader continues.

News of Mr Beck's departure comes soon

after Jeld-Wen reported that revenues for the fourth quarter of 2017 grew just 0.3% to USD976 million.

Mr Beck, who joined Jeld-Wen in November 2015, oversaw the company's decision to go public. The company launched its initial public offering (IPO) in January 2017 on the New York Stock Exchange.

According to filings with the Securities and Exchange Commission, Jeld-Wen is No. 1 in net revenue for residential doors in the United States, Australia, Germany, Switzerland and Scandinavia. In Australia, it owns the Corinthian, Stegbar and Trend brands.

<https://goo.gl/q3Mzco>

Briggs & Stratton to showcase Resilient

Briggs & Stratton will highlight its Resilient products at the Hire and Rental Industry Association's 50th anniversary convention, HIRE18.

The Vanguard 200 is a single cylinder, horizontal shaft commercial engine. It includes an advanced version of TransportGuard, Vanguard's exclusive single ignition and fuel shutoff designed to prevent oil dilution during transport.

Briggs & Stratton's Elite Petrol Generator is designed to provide users with a safe and reliable solution to get power in remote outdoor locations. The heavy-duty frame protects the generator and stands up to transport while the fuel-efficient overhead valve engine starts easily and runs smoothly to maintain power requirements.

The Ferris IS2100Z with Oil Guard is a first-of-its-kind solu-

tion for the commercial turf market. Ferris mowers with the Oil Guard System offer an increased oil capacity of 4.7 litres, allowing cooler running, longer engine life and extended service intervals.

Billy Goat's AE1300H Hydro Aerator improves hole quantity and quality due to patent pending variable aeration density (VAD™), which creates 2-10 times more holes than drum models in



one pass. The intuitive hydro-drive controls allow users to feather the speed and aerate in both forward and reverse with fingertip control.

The Briggs & Stratton portfolio also includes

the Victa brand. HIRE18 will take place at The Brisbane Convention & Exhibition Centre (BCEC) on May 30-31 2018.

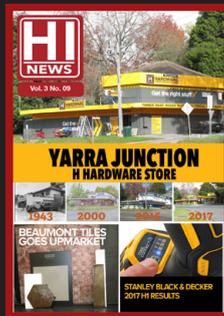
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retail update

Global expansion plans for Beaumont Tiles

in this update:

- House launches in the UK
- Beaumont Tiles sees opportunities both in Australia and overseas

Australia's largest tile retailer, Beaumont Tiles – Bunnings is the second biggest player in tile retailing – plans to grow its footprint in the country from 115 stores to 180 outlets and take its brand overseas. Most of the 65 new Australian stores will be franchised businesses, according to CEO and executive chairman Bob Beaumont.

Mr Beaumont also believes home owners are spending an average of \$20,000 on a full bathroom renovation which is helping to drive its robust growth. The company is importing 100 shipping containers full of tiles each week to keep up with demand, according to a report in Fairfax Media.

Beaumont Tiles generates about 50% of its business from the renovations market and the other half from new home and apartment construction.

However Mr Beaumont believes there has been slight cooling in the market and the company isn't likely to repeat the exceptional 12% growth in sales to \$275 million that occurred in 2016-17. It was likely that rate of



CEO and executive chairman Bob Beaumont (centre)

growth was the high watermark in this housing cycle.

Mr Beaumont expects it to remain solid even if interest rates increase this year though a tapering is occurring in NSW. He said:

Melbourne is still going gangbusters. We are seeing a slight tapering off in Sydney. Things are certainly coming off the boil a bit.

Despite an expected slowdown, Mr Beaumont told Inside Franchise Business, "there is plenty of opportunity within Australia, and opportunity for sales within each store to grow as well". Staff development is the key to strong sales growth, he added.

We already have very good marketing. I think we can develop

our people to be stronger and better than they already are.

This year the retailer is launching an IT system that is a base for future business. Mr Beaumont said:

We plan to grow substantially over the next four to five years and then we can use this as a launch pad to extend the brand overseas.

There are currently no specific countries targeted for expansion, but the team working on exporting the brand have pinpointed countries such as Malaysia and India as well as North America (ie. Canada) as potential regions. He said:

We believe by bringing together the disparate parts of the business, particularly the IT this year, we can

build on this package, transfer and adapt it. We will have to be flexible but strong enough to withstand any environment.

Mr Beaumont identifies the challenges ahead to be developing a system that takes a client through the sales process to delivery and payment, integrating all aspects. He said:

We also need to be able to plug in marketing, web, IT based training and payroll – any system in a different country. The big one is logistics but we're set up already with worldwide sourcing so its not such a big step there.

<https://goo.gl/WucuHd>

<https://goo.gl/KMfvTK>

House homewares kicks off in the UK



Australian homewares retailer, House said its launch in the UK in April will see it initially open four stores and will be joined by a further two before the end of June.

The first branch has opened at Westgate shopping centre in Oxford, followed by Bracknell in Berkshire and Meadowhall shopping centre in Sheffield. There are also plans for House to trade directly to consumers via its own dedicated UK website.

It has ambitious plans to open 75 stores across the UK within three years. Steven Lew, founder and executive chairman of Global Retail Brands, owner of House, said:

Visiting a House store will not be a 'me-tool' experience. We have a strong store presence, with both favourite brands and so much never seen before product launches.

We are committed to showing our fresh approach to customer interaction. We want our customers to feel right at home when they come in to see us for cooking, dining and entertaining tips.

Mr Lew added that the company is an "extraordinary advocate" of training its in-store teams, and has already secured its first UK-based training kitchen and learning facility. He said:

Our teams must know our products 'inside and out' before they can interact in our stores with our customers...What better endorsement is there than a team member who uses the very product they are demonstrating to you?

Mr Lew said it is also revealed that it has won the exclusive rights to launch a number of international brands into the UK that are not yet available.

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HN NEWS

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.



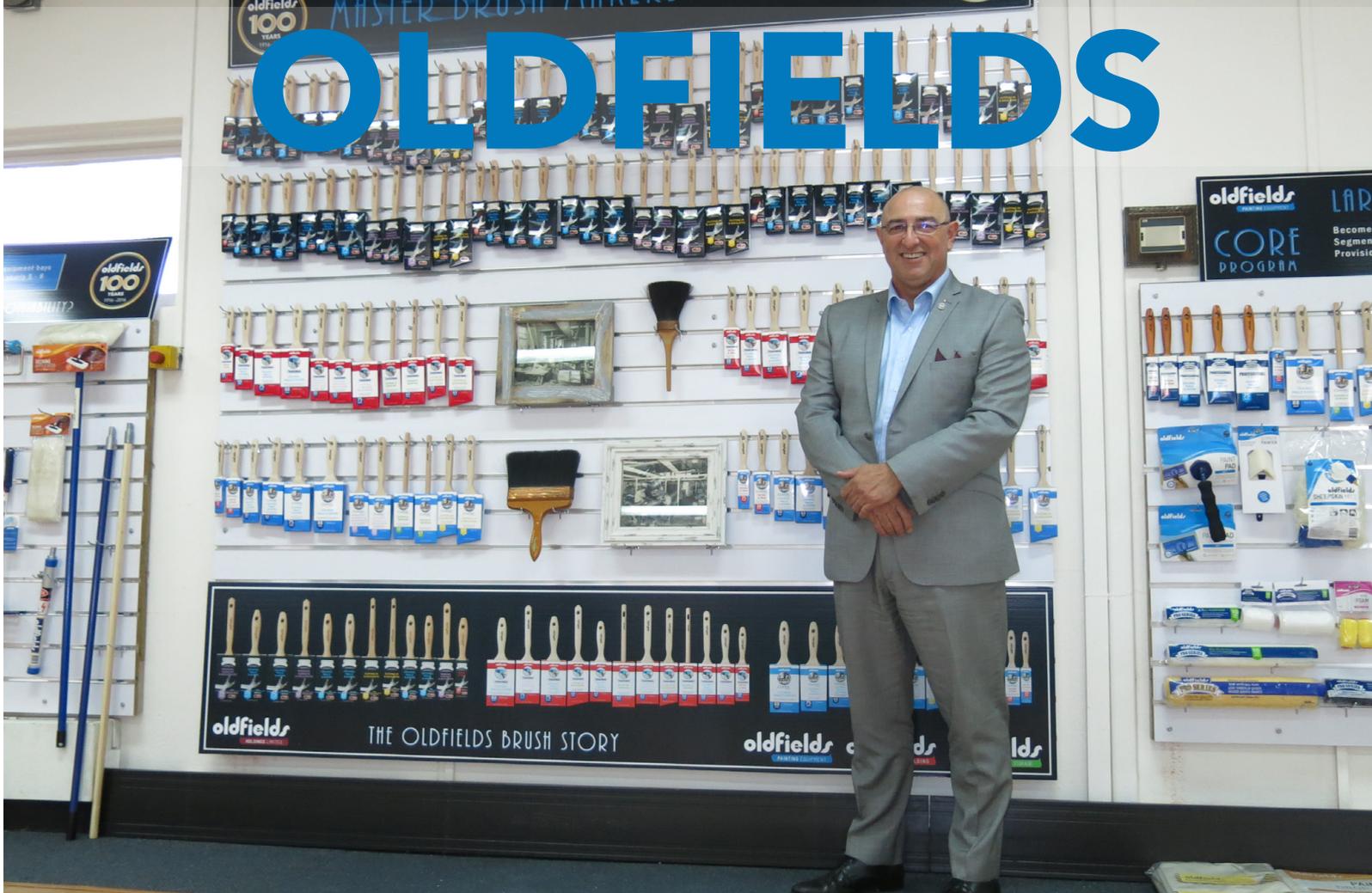
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OLDFIELDS



A RIGHTFUL SHARE

The late twenty-teens in Australia have seen a range of smaller Australian hardware-associated businesses finally give up on their plans to continue manufacturing goods in Australia, and turn to sourcing more of them overseas. One of the better known is GWA Group based in Adelaide. In what can only be described as a truly gracious move, the former CEO admitted that he had done some things that were not optimal, found a replacement CEO in Tim Salt, and set the company up to continue to recovery, if not yet complete success.

The recipe that Mr Salt applied is something of a familiar one. He restarted innovation, research and development, especially in the Caroma brand of sanitaryware, controlled costs, and boosted the overall image of the brand.

In the display room of Oldfields' Sydney based factory, the new lines of brushes mingle with factory photographs from the first half of the 20th Century.

"I often say that we need to regain our rightful market share... I look at a wall of brushes and I ask, 'where is our rightful marketshare?'"

-Richard Abela

Richard Abela, who took over as CEO of the legacy paint-brush firm Oldfields in early 2017 has followed something of the same path as he has worked to revitalise what had become a small ASX-listed company balanced on the edge of a very precarious P&L. Like Mr Salt, Mr Abela turned to research and development, setting about to build what the company would describe as one of the best possible paint-brushes for professionals on the market today.

However, he has taken the company much further than that as well, seeking overseas markets for products such as its scaffolding, and moving sales of its shed business to a direct online model.

While HNN is fairly sure that Mr Abela has not read the books written by modern “startup” guru Eric Ries (author of *The Lean Startup*, and *The Startup Way*), it is interesting how much of what he has done at Oldfields bears a strong resemblance to the strategies that Mr Ries recommends. One fundamental of that kind of startup thinking is simply that a company is nothing without a customer base, and that the only way to find out what customers want is to involve them in the development process — and not just by asking questions and hearing the answers. As Mr Ries points out (frequently and with some force), customers are seldom able to really articulate what it is they want. To work out what that might be it is necessary to not just listen to them, but also to watch their actions and reactions.

It is, we could say, management by doing, rather than management only by meeting and consulting. It takes about five minutes of being in the same room as Mr Abela to grasp that he is strongly committed to this kind of doing.

When HNN met with Mr Abela it was January, and we trekked through the simmering heat of a Sydney summer day to meet him at the neat, modest factory where Oldfields continues to produce some of its products. He began our conversation by telling us about the new line of brushes the company had launched and how well they were doing in the market.:

The brush that was launched last year has gone really well. It's really exciting for us. We launched it in November 2017, so the pickup has been very very encouraging. We are already out of stock of one size... And we've been having conversations with people about brushes that we haven't had for a long time.

The good news is it's coming from the trade. These are the guys who are using it and if you recall at our launch, we had trade people together with store owners and they are the ones providing that feedback.

We really went out there to say that Oldfields is back and I think that is the truth. We will continue to push that story.

In months and years to come it will be an ongoing story... Now we will go through our whole range and there may be some adjacent products launched in the future. I was out in the back yesterday and I saw that our warehouses are now struggling to



Oldfields comes back

- Oldfields is one of Australia's oldest and best known manufacturers of paint brushes.
- After years of manufacturing in Australia, it has transitioned over the past several years to doing much of its manufacturing overseas.
- The company's CEO, Richard Abela, joined the company at the start of 2017, and has worked to revitalise the company and its brand.
- Crucial to this, Oldfields has walked away from distribution deals that were centred on low-price offerings.
- Instead the company has invested in research and development, bringing out what it believes is one of the highest quality paint-brushes in Australia.
- In its scaffolding business, the company continues to innovate, with plans to export some products to the Japanese market.
- Oldfields continues to manufacture sheds in Australia, and has turned to selling standard models of these direct online.

keep up. That is really great, a good problem to have.

So we are under some pressure to get orders out. And it's different because historically if we were largely in the DIY market the demand might be prior to Christmas, but now it's the New Year when all the tradies are back at work. It's a shift back towards our core, and what we are traditionally good at. The tradies seem to be saying, "We are so glad to have Oldfields back". It's not about us necessarily, but they are buying the brushes and saying "this is great".

Momentum has really started to kick in, replenishment orders are starting to flow in. The stands that we developed, there are now 180 of those in stores across Australia. We didn't have them eight weeks ago. There's a couple hundred more to go and in our pipeline, then there's another couple hundred more to go out. People are trying it, they are liking it, and they are coming back.

It's a journey back. We're not all the way back in five minutes, but the journey back has commenced. For us, this is long-term. This is the first year of a five-year plan.

The good news is the first step has been good. We are not sitting here saying we're in just five stores or six stores; we are already in over 120 stores. Soon we should be in 250 stores. That rollout is gaining momentum and that's partly because we do have the history and the legacy. We have a great roller product so to match the brushes up now is really quite exciting. It is taking hold. Even industry experts are saying so. It's rewarding and all that but we've got a lot of work to do. It's good to know that the investment we made sends us back to our core, and the target person – which is the tradie – is saying "this is great".

Oldfields were very generous in sharing some of their archival images with HNN. (Special thanks to Julie Sutton of Oldfields for helping us out.) Pictured below is a Leichhardt workshop for making paintbrushes from the 1930s.



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While very pleased with the first indications of success in the new strategy, Mr Abela is also very quick to indicate that much of that success (as with GWA Group) is not entirely due to him, as the process was started by the previous CEO.

It was about a two-year process. And I've only been here about 13 months, so my predecessor needs to take credit for the development of that. To a large extent that's my predecessors' doing. Tony Grima needs credit for that. My predecessors, when we went through a tough time, did all the hard work to get us into a position where I can grow. I am fortunate enough that both those guys worked really hard and they got us into a position of a low cost base and I am the beneficiary of their hard work. So I can now grow that.

But it's also a re-positioning of where we are. There is no doubt that this business and many others like this business, were seduced by the big boxes. But to be honest with you my realisation when I arrived was that we largely had a homogenised market. We really did have white bread in a white bread shop. It's a particular kind of philosophy, you can have any bread you like as long as it's white. And for me, that's not what Oldfields is. Oldfields is trade traditional. Yes, there are segments of that market that are disposable and certainly we can deal with that, but that's not our core.

Having said that, that [low product cost] discipline is not lost. So the cost savings must continue. For us it's a continuously competitive environment, so the discipline that they instilled must continue and it is continuing. We are adding more costs now because we want to grow, that comes with growth, but it doesn't mean we lose focus on costs.

Though Oldfields did take the decision to not be a preferred supplier with the Metcash-owned Independent Hardware Group (IHG), Mr Abela is quick to point out that this

Oldfields today operates at the highest levels of occupational health and safety. Back in the 1930s, concerns about worker protection were just getting started.



was not a question of “slamming the door” on that relationship or that kind of business. Overall his concern seems to have been that concentrating solely on price discount and the ultra-lean production processes that go with it would not be good for a company that really needed to start standing up and presenting a clear, understandable identity to the market.

We headed down that road [in the past] and strategically that may have given us some volume but now it's not where we want to be. And so we made a decision early 2017 to not exit that market completely but that's not where our focus needs to be...So we did break some relationships with retailers who wanted to take the whole thing off us and we have to make commercial decisions for our shareholders and for our employees and our community, which is our trade community. And we made those tough decisions.

The good news is we're back now to where we wanted to be. It's taken a year and it will take another year before we are even stronger. But the margin is strong and we are heading in the right trajectory of where we want to be. So we are not on the path of this forever cycle of debating with buyers and big chains who want it 5% cheaper each year.

There is nothing wrong with seeking cost savings but not to the point where it starts destroying you. And I think for us, getting back to our core has been very very important. So that's what we've done.

The decision we made, this time last year with the Mitre 10 group, was to break away from that. No disrespect to Mitre 10 but they want to take a certain position and we don't want to

Hand-assembly today is something we only see on luxury goods, but back in the thirties and forties, it was the only way to get things done.



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take a certain position. So that's the call.

Again we want to service Mitre 10, those Mitre 10 stores that have a trade focus we are servicing them now directly and that's great but it's not the entire Mitre 10 group. I would never rule out talking to those people, of course not. I would never be so disrespectful and naive not to talk to them. And people have said to me, Richard you can't ignore them. And we are not ignoring them.

When HNN asked Mr Abela about the process he went through in developing the company's new signature paintbrush, he began by describing the way Oldfields engaged with its most valued customers.

It's not about designing a brush that we want, it's about designing a brush the painter wants, to suit what they're doing. It's also about starting with what the painters are doing. So what applications are they using; what are they looking for in terms of filament and paint holding capacity. If there are new synthetic paints, how are they behaving?

The initial part is doing a lot of face-to-face discussions with painters, sampling with painters, getting them to use it, and truly listening to what they said. So if they said, it needs to be 5% stiffer, then that's exactly what we did. We didn't say: "we don't believe you!" We actually went back and did it. And they said, "You actually listen to us!"

Sometimes they'd say, I'd like a longer handle as the grip doesn't feel right. So there might have been several iterations, maybe 20 iterations, before the brush user said, "You know what? This actually feels really really good".

Then it goes back to the filament design. The beautiful part of synthetic filaments is that you can design anything you

Trimming the bristles Oldfields brushes, one brush at a time.



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like. The use of PET and PBT allows you to design something very specific to such an extent where it can now mirror the natural bristle, if people like natural bristle. We can be very scientific, and I mean that quite sincerely, about how we are designing this...

The test results that we showed the public, they weren't fake. We wanted to show you how much paint is held. One of the great comments that came from the launch we had upstairs [at Oldfields HQ], one of the master painters who won three or four awards said to me, "Richard I'll show you how brushes drag". So he got the new brush and he said, "I'll show you how brushes drag" – and he couldn't make the brush drag!

So he said this is a really great brush – literally from the first use. Store owners and professional painters are often great mates, and he had a friend there who was a store owner, and he said to him, "Can I have six boxes of these?!" Even when there was no paint on the brush he couldn't make it drag. We really listened hard to those guys. He didn't want drag, he didn't want paint drip so we really worked hard on every micro detail. And in our next phase of development we want to do the same thing. If that means we have to wait longer to get it perfect, well...we don't want to be like everyone else. We want to be better than everyone else and if that might take a bit longer, a bit more investment, then goodness me. Oldfields has suffered in the last 10 years, so to take an extra six months to make it perfect is really, really important.

We don't want to be great or really good, we want to be excellent. We want people to go, "wow this is awesome". In everything we do now, that's got to be our ethos. So if we want to be master brush makers for master painters then that's what

Do any readers know what is being done in the brush manufacturing process in this photograph? We can't work it out. If you do know, please drop us a line, and then we can tell everyone.



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we have to be! We can't say that and not do it.

Product development, of course, is one thing, but ongoing marketing is just as important. Mr Abela chose to stick mostly with internally derived marketing, and a key part of that has been the development of store display fixtures. As with the development of the Oldfields' brushes, the company started by understanding the perspective of the actual users of the stands in the stores.

The marketing was largely internal. The problem that it was trying to overcome was that often when you go to the bigger paint specialist chains, they have their planograms and they've got other things, so it is hard to break into that. If you say you have a stand with six things on it, a) it's a low cost way of getting into those stores, b) it's not imposing from a space perspective and it is a trial.

So for a few hundred dollars, you don't need to sacrifice a whole piece of wall. But what it does for us is to give us an introduction really quickly. So to be able to get 200 stands in stores after six weeks means that all of a sudden, an audience that wanted to have Oldfields but normally couldn't because we were trying to displace a competitor, could say, sure put it on the counter, let's try it.

That said, Mr Abela has been quick to realise that the Oldfields brand itself has a number of really unique advantages, not least that it has been, in the past and potentially into the future, something of a much-loved brand.

The beauty of Oldfields is that we do have that heritage and credibility. It's about getting them to say, Oldfields used to be great and they are great, and let's give it a go because Oldfields has that recognition. Painters walk into a store and they say, that's Oldfields isn't that fantastic...I thought they were some roller company... So it is about the history.

It's about having a deep understanding of that intrinsic use of the product, and using that intrinsic use and putting the Oldfields "flavour" into it so we are different to everyone else. It's about building on that history that allows me to sit down with my team and and saying, "This is where I wanted to go".

I often say that we need to gain our rightful market share back. We need to have that and I get more enthusiastic about where we can be when I look at a wall brushes and I say, where is our rightful marketshare? In some cases we are getting that back through the Pro series is step one. We need to get back to our rightful marketshare.

That means dislodging some competitors or developing some

oldfields
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Top, some of the promotional material Oldfields has produced to back up the marketing of its Pro Series brushes. Bottom, the simple six-hanger rack that Oldfields is working to introduce in stores around Australia.

more innovative products or having better service, and doing all those things. It's not just one thing, it's many things. And that speaks to our brand personality. People will get to know Oldfields because we can trust them, because their brushes are not going to fall over.

We've priced our best brush in the market, in the way we consider it, it's not the most expensive brush on the market. But it is working carefully with your suppliers and letting them understand the opportunity, being careful about volume predictions and knowing where it can be, and knowing where the competition sits. It's a constant review, every six months, every year. Pricing is never something you can take for granted but it's about value proposition.

While Mr Abela is happy to have good relationships with intermediaries, at the end of the day, he has a clear point of focus: the end customer, the man or woman who ends up holding the paintbrush.

While we might be supplying all those chains, our conversation is with the painter. And the stores to some extent as facilitators to that relationship. And we should never lose sight of that. Never lose sight of the person who is putting their hands in their pocket to pay for your product. It's okay to have great relationships with buying groups and other things, and while they are important relationships and we respect and want to protect that, to some extent that's a secondary relationship. Because I want the relationship with the painter. I want the painter walking in and saying, this is the best brush I have ever used in my life!

Scaffolding

While Oldfields has some fame from its paintbrushes of

The workers at the Oldfields plant gathered outside the factory, likely in the 1940s. There are 23 men and two women.



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yore, the fact is that its scaffolding business has been the company's real growth story in recent years. Mr Abela is very enthusiastic about the brush business, but you do get the sense that he has a special consideration for the scaffolding as well.

Once again, he takes what has become something of a unique approach to this line of business. Where other scaffolding businesses think in terms of the product itself, Mr Abela is very much aware that customers don't see scaffolding itself as a great thing to have, but rather regard it as a means to an end: it facilitates the job they are doing.

Lots of people can provide scaffolding...If you and I decide to put \$20,000 on the table, put stuff in my backyard, then we can have a scaffold business. When you get to the bottom, it's every man and his dog running a scaffold business. But it's not about that. It's about: can I get this up and down?

One client said to me it's not about scaffolding. He said you get me 30cm to my blast surface, I want you in and out. So we are a necessary evil, if you like. It's not a cool product but I need to get somewhere quickly. It's essential.

I need to re-point the brickwork on a heritage building but you can't touch the roof. So you need to build a bridge over my house without touching it. So how do you do that? It's about service. It's about how you engineer the scaffolding. For example, how do you paint the tail of a Qantas 747 jet? It's that sort of specialty that we want to be known for.

We had one job in Melbourne in a cinema/theatre that had rain damage. It was about designing scaffolding that still allowed people to get into the theatre to come and watch a movie. It's all those things that you wonder how do you do that? Our engineering expertise is growing.

We can look at scaffolding and say, how many hotel foyers are there in Australia? Why don't we have Oldfields scaffolding in hotel foyers? We never thought about that before. So again, segmenting the market, being specific and understanding what those maintenance managers need in their scaffolding needs. They need to get things up and down quickly and developing services to cater to that.

After you get a bit of a sense about how Mr Abela operates, the next statements he had to make about the scaffolding business don't really come as a surprise. Basically, his approach is to assess the kind of value the company is producing, and then to seek a market, or a way to market that is going to provide some recognition for

Scaffolding that Oldfields has developed for the Japanese market. It folds up to a compact form, easy to fit into small Japanese vans, and even tighter Japanese elevators.



the value that is being produced.

We have a relationship now with distributors in Japan. Absolutely in all businesses. Perhaps not so much in sheds, but certainly in paint and others, we absolutely have an objective to be not just an Australian supplier but go beyond Australian shores.

We have a fantastic relationship with a major scaffolding business in Japan and we have a lot of respect for them. We have specifically designed a smaller scaffold which can fit inside of the small vans they use in Japan. And that product has just received a go-ahead from the Japanese distributor.

We are selling Australian designed portable scaffolding to the Japanese market as we speak. Isn't that cool?

Sheds

Along with paint brushes and scaffolding, Oldfields also remains involved in the shed business. This is also the exception to the new rule for Oldfields, in that production takes place mainly in Australia. It's a bit of an anomaly. However, it turns out that Oldfields has found a way to make this kind of business work as well, by taking a surprising new direction: its shed business has gone digital.

When I arrived here about a year ago, I thought we had been shed in the market. Could not believe we engineered this thing so well and yet.... Again it was a good product, poor execution. Making sure distributors are true to our word but then not playing us off.

So to a large extent now, this shed business is purely online. While the volume has dropped, it's now in a position where it is cash positive and we can make money out of it.

We were the only shed business that would custom make a shed for you. But that was a situation where we could not make a shed that was competitive.

Now we've changed all that. In the last 12 months, the shed business is now the most popular sizes in the most popular colours and you can buy it online, and we've taken out the middleman. At the moment we don't have critical mass so we

Clovelly Hardware Store in the 1940s. HNN has to confess that of all the great photographs that Oldfields provided, this one is our personal favourite. You can just imagine what life was like running this well-presented hardware store back in the 1940s. And they certainly love their Oldfields brushes.



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are developing critical mass. So our digital strategy has to improve but at the moment that business is holding its own and we will hopefully continue to grow in the future. But it's going to be more of a standard kind of offer because, unfortunately, every other offer in the marketplace is something from offshore or not as good a quality so we really have to emphasise again, fit for purpose and quality so people will know they won't blow away in a windstorm and it's got extra support. Extra steel bracing that none of the other products have.

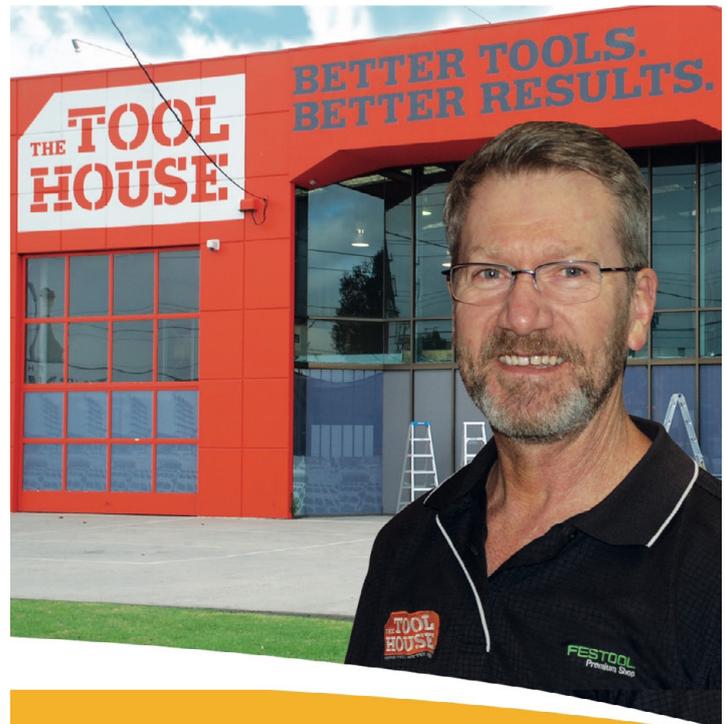
So that's the smaller of our divisions. It is getting the attention it needs but it is in a holding pattern for the moment to see whether the online strategy and the standardised strategy will bite. We are no longer losing money, we're not making a lot of money, but it's in a good position.

We've still got local manufacturing. At the back of this building at the moment we are still producing sheds and we will assess that in the next 12 months to see whether we can make it work online. I think we can. We need some additional digital expertise which we are recruiting for right now, but I think that will develop over time.

Background

People like Mr Abela don't just happen, they are made by a multitude of experiences. In his case it is evident the crux of his development came when he moved away from being about numbers, and undertook to understand more about markets, and that elusive, difficult element that makes them work: people.

My history is that I was the finance guy, the numbers man. But I've morphed! Companies like Brambles and Boral are my background. So when I was in finance all the way through my time working for industrial companies, I wanted to try something different. I wanted to get out of the building industry with all its peaks and troughs, and building cycles and goodness knows what else. So I thought I'd go and work for a "jocks and socks" business. So I went to Bonds in finance but then I became head of manufacturing and supply chain. So I moved sideways and spent time in China working with factories there. I was there before they decided to take all that offshore. During that time I will went off and did an



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MBA with a marketing specialisation. One puzzle for me was how do I break the mould of being a numbers man? I don't consider myself a marketer necessarily, but the MBA was really a great window because I've spent most of my career in an industrial business and then going into a consumer business. I worked with a fantastic lady at Bonds named Sue Morphett. Sue was a great coach in terms of her eye for product and her eye for marketing. For me in addition to my marketing qualification, I have a lot of respect for Sue in terms of her mentoring of me. I took a lot of that experience to the Hettich business and then onto here.

So how do you morph brand with industrial, how do you connect the consumer with push and pull marketing? We did push and pull marketing at Hettich, it was largely B2B but there was also a B2C connection. That's no different to what we are doing here today with having a B2C connection while being a B2B supplier.

When I was the CEO at Hettich, which is a joinery manufacturer for trades, the trade relationships I had at Hettich were not dissimilar to the trade relationships with Inspirations stores or Haymes stores. I felt very comfortable and confident that I could bring a lot of my experience into this role from all of my previous roles.

I'll never forget going to Andreas Hettich, the owner of the Hettich business worldwide - Hettich was in 40 countries and I had to two them, Australia and NZ - and I said to him I want to use your name as a verb. He said, What do you mean?

I wanted people to say: "I want to Hettich my kitchen". Because we were the silent product inside all of the cupboards. It was really about how do we add value to that kitchen? So while people were spending up big on Ceasarstone benchtops and Miele appliances... I'd say if you can spend \$3000 on a benchtop then you can spend \$3000 on hardware. And what will that do for you? The drawers will close beautifully.

We started to have this relationship with the consumer. Going back to my coaching days with Sue at Bonds about connecting to the consumer, having integrated marketing, taking that through to an industrial brand like Hettich, defining channels to market, who are the different consumers of your product? Back in those days we had architects and designers, and we had joiners, distributors. It's really no different to what we're doing here. Only now we're talking to painters, painting groups etc.

Mr Abela also continues to contribute to Australian business in other ways, including through teaching.

One of the things I do on the side I lecture at the University of Western Sydney. I teach what's called the Business Project unit - so the applied business unit. At the end of the executive MBA, one of the last subjects they will do is my subject. This is where they have to apply all their learning, and present their pitch to a Board of

The founder, Henry Oldfield himself.



Directors.

So I don't approach it from an academic perspective, I grill them. It's great fun. I say to them, right you are no longer students, you are now executives in my executive team. Present me a strategy. It's a pitch. So I ask them week five to present a pitch, and in week 10 there is a board presentation. The rest of it is coaching. We sit down each week, and I say, that won't fly but what we try this? Show me the payback of this.

The whole university stuff is important because it keeps me fresh. I've also entered into an arrangement with the University where we are about to appoint interns into our business here, I'll be meeting with the University to discuss engineering interns in the scaffolding business. I want to bring the next phase of people through.

The surprisingly modern and of-the-moment element of Richard Abela emerges again near the end of our time with him.

So what I've done again is really build upon that experience in those industrial businesses coupled with this desire to have a dialogue with our community... For me it's about developing communities and really having communities around Oldfields. This time last year I was spending time with painters and asking them about their communities. "Well I've got five painters", they would say. And what sort of work do you do, I would ask. Really trying to get into their heads in terms of what Oldfields means to them.

The building and structuring of communities, the focus on the customer, the search for markets everywhere and for everything — that's virtually the definition of where modern business is heading. And surprisingly, the CEO of a recovering small-cap company, working in the hardware industry, might someday emerge as one of the leaders in understanding this



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FUTURE TOOL

What are the major trends we have seen emerging in power tools, and what do these trends indicate about the direction of the industry? The established trends that we can see today are:

- The further development of the “connected tool”, as pioneered by Techtronic Industry’s (TTI’s) One-Key system.
- An increasing diversity in tool voltages, as manufacturers seek to create more powerful alternatives to corded tools.
- An expansion in range and functionality of tools, as manufacturers seek to enter more niche markets.
- An increasing interest in and servicing of the outdoor power equipment (OPE) market, which is a special case of combining the two trends listed immediately above.
- Further development in batteries, including higher amp-hours, coupled with more compact battery units.

Each of the four major power tool companies — Stanley Black & Decker (SBD), TTI, Bosch and Makita — are typically engaged in three of these four trends.

Power tools have become increasingly specialised, which has made the tool retailer’s job more difficult.

TTI has a particular emphasis on the connected tool, range expansion into niche areas, and further battery development, for example, but only a small program for tools featuring motors with voltages above 18 volts. Makita does not have a connected tool program, SBD arguably does less niche expansion than the others, and Bosch does have an OPE program, but it is very different from that of the other three.

A shared consequence of these general trends, however, has been something of a massive range expansion by each of the manufacturers, and it seems this expansion is set to continue. This has consequences in particular for the retail channels that service these brands. While the manufacturers are free to continue to produce new models that split familiar categories into several sub-niches, retailers have limited shelf space, limited warehouse/stock space, limited funds to allocate to stock, and, quite frankly, less expertise than they might really need to effectively sell many of these different variants of cordless power tool.

A prime example

One tool in particular has stood out for HNN as a prime example of how these product range expansions have come to affect retailers, even large retailers with a great deal of resources to make use of. This single power tool has been sitting on the desk of one of HNN's editors. There is nothing all that spectacular about the tool — in fact, as it was purchased used on eBay, it is somewhat the worse for wear.

It's a Ryobi. It performs a function that is very common. It uses the conventional Ryobi battery system. It is well-liked — according to online reviews — by those who use it, but it is not, in any way, really a “game changer” — though it does have some notable and interesting innovations.

There is one outstanding quality it does have, however: despite being a mainstream Ryobi product, it is not sold by Bunnings. That could have something to do with supply issues, but given the outstanding sales growth that Ryobi has experienced in Australia, it seems unlikely that Ryobi parent company Techtronic Industries (TTI) would be inclined to deny Bunnings access to the tool.

This tool is probably not sold by Bunnings because Australia's largest hardware retailer would likely struggle to find a place in the market for it — even as a non-stocked “special order”. Bunnings may boast a very wide range of power tools, but it is no secret that even the swath of space allocated in its largest warehouse stores is no longer sufficient to display even a significant portion of what the power tool industry has served up over the past five years.

The tool in question is the Ryobi Quiet Strike (pictured on the opening page of this article). The Quiet Strike is an unusual tool, even for Ryobi, which does have some unusual tools. This tool is based on a different take on a Milwaukee/



Future tools

- Most of the ways in which power tool manufacturers are developing their lines of power tools will result in larger ranges.
- Retailers are experiencing difficulties in stocking even a representative range of tools.
- A good example of tools that end up being excluded from range representation is Ryobi's Quiet Strike oil-pulse impact driver.
- One solution to this proliferation of tools is to move to flexible tool subscription/lease arrangements.
- This would solve the problem of DIYers who need access to a wide range of tools, but who cannot justify the cost of purchase.
- For the professional/tradie market, this would help small subcontracting and other businesses cope with the problem of cashflow.
- Moving to such a model would require major capital investment and expertise. In Australia at the moment, Wesfarmers/Bunnings would be the most likely candidate.

AEG tool, the oil-pulse impact driver. Where most impact drivers rely on a tensioning spring to deliver the rapid pulses of power that help drive self-tapping screws into wood very quickly, oil-pulse impact drivers instead rely on a more complex hydraulic system to deliver similar results.

The hydraulic systems are, ultimately, more effective, and they give tool designers a great deal of freedom in terms of how they are setup to perform. In the AEG oil-pulse driver, the system is oriented to deliver the maximum bang (literally) for the buck, resulting in surprisingly quick screw drives. The Quiet Strike, as the name implies, has taken a different approach. It is designed to perform at around the same level as a standard Ryobi impact driver — but at a sound level that is close to half that of most impact drivers.

It isn't just the design that makes this Ryobi so interesting. People who pay close attention to the types of tools being used for common tasks have probably spotted the same trend that HNN has: far from being, as Ryobi modestly describes its products, designed strictly for DIY, these tools have become more accepted by certain types of tradies and handymen. Though still rare on construction sites, they've become very common among those primarily concerned with different types of standard maintenance work.

So, while Ryobi may claim the advantage of the Quiet Strike is that a cross neighbour may not drop over at 8am on a Saturday morning to complain about the deck you are building in your backyard, the “real” purpose of this tool is to make life easier for maintenance workers in commercial premises such as schools and hospitals, where noise containment is essential.

Which illustrates just exactly why Bunnings likely does not sell the tool: we're not talking just about a niche use here, we're talking about a niche within a niche. And Bunnings, as HNN has frequently suggested, just doesn't do segmentation. There are two reasons for that (as far as we can determine). Segmentation can be appealing, but it nearly always ends up saying both “yes” and “no” at the same time — and Bunnings goes out of its way to not say “no”, under any circumstances.

Secondly, segmentation often requires explanation and genuine salesmanship. Bunnings offers some guidance to customers, but it doesn't always match up to the more sophisticated products.

What is highlighted here is an inefficiency in the way Bunnings is able to service some newly developed markets: it is a new, innovative product, with an evident, and perhaps eager, market — but Bunnings lacks a legitimate, assured path to that market.

HNN would argue that it isn't just Bunnings that finds itself in this kind of curious situation — it's actually large segments of the power tool industry, both retailers and manu-

Bosch Facts

Revenue increased from EUR4.5 billion to EUR4.7 billion for its past financial year.

On growth:

On average over the past five years, we have grown by six percent annually and thus faster than the global market, which grew by an average of four percent. With regard to the German market, we were even more successful in the past five years and the difference is even more evident here: Between 2012 and 2017, the German market grew by an average of four percent while we grew by an average of ten percent.

On innovation:

We are convinced that our innovations are the best prerequisite for future success. We will again launch over 100 new products on the market in 2018 – in Germany alone.

New products



The AdvancedCut 18 takes Bosch's NanoBlade technology to the next level, matching it with an 18-volt Li-ion battery and a brushless motor.



The SystemBox from Bosch provides tool storage and a simple work surface for DIYers.

facturers, that find themselves facing similar contradictions. While these forces have been present for around the past decade or so, recently they have come increasingly into focus, to the point where they are starting to exert a dominant force on some market sectors.

The Bosch paradox

While it might be tempting to see this situation as having to do mostly with the professional, tradie end of the market, in fact it has come to affect the consumer range of tools as well, though with a slightly different inflection. We can see this mostly clearly with the new range of consumer-oriented tools that Bosch has released in 2018. These tools are relatively unique, in that they are aimed not just at the consumer market, but at the lower-skilled end of DIYers, with the explicit purpose of enabling them to do more in a better, less stressful way.

Some of these changes are useful tweaks to existing product types. Thus the new AdvancedDrill 18 and Advanced-Impact 18 take the conventional drill and impact driver and make them a little easier to use for DIYers, with a low unit weight of one kilogram, an electronic switch to handle forward/reverse, and a way to preset the drilling speed. The same is true of Bosch's PushDrive screwdriver, which is a battery screwdriver that responds to a push against a screw-head by starting its motor and driving in the screw. Similarly the Gluey hot glue pen is a reformatting of the standard trigger-based hot glue gun to a pen-like shape, which makes it work more like a standard adhesive applicator.

Stepping away from the standard, Bosch has also expanded its range of NanoBlade cutting tools, adding both corded models and an 18-volt alternative to the range of what seem like micro-chainsaws, with 4mm cutting blades. These are designed to make cutting material such as wood as simple as possible, and are suited to areas such as gardening and crafts.

Perhaps the most interesting DIYer product, though one which is simpler than the rest, is Bosch's SystemBox. These are containers designed to hold the tools associated with a specific task — such as sawing, or screwdriving and drilling — as well as providing a suitable work surface. Bosch describes this product:

In the future, DIY enthusiasts will also be able to implement projects simpler and faster with our SystemBox range. What's behind this? With the SystemBox from Bosch, you have your tools, accessories and any materials you need to hand at all times. The new stackable storage and transport system clearly organises everything that is required to carry out preparatory and follow-up work for projects while saving time. The System-Box is available empty or already equipped for the three most common DIY tasks: Sawing, drilling and screwdriving as well as working with multifunction tools.

SBD Facts

For 2017 revenue at Stanley Black & Decker was USD12.7 billion, up from USD11.4 billion in 2016. For tools and storage, revenue was USD8.9 billion, up from USD7.4 billion in 2016, and increase of 19%. Profit for tool and storage was USD1.5 billion, up from USD1.3 billion in 2016, an increase of 21%.

We expanded our exclusive FLEXVOLT system, which offers the user the power of corded with the freedom of cordless. This innovation spearheaded and accelerated DEWALT growth across corded products, 20-volt cordless products and across the FLEXVOLT range itself. DEWALT was the only provider with growth across corded products as well as low- and high-voltage cordless products concurrently.

New products



The DeWalt FLEXVOLT 54-volt cut-off saw is capable of 3-1/4" depth of cut and features a brushless motor that achieves 6,600 RPM.



DEWALT Jobsite WiFi Access Points utilise the user's existing ISP to provide jobsite wireless internet coverage. Each Access Point operates off of 120V AC power and provides WPA2 encryption via SSL interfaces for security.

These are innovative tools, and this shows Bosch is moving in a very useful direction, by helping to equip the less-skilled with the resources to achieve some basic tasks. At the same time, however, the same range-expansion problems that we've seen with the tradie end of the market are now likely to affect the consumer end as well. In addition to the standard range of "green" drills and impact drivers, there is now an additional number of tools, some with new and unfamiliar uses.

More than that, though, Bosch is likely to find itself engaging with an interesting paradox in launching these tools. In the past, less-skilled DIYers would tend to buy the cheapest tools on the market, on the basis that they would not get value from more expensive tools. These new tools from Bosch, however, are quite expensive. For example, the corded version of the NanoBlade-equipped EasyCut 50 sells for GBP74 (about AUD135) on Amazon UK and the cordless EasyCut 12 sells for GBP106 (about AUD190). That's far more than the equivalent jigsaws would sell for — and justifiably so, given the new technology.

A coming change?

What we are beginning to see develop in the power tool industry is a mismatch between the tools that are being developed by the manufacturers and the channels to market that are offered by retailers. While product ranges have dramatically increased in size over the past six to seven years, retailers continue to rely on the same sales process they were using 15 years ago.

Online selling has taken up some of the slack in the system. Notably Bunnings offers a "special orders" service, where customers can buy products such as Makita's extensive 12-volt range, and it has recently enabled ecommerce on those transactions. However, even retailers that are predominantly online, such as Sydney Tools, struggle to represent the breadth and depth of products available, and typically fall back on providing only the more popular products.

It has become a familiar recitation to mention that 20 years ago if you had to get someplace and didn't have your car with you, you hailed a taxi. You rented your entertainment from stores that stocked racks of DVDs. And if you went on holiday anywhere, your choice of a place to stay was limited to hotels, motels, and possibly dodgy bed-and-breakfast places. All that has changed now.

Individually, innovations such as Uber, Lyft, Netflix and Airbnb seem fairly innocuous. Taken together, they don't so much signal the rise of technology (in particular of the social interactions that get privileged by what mobile phones make possible), as a deeper understanding by consumers of what it is they really need and are willing to spend money on. Consumers don't want taxies, they want to get from A to B with the least possible inconvenience. They don't want the

Makita Facts

Makita saw its revenue increase to YEN477 billion from YEN 415 billion, up by 15%. Earnings increased to YEN55 billion from YEN44 billion, up 22%.

Outlining what it sees as some global instabilities, Makita pledged to, in the coming year:

- Strengthen its R&D and product development capabilities, mainly rechargeable batteries and motors;
- Position cordless gardening tools as a future pillar of its business after power tools and focus its effort on the development and sales expansion of new products;
- Implement measures to improve the efficiency of production, procurement and distribution; and
- Strive to raise its brand power by promoting the establishment of a sales and after-sales service network to offer community-based and fine-tuned response to needs of customers around the world.

New products



Makita's Auto-Start Wireless System uses Bluetooth® technology for wireless power-on and power-off communication between the equipped tool and dust extractor.



The Makita DSP600 cordless plunge saw relies on twin 18-volt batteries to provide a powerful solution to timber cutting needs.

“convenience” of digital media stored on physical media, they want vast selection, and immediate, spur-of-the-moment access. Nor do they actually need or want the stuffy rituals of hotels. They want a place to sleep and to perhaps eat a meal, and having direct contact with “real” locals, rather than hotel staff, seems a particular plus.

A good question to ask is what happens when we begin to apply that same kind of thinking to the power tool industry. How much do consumers really benefit from owning, say, a cordless power drill? They may be cheaper, more powerful than ever, and so forth, but all that has not altered the use pattern that most follow, where the drill is used a maximum of 50 hours a year, and for the rest of the time sits fallow in a toolbox or drawer somewhere, becoming rapidly outdated, its Lithium-ion batteries ageing into oblivion.

Of course, there is the argument that, try as you might, power tools remain a very physical product that requires a very physical presence — you can't simply choose to download them. But, unlike movies and Netflix, but very much like Uber and cars, it is likely that consumers will be able to plan and anticipate when they want and need this kind of service/tool. It's very rare that today the average homeowner manages to avert disaster because they have, waiting in a drawer somewhere, just the right kind of impact driver.

Possibilities

The solution that suggests itself is to offer to consumers an arrangement that effectively offers “tools on demand”, that is to say, a kind of subscription service that provides for the occasional use of tools, when required, rather than the ownership of tools that are seldom used.

There have already been some early trials by tool companies towards such an arrangement. In May of 2017, Husqvarna introduced its “Battery Box”, an eight by three metre unattended container with 30 electronically locked storage spaces. Homeowners could reserve a tool via a mobile app, then visit the storage container to pick the tool up for that day. The tools offered were OPE frequently used during the initial spring cleanup, including hedge trimmers and chainsaws.

What makes this more possible today than ever before is the advent of the connected tool — in fact, one wonders if this evolution had not been part of the planning by TTI when it introduced the concept. Tool rental has typically suffered from two main concerns: the theft of tools, and their misuse while in the hands of the customer.

Today tool tracking relies on the Bluetooth-based connectivity of tools, which means they need to be within Bluetooth range of a mobile device running a suitable app for their presence to be detected. However, the industry is very close to developing a GPS-based version of this. (The trick is that

TTI Facts

Techtronic Industries saw its sales return USD6.1 billion, up from USD5.5 billion in the previous year. Earnings were USD519 million, up by 15%.

In remarks at the results presentation, the company's CEO Joe Galli reiterated TTI's ongoing approach to the market, and new product development:

We are we are on the vanguard here, we are the innovators, we are the disruptors. We are developing, in many cases, the cordless technology that is creating this market. Our competitors are going to follow and they're going to sell products in the same categories that we do. They'll sell them at lower prices, their margins will be lower. Their product won't be quite as good and that's okay. We don't want to get all the market, we just want the part of the market that yields the highest profit and the most growth potential.

New products



TTI's Milwaukee brand has just launched the latest version of its high capacity 18-volt battery, this time with 12 amp-hours of power.



Paired with the high capacity battery, Milwaukee's new 18-volt table saw can cut over 180 linear metres of wood on a single charge.

while GPS does require a fair amount of power, the demands for tool tracking are much less than for other applications; tools could “checkin” as little as 20 times a day, and remain effectively tracked.)

Equally, it is now possible to monitor just about everything a connected tool does while it is in the hands of a customer. Overstress is going to show up very quickly. It’s also possible to simply lock the tool down, so that it only operates when it is connected to an app via Bluetooth.

Let’s think about how such a subscription service would work from the perspective of a consumer. You have a painting job to do. You might like to try out something like one of the nifty Wagner consumer spray guns — but that is going to cost you \$250 at least, and more likely closer to \$300. And you will use it how often? Once every two or three years. Will it survive well during its period of non-use, or will you dig it out three years later to find out that someone dumped a bag of cement on it, and the nozzle is all clogged up?

Or you are building a deck. You need a drop saw to get the job done right, but you are also carefully watching the pennies, so you know you had better opt for something under \$200, especially as after the deck gets done, you will probably use that saw for something like 20 hours a year at most.

But if you have a power tool subscription, you can not only opt for a better model, but might even go for a cordless saw, which will make the job that much easier.

And so on. While consumers might still own at least a simple \$70 power drill for occasional use, when you really look at usage patterns by most homeowners, in most situations some kind of power tool subscription is going to work out a lot better than actually owning tools.

The core reality of the DIY market is that it thrives on activity, and anything that causes more activity is a real bonanza for retailers. There are two ways of spurring this kind of activity. One is to pressure people into wanting the benefits of DIY, which is something which a range of TV programs manage to do quite well. The other way is to lower the threshold, the barrier that must be crossed in order for someone to get started on a project. That barrier is partially made up of two key elements: cost, and the availability of tools suitable to the job.

Tradies and their tools

There is no reason why this kind of activity and change should be limited to just the consumer end of the market. Ask any retailer what the primary reason is for those unlucky subcontractors and tradies who get into financial trouble, and they will respond immediately with two significant and chilling words: cash flow.

The core problem is, as anyone in the industry will tell you, that both work and payments tend to be episodic in the

extreme. October comes around, and it looks pretty good, but May tends not to be too flash. And while the work and payments vary considerably, the underlying cost base keeps on being relentlessly nearly the same.

Tradies have to constantly balance spending on essential items such as tools versus the expected fluctuations of earnings. It's one of the first lessons tradies in their twenties have to learn, and usually the hard way: once you spend the money, it's gone for good. As a result, the older and more experienced a tradie is, the more likely you are to find them just ever so slightly under-tooled.

That is a real shame, especially in a market where at some times of the year, demand for trades is so high homeowners literally cannot get someone to come to do essential work. What is needed is not something like the consumer subscription service, but something which would provide a flexible leasing arrangement, enabling a tradie or subcontractor to easily and simply expand their tool resources during times of demand, then decrease this exposure during less-busy times of the year.

One of the real benefits would be better access to more niche tool types. For example, if the job that comes up involves working onsite at a school or a hospital, contractors could look into using quieter tools, such as the Quiet Strike. If heavier drilling or demolition work is involved, they could upgrade to some more powerful tools, and so on.

The real opportunity

The problems that would come up when implementing this kind of change to the market relate to logistics. How do you get the right tools to the right retailers on time for pick-up? That means moving tools from retailer to retailer, as well as to and from some kind of central warehouse facility. The actual pickup and return can utilise — as in the Husqvarna example — electronic lockers unlocked by smartphones. But tools will need to be monitored, checked out, and so forth on an ongoing basis.

The fact is that to make this kind of system work really effectively would require a high level of capital investment. One possibility would be the major tool companies themselves opening these services, but that seems very unlikely. Dealing directly with their end customers on a daily basis is simply not in their skillset.

A more likely candidate would be a large, experienced hardware retailer, with an extensive network of stores. Which in Australia would mean, of course, Bunnings. Though more accurately it might be a Wesfarmers-owned company that made use of the resources of Bunnings. Those rental/lease operations could, however, extend far beyond just the Bunnings store network itself, and be available to a wide range of hardware retailers in urban and dense suburban areas.

While this might seem counter-intuitive — why would smaller retailers further aid the already considerable market dominance of Bunnings? — such a business arrangement would fully resolve one of the central problems that smaller retailers currently face. The low prices at Bunnings have effectively eroded the margins available on power tools to the point where many retailers stock little more than a few standard Makita tools, and those are primarily to aid sales of power tool accessories, where the real margins can be made. Moving to a subscription/lease arrangement on power tools, with a smaller retailer as the prime agent, would probably both boost real revenue from power tools (based on a service fee) and promote more active store traffic.

From the perspective of Bunnings/Wesfarmers it could equally be argued that such an arrangement would reduce the profitability of this sector, and impose unwanted complexity. However, moving to this different channel for power tools would likely have a considerable effect on boosting the home improvement sector in general, and Bunnings stands to benefit far more than any other retailer from any increase in sector activity.

Conclusion

HNN is not suggesting, of course, that we will all wake up one June day in 2020 to find that tool subscriptions have taken over the market. But, equally, it will be surprising if we get to 2023 and find that some aspect of the power tool market has not shifted in this direction.

One of the major determinants of what does happen is how new product development in power tools continues to play out. If we begin to see, for example, further moves towards a more rationalised approach to construction, with more houses moving to some form of pre-fab construction, and more systems replacing the often ad-hoc solutions implemented in large building construction, we will see further systems development of power tools, and their full integration into BIM (Building Information Management).

Lichenstein-based company Hilti has offered tools on a lease basis since 2000, when it upended its previous strategy. This has proven to be a remarkably successful change, with the company now a byword for great products and excellent customer service. In Australia, Hilti has continued to expand its lease offering from larger construction companies to the average tradie. That said, Hilti is now somewhat behind other manufacturers in the field of connected tools. This could make its markets very vulnerable in the future.



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TTI: STAY TUNED

On 14 March 2018 Techtronic Industries released its results for the the 2017 financial year. The company has continued its record of strong growth across most categories, with the exception of its floor cleaning business, which continues to underperform.

While the general company news was good, there was also the sense of something missing. According to remarks made by the company's CEO, Joe Galli, TTI had originally planned to highlight the release of some new products at this announcement, but these have been held up until the next results announcement in September 2018. While Mr Galli did not specify what those products would be, he did mention that hiring costs had increased due to the company hiring highly qualified software engineer. So it seems likely that an extension to Milwaukee's industry-first One-Key connected tool system is in the offing.

The following is a transcript of Mr Galli's remarks made during the presentation. They follow on from a detailed financial analysis presented by Frank Chan, the company's chief financial officer.

Above, Joe Galli in his most recent appearance on Bloomberg TV, explaining yet again that housing construction markets in the US do not have a direct affect on TTI's bottom line.

Now let's look at the P&L. So net profit up 15%, EBIT over 15%, sales are monolithic and the company continues to grow. Sales close to double digit every year, have gross margin grow at a faster rate because SG&A (Selling, General & Administrative expenses) doesn't grow as fast as gross margin, and therefore we approve EBIT at a rate that's above sales.

Now our SG&A, as you point out, was up. A lot of people have asked us, it looks like the market's getting tougher. Spending more money on advertising to get the same sales. And actually that's not at all what we're doing. So we are, if you look at the two walls [where products are displayed], we are developing one new category after another and we invest upfront when we launch these new categories in end-user marketing, geographic focused expansion and that that is the driver of SG&A.

When you have a brand new category like lighting or like green cleaning or cordless mowers where we are revolutionising a global USD8 billion market, the SG&A investment in those areas has nothing to do with tough market conditions. In our core areas, we are actually spending less SG&A than we were in the past because we're ahead of our competitors. I know we'll get questions on this and we can discuss it as we go. But you know this chart really says it all. For eight years, we have increased our gross margin as a percent of sales significantly without any hiccup interruption or excuses.

Commodities go up or down. Currency changes and the gross margin just goes one way. And I feel very confident that chart over the next five years will continue to illustrate the same sort of incremental improvement year after year. And I have to say there's not many companies that can show you a chart like that for eight years again without any excuses, without blaming the economy, the environment, the President of the United States or any of these other macro issues that seem to be very topical these days. We can't control who gets elected in political office but our commitment and strategy is to control this trend.

The other thing, you know, is there's a lot of talk about tariff and tariff is always, of course, designed to attack dumping. And you know if we are growing double digit each year with the gross margin that goes up, that means we're not going into the US and taking market share on price. We are not a target or focus of any sort of dumping. We are taking share with higher prices. So that really makes us quite a different issue in terms of the discussions in Washington today.

OK so Frank pointed out our disciplined working capital management. We had USD334 million last year of free cash flow. I've told you in the past this company will be a cash machine. And I think we're starting to show the ability to invest aggressively in fixed capital around the world and in working



TTI Results for FY2017

- The results showed strong growth throughout TTI, with the exception of its floorcare division.
- While TTI's costs of sales have grown, this has been in response to category expansion, rather than increased competition.
- TTI is not concerned by moves such as new tariffs, as its diverse manufacturing base and widely distributed markets enables it to move to a broad range of strategies.
- TTI is continuing its expansion into areas such as outdoor power equipment and plumbing.
- It is also continuing to assert its dominance in the home DIY market, expanding in areas such as lawn mowers.
- Mr Galli said that there are some very exciting new product releases due for launch during the coming year.

capital to serve our customers — our service levels are fantastic — while we generate a lot of cash. So this is a very exciting trend that you can expect to continue.

Cash flow is a big deal for us and it's going to be a strength of the company. We look at sales growth versus headcount growth as a basic measure of productivity. And once again, for 10 years in a row our sales have grown at a faster rate than headcount. We are adding headcount. We have to. We're hiring. Last year in the United States we hired over 800 people in fact, we're hiring engineers all over the world like crazy. So you know we're not going to under-invest in the strategic areas of the company in order to make our numbers. In fact we're over-investing in engineering, particularly in software engineering in order to drive future growth. But I think this chart really illustrates a disciplined productivity. This is a way to measure where you can't really doctor anything. It's a pure measure of productivity and managerial effectiveness.

So OK, now this is a number, we should leave this chart up for a long time. So if you see that wall on my left, if you just stare at that for a second and look at 2017, what you're looking at is a once in a generation, unbelievable epic change in the marketplace. We are the Silicon Valley of power tools. We are not really desperate to acquire other companies to make our numbers. We're focused on organic growth and we're growing our core business. Twenty one point seven percent (21.7%) with all the issues around the world.

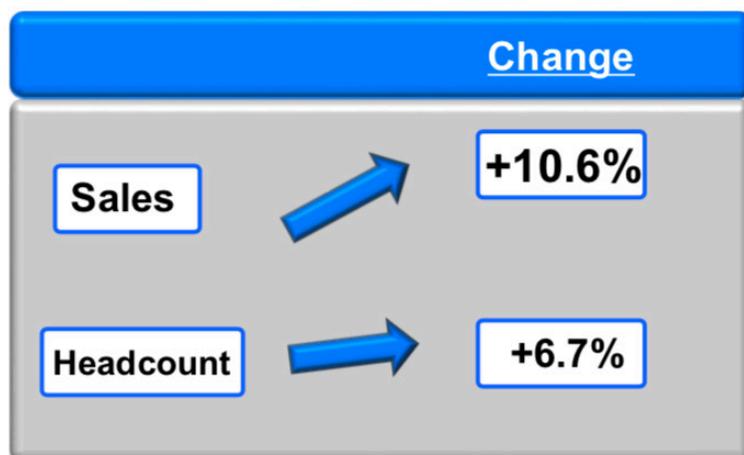
With all the well managed competitors we have, and we're doing it again and again and again. Year after year, we have pulled this off. In fact look at this chart, the compound annual growth rate of Milwaukee for five years is over 20%. It used to be a little easier when the base was small. Now I look at the look at the base and it's not so easy but I can tell you that we have plans in place to perpetuate that compound annual growth rate for the next five years.

The only regret I have today is I can't show you the products that we can't reveal publicly until July so I'll just show you a little taste of what's coming this year. But I can tell you strategically we have such aggressive plans for new products that we are determined to not ever go below 20% growth in Milwaukee again over the next five years. Beyond five years it's hard to see but it is pretty clear five years out.

We had an amazing year in North America last year, 20.5% Milwaukee growth. But the Europeans, the Australians and our team in Asia exceeded that growth rate. People ask me all the time, how are

I can't show you the products that we can't reveal publicly until July ... But I can tell you strategically we have aggressive plans for new products

2017 Productivity Progress



you doing outside the US? When Europe, Australia, New Zealand and our Asian theatre all out-gross the US, that's a good sign. The base is massive in the US so the percentages are hard to change in terms of our sales in North America versus the rest of the world.

But this tells you that long term, we we have traction everywhere that matters around the globe today. It's not just the US like in the old days so it's very exciting times.

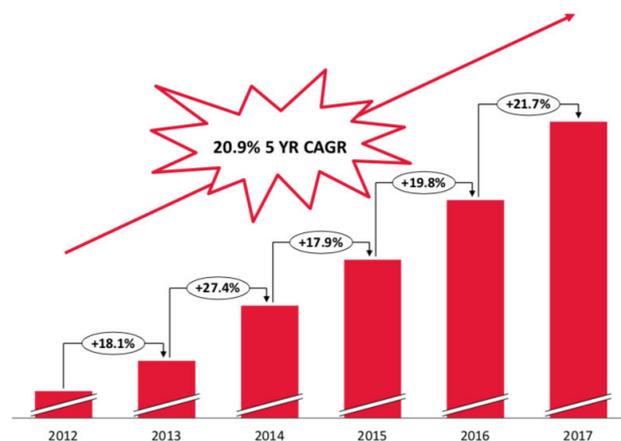
We talked about the long term potential market and I am afraid I made a mistake the last time we talked about this. The closer we get to categories that we've never been in, the bigger they become and the more potential there is. There's a lot of new categories that we're focused on. So I don't want any investor to believe that we are anywhere near topped out in terms of growth. If anything, I think we've misled you and we've underestimated the size and scope of the market that cordless labour saving devices can potentially become. Whether it's \$50 billion in five years, USD57 billion or USD48 billion, there's a lot of room to grow. So you know we won't get all the business. We are we are on the vanguard here, we are the innovators, we are the disruptors. We are developing, in many cases, the cordless technology that is creating this market. Our competitors are going to follow and they're going to sell products in the same categories that we do. They'll sell them at lower prices, their margins will be lower. Their product won't be quite as good and that's okay. We don't want to get all the market, we just want the part of the market that yields the highest profit and the most growth potential. And that's exactly what we'll do.

Now predictably I was on Bloomberg this morning for the 7,200th time I was asked, "What do you think about the housing situation in the US? Isn't that going to affect you?" The res-con (residential constructuin) market in the United States is very important to us. It's almost 8% of the demand for the company. But the other 92% of demand is in all these other verticals that we never really discuss because I think in general, the press and many analysts just don't realise how broad the potential is for cordless labour saving devices that generate radical improvements in productivity and job site safety. I just don't think we've done a good job in explaining over the years, this potential.

So I can assure you res-con could collapse tomorrow and you will not hear any word from TTI about any change in expectations. We love res-con. We hope it grows. It's growing like crazy but it's not the driver of the company. This

If anything, I think we've misled you and we've underestimated the size and scope of the market that cordless labour saving devices can potentially become.

Global Milwaukee Sales Growth %



Note: Results based on actual rate

is important. OK so again, I regret that we can't - we were tempted - but we can't show you what we're going to launch in a second half this year. And so that means I can't wait till August and we'll update you. But let me tell you just a few the things that we can discuss publicly, now that are off to a good start.

So our competitors are racing to try and match our brushless motor technology that is called Fuel. The Fuel cordless introductions in the company have been a spectacular success and the good news is, we see Fuel as Apple sees the iPhone. We wouldn't have had a new generation of our Fuel technology basically every 18 or 24 months. So we just launched the second generation of our sub-compact Fuel drill drivers. We launched these in January. No one else has even matched our first generation and we've already rolled out our second generation. So this is a good example. Here is a cordless inflator that you can use on a jobsite. It can inflate any vehicle, truck, wheelbarrow, gator, whatever job site vehicle that has an inflatable tyre. That little 12V inflator is a fantastic addition to the Milwaukee fleet that you would buy for a job site.

This rivet tool. There's a brand called Pop Rivet that I used to manage at Black & Decker. It was manual, it was an unwieldy nightmare to activate. This is an elegant cordless rivet tool that activates in seconds and will revolutionise the way sheet metal workers attach one piece of metal to another. It's off to a fantastic start.

Last year we rolled out Milwaukee 18V outdoor. Now the Milwaukee brand has never participated in the outdoor market. In the DIY arena, Ryobi controls the cordless outdoor market around the world. We'll get to that in a sec but we rolled out Milwaukee at prices that were in the ionosphere as an experiment to see if the Milwaukee brand would work in a different category.

The number one selling item that we had last year with many of our industrial construction distributors was the new Milwaukee string trimmer. It performs so well at a price that's basically double the normal string trimmer. I think we all got caught off guard with the sales rate and so believe me the forecast will be up this year.

We love the outdoor space for cordless because we're basically moving from petrol, from the greenhouse gas issue to an environmentally friendly lithium solution that we believe will be embraced whatever the President of the US does with this Paris issue. We believe that this will be embraced long term around the

The number one selling item that we had last year with many of our industrial construction distributors was the new Milwaukee string trimmer.

The Milwaukee Drain Snake plumbing tool, for clearing plumbing blockages.



very exciting.

So okay this is another slide you could leave up for a long time. This is the broadest line of lithium cordless professional power tools in the world, Milwaukee M18. The problem with this slide is that we're about out of space. The next time we talk, there will be a lot more of these new items on this particular slide. We were committed to having the most extensive range of lithium cordless in the professional marketplace. And I think what we will launch the next three years will dwarf what we launched the last three. It's a very exciting time for this.

Okay. So this is the world's broadest range of subcompact cordless Milwaukee M12. We find that this market is underserved by our competitors. It is the fastest growing part of the global cordless market. And to have both in the same brand is a powerful statement from Milwaukee.

Okay so shifting gears, we have a wonderful opportunity since the Milwaukee brand is so hot today, we have actually developed the accessory side of the market. This is an example. Hole Dozer is a carbide tipped holesaw. This is a revolutionary product, works great. We rolled it out last year. The dust trap is an accessory that captures silicon dust so that you have a safer worksite environment when you're drilling holes in masonry.

Okay, here's another brand new category that we haven't talked much about. So tools storage is an enormous category. In fact, one of our competitors doesn't name their business, tools. They named their entire business, tools and storage. And that tells you storage is an enormous market that has a lot of potential since we have not even participated here in this space.

We just rolled out something called Pack Out. We were stunned at the reaction to Pack Out. If you go online and read some of the blogs and some of the reactions, you would think that we just launched the iPhone here. This Pack Out is the most elegant solution for storing tools, accessories, safety equipment for a jobsite. It's great for your garage. You wheel it into the jobsite, these different cases will all interlock and therefore it's a system. The system is unique. We control the IP and we were stunned at the reaction of Pack Out when we rolled it out in the US and Europe in the past six months. So we are going to have to start talking about storage as a category at TTI as well because it's not going to be a little thing. And we have a vastly superior solution here versus the competitors that have served the space for many years.

This won't be a big business this year but long term, this gets us into another space, another vertical that

We were stunned at the reaction to Pack Out. If you go online and read some of the blogs and some of the reactions, you would think that we just launched the iPhone here.



we didn't control in the past. And what I love about this is we'll do the hand tools first but then we will come up with cordless hand tools, power-assisted hand tools with our cordless technology, that will really revolutionise this space so we don't even know what we don't know yet in datacom, it's a new category. But I can tell you we're ahead of the market here and it's an example of our innovation.

Okay this is a pretty slide. This category is the antithesis of the last category I showed you. Mechanic's hand tools have been around forever, the shade tree mechanic used to be a big driver of demand and tools. Those days are over. There's not a lot of shade tree mechanic demand around a Tesla. But there is a huge market for mechanics and tools in industrial or construction applications. This is an enormous global market that is brand new to us. So we just rolled out a line of innovated, high praise tools. We are focused on different competitors than you are used to seeing us compete against. And I think the reaction so far has been very, very exciting.

We have a new innovative line of levels. These are concrete levels (RedStick) that also help you screed the concrete with which every masonry contractor has to do. No one has ever had this kind of launch and we off to a great start.

OK so five years ago, we said we were going to get into the hands tool market. I think we're on the right track. That slide represents 700 different hand tools, up from zero when we started. We have consistently said we plan to build a billion dollar market around Milwaukee hand tools and so far, we see nothing that will stop us from achieving a billion. And you know the margins are good here and it's a great complement to what we what we currently do today in power tools.

Okay so if you shift gears, the Ryobi brand is now the number one brand in the world for DIY. And there's really no number two. Ryobi has captured the number one position for DIY power tools globally, and for DIY cordless power tools, and for outdoor equipment. And that's really pretty incredible given where we've been in the past. The Black & Decker brand controlled this market for 80 years and those days are over now and we'll be number one. So we will launch a series of new Ryobi One Plus cordless products this year, as we have in the last 10 years. And the focus here is floor care. So Ryobi floor care is off to an amazing start because there's a 30% household penetration in the United States for the Ryobi One Plus battery system. There is 30% of all US households now have that system. And you know we're also incredibly well penetrated in Australia and Western Europe.

So the potential here for us to take floor care technology that we may develop in a floor care business and launch it under Ryobi is significant because people already have the power source. So we can launch a product to outperform all the vacuum cleaner compa-

Ryobi has captured the number one position for DIY power tools globally, and for DIY cordless power tools, and for outdoor equipment.



nies today at a price that's way below because you don't buy the battery and the charger upfront. The Ryobi stick vac is a good example. Here's a wet dry vac that performs great. It's portable, it's cordless and actually its cleaning efficacy is above a corded traditional wet dry vac because of the motor in the electronics.

Here's another example. This is an interesting looking device called the Devour. A Devour is a surface cleaning device. You push and it has the wheels that will rotate thanks to the cordless motor and battery. It helps you rapidly clean up a jobsite, a garage, a deck etc. So the Devour gives you the idea that this thing will suck up anything and leave you with a pristine jobsite, a pristine work surface etc. It's the same battery as the Ryobi One Plus system.

So now here is a new area for us, pool vac cleaning. So we have a vacuum cleaner with a Ryobi One Plus battery and you can now use this to vacuum your pool. And it's a new category, a new department for us in the Home Depots of the world. And again it leverages that battery technology that we've had. So when you ask me about floor care, it's true we have a lot of work to do in our floor care business. But floor care is not just Hoover and not just vacs. We have the world's number one DIY brand called Ryobi. It's a wonderful way for us to leverage our floor care technology and go after that same user maybe in a little different way, in a different aisle in Home Depot. So we were very excited about our floor care business. Not only because of Hoover and vacs but also because of these other brands.

Okay so when we launched lighting in Milwaukee, we revolutionised the category. We can take that technology, we can reduce the specs a bit for a DIY application and we will add a whole line of Ryobi. So the beauty is when we have Milwaukee on the vanguard of technology at a very high price point, we can take that technology and it can cascade down into the other brands in the company. That's a very powerful model because we don't just develop the industrial markets. We also want to continue to perpetuate our DIY leadership. That's a good example of that.

Okay so one of the categories I'm most excited about is the cordless mower space. We sold no lawnmowers five years ago. The company was never in the category. The global market for petrol lawnmowers is USD8 billion plus. This is a massive market. A petrol lawnmower is a polluting, noisy device. It requires a trip to the petrol station every week. Every year you have to go back to the lawnmowers shop and have it tuned up, you have to the carburettor checked etc. And



we plan to transform this market with the broadest line of cordless lawnmowers that's ever been sold. We're the global leader in Lithium cordless mowers. We have different sizes because there are indigenous requirements.

The UK market has a smaller mower requirement, bigger lots in the US and Canada, Australia require bigger mowers. We have a sprawling line, it'll grow like crazy. And right now we're number one in the world in the cordless mower market. I think this category has more growth potential than anything we've looked at so far except for Milwaukee of course. What I love about the cordless mower is it's the Trojan horse. So you think about the garage, you go into a garage, there's always a mower, a string trimmer, an edge trimmer, a blower vac, or a chainsaw. Usually there are different brands. So when we sell the mower with a detachable battery, we now are in the garage with the Trojan horse and we believe that that user will be an easy candidate to add to her collection and buy the other various Ryobi outdoor products. It all works out of that same system. So because we have the only over-arching system between power tools and outdoor, this is really a unique situation for TTI. This slide represents the full line of Ryobi cordless outdoor power equipment. You know we had to build a bigger garage to make the slide. So this is now the world's broadest line and the highest performance line of outdoor cordless that's available. There's a lot more new stuff here that you will see.

Okay so turning to floor care. As you look at the future, I think we've demonstrated year after year, no matter what the macro economic environment is, no matter what our competitors have come up with, we've demonstrated the ability to just deliver the numbers. I'm sure somebody will ask about acquisitions here in a minute and I think we are a company that was developed through brilliant acquisitions by Horst Pudwill. I can't imagine anyone who has done a better job in terms of acquisitions in our space over the year. We're at a point now where if we don't buy anything over the next three years, we will still deliver the kind of numbers you're seeing today. We don't need acquisitions. We're not desperate acquirers. We don't have targets for how much acquisition revenue we're going to add to the company. Our target is to deliver strong, single digit top line growth and 15% EBIT growth with Milwaukee growing 20% a year, with no acquisition help whatsoever. I think our competitors have raced around the world looking at acquisitions. You can be the judge whether those have been wise investments or not but we are not going to be desperate acquirers. Our focus is organic, development, technology, and new product.

So when we sell the mower with a detachable battery, we now are in the garage with the Trojan horse and we believe that that user will be an easy candidate to add to her collection and buy the other various Ryobi outdoor products. It all works out of that same system.



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True Value moves out of retail co-op model

in this update

- Lowe's CEO is stepping down and investors are happy
- Home Depot expands its relationship with Pinterest
- Eco-friendly paint brand led by women
- Private equity takes majority stake in True Value
- Augmented Reality technology at Lowe's

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A private equity firm has taken a majority stake in True Value that will shift the hardware retailer away from its co-operative roots that dates back to 1948.

Eighty-five per cent of True Value members voted to pass the deal, which will turn over 70% equity of the Chicago-based retailer to ACON Investments. Current members will keep the remaining 30% equity, as well as receive a USD196 million cash payout.

About USD229 million of ACON's funds will be used to return 70% of retailers' capital, promissory notes and dividends. In an interview, True Value president and

CEO John Hartmann said the returned money would give store operators more financial flexibility.

The concept of a co-op, which I'm very respectful of even though I've asked shareholders to move away from that, is that individuals came together as a group to do things they couldn't do on their own. The unfortunate thing is it traps their investment, their equity, in the company.

The retailers who retain a stake in the new True Value can use the returned funds to invest in their business or use as they see fit. Mr Hartmann said:

Our independent retailers operate in a very

competitive space, so freeing up this capital is a really big deal. It allows them to reinvest in their stores, modernise their stores and invest in new stores.

The retailer's day-to-day operations at existing stores will not change, at least for now. Members will continue to receive True Value merchandising and marketing support. In the future, a minimum-purchase threshold will entitle retailers to use the True Value brand in the store and in local media, as well as participation in the True Value e-commerce ship to store program. Mr Hartmann said:

The partnership also will let True Value

broaden its brand's reach by eliminating the requirement that anyone selling True Value products purchase stock. The company is now free to sell to anyone who wants to buy from us.

Mr Hartmann acknowledges that members "have weathered some significant intrusions from very able competitors" including big box home improvement stores like Home Depot and Lowe's. He also concedes the company is "not 100-percent insulated from Amazon". But he remains optimistic that True Value has carved out a solid niche.

Our stores are community-based, very convenient, small retail. A drone can't get you a hammer any faster than you can get it from your local True Value, and it can't mix your paint, either.

ACON's investment was particularly attractive, Mr Hartmann said, because the firm already has investments in wholesale, retail and manufacturing – all three of which are part of True Value's

continues next page

Lowe's CEO stepping down, investors happy

Robert Niblock is stepping down as chief executive of Lowe's Home Improvement, and according to a report in Bloomberg, investors are hoping a new leader can bring the mojo back to a chain that has spent years in the shadow of rival Home Depot. Seema Shah, an analyst at Bloomberg Intelligence, said:

The market is likely excited for new leadership. It is hoping for a leader who can better capitalise on the macro tailwinds and drive improved bottom-line performance.

Lowe's same-store sales growth has trailed Home Depot's for many years, weighed down by a focus on DIY customers compared to Home Depot's core customer base of professional contractors who buy more bigger ticket items.

In the most recent (fourth) quarter, same-store sales grew by 4.1% at Lowe's, while

Home Depot reported an increase of 7.5%.

While both Home Depot and Lowe's have benefited enormously from the home improvement boom caused by increasing home values and the ageing housing stock in the United States, Lowe's has not been as adept at capitalising on that. Home Depot has also achieved better sales performances, thanks to better store locations because they are located in more lucrative areas than Lowe's. In addition, its earlier investments in e-commerce and more responsiveness to changing market trends through product assortment, has helped place Home Depot in a leading position.

And Home Depot is not ready to cede any of its leadership. In addition to an aggressive move into appliances, an area where Lowe's leads it, Home Depot is roughly doubling its capital spending in the

next three fiscal years to some USD11.1 billion on store remodelling and new technology to make store workers more productive and deepen their interaction with customers. (Last year, Home Depot's online sales rose 21.5%.) Mr Niblock said in December that Lowe's will increase its own capital spending to USD3.6 billion from 2017 to 2019.

Strategy for improvement

Lowe's executives have announced plans to get profits back on track through initiatives aimed at improving the in-store shopping experience. They also want to bring in more exclusive product partnerships like the one it announced with paint giant Sherwin Williams.

The company has also reinvested in its workforce to increase motivation and performance; it has announced bigger bo-



nuses as well as higher benefits packages for its employees. At the same time, Lowe's is expanding its supply chain by launching its first ever direct-to-customer fulfillment centre in Nashville.

The home improvement retailer is expecting a growth in revenues of about 4% and same-store sales are expected to increase by 3.5% this

year. Additionally, Lowe's is expected to build another 10 stores in the US in 2018.

<https://goo.gl/LUzg9Q>

<https://goo.gl/SgHzH6>

True Value retail co-op model (cont.)

business. In addition to its retail locations and wholesale distribution arm, the company also operates a manufacturing facility for its branded paint. In a prepared statement, Aron Schwartz, managing partner of ACON

said:

True Value is an iconic brand and one that we have long admired. We believe that independent hardware retailers are an essential part of our society, providing consumers and communities with

unrivalled service and expertise. We share True Value's passion for helping to ensure that the independent hardware retailer thrives for decades to come, even as times change and the competition gets tougher.

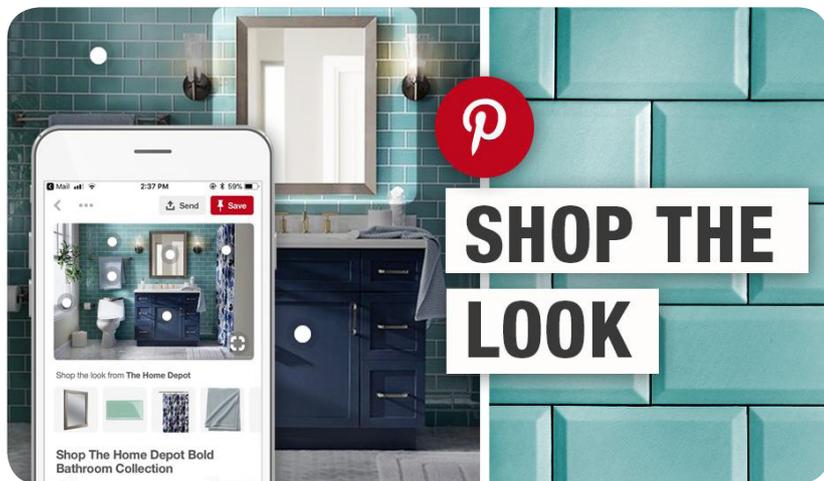
True Value currently has about 4,400 independent retailers worldwide and revenue of USD1.5 billion in 2017. It operates under the store identities of True Value, True Value Rental, Grand Rental Station, Taylor Rental,

Home & Garden Showplace and Induserve Supply.

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Home Depot expands decor strategy



Home Depot has more than 100,000 shoppable products on Pinterest

The Home Depot is doubling down on its interior home decor push, broadening its partnership with image bookmarking site Pinterest.

The home improvement retailer said the partnership will “dramatically expand” Pinterest’s visual discovery feature called Shop the Look, to include more than 100,000 new shoppable home decor products. That includes vanities, faucets, lighting,

textiles, tabletop and interior decor, according to a press release.

Shop the Look is meant to simplify the way Pinterest users can search and buy similar products to the ones featured in pins.

In an article in AdWeek, Melanie Babcock, senior director of agile marketing and social media at Home Depot, explains:

In the past, a user would go to Pinterest, find a room scene they liked and see an item

they really liked ... but now what? In order to find that item, they would have to go to another website and make a search describing it.

On Pinterest with Shop the Look, they’re taking all that extra work out. Customers can roll over hot spots and see an assortment ... hopefully, an exact match and others like it appear in the customer experience.

Home Depot is now working with Pinterest

to identify products in pins whether they’re from Home Depot or not to help that customer experience to discovery to sale in one experience, Ms Babcock added.

Ms Babcock said that Pinterest is ideal for Home Depot because “it’s a great place” for people to start home improvement projects “in a safe way”.

For us, our strategy with Pinterest was originally around an introduction to do-it-yourself projects and has evolved to drive awareness around soft goods...

I have been Pinterest’s No. 1 advocate at Home Depot for a number of years. Shop the Look is the first time we’re able, as a retailer, to see the direct relationship between Pinterest and how it meets customers’ need [for] discovery, which is why we’re doubling down on multiple

versions of types of ads and experiments with components.

Pinterest debuted Shop the Look in February 2017; the feature combines computer vision and human curation to make recommendations. At the time, Pinterest said visual search was one of its most-used features, with hundreds of millions of searches every month.

Home Depot said the partnership expansion with Pinterest complements its growing online catalogue of home and interior decor products. Most notably, it fits with the company’s acquisition in December 2017 of home decor online retailer The Company Store from Hanover Direct.

<https://goo.gl/5t8DXe>
<https://goo.gl/h5cqxp>

Paint brand challenging others to think green

Colorhouse is a US-based women-led, women-owned company that is making its product as eco-friendly as possible.

Established in 2005, it became one of the first paint companies to combine an eco-formulation (of acrylic-based paints) with an emphasis on colour

and sustainability.

The paints are GreenWise certified, the highest verification available for a paint brand. As part of that certification, the following chemical compounds are not allowed: methylene chloride, 1,2 dichlorobenzene, phthalates, isophorone, formal-

dehyde, methyl ethyl ketone, methyl isobutyl ketone, and heavy metals (antimony, cadmium, hexavalent chromium, lead, and mercury).

Puji Sherer, company president, said the eco-sensibility goes beyond just the formulation: the paint comes in recycled content

containers with 100% PCW chlorine-free labels, and brochures; it is manufactured in a LEED gold manufacturing facility, and the company is a member of the EPA SmartWay transportation (to streamline freight and delivery). Colorhouse headquarters is run on renewable energy and

serves as a paint can drop off site.

When founders, Virginia Young and Janie Lowe, started the company, they wanted to adapt their clay-based paints to make them easier for consumers to use in their homes. But the company ended

continues next page

Lowe's AR for fast buying decisions

Home improvement retailer Lowe's has partnered with Google to launch an augmented reality (AR) enabled feature showcasing the latest spring collection on its mobile app.

The new "View in Your Space" mobile tool allows Android users with ARCore-enabled devices to place lifelike, size-accurate items from Lowe's spring catalogue into their outdoor spaces, according to the company's website. They select certain products in their homes prior to

making a purchase.

Lowe's research reveals consumers often take weeks when considering big-ticket items such as patio furniture and bbq set-ups, culminated in the "stalling out" of more than USD70 billion in home improvement projects. The goal for Lowe's mobile augmented reality is to close this gap.

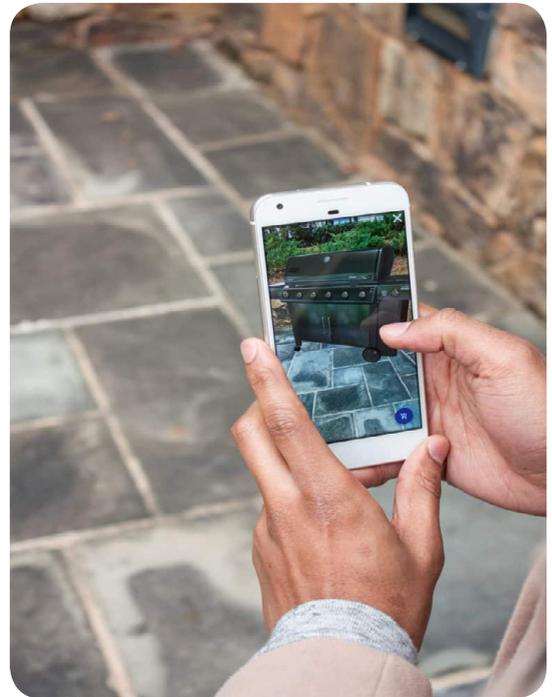
Typically that lag in purchase is due to ensuring the potential product will fit and look appropriate in the home or yard space.

The AR capability eliminates any concern about how the items will look once in place as it lets consumers embed products into a scanned image of the space.

Gihad Jawhar, head of digital development at Lowe's, told Retail Dive in an interview:

There are a lot of returns driven by a product not actually fitting in a space. Many times it doesn't look like what it looked like it did in the picture,

continues next page



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Paint brand (cont.)



up going beyond just formulation to think more deeply about their impact. Ms Young said:

Our search for healthier paint options pointed us to the vibrant green building community, a grassroots community that is about sharing knowledge and pushing the envelope on building materials that are better for us and the planet.

That trickles down

to small details: for instance, the company doesn't hand out colour cards. Instead, they ask customers to purchase the cards (for 50 cents a piece) on its website. It is simply to reduce waste and unnecessary paper usage. And instead of having a long roster of colour cards, Colorhouse has 128 in total.

Kim Martin, e-commerce manager, works with customers to find

the right colour. She answers everyone's questions whether it is on email, Facebook Messenger, or Instagram. Ms Sherer said:

The biggest challenge for Colorhouse has been competing in an industry with only a few major players, all with deep pockets. From offering free colour chips to Google Adwords, it is expensive for us to compete in the traditional

marketing world, so we rely on our reputation for quality, our creativity, and grassroots marketing ideas to get the word out about our brand.

Colorhouse has received investment from Solera Capital, a women-owned, mission-based private equity firm that invests in emerging-growth companies.

That said the economics of running a small business in a massive industry can be challenging. The paints do cost more than standard options at Home Depot but they have zero smell, which some consumers appreciate, making it easy to swiftly move

into the space after painting it. Ms Sherer said:

We have a toll manufacturing agreement that allows us to share in the cost of raw materials and helps to keep the cost of our paint down. As an independent paint brand, it would be difficult to keep costs down without this arrangement.

As the company expands, it is turning up in more stores: Ace Hardware, Home Depot (online), Amazon, Crate and Barrel.

<https://goo.gl/K3XsK8>

Lowe's using AR for buying decisions (cont.)

because you're looking at this two dimensional picture on a small screen even if it's on a desktop...

Product-in-place

With the "View in Your Space" feature, a Lowe's app user taps on the option while browsing products on the retailer's website. The customer can then scan, via the device camera, a potential product location and then drag and drop a product into the desired spot.

Shoppers can even "walk" closer to the product or walk "around" it to get a look at how the item looks from different vantage points. If all looks good, consumers just need to click an icon in the lower right-hand corner to move it into their online cart.

While technology is the centerpiece to Mr Jawhar's job, he acknowledges that Lowe's doesn't have a competitive advantage when it comes to technology but companies like Google and Apple do, so partnerships are a critical piece to staying ahead of the retail competition.

Stores are an important piece of tying everything together. Roughly 60% of all in-store sales are influenced by digital, Mr Jawhar said.

Where Lowe's hopes to continue to differentiate from online players like Amazon and other brick-and-mortar companies that haven't invested much in technology is with the interplay between channels, allowing customers to research online or on mobile and then come into stores to get advice and browse materials and potentially buy them.

<https://goo.gl/YfjXyi>

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Digital delivers for Kingfisher again

in this update:

- The pay gap is taken seriously at Kingfisher
- The store conversion program for BUKI has stopped for the time being
- Digital sales continue to provide growth at Kingfisher

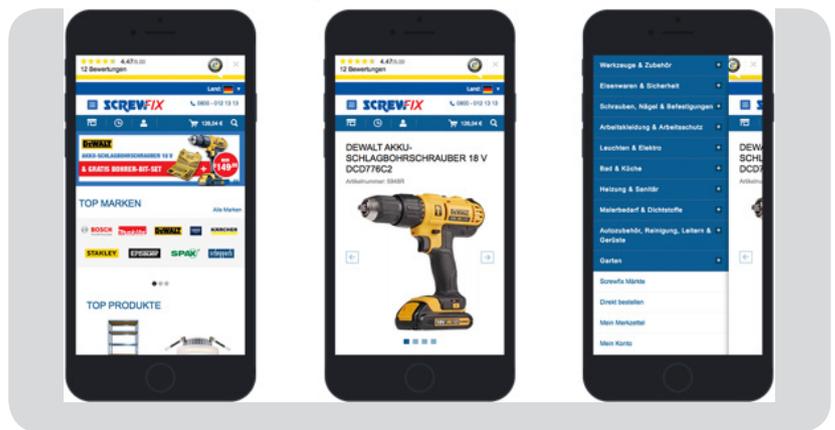
Home improvement group, Kingfisher has reported that total sales increased 3.8% to GBP11.6 billion, up from GBP11.2 billion, for the year ended 31 January 2018. However it posted a 10.1% fall in annual pre-tax profits to GBP682 million, but saw underlying profits edge 1.3% higher to GBP797 million.

Like-for-like sales were down 0.7% year-on-year at constant currencies, to GBP11.7 million.

Its annual results has been impacted by softer sales from its UK chains, Screwfix and B&Q, in the fourth quarter. The slowdown was due to less demand for big ticket items – such as kitchens – as the housing market cooled and as consumers hit by higher inflation and stagnant wage growth cut back on spending.

Screwfix digital

Over the year, total sales at Screwfix grew by 16.7% to GBP1.5 billion and by 10.1% on a like-for-like basis, as mobile sales soared by 86% and click and collect by 38%. Sales from specialist trade desks



Kingfisher's Screwfix has experienced strong annual growth in mobile sales

exclusive to plumbers and electricians also grew. But in the fourth quarter, sales slowed to 7.1% on a like-for-like basis. By the end of the financial year, 60 new outlets were opened, reaching a total of 577. Kingfisher said it aims to have 700 Screwfix outlets in the UK.

Screwfix continued to offset sales woes at B&Q, with price inflation also providing a boost.

B&Q

Sister company B&Q saw sales fall by 5.3% to GBP3.5 billion during the year, following a store closure program which has seen it shut 65 shops and cut around 3,000 jobs in the UK and Ireland over the last two years. Sales were down by



B&Q's click & collect is available on over 33,000 products

2.8% on a like-for-like basis associated with the store closures.

However, digital sales grew by 11% to represent 4% of total sales. More than 33,000 B&Q products can now be collected via click and collect, including 29,000 for one hour pick up.

A new B&Q mobile app launched in September 2017 which "is delivering improved average transaction

values", according to the company. The first of its digital home improvement services has also launched, including a bathroom planner tool.

Castorama and Brico Depot

Kingfisher trades as Brico Depot and Castorama in France.

continues next page

BUKI store conversion program halted



Bunnings' newly opened store in Frome, Somerset

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The program that saw a number of stores (23) changing from Homebase to the Bunnings format has stopped as Wesfarmers reviews what to do about staying in the UK.

The most recent store openings have been in Somerset, Walton-on-

Thames and Sprowston.

Somerset

Bunnings officially opened its doors in Frome, Somerset, replacing the Homebase store at Wessex Fields. Former skeleton racer and Olympic

gold medallist, Amy Williams, helped to open the 47,000 square foot store.

Complex manager, Mandy Wilkinson said Bunnings team members have helped with projects in the Frome area ahead of the official opening. These include paint-

ing a classroom for students at St John's First School and giving the doors of the local YMCA a fresh coat of paint.

<https://goo.gl/FXkhJC>

Walton-on-Thames

A new Bunnings store measuring 34,000 square feet has opened on the site of the former Homebase store in Walton-on-Thames, a large affluent market town located on the River Thames in the Elmbridge borough of Surrey. Kelly Smith, former England footballer, helped to launch the store.

Bunnings in-store staff have assisted with projects in the local area including fixing the scout hut guttering for the Walton Sea Scouts and painting planters and

repairing shed roofing for students at Walton Oak School.

<https://goo.gl/UjknIH>

Sprowston

Bunnings' newly opened store in Norwich, Sprowston is among the first Homebase branches to be re-branded to Bunnings as part of the pilot scheme. To celebrate the opening, former Premier League footballer Grant Holt joined a welcome breakfast for team members.

<https://goo.gl/tX2gwZ>

Kingfisher digital sales (cont.)

Castorama total sales fell 1.9% (like-for-like sales declined 2.4%) to GBP2.4 billion. Brico Depot total sales fell 4.2% (like-for-like sales declined 4.8%) to GBP1.9 billion. Across the two businesses, two new stores opened and one was revamped. Kingfisher said it is encouraged by the market in France, "although it is volatile".

Other sales

Sales in Poland grew 6.3% (like-for-likes increased 5.3%) to GBP1.3 billion. Russia sales fell 3.7% to GBP391 million and Spain sales dropped 4.8% to GBP316 million.

Romania, Portugal and Germany saw sales of GBP174 million. A further roll out of Screwfix Germany is on hold this year

pending completion of the unified IT platform roll out.

:ONE Kingfisher progress

Kingfisher is coming into the third year of a five-year transformation plan. More than 50% of its group sales now operate on one unified IT platform. Six per cent of sales took place online in its latest

financial year, up from 4% a year earlier.

There has been an 80% reduction of SKUs and suppliers as part of the "ONE Kingfisher" strategy. Kingfisher said "business disruption" knocked around 1.5% off its group-wide like-for-like sales as it was left with stock availability problems amid efforts to clear out old stock. But it had "acted on the root

causes of business disruption".

Chief executive officer, Veronique Laury insists her turnaround was beginning to bear fruit and said it was set to deliver a GBP500 million boost to annual profits by the end of 2020-21.

<https://goo.gl/zdtxaG>

<https://goo.gl/Crn3Uu>

Kingfisher addresses gender pay gap

Kingfisher has reported a 9.6% mean gender pay gap for fixed hourly pay across its 34,000 UK employees as at 5 April 2017. This is based on data across the retail group's four legal entities in line with the British government's gender pay gap reporting regulations. The entities Kingfisher has reported on include B&Q, Screwfix Direct, Kingfisher Information Technology Services and Kingfisher Corporate.

Kingfisher has attributed its gender pay gap to the fact that it has a lower level of female representation in senior roles across the business. Typically, senior positions attract higher pay and bonuses and the majority of these job roles are currently held by male employees.

To tackle its gender pay gap, Kingfisher is reviewing its employee benefits for parents, making more senior job roles open to flexible working and reduced hours op-

portunities, changing the way in which job adverts are written and introducing new programs to help support women returning to work.

In addition, as part of the organisation's leadership development programs, Kingfisher will help leaders to understand the importance and benefits of building inclusive teams, as well as understand the implications around unconscious bias. The organisation has also signed up to the 30% Club, which aims to achieve having a minimum of 30% of women on its board.

Guidelines

The gender pay gap reporting regulations require organisations in Britain with 250 or more employees to publish the difference between both the mean and median hourly rate of pay for male and female full-time employees; the difference between



both the mean bonus pay and median bonus pay for male and female employees; the proportions of male and female employees who were awarded bonus pay; and the proportions of male and female full-time employees in the lower, lower middle, upper middle and upper quartile pay bands.

Kingfisher's median gender pay gap for fixed hourly pay as at 5 April 2017 is 2.5%.

Its mean gender pay gap for bonuses paid in the year to 5 April 2017

is 33.2%, and the median gender pay gap for bonus payments is 0.1% in favour of female employees. Over this period, 62.3% of female employees received a bonus payment compared to 60.7% of male employees.

More than a third (37.3%) of employees in the highest pay quartile at Kingfisher are female, compared to 43.5% in the second quartile, 46.4% in the third quartile and 46.9% in the lowest pay quartile.

Kingfisher is also con-

sidering ways to analyse its gender pay gap across the organisation internationally, as well as exploring how it can investigate pay gaps across different ethnicities and other characteristics. This is to ensure that the organisation pro-actively manages its pay fairly and equitably.

<https://goo.gl/XbDK-BA>

Workwear with a social conscience

in this update:

- Tradies can buy workwear that shows their support for mental health initiatives

77

BUILT TOUGH, SO YOU DON'T HAVE TO BE.



Two Brisbane-based tradies want to change the traditional perception of uniforms for labourers while raising awareness for mental health, at the same time.

Trademutt was founded by carpenters Ed Ross and Dan Allen with the aim to “encourage the senti-

ment of being a ‘good bloke’”. According to the website:

Trademutt is a progressive social enterprise that creates quality hardwearing work shirts for tradies ... and ... start the conversation around suicide in Australian men. In doing so, we will lower the current rate of suicide

in this country so that families everywhere don't have to suffer the needless loss of their sons, fathers and brothers.

...By wearing a Trademutt shirt, we stand for respect people everywhere no matter their differences, a nonviolent approach to life, and most impor-

tantly a willingness to reach out and support anyone who needs it.

It is an issue that is close to Mr Allen's heart after losing his mate to the tragic mental illness. So the loudest colours were chosen they could find for the shirts to help amplify awareness. He told Channel 7 News:

By wearing these shirts, you really take a responsibility in saying that you are someone who is open to having these conversations with guys and that you're a shoulder to lean on.

Each shirt includes a logo that reads, “This is a conversation starter” teaming up with the organisation TIACS (This is a Conversation Starter). The two friends want to lower the rate of male suicide in Australia with a percentage of all sales going towards the cause.

You can find the complete range on the website here:

<https://trademutt.com/>

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

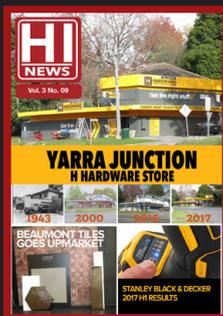
DIGITAL



167,000



72,000



75,000



73,000



103,000

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NEW PRODUCTS



DeWalt has a new line of seven ExoCore sledge hammers and three ExoCore axes, marking the company's first foray into this category.

The sledge hammer range is designed to meet a variety of applications, from metal to drywall to driving a punch or chisel. The hammers are available in 6lbs (2.7kgs), 8lbs (3.6kgs), and 12lbs (5.4kgs) models with a 32" handle, and a 4lbs (1.8kgs) model with a 12" handle. A Blacksmith sledge hammer with a triangular head is also available. Each hammer features an efficient strike face and a carbon fibre composite overlay to mitigate damage to the tool.

The ExoCore Axe range includes a camper's hatchet with a 12" handle, a 3.5 single bit splitter with a 32" handle, and a log splitter with a 32" axes. All of the axes feature a scalloped cutting edge, designed to ensure a deep cut and improved separation.

goo.gl/fhEtM8



Thanks to its electric drive, the **Wiha e-screwdriver** handles screw-fastening at a rapid rate. This power transmission and torque control in electric mode brings a particular benefit to users for delicate screw-fastenings.

An electric motor assists with fastening screws up to 0.4 Nm before disengaging to ensure that material is protected. An electric ratchet function assists users as they complete fastening.

When fully charged, speedE can fasten electrically up to 800 times without re-charging the batteries.

goo.gl/yV41aw

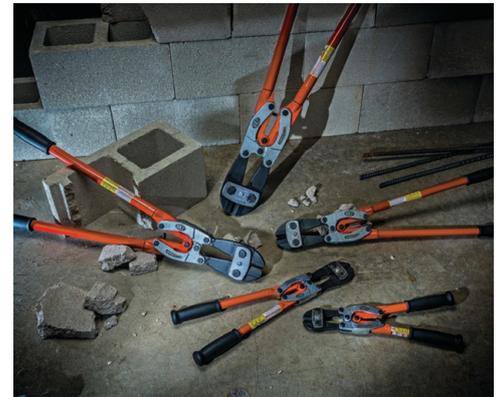


The **Worx 20V 6-1/2 in. Circular Saw** with ExaTrack can take the guess work out of straight line cutting by incorporating a tracking guide that enables accurate rip cuts.

It features a rubber overmould comfort grip and a spindle lock for fast and convenient blade changes. As part of the Worx Power Share program, the 20V 2.0 Ah battery is compatible with more than two dozen Worx DIY and lawn and garden tools.

In addition to the saw, the kit includes a 20V 2.0 Ah battery, a 3-5 hour charger and a 24-tooth, carbide-tipped saw blade.

goo.gl/bqM1hE



Crescent (H.K. Porter) has introduced its new line of **PowerPivot bolt cutters**. Featuring a compound action design, they can provide more cutting power, but require 30% less force to cut than traditionally designed bolt cutters.

Blades are precisely ground then induction hardened for extended edge life and added ability to cut hard materials. Handles are made of tubular steel for extra strength and have durable rubber grips for added comfort and control.

PowerPivot Bolt Cutters are available in five sizes with handle lengths of 14, 18, 24, 30, and 36 inches.

goo.gl/CVXHkT

The Lakes

HARDWARE

TIMBER & BUILDING SUPPLIES



Get the right stuff

John Ioakim

The Lakes H Hardware - LAKES ENTRANCE, VIC

How did you come into the hardware business?

I was the store manager of this store under the previous owners when it was a bannered store. In 2016 the owners called me looking to sell. My wife, Leanne and I spent many a night around the kitchen table running figures and swapping ideas for the store. We decided to go for it but we wanted to be truly independent and in control of our stock.

What made you decide on branding your new store H Hardware?

We had a few recommendations to join the HBT Buying Group and when that stacked up we had a chat with Steve Fatileh who showed us the branding for H Hardware. It looked great, the colours are eye catching and it really stands out. The clincher for us was that the store was ours, we could be

independent with a strong brand and no forced promotional stock eating up floor space and our bottom dollar.

How is business today?

We opened in July 2016 and 12 months on business is good. We've had growth and we have strong customer base. Our trade business makes up 75% of the business, I look after that and Leanne is the face of our retail side. It's come along way from our first official order that BGC sent to our house and I borrowed a trailer to be able to deliver it to site.

What would you say to someone considering transitioning to H Hardware?

If you want to have control of your business, your stock, your promotions and a stand out brand, then H Hardware is a no brainer.

For more information and membership application call

1300 305 719



Get the right stuff ✓

Cowdroy

Trusted by Australians since 1890, it continues to meet the needs of the hardware market



81

Cowdroy is one of Australia's leading manufacturers of track and seal products across residential and commercial properties. It has recently experienced a rebranding journey and changed from the classic green and gold colours to the modern blue and white.

It reflects Cowdroy's market leading status, especially in its weather seal range.

With over 125 years experience in the industry, Cowdroy has undergone numerous system and product enhancements to meet the increasingly varied needs of consumer demands and business partners. This flexibility to constantly be able to rebrand and refine its products is part of its ongoing commitment to the

hardware industry. Peter Doyle, Cowdroy's national business manager, said:

The hardware landscape is always changing so our goal is to adapt and evolve in order to provide our customers with the best possible experience when they interact with our brands and products. Cowdroy is focused on continually designing and developing new and exciting products for the Australian market.

Its extensive catalogue features door track systems, stops, guides and spare parts, door furniture, glass shelving systems, shopfitting products and showcases.

Cowdroy offers products for a wide range of applications.

Established in 1890

The company changed from a more traditional green and gold combination

initially as an advertising agency, Cowdroy has always been a pioneer in a number of industries, including producing the first illustrated advertisement in the Sydney Morning Herald and the world's first sliding glass aluminium track.

The latter creation helped steer Cowdroy in a new direction towards the Aus-

tralian hardware industry. Since then, Cowdroy has been responsible for other major inventions such as the highly successful ball bearing sliding glass track, a sashless sliding window and a sliding door track system featuring ball bearings on a top race section, which was patented and sold under manufacturing license around the world.



call: 1800COWDROY email: sales@cowdroy.com.au online: www.cowdroy.com.au

Special Advertising Section

Simmonds Lumber

Merbau: the right choice

Simmonds DNA Lumber® provides independently certified, legally sourced Merbau timber products.

Merbau is an excellent choice for external and exposed applications because of its natural high density and durability. Hardwoods have considerable natural fire resistance and Merbau is one of the few timber species that is sufficiently fire retardant to meet Australian Standard AS3959, and can be used in bushfire prone areas without any treatment.

Merbau is also an environmentally friendly choice and requires little energy in production.

Simmonds DNA Lumber is independently certified using the Certisource DNA verification technology - one of the world's most secure chain of custody systems. Each timber batch is audited from the forest to the Simmonds Lumber warehouse by Double Helix Tracking Technologies.

Simmonds DNA Lumber is also sourced from legally harvested forests. It is dimensionally stable, durable, kiln dried, fire and termite resistant. Simmonds is the Australian and New Zealand importer of DNA Lumber, and employs full-time quality controllers at the sawmill to ensure a high level of product quality in every pack. Simmonds DNA Lumber also satisfies all the requirements of the Australian Illegal Logging Prohibition Act 2012.



About Simmonds

Simmonds is a premier wholesaler of a wide range of timber products for the housing industry, commercial construction, home renovations, and industrial markets. Products are sourced from Australia, New Zealand, Asia and North and South America to provide customers with the right solution for their needs. Simmonds has offices in Brisbane, Sydney, Melbourne, Auckland (New Zealand) and Surabaya (Indonesia). It was the first company in the world to use DNA technology to certify the legality and provenance of timber imported from Indonesia.

An industry leader, Simmonds works closely with organisations such as Greenpeace and the World Wildlife Fund and



is at the forefront of using technology to provide exceptional customer value.

Sterling Ultimax Tape Measures

You'll love them "beyond measure"



83

Sterling is excited to unveil its new Ultimax and Ultimax Pro tape measures; tapes with features to make jobs easier.

Through rigorous product testing and development, it has managed to keep the strengths of its tried and trusted tapes, while adding ground breaking functionality to elevate the tapes to a market leading position.

Users can enjoy optimised legibility with Easyread technology, an innovation exclusive to Sterling Ultimax. Perfect for any application when the blade is away from the user, the Easyread tape is quickly gaining acceptance and becoming a must have amongst tradies and home handyman alike.

Clear millimetre markings and double-sided blade printing with horizontal and vertical print options

make it virtually impossible to misread measurements, even at a distance.

Sterling Ultimax tapes will stand the test of time with a unique protective blade coating and an added blade protection on the first 200mm to prevent wear on the most used part of the tape.

The Sterling Ultimax Pro tapes boast an extended standout of around three metres together with an exclusive and strong end hook to keep "true zero".

Sterling Ultimax & Ultimax Pro tape measures are available in the following varieties:

- Ultimax Pro - 8m wide blade: horizontal / vertical print - TMFX8027
- Ultimax Pro - 8m wide blade: vertical / vertical print - TMFXE8027
- Ultimax - 8m x 25mm blade: horizontal / vertical print - TMX8025

- Ultimax - 8m x 25mm blade: vertical / vertical print - TMXE8025
- Ultimax - 8m/26ft x 25mm blade: horizontal / vertical print - TMX8025I

About Sheffield Group

Sheffield Group is a fourth generation Australian owned and operated family company. It is dedicated to the success of your business through superior quality, service and integrity. Sheffield Group provides complete solutions in cutting tools through its extensive range of Sterling products, and in power tool accessories through its growing Alpha range.

Customer satisfaction is its top priority. When contacting its sales or service team, you will speak with

trained and dedicated staff members who genuinely care about providing the product or service that is best for you.

The team at Sheffield Group strive to exceed expectations in offering helpful service and advice to businesses throughout Australia along with practical solutions to solve any problems.

For more information contact Sheffield Group.
Ph: (02) 4957 8787
Email: sales@sheffield.com.au

call: (02) 4957 8787 email: sales@sheffield.com.au online: www.sterlingtools.com.au

Special Advertising Section

PPG Australia

Protecting and beautifying the world

It's easy to find PPG products being used on many DIY, renovation and commercial projects, every day. The company is recognised and respected as a global coatings leader.

PPG's Architectural Coatings division offers highly regarded residential, commercial and industrial paint brands to meet the varied needs of consumers, interior designers, painting contractors, property managers, developers and architects.

The Australian brand portfolio includes Taubmans, Bristol, White Knight and Flood.

In addition to architectural coatings, PPG produces coatings for the automotive, aerospace, packaging and marine industries on a global scale.

White Knight® Squirts

White Knight Squirts is a high quality, quick drying acrylic enamel spray paint that is ideal for many projects around the home. With a new and improved formula, White Knight Squirts adheres to plastic. It can also be used on timber, metal, wicker, plastic, masonry and ceramic.

As a paint and primer in one, it is quick drying and can be touch dry in 10 minutes. It also provides excellent coverage - 3.5 m². It is hard wearing with cleaner and brighter whites.

This spray paint is ideal

for use on canvas, furniture, toys, gates, doors, letterboxes, trim, fixtures and craft projects. White Knight Squirts is safe to spray because it is CFC and lead free.

White Knight® Splashes

A water-based craft and decorative paint, White Knight Splashes has a durable gloss finish. It can be used on suitably prepared

timber, metal, ceramics, fibreglass and glass.

In addition to being quick drying, this paint is easy to apply, clean and maintain with a large range of colours.

White Knight® Strokes

As an oil-based craft and decorative paint, White Knight Strokes provides a long-lasting, professional high gloss finish. It can be

used on suitably prepared timber, metal, ceramics, fibreglass and glass.

With many colours to choose from, White Knight Strokes offers long lasting protection.

These White Knight paints are ideal for use on interior and exterior applications.



call:(02) 9794 1200

online: ppg.com

Special Advertising Section

Daytek

Design for Today

As an Australian owned, third-generation family business Daytek has been manufacturing in Preston (VIC) since 1960 producing high quality clotheslines, homewares and wheelbarrows. It is committed to producing innovative, long lasting products designed to meet the environmental demands of today's households.

The Daytek range of Mobile Airers is the perfect solution if drying washing on a rotary or fold down clothesline is not possible. With either horizontal or vertical hanging, these units are ideal where space is limited. The Mobile Airers have available drying space ranging from 13 to 18 metres, and fold away for easy storage.

The Retractable Clotheslines have lines that extend out effortlessly when required and retract away out of sight when not in use. The 4, 5 and 6 line models all feature a corrosion resistant long life powder coated steel cabinet and each line is independently sprung and housed in its own cartridge. Easy to operate, the line locking mechanism tensions and securely locks all lines with less than a single turn of the handle.

Daytek's Rotary Clotheslines offer large overall line space. The rotary head can be folded down and the entire clothesline easily removed from the ground mount socket for storage when not in use.



Klingspor's new diamond wheels

Klingspor is pleased to announce the launch of its new diamond products in Australia

Klingspor is a German based manufacturer of abrasive products with over 120 years' experience.

The Klingspor range of abrasives includes everything from abrasive belts to cutting and grinding discs, flap discs and a complete range of other abrasives and accessories. In 2015, Klingspor invest-

ed in a new, state of the art diamond wheel manufacturing plant in Europe.

The range and quality Klingspor can now offer is unrivalled in Australia. The range includes;

- Segmented diamond wheels from 100mm to 500mm in diameter
- Turbo rim diamond wheels for general applications

- Continuous rim wheels for tile cutting
- Cup grinding wheels for surface grinding
- Core drills in a variety of diameters

The diamond range Klingspor is offering is made from the highest quality raw materials with the finest manufacturing processes. This is what Klingspor have built their

reputation on for over a century.

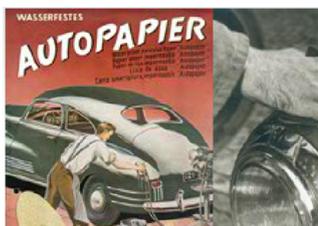
The product is well presented in retail friendly packaging and retail display stands are available on request.

For more details, please contact Klingspor: www.klingspor.com.au

Klingspor's proud history of product development

1926

After intensive research KLINGSPOR succeeds in developing a process for the manufacture of water-proof abrasive paper, for the first time in Europe. This innovation was of real significance for the automobile industry as wet grinding is an important procedure that is made possible only by means of waterproof abrasive paper. This KLINGSPOR innovation improves the efficiency of the automobile production worldwide.



1950

For the first time, KLINGSPOR produces high-speed, fabric bonded grinding discs. Due to noticeably higher speeds, this KLINGSPOR innovation leads to an enormous increase in the productivity and profitability as well as to an effective change of the whole abrasive cutting technology.



1954

The KLINGSPOR abrasive mop is patented. The idea is as simple, as it is ingenious: Many abrasive flaps are combined into an abrasive mop wheel. It adapts perfectly to each workpiece and, thus, is ideal for fine, flexible surface grinding. This KLINGSPOR innovation enhances the possibilities of application technology for grinding in many ways.



2003

The CMT abrasive mop disc with rapid action system as well as the WSM abrasive mop wheel with 80 m/s approval provide for further growth. Both innovations are suitable for use on standard angle grinders. With rapid tool change in seconds and no tightening tool required, the CMT is the perfect solution for high ease of use and significantly reduced set-up times!



Klingspor
Abrasive Technology

Ph: (02) 9737 0597 - Fax: (02) 9737 0598
Email: sales@klingspor.com.au - Web: www.klingspor.com.au



Special Advertising Section