



AUSTRALIAN  
**HARDWARE**

# Australian Hardware Business Plan

---

2013

Prepared 30 June 2012

# Table of Contents

---

Business Plan Summary .....	1
The Business .....	1
The Market .....	1
The Future .....	1
The Finances .....	2
The Business .....	3
Business details/history .....	3
Registration details .....	3
Organisation chart .....	4
Business premises .....	5
Management and ownership .....	5
Key personnel .....	6
Products/services .....	8
Market position .....	9
Insurance .....	11
Risk management .....	12
Legal considerations .....	16
Operations .....	16
Sustainability plan .....	18
The Market and Strategic Approach .....	21
Market research .....	21
Marketing objectives and sales targets .....	22
The macro environment .....	22
Our customers .....	24
The micro environment: S.W.O.T. analysis .....	26
Our competitors .....	27
Advertising and sales .....	30
The Future .....	34
Vision statement .....	34
Mission statement .....	34
Strategic directions for FY2013 .....	34
Action plan .....	35

The Finances .....	37
Key objectives and financial review .....	37
Assumptions .....	37
Balance sheet forecast FY2013 .....	38
Profit and loss forecast .....	39
Expected cash flow .....	40
Break-even analysis FY2013.....	41

# Business Plan Summary

## The Business

---

**Business name:** Australian Hardware Ltd

**Business structure:** Public company since 1982

**ABN:** 4000000000

**Business location:** Australian hardware is headquartered in Sydney, NSW. The business owns and operates 138 stores throughout Australia.

**Date established:** 26 January 1921.

**Ownership and governance:** The Greenwright family retains a controlling interest in Australian Hardware. Holden Greenwright serves as both chair of the board of directors and CEO.

**Products/services:** Australian Hardware supplies hardware and home improvement products and provide expert advice and service.

## The Market

---

**Target market:** The market has been divided into three target markets or segments: Home improvers; DIYs; tradespersons.

**Marketing strategy:** Australian Hardware takes a two-pronged strategic approach characterised by product and service differentiation along with select targeted marketing activities.

## The Future

---

**Vision statement:** within five years, Australian Hardware will lead the hardware and home-improvement market in Australia.

**Strategic directions for FY2013:** The Australian Hardware strategic directions are:

- increase sales revenue and gross profit
- maintain or increase market share
- control direct and indirect operational costs
- maintain superior product and service quality standards
- establish Australian Hardware's reputation as a socially and environmentally responsible company.

## **The Finances**

---

Australian Hardware operations and investment activity are financed through reinvested profits from previous years' operational activities and investments.

# The Business

## Business details/history

---

Australian Hardware was founded by Percy Greenwright in 1921 and was known as Percy's Home Goods until 1952. In 1982, Australian Hardware became a public company and was floated on the Australian Stock Exchange.

The Greenwright family has retained a controlling interest in the company since its founding. At present, Percy Greenwright's great grandson, Holden Greenwright, is chair of the board of directors and CEO.

Australian Hardware owns and operates 138 stores throughout Australia, with plans to continue expanding at the rate of 2–3 stores per year.

## Product and service offering

Australian Hardware supplies products in the following categories to general and trade customers:

- timber
- hardware
- tools
- paint
- housewares
- outdoor
- garden.

Wherever possible, a number of different models and brand names will be available to ensure that customers will find a product of choice.

Service offered will include expert advice from suitably qualified sales staff.

## Registration details

---

**Business name:** Australian Hardware Ltd

**Trading name(s):** Australian Hardware Ltd

**Date registered:** 1 July 1982

**Location registered:** Sydney, NSW

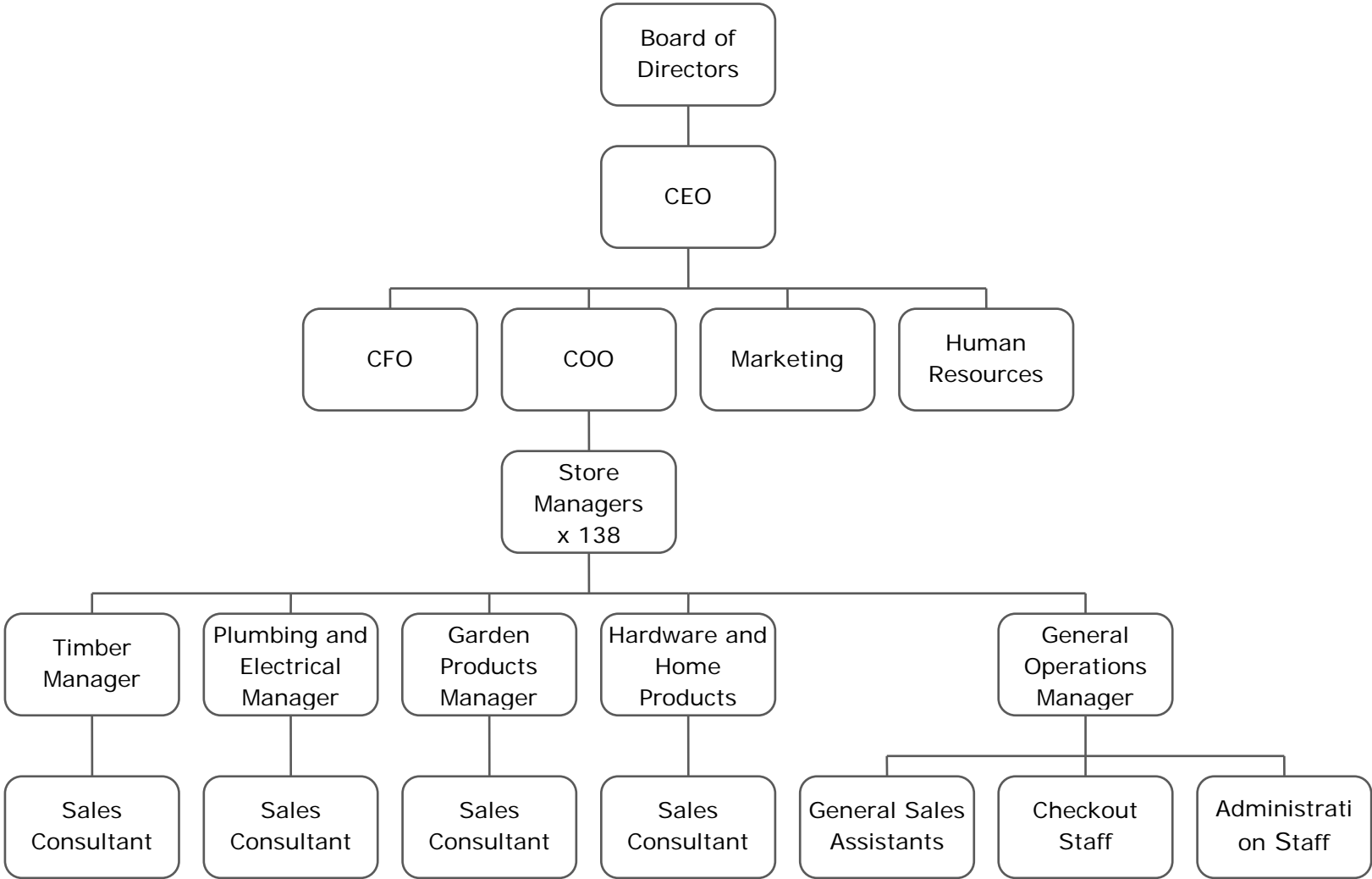
**Business structure:** Australian Hardware is a public company, listed on the Australian Stock Exchange. As such, it is bound by relevant company law under the Corporations Act 2001.

**ABN:** 4000000000

**GST:** Registered for GST

# Organisation chart

---



## Business premises

---

### Business location/s

Australian Hardware stores are located around Australia in the major cities and in the larger regional centres. In areas experiencing growth in population and significant growth in residential building, the demand for products sold by Australian Hardware is considered likely to grow. These areas are targeted by Australian Hardware for either expansion of any existing stores or the building of a new store if none exists.

## Management and ownership

---

### Governance

The Greenwright family has retained a controlling interest in Australian Hardware since it's becoming a public company. Holden Greenwright is both chair of the board of directors and CEO.

The company's board of directors comprises of seven individuals.

### Board of Directors

Name	Position
Holden Greenwright	Chairman and Chief Executive Officer
David Mifsud	Chief Financial Officer
Mary Chu	Chief Operations Officer
Isaac Khouri	N/A
Oliver Greenwright	N/A
Susan Greenwright	N/A



## Key personnel

### Current staff

Position	Name
Chief Executive Officer (CEO)	Holden Greenwright
Chief Financial Officer (CFO)	David Mifsud
Chief Operating Officer (COO)	Mary Chu
Marketing General Manager	Elizabeth Madden
Human Resources General Manager	Susan Black
Store General Managers	x 138

### Required staff

Job Title	Quantity	Expected staff turnover	Skills/experience necessary	Date required
Store General Manager	3	3%/year	Five years management experience running SME (small-medium enterprise).	1 Oct 2012
Timber Manager	3	5%/year	Trade specific skills/knowledge. Leadership skills.	1 Oct 2012
Plumbing and Electrical Products Manager	3	5%/year	Trade specific skills/knowledge. Leadership skills.	1 Oct 2012
Garden Products Manager	3	5%/year	Trade specific skills/knowledge. Leadership skills.	1 Oct 2012

<b>Job Title</b>	<b>Quantity</b>	<b>Expected staff turnover</b>	<b>Skills/experience necessary</b>	<b>Date required</b>
Hardware and Home Products Manager	3	5%/year	Trade specific skills/knowledge. Leadership skills.	1 Oct 2012
General Store Operations Manager	3	5%/year	Trade specific skills/knowledge. Leadership skills.	1 Oct 2012
Sales Consultants	TBC	20%/year	Product/trade specific skill sets. Sales training.	1 Oct 2012
Cashiers	TBC	30%/year	Some sales experience.	1 Oct 2012
Admin and office staff	TBC	10%/year	Various accounting/clerical skill sets.	1 Oct 2012

## **Recruitment options**

Australian Hardware will deploy targeted advertising in trade magazines and online using organisation such as Seek.

Australian hardware will undertake an investigation of competitor wages and seek to match or better.

## **Training programs**

Australian Hardware will offer a range of ongoing training options to meet business requirements and develop staff skills:

- sales training
- technical training in product areas
- managerial and leadership training
- environmental training
- community sensitivity training
- health and safety training
- support or subsidies for external training, including TAFE and tertiary education.

## Skill retention strategies

Australian Hardware will focus on training and development opportunities for existing staff.

Performance management will focus on individually tailored development goals in line with business expectations

Australian Hardware will undertake investigation of competitor wages and seek to match or better if viable from a budgetary perspective.

## Products/services

Product/service	Description	Average Price/unit
Timber	A range of grades of timber for home or industrial use. For consumers and trades. Discount options for tradespersons.	\$25
Hardware	A range of fittings, fixtures, etc. for consumers and trades. Discount options for tradespersons.	\$10
Tools	A range of high quality Australian and imported tools.	\$30
Paint	All major brands. For consumers and trades. Discount options for tradespersons.	\$30
Housewares	Major Australian and international brands. Product line reviewed frequently. For consumers and trades. Discount options for tradespersons.	\$50
Outdoor	Major Australian and international brands. Product line reviewed frequently.	\$100
Garden	Seasonal plants and landscaping materials. For consumers and trades. Discount options for tradespersons.	\$25

## **Market position**

---

Australian Hardware is a competitively priced hardware and home-improvement supplier. Australian Hardware consumers who appreciate high-quality, innovative products will recognise the value and unique offerings of Australian Hardware.

### **Product**

Australian Hardware supplies consumers and trades with high quality and world class innovative products. To differentiate on product, Australian Hardware actively seeks Australian and international suppliers who can fulfil requirements for both consistent quality and exceptionally innovative solutions. Our competition, on the other hand focuses on a more mass appeal for 'tried and true' products. Their customers expect a level of quality but will compromise for the lowest prices possible.

### **Price**

Australian Hardware prices its products to stay within the range of prices offered by competitors. Australian Hardware offers a lowest price guarantee to consumers and a range of discounts and incentives for trade customers. Australian Hardware does not collude with competitors on pricing but does not seek to undercut competitors. Such a pricing strategy is intended to maintain margins and signify higher quality and brand prestige. While not seeking to pay more, our customers will generally risk paying a little more for truly unique offerings and to ensure quality and expert service.

### **Service and customer experience**

Australian Hardware offers a consistently high level of fast and friendly service provided by skilled and experienced staff in an exciting and interactive environment. Service is a key differentiator of Australian Hardware's offering. On-site and off-site service will be delivered as per customer needs and expectations in line with the Australian Hardware market positioning as a premier service. For details see Australian Hardware customer service policy and charter.

### **Social and environmental responsibility**

Social and environmental responsibility is also a key differentiator of Australian Hardware's offerings.

As with some competition, Australian Hardware stores use recycled rainwater collected in tanks for use on plants. Australian Hardware also recycles extensively. Australian Hardware also sponsors community and sports events and provides support for charities. The business actively promotes awareness of the social and environmental activities of Australian Hardware through media campaigns.

Unlike our competition, however, Australian Hardware promotes its active research into improving its environmental and social performance. Australian Hardware has committed to public and detailed triple bottom line reporting and associated performance goals. See the sustainability plan on page 18.

In addition, our products reflect our commitment to the environment and Australian Hardware customers can expect to find our product range includes world-class green technology. Where our competition has 'hedged their bets', Australian Hardware has fully committed to supporting environmentally responsible living.

## **Anticipated demand**

Market research indicates the demand for hardware and home improvement products will continue to grow. According to IBISWorld market research, in 2012, the average Australian household was expected to spend \$2,554 on home renovations and improvements. This figure was expected to increase by 4% over the next five years to reach \$2,651 per household by 2016–17.<sup>1</sup>

## **Pricing strategy**

Australian Hardware will maintain an average mark-up on purchase price of 35%. A review of this strategy will be undertaken every six months to assure that gross profit remains within target parameters set by the organisation.

In addition, if Australian Hardware price is identified by a customer to be above a competitor's price then price will be reduced to match the price offered by the competitor. Customers are encouraged to offer documented proof in the form of competitors' advertising material or written quotes.

## **Value to customer**

To meet the needs of all segments, Australian Hardware offers top-quality products, everyday low prices, expert service, community engagement and environmental responsibility.

---

<sup>1</sup> IBISWorld, 2011, 'Aussies Going Blockbusters for DIY', *IBISWorld Press Release*, viewed August 2012, <<http://www.ibisworld.com.au/about/media/pressrelease/release.aspx?id=266>>.

## **Growth potential**

Australian Hardware sees opportunity for growth through capture of market share and increasing revenue through targeted marketing to desired segments. According to IBISWorld market research, if current trends continue, then revenue in the areas of hardware and home-improvement is expected to grow by 23% over the next five years to reach \$14.2 billion in 2016–17.<sup>2</sup> Even if current market share is maintained, Australian Hardware expects to capitalise on the general growth of the market with the opening of 2–3 warehouses per year over the coming four years.

## **Insurance**

---

### **Workers compensation**

Australian Hardware provides workers compensation for employees in accordance with legislative requirements.

### **Product liability**

Australian Hardware has product liability insurance to \$15 million.

### **Business assets**

Australian Hardware fixed and current assets are insured to current value.

---

<sup>2</sup> IBISWorld, 2011, 'Aussies Going Blockbusters for DIY', *IBISWorld Press Release*, viewed August 2012, <<http://www.ibisworld.com.au/about/media/pressrelease/release.aspx?id=266>>.

## Risk management

Risk	Risk	Risk impact	Controls	Monitoring	Timelines	Responsible
Difficulty sourcing or training skilled and experienced staff.	Medium	High	<p>Targeted advertising in trade magazines and online.</p> <p>Promotional focus on training and development opportunities.</p> <p>Regular training for existing staff.</p>	Regular investigation of competitor wages, seeking to match or better if viable from budgetary perspective.	Monthly and quarterly	Human resources manager, store general managers and general operations managers.
Wastage or unsaleable stock from poor inventory maintenance and sales monitoring.	Medium	High	<p>Continuous monitoring using in-house ERM system.</p> <p>Daily contact with suppliers.</p>	Daily automated monitoring (with alerts for issues) and anticipation of demand through ongoing research and analysis in consultation with market research consultants.	Daily monitoring Monthly and quarterly sales and demand analysis	Store general managers, general operations managers, COO and marketing general manager.

Risk	Risk	Risk impact	Controls	Monitoring	Timelines	Responsible
Emergence of a competitor.	Low	High	<p>Continuous implementation of marketing strategy to highlight key points of difference between us and competitors.</p> <p>Increased frequency of promotional campaigns.</p> <p>Selective discounting.</p> <p>Adjustment of marketing strategy to ensure differentiation and appropriate positioning of Australian Hardware in order to compete effectively.</p>	Continuous monitoring of competitors' campaigns.	Monthly	Marketing general manager.



<b>Risk</b>	<b>Risk</b>	<b>Risk impact</b>	<b>Controls</b>	<b>Monitoring</b>	<b>Timelines</b>	<b>Responsible</b>
Poor product quality from suppliers.	Low	Medium -High	Continual audits of product quality.	Audit of supplier quality. Customer complaints monitoring.	Monthly	Store general managers and general operations managers, COO, marketing general manager.
Environmental risk due to operations of Australian Hardware.	Low	Medium -High	Staff training (at all levels) on sustainable practices at Australian Hardware.	Continual audits of supplier environmental responsibility with regard to sustainability principles. Continual auditing of environmental performance against sustainability plan and external benchmarking.	Monthly	Store general managers, general operations managers, COO.

Risk	Risk	Risk impact	Controls	Monitoring	Timelines	Responsible
Risks to community due to operations of Australian Hardware.	Low	Medium -High	Community consultation. Media campaigns to encourage proposals for sponsorship of community events, for example.	Community consultation. Marketing questionnaires. External benchmarking. Triple bottom line reporting at the individual store level and corporate level.	Monthly	Store general managers, general operations managers, COO, marketing general manager.
Failure to comply with legislation in jurisdictions across Australia.	Low	High	Regular maintenance of legislation register. Regular update of policies and procedures.	Monthly monitoring of legislative environment. Triple bottom line reporting at the individual store level and corporate level.	Monthly	Store general managers, general operations managers, CFO and legal team.

## Legal considerations

---

Relevant legislation may include, for example:

- *Privacy Act 1988* (Cwlth)
- state-based anti-discrimination Acts
- *Australian Securities and Investments Commission Act 2001* (Cwlth)
- *Competition and Consumer Act 2010*, including the Australian Consumer Law (ACL)
- *Corporations Act 2001* (Cwlth)
- A New Tax System (Goods and Services Tax Administration) Act 1999 (Cwlth)
- *Income Tax Assessment Act 1997* (Cwlth)
- *Fair Work Act 2009* (Cwlth)
- state-based OHS (occupational health and safety)/WHS (work health and safety) legislation
- packaging and labelling laws
- increasingly stringent environmental laws.

## Operations

---

### Process

National marketing campaigns, warehouse look and feel, marketing mix, policy, preferred suppliers and strategic directions are set by the board of directors and senior management.

Strategic directions set at the national level cascade to individual warehouses and are reinterpreted by general managers to match local conditions at the store level. All staff KPIs and targets for performance management reflect national and store strategic directions.

Each Australian Hardware store is run in most operational respects as an independent business. Each store generally buys stock from approved suppliers; however, where appropriate, store general managers have discretion to buy products to suit local market conditions. Store general managers hire and train local staff and have wide discretion to participate in community events and sponsorships.

## Suppliers

Current Australian Hardware preferred suppliers are:

- Ace Consultants
- Action Marketing
- Australian Garden Furniture and Nursery
- Australian Timber Yards
- Australian Plumbing Supplies
- CoffeeVille
- National Homewares.

Australian Hardware will endeavour to maintain good relations with suppliers through regular owner level contacts as required. Australian Hardware suppliers provide credit terms of 30 days, to which Australian Hardware will strictly adhere.

In addition to maintaining good relations with current suppliers, Australian Hardware will continue to identify new sources of products that will appeal to the evolving needs of targeted segments.

All suppliers to Australian Hardware are subject to regular audit by quality assurance staff to ensure that they meet the standards outlined:

These standards include:

- financial viability
- control and continual improvement of processes to restrain costs
- a well documented and traceable quality system
- respect for the environment
- responsible control of remuneration for own employees and any sub-contractor employees.

## Plant and equipment

A detailed asset register of plant and equipment purchased and maintained by each individual warehouse is maintained by the Operations General Manager and Store General Manager.

Australian Hardware also maintains a detailed registry of fixed assets such as real estate held by the company. This registry is the responsibility of the Chief Financial Officer of the company.

## Inventory

Inventory for each warehouse is the responsibility of the Operations General Manager and Store General Manager. Australian Hardware stock is tracked through its in-house enterprise resource management (ERM) system.

## **Trading hours**

Australian Hardware trades 7 days a week, 6 am to 8 pm.

## **Communication channels**

Customers are encouraged to contact us through email or Facebook. A telephone number is provided on our website.

## **Payment types accepted**

Australian hardware accepts cash and all major credit cards and debit cards. EFTPOS is available in all warehouses.

## **Credit policy**

Australian Hardware has 30 day credit terms for approved tradespersons.

## **Memberships and affiliations**

Australian Hardware is a member of the following organisations:

- Hardware Industry Working Group (HIWG)
- The Hardware Association of New South Wales (HANSW)
- The Housing Industry Association (HIA)
- The Master Builders Association (MBA).

## **Sustainability plan**

---

### **Environmental/resource impacts**

Australian Hardware packaging, waste and use of resources may impact the environment.

### **Community impact and engagement**

A key component of the Australian Hardware marketing strategy is to communicate our commitment to the environment and community. Australian Hardware will engage with the community through our website and Facebook campaigns to raise awareness and seek feedback.

## Risks/constraints

Risks include high cost of sustainable packaging and potential opportunity cost of environmental practices such as energy reduction. Staff may also be unaware of Australian Hardware strategic directions with regard to economic and social responsibility and may need additional training.

## Strategies

Australian Hardware will conduct monthly environmental audits and review. Australian Hardware will also seek community engagement and feedback through media channels such as our website and Facebook page.

## Action plan

Sustainability milestone/activity	Strategy	Target	Target date
Reduce water consumption	Use of rainwater tanks to collect water from large roofs and grey water usage.	Reduce by 10% per year	fourth quarter of 2013
Reduce energy consumption	Use of skylights. Use of solar arrays on roof.	Reduce by 7% per year	fourth quarter of 2013
Conduct environmental audits	Audits conducted yearly at all stores and head office to ensure targets met and to take appropriate action to remedy poor performance.	Audits completed by each section of each store and results analysed to with respect to national and local targets.	fourth quarter of 2013
Conduct environmental review of suppliers	Audit conducted as part of monthly and quarterly supplier quality audits.	N/A	fourth quarter of 2013

<p>Complete environmental training (integrated with Australian Hardware policies and strategic directions)</p>	<p>Environmental training part of induction.</p> <p>Environmental targets count towards performance targets for each employee.</p>	<p>100% staff trained</p> <p>Two performance management sessions per year per staff including environmental KPIs</p>	<p>fourth quarter of 2013</p> <p>continuous</p>
<p>Conduct survey of market environmental concerns via internet and social media</p>	<p>Survey conducted as part of market and marketing research undertaken by Action Marketing in course of normal market research.</p> <p>Customer complaints data analysed for environmental concerns.</p>	<p>N/A</p>	<p>Quarterly</p>

# The Market and Strategic Approach

Australian Hardware takes a two-pronged strategic approach to marketing characterised by product and service differentiation along with select targeted marketing activities. Market research has indicated a growing hardware and home improvement market within Australian Hardware's target markets. Consequently, Australian Hardware does not need to capture competitors' market share to grow; we focus on emphasising our difference and growing our customer base within our target markets.

Australian Hardware does not compete on price and simply ensures that its prices are not undercut severely by competitors. As former CEO and Chairman Eric Greenwright once remarked: 'We don't sell really cheap hammers, you can buy a cheaper hammer elsewhere. We sell the singular experience of buying just the right tool for today's needs'.

Australian Hardware's approach may be described as a mix of a differentiation strategy and a segmentation strategy. Australian Hardware's strategies have evolved over time, so to arrive at our present, mixed approach, Henry Mintzberg's emergent model may also be seen to apply.

Because of Australian Hardware's unique customer experience, we are different from our competitors: we sell more innovative products; we know more about our products; we showcase our products' lifestyle benefits. Australian Hardware customers are slightly more affluent, slightly more demanding, or have their own trade customers with these attributes.

## Market research

---

Market trends need to be accurately predicted to ensure that stores stock the most desired product range for the evolving needs of customers. Service needs and other needs relating to components of the marketing mix will also need to be anticipated. Product life cycle needs to be predicted so that stock in stores is sufficient to support sales initially but over-stocking does not give rise to a large accumulation of outdated product.

Access to ongoing market research will be achieved through regular research activities carried out by Action Marketing and Australian Hardware. See the implementation milestones section for specific research activities. Marketing General Manager, Elizabeth Madden, will manage market and marketing research and liaise with Action Marketing.

Customer feedback and suggestions are readily sought for improvement of marketing activities.



## Marketing objectives and sales targets

---

Marketing objectives are:

- to position Australian Hardware as a provider of top quality, brand name hardware and expert service at attractive price points
- increase foot traffic to 1,000 people per day per store (from 800)
- increase website traffic to 20,000 visits per day
- drive sales and revenue growth in line with financial goals
- establish good will within our target market so that seven out of ten people rate Australian Hardware as socially and environmentally responsible.

Australian Hardware sales targets are:

- \$3.7 billion annual sales
- Average \$27 million per store.

## The macro environment

---

### Political environment

The political environment includes legislation and government legislative direction.

Relevant legislation may include, for example:

- *Privacy Act 1988* (Cwlth)
- state-based anti-discrimination Acts
- *Australian Securities and Investments Commission Act 2001* (Cwlth)
- *Competition and Consumer Act 2010*, including the Australian Consumer Law (ACL)
- *Corporations Act 2001* (Cwlth)
- *A New Tax System (Goods and Services Tax Administration) Act 1999* (Cwlth)
- *Income Tax Assessment Act 1997* (Cwlth)
- *Fair Work Act 2009* (Cwlth)
- state-based OHS (occupational health and safety)/WHS (work health and safety) legislation
- packaging and labelling laws
- increasingly stringent environmental laws.

The last two types of legislation may be particularly important for Australian Hardware's business and marketing activities. As noted, sustainable business practices are becoming more important to customers. More stringent packaging laws may allow Australian Hardware to highlight its environmentally sustainable approach to business.

In a similar way, environmental legislation may allow Australian Hardware to promote its low-impact approach to advertising while also disadvantaging the competition, which may need to alter their practices to comply.

Finally, Australian Hardware anticipates that the Australian Government's focus in future legislative direction and fiscal policy will be centred on promoting growth in the face of the continuing international debt crisis, poor growth and subdued consumer confidence.

## **Economic environment**

Interestingly, sluggish growth and moderate increase in the Australian unemployment figures may present an opportunity for hardware and home-improvement retailers such as Australian Hardware. This opportunity exists despite other retailers suffering from low consumer confidence, poor sales and overseas competition particularly through e-commerce. Hardware retailers have benefitted from the sense among homeowners that now is the time to choose renovation and home improvements rather than selling and moving to an already renovated house.

According to IBISWorld, the trend towards home improvements is linked to the increase in residential housing prices, which is due to the housing shortage and easier access to finance and government incentives, amongst other factors. If current trends continue, the industry is expected to grow by 23% over the next five years to reach \$14.2 billion in 2016–17.<sup>3</sup>

## **Social environment**

Consumers are increasingly aware of the impact of business activity on the local community. Consumers demand that businesses consider the impact of their activities and work to promote healthy community involvement. Consumers are also becoming more aware of working conditions in other countries want to contribute to better global social and economic outcomes.

Consumers are also concerned about the environment. Australian Hardware will endeavour to promote itself as environmentally and socially responsible and conduct business operations accordingly. In this way, Australian Hardware will offer value to the socially and environmentally aware consumer and position itself as a leader in social and environmental responsibility.

---

<sup>3</sup> IBISWorld, 2011, 'Aussies Going Blockbusters for DIY', *IBISWorld Press Release*, viewed August 2012, <<http://www.ibisworld.com.au/about/media/pressrelease/release.aspx?id=266>>.

## Technological environment

Internet, information, and social networking technologies continue to evolve and provide new challenges and opportunities for marketing. Australian Hardware will continue with its effective use of its website to promote and sell products and social networking to reach its target markets.

## Our customers

---

Australian Hardware's customers span a wide range of the community and include tradespeople and the general public. Many of these require little assistance, if any, to purchase product whereas others rely heavily on the advice they can get to purchase product. Australian Hardware encourage customers to come to their stores to take advantage of the service offered and ensure that they will purchase all the items and equipment needed for a particular job.

In addition there is a growing number of online customers who are able to determine their needs from the information they obtain from the Australian Hardware website. Continual upgrade of Australian Hardware's web site is required to counter existing and emerging competitors. Some of these competitors most certainly will begin to sell online as a major strategy to attract customers.

Key differences between our customers and customers of the competition:

- our customers value quality more than price
- our customers require expert, knowledgeable service
- our customers are tech literate
- our customers demand sustainability
- our customers dream style and luxury.

## Customer demographics

The profile for an Australian Hardware customer consists of the following geographic, demographic, and behaviour factors:

- **Geographic**
  - Our customers live in Australia, generally within 50Km of a major city or regional population centre.
- **Demographic**
  - male and female, ages 20–60
  - full-time employment
  - an average income of \$60,000.

- **Behaviour factors**

- own home/mortgage or long-term rent and/or own or manage trade business
- tech literate
- moderately price sensitive
- value style and luxury
- value convenience
- value quality
- value customer service
- value customer experience
- value ethical and sustainable practices.

Numbers of customers estimated to be up to 7 million people. See target market segments for more detailed information on specific attributes.

## **Target segments**

The market has been divided into three target markets or segments: home improvers (3 million); DYIs (2 million); tradespersons – owners and managers of small to medium sized businesses and individual contractors (up to 2 million).

## **Customer management**

Australian Hardware will communicate with customers through mass media TV and magazines; trade magazines; targeted direct mail; and social media campaigns. The company will encourage feedback through email and social media and will highlight positive company responses to feedback in marketing messages.

Australian Hardware will work to develop its strict customer service and product quality standards and incorporate these into employee handbooks.

## The micro environment: S.W.O.T. analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• excellent staff, highly skilled at sales, product demonstrations and explaining product features</li> <li>• great locations</li> <li>• product offerings that meet or exceed competitors' offerings in quality and innovation</li> <li>• strong marketing budget</li> <li>• consistent brand recognition across Australia</li> <li>• 8% market share</li> <li>• secured real estate to limit growth of competitors</li> <li>• e-commerce developed with online store for most products.</li> </ul>	<ul style="list-style-type: none"> <li>• high cost of sales associated with environmental and socially responsible choices</li> <li>• low customer loyalty to brands.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• strong market potential; a significant percentage of the target market still not visiting Australian Hardware on a daily basis</li> <li>• extension of business hours</li> <li>• expansion of e-commerce to consolidate online advantage</li> <li>• new partnerships with suppliers of innovative suppliers</li> <li>• opportunity to bulk buy and reduce prices through economies of scale</li> <li>• opportunities to market and differentiate Australian Hardware on the basis of training, product range, product innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• competition from new entrants into market, especially e-commerce</li> <li>• uncertainty of worldwide economic climate and impact on Australian spending</li> <li>• growth of international e-commerce (exacerbated by strong Australian dollar)</li> <li>• potential lack of prime locations for large warehouses where Bunnings has already secured prime real estate.</li> </ul>

## Our competitors

### Competitor details

Competitor and Market share	Value to customers	Strengths	Weaknesses
Bunnings (15%)	<ul style="list-style-type: none"> <li>• offers consumers and tradespersons good service and advice</li> <li>• low prices</li> <li>• wide product range</li> <li>• reliable quality.</li> </ul>	<ul style="list-style-type: none"> <li>• high market share and brand recognition</li> <li>• ability to exploit economies of scale and bulk buy</li> <li>• can afford to undercut competitor prices</li> <li>• seen as environmentally responsible</li> <li>• stockpile of real estate to limit growth of competitors.</li> </ul>	<ul style="list-style-type: none"> <li>• not seen as especially prestigious</li> <li>• seen as reliable but boring option</li> <li>• online presence but limited or no e-commerce.</li> </ul>
Home Hardware (5%)	<ul style="list-style-type: none"> <li>• offers consumers and tradespersons good service and advice</li> <li>• low prices</li> <li>• wide product range</li> <li>• reliable quality.</li> </ul>	<ul style="list-style-type: none"> <li>• moderate market share and brand recognition</li> <li>• moderate ability to exploit economies of scale and bulk buy.</li> </ul>	<ul style="list-style-type: none"> <li>• limited range of exciting, innovative, world-class products</li> <li>• no reputation for product/service quality</li> <li>• lack of floor space</li> <li>• online presence but limited or no e-commerce.</li> </ul>

Competitor and Market share	Value to customers	Strengths	Weaknesses
Mitre 10 (3%)	<ul style="list-style-type: none"> <li>• offers consumers and tradespersons good service and advice</li> <li>• low prices</li> <li>• wide product range</li> <li>• reliable quality.</li> </ul>	<ul style="list-style-type: none"> <li>• moderate market share and brand recognition/trust</li> <li>• moderate ability to exploit economies of scale and bulk buy.</li> </ul>	<ul style="list-style-type: none"> <li>• limited range of exciting, innovative, world-class products</li> <li>• no reputation for product/ service quality</li> <li>• online presence but limited or no e-commerce.</li> </ul>
Tradelink (4%)	<ul style="list-style-type: none"> <li>• offers consumers and tradespersons good service and advice</li> <li>• low prices</li> <li>• wide product range</li> <li>• reliable quality.</li> </ul>	<ul style="list-style-type: none"> <li>• moderate market share and brand recognition/trust</li> <li>• moderate ability to exploit economies of scale and bulk buy</li> <li>• uses displays to entice customers.</li> </ul>	<ul style="list-style-type: none"> <li>• limited range of exciting, innovative, world-class products</li> <li>• no reputation for product/ service quality</li> <li>• online presence but limited or no e-commerce.</li> </ul>

Competitor and Market share	Value to customers	Strengths	Weaknesses
Masters (5%)	<ul style="list-style-type: none"> <li>• offers consumers and tradespersons good service and advice</li> <li>• low prices</li> <li>• wide product range</li> <li>• reliable quality.</li> </ul>	<ul style="list-style-type: none"> <li>• moderate but growing market share and brand recognition/trust</li> <li>• moderate ability to exploit economies of scale and bulk buy</li> <li>• has advantage of being seen as fresh and exciting new competitor</li> <li>• seen as environmentally responsible.</li> </ul>	<ul style="list-style-type: none"> <li>• potential to be seen as just another Bunnings once novelty has worn off</li> <li>• potential lack of prime locations for large warehouses where Bunnings has already secured prime real estate</li> <li>• online presence but limited or no e-commerce.</li> </ul>
Other/independents (61%)	<ul style="list-style-type: none"> <li>• offers consumers and tradespersons good service and advice in a local, independent setting.</li> </ul>	<ul style="list-style-type: none"> <li>• personal, local ties to community</li> <li>• highly individualised strengths, quality of products and service dependent on individual factors: personal commitment of owners; background of owners and staff.</li> </ul>	<ul style="list-style-type: none"> <li>• no ability to bulk buy and compete on price</li> <li>• limited access to world-class products.</li> </ul>



## Advertising and sales

---

### Sales and marketing objectives

- To position Australian Hardware as a provider of top quality, brand name hardware and expert service at attractive price points.
- Increase foot traffic to 1,000 people per day per store (from 800).
- Increase brand recognition and awareness of value proposition.
- Establish good will within our target market so that seven out of ten people rate Australian Hardware as socially and environmentally responsible.

### Advertising and promotional strategy

Planned promotion/ advertising type	Expected business improvement	Cost (\$) per year	Target date/ timeline
Marketing plan completion	Provide direction to marketing activities and coordinate with business plan.	N/A – component of research budget	30 June 2012
Paper flyers	Provide consumers with information on local store and products, drive sales from immediate geographic area.	\$10 million	Quarterly
Magazine and trade advertising	Drive national sales; build and maintain brand awareness.	\$10 million	Monthly
Media promotions	Drive national sales; build and maintain brand awareness.	\$5 million	Ad hoc
Free-to-air TV	Drive national sales; build and maintain brand awareness.	\$15 million	Seasonal
Pay TV	Drive national sales; build and maintain brand awareness.	\$ 20 million	Seasonal

<b>Planned promotion/ advertising type</b>	<b>Expected business improvement</b>	<b>Cost (\$) per year</b>	<b>Target date/ timeline</b>
Online: Social media, viral marketing initiatives	Build and maintain national brand awareness.	\$5 million	Ad hoc
Email, e-catalogues	Provide customers with, convenient, environmentally friendly way to access product information and prices to underscore Australian Hardware value proposition.	\$3 million	Seasonal
Website advertising and maintenance	Build brand reputation as innovative and responsive to customer needs.	\$10 million	Seasonal
Online advertising	Drive national sales; build and maintain brand awareness.	\$10 million	Weekly
Goodwill and sponsorships	Build and maintain national brand awareness; underscore Australian Hardware commitment to community.	\$5 million	Ad hoc
Research	Determine customer needs to enable business to react.  Predict trends in home improvement to anticipate and compete.	\$7 million	Quarterly
<b>Total</b>		<b>\$100 million</b>	

## Sales and distribution channels

Channel type	Products/services	Percentage of sales (%)	Advantages	Disadvantages
Warehouses	<p>All products and services in one convenient location.</p> <p>Large number of knowledgeable staff to provide sales advice and service.</p>	90%	<ul style="list-style-type: none"> <li>• engaging, interactive displays to drive sales</li> <li>• exciting customer experience suggesting excitement of trade fair containing displays of latest and best home design</li> <li>• personalised service to develop customer relationships and brand loyalty</li> <li>• customer can have most products instantly.</li> </ul>	<ul style="list-style-type: none"> <li>• potential for human error</li> <li>• slightly higher cost of goods</li> <li>• range limited by display space.</li> </ul>

Channel type	Products/services	Percentage of sales (%)	Advantages	Disadvantages
<p>Online store – Key inspirations for look and feel include US online retailers Amazon and Pottery Barn</p>	<p>All products except timber, and other large items that would be impractical to ship through existing distribution networks.</p> <p>Online sales staff with specific areas of expertise to interact with customers through chat, teleconferencing, email, etc.</p> <p>Connection to online social media.</p>	<p>10%</p>	<ul style="list-style-type: none"> <li>• reduced cost of goods due to stock control efficiencies</li> <li>• enables business partnerships with a range of small, niche sellers of homewares similar to the way Amazon distributes items from smaller sellers</li> <li>• can enable highly targeted 'suggestions' to customers to drive sales and brand loyalty</li> <li>• enables Australian Hardware to compete nationally and internationally</li> <li>• reduced ordering errors</li> <li>• speed</li> <li>• convenience for growing number of consumers with no time to visit warehouses</li> <li>• seen as innovative.</li> </ul>	<ul style="list-style-type: none"> <li>• not practicable or viable for very large items</li> <li>• reduces opportunities for personal service, expert advice</li> <li>• sometimes seen as 'gimmicky, non-serious' option for tradespersons</li> <li>• customer experience not as engaging or interactive as in warehouses</li> <li>• limited (but growing) appeal to customers who value local community.</li> </ul>

# The Future

## Vision statement

---

Within five years, Australian Hardware will lead the hardware and home-improvement market in Australia.

## Mission statement

---

Australian Hardware provides the best quality hardware, homewares, garden supplies and building materials from Australia and the world. Australian Hardware is committed to providing customers and tradespeople with value through everyday low prices, product quality, expert service, community engagement and environmental responsibility.

## Strategic directions for FY2013

---

- Increase sales revenue and gross profit.
- Maintain or increase market share.
- Control direct and indirect operational costs.
- Maintain superior product and service quality standards.
- Establish reputation of Australian Hardware as socially and environmentally responsible company.

## Action plan

---

Please note: This table does not include sustainability or marketing activities as they are listed in the sections above.

Activities FY2013	Dates/timelines	Person responsible
<b>Increase sales revenue and gross profit</b>		
Determination of staffing requirements and sales skills assessment for stores.	Quarterly or as needed	Store general managers
Employee product and sales training.	Quarterly or as needed	Store general managers; HR general manager
Recruitment of skilled staff.	Quarterly or as needed	Store general managers; HR general manager
Research innovative, exciting products and suppliers to drive custom.	Weekly	Marketing general manager

Activities FY2013	Dates/timelines	Person responsible
<b>Control direct and indirect operational costs</b>		
Review of national budgetary performance and quarterly financial management reports.	Quarterly	CEO, CFO, board of directors, FARM (finance, audit and risk management) committee
Review of store budgets and quarterly financial management reports.	Quarterly	Store general managers, FARM committee
Review of preferred suppliers to negotiate price reductions.	Quarterly	COO
Review of local suppliers to negotiate price reductions.	Quarterly or as needed	Store general managers
<b>Maintain superior product and service quality standards</b>		
Audit of preferred supplier product quality.	Quarterly	COO
Audit of local supplier product quality.	Quarterly	Store general managers
Performance management of staff.	Twice per year	Store general managers

# The Finances

## Key objectives and financial review

---

### Financial objectives

1. Generate at least \$300 million in sales per month.
2. Minimum 10–15% increase in gross profit income each year.
3. Control fixed costs through disciplined growth.
4. Maintain COGS (cost of goods sold) at 50% of gross revenue.

### Finance

Australian Hardware operations and investment in fixed assets are financed through reinvested profits from previous years' operational activities and investments.

## Assumptions

---

The financial tables on the subsequent pages are based on the assumptions listed below:

- The unemployment rate in Australia remains at under 6%.
- Steady or moderately falling interest rates continue to underpin business and consumer confidence.
- Growth across the economy proceeds at a modest 2–3%.
- Demographic and immigration trends for Australia continue.



## Balance sheet forecast FY2013

---

	(Figures in \$ millions)
Cash	969
Inventory	115
Accounts receivable	276
Total current assets	1,360
Gross property, plant & equipment	700
Less accumulated depreciation	(300)
Net property, plant & equipment	400
<b>Total assets</b>	<b>1,760</b>
Accounts payable	92
Bank notes payable	62
Total current liabilities	154
Long-term debt	200
Shareholder's equity	1,405
Total long-term debt and shareholder's equity	1,605
<b>Total liabilities</b>	<b>1,760</b>

## Profit and loss forecast

---

	(Figures in \$ millions)
Sales	3,700
Less COGS	(1,850)
Gross profit	1,850
Less selling, general and administrative (SG&A) expenses	(1,110)
Less depreciation	(100)
Earnings before interest and taxes	640
Less interest expense	(28)
Pre-tax income	612
Taxes	245
Pre-tax income	612
Less taxes	(245)
Net income	367

## Expected cash flow

---

	(Figures in \$ millions)
Net income	367
Plus depreciation	100
Less increase in inventory	73
Less increase in accounts receivable	174
Plus increase in accounts payable	(58)
Cash flow from operations	656
Less investment	(100)
Cash flow from operations and invests	556
Plus net new equity capital raised	-
Less dividends paid	-
Plus net new long-term debt	-
Plus net new bank borrowings	(7)
Cash flow from ops, invests, and fin	549
Beginning cash balance	419
Ending cash balance	969

## Break-even analysis FY2013

---

Average price of each product/service sold	\$200
Average cost of each product/service to make/deliver	\$100
Fixed costs for the month/year	\$1,000,000,000
Percentage of price that is profit	10%
Total sales needed to break-even	\$10,000,000,000