

Building a new Australian industry

How the Australian building materials retail industry came to be born in South Australia

A personal reflection by Brian J. Wilson

This paper is dedicated to the memory of the late Mr R.G. Lloyd, Managing Director of Lloyds Timber & Building Supplies Co. Ltd.

During 1964 I was employed as Marketing Manger by Mr Ray Lloyd, then Managing Director of Lloyds Timber and Building Supplies, Kent Town, South Australia. One of my major functions was to further upgrade Lloyds' existing three retail stores that sold the normal range of timber, hardware and building materials and look at opportunities to expand the number of stores. I was also put in charge of the transportable homes division.

I was further tasked with the development of the ultimate concept of a modern, stand alone, self-serve retail outlet to service the requirements of both male and female customers under the one roof, creating a display and purchasing atmosphere which the handyman and jobber had never before experienced in this country. At the time, building materials outlets mostly consisted of timber yards and/or hardware stock rooms with sales conducted over counters. Indeed, the term 'building materials' was then rarely used. 'Hardware' and 'timber supplies' continued to be the common terms used to describe aspects of the industry until well into the 1980s.

The industry was also largely reliant on wholesale and trade business, with high turnover but low gross margin and profitability, rather than retail sales to consumers. It was the opportunity for increasing its retail business, with associated higher gross profits, that was the driver for Lloyds' interest in a sales outlet geared to consumers.

Market analysis

An in-depth study of the Australian market showed the retail market remained largely undeveloped in Australia, with Lloyds already leading the push to engage consumers. We therefore looked at developments in the USA, where self-serve building materials outlets were already being established. Experience in the USA showed clear evidence of the potential for a retail market in Australia.

We estimated the consumer market for building materials in Australia to be 1.5 times that of the new home market each year. Further the industry enjoyed a natural selling environment, that is, that the best investment that can be made by any person is the investment made in their own home. This environment however remained largely unexploited, with little marketing aimed directly at consumers. Thinking within the Australian industry was still very much based on habit and tradition, rather than response to opportunities in the market place.

After a five-week visit to the USA to view and discuss at first hand the development of self-serve building materials outlets in that country, I reported back to Lloyds.

The evidence of the industry in the USA was that the most effective way to attract the consumer dollar was through one-stop self-serve outlets geared to the needs of the consumer and allowing imaginative merchandising and display. Consumers responded to and demanded:

- Convenient parking adjacent to the store
- An attractive, comfortable place in which to shop
- Uncrowded shopping aisles with visibility and easy access to all clearly identified sections of the store
- An adequate selection of merchandise and materials arranged on open displays to promote customer interest and ultimate self-selection through piece-pricing
- Availability of sales staff assistance when required
- Convenient check out points with minimum waiting time.

On the basis of that report it became management policy to further investigate the development of similar type operations in South Australia. To this end, over a three-year period, six members of the Lloyds management team visited the USA to see at first hand these modern retail outlets and to talk to the management about the various aspect of merchandising, store layouts, staffing and general procedures. This investment in people created an enthusiastic team to assist the further development of the company's objective.

I continued my visits to the USA on a regular basis, establishing close relationships with many of their retail organisations, including the National Association of Home Builders. The latter association proved invaluable in modernising our transportable homes division.

In 1966 I was invited to present a paper at the annual conference of the 14 largest building material operators in the USA. I was asked to give an overview of the existing Australian market and the opportunities available to develop the marketing of building materials in Australia in a format similar to that of the US. This particular conference was held in San Diego, California, and led to the establishment of even closer relationships with retail operators in the US market.

Lloyds lays the foundation for a new retail industry

In 1965 I attended a building materials store layout seminar in Yakima, Washington, conducted by Mr Harper Mitchell, a leading USA consultant. I was exposed to the planning of the revolutionary internal appearance of a sales engineered store and sales warehouse layout concepts that could be adapted to the Australian market place.

A feasibility study was presented to the Lloyds Board of Directors, and approval was given to proceed to the final stages of planning, costing, budgets, etc.

We invited Harper Mitchell to visit Australia to assist in our development plan and store layout in conjunction with our Merchandise Manager, John Whitford, who was responsible for product, space allocation, fixtures and fittings of the new store.

During Harper's visit to Australia we arranged a seminar for manufacturers, suppliers of hardware, timber and building materials. At this seminar the attendees were exposed to how the modern USA building material retailers operated their companies to gain maximum product display, self service and greater cash sales.

Response to the seminar was very enthusiastic and it proved invaluable to our company in achieving supplier support in the areas of display racks and shelving, favorable discount and trading terms, promotions and subsidised advertising – one of the first instances of this in Australia.

Negotiations were concluded with the Arndale Property Trust, developers of the Marion Centre, on very favourable terms, to lease sufficient land to build a 30,000 square foot new concept store. The building was owned by Lloyds.

The decision to participate in a shopping centre was based upon the importance of acquiring the exposure offered to the highest possible number of consumers, plus the important facility of adequate parking.

The leased area was on the perimeter of the Centre site, rather than connected to the main shopping complex, as a large area was required for the store and accessibility was a key consideration. Large, heavy and bulky items had to be brought into the store and also taken out again by customers to their vehicles. Being on the edge of the 2,000 capacity car park meant freedom of movement for customers and deliveries as well as maximum exposure.

Perimeter positioning also meant lower leasing costs. The lease was for 25 years with no annual increase in rent during that period. There was also provision of a 20 foot clear space around the entire perimeter of the leased area to ensure no later building could encroach on the area.

Architects Hasell McConnell were appointed to design and cost the new concept store. Progress meetings were held each Friday, attended by John Whitford and me.

It was also decided to design, construct and rent out a large 4,000 square foot retail garden centre attached to the main building with exits only through the building materials centre – a first in Australia. Lasscocks, the largest retail nursery in South Australia, were invited to participate.

Lloyds were responsible for the design and layout of the nursery area. I travelled to the USA several times specifically to gather concepts and layout specifications for the nursery section.

John Lasscocks told me that the nursery section broke even after only six months of trading and that his company wanted to be involved in any further developments.

Another customer service centre was designed for the South Australian Gas Company (SAGASCO). Here up to 5,000 customers a month would be paying gas accounts. There would also be on display for sale a wide range of white goods, heating appliances and other gas using accessories.

A 120-person capacity auditorium with all self-supporting facilities was also planned for use, at no charge, as a community service to attract local groups for even more exposure to our new concept store. SAGASCO used the auditorium for cooking demonstrations.

Also at this time Mr Ray Cooke was appointed Manager of the new store, and became a member of the management team. Ray's efforts, together with the work of John Whitford, were responsible for the store opening on time.

At the conclusion of the building design and costing, budget preparation etc, Board approval was given to go ahead and the new concept store was opened on 12 March, 1968.

Unusually for this industry at that time a number of women were appointed as sales assistants. This was to encourage women to become consumers. We also found that women sales assistants were better suited for pre-packaged merchandise sales, piece-pricing, correct stock rotation, were generally better housekeepers and had a better approach to customers.

An information centre was created within the store and staffed by well trained employees to assist customers in deciding on the products required, give information on application and sell those lines that were not self-serve. Some 95 per cent of all items available in the store were on display and piece priced. Information centre staff also administered the Lloyds Home Care Service, assisting customers with finance and linking them if necessary with trades people who could undertake renovation work.

Merchandise was departmentalised, with major sections being builders' hardware, wall boards, windows and doors, timber, paint, kitchen cupboards and cabinets, sanitary goods, garden tools, outdoor furniture, light fittings and seasonal products. Some 12,000 square feet in the store were devoted to the display of building materials – a retail presentation of wood products said to be equal to the best in the USA.

Sales growth was anticipated and the layout design allowed for an increase of 30 per cent in display capacity over the same display area.

A responsibility of the store manager was to keep store layout under constant review to ensure a comfortable customer flow throughout the store. For example, still ensuring the store kept its open feel, stands were lowered or lengthened as required, or display areas relocated, and checkouts placed in the one area.

The store was an immediate success and fully justified the leadership Ray Lloyd had taken over this issue. There was excellent customer reaction to the new concept, which resulted in sales budgets being achieved in spite of an economic downturn, and the store broke even in its second year of operation. Lloyds then began investigating where they might establish similar stores in South Australia. Eight new stores were eventually established in other Adelaide metropolitan areas, allowing Lloyds to command 35 per cent of South Australian building materials market. Financial break-even points were reached quickly. For example, the second store, established at Allenby Gardens, attained its third-year objectives in the first six months of operation.

The opening of the Lloyds store at the Marion Centre in 1968 generated enormous interest within the hardware and building materials industries and many people, including from interstate, visited the store to see how the concept worked.

The vision of a national chain

During the latter part of 1968 the Wickes Corporation of the USA displayed interest to enter the Australian market. This giant American building materials retailer, with 180 retail outlets with a planned further 40 stores in the next 12 months was keen to expand its operations to Australia. Because of my many visits to the Wickes' operations, an approach was made to Lloyds to see if they would be interested in discussing an Australian joint venture. Lloyds' Board of Directors declined.

During June 1969 Wickes offered me the opportunity to participate and lead their Australian market research to ascertain the potential for an Australian expansion with a suitable local partner.

To assist in this study Lloyds' Merchandise Manager, John Whitford, decided to relocate to Sydney and join in this exciting study. I also relocated to Sydney and work commenced on the many facets of completing a comprehensive study of suitable locations, budgets, store planning, discussions with established hardware retailers, suppliers etc.

At the same time, through contacts at an established finance corporation, an introduction was established with the directors of a well known and highly successful national retail chain.

Representing the Wickes Corporation I had the pleasure of working for several months on the proposed national building materials chain of stores with the proposed Australian partner.

All aspects of developing a new national retail building materials chain were thoroughly researched and financial detail completed. The proposed partners were ready to release a statement to the media when a severe economic downturn in the USA caused the Wickes Corporation to withdraw. The whole project was disbanded.

This was a great personal disappointment to me. I was so convinced by my vision that there was a large and profitable retail market for the shelter industry in this country – having already proved the concept in South Australia. I was amazed that the large Australian retail groups and departmental stores with all their retail expertise did not examine the activities of their counterparts in the USA. What an opportunity missed to pioneer and expand their activities in what was then virtually a non-competitive market of retailing building materials.

In 1972, although I had already moved into another industry sector, I was invited by the National Hardware Institute of Australia to address the First National Hardware Seminar on 'Management and Marketing in the Seventies'. There I delivered a paper, 'Grow or Decay', on how the hardware trade needed to expand its vision beyond the traditional wholesale and trade business with its low gross margin and profitability to

embrace retail consumers. I challenged the industry to grow beyond ‘hardware’ and ‘timber supplies’ and reinvent itself as the ‘building materials’ or ‘shelter’ industry.

I was delighted to see Bunnings, a close associate of Lloyds in Western Australia, eventually take up the opportunity for a national chain of self-serve retail building materials outlets with outstanding success. This was not, however, until well after Lloyds opened their first store at Marion.

It was with great delight that I saw the announcement in 2009 that Woolworths, in conjunction with one of the leading building materials store operators in America, is to enter the building materials market in Australia – some 40 years after the concept was first taken to nursery stage with the Wickes Corporation of the USA.

Brian J. Wilson

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The author acknowledges the support of the late Mr Conrad Lembke, owner and editor of *The Australian Timber Journal*, who enthusiastically supported the introduction to Australia of self serve building materials stores. He published numerous articles encouraging suppliers to get on board the concept.

Members of the Lloyds management team responsible for the Lloyds Marion project were:

- B.J. Wilson (General Manager)
- J. Whitford (Merchandise Manager)
- R. Cooke (Store Manager)
- J. Aufderheide (Purchasing Manager)
- H.S. Rule (Administration Manager)
- G. Lloyd (Marketing Assistant).