

MIGHTY Independent

In a duopolistic industry that is run by big-box stores, Mitre 10 is giving a voice to the independent retailers and helping them to compete against the major chains.

Images by Estelle Judah Photography

With over a decade of experience across the Metcash group, plus 16 years with major fuel company Exxon Mobil including four years in France and Germany, Mark Laidlaw joined Mitre 10 with a brief to turn the company around.

“In April 2010, I was appointed CEO to Mitre 10. Metcash had just acquired a 50-per-cent share of the business. The other 50 per cent was owned by the Mitre 10 storeowners at that time but was subsequently purchased by Metcash in July 2012. Before that, I was general manager for IGA in Victoria from 2004 to 2010. It was a time of significant growth and a fantastic time to be involved with IGA and the independent grocery sector.

“Metcash appointed myself and two other senior executives, Carl Salem, General Manager Merchandise, and Robin Johnston, General Manager Commercial, to drive the turnaround. The

\$42-billion hardware sector was going through dramatic change, with the introduction of new entrant Woolworths—through its Masters chain—planning to take on the market leader, Bunnings. Masters announced plans in 2009 to roll out 150 big box hardware stores over a five year period. The home improvement market is very fragmented and will go through considerable consolidation over the next three to five years.

“After the two big-box operators, the remainder is split among hundreds of independent operators, from timber yards to plumbing and bathroom specialists. Currently, there are two wholesale suppliers servicing the independent sector, Mitre 10 and Danks, which was acquired by Woolworths in 2009.

“In many ways the two big box conglomerates Wesfarmers and Woolworths, which now control 80 per cent of the grocery market are trying to do the same in hardware. We believe there is also a place for a third player and that is Mitre 10.

The core value at Metcash is to build successful independents.

This model is different to Woolworths and Wesfarmers in the sense that Mitre 10 does not want to company-operate its network. “As a wholesaler, we own the distribution centres, the brand, and the marketing programs, but we want families and small businesses to own and operate our stores. It is our belief that consumers want a convenient, local, and innovative alternative to the chains, but we have to fight hard each and every day to make sure small businesses survive. To succeed in this fight against the big-box operators, it is important to have a passionate executive team that is committed to protecting and growing the independent hardware sector.

“I am very proud of our team-based culture at Mitre 10, and consider our people and our storeowners to be our strongest assets alongside the Mitre 10 brand. We encourage our staff to spend time in stores rather than >

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sitting behind a desk in the office. You learn a great deal by visiting a Mitre 10 store and walking the shop floor.”

Considering the similarities between independent grocery and hardware stores, plus Mark's previous experiences, Mitre 10 introduced some similar strategies to the ones used in strengthening IGA. “At Mitre 10, the first thing we did was make sure our external branding was consistent. Over the years, Mitre 10 had experienced nine different versions of the brand, and the 400-store network had no consistency. We painted our stores in a contemporary blue and white, and it was pleasing to see the Mitre 10 storeowners were prepared to invest in the new branding. This helped to provide a sense of unity and team spirit.”

The second strategy for Mitre 10 was to re-launch a new marketing program. “Julie Smith, General Manager of Marketing, was instrumental in securing Scott Cam as the brand ambassador for Mitre 10. Scott provided great appeal for both our tradie and our DIY customers. Scott was actually a Mitre 10 customer before he joined us, and that helped make our TV commercials very authentic. This also enabled us to secure *The Block*, which has been a very successful DIY television series and allowed us to reach a new and younger audience. Mitre 10 has been a major sponsor of the show for over four years.”

It was also important for Mitre 10 to expand its digital platform. “Our consumers these days want to spend across a number of channels. Bricks-and-mortar is very important to us, particularly as our brand is about being ‘mighty helpful’. But we have also established an online ‘click and collect’ service which generates over \$1.3 million in sales. It has been very pleasing to see the Mitre 10 storeowners embrace online selling and become better at it.

“Having the end consumer order product online and then pick up the product instore is proving to be



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a successful model. It also helps our storeowners manage their inventory levels better, as once the sale is received online, our distribution centres check to see that the nominated store has adequate stock. If the product is not in stock, the store receives a delivery within 24 hours and we ensure the stock is available when the customer drops in to pick it up.”

Mitre 10 will continue to invest in its omnichannel platforms in the future, seeking to take advantage of its physical stores as convenient pick-up points for products ordered online. The retailer is also very pleased when online shoppers visit the store and make additional purchases.

Strategy three was about re-engaging with suppliers to ensure they saw value in Mitre 10 and continued to invest. “Carl Salem and I spent the first three months

knocking on suppliers’ doors in an effort to win back respect and show them we had a clear vision and strategy for the future.

“We support both the big-brand suppliers and the small innovators. In terms of big brands, paint is a very interesting category. Dulux is ranged in Bunnings and not Masters. Wattyl is ranged in Masters and not Bunnings. We are happy to be a customer of Dulux, Wattyl, and Taubmans as it provides our stores and their customers with greater choice.

“There are also a number of smaller, innovative suppliers that will not be ranged by the big-box operators. Things such as pool testing works very well in Mitre 10 stores. We work with a supplier called Pool Resources, and nearly 50 per cent of our network has pool-testing facilities available. This has worked well, as many >

“Our partnership with Mitre 10 is solid and a key platform for growth in the Independent hardware segment. Our strong relationship with Mitre 10 ensures we continue to work together closely ensuring high quality support and programs to members and their consumers.” - John Lange, National Key Account Manager - Independents, Valspar Consumer ANZ



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pool shops are not open on Saturday or Sunday afternoons.

“Premium power tool company Stihl refuses to deal with large corporates like Bunnings and Masters. You will find the Stihl range in a number of Mitre 10 stores due to our stores enjoying local ownership.”

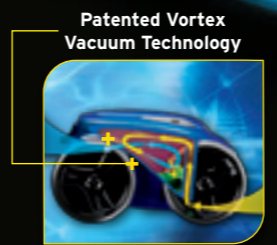
Carl Salem and his merchandising team introduced some other significant initiatives which have improved Mitre 10's competitiveness. These include a revamped private label program. “In 2010, Mitre 10 carried 17 different private labels, which was very confusing to both the storeowners and the consumers. We decided to cut the number from 17 to eight but improve the depth of the range and price points of the remaining eight brands. This has seen the re-launch of our ‘buy right’ range, which has increased from 60 to 300 SKUs. The new black-and-red packaging, together with a more competitive opening price point, has been a good sales driver in stores.

“We also introduced a locked-down low pricing program, and developed a more aggressive and appealing monthly catalogue which has been well received by our stores. Previously, the Mitre 10 catalogue looked more like a range guide than a sales tool. Today's version is far more consumer friendly and allows our customers to purchase many goods online. Our warehouse range increased from 16,000 to 22,000 SKUs, which provided our stores with a wider variety from suppliers and reduced the need for our stores to purchase elsewhere.”

The fourth strategy was about protecting and growing the 400-store-strong Mitre 10 network. “In previous years, both Bunnings and Masters had approached larger Mitre 10 owners and offered them a large cheque to sell. This was occurring in regional areas, and while it was a good retirement package for the owner, it did not help the group as it weakened our national footprint. While there is

still an ongoing battle today with the chequebook acquisitions by the chains, the backing of Metcash has allowed us to find better solutions when storeowners want to sell.

“For example, we can assist in finding a new owner for the store, or in some instances take a minority interest in a group of stores. When we completed our network plan, we recognised the need to retain a national footprint of the larger Mitre 10 stores that had a good mix of trade and DIY customers. To help protect this footprint, we took a share in 10 of the businesses. We don't want to become involved in the day-to-day operation of the stores, so we leave this to the local owners. But we did need to provide some additional capital that has allowed these businesses to grow. Some examples of this are the Petrie's business in regional New South Wales, which has six stores; Sunshine Hardware in Queensland, which has grown >



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from six to ten stores; and the Fagg's business in Victoria, which now has four stores."

At the same time as protecting the existing network, Mitre 10 has also been able to grow by attracting 76 new independent stores to the Mitre 10 family over the past four years. A large number of these have come from the Woolworths-owned Danks group. "Over 40 stores have joined us from Danks. These are really good, independently owned family businesses that were previously branded Home Timber and Hardware or Thrifty Link. They have joined Mitre 10, in

many instances, because they believe the Woolworths-Danks model is conflicted. For example, when Masters builds a 13,000-square-metre box within five kilometres of a family-run business, it is difficult for that family to feel valued by their supplier. One of the core values at Mitre 10 and Metcash is not to compete with our retailers or storeowners. We are a wholesaler, not a retailer.

"We have also been able to convert a number of independently branded, family-owned stores to the Mitre 10 brand, such as the Dahlsen group

and Banner group in South Australia. Both these businesses have a strong trade focus, and this fits with Mitre 10's aim to become a dominant trade player over the next three years."

Trade in the home improvement sector is driven by the relationship between the storeowners and the tradespeople. Mitre 10 storeowners are very good at understanding their customers. They also realise that it is service, reliability, and stock availability that are critical to tradespeople.

"Our competitors at Danks have taken a different approach and decided to corporatise Home Hardware stores in an effort to build their trade business. Over time, they are removing the owner of the stores from the business, which is interesting as it is the owner that holds the key relationship with the customer."

According to Mark, strategy five involved modernising Mitre 10's supply chain. "Metcash is well recognised for providing world-class distribution solutions. Mitre 10 is now well advanced in automating our distribution centres to the Metcash standards. This has included the introduction of voice-pick, an upgraded warehouse management system, common standards, establishment of a national distribution centre for slow-moving stock, and a partnering arrangement with Kerry Logistics in China. The primary focus is to provide an efficient, low cost-to-serve model for our customers while ensuring a safe work environment for our staff."

Mitre 10 is protecting a well-respected, heritage Australian brand while helping independent storeowners survive in a market dominated by chains. "It's so important that Australia continues to have a vibrant independent sector, and a company like Metcash plays a vital role, be it through the IGA supermarkets, the Mitre 10 hardware stores, the Cellarbrations liquor stores, or the Autobarn automotive stores. It is a very competitive marketplace and we

need to be good enough to stand on our own.

"Our experience in supermarkets has shown that the big-box operators have ended up with about 80 per cent of the market. We are confident that a good independent wholesale operator such as Mitre 10 can survive and thrive on the remaining 20 per cent, and there is certainly a place for well-run family businesses that provide superior customer service. But we need to keep fighting for the independents every chance we get because if smaller players are driven out of business, it will reduce choice and innovation and will eventually drive up prices." ◉

"Mitre 10 have been long term partners of ours, sharing the same vision of constantly improving equipment for DIY projects throughout Australia. The relationship has helped both companies enhance their reputations as reliable, forward thinking and accessible to all consumers." - Ian Dalziel, Managing Director, Positec Australia Pty Ltd



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