



Vol. 4 No. 6

HIGH HEELS AND HI-VIZ

JACINTA COLLEY
REDEFINES THE
"EVERYTHING" CAREER

WOMEN IN HARDWARE

CLOSER TO EQUALITY,
BUT HOW MUCH, AND
HOW SOON?

MERCHANDISING

COULD PRODUCT
DISPLAYS MOVE
HARDWARE RETAILING
INTO THE FUTURE?

THE SMARTHOME

LOOK WHO'S TALKING



KITCHENS TAKE ON TAKEAWAY

Sterling[®]

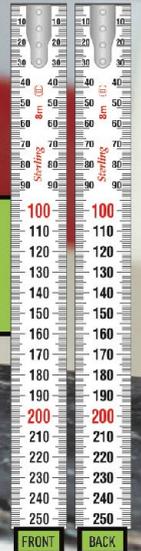
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MEASURE**



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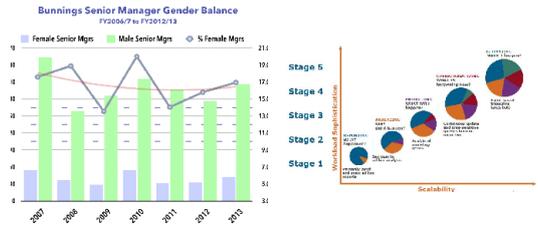
**FULLY
PRINTED
DISPLAY BOXES**

Sterling[®]

**Sheffield
GROUP**

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HI NEWS VOL 4 NO 6



Buckle Up

With wage price increases staying low and business investment trailing, despite good economic indicators, could Australia's problem be that deflation has already struck? We may be in recovery, but if this is accurate, the current slump is not going to end anytime soon. What should we expect for the coming two years?

30

Smarthomes

"Home Automation" has been replaced by the idea of the "smarthome". At the centre of this new idea is an array of devices that combine decent speakers with great microphones linked into speech processing on the cloud. The result might not be the end solution for automation, but it will pave the way for further exciting developments.

62

Kitchens

Kitchens are just starting to move away from the wave of white that swept through over the past two years. That is being replaced by three leading trends: black kitchens, technical kitchens (for cooks), and smaller, open kitchens. That last trend relates largely to the move towards eating more takeout, and a casualisation of dining.

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Digital Merchandising

Online retailers enjoy many advantages when it comes to getting a good data picture of their customers. They know what they purchase, what they like, what they look at, what they put in their wish lists – as well as making use of data gathered about them from other sources.

Yet physical retail could enjoy a similar understanding of customers as well. The key to this is working out how to combine three basic tools: making use of customer smartphones to link stores with services in the cloud; a smartphone app that is very useful and attractive to customers; and in-store beacons to identify when a customer is in the store. Add to that suppliers, with digital display stands, and significant possibilities emerge.

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Women in Hardware

Companies such as Bunnings (which makes up over half of people employed in hardware retailing) have made great strides towards gender equality. But is it enough? As we move into 2019, what standards should we set for the hardware retail industry?

72



Jacinta Colley, Simmonds

Jacinta Colley entered into Australia's timber industry partly through chance and partly (wouldn't you know it?) because she got some great advice from her Dad. While male managers have not always played a beneficial role in her work life, she had the luck to work with two men who helped her in her career, and on a personal level with her work.

In a speech originally given at a Women in Hardware event this May, Jacinta shared her experiences, and some of what she learned. As well, of course, as her bright, sparking personality.

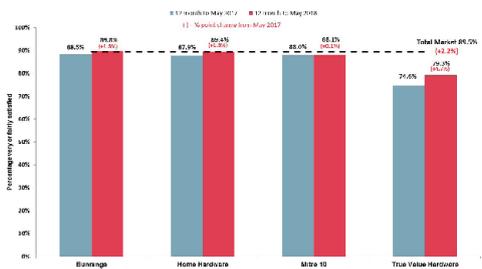
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Bunnings satisfies

With 11 million people shopping at Bunnings in an average four week period, they are the dominant player in this market with around 95% of hardware shoppers and have the highest customer satisfaction with 89.8%,

according to Roy Morgan.



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COMMENT

We all get those emails from time to time which seem both angry and bizarre. Sometimes it pays just to ignore them, but for many women, when they are about gender, they are hard to dismiss. But women like Jacinta Colley really show how people can rise above those situations, and keep focused on the goals that matter.

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comment

Just about everyone has a dumb email story. It is the sort of thing that can leave you wondering if the sender is living in some parallel universe.

You know the type of email. HNN's favourites are ones we get asking us to "correct" statements that are actually direct quotes from a source, such as a published annual report (or even, once, financial statements). These generally are emails from a competitor to whichever company made the original statement.

They can be difficult to respond to, because, well, where do you begin? What, we should deliberately misquote a source then, because the emailer disagrees with it?

While these can be unpleasant, we do have one ultimate luxury: we can send a reply (sometimes as short as "We find your objections to be without merit; please refer to the source material"), and then, if a responses come back, simply ignore them.

Many women over the course of their careers receive emails similar to this — by what we might call the "reality challenged" — but they do not have the luxury of ignoring them. That's because they quite frequently come from a boss or a colleague with whom they have to work.

The subtext of these emails is very simple. It reads something like: "Stop being a woman." "Stop being a woman" can include details such as:

- Don't wear such short skirts
- Don't wear such long skirts
- Don't wear skirts
- Don't wear pants
- Don't be too loud
- You don't seem to have much to say
- You wear too much makeup
- You don't wear enough makeup
- You are too pretty
- You are not pretty enough
- You are too cold
- You are too emotional
- You seem tired all the time, unlike my yoga instructor/model wife, who is just as busy as you looking after our three dogs and taking care of the garden

Jacinta Colley, national account manager at Simmonds Lumber, who features in our Women in Hardware story, tells us about an email where the subtext could be summed up as: "Don't have a child". As it came when she was already three months pregnant, it's a good example of the really great advice that some male managers send to women at certain times.

Fortunately, though, there is an antidote out there for women. That's the really great male bosses that some of us get to work with. It's true that just one of those can make up for two or three of the more challenging ones.

Jacinta, for example, also got to work with Roger Healy from RKW Innovations. As we mention in the article, he has great advice for women wanting to become part of senior management, with a view to having a long term career in this industry. Put your hand up, he advises. Put your hand up and ask to deal with difficult customers and don't always take the easy jobs. Be prepared to make and back your decisions (even if they turn out to be wrong sometimes), and always be professional.

Roger is also an advocate for inviting women along to events that all the men are naturally invited to, such as golf days and being a spectator at the footy or rugby. He says that changes the dynamics from the event being a traditional "boys night" to a casual event where people can get to know each other as individuals, not just as men and women.

Another really positive example Jacinta cites is the current CEO of Simmonds Lumber, Glyn Davies. He sees real advantages in having women who respond to business situations in a way that differs from how most men respond. He sees more possibilities in managing women a little differently as well, in particular by not making them conform to traditional male stereotypes in the workplace. One thing he said when HNN spoke to him was:

Because we are so male dominated, I think we just expect women to conform. This is a blokes industry – either be like us or get out. There is no room for softies here or whatever. But it's not soft!

They [women] want to talk, they want to know the details, they want to make sure they are doing things right, they want to polish things up. There are so many things in a business or an organisation that you can utilise those talents for.

At the end of the day, there are so many things that women can do far better than men, and if you can realise that, and utilise it, you will get far more out of that person than you will by trying to make them conform to a man's world.

Yeah. Wow.

After speaking to people who support women in the industry, we thought of all the great things it has to appeal to smart, capable women. It gives them the opportunity to develop a set of technical and sales skills that are highly regarded and to work with a cast of characters who like a laugh (and a drink), and who value authenticity — especially when some integrity is thrown in.

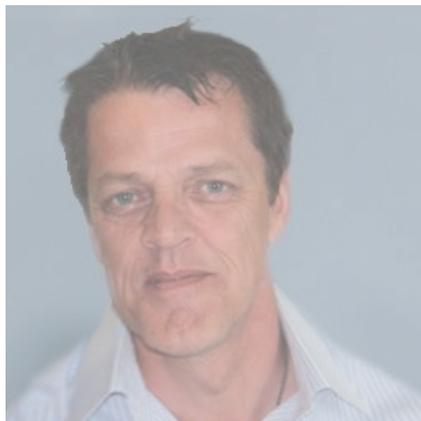
We'll leave you with some final words from Glyn, who simply told us: "Men and women are different, and that's a good thing".

To read more on this story, please turn to page 86.

cowdroy

“Cowdroy has evolved effectively, rebranding and refining our products, from the classic green and gold to the modern blue and white, and in doing so, developed into a market-leading and household brand in the industry.”

Peter Doyle, MBA, Business Development Manager (Cowdroy)



PETER DOYLE, MBA
Business Development Manager

As the Business Development Manager for Cowdroy, Peter is responsible for ensuring Cowdroy becomes the market leading brand to consumers in the retail channel. Peter joined the Alchin Long Group (ALG) as a part time consultant for Cowdroy in 2013 and then became the full time Business Development Manager for the retail channel in the same year.

Before joining the group, Peter completed his Masters of Business Administration to support his extensive experience in strategic business development across a variety of industries. He is a highly regarded industry figure at the national and general management level.

In addition to hardware retail, Peter has worked in FMCG and mass merchant retailing. Peter has previously occupied senior roles at The Laminex Group, Martec (a division of ITW), HPM Legrand and PepsiCo ANZ.

CRAIG DEATHE
Product Manager

Craig has been working with Cowdroy since 1988 and progressed through the company and became the company's youngest sales rep in the early nineties at just 21 years old. After Cowdroy was purchased by ALG in 1998, Craig became Costing Manager responsible for all system pricing and import costing.

In his current role as Cowdroy's Product Manager, Craig is responsible for overseeing the research, development and implementation of new products.



TOM ARCIULI
Marketing & Sponsorship Manager

Tom has been part of the group for 10 years, leading the marketing team and playing an integral role in Cowdroy's rebranding project. Tom held the position of Marketing Manager for ALG from 2008 to 2015 before leaving for an overseas stint in London for three years, working at King's College managing all aspects of its marketing including events, digital and traditional print advertising. Tom returned in 2018 as the Marketing & Sponsorship Manager, working closely with Peter on delivering Cowdroy's business goals and is currently overseeing integral brand projects such as repackaging for Weather Seals and Spare Parts. In addition, Tom launched and currently manages Cowdroy's V8 Motorsport Partnership.

**Cowdroy is a sponsor
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OLD

NEW

Head Office: Smithfield, Wetherill Park (NSW)



Aims for the Future - Peter Doyle

Cowdroy has evolved effectively, rebranding and refining our products, from the classic green and gold to the modern blue and white, and in doing so, developed into a market-leading and household brand in the industry.

Having now just completed the re-branding of Cowdroy and its offering with a more relevant and contemporary look, there is still more growth to be gained in existing categories within the segment Cowdroy currently occupies.

Expansion and relevance of our offer to the customer and needs of the market are key building blocks for adding to the core range that is already known for its quality and reliability.

As opportunity arises, new products, categories and segments are in the planning phase to maximise future opportunities, building on the current reputation the company enjoys.

While it has spent the last few years managing a growth phase, Cowdroy also laid strong foundations for future expansion.

Cowdroy Past & Future

Cowdroy is a leading supplier of track and seal products that are used for residential and commercial properties. With a large catalogue that includes door track systems, stops, guides and spare parts, door furniture, glazing tracks, shelving systems, Cowdroy provides products for a wide range of applications.

Independent design, research and development has always been a major focus for Cowdroy. Most recently, the company has undergone numerous system and product upgrades to meet the increasingly varied needs of consumer demands in a constantly changing market.

With an emphasis on innovative design, research and development, Cowdroy has achieved the highest standard with its products and will continue to maintain that excellence.

HISTORY

Origins: The ad agency 1890

Cowdroy has consistently been a pioneer in a number of industries. The company was first established in 1890 as an advertising agency, at a time when the "agency" model was new. This combined ad design, ad buying, and the production of ads for the first time in a single business. One immediate result of this innovative structure was that HM Cowdroy produced the first full-page illustrated advertisement for the Sydney Morning Herald newspaper, published in 1901. The ad promoted one of the 20th Century's great publishing success stories, the Encyclopaedia Britannica. A similar ad, for the American market, is shown at right.



Dec. 27, 1955
 T. C. COWDROY
 SUSPENDED SLIDING DOOR
 2,728,101
 Filed Aug. 14, 1953
 2 Sheets-Sheet 1

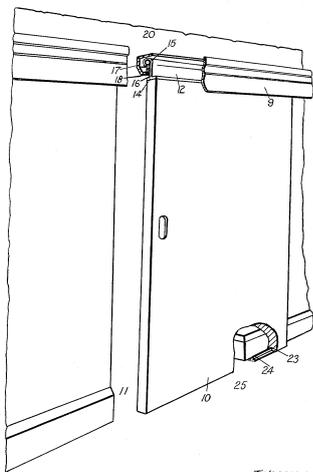


Fig. 1.
 INVENTOR
 THORP CLIVE COWDROY
 Attorney
 ATTORNEY

Track and ball bearing patents, 1940s to 1990s

From the late 1940s through to the 1990s, Cowdroy filed a series of important patents that related to various aspects of sliding tracks making use of ball bearings. These were the result of innovative work by the inventor Thorp Clive Cowdroy.

The most important of these patents is from December 1955, for the company's suspended sliding door. The patent describes the innovation:

"Suspended slidable doors are known and they are usually required to have heavy cumbersome roller equipment whereby they may be operated and furthermore they usually require considerable manual power to move them from one position of operation to another.

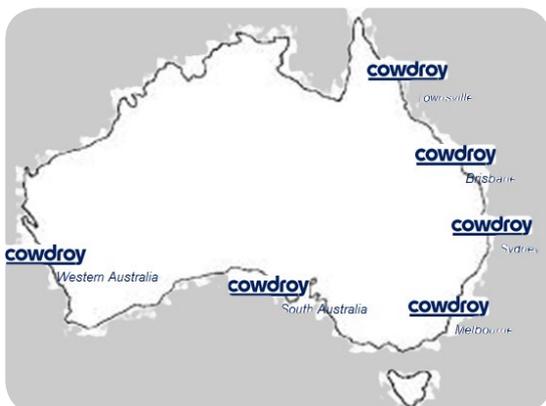
"An object of the present invention is to provide a suspended sliding door which is free from the above disadvantages and which is relatively light and easily operated."

Cowdroy's timing was impeccable, as mid-Century modern buildings made greater use of metal cantilever construction, which removed stress from the building's walls, enabling large sheets of glass to be used. The attractive, clean lines enabled by this patent fitted perfectly with that aesthetic.

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, concealed fixing wardrobe/cupboard track which was patented and sold under a manufacturing license around the world.

Today: Alchin Long Group

Today, Cowdroy is owned by the Alchin Long Group, a family-owned Australian company that specialises in the construction hardware industry and operates a number of brands, including Doric, Colonial Castings, Lock & Roll, Azuma and Solid Racks. Cowdroy products can be found in Australia, New Zealand, Malaysia, across the rest of Asia Pacific and North America.



MARKETS

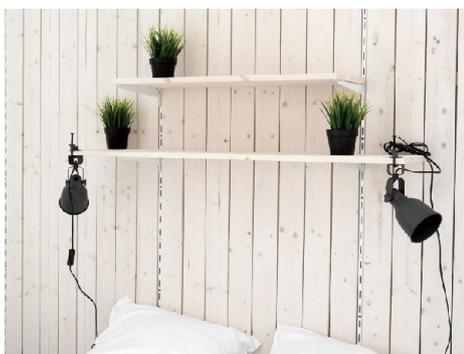


Weather Seals

- A comprehensive range that has been expanded, providing better insulation against the elements in residential homes.
- A bulk trade offer is aimed at making life easier for the tradie and other professional end-users in terms of installation.

Tracks, Wheels & Rollers

- Tracks to suit all options in ranging from the stylish Barn Doors tracks to wardrobe, kitchen and even an industrial range for heavy duty projects. All are available in numerous colour options and lengths aimed at both DIY and trade markets.
- This is the final part of the Cowdroy range to move to the new Cowdroy look in the re-branding phase.
- The offer has been broadened widely with accessories, not just supporting the full Cowdroy track range but also expanded to cover other categories, windows, doors etc.



Shelvit - shelving range

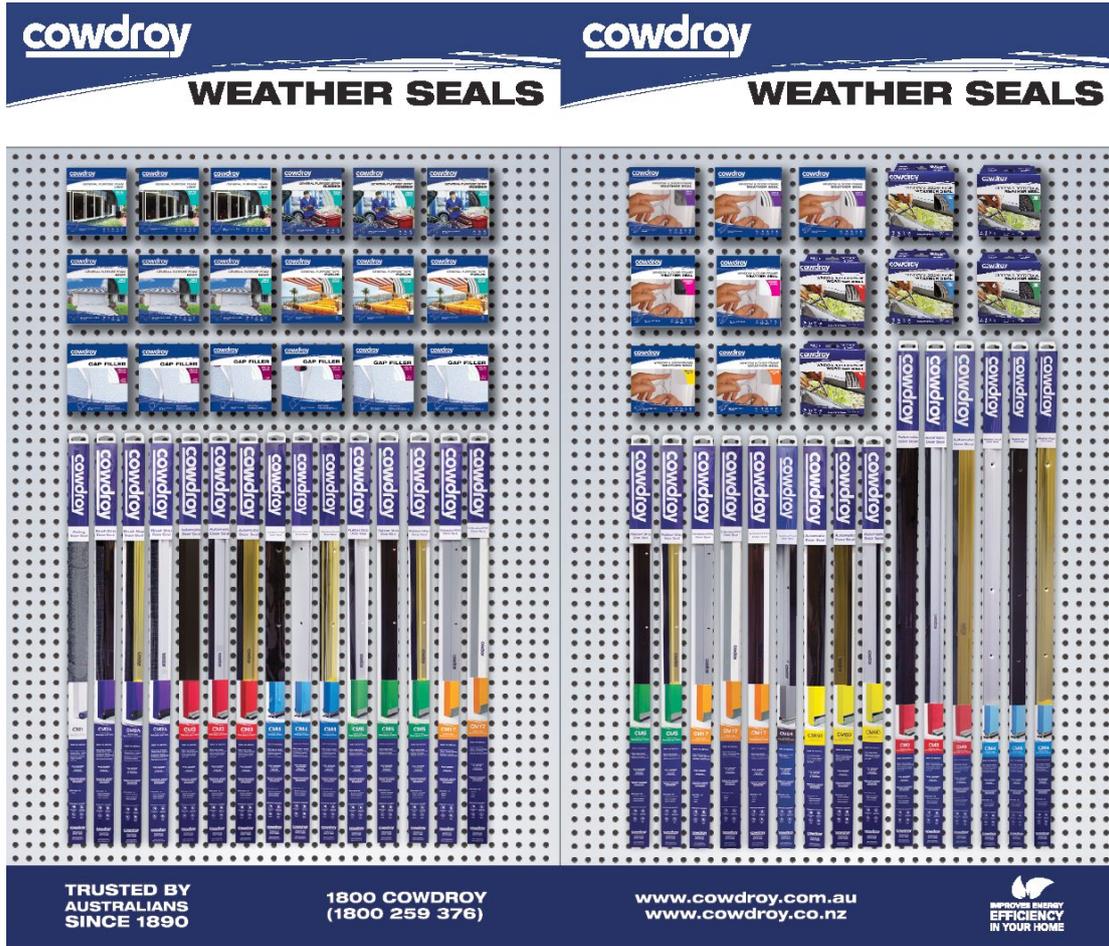
- A broad offering with both single and double brackets, including shelving that provides durability and quality across the range.
- The quality and reliability of this range is also well known from Cowdroy's shopfitting history and is still commonly used in the shopfitting market.

Barrier Doors

- A unique custom-made range featuring an expansive range of not only colour mix and colour code options but also design, from Diamond Grill doors to Colonial style.
- It also provides end-users the ability to customise multiple additions such as built in pet doors.



BRANDING



The Past



The Cowdroy brand undertook a major overhaul in 2014. A new logo that delivered a clean fresh look and a new colour scheme that gave retailers an opportunity to change suppliers of their weather seals. Slowly beginning to win market share with expanded product range and market leading visuals, the Cowdroy weather seals range has become the retail industry standard in 2018.

Door seals help to bring down costs by making a home warmer in winter and cooler in summer. The Cowdroy range covers all type of seals, from the old fashioned furry door seal, right up to you standard rubber strip seal and the top of the range weatherproof door seal.

Cowdroys' range of window and door seals also includes foam and rubber seals, which can be easily installed.

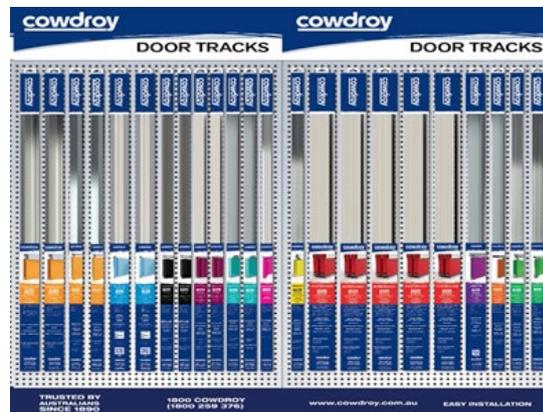
Seals are suitable for hinged, bi-fold, sliding and security doors and all windows to keep out heat/cold, as well as dust, noise, rain and those pesky rodents.

This range was the start of Cowdroys' rebirth as a significant player in the retail segment and with similar packaging running through the tracking and spare parts range, the Cowdroy hardware range looks fantastic in store.

PRODUCT LINES



Door tracks have been the staple of the Cowdroy business over the past 30 years with well loved products such as Arrow, Forerunner and Robemaker being industry favourites.



Cowdroys` range of Aluminium and Glass door track systems covers sliding, bi-folding and multi-sliding doors for residential and commercial applications.



Old faithful - **Arrow**. Probably in most Australian houses, the Arrow 35kg sliding door track system is easily installed and suits single internal doors. A classic DIY project.



The main event – **Forerunner**. Suits a 2, 3 and 4 door sliding and cupboard door track system. With a patented snap on bottom track for ease of installation and distinct, pleasing aesthetics meaning no visible fixing screws and concealed wheels.



The modern one - **Exposed 90**. Architecturally styled in stainless steel or matt black, this modern performer looks great in all rooms of the house.



The big one - **Industro**. The heaviest of heavy duty. Holding up to 450 kg per door, and used in super heavy duty industrial and commercial applications like sheds, Industro really is the heavy duty system of choice.



The glass option - **MKII Sashless window**. Designed for maximum visibility containing all framework to provide an unobstructed view and maximum light. Best used under eaves, a great addition to a modern residential kitchen or reception window.



Robemaker is a smooth and quiet bottom rolling system suitable for 2, 3 and 4 door wardrobe applications. The attractive slimline design features a patented snap-on bottom track to provide the ultimate in aesthetics – no unsightly track fixing screws and concealed wheels.

The **Trojan** is a top-hung track system especially suited to single internal doors. It features all enclosed slim line track design which enables the wheels to run quietly and smoothly as well as being secure. The 4-wheel assembly features a quick-release mechanism allowing for fast and simple installation.



Cowdroy's new Low Clearance 175 is designed with both aesthetics and robustness in mind.

With the ability to keep the clearance between the door and the top track down to just 3.5mm, this system will conceal the hardware and allow a seamless look from door to header.

The 175kg door capacity will easily cater for large and heavy doors while the enclosed track provides added wheel assembly security and longevity.

cowdroy

SHELVIT
DIY TIMBER SHELVING

SIZE: _____

COLOUR: _____

HOME, OFFICE, WORK.

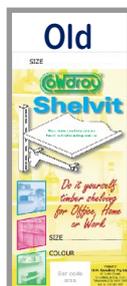
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Do it yourself timber shelving for the office, home or work.

The **SHELVIT** shelving system is one of the most popular DIY shelving systems in Australia. The system is basically comprised of stripping, brackets, shelf rests and shelves. The stripping mounts to the wall or suitable panel and the brackets locate into the stripping to form the basis of the shelf.



Wheels, Rollers and spare parts covers a lot of things and Cowdroy have been supplying the DIY and trade markets with these products for years. Replacement parts are just that, wheels, rollers and sheaves to suit worn and dysfunctional sliding components.

Cowdroy supply replacements for cupboards and windows, sliding doors and wardrobe doors.

big box update

Bunnings performs “best” for customers

in this update:

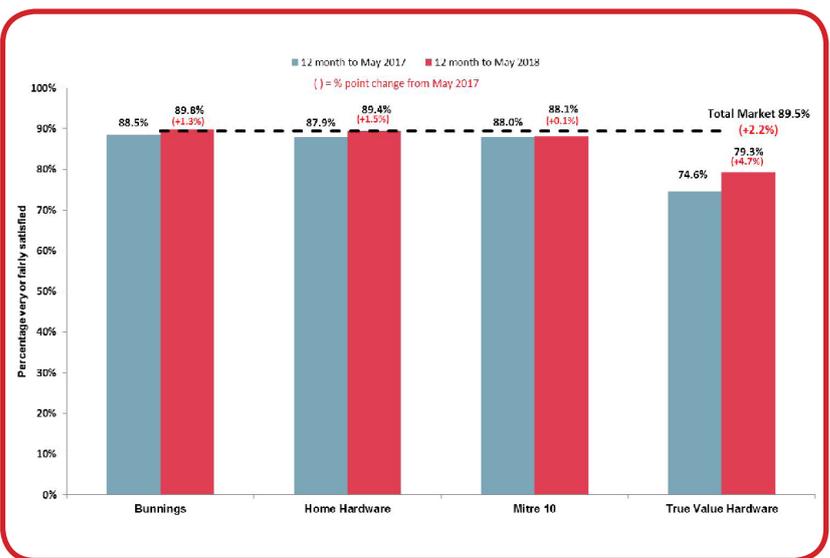
- Staff restructure at Baldivis store
- Victor Harbor store opens
- Coolum store still a possibility
- Housing and renovation slow-down could hit Bunings, according to Morgan Stanley
- Roy Morgan finds that Bunnings satisfies most customers

Research company Roy Morgan has found that in the 12 months to May 2018, 89.5% of hardware store customers were satisfied, an increase of 2.2% year on year. All other significant hardware retailers showed improvement with Bunnings up by 1.3% points to 89.8%.

These are the latest results from Roy Morgan’s “Hardware Store Satisfaction Report” which is based on personal interviews conducted face-to-face with over 50,000 Australians per annum in their own homes. This includes over 9,000 interviews with people who have shopped in a hardware store in the last four weeks.

With 11 million people shopping at Bunnings in an average four week period, they are the dominant player in this market with around 95% of hardware shoppers and have the highest customer satisfaction with 89.8%, according to Roy Morgan.

Its research also revealed Bunnings had an increase of nearly 600,000 customers over the last year and were the only retailer



Source: Roy Morgan Single Source (Australia), 12 months ended May 2017, n = 50,026; 12 months ended May 2018, n=50,046.

Base: Australians 14+ who purchased from a hardware store in the last four weeks, 12 months to May 2017, n=8,807 and 12 months to May 2018, n=9,171.

to show an increase, apart from True Value Hardware (up by 1,000).

In second place for satisfaction was Home Timber & Hardware on 89.4% (up 1.5% for the year), followed by Mitre 10 with 88.1% (up 0.1%). These top three performers are only separated by 1.7% points and all remain well ahead of True Value Hardware on 79.3% (up 4.7% year on year). Industry communications director, Norman Morris, said:

Satisfaction levels with hardware stores is higher than most other retail categories and over the last year they are showing that they

are continuing their customer focus, with all four of the majors showing improvement.

To date there has been limited competition from online players but our research shows that in an average four week period around a quarter of a million people purchase some hardware online. With increased competition from new players like Amazon, bricks and mortar hardware stores will need to focus even more on customers, particularly the advantage they are likely to have regarding their ability to provide personal advice.

Online visits

Inside Retail also recently published a list of the most visited Australian shopping websites, based on data from coupon site Cuponation. JB Hi-Fi topped the list with approximately 74 million local visits between January and June this year.

Bunnings came second with 68.82 million local visits to its website in the same six-month period, according to Cuponation.

<https://goo.gl/Sgafsr>

<https://goo.gl/gVLOii>

Slower housing impact on Bunnings: report



17

A slowdown in the housing market and a decline in lending for renovations may start to affect Bunnings

Investment bank and financial services group, Morgan Stanley believes Bunnings may start to feel the negative impact of a cooling housing market as lending for renovations appears to have peaked.

Government data seems to indicate that as banks tighten lending, less people are looking to update the house for sale.

Fairfax reports Morgan Stanley analysts suggest that Bunnings' strong trading is likely to slow from the fourth quarter of 2018, based on lower auction clearance rates.

They said, however, that Bunnings' like-for-

like sales growth could continue and margins increase as either the housing slowdown reverses or proves counter cyclical. People may not sell but decide to update the couch or kitchen. Analysts said in a report to clients:

We think a combination of tightening lending activity from the banks and home owners losing confidence in the housing market has led to the decline in lending for renovations.

The latest Corelogic data shows that auction clearance rates are down 15 percentage points year-on-year, to 53% in July. Morgan Stanley analysts said:

Whilst Bunnings' Australia and New Zealand like-for-like sales growth has held up so far, we think the second half of 2017 and the first half of the 2108 period was supported by the Masters exit and the third quarter of 2018 result looks to have been assisted 200-300 basis points by weather, meaning that underlying like-for-like sales may have been as low as 4.7%.

According to the latest Australian Bureau of Statistics (ABS) figures, in trend terms, lending for alterations and additions (renovations) of homes fell to 17-year lows of \$310.8 million in May, down

22.6% from the most recent peak of \$401.3 million in September last year. The annual decline of 19.9% was the lowest in seven and a half years.

Ryan Felsman, senior economist at ComSec, said Aussies had found it incredibly difficult to find a local tradie in recent years as the housing market was going gangbusters. He said:

However, a decline in home prices, particularly in Sydney and Melbourne, and tighter lending restrictions and anaemic wages growth appear to be impacting homeowners' views towards their castles.

In fact, homeowners appear to be less enthused about taking out a loan to renovate their abodes. Loans for renovations fell to 17-year lows in trend terms in May, suggesting that more people are shelving immediate plans to add extra rooms or revamp kitchens and bathrooms as the housing market slows in some cities and regions.

The ABS defines alterations and additions as all structural and non-structural changes which are integral to the functional and structural design of a dwelling. The ABS says examples are garages, carports, pergolas, roofing and re-cladding. But they do not include swimming pools, ongoing repairs, or maintenance and home improvements which do not involve building work. Morgan Stanley analysts said:

Historically, there has been some relationship between lending activity for this purpose and Bunnings Australia and New Zealand like-for-like sales growth, hence we think this is an indication of the headwinds Bunnings faces in the near term.

<https://goo.gl/qkGkvj>

Bunnings attempts store in Coolum again

Another push for a Bunnings store in Coolum (QLD); confirmation for Kingaroy (QLD) opening; expansion for Albany (WA) store; and early 2019 launch date for Port Macquarie (NSW) outlet.

Bunnings pursues Coolum store

Despite being rejected multiple times, Bunnings is pushing on with its Coolum development, reports the Sunshine Coast Daily.

The big box retailer has said its warehouse, restaurant and servo could boost local employment. However some opponents have cited the project's size and visual amenity as reasons for blocking it.

Sunshine Coast Regional Council recommended rejecting the retailer's plans. So Bunnings went to the Planning and Environment Court in Brisbane.

Bunnings's barrister Danny Gore said the warehouse size differed in the company's two remaining proposals. He told the court one plan was for a 5850sqm warehouse. The other proposed warehouse was 8600sqm. The servo and restaurant were 300sqm each, in both plans.

Judge William Everson said it seemed

"very unorthodox" for Bunnings not to have decided which proposal to advance.

The barrister said although Bunnings had already decided to ditch one proposal, with the two surviving proposals "it really will depend on the way the evidence unfolds". Ultimately, differences between the two surviving plans would probably be "marginal" but that too might change, Mr Gore said. He also provided a traffic engineer's report.

Judge Everson said traffic and parking issues might differ. He told the court that all sides had to agree on what the bones of contention were.

The court was also told local businesspeople and residents, including parents of local schoolchildren, might give evidence.

Related: <https://goo.gl/U9xS6D>

Albany store will be bigger

A time frame on the planned expansion of Bunnings Albany is yet to be decided after a major development of the store was announced late last year.

The hardware retailer is expected to double in size and expand by 6000sqm into three lots but details of when the it will begin are not yet known.



Site view of a previously submitted proposed Bunnings development in Coolum (QLD)

Bunnings property general manager Andrew Marks told The West Australian:

The timing and details of the expansion works have not been finalised at this stage...

The planned development is the first major expansion since the store opened 18 years ago.

Kingaroy store start date

South Burnett Regional Council announced that the Bunnings store in Kingaroy should be open by Easter 2019. Councillor Terry Fleischfresser, who has been working with Bunnings' property development manager on bringing the new store to town, said this was a huge confidence boost for the region. He told the South Burnett Times:

The new Bunnings opening by Easter will create 40 new jobs for locals. There is currently a lot of development in the region which means a strong future for our business sectors.

Cr Fleischfresser said having big retail stores like Bunnings in the South Burnett allowed residents to keep their shopping dollars in the region.

No longer will locals drive to Toowoomba or Dalby (to shop at Bunnings), they can do all their shopping right here.

Construction on the store is expected to start soon.

Port Macquarie warehouse on schedule

Bunnings' state operations manager NSW north, Cheryl Williams,

said the construction work on the \$43 million, 18,000sqm Port Macquarie store is progressing as planned. It is expected to open its doors in early 2019. She told the Wauchope Gazette:

Once complete, the existing team will transfer to the new store and will be joined by more than 60 new team members. Stock from the existing site will be distributed to other Bunnings stores and racking will be recycled within the store network. Bunnings has been a part of the Port Macquarie community since 2003...

<https://goo.gl/88tfZ5>

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

<https://goo.gl/iuRtFY>

Bunnings staffing and store opening

Bunnings restructures staff at Baldvis (WA) store; employment offered at new Bunnings Caringbah; and Victor Harbor officially opens.

Baldvis staff changes

Bunnings in Baldvis, which employs 108 people, recently offered some of its team members several “employment options”, including redeployment to other stores, reduced hours and suspension of work. State operations manager WA Hayley Coulsen said the decision was not taken lightly and Bunnings would continue to work to find the best solution for all team members. She told The West newspaper:

As with any of our new stores we review and adjust team resources as required, and this has been the case for our Baldvis store.

We recently offered some Baldvis team members several employment options, including redeployment to other stores where possible, reducing their contracted hours or suspension of their role with the understanding that as other positions become available within the Bunnings network, they would be offered these roles.

Team members who

take up other roles will have the option of returning to Baldvis in the future...

Caringbah store staff search

The Bunnings store on Koonya Circuit at Caringbah (NSW) is due to open in November, providing 120 employment opportunities for Sutherland Shire residents and school leavers.

Complex manager, Emily Sakalis, started her career at Bunnings 14 years ago and has previously held positions at stores across NSW. She told The Leader:

I was the complex manager for the old Caringbah Warehouse, and am excited about looking after this bigger and better store. The Bunnings culture is positive and supportive and we strive to bring an element of fun to every day. This is something I've always valued.

Celebrations for the opening of the Caringbah store are planned for later this year.

Victor Harbor opening

Local community groups were strongly represented at the official opening of Bunnings' \$25.3million, 10,000sqm Victor Harbor store in South



Staff at the Bunnings Baldvis store in WA are being restructured



The new Victor Harbor store in South Australia welcomed customers to the store

Australia.

Complex manager Danny Leach outlined the company's policy of a partnership theme – using the skills and materials of Bunnings to support the work of community groups. The store has been involved in Whalers Housing in both Goolwa and Victor Harbor, kids' breakfasts and gardening projects in local primary schools, providing recyclable timber for Encounter Centre and help for dugouts at the Break-

ers soccer field.

The star of the official opening was AFL legend Malcolm Blight who coached the Crows to two premierships and scored 786 goals during his AFL career.

Quizzed by 18-year-old Bunnings team member Tahnee Thatcher, Mr Blight chose two career highlights – one was playing with his mates in the local Woodville footy team while the other was taking out two premierships as

coach of the Crows. He told a captive audience:

Football is a team game so success is shared. People are the common ingredient in success. If you act enthusiastic, then you will be enthusiastic!

<https://goo.gl/BjVp7q>

<https://goo.gl/xpb-DQg>

<https://goo.gl/2dN-1WR>

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WORKSHOP 2018



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BUSINESS WORKSHOP

Following on from the success of its 2017 business conference, HBT is hosting its 2018 Business Workshop conference event on the Gold Coast from Thursday, 20 September to Friday, 21 September.

With a clear focus on the business aspects of HBT, this is a chance to get one-on-one time with key HBT personnel, as well as catching up with HBT suppliers, both old and new. Attendees can expect to attend sessions for:

- Presentations by suppliers
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indie update

Mitre 10 responds to Bunnings Kingaroy

in this update:

- Small profit for Terang Co-op
- Hardware store is part of new-look Hastings Co-op
- Selling up in Port Fairy
- Mt Isa gets new industrial hardware store
- South Australian store closes in anticipation of a Bunnings store being built nearby
- Mitre 10 store is ready to compete with Bunnings in Kingaroy



Sunshine Mitre 10 Kingaroy in South Burnett (QLD) believes it already offers everything people need despite a new Bunnings Warehouse opening in 2019. Retail store manager Steve Miatt said he was extremely proud of his team and

the hard work they did for the community. He told the South Burnett Times:

We employ more than 40 people and have many staff with 10 years or more service and some with more than 15.

Julie Hanson and

Barry Collins are two such team members with 27 years of service to Mitre 10's Kingaroy store between them.

Sunshine Mitre 10 has been

focused on supporting the local community since it opened in 1985 in its 4000sqm purpose built premises. Mr Miatt said:

We employ locals who have been a part of the Kingaroy community for many years and are proud of their long

term connections.

The store has heavily supported many community and sporting groups for nearly over three decades, Mr Miatt said. And it would continue to look after their customers as well as they always have, no matter what new business came into town.

We pride ourselves on our exceptional service to retail and trade customers, providing a large range from our store as well as expert advice for everyone.

<https://goo.gl/p4Q3EY>

Domain Mitre 10 closes before Bunnings opens

After 26 years, Domain Mitre 10 in Westbourne Park (SA) is closing down before a new Bunnings store being built just 3km away opens for business.

Owner Chris Wauchope told the Adelaide Advertiser that his store could not compete with a \$45 million Bunnings store being built in nearby South Road, Edwardstown,.

Mr Wauchope said he chose not to renew his lease after predictive figures showed his business had little chance of surviving a loss of trade once the Edwardstown Bunnings opened. He said it was a "very tough decision" that had "far-reaching implications".



Port Fairy hardware business for sale

Ken and June Brookes are selling their Port Fairy (VIC) hardware business and property after 42 years in the industry. The couple has decided to retire and the sale of Brookes Home Timber and Hardware is expected to fetch in excess of \$2.5 million.

While the couple is keen to sell the business and property as one, there has been interest from those who want to just purchase the property for redevelopment.

Mr and Mrs Brookes opened the store not long after they cut short a round-the-world trip and returned to Koroit (VIC) to help his ill father. The couple had left Australia in 1973, spent a year living in New Zealand before heading around the world via South America and

Europe when word came that Mr Brookes' father needed help running his plumbing business. He told *The Standard*:

This is why we are here. We were going to head over to Canada so we'll take that up later, we'll resume our trip so to speak.

The couple's first store, called Port Fairy Hardware, opened in March 1976. In 1983 they purchased the Sackville Street shop and moved the business there, expanding the site over the years when they purchased about five neighbourly blocks.

Mr Brookes said he had built up the business to include electrical goods, tools, hardware, timber, paint and giftware.

We've grown it from nothing to what it is. Our aim was to keep



business in Port Fairy for Port Fairy and district people. I just hope

that whoever takes it on has a good feeling for Port Fairy.

<https://goo.gl/DRWxfj>

ATOM Industrial opens in Mount Isa



Industrial hardware supplier ATOM has opened shop in Mount Isa, Queensland thanks to resident,

Mark Campbell.

Born and bred in Mount Isa, Mr Campbell has spent the past 20 years working in

the mining sector. He saw an opportunity to develop the local supply market, so he approached the company.

ATOM chairman Jason Johnson flew up to Mount Isa to meet with Mr Campbell and was so impressed he spent the plane ride home putting together a business plan on the back of an envelope. He told the North West Star:

Mark approached us and told us there was a gap in the market, and we really backed him. We checked out his credentials and thought this is someone we can build a business around.

We could see that our business model would work here, provided we had the right local person. The original plan was to open a small to medium size business, but we were lucky

enough to land two major Glencore tenders at about the same time we were opening.

ATOM's Mount Isa store is referred to as the "Bunnings for industry", selling giant spanners, gumboots, angle grinders and safety goggles.

<https://goo.gl/1Ech63>

Terang Co-op believes in its business model



Rural co-operative, Terang Co-op posted a modest profit for the 2017-18 financial year in what has been a tough economic period for south-west Victoria.

The supermarket, hardware and rural supplies business made a small net profit of \$9900 from a

turnover of more than \$23 million. (The Co-op posted a profit of \$150,000 for the 2016-17 financial year.)

Co-op chief executive officer Kevin Ford said although the Co-op's bottom line hadn't provided the result they'd wanted, the positive was that \$270,000 of

debt had been paid. He told the Standard:

We're in a financially stronger position than we were 12 months ago.

Terang Co-op chairman Brendan Kenna said the Co-op had grown sales against the previous year but costs had continued to climb. He also said the

Co-op's rural services were still suffering from the severe downturn that hit the dairy industry. He told the Weekly Times:

Our business is reflecting their reduced circumstances.

Mr Kenna believes the co-operative model remained viable and important to rural communities. He said:

We were all shocked to watch the rapid demise of one of Australia's largest co-operatives, Murray-Goulburn. [We] felt the pain and disappointment of its members as they saw their business fail.

But as big business and the large banks increasingly turn their back on rural Australia, in the pursuit of

higher profits at the expense of services, it makes the co-operative model more important than ever and we think it has an exciting future.

Membership continued to grow with 110 new members bringing the total to 2610. Highlights of the year also included the purchase of the DTS West business and the branding of dairy services as 360 Dairy Solutions.

<https://goo.gl/dAHbC5>

<https://goo.gl/UfW-GyF>

Hastings Co-op re-development includes hardware

Construction work is progressing behind the scenes on Hastings Co-op's IGA supermarket, hardware and liquor store which will open in October 2019, as part of the Sovereign Hills town centre in regional New South Wales.

Chief executive officer Allan Gordon said the new store would be an integral part of Hastings Co-op's family of 15 businesses. He told Port Macquarie News:

Uniquely, our IGA store will incorporate a full-service hardware store where custom-

ers will be able to buy everything from a hammer to landscaping supplies. Covering more than 600sqm, the hardware component will add a great dimension to our offering.

The development will eventually provide 25,000sqm of amenity to the growing Sovereign Hills community and beyond. The open-air design will feature roof-mounted solar panels, with rainwater harvesting to be utilised for all landscaping irrigation, while recycled bricks and natural timbers will

form the key architectural features of the building.

When it's completed, the Sovereign Hills master-planned community will be home to 2,000-plus new homes, onsite schools, childcare, recreation facilities and the area's new town centre.

<https://goo.gl/4rCkFS>
<https://goo.gl/CVq5Gz>



supplier update

Stanley adds to its industrial tool unit

in this update:

- Sika purchases polyurethane foam system manufacturer
- Design accolades for Hilti
- Imex Lasers launches product for pipes and drains
- Methven expands in China
- Stanley buys a maker of specialty attachments for heavy equipment

Stanley Black & Decker (SBD) said it will pay USD690 million for a manufacturer of heavy equipment attachment tools, its third acquisition in two years.

The acquisition of International Equipment Solutions Attachments Group (IES Attachments) will diversify the company's presence in industrial markets and establishes another "well-defined path for continued profitable growth" according to chief executive officer James M. Loree.

IES Attachments' brands include Paladin, which makes excavators, wheel loaders, tractors and truck chassis; Genesis, which makes specialty attachments for the scrap processing, demolition, material handling and decommissioning industries; and Pengo, a manufacturer of augers and related parts for the utility, construction and agriculture markets.

Mr Loree said the brands generate about USD400 million in annual revenue, of which nearly two-thirds comes from after-market sales of heavy-tool attachments, like

drilling augers, used in off-highway construction

The IES Attachments acquisition will be integrated into SBD's hydraulic tools business in its industrial segment. It is expected to add US25 cents to US30 cents in earnings per share by 2022. SBD posted USD8.04 in earnings per share last year.

The deal, which must be approved by regulators, will be paid for by available cash and proceeds from borrowing.

Q2 organic sales growth

SBD's 2018 second quarter financial results was led by continued double-digit sales growth year-over-year (YoY), including an acceleration in organic growth powered by its tools & storage segment.

The company posted total Q2 sales of USD3.64 billion, up 10.9% YoY, and up 13.5% from Q1's USD3.21 billion. SBD had approximately 7% organic sales growth in Q2, with strategic pricing actions responsible



Genesis makes specialty attachments

for one percentage point of that, volume comprising +6%, acquisitions at +3% and currency at +1%.

The company's Q2 profit of USD293.6 million also improved from USD277.6 million a year earlier and USD170.1 million in Q1. Gross margin of 35.3% in Q2 was down from 36.9% a year earlier and 36.3% in Q1, while Q2 operating margin of 13.2% was down from 14.3% a year earlier and up from 11.8% in Q1.

SBD's Q2 sales and profit numbers both exceeded Wall Street expectations.

It also announced the completion of the buyback of USD300 million more of its common stock, bringing its year-to-date repurchase total to USD500 million.

<https://goo.gl/GNzgK5>

<https://goo.gl/YnYQ1N>

<https://goo.gl/eTBawd>

Methven's China deal boosts share price

Tapware and showerware specialist, Methven's shares lifted 5% after it announced a deal with China's Jiangsu RuiZhiShang Building Materials Company to use its shower technology in a series of key projects over the next decade. In a statement to the stock exchange, the New Zealand-based company said:

By adding Methven showerware and tapware into RuiZhiShang's projects, Methven is targeting annual sales of between NZD8.5 and NZD10.5 million by 2020/21.

Methven is pursuing international growth

in countries like China as it seeks to benefit from its investment in proprietary shower and tap technology. The Kiwi firm increased Chinese sales to NZD507,000 in the six months to Dec. 31, 2017, from NZD81,000 a year earlier, delivering earnings of NZD3,000 compared to a loss of NZD89,000 a year earlier. The company said it was in final negotiations with a number of new distributors to expand its presence in China.

Methven chief executive David Banfield said the company has delivered over 1 million Chinese yuan,

or NZD217,000, in sales per month for the last four months and this current deal together with a national retail distributor it signed in March "further secures consumers' confidence in our brand, and enables us to deliver long-term profitable growth in China". He said:

The opportunity to bring our award-winning showerware and tapware into hundreds of premium hotels and high-end apartments allows us to tell our compelling brand and technology story to discerning Chinese consumers.

RuiZhiShang was set up in 2001 in China and



specialises in supplying bathroom fittings. According to Methven, it signed its first distribution agreement with the company in November 2017, and

they quickly brought Methven products into two large projects right after that.

<https://goo.gl/mH-Mipt>

25

Laser for major pipe works



Leading Australian supplier, Imex has released its latest technology pipe and drainage laser which combines a number of innovative features that increase efficiency and function for

the professional civil contractor.

The new IPL3 series comes in both red and green beam and has a wireless remote setting. It auto tracks the target plate and fits in a 100mm PVC pipe.

This laser is also powered by an 8Ah lithium battery with a USB charging port – an Australian first – and is IP68 fully submersible for the harshest conditions.

A modern use for these pipe lasers is the setting up of columns for solar farms.

To meet the needs of this new market, the Imex IPL3 has a unique lock-out grade mode which keeps the beam steady even when working in conjunction

with pile driving.

The laser is set remotely via the remote control unit which can be used 100m away from it. The IPL3 has a working range of 300m at 1.5mm @30m accuracy.

The accompanying kit includes three target plates for different sized pipes, five different metal leg sets to suit pipe sizes from 100-500mm, a recharger and a USB charger and a remote. Main features include:

- 300m range
- Fits 100mm PVC
- Auto tracks target plate
- A -20% to +40% gradient

- Lock-out grade (for solar farm pile driving)

- 8 Ah lithium battery
- IP68 fully submersible
- 1.5mm @30m accuracy
- LCD display remote
- 100m pick-up from unit

Also included is a five-year warranty from Imex, the first calibration free and standard Calibration Certificate.

For more details: www.imexlasers.com.au

Sika acquires Swiss manufacturer

Sika has agreed to acquire Polypag, a Swiss-based manufacturer and developer of polyurethane foam systems. This acquisition will enhance Sika's expertise in the area of polyurethane foam development, expand its production capacity, and drive forward its specialist trade business.

Polypag was founded in 1980. Last year, it recorded annual sales of some CHF40 million (Swiss francs), with a workforce of 120 employees.

Foams based on polyurethane are used in professional construction applications as well as the DIY market. Sika EMEA regional manager, Ivo Schädler, said:

The acquisition of Polypag will significantly strengthen our sealing and bonding business. The combined

technological and development expertise will open up new cross-selling opportunities. Moreover, by expanding the specialist trade business we will drive market penetration and establish growth platforms for both companies...

Sika's H1 profit

The company also reported a better-than-expected profit for the first half of the year recently, the first set of results since it settled its long-running feud with Saint-Gobain.

Sika said its net profit rose 11.4% during the first six months to CHF318.2 million, or AUD440.38 million, from CHF285.7 million (AUD395.62 million) a year earlier, beating analyst forecasts for CHF310 million (AUD429.06 million) in



a Reuters poll.

The company said sales rose 16%, from CHF2.99 billion (AUD4.13 billion) to CHF3.47 billion (AUD4.80 billion), and said it was still on track for a more than 10% rise in sales to CHF7 billion (AUD9.68 billion). Sika expects EBIT and net profit to increase at a slightly higher rate than sales in 2018.

Sika repelled a hostile takeover bid

from Saint-Gobain earlier in May 2018 after being locked in a bitter battle with the French construction materials company for three-and-a-half years. Under a settlement, Saint-Gobain dropped its plans to take control of Sika by buying the founding family's controlling stake. Instead, it agreed to take a 10.75% holding and not make a tender offer for Sika for at least six years.

Since then, Sika has adopted a simplified share structure and abolished the dual share scheme which enabled the takeover attempt to be launched.

<https://goo.gl/LQB-wkS>

<https://goo.gl/txmcbx>

Hilti wins product design awards



This year's Red Dot Design Award competition awarded the Hilti TE 50-AVR combihammer

as the winner in its category. Judges cited the tool's "pioneering design". The

tool provides improved performance at a lower weight than previous generations of the tool and features an optimised slip clutch which provides added user safety.

The sixth generation of the Hilti toolbox also received a Red Dot Design Award. It is equipped with a swivel handle, allowing two toolboxes to be easily carried in one hand,

and a new interior which can be individually configured to hold various accessories.

Other Hilti products receiving Red Dot Awards include the range of cordless cutting tool, pipe crimper and punching tool. The TE 6-A36 cordless rotary hammer also received an award.

The Red Dot Design Award is a well-regarded international

product design award. Submissions are assessed based on a criteria that includes innovation, ergonomics, functionality and quality.

A video featuring the design process of the new Hilti toolbox can be found on the website:

<https://goo.gl/CS-JNEP>

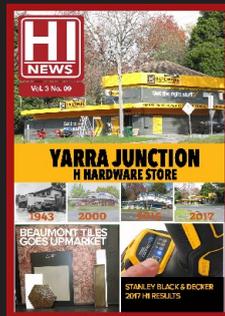
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retail update

Temple & Webster uses visual search

in this update:

- Visual search function has been added to Temple & Webster's Australian-based site

Web-based furniture and home-ware retailer, Temple & Webster has introduced a visual search function to its website. This gives customers the ability to search for products based on their own photos using a mobile phone.

Using the “camera search” button on the company website, shoppers can take a picture of anything and visually similar items from Temple & Webster's catalogue of 130,000 products will be displayed.

Chief executive and co-founder Mark Coulter told the Financial Review visual search was the next big improvement to customer experience for online shoppers, but admitted some customers would need to be taught how it works.

The launch of the visual search has been the result of 12 months work, which started when Mr Coulter read a story online about a US startup called GrokStyle, which



GrokStyle creates artificial intelligence tools for retailers like Temple & Webster

was developing the technology. Temple & Webster worked with the company to help get the product up to commercial standard.

GrokStyle's AI (artificial intelligence) tool uses deep machine learning technology to recognise products accurately and quickly. By recognising which products are being clicked on the most in the visual search results, the technology refines how it matches items to images, learning which products are most relevant to customers.

The visual search fea-

ture will also become a big feature of Temple & Webster's mobile app that's due to be released by the end of 2018.

Over time Mr Coulter said that he also intended to add augmented reality to the app, to let users visualise how a rug or a coffee table would look in their homes. He said:

The technology to view the products is relatively straight forward, but you also need 3D models of all your products, which takes time.

As well as making

investments in technology, Temple and Webster is considering investing in its own fleet of delivery trucks. Mr Coulter said this would enable it to tailor its delivery service by adding things like a product assembly option, or old furniture removal.

<https://goo.gl/afUo6y>

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?

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BUCKLE UP

2019 COULD BE A WILD RIDE

Some analysts see something like 1500 retail businesses in Australia failing before the end of calendar 2019 — with between 3% and 6% of those in hardware retail. Using trend estimate figures, overall Australian retail sales for FY2017/18 grew by 2.52%, down from 3.14% in the previous year, and significantly down from the above 4.0% growth for the three years preceding that. Most analysts expect only modest growth for FY2018/19.

In hardware retail, the trend estimate for sales came in at 1.40% for FY2017/18, down from 3.30% in FY2016/17, and 6.91% in FY2015/16. Figuring in inflation of 2.1%, the hardware market in FY2017/18 contracted by 0.7%.

It's debatable that growth will be over 2.0% in FY2018/19 — which is to say it will be another year of slight market contraction.

It's not only hardware that is being hit, it's the overall household category as well. Household retail includes hardware, furniture, floor coverings, housewares and textile goods, as well as electrical and electronic goods retailing. Growth in household retail fell to 1.67% in FY2017/18. Chart 1 shows the relationship between the growth in these three categories for the past eight years.

What remains puzzling about these numbers, which fell sharply in the past financial year, is that most measures of the economy indicate things are going better in FY2017/18 than in previous years. In Illustration 1, "The good, the ok, and the not so good", we lay out the various economic indications from the Reserve Bank of Australia (RBA) which support this view.

The general view put forth by the RBA about the current economy could be summed as one where most indications are now positive, and it's simply a matter of time — a year, two years tops — before growth returns.

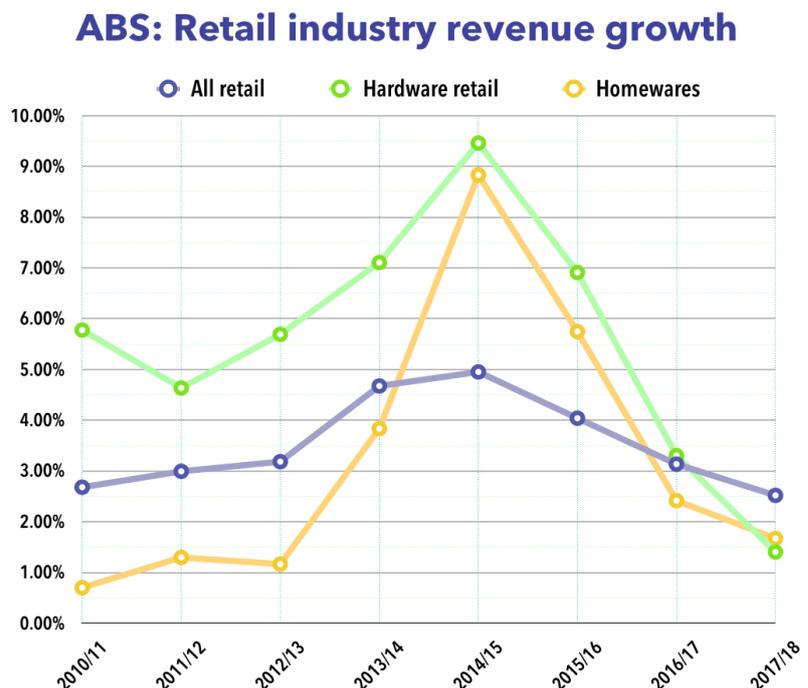
Quarter by quarter, however, as signs of improvement are either absent or fleeting, the RBA has not offered any real comprehensive explanation for why growth is so delayed. Figuratively, it is shrugging its collective shoulders and suggesting the best solution is to "give it time".

One glaring hole in this economic picture which the RBA has only recently moved to address, is that the RBA has failed to meet its inflationary target of between 2.0% and 3.0%. Over the past five years — 20 quarters — it has missed that target a total of 13 times, or 65%. This did not receive much attention, because the misses were on the low side — coming in at under 2.0%. The average "miss" was by -0.4%.

While in the recent past we have often heard from the RBA that it was nicely on track with inflation at 2.1%, the fact is that the three-year average is just 1.8% — as the RBA has itself admitted — down from an average of 2.5% over the past 25 years.

This gives us some clue as to what might really have happened in the Australian economy. It seems possible that some parts of the Australian economy have been affected by a condition known as the "deflationary spiral".

Chart 1. The percentage growth for three categories.



This is commonly defined as follows:

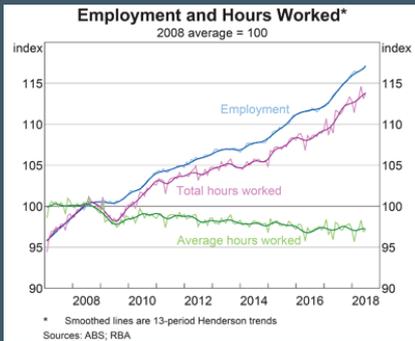
A deflationary spiral is a situation where decreases in price lead to lower production, which in turn leads to lower wages and demand, which leads to further decreases in price.

One indication of lower production, of course, is low business investment numbers, even when use of productive capacity is high. And such low business investment, coupled with very low growth in wages, are the two signature statistics of the current economic situation.

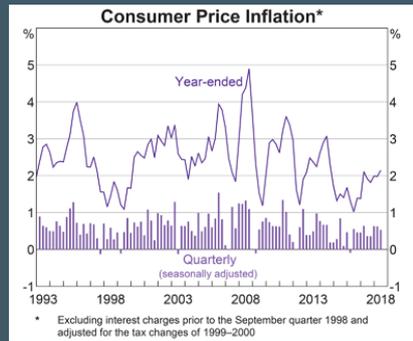
What HNN would suggest is that, sometime between the beginning of 2015 and the end of 2017, as inflation fell under 2.0%, and as low as 1.0% in one quarter, some sectors of the Australian economy found themselves in the grip of this deflationary spiral. It wasn't the entire economy, and it's likely that all of those sectors have now moved out of the spiral, but full recovery from these effects — especially when it comes to confidence — will take some time.

Illustration 1: Economic indicators.

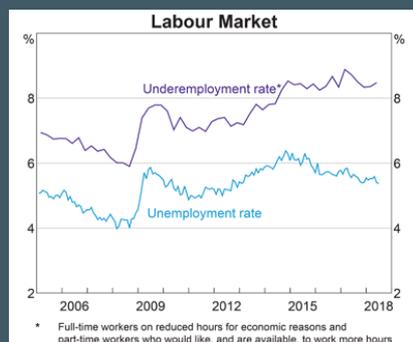
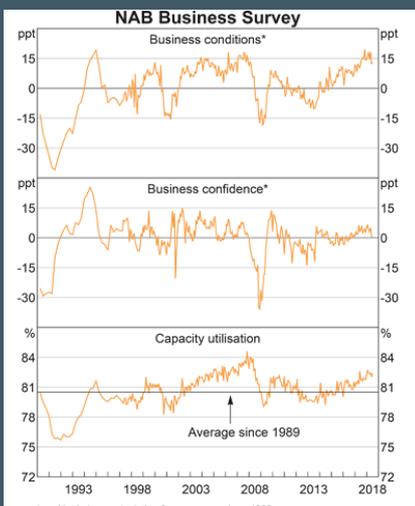
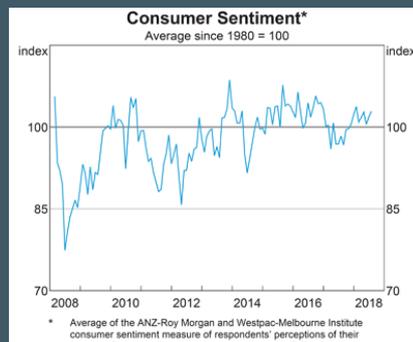
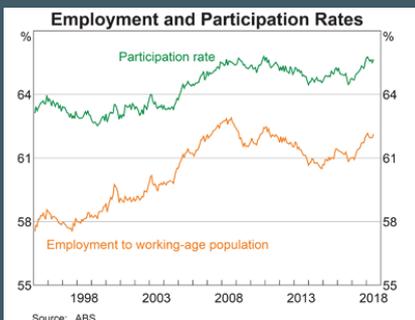
Good



OK



Not So Good



Business investment and wage growth

One reason the RBA may not have moved to address the possibility of a deflationary spiral (until very recently) is that, given Australia's past and its surprisingly robust economy, it is a very unexpected turn of events. In fact, rather than being caused by specific internal and external circumstances, this bout of deflation owes much to the surprising amount of recent structural change in the Australian economy. While this is currently unsettling, it also suggests some very hopeful developments for the future.

In a previous edition of HI News, we suggested some reasons why business investment is so low, in particular that every analogue aspect of business models now has a digital alternative hovering over it, making it difficult for managers to know where or how to invest.

RBA governor Philip Lowe in an address to the Australian Industry Group in June 2018 pointed to the difference in investment between digital and non-digital business processes:

[T]he dispersion of technology and productivity between leading and lagging firms has increased, perhaps because of the uneven ability of firms to innovate and use the new technologies.

...

The returns to those who can develop and best use information technology have increased strongly. These returns, though, are often highly concentrated in a few firms and in only certain segments of the labour market. At the same time, the firms that are not able to innovate and take advantage of new technologies as quickly are slipping behind and they feel under pressure.

The above remarks by Mr Lowe were made during a speech entitled "Productivity, Wages and Prosperity". As he describes, there was a steep decline in the wage price index starting in 2013, from above 3.5% in 2012, down to under 2.0% in 2017 — a fall, in terms of the change in growth itself, of over 40%. In describing what was happening with the firms that "are slipping behind and feel under pressure" described above, he goes on to say:

As a way of remaining competitive, many of these firms are responding by having a very strong focus on cost control. In many cases this translates into a focus on controlling labour costs. This cost-control mentality does not make for an environment where firms are willing to pay larger wage increases. These are clearly structural changes to the economy that have deflating side effects.

Mr Lowe also points to labour underutilisation, stating that:

Currently, around one-third of workers work part time, with most of these people wanting to work part time for personal reasons. However, of those working part time, around one-quarter would like to work more hours than they do; on

average, they are seeking an extra two days a week. If we account for this, these extra hours are equivalent to around 3 per cent of the labour force. This suggests an overall labour underutilisation rate of 8¾ per cent, compared with the 5½ per cent traditional unemployment rate measure based on the number of unemployed people.

As many commentators and some economists have pointed out since 2015, what this indicates is that the standard measure of “unemployment” might still be useful, but less relevant than it once was. That measure counts only each person who has not worked even an hour during the preceding week, has actively sought work over a four week period, and is available to start work within two weeks.

In a pamphlet from the RBA entitled “Australia’s Inflation Target”, one of the problems of a deflating economy is described as:

Businesses facing difficult conditions may find it hard to reduce the real wages of their employees and may resort to laying off workers instead. This is because businesses that need to decrease their real wages usually choose to allow their nominal wages to grow at a rate that is below the general rate of inflation, and if inflation is very low this is more difficult to do.

It seems likely that what we have seen in the Australian economy, especially between 2014 and 2015 as unemployment continued to rise, is that businesses reached a point where inflation (increase in prices/margins) was not enough to make up for a decline in productivity relative to the overall market. Instead of laying off workers, however, businesses moved employees from full-time to part-time employment. That supposition is supported by an increase in both the reported underemployment and the underutilisation rates through that time period.

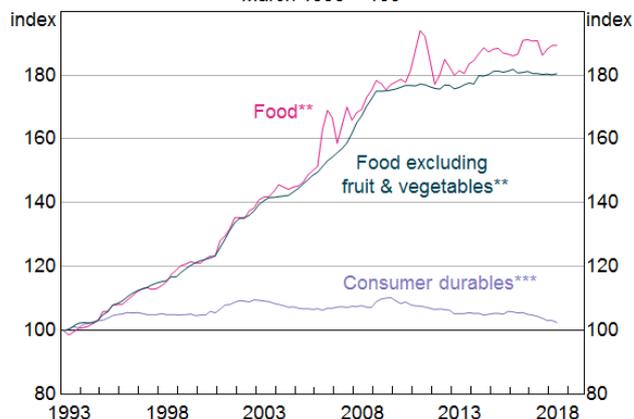
Lower wages have been further supported by a range of additional factors, including a decline of union power with the introduction of more flexible work contracts, the psychological effect of past low unemployment numbers, and the growth in household credit, which makes employees more keen to continue in a job, even if they believe themselves underpaid.

The RBA view on retail

Of all the economic sectors affected by deflation, retail is the one that has been, and will continue to be most affected. This much has been somewhat admitted by the RBA in a speech by Guy Debelle, who is the bank’s

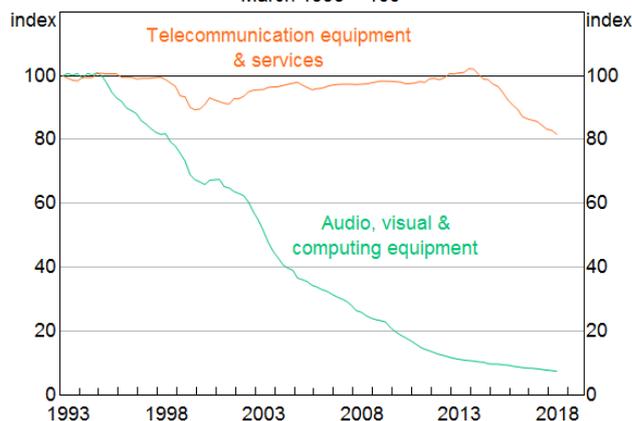
Top, **Chart 2**, RBA’s numbers shows that inflation slowed in 2008, and then slowed again in 2014. Bottom, **Chart 3**, In the case of telecommunications, inflation flat-lined, and then fell steeply in 2014, while computing equipment had severely deflated.

Retail Prices*
March 1993 = 100



* Seasonally adjusted; adjusted for the tax changes of 1999–2000
 ** Excludes meals out & takeaway
 *** Excludes audio, visual & computing equipment
 Sources: ABS; RBA

Communication and Computing Prices*
March 1993 = 100



* Seasonally adjusted; adjusted for the tax changes of 1999–2000
 Sources: ABS; RBA

deputy governor, to the Economic Society of Australia (QLD) on 22 August 2018 entitled “Low Inflation”.

According to Mr DeBelle:

Prices of many retail items have been steady or falling over recent years. Since 2015, retail prices have declined on average. The price of the typical food basket has not increased all that much over the past 10 years, while the prices of consumer durable items such as fridges and furniture (adjusted for improvements in the quality of the goods) have not changed noticeably over the past 25 years.

Chart 2 is provided by the RBA to illustrate Mr DeBelle’s points. Interestingly, of course, his description of inflation for consumer durables is not quite accurate. Current day inflation in this category is lower than it has been for more than 20 years, and looks set to continue its fall. On the other hand, Mr DeBelle could be forgiven for dismissing this trend towards deflation in light of Chart 3, also from the RBA, which shows what has happened to telecommunications and computer retail prices. These have been radically deflationary for some time — inasmuch as they can even be measured (what do you historically compare an iPhone X to — a Nokia camera feature phone from 2005?).

The real point of Mr DeBelle’s speech, however, is summed up in Chart 4 from the RBA. This is an “X-ray” of the basket of goods used to calculate the consumer price index (CPI). This shows that the proportion of the expenditure classes in that basket which ended up with inflation rates below the targets set by the RBA peaked at over 80% around 2017.

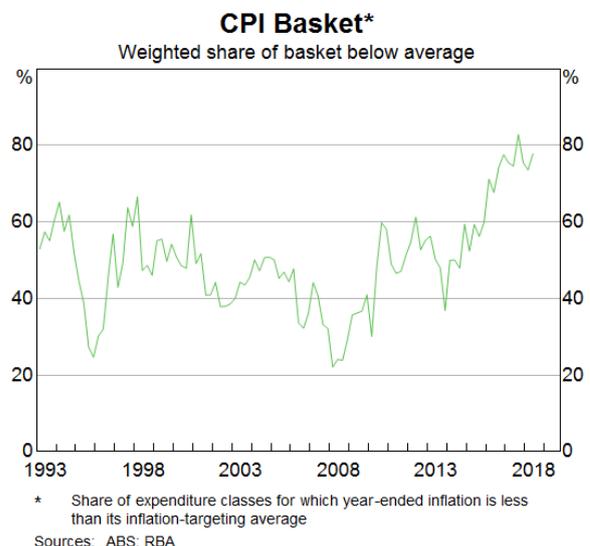
What that has to mean, of course, is that if most are well below the target rate, then a limited number must be exceeding it by a considerable extent. Those higher inflation categories include new dwelling purchases, utilities, education, health and automotive fuel. It’s significant that these categories are less discretionary than many other categories, making it hard for Australians to effectively economise.

This brings up the observation that, in terms of the way the CPI describes current inflation, there has been something of a decoupling across categories — they are working more in isolation. The cause of this decoupling, it would appear from Mr DeBelle writes, is competition, as he stated.

One of the factors having a significant impact on inflation outcomes in recent years has been increased competition in the retail sector.

There are three points that need to be made about this. The first is that, simply, many economists tend to have a somewhat naive view about competition and its effects. Their view of retail competition for lower prices in-

Chart 4, shows that much of the goods in the basket used to determine inflation are now trending sharply below the average inflation target.



volves either finding product A for a lower price at retailer Y as opposed to retailer X, or replacing product A with product B, which has the same characteristics, but at a lower price.

What retailers have observed over the past three years is target basket total cost competition. Consumers have had a tightly budgeted target price for groceries — or home improvement projects. Rather than exceed that budget, they have instead substituted cheaper, lower quality goods for better quality goods. That might seem to be a form of competition, but it is really displacement, and evidence of shrinking demand.

A second point is that seeking out the lowest possible price is anything but a “natural” consumer response — in fact, the entire retail industry is pretty much built on it being a bit “unnatural”. In the irrational world of retail, much profit is made by shifting consumer purchases to higher quality items with better margins. What we’ve seen happen over the past five years is a reduction in these “luxury” purchases.

The third point to understand is why consumers are so pressed to cut their budgets. This is in large part due to the indirect effect of lower-than-expected inflation on the costs of credit. Suppose that back in mid-2014 a homeowner financed a \$15,500 kitchen renovation so that the total cost would be \$18,000, paid out over three years, which means she agrees to monthly payments of \$500. Her family’s take home pay is \$60,000 a year, so she’s spending 10% of its total income on the kitchen.

However, her expectation, given a more normal economy, would be that by the end of the three years, her income would have increased by 10% to \$66,000 a year. Instead, in the current economy her income lifts by only 5% to \$63,000. That expected but missing \$3000 has to come from somewhere, and that “somewhere” is likely going to expenditure on essentials such as groceries, as well as a further delay in any home improvement projects.

One important element of this is that in a lower-than-expected inflation environment, banks and other lenders make better profits. When she took out the loan in 2014, the bank would have built an inflation estimate into the interest, likely putting this at 2.8%. Instead the inflation for that period was 1.8%. The bank benefits from that extra 1.0% because while the dollar amount of the money paid back has stayed the same, the value of that money has increased over expectations, given the low background inflation.

The importance of this is that most Australian households are carrying a fairly high amount of debt. As the inflation rate continues to be less-than-expected, this debt continues to be valued higher than expected, which further suppresses demand (while helping to boost bank earnings).

While we do think that the RBA understandably wants to avoid possibly harmful speculation about deflation, and has canted its analysis a little as a result, it is also possible that this situation is genuinely surprising.

The future

In the Budget Papers released by the Australian government in May 2018, it is stated:

Wage growth is forecast to pick up to 2 1/4 per cent through the year to the June quarter 2018, 2 3/4 per cent through the year to the June quarter 2019 and 3 1/4 per cent through the year to the June quarter 2020, as economic growth strengthens to be above its potential rate and excess capacity in the labour market is absorbed.

The RBA has, recently, mildly supported this prediction, with the caveat that the predicted numbers will likely match a wider definition of wage growth, one that includes bonuses. Looking more closely at the most recent wage growth numbers, it's also evident these have been buoyed by higher wages offered in the public sector, and that they continue to remain largely stagnant.

The main thing to understand about a deflationary situation is that very little can be done on the supply side of the equation. The general cure and answer to deflation is to stimulate the demand side.

In more normal times, the RBA could help with this by cutting the cash interest rate. That would decrease the cost of borrowing, and, in theory, make consumers more inclined to spend.

At the moment, of course, due to the need to recover from the overhang of the Global Financial Crisis (GFC) of 2008, interest rates are at an all time low. Not to mention that cutting these rates tends to overstimulate what is likely the least productive and most "rent seeking" portion of the economy, the real estate market.

Without the RBA able to do much, this means Australia's federal government should do something to help stimulate demand. And this, as it turns out, is where the problems really get interesting.

For example, the simplest solution of all, offering a direct stimulus to Australian consumers, is likely to fail, due to the high levels of household debt. In uncertain times, given some extra cash, most families will move to reduce their debt risk. It's generally good for the economy to see credit card and outstanding loan balances decrease, but it isn't really stimulatory.

The next alternative would be to provide some stimulus to business demand, to encourage more spending and investment in production. Here, once again, the fundamental structural changes underway in the Australian economy make this very hard to do effectively.

As reported above, the RBA has identified investment in industries that are not technology/software centric will produce very poor returns in terms of true economic growth. For example, spending on building better infrastructure is nearly always a good investment, but it is a very poor choice for stimulus spending. It is almost the epitome of a low-tech, low-growth industry.

The same applies to all the other “heartland” stimulus spending sectors as well: farming, mining, most manufacturing, and services such as food and catering. All of them vibrant, important industries, but their potential for growth is very limited.

At the same time, all we need do is to imagine exactly what would happen were the government to offer, say, a \$1 billion package to stimulate growth in software-related industries. Cue hard core industry leaders, union councils, small business organisations, and probably some retailer associations showing up on current affairs and news TV programs to lament the lack of support for the thousands of jobs they provide.

To speculate, it may be precisely this kind of thinking that helped to contribute to the current government floating the idea of a cut to the corporate tax rate. It would not have been a fully targeted stimulus, but at least it would have stimulated a broad area of the economy, including high-growth industries. Though, of course, the problem would be, once again, doubts about how stimulating it really would have been, given the propensity of many corporations to increase shareholder value rather than spend on expansion.

Analysis

So what, really, is going to happen, especially to retail, and hardware retail in particular?

If there is a structural problem occurring in the economy, it's probably that the RBA has become the victim of its own success, to some extent. It has done such a crash-hot job of managing the economy over the past five years, that it seems almost as though the Australian government expects it to pull another miracle out of its hat in 2019.

That's not going to happen. Instead, if we are to expect anything to happen in the Australian economy that will deliver us a better 2020, HNN suspects it's not going to originate with either the RBA or the government. We think it has to come from business itself.

Or, more correctly, we think business has to get its head around the idea that part of its function over the next two years is to somehow provide the economy with the kind of targets that are worth stimulating. Business needs to get over the idea — one still being promulgated by many state governments — that the road to subsidies and assistance lies with

providing employment opportunities. It is much less about that, nowadays, and far more about presenting opportunities for growth (though the two things, obviously, have a close relationship).

In very plain terms, its not just that it's a good idea to look towards developing the technological side of businesses, it's actually an obligation, both economic and social.

It is this challenge we will address in the next section of Future Retailing.

The Lakes

HARDWARE
TIMBER & BUILDING SUPPLIES



Get the
right

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 ✓



DIGITAL MERCHANDISING

The next two to three years could be some of the most transformative for independent hardware retailers since the 1980s. Just as the first point of sale (POS) systems and barcodes changed forever the operational aspects of retail, so now there is an informational change under way.

On the face of it, however, there has seldom been a time when things have looked tougher for non-corporate independents (NCIs) in hardware retail than today. The rise of Metcash's Independent Hardware Group (IHG) has created a division within independent retail itself, and one that is set to get wider over the next couple of years. Wesfarmers is backing a strong push by Bunnings, with the trade sector as its main target. All that adds up to a lot of internal industry stress on the NCIs that are outside of those groups.

Today, many customers remain something of a mystery to retailers. That delivers an instant advantage to online ecommerce, where customer behaviour can be constantly tracked, and predicted through data analytics. Digital instore merchandising can bridge the digital gap, and bring physical stores the same insights enjoyed by online merchants.

Added to this is the more general stress from the current Australian economy that is affecting all of retail. Even as the numbers we currently use to measure the economy are pointing up, the economy itself has been very slow to respond. Business investment remains low, growth in wages is low, and this has been generally reflected in low growth for most sectors of retail. As HNN has suggested in the economics part of this series on the Future of Retail, it's very possible Australia has just barely escaped from entering a deflationary spiral. It is a close call that has come with some costs, and will take the economy some time to fully recover from.

Where hardware retail has been partially shielded from factors that affect retail in general over the five years from FY2011/12 to FY2016/17, buoyed by rising dwelling prices, which have driven the increase home-building and renovation activities, that is set to end, and the market will likely go slightly negative during calendar 2019.

Just to add to all of this, recent changes in retail technology also seem set to advantage larger retail operations over smaller ones. Data analytics, which makes use of broad and deep datasets to deliver market and customer insights which can drive bigger profits and increased customer engagements, requires size, which smaller retailers cannot deliver. Also, though the costs of these techniques have fallen steeply over the past 10 years, they require specialised knowledge, and remain relatively pricey for smaller companies.

The upside

Yet, despite all of these seeming difficulties, HNN remains very optimistic about the prospects for most NCI hardware retailers. It is our belief that both the economy and retail itself are undergoing transitions, and that what emerges will rebalance a part of the market in favour of NCIs.

One key factor in this is that HNN sees the Australian government as being forced into making some kind of economic stimulus spending in FY2019/20. This will follow on from some of the usual pre-election populist stimulus spending, which will likely land in February/March 2019.

Given that small businesses — and especially retail businesses — have tended to miss out on most government stimulus packages, there is a special obligation on the hardware retail industry, and particularly its NCI sector, to present the best possible target for any stimulus spending that might come along.

The key to garnering a deservedly large share of this likely stimulus boost is the combination of a “heartland”, high-employing industry (such as retail) with technologies which are at least as much about software as they are about hardware. This can create what we might call a really enticing “three-fer”, in terms of representing overlapping business minorities: the type of business the Reserve Bank of Australia (RBA)



Digital Merchandising

- The Australian hardware market is coming under a lot of stress.
- The market is set to decline, as retail in general falls, and the boost provided by high house prices eases.
- Both Bunnings and IHG will increase competition with NCI hardware retailers.
- However, retailers could improve their circumstances by bringing more digital technology to their physical stores.
- This would enable them to capture much the same information as is captured by online stores.
- In particular, they would benefit from closer links with suppliers, who would be able to use the data they provide to run better data analytics and help boost performance.
- This would need to be a community-based development.

has identified as being in the highest growth category; a boost to a “traditional” business (as opposed to “scarier” high-tech software development); and a way to deliver funding in a visible, accountable, results-oriented way directly to a large number of small businesses.

Under investment

Of course, making these technological changes is not just about seeking government funding. Few sectors of Australian business have underinvested in the technological opportunities of the past 15 years as much as “traditional”, physical retail. It’s an area which is ripe for improvement, and where investment is likely to deliver immediate rewards.

This lag in development is a little surprising, as retail in general (and hardware retail in particular) made significant investments and undertook major risks during the 1980s and 1990s as they first adopted barcodes and basic POS cash-register based systems, then switched to complex retail software which, at the upper end, is really a form of enterprise resource planning (ERP).

One big difference is simply that the previous systems that were implemented were very much “replacement” technologies. Just as the spreadsheet was the technology that really encouraged the revolution in personal computing, because it represented simply an electronic form of the familiar ledger, so barcodes and POS systems were a way of doing something familiar faster and better.

The other problem is simply that most of the tech solutions being offered today are the same solutions offered four or five years ago, warmed over to make them look new. Even as part of the tech world (especially anything related to mobile, but cloud computing as well) has accelerated its development, retail technology has pretty much stayed the same.

What is especially lacking is any kind of “architecture” to the solutions, a commonality of purpose and implementation that ties together the many possibilities. However, at the present time that commonality is beginning to emerge, and at its heart is the need and the possibility of moving beyond what has come to be called the “omnichannel” strategy — as the blending of ecommerce and physical retail is often called — to a more unified approach.

The situation

Before we start to look at these new potentials, it is a good idea to get a better idea of the forces that are coming to bear on retailers today. While these are familiar, what

Lowes introduced “robots” to help with store advice in 2016. So far, they have not taken over from standard, human sales associates.



is less familiar is how they combine to produce the modern industry.

The most recent industry change has been the combination of Mitre 10 and the Home Timber & Hardware Group (HTH) into the Metcash-owned IHG at the end of 2016. This has created a market that consists — broadly — of three groups: Bunnings, which has majority control over some sectors such as DIY power tools, and a strong influence in many other sectors; IHG, which is using a combination of corporate-owned and independently-owned stores to try to gain control over the “local” hardware market; and stores that are unaffiliated, which we might call the non-corporate independents (NCIs).

IHG has plans to expand both its trade and DIY businesses, primarily by providing unique tools and other products at low price points, driven by higher volumes and the use of its centralised warehouse distribution platform. Even those members of IHG not directly part-owned by Metcash will find benefits in more closely integrating — through data exchange and product lines — with the company’s corporate-owned stores. This in turn should, according to the company’s strategy, lead to more stores joining IHG, expanding its market reach.

Over the coming three years, Bunnings intends to grow its share of the trade-based market on top of its already high growth rate in DIY. It will do this by expanding the range of services and products aimed at trades, possibly including the introduction of more Bunnings Trade stores across Australia. HNN projects that Bunnings could take as much as \$2 billion out of the trade market over the next three years.

As a result of this market consolidation, NCIs stand to come under pressure by the combined forces of Bunnings and Mitre 10 on at least four different fronts.

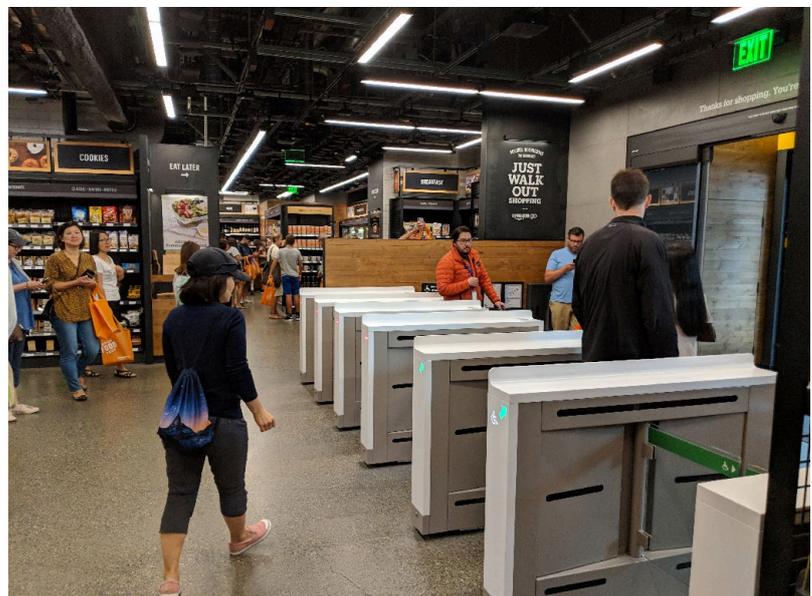
Retail brand promotions

Both Bunnings and IHG’s Mitre 10 brand have the advantage of a strongly identifiable brand name that is backed by a range of advertising, including TV commercials, print ads, regular catalogues, electronic direct marketing (emails), online marketing, and outdoor advertising.

Brand product pricing

Bunnings and IHG pursue a similar strategy based on suppliers lowering their wholesale prices in exchange for guaranteed volumes. Bunnings, of course, has a con-

Introduced for Amazon employees in late 2016, and then opened to the public in early 2018, the Amazon Go store does away with cashiers, and automatically checks out customers. While it’s a technology with potential, the fact it took Amazon several years to bring to market indicates how complex its implementation will be.



siderable advantage in this area, both because it has higher volumes, and because it has complete control over its entire store network.

Home and captive brands

Allied with lower brand prices, both Bunnings and IHG continue to expand their offering of home and captive brands. The partnership between Bunnings and Stanley Black & Decker to redevelop the Irwin brand as a captive brand for Bunnings is a good example of this. Irwin is at a near-perfect price/quality/reputation point to aid Bunnings in growing its marketshare for trades.

Meanwhile, IHG continues to produce home-brand items. While these are at the moment, in general, at the lower end of the DIY market with offerings such as its Buy Right brand, there's little doubt that over the coming years these home brands will enter the low-end of the trade market as well.

Merchandising

One of the big changes in recent years has been IHG's revitalising of its Mitre 10 Sapphire store program. While early Sapphire stores were not very good from a customer perspective, more recent efforts have introduced new and innovative merchandising solutions. The Sapphire team now works closely with store owners, is flexible about requirements, and keen to learn and improve how best to equip stores.

The result is not only stores which deliver superior customer experience, but also stores that are clearly similar, making it easier for customers to identify with the brand, and to shop more conveniently at a range of stores.

Bunnings, of course, has long been a quiet master at merchandising. While their stores can seem almost causally laid-out, there is a lot of experimentation and expertise behind what they do. To name just one simple element, the dark-red base colour of their shelving creates a slightly festive and welcoming element to their stores (something that became evident when contrasted the colder blue of the warehouse stores built by Masters Home Improvement).

The drop palettes in the the broad aisles, and the seemingly accidental kick-boxes of helpful products that intrude into product category aisles, are all merchandising fine-tuning techniques that many other retailers have yet to really understand.

While "smartshelves" have a lot of promise, they also come with a lot of complexity. It's difficult to imagine smaller retailers getting that much return on investment.

45

Digital transformation

Up until recently, digital has seemed to many Australian retailers to be as much a problem as it is a solution. That is in contrast to the US hardware retail market, where



retailers have advanced quite far ahead of the Australian market in terms of digital experimentation and development. The Home Depot stopped building physical stores for a number of years, concentrating instead on building out the technical and logistical infrastructure needed to make online/digital work well for it.

Lowe's Companies has similarly invested in digital, including headline-grabbing store "robots" and virtual reality (VR) active displays. Nonetheless, Lowe's new CEO, Marvin Ellison, who comes from turning around discount clothing retailer JC Penney, after a history as a top executive at Home Depot, is expected to further boost the company's online presence.

Ace Hardware, which relies on independent member stores, has made strong moves into online, most recently through its acquisition of The Grommet. This company operates an e-commerce website that markets and sells new and innovative products created by independent entrepreneurs. Brands it has helped to launch include FitBit, IdeaPaint, OtterBox, SimpliSafe and SodaStream. Ace has taken The Grommet's online presence, and brought that into the physical stores of Ace members.

While it is true that going online is a good strategy in the US (and even the EU) hardware retail sector, it's probably right to be a bit doubtful about duplicating this in Australia. As Wesfarmers so recently found out when it attempted to export the Bunnings business model directly into remodelled UK Homebase stores, Australian hardware retail is something quite unique in the world, and deserves its own strategies.

Yesterday's solutions

If digital solutions for hardware retail need to go beyond creating a version of a physical store online, what shape would those solutions take? We could say, to give this group of solutions a general designation, that they relate to various new and improved forms of merchandising.

Of course, in any new area such as this, the first flush of products and ideas that goes through it tend to be somewhat over-hyped — to say the least. As an introduction to this rather vivid world, the promotional copy for the Australian Retailers Association's (ARA) Retail Tech Summit which took place in late August 2018 gives some clue of what to expect:

This event will focus on how technology is not only disrupting the market through the rise of online shopping and how to survive by harnessing new tech, but also utilising the mass amount of data available to improve both CX and operational efficiency. But the

The QR code system was invented in 1994 by the Japanese company Denso Wave. Its purpose was to track vehicles during manufacturing. It was designed to allow high-speed component scanning. QR codes store data in two dimensions in the form of an array of contrasting regions. The information density of a QR code is much higher than a one-dimensional, standard barcode. Over a thousand bytes can be encoded in a region the size of a postage stamp. While QR codes became very popular from 2010 to 2014, they have since become less common. Near field communication (NFC) tags have partially replaced them, but both formats still have difficulties related to the ease of reading them for novice users.



- Positioning/Orientation
- Format Information
- Timing marks
- Version Information
- Spacing
- Alignment

big focus is on AI applications, understanding the potential, selecting the right one, seamlessly integrating AI into your operations (chatbots, natural language processing e.g. Siri, Alexa, IBM Watson). The event will focus on this strategy aspect, but also physical AI applications, especially for last mile delivery (robots, driverless trucks, drones, etc).

Driverless trucks? Drones? Chatbots? CX? (That stands for “customer experience”, but has an “X” in it, which makes it more exciting.) And AI, in its modern form, is just a pretty nifty form of statistical analysis. It’s really not a thing in itself (“Run down and get me \$100 of AI, would you?”), but a technique.

Of course, as we all know, promo writing for events is in a class of its own — just as editors permit things in sports writing they would not welcome on the editorial page. Yet it turns out that this happy-talk smorgasbord of poorly understood technology is general throughout the digital merchandising area. It all comes down to just eight or nine ideas, which over the past five years have been repeatedly popped back into the microwave of popular opinion, and re-presented to retailers as something fresh-baked. To list the major ones:

The robot in aisle 9

Yes, robots. In the store. On closer examination, these turn out to be basically touchscreens on wheels, with some voice interpretation thrown in.

Automated checkouts

If Amazon, with all its tech resources, can barely get that kind of system to work reliably, it seems unlikely the rest of retail has much of a chance.

Augmented reality

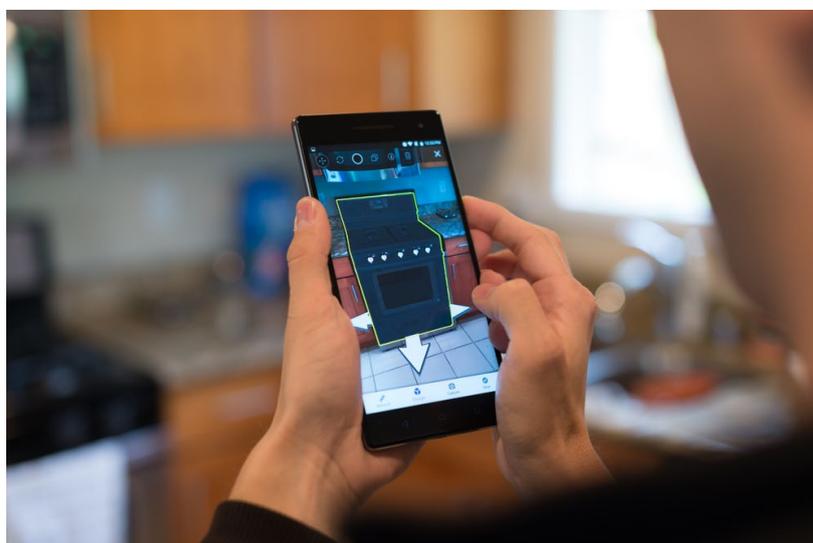
No doubt this will develop into something really useful one day, but the current technology that lets you envisage what a room would look like with a different wall colour, or to plop a piece of IKEA furniture into a picture of the living-room, just isn’t enough.

Smart shelves

If you listen to some technology companies, such as chip-maker Intel, the smart shelf of the future will do everything except gift-wrapping and home delivery. To quote from Intel’s report:

Fundamentally, the shelf can improve the shopper experience in two fundamental ways: making the shopping trip easier, and making the shopping trip more exciting. And for manufacturers, a smart shelf can create data-led

Augmented reality apps have great promise, but in practice their implementation is often clunky. To work smoothly, they need to access large amounts of data, which conflicts with ease of use through mobile devices. Shown below, the Lowes augmented reality app at work.



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sales and marketing opportunities and help them better understand who is buying their products, and who is not buying their products. It can also maximise profit for the retailer by optimising pricing dynamically, and enable manufacturers and retailers to reward shopper loyalty, all at the shelf edge.

The report continues the description:

[P]remium smart shelves might include the ability to see, smell, feel, understand, and intuit the world around them. These shelves will not only know what products they have loaded on them (whether that be by using cameras, RFID readers, weight sensors, or other technology), but also understand and interact intelligently with the shopper stood in front of them. This will require a combination of sensors (3D cameras, microphones, proximity, touch) and computing capability needed to interact with the shopper in a way that is natural, comfortable, and that is fully respectful of privacy.

So, that sounds like a \$20,000 shelf, with maybe a \$250,000 backend system, plus people to administer it, make sure it is connected, powered, updated with the latest security, and so forth. It is nowhere near a practical solution.

QR codes

Believe it or not, some analysts see these as making a comeback. While QR codes remain popular in China, Singapore, Hong Kong and Taiwan, they really have never caught on in the rest of the developed world. The main problem, for those of us who have tried them out, is that the information that backs up the QR code sticker on a product or shelf is seldom very good. Simply doing a Google search on a smartphone will likely turn up more relevant — and less biased — information.

Beacon-based interactions

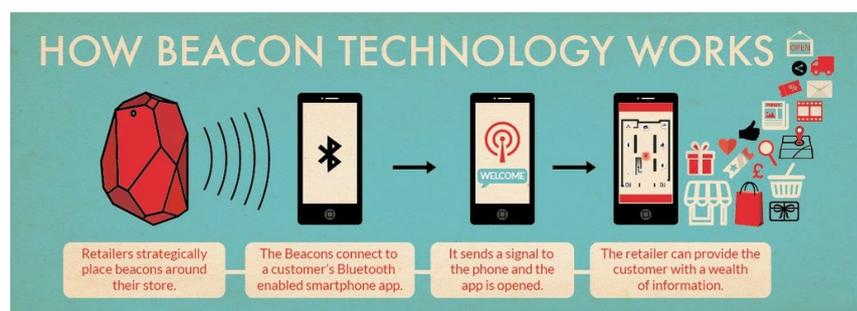
This deserves a certain amount of exploration. Rather amazingly, for the most part the stories about the possibilities of Bluetooth-based beacons in retail omit highly significant details about their implementation. For example, in a report from the vendor Hubspot, we find this description:

Along with helping customers in-store, beacons also send alerts to passersby. This can be used to effectively advertise promotions or in-store events. Swirl Networks Inc. found over 70% of shoppers say beacon-triggered content and offers increased their likelihood to purchase in-store.

Here's another example, from Shopify:

Another department store exploring beacon technology is Target. However, unlike Macy's widespread deployment, Target only launched beacons in 50 locations in the U.S. When customers are near one of the 50 stores, they are prompted to "opt in" to share their location

A diagram from Shopify, below, illustrates how these "simple" explanations skip over a key element: in order for beacons to work, the user has to download a specific app. That single fact basically eliminates most of the examples used to promote the use of beacons in retail.



and receive push notifications. Target promises that they'll only send two notifications per shopping trip, so customers aren't annoyed and overwhelmed. These will include special deals and discounts.

Or, as a kind of summation of this species of beacon happy-talk, this description from a website about retail:

You walk into a store in search of new sunglasses. As you enter, your smartphone pings, and you open it to find a map, showing you where the sunglasses you looked at online are on display in-store. You walk over to them, try them on, and put them in your bag. A robot rolls up to you and intercepts, asking if you need help finding anything else.

Curiously, all of these descriptions (and easily another 50 more on the internet) manage to omit details of some of the most basic functioning of beacons. Imagine for a moment that you go shopping on a Saturday morning at a local mall. As you walk past each store, its iBeacon causes your iPhone to beep and show a notification. Pretty soon you've got 30, 40, 50 notifications...

Of course, that never happens. This is because Apple's iOS and Alphabet's (Google) Android operating systems limit access by beacons. In both, what is really needed for the beacon to work is for the specific app that matches the specific beacon to be running in either the foreground or background. (Android also permits additional access, but only when the screen is illuminated, and then in only a limited form.)

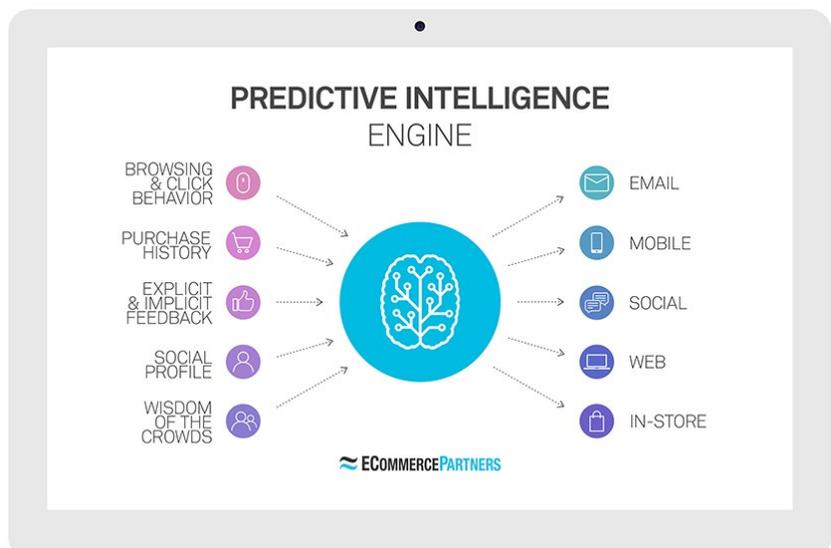
So the popular vision of random people walking past or entering a store and the store's beacon triggering notifications on their smartphones is never going to happen. And that's a good thing.

Solutions

A hint at what might work as a unifying solution to this situation was offered in a commentary on the Future of Retail event, which is a major US retail conference held in Seattle. Nikki Baird, a vice president of retail innovation at Aptos, which provides retail enterprise solutions, wrote in Forbes online about the "death" of the term "omnichannel".

There seemed to be general agreement among attendees that the term "omnichannel" is dead. I have mixed feelings about this, myself. I get that while "omnichannel" promises a way of engaging with the consumer, the reality of that engagement can be ugly behind the scenes. And that it's important to distinguish between the ugly reality of how omnichannel may be delivered

Ecommerce sites can develop lots of points of contact with their customers.



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today vs. the seamless, unified experience that everyone wants and which should be on retailers' roadmaps for the near future.

...

It was interesting to see so many people agree that the term "omnichannel" should be killed. The most common reason given was that consumers don't really know the term or care about it - "They don't care if a retailer is omnichannel or not. They just want to engage with the retailer how they want to engage."

What this points to is that online and physical shopping today, as contrasted to, say, 2010, has become far more blended. The customer experience of something like Bunnings or Officeworks is made up both of its online character and facilities, and its offline store presence. What results in sales, better margins and higher profits — as well as happier customers — is when these various elements combine well.

For example, research conducted in the US suggests that something like 64% of retail transactions made in a store have been influenced by some form of digital, and that customers who use their smartphone to lookup the details of a product they are viewing in-store are 20% more likely to complete the purchase.

The solution

Architecture

One starting point for a better digital architecture in physical stores is to consider duplicating many of the techniques used in digital ecommerce stores. With ecommerce stores, information about the customer, the customer's interaction with the store, and interaction with products is recorded, and permanently associated with the customer ID. A typical ecommerce store would record interactions related to:

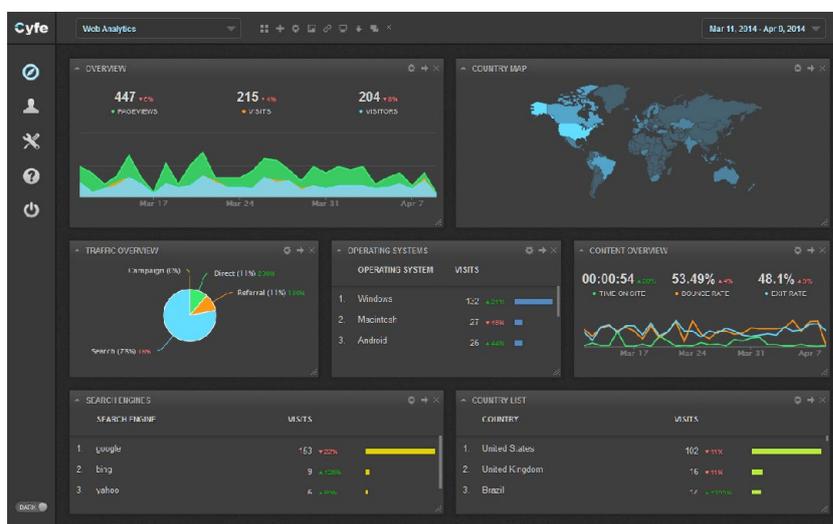
Customer behaviour

- read reviews
- post reviews
- returning customers vs new customers
- shares on social media
- sales conversions rates
- use of promotions: email link or discount code
- customer referrals

Products

- popular categories
- view product
- add product to cart
- remove product from cart

Web analytics gives ecommerce retailers access to detailed information about customer interaction and marketing results.



- purchase product

Navigation

- click-throughs from home page to specific products
- searches for products

Not all of these, of course, are practical in a physical environment, but not only can many of them be duplicated, but there are also additional features that can be implemented.

The smartphone

When we look back over the digital solutions offered for physical retail, one thing that stands out very clearly is that most of these manage to set the retail situation up in a very back-to-front manner. The technology centre is seen as being the store, and not the customer — and that’s a mistake.

Let’s take the case of “smart shelves” to make the point. What Intel and others are proposing is that the shelving system basically becomes a kind of network computer that monitors activity, analyses this, then either acts on that information, and/or notifies the network of events. As we’ve pointed out, this scenario is both very expensive and fraught with difficulties. How will this computing system be maintained, and how long is it likely to resist the efforts of hackers?

What is the actual situation that is going on inside the average retail store? Hopefully, there will be aisles of goods, endcap displays, checkout counters, and wandering around among all these quite a few customers. And what will just about every customer have in his or her pocket? A quite expensive, usually well-maintained, secure computing device known as a smartphone.

Given that, it makes a lot more sense to “flip” the situation. Instead of having the computing power in the shelves interacting with passive customers, the store fixtures and merchandising can become arrays of sensors, which then interact with the smartphones of the customers, as well as those of the staff.

Beacons

Beacons are really the key to creating a relationship between a physical store and a customer’s smartphone, enabling digital tracking and communications. In online ecommerce, identification is done using “cookies”, which are tiny strings of data written to the user’s computer, typically linking a user ID to a specific site, with an expiration date.

Beacons are, in effect, the physical world equivalent of cookies. When the customer enters the store, instead of (as with cookies) the customer being identified by the store, it is the store that gets identified by the combination of the beacon and the app on the customer’s smartphone.

Smartphone technology has evolved at a very rapid pace over the past 10 years, to the point where older phones no longer seem relevant. The evolution has been so swift that other areas, such as retail technology, have not managed to keep up.



However, getting beacons to work effectively in retail requires some hard work. The problem, as identified above, is that for beacons to work, customers need to have a specific app loaded on their smartphones while they are present in the store. This means the app in question has to be very appealing to customers. It has to provide them with something that is unique, and that they find useful.

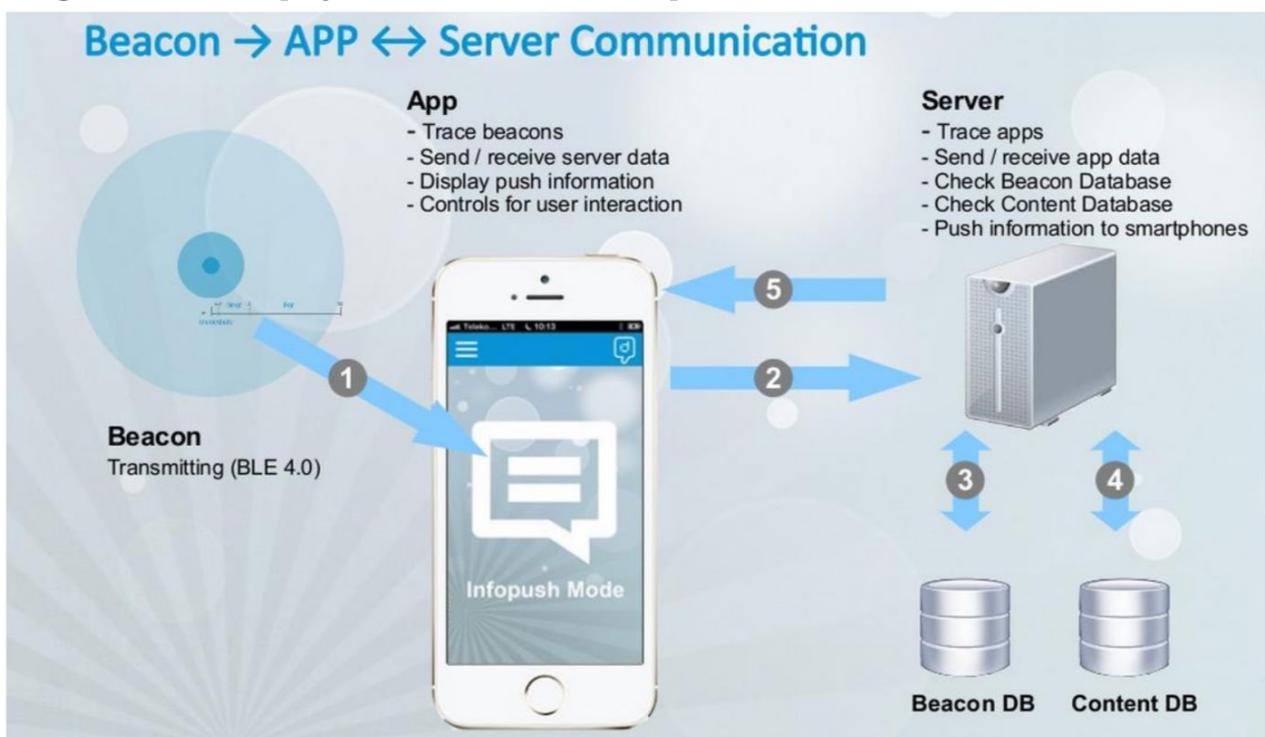
If we think specifically about hardware retail, we could start by identifying three basic customer types: the tradesperson (tradie), the DIYer, and the renovator. How would you go about making an app attractive to each of these customers?

For the most part, not much effort has been spent developing useful apps for these types of customers, primarily because app developers don't know how to go about capturing value in — or, to use the modern expression, “monetising” — these areas. The better known efforts are apps such as HI Pages and Oneflare which seek to draw commissions from connecting tradies with DIYers and renovators. Houzz provides some design advice for renovators, and efforts such as the Bunnings sponsored Workshop has attempted to build a DIY community.

For tradies, an app could provide a dashboard of potential work, based on HI Pages, Oneflare, and tenders from EstimateOne. (EstimateOne makes available information about construction tenders, including a breakdown of which trades are needed for each project.) It could also ease the path to bidding on work, scheduling, customer relationship management, marketing, accounting, and provide access to technical documents.

For DIYers, an app could give guidance on simple plumbing, tiling and woodwork projects. It could record tasks per-

How smartphones interact with beacons and the cloud to deliver services. The phone detects the beacon, contacts the cloud with the beacon ID. The cloud puts together the ID of the user (from his/her smartphone) with the location (from the beacon ID), and delivers responses, such as discount coupons.



formed, and, on an annual, seasonal basis remind the user of regular maintenance tasks, such as painting and gutter cleaning.

For renovators, the app could include project management, planning, costs, quote management, documentation, and the ability to post the narrative story of the renovation.

All three of these apps could interact with each other. Renovators might locate tradies via the app, agree to a quote via the app, and document the work via the app. It's possible that these kinds of interactions could be made "local" to participating stores: renovators might post a job via their relationship to a store, and only tradies with a relationship to the same store would have access to that post.

Of course, as is evident from the description above, these apps could not be developed by a local store for use only in a limited area. We are discussing apps that are developed for use by much of the independent hardware store community, with the goal of both boosting the revenues of stores who make good use of them, and of growing the total marketshare held by independent store owners.

One more ingredient

While the above three components — smartphones, customer apps, and beacons — make up the basic "toolbox" that is needed to create a digitally-boosted in-store experience, there is one additional component that will make this set of tools work especially well for NCIs in hardware retail.

That additional component is the relationship that NCIs build with their suppliers, in particular as

Klingspor under the leadership of its managing director Paul Hoyer has developed a reputation for helping out its retailers by designing and providing innovative display stands and packaging for its abrasive disk products. According to Mr Hoyer, "Klingspor in Germany develop some of the merchandising stands we have and we bring them in from Europe, but we also listen to our customer's demands and develop stands which we feel are most suited to the Australian market."

When the stands are developed locally, sometimes it is one of the 11 sales staff of Klingspor that come up with an idea, based on feedback from customers, and opportunities they have spotted in the field. Mr Hoyer is very clear that all these

ideas are generated in Klingspor, and not outsourced. These design sessions usually result in a sketch of the finished product. These products are then made locally to Klingspor's headquarters in Sydney, NSW. Metal stands are made by a company in St Mary's, and plastic stands are made by a company in Silverwater, both to the west of Sydney. Klingspor is unique in the attention it pays to providing different types of stands, and stands that can suit a range of circumstances in a store. Klingspor also pays attention to strong visual branding, using graphically inventive posters to help not only identify the products, but also to enhance its overall brand message.



it relates to the growing trend for suppliers to provide in-store merchandising displays. One obvious reason for this is that suppliers are in a great position to easily provide sales displays that function as the kinds of sensors stores need. What is likely to be even more important, however, is that by providing this kind of “smart display”, suppliers can become more involved with retailers. The displays, in fact, can hook suppliers up to customer types, customer behaviours, and an ongoing rich source of data about each store that stocks their products.

This is important for two reasons. Firstly, as HNN has discussed elsewhere, we are moving into a time when data analytics can be better used to improve retail results, for both suppliers and retailers. It is virtually impossible for any individual store to make effective use of analytics, because the depth of data available in any one product category will be quite shallow. Suppliers, which are channeling a large volume of product through a large number of individual retailers, do have the potential to reach the kind of data depth where analytics will be really effective.

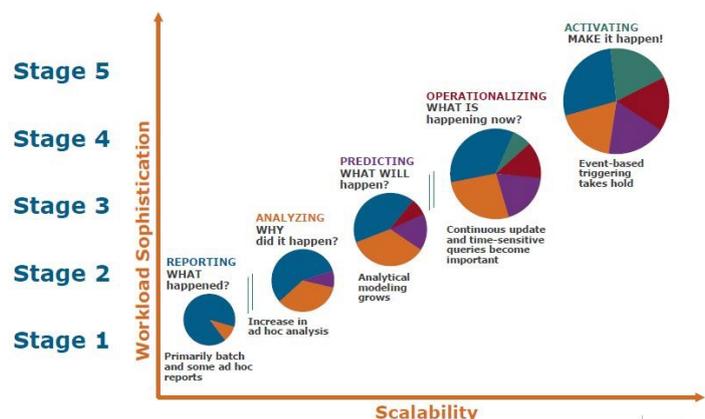
Suppliers will be able to help retailers better understand their current customer market, help them to find wider customer markets, and enable them to fine-tune their product offering to maximise margin and volume.

Secondly, it has the potential to vastly improve supplier/retailer interactions. Over the past three years, HNN has noted an increasing level of dissatisfaction by retailers with the support that most suppliers provide. Often this gets expressed as seemingly minor complaints about supplier reps. Reps, retailers claim, are assigned too many retailers to service, are not provided with adequate training, and often don't seem to receive the level of support from head office they need to work effectively.

From the supplier perspective, they face ongoing demands to decrease their wholesale prices to enable retailers to compete with Bunnings (as well as IHG), to broaden their ranges, and to decrease minimum order amounts. The lost margin has to come from somewhere, and frequently that “somewhere” is support.

Effectively deployed, smart displays have the ability to change this situation. Today, the data available to most reps comes down to order numbers, and a list of complaints and requests. With the dataflow that comes back to the supplier from the smart display, reps can be more deeply briefed about what is happening in each individual store with the supplier's products. This means the rep/retailer interchange can become much richer, with reps able to discuss the store seen

Data analytics goes from measuring what has happened, and why it happened, to being able to increase the likelihood of set outcomes.



from the supplier's perspective, while retailers can contribute a broader overview of the market as they see it from their unique perspective.

This flow of data could mean reps become more effective in working via teleconferencing with retailers. This could be a twice-monthly teleconference, meaning physical store visits could be moved to just six or seven times a year.

Putting it together

How do these different components work together in a physical retail environment to deliver a digitally-boosted customer experience?

Let's imagine an average customer scenario, based on a tradie that has been using the store app for several months. It's 7:15 on a Thursday morning in mid-October and Frank is just pulling up in his ute and trailer in front of what he sometimes calls his "local", Summers Hardware Store, which is located somewhere in the urban enclave on Western Port around 50km south-east of the Melbourne CBD.

Frank, who is now in his mid-thirties, moved down to Cranbourne South 15 years before, just after he finished his carpentry apprenticeship. His theory at the time — which proved accurate — was that with house prices being the way they were, development would continue on south from Cranbourne, eventually joining up with the small communities clustered around Western Port Bay.

By his mid-twenties he had obtained his Domestic Builder (Limited to bathroom, kitchen or laundry renovation) qualification, and set out getting his own renovation jobs. When he turned thirty, he went for his Domestic Builder (Limited to carpentry) qualification, which was when his business began to do quite well.

Earlier that morning, he'd stopped by a local cafe for breakfast, as he did a couple of times a week. Pulling out his smartphone while he drank his coffee, he saw that the hardware store app icon was indicating there were some notifications pending. He'd opened it up, and checked out two requests for quotation, one each from HI Pages and Oneflare. There was also a subcontractor job listed through EstimateOne, for work on toilet cubicles at a primary school in Frankston.

He'd have to pass on those for now. At the moment he was most of the way through a kitchen renovation in Hastings, with the cabinet work completed and the stone benchtops coming that

Everybody likes Frank.



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morning. His offsider, Mick, whom he'd hired just a year ago, would be onsite, with the final electrical work — in-cabinet powerpoints — going in. Now it was just the basins and the final plumbing fixtures, then the two ovens, the inductive cooktop, microwave oven, dishwasher, and they were done.

That was good, because his other job, renovating the kitchens and bathrooms in two nearly identical units on the one block of land, was about to get serious. They would be finishing up the demolition work by the end of the day, and, after a bit of to-ing and fro-ing, the client had decided on the plans for the new areas the day before. That meant that he was a bit behind in ordering new shower stalls, taps and basins, just for starters.

Which is why he is pulling up in front of Summers early on this chilly morning, to pick up the kitchen basins both for the kitchen renovation he's completing that day, and for the two units as well.

While he's relatively pleased with his current book of work, what has put a bit of spring in his step this morning is the job he lined up for early January just that past week. He's going to be responsible for all the framing work on a two-storey block of six units. That means his Christmas holidays will be a little less than two weeks, but he doesn't mind. With the industry pulling back, starting out the new year with a biggish new building job was a good feeling.

Frank walks into the Summers store, says a brief hello to the store's owner, Bill Woo. Bill is on the phone, but he waves Frank towards the back of the store, and points. Frank can see the three basins stacked and waiting on a trolley back by the plumbing aisle, so he heads back there.

The hardware store app, which is in background mode after his use of it that morning, scans the Bluetooth channel, and discovers the store's beacon. The app notifies its cloud server that an event has occurred: Frank has entered the Summers store. As Frank has opted to share his data with the app, entitling him to more and deeper discounts, the app sends the server a notification of what has changed since the last time Frank visited the Summers store.

Some weeks before, in consultation with reps from the major power tool manufacturer Hiboswalt, Bill Woo had set certain triggers up for the hardware store app. One of those is for tradespeople who have future work listed in the app that involves framing. Hiboswalt recently released a new 18-volt cordless framing nailgun. As a result, the logic on the servers works out that Frank has added additional framing work to his schedule, and they send a message to the app that triggers the display of a coupon for a discount on any of the new Hiboswalt nailguns.

As Frank is striding through the Summers store on his way to plumbing, his smartphone buzzes, and he takes it out of

his hip pocket to look at the screen. There is a notification that he could get \$25 off on the Hiboswalt nailguns. When he taps the notification, the hardware app is active, and displays further information on the coupon and the products.

He's going to pass by the power tool section on his way to plumbing, so he stops for a moment at the Hiboswalt display stand, and picks up the largest model, a really sturdy framing nailgun. Frank has been using the same gas-powered nailgun for seven years now, through two maintenance cycles, and he knows it's time to replace it.

On the other hand, while he does have some framing work to do on the units he's renovating, he can probably make it through with his existing nailgun, then he can buy a nailgun in December or January for the big job that's coming up. He reluctantly puts the Hiboswalt tool back down, heads back to the plumbing aisle, grabs the handles of the trolley, and wheels it out to his ute.

Taking the trolley back to the store, Frank quickly signs a receipt for Bill, has a quick chat about how the 10 degree morning was cold for this late in the spring, then heads back to the ute. He's just started up the diesel motor when, out of habit, he checks his smartphone again, in case Mick or someone else has sent him a message.

That's when he sees the second coupon, which must have come up while he was still in the store. This one is for the exact model of nailgun he had been looking at, only it's a more interesting offer: Two of the complete kits for the framing nailgun, each of which already included two 6 amp-hour batteries and a fast charger, at a \$75 discount — plus, added on, two additional 2 amp-hour batteries as well.

Frank turns the ute's motor off, and sits for a minute. He had planned to get two other carpenters in to help with the framing job. But what if he bought the nailguns, could he and Mick handle most of the work? Maybe get a third person in, just for a week, the second week of the job, when they were already settled?

The thing is — though he hasn't really thought it through before — part of what was holding him back, is that his experience tells him that whenever you put cordless power tools to heavy use, sooner or later you are going to run out of battery. That wasn't an issue with the Bosch Blue tools he used everyday, because over the years he had collected a number of batteries, about nine or so now, from a couple three year-old 2.5 amp-hour batteries, all the way up to the three Pro-Core 7 amp-hour batteries he and Mick regularly used now.

However, Bosch really hadn't come to the party with cordless framing nailguns so far, and yet he had been reluctant to get into a whole new battery type. Those extra two batteries, even though they were pretty small for the purpose, would be like an insurance policy.



EstimateOne is a company that provides a number of tools to help people in the construction industry who are placing tenders, accessing tenders, and seeking work through tenders.

It all began back in 2008, thanks to the efforts of two people, Michael Ashcroft (top) and Andrew Ritchie (bottom). Mr Ashcroft worked as an estimator at Kane Constructions, and then a Contracts Administrator with BECTON. Frustrated by manual processes of sending out construction drawings, following up on quotes, and answering calls from subcontractors about projects they'd lost, he believed there surely had to be a better way.

Mr Ashcroft got in contact with Mr Ritchie, a friend who had considerable skills with software. After trying a number of solutions, they eventually worked out that what the industry wanted was a "tender noticeboard". The tender noticeboard simply lists commercial construction tenders across Australia, and the builders who are bidding on them.

In 2012 the company expanded on its services, launching its Tender Documentation Platform. This enables head contractors to issue tender documents to EstimateOne members and their own preferred subcontractors. This new service led to exponential growth in the company, with many builders and subcontractors signing on to EstimateOne.

Bill looks up, a little worried, when he sees Frank come striding back into the store. Frank sets his smartphone down on the counter, and turns it around to face Bill, the coupon on display.

“You know anything about this, Bill?”

Bill looks at the coupon. “Oh, yes,” he says, “that’s straight from the manufacturer, that coupon. It’s because you looked at the tools on their stand.”

“And it’s for real?” Frank asks.

“Oh, yeah,” Bill says. “You want to do that deal?”

Bill pulls out his own smartphone, activates the coupon redeeming screen, and tap in the six-digit number that shows on the coupon. Then he adds the seven-digit number from Frank’s app that identifies him. Eight seconds later Bill’s phone confirms the coupon has been accepted. As Bill goes to fetch the tool cases, his phone chimes, and he sees he has received a confirmation email for the coupon.

Five minutes later, Frank’s ute and trailer are pulling out of the store’s parking lot, just as a couple more tradie utes pull in, over where the timber gets loaded. Bill takes a moment to walk back to the Hiboswalt display stand, to make sure it is in good order. That’s \$1650 worth of tools he’s just sold. Not a bad start to the day, he thinks.

Digital boost

This scenario gives an idea of just a small sliver of what would be possible with this kind of digitally-boosted store experience. What has actually happened is that when Frank stopped by the Hiboswalt display stand, the stand’s own beacon made his smartphone app aware that he was close by. When he picked up the framing nailgun to have a look, another beacon was activated, and his interest was recorded on his smartphone app.

In the cloud, this was cross-referenced with his personal details, which indicated he was a serious tradie, and that he didn’t just work alone. The system also knows that he has never used a coupon in the past from Hiboswalt, and the inventory part of the app indicates he has only Bosch cordless tools. The result of processing all that meant that Hiboswalt’s coding came up with the offer it did, of a \$75 discount, and two bonus smaller batteries.

Well that might seem an excessively generous offer from Hiboswalt, in fact it isn’t — it’s a very strategic offer. First of all, the company is in the process of phasing out its 2.0 amp-hour batteries, with the 3.0 amp-hour battery the new standard at the low end of the line. So getting rid of some of its cheapest batteries is a good thing.

Secondly, those batteries could be an ideal persuader in getting Frank to consider buying other Hiboswalt tools. The next time he goes to replace a drill, circular saw or impact driver,

he might be tempted to look over the Hiboswalt range as well as the Bosch range before he makes a decision.

This scenario also shows how involvement by both the store itself and its suppliers can help to deliver better sales. Customised coupons offered at a store level can help to direct customers to certain categories and brands. If the customer fits a desirable profile, brands can then pick up some of the sales task, making use of their broader and deeper data profiles.

Getting from A to B

While all this seems like a good idea, it's also true that there are some formidable obstacles in making it all happen. Its strength is that this type of system doesn't consist of a single, centralised system, but instead of many closely linked small things, that work together in a highly flexible and highly efficient way.

This is also its weakness, from a startup implementation perspective. With so many independent things needing to work in parallel, what part do you tackle first, and how do you get each of them to work with each other?

HNN believes that we are ourselves one of the organisations that is best suited to guide this development, at least through the first two years of what will likely be a three year project to reach the stage outlined in the scenario we have provided. One reason for this is that we believe we are the ideal candidate to develop what is really at the core of the whole system, which are the apps for use by customers. We are sure that we can develop apps which provide compelling information and much-needed functionality to customers, as well as the "back-end" apps for retailers and suppliers.

We've actually been working on this project for the past three months or so, in particular developing — as well as the outlines of the apps — the mechanical/electronic systems that would, for example, be used on supplier displays.

All of this, everything that we do to develop this system, we are treating as an open-source project. This means that none of it will have any intellectual property restrictions — such as patents — attached to it. We welcome — in fact encourage — any form of copying or use as a real contribution to the system's development.

Based on current progress, we're quite confident that we will have enough of a system in place by the start of 2019 to be able to start prototype deployment, with the help of some adventurous retailers and forward-looking suppliers. If that goes well, we think we will have a system that is broadly workable by the start of the fourth quarter of 2019.

Our goal then will be to seek out government funding to help take the project to the next stage. As we outlined at the beginning of this article, we do think that small businesses,

especially in retail, have not received all the government support they deserve. This applies especially to the NCI sector of hardware retail. The Australian Competition and Consumer Commission (ACCC) after all did hand over a large slab of the market to Metcash when it permitted the acquisition of HTH. Some investment really is required to rebalance the market in competitive terms.

That's the plan. We'll keep our readers posted, and we hope that the retailers and suppliers who read us will be encouraged to engage with and contribute to this project.

It is worth remembering that the roots of modern personal computing, and especially the internet, had nothing to do with creating huge \$100 billion companies. They were all about empowering citizens and smaller businesses.

That can still happen, if we are able to adopt a community-centric, open-sourced approach, with the goal of creating shared, moderate success, rather than isolated — and exploitative — plutocratic, “klept” wealth.

And what better place to do this, really, than in Australia?

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SMARTHOME LOOK WHO'S TALKING

One of the puzzles of retail in Australia is that, had Dick Smith Electronics (DSE) managed to survive up until the present day, it would likely be on the cusp of becoming a thriving business again.

As HNN has described in the past, the demise of DSE was largely down to most of its “natural” markets being eroded. After it had left its hobbyist origins behind, DSE’s major product lines consisted of: telephones, music players, alarm clocks, laptops and accessories, still and video cameras, ebook readers, GPS navigation systems, calculators, and sundry electrical goods. Just about all of the main nine categories were upended from 2011 onwards by the advent of the popular smartphone.

The Amazon Echo Show (pictured) is one of the latest smarthome devices from Amazon. In addition to displaying information on its built-in screen, it makes possible simple video communication between Echo devices.

Customers weren't spending \$80 to \$300 in each of those categories, they were spending \$300 to \$700 for a single smartphone that did all those things — often a lot better than the technologies it could replace.

However, dominant technologies such as the smartphone tend to go down an interesting path where, after a period of replacement, they give rise to new markets, or come to affect adjacent markets. Their inability to fully satisfy the demands of these additional markets can then lead to the creation of somewhat derivative but also new products.

For example, the modern zipper was invented in 1913 by Gideon Sundback, and it took until 1948 (and the advent of plastics) for George de Mestral to invent velcro. The two serve quite different purposes — with some overlap — but if the zipper had not established a market for one style of closure, it's unlikely that velcro would have developed in quite the same way.

In the case of the smartphone, one of the markets that it at first influenced, and now has changed dramatically, is home automation. Its influence is very clearly seen in the fact that today we've even moved away from the term "home automation", and have instead begun to refer to the "smarthome".

This new market is one that a retailer such as DSE could have served well. Where the smartphone initially narrowed much of the electronics market down to two categories — the smartphone itself and the accessories that went with it — it is now, via its influence on these overlapping markets, expanding other categories and creating new ones. Drones and smartwatches would be examples of these new categories.

Absent retailers such as DSE, the smarthome business does not really attach itself that easily to other retail categories. Companies such as Officeworks and JB HiFi are making efforts to enter the market, but these are half-hearted, and poorly directed. Bunnings has pointed out this market as one that is of high interest to it, but statements from the company indicate it has not really fully understood it as yet — and, in fact, views the smarthome with a degree of puzzlement.

The missing ingredient from all of these retailers — and something that DSE could have contributed — is providing knowledge and advice to consumers. For that reason alone, it seems likely that smarthome devices and accessories could end up being a good new market for independent hardware retailers, both inside groups such as Metcash's Independent Hardware Group (IHG), and non-corporate independents (NCIs).

The Amazon Echo 2 is a surprisingly complex device, combining twin speakers and seven microphones in a compact cylinder.



Smarthome evolution

Prior to 2014 the vision most of the industry had for home automation involved using hubs. These hubs made use of new wireless communication protocols, mostly WiFi but Bluetooth as well, to hook into the internet, and enable forms of remote control and monitoring that had not been possible prior to 2000. The other half of the hub consisted of an array of legacy wireless communication protocols that pre-dated the internet, but were common to many home automation systems.

A major problem with these systems was how to control them. Early home automation typically gave users the option of either making settings work programatically, or using some kind of switching system, such as physical switches anchored to the wall, or sometimes a remote control. You flicked a switch or pressed a button, and the windows closed, the drapes were drawn, soft lighting came on, and music began to play.

As smartphones gained wider popularity around 2010, home automation began to make small steps to integrate these as a more sophisticated remote control. With hubs enabling internet connection you could, for example, lower or raise the garage door from your office at work, or possibly switch on the airconditioner before you turned into your driveway.

Enter the Echo

In 2014 the global online retailer Amazon launched its Echo device. This was a small cylindrical tower, about 180mm tall and 83mm in diameter, which was dominated by its speaker array. While the speaker system was good, the real magic to the Echo, however, was its array of seven microphones.

This microphone array, backed up by some powerful software, enabled it to “hear” human speech at low volumes and over relatively large distances, even over interfering noise. What it was listening for was its “wake word”, which in this case was the name “Alexa” (though it could be easily changed to “Amazon” instead). When the Echo “heard” that wake word, it began listening for commands its online voice recognition system could understand.

Originally, these commands had mostly to do with enabling the speaker system to play music, which could originate from a number of online music services, including Amazon’s own Music services. However, it could also

The Amazon Echo Plus provides better speakers than the standard Echo, and also incorporates a “smarthub”, which uses the legacy Zigbee mesh wireless protocol to communicate with home automation devices.

It’s possible Amazon could replace the standard Echo with the Plus in the future, and then begin selling Zigbee-enabled accessories, setting its offer apart from the Google Home.



echo plus

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answer basic questions that might be asked of it, such as how many grams were in a cup of flour, what the capital of Belarus was, and so forth.

While many reviewers mocked the device initially, it began to gain rapid acceptance by the public in the US. Amazon opened the system to developers, and, surprisingly, a large number of home automation tools began to appear. The device removed the awkwardness of having to find a remote, or pull out a smartphone in order to use home automation. Users could say “Alexa, turn on the living room lights”, and it would just happen with surprising reliability.

Even what seemed at first to be small abilities came to assume an important place in households. For example, the original Echo enabled the user to easily set timers, by just saying “Alexa, set a timer for one minute and ten seconds”. For a cook with his or her hands full, this was a great aid. It proved so popular that in mid-2017 Amazon added the ability to set named timers, meaning it was easier to keep track of multiple timers.

At home with Google

It didn't take that long for the Alphabet company Google to realise that the Echo posed something of a problem for it. Google seeks to “own” activities such as search as much as possible, and with the increasing success of the Echo, its share of that market could come under threat.

The Google Home was announced by the company in mid-2016, and released at the end of that year, in time for the Christmas market. While very similar to the Echo, the Google Home was somewhat more ambitious at its launch, with more features “baked into” the basic model, where the Echo relied more on third-party suppliers. The Echo was very reliable at what it did, while the Home did more, but would tend to fail more frequently.

Apple's Siri

Siri was arguably the first commonly available voice-based assistant to be made available on smartphones. It was originally launched as an app for the iPhone in 2010, developed by the SRI International Artificial Intelligence Center, which is a non-profit associated with Stanford University in northern California (and arguably home to the core developments for personal computing itself). The technology was rapidly acquired by Apple, and was included as a feature on the iPhone 4S when it was launched in 2011.

The abilities of Siri remain somewhat controversial, with many regarding the system as now being, as compared to the Amazon and Google systems, somewhat un-

The Echo Dot is basically everything in the standard Echo, but with lower quality audio output. The Dot was originally designed to work with the standard Echo, as a way of extending voice control throughout a house, but was then developed as a stand-alone product. Originally sold at \$79, it is now commonly available at \$49. Some business strategists have suggested Amazon should subsidise the Dot down to \$29, creating a pervasive market for Alexa.



derdeveloped. Others see Siri as being a far more ambitious project, that is unfairly judged by comparison to much more limited systems.

What is certain is that not only did Apple not spot the potential of using its voice assistant independently of its smartphones, but also that it has continued to not understand how this market works.

Apple began getting into the smarthome market by introducing HomeKit in 2014. This provided a framework for home automation to work with Apple's mobile operating system, iOS. It was only with the release of iOS 10.0 in 2016, however, that Apple added an actual Home app to its smartphones, providing a single location from which all connected devices could be accessed.

What considerably hampered development of devices that could connect to HomeKit was Apple's insistence that anything that did connect needed to use a specific secure communications chipset. This meant that manufacturers would need to make a version specifically just for HomeKit, outside of versions that worked for Echo and Google Home. Few did so, and those that did typically made these devices very expensive, to compensate for the extra development work involved, and the very narrow market Apple offered.

The result has been, predictably, that there are very few HomeKit devices available — the online Apple store lists around 20, if you can find them after going through four layers of navigation.

In 2018 Apple has finally realised its errors, and, after four years of poor performance, has replaced its previous hardware security requirement with software requirement instead, which should see more devices become HomeKit compatible, hopefully at lower prices.

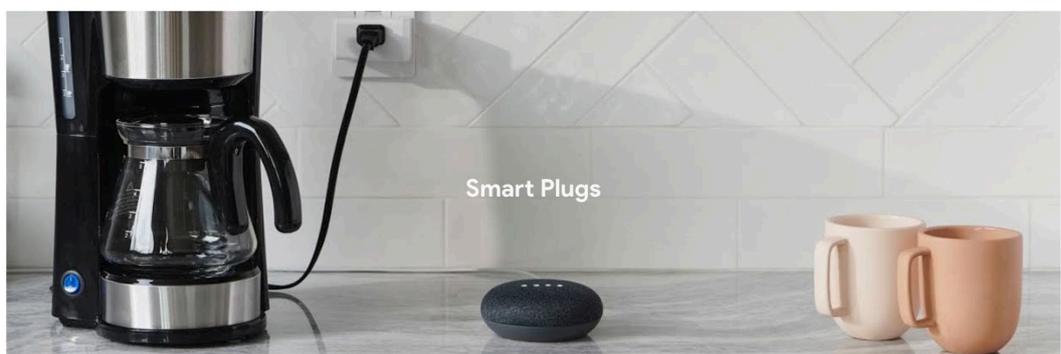
In general, however, this has been a real failure for the company, going from having a leading position in the field, to not even being considered much of a contender, in just six or seven years.

The future of the smarthome

There are big differences between the way that home automation developed prior to 2014, and the way the smarthome has been developing since then.

Home automation has always required a very high degree of integration for it to work properly. It has mostly relied on that

Pictured here, the Google Home Mini, which is available on sale for \$49. In its marketing, Google emphasises the role of Google Home as a hub for the smarthome far more than Amazon does with its Echo.



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integration through the fundamental controls, such as the actual in-wall powerpoints, light switches, custom security systems, and fixed cameras. These controls have mostly been relatively simple, “dumb” devices.

The smarthome relies instead on semi-smart, independent internet of things (IoT) devices that can be controlled by a number of different systems, if needed. The advantage of the smarthome over home automation is that this means homeowners do not need to make a major investment, or worry about over-designing their homes. It’s a question of adding individual conveniences, rather than an overwhelming, networked system of automated things.

As a result, by far the single most important shift in the smarthome, which has really begun to take off in 2018, is that much more inexpensive systems are becoming available, making it more cost-effective to add the convenience of IoT devices.

At the forefront of this are the efforts of both Amazon and Google to introduce and popularise cheaper devices. Amazon’s Echo Dot is a small device, with much of the functionality of the full-size Echo, though with a small speaker. Its real significance is that where the Echo is often on sale for \$119, the Dot is often on sale now for just \$49 (instead of its launch price of \$79).

Similarly, the Google Home Mini is a scaled down version of the standard Google home sells for around \$49 when on sale, while the Google Home still sells for around \$125.

Both Google and Amazon have also built out their product lines to be more expensive than the original device they sold, with Amazon offering a circular video screen that can display information on one such device, and Google launching devices with even larger, rectangular screens.

And, it has to be said, with what has become typical of Apple in this area, the company launched its version of the Echo and Google Home in early 2018, the Apple HomePod. Which is priced, a little unbelievably, at \$499. Critics say the HomePod does produce good sound — it is supposed to actively adapt its sound to the room in which it is placed — but the range of functions offered is so limited that it really doesn’t compete with the Google and Amazon devices.

Rumours are circulating that Apple is working on a less expensive version of the HomePod, but it will be amazing if it manages to price this at anything under \$180.

Apple’s HomePod has a sophisticated speaker array, which, the company claims, can adapt its output to match the audio characteristics of the room where it is placed. While its sound generally is rated quite highly, the HomePod does not have as intelligent a personal assistant as the Echo or Google Home. It is also very expensive by comparison.



Peripheral IoT devices

As exciting as the reduction in the base price of the central control devices is, what is more exciting is that at long last the price of peripherals is falling steeply as well. Devices that act as add-on switches for powerpoints have average prices from around \$35 all the way up to \$85. Obviously, with that kind of price, it's difficult to imagine outfitting even 10 powerpoints in a house.

Now, however, there seems to be a move to drop prices radically. IKEA will be introducing its new TRÅDFRI lighting kits to Australia in time for Christmas, which promise to drop the price of integrating smarthome lighting by about half over the current prices.

Even more significant is that it will also likely be releasing TRÅDFRI powerpoints for the US market that will be sold at USD15.00 for one socket with a remote control, and USD10.00 for the socket without the remote. These will be compatible with Alexa, Google Home, and Apple's HomeKit. There is no word on when or whether similar devices will come to Australia, but it is likely they will, with prices probably as low as \$14 for the basic powerpoint.

The significance of these price drops is that we will likely see a similar price drop outside of IKEA as well, as other suppliers struggle to keep up.

Selling the smarthome

In the past, most automation systems have been relatively expensive, and only within the reach of people who want to invest substantially in the technology and in their homes. Now, the smarthome concept, and the ongoing reduction in the price of its basic components, means the market is much wider.

That said, the smarthome market is also likely to be quite specialised. Put simply, we can more or less divide households into those that have "gone digital" and those that have not. For the digital households, the smarthome has a lot to offer and they will probably transition quickly. For those that are not digital, it's more likely they will wait another three or four years, for the next wave of technology.

What does "gone digital" really mean? Let's take the example of what audio sources you might use in the home. All the intelligent home devices offer access to streaming music services. Apple Music costs \$12 per month, Google Play Music costs \$10 a month, and the standard Amazon Music also costs \$10 a month. However, there is special Echo account, limited to use through a single Echo, that costs just \$4 a month from Amazon.

You can set up radio stations to listen to over the Echo, but that does take some configuration. The Google Home, how-

Character of the Assistants

Each of the personal assistants – Google Assistant, Siri and Alexa – have something of a unique character, that can be difficult to describe. One revealing test that we've found is to ask the question that everyone asks any "talking computer": "Open the pod bay doors".

Siri:

OK, but I'm not signing any petitions.
Siri will provide different response over time.

Alexa:

I'm sorry Dave I'm afraid I can't do that. I'm not Hal, and we are not in space.

Google Assistant:

I can't do that. But there is a spare key under the flowerpot outside the podbay airlock. You can let yourself in.

Of the three, Google Assistant is definitely the best, and this tallies with most contact with these assistants. Siri has been engineered to be a bit whimsically snappish, and at times it feels wearisome to get "lip" when what you wanted was just a bit of help.

Alexa tends to be matter-of-fact, and almost completely lacking in any playfulness at all.

While Google Assistant can also be annoying at times, it generally gets the tone right. There's a carefulness about keeping a friendly tone, which encourages you to persist when the device does not recognise a command the first two or three times.

ever, comes with many radio stations already hooked up. You can say “Ok Google, play BBC World Service”, or “OK Google, play ABC News Radio”, and the device will begin streaming those stations. (One of the great things about this is that if one of Those People you really don’t want to hear comes on the radio, you can just say “OK Google, stop!”, and they go away.)

All that is great, but people who are more digitally connected might have several podcasts they listen to as well, and these can be accessed much the same way radio stations are accessed. What’s more, it’s easy to fast forward through these, skipping advertising, for example.

Similarly, these devices can either be connected to better speakers via Bluetooth, or connect the other way around, so that if you are sharing a TV show with someone on an iPad, you can have the sound come out through your Google Home.

What is important about this adoption pattern is that we aren’t really talking about early adopters versus mainstream adopters, as we typically do with technology. Podcasts, after all, have been around for more than 15 years. Whether you listen to these is less a function of early versus mainstream, and more a question of how deeply digital is integrated in your life.

Niche adopters

Aside from people who have a more digital lifestyle, there are also special groups who find the smarthome attractive. For example, people who are ageing in place can find many of the features of the smarthome very attractive. Those who are infirm, or suffer from mobility problems due to arthritis, for example, will really welcome the ability to verbally command lights, fans, heaters and air-conditioners to turn on and off.

There is also a special attraction that the smarthome has for people who live in smaller spaces, such as apartments. For example, using HomeKit devices, it’s relatively simple to hook up a room thermostat to the powerpoint a radiant heater is hooked into. That would mean you could control the heater based on the temperature of the room some five or more metres distant from it — as well as setting a definite timeout to make sure it isn’t left to run indefinitely. For households without central heating these simple “hacks” can be very helpful.

Analysis

In a well-regarded experiment back in the 1960s, a university built a new campus then elected to not provide any footpaths for the first year after it was constructed. They waited for the students themselves to wear paths into the soil, then used those paths as the guide for where they would construct permanent paths and roads.

Like the unfinished footpaths, the smarthome developments we are seeing today will not be the final form that we see home automation take. For the moment, however, much of the smarthome revolution is being driven by companies that are using it as a proxy to fight for other market territories where they are trying to retain market share or access new markets.

Amazon has used Alexa to push back at the dominance in communications through smartphones held by both Apple and Alphabet. Google Home is in part a response to Amazon, but also a push into those lucrative parts of the communications market that Apple virtually controls. These “turf wars” are distorting a direct response to consumer needs, and will be resolved when additional focus points emerge, such as autonomous vehicles and ride-sharing services.

One possibility is that we could see in the next five years is the emergence of alternative platforms, as the tools and techniques (such as voice recognition and audio monitoring design) become simpler and more reliable to implement. For example, a company such as IKEA could launch its own platform, and be able to integrate a wider range of home appliances successfully. That might include lighting, power-points, kitchen appliances such as cooking ranges, ovens and extractor fans, as well as window coverings such as blinds, and more.

For the immediate future, however, the smarthome market will remain a blend of strong interest for certain niche markets, as well as a more general, casual interest, where smarthome solutions are applied to specific problems.

For hardware retailers, it's not so much that the smarthome will become a best-selling category in their stores, but more that this technology will become more pervasive in several ways. For example, suppliers will offer a standard fan, and also a more expensive fan that integrates closely with the Echo and Google Home.

Within two years we will see speciality retailers develop. These could begin as outgrowths from non-branded smartphone retailers/repairers, and will likely combine smarthome with higher-end audio equipment as well.

The end-point will appear six or seven years in the future, when, after the different approaches have been tried and proven, we will see more of home automation added to new homes as they are being constructed, or added in when major renovations take place. Its final form will occur when house subsystems get their own centralised computer. So, instead of having “smart” refrigerators and “smart” cooktops, these will be peripherals to a kitchen computer. That will lead both to more integrated home systems, and overall less expensive appliances, as they will share a single silicon “brain”.

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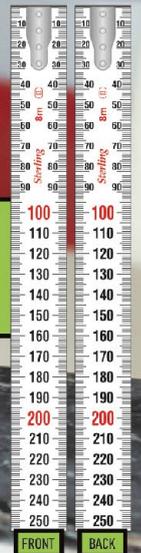
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WOMEN IN HARDWARE: EQUALITY IS NOT AN AVERAGE

Australian retail has a problem with gender inequality.

Perhaps the most astonishing thing about that statement is not that it is true, but that you will still, today, find people in the industry who will argue this is not the case. As the Federal Sex Discrimination Commissioner Kate Jenkins has pointed out:

Incorrect assumptions are being made about the progress of gender equality both in Australia and internationally. A 2017 global survey found that 62% of Australian men agreed with the statement "Women have equal opportunities to men in the country where I live", compared to 48% of women. These misconceptions signal the need for an increase in our efforts and priorities.

The Women's March on Washington D.C., held on January 21, 2017. This helped to reignite worldwide concerns over women's rights, including online social media movements such as #MeToo and #TimesUp.

While it is true that the retail industry does perform well in some areas, it also has significant problems in others. Those problems tend to be magnified when it comes to hardware retail.

Large companies have been required to report their gender employment numbers annually to the Workplace Gender Equality Agency (WGEA), since 2006. In FY2016/17 Bunnings reports having over 36,000 employees. Of these, 48% were women and 52% were men. Yet, of the 133 employees classified as senior managers in FY2016/17, only 31, or 23% were women. That compares to 32% women as senior managers across all industries in Australia, and an average of 32% in all Australian retailers as well.

(HNN notes that the statistics used for business-to-industry comparisons in this article, HNN considers only full-time employees, as we see including part-time employees as a separate — and more complex — issue altogether. In making industry-to-industry comparisons we use all types of employment.)

Of course, companies such as Bunnings have really made good progress. If we go back to 2009, the proportion of women in senior management roles was 14%, and for store managers it was 16%. Yet that very progress is part of what has led to some sense of complacency. As the Australian Human Rights Commission commented regarding the role of larger corporations in their March 2017 publication, “A conversation in gender equality”:

Questions are being raised about the results to date. Some reported a sense of fatigue and suggestion that gender equality is achieved and the focus should move to other areas of diversity. Challenges still include equal participation of genders in flexible work, reducing the pay gap and increasing the influence and diversity of women in leadership.

While corporate human resources (HR) departments may be satisfied with progress in gender inequality, female employees are less happy. The sense that is emerging more recently, is that after two decades or so of companies acknowledging gender gaps in terms of hiring, promotion and pay rates, many women are tired of hearing about incremental change, and would like to see just, well, change. That would mean moving to apply standards that are more global, rather than just relative on a historical basis.

It also means paying less attention to the argument that some industries are “naturally” slanted more towards men. To put that in a slightly different way, should hardware retail be given the kind of leeway granted to more “hardware” industries such as construction, or treated more as another part of the service industry of “retail”?



Women in hardware

- While most major companies have made progress in achieving better gender equality, there is still far to go.
- Should companies be judged on how far they have come, or their plans for achieving further gains?
- Some common techniques which have been proven to be effective, such as woman-to-woman mentoring, are not being used by major companies.
- Retail is ahead of Australian industry in general on some measures, but has a poor record when it comes to policies designed to improve future equality.

The coming change

Of course, some of the relevance of this issue derives from the surge in awareness of how women are treated in the workforce and elsewhere, brought on by the #MeToo, #TimesUp and other associated movements. We've seen the entertainment industry in particular brought to account for practices that were once regarded as simply part of the trade — as well as learning some particularly unpleasant things about once-prominent individuals.

While there have been specific events that helped to bring about this surge in passion and involvement, such as the Women's March on Washington D.C. in response to the inauguration of US President Donald Trump, there are other pressures at work as well. In Australia, the shift in the economy from primary production to services has, for example, altered attitudes towards what is acceptable in work culture.

For businesses, especially in retail, there is also a specific challenge waiting ahead. In June 2018, Commissioner Jenkins initiated a national inquiry into sexual harassment in Australian workplaces. Submissions are being accepted through to January 2019. It's very likely that when the results of the inquiry are published in 2019, many industries, especially retail, will find themselves under the spotlight, and forced to make sharp changes to many of their practices.

Whether you operate a small business or work at a large business, it's important to consider what this might mean. The increased focus could open up the possibility of more claims of gender discrimination being lodged. That means the potential for fines and other forms of sanction. What is more important, given the interest these matters now attract, is that substantial reputational damage is also possible.

There is absolutely no doubt that hardware retail still remains an area where many employees (and quite a few managers) struggle to understand gender equality. Now is the time to start making changes. HNN can virtually guarantee that in 2019 there will be some major players, and many smaller businesses in the hardware industry that will find themselves in trouble over gender equality.

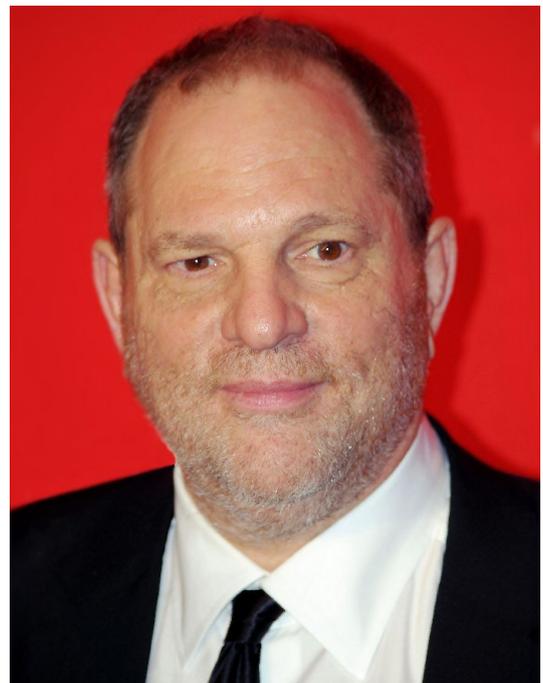
It's not so much, to use the jargon, about being "woke", it's just a matter of waking up.

A method

To really zero in on gender inequality in hardware retail, we need first to look at how Australia as a whole compares to other nations, then how retail in general compares to the rest of Australian industry.

To round this out, in the second part of this article we're also publishing the transcript of a great speech

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Harvey Weinstein, a successful Hollywood producer, fell from favour after multiple women alleged he had sexually harassed them. This became a high-profile touch-point for the #MeToo women, and encouraged others to step forward with allegations about other men in the US entertainment industry.

that was given by Jacinta Colley of Simmonds Lumber at the Women in Hardware event held in association with the Hardware and Building Traders' 2018 Conference in early May 2018. Ms Colley is one of the leading women working for suppliers to the industry, and her story is funny, and quite heart-breaking and heart-warming at the same time. We also spoke with some of the best managers — both men — that Ms Colley has had, including her current manager, about what they see as best practices for managing up and coming women, and how women can best help themselves to get ahead.

Baseline

Before we get deep into the statistics and the specifics of gender and equality in Australian industry, it's a good idea to take a brief detour into an unrelated part of the community, but one which shares some characteristics with retail. The main reason we need to take this detour is that it's all too easy to feel a little hopeless when it comes to finding ways to solve gender inequality. Big business in particular is good at both portraying gender inequality issues as being almost too hard to solve. What we want to look at is an area where gender inequality was rife back in the 1990s, but changed radically through to the 2010s. The result has been workplaces that still are not entirely equal, but are far better than before.

Back in 1995/96, the Australian government published an interesting research paper entitled "One Step Forward: Two Steps Back? Women and Affirmative Action", authored by Margaret Malloch. The paper explores the consequences of three affirmative action programs implemented in Victorian state schools over a six-year period between 1986 and 1992. The purpose of the program was to increase the number of women teachers who occupied senior roles, such as school principals.

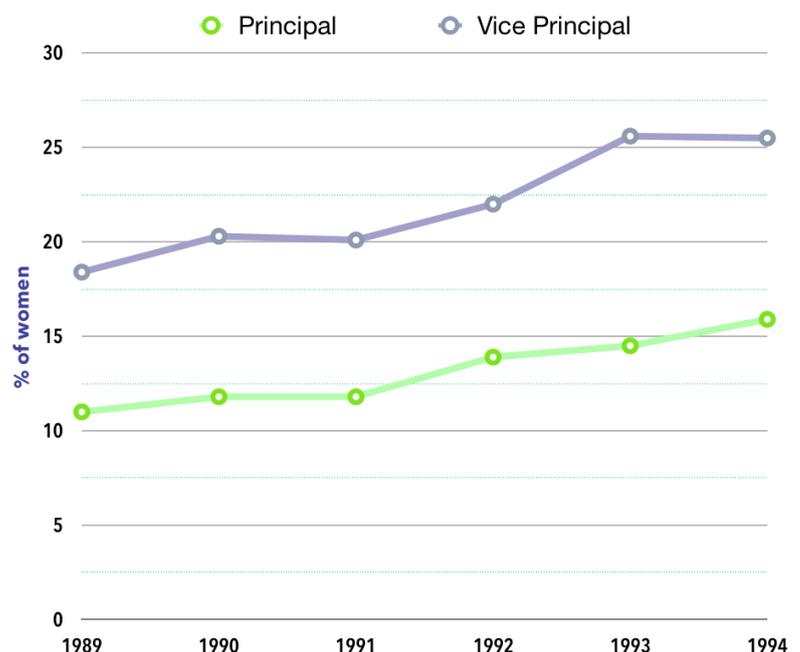
At the time of the programs, while well over 60% of teachers were female, less than 12% of principal positions were occupied by women.

The outcome of that program was, a little surprisingly, a complete failure. As the introduction to the paper states:

As the tables in this paper show, while the percentages of women in promotion positions in the Victorian Teaching Service have fluctuated, women have neither rushed into, nor been able to obtain, positions of greater status and responsibility in education in significant numbers as a result of Affirmative

Despite affirmative action plans, only small gains were made in the proportion of women who were principals in the Victorian state-run school system.

Key Managers in Victorian State School System



Action policies and plans.

In summarising the achievements of the three affirmative action plans that were implemented, the paper states:

What has been the impact and success of such plans? The goals and objectives, whilst extensive, had as a key focus a numerical aim: the increase of women in administrative positions. This aim was not achieved. Neither do targets set for public accountability appear to have been met. Records required to be kept and reported upon were generally absent from annual reports. While objectives were listed, implementation steps were not included, and implementation of the Plans became intermittent and irregular.

In 1992, after the affirmative actions programs had completed, only 13.9% of principal positions were held by women, as well as just 22% of vice principal positions. The specific reasons for failure are well-documented by one of the interviewees who participated in the research for the paper:

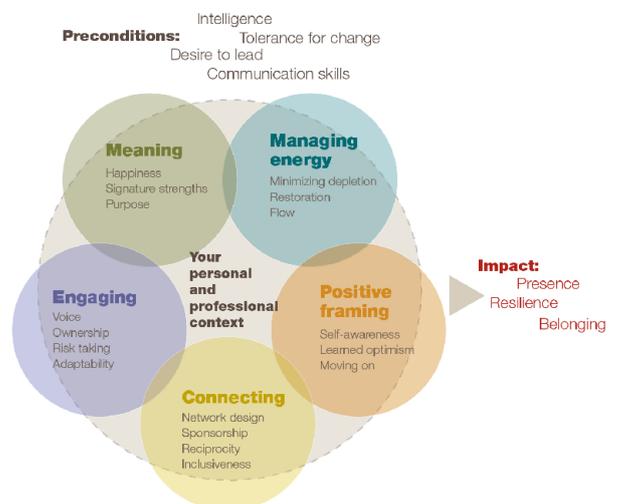
I mean, when you're in the central administration too, I've found I tend to get carried away with the concept of having developed a policy and it's over to schools to implement it, isn't it? They had to do it, so what's the problem? And then you get out and realise at the schools ... that they have 523 ways of avoiding doing it.

I think that what I observed was that very little had changed. I mean it was as though all that work had been done for naught, it hadn't hit the schools in any real sense... I think the only way we're going to change things for women, [is] to change men in fact, I don't think you can move one end of this jigsaw without moving the other.

Yet more recent statistics from 2012 show there has been a marked change. The proportion of primary school principals who were women had risen to 53%, and at secondary schools it was 41%. These numbers still do not fully reflect equality, but they do reflect substantial progress over a period of 20 years.

When asked what had helped to bring about that change, Gabrielle Leigh, then president of the Victorian Principals Association, replied that she credited the work of the Eleanor Davis School Leadership program. This program paired 480 young women teachers with mentors and coaches over a period of 16 years, creating what Ms Leigh termed a kind of "principal internship". It was, quite simply, a professional program established to maximise the leadership potential of women in schools.

Writing about her experience in the Eleanor David program, Glendy Jakober, principal of Pender's Grove Primary school in the Melbourne suburb of Thornbury, had this to say in 2013:



Many of women who wanted to be principals experienced doubts about their management style, which they characterised as "community focused". Consultants McKinsey suggest that this approach can actually be highly effective in the modern business world.

According to McKinsey:

We call this model centered leadership. As the name implies, it's about having a well of physical, intellectual, emotional, and spiritual strength that drives personal achievement and, in turn, inspires others to follow. What's particularly exciting is that we are starting to discover ways women can actively build the skills to become more self-confident and effective leaders. Centered leadership also works for men, though we have found that the model resonates particularly well with women because we have built it on a foundation of research into their specific needs and experiences.

Centered leadership emphasizes the role of positive emotions. A few characteristics particularly distinguish women from their male counterparts in the workplace. First, women can more often opt out of it than men can. Second, their double burden—motherhood and management—drains energy in a particularly challenging way. Third, they tend to experience emotional ups and downs more often and more intensely than most men do. Given these potentially negative emotions, centered leadership consciously draws on positive psychology, a discipline that seeks to identify what makes healthy people thrive. Although none of the women we interviewed articulated her ideas in precisely those terms, when we dived into the literature and interviewed leading academics, we found strong echoes of what our female leaders had been telling us.

In 2004 I was one of four Northern Metropolitan Region female teachers selected to participate in the Eleanor Davis School Leadership Program. As part of the program I was provided with a wonderful mentor, Kate Saunders, who not only generously shared her own leadership knowledge and skills but supported me in acknowledging my own leadership capabilities. It was in this year that I successfully applied for the Assistant Principal position at Pender's Grove PS and once again, I was supported by a wonderful mentor, Mary MacGregor, the then Principal.

In 2008, after Mary's retirement, I successfully applied for the Principal position at Pender's Grove.

The corporate approach

Just to contrast that with what is regarded as being acceptable by some of the largest and best resourced businesses in Australia, Wesfarmers — which owns Bunnings — declares on its website that 32% of all management and professional roles are held by women, out of a workforce that is 54% female, adding that:

Female employees represented 33 per cent of all internal promotions at manager level or above, falling slightly from 35 per cent during the previous year.

The web page goes on to list all the programs that Wesfarmers is undertaking to increase gender equality, including:

In 2017 Wesfarmers and our divisions invested in a number of town hall sessions across the Group by leading gender experts to build awareness about leveraging the economic benefits of gender balance. In addition, forums have been conducted for best practice sharing across the Group and several of our divisions conducted listen and learn sessions with female leaders and team members.

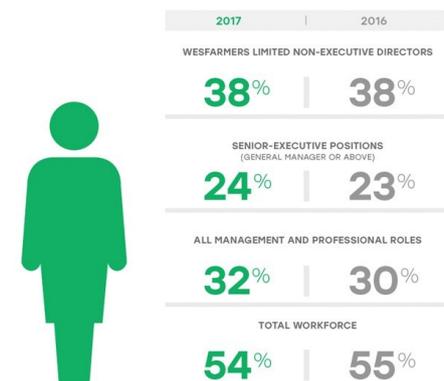
It seems difficult to even effectively parse a phrase such as “leveraging the economic benefits of gender balance”. Whatever it is, given the average improvements presented by Wesfarmers and Bunnings (average for such high-performance organisations), it is arguable as to how effective this approach has been.

Speaking generally, as many companies have provided less substantive programs than Wesfarmers, it has to be asked if the lack of real progress towards gender equality across all industries is the result of a lack of competence on the part of human resources departments and other top managers. Or is this really part of a determined pattern, where companies expend energy not in actually making change happen, but constructing a reasonable alibi that indicates “we’re working on it”, with lots of positive commitments, but no actual deliverables?

Wesfarmers is proud of its record in reducing the gender imbalance in its workforce.

<https://bit.ly/2N79R7X>

WOMEN HOLD 47% OF SALARIED ROLES



Australia's global position

Perhaps surprisingly, in terms of many global measures, Australia is not doing too badly. It is nowhere near the top of the rankings, but it has managed to at least keep pace with what it regards as its two cultural peers, the UK and North America.

Chart 1 shows the the gender wage graph, using 2016 data. Australia occupies a position that is about mid-way, though still higher than the overall OECD average. The big surprise is perhaps that the UK, the US and Canada all have a higher wage gap. Chart 2 is the same data, shown as variable radius circles on a map of the world.

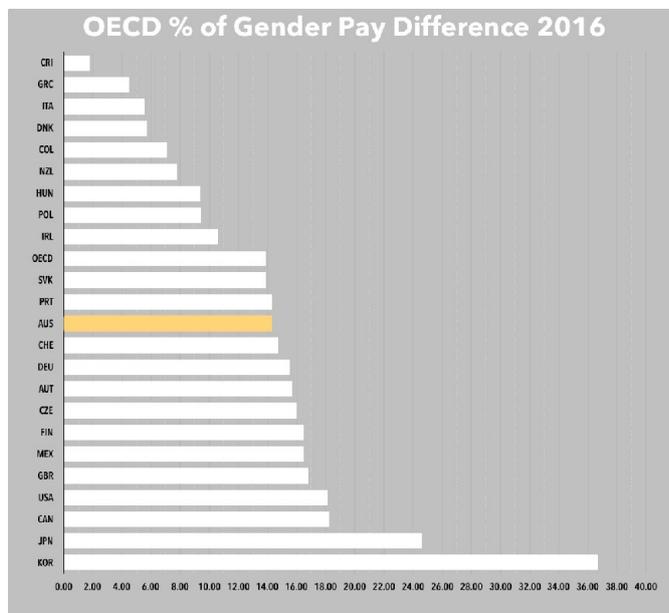
Chart 3 is interesting because it shows numbers for the percentage of the female workforce that is employed as managers, and the difference between the percentage of men and the percentage of women employed as managers. In terms of the overall percentage of women as managers, Australia is at the top of the field, with around 9.0%. However, when we look at the difference between men and women, we see that it ranks quite low on the table, indicating a higher degree of gender discrimination. So part of what we might be seeing, really, is on a comparative basis, a case of "title inflation" rather than real workplace restructuring.

Interestingly, Australia remains ahead of the UK. Figures for this time period for the US and Canada were not available.

As an indication of where Australia stands in the world, it shows that some progress has been made in terms of achieving slightly more equal wages overall. However, one of the focal points of discrimination has moved to promoting women to management in the workforce.

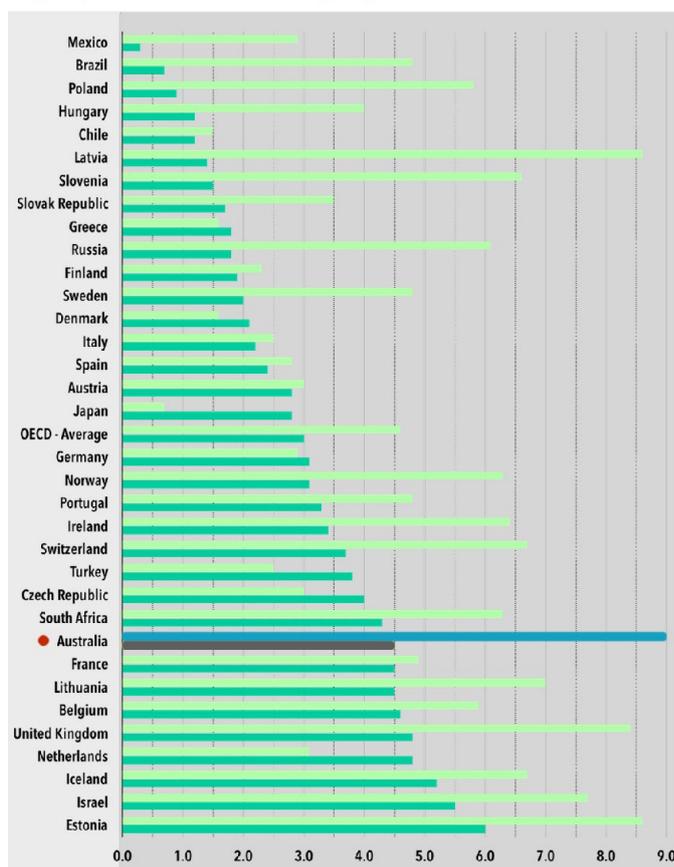
With employment participation rates at an all-time high for women, the gap between these rates for men and women is as narrow as it has ever been. Combined with the fact

Top, **Chart 1**, shows the gap in percentages between men and women's average salaries, as determined by the OECD for 2016. Middle, **Chart 2**, the same data represented as circles whose radius is proportional to the gender gap. **Chart 3**, OECD data on the percentage of women managers, and the difference between the percentage of men who are managers, and the percentage of women who are managers.



OECD % Employed as Managers

■ % Women managers ■ Difference % men - % women



that Australian women are now seeking university degrees at a higher rate than men, the failure to promote women into management at an equal rate to men is a cause for concern.

The retail industry

The WGEA publishes a great deal of data about gender equality in the workforce, available both as online graphs, and for download to spreadsheets. That data is comprehensive when it comes to broad categories such as retail, but less when it comes to specific types of retail, such as hardware.

Chart 4 shows a comparison in terms of percent of women employed at various managerial levels in retail between 2015 and 2017 (the most recent data available), as well as a comparison with the figure for overall Australian industry in 2017. In this case, larger percentages and thus longer bars are better.

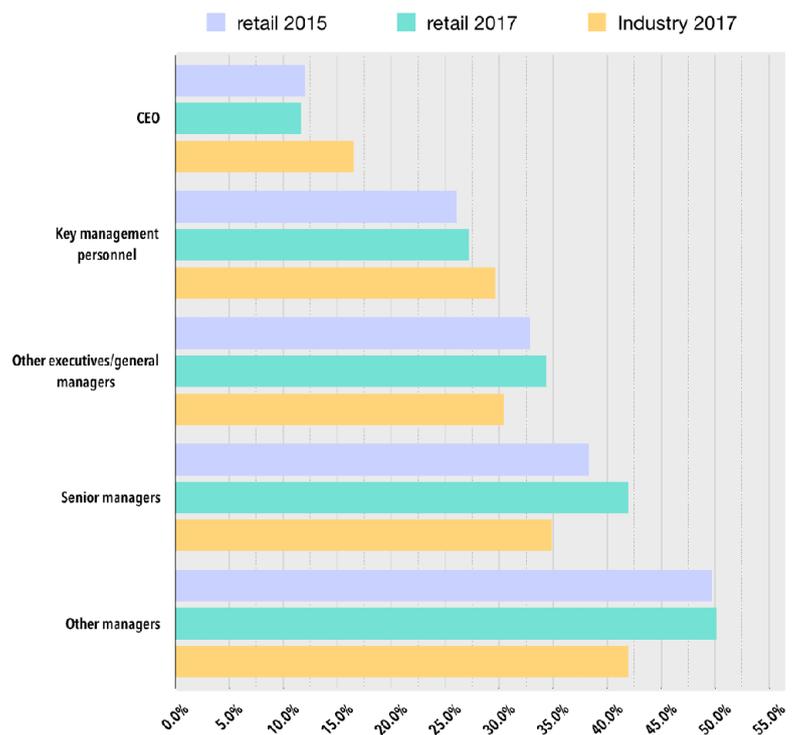
As can be seen, the situation for the retail industry is comparatively good as compared to Australian industry overall. With the exception of two categories, CEOs and key management personnel (the latter would be the C-suite executives in larger companies), retail not only does better than the industry average, but there is an improving trend overall.

Chart 5 shows the same numbers for hardware retail in 2015 and 2017, as well as the comparison for overall retail in 2017. What is clearly indicated here is that hardware is underperforming significantly. All five managerial categories underperform the figures for all retail in 2017, four of them by significantly large amounts. There is a 17% gap for both key management and general managers, and a large 24% gap for senior managers.

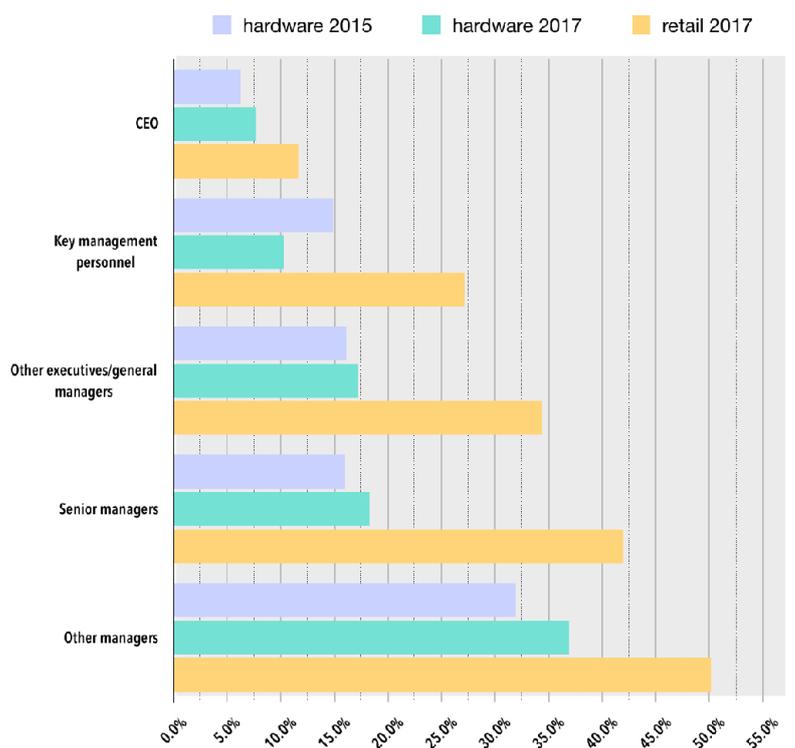
Chart 6 shows the estimated gender pay gap for the total workforce, and for four levels of managers, comparing the retail industry in 2015 and 2017 with all Australian industry in 2017. In this case, a lower percentage, and thus a shorter bar, is better.

Top, Chart 4, and bottom, Chart 5.

% Women at Managerial Levels - Retail



% Women at Managerial Levels - Hardware



The overall retail industry does better in most categories than all Australian industry — with the exception of senior managers, where the situation seems to be getting worse. In that category the pay gap between male and female managers is 27%. Of course, equally, the numbers for overall industry itself are quite poor, with every category exceeding 20%. So it is a low bar to exceed.

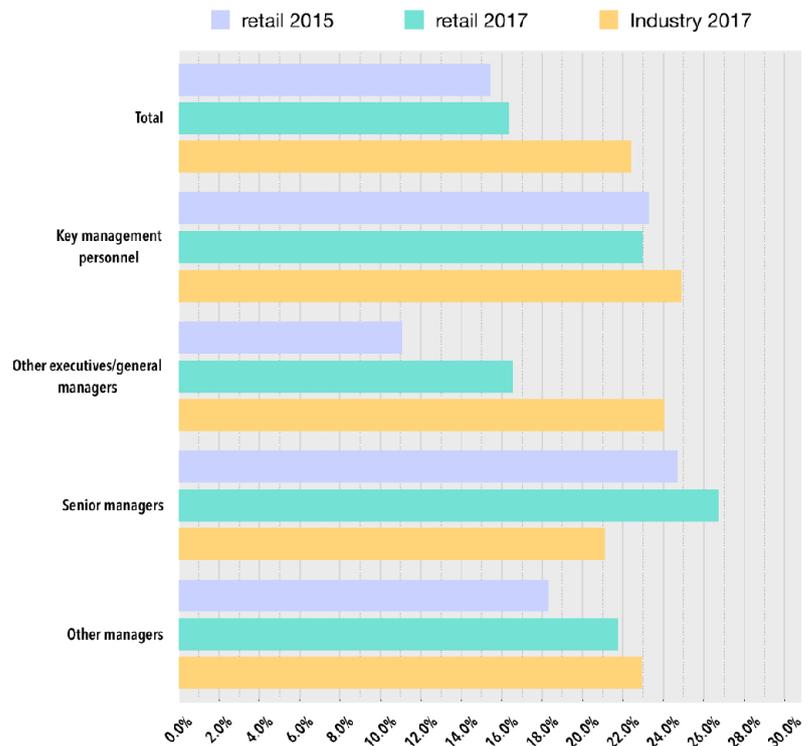
Equally troubling is that the pay gap for retail managers has increased in all categories except one. So much for even incremental progress.

In terms of policies and strategies aimed at alleviating or eliminating gender pay inequality, it would have to be said that the retail industry is lagging far behind the Australian industry as a whole. That is demonstrated in Chart 7, which shows the percentage of companies that have implemented policies, strategies and processes to measure and change gender inequality, especially as regards pay. In every single category, retail lags behind the measure for all industries. It is hopeful that in every category retail has also improved from 2015 to 2017, but this remains an astonishing result.

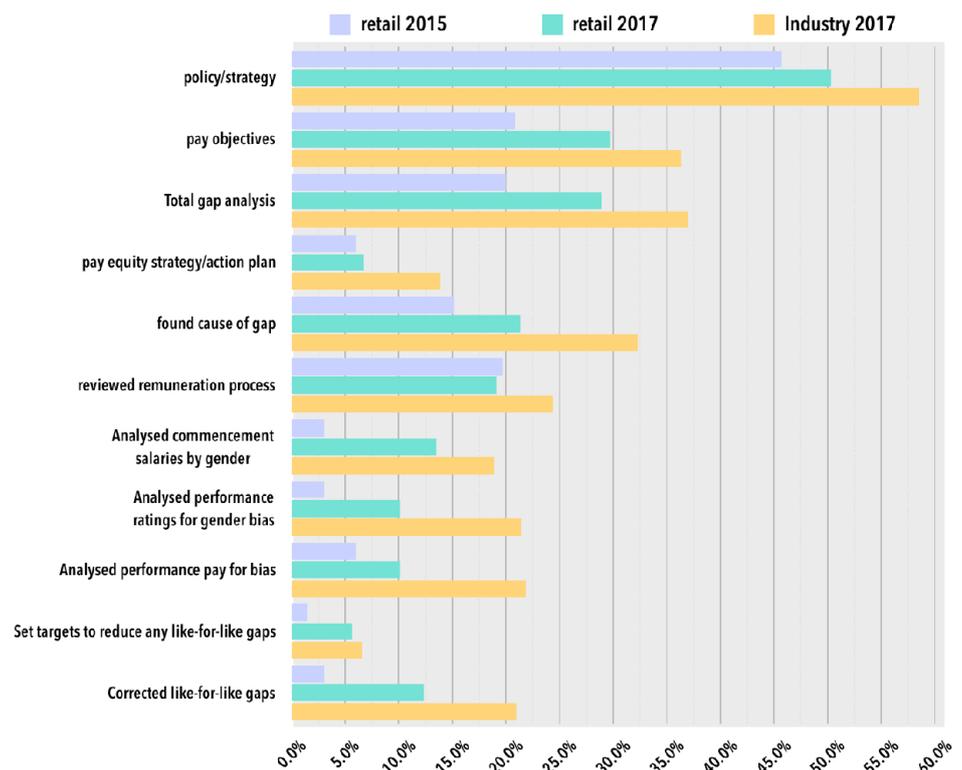
Retail also lags behind all industries when it comes to flexible work arrangements, and here there is not even the ameliorating factor of improvement over time. Chart 8 shows the percentage of companies that offer formal job sharing arrangements and formal telecommuting arrangements. It's quite startling that 47% of all industry companies offer job sharing arrangements, but only 26% of retail companies do — and it is getting worse.

Top, **Chart 6**, shows the gender pay gap for different groups of managers for the retail industry, and all Australian industries. Bottom, **Chart 7** shows the percentage of companies that have implemented policies and strategies to improve gender equality in the workplace.

Gender Pay Gap



Strategies & Policies for Workplace Gender Equality



Finally we come to measures of how women are accommodated in regards to having babies and caring for young children. Chart 9 illustrates that only around 1.0% of retail companies now offer on-site childcare in 2017, down from 3.1% in 2015. That is significantly less than the 10.5% figure for Australian industry overall.

Retail does do better when it comes to offering return-to-work bonuses for women — but these are also declining in numbers, down from close to 14% in 2015, to a little under 10% in 2017. That does, however, still outperform the industry average of 7%.

Bunnings

Bunnings has a unique position in hardware retail. IBIS-World estimates that total employment numbers for the industry are just over 71,000. With employment of over 36,000, that means Bunnings employs over half the people who work in hardware retail. In many ways, Bunnings sets the standards for employment in hardware retail.

The WGEA has had a number of changes in the way it collects information on gender employment in Australian industry. There is one series of consistent statistics from FY2006/07 up until FY2012/13. FY2013/14 seems to be a slightly odd year, and then a new series takes over from FY2014/15 to FY2015/16. The statistics for FY2016/17 are very similar to the previous series, with some slight tweaks. (Most of the statistics for FY2017/18 are not yet available.) In general, each of these changes has been very positive, and resulted in increasingly better statistics.

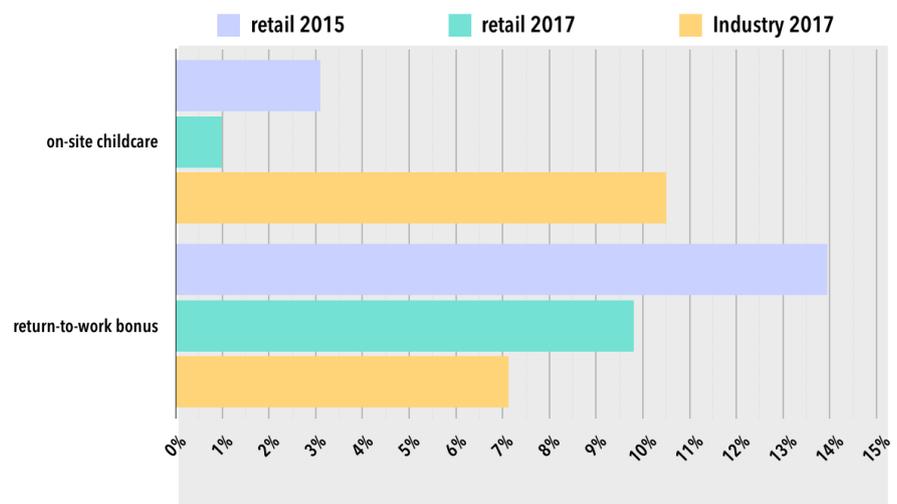
In the case of Bunnings, it's best to view the statistics in terms of there being two series, from FY2006/07 to FY2012/13, and from FY2014/15 to FY2016/17. Where necessary, small adjustments have been made to ensure better comparison between series.

Top, **Chart 8**, shows the percentage of companies that offer flexible work arrangements. Bottom, **Chart 9**, shows the percentage of companies that provide flexible work options.

Work Arrangements



Childcare and Return to Work



Series 1: FY2006/07 to FY2012/13

To begin with the first series, Chart 10 shows the numbers of male and female senior managers (LHS), and the percentage of women (RHS). It's clear from this graph, and as the red polynomial trend line illustrates, that the most generous interpretation to be made is that progress on gender equality is static.

Chart 11 shows the same data for the lower managerial position of store manager. As the trend line shows, here the gender balance is moving in a more positive direction. It remains less than 21%, but at least it's an improvement on where it started, at 11%.

Along with the statistics provided to the WGEA (and its predecessor, EOWA), companies are invited to add commentary on their efforts to promote gender equality in the workplace. Some

of these early reports are not exactly outstanding examples of reporting on gender equality issues. For example, from the Bunnings report for FY2006/7:

Whilst our consultation has indicated that recruitment and selection were not seen as significant issues for women within Bunnings we have been doing a lot of work to better understand and refine our recruitment 'brand' to the external market.

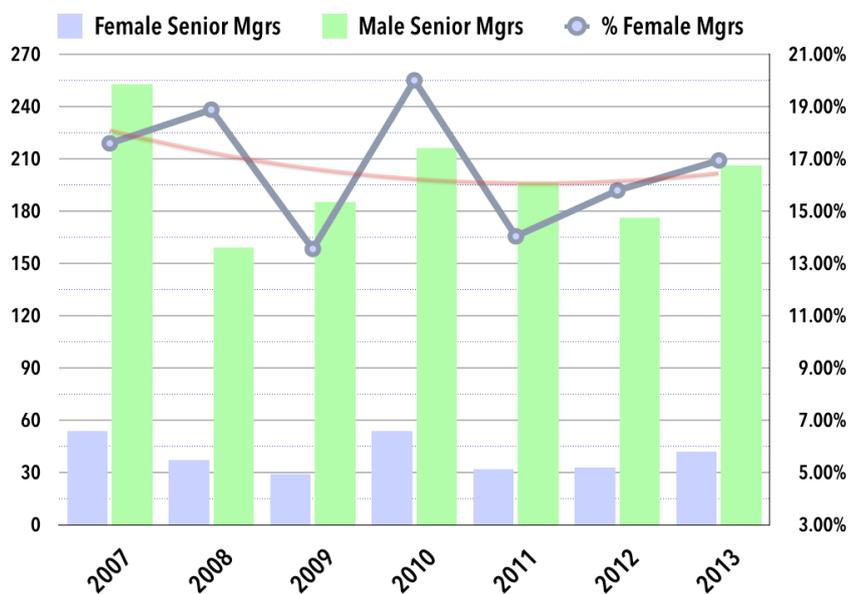
That was the year female store managers were 10.6% of the total, and female senior managers were 17.6% of the total. Six years later, the percentage of female senior managers had actually declined slightly, and store managers had increased by 7%.

One trend is to report, with what seems some surprise, the appointment of women to middle-management positions:

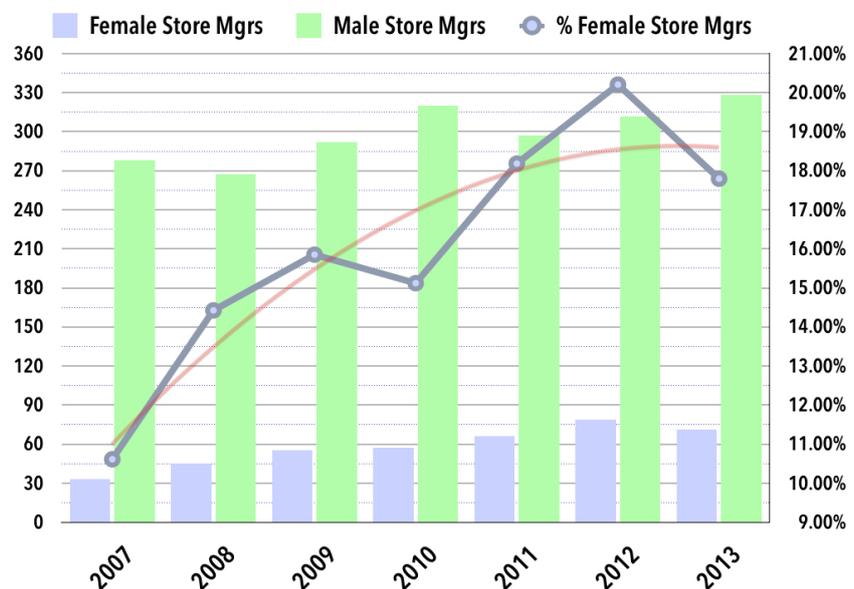
We also encourage females to develop mentoring relationships to further advance their

Top, **Chart 10**, shows the number of male and female senior managers, as well as the percentage of female managers for Bunnings. Bottom, **Chart 11**, shows the number of male and female store managers, as well as the percentage of female managers for Bunnings.

Bunnings Senior Manager Gender Balance
FY2006/7 to FY2012/13



Bunnings Store Manager Gender Balance
FY2006/7 to FY2012/13



careers within Bunnings. The nature of the Senior Roles [sic] filled by Women [sic] in Bunnings continues to be diverse and women are now in key positions such as Group Legal Affairs Manager, National Sales and Marketing Manager - Trade, and Category Manager - Plumbing, Bathroom and Kitchens.

It would be fruitless to go through all of these and parse out the difficulties with balanced reporting they have. Later reports, from 2010 onwards, improve. Then there is this interesting entry from the FY2011/12 report:

Two 'My Mentor Program' pilots were launched in September 2011 to 33 women. The MyMentor program supports Bunnings commitment to the growth and development of the outstanding female talent within our business. It aims to provide participants with the best strategies, skills and tools to challenge them to learn and grow to be even more successful in their career.

As far as HNN can determine, there is no further mention of this mentoring program in any of the WGEA reports by Bunnings.

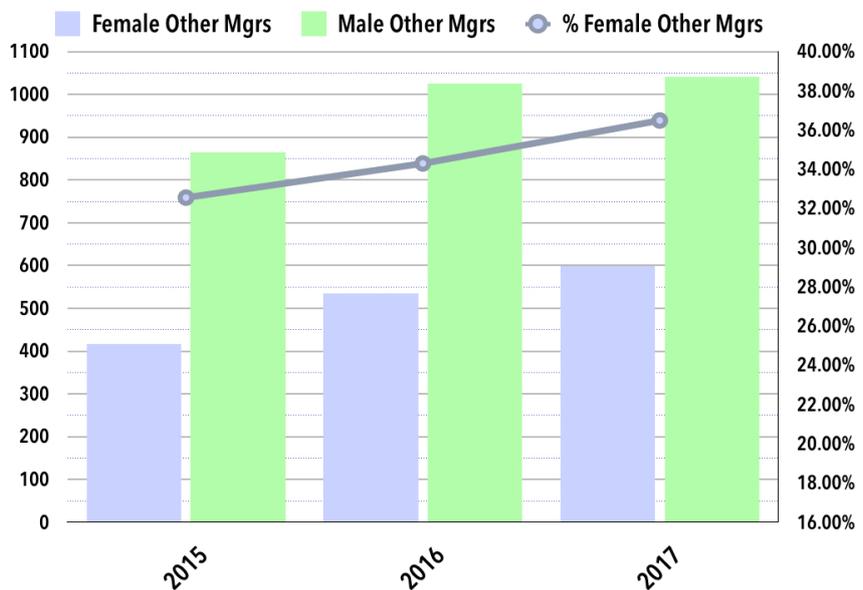
Series 2: FY2013/14 to FY2016/17

As mentioned about, WGEA changed the way in which statistics were classified, and those from FY2013/14 are difficult to make use of, so we are excluding those.

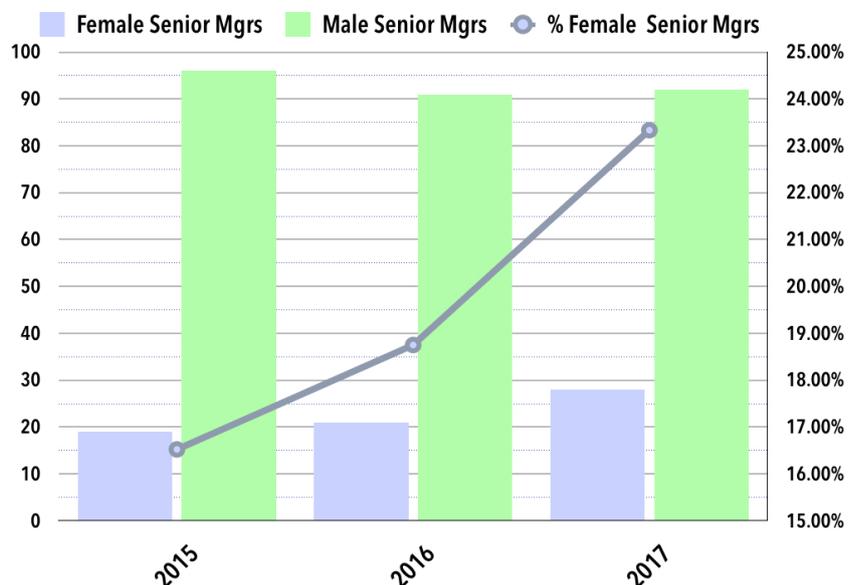
Chart 12 shows the category for "Other Managers" from FY2014/15 to FY2016/17, which includes managers at the lowest level. These show an improvement from 33% up to 36%. It is worth noting, however, that these show a high loading for FY2016/17 of women in the lowest rank of managers. Excluding those managers, the percent of women in the other manager category is 31%.

Top, **Chart 12**, shows the number of male and female other managers, as well as the percentage of female managers for Bunnings. Bottom, **Chart 13**, shows the number of male and female senior managers, as well as the percentage of female managers for Bunnings.

Bunnings Other Manager Gender Balance
FY2013/14 to FY2016/17



Bunnings Senior Manager Gender Balance
FY2013/14 to FY2016/17



The figures for percentage of women in other managers for all industries and also for retail for FY2016/17 was 39% (full-time only).

Chart 13 shows the category for “Other Managers” from FY2014/15 to FY2016/17. These show an improvement in female appointments from 17% to 23%. The figures for percentage of women in senior managers for all industry and retail for FY2016/17 was 32%, and for retail it was 32% (full-time only).

Analysis

It is perhaps best, just briefly, to provide an anchor point for this discussion about gender inequality in the workplace. Originally HNN had intended to profile another company’s statistics alongside those of Bunnings. That company was Reece Australia. After briefly going through the numbers it provided to the WGEA, we thought it best not to.

For Reece, the proportion of women who were managers in FY2016/17 was 7.3%. For FY2017/18 this has increased to 7.9%. Reece classifies itself in the general category of a wholesale trade company. The average proportion of women in management roles in that sector for FY2016/17 was 38%. Even in the narrower classification for Reece, plumbing goods wholesaling, the number is 23% women.

Reece Australia’s parent company, Reece Group, is an Australian Stock Exchange listed entity with a market capitalisation of \$6.8 billion. The company’s brief page and a half Equal Opportunity & Diversity Policy states in part that:

All applicants for employment and all staff members within Reece are to be treated equally and given the same consideration when determining their suitability for employment, training, development, transfers and promotion.

It is interesting that as of August 2017 Megan Quinn, formerly of the well-known online fashion retailer Net-A-Porter, is a non-executive director, and therefore at least partly responsible for its performance in gender inequality measures.

This highlights the problem that women struggle with. Should they look at the efforts of a company like Bunnings and see something of a failure to match higher, expected standards, or should they instead see a company that, over the past three years, has been making good efforts to change, which have resulted in real change?

This is a particularly difficult question to answer because for most women in the hardware industry their experience is likely to be somewhere between what Bunnings has to offer, and what Reece does not have to offer. There are of course, outliers as well — Murphy’s Mitre 10 in Monbulk, Victoria is one, with Julie Murphy actively promoting women, and offering opportunities for mentoring as well. The same could likely be said of many other hardware retailers which have joined the Women in Hardware organisation.

There really isn't a definite answer to this conundrum. What HNN can say, however, with some definiteness, is that 2019 is likely to be something of a line of demarkation when it comes to gender inequality issues. It's not only that the national enquiry into sexual harassment in Australian workplaces will land during the year — with some explosive effects. It's also that the overall culture of Australian business is going through a change.

Australia today is now dominated by its service industries, which make up 60% of its gross domestic product (GDP) and around 80% of total employment. Services are culturally quite different from the industries that previously made up much of the Australian economy — agriculture, mining and some manufacturing. As a result, the cultural standards of Australian businesses, and the cultural expectations of the Australian workforce, have changed.

In the case of something like hardware retail, in the past the notion that it was part of the “hardware using” industries — building, construction, infrastructure, etc — has been replaced by a sense that it is, predominately, part of the retail service industry. As such, the standards that get applied to it today are those of retail. In concrete terms, there just should not be such a difference in the ratio of women in management between Bunnings and its sister Wesfarmers retailer Target — with the latter having a 55% ratio of women in all management roles, and a 47% ratio for senior management roles.

Going into 2019, it is HNN's opinion that Australian businesses should all be expected to do two things: set definite targets for solving gender inequality, and provide concrete programs that are set in place to achieve those targets. Those targets should be, in general, the existing average for the broad category — such as retail — in which the companies operate.

In terms of concrete programs, there is solid evidence that programs where senior women managers mentor junior women managers and prospective managers yield solid results. It is simply mystifying that these programs are not general throughout Australian industry, especially retail.



JACINTA COLLEY GRACE & PRESSURE

At the Hardware & Building Traders (HBT) annual conference in May 2018, Women in Hardware held an event, where Jacinta Colley was the main speaker. National account manager for the respected timber supplier Simmonds Lumber, Ms Colley told some of the story of her journey through the ranks to her present position.

It was, to most of us who attended, a really enrapturing experience. Both because it was quite a story, and also because Ms Colley was able to share some of the more extreme moments she had gone through.

It is a story that is not just about setbacks, and real difficulties overcome. It's also about a woman who developed a talent for taking advantage of any opportunity, no matter how small, that offered itself. Who conformed when it was necessary to go on, but who also blazed back when she could.

The following is the speech that Jacinta Colley gave. HNN has edited the original speech for the purposes of brevity and clarity.

In year 10 when I was doing work experience at a hairdresser's, sweeping the floor. I often wonder where I would be today if I had gone down that track. Because, I am here today in an amazing industry, full of amazing people.

When I was 20, I had moved in and out of my parents' home, and I was kind of annoying my folks a bit. They said to me, "What are you going to do Jacinta? Have you decided?" Well, I didn't know what I wanted to do.

My father was working for Carter Holt Harvey at the time. One day he came home and said, "There's a job going at Carter Holt as an internal sales representative and we think you should apply."

I'm like, "Are you kicking me out?" And he said, no no, you don't have the job yet.

I thought, okay cool. And he said, "You are going to move to Melbourne."

I said, "I don't have the job yet."

He said "You are going to do what I tell you. You are going to sell yourself and get that job."

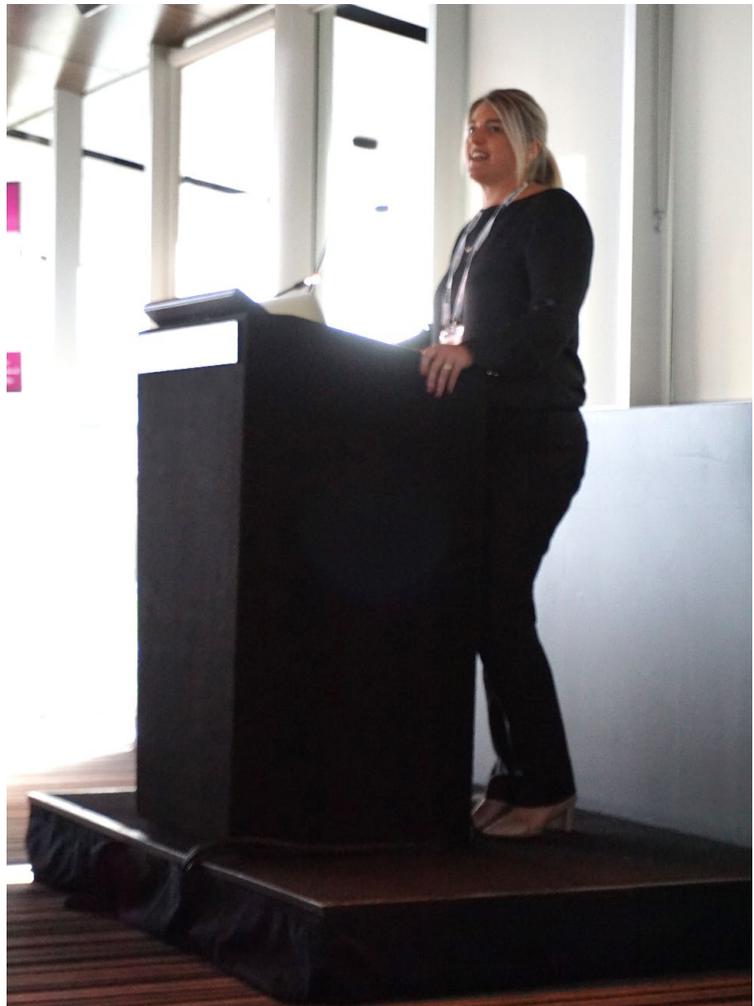
In the end he won, and in two weeks I was gone.

Only now, in my late 30s, do I thank him — and then only after a couple of wines! Because I would never admit that to him.

Meyer Timber

After 18 months with Carter Holt Harvey, I was approached to work at Meyer Timber in Melbourne, which is a timber wholesaler. I got to work beside a man named Frank Assisi and he became a mentor to me. He was absolutely instrumental in me getting into the wholesale world. And really understanding the ins and outs of a house [timber company] because when I was at Carter Holt all I

Jacinta Colley at the podium delivering her speech for Women in Hardware.



knew about was pine fascia and flooring. So he really helped me along. No question was ever too hard. He always gave me the time of day, and we are still very close to this day.

Brisbane: Carter Holt, then Simmonds

Carter Holt Harvey kept coming back to me and saying, “We want you to be a rep, we actually think you would do a pretty good job, but you have to move to Brisbane.”

I thought, why not? I don’t know anyone but I will meet people. So I did that. And if I hadn’t taken a leap of faith, I certainly wouldn’t be where I am today.

My time at Carter Holt actually turned out to be quite short. Roger Healy who was state manager for Simmonds Lumber at the time, said to me, “You need to come and work for us.”

I said, “Why would I want to do that?” And he said, “We’re fun and there is more for you to learn in the real world.” So I decided to accept that invitation, and I moved over to Simmonds.

I would moved away from a corporate world of red tape, of being told what I can sell at what price and under restrictions. That move to Simmonds would be the best decision of my life.

The first day

I will never forget the first day I started Simmonds. I walked in wearing heels, and the whole bloody place was tiled. It was absolutely hilarious. I am click-clacking along, and one of the boys said, “Are you going to be wearing those every frigging day?”

I replied straight back: “Hell yes!” And when they all laughed, I knew I would fit right in.

The speech venue at the Adelaide Conference and Convention Centre



I remember Roger taking me for a walk to the sheds and he pointed to different products. I asked him, can I sell anything in the shed? And he said, yes that is what you were employed to do.

So I asked, do I need to know the cost as well? He said, yes you have to make a margin. And I said, am I going to understand that?. He said, "Absolutely."

So these were very instrumental lessons for me.

The dumb email

Roger would also be, as it turns out, the first person I would tell that I would be taking maternity leave. He was thrilled, but my CEO at the time was not.

My then-CEO would send me an email in capital letters, in all **RED TEXT** and it said, "Jacinta, I have received your news that you are expecting. Do you know that company cars are not tp have car seats fitted to them? Do you know that this is why I was reluctant to hire a young female in sales?

He added that the next female he would hire would be over 50 years old.

I stayed at my desk for some time, and I really pondered over this email. I thought, "this could be fun!" But instead, I deleted it, and I moved on.

Now I'm sure that hasn't happened to all of you but maybe you have had similar experiences. That happened nine years ago and today I think I would be much stronger fighting back. But at the time, I didn't have the confidence that I have today. And I'm really fortunate now that where I work I have a bit more flexibility, and Simmonds are very family-supportive.

Jacinta Coley with the crew from DeMar H Hardware at the HBT National Conference 2018.



After Roger

About two and a half years ago, Roger made the decision to leave Simmonds Lumber. He had been a real advocate for me, supporting me in being a mum, and juggling work, which can be very tough. I was very pissed off at him for leaving because it was going to get harder.

But his decision to leave — and we are still very close to this day — would open the door for me to go beyond being a sales rep, and to step up and become a sales manager in Brisbane. And that meant having grown men in their 50s report to me!

After I had managed to do that, another door opened, and I was able to take the position of national account manager at Simmonds. This would be a first in Simmonds, having a female international role, reporting to the CEO. I was also the first female at Simmonds to take maternity leave. So I have experienced a lot of firsts at Simmonds Lumber!

There are some tough things that can happen in the wholesale game. There are some tough things you are confronted with in a very male dominated industry. What is quite unique about Women in Hardware is that there are a lot of you in hardware. There are not a lot of us in my part of the business [timber wholesale]. So I'm amazed at the turnout today [in Adelaide]. It is phenomenal.

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GLYN DAVIES, CEO SIMMONDS LUMBER

HNN's editor-in-chief, Betty Tanddo, caught up with the current CEO of Simmonds Lumber, to find out more about Jacinta Colley, and the workplace where she has blossomed.

Glyn Davies: Jacinta is an integral part of our organisation. She is on a steep career path with us. She's now directly reporting to the board with national duties and looking after our marketing.

The beauty about Jacinta is that she is very polished and professional. She is very level-headed. If I give her anything to do, I just know that I could forget about it. Sometimes she feels that I don't talk to her enough or she doesn't hear from me.

Betty Tanddo: That can be a good thing.

GD: It is and what she doesn't understand from a CEO's perspective is that what we're looking for are the problems, and that's where we need to spend our time and energy.

The fact that I am not ringing her up to tell her how good she is may be remiss of me in some ways. But at the end of the day, it's rare to have someone who works for me that you could just give them something to do and completely forget about it. It never crosses my mind that it won't get done.

For example, I was deleting email the other day. I keep a lot of emails but I deleted all of Jacinta's old emails because I know if I've got a problem, I can go back to her and she will have that information for me in seconds.

BT: I guess that's a huge compliment. But maybe from her perspective she may want acknowledgement sometimes.

GD: We are quite open about that, we joke about it together. She knows how I feel, I just don't say it enough! (Laughter)

And with all due respect ... she is wired like a lady! I'm in the in the timber industry, of used to dealing with men. It's way, way

Industry Awards

I have worked very hard to gain respect in the timber and hardware industry, and that is something I have been recognised for.

After a year at Simmonds, I received my first Timber & Building Materials Association (Australia) (TABMA) award in 2005.

I remember when I had been nominated and someone at the time said, "Does she really have to attend?" The day of the award was Simmonds' annual golf day. But he was told it was important that I attend. It was hot that day and I had to hire a dress because I didn't have one. I was extremely sunburnt. I remember being so nervous that I almost fell off the stairs, it was absolutely hilarious.

In my ninth year at Simmonds, I was very fortunate to win sales representative of the year again.

This slide (see picture this page) was in 2015 when I won the national representative of the year in my 10th year at Simmonds. So I am really honoured and proud people in my "game" respect me and feel confident that they can talk to me and ask questions.

I've also lucky that I have a multitude of people who I can look up to in our industry. There is Kirsten Gentle from TMA, Fiona Lucky who is based out of Brisbane, who is another



TABMA National Awards - 2015, National Sales Representative of the year

different. And I say that with the utmost respect. She's managed to do it in a male environment which I think is incredible. It's very difficult to do.

BT: What characteristics did you see in her that made you think she has real potential in the business and industry?

GD: I knew her from a young age because I knew her Dad. I've seen her go from when she was at Carter's (Carter Holt Harvey) and watched her develop. She just takes hold of everything and runs with it. That's what I like about her. She's not afraid of anything. You give her something and shall take it on.

The thing that stands out the most to me is the polish she puts on things and that additional flare. What I like about that is that it softens our business. She is able to look at things from a different perspective and puts that little bit of flourish on them that can make it more appealing.

Even when she presents an offer to a customer, there is more empathy in it. There are those little touches that make her very different.

She also thinks about everything that she does.

BT: What were the main changes that you saw in her?

GD: She was painfully shy! Always very

respectful but almost frightened in the beginning. I'm exaggerating a bit, don't write that! (Laughter)

She was really timid until she got confident. Even now, today she is strong but she doesn't want to offend people. Sometimes in meetings she won't say anything until she is 100% sure of what she wants to say. Whereas most men will blurt things out and there is no filter. She seems to be always thinking while there are people talking around her.

BT: That's a good characteristic to have.

GD: She definitely listens. You know the saying, listen twice as much as you speak? (Two ears and one mouth) She is a person who does that. It's a good quality to have.

BT: It sounds like your doing well in terms of managing a talented female executive. What advice would you give other managers who won mentoring talented women in the industry?

GD: All I can do is go back to my mistakes and say that you need to give them time. Give them more time than you would a man. Within that, you need to understand that they are subtly wired differently. And they do want to "download". Women want to talk about things. You can't be as cold as you are used to dealing with men. But that's just my opinion.

woman who has defied odds and is right up there in the industry. And Tamika Smith, who I've recently just got to know, she is founding director of TSR Property Solutions and Aspiring Young Businesswoman of the Year in 2017 from the Women in Business Awards of Australia (Gold Coast).

I am also close to a group of women who are part of this amazing industry, Women in Forest and Timber Networks (WTFN). They comprise about 5% of the workforce. It is a forum for women to meet and exchange ideas, similar to Women in Hardware, and it was formed to ensure that our voices are heard. We aim to recognise contributions, we celebrate achievements and we support each other.

Looking back

I feel very fortunate to work in such an amazing industry. I don't have a university degree. I am pretty much self-taught by learning from people in my sector and believing in myself.

I was really nervous when I put my hand up and applied for the national role. Not because I didn't think I could do it, I knew I could but because I would be the first female in Simmonds in a national role in a very male dominated business. There are 89 staff at Simmonds nationally and I'm one of 11 women. There are two women in Brisbane.

So reporting to a male CEO, and every other senior manager is male, could that be scary? No. I actually think they are more scared of me, to be honest. In fact, I have a bit of a reputation

I just understand that we are wired differently, you need to realise that it yourself, that the approach needs to be different.

Because we are so male dominated, I think we expect women to conform. We want all the women in our industry to conform. This is a blokes industry so either be like us or get out. There are no room to softies here whatever. But it's not being soft!

They want to talk, they want to know the details, they want to make sure they are doing things right, they want to polish things up. Whereas most men are going to want to knock things together, more often than not.

There are so many things in a business or an organisation that you can utilise these type of talents for.

I don't think there's anything wrong with it being different. We look at successful female CEOs for example, and we think, all women should be like that and do it the man's way. And it doesn't have to be that way at all.

At the end of the day, there are so many things that women can do far better than men, and if you can realise that, and use it, you will get far more out of that person than you will by trying to make them conform to a man's world.

This may sound sexist but it's not. It's the

exact opposite.

BT: If there were young women who wanted to take on a career path in the industry, a senior role in hardware or timber, what would they need to do?

GD: They need to make sure they are confident and trust their own thought processes. Don't try to be like everyone else around them. Trust their own instincts. It's difficult to manipulate your own personality or your own way of thinking. It's far better to embrace your strengths.

Just know yourself, back yourself, and don't capitulate. Be strong and trust the way you go about things, rather than blindly follow a direction that you may not believe in.

BT: That type of self-confidence can take time to get there but people should aim for it.

GD: People need some successes along the way, and some encouragement to get the feedback that it works. Otherwise they'll just copy what other people do. We've all got to be true to ourselves because everyone has a different style.

So it's like we said at the beginning of the conversation, giving people feedback and letting them know where they stand, and that they are appreciated...And it's a confidence thing more than anything else because you

in the office that if you want something done, then give it to Jacinta.

"Having it all"

Often people ask me how I balance it all – how do I “have it all” — wife, mum, big job, fitness etc. — how have I done it?

My reply is often “You need to know what you want and what you are willing to do for it.”

And, of course, make sure you are aware that in our game there are gender differences, because there are. Make sure you’re not talking too much – women tend to talk a lot, men less. Look for non-verbal clues, and don’t fight everything. Sometimes it is best to pick your battles.

Also, be selfless, don’t think about the next promotion or next job you are doing, think about what it is that you want to drive for the shareholder and the customer and your employee, rather than your self-interest.

I then back it up by saying — be authentic to yourself. Don’t wear a mask, it is far too exhausting. I think that is the main thing, be authentic because that is what has got me this far and I’m not going to change now!

are in a shark cage...I wish I had a few Jacintas! People like her are really hard to find.

BT: With the way you are managing things, you may attract more.

GD: I certainly hope so. You get pulled in different types of directions all the time but Jacinta knows that she can come to me at any time. There are is no closed-door or no answering the phone call or saying, what you want? She knows she can tell me anything but most often she doesn’t do that most of the time.

She keeps things to herself until it gets to a certain point.

BT: I guess that’s about having the confidence to know when to say something all or when to keep it to yourself.

GD: That’s exactly right.

“Don’t just take the easy clients”

What impressed Roger Healy the most about Jacinta Colley from the beginning is that she had a fearless attitude to most things at work.

I first met her when she was working at Carter Holt Harvey. I noticed that Jacinta was not fazed about being in a male-dominated industry. She has always been very professional. The industry doesn't attract people like Jacinta normally. It is not a shiny or glamorous industry.

She moved from working for a corporate timber producer [Carter Holt] to a family-owned timber wholesale business [Simmonds Lumber]. She went from framing to imported hard woods. The job appealed to her, and I guess she appealed to the job. She started on a smaller package at first in order to go forward.

At Simmonds, her portfolio grew and she had more selling options with nine categories and about 100 customers. At no point did this change bother her. She was the type of young person that the industry doesn't see that often.

Roger was aware that working at Simmonds after Carter Hold Harvey presented a lot of challenges for anyone. He wasn't surprised, though, when Jacinta stepped up to the task.

A lot of companies in the industry, to their detriment, expect new reps to get reach their volume targets in about three months. But it takes about 12 to 18 months to build relationships. At Carter Holt, she was selling about \$1 million worth of timber. In her first month at Simmonds, her total was about \$30,000. But she quickly doubled that rate in the next month and soon grew into that role.

She “over-serviced” her customers to the point that they didn't want to speak to anyone else. She also got products that Simmonds didn't already have. Jacinta went over and beyond for her customers. Not surprisingly, she managed to grow business on top of her current business.

That was just the start. Jacinta's next step up was to go from the selling role into a purchasing position.

She was very reliable. And she expanded from a selling role to a purchasing role. It's always a bit risky to allow salespeople to go on to a buying role because they tend to over-order. But Jacinta thrived and she bought for customers, and often. She also learnt about claims.

Selling is one thing but the sales isn't done until the cheque and claims have been cleared. So there was a lot of repeat business because she could replenish customer orders all the time.

The customers loved her even when her role changed to become sales manager.

While there is just one Jacinta Colley in the world, Roger does have some advice that would apply to most women who want to make a career in timber, or many other hardware-related industries.

You must work at the same level as the other people in the organisation. Women really do need to be prepared to take on more stuff.

Don't just take the easy clients. Talented women must put their hands up and not be afraid and take confrontational calls and remain professional.

As women, they need to know the product, pricing, company and supply.

But Roger is also aware that women cannot be expected to do well, if they don't also get offered opportunities, both in terms of jobs, but also to make the social networking connections they need as well.

Young, talented women should be encouraged and treated as an equal. When there are opportunities to socialise with clients or colleagues outside the business then it shouldn't just turn out to be something just for “the boys”. Why should it be like that? It should be an opportunity for people like Jacinta to come along as well. That's when you can get to know people outside the business.



Roger Healy was Jacinta Colley's first boss when she moved to Simmonds Lumber, where he was Queensland state manager. He was one of the first people to really understand her potential, and to support her. Today, Roger is a director at his own company, RKW Innovations in Queensland.

HBT

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KITCHENS 2018/19

Kitchens are approaching a new inflection point in their development. As HNN has remarked in the past, it's quite common for a phase when all-white kitchen styling dominate the market to be followed by a period of innovation and change.

While that relates mostly to the interior design dynamics of Australian households, kitchens are also one place where wider social changes that affect families are going to show up in terms both of style and function. Kitchens are one of the most functional rooms in a house, and as families see their needs and requirements change, they begin to seek different kinds of solutions from their kitchens as well.

With Australia moving closer to Europe in terms of kitchen needs and styles, IKEA kitchens (part of the 2018 range pictured above) could be set to see an increase in sales.

Future trends

Two of those social changes are the increase in workforce participation by women, and an increase in takeaway food consumption over the past five years -- though the latter varies widely by state and territory.

Chart 1 shows the increase in workforce participation by women, which has accelerated over the past three years. Chart 2 shows the gap in participation rates between men and women (ABS statistics, trend estimates), which came in at an average of 10.5% for FY2017/18 (men 70.8%, women 60.3%), versus 19% for FY1997/98 (men 72.5%, women 53.5%).

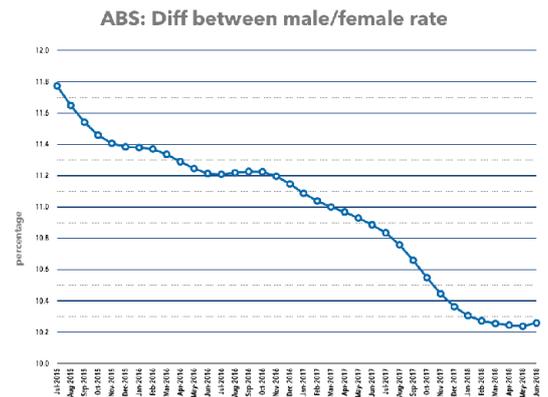
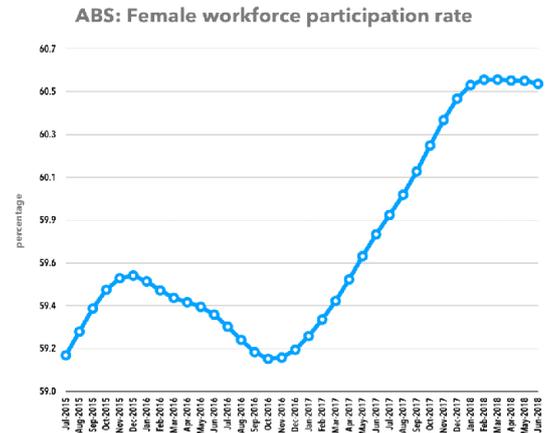
Chart 3 is an interesting chart produced by the Reserve Bank of Australia (RBA) which shows the participation rates for men and women in different age ranges. Its two surprises are the increased rate for middle-aged women, and that the participation rate for those under 25 years-old is nearly equal for men and women.

Chart 4 shows percentage change in expenditure on take-away food across Australia. Chart 5 shows the increase for New South Wales (NSW), and Chart 6 shows the increase for Victoria (VIC). Table 1 shows the rankings for per capita expenditure on take-away food for all states and territories. It's no surprise that NSW tops that table, but it is somewhat surprising that VIC is at the bottom.

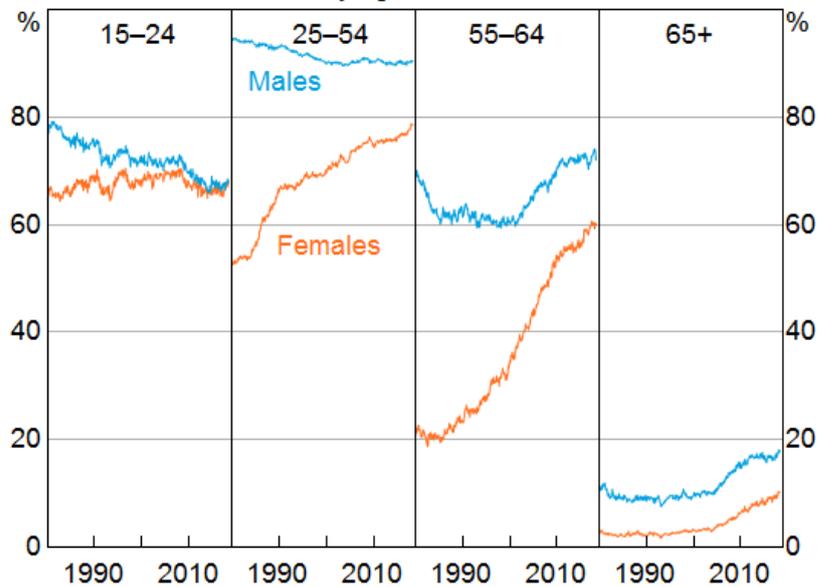
It's worth noting that according to the 2016 Australian Census, the average Australian woman spends between five and 14 hours a week doing unpaid domestic housework, while men typically do less than five hours a week. Studies indicate that when married, time spent on housework by men declines, while that of women increases. This trend accelerates (on average) after children are added to a family.

This is particularly important as regards kitchens, as women continue to be viewed as "responsible" for the majority of food related tasks, including planning, shopping, preparation, cooking, serving and cleaning up. Families typically have 16 shared meals (a number which excludes weekday lunches). Of those 16, however, the five weekday evening meals carry a larger burden of importance, lack of

Top, Chart 1 shows the increase in the participation rate for women. Middle, Chart 2 shows the shrinking gap between male and female participation rates. Bottom, Chart 3 is from the RBA and shows participation rates between and male and female job seekers in certain age ranges.



Participation Rate By age and sex



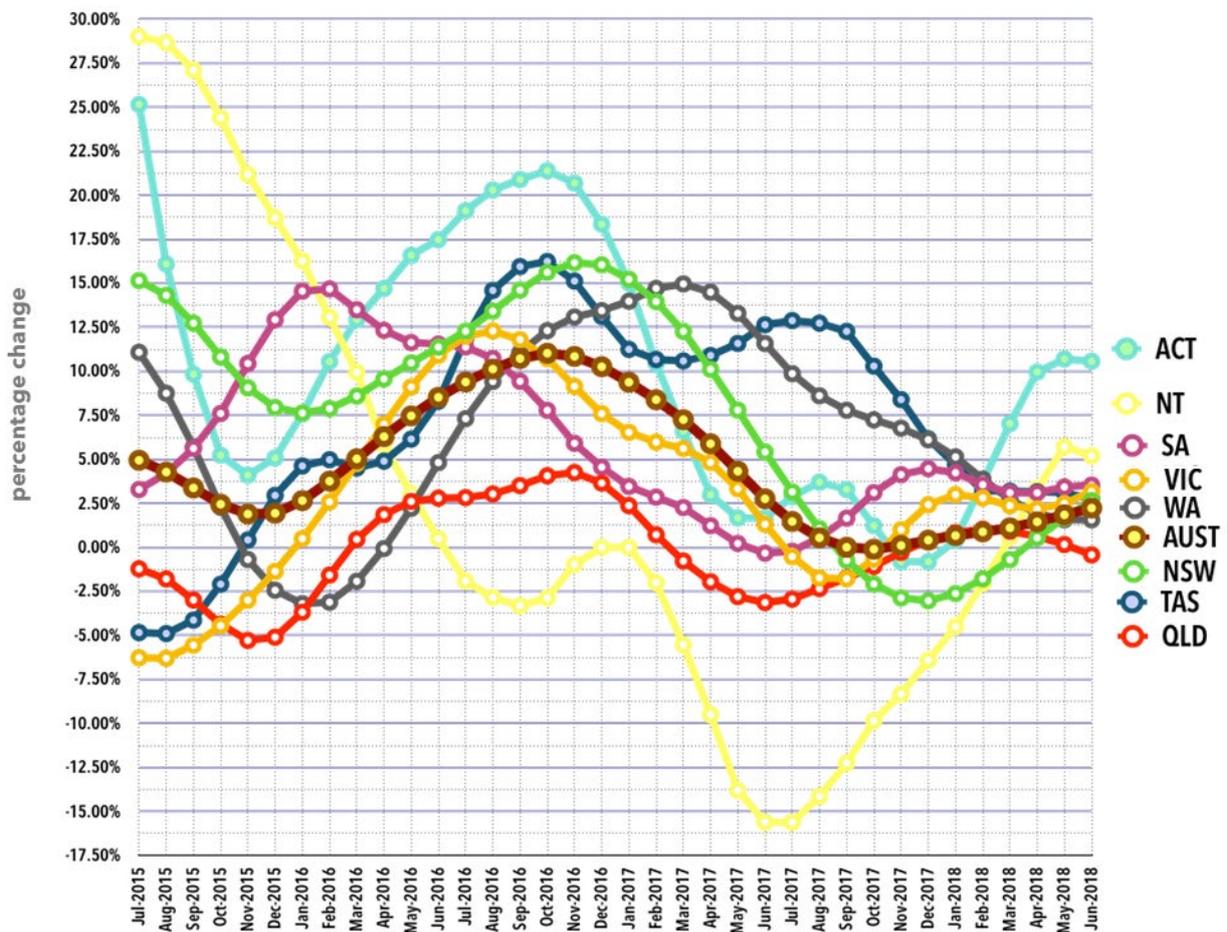
Source: ABS

time for preparation, and a higher stress level. Many families would agree that out of the 100% total effort for food during the week, each of those evening meals account for about 10%. Given this, having take-away food for family dinners six or seven times a month makes a lot of sense.

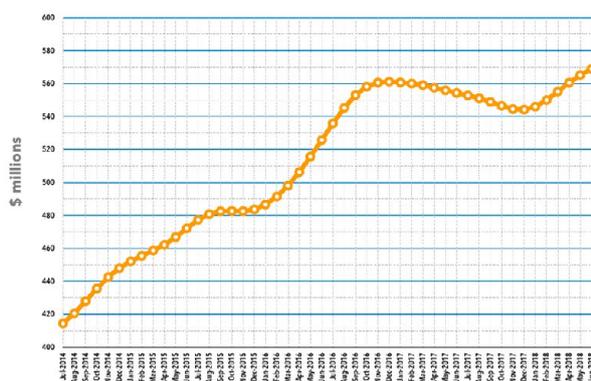
Just as important is that, globally, the kitchen (and dining-room) is ceasing to be the place where people regularly eat their meals. In a survey conducted by IKEA in 2017, it found that 54% of Berliners and 47% of Londoners do not eat in the kitchen or dining room during weekdays, with a global average of 36% — a trend that is growing in Australia as well.

Top, Chart 4 shows the percent change to takeaway sales for every state and territory, as well as Australia overall. Bottom left, Chart 5, the actual amount spent on takeaway food in New South Wales. Bottom right, Chart 6, the actual amount spent on takeaway food in Victoria.

ABS: Retail sales takeaway percentage change



ABS: Retail sales takeaway NSW



ABS: Retail sales takeaway VIC



This range of changes — more women working, more stress related to families getting household tasks done, reliance on outside services (such as take-away food) to solve that stress, and a de-emphasis on the kitchen as a place to eat — will have an impact on kitchens, in particular when it comes to renovation.

One of the first effects is likely to be a slowing down in terms of when kitchen renovations get done. The number of kitchens that are renovated in the range of 16 to 20 years of age will likely increase, while those renovated in the range of 11 to 15 years of age will decline. Figures from the Housing Industry Association (HIA) in Australia broadly support this shift.

In terms of the renovations that do take place, we're likely to see a series of slightly conflicting changes. Kitchens could grow smaller and more compact, consuming less of the overall space of the house. (This will be boosted by the ongoing reduction in overall dwelling size, with even multi-dwelling living spaces growing smaller, as well as the majority of detached housing.)

With changing household interactions, rather than the “kitchen as living-room” we will see the kitchen continue to move towards becoming part of the living area. This means kitchens which provide easy access to the refrigerator and coffee/tea making facilities, but less workspace. There will likely be a move towards smaller in-kitchen eating surfaces, along with the provision of larger eating surfaces (counters and tables) nearby, that can be re-tasked for other household purposes.

While those changes indicate less expensive kitchen renovations and a diminished market, the other big change is going in the other direction. That is the move towards more “technical” kitchens. These are kitchens that will make use of more advanced cooking technologies. For example, the top range oven models released by Miele in August 2017 use a range of combined cooking technologies: electromagnetic waves, radiant heat from the top and bottom of the oven, and a convection fan, to produce better results than conventional-only ovens in a fraction of the time.

One part of that trend will be the “smart-kitchen”. In brief, kitchen appliance manufacturers are conflicted about whether they need to fit into the home intelligence systems offered by Google, Amazon and Apple, or if they should develop their own. Developing their own would enable them to promote network lock-in, where you want to buy a Samsung oven to go with your Samsung refrigerator, for example. However, this would preclude other forms of interconnection.

Table 1

Region	Avg spend p/p
NT	\$73.77
NSW	\$71.89
WA	\$67.78
ACT	\$65.40
AUST	\$62.70
QLD	\$61.41
TAS	\$57.56
SA	\$54.22
VIC	\$52.41

Immediate trends

White to black

White is still dominating kitchen renovations in Australia at the moment, but the good news is that it will very likely change as we move into calendar 2019. Partly as a reaction to white (perhaps), and as a means of better blending kitchens into all the living space, there is a stronger trend towards black kitchens emerging in Australia.

New surface technologies that make matte and textured finishes (in wood and other materials) more durable and easier to maintain are also helping to boost the popularity of black. While black will never be an easy colour to keep looking good, matte finishes do ease the task, as at least every individual fingerprint will not be highlighted against a gleaming reflective surface.

Texture

These new technologies are also seeing an increase in the use of darker and more textured woods used as panelling on basic black kitchens. This is a move away from the somewhat nordic kitchen lines of recent years, and a definite shift in how kitchens can relate to the rest of a house.

Conceal/reveal

One area that remains conflicted is how to present storage space. Along with the shift to black has come designs that hide and conceal the functional parts of the kitchen, such as refrigerators and even cooking surfaces. This has extended to the storage of implements such as pot and pans, as well as pantry supplies.

At the same time, however, many kitchens are innovating with forms of open shelf storage, including suspended open shelves over the work areas.

Birth of the blue

If there is one colour that is coming through the shades of white to influence the design of many kitchens, its is blue. Not a pastel blue, or a blue/grey either, but a deep rich blue. Associated with the blue style, is the use of many different shades of blue, so that, for instance, a rank of cabinet doors will go from dark blue to a lighter blue, and then back again.

Reform advances IKEA kitchens with altered designs such as the Grid shown below. These often reveal that the design of non-custom kitchens could be pushed further than they typically are.



The steel

The final trend that is of great interest is a move to make greater use of stainless steel surfaces in kitchens. This is the surface most often used in commercial kitchens, as it is easy to keep clean and sanitary, is highly durable, resists very high temperatures and is relatively difficult to mark. (It does wear over time, but many regard this as a positive attribute.)

If HNN's predictions are correct, and kitchens do evolve to smaller, alcove-like units, open to the home, with a focus on cooking technology that makes life easier, it's easy to see that stainless steel might become more popular.

The kitchen market

Changes from 2017 to 2018

The kitchen trends study from online home ideas website Houzz indicates kitchens for 2018 are not all that different from kitchens for 2017 — with a few important exceptions. The one that stands out the most is that the demand for kitchens priced at over \$40,000 has declined, while the mid-range of kitchens, between \$10,000 and \$35,000, has grown, with an average spend in 2018 of between \$15,000 and \$20,000.

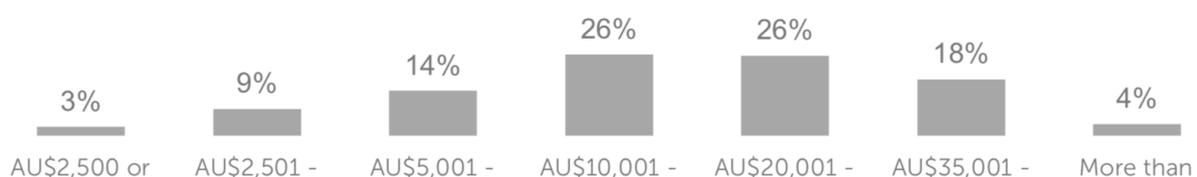
The other change relates to technology, with fully 12% of renovators adding colour touchscreen displays to their kitchens (with this trending higher, surprisingly, with older renovators). Built-in apps in appliances are used in 8% of kitchens, and wireless controls by 6%.

The areas that have changed only slightly include:

- most people renovate their kitchens because they really want to change what they have, or because they now have the finance to make changes they have long considered
- 60% plan to expand the area of the kitchen
- more than half plan to open their kitchens to the rest of the house, and over a third plan to open the new kitchen to the outdoors
- contemporary and modern kitchen styles dominate designs, with 82% opting to make some change to the existing kitchen style
- benchtops remain the most popular item to change, with engineered stone gaining a dominant position in this market, with over a third of the market
- in appliances, stainless steel is very much the preferred colour option at 61%, followed by black at 15% and white at just 9%

From the Houzz Kitchen Trends Study – Australia 2018, the distribution of costs for kitchens. Overall, the average spend has shifted downwards from 2017.

Budget For Current/Planned Renovations



hnn.bz

- white benchtops still dominate at 32%, followed by grey at 22% and black at 10%

Top to bottom, Charts 7 through 10, showing in the foreground the percentage change and in the background the actual numbers for alterations and additions.

Market size

One pressing question to answer is how the kitchen market will develop in terms of size over the next two years. Tracking this down in terms of statistics has always been a little difficult. One good indicator to begin with are the figures the ABS uses to help calculate the national accounts (from which gross domestic product is derived), the catalogue series 5216.0. These include numbers for alterations and additions, which is the label given to renovations by the ABS.

There seems to be something of a misunderstanding among economists and statisticians who report on these matters as to how these numbers are derived. To quote directly from the ABS guidebook, "Australian System of National Accounts: Concepts, Sources and Methods" published in 2000:

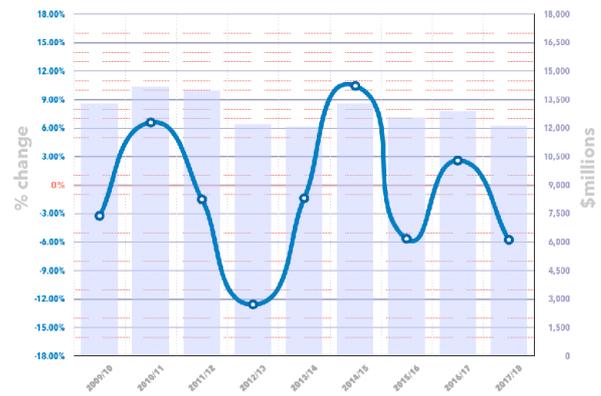
15.22 The value of alterations and additions to existing dwellings is estimated using data from regular surveys of building activity, and from the periodic Household Expenditure Survey. The Building Activity Survey provides estimates of the value of work done on alterations and additions with an approval value of \$10,000 or more. As a significant part of alterations and additions activity is not covered in the Building Activity Survey, estimates from the survey are used only as an indicator to move forward benchmark estimates of expenditure on alterations and additions obtained from the Household Expenditure Survey.

Hopefully this will clarify that these ABS numbers do include renovations which cost less than \$10,000, as well as those that do not require building permits.

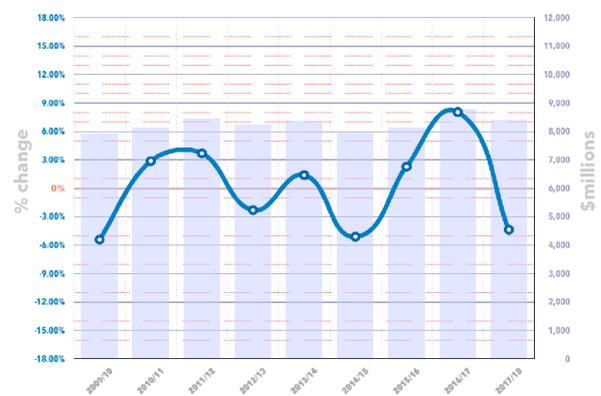
Charts 7 through 15 show the percentage change between the trailing 12 months to March from 2009 to 2018 for each state and territory, as well as the total expenditures. Chart 15 shows the same statistics for Australia as a whole.

One element this last chart shows is a high degree of concentration in terms of outcome for five of the eight states, all indicating a downwards trend in expenditure. The last time there was a similar grouping was in the 2011/12 year, which was followed by a steep drop in expenditure for 2012/13.

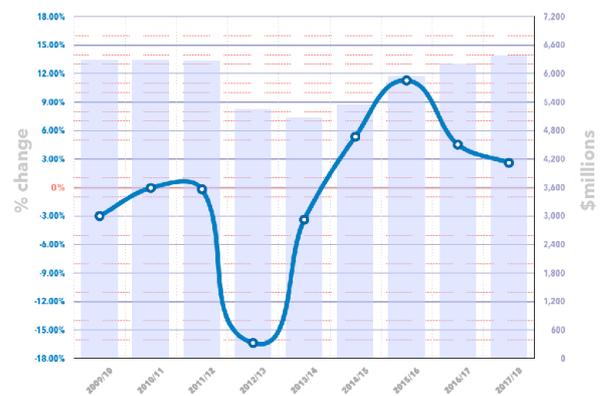
ABS: 5206.0 Australian National Accounts
NSW: Alterations & Additions



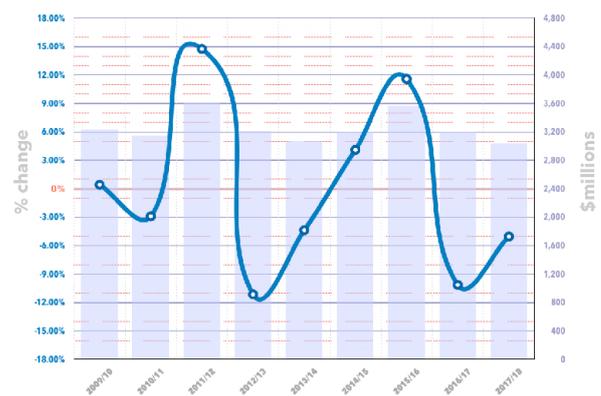
ABS: 5206.0 Australian National Accounts
VIC: Alterations & Additions



ABS: 5206.0 Australian National Accounts
QLD: Alterations & Additions



ABS: 5206.0 Australian National Accounts
WA: Alterations & Additions



These groupings would indicate that there are nationwide forces at work which are independent of the conditions in each state and territory. At the present moment, the most obvious candidate for this is the continuing slow fall in house prices and clearance rates at auctions. These in turn have been caused by two factors. One is increasingly tight credit, as banks move to reduce the number of interest-only loans — though, as the Reserve Bank of Australia (RBA) has noted, the average mortgage rate in August 2018 is lower than that in August 2017. The other factor is the expectation that the RBA is likely to lift interest rates in the first calendar quarter of 2019.

If we were looking for some kind of predictive statistic for kitchens, one that could give some indication, would be the ABS statistic for the number of purchases of owner-occupied established homes for which finance has been provided. This statistic would be linked to both home-owners prepping a house for sale with a kitchen refresh, and purchasers redoing kitchens to suit their own needs.

The Australia-wide changes in those numbers are shown in Chart 14. If these numbers have something of a lag effect, this would indicate that spending on renovations, including kitchens for the remainder of 2018 and the first three quarters of 2019 is likely to be subdued, in a range somewhere between a 0.5% decline and a 1.0% increase.

Kaboodle

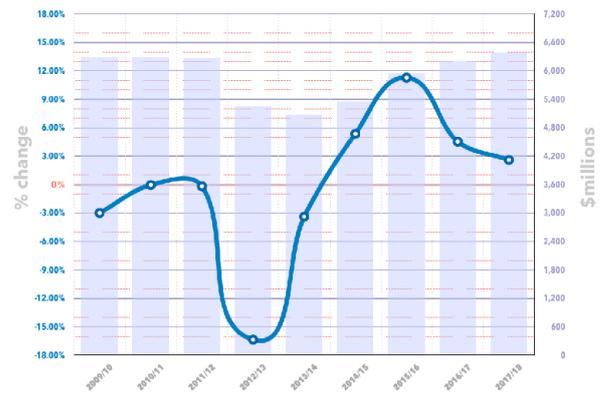
Kaboodle has made two strategic changes in association with Bunnings. The first has been the introduction and ongoing success of its kitchen consultancy. This echoes the service long provided by IKEA, and helps to walk customers through the process of designing their kitchens. The second change to service, which is the inclusion of custom-cut cabinetry. The two fit together nicely.

In terms of its marketing, Kaboodle has made some decent TV advertising, and is running this at a higher rotation than its past ads. This campaign seems to be part of a positioning push to make Kaboodle a mainstream choice for kitchens, rather than the kitchen you choose as a compromise.

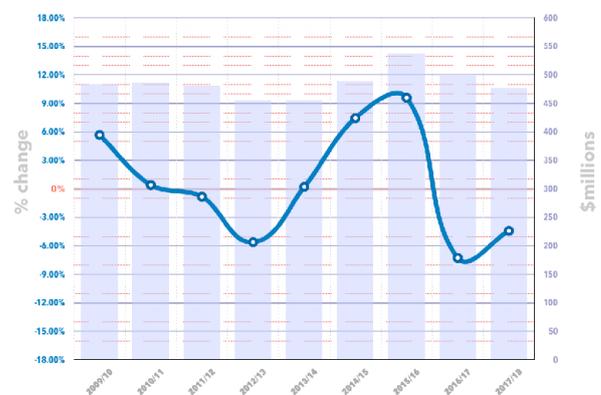
As far as we can tell, there has been less advertising in magazines during the year, and what HNN has seen so far has been very much along the lines of the kitchen maker's past advertising. The company's major push has been in the

Top to bottom, Charts 11 through 13, showing in the foreground the percent change and in the background the actual numbers for alterations and additions.

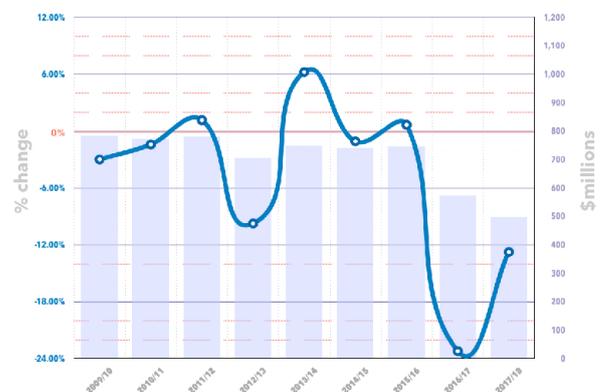
ABS: 5206.0 Australian National Accounts
SA: Alterations & Additions



ABS: 5206.0 Australian National Accounts
ACT: Alterations & Additions



ABS: 5206.0 Australian National Accounts
TAS: Alterations & Additions



September issue of Australian Home Beautiful, with four full-page ads, backed up by two pages of editorial mentions.

In many ways, this is an interesting time for Kaboodle. While the company has had some good success with a “narrative” approach to kitchens — evoking “Scandi” style, industrial chic, kitchen as cafe, etc. — the current trends tend to go against that. Very modern designs such as the all-black kitchen, for example, are not something the company seems keen to promote.

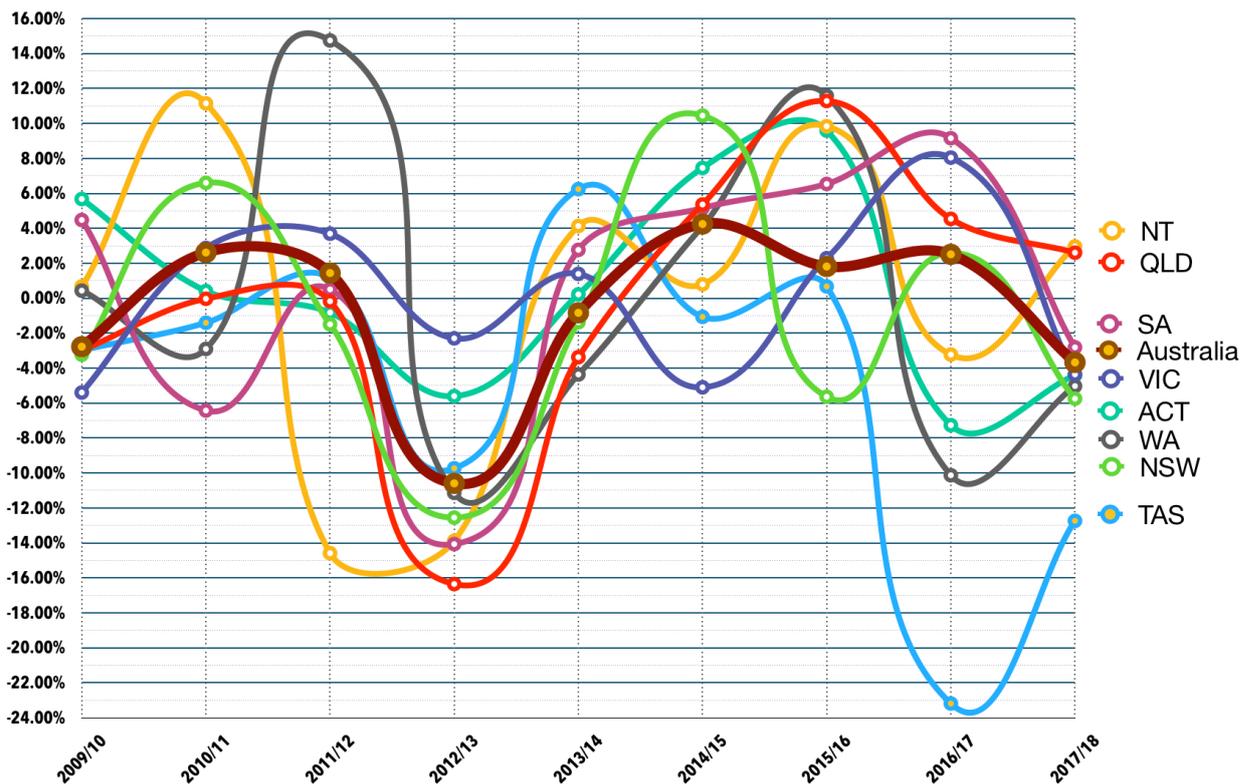
Yet if HNN’s predictions are correct, and kitchens may, for many families, become increasing something smaller, while remaining stylish and utilitarian, this could be an ideal opportunity. It’s a good market opportunity, but the question is whether either the existing Kaboodle system could be adapted to these circumstances, or if it is possible to extensively modify current product lines to better suit this type of use.

IKEA

The shift out of white and into a wider range of kitchen designs will be good for Kaboodle, but it is set to be great for IKEA. Where Kaboodle has struggled to make the all-black kitchen a reality with its existing products, this kind of sophisticated approach is something IKEA does very well. Equally, with its European background, IKEA is also very adept at making smaller kitchens work.

Chart 14, percentage change on trailing 12-month to March quarter for alterations and additions.

ABS 5206.0 Australian National Accounts Additions & Alterations Trailing 12-months to March quarter



As good as its approach to kitchens is, much of the real boost to IKEA in general is set to come from its new strategy in Australia. Long-serving Australian manager David Hood was replaced in July 2017 by a 38-year IKEA veteran, Jan Gardberg. Mr Gardberg has set about moving the Swedish retailer's strategy from very large, destination stores, to a network of smaller (12,000 square metre) stores to be located in suburban shopping centres, smaller "pop-up" stores that will operate in key locations for six to nine months, and branded pick-up points, where customers can retrieve items ordered at the smaller stores and/or online.

Mr Gardberg's goal is to first catch up with key market competitors Steinhoff (which owns both the Freedom and Fantastic brands) and Harvey Norman, then to go past them. This would further boost IKEA Australia's sales growth. In the previous year, these rose by 20 per cent to \$1.15 billion for the 12 months up to August 2017.

There is little doubt that this will increase pressure on Kaboodle, especially as it will be allied with a stronger advertising presence, and better overall customer engagement. Mr Gardberg has stated he intends to increase the kinds of services IKEA offers. There have already been signs of an upgrade in the company's kitchen advice offering, and it is likely this will extend in 2019 from in-store advice to on-site advice. Along with this will likely be an extension of services that offer assembly.

Other kitchen companies

Outside of Kaboodle and IKEA, there are really no particularly strong competitors. Freedom has made a move into the kit kitchen business, but this appears to be a very slowly evolving brand that has a fairly minor presence at most of the company's space-constrained stores. After several years of sponsoring TV Show "The Block", The Good Guys have retreated from that in recent years, with Freedom kitchens taking up that role.

Metcash's Independent Hardware Group (IHG) offers the brand previously carried by the Home Timber & Hardware Group, Principal. Whatever the winning characteristics of Principal itself may be, there is no doubt that this part of the business is quite underrepresented in most IHG stores — though there are notable exceptions, such as Hume & Iser in Bendigo, and Fagg's Mitre 10 in Geelong.

Kaboodle has concentrated on Australian Home Beautiful for its advertising. It has kept roughly the same formula for the past year, plus some call-backs to its advertising from three years ago.

before & after

new dream kitchens

With their four boys all grown-up and starting to move out, **Willard** and **Liz** decided that it was time to give their family space a much-needed makeover. The kitchen was the first on the list, with the aim of creating a central meeting place in their home out with a modern twist.

plan **select** **create** **enjoy**

"I usually have a family of six, so the kitchen is important to us because it's where everyone spends their time."

"I started with the floor, then the walls, and then the cabinets. I wanted a modern look, but I also wanted to keep some of the old features. I love the look of the new kitchen, and I love how it fits in with the rest of the house."

"The cabinets were easy to assemble. I was able to make the benches and splashback. The whole kitchen was up in a few days of hard work."

"Our new kitchen is what we needed. It's functional, it's modern and it looks fantastic. We're so glad we decided to do this."

get the look

add top **blackberry** **evolve your space** **evolve your space**

to visit more about the kitchen and other home inspiration visit **kaboodle.com.au**



With both IKEA and Kaboodle continuing to ramp up their presence in the market, about the only move really left for IHG would be to develop a much narrower focus on the market by developing one very specific style of kitchen, which it could then offer at an attractive price/quality point. This seems unlikely to happen, so HNN expects the IHG kitchen business to continue to drift, garnering some sales, but not playing a significant role in the retailer's development.

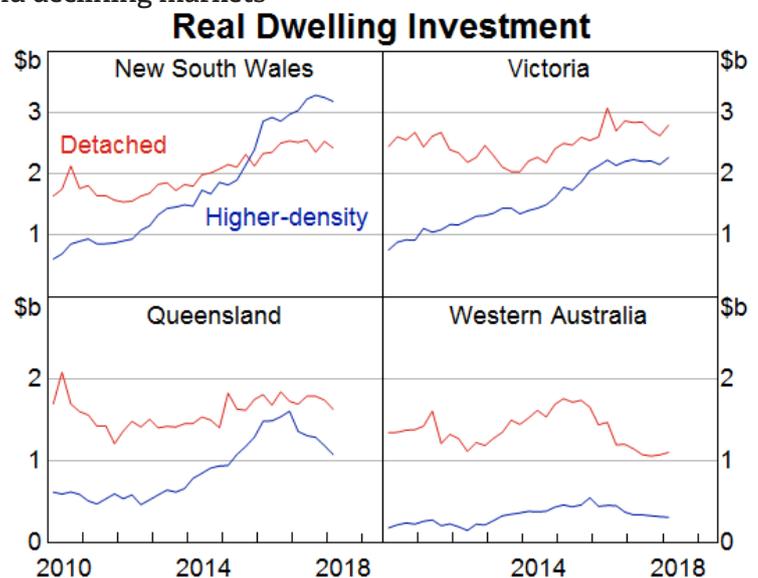
Analysis

There remains, in HNN's opinion, a good deal of confusion surrounding the forces at work in Australia's economy. The RBA reduced the cash rate between May 2012 and August 2016 by 2.75%, down from 4.25% to 1.50%. Its goal, we believe, was to deliberately help boost the value of real estate and provide incentives for expansion in the construction industry while Australia got through the economic dip after the boom caused by the construction of mining infrastructure. These measures were aimed at preventing a downward spiral, helping to stabilise employment, and provide families with a financial cushion as the value of the family home increased, making further credit available.

Australia is now, clearly, on the other side of that dip. Yet the country is responding somewhat sluggishly to the new opportunities that are arising, in large part because so much of its economy is locked-in to legacy industries and legacy ways of doing business. Those businesses have a very limited future, but there is a principle at work where businesses and markets that have reached the end stages of decline are able to optimise what they do and continue to produce viable profits.

That's due to three factors: accounting for future growth is expensive operationally, and once decline is established this ceases to be a factor; most of these businesses use well-established and familiar processes, which means they can be optimised in terms of cost of production; and declining markets have little, if any, active competition, so market shares will be mostly stable, which reduces expenses for marketing, and aids accuracy in forecasts.

These businesses are managed largely on a cost-reduction strategy, which aims to provide very limited capital investment, limited employment, constrained wages, and virtually no spending on research and development. The current dominance of these industries in Australia has strongly contributed to its current contradictory economic condition,



where business confidence is average, constraints are affecting profitability, and wage growth is highly contained.

For much of the next two years, 2019 and 2020, Australia will be navigating its way through the final collapse of these legacy businesses, and the creation of new, growth-focused businesses. This will occur against the background of mild deflation in the property sector, as the RBA increases the cash rate, likely to a target rate of between 1.7% and 1.9%.

The question for the kitchen industry (and other renovation-related industries) is how to best serve these uncertain markets for the next two years, while also focusing on what comes after. It's unlikely that we will see any large changes. Services that make kitchen renovations easier will continue to grow, and there could be more attention paid to smaller kitchens. The market will likely experience little growth, but will, at worst, decline by only a percentage point or two.



Probably one of the best new kitchen products in IKEA's latest catalogue, the VADHOLMA kitchen island with rack. The rack is optional and detachable. One side offers under-counter storage, and the other side provides space for seating. The basic island retails for \$599 in Australia, and the rack is \$100 more.



Laminex has extended its Essastone range. Pictured here is Essastone Marmo Bianco. Essastone is European-made engineered. Its latest collection features subdued accents and bold design statements. This includes subtle marble veining, sleek granite styling, innovative industrial concrete and terrazzo motifs.

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 ✓

Home Depot adds lockers, reports Q2

in this update:

- Toxic chemicals banned at home improvement companies
- Aussie-owned plumbing supplier enters Las Vegas market
- Virtual reality utilised at Lowe's
- Software for managing hourly staff at Ace Hardware
- Lowe's CEO divests stores and restructures senior executives
- Lockers are being installed at a number of Home Depot stores

Big box retailer, Home Depot is installing lockers in many of its locations to support its in-store pick-up service. The move enables the home improvement retailer to get items to online customers right away instead of waiting for their purchases to be delivered to their home.

Those who order merchandise online are directed to the rows of orange boxes, where they unlock the designated one and then leave without having to seek assistance from an employee. Spokeswoman Lana Johnston has said:

...customers' expectations with shopping are changing, and they want as many options as you can possibly give them.

As a result, Home Depot hopes to have lockers in all its brick-and-mortar stores within three years. With 46% of its online orders picked up at stores, "the lockers allow us to simplify that process by providing customers with the convenience of self-service and time savings," Ms Johnston said.

Lockers at Home



Home Depot is introducing lockers so that customers can pick up their online orders

Depot were first tested in early 2016 and were rolled out more widely late last year. They offer three compartment sizes that can hold more than 60% of items available through the retailer's "Buy Online, Pickup In Store" program. Items that don't fit can be picked up at the customer service desk.

Lockers are a way that chains such as Home Depot are trying to leverage their network of stores – one is situated within 10 miles (16kms) of 90% of the US population – to provide customers with their merchandise soon after it is ordered.

Given the massive size of its stores and

myriad items that it makes available online but are not sold in stores, the lockers seem to make sense. Rob Haslehurst, managing director and partner of L.E.K. Consulting, believes the lockers help reduce lines at the stores' customer service desks, which had become a "pinch point." And "many consumers don't like interacting with people, and the locker gives that segment a way to get their product in an all-digital experience."

The pick up locker option also meets the consumer desire to avoid shipping charges on their online orders, according to research from Astound Com-

merce, which found that 57% of shoppers (in the US) hunt for free shipping offers, making "low shipping rates" too expensive for most.

Q2 performance

The big box retailer also beat expectations during the second quarter as it boosted its full-year profit and revenue forecasts. Its second-quarter profit reached USD3.51 billion, or USD3.05 per share. That a much bigger per-share profit than the USD2.84 that Wall Street was looking for, according to analysts surveyed by Zacks Investment

continues next page

New Lowe's CEO hits the ground running

In less than two months, Lowe's chief executive officer Marvin Ellison has decided to shut down a division of smaller stores and eliminate USD500 million in capital projects that will be returned to shareholders.

Lowe's said it would close 99 stores of its hardware and garden chain Orchard Supply by the end of the fiscal year. It also said it would seek to cut back on inventory of slow-selling product lines and reinvest in faster-moving goods.

The acquisition of Orchard Supply, with stores based mainly on the west coast of America, accelerated the company's expansion into key markets like California. But it came at a price as the chain, which Lowe's purchased out of bankruptcy for about USD205 million, was often a drag on results.

For the shutdown of the unit, Lowe's took a USD230 million charge last quarter, and it expects additional costs of as much as USD475 million in the second

half of the year.

Mr Ellison said the exiting of Orchard Supply was part of a larger strategic review of the company that will include looking at its real estate holdings and assets that don't involve its retail business. Cost

cutting will also be a major focus. He said:

The company has unfortunately become distracted over the past few years. We must create a true expense reduction culture here.

Lowe's same-store sales growth has usually lagged Home Depot's because it focuses more on DIY customers compared to its rival's focus on professional contractors (tradies) with their larger purchases.

The home improvement retailer's same-store sales increased 5.2% during the period that ended August

3, capitalising on the delayed demand for spring season goods but missed expectation of a 5.34% increase.

However net sales rose 7% to USD20.89 billion, beating expectations. Excluding one-time items, the company earned USD2.07 per share, topping estimates of USD2.02.

Restructure

Under Mr Ellison, who took charge in July, the company has also eliminated four senior positions including chief operating

officer, chief customer officer, corporate administration executive, and chief development officer, while creating two new senior roles for stores and supply chain.

To keep Lowe's from slipping further behind Home Depot, Mr Ellison said a shake-up was necessary. In a statement, he said:

We have taken a fresh look at our organisational structure and are realigning our leadership team to improve our focus, better leverage Lowe's omni-channel capabilities and deliver

increased value for our customers, associates and shareholders.

The overall purpose of the changes is to "drive operational excellence," according to the company.

<https://goo.gl/g6Kxpi>

<https://goo.gl/h53ifJ>



Home Depot lockers (cont.)

Research.

Revenue rose to USD30.46 billion, from USD28.11 billion, also topping projections of USD29.98 billion on Wall Street.

Sales at stores open

at least a year, or same-store sales, increased 8%, and 8.1% in the US.

Home Depot said that big ticket sales — now being defined as transactions over USD1,000 — represent about

20% of the chain's US sales. It had previously defined big ticket sales as transactions over USD900.

In the second quarter, transactions over USD1,000 were up

10.6% compared to the second quarter of fiscal 2017. Big ticket purchases that contributed to growth during the period included vinyl plank flooring appliances. Its Pro

customers also helped drive growth.

<https://goo.gl/46h6oK>

<https://goo.gl/UUa7rm>

<https://goo.gl/RE2Ajf>

Reece-owned MORSCO enters new market

US-based distributor of plumbing, water-works and HVAC products, MORSCO announced it has entered into an agreement to purchase the assets of Desert Pipe & Supply's Las Vegas location.

Desert Pipe & Supply is a plumbing wholesaler located in Palm Desert, California and Las Vegas. The company has serviced residential and commercial plumbing and mechanical contractors for more than 30 years.

As a part of the agreement, five associates and one Desert Pipe & Supply location in Las Vegas will become a part of

MORSCO, operating under the Farnsworth Wholesale brand, following a transition period. Desert Pipe & Supply's Palm Desert outpost will continue to be owned and operated by the existing Desert Pipe & Supply ownership. MORSCO CEO, Chip Hornsby, said:

MORSCO is very enthusiastic to be a part of the booming Las Vegas market. This is certainly an area of the country we've had on our radar for some time and this opportunity with Desert Pipe & Supply fits well into our overall strategic growth initiatives for 2018. As the Las Vegas



economy continues to recover from the financial crisis in the late 2000s, MORSCO sees plenty of opportunity here...

Australian plumbing group, Reece recently

completed its acquisition of MORSCO. First announced in May 2018, this acquisition marks Reece Group's entry into the US plumbing market through MORSCO's

170+ branches within 16 states throughout the Sun Belt region of the US.

<https://goo.gl/4Z5viY>

111

Home improvement firms ban toxic chemicals



Home Depot announced it will stop selling paint stripping products containing purportedly toxic substances responsible for consumer deaths. The big box retailer will phase out the use of

the chemicals – methylene chloride and N-methylpyrrolidone – in paint removal products by the end of this year.

Banning the two chemicals is a way “to build upon our

strategy to maintain continual improvement in health and environmental safety for products,” it said in a statement.

The announcement came after aggressive lobbying by a group known as Safer Chemicals, Healthy Families, which includes more than 450 US-based organisations and businesses. At least 60 deaths are blamed on

the chemicals commercial use, the group said.

Rival home improvement retailer, Lowe's was the first US retailer to agree to ban those chemicals, according to Mike Schade, a representative of Safer Chemicals.

Paint and coating giant, Sherwin-Williams also recently said it would stop using the chemicals.

The chemicals have been found to pose unacceptable health risks to the public, including cancer, harm to the nervous system and to childhood devel-

opment, and death. In 2017, the US Environmental Protection Agency proposed a ban on the paint removers that contain the chemicals.

However, the agency has taken no action since Scott Pruitt became EPA administrator.

<https://goo.gl/mcD-CqZ>

Lowe's attracting DIYers with reality tech

Augmented reality and virtual reality tools are being used by Lowe's to help customers visualise and "feel" a large home improvement product in the context of the customer's living space.

Josh Shabtai, director of lab productions at Lowe's Innovation Labs, said:

We look at age-old customer problems. These are problems that keep resurfacing that folks haven't solved yet. Our hypothesis is that as we move people closer to realising their visions, they'll feel more confident.

Lowe's Innovation Labs were established four years ago to delve deeper into these questions, said Mr Shabtai. Often working with startups, the company has since rolled out several pilot projects to test customers' comfort with virtual and augmented reality, including Holoroom How-To, which immerses a customer in a DIY project – such as tiling a shower – and gives them step-by-step instruction to complete the task; employee training programs that involve virtual reality; Holoroom Test Drive, a feature that uses VR to offer customers a chance to sense the feeling they are actually holding and using



Holoroom Test Drive uses VR that offers Lowe's customers a chance to sense the feeling they are using a power tool

a power tool; and View in Your Space, a mobile app feature which lets customers visualise how a piece of furniture may fit within the physical dimensions of their own living spaces.

Of these pilots, two currently are still in market: Holoroom Test and the AR feature which went live for Android users in March.

While quick turn-around trials may suggest there are challenges getting customers to comfortably use the technology on a regular basis, Mr Shabtai said the timing is part of Lowe's approach to test new use cases, study the outcomes, and apply the lessons to future releases. He said:

We're trying to refine the experience and

move on to an application that will be better and ready to scale.

Mr Shabtai said early results are showing that VR-and AR-enabled tools offer two key use cases: helping customers better navigate how they'll use tools or whether products are physically compatible with their homes; and helping employees learn more quickly to offer more personalised expertise. This will add more value to the in-store experience.

When [customers] come into a Lowe's store, they want to talk to an employee who is a real expert in the space.

According to company proprietary data, employees who are trained on machinery using VR are 76% more likely to try out a piece

of machinery compared to those who were trained using conventional methods; and customers have 42% greater recall with VR tools compared to YouTube how-to videos.

He conceded that the biggest challenge standing in the way of more mainstream adoption is cost, while AR can be more quickly deployed given the ubiquity of smartphones.

Lowe's advantage is to tie the customer closer to the brand through these types of immersive efforts. Tactile experiences through virtual and augmented reality are ways legacy retailers can keep customers loyal, especially with competition from Amazon. Jim Cusson, president of retail

marketing agency Theory House, said:

Amazon wins on convenience and selection, so how can retailers combat that? A lot of this has to do with the experience and brand engagement [derived from immersive tools like VR and AR].

Morningstar analyst Jaime Katz also wrote in a recent report that Lowe's business model is built off of customer service, knowledge, and innovation. Using VR and AR could help augment its reach.

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

Ace Hardware uses software for hourly staff

Several Ace Hardware locations have turned to workforce management software company Deputy to help manage an hourly workforce across a number of stores.

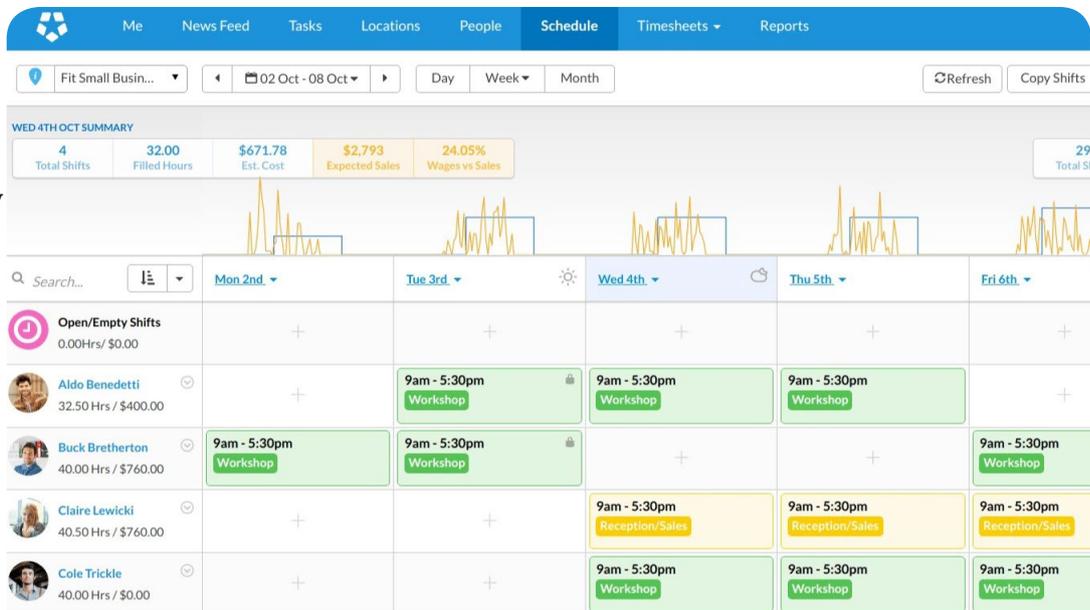
The software supports mobile clocking in and out capabilities, scheduling, meal and break compliance, task-tracking and performance management. This should free up managers and floor staff to spend time serving customers.

Darrell Moseley, owner of a Washington-based Ace Hardware store, said:

I used to spend up to eight hours a week creating my staff's schedules. With Deputy's integrated timesheet and scheduling feature, this previously laborious task only takes a couple hours, leaving my time open to pay attention to other critical matters – bettering our store's performance.

Deputy is an Australian-based company that aims to make managing employees easier. Ashik Ahmed, Deputy's CEO and founder, tells UK-based Techworld.com that Deputy is designed to reduce the stress of mundane tasks and automate team schedule management. He said:

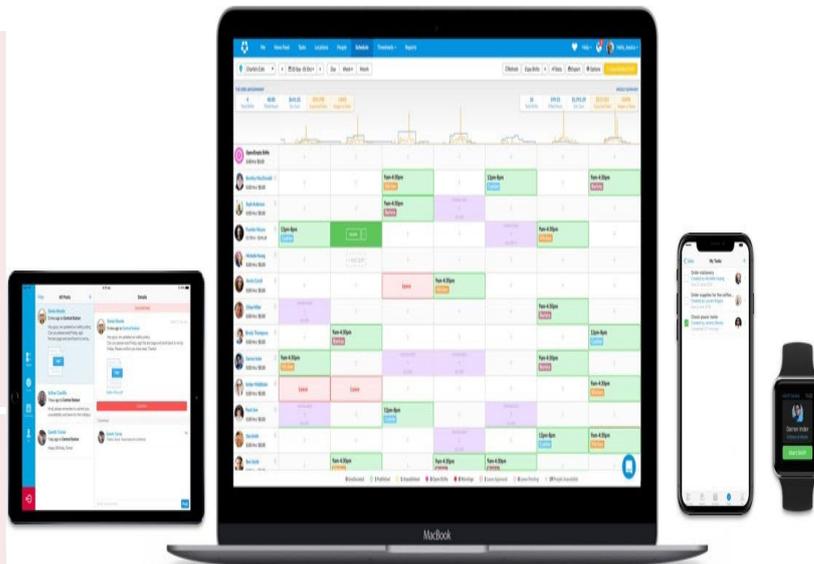
Deputy as a product,



what we do is scheduling, time and attendance, communication and tasking. These problems are universal for any hourly paid worker and Deputy solves them in a mobile-first, user-intuitive way that allows the product to get easily adopted.

The key part of what we offer is mobility. Everyone has a smartphone these days and 60% of our user base is actually on mobile.

Deputy's platform is a smartphone-based app, which is accessible by every employee to clock in and out and swaps shifts. Auto-scheduling is a new feature that is powered by artificial intelligence for workers to build their own sched-



ules. Mr Ahmed said: *Quite a lot of businesses will be using an iPad app that we have for clock in and out, and of course we made sure it is all GDPR (General Data Protection Regulation) compliant. Because it is smartphone acces-*

sible, people can have their schedules and do everything they need to change their work lives.

For Deputy...what we want to do is get the best employees back on the floor working with the team. Everything that they have to do

from an administrative perspective, they can do straight from their phone.

<https://goo.gl/Yeo8ha>
<https://goo.gl/FBfekf>

Homebase confirms 42 closures, for now

in this update:

- B&Q offers lower prices everyday to customers
- Cordless Alliance adds Metabo Germany to its membership
- Weaker consumer spending impacts on Travis Perkins' DIY stores
- Aussie home-ware retailer, HOUSE launches in Norwich
- Closing Homebase stores as Bunnings outlets go back to being Homebase

DIY retailer Homebase said at least 42 outlets will be shutting down by early next year. The company is looking to close stores in order to cut costs after being acquired by Hilco for GBP1 earlier this year, with up to 70 more stores potentially at risk.

Homebase wants to cut rents – or close – on nearly a fifth of its 241-store chain, via a company voluntary agreement (CVA), a controversial insolvency procedure used by struggling firms to shut underperforming shops.

Under the process, Homebase will also promise to continue paying market rents on about half its stores but will ask for smaller rent reductions on another 60 and business rate reductions on all the stores where it wants rent cuts. Chief executive Damian McGloughlin said:

Launching a CVA has been a difficult decision and one that we have not taken lightly. Homebase has been one of the most recognisable retail brands for almost 40 years, but the reality is we need to continue to take

decisive action to address the underperformance of the business and deal with the burden of our cost base, as well as to protect thousands of jobs.

The CVA is therefore an essential measure for the business to take and will enable us to refocus our operations and rebuild our offer for the years ahead.

The company added that the trading environment had been “extremely challenging”, with weak consumer confidence. Homebase said:

Under the terms of the CVA proposal, all creditors receive a better outcome than any other likely alternative.

Restructuring experts at Alvarez & Marsal will carry out the CVA, which will require the support of landlords via a vote on 31 August. The process is designed to stave off administration and save the business, but landlords say it is being misused as a quick way to downsize during tough times.



A group of landlords settled out of court after challenging a CVA process at department store House of Fraser before it was bought by Sports Direct via a pre-pack administration.

However, Stephanie Pollitt, the assistant director of real estate policy at the landlords' trade body, the British Property Federation (BPF), said:

Homebase and Alvarez & Marsal have demonstrated best practice, engaging with the BPF in the process and therefore ensuring property owners' interests have been properly taken into account.

Under Hilco's ownership, the 24 stores that were trading as Bunnings will convert back to the Homebase fascia.

Amazon to buy sites?

According to the Sunday Telegraph, Amazon is looking to acquire Homebase stores around the UK as it looks to extend its network of warehouses. If completed, the Homebase sites, many of which are situated in urban locations in major towns and cities, could become “last mile” warehouses, allowing for quicker delivery times for items ordered from the site.

<https://goo.gl/PmZ8pt>

<https://goo.gl/aAK-mHQ>

<https://goo.gl/wT9EwJ>

B&Q drops prices, adopts EDLP strategy



UK-based DIY and garden chain, B&Q plans to lower prices on 2,000 products by around 15%, as part of its “Do It For Less” strategy, in the hope that lower prices all year round will appeal to shoppers. As a result, the retailer will be reducing its short-term pricing deals, including multi-buys, and reviewing some of its loyalty scheme benefits.

It has already invested GBP100 million in dropping prices on both branded and own-branded products, with further discounts planned on additional lines later on this year.

Like EDLP (Every Day Low Prices), B&Q’s pricing strategy is aimed at encouraging shoppers to take on home improvement projects straight away, rather than waiting weeks or months for the next promotion or sales event.

B&Q said its new

policy means that customers can enjoy competitively-priced products any day of the week throughout the year, rather than having to wait for sales to roll around.

The company also said its “Do It For Less” plan will make DIY more affordable, and therefore accessible to homeowners and renters of all ages and incomes. Paul White, B&Q’s commercial director, said:

People may enjoy hunting for the best deal, but at the end of the day there is much more comfort knowing that there’s one place where you can always get a low price.

All customers want to have prices they can trust and, as industry leaders, it’s our responsibility to look after their best interests by ensuring our customers get our most competitive price.

B&Q first introduced a “simplified pricing

strategy” across its kitchens offer in September 2014. Describing it as a successful move, B&Q said the use of promotional pricing in the category makes it difficult for customers to know if they are getting the best possible price.

The retailer said the economies of scale afforded by being part of the Kingfisher group and the joint buying functions under the One Kingfisher transformation enable it to price products competitively, as well as building a “unique and unified offer”.

B&Q started to promote its Do It For Less price drops in mid-July, in the mainstream press, and via digital and social media, as well as in-store marketing.

When Bunnings acquired the Homebase stores in 2016, it rolled out EDLP across the Homebase business with an “Always low

prices” tagline. The converted Bunnings stores came with “Lowest prices are just the beginning” tagline that was later changed to help UK customers understand what the stores actually sold. It meant that Bunnings generally concentrated on beating the opposition with low prices but analysts believe B&Q was often able to match these savings, which often resulted in a race to the lowest price.

Improvement in second quarter

A run of hot weather also boosted sales at B&Q parent company, Kingfisher in the second quarter as more customers stocked up on barbecues and other outdoor items.

However, shares fell 2.2% as analysts pointed out that Kingfisher’s recent performance has relied too much on good weather conditions.

The retail group, which also owns Screwfix, reported a 3.4% increase in sales to GBP3.25 billion for the quarter ended July 31. On a like-for-like basis, sales grew 1.6%, rebounding from a 4.0% decline in the first quarter when snowfall and icy temperatures in February and March kept customers away.

In the UK and Ireland division, like-for-like sales increased 4.2%, including 3.6% growth at B&Q and a 5.5% gain at Screwfix. Kingfisher said sales at B&Q were buoyed by demand for weather-related categories while Screwfix sales were lifted by the opening of 12 new outlets during the quarter. George Salmon, equity analyst at Hargreaves Lansdown, said:

At first glance, UK results represent a marked improvement. However, the strong sales figures are more a function of a scorching summer than any underlying progress. Strip out the impact of summer items like barbecues and garden furniture, and sales, which headed south over the winter, have continued to fall. That’s quashed any hopes that B&Q would benefit from the recent problems at Homebase.

Like-for-sales in France dipped 1% as its DIY retail store Castorama continued to struggle in part due to weaker footfall and the impact of restructuring efforts. In the other international unit, like-for-like sales edged up 1.4%, driven by growth in Poland.

<https://goo.gl/C5zqu6>

<https://goo.gl/KKUQaR>

<https://goo.gl/gVL2Sv>

<https://goo.gl/gVL2Sv>

Metabo Germany joins Cordless Alliance

Metabo in Germany announced its partnership with other tool manufacturers to create the Cordless Alliance System (CAS).

Under the CAS partnership, nine manufacturers of similar company size and with a focus on power tools for professional applications, will be sharing the same battery platform and chargers produced by Metabo. This allows CAS manufactures the use of the same battery pack systems, providing compatible batteries to be interchanged

with other CAS tools manufacturers.

It provides end-users more freedom, flexibility with a broader range of tools, costs savings and solves problems by sharing the same battery platform across multiple tool manufacturers. Currently, there are over 110 power tools that are part of the CAS manufacturers.

The partnership is the latest step towards expanding Metabo's vision of a cordless construction site and metalworking shop, entirely run with 18V Lithium-ion High-Den-

sity Battery operated tools.

Metabo Germany president, Horst Garbrecht, expects the CAS to continue to grow, with a variety of manufacturers joining in the name of advanced battery technology. He said:

With Lithium-ion High-Density Battery we have enough power for the most energy-intensive applications, allowing us to build any hand-held power tool in a cordless version in such a way it meets the professional user's requirements of power



and endurance.

When choosing a technology partner, CAS manufacturer Rothenberger chose to go with Metabo for several reasons, according to managing director Dr Christian Heine:

Due to the developments in [previous]

years, Metabo has conquered the technological leadership and currently offers the most powerful system in the industry.

<https://goo.gl/Q7rUQ7>

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Travis Perkins' DIY business face market challenges



The challenging state of the home improvement market in the UK are reflected in the latest results from Travis Perkins' consumer-facing division that includes DIY chain Wickes and trade supplier Toolstation.

Sales fell 1.8% to GBP807 million in the six months to the end of June, though on a like-for-like basis the drop was 4.2%.

Travis Perkins previously warned

householders was reining in spending and unwilling to splash out on major DIY projects such as kitchens and bathrooms. Uncertainty in the property market and poor weather in March and April compounded this, as building projects were put off.

However, the situation has become so serious chief executive John Carter has launched a comprehensive review of the

business, with current market conditions expected to continue for the "foreseeable future". He said:

Wickes has had a far more challenging period as weaker consumer spending trends, combined with a difficult competitive environment, have held back profitability.

Consequently, the Wickes team is executing a significant cost-reduction program. Whilst these savings will help drive improved profitability through the second half of the year, Wickes' profits will be lower than previously expected.

While attention was focused on the consumer business, Travis

Perkins reported a rise in group revenues of 4.4% at GBP3.4 billion, though it fell to a GBP123.4 million pre-tax loss from a GBP167.4 million profit for the same period last year. This was largely the result of a GBP246 million goodwill impairment against Wickes, with restructuring costs also having an impact.

Sales growth was driven by the continued growth of the store network in the UK, with 22 new stores opened in the half taking the total network to 317. The expansion of the Toolstation Europe network continued with further stores in the Netherlands and an extension

of the trial in France, with encouraging sales results.

The other parts of the business performed better. General merchandising, the company's largest division which supplies builders, reported sales up 0.9% at GBP1.1 billion, plumbing and heating – which was restructured last year – was 15.5% better at GBP774 million, and the contracts business, which supplies larger builders, saw sales rise 6.4% to GBP718 million.

<https://goo.gl/ymk-CgY>

<https://goo.gl/n9aEvj>

<https://goo.gl/ZNW-mYQ>

HOUSE opens in Norwich

Homewares and kitchen specialist, HOUSE, has opened its fifth UK store in Norwich's intu Chapelfield centre.

The Australian-based retailer has already opened stores in Oxford, Bracknell, Sheffield and online at www.houseUK.com. Executive chairman and CEO, Steven Lew, said:

Our UK rollout has focused on opening the best stores in the right locations. Norwich is a natural fit for HOUSE...

The Norwich HOUSE store offers more than 4,000 products including cookware, bakeware, glassware, kitchen gadgets, small electrical appliances, knives, table linens and accessories. With online ordering available in-store, Norwich residents will have access to a large range of brands including Cuisinepro, Alex Liddy, LSA and Joseph Joseph, to name a few.

Established in Australia in 1978, HOUSE is a member of the Global Retail Brands (GRB) family. GRB is the largest private specialty kitchen & homewares chain in the southern hemisphere, with more than 170 stand alone stores. The UK is the first foray into the northern hemisphere with more planned.

<https://goo.gl/Aahbte>



Chris Bird
Owner
The Tool House
Dandenong South, VIC

**RETAIL
CASE STUDY
#36**

You joined ITT in 2011 – why?

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

How did it go?

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

That was your concern but what benefits did you see?

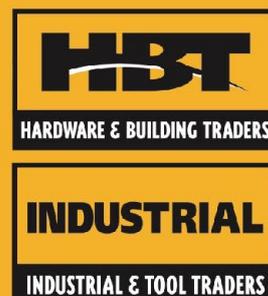
For a business our size, ITT has offered us suppliers and pricing we would not normally have achieved or been able to deal with. Every quarter we get a rebate report and a rebate payment for our efforts.

Any other comments?

This group is a win win for everyone.

Is it ok if people call you about the group?

The number is 03 9791 1497.



1 300 305 719

click ad to visit: hbt.net.au



Brand integration at The Block 2018

in this update:

- Home services website part of OneFlare
- The Block TV series is made for brands
- Hipages launches latest campaign



In an interview with Mumbrella, The Block co-creator and producer of The Block, Julian Cress said he is heavily involved in discussions with the sponsors for TV series, working closely with Nine's director of content partnerships for entertainment, Sarah Stewart

This year there are 13 major partners. Among those are Mitre 10 – returning for the 11th season, as well as partners Domain, McCafe, Volkswagen, Youfoodz and Bluescope Steel. New partners include Amazon, Suncorp, The a2 Milk Company, Canstar, Clipsal and Blueprint Homes.

There are also major suppliers including Reece, Kennard's Hire,

Freedom Furniture and Freedom Kitchens, Carpet Court, Beacon Lighting, Beaumont Tiles, Samsung, Forty Winks, Kinsman, Steel Blue Boots and Apple.

Mr Cress said The Block was formatted in a way that a number of partners could come on board. For him and the rest of team, it helps fund the "richest reality show" in the world. He told Mumbrella:

I would speak to all of the sponsors on a weekly basis. I would speak to most on a daily basis. They'll come on site – we get that we are not buying buildings in St Kilda without the support of brands. Without our sponsors there's no way that we're writing

a cheque to buy a big building in the middle of Fitzroy Street. They are making the show. They are so important.

From the beginning of The Block idea back in 2002, it was very much designed as a show that could integrate sponsors because we knew that from the outset, it was going to be an expensive thing to make.

Ms Stewart, who works closely with Mr Cress on a day-to-day basis, said partnerships work best with those brands which adapt to the day to day drama of the show.

Mr Cress also helps to develop the creative concepts for each sponsor. He said each activation is about creating a deeper level

of integration, making reference to new sponsor Suncorp as an example. He said:

Suncorp will be taking a budgeting focus throughout the show, teaming up with judge Shaynna Blaze to help viewers spend and style better through dedicated 9Now content, and a 'Home Hacks' series addressing Australia's most searched styling tips.

What's different to some of Nine's other shows is some brands work as an extension of the plot. Ms Stewart talks specifically about Volkswagen, and how the brand helps tell the story:

Auto is not just about having that beautiful

continues next page

OneFlare buys into home services

Online tradie marketplace Oneflare has acquired on-demand household services platform UrbanYou. Co-founded by ex-Yahoo executives Noga Edelstein and Elke Keeley in 2014, the UrbanYou platform enables real-time booking and payments of household services including cleaning, gardening and carpet cleaning.



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Oneflare has over 1 million users visiting the site monthly and more than 100,000 registered businesses, while UrbanYou has experienced growth delivering over 40,000 services across Sydney, Melbourne and Brisbane.

Billy Tucker, CEO of Oneflare, said UrbanYou will provide Oneflare with new on-demand capabilities and expand its services. He told Inclean magazine:

Most often customers will come to Oneflare

and get quotes from great businesses. Increasingly though, they are asking us to do more, to pick the provider, manage payments and coordinate appointments – that makes sense given we are all about helping them get their to-do list done; from here we expect this full service model will become vitally important. This is where UrbanYou comes in, providing Oneflare with the new capabilities to tap into this

huge growth area.

What UrbanYou has achieved in a relatively short period of time is incredible. They have made simple what is otherwise a very complicated task, to find a top grade service provider that you can trust with home cleaning, gardening and the like.

UrbanYou also extended its consumer offering to a range of B2B customers last year across the real estate and property

management sectors. Ms Edelstein said:

Following our acquisition of [Brisbane-based] HomeHello last year, UrbanYou has taken the lead in consolidating the on-demand market and our merger with Oneflare catapults our growth to immediate national scale,

One of the key ingredients to a successful [online] marketplace is recurring usage... Each month 70% of our bookings are from

recurring users, providing a growing SAAS-like revenue stream. We credit this to our laser-focus on delivering a high-quality curated service experience to time-poor Australians.

<https://goo.gl/rwi7B2>

Brand integration The Block (cont.)

shot of the car and being able to have the money hidden in the glove box or the boot to show off the internals of the car. The vehicle in the series actually becomes an extension of the series because it actually takes them

away from The Block and we get that different storyline form then as we are travelling to Mitre 10.

Outside of the obvious sponsors here in the cafe, Nine has also established a number of digital partnerships.

Ms Stewart explains:

It's really not just about what we are doing in linear TV piece. It's the digital executions, the social pieces, what we are doing in McCafes. Domain is really an extension of our content because

they provide a platform for us.

Season 14 of The Block will see five teams of renovators compete against each other as they renovate St Kilda's historic Gatwick Hotel in Melbourne. The

latest series debuted to 823,000 viewers on its debut, ranking second to The Bachelor on Channel 10.

<https://goo.gl/prM-dvm>

Hipages campaign shows how to connect to tradies

Change the way you tradie | Full TVC | hipages



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Tradie hire website and app, hipages, is telling Australians to “change the way you tradie” in its latest television commercial.

The one minute commercial shows a man falling through the roof, a woman finding an unknown growth on her bathroom wall, friends running out of electricity while watching the rugby, and a mother begging for another room while checking hipages.

The ad shows the different features of hipages including its emergency and online payment offering, quotes, rating and recommendation system and the ability to manage jobs from a mobile. Stuart Tucker, chief customer officer at hipages, said in a statement:

As technology has rapidly evolved, so too has our platform, ensuring the tradie industry re-

mains relevant in the digital age. The new campaign is designed to raise awareness that there is a better, smarter and more innovative way to connect tradies and consumers, as part of our mission to make home improvement effortlessly efficient.

Gary Dawson from VCCP, the advertising agency that created the ad, said:

By using the word “tradie” as a verb we’re setting out to disrupt the way people think about home improvements and the [typicall] arduous process behind them, without technology to create a seamless experience...

Link to campaign:

<https://goo.gl/fBo1AD>

<https://goo.gl/TsVbcC>



**WHAT THE PRO'S READ
NEWS/ANALYSIS hnn.bz**

CLICK TO SUBSCRIBE, OR GO TO: goo.gl/IHPt57

NEW PRODUCTS



Abrasives specialist, Mirka said its **LEROS** product is the world's first and only electric random orbital ceiling and wall sander. Weighing less than 3.5 kg, this tool is the lightest wall and ceiling sander on the market.

Awarded the Red Dot Best of the Best Award 2018 for design, the LEROS features a 180-degree flexible 225mm sanding head and 5mm random orbital movement, which enables it to respond precisely to the operator's movement.

The dual suction points in the sanding head and full force system allows the complete force to be transferred to the sanding head. This means that there is no need to press the tool against the sanding surface, removing the weight from the user's hands and reducing tiredness.

The LEROS also has an optional 50cm-long extension shaft, specially designed for sanding high walls and ceilings.



The **Honeywell Rig Dog™ CR** gloves feature moulded TPR (Thermoplastic Rubber) pads that are ergonomically placed to provide protection in impact situations along with an ANSI A7 enhanced cut-resistant palm to guard against cuts and slashes.

The polyurethane (PU) slip-resistant palm features EVA foam pads for added comfort and some vibration relief. Hi-Viz Spandex® fabric stretches for flexing to help reduce hand fatigue.

Hook and loop tab closure allows the wearer to tighten or loosen cuffs for a more comfortable and secure fit. The gloves are fully washable which helps to limit bacterial growth.



Watering products supplier, Nylex, want homeowners to switch to re-usable products when fertilising, and managing pests and weeds. The **Nylex 16L Heavy Duty Sprayer** can be worn like a backpack so garden enthusiasts can easily cover large areas of tough vegetation in a single session.

Alternatively, the Nylex 500ml Trigger Sprayer is ideal for spot maintenance of blooms and maintaining indoor plants.

Product manager, Alyce Rigby, said: "Ready-to-use weed and pest sprayers are notorious for being thrown in the bin after mere minutes of use, yet one bottle of concentrate lasts the equivalent of 32 on average single-use spray bottles -significantly decreasing the amount of plastic you throw away.



The **Gator® SpeedLoad™** trimmer head and line system is the solution for homeowners fed up with a tangled trimmer line. It eliminates the common frustration associated with reloading trimmer line, and reduces reloading time to 20 seconds or less.

Designed for petrol-powered line trimmers, the system is made of a self-contained disk of double-ended line. With only two parts, the pocket-sized disk cartridges and the trimmer head, the Gator SpeedLoad is designed for ease of use. The Gator SpeedLoad Cutting System fits most straight and bent shaft products, including Victa, Echo, Shindaiwa, and other popular trimmers.

Oregon is now available exclusively through Briggs & Stratton.

Sterling Ultimax Tape Measures

You'll love them "beyond measure"



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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 @: sales@sheffield.com.au

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

Special Advertising Section

Linkware Australia

The complete solution to your plumbing offer

Award-winning bathroom supplier Linkware Australia is known for helping retailers with personalised in-store consultations. The company is happy to assist retailers in choosing an appropriate range to suit their market, clientele and demographic.

The company has developed world class packaging design that is eye catching and tamper-proof. Linkware's window-box packages provide clear presentation of the product, which makes selection easier for customers.

The window-boxes provide a convenient display environment for the product. The back of the box specifies the dimensions, and details of the product manufacturer's warranty. Different products have different warranty periods.

Clear product display means the customer does not need to open the package. With the addition of a security seal, this means fixture sets remain complete, and customers can purchase with confidence.

In addition to innovative packaging, Linkware has designed a comprehensive store merchandising system of plumbing products that makes it easy for DIYers and others to locate the products they need for renovation, home improvement and repair.

These displays also enable retailers to achieve a high density of products on display, while still

retaining ease of access, as they are designed for easy "searchability". This system also makes it simple to transition a display to new products, either seasonally, or as the range develops.

Linkware's displays and packaging redesign also extends to its accessory ranges, such as towel rails and toilet roll holders.

For customers choosing plumbing products in-store, colour coding means they can easily find matching accessories, and store staff can point to the range and say, "buy this accessory because of the pink packaging", for example.

Direct supply

Linkware has its own factory in Ningbo, China. As a result, it manages the 200 staff who work in the factory. It supplies exclusively to Linkware, and the factory is backed

by a large, publicly listed Chinese company.

Linkware Australia prides itself on delivering superior service, pricing and quality with extensive after sales support. Most recent-

ly, it has won Bathroom Supplier of the Year 2017 and 2018 (Hardware Australia SA Awards) and NSW Bathroom Supplier of the Year 2018 (Hardware Australia NSW Awards).



Top, the display box for Linkware's fittings. Bottom left, Linkware's hang-sell range offers easy access to product. Bottom right, Linkware's national marketing manager, Greg von Einem

call: (02) 9912 25900 email: linkware@ozemail.com.au online: www.linkwareint.com

The Lakes

HARDWARE

TIMBER & BUILDING SUPPLIES



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 ✓