



Vol. 5 No. 2

RETAIL STRATEGY

CAPEX moves to SG&A to boost productivity



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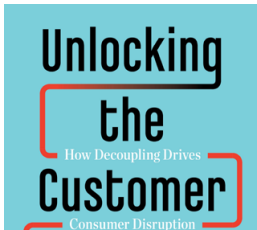
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WEATHER SEALS



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HI NEWS VOL 5 NO 2



Power Tools

Of the four major tool companies in Australia – Makita, Stanley Black & Decker, Bosch Power Tools and Techtronic Industries (TTI), only TTI had a truly successful FY2018. With its professional Milwaukee brand, and consumer-driven Ryobi brand, the company has worked around the “headwinds” of rising commodity prices and US tariffs on Chinese-sourced imports. That said, in terms of new, innovative tools for consumers, Bosch has, arguably, led the way. It has introduced a new range of 3.8 volt tools for urban apartment dwellers, and launched one of the best tools for first-time DIYers, While there is plenty of room for optimism, as innovation continues, the potential for increases in US tariffs on China could see the industry enter tough times.

33

The Catch

Wesfarmers has acquired the Catch Group for \$230 million. Catch consists of several category discounters that sell only online (except for some seasonal popup stores). Wesfarmers hopes to garner expertise in online sales, to help boost the prospects of its Target and Kmart operations.

21

Less COGS, more OPEX

Hardware buying groups have done a great job limiting the impact of price comparison on sales. However, Bunnings and other major retailers are now opening a new competitive front, which has to do with productivity and better customer targeting. That means hardware retailers need to move away from cost containment towards investing in technology and other measures. There are two problems with that. One is that the technology they need just isn't there, at least not yet. The second is that this kind of development relies on company size (rather than supply scale) for success. One way out is for retailers to look to outsourcing, rather than buying groups, for these solutions. Buying groups will continue to provide low COGS, and thus gross margin, but competition has moved to SG&A.

70

Nippon returns

Japan-based Nippon Paint Holdings is set to acquire Australian paint company DuluxGroup. The Japanese group made a cash offer that sets the DuluxGroup's market value at \$3.8 billion. DuluxGroup's board has unanimously recommended that shareholders vote in favour of the takeover.

27



Joe Galli – TTI

Finding his career short-circuited at Stanley Black & Decker, Joe Galli branched out into senior management at a number of different major US companies, including Amazon, before becoming CEO of Techtronic Industries (TTI). There he has helped to shape TTI into a truly modern company. Along with TTI's respected founder and chairman, Horst Pudwill, this approach helped produce TTI's results for 2018. Other power tools companies struggled during the year, but TTI surged ahead, with sales increasing by nearly 16%.

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2019 HBT CONFERENCE



Powering True Independents

HBTs' 2019 National Conference had something of a serious mood to it – and well it might have, as the group's managers laid out a change of direction that at once pointed to the group's roots, and at the same time super-charged the direction of those origins. HBT has "doubled down" on its key supplier program, seeking to concentrate order volume to build scale, and deliver better results for both members and suppliers.

91

The Show

While the external presenters were familiar, HBT's own content was rich and to the point. HBT CEO Greg Benstead, spoke on the need for the group to unite behind its revised strategy. The head of the buying group, Jody Vella, explained how better supplier relationships benefitted everyone. It was both serious and professional.

89

The Trade Show

The quality of the stands at the trade-show was the highest it has been for the past five years, with many suppliers opting for double-stands. Soudal set loose a T-Rex to wander the aisles. There were also many more extension products on display, from sunglasses to smartphone accessories, to drink coolers.

123

The Social

Some semi-serious beer drinking by members took place at the Munich Brauhaus, and that was followed up the next night by episodes of doughnut worshipping by suppliers at Melbourne's Bobby McGee's (which has a wall of doughnuts). The highlight of the Gala Dinner was a comedy set by Des Dowling.

109

Innovations

Important innovations at the tradeshow included CW Brands' CW Connection, which enables HBT members to place orders with a range of brands. Cement Australia released its new Pro-strength Rapid Set Mortar. PPG showcased its Johnstone's deck oil, and Sheffield its special application saw blades.

125

The Stands

60 pages of stand reviews and information. Get started by going to the clickable/tappable index.

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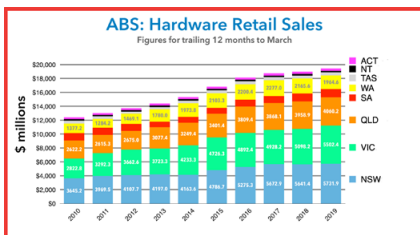


CLICK IMAGE TO VISIT STAND REVIEW

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Hardware sales to April '19

Overall sales improved slightly for Australia in the trailing 12 months to April 2019. Victoria had the best results, New South Wales was positive, but only modestly so, and Western Australia continues to decline. Now close to 80% of national sales are in Victoria, New South Wales and Queensland combined.



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COMMENT

If we are lucky, the Australian economy might just escape a recession over the next year. That's based on falling consumer spending, low levels of wage growth, and an unemployment rate stuck at above 5%. Oddly, none of this seemed to have been mentioned anywhere during the recent election. The difficulty is that neither side of politics wants to spend money in the areas where stimulus will do some good.

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Publisher's Note

As this issue was coming to a close, I realised how far HNN has come in some ways, and how little we have done to explain some of its intentions as a digital publication for the hardware and home improvement industry. Mostly, we wanted to produce high quality content, deserving of the many smart people we knew who work in this complex, often-underestimated industry.

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HI NEWS
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IHG FY2019
RESULTS

BUNNINGS
STRATEGY DAY
 Bunnings CEO Michael Schneider unveils new strategies for kitchens and trade, as Bunnings goes full omnichannel.

PAINT-O-
RAMA
 With Nippon Paints buying DuluxGroup, how will the other players in the market be affected?

PRE-FAB
 Will pre-fabrication reshape house construction post-2020? HNN consults three industry experts.

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publisher's note

As this issue was coming to a close, I realised how far HNN has come in some ways, and how little we have done to explain some of its intentions as a digital publication for the hardware and home improvement industry. Mostly, we wanted to produce high quality content, deserving of the many smart people we knew who work in this complex, often-underestimated industry.

Our main intention was easy to decide: We don't do puff pieces. You won't find images of birthday cakes in the pages of this magazine when the biggest story breaking is about an alleged data breach between two rival retail groups.

Instead, you will find a lot of research, analysis and insights about the industry that will be very difficult to find anywhere else.

Our retail profiles are long-form articles that celebrate storeowners, their staff and suppliers in a genuine way. They are based on in-depth reportage, not a questionnaire sent over email.

Our coverage of events is expansive. It covers strategy extensively and features literally pages and pages of company stands displaying their products and services. Similar attention is paid to social events because the smiles and laughter that our small, humble HNN camera captures are invaluable. Reliving those moments is fun, too. The pictures acknowledge the hardworking team and effort that goes into organising these events.

We also support those who support us. We try to ensure our commercial partners benefit from what an effective digital publication that HNN produces can offer: a large audience, awareness through repetitive branding that is surrounded by compelling content.

Readers have responded in large numbers to HNN, based on the number of downloads it is receiving on each edition. At the moment, the magazine is averaging around 100,000 downloads on every issue.

Let's look at downloads quickly and simply. A download is not a hit or a bot that automatically refreshes a web page. A download is when someone is interested enough to click on a link to a publication and often prints it out to read it. This means they are highly engaged individuals who want to read what we have written, and for that time, we have their attention.

Wendy Payne from Haymes Paint (left) with HNN publisher Betty Tanddo outside the gala dinner at this year's HBT National Conference.



So far, it looks as though many people seem to embrace HNN's content and endorse it by telling their colleagues, managers and customers about it. They are forwarding the HNN email with the link to the PDF magazine. How do we know? Our servers tell how many times it has been downloaded.

This type of transparency and data can only be delivered with digital magazines. We are not sending out free magazines through the post, and therefore unable to accurately measure the level of interest or engagement of our readers.

To de-mystify digital publishing and perhaps correct some misconceptions, we want to tell you that our URL, hnn.bz, was chosen because we had a mobile-first approach when we began HNN. A shorter URL works better for users on phones and other mobile devices. This domain was used prior to the .biz domain to designate a "business", and while it is technically administered by the University of Belize (with registration fees supporting higher education in that country), it's regarded as a generic domain, and non-country specific. Any suggestion to the contrary indicates malice or ignorance, and quite possibly both.

We understand that HNN it is not for everyone. The attention to detail we provide can be overwhelming and intimidating for some. Nor does everything we do pander to popular opinion. We don't assure you that everything will be OK as long as you keep doing the same thing as before. Because we know that's not true.

There will always be people who prefer easy-to-understand print magazines. That is fine by us. We like them, too but only when they match or surpass our expectations.

We also know we have made our share of mistakes, but our consistent efforts in trying to write truthful, balanced stories about hardware retail has delivered us the biggest and most influential readership the industry has ever seen.

HNN has always been and will always be about the real business of hardware retailing. Not the cottage industry with very little sophistication that is often portrayed elsewhere. We will continue to work hard to do the opposite of that.

After almost 20 years writing and editing stories about the hardware industry, I can tell you this: most people are willing to give you a go. But they will go away if you disappoint them too often.

Thank you to everyone who has given us a chance and continues to ride the digital journey with us.

See you next time,
Betty

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comment

HNN has always been, and will continue to be, staunchly politically neutral. In large part that is because, when it comes to formulating business strategies over the past 10 years and more, paying attention to the political situation has been more of a distraction than a help.

A classic example of this was the long-term political lobbying by Gerry Harvey, the man behind the Harvey Norman retail chain, to get the GST imposed on low-value imports purchased online from overseas. Mr Harvey succeeded in his efforts, bringing in what is effectively a new tax on imports.

However, it is a tax that actually costs more to implement than it produces in revenues.

Generally speaking, that's not something you look for in a tax.

As an added bonus, this all seems to have helped convince the major US online retailer Amazon to open a regional operation in Australia — an outcome HNN and several other retail industry analysts had predicted.

Talk about an “own goal”.

The distraction value of politics was clearly on display during Australia's most recent Federal election. There were few — if any — voices that were willing to state what was the clear and evident status of the Australian economy.

Which is, quite frankly, that it is skating along the rim of a possible recession.

Those who don't agree with that assessment would need to explain why most financial analysts are now figuring in a reduction of interest rates to an all-time historical low of 1.0%, and some believe rates will dive all the way down to 0.75%. The governor of the Reserve Bank of Australia (RBA), Philip Lowe, has made it clear such reductions will largely be based on one economic indicator: the unemployment rate.

That rate, seemingly, just can't get below 5.0%. Combined with reduced household spending, ultra-low inflation, and wage rises a full 1% (or over 30% in relative terms) below where they should be, it doesn't look good. Especially when global trade has not grown, and there are a number of potential international trade wars looming.

What we have to look forward to, now, is the moment when the government (and any government would have ended up in this position) needs to tell the Australian public that, whoops, things aren't going so well. Expect to see liberal use of the word “unforeseen”.

In line with the unwritten rules of election decency, this will likely get a small warm-up in October, and a full-blown announcement in November, just in time to make sure consumers don't over-spend through Christmas.

While there has been a growing, general consensus that some form of stimulus spending is necessary, opinions about how that gets funded and where it gets spent vary widely. Those differences, however, are 90% based on various policies, doctrines, belief structures and values.

Not, it would seem, with much reference to actual economics.

Because economics would tell you that the best thing to do is to stimulate the technology sectors of business, such as software development, biotechnology and systems automation based on artificial intelligence.

In terms of actual economics, these are the high growth areas, and stimulus should go towards stimulating further growth, not propping up industries that are not growing, and have a limited future.

Even the traditional stimulus of spending on transportation infrastructure needs to be re-examined. While some of that is desperately needed, a less expensive option might be to promote a switch to at least partial permanent remote working, through telecommuting.

And that could start with government employees. (Yes, don't hold your breath.)

It has become something of an oft-repeated (but less frequently practiced) mantra that every business today is also, to some extent, a technology business as well. That's a development we've recently seen Wesfarmers, the owner of Bunnings, adopt with gusto.

We need to add to that mantra an additional mantra: that every government needs to think of itself as also being in part a technology incubator. Until we reach that point, what governments do will continue its drift towards being increasingly less relevant to what is really happening in the economy.



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Hardware retail sales show small gains

in this update:

- While the numbers for May 2018 to April 2019 show only slight growth over the previous 12 months, they are an improvement on the preceding 12 month period, which showed growth slowing to below the rate of inflation.

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The Australian Bureau of Statistics has released its retail sales statistics for April 2019 (8501.0). Sales for hardware, building and garden supplies retailing for the trailing 12 months to April 2019 were \$19,460 million, up by 2.44% over the 12 months prior to that period.

This was still well below the average growth for the preceding five years, which was 5.73%. However, it was a marked improvement over the numbers for the 12 months to April 2018, which showed growth of just 1.29%, below the inflation rate of 1.9%.

The state with the highest level of growth for the trailing 12 months was Victoria, which grew by 7.93%, followed by the Australian Capital Territory at 5.07%, and then South Australia at 4.37%. New South Wales grew at 1.60%, well below the national growth level.

Western Australia led declines for the trailing 12 months, losing 9.28%. The only other state to show a decline was Tasmania at 1.20%.

As Chart 1 shows, in terms of a long term trend, hardware retail continues to do well.

Outside of hardware, retail revenues

did not do well. In seasonally adjusted terms, revenues fell by 0.1%. Household goods retailing, which is the larger category to which hardware belongs, fell by 0.2% in trend terms in April 2019.

Growth change

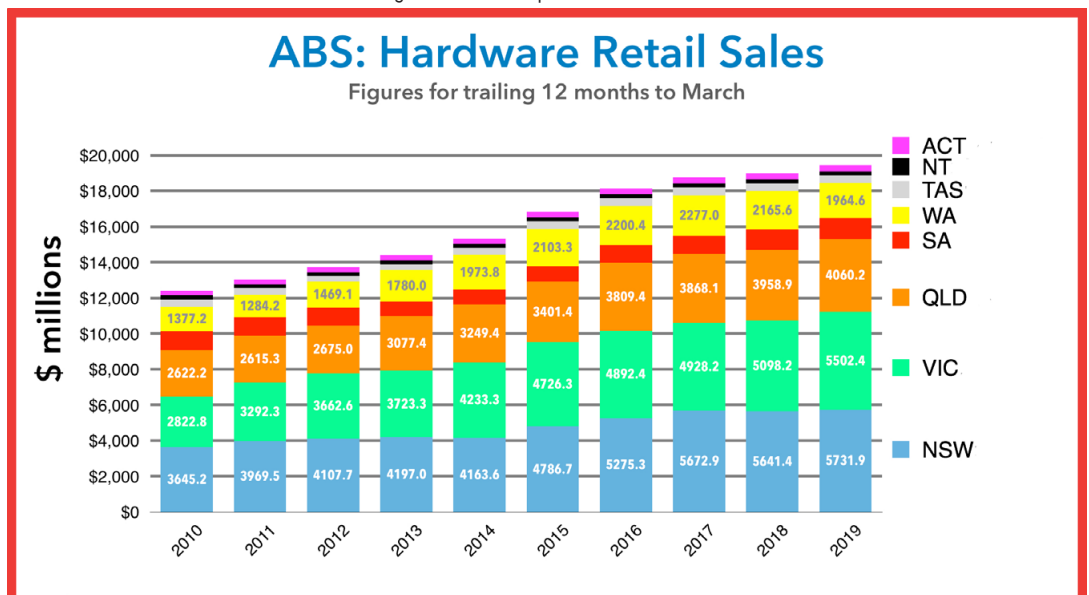
Looking at the Chart 2, we are seeing once again the highly compressed growth results which indicate that national level issues are dominating the market, rather than state issues – the exception being Western Australia, which continues to adapt to fluctuations

in mining activity.

Chart 3 shows the percentage of national sales on a trailing 12 month basis to March 2019. This indicates that over the past nine years, Victoria has made considerable gains, ending up over 5% higher. New South Wales made gains of less than 1% by comparison, while Queensland drifted down by around 1%. Western Australia lost a little over 1%, and South Australia fell by around 2%.

The top three states now account for 78.6% of total hardware retail revenue, up from 73.2% in 2010.

Chart 1: Hardware retail sales for the trailing 12 months to April.



Analysis

We are seeing a number of different factors interact here. With the growth numbers very tightly grouped, this suggests that national, rather than regional factors are dominating. That means both the overall economy and, potentially, concerns over recent elections.

Retail growth has slowed considerably since 2017. That is likely the impact of the end of the “bubble” in real estate prices, combined with an ongoing economic malaise, which is best traced through the failure of wage growth to meet expectations (given other market conditions).

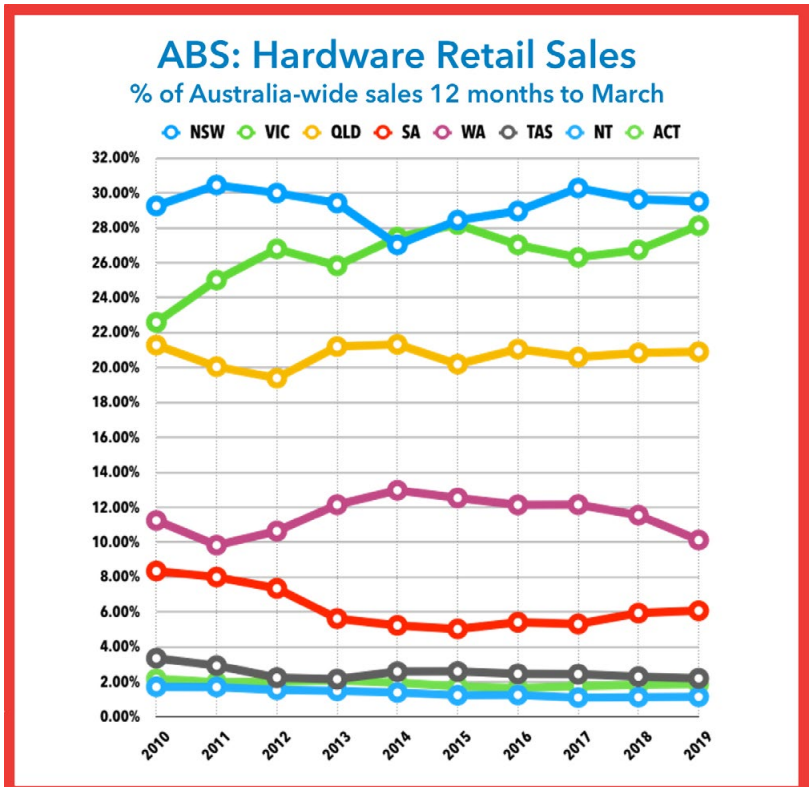
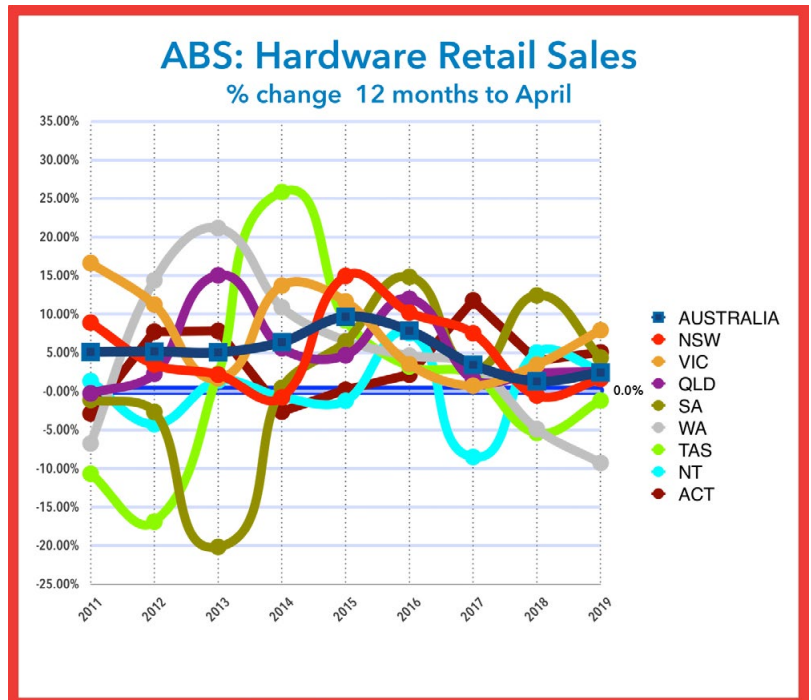
The only exception to this is Victoria. While

this state continues to show robust growth, this may be a delayed “catching up” with growth that took place earlier in the New South Wales market.

In terms of the hardware market, the concern with slowing growth — even though the turnover remains at historical highs — is that larger retailers, such as Bunnings, will pursue market expansion more aggressively in the face of falling overall growth.

As most analysts have predicted, these numbers are tracking a general falling off of growth, one that is unlikely to improve until FY2020/21.

Top, Chart 2, percentage change in hardware retail sales for the trailing 12 months to April. Bottom, Chart 3, percentage of overall national sales for the trailing 12 months to March.



WHAT THE PRO'S READ
NEWS/ANALYSIS hnn.bz
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big box update

Click and collect comes earlier for Bunnings

in this update:

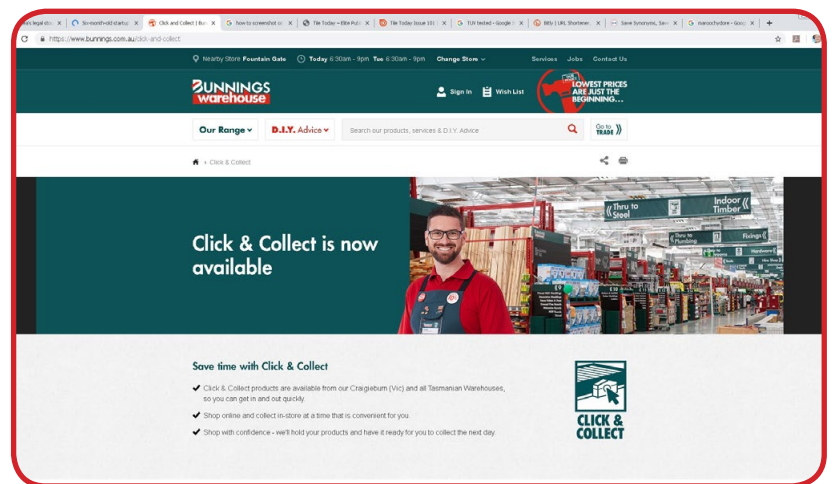
- Wesfarmers buys Catch Group
- Store network expansion and investment
- New Zealand stores selling flatpack houses
- Bunnings Trade Supercars sponsorship
- Store staff gain pay rise
- Development plans in NSW and QLD
- Bunnings rolls out click and collect

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During a visit to the Bunnings store in Glenorchy (TAS), Bunnings chief executive Michael Schneider told The Australian that a click-and-collect service will be rolled out in the Melbourne metro area before including more country regions. The big box retailer is also examining the potential of an online home delivery service. He said:

We anticipate the first (mainland) Australian regions will go live somewhere from the first half of fiscal 2020. It will be metro then followed by the regional market, but we would see that as a progressive rollout on a reasonably well-paced basis provided we didn't discover something we don't already know.

According to the article, Bunnings is releasing its online click-and-collect service around Australia at a faster pace than investors and the market were anticipating. This follows a trial in a Tasmanian store that Bunnings said is delivering a strong uplift in sales as the size of orders placed online is on average larger than



the typical basket size of purchases made by walk-in customers. And some categories are proving more popular than others. Mr Schneider told The Australian:

...It is varied but what is quite clear is that customers are buying project-based quantities, so they are quite solid basket sizes compared to normal. So a simple project on the weekend might be to update a bedroom, door knobs and handles. A customer might be looking for 20 or 30 door handles, and they will make that purchase online because they can do the whole project in one go, rather than come in on the weekend and top up a few items.

The basket size has been bigger, for aver-

age transactions, and that is what we have seen with our overseas peers.

The Glenorchy store is typical of the click-and-collect plans for the rest of Australia. It has about 70% of its total products available for online orders to be picked up by customers at a desk within the store. Orders made before 4pm can be picked up by 9am the next day.

Bunnings' new director of digital and analytics, Leah Balter, has led the implementation of the service. Shelves near the Glenorchy store entrance are used as the click-and-collect desk. Bunnings staff, no matter what area they work in, can link to a central booking system that allows them to pick up prod-

ucts from the shelf to fill online orders as they walk through the store and deal with customers.

For now, plants and timber are not available to be ordered for click-and-collect. Hazardous materials — such as chemicals — are also not on the site yet.

Web traffic

The hardware chain seems to have a ready-made digital audience based on data from online savings platform Cuponation. It indicates that Bunnings has more online visitors than any other Australian bricks-and-mortar retailer and is the third most visited website after eBay and

continues next page

Bricks and mortar show goes on



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A new Bunnings store will be built in Campbelltown (NSW) to replace the existing one

Bunnings managing director Michael Schneider said the hardware chain will continue to open more physical stores in a presentation to investors earlier this year. Stores are being planned in Campbelltown (NSW), Coolum (QLD), Tempe (NSW), Mt Isa (QLD) and Virginia (QLD).

Campbelltown

Bunnings will construct a new store on Blaxland Road after the Sydney Western

City Planning Panel gave the green light to the development. This store will be constructed on council-owned land on the corner of Blaxland and Farrow roads, near Campbelltown station. It is expected to replace the existing Bunnings at nearby Kellicar Road.

A report prepared by Campbelltown Council staff to the planning panel said the development will employ more people than the current store.

The site of the ex-

isting Campbelltown Bunnings sits within land identified by the NSW Government for future high density development, as part of the Glenfield to Macarthur Growth Corridor Strategy.

Source: *Macarthur Chronicle*

Coolum

The long-running dispute between Bunnings and Sunshine Coast Council and ratepayers' associations was heard in the Queensland Court of

Appeal recently.

Bunnings first applied to build a store on Barns Lane in Coolum in 2006, but the then-Maroochydore Shire Council turned them down. The company applied again in 2012 and in 2016.

Bunnings is appealing a previous court decision that sided with the council's decision to reject the warehouse's approval. Barrister for Bunnings, Daniel Gore said the judge made mistakes regarding the loca-

tion of the proposed warehouse in regard to the planning scheme. He pointed to three occasions when the judgment referred to Coolum instead of Coolum Beach.

Similarly, Mr Gore said the judge had failed to take into account arguments regarding the scheme's definition of a store compared to a showroom. Mr Gore said the planning scheme would not allow for a Bunnings to be built in the Coolum village area, but said the proposed site in Coolum's west met the planning schemes requirements for a warehouse store.

Sunshine Coast Council's barrister Christopher Hughes said the previous court decision was not made in error and parts of Mr Gore's submissions were "inconsequential" to the planning scheme.

The court will release its decision at a later date.

Source: *Sunshine Coast Daily*

continues next page

Bunnings click and collect (cont.)

Amazon.

Bunnings.com.au had 40 million visitors in the March quarter compared with 32 million for Woolworths, 29 million at JB Hi-Fi, 21 million at Coles, 21

million at Kmart and 20 million at Kogan.com.

The data includes all visitors, not unique visitors, to the retailers' desktop and mobile sites and was collated

using SimilarWeb and Alexa tools. It also showed that more Australians are shopping online via their mobile phones.

At Bunnings, mobile penetration was well

above average, with 65% or 26 million visitors using their mobile phones, reflecting demand from tradies and DIY customers checking specifications and prices on the road

or in stores.

Sources:

The Australian
The Australian Financial Review

Pay rise for Bunnings employees

The big box retailer has agreed to increase minimum pay rates for employees by \$25 per week or between 2.5 to 2.7% with extra pay for high performers.

Penalty rates range from 110% to 200%, but base rates are at least 10% more than those under the retail industry award. Employees will also be able to access a performance pay pool of 2 to 2.5% under the new enterprise agreement negotiated with unions.

Workers who only worked on a Sunday were at risk of being worse off under the agreement but a reconciliation of the spread of hours worked and

penalties paid would address any discrepancies.

The new agreement abolishes a contentious rostering system which meant workers had to “bank” the hours they did not work during quiet periods. As a result they could be called in during busy times to work the hours they had banked.

The Shop, Distributive and Allied Employees’ Association (SDA) national secretary Gerard Dwyer said part-time employees would also be able to request an increase in contract hours and have the right to



request permanent status after 12 months of working a regular pattern of hours.

The SDA said 76.7% of Bunnings workers voted in favour of the agreement but the union did not reach full agreement on the

issue of wages including the performance pay proposal. The SDA wanted the performance pay to match the inflation rate, but the company rejected this request.

The new agreement needs the approval of

the Fair Work Commission.

Sources: *The Sydney Morning Herald*

<https://bit.ly/2YX-Pw72>

Bricks and mortar show (cont.)

Tempe

The proposed Bunnings store at Tempe (NSW) has been delayed again after an independent traffic expert said it would have an “unacceptable” impact on local roads. The Sydney Eastern City Planning Panel deferred the \$70 million proposal for a second time after residents opposed the use of a narrow street as the main entrance for the 20,000sqm store next to Ikea on Princes Highway. The panel has asked the expert, Rhys Hazell of GTA Consultants, to

advise what impact the WestConnex M5 tunnels would have on the already congested highway.

In its reasons for deferral, the panel stated the tunnels’ impact “is likely to be of great importance and may make the difference between an acceptable and unacceptable traffic impact”.

Source: *Inner-West Weekly (Sydney)*

Mt Isa

Plans for a Bunnings Warehouse in Mount Isa are on hold due to the sewer and stormwater mains at the

proposed site on the corner of West and Alma streets. The new site was announced in 2017 with Bunnings conducting a public review of plans.

Mount Isa City Council told *The North West Star* newspaper that Bunnings was looking into the relocation of the West Street site’s sewer and stormwater mains before proceeding with the construction work for the proposed new store. A council representative said:

The site is currently under contract, and has been for about two years, and the Develop-

ment Application for the new Bunnings store is approved.

The new Bunnings store at the old council works depot and storage yard site, would replace the current Bunnings on Camooweal Street. Bunnings general manager – property Andrew Marks said:

We are still reviewing our options for the new development in Mount Isa and will update the community as soon as we can.

The development will have a total retail area of 5607.5sqm.

<https://bit.ly/2XIU5aS>

Virginia

Construction of Bunnings store in Virginia (QLD) began late last year at 1836-1840 Sandgate Road. It will be the second Bunnings Warehouse to open in north Brisbane this year, following the opening of a store at Newstead in March.

Documents lodged with Brisbane City Council show the store will have a total floor area of 17,246.11sqm.

Source: *Northside Chronicle (Brisbane)*

Bunnings NZ sells flatpack houses



Bunnings New Zealand said it has sold more than 50 of its ready-made Clever Living homes in the past 12 months.

It is offering the pre-fabricated two-bedroom homes for about AUD65,000 (excluding GST), and up to AUD107,000 for four bedrooms. The homes come ready with Coloursteel roofing, Mitsubishi heat pumps, Kaboodle Kitchens, Omega Kitchen appliances, Stein bathrooms and Sen-gled security cameras and lighting. Builder costs and connections to services are extra.

The two-bedroom flatpack houses range from 37.5sqm up to 59.6sqm.

The housing products are being sold via the Bunnings Trade outlets and not retail stores. Des Bickerton, Bunnings NZ commercial manager, told The Guardian:

The Clever Living Co homes range is aimed

at trade customers as they can only be built through a licensed building practitioner as required by the building code.

The flatpack designs are built with multi-proof certification so any council across New Zealand can approve consent within 10 working days. However there is some debate in New Zealand over whether people are legally allowed to DIY the Bunnings flatpack homes.

Mr Bickerton, said the flatpack two- and three-bedroom homes are popular with retirees and first home buyers with young children.

Christchurch builder Richard Trent said his business is receiving at least two enquiries a week about the Bunnings flatpack houses. He told The Guardian:

We can currently build a three-bedroom [flatpack] home in six to eight weeks.

So far the big box

retailer said it has no plans to include the range in its Australian stores. Tiny houses in Australia face bureaucratic red tape and rules differ between states and council areas.

Australian Tiny House Association secretary, Jan Stewart, said the pint-sized homes are gaining popularity but laws were yet to catch up here. She said a lot of tiny homes in Australia were operating “under the radar” of authorities.

Tiny houses on wheels are in a grey zone, she said, and are classified like a caravan.

<https://bit.ly/2Z3qaoi>

Source: The Press

Bunnings targets tradies with Supercars

Supercars has announced Bunnings Trade as its official Building and Trade Supply Partner for the next two years. The partnership will feature Bunnings Trade branding on the track and through live broadcast, online and digital platforms.

In addition to branding, Supercars CEO Sean Seamer said the partnership provides a platform that will be utilised as part of the Bunnings Trade “Made for the Trade” campaign. He said:

We're thrilled to have a brand with the national profile of Bunnings Trade joining the Supercars Championship. Partnering makes great sense, enabling Bunnings Trade to engage with our audience through nationwide events, broadcast and digital assets.

The partnership will continue throughout the year as the championship heads toward the grand finale in Newcastle (NSW) in November 2019.

<https://bit.ly/2Mn4ZMI>



Store network expands, gets more investment

Bunnings said it would continue to target 10 to 14 new store openings each year to cater for population growth and changing demographics. Most recently, there have been store launches in South Australia, Queensland and New South Wales.

Edwardstown

The newly opened Bunnings store in Edwardstown is the big box retailer's largest outlet in South Australia. The \$45 million warehouse covers more than 17,000sqm. Warehouse manager Tim Sciberras told The Adelaide Advertiser:

Our new team members have already supported a number of community groups and assisted in local community projects such as rejuvenating the garden grounds at the South Australian Society of Model and Experimental Engineers – a local not-for-profit organisation for engineers – and providing a brand-new car park makeover for faculty members at Forbes Primary School.

Kingaroy

The Kingaroy Bunnings Warehouse has opened for South Burnett residents in Queensland. The 7600sqm store site was



Bunnings' Edwardstown store is its largest in South Australia. Image by Levi Stock.

acquired by developers De Luca Group last year for \$2.43 million.

Complex manager Chris Carter told The South Burnett Times that when bringing such a large business to a rural community, they tried to focus on tailoring the store to the locals' needs. He said:

Providing service for tradespeople was somewhat of a speciality at our new store. It's a really big industry in our area, so we've really tried to cater for that in every way we can...

Mr Carter said because there is an agricultural-driven economy in the region, it was important the team could provide for that.

We have some extra rural plumbing and piping in, so that's ac-

tually something many of the stores in metro areas do not sell...

Nic De Luca from the De Luca Group also recently put the Kingaroy Bunnings up for sale with an asking price of about \$14 million, according to a report in The Australian Financial Review. It is being offered for sale with a 10-year lease, bringing in annual rent of \$800,000.

Lake Haven

Former Australian Test and one-day cricketer Glenn McGrath helped to open the Bunnings Lake Haven store in Charmhaven (NSW). He joined Bunnings general manager – operations Ryan Baker, complex manager Stephanie McLennan, and warehouse staff

to celebrate the official opening.

The \$42 million warehouse covers more than 16,000sqm. Ms McLennan told the Lakes Mail newspaper:

Team members have supported a number of community groups already, working together to assist in local community projects such as converting the storage room at Camp Breakaway into a lounge/kitchen and emergency respite sitting room.

The team also worked with pupils at Gorokan Public School to give its outdoor garden and kitchen area a much-needed refresh by building a multi-purpose bench for food preparation and dining, rejuvenating garden beds and relocating native bees.

South Nowra

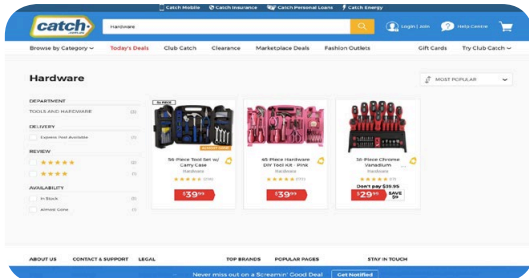
Bunnings' temporary warehouse in South Nowra (NSW) recently opened. Jason Hodges and Fast Ed from Channel Seven's Better Homes and Gardens joined director of corporate affairs and business development Clive Duncan, complex manager Richard Jenkins and the local Bunnings team at the opening.

The temporary warehouse covers more than 13,000sqm and is almost double the size of the current store.

It will continue to service Nowra customers while a larger warehouse is under construction on the former site, further north on the Princes

continues next page

Wesfarmers takes on e-commerce know-how



Wesfarmers has acquired online retailer Catch.com.au (Catch Group) for \$230 million.

The conglomerate expects the it will inject online savvy and a “growth culture” into its business to help its retail brands such as Kmart and Target adapt to the digital age. Catch Group also owns operates Mungo, Grocery Run, Brands Exclusive, Scoopon, Luxury Escapes, and The Home. Wesfarmers managing director Rob Scott said in The Age:

Catch has built a really successful and scalable and business model that can continue to grow in its own

right – that excites us. We also think that we can learn a lot from the capability of [CEO] Nati [Harpaz] and the team at Catch; that we can learn a lot about a more entrepreneurial, growth-oriented culture.

Mr Scott said Catch gave Wesfarmers access to a market it did not currently reach with its bricks and mortar department stores, given most (80%) of what Kmart sells is now its own private label products.

About 3% of sales across Kmart and Target are online, compared to around 10% across the retail sector as a whole. Mr

Scott said that was growing at around 50% a year, with the strongest growth coming in click-and-collect orders.

So we see the future is very much about having a high quality store footprint complemented by a world-class digital offer. That's what we're building through the investment in Catch.

When the sale is finalised, Catch will operate as an independent business unit under the oversight of Kmart Group managing director Ian Bailey. Mr Bailey indicated Wesfarmers would use Catch's technology platform and data capabilities to help grow its other retail operations. He said:

We ... look forward to leveraging our capabilities to grow the business and accelerate the customer-driven, omnichannel initia-

tives across Kmart and Target.

This will further drive best practice in supply chain, fulfilment and online execution across our brands, including opportunities for Target to secure online fulfilment capacity and productivity benefits...

The purchase is subject to a number of conditions including approval by the Australian Competition and Consumer Commission, which is expected in the coming months.

About Catch

Catch Group started life in 2006 as Catch of the Day, which put one discount product on offer every 24 hours, but now it said it offers 1.9 million SKUs through its online marketplace. A team of buyers scour the world for distressed, out-of-season or unsold

products from leading brands that Catch then sells at below-market prices. The business is supported by two fulfilment centres in Victoria.

The company claims to have over one million customers, and allows them to pay for their goods using Zip and Afterpay.

Co-founders, brothers Hezi and Gabby Leibovich, own about 90% of the company, after buying out previous investors in the past three years, which have included James Packer and Seek co-founder Andrew Bassat.

The Catch acquisition is the latest in a string of transactions under Mr Scott that are reshaping Wesfarmers.

<https://bit.ly/2XHem-bb>

<https://yhoo.it/2X-8wkg7>

Store network (cont.)

Highway.

Mr Duncan said it was an exciting time for the company. He told the South Coast Registry:

...It is our 73rd warehouse in NSW and our 267th across Australia and New Zealand ... This warehouse alone is a \$10 million investment in the Nowra community.

Bunnings' \$27.8 mil-

lion proposal will see the complex's footprint grow by almost two and a half times its current size. It is planned to take up the whole site, covering the current car park, with parking to be extended from the current 225 spaces to 428 spaces under the building. Construction of the new Bunnings Warehouse in Nowra is

due to start mid-year with completion in late 2020.

Townsville

Staff and customers of Bunnings Fairfield Waters have marked the reopening of the store after the extensive damage incurred during the floods. The store was one of hundreds of

businesses affected by the late-January and early-February floods in Townsville.

One of the store's regular customers, now retired Townsville Fire basketball player Suzy Batkovic, helped with the reopening celebrations.

Complex manager Mark Lassig said about 700mm of water had gone through the

store, requiring it to be completely rebuilt and restocked. He said 48 team members, who had been affected by the temporary closure, had worked at Bunnings Mount Louisa and North Shore before restocking Fairfield Waters.

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Kilmore gets Mitre 10 trade warehouse

in this update:

- Queensland gains its first Sydney Tools store
- Trade Tools in QLD has a new HQ and distribution centre
- Katanning Co-op's hardware store is re-opening as part of its revamp
- Nubco is owned by Coventry
- Mitre 10 trade warehouse in Kilmore

23

Kilmore Mitre 10 has opened a trade-focused warehouse that offers quick pickups or deliveries for tradies. Director Simon Meyer said he had gradually been building the business into a more trade-focused business over the past four years. He told The North Central Review:

We've really focused on having the materials that builders need to have in stock and undercover so they're protected and ready to go.

The warehouse runs as a pick and pack or dispatch-only site, which means customers can't shop there but can collect goods. Orders are placed in-store and stock can either be picked up or delivered. It measures 2500sqm, and is one and a half times the size of the store site nearby, and

currently holds enough timber to build 100 houses. Mr Meyer said:

We're really just reacting to what our customers demanded. We needed to have more available and to be able to react faster so that we're not constantly trying to get things in for people, we've got the majority of it available at all times.

Planning for the warehouse began two years ago, but the site only became available in October 2018. After stock, racking and equipment was put in place, it became



operational in April this year. Mr Meyer explains:

The few builders who have been lucky enough to go down there to pick up stock, that we've been able to supply directly onto their vehicles, have been very impressed with what they've seen and the volume and stock quality we have on hand.

We're expanding on what we have had but making sure we have

the fast-moving lines in volume so we're never caught short. We really want to be able to give the public here in Kilmore more than what they think we can give them.

We try to pack a lot in and try to make sure that our value is as close as we can get it to the biggest competitors in hardware...

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

Coventry Group buys Nubco in Tassie

Coventry Group has completed its \$36 million, 100% acquisition of Nubco, a hardware and industrial supplier with seven locations across Tasmania.

Coventry delivers industrial solutions to the mining, construc-

tion and manufacturing sectors, supplying a range of fastening systems, cabinet hardware systems and hydraulics, lubrication, fire suppression, refuelling systems and related products. The company, led by executives

Robert James Bulluss, Rod Jackson and Ken Lam, recorded \$168 million revenues in 2018.

The Nubco acquisition offers synergies that will benefit Coventry's Australia-based business by delivering procurement cost

savings and knowledge transfer. It is expected to also provide earnings and cash generation to Coventry.

Hardware part of Katanning Co-op remake



Katanning Co-operative in WA has a new logo

New Katanning Co-operative chairman, Adrian Richardson recently said the hardware section of the co-op is scheduled to re-open soon. The

rest of the co-op has already re-opened to the public. He told The West Australian:

We have a brand new Toy World section now and the IGA section

has been completely revamped. We stripped out the old floor and we got new equipment and shelving.

Everything has been painted inside and out and we also have a brand new logo.

The 99-year-old Katanning Co-operative shop has been on a rollercoaster ride since its previous shareholders entered voluntary administration and closed the

shop last September. But the community rallied to revive it.

Shortly after, Mr Richardson, a Katanning farmer who previously worked for Katanning Landcare, offered to buy the business. He said he received financial support from local business groups in Katanning, Broomehill and Woodanilling that helped to save the co-op.

Their initial offer was rejected by the administrator but their second offer proved successful. Mr Richardson said:

...A lot of local volunteers have helped to refurbish the shop

and we also hire local tradesman to do the big jobs ... The standard of the store will be completely different. We have brought the shop from the 19th century and revamped it to a 21st century store.

<https://bit.ly/2Mr4IZ7>

24

Trade Tools takes on new HQ

Power tool retail group, Trade Tools has purchased a vacant warehouse at Stapylton (QLD) for \$12.5 million to become its new headquarters and distribution centre.

The facility was used to manufacture corrugated packaging, litho-laminated packaging, and litho cartons for everything from cereals to wine and personal-care products. It was extended by 5909sqm in March last year, bringing its footprint to 14,505sqm.

David Corke from real estate firm CBRE said Trade Tools had been looking for 12 to



18 months for a space after outgrowing its current premises.

They bought this property because it was the only one substantial enough for their requirements in

that precinct.

Mr Corke said it is located next to the Coomera Connector, a transport corridor planned for between Loganholme and Nerang.

Trade Tools, which sells power tools, cordless tools, hand tools and related equipment, was founded by England-born Greg Ford more than 30 years ago. It has 17 stores in

Queensland, five on the Gold Coast, as well as one in Vanuatu.

<https://bit.ly/2W8R8ZW>

indie update

Sydney Tools opens first store in Queensland



25

Sydney Tools has employed 25 people at its new Archerfield (QLD) store. The tool retailer plans to open 15 more stores in the state, employing 250 people over the next two years.

Director Jason Bey told The Courier Mail the new store on Beaudesert Road spans 2700sqm and provides “the widest range of tools at the cheapest prices in southeast Queensland”. He also said:

Our new Archerfield store is set to be a game changer for Brisbane and Gold Coast tradies looking for the best prices on the highest quality industrial tools in Australia.

Sydney Tools’ point of difference is that our staff are the most experienced in the business.

The company currently has 28 stores around Australia.

Source: The Courier Mail



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The logo for Hardware News Network (HNN) News. It features the letters 'HNN' in a large, bold, white font inside a red square with a white border. Below the square, the word 'NEWS' is written in a bold, white, sans-serif font.

The Lakes

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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?

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Get the right stuff ✓

Nippon Paint gains foothold in Australia

in this update:

- Wagners and Boral cement dispute
- CSR has new leadership
- Nippon Paint takes over Dulux-Group
- Tool maker added to Snap-on portfolio
- Brilliant Lighting gets smart
- New ownership of Decor home-wares brand

Japan-based Nippon Paint Holdings is set to own local paint maker DuluxGroup following the Japanese firm's cash offer that will take the Australian company's market value to about \$3.8 billion.

The Japanese company is prepared to pay a 27.8% premium, based on DuluxGroup's (Dulux) closing price of \$7.67 on 16 April 2019. It said in a statement to the ASX:

The proposed acquisition is an important step in Nippon's global growth ambitions. DuluxGroup will be run as a separate division and will retain the Dulux-Group name.

As a result, no changes are expected to the DuluxGroup leadership, business portfolio, manufacturing and operations, and the company's name in Australia and New Zealand will remain the same. Chief executive Patrick Houlihan told the Sydney Morning Herald:

I really see this as the next chapter [for the company]. When they look at our business



here, they want us to continue what we are doing. They are very focused on what we have.

The deal would offer investors in Dulux an opportunity to cash out at the end of a long construction boom. Driven by population growth and rising home values, the building boom stoked demand for Dulux's paints, garage doors and garden supplies in Australia, doubling its share price in six years as its revenue climbed.

However, Nippon Paint's offer comes as the steady pace of DuluxGroup's growth slows, with annual revenue growth in 2018 lagging the prior year, even as Dulux acquired new businesses.

Building approvals – a forward indicator

of demand for home improvement products – have also hit their lowest since 2013 and home values are tumbling at their fastest pace in a generation.

Despite the cooling national housing market, Dulux said it was more heavily focused towards home renovations and maintenance.

DuluxGroup's board has unanimously recommended that shareholders vote in favour of the takeover by Nippon Paint. Shareholders of DuluxGroup are expected to vote on the offer at a meeting to be held in late-July, and the companies expect the deal to close in August.

In addition to securing court and shareholder approval, the deal requires the approval of the Australia-

lian Foreign Investment Review Board and the New Zealand Overseas Investment Office.

About Nippon Paint

Nippon Paint is considered a global leader in the paints and coatings industry and generated approximately \$7.8 billion in sales for the financial year ended 31 December 2018. It operates in Asia, Europe and the United States, but essentially has no presence in Australia or New Zealand.

The company generates 60% of its sales from Asia outside Japan, mainly in China. But housing sales there are cooling off as the

continues next page

Court next stop for cement supply dispute

Building materials supplier, Wagners has filed a statement of claim in the Supreme Court of Queensland against Boral after the two parties failed to settle their cement supply pricing dispute.

Wagners has a cement supply agreement with Boral, whereby the latter is required to purchase a minimum volume of cement from the company on an annual basis at a determined price.

Boral is entitled to issue a notice to Wagners if it has a bona fide offer from a third-party supplier of cement which is supported by market pricing evidence showing that it will charge a price lower than the current agreement. In this event, Wagners can reduce the price of the cement products

supplied to Boral to the price in the notice or suspend supply of cement products for a period of up to six months.

In March, Boral issued a pricing notice to the company which “purports to refer to market pricing evidence in the form of an unsigned offer from a long-established supplier of cement within South East Queensland, offering a price significantly lower than that currently charged”.

Wagners commenced a formal process disputing the validity of the pricing notice “on the basis it has concerns regarding the bona fide nature of the market pricing evidence provided and therefore the contractual basis upon which the notice has been issued”, according to its

update to the ASX. As a result, it made a decision under the cement supply agreement to suspend the supply of cement products to Boral, pending resolution, or determination by the courts, of the dispute regarding the validity of the pricing notice.

Wagners management has warned that the potential impact of the pricing notice to the company’s revenue in the event of a six-month suspension is around \$20 million. It decided it was in the best interest of shareholders to challenge the notice due to the potential long-term impact it will have on the company and the cement industry throughout Queensland and NSW.

The company also warned that it now expected 2018-19 earnings

before interest and taxation to drop to between \$25-\$28 million (from \$35-\$38 million previously) until the litigation was resolved.

Wagners said the drop in guidance took into account the disruption faced by its cement business and the impact on the concrete market, conditions in the pre-cast concrete market and delays in projects starting.

The supply agreement requires Wagners to provide cement to Boral until December 2021, with Wagners having an option to



extend the agreement another 10 years.

The price paid for cement is adjusted in line with inflation, with a price review every three years. The most recent price review was in July 2017.

Boral is Wagners’ biggest cement customer, and accounts for one-third of Wagners’ earn-

continues next page

Nippon Paint foothold (cont.)

Chinese government clamps down on real estate investment. This has hurt Nippon Paint’s sales in the country. In addition to China and other Asian markets, the purchase of DuluxGroup will help the Japanese company expand its sales channels in Oceania.

The acquisition is the biggest yet by Nippon Paint, which has said it’s looking to buy global rivals to keep pace

with consolidation in a USD140 billion global industry where the top 10 suppliers account for more than half of sales worldwide, according to Bloomberg.

It would catapult Nippon Paint, the world’s fifth-largest paint maker, from a bit player to the biggest paint seller in the region. Although Dulux is Australia and New Zealand’s top paint and coatings compa-

ny, it ranks at 22nd in the world, based on data compiled by Bloomberg.

H1 results

Dulux also posted its first results since the Nippon takeover announcement. It said net profit after tax (NPAT) dipped 4.1% to \$68.2 million for the six months to March 31.

The company pointed out that the reported

NPAT of \$68.2 million was \$2.9 million, or 4.1% below prior year’s adjusted NPAT, which excluded a number of one-off items that favourably impacted the prior year by \$8.1 million. That means the \$68.2 million was \$11 million or more than 14% lower than the interim in 2017-18.

Sales revenue was \$892.9 million. Dulux said that on a like for like basis, excluding

the divested and exited paints businesses in China, sales revenue grew 0.2%.

It recently committed to a 10-year lease on a \$27 million purpose-built facility in Maddington (WA).

<https://ab.co/2Z6NY-bg>

<https://bloom.bg/2M-noqFb>

<https://bit.ly/2IcZVf0>

supplier update

CSR will be led by former Woolies exec



From maths teacher to managing director, Julie Coates will become CSR's new CEO

outlook for CSR. The company this month reported a 59% drop in full-year profit to AUD78 million on the back of higher power prices and losses linked to the sale of its troubled glass business.

Net profit excluding significant items from continuing operations for the full-year ended March 31 came in at AUD181.7 million, compared with AUD210.6 million a year ago.

CSR said revenue from continuing operations for the year rose 4% to AUD2.32 billion, but revenue from its discontinued glass unit fell by AUD50 million, or 13%, to AUD318.9 million. CSR sold Viridian to Crescent Capital Partners in January for AUD155 million.

Earnings from continuing operations fell by 17% to AUD265 million due to higher electricity costs in

aluminium, which delivered AUD36.6 million in EBIT down from AUD79.5 million last year.

CSR chairman and former Bunnings managing director, John Gillam said Mr Sindel's diversification strategy would shield CSR somewhat from the volatility of the housing market. He told AAP:

The apartment downturn... you're unable to dodge everything that's going on in the macro sector but we think it will have less of an impact because of the resilience that Rob has built in.

We've got a lot more of our business facing into commercial, into infrastructure and civil areas.

Ms. Coates will start her role at CSR in September.

<https://bit.ly/2WgGF3K>

<https://bit.ly/2Mpu7CA>

The board of building and construction products supplier, CSR has chosen Goodman Fielder managing director Julie Coates as its new CEO to replace Rob Sindel who is retiring later this year.

Prior to Goodman Fielder, Ms. Coates spent 12 years at Woolworths in a variety of senior executive roles including chief logistics officer, human resources director and managing director of Big W. She is also currently a non-executive director at Coca-Cola Amatil.

Ms. Coates will take the reins as property market weakness fuels an uncertain near-term

Snap-on acquires rescue toolmaker

US-based tool and equipment manufacturer Snap-On has acquired Power Hawk Technologies for about USD8 million in cash. Snap-On Tools operates as a franchise for mobile workshops in Australia and New Zealand.

Snap-On products are used in car dealerships and shops, aviation and aerospace, agriculture, construction and other industries. They are sold through the company's franchisee, company-direct, distributor and internet channels. Founded in 1920, It is a S&P 500 company headquartered in Wisconsin, USA and reported USD3.7 billion in revenue, and USD696.2 million in net income for 2018.

Power Hawk manufactures rescue tools and equipment for military, government, fire, rescue and emergency use. Among them are power tools used to stabilise and cut into vehicles in emergency situations.

Snap-On plans to integrate Power Hawk in its commercial and industrial business unit.

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



Court next step (cont.)

ings and about 40% of its cement volumes.

Background

Boral competes with Wagners in making cement but after it bought the Queensland-based

company's construction materials business in 2011, it agreed to keep buying cement from Wagners.

As part of the acquisition, Boral purchased Wagner's network of large fixed concrete plants and five of its

quarries, its 60% stake in a fly-ash joint venture and its concrete pumping and bulk transport operations.

Wagners retained its cement grinding plant at Pinkenba in Brisbane. The long-term supply contract with

Boral underpins this operation. Managing director Denis Wagner said at the time:

The sale does not include the Wagner's name and brand and the family will continue to operate the business under the Wagner

name.

<https://bit.ly/2Xvi8UQ>

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

Brilliant Lighting enters smart home market

Through its partnership with Tuya, Australian lighting supplier Brilliant Lighting has launched BrilliantSmart designed as an easy way to automate, secure and monitor homes or workplaces.

Tuya said it provides an AI+IoT platform that enables manufacturers to bring smart devices to consumers in a faster, more affordable way. It offers hardware access, cloud services and app development.

BrilliantSmart offers products such as lighting, security camera, home appliances, and sensors that can be controlled with an app and interact with

Google Home, and Amazon's Alexa.

The BrilliantSmart app allows users to access home devices from anywhere in the world. Connected homeowners can turn any plug-in appliance on or off based on their schedules. For example, they can remotely turn the coffee maker on so that it's ready when they wake up in the morning, or switch off the iron from the office. Brilliant Lighting managing director, Norman Levin, said:

Brilliant has decided to join forces with Tuya through its global AI+IoT platform, because we recognised their ability to provide



Smart bulbs and lighting by Brilliant Lighting, powered by Tuya

innovative solutions through sophisticated IoT technologies suitable for the lighting and entire smart home industry ... we have decided to dive deeply into this field to ride the tide of the tech revolution and market demand for smart

home technology. We believe our strategic partnership with Tuya will be invaluable with immense opportunities in proliferating IoT technology across the Brilliant range.

The products will be made available through Bunnings,

Officeworks, Aldi, and electrical supply stores, L&H for consumers.

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

30

Homewares brand has new owner with growth plans



The Décor brand, best known for its reusable plastic containers, has been sold to investment firms Oaktree Capital Management and Alceon Group, following their acquisition

of its former owner Marlin Brands.

In addition to Décor, Marlin Brands also owns Willow, maker of jugs, coolers and rubbish bins which is part of the acquisition

expand direct-to-consumer sales through online marketplaces. Marlin Brands already has more than 2600 SKUs listed on Amazon. Greg Kerr, chief executive of Marlin

Brands, said:

...Our strategy is to accelerate Marlin Brands' growth via supply chain transformation and cater to an omnichannel approach to ensure our consumers can be consistently delighted by Marlin's products in Australia and increasingly internationally,

and continuing to

Oaktree and Alceon's portfolio includes Australian apparel brands, Billabong and Quiksilver, and Noni B.

Marlin Brands currently supplies more than 18,000 retailers throughout Australia and New Zealand, with

more than \$260 million in annual revenue.

According to the Australian Financial Review, Coast2Coast Capital, the South African investment company that owns Marlin Brands, put the wholesaler up for sale in September 2018 after abandoning plans for an initial public offering.

<https://bit.ly/2JR0JTB>

retail update

Ikea's digital-first, small format store

in this update:

- Home Planning Studio concept developed by Ikea

Ikea Australia has opened its first small-format at Warringah Mall on Sydney's Northern Beaches.

Customers can purchase their kitchen or storage products online, with the items delivered directly to their home. They can shop a digital wall of homewares, which they can add to their virtual bag and transfer to their mobile device for checkout.

This digital-first, personalised shopping experience is geared towards a different type of customer than the typical Ikea shopper, according to Ikea Australia country manager, Jan Gardberg.

The home improvement retailer refers to this 100sqm store as a "Home Planning Studio". Mr Gardberg said:

With the Ikea Home Planning Studio we have reinvented the traditional Ikea experience for a different audience, with different shopping needs putting digital at the heart of the customer's journey. However, the digital experience is delivered in



Westfield Warringah Mall in Sydney is home to Australia's first Ikea Home Planning Studio, dedicated to modular kitchens and fitted wardrobes

our most personalised approach yet.

The customer's wants and needs for their kitchen or bedroom storage solution are the starting point...

The studio includes a projector tool, which allows customers to envision what their ideal wardrobe will look like by projecting it onto a wardrobe front.

Customers can also book a \$99 one-on-one planning session with staff to design their dream kitchen or bedroom storage solution. The cost is refunded on the purchase of a kitchen within the

session.

These small-format stores are able to be rolled out because the company is finalising its new fulfilment and distribution network. Mr Gardberg told news.com.au:

That was the key cornerstone we needed to get in place before we started to launch these different formats.

Mr Gardberg sees scope for about eight planning studios in Sydney and Melbourne and a handful in Brisbane and Perth, if the new outlet in Westfield's Warringah mall is successful during its

four-month trial.

Ikea is also working on plans to open about 20 5000sqm stores carrying about 4500 products – half the range available in a full-size store. They will be in shopping malls and will be supported by its online store, which sells about 9000 products.

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GLOBAL POWER TOOL INDUSTRY CAUGHT UP IN TRADE WINDS

It is not possible to talk about the global business of power tools without also getting into the key economic enablement on which its considerable success has been built — which is globalisation itself. That's mainly because globalisation, and the associated world of mutual trade agreements, has come under unprecedented attack since 2015. This culminated in both the UK's Brexit vote to leave the European Union (EU), and later, the imposition by the current US administration of harsh — and threats of still harsher — tariffs on trade between the US and China.

EasyImpact 12 combi drill from Bosch is one of the first of a new generation of power tools aimed at first-time and occasional DIYers. A powerful compact package, the EasyImpact provides everything a DIYer needs for a satisfying drill experience. For example, if the drill is placed in reverse, after a period of inactivity, it will automatically switch back to normal mode.

Both of these moves have had, and will continue to have, difficult negative consequences for the power tool industry. While some companies, such as Techtronic Industries (TTI) have, as promised, been successful in working around these difficulties, others, most notably both Bosch Power Tools and Stanley Black & Decker (SBD), admit that this has been a factor in their less than stellar results for FY2018.

There are multiple problems in entering into even a brief discussion of globalisation. That's largely because globalisation has become a common scapegoat for a range of perceived social and economic ills. In particular, the changes that are being brought about by a rapid acceleration in the development of technology (especially software) frequently get conflated with the enabling arrangements of globalisation.

This is, HNN believes, one of the issues that the president and CEO of SBD, James M. Loree, did a great job of describing in his opening statement in the company's annual report for 2018. In part, this is what Mr Loree had to say:

The inexorable forces of the accelerating pace of technological change have been wreaking havoc with the status quo across all aspects of society for some time now as the decreasing cost of data storage, increasing computing power/cost ratio, and communications technology advances combine to create once unthinkable capabilities and applications. As these synergistic forces have gained speed and momentum, the combination has begun to challenge the ability of individuals, institutions and society in general to absorb the massive changes that are impacting all walks of life.

What once seemed like a relatively orderly world is now characterised by chaotic new unforeseen threats, disruption, growing inequality and divisiveness. In addition, the well-documented impact from climate change is becoming increasingly apparent. The ever-increasing rate of change and the sheer complexity of it all can be overwhelming to individuals and institutions. However, amidst all the turbulence there is opportunity. We believe that a new form of leadership and corporate citizenship is necessary to successfully navigate through these times.

This is a good description of the current state of many markets, as well as an under-reported, real contribution by Mr Loree.

In particular, it's worth drawing attention to that final sentence. While Mr Loree is talking explicitly about SBD itself, he's also referring to the industry in general — and it really includes hardware retailers as well. Basically, faced with these tough times all we can really do is to become even better at business. It's a great reminder of basic principles.

Undoing the economic voodoo

Given this, it's still worthwhile briefly considering the arguments used to bolster the case for actions such as the imposition of tariffs on China.



However, amidst all the turbulence there is opportunity. We believe that a new form of leadership and corporate citizenship is necessary to successfully navigate through these times.

James Loree, CEO, Stanley Black & Decker

The mechanism of such tariffs goes like this.

- Businesses domiciled in high wages country Aaa have goods of category Xxx produced in the low labour cost country Bbb, and then import these into Aaa.
- The government of Aaa imposes tariffs on those imports from Bbb.
- The goal of these tariffs is to increase the cost of goods imported into Aaa after they are produced in Bbb to such an extent that, despite the difference in labour costs, it is cheaper to make those goods in Aaa.

Proponents of these tariffs see this as a victory, as employment is boosted in areas currently suffering high rates of unemployment, due to their inefficient industries. In the very short term, some positive social effects may occur. However, the longer term effects of such tariffs are these:

- The cost to the end user of all those goods in category Xxx increases. This is because whether the goods are imported with a tariff impost, or produced locally with higher labour costs, the businesses must increase prices to maintain profits.
- The former lower cost of imported goods worked to depress overall prices in category Xxx. Once that is removed, all goods in that category will increase in price, because price competition has radically declined.
- Over time, if the categories affected by the tariffs are broad enough, the economy of Aaa will see increased inflation, which dilutes the value of future growth.
- Increased prices, given fixed CAPEX, will also see growth decline, as companies have high costs and less money to invest in research, or risk-taking on new developments.
- Industries that might once have considered developing industries in Aaa will seek alternative domiciles.

Those are just the headline problems. The really deep problem is that tariffs are effectively taxes designed to subsidise the least productive parts of an economy. That means that an increasingly large part of a nation's gross domestic product (GDP) gets tied up in the area that grows the least, and produces the (economically) worst products. The truly productive parts of the economy, in fact, end up being weighed down by the need to pay subsidies to the least efficient parts of the economy.

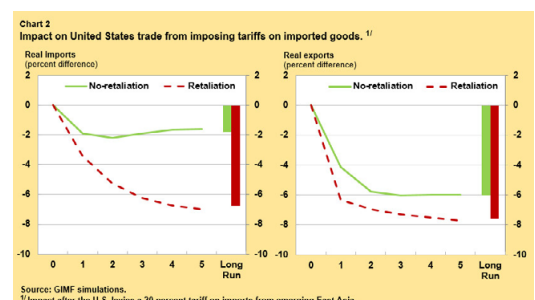
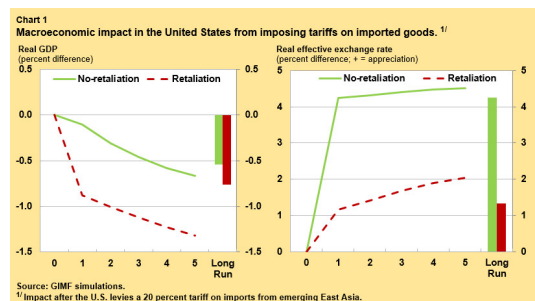
To quote from an article first published in 2016 on the IMF Blog, titled "Tariffs Do More Harm Than Good at Home", by Maurice Obstfeld:

There is another big drawback of such tariffs: while they may give some relief to industries and workers that directly compete with the affected imports, they will be broadly contractionary, reducing output, investment, and employment in the whole economy. These negative effects follow even if trade partners do not retaliate, although if they did, the outcome would be even worse.

[<https://bit.ly/2WzNokq>]

HNN is not even going to get into additional problems, such as the obvious use of tit-for-tat retaliatory tariffs. Nor are we delving much into the fact that

From the article "Tariffs do more harm than good at home", published on the IMG Blog. Modelling shows that tariffs act to inhibit trade, increasing the potential for an economic crisis, and slowing growth.



balance-of-trade between nations is not a scorecard, or about “winning”. It is a very complex issue, but the best short-hand way to understand why most respected economists regard balance-of-trade as a null issue is to think of it a little in terms of CAPEX for businesses. Partially leveraging CAPEX expenditure to enter into a high-growth area is a commonly accepted corporate practice, and in a modern economy, running a negative trade balance has much the same origins — planned or unplanned.

All of the above reflects a well-established understanding of global economics that has been commonly accepted since the early 1960s. There is just nothing new there.

The counter-argument that has been raised over the past decade or so to support tariffs is that moving wages formerly “exported” to foreign economies back into the domestic economy has to do a lot of good. That is like arguing that it has to be better to get 1% profit on \$10 million than 5% profit on \$3 million, because \$10 million is bigger than \$3 million. Net productivity is the measure of economic health, not the number of people with jobs.

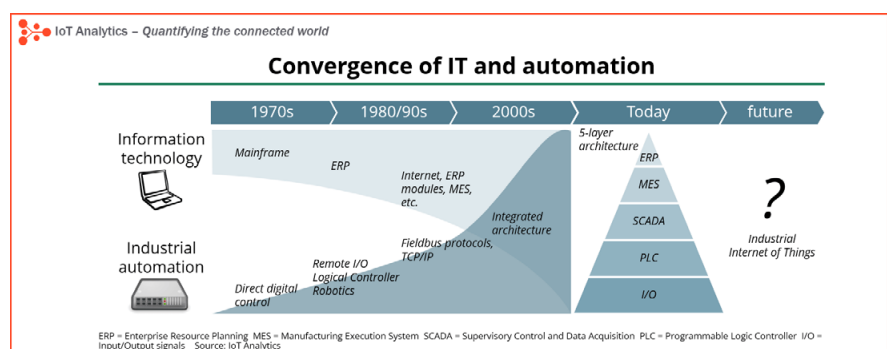
The key to this is to understand that manufacturing labour markets are rapidly commodifying as automation enters a period of near exponential growth. At the same time, service areas such as software development are actually entering a period of rapid decommodification. Expert knowledge is in high demand.

What the attempted argument about retaining manufacturing wages truly reveals is that many people simply cannot comprehend the way the economy has developed. It’s just difficult for them to grasp that a busy factory of 300 people working long, sweaty hours, with metal being cut and welded, paint sprayed, gears matched and set, does not produce anywhere near as much value as 50 software developers, designers and marketers sipping their morning lattes in air-conditioned work environments.

Yet consider for just a moment the true global wealth — ongoing — that developments such as fully autonomous vehicles could bring. These new innovative products consist of around 90% software development.

Emotion

From the above it should be clear than any argument for the imposition of trade tariffs has really nothing to do with economics at all. It’s much more a cultural decision, with a high emotional component to it.



It's easy to understand why such cultural arguments have carried enough weight so as to affect the economic policies of nations. Modern factory-based systems of production were put in place around 70 years ago, at the end of the 1940s. That means something like three, sometimes four generations of a family will have engaged with broadly similar economic and cultural circumstances.

Twenty-somethings, entering the workforce for the first time, would like to do something similar to what their parents and grandparents did, with the same expectations of earnings, progression and security. Finding this is denied them, their response is anger, and a desire to "wind the clock back" to a "simpler" time. Older generations, who have known nothing except familiar, factory-based life, are sympathetic.

This is not, however, as some have suggested, an explanation that justifies a particular course of action. It is the description of a problem, and a depiction some of the reasons why some societies are doing such a poor job solving that problem.

The first and second industrial revolutions were built on the notion of strong hierarchical structures (often modelled on military systems) which demanded a high level of conformity. The third industrial revolution changed this somewhat, but not universally. Computer systems and connectivity made existing products work better, and enhanced existing systems of production.

The fourth industrial revolution is really about convergences. Robotics meets artificial intelligence, meets 3D metal printing, meets nanotechnology, meets biotechnology. It is a world of, as Mr Loree puts it, of "chaotic new unforeseen threats, disruption, growing inequality and divisiveness". But more than anything else, it is a time of deep transitions.

Global power tools

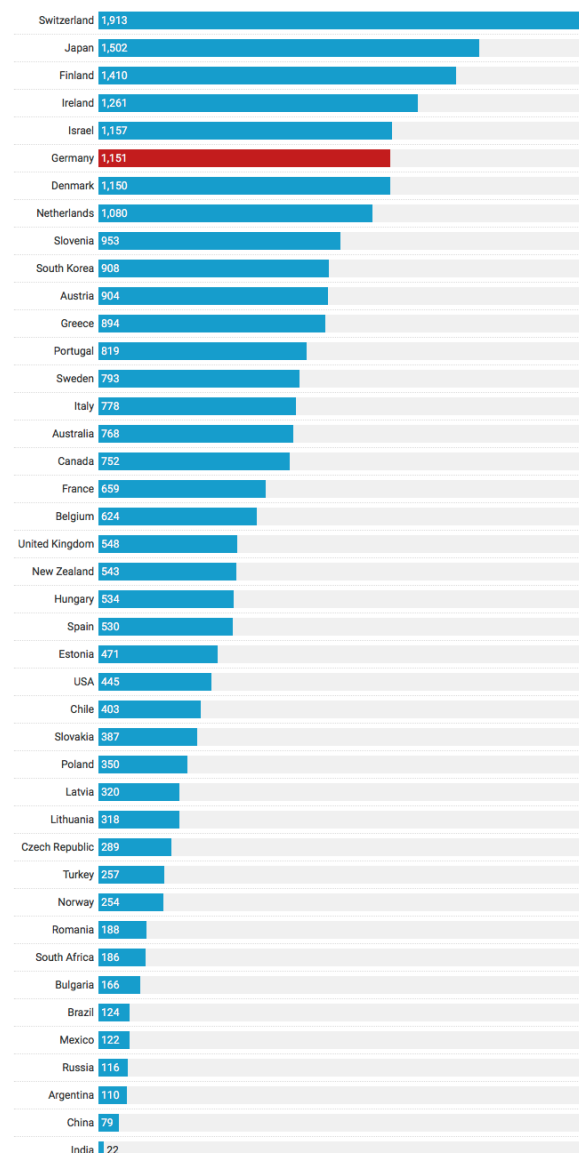
One reason why Mr Loree's statements are so important, is that the modern power tool industry is one that has benefitted greatly from globalisation. We need only look at the varying national allegiances of the top four companies to understand this. SBD is US-based. Bosch Power Tools is German. Makita is Japanese. TTI deserves a category of its own, as it is nominally based in Hong Kong, but has strong brand roots both in the US and in Europe.

All four manufacture some of their tools in China, as well as in less-developed nations

Global Economic Dynamics, a German thinktank, publishes an annual review of the effects of globalisation. What this chart reveals, is that the positive gains from globalisation are not evenly distributed, but depend on a range of circumstances in each nation.
Link: <https://bit.ly/2WsOQ8c>

Figure 3: Average annual gain in real per capita GDP due to increasing globalization between 1990 and 2016

(Real = Prices in 2000)



Information in euros

throughout south-east Asia. And all four also manufacture in developed nations, such as the US, the UK, and several nations in the EU.

The global nature of the business has required a lot of hard work to develop, and HNN would suggest it has been a contributor to world peace. A very astute and wise series of Chinese leaders have worked to end the commercial isolation of China, in the process lifting the living standards of that nation. But if those leaders were the ones who pitched the ball of commercial engagement out to the world, it was business leaders such as TTI's esteemed chairman and founder Horst Pudwill who had the skills — and, frankly, a big enough mitt — to catch that ball and do something with it.

Industry overview

From the point of pure technological developments making it to market, this has not been one of the real standout years. There certainly have been some developments, but more of the focus has been on category development and expansion. SBD, for example, has brought its Craftsman brand to market, launching a wide range of premium DIY tools. SBD is also in the midst of launching a new “compact” 18-volt tools, it's Atomic range. This began with the launch of a drill and impact driver.

Similarly, Bosch has continued its apparent strategy of pacing the other power tool companies when it comes to technical development, with the launch of its Biturbo range, which offers cordless power that matches corded tools. The real news at Bosch, however, has been the launch of a new category, the YouSeries, which consists of high-design, low-power cordless tools, ideal for someone in their first apartment.

TTI also made some significant category developments, with tools such as its cordless pipe threader. Its general strategy seems one of forming a kind of “catchment area” of specialised tools, which bring customers into the overall network of its broad range of tools. But TTI's real achievement this year has been its very positive financial results. It has climbed its way up over the past two years — as its share price reveals — through a combination of two elements, which we could characterise as “cutting edge” combined with “restraint” — a very unusual pairing. The result has been, in March 2019, admission to the Hong Kong Stock Exchange's prestigious Hang Seng Index.

Makita has also not had a particularly good FY2018, from a financial growth perspective. Like the other companies, its product development has continued apace, but its current results and projected results indicate it anticipates difficult trading conditions ahead. The company's president and representative director, Munetoshi Goto, echoed in an individual way some of the same themes expressed by Mr Loree:

As a responsible global enterprise and corporate citizen, Makita must earnestly tackle various social problems, such as global environmental problems, natural disasters, and a dearth of workers.

Munetoshi Goto,
president, Makita

The business environment has become increasingly uncertain, more than ever before. Since the political and economic situation around the world has been changing rapidly in the midst of an innovation drive the like of which is seen once in a hundred years, further attempts and quicker decision-making are needed to stably conduct business activities. At the same time, as a responsible global enterprise and corporate citizen, Makita must earnestly tackle various social problems, such as global environmental problems, natural disasters, and a dearth of workers.

Future developments

While it is easy to be somewhat transfixed by the current problems troubling the industry, HNN remains very optimistic about both the mid- and long-term potential for power tools. That said, there are some difficult transitions the industry itself will need to go through to reach its full potential.

It seems likely that within five to six years we will see more advanced Lithium-ion battery technologies make it to market. These developments promise not only greater battery density, bringing the possibility of 20 amp-hour and above batteries in range, but also radical improvements in the longevity of Li-ion batteries as well.

If battery life can be extended reliably to beyond five years, this could mean it makes sense to include more of the power management electronics into the batteries themselves. This could bring the possibility of buying a new battery meaning an upgrade to the tool itself. That change would bring a number of interesting market potentials with it.

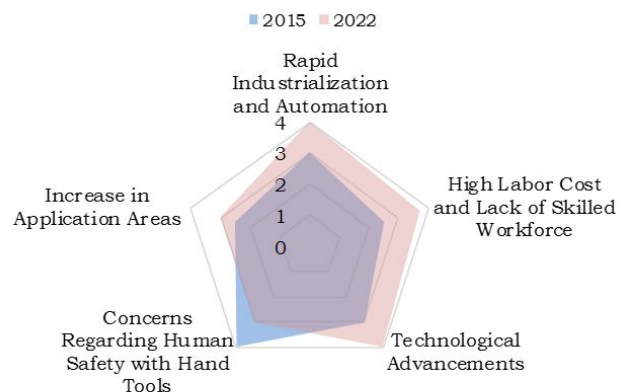
In terms of the trade/construction side of the business, this relates directly to the adoption of building information management (BIM) systems, and the integration of connected power tools into that environment. This is also, indirectly, about the transformation of the construction industry along Industry 4.0 lines, delivering an information-rich, safer, more transparent workplace, which can operate with higher levels of efficiency.

HNN considers there is a degree of under-investment in the DIY/consumer end of the power tool market, at least by many of the major companies. For the most part, today's consumer power tools are based on tweaking the previous generation of trade tools, with a few "consumer features" added on.

It's worth noting that, according to a Roy Morgan research study from 2015, something like over 40% of Australian households do not own any power tools at all. That's a strong potential market.

One factor in eventually extracting the full value of that market is likely to be forms of tool rental, or even annual tool "subscriptions".

Allied Market Research's "Power Tools Industry Overview" suggest that CAGR for the global industry will be over 5%. As this diagram illustrates, Allied sees growth potential in ongoing industrialisation, high labour costs, and ongoing technological advances.
Link: <https://bit.ly/2KdKEHY>



The baby-boomer generation might have taken a degree of pride in tool ownership, but for younger generations the need to buy tools (and then store them) can discourage them from attempting DIY projects.

The one product

Looking back over the many cordless tools that HNN has seen over the past year, with particular attention to recent releases, we were surprised when our attention kept returning to one particular product. It was surprising because most of the “sexy” tools tend to belong to the trade/construction/industrial sector, developments in connected tools, or interesting half-technical, half-marketing launches like SBD’s DeWalt FLEXVolt.

This time though, it was something for the DIY market, Bosch’s EasyImpact cordless 12-volt drill/driver. What distinguishes this product is its focus on design innovation, rather than technical innovation. For example, when the drill is in reverse (counter-clockwise rotation) and is put down for over 90 seconds, its electronics automatically return it to clockwise rotation.

In addition to high design, it’s also not a cheap drill. The RRP for the European market is EUR160 for a two battery kit, which is around \$250. That might seem high for a drill aimed at novices, but novices are willing to spend money on tools that will help them to achieve success in whatever DIY task they are performing. It’s a category we might call “novice premium”.

The launch of this category of tools, along with other developments, could signal a change in the DIY sector of the market, a move away from the simply “cheap” towards “value” tools.

Continued

On the following pages, HNN provides a more in-depth view of all four of these power tool companies.



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Bosch Power Tools

At its annual review event for 2019, looking back at FY2018, Bosch had a number of surprises to announce. On the disappointing end of this, the company went backwards in sales, reporting EUR4.6 billion in total sales, down by 2% on the results for FY2017 of EUR4.7 billion in sales. The newly appointed head of the Bosch division, Hank Becker, put this decline down mainly to disadvantageous currency exchange rates and volatile markets.

Professional tools - Biturbo

The other surprises from Bosch were much more positive. In the professional tool area, (Bosch Blue) the company has continued its work of enhancing cordless tools to the point where they are as powerful as their corded equivalents.

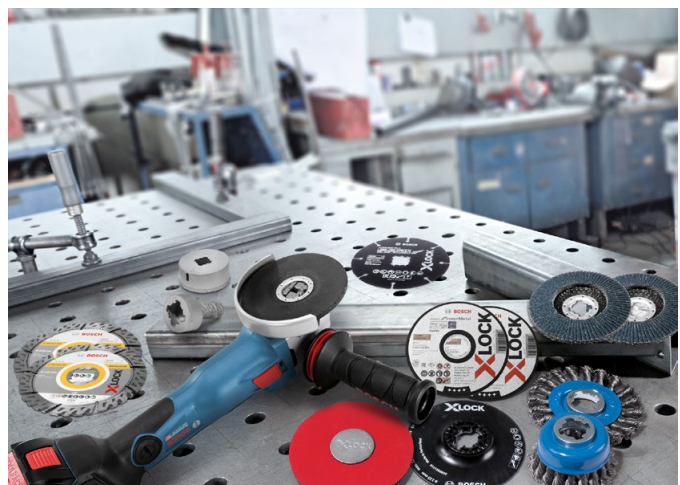
Bosch is calling this new line of tools “Biturbo”. (It’s perhaps worth mentioning that Bosch’s German headquarters are located near Stuttgart, the home of Mercedes-Benz, which produces a biturbo V8-engined variant of several of its larger vehicles.)

These tools follow the path developed by Techtronic Industries’ (TTI) Milwaukee brand, where instead of relying of higher voltage or multi-battery configurations, they use the new Bosch battery, which the company brands as “ProCore”, which has replaced the older Bosch Professional batteries (though Bosch is quick to point out that the older batteries will still work with the new tools).

The current product release includes three angle grinders, three saws and two rotary hammers. The angle grinders make use of a new mechanism for attaching grinding disks. This does not require any additional tools, with the disks simply clicking in, then clicking out. The company calls this innovation “X-Lock”, and claims it as the first breakthrough innovation in this area for 80 years. At the same time, Bosch claims that X-Lock disks will continue to work on older grinders as well.

Bosch has also improved its professional chargers. The company claims that its new 18-volt charger, which charges at 16 amps, can charge its 4.0 amp-hour battery to 50% in just nine minutes.

The company is also continuing development of connected tools. It plans to offer a total of 40 of these tools by the end of 2019.



Consumer tools

While Bosch has maintained its pace of development in professional cordless tools, it has really stepped things up in consumer cordless. HNN would go so far as to say that Bosch's consumer range is the first truly modern, truly comprehensive and really logical range of consumer tools to be launched in the past 15 years or so.

The top three tiers make use of the company's "Power for All" battery systems, which comprise of both 18-volt and 12-volt tools. The top tier is made up of Bosch's "Advanced" 18-volt line, which are not quite prosumer tools, but close to it. The one new tool for this range that Bosch released was the AdvancedRecip 18 reciprocating saw, which offers reduced vibration and quick-change for blades. This joins existing Advanced tools, such as drill/drivers with changeable chucks to allow for angled and offset access.

Outside of the corded tools, one of the most interesting tools released for consumers was its AdvancedTableCut 52 550-watt corded table saw, which makes use of Bosch's Nano-Blade technology (which looks like a very thin, small-toothed chainsaw). Table saws are, of course, one of the more dangerous power tools, but a unique feature of the AdvancedTableCut is that the user can pull the wood being crosscut towards them. This is an inherently safer action.

Just below that in the 18-volt range is Bosch's "Universal" range. These are tools designed for easy of use (by all genders). Bosch released three tools in this range: the UniversalDrill, UniversalImpact, and UniversalVac. The drill and impact driver feature a narrower handle than usual (to make them easier for smaller hands to hold), along with light-weight.

The Universal range does extend outside of Li-ion tools as well. UniversalTemp is powered by two AA batteries, and displays the surface temperature of object through the use of infrared sensors. While it's a great tool for many maintenance tasks, such as insulation, Bosch also suggests it could be used for other household tasks, such as measuring the temperature of a pizza stone.

Under the Universal range is Bosch's "Easy" range — which is really one of its most interesting developments. In the past this has included the "EasyCut" system, making use of the nano-blade technology, but it now also includes Bosch's EasyImpact. This is a 12-volt impact drill that is designed to be used by DIY novices tackling larger projects. It makes changing screw rotation direct easy, with a simple click, and displays this information via green LED arrows on the back of the tool. Left in counter-clockwise — unscrewing — setting for more than 90 seconds without being used, the tool will automatically revert to its clockwise setting. The drill is also short and lightweight, in part due to its use of a brushless motor.

From top to bottom: AdvancedRecip 18 reciprocating saw, AdvancedTableCut 52 550-watt corded table saw. The 18-volt UniversalVac.



The YouSeries

Curiously, the real advance that Bosch has had to present in early 2019 is not about power or advanced technologies, but really about identifying a growing market, and developing — purely through good design — products that could access that market.

Bosch's YouSeries consists of three 3.8-volt tools with interchangeable, rechargeable Li-ion batteries, that are designed for people with very simple and basic DIY needs. The tools are a drill/driver, a multi-sander, and a handheld vacuum cleaner.

This range is defined in part by Bosch's slogan for it: "simple, compact, different". According to Bosch's press release:

The exquisite design of the range also includes attractive packaging, which was developed together with users, whose wishes are reflected in the small box: Stylish, compact, matt-black, high-grade - all of these factors were important for our design-oriented creators, who were keen to be able to store the compact powerhouses in their home together with the box.

The range is somewhat integrated, with the vacuum cleaner attaching to the sander via an accessory, which also provides a belt hook. Recharging is via a USB cable.

What comes to mind in looking at this miniaturised range of handy tools is the word "giftable". It's easy to see the YouSeries as a great house-warming gift, or even as a gift to someone moving into their first rented apartment. It taps into what is a large and growing market, of people who do need power tools for some very simple tasks, such as hanging a picture, or smoothing out a stain from a table top before using an aerosol to refinish it.

Finally, Bosch has also redesigned its iconic IXO screwdriver. (The name, incidentally, comes from a representation of the fasteners it can handle: flathead, "T"; Philips, "X"; and Torx "O".) The new design is certainly age-friendly, with a soft grip, and it has added the feature of an adjustable-speed trigger, which makes it easier to finish screws without marring the finish on woodwork. The IXO can also be recharged using a USB cable.



Analysis

Unlike any of the other major power tool companies, Bosch Power Tools has a unique position as it is just under 6% by revenue of its parent company. That parent company is heavily invested in a range of new technologies, from fully autonomous driving, to internet of things connectivity, as well as a full range of household appliances.

At some point, Bosch must realise that many of these technologies will converge, and bring added benefits to its power tools. For the moment, though, the power tools division mostly gives an impression of keeping pace with the existing market, adding some unique innovations, but no launching any breakthrough products.

The one area where it has begun to excel over the past two years, is in developing a range of power tools that will actually be attractive to modern consumers. The YouSeries is very noteworthy. It could end up both attracting good sales and acting as a gateway to future Bosch tool purchases. However, HNN would actually nominate the EasyImpact as the real breakthrough product here.

Time and again, in our visits to hardware stores, we have seen inexperienced DIYers facing the problem of what drill should I buy? It's not so much that the advice we've seen these consumers given has been of poor quality, but that often there simply hasn't been a good match between consumer and product. HNN thinks the EasyImpact is exactly the right product, with exactly the right amount of power and features for most beginning DIYers.

That isn't just about making a good sale to a customer. These sorts of tools can help customers get a good experience from an initial small DIY project, and encourage them to build their skills, and keep coming back to the retailer for more.

Stanley Black & Decker

Stanley Black & Decker (SBD) reported performance that fell below the expectations of analysts for its FY2018 results. For the company overall, revenue continued to grow, coming in at USD13,982 million, up by USD1016 million, or 7.83% on the previous corresponding period (pcp), which was FY2017. The company states that, of this number, 5% was “organic” (net of sales generated through acquisitions).

Historically, the growth rate for FY2017 over FY2016 was a high 11.84%, but the growth rate for FY2016 over FY2015 was 3.77%, and growth was negative in FY2015. There is a question as to whether the FY2017 result was an outlier, or, as SBD suggests, an indication of the company’s future.

In terms of earnings before interest, taxation, depreciation and amortisation (EBITDA), in adjusted terms SBD returned USD2187 million, up by 6.0% on the pcp. In non-adjusted, continuing operations terms, which takes into account expenses related to acquisitions, EBITDA was USD1737 million, which represented a decline of 20.0% on FY2017. The same number for FY2017 was USD2172 million, which represented an increase of 20.1% over FY2016.

In discussing the reasons for SBD’s overall growth falling short of expectations, the company pointed to what it termed “unexpected headwinds”. In his opening statements to the FY2018 annual report, James (Jim) M. Loree, president and CEO of SBD, detailed these difficulties:

As the year unfolded, we encountered a series of abnormally large, unfavourable exogenous forces that threatened to upend our financial performance, most notably material cost inflation, currency and tariffs. At \$370 million or 2.6% of sales, the magnitude and suddenness of these external operating margin headwinds was highly unusual, a “long tail” probability event. In the end, we offset all but \$50 million of the incremental headwinds.

SBD’s chief financial officer, Donald Allan, went into more detail about these headwinds and their ongoing impact when answering an analyst’s question at the presentation of FY2018 Q4 results:

So I talked about net headwinds of \$170 million. If you break that down a little bit, the gross headwind is about \$320 million and you have an offsetting price impact of \$150 million. Of that \$320 million, approximately 1/2 of that is commodity inflation, so it’s a significant number. We have seen positive trends around certain commodities, for sure. But we do have to remember that a lot of the commodities that we get are really engineering-grade commodities, and we haven’t seen as much of a movement in those commodities versus some other more straightforward commodities, in steel in particular.



The DeWalt Atom “sub-compact” 18-volt range has received mixed reviews.

Tools and storage

Looking at the specific segment of the company that relates more to power tools, tools and storage, revenue for FY2018 was USD9814 million, up by 8.5% on the pcp. The company stated that organic sales growth was 7%, of which 6% was due to increased sales volume, and 1% was due to gains from pricing. Breaking the growth down into regions, the company stated that:

North America growth was driven by new product innovation, the rollout of the Craftsman brand and price realisation. Europe growth was supported by new products and successful commercial actions. The growth in emerging markets was driven by mid-price-point product releases, e-commerce strategies and pricing actions.

In terms of profit this came in at USD1393 million for the segment, a decline of 3.2% over the pcp. When acquisition-related and other charges of \$142.6 million and \$81.8 million in 2018 and 2017 respectively are accounted for (as suggested by SBD), the FY2018 result declined by 7.9% on the pcp.

A strong positive for the company was the rollout of its Craftsman line of tools, the result of an over USD900 million acquisition from Sears Holdings. According to Mr Loree, speaking at the results presentation:

The Craftsman rollout is continuing to be well-received by end-users and our customers. For the year, it drove close to 2 points of revenue for tools and storage, net of cannibalisation. We are excited and encouraged about the success we are seeing as we continue the rollout in 2019.

Commenting on Craftsman, Jeffery D. Ansell, the president of tools and storage, said:

Adding to the strong acquisitive performance is Craftsman, which is exceeding both our [own] and our customers' expectations. We're on track to USD1 billion in revenue growth by 2021, 7 years ahead of schedule. This progress is being driven



by strong user acceptance. As such, we have achieved a 4.6-star rating across well over 1,000 products and outstanding in-store execution by both Lowes and Ace [Hardware].

Other positives for the segment include a deal with US big-box home improvement retailer The Home Depot, which Mr Ansell described:

We also announced last quarter that the Home Depot will now be the exclusive home improvement retailer for Stanley and Stanley FatMax hand tools and storage product portfolios, both in-store and online, beginning this year. The product will begin to ship in the front half of 2019.

Added to that is the launch of the DeWalt Atomic line of compact 18-volt tools, with a drill/driver and impact driver already making it to market, and an additional four tools to follow.

Perhaps the best question during the presentation of results came from Michael Wood, research analyst with Nomura Securities. Mr Wood asked:

If we take into account Craftsman accretion to growth and what – where we think you’re running at for price, it seems like there’s not much organic growth outside of Craftsman in tools and storage volumes. You seem to be tracking well above that currently, so I’m curious what is explaining the deceleration in that lack – in the business ex Craftsman. And does that concern you?

The slightly testy response from Mr Loree was:

Well, I think that we try to make it clear that the economic backdrop is one of slowing growth, it’s nothing to do with our market share. Our market share continues to outperform the market. And I think the reality is setting in, hopefully not just us, but most industrial companies are facing slower economic growth in the United States, in China, in pretty much most parts of Europe and the emerging markets.

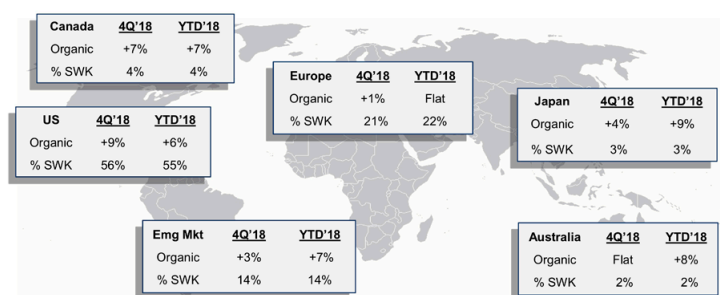
I mean, essentially the whole world except for a few bright spots like India, for example. But the reality is that economic growth that we see for 2019 ... is probably a good point lower than it has been in the recent couple of years.

And then on top of that, it’s no secret that the construction markets in the United States have slowed as well. So baked into our guidance is a reality check on the slowing markets.

It’s not catastrophic. It’s nothing that we can’t handle. But our long-term growth objectives are 4% to 6%. We’re putting 4% out there at a time when economic growth is slowing. Makes perfect sense to me.

Mr Loree provided a more expansive response to a question by Jeffrey Sprague of Vertical Research Partners, who asked:

Global Presence



I was wondering if you could elaborate a little bit more on what the kind of other margin enhancement actions you are taking. I assume those are above and beyond the Q4 restructuring.

Translating from analyst-speak, Mr Sprague is asking how the company intends to improve its profitability. Mr Loree responded, in part:

So we've been working a lot on different elements of digital technology and how that can be used to create value in our company, both from a value proposition point of view, in our products, in our business models, but also in our functional processes and so on.

It really occurred to us that if we could accelerate many of these things that we're working on and put some serious, accelerated focus on them, that – we started adding up the benefits from these various initiatives, like Industry 4.0, Advanced Analytics, Procurement 2.0 and indirect cost management, the technologies that exist today, to use analytics to really do those – and manage those various topics in a much more efficient manner is really compelling.

We've been experimenting with some of that, and we feel confident now that we have something that can generate hundreds of millions of dollars of benefit over a two to three year period. And we'll figure out what the exact amount is, and we'll share that with you in May [2019, at an analysts' conference]. But it's a very large number, and it's a very focused initiative. We're going to run it like an acquisition integration, with governance. Like I said earlier, we're going to focus on executing the growth initiatives that we already have and we're going to focus on margin expansion. And I think the combination of those two things is going to be incredibly powerful.

2019 Q1 results

The results for the company's first quarter of FY 2019 were broadly positive. For the company overall, net sales for the quarter were USD3.3 billion, up 4% on the previous corresponding period (pcp), which was first quarter FY2018. The company said that acquisitions delivered 3% of growth, price delivered 2%, and unfavourable currency exchange rate fluctuations subtracted 4%. According to Mr Loree:

We had a strong start to 2019, with above-market organic growth of 5%, led by 7% organic growth from tools and storage, and the benefit of our cost actions helping to offset carry-over from the 2018 wave of significant external headwinds.

Tools and storage net sales increased 3% on the pcp. Gains through volume of 5% and through price of 2% were partially offset by losses in currency exchange of 4%.

Analysis

The leadership of SBD has spent considerable effort to portray the company's lacklustre results for FY2018 as the equivalent of a "good save" from a potentially very bad situ-

ation. It's a good story, and no doubt there is a lot of truth to it. But the real question has to be, how did SBD put itself in a position where it would be so affected by these "headwinds"? This is especially on point when it is evident that some of its competitors were not so badly affected.

Beyond that point, however, there are strong questions that do emerge about the shape that SBD is assuming as it faces into its future. Many of the comments made by Mr Loree and others are encouraging, and seem to address the rapidly evolving and changing nature of the power tools business. However, it's difficult in some ways to really make this description of SBD's forward-looking approach (its investment in new technologies, adoption of Industry 4.0 principles and so forth) cohere with, for instance, its pattern of acquisitions and product launches.

If HNN were to suggest where the point of difficulty might arise, it would be that the concept of "innovation" at SBD seems to be quite general. That is, it's not clear the company really separately regards three possible types of innovation: innovation in technological development, which gives rise to new product developments; innovation in marketing; and innovation in process, such as the adoption of Industry 4.0 principles.

A good example is the development that SBD is most proud of at the moment (with some justification), its FLEX-Volt system. Is this more about technical innovation, or about marketing innovation? The answer is — inevitably — both, but where SBD would like it to be seen as more of a technical innovation, HNN has concluded it is more of a marketing innovation.

There is certainly notable technical development in enabling a battery system to detect whether it should deliver 18 volts or 54 volts (though this seems to be mechanical rather than electronic), and in enabling a battery to switch from serial to parallel connections to accommodate that demand. It really is questionable, however, whether that is a greater technical achievement than that of both Techtronic Industries (TTI) and Bosch Power Tools. Those companies have chosen instead to build systems that enables their tools to deliver power close to that of the 54-volt tools from a standard 18-volt battery.

From a marketing perspective, we could say that what makes FLEXVolt brilliant is that it has encouraged professionals to buy into what is really an additional battery system, on the basis that there is a limited amount of interchangeability between it and the previous system. The DeWalt brushless compact drill weighs in at 1.8kg, and a standard five amp-hour battery weighs 0.64kg, making a unit weight of 2.44kg. The lightest of the FLEXVolt batteries, the six amp-hour size, weighs 1.14kg, which would make a unit weight of almost 3kg — albeit with great runtime.

Where the perplexity over SBD deepens is really with its current pattern of acquisitions. Buying Craftsman, or substantial rights to the Craftsman name (essentially), no doubt is a good, market-expanding move. The tools that SBD has launched under the acquired brand are generally around the “prosumer” end of the range. One of the key selling points is that the range is “Made in the USA”, often stating the origin as Charlotte, North Carolina.

In terms of seeking new channels to market, this is indeed innovative. It’s a real insight to see that this familiar, well-worn brand could be revitalised with technology from SBD’s Stanley brand (for example). It’s also a good market niche to go into from the perspective of countering the upper end of TTI’s Ryobi cordless range.

But there is very little technologically innovative here — especially not in promoting a product based on its geographical point of origin. Where we are seeing real innovative development put into consumer tools by Bosch and Ryobi, the Craftsman acquisition is almost entirely about marketing.

There are similar concerns about SBD’s other biggish acquisition, its 20% share in MTD, with the option to buy the rest in the future. MTD manufactures and distributes lawn tractors, zero turn mowers, walk behind mowers, snow throwers, trimmers, chain saws, and utility vehicles. It targets gardeners, maintenance companies, landscapers, and the professional turf-care industry. However, pretty much all of its outdoor power equipment (OPE) relies on the internal combustion engine, fuelled with petrol. (There is one all-electric cylinder mower for high-end gardening.)

One could argue that this is a good alliance, from the point of view of SBD using this as a basis to develop cordless OPE, but the fact is there would be a half-dozen better acquisitions if this were the main purpose. Once again, it’s the acquisition of a good channel to markets, but any kind of real technical innovation is almost completely lacking.

The marketing as innovation approach to growth through acquisition is almost the hallmark of late 20th Century industrial enterprises. It’s not the “next stage” for power tool companies. That next stage will be reached when we begin to see the market valuation of power tool companies based more on the potential for large increases in sales due to the high value of future products, rather than the better exploitation of existing markets.

To shorthand what that means, and how it will be reached, the industry will know it’s there when instead of concentrating on developing Industry 4.0 in its own operations, it becomes a key component in customers being able to develop Industry 4.0 in their own operations. That’s still a fair way off, but in its recent actions SBD is moving at best parallel to that objective, and not towards it.

Makita

Japan-based Makita Corporation saw a slight increase in its revenue for FY2018/19, which ended on 31 March 2019. Revenue for the year was YEN490.6 billion, up from YEN477.3 billion in the previous corresponding period (pcp), which was FY2017/18. Earnings before interest and taxation (EBIT) was close to flat, at YEN79,919 million, down 0.1% on the pcp.

The result was buoyed by particularly strong sales in Japan itself, but held back in large part by unfavourable fluctuations in currency exchange rates. Revenue in Japan grew by 11.1%, and also grew in Europe, by 5.5%. Sales also grew strong in Oceania, including Australia, but the weak Australian currency meant that in Yen terms, revenues declined by 3.4%.

Revenue also fell slightly in North America, by 1.1%, as competitive pressures continued to increase. While sales in both China and India were promising, sales elsewhere in Asia (outside Japan) were poor, resulting in 7.2% fall in sales for the region. Currency concerns also created a slight fall in revenues from Central and South America.

The strongest decline came in the Middle East and Africa region, where ongoing political and economic troubles saw revenue fall by 11.1%.

In its results release, Makita pointed to a robust global economy at the start in mid-2018, which, however, showed signs of slowing, a negative outlook worsened by trade difficulties between the US administration and China. The company states that in order to cope with current and future declines it took a series of future-looking actions, which included:

- Expanding Lithium-ion cordless tool production, incl. producing tools that would equal corded tools in power output
- Further developing cordless outdoor power equipment, including steeldeck lawnmowers
- Further globalise product facilities
- Reduce labour requirements of production facilities through the use of more automation
- Increase attention on sales and after-sales service

Looking ahead

Makita sees the world in FY2019/20 continuing to be troubled by its current tensions. It does, however, see an opportunity for increased sales in areas where the market seeks solutions to social problems, such as an ongoing shortage of labour, and environmental demands.

The company outlined four basic strategies for the year ahead. It will seek to take the initiative in developing new technologies through expanded expenditure on research and development. The company intends to strengthen its presence in outdoor power equipment, through a range of new products and increased sales activity. Makita will make

production more efficient and more flexible through a series of upgrades. Also the company states that it intends to:

Strive to raise its brand power by promoting the establishment of a sales and after-sales service network to offer community-based and fine-tuned response to needs of customers around the world.

As part of his statement accompanying these results, Munetoshi Goto, representative director and president of Makita, stated:

Since cordless products have many advantages including improved safety, convenience, and comfort for users, and reduced exhaust gases, noise, and consumed fuel, Makita also focuses its resources on the development of outdoor power equipment. Amid a paradigm shift from engine-powered equipment to cordless equipment to improve global environmental problems, the Company will try hard to turn its cordless outdoor power equipment business into a new pillar of the Company, on a par with its power tool business.

Makita will bring these products to market promptly and in a timely fashion. Through these business activities, Makita contributes to the establishment of a sustainable society.

Analysis

One of the first outstanding technical achievements to emerge from Japan, in the 14th Century, was the development of metallurgy that enabled especially fine swords to be produced. These relied on a hand-crafted bi-metal configuration, where variable tempering of the steel produced a weapon with a flexible core that could absorb shocks without shattering, and a more brittle edge, which could be honed to a very fine point.

One of the legends that emerged from that time was of a master sword maker who challenged his best apprentice in a sword-making competition. Both laboured mightily, and each produced superb swords. The test was to be to place the swords in a swiftly-flowing creek, and to see what happened.

The apprentice's sword was amazing. Everything which touched the sword — leaves, twigs, fish and even the wind — was instantly split.

When the master's sword was placed in the creek, however, while it cut leaves that passed by, it did not touch fish, and the wind whistled softly around its keen edge.

At first the apprentice mocked his master, declaring his work superior. But a passing monk offered a different interpretation. He said:

The first of the swords was by all accounts a fine sword, however it is a blood-thirsty, evil blade, as it does not discriminate as to who or what it will cut. It may just as well be cutting down butterflies as severing heads. The second was by far the finer of the two, as it does not needlessly cut that which is innocent and undeserving.

It can be discriminatory and even condescending to interpret the actions of a company by the social nature of the nation from which it emerges, but few would doubt that there is a resonance between this story and the corporate ambitions of Makita. The company has always seen its tools as a force for achieving social good, and in large part Munetoshi Goto is reminding the company that this core of values is its most essential resource when facing tough times.

The difficulty with this position, however, is how it aligns with the need to adopt change, and sometimes quite radical change. Where this has worked especially well in Japan is when there has been a unifying concept that can be relied on as a core value. What the West has come to call “lean” techniques of management and production, for example, developed around a core understanding that you could focus less on manufacturing efficiency, and more on understanding what waste was, and how it came about.

Makita does continue to substantially lag other large power tool manufacturers in terms of technical development in some areas. On the other hand, some would say that it continues to be superior in some mechanical aspects, in particular the repairability of its tools. But it remains difficult to imagine the company, unless it finds an additional organising principle, really keeping up with some of the technical changes that are coming.

Techtronic Industries

You would think that if any power tool company would be negatively impacted by the “headwinds” that have brought down the 2018 results for Bosch Power Tools, Stanley Black & Decker and Makita, it would be the Hong Kong-based Techtronic Industries (TTI). In 2018 the chairman of TTI, Horst Pudwill, and its CEO, Joe Galli, both effectively promised that this was not going to happen. And, as the results for TTI’s FY2018 show, they delivered.

TTI revenue for FY2018 came in at USD7021 million, up by 15.8% on the previous corresponding period (pcp), which was FY2017. Earnings before interest and taxation (EBIT) came in at USD607 million, up 17.0% on the pcp. Net profit for the year was USD552 million, up by 17.4% on the pcp. The company’s core power equipment business provided the bulk of the revenue, at USD6009 million, up by 17%. EBIT for the division was USD598 million, up 16.9% on the pcp. TTI’s other main division, floorcare and appliances, also put in a good performance, returning sales of USD1012, up by 9.3% over the pcp, and it delivered an additional USD2 million of EBIT, reaching USD9 million.

In commenting during the results presentation on the difference between TTI’s performance and that of its direct competitors, Mr Galli said:

People tend to link our prospects with our competitors’ [prospects]. But, you see, we are taking share from our competitors. So of course their results are bad. Of course they’re going to blame housing, because we’re killing them in the marketplace. So please stare at that 15.8%. That is well above market. You know, we used to be classified as an industrial company. We are now a technology company that happens to make labour saving devices called floor care and lawn mowers and power tools.

Commenting later about the issue of inflation in commodity prices, which was directly cited by Stanley Black & Decker as one reason for slower growth in FY2018, Mr Galli said:

And, yes, we face the same commodity inflation as our competitors. But, no, we don’t use commodities as an excuse. We find ways working with our distribution partners, working with Home Depot, we find ways to become more efficient as a supplier so that we can offset the issue of commodity inflation and still deliver gross margin improvement.

As usual, Milwaukee Tool, TTI’s premier trade/construction/industrial cordless tool business, was the growth



star for the company, increasing its worldwide sales by 28.2% over the pcp. The company's annual report outlined the Milwaukee's innovations for the year:

In 2018, Milwaukee Tool introduced the most powerful line of M18 FUEL products ever. These tools have the performance of traditional corded tools but with the productivity and safety of cordless. The M18 FUEL 1/2" Hammer Drill Driver is the most powerful and compact in the Milwaukee Tool range. The powerful M18 SUPER SAWZALL reciprocating saw was launched with faster cut speeds than a corded reciprocating saw delivering up to 150 cuts per charge. The new M18 FUEL Table Saw allows contractors to rip large jobsite materials to size while creating more power than a corded saw and providing unmatched run time. The break-through M18 16" Chainsaw was introduced with the power to address the most demanding application and the capability to outperform gas and higher voltage competitors.

Mr Galli pointed out in his remarks that Milwaukee is growing far faster than the sector to which it is nominally allocated.

So the highlight of the year, of course, was the 28.2% growth in Milwaukee. Now think about that for a second. We're supposed to be in an industrial sector that grows GNP – and we're up 28%! This is unheard of. We outgrow the market like four times. And the thing that you have to realise is we still are just getting started here. This is this is not an endpoint. What we've done is build out a foundation of strength and momentum. And I can assure you that that kind of growth rate is just a signal of our potential. We actually have the boldness to be able to guide that we're going to grow Milwaukee over the next three years, I feel very strongly, we will grow this business 20% a year. And, look, history is the best indicator of the future. So five year CAGR [compounded annual growth rate] of 23% and, yes, Milwaukee base is getting a lot larger. But yes the amount of new product coming in will blow your mind. And, yes, we believe we can grow 20% a year and the gross margin, of course, for Milwaukee is highly accretive. So when you wonder how our gross margin keeps going up, obviously if Milwaukee outgrows every other company, that gross margin is going to keep going up as well.

And, yes, we invested heavily in our R&D to drive our Milwaukee product development system. Eventually that SG&A will leverage down. We all know that. But right now we're in a land grab. We are we are literally in an environment where there's so much opportunity. We think there's an opportunity with our competitive set. We think there's massive opportunity for us to expand geographically, and we are we are going to seize that opportunity here and continue to invest.

SWITCH TANK
INTERCHANGEABLE SPRAYER AND WATER SUPPLY SYSTEM



Analysis

One of the key points that Mr Galli made during the results presentation was that TTI's profitability and growth is associated with the health of the construction and home building industry in the US and elsewhere, but is not determined by it. This has been one of the central tenets of the development of TTI by Mr Pudwill and Mr Galli. While a narrower focus on those markets might have boosted company results further during building booms, TTI's leadership was all too aware that construction is a highly cyclical industry. Instead, the company has worked hard to establish a broad market base, one which includes, as Mr Galli pointed out, maintenance operations such as power utility companies.

The real strength, though, of the team at TTI has been its ability to combine two approaches to the market that usually do not go together. It has managed to be both "cutting edge", and "restrained". While the company has pushed hard for more technological advances, it has also moved to closely match current market needs, while controlling costs.

The future, two or three years from now, might need a more expansive approach to take advantage of the great operating, financial, and technological development base the company has established. Perhaps what we will see emerge is an additional "tech forward" brand at TTI, one which can pioneer convergence and connectivity, including connectivity to the company's existing brands.

HNN has included on the following pages, as we usually do, the full transcript of Mr Galli's interesting results presentation.



Alpha

Multi-tool Blades

Alpha is pleased to announce a new versatile range of multi-tool blades.

The Alpha multi-tool product range offers superior blade technology to complete any task with ease and perfection. Packaged for maximum visual appeal, and to increase self service with clearly defined product information, the Alpha multi-tool range is guaranteed to be a consumer favourite.



Universal shank
Fits all common multi-tools

Nail Buster Extreme

- Wood & Nails
- Metal
- Plastic & Fibreglass

3X LIFE



TITANIUM NITRIDE COATING

for faster cutting & longer life

BI-METAL
stays sharper for longer

Japanese Tooth

- Wood
- Plastic

3X LIFE



DUAL ACTION

ideal for **FAST** timber cutting

Alpha provides the most relevant range of blade styles for the trades *maximising your return on investment!*



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TTI BLAZES AHEAD



Thank you Frank OK. I would like to try and help you understand two misperceptions that are restricting the stock price of this company.

First of all, you notice we grew 15.8%.

That is dramatically better than the market.

And the misperceptions are that, number one, people think that we're a housing stock. Every time the housing cycle changes people will think it's going to affect their company. And I'm going to show you today once again we are not a housing stock. Now that issue is propagated by our competitors, who when they have bad results, they blame housing or they'll blame some other issue.

The second point is people tend to link our prospects with our competitors' [prospects].

But, you see, we are taking share from our competitors. So of course their results are bad. Of course they're going to blame housing, because we're killing them in the marketplace. So please stare at that 15.8%. That is well above market. You know, we used to be classified as an industrial company. We are now a technology company that happens to make labour saving devices called floor care and lawn mowers and power tools.

Hopefully today's results and our strategy will clear this up a bit. So yes we were up 17% in the flagship power equipment business and floor care is finally showing the benefit of

Joe Galli, perhaps the power tool industry's best CEO, being interviewed on TTI's 2018 results. To view the interview, go to: cnb.cx/31zXaXo

a painstakingly thought-through turnaround plan, which I'll show you some details today. We had an outstanding gross margin performance last year. Fifty basis point [bps] improvement in gross margin. And I'm equally proud that we were disciplined enough to invest in strategic SG&A. We added 20 bps of investment in R&D last year, which you're going to see the benefit of in the next five years and you're not going to believe the product flow and the new business flow that we will show you in this company.

The organic growth we can achieve the next five years is going to be very, very exciting and very good for investors. And of course profit was up 17.4% and 15.8% sales growth. So we've got leverage. But make no mistake, we are investing, and it's conscientious investment in SG&A (Selling, General & Administrative). We're investing in new product development and we're investing, we're building out a geographic expansion program attacking new countries that we've never been in before that will allow us to harvest the benefit of all these new products and even more marketing companies throughout the world.

Ongoing growth

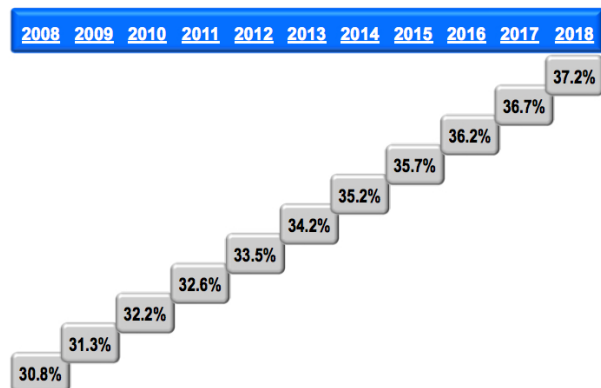
So this chart is a thing of beauty. We should frame it Frank put it on the wall in the office. Take the art down, 10 years in a row. And what's most important about this chart is that we're not finished yet. Our guidance is that we will continue to improve our gross margin as a percentage of sales roughly 50 bps a year over the next three years.

That's pretty strong guidance. And, yes, we face the same commodity inflation as our competitors. But, no, we don't use commodities as an excuse. We find ways working with our distribution partners, working with Home Depot, we find ways to become more efficient as a supplier so that we can offset the issue of commodity inflation and still deliver gross margin improvement.

I'm extremely proud of what our team achieved in working capital. Can you imagine growing 15.8% and having working capital still produce USD65 million of cash flow? Where have you ever seen a company growing as fast as we are, that's so efficient at working capital management, that working capital becomes a source of cash.

Now, our customers, Home Depot is our largest customer and we have other really key customers around the world. And they expect us to deliver product when they need it. And that's why we put more inventory in this year,

Gross Margin Trend



2018 Working Capital

(US\$ m)	2017	2018	Change
Inventory	\$1,467	\$1,767	
<i>Days</i>	88	92	+4 days
Receivables	\$1,106	\$1,089	
<i>Days</i>	67	57	-10 days
Payables	\$1,574	\$1,922	
<i>Days</i>	95	100	+5 days
WC % of Sales	+16.5%	+13.3%	
+\$65M Cash			

as a conscientious decision to be ready for improved sales. And it worked out great, but we funded all that inventory investment by being relentlessly disciplined in receivables, and doing a better job managing our suppliers with payables.

Why did our receivables go down 10 days a year? Which is extraordinary. It's because we don't take chances, we don't sell customers in high risk countries when there's a risk that they may not pay their bills. Sometimes we don't get credit for the things that we don't do at TTI. We didn't rush into Turkey or Argentina. Our competitors are saying that their payables, their receivables are issues because they went into these high risk countries. We were very thoughtful with our geographic expansion programs and we don't we don't take bad debt risk.

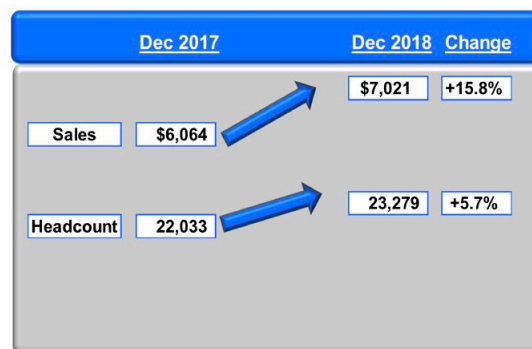
And because of that, working capital was actually a source of cash at a time when we grew 15.8%. The basic productivity measure of any company is [if] sales outgrow headcount. And once again, sales outgrow headcount. And you know this trend we believe will continue as well.

One of the things that is a real differentiator for the company and this has become an unassailable competitive advantage for TTI. We've been investing in campus recruiting and hiring in our leadership development program, in hiring blue chip high potential college graduates from over 75 campuses around the world.

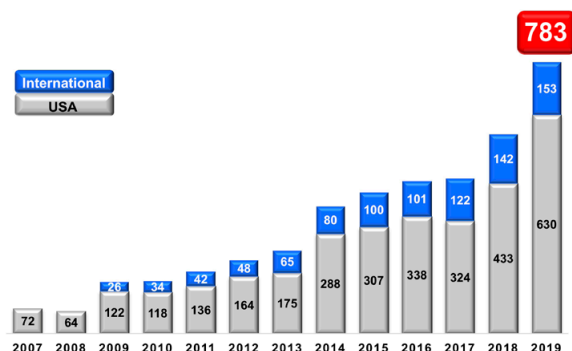
This investment has been going on year after year. In fact in 2019 we're going to hire over 780 college graduates. These are handpicked superstars off-campus that will populate our sales and marketing and engineering and logistics and finance organizations throughout the company. And this pool of talent will give us the ability to continue to grow, because we have people that can manage the ever-growing enterprise we're creating here at TTI.

The campus recruiting program especially because most companies struggle with this, because the payback here is not instant. It takes three or four years for a college grad to actually produce a good return on investment. And the first thing new CEOs do is they whack the campus recruiting because it's easy to cut. You don't feel the pain for about three or four years. But anyhow, we're very committed to this program. We now have over over twelve vice president level executives in the company that started as a college graduate in our LDP program. And that number is going to go up a lot over the next five years.

Productivity Progress



Campus Hires – LDP



Floor care

So let's let's look at the some of the product launches today and I'm anxious to get to Q&A to help clear up some of the misperceptions about the company.

First of all, as we have promised, we now have a plan in floor care to win. Our floor care business has struggled. The competitive set in floor care is formidable. We respect the competitors here a lot, and we have just launched something that is a true breakthrough. We call it One Power.

Finally we have a cordless floor care system that's led by the core product, the pole vac, which is now the most popular type of upright vacuum cleaner in the world. And this system has an interchangeable battery so the same battery that powers the pole vac will also now power a series of other products whether they're blowers or wet drive vacs, spot removers etc. And by coming up with a detachable battery system, we create a tremendous value proposition for the user. Because if you buy your vacuum cleaner now with the charger and two batteries, then you can buy these other products without the battery and charger so you pay literally half price for these fantastic products the same battery used in all the different products.

Remember we're the global leader in cordless technology. Lithium technology. So the the efficiencies we have in purchasing in manufacturing and power tools, of course cascades into our floor care system now. I can tell you the momentum that we have with our retail partners in this One Power launch is really really exciting. So, yes, floor care will improve. It won't happen overnight, but over the next three years you'll see floor care become a contributor to the company's improvements in EBIT, as opposed to an excuse.

We also have been tremendously successful with our new generation carpet washing, our Power Dash which is a lightweight product and the Smart Wash system. These these products have taken off like wildfire, and it gives us true optimism as we look forward in our floorcare business so floor care is not perfect yet, but we now have a way to win and we're excited about it. And you will see the results here over the next three years.

Power tools

Okay. Let's shift gears to power tools. Frank mentioned our global leadership position in Ryobi One+. Ryobi One+ is unique. This is this is the world's largest cordless DIY system and we have the only overarching platform in batteries



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that goes from power tools to outdoor. So the same batteries can work whether you're working in the yard or around the house. We have the broadest line of high performance DIY cordless products in the world. We're about to roll out another 15 One+ products in our power tool division alone.

So what you have with this One+ system is a platform that has become seriously number one in the world in consumer DIY power tools and the number two competitor is, really, there's a tie with five different companies for number two. We're so far ahead in this space, I don't think people realise that strength in the position that we control today.

Outdoor

And in outdoor, we also have a great story. We are pioneering a global shift a revolution from petrol powered lawn care to cordless. So lawnmowers have historically been gas or petrol powered. And we have developed over 20 different lawnmowers that are powered by a Lithium battery. Can you imagine the benefit to the environment when you go from gas to using a Lithium-powered outdoor product?

You can see some of the products here today. We grew last year 17% in outdoor. And you have to remember last year, one competitor after another announced how terrible the weather was in Europe and in the US and how the weather conditions hurt the numbers and we're in the same 50 states in the same countries. And we were up 17%!

What that tells you is this business is not linked to housing starts. We are not associated with our competitors. It doesn't matter whether the market grows or shrinks. We are changing people from gas to Lithium. So we control our destiny. The global market for mowers is roughly USD9 billion. The market in its cordless is less than 2% today. And believe me we're going to change that, and we will be on the vanguard of that revolution here when it comes to outdoors.

So this is another area where we're really just getting started. We actually have competitors that are investing in gas-powered lawnmower companies as we speak. That would be like buying a pay phone company to prop up your sales and earnings in the short term. And we don't do pay phones. We're doing smartphones and that's how you have to look at TTI. We're a technology company focused on the future. And that's one reason why our results continue to be so strong.

OK. So this is the outdoor family. This is just outdoor, just lithium-powered products. And that slide is going to get busier and busier the next three years because we have dozens of really interesting outdoor products with the same battery systems that you see today.



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Milwaukee

So the highlight of the year, of course, was the 28.2% growth in Milwaukee. Now think about that for a second. We're supposed to be in an industrial sector that grows GNP — and we're up 28%! This is unheard of. We outgrow the market like four times.

The thing that you have to realise is we still are just getting started here. This is this is not an endpoint. What we've done is build out a foundation of strength and momentum. And I can assure you that that kind of growth rate is just a signal of our potential. We actually have the boldness to be able to guide that we're going to grow Milwaukee over the next three years, I feel very strongly, we will grow this business 20% a year.

Look, history is the best indicator of the future. So five year CAGR of 23% and, yes, Milwaukee base is getting a lot larger. But yes the amount of new product coming in will blow your mind. And, yes, we believe we can grow 20% a year and the gross margin, of course, for Milwaukee is highly accretive. So when you wonder how our gross margin keeps going up, obviously if Milwaukee outgrows every other company that gross margin is going to keep going up as well. And, yes, we invested heavily in our R&D to drive our Milwaukee product development system. Eventually that SG&A will leverage down. We all know that. But right now we're in a land grab. We are we are literally in an environment where there's so much opportunity. We think there's an opportunity with our competitive set. We think there's massive opportunity for us to expand geographically, and we are we are going to seize that opportunity here and continue to invest.

If you look at our regional performance this is a very exciting chart. Of course we were up in North America. That's our home market, 27.9%. But look at Europe. How many articles have you read that they say Europe is slowing down. How many of our competitors complain that Europe is a tough market. And we grew 33.8% in Europe. Whether it's Brexit issues or people talk about Italy being struggling somehow our team found a way to grow 33.8% in Europe. And I can tell you that the next three years, our European theater of operations will be one of the most exciting growth areas in the company. Whatever the economy does in Europe. Because we're changing people from traditional power source to cordless.

As we focus on just cordless for a moment, let's remember back over the last four years there's been a lot of noise, competitive noise in the cordless market. And there's some people, some analysts, thought we would be affected by some competitive introductions. The fact is our main line of cordless, our high technology FUEL system, which is brushless motors and advanced

2018 Region Sales

(US\$ m)	2017	2018	% Growth
Region			
North America	\$4,626	\$5,372	+16.1%
<i>Region %</i>	76.3%	76.5%	
EMEA	\$919	\$1,071	+16.6%
<i>Region %</i>	15.1%	15.3%	
ROW (Rest of World)	\$519	\$578	+11.4%
<i>Region %</i>	8.6%	8.2%	

onboard software technology, we grew 45% last year. That's three times the rate of our competitors' recent introductions in the cordless space. Forty-five percent growth in cordless. And I believe that that's a number that indicates the potential here, not an endpoint. You will see us continue to outgrow the market at a big rate because of our strategy here which is quite different.

Beyond housing

So here's why you need to stop worrying about the housing cycle please, and stop reading our competitors' press releases. We are transforming the global market for power tools and equipment from traditional power source to revolutionary Lithium-powered cordless. Whether it's a corded power tool, a pneumatic tool, a hydraulic tool, a gas or petrol powered tool, or, importantly, even a manual device, we're transforming all those traditional, World War II era power sources — seriously — to Lithium-ion cordless. You know, we have the broadest line of professional cordless in the world today. That line's going to expand like crazy over the next three years, and everything we launch will be high technology, will outperform the market and will give us even more opportunity to continue this revolution.

So let me give you a couple examples. This lovely device is called a pipe threader. This is the first pipe threader ever developed that's cordless. So we are entering a market. So this device you put on a pipe and you spread it so that you can attach a fixture.

All the pipe threaders in the world today are corded. This one is cordless, first time ever, and not only is it more convenient but this cordless pipe threader is faster than a corded unit. Can you imagine, the cordless pipe threader is faster than corded it because of the AI we build in, because of the software technology. It's also safer because we have a clutch. And if this gets locked up instead of throwing you across the room, this thing shuts off and it actually becomes a safety advantage. So many contractors will insist on switching because of the safety element.

Now that's an example. We have literally hundreds of products like this we're developing to change people from old fashioned World War II power source to cordless. Okay here's another example. This is the first in the world ever one inch impact wrench. I love this product, this to me it's a very sexy product for subcontractors. So what you have is a large size anvil to drive sockets for bridge building and ship building. Historically you would use a device that weighs three times as much as the cordless unit. It's tethered. It's either pneumatic so it's got a hose or it's corded. If it's corded, it runs off a generator which burns diesel fuel and has all sorts of hazardous elements.



This is the first in the world. And let me tell you what this is not. This is not a residential construction product. You will not find this around a house. This is bridge building ship building etc. And you know what we're trying to show is that we our sort of market has very little to do with ResCon and housing and a lot to do with the rest of the world. And that's why we have so much potential.

So today, here's another cool impact driver. This impact driver was designed for the power utility industry. We'll talk about that in a second. You'll notice when you work on a power line you have to wear a glove that's insulated. Otherwise electrocution risk is bad. So you insulate yourself but that glove is huge. So on this particular impact driver, we extended the handle so you can actually use it with the glove to keep you from getting electrocuted. Now it seems like a simple thing, right?. First ever in the world and you know we have many of these kind of innovations that will help propagate this revolution to cordless.

We now have the broadest line of impact drivers in the world today. These are not ResCon products. These are all industrial construction maintenance infrastructure projects and the leadership position here gives us a great entry point into these these different verticals, again, that are not ResCon. Here's another example. We just developed an angle grinder with an electric brake — cordless. You turn it off it stops in three seconds which is which is a major safety feature. And that now gives us the broadest line of cordless angle grinders that have these special features. Again these are not ResCon products, but [this] allows us to the infrastructure space.

OK here's another cool product. This is called Switchtank. Here's a cordless sprayer and you can switch from a pesticide to water to a detergent to concrete sealant. And we sell different tanks that work off the same platform. And for an end user in a commercial job site, this is a big breakthrough. And again, of course it's cordless with the same battery. Here's an extension of our Milwaukee outdoor products. We call this a chain saw on a stick. It's a polesaw and it's part of a broad line of outdoor products that has allowed us with Milwaukee to use the same battery and serve the landscaper in the professional marketplace outside of the workshop.

Of course we have pioneered the concept of Lithium-powered cordless lighting. Lighting on job sites historically was powered by noisy generators that burn petrol. Now we shift to lithium-powered lighting. There's no electrocution risk. It's the same battery you buy for your power tools. And this this is a category that's taken off like wildfire for us and it has immense long-term potential.



Future growth

So, you know, today we have the broadest line of cordless professional tools available. And this line has expanded so much that a very exciting phenomenon has happened. Historically a tradesman, a core tradesman — plumber, electrician, carpenter, contractor, datacom installer — a core tradesmen would have, back in 2008, maybe four tools, cordless tools, three batteries. But because this technology has expanded — figure this as apps for the iPhone, right. Because the technology has expanded, we think last year that the average core tradesman went to 39 tools and over 30 batteries.

So when you're wondering how we're going to keep growing, let me tell you in five years from now, that chart is going to continue to go up and up and up because as we come up with more cordless applications and we liberate people from the pneumatic and hydraulic and petrol etc, there will be reasons for people accumulate even more tools per tradesman.

Of course that creates an opportunity for storage: where are you going to put all those tools? And of course we have the answer: PackOut which is the world's fastest growing power tool storage system. This is a system we've created, invented, it's interlocking, it's got really cool features, And selling like crazy. So if you wonder how is TTI going to keep growing, just think of the phenomenon that every user we have is accumulating more tools per year that are cordless. They're going to need more batteries, and a battery is a consumable, it wears out and you have to buy additional batteries, and you have to store the thing. So there's a lot of growth drivers that we have in front of us here.

Utility company fleet sales

OK. So let me just finish my remarks before we open up for Q&A. Let me give an example, again, to help you understand why we're different than our competitors and why we're not focused on homebuilding and ResCon. We have core trades at Milwaukee. These are all non-residential construction. One of the most exciting is the power utility market. If you think about around the world, power utilities, the utility companies represent a huge end user market. This is a market that — utility companies tend to be monopolies so they make a lot of money. So they have a lot of money to invest in safety and productivity, and we find this base loaded with innovation potential.

So let me give an example. This lovely device is an overhead cable cutter. So this is not for little wires around the house. This is to cut cable that can be two inches thick and it's cordless. Historically you would need a pneumatic cable cutter to do the same application. It would cost three times as much, makes all kind of noise, is inherently unsafe. And we solve that, liberate this user, with these cordless cable cutters.



We have actually developed an awesome range of power utility products. This entire fleet of products is targeting the the power utility companies that have to fix the power lines and install this equipment to support infrastructure around the world today. We have come up with a really cool marketing strategy. We have actually these trucks, these cherry pickers, bucket trucks that we use. And we call on the end user, this power utility user and we demonstrate our products and we have a truck that makes them feel at home. And when there are storms we actually send these trucks into the storm zones to help these power utility people repair things in use. We show them how in the most dire conditions how cordless is much faster and safer than the way they've been doing it historically. And let me just take you around the world and tell you how this is going, just to give an example of one area of focus that's non-ResCon.

So this is a power utility company in Florida that's switched all to Milwaukee. Here's one in Pennsylvania, USA, on Milwaukee. This one in Canada Ontario. You see the happy end users who who were liberated and made the switch. And here we have Mexico City more happy users. Tasmania. Believe it or not you know, the Tasmanian users were old fashioned, and now we've liberated them to something more more appropriate. Here's Perth, Australia. Here's a massive infrastructure company, a power utility company in Denmark switched 100% to Milwaukee. And even in China we are now starting to penetrate mainland China with very exciting success stories in power utility.

Conclusion

So this to summarise before we open up for questions. TTI is a different company than our traditional peer group. We respect our competitors. We learn from them. But we're nothing like them. Our strategy is, we are a technology company. We're obsessed with cordless. We hire different kinds of engineers. We're focused on software development engineers and AI in our tools. We are moving away from, abandoning, traditional power sources like petrol and AC [mains electricity]. We are not focused at all on ResCon. We're focused on the infrastructure markets around the world. We're focused on liberating people from gas to the cordless in the outdoor arena, and even in DIY tools. I think that you'll see, the results today will give you an indication of the potential we have going forward. We intend to continue to grow this company at a much faster rate than competitors. We will continue to grow the profits while we invest like crazy in our future and I think that's going to put us in a very exciting position. And Mr. Chairman I turn it back over to you.

RETAIL CASE STUDY

#30

Mark Rohde – Director
Abbott Supply
Bendigo



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

How old is the business?

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

How long have you been involved?

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

Who are your customers?

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

You joined HBT in July 2011 – why?

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

What else would you say about HBT?

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

Can people call you about this?

The number is 0419 586 186.



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

www.hbt.net.au



LESS COGS MORE OPEX

Australia's independent hardware industry has met the challenge of lower prices. But now a new challenge is emerging, as major retailers invest in lifting store productivity and effectiveness.

Independent hardware retailers, aided by buying groups, have done a great job over the past three years in closing the price/margin gap with the market's major competitor, the Wesfarmers-owned Bunnings. They have managed to narrow the gap to the extent that price has become less relevant to customer choice. At the same time they have highlighted the advantages they offer, introducing a new competitiveness into the market.

However, in the wake of these developments, and just as most hardware retailers are feeling somewhat confident about price/margin, a new competitive challenge is developing. It's one that, while its effects may be delayed by a couple of years, will prove to be just as significant as the price/margin struggle that began 15 years ago.

AWN smart shelves provide some advances over standard shelving, with bright, animates shelf and endcap displays, and stock tracking. Yet most shelving has changed little since the 1990s. An opportunity lost?

Resetting strategy

It's understandable — given the drive and effort involved in answering the price/margin challenge — that much of independent hardware retail strategy has focused on what, in managerial accounting terms, we refer to as gross profit and gross profit margin (GPM).

Gross profit is gross revenue minus the cost of goods sold (COGS). GPM is that gross profit divided by gross revenue, usually shown as a percentage. For most hardware retailers, COGS is simply the cost of buying stock, plus in-shipping costs (delivery to the store) and, in a few cases, out-shipping costs (delivery to the customer) as well.

GPM for retailers is thus really about the effectiveness of the wholesale supply chain, and how that measures up to current market conditions. Most retailers have a good sense of what the minimum GPM they need is, and it's a convenient “score card” for tracking overall progress.

Given the current market situation, GPM has also been used as a measure of competitiveness. It helps retailers to determine what their baseline profitability is, given the current wholesale cost of goods, in the context of market price constraints. For most hardware retailers, “market price constraints” comes down to “what does Bunnings charge?”.

Retailers will often determine their prices by thinking about the customer value chain (CVC) for a product in the context of the Bunnings price. That goes something like: “Bunnings is charging \$X, but my store is less of a drive for them, we have better store amenity, plus knowledgeable, personalised service, are community involved, and offer payment terms on accounts, so I can charge \$X plus Y%”. Keeping an eye on GPM makes sure that \$X plus Y% remains clearly profitable.

There are good reasons why this has become a dominant approach, but it does lead to strategies that are purely cost-focused. The difficulty with cost-focused strategies is that they typically do not promote much in the way of either growth or productivity improvements.

Bunnings and other large retailers are very aware of this limitation. They are also aware that, when it comes to squeezing more value out of the supplychain, future gains are likely to be small and incremental. That's especially the case as, with analysts expecting the RBA to cut Australia's baseline interest rates eventually down to 1.0%, we could be looking at an AUD that is worth around USD0.61 to USD0.64. That makes imports from China more expensive than they have been in the past. This is a condition likely to continue for the next two years, at least. Such currency depreciation will wipe out most supplychain efficiency and competitive gains.

This is of acute importance to Bunnings, because the company's pricing focus remains on consumers, not competition.



COGS to OPEX

- Hardware retailers have done well in reducing the impact of prices on sales.
- However, with the supply-chain unlikely to produce large economies, large retailers, such as Bunnings, have shifted to spending on productivity and other improvements.
- One way of looking at this is that CAPEX is now being spent on OPEX, rather than on reducing COGS.
- The COGS competition favoured companies with scale. The coming OPEX competition will favour companies with size.
- One result is that buying groups will not be able to help as much in this new area as they did during COGS competition.
- Independent retailers will need to re-conceive their strategies, and find ways to improve productivity if they are to continue to be competitive.

That means that relative pricing advantage, while welcome, is not the endgame. As former Bunnings managing director John Gillam famously told analysts at one Strategy Day briefing, “the margin is the outcome”. In cases where that margin begins to become thin, Bunnings usually responds by influencing the outcome, rather than simply raising prices.

The realisation that the supplychain will yield low levels of growth is what has led many major retailers to adopt the next wave of competitive strategies. These were initiated over two years ago, but reached peak development during the past year.

It's easy to get a little distracted by the specific technologies and techniques that are being used to implement these strategies (such as data analytics), but it's the core strategic intent that needs to be acknowledged. That strategic intent can be represented by saying Bunnings (and other retailers) are taking a closer look at performance measures outside of GPM.

In particular, they are placing more strategic focus in the area of operating profit, which is derived by subtracting operating expenses (OPEX) and COGS from the company's net sales. OPEX is made up mostly of sales, general and administrative (SG&A) costs, along with costs such as those for research and development (R&D). The performance number that gets derived from this is operating profit margin (OPM), which is the operating profit divided by the net sales, usually represented as a percentage.

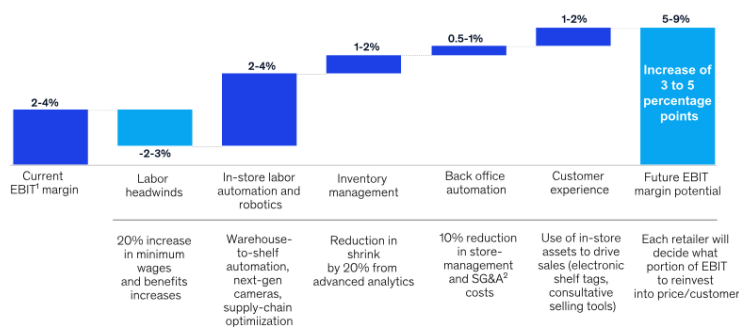
Where does CAPEX get spent?

If we look a little deeper, however, the situation is just a bit more complex than this. Some analysts see most company strategies as coming down in the end to the interactions between three, fundamental core components of large businesses: COGS, OPEX and capital expenditure (CAPEX). In retail you can pretty much split companies up into those that use CAPEX to boost COGS and those that use CAPEX to boost OPEX. US big-box retailer Wal-Mart is a classic example of the first category, and The Home Depot exemplifies the second.

Wesfarmers as a whole — and Bunnings in particular — is a company that is switching from the first category to the second. This explains — at least in part — why the company de-merged Coles into a separate entity. The supermarket business, as it exists today, will remain all about COGS, which means, given the supplychain constraints, it will continue to be low-growth.

Business consultants McKinsey have developed a series of short articles on how retail is likely to transform past 2020. “A transformation in store” details how technology can improve productivity, and help to lift profits.
mck.co/2vM8bpP

Technology will likely double store profitability.



¹ Sales, general, and administrative
² Earnings before interest and taxes

McKinsey
& Company

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While this may be a large change for Wesfarmers and Bunnings, many independent hardware retailers may wonder why it should be of concern to them — how much worse, after all, could competition from Bunnings get? But in reality, whether it is intentional, or a matter of “collateral damage”, this shift in strategy by Wesfarmers is likely going to have a great effect directly on independent hardware retailers.

That effect is going to be sharp because, at least as things currently stand, the independents don't have a mechanism which will help them to catch up with Bunnings, as they did during its COGS-oriented strategy, where they were ably assisted by buying groups.

One major reason why the OPEX strategy is harder to counter than the COGS strategy, is that every COGS strategy is, at heart, based on the utilisation of scale. Bunnings' pricing helped it establish and retain scale, and that scale further enabled pricing. Independent hardware retailers fought back through increased discipline in their buying groups, a narrowed focus onto a limited range of suppliers, which resulted in increased volumes in strategic products from those preferred suppliers. Buying groups created scale, in other words.

OPEX strategy is, by contrast, not based on scale in a business, but on its size instead. Though they seem to be almost the same thing, they really aren't. There are businesses with large scale, but small size, and large businesses with small scale. Wesfarmers, of course, has both.

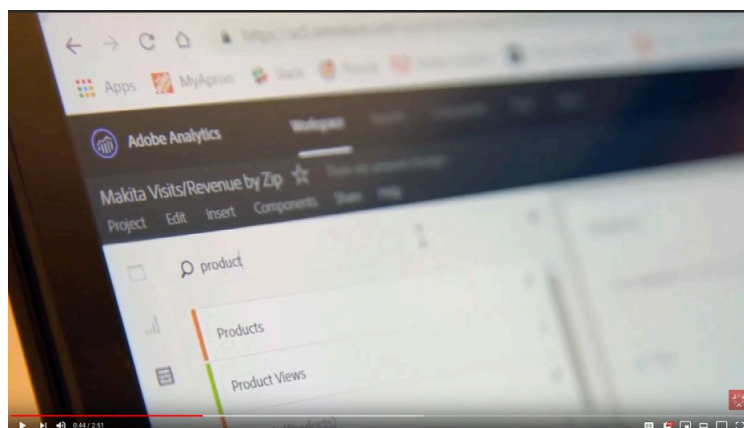
One question that independent retailers often have is, what are the practical uses of something like data analytics? One answer that surfaced during The Home Depot's May 2019 investor presentation came from the company's head of merchandising, Ted Decker, when he described new processes for changing up product ranges as they aged.

Previously, we would wait for a category to degrade, then we would launch a comprehensive line review, which takes months to implement changes. We're now establishing the process and tools to continuously review our assortments, line structure and space requirements so our merchants can better sustain category performance.

Our aim is to ride the crest of the wave rather than degrade and have to reset. To accomplish this at scale, we're building out the technology to support an automated end-to-end process that incorporates our assortment, planogram, fulfilment, project planning and execution applications. Going forward, we'll be even more agile and will update our assortments or change space assignments more frequently and with better accuracy.

If you want a quick glimpse of some of the benefits of data analytics, when tied into a combine store/online retail system, this short video from Adobe (which makes analytics software) will provide a good overview. It's a glimpse of what The Home Depot is doing.

Click to watch:
youtu.be/7WGH_s13Bns



Instead of tracking falling results for a product over two or three months, then taking another two to three months to bring in a solution, The Home Depot will be able to compress all that into less than two months. The company can do that because it's relying on a wide dataset drawn from a number of stores in a specific region. The impact on customer relevancy and satisfaction, as well as profits, will be considerable.

The size of Wesfarmers — at this point fully cashed-up from the Coles de-merger — enables it to invest considerable sums (likely over \$800 million for data analytics) in developing new technologies, new connectivities, and integrating these into its businesses. On the cost side, that expenditure is amortised over its market reach. On the gains side, given this market reach, even a fractional gain will enhance its position across those markets, and bring significant returns.

Size has always been an advantage, but there are strong indications that it has become more advantageous since the global financial crisis (GFC). There have been increasing concerns expressed by global economists over the past five years, as they have noticed a growing disparity between the ability of two types of firms to grow in terms of productivity at a much higher rate than the overall slow productivity growth at the majority of firms. Those two types of firms are large firms that have a dominant market position, and those that are on the “cutting edge” of technological development in a market — frequently new entrants.

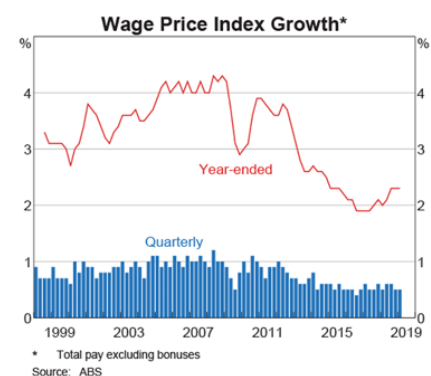
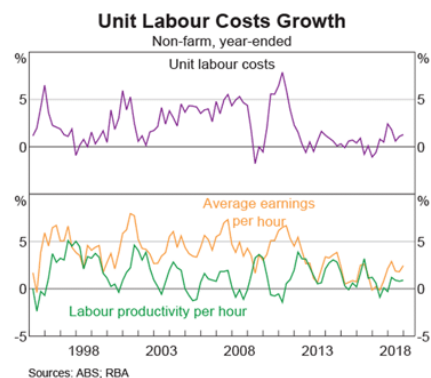
This was a central theme of one of RBA governor Philip Lowe's more seminal speeches, “Productivity, Wages and Prosperity”, delivered in mid-2018. Its core thesis is that, ultimately, wage growth that is not due to other inflationary forces, comes down to increased productivity — more pay for more goods produced, in simple terms. In line with this, low wage growth, despite declining unemployment, could be seen as resulting from poor growth in productivity. As there have been many advances in productivity, this isn't about innovation and development, but rather the spread through firms of all sizes and types of those developments.

Discussing why workers' wages continued to grow by at between 1% and 2% per annum lower than expected, he said:

Part of the story is likely to be changes in the bargaining power of workers and an increase in the supply of workers as the global economy becomes increasingly integrated. But another important part of the story lies in the nature of recent technological progress.

There are a couple of aspects of this progress that are worth pointing out. One is that it has been heavily focused on software and information technology, rather than installing new and better machines – or on intangible capital rather than physical capital. The second is that the dispersion of technology and productivity between leading and lagging firms has increased, perhaps because of the uneven ability of firms to

Classic economic theory would indicate that as unemployment falls (less supply), wage growth should accelerate. This has not happened in the Australian economy since 2014. Instead wage growth is 1% to 2% below where it should be. One reason for this could be a decline in productivity growth.



innovate and use the new technologies. The OECD [Organisation for Economic Co-operation and Development] has done some very interesting work documenting this increasing productivity gap.

Both of these aspects of technological progress are affecting wage dynamics. 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.

The OECD study cited by Mr Lowe looked at firms that were on the “frontier” of productivity development. In general they had 1.9 times the number of employees of non-frontier firms, and 14 times their turnover. According to the study:

Firms at the global productivity frontier are on average four to five times more productive than non-frontier firms in terms of MFP [multi-factor productivity – labour and capital], while this difference is more than 10 times in terms of labour productivity (which does not control for differences in capital intensity). On average, global frontier firms are also larger, more profitable, more likely to belong to a group/conglomerate and patent more intensively than other firms.

In a more comprehensive study by the OECD, “The Future of Productivity”, the difficulties are more clearly stated:

The Future of Productivity illustrates that the main source of the productivity slowdown is not so much a slowing of innovation by the most globally advanced firms, but rather a slowing of the pace at which innovations spread throughout the economy: a breakdown of the diffusion machine. Indeed, a striking fact to emerge is that the productivity growth of the globally most productive firms remained robust in the 21st century but the gap between those high productivity firms and the rest has risen.

These conclusions were echoed by a highly technical paper on the diffusion of innovations and hence productivity, “The Middle Productivity Trap”, by Dany Bahar, published by the Brookings Institute in 2017:

Firms at the top are innovating and appropriating the returns to those innovations, but those innovations, perhaps given prevalent market frictions, are not trickling down to laggard firms.

Mr Lowe continued his remarks about productivity and innovation by commenting on what happened with firms that were unable to adopt innovations:

[F]irms that are not able to innovate and take advantage of new technologies as quickly are slipping behind and they feel under pressure. As a way of remaining competitive, many of these firms are responding by having a very strong focus on cost control.

That is pretty much the situation that many independent hardware retailers find themselves in today. As they continue to try to get as much as they can from a COGS-based strategy, they concentrate on cost reduction. But cost reduction

“Firms that are not able to innovate and take advantage of new technologies as quickly are slipping behind and they feel under pressure. As a way of remaining competitive, many of these firms are responding by having a very strong focus on cost control.”

– RBA

creates a situation of diminishing returns, with few chances of any developmental outcomes.

Concentration

There is one more factor that plays out in the Australian hardware retail industry that makes this move by Wesfarmers and Bunnings so powerful. The effects of this new kind of strategy are multiplied when business concentration (percent of a market controlled by individual businesses) is high. Another very good RBA paper, “Business Concentration and Mark-ups in the Retail Trade Sector”, provides some useful information about this in relation to hardware retail.

As Chart 1 from that paper shows, when it comes to the overall industry outlook, retail trade is just barely in the top 10 of the most concentrated industries in Australia.

However, when you look at how that situation is changing, it's evident that retail trade is becoming increasingly more concentrated. As Chart 2 shows, retail trade had the second-highest rate of consolidation during the period from FY2001/2 through to FY2014/15.

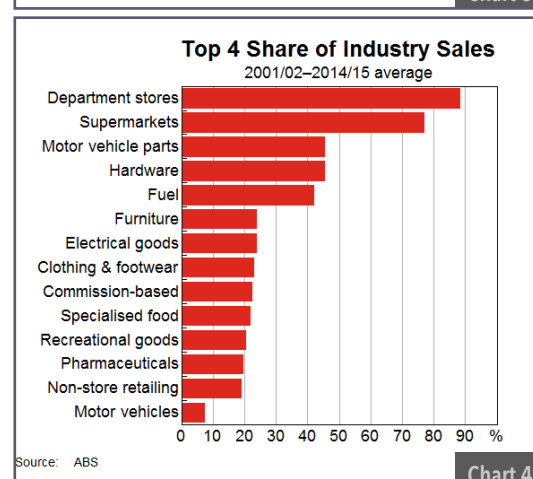
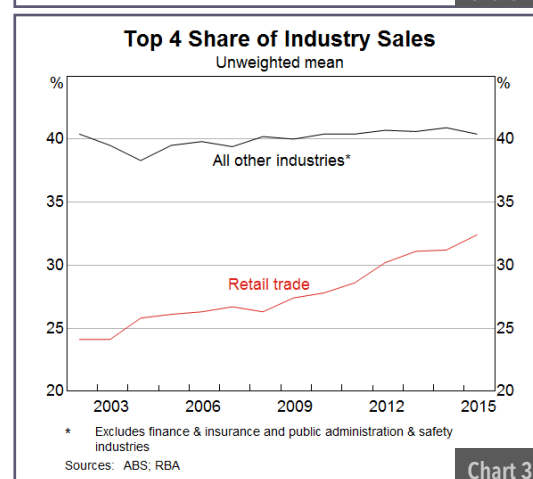
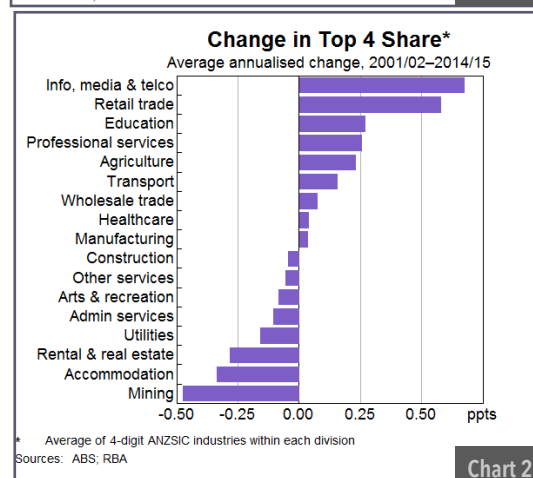
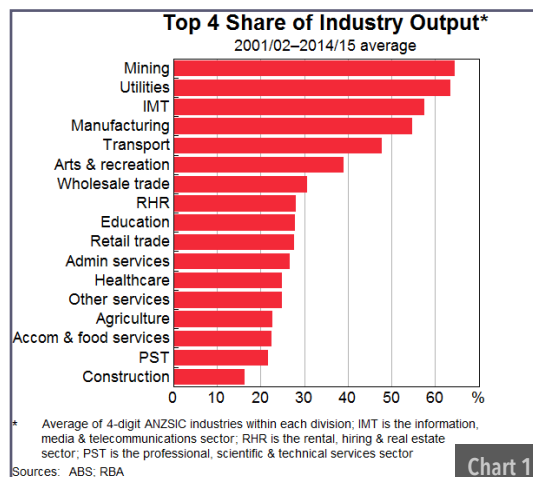
Chart 3 shows how consolidation in retail tracked against that for Australian industry overall.

The most significant chart for hardware retail is Chart 4, which shows the extent of consolidation across retail categories.

When it comes to consolidation, hardware is evenly tied at third overall, behind department stores and supermarkets. Being the major player in a heavily consolidated industry — and everyone in hardware realises that most of that consolidation comes down to the marketshare controlled by Bunnings — is important with the kind of OPEX-based strategy Wesfarmers is implementing. That's because the “catch” to this strategy is that it can create profound second-mover advantages.

Typically, the lead company in an OPEX-based strategy will spend hundreds of millions on development, then lose its third-most important data analytics employee to a competitor. The competitor can then develop the same technology at reduced cost, or leap-frog over the technology in the market. Non-disclosure agreements are effective, but nothing can stop someone eventually applying the knowledge they've gained for the company of their choice.

With market consolidation, however, there is unlikely to be a second-mover in hardware retail. There is, for example, a huge gap between the technical competence of Wesfarmers and that of Metcash.



Wesfarmers' viewpoint

There is little doubt that Rob Scott's new strategy for Wesfarmers and Bunnings is brilliant. One way of looking at the recent history of Wesfarmers is that its failed venture into the UK market with Bunnings UK and Ireland (BUKI) was the result of its basic COGS strategy in Australia beginning to run out of steam. Faced with declining growth prospects, the company could either find new areas to deploy the existing COGS strategy, or self-disrupt into an OPEX-based strategy.

It chose the former, and unfortunately entered a market where it turned out more of an OPEX-based strategy would have been necessary to succeed. Under Mr Scott, Wesfarmers now has very clearly chosen the latter path, and self-disrupted (though the company would not describe it as such). That means it has reset its future prospects — while also accepting significantly increased risk.

One of the really key points to understand from Wesfarmers' perspective is that part of what led it to undertake BUKI was the company's efforts to not enter into territory where its control of markets became an issue. Wesfarmers could have chosen to expand the number of Bunnings warehouses by 40% over four years, for example. That move might have attracted the attention of the Australian Competition and Consumer Commission (ACCC), and might even have opened the door to discussions about breaking Bunnings up into two smaller companies.

In a sense, the OPEX-based strategy is a means to reach a similar expansion, but as it is based on the current store fleet (plus incremental expansion), it's not going to attract the ACCC's attention. It's difficult to hold back a company that is expanding purely by increasing the efficiency and effectiveness of its existing operations.

New strategies

How will independent hardware retailers cope with these emerging challenges? One of the real difficulties is that this strategy, unlike the COGS strategy for price/margin, is not going to be readily apparent as a competitive force until it has been in operation for a year or more. As it will take up to two years to formulate a response, that could mean that independent retailers will continue to suffer a severe hit even after they've identified the problem.

The very first point, then, is to start preparing now. Even if independent retailers don't see Wesfarmers getting very far with its OPEX strategies, or think that the value of data analytics has been overrated, businesses will not be harmed by adding some additional strategic thinking to their operations.

Faced with declining growth prospects, Wesfarmers could either find new areas to deploy the existing COGS strategy, or self-disrupt into an OPEX-based strategy.

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Buying groups

As was mentioned at the start of this article, over the past three years hardware retail buying groups have done an unexpectedly great job at helping to solve the price/margin problems caused by the competitive COGS strategy of Bunings. It seems only natural, given that success, that independent retailers should turn to these groups when it comes to dealing with this new competitive challenge.

However, buying groups have made it very clear recently that this is unlikely to be an area with which they will engage. That is, in a way, only to be expected, as anything called a “buying group” is bound to be mostly concerned with, well, buying.

HBT, for example, at its most recent 2019 National Conference, made repeated references to “getting back to basics”. It seems to have meant by this that the group’s management intends to pursue a more narrow focus on buying, particularly in achieving lower prices and higher rebates for its members. As a consequence, it has increased pressure on members to adhere to using its recommended suppliers, so as to increase their volume and create economies of scale.

Similarly, IHG has ramped up its focus on prices since the acquisition of the Home Timber & Hardware Group (HTH). While it offers a more diverse range of services than HBT, including television, print and radio advertising, as well as an established store livery, bannering and, with its Sapphire program, comprehensive store fit-outs, these remain directed towards maintaining pressure on members to make purchasing decisions that benefit the IHG buying strategy directly.

This renewed focus is, in one sense, a welcome development, and a sign of the maturing of the 21st Century, connected market. At least, that is one side of the story. The other side of it is that buying groups have not really been all that effective when it comes to providing support outside of buying and supplier relations.

That was heavily underlined when, at the 2019 IHG Expo in Adelaide, general manager - merchandising, Annette Welsh suggested that the solution to members advertising on social media was to assign the task to a staff member who was able to do this, presumably in spare “down” time. It’s not that Ms Welsh was wrong: given IHG’s lack of technical abilities, it simply cannot provide training and support in this area.

Similarly with HBT, while the group has made some attempts to find suppliers who can help members build effective websites, they have not been all that successful, and the group has now pulled back from some earlier efforts. Again, this makes sense, as members will benefit more if HBT concentrates its efforts on what it does best: low prices and high rebates.

The other side of it is that buying groups have not really been all that effective when it comes to providing support outside of buying and supplier relations.

Alternatives

If buying groups cannot provide assistance and support to members outside the (very important) activity of purchasing, where will they find the help they need to deal with the new challenges that are emerging? Who will help them counter Wesfarmers' OPEX-driven strategy?

There are really two answers to this question. The first is that the industry is likely a year or two away from seeing technology reach the market that will provide significant opportunities for retailers. Two areas that HNN believes will see significant development are digital-based marketing (not ecommerce), and enhancement to in-store sales capabilities. Once that technology is more available, it will be easier for individual retailers to innovate.

The second answer is simply that independent hardware retailers are their own most significant and effective asset. Thus the best strategy for many retailers is to think about ways in which they can disrupt existing business models based on their own knowledge. By "disrupting" we mean not only expanding existing markets, but finding better ways to deliver value to customers, mainly through a process sometimes termed "decoupling".

Potential developments

In the history of modern industry, most of the core development to overall economies has been based on OPEX strategies. The classic innovative move is to invest CAPEX in new OPEX technologies that enhance productivity and, after an initial high expense, deliver significantly boosted margins in the long term.

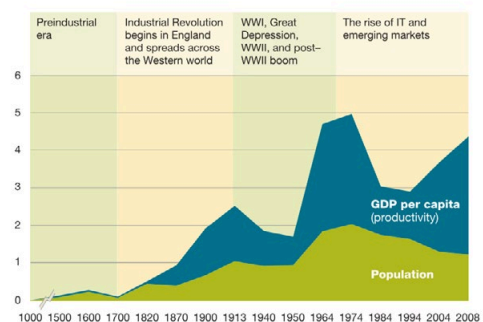
It was just such a strategy that triggered the first Industrial Revolution, which took place from the mid-18th Century through to about the 1830s. The invention of the power loom multiplied worker productivity by a factor of 40, and the cotton gin by a factor of 50. The development and deployment of that machinery was massively expensive at the time, but it rapidly paid back the investment.

To take a seemingly simple example of this kind of investment for hardware retailers today, let's consider the strategy of investing capital in improved store fitout — replacing existing fittings with new shelving, storage, signage and amenities. Done right, that kind of investment can guide customers to what they need, and help to reduce pressure on staff, freeing them for other activities — a classic productivity improvement.

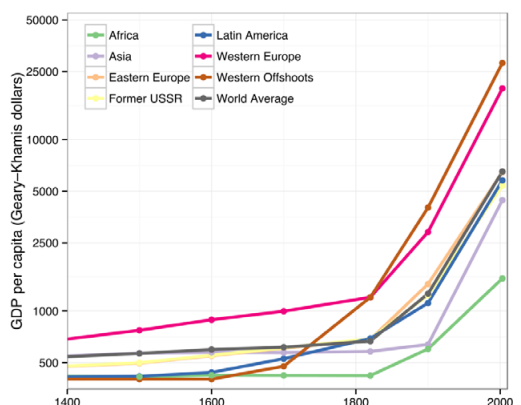
It might seem simple, but this kind of business decision is actually complex. First there is the cost side. There's the high cost of replacing shelving, which includes purchase of standard shelving, designing this to

Top, a historical estimate of growth rates per-capita. Bottom, an historical estimate of per-capita GDP.

Contribution to world GDP growth, GDP per capita vs population, years 1-2008, compound annual growth rate (CAGR), %



*X-axis labels represent end points in ranges—eg, the range 1 to 1000 CE is labeled as 1000, 1000 to 1500 CE is labeled as 1500, and so on.
Source: McKinsey Global Institute analysis based on data from economist Angus Maddison



suit the space and the merchandise, as well as costs for customisation. Also, there is the cost disruption that comes with change, including destocking and restocking. Not to mention the increased risk profile, and a number of unknowns, such as unforeseen OH&S issues, that could come up.

The benefit side is just as complex. How much will the change boost productivity, and how long until the investment pays itself back? How does the investment need to be coordinated with other store activities, including advertising, and online promotion? How will the changed location of items be communicated?

All these costs need to be considered from the point of view of opportunity cost as well. Where else could that money be spent on, and how would the return on investment (RoI) compare?

It's not surprising that many of the hardware retailers HNN has spoken to over the years have faced this decision, and decided not to redesign their stores, but instead "fix them up" as best they could. Importantly, one of the chief sources for good displays for those who go down this path are their suppliers. Companies such as Klingspor and Sheffield have invested a great deal of time and money in coming up with effective displays, and they offer their displays under attractive terms to retailers. A pattern we've seen repeatedly is store owners then subtly repurposing these displays to present a wider range of goods.

If you drill down into this situation, what is really going on here? One thing that stands out is that this part of the industry seems barely to have evolved over the past 10 to 15 years. There is certainly a low-level of customisation to the modern needs of hardware retailers.

Perhaps the place where this is most surprising is in suppliers who specialise in customised design and fittings for hardware retailers. It's not that their designs are unattractive. In many cases they can certainly really improve retail experiences, but the question is: are the transformations they make actually worth the expense?

There are two major problems with existing store fitouts for hardware retailers: a persistent idea that somehow "pretty" layouts translate into the best possible sales results, and an almost complete lack of technological development.

It is certainly true that there are still hardware stores out there that have developed on an ad-hoc basis, and have an almost Dickensian complexity to their product presentation, often based on his-

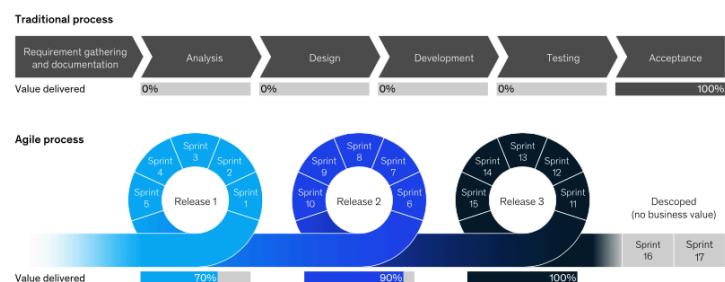
Business consultants McKinsey suggest a more modern approach to store redesign. Rather than a single big project approach, they suggest doing individual "sprints", which focus on a limited area of the store.

This employs more modern business methodologies, including an agile approach to change, and the use of "design thinking" in developing solutions.

<https://mck.co/2XbvOE3>

An agile process delivers value more quickly than the traditional process does.

Comparison of format-redesign approaches



McKinsey
& Company

torical layers of new product lines added on to existing product lines. These can really benefit from a bit of streamlining.

But anyone who has taken a good look at the merchandising in Bunnings will note that the big retailer deliberately breaks up its merchandising, making it less “pretty”, and a little interruptive. Hardware stores are not supermarkets. It’s not a presentation designed to deliver an image of hospital-like sanitation. The real goal is, actually, engagement.

Imagine if store designers and shelving suppliers just applied some basic technological developments to shelving, and included lighting, security and audio/visual merchandising built into shelf units. It’s a simple matter to add LED light strips, per-shelf video cameras would probably cost less than \$5 each, and, likewise, touch-panel tablets are available for under \$35. All of that would need to be integrated into a central dashboard system, but that kind of software development has never been more inexpensive than it is today.

That kind of development would completely change the risk/reward balance for store fitout. Today’s fitout brings the satisfaction of a clean, orderly store that is logically laid out, and easy to restock. The end goal of a more technologically advanced fitout would see retailers provided with a dashboard on the screen of the PC in their store command centre. This could tell them which areas of the store received the most activity, track stock losses down to exact time and place (and person) by cross referencing item selection from the shelf with register checkouts, as well as enable them to download relevant product marketing, advice and specifications to displays on a shelf-by-shelf basis. High RoI from this kind of advancement becomes far more certain.

The argument against these types of systems would be, of course, cost and complexity. Technology tends to wear and breakdown over time. It also becomes outdated, and needs periodic updating.

The solution to these problems would be to change the fitout industry entirely, by moving from sales of this type of shelving system, to leases running three to four years. At the end of the lease, shelving could be replaced, and the used units refurbished by plugging in new modular technology units, then re-leased by another customer.

In this way, by converting a standard CAPEX expense into a more pure OPEX expense (“pure” in the sense that you are not just translating CAPEX into OPEX through estimated rental costs), not only would the risk profile be lowered, but

This screenshot from an Intel video on stores of the future, which is still being presented by the company today, shows how development has stalled. The video avatars are still using Blackberry phones, and the references are to Intel technologies two or three generations in the past. The retail revolution didn’t happen six years ago, because retail became increasingly about price.



the hardware retailer would also, in effect, be outsourcing much of the business of store design and fitout to companies that were experienced in precisely that business. For example, when it came time to replace the fitout, these experts could look at the data gathered over three years by the security system to track customer purchases and general buyer behaviour. This could lead to real insights, which would help retailers both generally improve their stores over time, and adapt to changes in the market.

Obviously, this is something of a futuristic solution, but there are two things that emerge from this that have immediate relevance. The first that stands out is that, while we've presented an advanced vision, it is astonishing just how little store fitout has been affected by emerging technologies — if at all. When the RBA and the OECD write about a “low level of diffusion” of productivity-enabling technologies, this is precisely what they mean.

Looked at from the ground level, what's standing in the way of at least some technology making its way into the selling-space of hardware retailers? One element is that there are incumbents in the store fitout industry that are not being challenged. That's to be expected during periods of economic slowdown, and it's a trend — as the OECD points out — that has become more dominant since the GFC.

The other aspect is that most of the incumbents — and some prospective new entrants as well — really cannot cope with what we might term a “category change”. Store designers are nice people who typically have an architectural/interior design background, with a couple of engineers thrown in to help with structural design issues. They know very little about technology. Most importantly, they still see store design as a passive, assistive function that works to support the sales staff. What's needed is, instead, active, engaging systems that self-sell to interested people.

This pattern repeats in just about every example of diffusion of productivity-enhancing technology being blocked. The fact is that most companies today, making just about any product, are also technology companies as well. That's easy to say, but it turns out that understanding and following-up on its implications is often very hard to do.

A much more positive element is that, in looking at this possible future for fitout, we can also see the basics of how independent retailers can match the new competitive challenge from Wesfarmers and Bunnings. As we said in the beginning, the earlier price/margin COGS strategy was based on scale, and the new OPEX strategy is based on size. Countering the COGS strategy was done through buying groups. As this example indicates, one way of countering the OPEX strategy is through outsourcing.

Today's store designers know very little about technology. Most importantly, they still see store design as a passive, assistive function that works to support the sales staff. What's needed is, instead, active, engaging systems that self-sell to interested people.

In the scenario we've outlined, the company that is supplying shelving as a service would, when refitting a shop to achieve maximum productivity and sales effectiveness, rely on data it had gathered not just from that store, but from every store it serviced. In other words, where Wesfarmers has an advantage in pure vertical size, outsourcing firms can equal this through horizontal, cross-market size in a specialised area.

Customer strategies

The phrase "customer centric" often tempts many independent hardware retailers to roll their eyes just a little. After all, what retailer is not, ultimately, customer centric? And no one ever stands up to suggest the real answer is going to be a customer hostile strategy, do they?

However, there is a new business movement towards what are called "customer-based strategies", and this is a little different. The core assumption in their modelling is that it's not technology, usually, that disrupts business, but customers with changing needs and demands.

One of the clearest proponents of this strategy is an associate professor at Harvard University's School of Business, Thales Teixeira. Dr Teixeira has written a book on the subject, that is largely quite useful, entitled *Unlocking the Customer Value Chain* (\$20 ebook at Amazon AU).

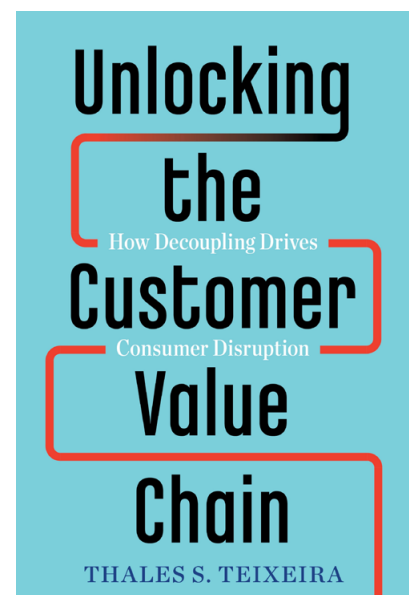
The disruptive activity that Dr Teixeira and others advocate is a little like category specialisation, where a retailer moves into a popular subcategory, and by covering it extensively, grows marketshare and margin. The difference is that, instead of doing this with a product category, it is done with a type of customer action directed towards a category of purchases.

There are three core concepts behind this type of disruption. The first is the customer value chain (CVC), which outlines the processes a customer goes through in a commercial transaction. In general, this is made up of four steps: evaluate, choose, purchase and consume. The goal of decoupling is to disrupt a dominant player in a market by taking over one of these steps, while leaving the others in place, capturing value for your own business in the process.

The second concept is to consider that interactions between a retailer and customer have one of three characteristics. They can be value creating, where value is delivered to the customer. They can be value charging, where the customer provides value (often, but not always, monetary) to the retailer in exchange. Or they can be value eroding, a step that is necessary, but not really related to providing value for anyone. Dr Teixeira suggests that each of these interactions creates an opportunity to decouple part of the CVC.

The third concept is, in various ways, quite familiar to retailers. The main motivation for consumers in deciding to go

Available as an eBook on Amazon:
<https://amzn.to/2Zgw1Wr>



with a decoupled process or not is the cost, and that cost can be broken down into three parts: money, time and effort. Dr Teixeira suggests measuring the effort part of all this in what he calls “elementary information processes” (EIPs), the “cognitive steps” a consumer takes, such as selecting a product and paying for it online.

We can see how this kind of analysis might work if we take an example just slightly outside of hardware. We can look at the rise of independent services which offer to assemble IKEA furniture for customers. Consumers purchase IKEA furniture, take it home, and the assembler stops by to put it together for them.

This is not at all disruptive to IKEA — in fact, IKEA encourages these services, and promotes them to its customers. The company has teamed up with gig economy company Airtasker to provide both a set fee service, and a biddable service for the assembly of its furniture.

Of course, for most people in hardware, it seems a bit odd, as the idea of buying from IKEA is to reduce costs by self-assembly, so the natural question is: why not just buy already assembled furniture from retailers such as Freedom, Fantastic Furniture, Berkowitz, and so forth?

That’s a great question, and it takes us to the heart of the matter. The part of the process that is getting decoupled here is the final, consumption element — what happens to the product post-purchase, leading up to and including its first use.

Traditional furniture stores fulfil this aspect through the simple act of delivering the furniture. But that activity, it turns out, is quite costly in terms of both time and money. The consumer has to pay for delivery, and this is usually a relatively high fee as a percentage of total purchase, especially for single items.

That’s because deliveries require specialised equipment — a large truck or van — plus usually two personnel, typically fit males. In terms of time, most delivery services — even today — do little more than to specify one entire day when they might make a delivery. As most households now have two working adults, who are not typically at home even on their days off, this is a major time cost.

In the IKEA situation, delivery for most customers is taken care of,

Get your IKEA furniture assembled

Airtasker and IKEA Australia - making furnishing your home or office even easier.

Post my IKEA task



Cart

Large items
Delivery to VIC 3000

DOCKLANDS 2 Seat Fabric Sofa ☆

Fabric: Harbour
Colour: Fog
Size: W 1360cm x D 890cm x H 780cm

🗑️ 1 + \$699.00 **\$489.00**

🕒 \$99.00
WEEKDAY DELIVERY

🕒 \$119.00
SATURDAY DELIVERY

Have a promo code? ▾

ORDER SUMMARY

1 x Large items	\$489.00
Saturday Delivery To VIC 3000	\$119.00
TOTAL	\$608.00

🛡️ 2 year furniture warranty



as all you need is a hatchback, station wagon or one of the increasingly ubiquitous SUVs to take the flatpack furniture home. Where the costs get really high — for some, not all consumers — is when it comes to putting the furniture together, which is all about the time spent and the EIPs processed. It's a very daunting task for consumers who aren't "handy" and/or have trouble understanding non-textual assembly instructions.

The assembly services are, in contrast to delivery services, less expensive. It's a task that doesn't require very much expertise (less than truck driving), can be accomplished with limited equipment (the most important being a 12-volt electric drill with a hex bit to replace Allen keys), and usually can be scheduled to within an hour or so.

In a technical business sense, we could say that the consumer is running an arbitrage of assembly costs against delivery costs. Delivery costs have become inflated over the net value they return, largely due to poor customer service. Meanwhile assembly services have been embraced, enhanced and made both simple and inexpensive.

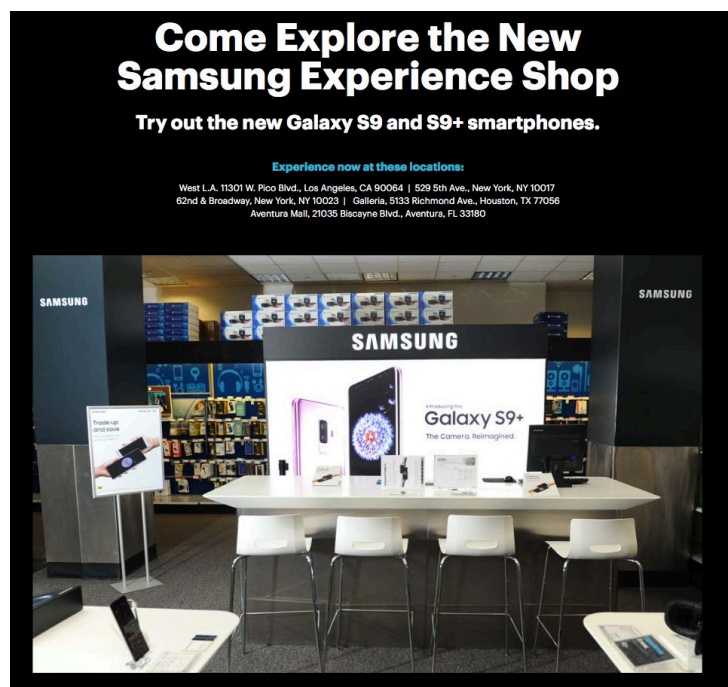
If this does sound just a little familiar to hardware retailers, this kind of do it for me (DIFM) decoupling sales technique is actually employed by Bunnings as well. Some sources indicate that something like half of all Kaboodle brand kitchens are assembled by people who specialise in just that.

Power tools

To continue looking at decoupling, we can take an imaginative example that is part of hardware retail to better illustrate the process. One of the examples which Dr Teixeira refers to in his book is the case of the US big-box consumer retailer Best Buy. Post 2010, Best Buy began to experience problems as online shopping grew. Customers would visit its stores, see a product they liked, then purchase it for less from Amazon on their smartphones.

Best Buy eventually found no alternative to simply price-matching companies such as Amazon. However, that left it with very slim margins. To overcome those problems, it adopted a new business model: the retailer began renting out floorspace in the form of single-brand kiosks to suppliers such as Samsung, which quickly proved very profitable. Along with a return to prime retail values, such as improved customer service, this has helped boost the company from decline and failure to earning USD42.8 billion in revenue for FY2018/19, with an operating income of USD1.9 billion.

US big-box retailer Best Buy suffered declining sales as it struggled to compete with Amazon and other online retailers. Eventually it price-matched online prices, but then saw margins drop sharply. Its final, successful strategy saw it rent out floor space to technology companies, so that customers could directly experience their product.



There are some similarities between the Best Buy situation and what independent hardware retailers face in selling power tools. Strong price competition comes not only from Bunings, but also from category specialists such as Total Tools, and online specialists such as Sydney Tools. Many hardware retailers attempt to stay within 5% to 8% of these low prices, to have any chance of a sale, and mostly do that to support their sales of power tool accessories, such as abrasive wheels and drill bits, on which they continue to earn a good margin.

An added difficulty is that hardware retailers are finding themselves with decreased access to major brands. There are difficulties in obtaining both Milwaukee and Bosch power tools, for example.

Supposing, however, that independents did stop selling power tools directly, and instead, like Best Buy, offered to host in-store kiosks for a supplier such as Sydney Tools. You could imagine a display that would take up 2.0m by 0.9m of floor-space, and, at 2.2m tall, display up to 30 tools.

The store could act as a sales conduit, but would carry no tools in stock. Customers could examine the tools, then order the tool directly through the store. These would be shipped to the store, on a two-or three-day shipping basis, and the customer would return to pick the order up.

The stores could also be used to implement “click-and-collect” for the tool supplier, supplying tools to customers who had ordered online, outside the store. This would further benefit the store, as it would not only create foot traffic, but customers picking up a new power tool will often be interested in purchasing accessories at the same time, helping to boost revenue.

While retailers would get a fee for handling items, the tool supplier would benefit from reduced shipping costs, as they could ship orders in bulk twice a week to the retail store. Most importantly, though, the retail business would be de-risked, as the space rental fee would be constant, and independent of the number of sales handled.

Of course, we all realise that given certain tensions in the industry, it's unlikely that retailers would embrace this kind of arrangement today. What really gets pointed to here is that there are multiple situations which cannot be solved through COGS-based strategies, but which can be solved when OPEX strategies are found.

Prior to its takeover by Wesfarmers, UK hardware retailer Homebase had some success with store-in-store concession from retailer operations such as Argos and Habitat. These enabled it to become slightly profitable after years of negative returns.



Analysis

While buying groups will remain important for the core processes of purchasing and supplier relations, as we've noted, they've been withdrawing from some of their former more expansive activities. That makes a lot of business sense, but it could also mean that we are about to see a strong cultural shift in the independent hardware industry, as well.

The cultural shift could see retailers begin to divide along the line of technology adoption. Larger stores, and possibly more urban stores, might be more attracted to new and emerging opportunities, and also be more willing to adopt new technology.

It's possible that we could see a kind of "refitting" of broader organisations within the independent hardware industry, ones based not on activities such as buying, but more on knowledge-sharing, as the push towards new technologies grows. However, it's likely these will be less about "tribal" competition between groups, and developed more around a sense of unity for independent retailers. From this we could see begin to emerge, for the first time, a truly universal "voice" for the hardware industry.



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CHANGE
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TODAY.**

THE SHOW

The HBT 2019 National Conference had a kind of determined briskness to it. We all missed Ashlin Fisher, whose organisational style has become as much a part of the group as Gavin Keane's acerbic views on some suppliers. She was off with her new gorgeous baby girl named Finn — though the outsourced event organisers did a competent job in her stead.

More than that, though, this was the conference many members have been waiting for. While we all still miss Tim Starkey, the waiting was about more than giving the group's new CEO, Greg Benstead, time to take up the reins. It was also about HBT reaching the point where it could respond to pressing internal and external changes.

The internal changes were about how the group has changed radically — in size, composition and outlook — over the past five years. The external changes have to do with the way the independent hardware retail industry has changed since late 2016, when Metcash acquired the Home Timber & Hardware Group (aka Danks) to form the Independent Hardware Group (IHG).

That response was loud and clear at this conference. Under Mr Benstead's guidance, the group has shifted much of its focus to its buying activities, and what its leaders called a "back to basics" approach of focusing on negotiating the best deal from suppliers in terms of supply prices and rebates. That means achieving scale, and HBT can only achieve scale through focus.

Thus while there was the usual presentations by business-oriented external speakers, much of the real focus was on presentations, by Jody Vella who heads up the new buying group, and by the three new hires working under him, Mark Sampson, Kevin Marshall, and Pete Hurley.

What was also highlighted is that, as with most change, this is a time of a certain vulnerability for the group. To go forward, HBT members really need to "sign on" the suggested approach, and that means placing some faith in the current direction, as it will likely take two years or so for the new strategy to fully prove itself.



Top: HBT's Jody Vella, Pete Hass from Decktec, Keith Schleiger from TV show "The Block", and HBT's Mike LoRicco. Bottom: HBT staff, l-to-r Kristen Giljevich, Kerrie Windus and Chantel Kaminski.

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MARKET LEADING STRATEGY



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In early May 2019 the Australian hardware retail buying group, Hardware & Building Traders (HBT), hosted what turned out to be a complex (even ground-breaking) National Conference, echoing the complex situation not just in hardware retail, but in the Australian economy as well.

Melbourne contributed its usual decently-grey weather, and the Melbourne Convention and Exhibition Centre (MCEC) contributed its somewhat challenged aesthetics, and equally challenging logistical systems.

In the absence of HBT's much-beloved doyen of its administrative team, Ashlin Fisher (happily on maternity leave after giving birth to a gorgeous baby girl, Finn), the conference had to rely on the ministrations of a third-party organiser for its day-to-day functioning. The result was an efficient conference, but one which lacked a little when it came to conviviality — even if the HBT members and staff worked hard to overcome that.

Greg Benstead, HBT's CEO, delivers his opening address to the assembled HBT members at the organisation's 2019 Conference in Melbourne.

Though, on reflection, the mood of the conference likely had less to do with its administration, and more to do with its own nature. This was by far the most serious conference HBT has hosted for the past five or six years. In fact, in HNN's opinion, this conference will come to be seen as marking the second major inflection in the group's history since its founding in 1997, with the first marked by Tim Starkey taking over as group manager back in the late 1990s.

If anything really proves that HBT's current CEO, Greg Benstead, has thoroughly and swiftly absorbed the group's culture since joining it in early 2018, it was the way in which he oversaw the release of what is effectively a new strategy for the group. While other large buying groups tend to release new strategies with a degree of flashiness, the HBT way is to more or less back your way into anything new.

Most of the staff from Mt Alexander H Hardware who helped the store win HBT's National Store of the Year award. Well done everyone!



That introductory dialogue goes something like: “We’re going to do this new thing — except, of course, it’s not really new, as it’s a lot like this thing we used to do, some time ago, only, well, yes, I suppose it is also new, a bit. OK more than a bit. But it’s a good idea.”

In other circumstances, that might seem wishy-washy, or just indefinite, but in the context of HBT, it’s a form of courtesy. It clearly acknowledges that the members of HBT really are independent, that change can be hard, and brings a mixture of gains and losses — though hopefully more gains. It is also represents a deserved trust in the HBT members, that they will consider such changes, and, once they have understood what is happening, often wholeheartedly embrace that change.

The change

So, what is the nature of the change in HBT? To begin with, it’s a change that is responding to a range of forces. These are forces within HBT itself, as well as forces within the hardware supplier market created by all its participants: HBT, the Metcash-owned Independent Hardware Group (IHG), the National Building Suppliers Group (Natbuild), and a half-dozen smaller — but significant — niche hardware buying groups.

On top of that are significant changes underway at the overall “market maker”, the Wesfarmers-owned Bunnings. And beyond all of this are strong macro-economic forces in the Australian — and even global — economy coming into play.

What is most extraordinary — and, indeed difficult to grasp — is how fortuitous the combination of these various forces will likely turn out to be for HBT as a buying group.

Partly by chance, partly by a form of determined, long-term evolution over the years, as well as some interesting choices made by its current management, HBT has placed itself in a very healthy position. It is not a position from which it will dominate the industry, but it is strong enough to resist efforts by other groups to have influence beyond their membership.

Most importantly, it’s a position from which it will be able to deliver to its own membership its promised benefits: a chance to be competitive, to retain flexibility, and to deliver a measure of real security in one of Australia’s toughest forms of retail.

Winners are grinners: Mt Alexander Hardware directors and a ring-in, l-r: Trevor Butcher, Scott Lappin (Spear & Jackson), Rodney Hickey and Lachlan Maltby.



But what really marks this change, more than anything else, is its simple maturity. In his opening remarks to the conference, and at other moments, Mr Benstead was at pains to declare that HBT is not becoming “corporate”, nor does it have any intention to go down that path. HNN is sure this is quite sincere. However, what Mr Benstead and others have delivered is something that is actually close to the corporate (though different): sheer professionalism.

The mark of this professionalism is that HBT has singled out the activity it needs to pursue to deliver maximum value to its members for the next 10 years. This puts it in a place where it can maximise value creation, for all participants in the independent hardware market.

That specific activity is unlikely to be at the centre of the sustained future development in retail at large, and specifically hardware retail. What HBT has done, very wisely, is to chose a prime secondary function, one which it is uniquely suited to deliver.

To put that in terms of a musical analogy, HBT has realised that in the marketplace set to develop in the near future, its role is not to play the saxophone and trumpet solos, but rather to establish a core rhythm through the bass and drums.

The DeMar store (Melbourne, VIC) won the H Hardware Store of the Year award.

Origins of the change

The first clue that HBT was about to go down a different path came when the buying group began to evolve its operations out of its long-time office in the outer Melbourne suburb of Rowville. That started with the hiring of ex-Coles, Foodworks and Philips Lighting buyer/sales executive Jody Vella as leader of the buying group in August 2018. That was followed a couple months later by Mr Vella’s hiring of three additional members of the buying team, Mark Sampson, Kevin Marshall, and Pete Hurley. Their numbers were rounded out by Val Skyba in a support role. And, of course, there is the ever-reliable Gavin Keane, who has brought his experience and deep knowledge of both suppliers and members to this new team. Fundamental change, without the support of “the Gav” (as many of us call him), would probably not be possible.



What this buying group set out to do, led by Mr Vella, under the guidance of Mr Benstead, was to refine, redefine, and re-envision how HBT handles its relationships with suppliers. That has meant delving into the essentials of how a hardware buying group should go about creating value for its members, while also looking after suppliers that agree to closely align with it.

This means taking into account the competitive situation of members' stores, the competitive situation of the suppliers in their marketplace, and also HBT's position in relation to other buying groups. Once these factors are determined and understood, the various parties can work out how to maximise value under current market conditions and, finally, how to divide that value up, in a sustainable manner, between these participants.

In business strategy terms, what HBT is doing is taking the buying group function, its relationship to its customers (the members) and to its suppliers towards a position that is beyond what we sometimes refer to as "game theory".

Game theory is based on situations where there is incomplete information available, with each participant in a market manipulating what is known and what is concealed to develop some kind of advantage for their own side. The insight that Mr Benstead and others in HBT have had is that, due to size and scale constraints, if they follow the game theory path, HBT will nearly always lose.

To use an analogy, it's a bit like HBT is playing poker with IHG and Bunnings. HBT gets dealt five cards, but IHG is always dealt six, and Bunnings probably about nine. The others start out with better odds, and will win most hands.

The audience on the second day of the conference.



The alternative is for HBT to go beyond the game by releasing more information, and forming bonds of trust with suppliers and others in the market. Stretching the above analogy, HBT and the suppliers can show each other their cards, and agree to split their winnings (at least to some extent).

This strategy will, from time to time, not succeed. However, HNN believes that what Mr Benstead and others on the HBT executive team have worked out is that the hardware market is, at the moment in a very unique situation, one where this strategy has a good chance of delivering strong benefits to HBT members most of the time.

In HNN's opinion, this is a very strong strategy, and unique not only to hardware retail, but to retail in general in Australia. It's not just professional: it's truly market-leading.

The conference

Before going further into the details of this particular strategy, it's best to return to the conference, and how this change was presented — in a typically oblique HBT manner — to the attending members.

In his opening address to the conference attendees Mr Benstead first touched on a series of familiar matters. He started by reaffirming the core values of the group:

Firstly, I wanted to start with something about the core values of HBT. They're very clear, and I can tell you we've not changed, and never will change, our philosophies of HBT. They are key to what we're about ... Primarily it's about the fact that, you know, all deals are transparent. Everything we do is for the value of vendors, and every service promotion issue that the group provides must be completely a member option. That's one of the things that we have, and that we hold dear.

Jody Vella

Jody Vella was trained as a buyer at Coles. After six years in that position, he went to the independent grocery group Foodworks as a buyer, until branching out to work for Philips Lighting in late 2016. It was that job which brought him to the attention of HBT CEO Greg Broadbent, who then made Jody an offer to come head up HBT's buying team.

Jody's experience has led him to take a holistic approach to the interactions between suppliers, buyers, and retailers. As he says: *I've always believed, throughout my buying career, that just a few effective, good relationships will allow you to achieve an out-*

come beneficial for all parties. But everyone has to understand what's important. So from our perspective at HBT, we need



to understand what's important for the supplier. And the supplier needs to understand

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what's important to us, which is our members. Once you get all that established, the rest is about building a collaborative approach.

One key element of building collaboration is HBT's category review. *We have a category review process calendar that's reaching out over the next 18 months or more. We are making it a formal process. The suppliers get an invite, they get to submit, they get to present, and to engage in the whole process. It's not a range review. It's a review on the category to understand where we can maximise growth.*

He went on to offer a clear reassurance that HBT would not choose to go down the path of becoming “corporate”.

We really are not becoming corporate in any way. We’re very true to these values that we put out in front of you. And clearly our mission is critical to the way we operate. We want to give our members and suppliers the tools and support they need to survive and thrive, because family businesses make communities stronger.

Mr Benstead then ran through the basic numbers for the group. It’s now close to 750 members, and has grown at the rate of around 8% a year, with net membership gain of 56 over the previous 12 months. Active accounts with suppliers had also grown, at a rate of close to 7%, with both purchases from suppliers and rebates returned from suppliers growing at a rate that was higher than that. The highest rate of growth came from the key suppliers to HBT who were its category partners.

It’s at this point in his address that Mr Benstead began to make what will eventually become a distinct pivot — in his talk, but also for HBT’s overall strategy. He restated the overall theme of the conference, which was announced as “Powering True Independents”.

So let me come back to our title: Powering True Independents. What does this mean? And that’s what I’ve spent a little bit of time talking about, because I think it’s an important component. I mentioned, of course, our mission. We often reflect on our mission, and ask, how can we further deliver on this?

This is what we’ve always had as our mission statement. But going forward, you know, is this real, is this what we should be doing, and how do we deliver on this particular statement? How can we make our members and suppliers – how do we

Mark Sampson

Mark has spent the past 26 years working in the hardware industry. His background reads like a “who’s who” of leading hardware brands: Reece Group, where he was a store manager at 22, Stanley, as a category manager, followed by Danks, GMC, Techtronic Industries for six years, and finally Husqvarna.

Recruited out of Husqvarna to HBT by Jody Vella in late 2018, Mark looks after ITT and some adjacent categories, such as plumbing and irrigation.

He is very optimistic about the future of HBT. He sees his role currently as being about identifying and communicating existing opportunities.

My job is to engage with suppliers and the members in ITT to ensure that suppliers are engaging with HBT in the right



way. It’s about understanding and helping create suppliers’ success and opportunities as a

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win for our members as well. In our ITT division we have a lot of tool and fastener specialists, as well as some welding specialists. Then there are rural stores as well. Niche businesses. The needs of all those businesses are different. Their supplier base is different. A big part of my work that I enjoy, is helping members work out, well, where do you fit with what suppliers? And, conversely, I help suppliers find what stores are the best fit for them.

We have a lot of members, all very different, all very independent, which is really great.

give them the tools to thrive and survive within the marketplace? How do we do that, and do we need to do more?

Do we need to do more? This is the seed of the point that will become key to what Mr Benstead has to say. He begins by encouraging the assembled members to look ahead to the future of HBT.

Looking forward, what will be the strategy for HBT members and suppliers in 10 years time? Is that going to be exactly the same? You know, we need to change anything we need to, and make sure that we're still relevant, moving forward. That's an important thing we're are looking at. So let's have a little bit of a vision of the future within the hardware and tool industry.

Mr Benstead then went on to list the retailers in Australia that had failed over the past 20 years or so, and made the suggestion that they failed, primarily, because they ceased to meet the needs of their customers.

At this point in his address, Mr Benstead returns to familiar territory, covering the main competitors that HBT faces: Bunnings, IHG, Total Tools, United Tools. Then, riffing off of comments on IHG's Sapphire store improvement program, he returns to the subject of HBT's relationship to suppliers.

We know the suppliers need to make money. That's a big statement to make in front of all the retailers here – but suppliers need to make money, because if they don't, they don't reinvest in innovation and new product development. How do you get new product out of someone who's not making any money? You don't.

They don't give you merchandising support. How do you get help in stores with marketing the brands, and the promotional activities? How do they help us to compete if they are simply not making any money? So it is an important component, and it means that we've got to find that balance.

Kevin Marshall

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Kevin's career started off in electronics. His first senior role was with Fujitsu as state sales manager for Victoria. Then he was approached by Sony, and given the role of managing The Good Guys retail chain, which at the time had 13 stores in Victoria.

When Sony wanted to move account management to Sydney, Kevin moved over to hardware, working for Irwin Tools. He was lucky enough to meet long-time HBT manager Gavin Keane, who helped him with industry advice.

After Irwin was acquired by Stanley Black & Decker, Kevin worked directly managing the Bunnings account for a couple of years, then

jumped at the chance to join HBT. He's now responsible for the DIY/hardware categories, which account for around 30% of the group's



product flow. In that role he oversees 20 categories, which involves 120 individual suppliers.

Kevin sees two moves the buying team is making as being vital to its future.

Certainly the category review process is very important. The big thing is for us to find the right suppliers in each category, ones that will meet the needs of the members for the majority of the time. Of course, it's really up to the members, to make their choice. But if we do our due diligence and we do that properly and we come to a really good arrangement with them, the stores can really benefit from the work we're doing now.

The answer: category growth through volume

Mr Benstead then went into detail about the three main changes he sees in the marketplace: a change in HBT's competitors, a change in suppliers, and a change in consumers. He then returned to the theme of "do we need to do more?" Only this time, Mr Benstead supplied what seems the clear answer to that "more": the need for category growth.

For suppliers, we obviously continue to build volume, but we also need to reduce your cost to market and how we can make it cheaper for you to get to our members, get that information across, and start selling your products better and faster.

So how do we deliver lower prices and more rebates? It's not a tough exercise, really, if you think it through. We actually need to increase the volume to a supplier. Because the only way a supplier will give you a better deal, is if you give them more volume.

Why would they give you a better deal otherwise? We're giving them more volume therefore they'll give us a better deal. And so how do we do that? Really, it's about – you have to grow the category, that's the best option.

So how do we grow the category? We can have more stores and open more accounts. We'll continue to do that which will help volume for that supplier. Or we can move sales from one supplier to another supplier. But that's not the best way, the best way is to grow the category.

...

So the biggest issue is, if we want to grow the category and to do that, there's a few things we had to do. And I sort of mentioned it last year, and we've kind of done it now. We needed to formally align the buying teams to suppliers and categories, because our buying team needed to understand the categories and the suppliers really well.

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Pete Hurley

After graduating in Forest Science from Melbourne University, Peter started his career directly managing forests and plantations, working for the Victorian government's Forest Commission.

After five years with the government, Peter went back to university get his Masters, and then expanded his roles to include sawmilling, marketing, product development and importing timber products. Then he went on to work for Mitre 10, as manager of timber and building suppliers for Victoria and Tasmania.

Peter has seen the use of timber in building and construction evolve relatively rapidly over his career.

The usage of timber is changing. Traditionally, for example, we used to build houses out of hardwood. We then moved to



pine framing. That was originally coming mainly from Australian sawmills and because of the

Buying Team

shortage, the limited availability of that resource, we now also have product coming in from from Europe, in particular. But, you're also dealing with a very traditional industry in a lot of ways. Now it's going to the next stage, where you actually send your plans off to the to the supplier, and they will work out what sizes and spans you need to build that house. And builders have changed, from being very hands on people, to today where they are more like project managers.

Then we can actually make the right decision and give the right advice ... So we align those teams with Kevin, Mark, Peter and Val working in Rowville here in Melbourne, pulling that together and regularly talking with suppliers and getting an understanding of what's going on in the marketplace.

This leads to what is really the culmination of HBT's strategy, its reset for the future: the category review.

So with having those things in place, once we get our category buyers in place ... then the next thing we're going to do is our category review ... And we go through all those things to ensure that we get the right suppliers, the best suppliers for everyone, so that we can continue to grow our business.

And, ultimately, the outcome of that is we end up with primarily our preferred suppliers. So we have a list of our preferred suppliers because, you know, we could put a hand on our hearts, and say these guys are going to deliver sales growth, rebates, promotions, field support, etc. So that's the direction that we can now go in, and how we can build volume for suppliers. That's the way.

Coherency, independence and community

Of course, with HBT, this kind of strategy does run directly into one big obstacle, which is all about "True Independents". Walk into just about any HBT store, and you're going to find that it stocks some products which are direct competitors to HBT's key suppliers.

HBT's new buying group. Front, l-to-r: Kevin Marshall, Val Skyba, Jody Vella and Mark Sampson. Back, Pete Hurley.



The reasons for that are complex and various. Sometimes a store will have a particular market for which it needs products from one supplier. Often it's about personal relationships, with a store owner not getting along with a specific rep for a supplier, or a history of poor service from a supplier. And at other times, a store will have a strong, long-term relationship with one supplier and obtains a significant wholesale discount as a result, which they are loathe to reject.

Mr Benstead was quick to acknowledge the latitude HBT members have always had in terms of their actions.

So, yes, we've got these preferred suppliers, but ultimately it is about independents, and you have the options. What your store looks like, that's your decision. If you are using a brand or not using a brand that's also your option. The products you range, your call. What price you're running at is your call as well. We'll have some matrices available that can help you in that area but it's your decision. How you market or advertise is also up to you but we need to have options available.

And what suppliers you utilise that's also your decision but we've got strong recommendations in our preferred suppliers. That's what we're saying, and certainly our conference suppliers are all here to help us. So they're the guys we need to be to be supporting.

That theme of support was also how Mr Benstead chose to end his comments.



And, you know, my last comments. I think if we support the group and work together we will work together for success. Support the group and work together for success. I just want to make that as an enduring comment to say because that's how we started. And a lot of the stuff we're going to be talking about over the next couple of days is about getting back to our roots, getting back to what we're about, and that is using the power of this group to achieve success. Because when we do that we are a powerful group. Support the group, and work together for success. Thanks.

Jody Vella

Mr Benstead ended this talk with a call for support, much of what Jody Vella had to say in his address to the conference was all about the importance of that support. Mr Vella began with a description, from a buyer's perspective, of what competitors in the industry were doing, before moving on to HBT's own strategy.

So what's our strategy moving forward? Let me answer that in two sections. Firstly I will deal with suppliers ... The HBT buying team is not interested in adversarial relationships. We're not interested in it. We want collaborative relationships based on effective and open communication, based on mutual respect.

He then went on to detail how HBT was developing these relationships.

Over the course of the last six months, Mark, Kevin and Peter and I probably met with over 120 suppliers, and we always ask them one question. The first question is, what's important to you? What does success look like?

And so the suppliers will tell us. Then we say, well, this is what's important to us, and it's all about our members. It's driving our member growth, and giving our members an overall better deal.

Once that's out in the open and everything's on the table the negotiation becomes relatively easy. We don't hide from anything and we pride ourselves on that. We also pride ourselves on being easy to deal with. There are other buying groups out there who want to complicate things and who want to add complexity. We are not interested in adding complexity.

Mr Vella restated the need for category growth to be a key aim of the group.

It's about driving the category because if the category grows we all earn. Kevin, Mark, myself and Pete have spent enough time on both sides of the fence in buying and in account management to understand the importance of category growth. We're not interested in shifting sand, we're not interested in moving members from one supplier to another. What we're interested in is driving sales and driving growth for everybody. Incremental sales and profit growth, and the only way to do that is to drive the category.

Mr Vella was also quick to connect that kind of growth to the growth that members needed in their businesses.

So we have a list of of our preferred suppliers because, you know, we could put a hand on our hearts, and say these guys are going to deliver sales growth, rebates, promotions, field support, etc. So that's the direction that we can now go in, and how we can build volume for suppliers. That's the way.

— Greg Benstead

What's our strategy relating to members? Well, nothing has changed. Our strategy is about growth. Growth is the overriding strategy. Growth based on better pricing and on an improved better deal. Growth based on improved rebates. And we make no apologies for the suppliers in the room that we're going to continue to have discussions with you about that.

But what does category growth resulting in sales growth at the store level look like? Mr Vella was able to sketch that out.

It's growth based on reducing range gaps. It's growth based on working with suppliers to continue to provide new range opportunities and continue to make sure that HBT gets its fair share of new lines and category innovation. Because if the category doesn't evolve, then it can't grow, and if the category can't grow then neither can we. Together, suppliers, members and HBT, we need to work together to continue that growth.

The crux of what Mr Vella had to say, however, and his point of real passion, was a plea for HBT members to adequately support the basis of this strategy.

It's important, therefore, that we support those suppliers that support HBT. And there's a number of reasons for that. The first part is that the suppliers see value in HBT. They see value in you as HBT members, to the overall independent sector, and more specifically to the independent hardware channel.

In a lot of instances they are aligned with HBT. And they understand and appreciate your importance. But we wouldn't be here today, I wouldn't be standing here today, if suppliers hadn't paid the money to come and support us with this conference. We need the support of suppliers to support HBT.

Mr Vella went so far as to suggest that tempting offers from suppliers outside of HBT were deliberately aimed at compromising the strength of the group.

And every time a supplier comes to you and offers you a deal outside of the group or bypassing the group then they are out to divide and conquer HBT. And let me assure you, we are nearly 750 members, we are a formidable force and we have the power.

...

Don't let suppliers who don't want to support the group divide and conquer us. Because it erodes our ability and it erodes Mark, Kev's, Pete's, Mike's, my ability and Greg's ability to go and negotiate the best deal for you. And, yes, we will continue to drive better deals with suppliers and better pricing, because it needs to be improved – and also better rebates.

It's a theme he returned to later, as well.

And Greg said it beautifully before: suppliers want something back. They need to make money. What they need is they need higher volumes and higher volumes equals a better deal. And ultimately only by working together can we deliver increased volumes to suppliers which will in turn lead to better deals. Don't allow them to come in and bypass the group because they're only doing it in most instances –not all – but in most instances to support their business dealings with other big box retailers.

The first question we ask suppliers is, what's important to you? What does success look like? And so the suppliers will tell us. Then we say, well, this is what's important to us, and it's all about our members. It's driving our member growth, and giving our members an overall better deal.

— Jody Vella

Member relations

While the shift to a new kind of buying team was the major announcement, there was also a subtle second change that attracted less attention at the conference. Mike LoRicco, who is now running member services for the group, has been steadily evolving the way this operates. What he has done is to convert it from a “request/response” operation, to what is becoming a knowledge base for members to use as a source of information, and networking with other members.

One of his major innovations has been to help develop the next version of HBT’s online members’ portal.

So, the member portal should be basically the place where your computer starts up every morning. That should be the actual page that starts up so you go to it straight away. Because all the information is channeled back to there. Any emails and communications you get from HBT actually go straight to the members’ portal. So that’s the place you should be looking at all the time.

The new members’ portal has unique features, such as onscreen notifications that alert members’ to content they have yet to view. In addition to that, HBT is also set to launch a mobile device app for its members, to make keeping up-to-date even more convenient.

Another aspect of building out the knowledge base is helping members with some basic business modelling, include versions of Michael Porter’s strengths, weaknesses, opportunities and threats (SWOT) analysis.

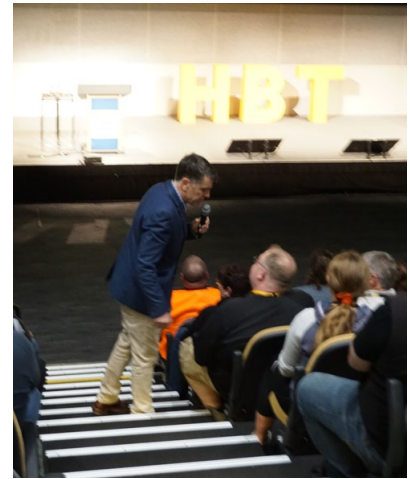
I don’t even know if many people know what a SWOT analysis is. You should do this yearly and check on your business. So what a SWOT analysis is is to look at your strength to look at your weaknesses look at your threats and also look at your opportunities. And I’ll put up here a copy of what a SWOT analysis looks like and some of the things that you actually talk about.

What Andrew [Graham, from Traralgon H Hardware] did which is a great idea, he gave it to all his staff and he got each staff member to fill that out. They sat down at a staff meeting and actually went through it. And they were working together to actually look at building their strengths so that customers come to them. Looking at where their weaknesses are so they can fix those up, as well as identifying other issues. We’re going to make this available on the members portal for a download so you can download this blank form, and the examples. So you can actually go away and do it yourself.

Another important aspect of member services is helping new members to join the group. Mr LoRicco has been working hard to make that process more seamless.

So member onboarding. What’s changed? How do we do it now? What’s different to how we used to do it?

Phone calls and visits, as you know we do that. We help people move to HBT suppliers. We let them know who the key



Des Dowling acted as MC for the event, and the Gala Dinner, as well as delivering a comedy performance.



Barry Urquhart is the managing director of Marketing Focus. He delivered an address that revisited familiar marketing concepts from the 1980s and 1990s.

suppliers are, and we help them move across to the suppliers. We send them a letter with their agreement to actually tell them that we're going to give them a call and a backer. And let them know that we're going to help them through the process of changing over to the suppliers.

With that we're going to supply them with that list and also with a generic application form which actually has just all the common things like your references and your ABN number and your trading terms and all that sort of thing.

And we'll find out once you tell us, who the suppliers are you want to deal with. We'll get the application forms from the suppliers. We prefill all that information in for you and we'll then send them back to the store to sign and the store can then send them back to the supplier. So that saves you time to go through all that paperwork and we'll get you on board a lot quicker so you can start earning those rebates a lot quicker.

Analysis

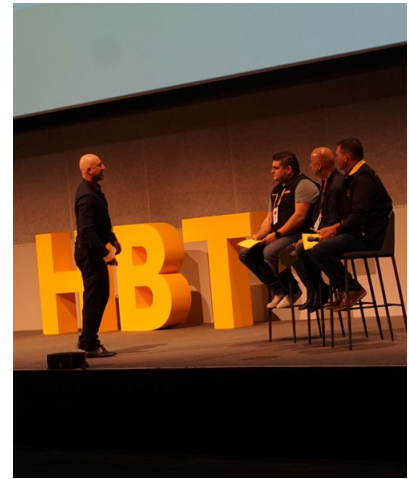
There is much to be said about this new direction from HBT. It cannot be fully understood just in terms of itself, but needs to be looked at in context.

A major part of that context is what has happened to the hardware supplier market since the end of 2016, when Metcash acquired the Home Timber & Hardware Group (formally known as Danks), merging this with its existing buying group, Mitre 10, to create IHG. Metcash's goal was to create a kind of mid-level, "super" buying group, which could leverage its size in the market and its warehouse logistical facilities to drive down wholesale prices low enough it could boost both its own profits and those of its expanded membership.

While that did happen with a relatively narrow range of suppliers, IHG had not thought further about what those suppliers who were turned away would do next. What happened is they turned to other buying groups, and, while they were not going to match the best deals IHG obtained, the deals they did make had a net, overall deflationary effect on the wholesale market, making many suppliers much more willing to negotiate price.

Technically, what IHG has done is to accidentally create a form of second-mover advantage in the market. And, as it turned out, HBT has been just about ideally placed to take advantage of this. This has had a big effect on IHG strategy. In HNN's opinion, while IHG was upfront about its strategy to take marketshare from Bunnings, it had a second agenda as well. That agenda was to take a big slice of marketshare, we believe, from independent hardware retailers outside of IHG as well — in particular, from HBT.

Instead, IHG inadvertently provided a boost to HBT in its negotiations with suppliers. It's the realisation that this has happened, HNN believes, which has led to calls by IHG CEO Mark Laidlaw for the independent sector to be more unified.



Stephen Bell, CEO of iHR, a human resources consulting firm, conducted an interactive session where some HBT stalwarts were asked to respond to short animated films portraying forms of office harassment. Advice from iHR is available to HBT members.



Dr Adam Fraser, a former sports psychologist, provided insights based on cognitive psychology about performance, in particular the importance of transitions.

This shift in strategy by HBT is set to accelerate the effects of this second-mover advantage. Effectively, to the circumstantial advantage IHG has given HBT, HBT is now adding a second advantage.

Most of us have grown a little weary of the word “disruption”, which has been widely — and frequently inappropriately — applied to a range of circumstances. In its original usage and definition by Harvard professor Clayton Christensen, however, it was very narrow. His theory began with the idea that market “incumbents” — established businesses with market power — tend to develop what he called “sustaining innovations”. He defines this term:

A sustaining innovation targets demanding, high-end customers with better performance than what was previously available. Some sustaining innovations are the incremental year-by-year improvements that all good companies grind out. Other sustaining innovations are breakthrough, leapfrog-beyond-the-competition products. It doesn't matter how technologically difficult the innovation is, however: The established competitors almost always win the battles of sustaining technology. Because this strategy entails making a better product that they can sell for higher profit margins to their best customers, the established competitors have powerful motivations to fight sustaining battles. And they have the resources to win.

A good example of this kind of sustaining innovation is IHG's Sapphire program. It's complex, expensive, and designed to both lift individual store performance through design, and to further lock stores into IHG's main suppliers.

Dr Christensen defines disruptive innovations:

“Disruption” describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses. Specifically, as incumbents focus on improving their products and services for their most demanding (and usually most profitable) customers, they exceed the needs of some segments and ignore the needs of others. Entrants that prove disruptive begin by successfully targeting those overlooked segments, gaining a foothold by delivering more-suitable functionality—frequently at a lower price. Incumbents, chasing higher profitability in more-demanding segments, tend not to respond vigorously.

This pretty much describes what HBT is doing now. The buying group is taking its previous buying arrangements, and supercharging them. In that process, though, it's making them simpler, less adversarial, and highly efficient. As a result, they make sense across the entire range of HBT stores, from larger urban operations, down to smaller, ex-urban stores. And HBT is also pursuing segments outside of mainstream hardware, such as industrial tool retailers, and, more recently, paint retailers.

Effectively, to the circumstantial advantage IHG has given HBT, HBT is now adding a second advantage.

The combination of these two — the second mover advantage and the disruptive innovation — have made this strategy, and its timing, close to ideal.

At the same time, it's also necessary to understand the limits of this strategy. As HNN has suggested elsewhere, competitive strategy in the Australian hardware market is likely set to move beyond price in the near future. It's unlikely that hardware buying groups will be involved in these emerging areas of competition, as they don't really involve buying activities related to suppliers directly.

In that sense, HBT really is set to return to its roots as a late-1990s buying group. It's a vital role to have in retail, but it's also a niche role. That ability to understand and pursue the correct niche, and therefore deliver maximum value to its members, is what is at the heart of HBT's new-found professionalism.

It's also how HBT got started: delivering exactly what members need.



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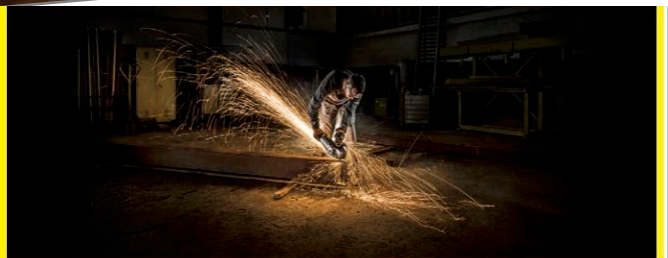




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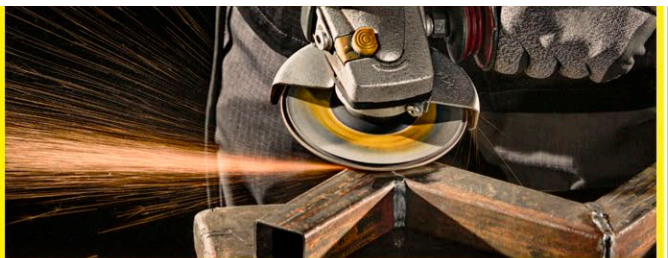




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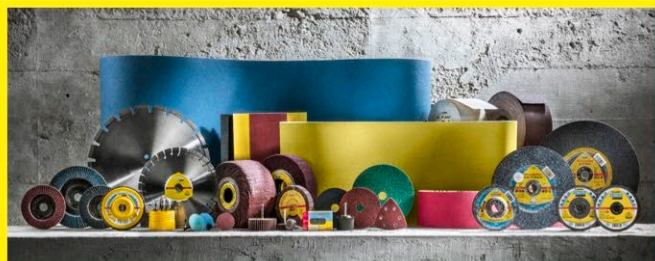


Gala Dinner



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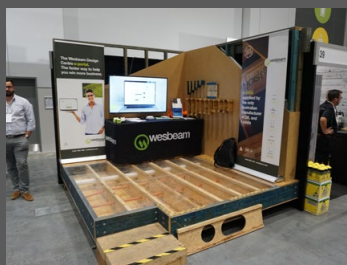
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THE TRADESHOW



Top row: Soudal had an active presence at the tradeshow. Second row: Left, Cement Australia used multimedia to showcase new products; right, Gunnensen used its single booth space well. Third row: Left, Wesbeam went structural; right, Assa Abloy went minimalist to great effect. Bottom row: Left, Sheffield's stand glowed brightly, and showcased some great packaging; right, Linkware was neat and clean.

While the recently constructed conference hall at the Melbourne Convention and Exhibition Centre was a bit on the rough side in terms of finish, the tradeshow saw a substantial boost in the quality of the individual supplier stands on display.

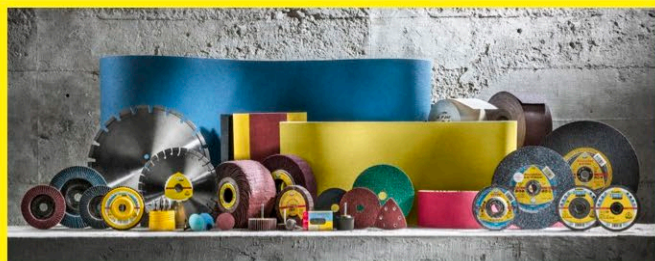
Soudal in particular really got "out of the box", with both an interesting stand near the entrance of the show, and another display outside this based from its Soudal van. It also had a "dinosaur" roving around, promoting its T-Rex range of adhesive sealants.

The Cement Australia stand was also striking, as was Sheffield's stand, which was much enhanced by the company's new and very effective packaging of its products.

Timber companies in particular did well, with Gunnensen taking a relatively small stand and making it quite a design statement. Wesbeam's stand was also interesting.

Assa Abloy's stand was a high concept, minimalist stand that had a very clear product messaging, and really stood out.

Probably our favourite of the show for simple effectiveness was the Linkware stand, which managed to produce a display of fittings which was engaging, and very close to how those fittings would look in-store.



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INNOVATIVE PRODUCTS



Cement Australia has launched a new product that is set to become a favourite with tradies: Pro-Strength Rapid Set Mortar. It's a product that is ideal for tasks such as setting the base of a toilet pan, plugging, grouting, and fixing brickwork.

The mortar is exceptionally quick-acting. It begins to stiffen in around 15 minutes, and will reach 20 mPA in three days, and a peak of 40 mPA after 28 days.

The product is sold in a convenient eight-kilo tub. It comes in a plastic bag in this tub, so tradies are free to use as much or as little as they want – and they score a free tub into the bargain.

[Click to view stand](#)



PPG's Johnstone's Professional brand has released a Decking Oil product. This features one-hour re-coat, along with a 12-month warranty. This is available in a slip-resistant form as well, and it comes in one-, four- and ten-litre sizes.

With the increasing move to presenting timber in more of its "natural" state, without stains, the product also comes in a Crystal Clear variant. This really is clear, without the slight orange or yellow tinge that most "clear" finishes have.

[Click to view stand](#)



INNOVATIVE PRODUCTS



Sheffield has a number of Austsaw special application saw blades. This is a really well-considered, well-designed line of blades. The line has three main blade types: one for cutting stainless steel, one for most other types of metal, and a blade for cutting timber that has nails in it.

This specialisation helps to give retailers a bit more direction regarding the ranges that they can stock, which match specific applications. Retailers then match a blade to an industry. For example, retailers in the timber business would be inclined to stock the blade that takes care of cutting timber with nails in it.

[Click to view stand](#)

The two locks that Assa Abloy was showing off at the conference were the Assure Lock Keyless and the Assure Lock SL. Both of these locks are “pure digital”, in that access is gained either through punching in a code on a keypad, or via some form of wireless connection.

The locks can remember up to 20 different user name codes, making it ideal for apartments being rented out over Airbnb, as the owner can remotely set up a PIN code for access. Users can also download audit trails off the locks to track comings and goings.

[Click to view stand](#)



T-Rex Power Fast Grab is based on Soudal's SMX polymer, and works as both a sealant and an adhesive. Its unique characteristic is that it supplies a really fast (one second) “grab”. This makes it ideal for use for sealing and bonding in the building and construction industry, as well as elastic bonding of panels, profiles and other pieces on the most common substrates (wood, MDF, chipboard, etc). It also has applications in the in the automotive and container industry.

Along with the fast grab, the product has many other positive curing positives. It cures 3mm within 24 hours, and continues on to form a very solid bond when fully cured, able to support 320kg's per 10 square centimetres.

[Click to view stand](#)





Alpha

Multi-tool Blades

Alpha is pleased to announce a new versatile range of multi-tool blades.

The Alpha multi-tool product range offers superior blade technology to complete any task with ease and perfection. Packaged for maximum visual appeal, and to increase self service with clearly defined product information, the Alpha multi-tool range is guaranteed to be a consumer favourite.



Universal shank
Fits all common multi-tools

Nail Buster Extreme

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3X LIFE



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BI-METAL
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Japanese Tooth

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- Plastic

3X LIFE



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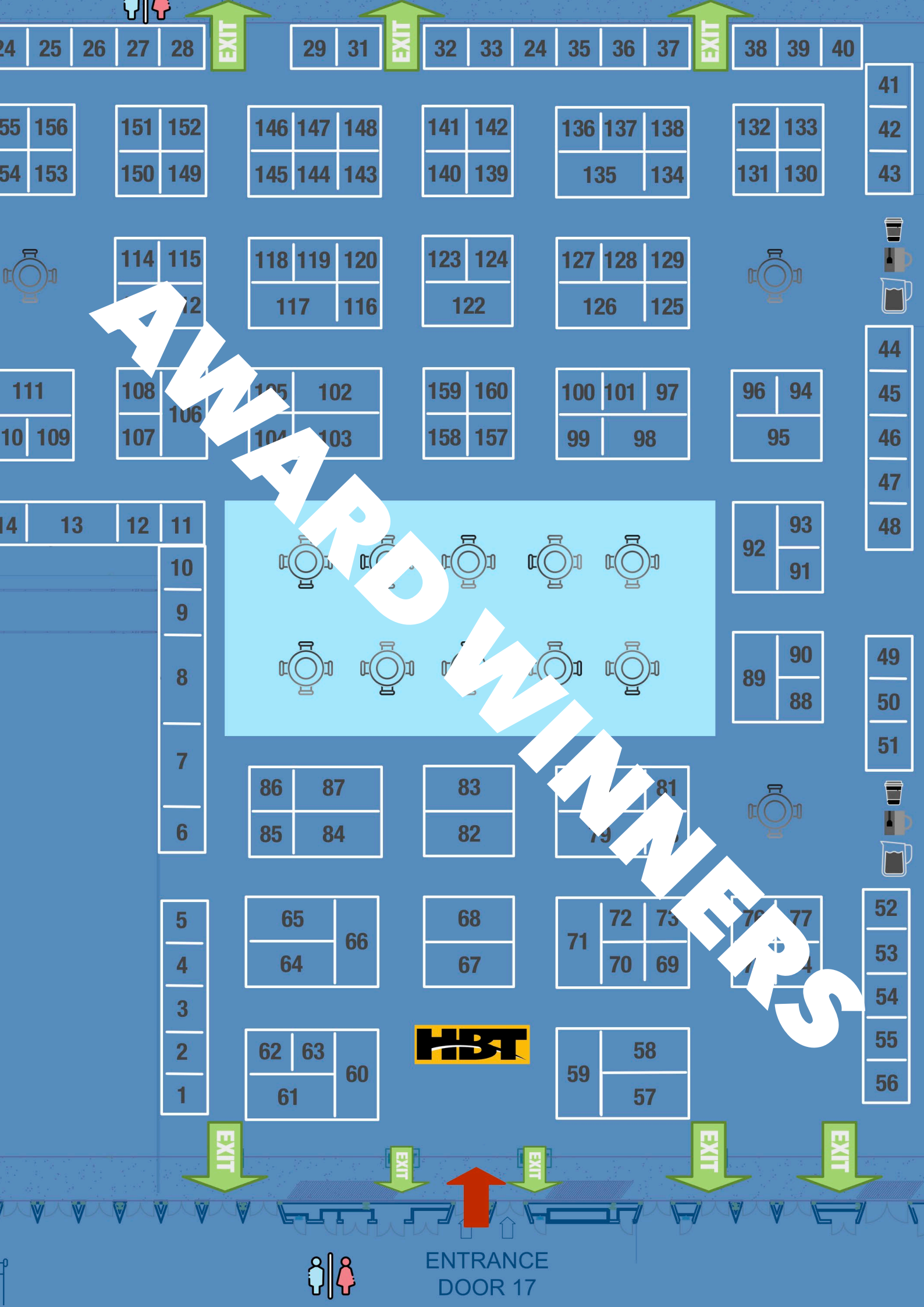
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ENTRANCE DOOR 17

KLINGSPOR



L-to-r: Branko Popec, Luke Bray, Jerrod Katramados, and Paul Hoye

HBT awarded Klingspor its prestigious ITT Supplier of the Year 2019 award, recognising the great contribution that Klingspor made throughout 2018 to the growth of HBT.

Paul Hoye, managing director of Klingspor Australia, is very positive about the future with HBT. He says that sales are continuing to grow, and that members have embraced the new products Klingspor has brought to market. In particular, Klingspor continues to sell high volume of its very popular line of 1mm cutting discs.

Other innovations include its accessories designed for cordless tools. These are made specially for use on battery-powered angle grinders. The result is a particularly high level of aggressiveness and a long service life with no compromises on mobility.

The company also has hinted that it has some new products coming in 2019 that will really help to boost sales, and continue Klingspor's success.

One area where the Australian branch of Klingspor has continued to innovate is in display

stands for retailers, which can really help lift the profile of the product and drive sales.



Managing director Paul Hoye accepts the award from Mark Sampson

MACSIM FASTENERS



Macsim had two separate stands at the conference.

Macsim won HBT's top supplier award at the conference, as Overall Supplier of the Year 2019. The company has continued to go from strength to strength throughout 2018/19, delivering sales and service to a wide range of HBT members.

At its origins in 1954, the company set out to import cleaning machines. It entered the fastener field in 1963, with the Expandet range of wall plugs.

This led to gradual expansion of the anchoring range throughout the 1970s. In the

1980s the company began to expand into rivets, screws and bolts.

Macsim Fastenings is a truly Australian-owned fastener-

ing company, with branches operating in Sydney NSW, Melbourne VIC, Brisbane and Townsville QLD, Perth WA, and Adelaide SA.

The Macsim team on stage at HBT's Gala Dinner, accepting the award.



HAYMES PAINT



L-to-r: Peter McCaw, Marcus Dolegowski, Wendy Payne, Peter Campbell, Stuart Collins, Dean Wilkinson, Paul Bisucci and David Treloar

Haymes won HBT's award for Hardware Supplier of the Year 2019. Haymes has been a long and constant contributor to the HBT group. It's own history stretches back to the 1930s, and, based in Ballarat, it remains committed to independent hardware retailers throughout Australia.



Haymes is expanding its range of paintbrushes with its new "ultra premium" brushes which feature a number of oval cutter brushes. These sit above the Haymes Elite brushes. These feature synthetic bristles,

which are dyed the Haymes blue colour.

The company has also continued to expand its range of industrial coatings, which include products such as its Zinc Phosphate Primer, which is a 1K zinc phosphate enamel primer designed for industrial use only. It is characterised by its excellent adhesion to mild steel.

It's an ideal primer to use in conjunction with the Haymes 302 Quick Dry Enamel, which is a fast drying and economical industrial alkyd enamel. It is suited for quick and easy, low build protection of steel, aluminium and glass reinforced plastics.



Matt Haymes and Marcus Dolegowski accept the award from Kevin Marshall

HUME DOORS & TIMBER

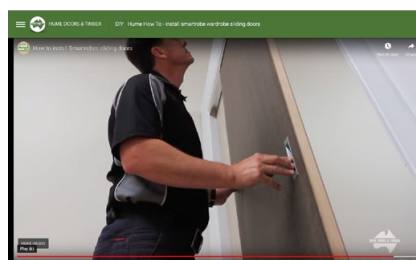
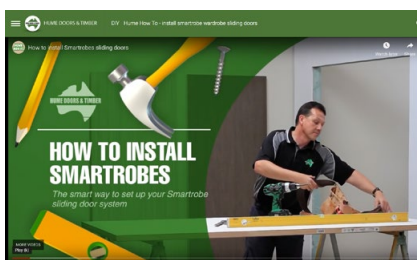
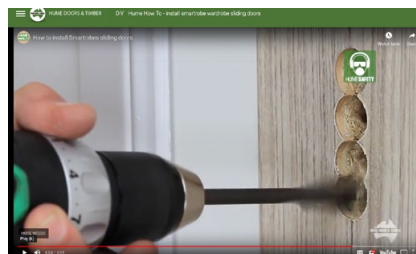


The Hume Doors & Timber stand at the HBT tradeshow

Hume Doors & Timber has won HBT's prestigious Timber Supplier of the Year 2019 award. Hume has been a long-term supporter of HBT. One of

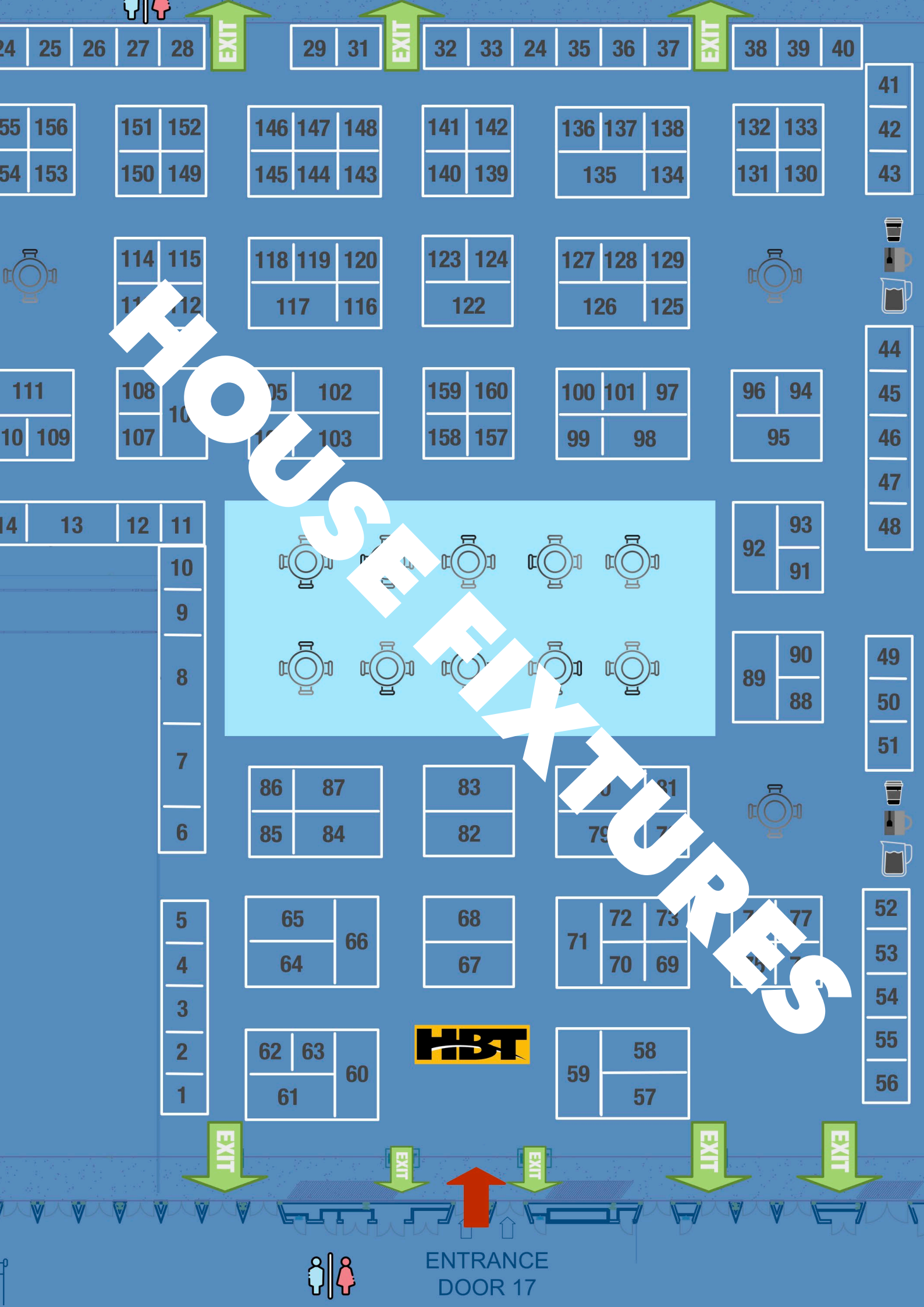
its recent innovations has been to expand support of its range of DIY products by offering a range of four- to six-minute video tutorials which explain how

to install its products. Those products include its pivot door system, its alfresco door system, and its Smartrobe sliding doors for wardrobes.



Hume Timber has launched a range of online videos for DIY customers which step them through how to safely and simply install a range of Hume products.

Hume Timber accepts their award at the Gala Dinner



HOUSE OF EXPERIENCES



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ENTRANCE
DOOR 17



Tom Arciuli, marketing and sponsorship manager, Cowdroy

It's no secret that many Australians are finding themselves facing higher than expected energy bills, during both the summer and winter months. They are also rapidly realising that the best way to reduce those bills is through insulating their homes to reduce heating and cooling costs.

With concerns about global warming increasing, energy conservation has taken on even more urgency for many consumers.

Cowdroy is at the forefront of supplying products that can help make homes more comfy, and cut down on costs. Cowdroy's Weather Seal range com-

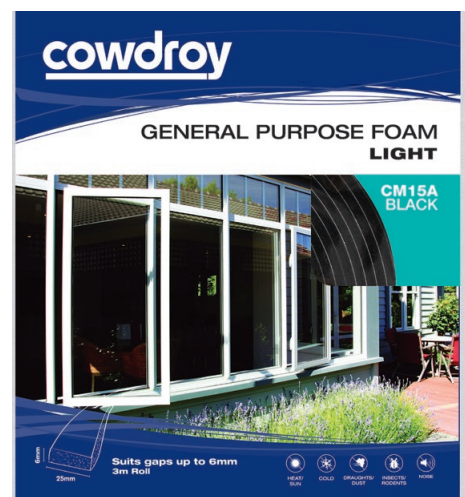
bats air leakage and draughts and can be integrated into any design - easily installed on to jambs, faces or edges of doors and windows.

Cowdroy continues to innovate - as it has done throughout its history - to match these changing needs with new products.

"Cowdroy has evolved with strategic rebranding and refining of products, to modernise the brand yet still paying homage to its heritage. From this, we have developed into a market leading and household name within the industry," Tom Arciuli told HNN.

"New products, categories

and segments are continuously in the planning phase to maximise future opportunities, building on our current reputation."



LINKWARE



Greg von Einem, national marketing manager, Linkware



Linkware has invested a lot of time, energy and skill in designing its hang-sell range to provide DIY consumers with an enticing and understandable display.

Linkware has rapidly grown to become a favourite supplier of plumbing fixtures for many independent hardware retailers. It's a brand that manages to combine great aesthetics, with good practical design, and a price point customers find welcome.

In particular, the ranges have been designed to attract attention, and to provide customers with many clues as to what they should buy.

Tap fixtures are displayed in window boxes, and the hang-sell range of accessories and fittings are designed to fit together for display.

HNN caught up with the company's national marketing manager, Greg von Einem, and we asked him for some tips on how he saw bathroom and kitchen fitting design developing in the near future. One of his best insights: keep your eye on brushed nickel finishes, which, while black fittings continue to grow as a category in the bathroom, might become something of an alternative in the future.

We started out by asking about black, and its enduring popularity in fixtures.

"Black is certainly increasing in popularity. It's probably reaching the point where it's becoming a little

bit mature. But it's still really really popular. And you know we're seeing black baths, black toilets. It's all as a result of the shows like The Block. Another part of this is the fact that black is coming through into kitchens as well. I mean there's a lot of LED and electronic tapware as well. That LED tapware has been around for a while, or LED/sensor tapware has been around for at time, but it's becoming more common now.

"And these TV shows where consumers are getting exposed to these high end products. So for us it's great because our products are not necessarily high end. They look good. But they're not really at the high end of pricing.

"The one that I found out – which we are going to be looking at – is brushed nickel. That's a similar finish to stainless steel, with a brushed look. I found out the brushed nickel is now

becoming nearly as popular as matte black in some markets. So that's an interesting thing.

"It's interesting because, you know, why do people want black? OK, it is a bit of a contrast. And then why did they want brushed nickel or, say, a brushed stainless? The answer is: no fingerprints. Otherwise, you get the water splashes, you get the fingerprints. So the cleaners have to constantly clean it. The black doesn't show the prints. Brushed nickel doesn't show the prints."

As an experienced hand in plumbing, Mr von Einem is also very much aware how rapidly tastes can change.

"The black trend is actually growing, because there are black sinks. So that striking look is popular. But again, if the tastes change then it can all change. But personally, I think is definitely here to stay."





L-to-r: Richa Sharma and Ron van den Berg from Daytek

As an Australian owned, third-generation family business, Daytek has been manufacturing in Preston (VIC) since 1960 producing high quality clotheslines, homewares and wheelbarrows.

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

Daytek's galvanised tray wheelbarrow is built for hard use by tradies and contractors. The tray is a drawn high-capacity

100 litre galvanised steel bowl, made from Australian-made 0.9mm G3N G275 sheet, offering strength and durability. The handles are hardwood timber (so less

jarring on the shoulders). The tyre is a durable and puncture resistant, running on shielded dual ball bearings and a 25mm galvanised steel axle.

Built to last for years!



ROMAK HARDWARE



Kevin Marshall from HBT's buying group (left) with Romak's national sales manager, Frank Marini

It's arguable that as HBT moves forward to a more developed relationship with its suppliers, that it's really basing this, at least in part, on the relationship the group developed with Romak. And when we say "Romak", we mean in large part the inimitable, long time manager of Romak, Lawrie Peck.

Romak has been a very stalwart supplier in the group, providing support for hardware retailers just getting going, and a lot of good advice and service to retailers later on in their development.

After a bit of a health scare (he's fine now), Lawrie has decided to move on from Romak, and as we learned at

the conference, is going to help out HBT's members' services in Victoria and Tasmania.

We're fortunate to have the very able Frank Marini stepping into the role that Lawrie filled. Frank was previously Victorian manager for Romak, and if anyone is capable of carrying on the great tradition that Lawrie started, it's going to be Frank.

Fortunately, he's backed up by a significant range of products from Romak, including its gate fittings, along with a sprucing up of the Romak brand image, with new colours and designs.

HNN is sure that every HBT member wishes Frank (and Lawrie) lots of success in the years to come, and that they

will all be looking forward to having a chat with Frank about all the many ways that Romak can help their businesses along.



TRIO AUSTRALIA



L-to-r: George Demourtzidis and Desiree Aziz

Trio Australia had some big news breaking at the conference: the company has acquired the plumbing supplier, manufacturer and distributor Mildon. According to George Demourtzidis, a managing partner at Trio:

"Trio is very proud to announce that as the first of June we'll be taking over the business interests of Mildon adding greater distribution and value to the members who are of course the most important people in all of this transaction.

"Mildon is a 30 year plus hardware plumbing business. Basically looking at the front of wall. Very good reputation, has been servicing independents for a very, very long time.

"A lot of new fashionable accessories and hardware that go with the range but obviously the Trio reps around the country will go promote very soon."

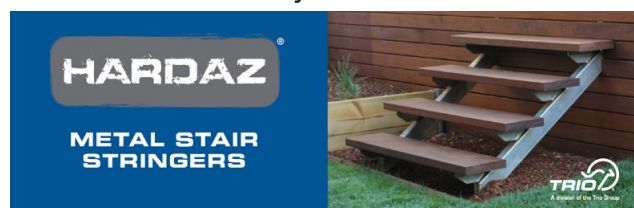
Asked how Mildon would sit in the Trio business, Mr Demourtzidis first pointed out this would be further developed by the marketing team at Trio. But he did tell us his own sense of Mildon, and the way it would contribute to the Trio brand overall:

"I see Trio being the mother brand always sitting on top of all of our sub-brands. The sub-brands play a very important role because we are category captains in a lot of differ-

ent aisles and product groups. I think it's very important that each of those groups has its own identity.

"So for example with Mildon I think there is some great brand salience and some value in keeping that within that category. But you know we also have very very strong brands like HardAz, which talks about outdoor landscaping products. They have a really strong salience. It's about building on those brands as well.

"The Trio brand been around for 45 years. I think that is the



name that everyone knows and respects. So retailers know that if it's aligned with Trio then they could say, it also has that salience of our family business, the quality, the service.

"And you know what? They know that if they have a problem, they can pick up their phone and speak to anyone – including myself or any other of the business partners."

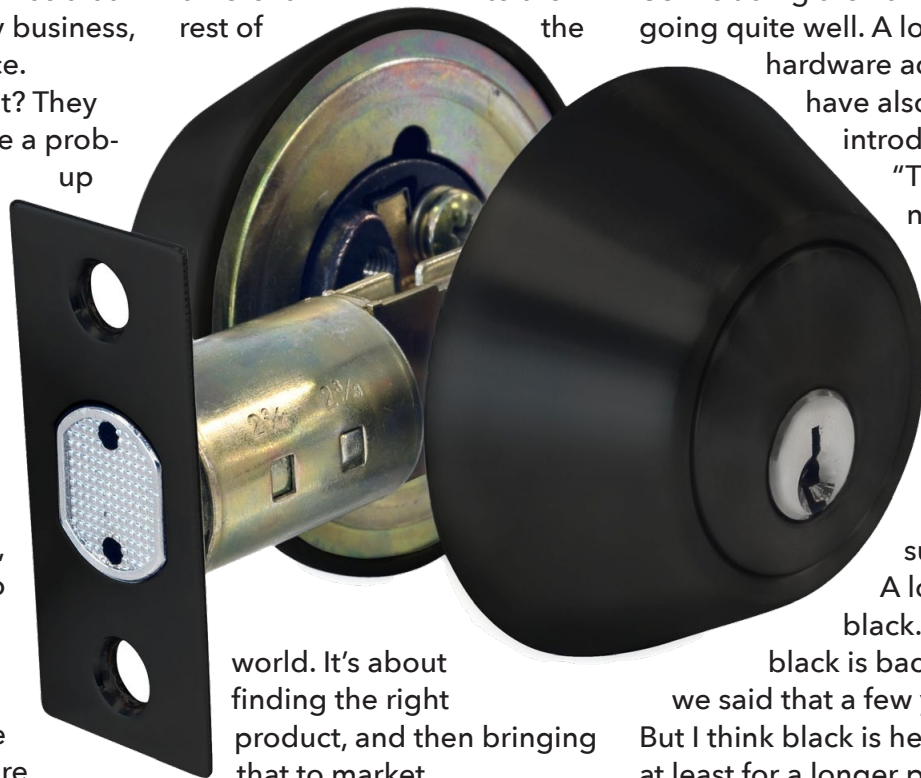
Patriot

While Mildon is grabbing the headlines for the moment, Mr Demourtzidis also wanted to point out that the main Trio brand continues to innovate and provide independent hardware retailers with highly competitive products. A lot of that is built on the strength of the company's buying teams.

"Trio has always had a very powerful and very experienced sourcing and buying team that is very well established in China and here in Australia as well. In the head office, we employ many Chinese nationals who assist in the buying process but at the end of the day it's our buying teams who have an eye for detail and for new products.

"So we scour the entire world through trade shows obviously looking at what other retailers are doing and then trying to

try to adapt that to the Australian market. Let's be honest the Australian market is very different to the rest of the



world. It's about finding the right product, and then bringing that to market.

"In the door furniture space, our locks



and levers, there are a few new styles that have been launched. We are again showcasing

our Patriot which is a worldwide patent. Patents granted in Australia, New Zealand and the US including the name. So it's going quite well. A lot of door hardware accessories have also been introduced..

"There are now almost 100 SKUs, with makes us the largest door accessory furniture supplier.

A lot of new black. I think black is back! And

we said that a few years ago. But I think black is here to stay, at least for a longer period of time than what we initially thought.

"I think it's a fashion that's happening in the sanitary space, and that is carrying across in the hardware. That will definitely be here for a lot longer than what we initially anticipated."

ASSA ABLOY



Left, Daniel Kovacs, and right, Peter Fitzgerald

Assa Abloy has been working hard to keep up with the latest technology in locks, and its Yale-branded Assure range is testament to that. The two locks that Assa Abloy was showing off at the conference were the Assure Lock Keyless and the Assure Lock SL. Both of these locks are “pure digital”, in that access is gained either through punching in a code on a keypad, or via some form of wireless connection.

Daniel Kovacs explained to HNN how the locks work.

“These are our two digital locks. They are each slightly different. The Assure Lock Keyless is a Bluetooth version. And the Assure Lock SL, is purely Wi-Fi. The Bluetooth version is out of the box Bluetooth compatible. Which basically means I can control it via my smartphone or any sort of device. Likewise,

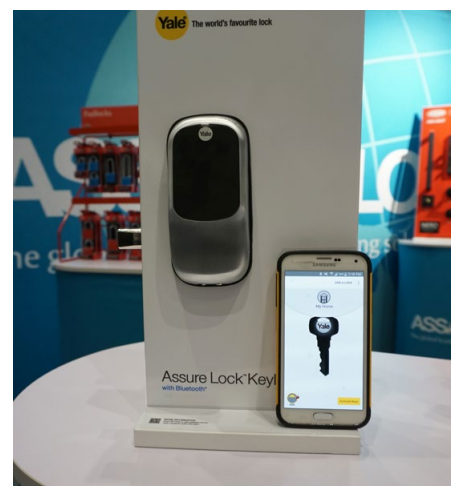
I can download an app to my smartphone and with that, basically, I can control everything off my phone.

“For example, I can have up to 20 different user name codes. It’s really good for places like being Airbnb, those sort of uses, because you can remotely set up a PIN code for the access.

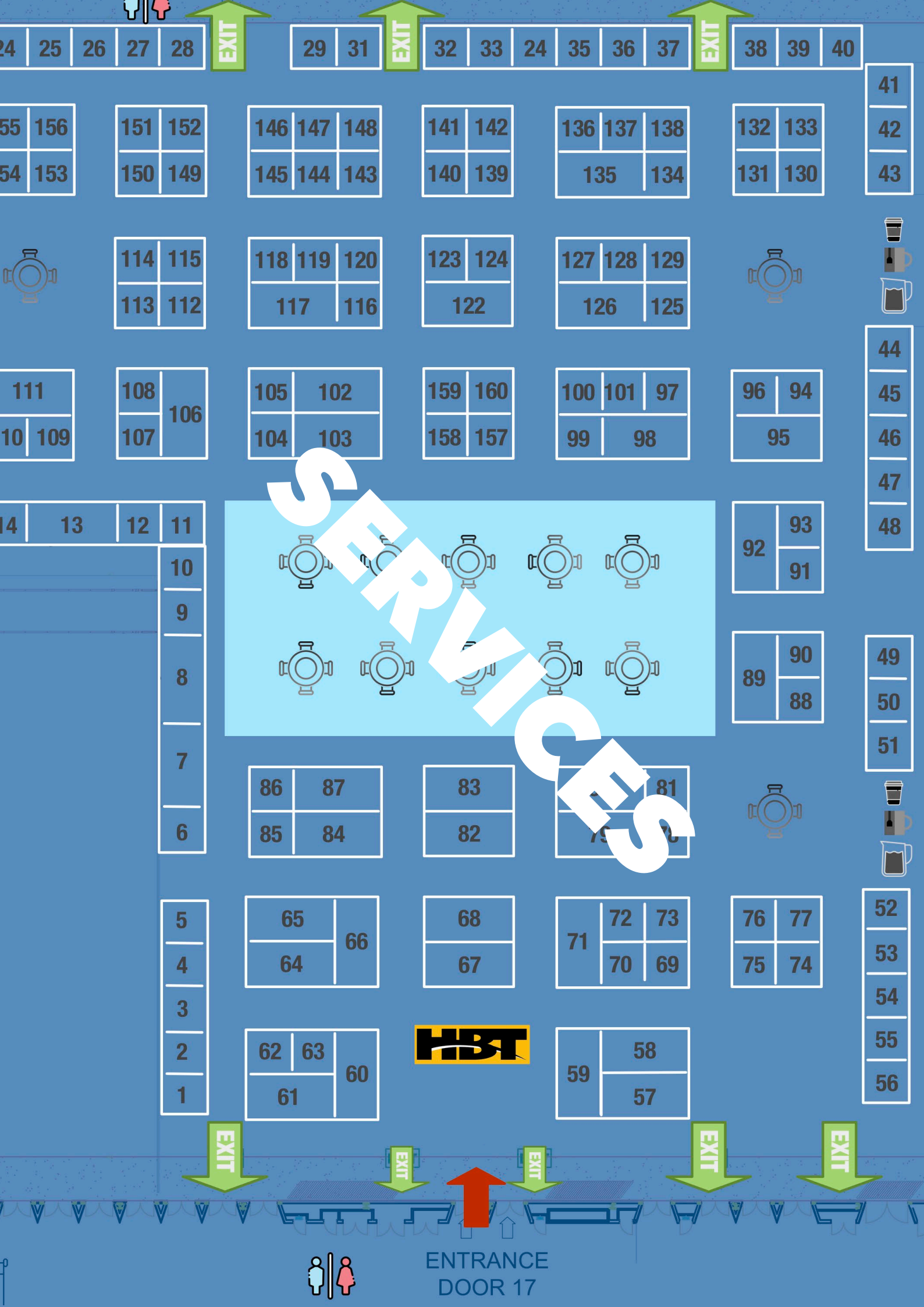
“You can also download audit trails off the locks so you can see who’s coming in, during what times. It makes some things much more convenient. For example, if you’re stuck at work and you need a plumber to come through the home, you set him up on the code. Then you can automatically deactivate that code so that they can’t come back later.

“The locks are battery powered so they just run AA batteries.”

While the Keyless version has full Bluetooth functionality out of the box, the SL is in many ways the more versatile lock, as it can be connected to a range of wireless home automation standards, such as Zigbee, via plug-in modules.



Assa Abloy’s Yale branded Assure Lock Keyless uses Bluetooth



SYM-PAC SOLUTIONS



L-to-r: Mark Schmitter, Nicky Johnson, and Robert Goulter

Just as the independent hardware industry has been evolving, so have the software companies that serve it, including SYM-PAC.

SYM-PAC was acquired by Canadian listed company Constellation Software in late-2016, and has continued to thrive ever since. As part of Constellation's Vela Software division, it shares a company stable with a number of other companies that specialise in enterprise resource planning, with point-of-sale as a specialty.

One of its most recent developments is SYM-PAC loyalty, a module in its point-of-sale (PoS) systems which can help retailers to track customer purchasers and reward them with loyalty points. The retailer can choose how the points are rewarded, by product, department, or customer group, or at

any level the retailer chooses for different products in different departments. The software's "Print a Voucher" feature can then print out a rewards certificate for redemption.

While those are the benefits for the customer, for the retailer SYM-PAC offers extensive customer tracking, enabling them to "data mine" purchasing activity, to aid strategic planning and stock forecasting.

This gives the retailer the ability to drill down into the detail of which customers are buying what. This is critical when directing promotional, merchandising

and marketing efforts.

With a better understanding of store data, retailers can take action to maximise sales and profit, and derive more benefits from each customer interaction. They can change pricing structures, offer trade-only promotions, and understand which ranges sell best when, and to whom.



CW BRANDS



L-to-r: Felicity Chalker, Olly Dartnall, and Steve Light

Campbells Wholesale, which has rebranded as CW Brands, has teamed up with HBT to offer members a unique way to order products from a wide range of suppliers.

The company offers a complete ordering process for a range of popular and familiar HBT suppliers. This means that retailers can easily consolidate their ordering process. This also provides a way around minimum order quantities (MOQs).

The high level of integration between CW and HBT means that HBT members will have exclusive access to their own pricing structure, providing complete transparency through the process. They will also, therefore, gain access to special offers that are just for HBT members.

HBT members are also free to

use the system as a record for intended purchases, adding items to a purchase over time, referring back to this as they develop the order, and then submit it when it is time to get the order processed.

The CW system also enables access to transactions that have been processed in the past,

giving HBT members a single source to go to for accounts resolutions, rather than tracking through potentially dozens of different order processes. Invoices can be easily viewed online, and copies downloaded for local use as well.

Among the brands that CW Brands had at launch included:

- Klingspor
- 3-In-One
- Chemtech
- WD-40
- Permatex
- Solvol
- Diggers
- Motortech
- Slime
- Recochem
- Septone
- V-tech
- Inox
- Wynn's
- GSA



HARDWARE AUSTRALIA



L-to-r: Industry stalwart Ian Cornwall; chairperson of Women in Hardware, Julie Murphy; Jennifer Candy, who spoke at the Women in Hardware event; and Natalie Scott, secretary of Women in Hardware

The big news at Hardware Australia is that the group executive role has changed. Scott Wiseman has left to take up a position with a greyhound racing organisation. He has been replaced by Alicia Oelkers.

Hardware Australia is a national body, which was created by joining together the various state and territory hardware associations.

It provides a voice for the industry, through lobbying and advocacy of local, state and federal governments across issues such as parking meters, zonings, developments, competition, wage increases, union activity and legislation which has an impact on the industry.

It provides a means for inde-

pendent hardware to promote itself as an industry, through campaigns and initiatives such as Support Your Local Hardware and Hardware As A Career.

It also helps to provide a range of services to members to help in the running and improve the efficiency of their businesses.

Services include preferred suppliers of

insurance, fuel, superannuation, banking services as well as specialised training programs together with handbooks.



Hardware Australia publishes an online magazine, "The Link". This provides updates on the latest events in the world of independent hardware.

MERLIN SOFTWARE



Front l-to-r: Betty Tanddo and Merlin Software managing director Louise Garland. Back l-to-r: David Beard and Matt Wilkinson.

Merlin Software was originally established in 1981, by Kevern Kendle, who has recently retired. A CPA, Mr Kendle rapidly understood how important computing would be to the world of business accounting. Starting in 1984, Merlin shifted its focus to point of sale (POS) software, originally distributing Breeze software in some states. As the internet and the Windows platform grew in importance, Mr Kendle moved the company into developing its own software systems.

This culminated in the launch of its Cobalt Retail product in 2012. With this product, Merlin effectively moved out of pure accounting, and into the field of enterprise resource plan-

ning, incorporating modules that handle wages and stock levels, as well as providing ecommerce services.

Merlin's approach is to provide a complete, comprehensive POS system to retailers, that includes everything for a single monthly fee. That "everything" means the actual hardware (servers) on which the software runs, and ongoing services, such as overnight offsite backups of data.

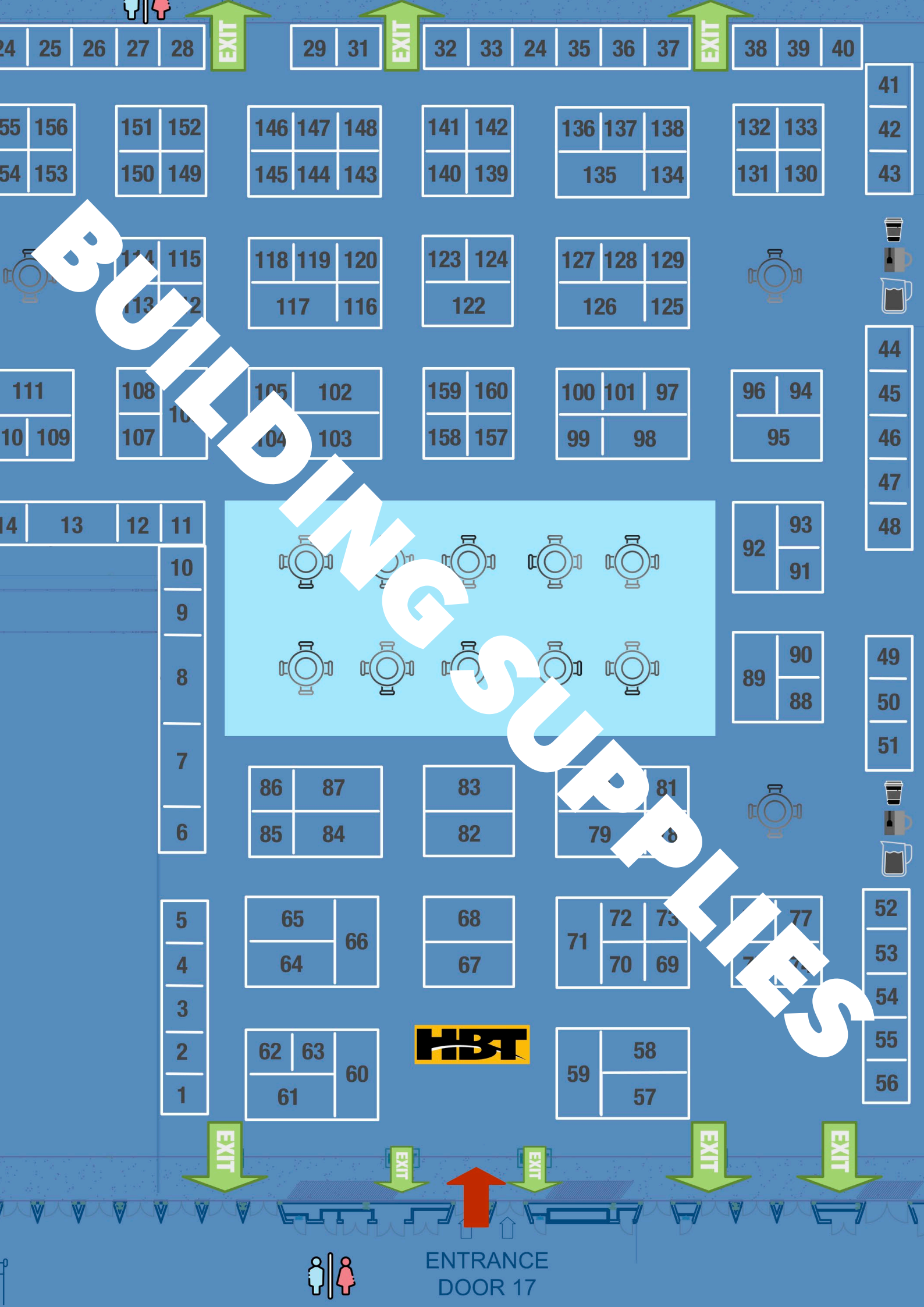
According to Mr Kendle's daughter, Louise Garland, who is now the company's managing director:

"Our major competitive advantage would be the support we offer. We have been in business for a very long time

(38 years) we have clients that have been with us for nearly that entire time."

One element of that service is the way in which Merlin helps new customers get onboard with the software. This service – included as part of the monthly fees – will help to "clean" data from previous systems, to ensure everything runs smoothly, right from the start.





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ENTRANCE DOOR 17

CEMENT AUSTRALIA



Cement Australia has launched a new product that is set to become a favourite with tradies: Pro-Strength Rapid Set Mortar. It's a product that is ideal for tasks such as setting the base of a toilet pan, plugging, grouting, and fixing brickwork. The mortar is exceptionally quick-acting. It begins to stiffen in around 15 minutes, and will reach 20 mPA in three days, and a peak of 40 mPA after 28 days.

The product is sold in a convenient eight-kilo tub. It comes in a plastic bag in this tub, so



tradies are free to use as much or as little as they want – and they score a free tub into the bargain. With a shelf

life of a year, tradies can buy the product and carry it with them as a "fix all" when they need a way to do rapid repair work.

While Cement Australia has targeted the trade market, the product would suit DIYers as well. It does require a quick

hand once it has been mixed with water, but it's great for work that is time-constrained, and where the tradie just wants to get rapidly on with job.

As Tom Prendergast, regional sales manager for Cement Australia told HNN, "We're pretty excited about it. I think it's got a great application for a variety of jobs around the home workplace or wherever you want."



To watch a video demonstration of the new mortar, click on image or go to: <https://youtu.be/k5yq3WAK4UQ>

SIMMONDS LUMBER



L-to-r, David Mummery, Jay Balakrishnan, Chris Parsons and Jonathan Holt

Good timber is truly transformative. That's pretty much the message that one of Australia's premier suppliers of timber and lumber, Simmonds, has for its customers.

The company's Victorian state manager, Jonathon Holt, kindly took some time at the conference to discuss how Simmonds makes use of one of Australia's top hardwoods, spotted gum (*Corymbia maculata*), in a range of products, but especially flooring. In particular, Simmonds is suggesting its overlay flooring for today's modern builders and renovators.

"If the spotted gum timber doesn't make the grade, it will get put aside into a feature grade product. That might be because it has hit and miss skip dressing or sawn edges. Or it might be that it has a little too much feature!

"So what happens then is that it gets put into another kiln charge, and it gets conditioned, and taken back to a 10% moisture content. And then because it's a wider and thicker board, they can run it into an overlay floor.

"They also utilise a lot of the shorts out of the decking as well, because overlay is a

product where your spec is six hundred to two point seven. So a lot of the select grade and good quality short product get put back into overlay. And then that boosts the return on the sawmill and provides a good

Spotted Gum timber products

making sense in Australia's harsh environment using ...



Simmonds Australian hardwoods for posts, decks and cladding.

- Durability Class 1 above ground
- GLTA & PEFC certified
- Fire Rated to BAL 29
- Environmentally friendly
- Rich in colour
- Flooring, decking, cladding, F27
- GL18 Laminated Spotted Gum posts available in 90x90, 115x115 and 140x140



flooring product for the market.

"So they'll grade that overlay flooring into two grades. They'll have a featured grade product, and then they'll have a standard and better grade product. The mill will return approximately 50 percent of each grade. And there's a good market for feature grade overlay flooring, and there's also a good market for standard and better overlay flooring. So it gives us the best of both worlds.

Mr Holt also explained that spotted gum is almost uniquely versatile, as it can be used for both decorative and structural products.

"Spotted gum is a very sought-after product that has become one of the most versatile Australian hardwoods. That's because of its durability and its hardness.

"That means it is great as a decorative product for screening, decking, flooring lining board and cladding – things like that. But it's also a very good, long-lasting and strong structural product too. So we have the F27 range which is structural beams."

Mr Holt sees a lot of opportunities for timber yards to move into selling spotted gum flooring products to builders.

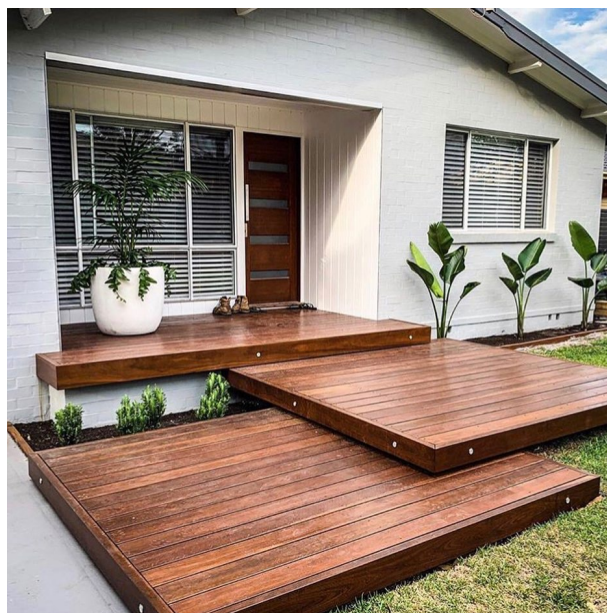
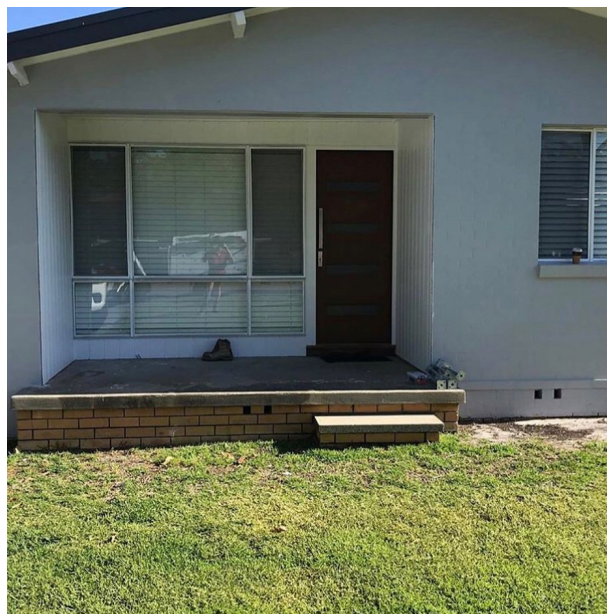
Simmonds markets it as a natural extension to the timber package a yard would sell to a builder building a new house or doing extensive renovations to an existing one.

"With the flooring product, the timber yard would sell a house package or renovator package to a builder. So they'll sell the frame, the joists, the bearers, the sub-floors and things like that. And then because they've already got the connection with the builder, the builder can look to them for decking and things like that.

"The flooring is obviously a product that, if they're not putting down tile or carpet and they're going for timber, retailers have a great opportunity to on-sell another part of the package."

There has to be something special about a great Australian timber company selling an Australian natural hardwood as one of the most beautiful features for new and renovated homes.

Top, a house pre-renovation, middle the same house with Simmonds' spotted gum decking. Bottom, floors made from Simmonds' spotted gum.



SOUDAL



Soudal's most heavily promoted product at the moment is its T-Rex Power Fast Grab. This is based on Soudal's SMX polymer, and works as both a sealant and an adhesive. Its unique characteristic is that it supplies a really fast (one second) "grab". This makes it ideal for use for sealing and bonding in the building and construction industry, as well as elastic bonding of panels, profiles and other pieces on the most common substrates (wood, MDF, chipboard, etc). It also has applications in the automotive and container industry.

Along with the fast grab, the product has many other positive curing positives. It cures 3mm within 24 hours, and con-

tinues on to form a very solid bond when fully cured, able to support 320kgs per 10 square centimetres.

The product will provide this strong grip across a range of substrates, include steel, brass, galvanised steel, polystyrene, polycarbonate, PVC and polyamide. (Testing is recommended on plastic substrates, due to different manufacturing processes and compositions.)

The product has a shelf life of between 12 months to 15 months, and carries a 10 year warranty.

T-Rex is available in eight varieties. The standard product also comes in a clear, and there is also T-Rex Power X-treme, which provides a quick build-

up of end strength. T-Rex Floor and Wall is designed to be easy to trowel. T-Rex Power Flexi is designed to be more flexible than the standard product. T-Rex Power Crystal is mould resistant, and "100% crystal clear". T-Rex Power Turbo, achieves ultimate bond strength in just three hours. Finally, T-Rex Power FR is fire resistant for up to four hours, and suitable for both interior and exterior sealing.



VESPOL



L-to-r: Peter Charlton, Kathy Milewicz and Mike Power



Vespul's flashing product, Ubiflex is made with an aluminium mesh core, and then coated with siliconised rubber.

It is designed to replace lead flashing. One of Ubiflex's attraction is that the price of standard flashing continues to increase as the cost of lead goes up.

Ubiflex installs in a similar manner to lead flashing, and exhibits most of the same characteristics.

Made from aluminium reinforced silicone, Ubiflex is a waterproof flashing that has been developed for quick and easy installation. It remains strong and durable in a wide temperature range,

from -30°C to 180°C, does not soften, melt, evaporate or become brittle and has good wind uplift resistance.

One advantage is that one side of the flashing is grey, and the other is either black or terracotta. Essentially, you get second colour for free, which is good news for both hardware retailers, and tradies, as that means retailers need to stock less, and tradies can carry less in their utes.



BREMICK FASTENERS



L-to-r, front row: John Jamieson, Mike Sayers, John Eggleton & Damien Smith; second row: John Flavell, Luke Spencer, Darren Voight

Bremick started as a family-owned business in 1965 and has continued to be family-owned up to the present day.

The company was founded by Michael Hawksford in 1965 in a small warehouse in Alexandria, Sydney. Today the company has 12 distribution centres, including three manufacturing locations and two quality control laboratories, across Australia, New Zealand and Asia.

The secret to the company's success over nearly 55 years has been finding the

best supply channels, establishing in-house manufacturing, developing the hardest coatings, and cultivating the best team of expert staff.

Staff are especially important to Bremick. The company has spent years cultivating a great

team. It's a team that knows what they're talking about, and can help solve problems fast.



The most Innovative Cyclone Fastener

Bremick Roofing Assembly

- Suitable for most common roofing profiles.
- Effective even if not drilled in dead straight.
- Unique shock absorbing feature allows roofing to move while remaining watertight.
- Self aligning for faster installation.
- Complies with AS3566
- NT BAC Deemed to Comply
- Tested by Bluescope Steel to TR440
- Approved by James Cook University Cyclone Testing Station.

Fully watertight with 4 sealing points



Proven in the most extreme conditions

BORG MANUFACTURING



Stuart Toakley and Scott Blakely of Borg Manufacturing

Borg Manufacturing produces a range of wood products for the Australian market. The company began as Borg's Kitchens in 1989, and has continued to grow, largely by acquisition. This includes the acquisition of MDF and Woodchem operations in Oberon, NSW from Carter Holt Harvey in 2010, and the acquisition of the Carter Holt Harvey Tumut facilities along with the COLOURpyne brand in 2019.

A significant development in 2018 was the opening of a new particle board manufacturing line at the Oberon facility. This features advanced machinery and technology, and the company claims it is the most efficient such facility in the

Southern Hemisphere.

The company's leading brands in the hardware industry are its Polytec range of cabinetry for kitchens and other applications, and its industry-leading Structaflor particleboard flooring product.

Structaflor is graded through three types, each marked clearly with a specifically coloured "tongue" in its tongue-and-groove system. The most popular and well-known of these is its "yellow-tongue", which is the standard grade of flooring. This is a 19mm thick board, designed for joist centres of 450mm. The next grade up is red tongue, a 22mm board for 600mm joist centres. Blue tongue is a heavy duty 25mm

board, also for 600mm joist centres.

These boards also come in three floor types, yellow wax for general purpose use, red wax for termite resistance, and blue wax for boards treated for moisture exposure.

Polytec makes products for kitchens and bathrooms, as well as wardrobes. Its ranges include melamine doors and panels, aluminium framed doors, benchtops and general laminate.

Polytec has teamed up with companies such as the well-known Caesarstone to develop coordinated colour systems for kitchens, helping to deliver stylish results at a reduced cost.

CSR BRADFORD



L-to-r, Neville Taylor, national key accounts manager, Jo Shearer and Shaun Debnam

Bradford Black insulation is a further development of the glasswool products Bradford has been making over the past 55 years.

Bradford Black is actually white, and it has a soft, fluffy feel to it, making it more pleasant to install. It is made from recycled glass, with natural, organic binders. That means it is both safe to use, and follows best sustainability practices.

Bradford Black is hypoallergenic and is approved by the National Asthma Council's Sensitive Choice program, making it suitable for use in homes of asthma and allergy sufferers.

Bradford Acoustigard presents the ideal non-combustible insulation solution for external

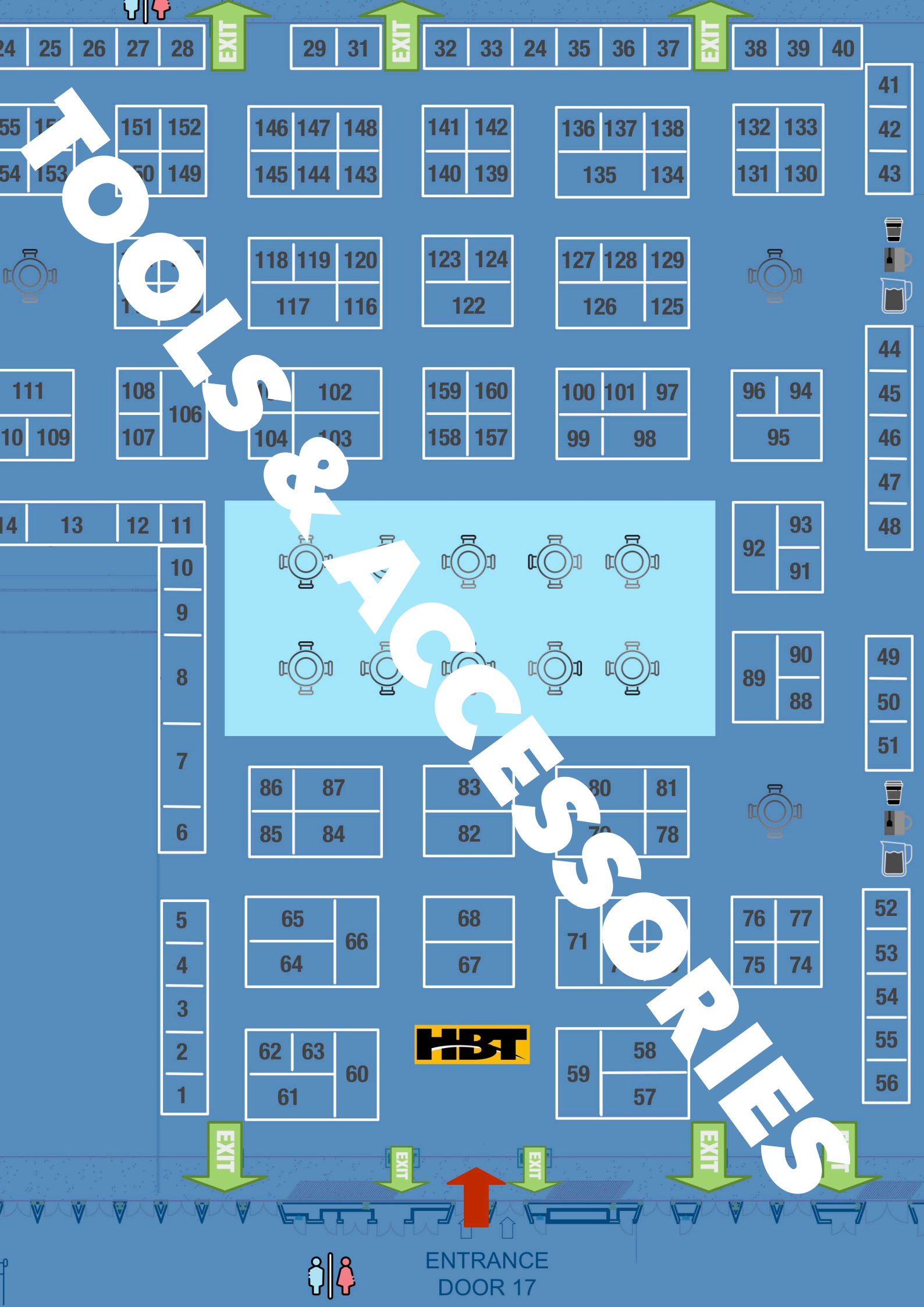
and internal walls, delivering enhanced fire, acoustics and thermal performance.

Acoustigard is specifically engineered to reduce mid- to high-range acoustic transmission in walls and ceilings.

Key features of CSR Bradford Acoustigard include a choice of varying densities allowing acoustic and thermal performance to be tuned to suit project requirements; varying thicknesses up to 90mm and densities up to 32kg per cubic metre; and

the ability to retain form without slumping in the cavity. This eliminates the risk of voids in walls and maintaining acoustic and thermal performance well into the future.





TOOLS & ACCESSORIES

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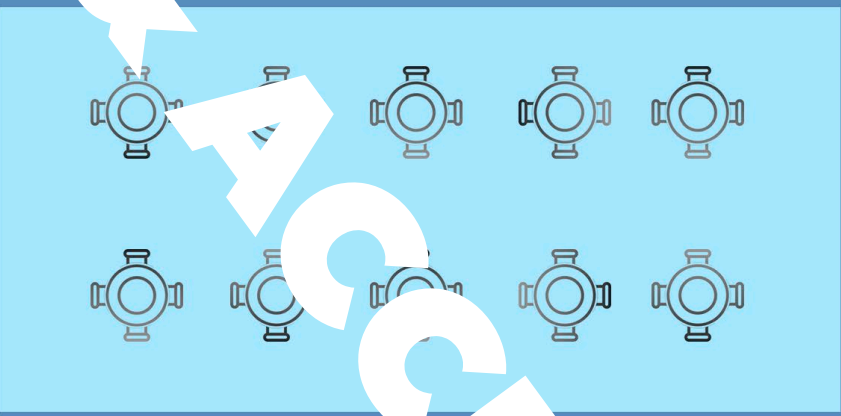
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SHEFFIELD GROUP



L-to-r: Chris Payne, Clayton Jones and Leigh Royle

What drives Sheffield Group as a company, HNN has concluded, is a strong sense of empathy for the people who use its products, as well as those who sell them. This is the same company that provided the shaving kit for the Diggers heading out to France in World War I, so it makes sense that part of its DNA is to design for over-performance. That's something that has been passed down over the years in this Australian-owned, fourth generation family business.

A good example of this over-engineering is its line of Austsaw special application saw blades. This is a really well-considered, well-designed line of blades. The sales direc-

tor for Sheffield, Greg Allbut, was kind enough to take some time to explain this line to HNN.

The line has three main blade types: one for cutting stainless steel, one for most other types of metal, and a blade for cutting timber that has nails in it. As Mr Allbut explains:

"This helps to give retailers a bit more direction regarding the ranges that they can stock which match specific applications. So retailers can then match a blade to an industry. For example, a lot of retailers do a lot of timber business, so they know which blade they

should stock."

Beyond the retailers, Mr Allbut and Sheffield are also thinking ahead to how the blades get used on the jobsite.



"The point behind this is that you can deliver to the trade customer a blade that they know when they get to site, it's not going to let them down. And that's the thing about all our blades.

"Consider the cost of when a saw blade loses a tooth and needs to be replaced. If you have a spare, everything still shuts down while it gets replaced. If you don't have a spare, then you have to go buy a spare. It's not just money lost through idle time, it's also time lost on getting a project completed.

"And so the key is that you are providing them with a product they can really rely on, beyond reasonable expectations, even. We know we can deliver that because we do our own in-house testing, and in tests these blades go through hundreds of cuts."

If you want to see what "beyond reasonable expectations" means, you need to see one of the videos Sheffield has which shows its wood-with-nails blade cutting through a piece of rebar embedded in a 6x6 timber piece. The company is clear this is NOT what the blade is designed to do,

but the blade makes it through OK. And that this the kind of accident that can happen easily in the demolition stage of a renovation.

Packaging

One of the things that makes Sheffield unique is that it's not only about the engineering, it also tackles the details of marketing. Many of HBT's hardware stores have really benefitted from Sheffield's generous terms for its display shelving – and those displays are often the best selling point in a store.

Sheffield is also making a determined push to really boost the packaging of its products – something the Sheffield marketing team does in-house. As Mr Allbut explains it:

"Another key focus that's had a lot of interest is the new packaging. So we've redesigned a lot of that, from the old boxes. So it is bringing a very clear, easy to see product display – you can see the size easily, see the application, how to use it, what you can use it in. It is a very nice clear pack, that tells you everything you need to know."

Below, an example of Sheffield's design approach: colour-coded cards for drill bits that clearly indicate use and performance. Right, the 10m Ultimax Pro measure



Ultimax Pro

Sheffield's Sterling brand Ultimax Pro has proven to be a very popular tape measure in the market, providing another (slightly over-engineered) competitor to more expensive brands.

In fact, it has proven so popular, that Sheffield has now expanded the range from the initial eight-metre length, to additional five-metre and big, ten-metre measures as well.

The new measures continue the high-quality demand of the original. Sheffield has improved the readability of the tape, with large numerals on the markings, which are rotated 90 degrees, to match the angle of view of most tape users. The measures also provide fully incremented markings on the tape. Every 10mm is clearly delineated, as are the intervening millimetres.

The blade of the tape measure is also significantly more rigid than on most tape measures. This means the up to a three-metre stand-out can be achieved, making single-user measuring much easier.



HIKOKI POWER TOOLS



L-to-r: Alex Streeter and Lee McAuliffe



Hitachi 18V Brushless 90mm Framing Nailer NR1890DBCL(H5)

Hitachi Australia's foremost product line at the moment is no doubt its nailguns, in particular its framing nailer. Its nailguns make use of a unique (and patented) system that uses a brushless motor to compress air in a cylinder, which is then released to drive the nails – mimicking compressor-driven nailguns, but without the 40kg tank, compressor, and a trailing air-hose. Hitachi calls this its Air Spring Drive system.

Unlike flywheel driven systems from competitors, the Hitachi nailgun charges up from the moment it is turned on, and then re-charges after every strike.

This results in a drive rate of what is estimated at (in bump-fire mode) two nails per second. Using a 3.0 amp-hour Li-ion battery, respected US website Pro Tool Reviews indicates it can drive around 400 nails on one charge. Andrew Graue of Hitachi sums up the tool's advantages:

"It is a non-generative source, so it does not have any exhaust, or expendable fuel. Hitachi holds a patent on this system, so it is unique to these tools. You don't have to renew the gas cylinder as you would with, for example, Paslode.

"It is also a lot more serviceable than many of the



Top: NT1865DBAL 65 mm DA Series Finish Nailer.
Middle: 18ga 50mm C1 Series Brad Nailer NT1850DBS.
Bottom: HiKOKI C3607DA(H4Z) 36V Multi-Volt Lithium-Ion Brushless Circular Saw

other brands of nail guns. In regards to the price, if you need to replace the cell inside the nail gun, it can be less expensive to buy a new nail gun than have that maintenance done."

The controls are as modern as the actuation system. Changing from trigger to bump-fire is as simple as pressing button. There is dry-fire lockout, so the nailgun will not fire if there are no nails loaded. As a safety feature, if the nailgun is not used for more than 30 minutes, it automatically turns itself off. Another safety feature is that the tool locks itself if the trigger is not pulled within two seconds of depressing the nailing head.

There is a rafter hook to hang the tool from, and it can accommodate rafters up to 100mm, yet swivels out of the way when not in use.

In addition to the framing nailgun, Hitachi offers a complete line of finish nailguns, using the same technologies.

Hitachi was one of the HBT suppliers called out as rapidly growing its share of the buying group's power tool purchases.

Finish nailguns

The other 18-volt cordless nailguns in the Hitachi lineup are the NT1850DBSL 50mm C1 Series Brad Nailer, and NT1865DBAL 65mm

DA Series Finish Nailer 36 volt to 18 volt tools

Hitachi has also innovated by bringing out a range of tools that are powered by a new, 36 volt battery, which also works with most of the brand's 18 volt tools as well.

The MultiVolt BSL 36A18 battery is compact and lightweight. It's almost the same size and weight as the existing 18V batteries. However, when paired with 36 volt tools, it delivers near mains electric class power.

In reviewing the MultiVolt circular saw, respected US website Pro Tool Reviews listed its advantages as:

- Excellent build quality
- Automatic speed control mode conserves battery life and runs quieter in niche applications

- Lightest among the Cordless Supersaws

- MultiVolt battery is backwards compatible to Metabo HPT and Hitachi 18V tools

The review summed up the saw as:

"Metabo HPT's first MultiVolt circular saw is well-built, lightweight for its class, and outperforms our corded worm drive. While there's a little hiccup on the secondary handle design, it's a premium saw that belongs in the conversation among the top players."

BAILEY LADDERS (WERNER)



Ron Garlepp of Werner Co., owner of Bailey Ladders

Werner continues to develop its Bailey brand in Australia, with its most recent innovation the Modular Access System.

What Werner realised was that many industries were spending big on customised access systems for needs such as warehouse stocking and picking, truck servicing, aircraft maintenance, and heavy equipment servicing. There was a big demand for access structures in most transportations industries, and the mining industry.

The company set out to develop a simple, modular, cost-effective solution to access, that would save these end-users lots of money, as it could replace over half of their custom systems. The Modular Access System was the result to this

development work.

The modular design allows the end user to customise an unlimited expandable platform length solution at variable heights that suits the desired application. This is achieved with a combination of three to six step Access Platform Ladders, Uprights and 1.0 or 2.0 metre Platforms.

The system is suited to high frequency use. It features a strong, fully welded design fabricated from heavy duty aluminium. Foot operated, total-brake castors provided great stability, while enabling the platform to be easily positioned. Made to AS/NZS 1892 - Portable Ladders with a 170kg load rate per platform module, it is suitable for use on commercial and

industrial sites.

Werner also thought about transport of these potentially bulky systems. The Bailey Modular Access System is supplied as a flat pack for ease of transportation. It is also simple to assemble. It includes needed tools, and comes with easy to follow picture based instructions, along with actual size bolt templates.



METSYS



Justin Davis, left, and Daniel Dawson

Metsys is a brand dedicated to the production of high-quality surveying equipment. The Metsys range has been designed to handle the tough Australian conditions, providing reliable results for the home handy man through to teams working on large commercial building sites.

The range runs from basic dot line lasers, all the way through to a complete stations, GPS-enabled, and machine control systems. Metsys service centres are located in all Australia's capital cities.

The company prides itself on making lasers that can survive the rough-and-tumble of construction sites. According to Daniel Dawson of Metsys:

"They are really sturdy, with a metal housing on top and rubber surrounds. So you can pretty much throw these down to the ground, and then put them back on the tripod, and they're still calibrated and they still work OK. That means we've been able to set ourselves apart from the rest of the market out there. Which is great.

"Basically, we manufacture these ourselves through factories in China. So it is a premium product that we are able to produce at a very competitive price. The margins are also quite healthy for all involved."

An example of the products Metsys produces is the MTS200R. This is a fast, accurate and easy-to-use device

that delivers high precision in a unit designed to resist water, with dust and splash protection rated at IP55.

Magnification is 30x, field of view is one degree 30 minutes, and it can return distance measurements with a single prism up to 3000m. The internal memory can keep track of 15,000 points.



Metsys MTS200R

SUTTON TOOLS



L-to-r: Ben Williams, Emma Trahair and Robert Bartlett

Sutton Tools is a fourth-generation family business, that got underway when precision toolmaker William Henry Sutton emigrated from England and set up business in his Melbourne garage in 1917.

While it is a family business, however, it is far from being "traditional". For example, the company began exporting tools from Australia back in the early 1990s. It started with exports to south-east Asia, and then entered Europe in the early 2000s.

Today, the company exports around 35% of its total production. These are all speciality, high-end tools, for high-performance, technical applications in the aeronautical, automotive

and general engineering industries. One of its main customers is the European aerospace conglomerate, Airbus Industries, along with its many subcontractors near Toulouse in France.

Backing up the export market is a high level of automation, with the company managing to reduce staff from a high of 500 in 2006, down to less than 400 in 2019. The bulk of production occurs at Sutton's head office site at Thomastown, in Melbourne's northern suburbs. More specialised operations are based out of the company's Maryborough facility.

As the company states on its website, all that advanced tool technology – which involves dealing with ever-harder alloy

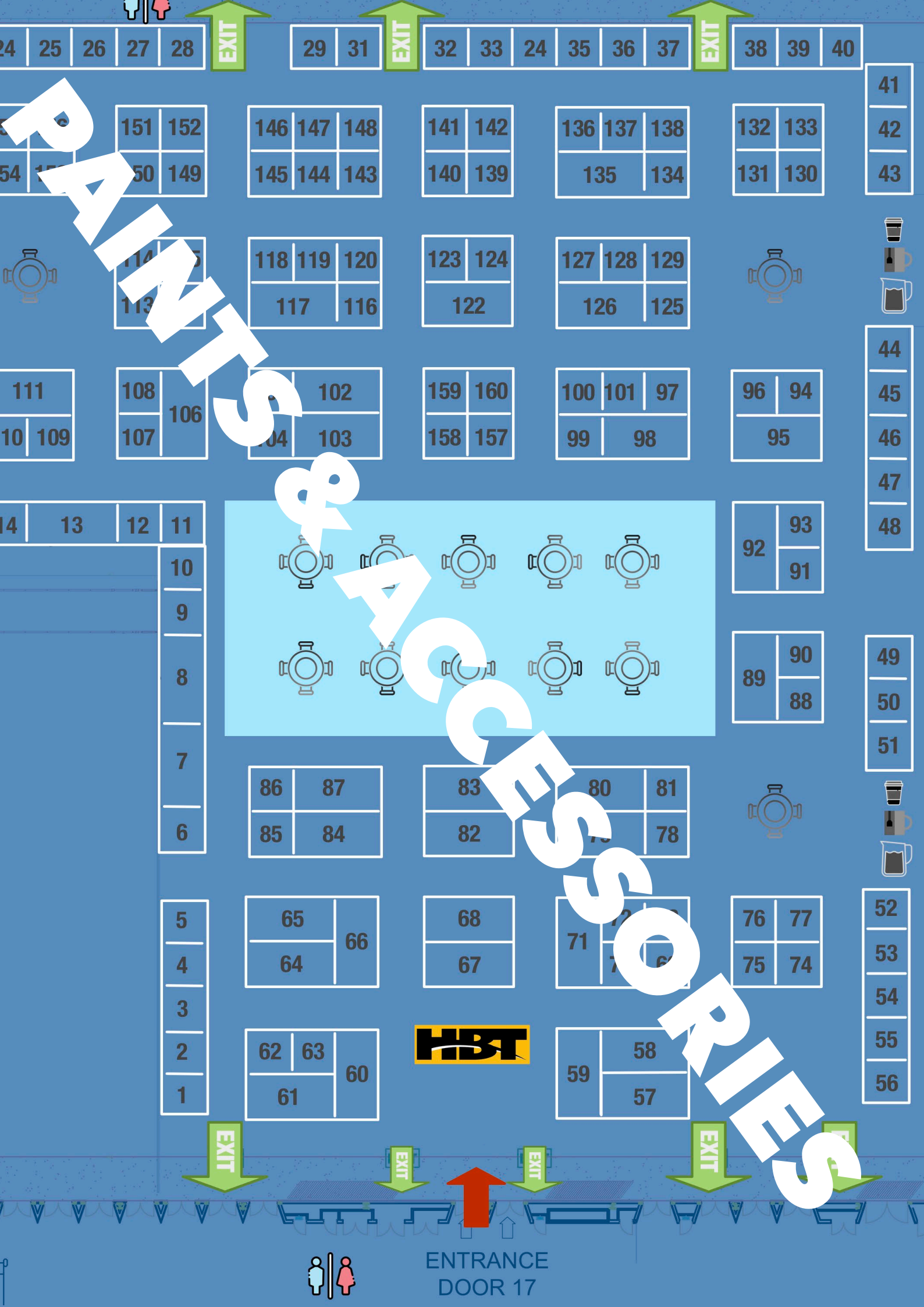
materials – eventually benefits tradies in Australia, as it filters down from high-tech to high-rise and then to home builders.

Most recently, Sutton seems to be taking advantage of the gap in the independent market created by Irwin becoming a captive brand for Bunnings.

The company has developed ranges of vise-grip-like pliers, along with the LockJaw one-hand clamps.



Sutton Tools LockJaw clamp



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ENTRANCE
DOOR 17



Vivian Kluger, chemist at Duralex

As a small company in a field that has some of the largest corporations on the planet, Duralex continues to amaze the market with plucky innovations. It's ability to survive as an Australian-owned, Australian made paint company for 73 years is amazing in itself.

Duralex has already become HBT's H brand supplier for high-quality interior latex paint, and continues to push further into the area of specialised paints and surface treatments.

One of its most recent innovations is primer it calls **primeALL**. Vivian Kluger, the chemist for the company, was kind enough to take some time to describe this breakthrough product to HNN.

"primeALL is a really interesting water-based product that has phenomenal adhesion to all sorts of substrates that are normally difficult to paint. For example, glass, glossy tiles, Laminex and all kinds of laminate. It has anti-corrosive properties, so it can even be used on new meta, or clean metal.

"Even things like neoprene or rubber and so forth. It's the interface between almost any hard-to-paint substrate and the topcoat. primeALL is designed to go under any sort of topcoat, whether it's water based solvent based or two pack, single pack. It's an amazing product. And it is super tough!"

primeALL sits in the extensive Duralex range right alongside

metalPRIME. metalPRIME is a water based anti-corrosive primer offering great long-term resistance to rust and corrosion for mild to medium, light industrial environments. While it is designed for optimal performance on structural steel, it works just as well on non-ferrous substrates.

Other speciality products from Duralex include:

rustCONVERT, a three-in-one treatment for ferrous metal surfaces that takes care of rusted surfaces, and simultaneously acts as a primer and sealer.

clean&BRIGHT, which gets exterior timber surfaces ready for painting by removing dirt, oils, grease and other contaminants.

PPG ARCHITECTURAL COATINGS



L-to-r: Tara Hoareau, territory manager, and right, Phil "Hollywood" Hardy, business development manager, PPG

In the second half of 2018 the PPG brand Johnstone's released a new range of Professional products that have helped lift the wood coatings industry to a new level.

The range includes top-performing prep and maintenance products, as well as innovative interior and exterior coatings.

For prep, the range includes Hardwood Tannin and Oil Remover, Deck and Timber Cleaner, and Timber Stripper. The prep range is designed to restore and rejuvenate weathered, coated and new hardwood timber.

It can be used on decking, windows, doors, bifolds, fences, gates, weatherboards and cladding.

As these are products designed for professionals, they focus not only on providing a high level of protection through use of PPG's Aqua Protect technologies, but also on making the tradie's life as simple as possible.

For example, the products are touch-dry in just 30 minutes, and, crucially, can take re-coat after just 60 minutes. That translates to a huge time and cost savings for busy decking installers during the peak spring season.

Of all the Johnstone's Professional products, probably the one destined to be a standout bestseller is its Decking Oil. This has the same one-hour re-coat, and along with a

12-month warranty (when correctly applied). This is available in a slip-resistant form as well, and it comes in one-, four- and ten-litre sizes.

With the increasing move to presenting timber in more of its "natural" state, without stains, the product also comes in a Crystal Clear variant. This really is clear, without the slight orange or yellow tinge that most "clear" finishes have.

These are finishes that will really last, as well. Johnstone's Aqua Protect Technology includes advanced biocide formulations to protect against mould, and a highly durable barrier that repels water, and dirt and stains. It also offers a high level of UV protection.



Taubmans Endure

Of the top four premium interior paints recommended by Choice magazine in its 2017 review, Endure is both the equal least expensive, and the one most recommended by readers. According to the Choice results, at the time of testing, the paint had a much better “scrubability” factor than Dulux’s Wash and Wear, and was priced to be much more affordable.

Professional painters who tried out the paint commented on their website that:

“Well, into the first drum, it was like opening a pot of pure cream. First thing I noticed was its consistency in the drum. It was thicker and creamier than previous paints. From the brush to the wall, it seems to hold better on the bristles, which is always a good thing. Cutting in with this product felt like you are actually putting a coating onto the wall. You know the feeling between a watered down paint and a quality one, this felt like that next progressive step. The coverage compared to other paints out on the market was very impressive.”

Endure is one of the modern paint products that benefits from the first wave of nanotechnology applied to paints. The technology helps it to inhibit the growth of mould and mildew, provide anti-bacterial protection, and provide stain resistance, while still being scrubable. In its most recent version, it has exceptionally low volatile organic compound (VOC) emissions, and has been approved by the National Asthma Council Australia’s Sensitive Choice program.

UNI-PRO



Kevin Marshall, of the HBT Buying Group, Terry Andrews, Steve Loudovaris, and Rick Jones



Uni-Pro has a number of new products and interesting innovations. Top of the new products is the introduction of an oval-shaped cutter brush to its best-selling Smooth Coat range of brushes. These brushes provide a solid, round tapered filament, which helps with both paint pickup, and producing the required smooth finish, through its high level of paint release over smooth surfaces.

The brushes are intended for use with water-based paints, for both interior and exterior.

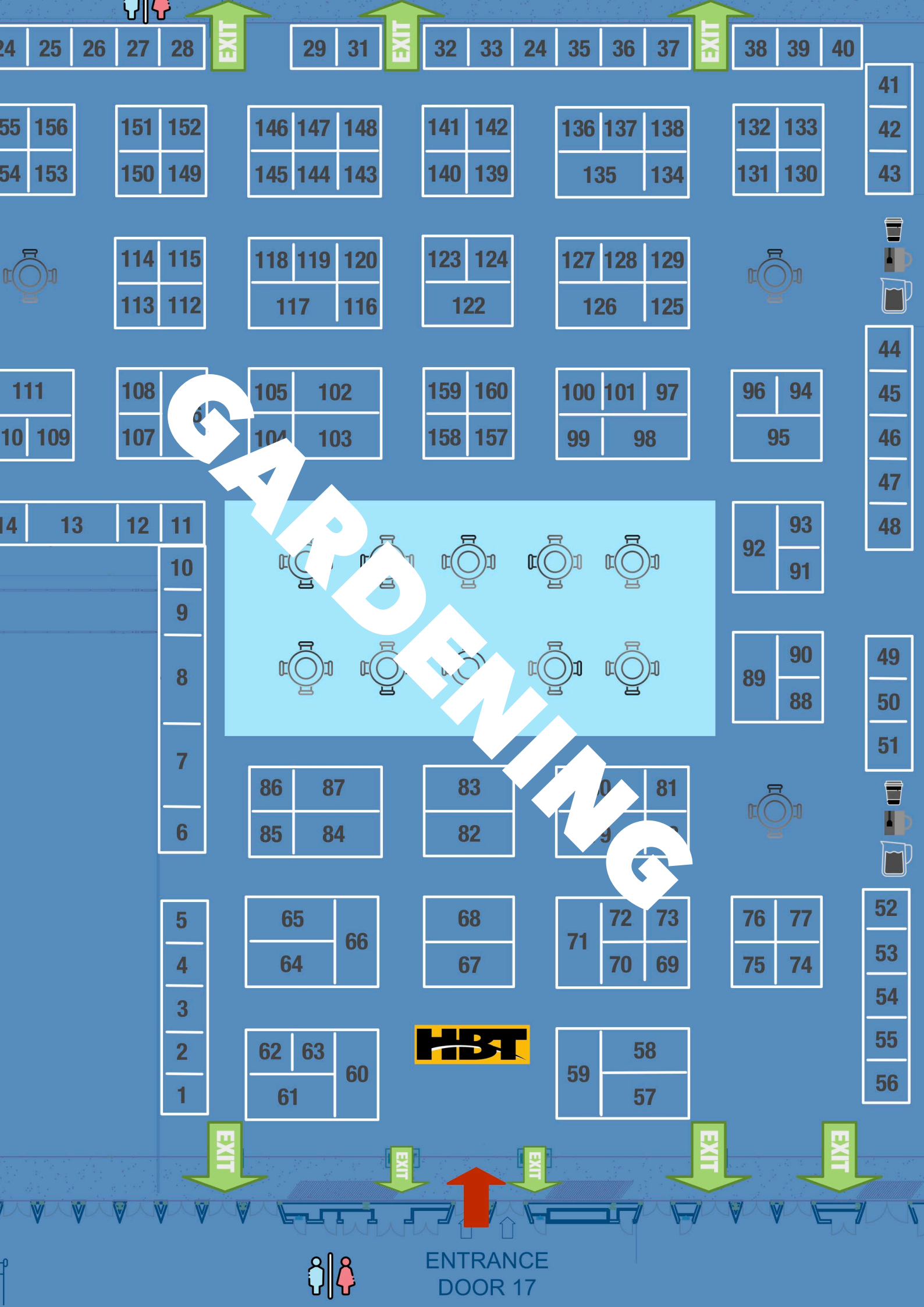
They have a stainless steel ferrule for extended life and feature a trade-quality wooden handle. As a bonus, the cardboard display sleeve can

be reused by the painter to protect the brush after use.

In terms of innovations, Uni-Pro has come up with a great new extended roller handle, which holds the roller on an angle, making it ideal for handling common jobs such as door architraves.

It's also worth mentioning Uni-Pro's Extension Pole Brush & Tool Clamp, which makes it easy to reach hard to get to areas, up high in corners, where you really need to get at least a dab of paint to make the job look right.





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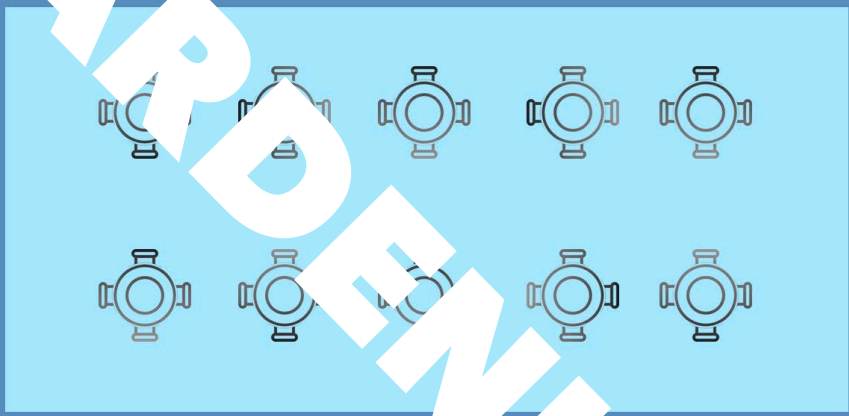
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ENTRANCE
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Angela Mason, manager - hardware for Reln

Reln is a company that is best-known for its products that help to control water overflow on properties. Reln products are all part of a complete Surface Water Drainage System. Combined, they create a complete solution for the collection and dispersal of surface water.

These products can be used in a wide range of applications, including patios, swimming pools, sports courts, and gardens. They are also easy to install across driveways, along pathways and beside retaining walls.

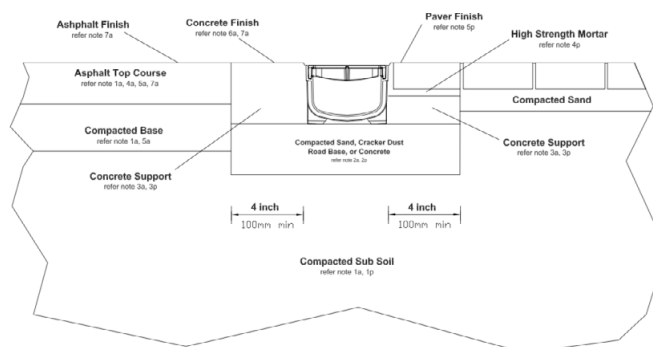
All the Reln components are tough, durable, single-piece mouldings. The gratings over the drains are designed to support the weight of bicycles and riders. Properly installed, some grates can support smaller domestic vehicles as well.

One of the best things about the Reln system is that it is very flexible. It can be designed to fit into most places, through the use of flexible length channels, corner pieces, and a range of sizes for different volumes of water. It is a

very easy system to install, and each component comes complete with extensive instructions.

Reln also makes products suited to the growing rural sector of hardware. These include water tubs, feed and water troughs, float valves and covers, and even molasses drums, hay racks and hoppers.

Reln also has a range of "black water", sewage-related products, including the company's 3200 litre septic tank, grease traps, and drain trenching.



A diagram from Reln's instruction booklet on installing its Reln Storm Mate product.

AMGROW



Darren Welsh and Daniel Palma of Amgrow

Amgrow has set out to tackle a major issue that affects all keen gardeners, but especially beginning or less certain gardeners: plant death on initial transplant.

The company's solution to this problem is Amgrow Naturals Plant Starter (NPS). NPS consists of Australian seaweed combined with extracts taken from mature plants, along with a small boost of nitrogen.

The two major stresses on newly transplanted plants are the disruption of the minor root systems (often hair-thin roots that help absorb soil nutrients), and a shock to vital functions of the plant, in particular photosynthesis.

The single best treatment is suitable watering of the plant, but this can be boosted by applying a root drench. This helps to boost root regrowth, as well as removing reactive oxygen species (ROS). These are chemical compounds like peroxides and superoxides which, while common and essential to plant functioning, can damage root cell structures when they occur in excess amounts, which is a typical plant stress reaction.

Seaweed helps transplanted plants because it contains both Auxins and cytokinins, and

these are strong promoters of root growth. This effect is further enhanced by Amgrow's use of a mature plant extract, which produces a cytokinin-like activity in the plant. This assists with both the root development, and helping the photosynthetic process to get back to normal functioning.

The result is a product well-suited to giving plants their best start in life. It's also useful on lawns as well, particularly ones where root growth is a key issue to their health.

Amgrow's other interesting product is Croaked, which is designed to help control cane toads. Croaked relies on a simple anaesthetic, which basically numbs the amphibian to death. One simple, economical spray bottle of Croaked will kill around 150 cane toads.



NORMA PACIFIC



Mark Stibbard and Simon Wilcox of Norma Pacific

Norma Group was originally founded in 1949 near Frankfurt, Germany, by Ove Skafto Rasmussen, the son of a Danish industrialist. It was family-owned until 2006, when it underwent a management buyout, and merged with Swedish company ABA. The company was publicly listed in 2011. It has production facilities in both China and Brazil.

One of Norma's leading brands in Australia is Pumpmaster. Pumpmaster began as Combined Australian State Importing (CASI). CASI was established by Peter Buegge and John Lower in the early 1990s as an importing arm for the USA built, Red Jacket pumps. With over 60 years experience between them and successfully establishing CASI as a major submersible pump company throughout Australia, John and Peter wanted to create a lasting brand under its own name. "Pumpmaster Australia" was born. This gave John and Peter more control over the type and quality of product that could be sold in Australia.

Today Pumpmaster is well-known for its ranges of economical household pumps – just right for the increasingly popular local rainwater tanks.

The company's Multimate ranges consists of a combination of seven horizontal multi-stage centrifugal pumps with stainless steel impellers/diffusers and cast iron ends. These are suitable for domestic or even small agricultural installations, as they are silent, efficient and cool running. The pumps have electronic controllers or hydraulic pressure tanks, and are available in .37, .55, .75 and 1.1kW motor sizes.

The Housemate range consists of single, impeller shallow well jet pumps. They have very good self priming, and deliver high pressure for larger household requirements or rural applications, and are capable of flows up to 70 LPM.



The Norma CTJ120PC pump

AGBOSS



Scott Jensen, sales and marketing director for Albury-based AgBoss

AgBoss is an Australian-owned and family-run business from Albury, well-regarded in the rural and agricultural sector, that has been, over the past several years, branching out into hardware.

One of its most recent products is Kilsoot. This is a very effective solution to a problem everyone with an indoor fireplace that uses a chimney or a flue will eventually face: the buildup of soot on the inside of the venting system.

Kilsoot takes care of this problem in the simplest way possible. All the homeowner has to do is to put a small amount of Kilsoot into a burning fire and let it burn for 20 minutes. This removes soot deposits from fireplaces as well as boilers,

cosy-type room heaters, chip heaters, stoves, and really any fire that is structurally vented.

It's really a process that is essential to the ongoing safe operation of fire systems. Kilsoot doesn't corrode steel flues and helps reduce smoke emissions by dissolving tar and creosote deposits.

Creosote and tar are highly flammable and corrosive substances that can build up on the walls of a chimney and potentially help start a fire. Removing these buildups isn't only about safety, as that removal also

increases the efficiency of the fireplace as well.

AgBoss acquired the Killsoot brand in 2018 and has invested in the manufacture and distribution of this effective product, ensuring it continues as an Australian tradition.

THE ORIGINAL CHEMICAL CHIMNEY CLEANER
ESTABLISHED & PROVEN SINCE 1958

Kilsoot

PROVED EFFECTIVE FOR OVER 60 YEARS
REMOVES SOOT DEPOSITS FROM BOILERS, FIREPLACES, SLOW COMBUSTION HEATERS, CHIP HEATERS, STOVES ETC.

QUICKLY! SILENTLY! EFFECTIVELY!

NO SMOKE NO DANGER
NO SMELL NO FUMES

SIMPLY TOSS THIS PACKET INTACT ON A BRIGHTLY BURNING FIRE AND IN TWENTY MINUTES THE ACTION IS COMPLETE.

NET WT. 50g



The range of products that AgBoss produces is so wide, it's perhaps best just to regard the number of different ones the company managed to neatly place in its stand at the conference.

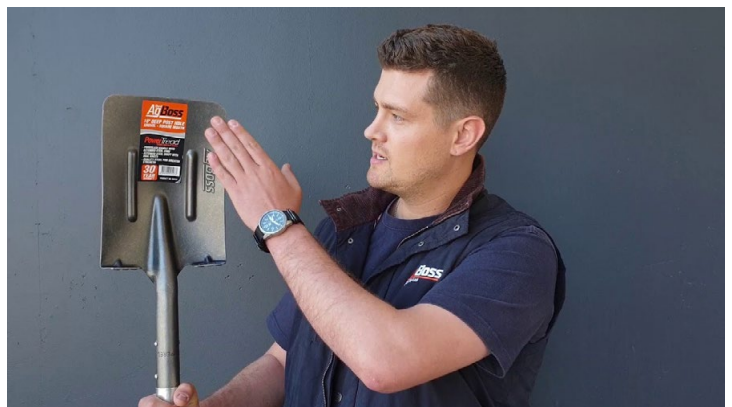
The shovels and other implements do rate some specific comments, however. AgBoss took developing its range of shovels quite seriously.

The company began by fitting a thicker handle. In that handle, there is a steel core going up the centre of the handle, past the break point. So, if you've

seen the not uncommon sight of tradies bouncing on the end of a shovel handle to get something to move, this is the implement they should be using!

The actual shovel head is longer than most other shovels, with dual rivets. On top of that, AgBoss has

built measurements into the handle, so whoever is digging can easily work out how deep the hole is getting to be.



If you want to get the full shovel story, you can watch Mr Jensen's YouTube video at: youtu.be/Z6gTab7MBpM

ROVER AUSTRALIA



L-to-r: Luke Theobald and Martin Whitlock



Top, Pro Cut 950 Self Propelled Lawn Mower. Bottom, the clutch brake which stops blades spinning with motor running.

Rover was founded in the mid-1950s in Brisbane (with an office in Melbourne as well), and the company was acquired by US-based company MTD in 2010. It joined a number of other well-regarded brands, including Cub Cadet ride-on mowers, which are also sold through Rover in Australia (though mainly through its servicing dealer network).

In addition to manufacturing a range of products for other well-known outdoor product brand names, MTD acquired the Israeli company Robomow in 2017, which makes a range of autonomous mowers.

In September 2018 Stanley

Black & Decker acquired a 20% stake in MTD, with the option of purchasing the entire company in 2021.

Rover sees its steel-deck range of mowers as being best suited to most hardware stores, as these target the entry level homeowner. Above that, Rover sells an alloy range of mowers, aimed more at the prosumer consumer, who either really likes the equipment for its own sake, or is very dedicated to gardening.

The range goes all the way up to the Pro Cut 950 Self Propelled Lawn Mower, which features a 53cm deck, with a 196cc OHV Rover engine. It includes a blade

brake clutch feature, which stops the cutting blades from spinning while the engine continues to run, making it safer to remove obstructions on the ground, or empty the catcher.

Rover fills out its range with handheld trimmers and blower clean-up equipment.

Above that residential range are the company's ride-on mowers.

One product Rover is very excited about is its range of zero-turn mowers that rely on a steering wheel, rather than the lap-bar arrangement used on most competing mowers. This provides ease of control for operators. The mowers are also exceptionally stable, able to mow successfully on full 20 degree slopes.

Special edition

Also on display at the conference was a specially set up MTD Lawn King with new painted livery from Sign Pro, originally designed to celebrate Australia Day. The company took the ride-on mower on a tour around Victoria.

The top of the line Lawn King offers 18.5 kW (24hp) with a 107cm cutting width. It features cruise control and an electric PTO. It also comes with a high-back seat with arms for driver comfort, and it can be fitted with optional extras, such as a bumper bar.

No, unfortunately, you can't buy one like this – you'll need to bring your own steering wheel cover and dice. This special edition was put together by MTD Rover to celebrate Australia Day, though it will probably be seen elsewhere this year as well.



HOLMAN INDUSTRIES



L-to-r: Ashleigh Culliver, Victorian sales representative for Holman Industries

One of Holman Industries latest products is a new range of self-retracting garden hose reels. These come in sizes for hose lengths of 10m, 20m and 30m. A unique feature in the market on the 20m and 30m sizes is that the homeowner has access to the hose inside the reel. This means that when the hose wears out, or if they decide to use a different type of hose, it's a simple matter to take out the old hose and replace it with the new.

Access to the hose is through a hatch in the casing. A locking pin enables the hose to be locked in its fully extended position. It is then a simple matter to undo the mounting points for the hose, pull it out,

and mount a new hose.

This is a real selling point for consumers, as it means great reparability, and extended life for the hose reel – both of which lead to greatly increased value for the money.

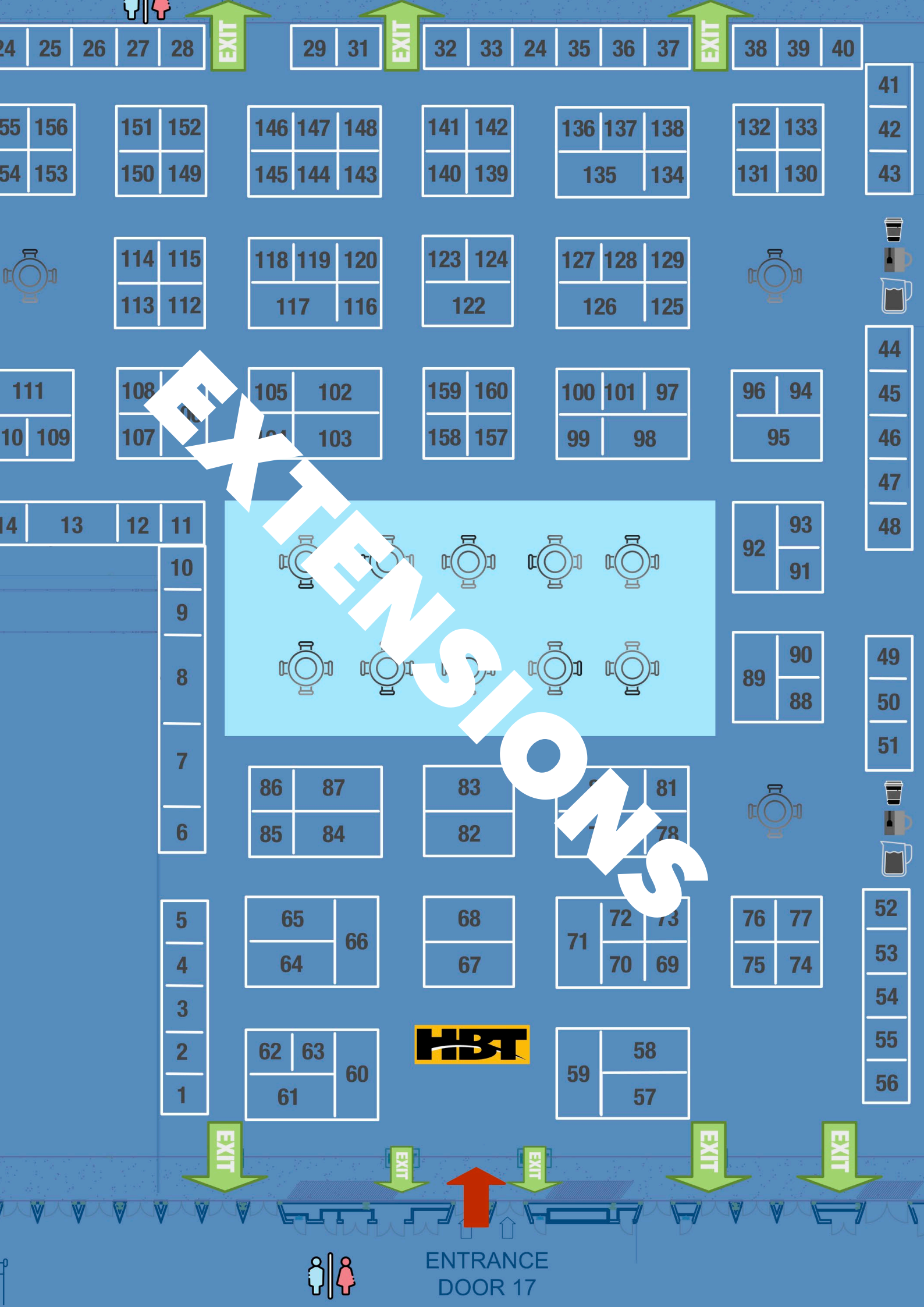
Holman has basically taken the standard connector, and made it work much better. The connectors feature a double O-ring to ensure a tight seal. The olive, which fits over the exterior of the hose, is separate from the rest of the

connector. It is extra long, and has a sharper barb to make sure it won't move once it is in place.

This combination means that the fittings really will stay in place, even with all the stress that garden hoses can come under during a busy summer.



Holman make hose fittings work like they should.
Video: youtu.be/uXNpUSsfJJs



EXTENSIONS

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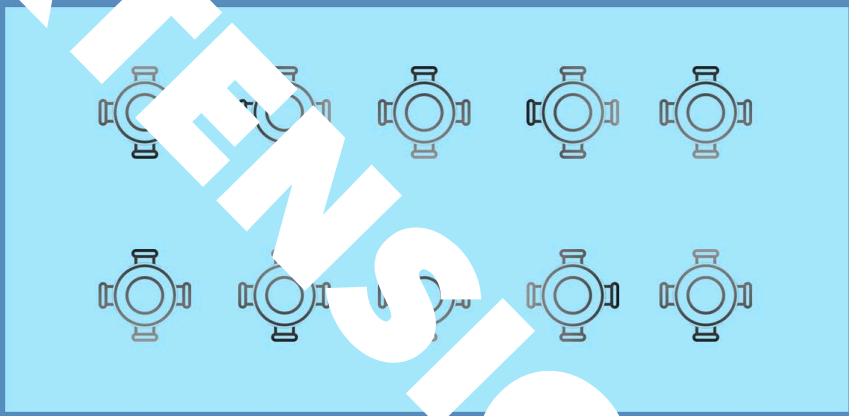
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ENTRANCE
DOOR 17



MOCARE



L-to-r: Dee King, David Bain and Mike King



Mocare is a family business operating out of South Australia for the past 38 years. The company stocks over 3500 lines imported from Asia, USA and Europe.

Recently Mocare spotted a gap in the market for high-quality, fully certified tie-downs for commercial use. In several states, it has become required that transport drivers use only certified tie-downs. For example, legislation that took effect in April 2015 in Western Australia requires all loads – everything from rubbish to hay bales – to be secured with approved webbing, tie-downs, or certified rope.

While the company has always had some kind of tie-down in its product offer-

ing, its new Monkey Grip product is a nice, compact range, that can provide the hardware store owner with most of what they need in this category. The product is manufactured overseas, but it is tested to the Australian standard, and Mocare closely monitors its quality.

The Monkey Grip range consists of: 25mm, 38mm and 50mm transport tie-downs, 25mm ratchet tie-downs, 25mm quick release tie-downs, and 25mm cam buckle tie-downs. There are also specialty items for both motorcycle and marine use.

One of its surprisingly more popular ranges has been the mammoth 12m tie-down, which is popular in rural areas for hay baling.

EXIM INTERNATIONAL



Cameron Wong, left, and Bruce Farrow



Exim display for selling outdoor grills. Note the integrated display screen at top.

HBT has managed to find a great supplier for barbecues and other outdoor entertaining accessories in Exim International. National sales director Cameron Wong was kind enough to spare some time to describe the company's range to HNN.

"We have a range of barbecues from Napoleon grills all the way up to Bullock grills which are made by Bull outdoor products. One big advantage is that we hit the price points hardware traders need to compete in the industry.

"Our Napoleon grills are great because we have the whole range, from charcoal cooking portables all the way up to a full-scale home entertaining gas barbecues.

"We back our products with a lifetime warranty."

Mr Wong is particularly proud of Exim's range of grills.

"Best thing about our grills is that they're brought in by Bull outdoor products from America. They're one of the best heavy duty products that you can get out there on the market, and they are going to last customers a long time."

The Exim range isn't limited to just barbecues, as they also offer products such as patio heaters. As Mr Wong says, "With Exim products in your store, with our quality and great price points, there is just no reason why your customers should need to go elsewhere for any outdoor product."

SEPTONE



Paul MacLean from Septone was part of the CW Brands stand



Septone's Orange Scrub has no solvents, using citrus oils instead, combined with a fine pumice. It cleans and conditions hands.

Sanitation and hand-cleaning products are one of those categories that hardware retailers sometimes don't consider, but which have the potential to bring in good margins. Septone is a Queensland-based business that specialises in hand cleaners. These include grit, non-grit, citrus based products. These are available in convenient one-litre and five-litre sizes, as well as a bulk 20-litre size.

The company even makes solvent-free products, as many people have ongoing problems with skin conditions such as dermatitis. A good example of this is Septone's Orange Scrub

product. This is a heavy duty hand cleaner, which contains high-quality citrus oils, along with a fast working pumice abrasive. While it contains no petroleum-based solvents, it can still remove dirt, mud, coal dust, oils, greases and other solvents.

And it doesn't just clean hands. Orange Scrub also provides natural moisturising and super-fattening to the skin through the incorporation of a lanolin derivative as well as Aloe Vera, vitamin E and jojoba oil. With more women entering the tradie and manual workforce, it's a great choice for modern industrial operations.

PACIFIC OPTICS



Geoff Hem, national accounts manager, Pacific Optics

You've probably seen Pacific Optics stands at fuel stops when travelling. The company began in 1994, selling its own brand of Aerial sunglasses in compact spaces in petrol stations and convenience outlets. Over the years the company has refined its model, and now offers a wide range of products, including several ranges of sunglasses, thongs, headwear (winter and summer), socks, toys and on-road entertainment, such as audio books.

Geoff Hem, national accounts manager for Pacific Optics, chatted briefly with HNN about the company and its products. In particular, he emphasised the various selling displays the company offers. Pacific Optics are experts at fitting lots of stock into a limited space.

"Because we do quite a lot of petrol convenience, we are used to very, very small footprints. We're quite innovative on stands. We have little units that can go on wing bays, and we have units that can sit on top of gondolas. So it's all about trying to get the maximum out of product in a limited space. Some of the feedback we've had is that retailers' stores are too small. Well, that doesn't matter, as we're used to doing stores that could be six metres by six metres. We are quite used to developing solutions for small locations."

This better use of compact space extends to the company's policies about seasonal stocking, especially when it comes to headgear.

"With headwear, what we do

is a seasonal program. At the end of winter, we credit out a full credit on the winter stock, and then we replace that with a summer range of caps. At the end of summer, we credit out the summer, and then put it in the winter range of beanies."

Mr Hem also thinks thongs would be a good market for tradies.

"On the footwear side of it, you look at the thongs, and a lot of people ask what do thongs have to do with tradies? Well every tradie, he kicks off his boots at the end of the day. You know, they've been in work boots all day, they want some relief. We sell what they call a traditional Australian double plugger, so it is nice, strong and robust."

JAK MAX



L-to-r: James Davies and Josephine Ayre from JAK Max



JAK Max is located in Melbourne, and commenced trading in May 2006. It is run by a young, enthusiastic team of experienced staff who have been in this industry for many years.

JAK Max sells spare parts to the outdoor power equipment industry. They sell the chains and bars for chain saws, blades for lawnmowers, nylon line for string trimmers, and a wide range of other spare parts and accessories. The company also sells products such as chain oil.

In addition, it offers the Rato brand of electricity generators and pumps. While these are a familiar product in Australia, JAK Max says they are offering far wider distribution than was available previously.

JAK Max can supply product only, but is also happy to supply product along with their own display stands.



MOKI INTERNATIONAL



Louise Weston, account manager, Moki International



Moki International is one of the better companies that have sprung up to service the technological needs of a population that has come to rely more and more on mobile phones. Two of the things that differentiate Moki from its competitors are a truly extensive range of accessories, and a great reputation for service.

In terms of the range, this covers everything from the familiar earphones and chargers, through to full headphones, speakers, and cleaning accessories.

One product that Moki thinks will go well with tradies is its line of waterproof Bluetooth speakers. Built to be rugged, these should survive the stresses of the average worksite, and still enable tradies to listen to their favourite tunes,

without the safety concerns that earbuds have.

One of the hotter products at the moment are cordless chargers, using the Qi protocol. There are a range of these stands available, with retail prices ranging from \$29.99 up to \$79.00.



Moki stand cordless charger for phones

COLEMAN



Jason Collis, left, and Therese Carroll



Jason Collis and Therese Carroll
Coleman has long been well-known for its outdoor equipment, but it also supplies a number of hydration accessories that would be welcome on any construction site.

One of its newer offerings is the Contigo range of drink containers. Jason Collis was kind enough to explain to HNN some of the advantages to tradies of the the Contigo drink bottles.

"This range here has the mouth-piece with a straw. So if you're driving along in your ute, and you want to have a sip of water, with a normal water bottle you would have to tilt your head backwards and take your eyes off the road. Whereas you can you can actually sip from the straw here, and still keep your eye on the road as well. So it is ideal for peo-

ple on the go, such as tradies."

Bulk Coleman drink containers are also popular on many jobsites, as they stay cool for longer, and come with a convenient tap for pouring out a cool drink. Mr Collis also pointed out that the square-shape of the containers is popular with tradies, as it is easier to pack into a ute, and wedge in with other tools to keep them secure.



Coleman's wheeled 26l cooler helps make refreshment mobile.

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 ✓

Hyper-local True Value campaigns

in this update:

- Tool rentals have grown at Home Depot
- Lowe's acquires a retail analytics company
- Same day delivery from Ace Hardware
- A delivery app for hardware retailers
- Craftsman tool production moving from China to the US
- Custom marketing campaigns for True Value members

To increase relevancy and reduce wastage US-based hardware retailer True Value is working to redefine the concept of "location" in location-based advertising.

After the retailer made the decision to shift ownership from its shareholders and sell a majority stake to a private equity firm, it paved the way for the new True Value to embrace a "marketing-as-a-service" model, offering hyper-local and highly targeted marketing to stores. Company president and CEO, John Hartmann, told Forbes magazine:

Our goal is to drive profitable retail sales by offering these independent retailers the programs and campaigns that enable their stores to compete in an omnichannel world.

To this end, True Value has invested in the capabilities to offer retailers à la carte marketing and advertising programs that help promote their business locally. Mr Hartmann explains:

We stopped charging a national advertising fee so that our local



store owners could optimise their approach to traditional and digital advertising. It all boils down into one word: customisable.

For consumers, highly customised marketing that is geo-targeted and supported by opt-in relevant messaging on their mobile devices delivers a better advertising experience—on their terms. For store owners, access to a digital marketing program tailored to their needs ensures shoppers come in the door—and keep coming back.

Dave Elliott, senior vice president – marketing, said in an interview with Hardware Retailing magazine:

In 2019, each store will have its own individual marketing program, and they will be able to adjust it as the dollars go up and down, right

on the screen. We're putting that power in their hands because True Value marketing is about customisation, so we are relevant locally.

Rather than investing in advertising to reach consumers in the vicinity of a particular store, True Value is working with agencies and marketing tech partners to better understand and address audiences in the trade areas around physical shops.

Marketing programs are a big part of the package that has allowed True Value to welcome more than 400 new retailers in the last year, according to Mr Hartmann. At one level, he believes it is about serving and supporting independent retail. Store owners, equipped with marketing packages and

services customised to their needs, are locally relevant and successful in driving in-store traffic and increasing sales.

True Value data suggests digital marketing drives sales "34% higher for advertised items in stores that participate in the True Value Rewards loyalty program". It follows that successful retailers have to restock their shelves more often—and they rely on one of the 13 True Value distributions centres to replenish the supply.

Boosting sales serves everyone in the ecosystem. But Mr Hartmann said the prize is understanding new and better ways to capitalise on the differentiating strengths of

continues next page

Stanley shifts Craftsman production to USA



191

Stanley Black & Decker (SBD) recently announced it is moving production of Craftsman wrenches, ratchets, sockets and more back to the United States from China. The company will break ground on a 425,000sqft facility in Fort Worth, Texas, and the factory is set to be up and running by late 2020.

The USD90 million facility will utilise robots and fast-forging presses to boost output

compared to the older forging machinery now used in China. This will keep production costs in-line with those in China, according to the Wall Street Journal (WSJ).

The article reports that the plant is expected to produce 10 million Craftsman wrenches and ratchets, and 50 million sockets a year. SBD is aiming to make about 70% of Craftsman tools in the US over the next few years, chief executive

James Loree told WSJ. The company projects the brand will hit USD1 billion in revenues by 2021.

Case dismissed

Industry publication, HBS Dealer also reported the lawsuit over the use of the Craftsman brand by its former owner Sears has been settled. The suit was brought by SBD which bought the brand from Sears in early 2017.

In a complaint filed

in early March in the US District Court for the Southern District of New York, SBD claimed a breach of contract and trademark infringement.

The case of Stanley Black & Decker vs. Transform Holdco was dismissed April 15, with terms undisclosed. Transform Holdco, or "New Sears," is the entity

that purchased Sears Holdings out of bankruptcy in early 2019.

In the complaint, SBD said Sears had the "limited right" to continue to make and sell some Craftsman products. But in February, shortly after Sears filed for bankruptcy protection, Sears published a press release touting the "Craftsman Ultimate Collection" professional-grade mechanics tools. In the release, Peter Boutros, chief

brand officer for Sears and Kmart said: "Sears is the real home of the broadest assortment of Craftsman."

According to the complaint, "New Sears falsely implies that only products carried in New Sears' retail stores and other retail platforms are genuine Craftsman products, or that the sale of Craftsman products elsewhere is somehow illegitimate."

The Sears advertising caused confusion, and is in breach of the license agreement, said SBD in the complaint. It also tarnished "the value of the famous Craftsman trademarks for which Stanley paid hundreds of millions of dollars to acquire".

Related:

<https://hnn.bz/pdfs/hnews-5-01.pdf>

Stanley sues Sears over Craftsman brand - HI News, page 28

<https://bit.ly/2HQBT3Y>

<https://bit.ly/2Z3cOco>

True Value campaigns (cont.)

local retail.

Physical stores are in business today because there's something unique about being independent and local. Our own observations indicate that millennial

consumers, particularly first-time homeowners, prefer local to the web-based trader.

It's a huge customer segment — 84 million millennials in the US alone — that will be

the highest spending consumer segment in the home improvement market by 2020.

Fortunately for True Value's independent retailers, it's also a segment new to DIY jobs

and eager to go to local stores for advice and supplies. Mr Harmann said:

Our retail stores provide a high level of expertise and highly personalised service

that young consumers crave. That's something you can't get from a drone.

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

Ride share app awarded at NHS

Haultail® mobile Delivery Network – Last Mile has been recognised as one of the most innovative technology products at the 2019 National Hardware Show® (NHS) in Las Vegas, Nevada (USA).

NHS has been an event serving the home improvement marketplace for more than 70 years, and for 53 of those years, the North American Retail Hardware Association (NRHA) has been a part of the show, recognising standout products. The NRHA Retailer's Choice Award is voted on by store owners and managers who know the market and their customers' needs.

Haultail is a secure network that allows customers to schedule their deliveries on

a 24/7 basis and to have their purchases retrieved and delivered between 6am to 8pm, seven days a week. The technology fills a need for both retailers and consumers, according to CEO Bruce Williams.

It is an automated, community-based delivery network and service that utilises ride-share technology to pick up and deliver large, bulky, hard to transport purchases or items needed for same day within 2 to 4 hours, from retail locations to a homeowner's driveway. The app is available for free download on both Android and Apple devices. Dan Tratensek, executive vice president at NRHA and publisher of Hardware Retailing magazine, said:

What is unique about



Haultail is that it is not actually a product ... it is basically like the DoorDash or Uber of delivery service.

When a customer needs something delivered from their local retailer, they can use the app to determine the size of truck needed depending on the kind of product and the size of the load. Carefully vetted drivers then deliver the product to

the customer's home during a pre-selected delivery window...

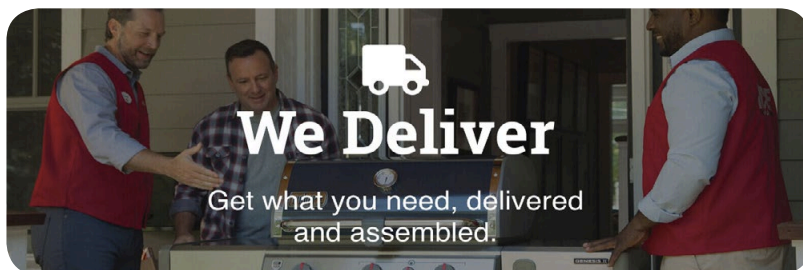
Cody Goepfner from Bleyhl Co-op in Washington, who also judged and presented the award, said that "we [the retailers] have delivery options within our store but we can't hit every single one of our customers. There are some that you are still coming up short with, so to be able

to use or promote a service like that, that internally they [the customers] can work with seems like an awesome partnership."

This year's NHS event hosted more than 2,700 exhibitors. It will celebrate its 75th anniversary next year and will be held May 5-7, 2020.

<https://prn.to/2JQ-zyIB>

Ace Hardware stores offer same day delivery



Retail co-operative, Ace Hardware joins a growing list of retailers looking to offer faster delivery options to consumers. It is offering same-day, next-day and standard delivery options for purchases

delivered from a local store, at a number of its US locations.

In addition to the deliver-from-store option, Ace also offers in-store pickup and product assembly at participating locations.

The efforts to improve its delivery operations not only provide more convenience to customers, but also help the retailer to provide a full omnichannel experience. Bill Kiss, head of digital, retail

strategy and innovation, said:

There has been a tremendous consumer shift toward free and fast delivery in the marketplace. With 72% of US households within 15 minutes of an Ace store, we are uniquely positioned to leverage that proximity to meet our customers' home improvement needs.

The retailer's e-commerce site, AceHardware.com, is also offering in-store pickup

and product assembly at participating stores.

The product page will indicate if pickup, delivery or assembly are available from the shopper's preferred local store.

<https://bit.ly/2wx7l0L>

<https://bit.ly/2JRX-smT>

Lowe's gets into retail analytics

Home improvement retailer Lowe's has acquired the retail analytics platform of e-commerce software company Boomerang Commerce.

Lowe's will integrate the platform's technology into its retail business as it looks to bolster strategic and data-driven pricing and merchandise assortment decisions across the business. The platform processes product and pricing datasets and converts them to insights and actions.

In addition to the technology and tools for the platform, some staff from Boomerang's retail analytics teams

in Bangalore and the US will join Lowe's.

The acquisition includes tools and technology for the retail analytics platform, which is proprietary, but doesn't include customer contracts or related confidential information.

Following the transaction, Boomerang's Commerce IQ service will operate as an independent business under the CommerceIQ.ai name. In a statement, Lowe's chief information officer Seemantini Godbole said:

...Pricing and assortment planning have been identified as strategic areas in need of modernisation [at



Lowe's]...Adding this team and technology to our existing capabilities helps us leverage the right data quickly, effectively and successfully.

Profits in Q1

Soon after it announced this acquisition, Lowe's reported

a first quarter 2019 sales increase of 2.2% to USD17.7 billion from first quarter 2018 sales of USD17.4 billion.

Comparable store sales for the company's US business rose 4.2% while overall comps rose 3.2%. Profits rose 13.6% to USD1 billion in the quarter.

The company cur-

rently operates 2,002 home improvement and hardware stores in the US and Canada representing 208.8 million square feet of retail selling space.

<https://bit.ly/2Z9Vlib>
<https://bit.ly/2IcqPNI>

Tool rental business has soared: Home Depot



still room for more growth. According to a FactSet transcript, chief executive, Craig Menear said during its first quarter earnings call:

We know 90% of pros rent tools, but several years ago, only about one out of 10 pros rented from us. Today, that number has improved to one out of

Home Depot said it has seen its tool rental business grow rapidly with professionals in recent years, but executives believe there is

four, yet there remains opportunity for further growth as we continue to invest in our tool rental experience.

Home Depot said it has "the largest number of tool rental centres in North America" with about 1,100 locations in its stores.

The home improvement retailer also reported first quarter sales of USD26.4 billion, up 5.7% from the first quarter last year.

Comparable store sales in the US were up 3.0% and total comparable-stores sales were up 2.5%. The total comp figure is the lowest since the second

quarter of 2012.

Mr Menear said the month of February during the quarter was the second wettest on record in the US and the decline in timber prices hurt sales growth. However customer transactions were up 3.8% during the quarter, while the average shopper's ticket increased 2%, and sales per square foot were up 5.6%.

Overall, the company earned USD2.513 billion in the quarter, up 4.5% from USD2.404 billion in the 53-week fiscal 2018.

Home Depot opened two new stores in the

first quarter, bringing the company's total to 2,289 stores.

The earnings report is the first since the announced retirement of CFO Carol Tome, who will continue in her post until August 31.

<https://on.mktw.net/2EqWUju>
<https://cnb.cx/2VP-MPaK>

Home improvement made accessible

in this update:

- Travis Perkins gains new CEO
- Grafton Group expands Dutch business
- Search for new CEO at Kingfisher
- Store concessions return to Homebase
- Kingfisher launches GoodHome

At its recent Innovation Day, home improvement retail group Kingfisher revealed its GoodHome concept that will provide a simpler way of helping renovators and professionals with their projects.

GoodHome is a way that Kingfisher's innovation becomes visible to customers for the first time, with a pilot store opening in the town of Wallington (UK). This store is an express format focusing on convenience and focusing on the most common DIY projects such as painting walls, fixing taps or installing new sockets.

The company describes the store as modern and a local outlet that offers more than just home improvement products. It has a team of skilled staff offering expert help in-store; an effortless digital shopping experience designed to make improving homes easier; and inspiration and information to help plan projects. It will also have a dedicated counter for professional tradespeople. There are plans to have more



express store trials in the UK and France later this year.

GoodHome is part of the B&Q network and marks a departure from the DIY chain's larger sheds and its only other smaller shop, on London's Holloway Road. The 5,400sqft site has a sales area of just 1,615sqft and offers around 6,000 products. A typical B&Q store is around 100,000sqft and stocks 40,000 SKUs.

This core range will be available for same day delivery, with an extended range of over 20,000 products for bigger projects, available for next day Click and Collect in-store or home delivery.

Products in GoodHome are not stocked on the shop floor in the traditional way. Instead, customers either purchase items by using in-store digital screens, or by clicking and collecting through the B&Q app. Kingfisher chief trading officer, John Colley said:

We know that customers are shopping differently. They want convenience and access to products and services, however and whenever they want. This trial store is about offering them just that – a new kind of home improvement store that is simple, modern and convenient. It's just one of the ways in which we are making home improvement ac-

cessible for everyone.

As an international brand, Kingfisher said GoodHome aims to shake up the home improvement market by offering products and solutions that are design-led, high quality and affordably priced. Speaking at the Innovation Day launch, outgoing CEO Veronique Laury, said of GoodHome:

We started three years ago, and we have undertaken in-depth research to get knowledge on home improvement and customer needs. By doing this, we found that people are improving their homes with the same purpose – they

continues next page

Homebase returns to its design roots



Homebase has reintroduced in-store concessions including Tapi Carpets

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DIY and garden centre retailer, Homebase said it has limited its losses in the second half of 2018 as a turnaround plan under new owners begins to show signs of progress.

During the half-year, the retailer reintroduced popular ranges such as furniture, brought back in-store concessions and laid the foundations to rebuild its digital

offer. It also plans to reintroduce kitchen showrooms to its portfolio, Chief executive, Damian McGloughlin, said:

The benefits of the changes we have made are starting to come through ... Clearly, we are only 10 months into a three-year turnaround plan.

Homebase remains one of the most recognisable retailers in the

UK and Ireland, and the progress we have made in reinvigorating our customer experience means we are very optimistic about the future.

Reporting financial results for the six months to end of December last year, with exceptional items, including the profit from the sale of a freehold store and other property-related provisions,

losses narrowed by almost 96% to GBP8.2 million, while improved margins helped gross profit jump by a fifth during the period. However, sales slipped 3.5% to GBP497.8 million, from GBP515.6 million in the same period last year.

The company also cut costs by GBP100 million.

Homebase said closing 47 loss-making stores and two of its six distribution centres, reducing headcount from head office by almost 40%, and removing complexity from processes, has helped it to achieve strong financial and operational performance.

A Company Voluntary Arrangement (CVA) allowed Homebase to close its

loss-making stores and secure rent-reductions for another 70 sites.

The firm credited the GBP95 million asset-based lending facility from Wells Fargo Capital Finance for supporting it with working capital.

Hilco purchased the company in June 2018 for GBP1 from Australia's Wesfarmers that had bought the chain for GBP340 million in 2016. Prior to its Hilco takeover, Homebase had 250 stores at its peak and 12,000 staff.

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

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Home improvement made accessible (cont.)

want a home that is good to live in. However, this study also revealed that most improvement projects are abandoned either before they begin or before they are finished. It may be lack of inspiration, too much complexity, not enough skill, time or money. Whatever the problem is, there are often too many barriers to create

a good home.

Our customers tell us 'home improvement can be a nightmare' and the heart of our purpose, everything that we have been doing for the last few years, and we continue to do, is about fixing the nightmare. The biggest change [in the home improvement market] has been the arrival of new play-

ers like Amazon and ManoMano. But so far, no market player is offering an end-to-end seamless home improvement experience. No one has solved the nightmare. And this is our potential.

GoodHome is our new international home improvement customer proposition, based on deep customer understanding. It stands for

simple, sustainable, unique and innovative solutions that last and which are affordable. GoodHome is the name we put on everything we are doing to make home improvement accessible to the many, not the few: our new product offer, new services, new store concepts, our training centre and our new charitable foundation.

GoodHome products and services will be available online and in B&Q, Castorama and Brico Depot stores throughout the UK, France, Poland and Romania.

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Kingfisher seeks new CEO as sales rise in Q1



Outgoing Kingfisher CEO, Veronique Laury

European DIY retail group, Kingfisher recently saw a small sales increase in its first quarter as a result of warmer weather and a weaker corresponding period last year. It reported group sales of GBP2.84 billion for the three months to 30 April. This was up only 0.3% or 0.8% on a like-for-like (LFL) basis.

The home improvement group also hosted an “innovation day” to demonstrate new products, services and a convenience-store format. (See story in this section.)

The announcements came as the group

searches for a successor to its outgoing chief executive Veronique Laury. Commenting on its trading update, she said:

The group delivered positive sales growth in the first quarter, with sales of unified and unique ranges continuing to grow ahead of non-unified ranges...

This year we are focused on completing the building of our ‘engine’ and making our innovation more visible to customers. Our new outdoor range was rolled out to all markets in the quarter alongside a globally coordinated marketing

campaign.

We are also excited to be launching several new ranges this year which are unique to us and will further differentiate us from our competitors, including surfaces & decor and bathrooms across the group, and kitchens in B&Q.

The business is entering its fourth year of a five-year transformation plan that aims to streamline its ranges and operations, further digitise the organisation, and better connect its various divisions under Ms Laury’s “One Kingfisher”

model. So far the plan is struggling to bear fruit in terms of significant sales, growth and profitability.

The promised GBP500 million of additional annual profit that was expected from the plan by 2021 had for some time looked less and less likely to materialise. Ms Laury said the profit target, set in 2016, “no longer reflected the way the company is managed” but also defended it. She said in a statement:

It is not a lack of conviction about the GBP500 million. It’s a leadership decision about how we run the business...

Kingfisher said it is now targeting growth in group sales, gross margin, retail profit and return on capital employed “over the medium term”.

Although she is leaving, Ms Laury, has said that her plan remained on track and she claimed that the building of Kingfisher’s “engine” was nearing completion. She said that the group had “achieved radical organisational and behavioural change” in the past three and a half years despite a highly challenging retail and macroeconomic background.

In the UK, weak consumer confidence and a stagnant housing market, along with increased use of tradespeople for home improvements, have reduced demand for DIY products.

She said that a number of milestones had been met so far, with now almost 50% of its product unified. It has also returned GBP600 million via share buybacks to shareholders.

However, these efforts have not yet fed through into topline margins: these were down 0.1 percentage points this year and will probably be flat next year. Former finance director Karen Witts said this reflected continued promotional activity, as

outgoing ranges were discounted to clear them.

Ms Laury said she was leaving after the bulk of the “heavy lifting” of her five-year transformation plan had been completed. She added:

I wouldn’t be running out if I didn’t think this business was in good shape. I have been living for five years on my own in London, that was my choice and I knew that I had to do this when I took that job. This has been my whole life for the last five years but there is a point where you say I can’t do another five years.

Succession

The process of identifying a successor to Ms Laury has begun but no date for her departure has been set. Commenting on her departure, chairman Andy Cosslett said in a statement:

It is a mutually agreed situation. We are sorry to lose Vero when we eventually do, but she is in the seat for as long as she is there.

Vero has been a powerful leader of the business and the driving force behind our plan to turn Kingfisher into a more unified and innovative business.

continues next page

Grafton's bigger presence in Dutch market



from 113 branches.

Polvo reported revenue of EUR127.3 million and adjusted operating profit of EUR10.6 million for 2018. Grafton's chief executive Gavin Slark said:

This acquisition will complement our existing

Isero business, increase our exposure to the attractive, fast growing Dutch market and support our strategy of creating a more balanced portfolio of businesses internationally.

The acquisition price includes EUR15 million for nine freehold

properties and would be funded from the Grafton's cash resources and loan facilities.

Q1 performance

If regulators approve the Polvo deal, the Irish Grafton's Dutch turnover will top EUR300 million a year.

Much of Grafton's business in Ireland comes from people improving and extending their homes rather than new building. Mr Slark said that demand in this area was strong, aided by consumers' confidence. The company also cited more favourable weather conditions for building than at the same period last year.

In the first four months of the year, group revenues rose by 6.1% to EUR1.12 billion

while like-for-like revenues rose 6.4%.

In the UK, where Grafton's main activity is supplying builders, Mr Slark pointed out that house construction would remain strong as there was an underlying shortage of homes.

Overall, the company's retailing arm grew 10.8% while its manufacturing division saw revenues rise 7.2%.

Related

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Grafton Group buys Dutch company - HI News, page 53

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Builders merchant and DIY retailer Grafton Group has agreed a deal to buy Netherlands-based firm Polvo from the privately owned Pallieter Group for EUR131 million.

Polvo is one of the top three leading businesses in the specialist ironmongery, tools,

ventilation systems, fixings and related products market in the Netherlands. It trades from 51 branches and Grafton said it was "an excellent geographic fit" with its Isero branch network.

Ireland-based Grafton said the combined business will trade

Kingfisher seeks new CEO (cont.)

This year will mark a transition in our transformation journey having now reached a critical mass. We are starting to see clear evidence emerging that we can create a powerful and differentiated home improvement experience for our customers which will convert to profitable growth going forward...

We are now moving into a new phase where we can extract more of the benefits resulting from the hard work

that has been put in, and it is therefore timely that we commence a succession process.

Kingfisher said its priorities in 2019 would be to continue to invest in its "One" plan, which is expected to cost an estimated GBP800 million over the five-year period to 2021.

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

<https://on.ft.com/2Kn-dOnc>

<https://bit.ly/2GsM-6TE>



Kingfisher launched its first cross-group marketing approach, promoting its unified outdoor range in the UK, France, Poland and Romania. It is the first of five unified campaigns to be launched this year, and allow all customers of Kingfisher-owned home improvement stores - operating as B&Q, Castorama and Brico Depot - to experience the same outdoor product promotions. They have been developed using interviews with customers across Europe to ensure they suit everyone's needs, no matter how different their spaces and lifestyles. It is more efficient as the business is producing one brochure that can be used in all markets, rather than duplicating costs.

Changes at the top: Travis Perkins



British builders' merchant and home improvement retailer, Travis Perkins will have a new CEO in July when Nick Roberts, currently boss of engineering firm Atkins, takes over from John Carter. Mr Carter will leave after a 40-year stint at the company, including 18 years as a director and five as chief executive.

Mr Carter's departure comes at a sensitive time for Travis, which has been battling a challenging DIY market, economic uncertainty and declining consumer confidence. He set out a new strategy last year, including the planned sale of the group's plumbing and heating business.

Travis Perkins has also said it could divest its Wickes DIY chain in the future which has suffered steep sales declines as cautious shoppers cut down spending on major home improvement projects and the housing market slows.

The sale of its plumbing and heating arm is part of a simplification program which will see Travis Perkins shifting its focus from the declining DIY market to its trade customers.

Q1 sales growth

The retailer said its like-for-like sales in the first quarter were up 10.6% year-on-year in its core merchants division and Wickes home improvement sales rose 10.5%. Toolstation enjoyed 19.1% sales growth, driven by a push to expand its network of outlets and existing stores maturing.

Related

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Travis Perkins' DIY business face market challenges, HI News page 116

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HI NEWS

Home builders on Houzz forecast growth

in this update:

- Positive sentiment from home builders and professional renovators on Houzz platform

Online platform for home renovation and design, Houzz has released its 2019 AU State of the Industry report. It provides an outlook on 2019 and a review of 2018 performance for residential renovation and design businesses, including builders, architects and interior designers, based on data reported by nearly 300 professionals in the Houzz Australia community.

The study revealed that a majority of firms across the industry are optimistic about business growth in 2019, following positive 2018 results.

Nearly three-quarters of the industry anticipates that gross revenue will increase in 2019 (74%). Over half of businesses expect that revenue will grow by more than 10% (58%). Interior designers have the most confident view of 2019, with 84% of firms anticipating an increase in gross revenue, followed by home builders and building designers (73 and 47%, respectively).

To support revenue growth, firms plan to increase marketing and sales efforts and bring in larger bud-

get projects (60 and 46%, respectively). Nino Sitchinava, Houzz principal economist, said:

Residential construction and design service professionals in Australia are gearing up for another robust year. Positive expectations follow overall revenue growth in 2018 despite headwinds in managing consumer concerns over cost and unreasonable expectations.

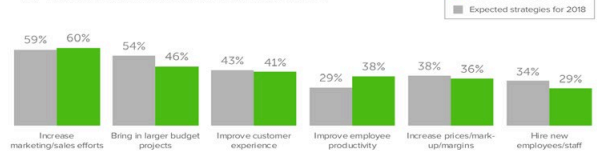
Positive expectations for the year ahead follow a successful 2018 for firms across the industry, with more than two-thirds of businesses reporting that gross revenue met or exceeded expectations (69%). In fact, actual gross revenue increased by 10% or more for nearly half of businesses (45%). Interior designers saw the largest increase, with nearly half of businesses reporting that gross revenues grew by 15% or more from the year prior (45%).

Revenue growth was not without its challenges, led by increased cost of doing business

Top Growth Strategies in 2019

Charts below show the percentage of surveyed businesses on Houzz Australia expecting revenue growth in 2019 (vs. 2018).

TOP EXPECTED STRATEGIES TO GROW REVENUES



HOME BUILDER	BUILDING DESIGNER	INTERIOR DESIGNER/DECORATOR
Top Growth Strategies for 2019	Top Growth Strategies for 2019	Top Growth Strategies for 2019
Improve employee productivity 51%	Improve customer experience 60%	Increase marketing/sales efforts 59%
Increase marketing/sales efforts 46%	Increase marketing/sales efforts 53%	Improve customer experience 59%

houzz

(overhead, wages, etc.), managing consumer concerns over cost and managing consumer expectations (30, 29 and 27%, respectively). That said, one-third of businesses were able to expand and hire new employees (32%). Home builders were the most likely to increase headcount (50%), followed by interior designers and building designers (24 and eight per cent, respectively).

The Houzz AU State of the Industry Study was conducted among home renovation firms in the Houzz Australia community that offer services related primarily to residential renovation and/or design. The study was fielded in December 2018 and January 2019. N=273.

Houzz said it connects millions of homeowners, home design enthusiasts and home

improvement professionals across Australia and around the world. With the largest residential design database in the world and an active community empowered by technology, Houzz was created an easy way for consumers to find inspiration, get advice, buy products and hire the professionals they need to help turn their ideas into reality.

The full 2019 Houzz AU State of the Industry report can be found here:

<https://bit.ly/2W5zmXC>

To read more about Houzz in Australia, go to:

<https://hnn.bz/hinews-4-08.pdf>

Houzz talks marketing - HI News, page 83

NEW PRODUCTS



The splitter axe with a hickory handle from AgBoss has enough weight to split larger logs and is ideally balanced to help end-users work their way through kindling.

The axe head is heat treated with polished ends. It is accredited by GS (German Standards) and has been TUV tested for safety, as well as Quality Assured by ISO accreditation.

The handle is made from hickory imported from the United States and FSC Sustainable Forestry approved. It has a triple lacquer finish with a hang hole at the handle end. The bright orange colour means this tool will be difficult to lose.

For more information, visit the website:

www.agboss.com.au

200



CSR Gyprock's Pro-Repair 10 compound is suited to small-scale jointing jobs, patching holes and defects in Gyprock plasterboard and Cemintel fibre cement. It is also tinted for easy identification on painted surfaces.

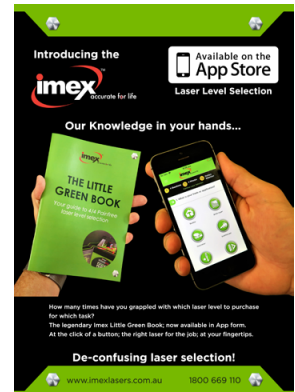
Pro-Repair 10 is a setting compound with a defined working life of approximately ten minutes after mixing. This makes it ideal for repairing holes, nicks and cracks in new and existing plasterboard and fibre cement walls and ceilings. It also provides efficient coverage, with 8kg of Pro-Repair 10 providing approximately the same coverage as 10kg of a standard weight compound.



I.D. Advanced, by Watty, has an ultra-low VOC formula at less than 1g per litre, which exceeds the Green Star requirements of the Green Building Council of Australia.

The paint's Total Protection Technology™ delivers a new level of protection as the paint resists the growth of mould and fungus while offering advanced cleanability, washability and stain resistance, according to the company.

Watty I.D. Advanced interior paints are touch dry in just 30 minutes and ready for recoat in two hours. Coverage is up to 16m² per litre.



Specialist laser level manufacturer, Imex has introduced the Little Green Book to eliminate the confusion when choosing the appropriate laser level for different jobs. Now that lasers have become more affordable, many tradesmen have more than one to fit their needs.

The Green Book gives tradie and laser level stockists a quick reference with a maximum of four questions relating to the tasks and budget so the correct laser level can be purchased.

Imex has also developed a free app available on Android Google Playstore or Apple App Store which provides instant access to the level selection guide.

Cowdroy improves DIYers' options

Product enhancements are set to make big waves in the DIY market

Leading Australian hardware manufacturer, Cowdroy has unveiled a number of product changes that aim to make buying and installing home improvements easier than ever before.

Cowdroy's new Barn Door Track System has been designed for ultimate customisation and ease of handling. It is a convenient alternative to the company's popular Exposed 90 door track system.

The Barn Door Track System features a jigsaw-like join in the track that allows the product to be packaged in a compact 1.2m box for exceptional ease in both handling and installation.

The simple fitting system requires a single wall fixing screw that goes through the hole in the centre of the jigsaw join and draws the two pieces of the track together for complete stability.

The standard kit produces a 2.0m track, while the new matching extension pack allows a maximum length of 3.2m, ensuring wider doors are also easily catered for.

Cowdroy national business manager, Peter Doyle, says the new product is an alternative for the DIY market. "This new type of door track is aimed at being easy to put together, easy to transport, and easy to purchase off the shelf.

"Customers can pick up the pack off the shelf as it's

in a 1.2m box – compared to a standard 2m length – place it in their car, go home and it goes together like a jigsaw. The beauty of this is that the extension kit contains more track jigsaw pieces to make the track longer.

"If a DIYer or home renovator is in a hardware store and they want to purchase a barn door track, they're usually very tall and very heavy. Unless they're a tradie with a ute, it is a safety risk in both handling and transporting it home. With Cowdroy's new version, this issue is now solved with the easy to handle pack size and extension kit," he explains.

The pack contains robust hangers and large rollers that make for smooth and effortless rolling, while the durable powder coat finish is hard wearing. All fixing hardware for timber applications is included, as well as step-by-step installation instructions.

Expanded range, fresh packaging

Coinciding with the release of the new Barn Door Track product, Cowdroy has also released brand-new packaging and an extended range for its wheels and rollers replacement parts.

Breaking each product range down into sub-sections with colour coding, Cowdroy's latest system will ensure it is easier for customers to find matching parts than ever before.

"We have rebranded,

modernised and repackaged our track replacement parts," says Mr Doyle. "We've made it easier to identify what they are looking for because we've broken each segment into sub-segments. It's all now categorised by type and colour code, for rollers, window, general purpose, door, etc. It's all colour coded accordingly.

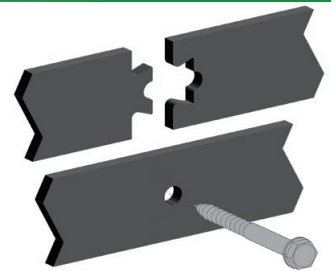
"If someone picks up a red pack now, they know they've got a part for a window. Before this, all product looked the same making the buying decision difficult and time consuming.

"The other thing we have achieved with the colour code system is that the packaging for replacement parts for Cowdroy track sets is matched by the same colour code on the track set packaging itself.

"For example, our robe-makers – which are for wardrobes – have a red wardrobe door featured on the pack. Customers can buy the track set, and when they want to buy replacement parts, they can look for the corresponding colour insert on pack.

"It's about keeping things modern, bright and sub-segmented to make it easier for shoppers to identify what they are looking for.

"Instead of looking through hundreds of products, they'll be looking through a much smaller number with the colour coding system."



Barn door trend

Cowdroy's latest product update has tapped into the popularity of barn doors in home improvement.

With the size of the family home shrinking and the need to maximise space more crucial than ever, the functionality and styling potential offered by a set of barn doors makes them a popular choice for home renovators.

Consumers like the distinctive, upmarket look as well as the doors' functionality when it comes to closing off large spaces. They can also be versatile in terms of colour, size, and style, and now Cowdroy has made them easier to install.

call: 1800 COWDROY (1800 269 376) online: www.cowdroy.com.au

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

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