

23 July 2014

The Hon. Jeff Seeney MP  
Deputy Premier  
Minister for State Development, Infrastructure and Planning  
PO Box 15009  
CITY EAST QLD 4002

Dear Mr. Seeney,

## **RESPONSE TO INFORMATION REQUEST - MASTERS HOME IMPROVEMENT STORE - 128 FE WALKER STREET, KEPNOCK (DSDIP REF: MBN14/411)**

We refer to the correspondence dated 6 June 2014 regarding the Masters Home Improvement Store at 128 FE Walker Street, Kepnock. The development application has been called-in pursuant to Section 425 of the *Sustainable Planning Act 2009*. The purpose of this letter is to provide part of the additional information which has been requested as follows:

### **Site Suitability Analysis**

*A report detailing the process used to establish the suitability of the site in the proposed location. Please ensure that the report includes other sites considered across Bundaberg, and the reasoning for the proposed location.*

The applicant's response to the above matter is provided below.

## **1 Site Suitability Requirements**

Given the nature of a Masters Store, there are specific requirements under the Planning Scheme which need to be met to enable a site to be considered suitable.

### **1.1 SIZE OF THE SITE**

The site needs to be of a sufficient size to accommodate a Masters Store. This generally requires a site in the order of 3.5ha (35,000m<sup>2</sup>) to accommodate the building footprint, car parking spaces, vehicle manoeuvring areas and landscaping. Given this large land requirements, it is often difficult to identify land which is of a size that is able to accommodate a Masters store.

### **1.2 CONSISTENCY WITH THE PLANNING SCHEME**

The second issue which needs to be considered concurrently with the issue above is the zoning of any site. To understand the suitable zones for a Masters store it is first necessary to understand how a Masters store is defined in accordance with the Bundaberg City Plan 2004. A Masters store fits within the definition of both Commercial Activity B and Commercial Activity C, which are both defined as follows:

#### **Commercial Activity B:**

*Premises used for:*

- a) *retailing or hiring of goods, or*
- b) *meals or refreshments*

*Having a total use area up to and including 750m<sup>2</sup>, including:*

- **Café**
- **Retail Plant Nursery** – Does not include the storage of soils, gravel, pavers or other landscaping supplies
- .....

### **Commercial Activity C:**

*Premises used for:*

- a) *retailing or hiring of goods,*
- b) *meals or refreshments*

*Having a total use area exceeding 750m<sup>2</sup>, including:*

- .....
- **Bulky Goods Retail**
- **Shop**
- **Showroom**
- .....

As evident from the above, the majority of the use encompassed by a Masters store (i.e. the showroom, bulky goods and shop elements) fall within the definition of Commercial Activity C. Therefore, for the purposes of preparing this analysis, the consistency of the Commercial Activity C land use is considered to be the most relevant.

A review of the Bundaberg City Plan has been undertaken to determine the locations where a Commercial Activity C use is consistent with the intent of the various Local Areas and Precincts. This review has indicated that a Commercial Activity C use is consistent with the following Local Areas and Precincts only:

- Local Area 3 – Takalvan Street – 3d Commercial Precinct; and
- Local Area 5 – Central Business District – 5a Commercial Central Activity Area Precinct.

The Local Area and Precinct Maps for the above two areas are included within **Figures 1 and 2**, which outline the extent of the Precincts in which a Commercial Activity C use is Code Assessable and considered an appropriate use.

FIGURE 1 – TAKALVAN STREET LOCAL AREA

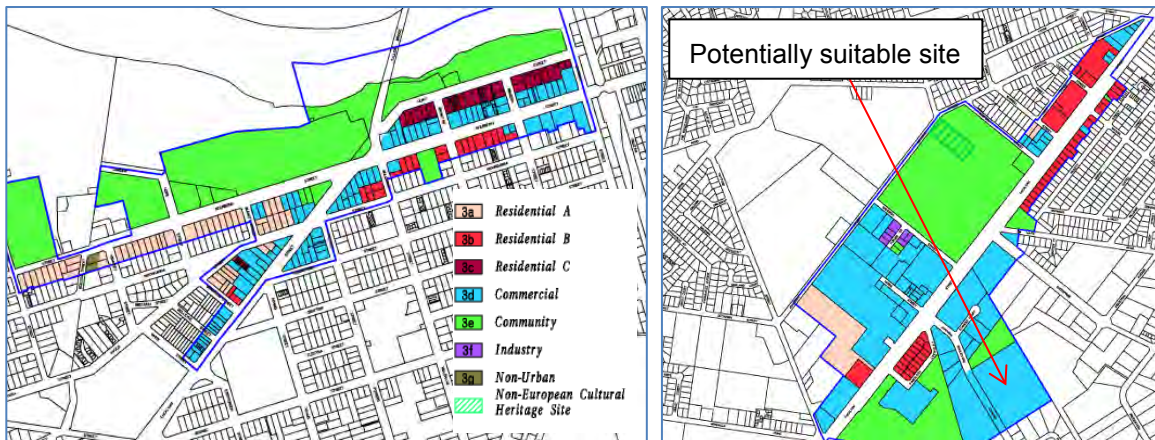


FIGURE 2 – CENTRAL BUSINESS DISTRICT LOCAL AREA



In relation to the Takalvan Street Local Area, this area is split into two areas – the western and eastern areas. The eastern area which is located along Bourbong Street and the eastern section of Takalvan Street includes land within the Commercial Precinct (3d) in which a Commercial Activity C use is appropriate. However, having regard to the small and fragmented allotments, and the fact they are largely developed by existing buildings already, there is no land within this part of the Takalvan Precinct which could accommodate a Masters Store.

The western part of the Takalvan Street Local Area comprises the largest areas of land which are located within the Commercial Precinct (3d) and therefore would be suitable for a Masters Store from a land use planning perspective. On the northern side of Takalvan Street there are existing retail and commercial premises which are dominated by the Sugarland Shopping Centre, which is the largest retail centre within Bundaberg. As a result, there is no land available of a suitable size to accommodate a Masters within this area. On the southern side of Takalvan Street there are a number of premises which are similar to Masters, including Bunnings, The Good Guys and BCF. Beyond these stores, there is vacant land which is included within the Commercial Precinct (3d) and therefore would be consistent with accommodating a Masters store. However having regard to the size of the site required for a Masters store (3.5ha), the only allotment which is large enough is the lot within the south-eastern corner fronting Johanna Boulevard (illustrated on **Figure 1** above). This allotment was

purchased by Bunnings a number of years ago and has since been subject to a development application and subsequent approval for a new, larger Bunnings store. Consequently, this land was not available to Masters. In relation to the land which comprises the existing Bunnings store, it is noted that this land is not of a sufficient size to accommodate a large format Home Improvement Store (hence the reason for the relocation of Bunnings). Further, given Bunnings and Masters are direct commercial competitors, it is considered highly unlikely that the land would ever be sold to Masters.

In relation to the Central Business District Local Area – Commercial Central Activity Area, it is considered that whilst a Commercial Activity C use is an appropriate use, the built form outcome associated within a Masters Store would not be considered appropriate in this area. Further, the availability of land within the CBD is such that 3.5ha of developable land would not be available in this location.

Therefore on the basis of the above, it can be concluded that there is no suitably zoned land available in Bundaberg which meets the requirements to accommodate a Masters Store.

## 2 Identification of Suitable Locations

Given the absence of any suitably zoned land within Bundaberg, it was necessary to undertake an analysis of other locations which may be suitable to accommodate a Masters store. This review includes the following factors in order to determine the suitability of particular locations:

- The location of a site with respect to providing access and visibility from major roads;
- The potential impacts of a site on the amenity of existing residents;
- The impact of the proposal being in a location other than being in one preferred by the Planning Scheme; and
- Consistency with the anticipated future planning and growth outcomes for the City.

When considering the above factors, it becomes evident that there are primarily two types of locations which may be appropriate to accommodate a Masters Store. These include undeveloped industrial land and future residential land. Both of these areas have their distinct advantages and disadvantages; and therefore a balance of all relevant factors needs to be considered.

In relation to industrial land, the largest areas of undeveloped industrial land are located in close proximity to the Bundaberg Airport, in the Southern Industrial Local Area and within the Eastern Industrial Local Area. Whilst these areas may comprise land which is of a sufficient size to accommodate a Masters store, the use of industrial land is not considered an ideal planning outcome. Typically, industrial land does not have a frontage to major roads, which is obviously desirable for retail uses in relation to passing trade and visibility. Further, whilst industrial land and estates may be designed to accommodate truck movements, they may not be designed to accommodate larger volumes of movements generated by retail activities. Finally, industrial land is typically restricted to only certain parts of the City and its future supply can be generally constrained. Therefore, the use of land intended for industrial purposes could potentially impact on any future growth in manufacturing and employment generating industry within the City.

In relation to future residential land, this option needs to be considered in the future layout and growth of the City. In this regard, the Eastern Bundaberg Local Area has comprised much of the recent growth and development of the City, which is evident through the large numbers of new houses being built within this area. An outline of this area is provided in **Figure 3** below.

FIGURE 3 – EASTERN BUNDABERG LOCAL AREA



Despite the growth occurring in Eastern Bundaberg, the Planning Scheme has not identified a location for a new commercial/retail centre to service this rapidly growing population. Despite this, a new retail precinct has begun to emerge with a new Aldi Supermarket now operating on the corner of FE Walker Street and Greathead Road. This supermarket provides an important service to the local community. Given the emergence of this site as a retail precinct, it was considered to represent the development of an appropriate retail node in which it would be appropriate to co-locate a Masters. Whilst the draft Planning Scheme for Bundaberg has not as yet been released on public display, it is anticipated that this node is likely to receive some recognition in the new draft Planning Scheme.

This location is considered to achieve the key outcomes outlined above given:

- It is located in close proximity to major roads, including the Bundaberg Ring Road and FE Walker Street. This provides appropriate accessibility and visibility of the site, which is attractive from a retail perspective; however it also ensures that the surrounding road network can accommodate the amount of traffic likely to access the Masters store. Importantly, the proposed development of a Masters store on this site has been assessed by both Council and the State Assessment and Referral Agency and was found to be suitable from a traffic engineering perspective;
- The Masters store is located on the corner of FE Walker Street and Greathead Road, which is significantly separated from existing residential dwellings. Therefore the proposal is unlikely to impact on the amenity of existing residents;
- The loss of land to be developed for residential dwellings is considered a small impact when compared to the impact of the loss of industrial land, given residential land is readily available in the surrounding area. It is also noted that given the proximity of the site to the Bundaberg Ring Road, its development for residential purposes may not be appropriate given the potential adverse amenity impacts from road traffic on residential development; and
- Most importantly, the proposal is understood to be consistent with Council's future intent for the site. During the due diligence stages of the project, Council indicated their intent for this site to comprise a 'major retail precinct' for the Eastern Bundaberg area. Whilst a copy of the Bundaberg Regional Council draft Planning Scheme has not yet been released, it is anticipated that this outcome will be detailed in the draft Planning Scheme.

On the basis of the above analysis, the proposed site at 128 FE Walker Street is considered to be the most appropriate location for a Masters Store, having regard to the various factors which affect the location of the site.

If you require any further information, please contact the undersigned or  
on .

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'A. H. H.', is positioned below the closing.

Director

**Bundaberg, Queensland**

**Masters Home Improvement Store**

**Economic Impact Assessment**

**Prepared for Hydrox Nominees Pty Ltd**

**14<sup>th</sup> July 2014**



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## INTRODUCTION

This report presents an independent assessment of the demand for a proposed Masters Home Improvement store at Bundaberg in the Wide Bay-Burnett region of Queensland. The report also considers the likely economic impacts that would result from the proposed development. The proposal is referred to as the Bundaberg Masters Home Improvement Store throughout the remainder of this report, which has been commissioned by Hydrox Nominees Pty Ltd.

The report is structured and presented in **five sections** as follows:

- **Section 1** reviews the location of the proposed Bundaberg Masters Home Improvement Store and discusses the context of the site within Bundaberg, as well as the wider Wide Bay-Burnett area. A summary of the proposed development scheme is also provided.
- **Section 2** details the customer segments that are likely to be served by the proposed development, including residents/retail customers and business/trade customers. Current and projected population and spending levels over the period to 2026 are presented.
- **Section 3** provides an overview of the hardware and other household goods traders within the surrounding region.
- **Section 4** outlines our assessment of the sales potential for the proposed Bundaberg Masters Home Improvement Store and then presents an economic impact assessment. Likely trading impacts on other retailers throughout the surrounding region are considered, as are the employment and other economic impacts, both positive and negative, of the proposal.
- **Section 5** outlines the key findings of the analysis.

## EXECUTIVE SUMMARY

The key points of this report, regarding the demand and market scope for the proposed Bundaberg Masters Home Improvement Store, include:

- i. Hydrox Nominees Pty Ltd are proposing the development of a Masters Home Improvement Store in Bundaberg, some 4 km south-east of the Bundaberg Central Business Area (CBA).
- ii. The site for the proposed Masters Home Improvement Store is located at the intersection of Fe Walker Street and Greathead Road in the suburb of Kepnock. The high profile site would be very convenient and easily accessible for the local and regional population, being strategically located at the intersection of two major arterial roads. Easy access will be provided to the site from the heavily trafficked Bundaberg Ring Road via Greathead Road.
- iii. The Bundaberg Masters Home Improvement Store will contain 13,619 sq.m of floorspace upon completion, including a large garden component and drive thru timber yard. The development is proposed to be served by 373 at-grade car parking spaces and would offer a high degree of customer amenity and convenience by way of its high profile site, easily accessible location and simple design.
- iv. The Bundaberg main trade area population is projected to increase from the current level of 95,900 to 110,200 over the period to 2026. This steady population growth will increase the demand for further large format home improvement floorspace in a number of ways, including:
  - The increased population will result in additional spending by retail customers, particularly given the majority will be home owners. Residents who own or are in the process of purchasing their own homes will generally spend more in the hardware and other household goods categories than those who are renting.
  - Additionally, the majority of residents who move to the new growth areas of Bundaberg are typically young families. Young families are more likely to invest

- in their properties and generally spend a higher proportion of their income on home furnishings, appliances, building supplies for home repairs, alterations and 'Do it Yourself' projects.
- The homes being built to accommodate new residents will generate growth within the trade market. Trade spending is an important market for large format hardware retailers within the Bundaberg area, as steady population growth leads to continued construction of residential dwellings and infrastructure.
- v. This continued growth will generate further business within both the retail customer and trade markets, which in turn will allow a greater level of supportable home improvement floorspace.
- vi. Based on recent behaviour by both Bunnings and Masters, it is estimated that 40,000 people are required to support one large format home improvement store of 10,000 sq.m or greater. There is currently only one Bunnings Warehouse of 9,200 sq.m located in the Bundaberg main trade area, with this store currently being relocated and expanded to 18,000 sq.m.
- vii. The existing Bundaberg main trade area population is estimated at around 95,900 and therefore, based on the floorspace estimate indicated above the Bundaberg region could currently support at least two large format hardware stores of 10,000 or greater. Only one large format hardware will be provided when the new Bunnings Warehouse opens.
- viii. As such, given the pattern of development from both Bunnings and Masters Home Improvement stores around Australia and the growing nature of the Bundaberg market, all existing and proposed large format home improvement/hardware stores (including the proposed Master Home Improvement Store and the Bunnings Warehouse currently under construction along Johanna Boulevard) will be supportable currently.

- ix. The new Bunnings Warehouse under construction along Johanna Boulevard is projected to be impacted by the proposed Masters development to some degree. However, the strong performance of the existing Bunnings Warehouse is evidenced by the fact that Bunnings are constructing a new 18,000 sq.m store.
- x. The proposed Bundaberg Masters Home Improvement Store will provide local residents and businesses with a point of difference from the existing facilities, with Wesfarmers to operate the only home improvement store greater than 10,000 sq.m within the Bundaberg market. This will assist in the retention of hardware and household goods spending locally within the Bundaberg region and will improve price competition.
- xi. As both the retail customer and trade markets grow within the Bundaberg region, as a result of steady population growth fuelling the continued construction of dwellings and infrastructure, so too will the need for further large format home improvement floorspace.
- xii. It is possible that some traders including the existing and proposed Bunnings stores will be impacted to some degree as a result of the proposed Bundaberg Masters Home Improvement Store. Offsetting any potential impacts on retailers, however, are the substantial benefits to the consumer and surrounding population, resulting from the increased range, convenience and price competition.
- xiii. The proposed Bundaberg Masters Home Improvement Store will create additional employment, both during the construction period, and more importantly, on an ongoing basis once the development is completed and operational. Some 135 permanent retail positions are likely to result from the proposed development, generating a further 128 jobs within the broader community. In addition, some 286 jobs are likely to be created, both directly and indirectly, from the construction stage.
- xiv. The key points to note regarding economic and community need for the proposed Bundaberg Masters Home Improvement Store include:

- The development will result in an improvement in the range of home improvement facilities that will be available to Bundaberg residents, improving choice and allowing for price competition.
  - The development will create additional employment, both during the construction period, and more importantly, on an ongoing basis once the project is completed and operational.
- xv. It is concluded that the combination of the substantial positive economic impacts serve to more than offset the trading impacts that could be anticipated for a small number of the existing retail stores, particularly the large format Bunnings store in the region. Further, the impacts would not threaten the viability of any of these retailers or centres.
- xvi. The introduction of an additional large format home improvement concept to the Bundaberg market will provide increased competition and an overall benefit to consumers through increased choice, range and price competition.

## 1 SITE LOCATION AND PROPOSED DEVELOPMENT

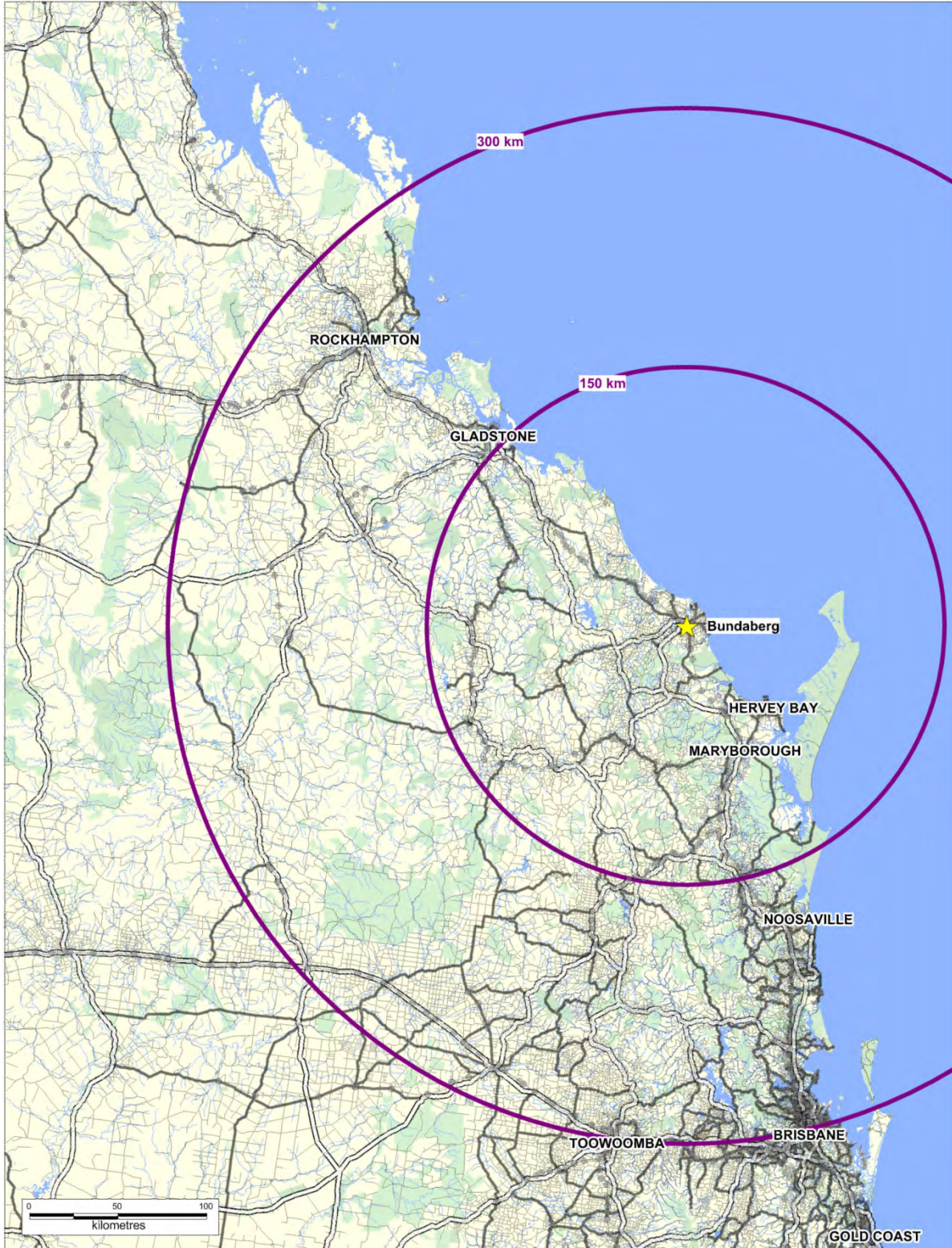
This section of the report reviews the regional and local context of the proposed Bundaberg Masters Home Improvement Store site and provides an overview of the proposed development scheme.

### 1.1 Regional & Local Context

- i. Bundaberg is a major city situated on the Burnett River within the wider Wide Bay-Burnett region of Queensland, approximately 122 km north-west of Hervey Bay and 385 km north of Brisbane (refer Map 1.1).
- ii. The proposed Bundaberg Masters Home Improvement Store will be located within the suburb of Kepnock, in the south-eastern portion of the Bundaberg urban area. The suburb contains primarily residential lands and is situated approximately 4 km south-east of the Bundaberg Central Business Area (CBA).
- iii. The location of the site, at the south-west corner of Greathead Road and Fe Walker Street, will be easily accessible for the surrounding population, with Fe Walker Street forming part of the Bundaberg Port Road and Greathead Road connecting to Elliot Heads Road in the west. Both roads provide access to the Bundaberg CBA in the west.
- iv. Given the location of the site on the eastern side of the Bundaberg urban area, the site would also be highly accessible for the growing coastal communities of Burnett Head, Bargara, Coral Cove and Innes Park.
- v. Key points to note about the local context of the Bundaberg site include:
  - The site is situated within close proximity to the developing residential suburbs of Ashfield and Bundaberg East.
  - The Bundaberg CBA is situated 4 km to the north-west of the site, with the major components including Hinkler Central (Kmart, Woolworths and Coles anchored) and Bundaberg Plaza (IGA anchored).

- The Kepnock Grove Retirement Village is situated to west of the site, along Jocusen Street.
  - Several educational facilities are provided within close proximity to the site, including Kepnock High, Bundaberg East Primary, St Marys Catholic School and Bundaberg South Primary.
- vi. The proposed Bundaberg Masters Home Improvement Store will enjoy a high profile position, at the intersection of the two highly accessible arterial roads. Additionally, the proposed store will be well located to serve both the surrounding residential market (including the growing coastal areas), as well as the Bundaberg trade market, given the amount of residential housing currently being developed in the region.

MAP 1.1 – BUNDABERG REGIONAL CONTEXT



LOCATIONIQ

Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.


## 1.2 Proposed Development

- i. The Bundaberg Masters Home Improvement Store is proposed to contain some 13,619 sq.m of floorspace (refer Table 1.1), including:
  - 7,476 sq.m of showroom and retail centre
  - A garden centre of 2,282 sq.m
  - A timber centre of 2,153 sq.m
  - 845 sq.m of administration and amenities.
  - 863 sq.m of receiving floorspace
- ii. The Bundaberg Masters store will be serviced by 373 at-grade car parking spaces, equating to approximately 2.7 car spaces for every 100 sq.m of floorspace. This provision is in-line with typical bulky goods developments.
- iii. Figure 1.1 illustrates the planned layout of the proposed Bundaberg Masters Home Improvement store. Key comments regarding the layout of the store include:
  - A large provision of at-grade car parking to be provided on the southern portion of the site and easily accessible from Greathead Road to the east via a new access road to be created along the southern boundary of the site.
  - The garden centre of the Bundaberg Masters Home Improvement store will occupy the western end of the store, with the timber centre provided at the eastern end. Direct access to the timber centre will be provided from the customer car park.
  - The service road for the site situated to the north of the store.
- iv. Overall, the proposed development would offer a high degree of customer amenity and convenience by way of its high profile site, easily accessible location and simple design.

**TABLE 1.1 – BUNDABERG MASTERS HOME IMPROVEMENT STORE**

<b>Major Components</b>	<b>GFA (sq.m)</b>
Retail Centre	7,476
Garden Centre	2,282
Timber Centre	2,153
Adminstration/Amenties	845
Receiving	<u>863</u>
<b>Total Masters GLA</b>	<b>13,619</b>

*Source: Hydrox Nominees Pty Ltd*





## 2 CUSTOMER SEGMENTS

- i. In order to provide an estimate of the customer segments likely to be served by a proposed Masters Home Improvement Store at Bundaberg, it is important to provide a definition of the home improvement market.
- ii. Home improvement traders operate as sub-sets of the broader household goods market. The types of retail categories that are typically incorporated within the home improvement market include:
  - Hardware
  - Doors
  - Flooring
  - Lawn & Garden
  - Outdoor Living
  - Furniture
  - Manchester
  - Curtains and Blinds
  - Heating & Cooling
  - Home Decor & Paint
  - Lighting & Fans
  - Household Appliances
  - Browngoods
  - Whitegoods
- iii. Given the nature of the products sold within the Australian home improvement market, stores operating within the sector primarily serve two separate customer segments, being:
  - Residents purchasing products for personal or non-business related uses, such as home furnishings, appliances, tools and building equipment to refurbish their home, or plants and soil for landscaping their garden. This customer segment is commonly referred to as the ‘retail customer.’
  - Businesses or tradesman purchasing supplies for business related uses, such as a builder purchasing supplies to renovate a client’s home. This customer segment is commonly referred to as the ‘trade customer.’

- iv. The ABS conducts a survey of retail and wholesale industries, with the latest survey conducted in 2006. Results from this survey are used to provide an indication of total income and expenditure for retail versus wholesale (trade) businesses throughout Australia.
- v. The ABS uses the results from the survey to calculate the level of expenditure by retail and wholesale businesses that is directed to other businesses and organisations (trade market) and what proportion is directed to the general public (retail market).
- vi. Table 2.1 uses data taken from the most recent 2005/06 survey to determine the proportion of sales the retail and trade customers contribute to the home improvement market. Estimates for both the hardware market (consisting of hardware, building supplies and garden supplies) and the other household goods market (including household equipment, whitegoods, floor coverings, furniture, manchester, curtains and blinds, home decoration, glassware/tableware and household appliances) are provided. These are the two markets from which the proposed Masters Home Improvement store at Bundaberg will attract the majority of its sales.
- vii. As indicated in Table 2.1, the retail customer accounts for approximately 51.3% of total hardware sales. The share contributed by the trade market is only slightly lower at 48.7%. A greater disparity exists within the other household goods market, with the retail customer estimated to account for 83.2% of sales and the trade customer likely to contribute around 16.8% to the market.
- viii. As such, based on the survey of retail and wholesale industries, in the home improvement key customer segments (retail and trade) the proportion of home improvement sales are:
  - 72.8% for retail or residential customers.
  - 27.2% for trade or business customers.

**TABLE 2.1 – RETAIL AND WHOLESALE SALES, 2005/06**

Category	Retail Sales		Wholesale (Trade) Sales	
	Total (\$M)	% of Category	Total (\$M)	% of Category
Hardware <sup>1</sup>	7,129.9	51.3%	6,757.4	48.7%
Other Household Goods <sup>2</sup>	<u>23,774.6</u>	<u>83.2%</u>	<u>4,802.3</u>	<u>16.8%</u>
<b>Total Home Improvement Market</b>	<b>30,904.5</b>	<b>72.8%</b>	<b>11,559.7</b>	<b>27.2%</b>

<sup>1</sup>Hardware and Building Supplies Retailing & Garden Supplies Retailing  
<sup>2</sup>Furniture Retailing, Floor Coverings Retailing, Houseware Retailing, Manchester and Other Textile Goods Retailing, Electrical, Electronic and Gas Appliance Retailing, Other Electrical and Electronic Goods Retailing & Sport and Camping Equipment Retailing  
Source: ABS (8622.0)

- ix. It is important to note that this proportion can vary from location to location. For example if a store is located in a largely residential area, with limited industrial or commercial businesses surrounding the site, then the proportion of sales provided from retail customers could be greater than the ABS indicated average of 72.8%. Similarly, if the store is located in a largely industrial area, the proportion of business gained from trade customers could be greater.
- x. Given the fact that the Bundaberg site is located within close proximity to both residential and employment lands, it is expected that the customer breakdown for the proposed Bundaberg Masters Home Improvement Store would be relatively in line with the benchmarks.
- xi. The remainder of this section reviews the characteristics of the two customer segments that are likely to be served by the proposed Bundaberg Masters Home Improvement Store, being retail customers and the trade market.

## 2.1 Retail Customer Market

- i. The retail customer, or local resident, is a major customer market for any bulky goods/showroom retailer or home improvement store. As indicated previously, this market is estimated to account for approximately 83.2% of 'other household goods' sales and some 72.8% of total home improvement sales.

- ii. The retail customer trade area for the proposed Bundaberg Masters Home Improvement Store has been defined taking into account the following key considerations:
- The scale and location of the proposed Bundaberg Masters Home Improvement Store.
  - The provision of existing and future hardware and other household goods retailers throughout the Bundaberg urban area.
  - Regional and local accessibility.
  - The pattern of urban development.
  - Significant physical barriers including waterways and parklands.

#### Retail Customer Trade Area Definition

- i. Map 2.1 illustrates the defined retail customer main trade area that is likely to be served by the proposed Masters Home Improvement Store at Bundaberg. The retail customer main trade area is defined to include the majority of the Bundaberg Regional Council area, including the Bundaberg urban area and the major townships of Childers, Gin Gin and Moore Park, as well as the southern-most portion of the Gladstone Regional Council area. The area extends some 75 km to the north, 10 km to the east, 45 km to the south and 60 km to the west of the proposed site.
- ii. The retail customer main trade area is referred to as the main trade area throughout the remainder of this report and is the area from which the proposed Bundaberg Masters Home Improvement Store would attract the majority of its retail customers.

### Retail Customer Main Trade Area Population

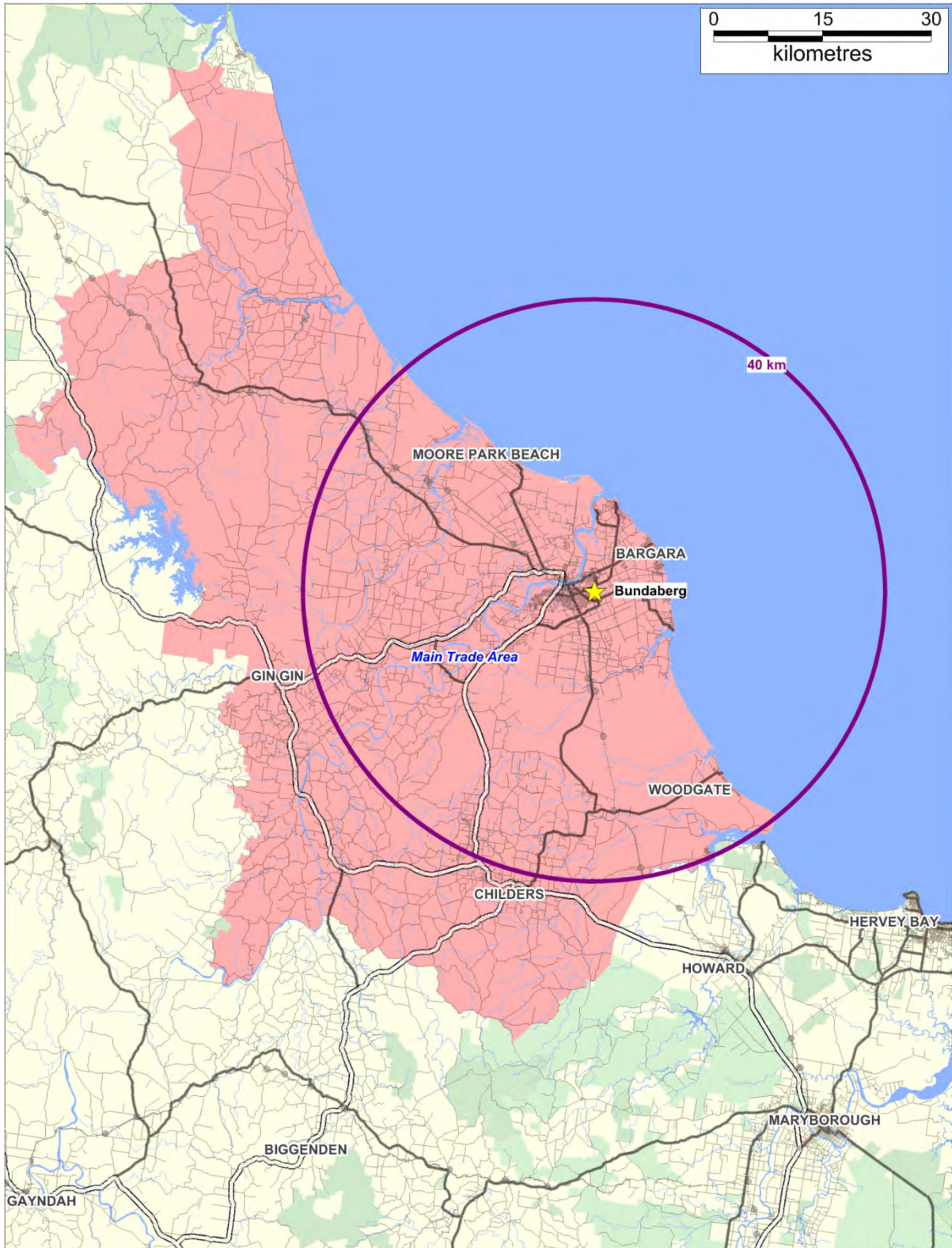
- i. Table 2.2 details the current and projected population levels for the Bundaberg retail customer main trade area. These projections are based on the following:
  - The 2006 and 2011 Census of Population and Housing undertaken by the Australian Bureau of Statistics (ABS);
  - New dwelling approval statistics sourced from the ABS (Table 2.3), which indicated 595 new dwellings were approved annually over the 2007 - 2013 period.
  - Medium Series Population Projections at the Statistical Area 2 (SA2) level prepared by the *Queensland Office of Economic and Statistical Research* (OESR) released in 2013;
  - Investigations by this office into new residential developments in the region.
- ii. At the time of the 2011 Census, the Bundaberg Masters main trade area population was estimated at 92,090, representing an annual increase of 1,200 persons since the 2006 Census (or 1.4%).
- iii. Population forecasts released by the *Queensland Office of Economic and Statistical Research* indicate that population within the Bundaberg LGA will increase by around 15,000 – 20,000 persons over the next 15 years.
- iv. A large proportion of this population will be accommodated within the coastal areas surrounding Bundaberg, with a number of large lot residential developments proposed at Burnett Head, Bargara and Coral Cove to the north-east and Innes Park to the east. Bundaberg is likely to be the major non-food destination for these growing residential coastal communities.
- v. Residential development within the Bundaberg urban area itself will primarily be focused on the outskirts of the township in the suburbs of East Bundaberg and Ashfield to the east and Kensington and Branyan to the south-west.

- vi. Taking the above into consideration, the population within the Bundaberg Masters main trade area is projected to increase to 110,200 by 2026, averaging around 1.2% (or 1,200 persons) per annum.

**TABLE 2.2 – BUNDABERG RETAIL CUSTOMER MTA POPULATION, 2006 – 2026**

Trade Area Sector	Estimated Resident Population		Forecast Population			
	2006	2011	2014	2016	2021	2026
Main Trade Area	86,010	92,090	95,900	98,500	105,050	110,200
	<b>Average Annual Change (No.)</b>					
		2006-2011	2011-2014	2014-2016	2016-2021	2021-2026
Main Trade Area		1,216	1,270	1,300	1,310	1,030
	<b>Average Annual Change (%)</b>					
		2006-2011	2011-2014	2014-2016	2016-2021	2021-2026
Main Trade Area		1.4%	1.4%	1.3%	1.3%	1.0%
<i>Australian Average</i>		1.5%	1.5%	1.4%	1.3%	1.2%
<p><i>All figures as at June</i>  <i>All figures are based on 2011 SA1 boundary definition with the exception of 2006 which is based on 2006 CCD boundary definition. 2006 and 2011 ERP is calculated using 2011 enumeration factor.</i>  <i>Sources : ABS; QLD OESR</i></p>						

**MAP 2.1 – BUNDABERG RETAIL CUSTOMER MAIN TRADE AREA**



LOCATIONIQ

Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

**TABLE 2.3 – BUNDABERG MAIN TRADE AREA NEW DWELLING APPROVALS, 2007 – 2013**

Sector	Main Trade Area
<u>New Houses</u>	
2006/07	744
2007/08	786
2008/09	463
2009/10	439
2010/11	323
2011/12	389
2012/13	<u>292</u>
<b>Total New Houses</b>	<b>3,436</b>
<b>Average</b>	<b>491</b>
<u>Other Dwellings</u>	
2006/07	204
2007/08	223
2008/09	65
2009/10	133
2010/11	54
2011/12	28
2012/13	<u>22</u>
<b>Total Other Dwellings</b>	<b>729</b>
<b>Average</b>	<b>104</b>
<u>Total Dwellings</u>	
2006/07	948
2007/08	1,009
2008/09	528
2009/10	572
2010/11	377
2011/12	417
2012/13	<u>314</u>
<b>Total Dwellings</b>	<b>4,165</b>
<b>Average</b>	<b>595</b>
Source: ABS	

### Retail Customer Socio-economic Profile

- i. Table 2.4 provides an overview of the socio-economic profile of the Bundaberg main trade area population. This information is based on the latest 2011 Census of Population and Housing.
- ii. The key socio-economic characteristics of the Bundaberg main trade area population as compared with the non-metropolitan Queensland benchmarks include:
  - The average age of main trade area residents, at 41.1 years, is older than the non-metropolitan Queensland benchmark of 38.0 years. A large proportion of retirees (i.e. 60 years and older) reside in the coastal areas of Bundaberg.
  - Main trade area residents earn average per capita and household incomes that are lower than the non-metropolitan Queensland benchmarks. Residents with lower than average incomes are more likely to shop at large format retailers, which are generally considered to have lower price points than the smaller more specialised stores.
  - Home ownership levels are higher in the Bundaberg trade area. Residents who own or are in the process of purchasing their own homes will generally spend more in the hardware and other household goods categories.
  - The main trade area is predominantly Australian born.
  - Given the higher proportion of retirees, the trade area contains a higher percentage of households containing couples without children. However, approximately 37.7% of residents reside in traditional households (couples with dependent children). These households are more likely to invest in their properties and generally spend a higher proportion of their income on building supplies for home repairs, alterations and ‘Do it Yourself’ projects.

**TABLE 2.4 – BUNDABERG MAIN TRADE AREA SOCIO-ECONOMIC PROFILE, 2011 CENSUS**

Characteristics	Main Trade Area	Non Metro QLD Average	Aust Average
<b>Income Levels</b>			
Average Per Capita Income	\$25,862	\$31,651	\$34,201
Per Capita Income Variation	-18.3%	n.a.	n.a.
Average Household Income	\$62,805	\$80,193	\$87,928
Household Income Variation	-21.7%	n.a.	n.a.
Average Household Size	2.4	2.5	2.6
<b>Age Distribution (% of Pop'n)</b>			
Aged 0-14	19.2%	20.4%	19.3%
Aged 15-19	6.6%	6.6%	6.5%
Aged 20-29	9.6%	12.3%	13.8%
Aged 30-39	10.4%	12.9%	13.8%
Aged 40-49	13.4%	14.2%	14.2%
Aged 50-59	14.0%	13.2%	12.8%
Aged 60+	26.9%	20.4%	19.6%
Average Age	41.1	38.0	37.9
<b>Housing Status (% of H'holds)</b>			
Owner/Purchaser	70.2%	65.4%	69.3%
Renter	29.8%	34.6%	30.7%
<b>Birthplace (% of Pop'n)</b>			
Australian Born	87.5%	82.1%	73.9%
Overseas Born	12.5%	17.9%	26.1%
• Asia	1.6%	2.6%	7.6%
• Europe	6.4%	6.8%	9.4%
• Other	4.5%	8.5%	9.1%
<b>Family Type (% of Pop'n)</b>			
Couple with dep't children	37.7%	43.3%	45.3%
Couple with non-dep't child.	6.5%	6.3%	7.7%
Couple without children	29.7%	25.9%	23.0%
Single with dep't child.	11.3%	10.3%	9.2%
Single with non-dep't child.	3.4%	3.1%	3.5%
Other family	0.8%	0.9%	1.1%
Lone person	10.7%	10.2%	10.2%

Sources : ABS Census of Population and Housing 2011

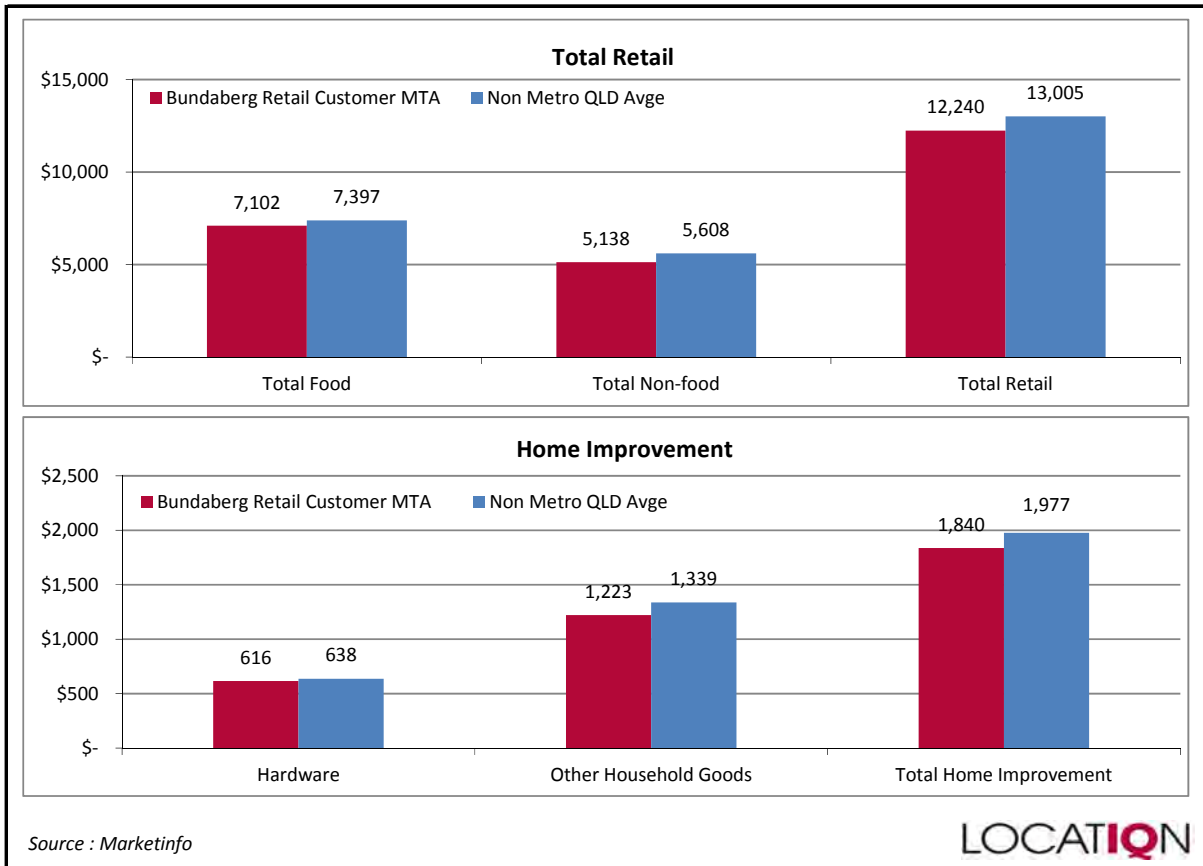
### Retail Customer Main Trade Area Retail Spending

- i. In August 2009 Woolworths Limited announced its intention to enter the large format home improvement sector. At the same time Woolworths announced it had formed a Joint Venture with Lowes, who is the second largest operator of home improvement stores globally.
- ii. The Woolworths/Lowes Joint Venture also announced the acquisition of the Danks business, a wholesale distributor to, and controller of, the Home/Thrifty Link and Price Right hardware brands. In support of increasing competition within this tightly held sector, the Joint Venture and acquisition were approved by the ACCC in November 2009.
- iii. The types of categories that are incorporated at the large format Masters Home Improvement stores include:
  - Hardware
  - Doors
  - Flooring
  - Lawn & Garden
  - Outdoor Living
  - Storage & Organization
  - Windows
  - Building Supplies
  - Heating & Cooling
  - Home Decor & Paint
  - Lighting & Fans
  - Plumbing
  - Tools
  - Whitegoods
- iv. These types of categories are not typically provided as traditional retail or ‘shop’ floorspace and as such are not provided in traditional retail centres (regional, sub-regional or district centres). Instead, stores operating in these categories predominately occupy showroom and bulky goods floorspace.

- v. Taking the above into account, two markets have been defined to make up the overall Home Improvement Market, which is likely to be served by a large format Masters Home Improvement store. These markets, as discussed earlier in this section, include the 'Hardware Market' (including hardware and garden spending) as well as 'Other Household Goods' (including household equipment, whitegoods, floor coverings, furniture, manchester, curtains and blinds, home decoration, glassware/tableware and household appliances).
- vi. Overall, the home improvement market forms a sub-set of the broader household goods market.
- vii. The estimated retail expenditure capacity of the proposed Bundaberg main trade area population is based on information sourced from MDS Market Data Systems. MDS utilises a detailed micro-simulation model of household expenditure behaviour for all residents of Australia.
- viii. The MDS model takes into account information from a wide variety of sources, including the regular ABS Household Expenditure Survey, National Accounts Data, Census Data and other information.
- ix. In Queensland, New South Wales and Victoria, the MarketInfo estimates of retail spending that are prepared independently by MDS are commonly used by all parties in Economic Impact Assessments.
- x. The estimated retail expenditure of the retail customer main trade area population, benchmarked with the averages for non-metropolitan Queensland is shown in Chart 2.1 for hardware spending and other household goods as well as food and non-food spending. All retail spending projections in this report are in constant 2014 dollars and include GST. Overall, total retail spending per person throughout the defined main trade area are slightly lower than the non-metropolitan Queensland average.

- xi. Table 2.5 outlines the retail expenditure levels generated by the Bundaberg retail customer main trade area population. The total retail expenditure level of the main trade area population is currently estimated at \$1.17 billion and is projected to increase at an average annual rate of around 2.3% to \$1.53 billion by 2026 (constant 2014 dollars and including GST).
- xii. Table 2.6 presents a breakdown of retail spending by key commodity group. The total retail customer home improvement market for the Bundaberg main trade area is currently \$175.2 million, including \$58.7 million in the hardware market and \$116.5 million in the other household goods market. These key components represent approximately 5.0% and 10.0% of the total retail spending market, respectively.
- xiii. Table 2.6 also indicates the expected growth in the home improvement market over the period to 2026. As shown, the home improvement market is projected increase to \$235.6 million over the forecast period, at an average annual rate of around 2.5%.

**CHART 2.1 – RETAIL CUSTOMER MTA HOME IMPROVEMENT SPENDING PER PERSON, 2013/14**



**TABLE 2.5 – RETAIL CUSTOMER MAIN TRADE AREA RETAIL EXPENDITURE, 2014 – 2026**

Y/E June	Main Trade Area
2014	1,165.9
2015	1,190.7
2016	1,215.9
2017	1,241.3
2018	1,272.6
2019	1,304.6
2020	1,337.5
2021	1,371.2
2022	1,403.5
2023	1,434.1
2024	1,465.5
2025	1,497.5
2026	1,530.2
<b>Expenditure Growth</b>	
2014-2017	75.4
2017-2021	130.0
2021-2026	159.0
2014-2026	364.3
<b>Average Annual Growth Rate</b>	
2014-2017	2.1%
2017-2021	2.5%
2021-2026	2.2%
2014-2026	2.3%
*Constant 2012/13 dollars & Including GST Source : Marketinfo	

**TABLE 2.6 – RETAIL CUSTOMER MTA RETAIL EXPENDITURE BY KEY COMMODITY GROUP**

Y/E	Home Improvement			Food &	Food		H'hold		General	Retail
June	Hardware	Other	Total	Liquor	Catering	Apparel	Goods	Leisure	Retail	Services
	<i>H'H Goods</i>									
2014	58.7	116.5	175.2	563.0	113.5	88.0	210.4	58.6	100.9	31.5
2015	60.1	119.3	179.4	573.5	116.2	90.1	215.4	60.0	103.3	32.3
2016	61.5	122.1	183.6	584.1	119.0	92.2	220.4	61.4	105.8	33.0
2017	63.0	124.9	187.9	594.8	121.8	94.3	225.6	62.8	108.2	33.8
2018	64.7	128.3	193.0	608.5	125.1	96.9	231.7	64.5	111.2	34.7
2019	66.4	131.8	198.2	622.6	128.5	99.5	238.0	66.3	114.2	35.6
2020	68.2	135.4	203.6	636.9	131.9	102.2	244.5	68.1	117.3	36.6
2021	70.1	139.1	209.2	651.6	135.5	105.0	251.1	69.9	120.5	37.6
2022	71.9	142.6	214.5	665.6	139.0	107.7	257.5	71.7	123.5	38.6
2023	73.6	146.0	219.6	678.7	142.3	110.2	263.6	73.4	126.5	39.5
2024	75.3	149.5	224.8	692.1	145.6	112.8	269.9	75.1	129.5	40.4
2025	77.1	153.0	230.1	705.7	149.1	115.5	276.3	76.9	132.6	41.4
2026	78.9	156.7	235.6	719.6	152.6	118.3	282.8	78.7	135.7	42.4
<b>Expenditure Growth</b>										
2014-2017	4.2	8.4	12.7	31.8	5.4	4.2	10.1	2.8	4.8	1.5
2017-2021	7.1	14.1	21.2	56.9	13.8	10.7	25.5	7.1	12.2	3.8
2021-2026	8.9	17.6	26.4	68.0	17.1	13.3	31.7	8.8	15.2	4.8
2014-2026	20.2	40.1	60.4	156.6	39.1	30.3	72.5	20.2	34.8	10.9
<b>Average Annual Growth Rate</b>										
2014-2017	2.4%	2.4%	2.4%	1.8%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
2017-2021	2.7%	2.7%	2.7%	2.3%	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
2021-2026	2.4%	2.4%	2.4%	2.0%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
2014-2026	2.5%	2.5%	2.5%	2.1%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
*Constant 2012/13 dollars & Including GST Source : Marketinfo									LOCATION	

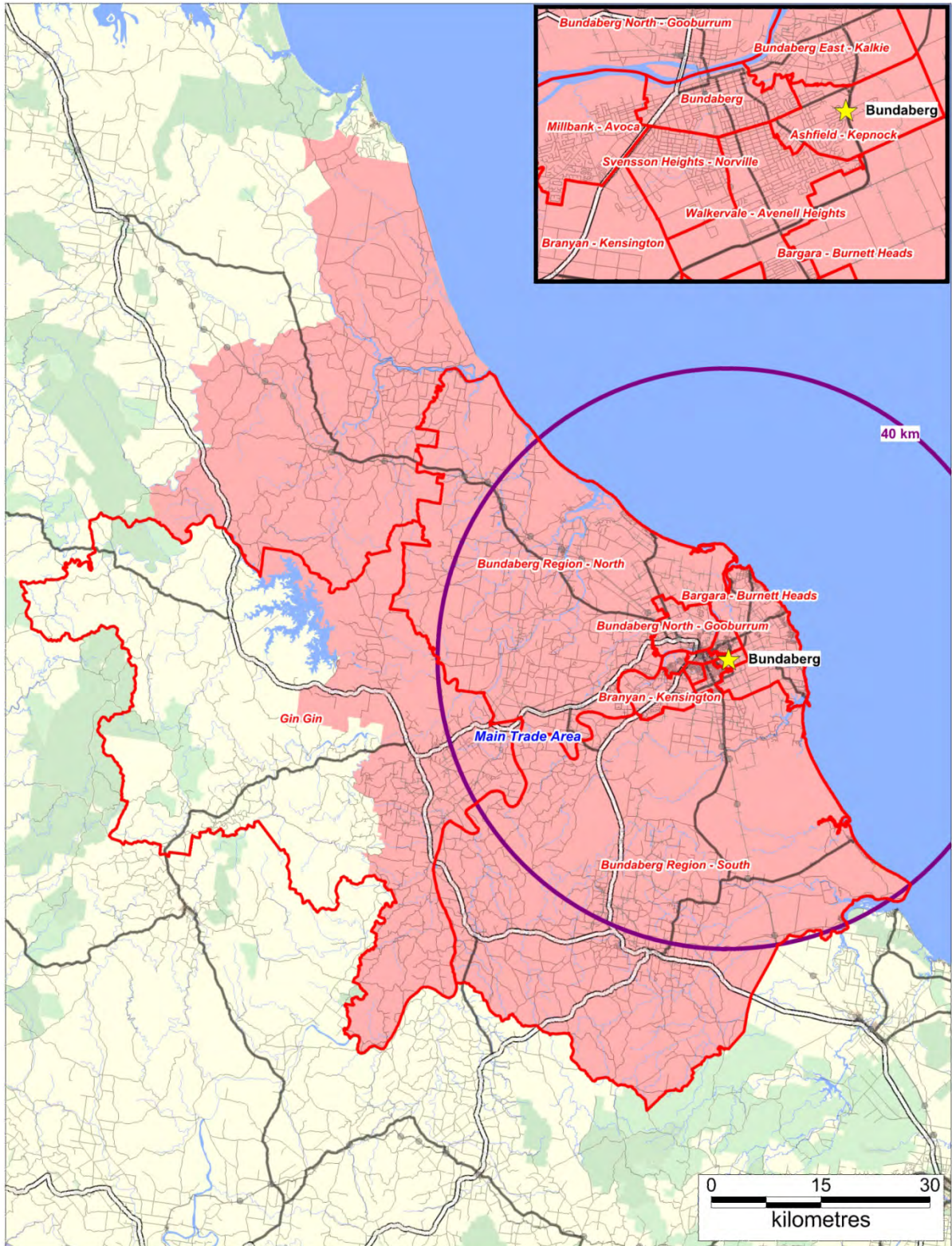
## 2.2 Business & Trade Market

- i. Businesses or tradespeople contribute a significant proportion of sales to the Home Improvement market. As indicated previously, this contribution is estimated at approximately 27.2% of the total market.

### Size of the Surrounding Business and Trade Market

- i. Table 2.7 provides an indication of the number of businesses located within close proximity to the Bundaberg site, by industry sector and company size (based on the number of employees). This information is based on data obtained from the ABS Business Register as at June 2013.
- ii. In this instance, the relevant business trade area is assumed to be the Statistical Area 2s (SA2s) of Bundaberg, Bundaberg East - Kalkie, Bundaberg North - Gooburrum, Bundaberg Region - North, Bundaberg Region - South, Bargara - Burnett Heads, Millbank - Avoca, Walkervale - Avenell Heights, Gin Gin, Ashfield - Kepnock, Branyan – Kensington and Svensson Heights – Norville (refer Map 2.2). This region closely corresponds with the defined retail customer Bundaberg Masters main trade area.
- iii. As shown, there are 6,550 businesses located within the area surrounding the Bundaberg Masters site. The largest industries are Agriculture, Forestry & Fishing with around 1,420 businesses (or 21.7%) and construction with around 1,095 businesses (or 16.7%).
- iv. The construction industry would be the major industry demanding products in the business trade market from home improvement stores. The large number of construction businesses within the area surrounding Bundaberg indicates that there is likely to be strong demand for further home improvement floorspace within the region.

MAP 2.2 – BUNDABERG SA2S WITHIN RETAIL CUSTOMER MAIN TRADE AREA



LOCATIONIQ

Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

**TABLE 2.7 – SURROUNDING BUSINESSES BY NUMBER OF EMPLOYED STAFF, JUN 2013**

Industry	No. of Employees*					Total
	Non Employ.	1 - 4	5 - 19	20 - 199	200 +	
Agriculture, Forestry & Fishing	978	253	118	68	3	1,420
Construction	644	362	80	9	0	1,095
Rental, Hiring & Real Estate Services	536	62	36	3	0	637
Retail Trade	150	147	102	14	0	413
Professional, Scientific & Technical Services	201	130	47	7	0	385
Financial & Insurance Services	275	59	9	3	0	346
Other Services	138	149	43	0	0	330
Transport, Postal & Warehousing	181	104	22	9	0	316
Health Care & Social Assistance	136	103	57	11	0	307
Manufacturing	121	78	52	18	0	269
Accommodation & Food Services	59	94	89	13	0	255
Administrative & Support Services	126	64	33	17	0	240
Not Classified	144	26	6	3	0	179
Wholesale Trade	76	20	40	6	0	142
Arts & Recreation Services	37	22	3	6	0	68
Education & Training	20	17	3	6	0	46
Electricity, Gas, Water and Waste Services	9	21	3	0	0	33
Information Media & Telecommunications	15	9	3	0	0	27
Mining	6	15	6	0	0	27
Public Administration & Safety	<u>6</u>	<u>9</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15</u>
<b>Total</b>	<b>3,858</b>	<b>1,744</b>	<b>752</b>	<b>193</b>	<b>3</b>	<b>6,550</b>

\* includes the SA2's of Bundaberg, Bundaberg East - Kalkie, Bundaberg North - Gooburrum, Bundaberg Region - North, Bundaberg Region - South, Bargara - Burnett Heads, Millbank - Avoca, Walkervale - Avenell Heights, Gin Gin, Ashfield - Kepnock, Branyan - Kensington, Svensson Heights - Norville  
Source: ABS 8165.0

- v. Table 2.8 outlines the size of the surrounding businesses based on annual turnover. As shown, the majority of businesses within the Bundaberg area would be classified as small business, with nearly 80% of surrounding businesses earning annual turnover of less than \$500,000. The lower price point offered by large format home improvement stores plays an important role in ensuring small businesses reduce their costs, improve profit margins and remain viable.

**TABLE 2.8 – SURROUNDING BUSINESSES BY TURNOVER, JUN 2013**

Industry	Annual Turnover (\$)						Total
	≤ 50K	50K-100K	100K-200K	200K-500K	500K-2M	≥ \$2M	
Agriculture, Forestry & Fishing	576	191	205	233	163	50	1,418
Construction	217	201	224	252	155	48	1,097
Rental, Hiring & Real Estate Services	215	124	116	101	65	22	643
Retail Trade	59	36	50	85	116	82	428
Professional, Scientific & Technical Services	117	62	62	77	48	25	391
Other Services	61	45	75	99	61	9	350
Financial & Insurance Services	161	65	49	33	22	10	340
Transport, Postal & Warehousing	74	55	67	65	39	15	315
Health Care & Social Assistance	43	35	47	72	85	16	298
Manufacturing	62	43	40	54	56	21	276
Accommodation & Food Services	26	21	55	80	79	13	274
Administrative & Support Services	66	57	45	42	30	9	249
Public Administration & Safety	32	80	21	28	0	3	164
Wholesale Trade	33	14	20	29	30	26	152
Education & Training	15	13	9	12	6	6	61
Arts & Recreation Services	20	12	17	9	0	0	58
Electricity, Gas, Water and Waste Services	3	3	12	0	6	0	24
Information Media & Telecommunications	9	9	0	0	3	0	21
Mining	0	0	6	10	0	3	19
Public Administration & Safety	0	6	3	6	0	3	18
<b>Total</b>	<b>1,789</b>	<b>1,072</b>	<b>1,123</b>	<b>1,287</b>	<b>964</b>	<b>361</b>	<b>6,596</b>

\* includes the SA2's of Bundaberg, Bundaberg East - Kalkie, Bundaberg North - Gooburru, Bundaberg Region - North, Bundaberg Region - South, Bargara - Burnett Heads, Millbank - Avoca, Walkervale - Avenell Heights, Gin Gin, Ashfield - Kepnock, Branyan - Kensington, Svensson Heights - Norville  
Source: ABS 8165.0

- vi. The businesses provided within the Bundaberg area are likely to utilise the existing home improvement facilities within the region, including the existing Bunnings outlet along Faircloth Crescent in Kensington (Bundaberg urban area) (this facility is discussed in greater detail in Section 3 of this report). The addition of the proposed Masters Home Improvement Store is likely to provide businesses increased choice of facilities within the Bundaberg region.
- vii. Another indication of the size of the business and trade market likely to be served by the proposed Bundaberg Masters Home Improvement Store is the estimated value of buildings approvals within the area surrounding the site in any one year. Table 2.9 shows these figures for 2012/13, including:

- New houses

- New other dwellings (such as units)
  - Alterations and additions to residential buildings
  - Non-residential buildings
- viii. Although not all approvals are acted upon, the figures obtained from the ABS provide a good indication of the likely strength of the business and trade market in an area.
- ix. Over the 2012/13 period, around \$120.8 million worth of development has been approved within the area surrounding the site (the SA2s included in the defined retail customer main trade area), including \$90.4 million in residential development and \$30.4 million in non-residential development. Even if only 50% of this development was spent on materials (leaving 50% to be spent on labour), this would still equate to \$60.4 million being spent on construction related material.
- x. Of course not all of this would be supplied by home improvement retailers. Certain materials, such as structural steel or concrete slabs, would be provided by specialists. However, if only an assumed 40% of this remaining \$60.4 million was spent in hardware and home improvement stores, that leaves at least \$24.2 million available to retailers such as the proposed Bundaberg Masters Home Improvement store in any one year.
- xi. Trade is likely to be an important market for home improvement retailers within the Bundaberg region. This is due to a number of factors including the highly exposed location of the site, which is easy to access for the surrounding population, as well as the planned population growth which will result in continued construction of residential dwellings and infrastructure. This continued growth will generate further business within the trade market, which in turn will allow a greater level of hardware floorspace to be supportable.

**TABLE 2.9 – VALUE OF BUILDING APPROVALS WITHIN BUNDABERG AREA, 2012/13**

Categories	Main Trade Area**
Value of New Houses (\$M)	\$75.4
Value of New Other Dwellings (\$M)	\$3.3
Value of alt. & add. to Residential Buildings (\$M)*	<u>\$11.7</u>
<b>Value of Total Residential Building (\$M)</b>	<b>\$90.4</b>
Value of Non-residential Building (\$M)	\$30.4
<b>Value of Total Building (\$M)</b>	<b>\$120.8</b>
<p>* Includes conversions  ** includes the SA2's of Bundaberg, Bundaberg East - Kalkie, Bundaberg North - Gooburrum, Bundaberg Region - North, Bundaberg Region - South, Bargara - Burnett Heads, Millbank - Avoca, Walkervale - Avenell Heights, Gin Gin, Ashfield - Kepnock, Branyan - Kensington, Svensson Heights - Norville  Source: ABS 8731.0</p>	

LOCATION

**Business and Trade Market Retail Spend**

- i. The relative retail customer and trade customer proportions discussed earlier can be used to determine the approximate business and trade market for the proposed Bundaberg Masters Home Improvement Store by applying the projected home improvement spending generated within the retail customer main trade area.
- ii. As indicated in Table 2.6, the total retail customer Home Improvement market is projected at \$175.2 million in 2014, including \$58.7 million in the hardware market and \$116.5 million in the remaining other household goods market. By applying the percentages outlined in Table 2.1 to this market, the approximate business and trade market available to the proposed Bundaberg Masters Home Improvement Store can be determined (Table 2.10).
- iii. Based on the proportions provided by the ABS and the retail customer trade area spending market, the total available business and trade market within the Bundaberg main trade area is projected at \$79.2 million in 2014, including \$55.7 million in hardware sales and \$23.5 million in other household goods sales. By 2017 (the assumed development year) this market is projected to increase to \$84.9 million. These figures are presented in constant 2014 dollars and include GST.

- iv. The total size of the home improvement market available to the proposed Masters Home Improvement Store at Bundaberg is also shown in Table 2.10. As indicated, the total home improvement market within the Bundaberg main trade area, including both retail and trade spending, equates to around \$254.4 million in 2014, including \$114.4 million in hardware sales and \$140.1 million in other household goods sales. By 2017, this market is projected to increase to \$272.8 million.
- v. It is important to note that the actual spending market available to the proposed Bundaberg Masters Home Improvement Store would be greater than the \$272.8 million generated by the main trade area retail and trade market, as the centre is also likely to attract a proportion of sales from the broader household goods market as well as business from beyond the defined main trade area. For the purposes of this analysis, the estimated proportion of business likely to be generated from beyond the defined main trade area is assumed at 15%.

**TABLE 2.10 – TOTAL HOME IMPROVEMENT SPENDING MARKET, 2014 AND 2017**

Category	Main Trade Area (\$M)*	
	2014	2017
<u>Retail Customer Market</u>		
Hardware	58.7	63.0
Other Household Goods	<u>116.5</u>	<u>124.9</u>
<b>Total Home Improvement Market</b>	<b>175.2</b>	<b>187.9</b>
<u>Business &amp; Trade Market</u>		
Hardware (@ 48.7%)	55.7	59.7
Other Household Goods (@ 16.8%)	<u>23.5</u>	<u>25.2</u>
<b>Total Home Improvement Market</b>	<b>79.2</b>	<b>84.9</b>
<u>Total Home Improvement Market</u>		
Hardware	114.4	122.6
Other Household Goods	<u>140.1</u>	<u>150.2</u>
<b>Total Home Improvement Market</b>	<b>254.4</b>	<b>272.8</b>
*Constant 2013/14 dollars & Including GST Source: ABS; Marketinfo		LOCATION

### 3 COMPETITIVE ENVIRONMENT

- i. This section of the report provides a summary of the existing and proposed competitive developments for a Masters Home Improvement Store at Bundaberg.
- ii. As discussed in the previous section, the proposed Bundaberg Masters Home Improvement Store is likely to compete in two different markets, namely the hardware market and the other household goods market.
- iii. The majority of store sales for the Masters Home Improvement store are likely to come from the hardware market, with the proposed Masters Home Improvement store dedicating approximately 70% of selling area to the core hardware market (made up of both hardware and garden), with 30% of selling area dedicated to other household goods.
- iv. This section of the report provides details on the existing and proposed competitive developments within the Bundaberg region across the hardware and household goods markets. Hardware market competitors specifically focus on ‘general’ hardware traders, while a summary of the surrounding provision of ‘specialist’ hardware traders and other household goods traders that are likely to compete with the proposed Bundaberg Masters Home Improvement Store is also provided.

#### 3.1 General Hardware Traders

- i. Table 3.1 and Maps 3.1 and 3.2 outline the provision of general hardware facilities within the Bundaberg region. General hardware traders carry a large variety of hardware and gardening products and include:
  - Large format stores (typically greater than 6,000 sq.m and up to 18,000 sq.m), such as the existing Bunnings Warehouse along Faircloth Crescent in Kensington. This store would serve both retail and trade customers.
  - Mid-sized format stores typically greater than 2,000 sq.m and up to 6,000 sq.m.

- Small format stores (typically 2,000 sq.m or less), which primarily serve the retail customer.
- ii. The most relevant competition to the proposed Bundaberg Masters Home Improvement Store are hardware stores greater than 6,000 sq.m that serve both the retail and trade markets. There is currently only one hardware store of this scale in the Bundaberg main trade area, namely the Bunnings Warehouse along Faircloth Crescent in Kensington (8 km to the west of the site).
- iii. The Bunnings is approximately 9,200 sq.m but is due to close in 2015. A replacement Bunnings Warehouse is currently under construction along Johanna Boulevard, some 500 metres to the east of the existing store. The new store will total around 18,452 sq.m and will include an indoor timber sales area, building materials and landscaping yard and an outdoor nursery. Approximately 380 car spaces will be provided, with the store planned to open in 2015.
- iv. Both the existing and future Bunnings Warehouses are located in the Sugarland precinct where a range of bulky goods facilities are also provided including, Harvey Norman, The Good Guys and BCF. Additionally, a further four bulky goods tenants are planned in further stages of the new Johanna Boulevard Bunnings development, totalling around 9,000 sq.m.
- v. The new Bunnings Warehouse will be situated on the western side of the Bundaberg urban area. The location of the proposed Bundaberg Masters Home Improvement Store on the eastern side of Bundaberg would provide residents of the growing coastal communities of Burnett Head, Bargara, Coral Cove and Innes Park with a more conveniently located store.
- vi. Complementing the large format traders are a range of small format hardware stores. These stores would primarily serve the immediate surrounding catchment within 2 - 3 km of the site and are typically located in neighbourhood shopping centres or retail strips. Small format stores carry a range of products, including

paint, tools, timber, building supplies and repair and maintenance equipment, and primarily serve the retail customer.

- vii. There are three small format general hardware stores located within the Bundaberg urban area. These include:
- A Home Hardware tenant of around 1,400 sq.m, situated along Electra Street within the Bundaberg CBA. The store sells the general range of hardware products and also includes a small gardening section and a drive-thru timber yard.
  - Taylor’s Cabinet Hardware Specialist of 800 sq.m is located within close proximity to the Home Hardware store. Around 65-70% of the store is dedicated to timber and cabinet related components, with the remainder selling general hardware supplies. This store would primarily sell to the trade customer.
  - A small amount of hardware floorspace (around 200 sq.m) is provided as part of the larger Craft Rental and Hardware Store. The store’s main focus is the rental of machinery and equipment and the small hardware component primarily sells tools.
- viii. There are seven other hardware stores situated elsewhere within the Bundaberg trade area, including:
- Limited hardware is provided in the nearby coastal community of Bargara (10 km to the north-west of the site), with a small amount of hardware provided as part of the Liberty Petrol Station the only dedicated hardware floorspace in the town. Around 60 sq.m of floorspace is dedicated to the hardware component, which sells mainly commonly used hardware products like nails and basic tools.
  - A True Value Hardware of around 650 sq.m has recently opened at Moore Park, some 22 km to the north of Bundaberg. The store forms part of the Moore Park shopping precinct which also includes an IGA supermarket. The True Value Hardware sells a range of products aimed at the retail customer, including

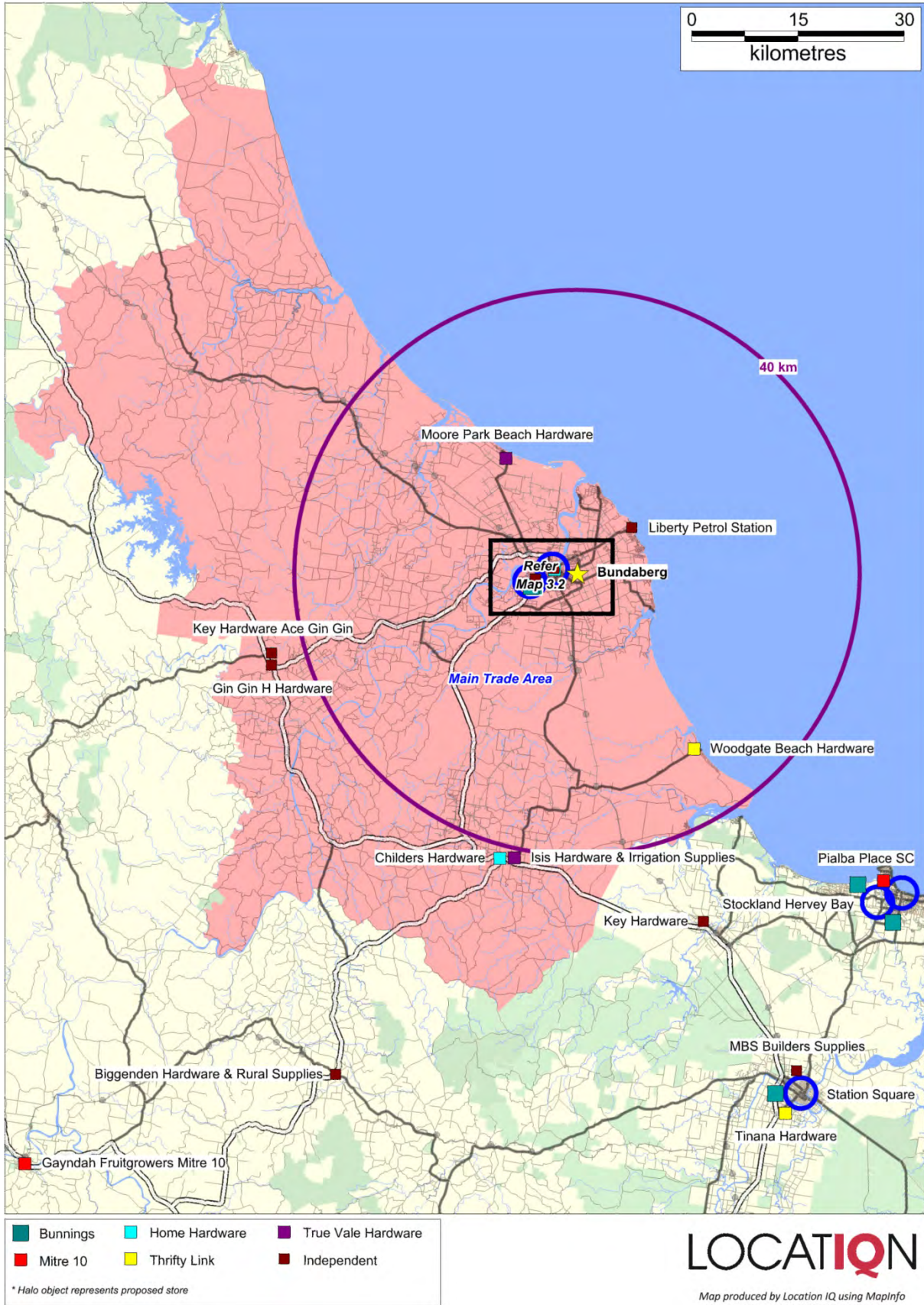
- building supplies, hardware, paint and tools. A garden section and small timber yard are also included.
- There are two hardware traders serving the town of Childers, approximately 50 km south-west of the site, namely a Thrifty-Link Hardware of 650 sq.m and a True Value Hardware of 600 sq.m. The stores are situated at either end of the Churchill Street retail strip, with both containing timber yards. The Thrifty-Link is the newer of the two stores and also includes a garden section, as part of the drive-thru timber yard.
  - Two independent hardware traders are located within the township of Gin Gin, 50 km to the west of Bundaberg. At 750 sq.m, Gin Gin H Hardware is the largest of the two and includes machinery hire, plumbing, paint, garden tools, hardware, audio, camping and water sports. The store also contains a garden section and a small timber component. The other Gin Gin store, a Key Hardware, is significantly smaller at 120 sq.m and includes a small range of general hardware supplies as well as a very small range of timber.
  - A Thrifty-Link store is located along Frizzell’s Road at Woodgate Beach, 52 km south-east of Bundaberg. The store is around 600 sq.m and is situated within close proximity to the Woodgate Beach Central Plaza, which is anchored by a small IGA foodstore and a medical centre. The Thrifty-Link contains a timber and soil yard, in addition to a range of tools, plumbing and gardening goods.
- ix. The majority of facilities that would compete with the proposed Bundaberg Masters Home Improvement Store are located within the defined retail customer trade area.
- x. Beyond the trade area, the nearest large format hardware traders are situated more than 100 km from Bundaberg and include:
- A Bunnings Warehouse of 11,820 sq.m is located at Hervey Bay, 110 km to the south-east of Bundaberg. A Bunnings Trade Centre is also located in Hervey Bay, along Islander Road.

- A smaller Bunnings store of 5,020 sq.m is situated at Maryborough, 110 km to the south east.
- xi. The remaining hardware stores beyond the trade area are smaller in size and located some distance from the proposed Bundaberg site and as such, are unlikely to compete within the proposed large format store at Bundaberg to any significant degree.

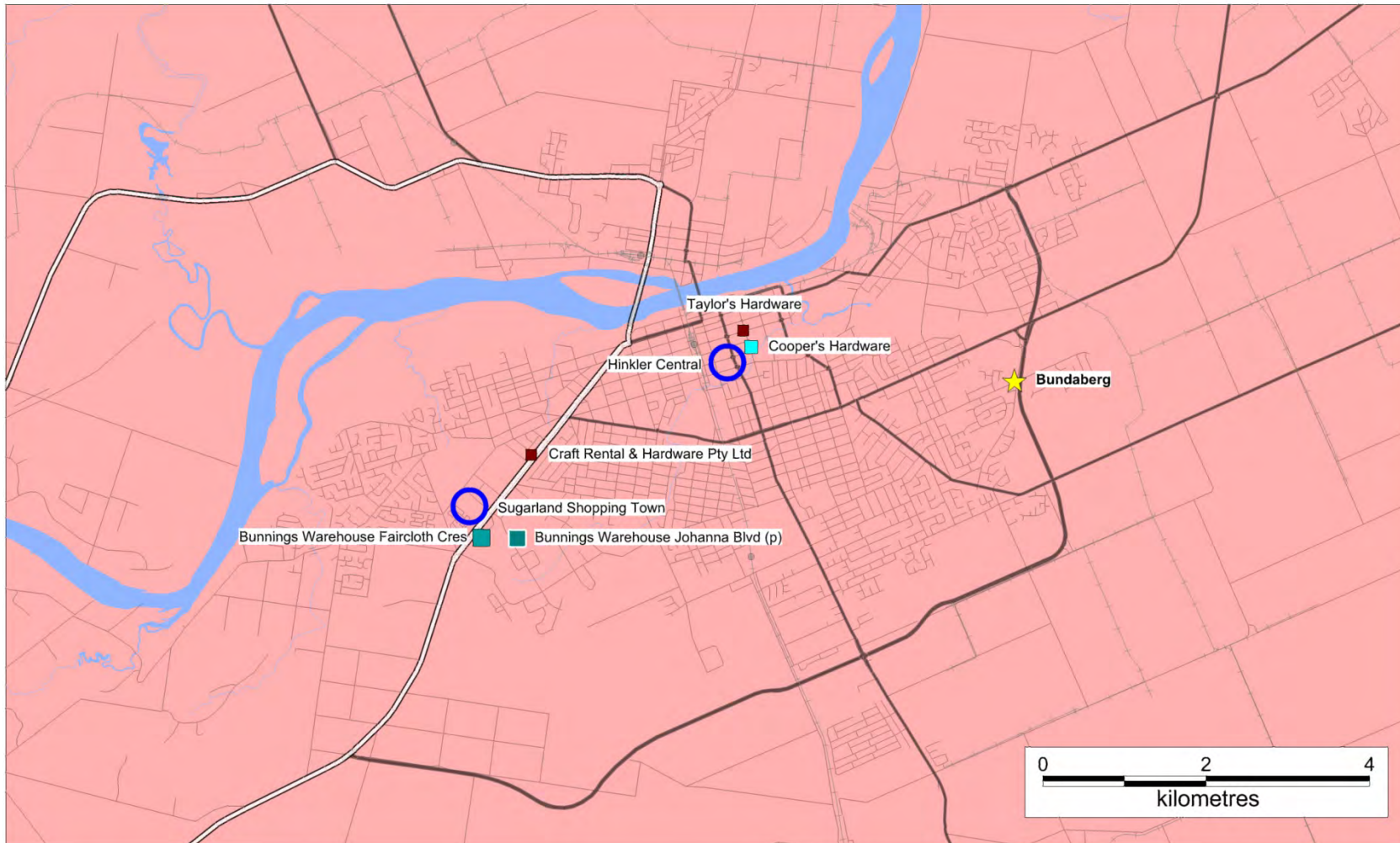
**TABLE 3.1 – COMPETITIVE GENERAL HARDWARE ENVIRONMENT**

Town	Retail GLA (sq.m)	Hardware Trader	Dist. From Bundaberg (km)
<b>Within Main Trade Area</b>			
<i>Large Format<sup>1</sup></i>			
Bundaberg	9,200	Bunnings Warehouse (9,200)	-
<i>Small Format</i>			
Bundaberg	2,400	Home Hardware (1,400), Craft Rental & Hardware Store (200), Taylor's Hardware (800)	-
Bargara	60	Liberty Petrol Station (Independent)	10
Moore Park	650	True Value Hardware	22
Childers	1,250	Home Hardware (650), True Value Hardware (600)	50
Gin Gin	870	Gin Gin H Hardware (750), Key Hardware (120)	50
Woodgate	650	Thrifty-Link Hardware	52
<b>Beyond Main Trade Area</b>			
<i>Large Format<sup>1</sup></i>			
Harvey Bay	11,820	Bunnings Warehouse	110
<i>Mid Format<sup>2</sup></i>			
Maryborough	5,020	Bunnings Warehouse	110
<i>Small Format</i>			
Howard	150	Key Hardware (Independent)	85
Biggenden	640	True Value Hardware	95
Gayndah	1,200	Mitre 10	107
<small>1. Stores greater than 6,000 sq.m 2. Stores between 2,000 sq.m - 6,000 sq.m</small>			LOCATIONIQ

MAP 3.1 – COMPETITIVE GENERAL HARDWARE ENVIRONMENT



**MAP 3.2 – COMPETITIVE GENERAL HARDWARE ENVIRONMENT**



Bunnings	Independent
Home Hardware	

\* Halo object represents proposed store

**LOCATIONIQ**

Map produced by Location IQ using MapInfo Pro Australia Pty Ltd and related data sets.

### 3.2 Specialist Hardware Traders

- i. In addition to competing with general hardware traders, the proposed Masters Home Improvement Store at the Bundaberg Masters Home Improvement Store would also compete with specialist traders. A specialist trader primarily serves the trade market and stocks a narrow range of goods, including:
  - Paints
  - Plumbing
  - Electrical
  - Garden and outdoor supplies
  - Tool supplies
  - Pool equipment and supplies
- ii. Table 3.2 outlines the specialist traders located within the Bundaberg main trade area. As shown, there are a number of specialist traders in the area surrounding the Bundaberg site (i.e. Bundaberg urban area), including six paint specialists, three plumbing suppliers and eight electrical specialists, as well as a number of garden/nurseries, pool equipment and tool specialists.
- iii. A number of specialist traders are also located beyond the Bundaberg urban area, however, these are unlikely to compete with the proposed Bundaberg Masters Home Improvement Store to any significant degree.

**TABLE 3.2 – COMPETITIVE SPECIALIST HARDWARE ENVIRONMENT**

<b>Specialist Trader</b>	<b>Specialist Trader</b>
<b>Paint</b>	<b>Plumbing</b>
PaintRight Pty Ltd	Ken's Plumbing Supplies
Bristol Paint & Decorator Centres	Tradelink Plumbing Centre
Dulux Trade Centre	Reece Plumbing
Luxury Paints Pty Ltd	<b>Electrical</b>
Inspirations Paint	L&H Electrical Wholesaler
Paint Place	Haymans Electrical
<b>Garden &amp; Outdoor</b>	Ideal Electrical Suppliers
Boylans Garden World	MM Electrical Merchandising
Ulysses Nursery	Sherriff Electrical Wholesalers
The Little Green Frog	Ken's Lighting Centre
Barbeques Galore	Lighting Network
Bundaberg Wholesale Palms & Plants	Lightworx & More
Avoca Garden Centre	<b>Pool Equipment and Supplies</b>
Bundaberg Nursery & Landscape Supply Centre	Archies Pool Centre
Cloelle Garden Art	Bundaberg Clean Pools
Comptons Nursery	Doneman's Pool Centre Pty Ltd
Kelly's Nursery	Aqualine Pools
Tropical Paradise On Lovers Walk	Signature Spas
Boylans Garden & Pet	Goodlife Pools
<b>Tool Specialist</b>	Landscaping and Pools
United Tools	Zane Solar Pool Heating
Stihl Power Tools	
Blackwoods Trade Centre	

LOCATION

### 3.3 Other Household Goods Traders

- i. As discussed earlier, approximately 30% of floorspace at the Masters Home Improvement store will be dedicated to other household goods, e.g. whitegoods. The major other households goods traders that are likely to compete with the floor area dedicated to other household goods products, include:

- Harvey Norman
- Barbeques Galore

- The Good Guys
  - Beacon Lighting
  - The Outdoor Furniture Specialists
  - Betta Electrical
- ii. The majority of these facilities in Bundaberg are provided within close proximity to the existing and new Bunnings Warehouse, including:
- Harvey Norman is provided the Isis Highway, opposite the existing Bunnings Warehouse.
  - The Good Guys forms part of the Bundaberg Homemaker Centre along Johanna Boulevard, with close proximity to the new Bunnings Warehouse currently under construction.
  - Barbeques Galore is located along Enterprise Street.

### 3.4 Summary

- i. The major hardware and home improvement facility that is likely to compete with the proposed Masters at Bundaberg would be the large format Bunnings Warehouse currently under construction along Johanna Boulevard. However, whilst this new Bunnings Warehouse will serve the western side of the Bundaberg main trade area, the proposed Bundaberg Masters Home Improvement Store will be highly accessible and convenient for not only the eastern portion of Bundaberg urban area, but also the growing coastal areas of Burnett Head, Bargara, Coral Cove and Innes Park.
- ii. Given there is only the existing Bunnings stores situated within the wider Bundaberg region (within and beyond the trade area), with a new 18,000 sq.m store now under construction, the proposed Bundaberg Masters Home Improvement Store would provide additional choice, convenience and price competition to the consumer.

## 4 ASSESSMENT OF POTENTIAL FOR FACILITIES

This section of the report considers the sales potential for the proposed Bundaberg Masters Home Improvement Store, as well as the likely trading and other impacts that can be anticipated following the construction of the store.

### 4.1 Large Format Home Improvement Floorspace Demand and Supply

- i. The amount of large format hardware floorspace supportable within the Bundaberg main trade area can be determined by examining the pattern of large format home improvement and hardware development within Australia.
- ii. For example recent Bunnings store opening behaviour suggests a small format Bunnings Warehouse is supportable for a population of 20,000 – 30,000 people, as shown by the opening of a 5,500 sq.m Bunnings store at Airlie Beach.
- iii. In Mackay, three stores (two Bunnings Warehouses and a Masters Home Improvement store) will soon be operating to serve a population of less than 120,000. This indicates a population of around 40,000 would generally be required to support a large sized store.
- iv. Given this recent behaviour by both Bunnings and Masters in the market, we can determine that approximately 40,000 people are required to support one home improvement/hardware store of around 10,000 - 13,000 sq.m.
- v. Once the new Bunnings Warehouse is open, there will only be one home improvement/hardware store of 10,000 sq.m or greater serving the Bundaberg main trade area, a population of nearly 96,000 residents.
- vi. By 2016/17 (assumed Masters opening year), the Bundaberg trade area will contain over 100,000 residents, with only a Bunnings Warehouse to serve this population when two stores will clearly be supportable at this time. The proposed Bundaberg Masters Home Improvement Store will play an important role in the promotion of choice, convenience and price competition within the Bundaberg large format home

improvement market, all of which is likely to be compromised if only one large format store is provided.

- vii. The pattern of development from both Bunnings and Masters Home Improvement stores around Australia, together with the steady population and housing growth experienced within the Bundaberg region, indicates all existing and proposed large format home improvement stores are supportable currently.
- viii. As both the retail and trade markets in Bundaberg grow, with steady population growth resulting in the continued construction of residential dwellings and community infrastructure, so will the need for further large format home improvement floorspace.

## 4.2 Sales Overview

- i. In order to assess the potential economic benefits and impacts that may arise from the development of the proposed Bundaberg Masters Home Improvement Store the sales level that the development is projected to achieve is outlined.
- ii. The sales performance of any particular retail facility, be it an individual store or a collection of stores provided in a shopping centre or precinct, is determined by a combination of the following critical factors:
  - The composition and quality of the facility, including major trader or traders; the specialty mix; centre layout and configuration; ease of accessibility and parking; and the overall feel of the centre.
  - The size of the available catchment which the facility serves.
  - The locations and strengths of competitive retail facilities.
- iii. The sales potential for the proposed Bundaberg Masters Home Improvement Store is now considered taking into account these factors.

### 4.3 Home Improvement Sales Potential

- i. On completion, the proposed Bundaberg Masters Home Improvement store will generate sales primarily from the home improvement market, including hardware and garden spending, as discussed and measured in Section 2 of this report.
- ii. As shown in the previous Table 2.10, the total home improvement spending market (retail customer and trade) is currently estimated at \$254.4 million and is projected to increase to \$272.8 million by 2017.
- iii. Given the Masters Home Improvement store concept has only recently been launched in the Australian market, it is difficult to predict exactly how a Masters Home Improvement store within the Bundaberg market will trade.
- iv. It is understood that large format home improvement stores typically achieve sales in the order of \$2,500 - \$3,000 per sq.m. This trading level is generally in-line with existing averages for large format Bunnings stores, which is understood to be in the order of \$2,500 - \$3,000 per sq.m, or around \$30 million per store (based on Wesfarmers annual report).
- v. For the purposes of this analysis, we assume that the proposed Bundaberg Masters Home Improvement store will achieve sales of around \$2,250 per sq.m, or around \$30.6 million in 2017 (13,619 sq.m multiplied by \$2,250 per sq.m). This forecast takes into account the new Bunnings Warehouse of 18,000 sq.m under construction along Johanna Boulevard.
- vi. Sales for the proposed Bundaberg Masters are likely to be generated from a number of sources, including:
  - Retail customers or local residents in the defined Bundaberg retail customer trade area.
  - Business from retail customers residing beyond the defined resident trade area, resulting from the larger draw of the proposed large format Masters Home Improvement Store. This figure is estimated at 15% of total sales.

- As indicated in Section 2 of this report, large format home improvement stores also typically cater for trade, generated from the surrounding businesses, including timber, paint and a range of building supplies. As indicated in Table 2.1, the ABS indicates this proportion to be around 27.2%.
  - Given approximately 30% of floorspace within the proposed Bundaberg Masters Home Improvement Store will be allocated to products within the ‘Other Household Goods’ market, a proportion of additional business will also be generated by this category.
- vii. Taking the above into account, a Masters Home Improvement store achieving sales of around \$30.6 million is likely to gain approximately 85% of sales, or \$26.0 million, from spending generated by trade area retail and trade customers (\$30.6 million minus 15% from beyond spending). This would equate to around 9.5% of the total 2017 trade area home improvement market defined in Table 2.10 (\$26.0 million trade area generated sales divided by \$272.8 million in main trade area home improvement sales).
- viii. As a result, the average impact on the surrounding home improvement stores (including general hardware, specialist hardware and other household goods traders) would be in the order 9.5%, and therefore, within the normal competitive range of less than 10%. The proposed development is unlikely to affect the viability or continued operation of any store.
- ix. Further offsetting potential impacts from the proposed Bundaberg Masters Home Improvement Store is the fact that the home improvement market has been growing steadily in recent years and is expected to continue to grow in the future as households look to save on construction and home maintenance by favouring “Do-it-Yourself” options.
- x. This has been acknowledged by Bunnings who are currently rolling out a number of new stores across Australia. Managing Director of Bunnings, John Gillam, announced on 30<sup>th</sup> March 2012 that Bunnings plans to open some 85 new stores

across Australia and create some 6,000 jobs by 2015. This represents a \$1.5 billion investment by the company.

#### 4.4 Sales Impacts

- i. Despite the fact that the current and future demand for hardware/home improvement floorspace within the Bundaberg area is likely to be strong, there is still likely to be some sales impacts resulting from the proposed Bundaberg Masters Home Improvement Store development over the short term.
- ii. This sub-section of the report outlines the likely sales impacts on competitive retail facilities as a result of the development of the proposed Bundaberg Masters Home Improvement Store.
- iii. It is important to note that impacts outlined in this report are indicative as it is difficult to precisely project the sales impact from the opening of a new store on existing retail facilities. A number of factors can influence the impact on individual centres/retailers, including but not limited to:
  - Refurbishment/improvements to existing centres.
  - Expansions to existing centres.
  - Loyalty programs of existing retailers.
  - The existing centre mix and how it competes with the proposed development.
- iv. Additionally, due to the fact that many hardware and home improvement traders do not report sales, it is difficult to predict exactly what sales levels are being achieved by surrounding stores.
- v. For all these reasons and other similar factors, sales impacts outlined in this report should be used as a broad indication.

- vi. Table 4.1 outlines the projected impacts from the proposed Bundaberg Masters Home Improvement store. The Table commences with an estimation of the current and projected total home improvement market. As shown, forecast growth in the total home improvement market is estimated at \$18.4 million, or 7.2% between 2013/14 and 2016/17.
- vii. The Table then presents a calculation of the projected total home improvement sales split between the proposed Bundaberg Masters Home Improvement store and other surrounding facilities in 2016/17. Main trade area generated sales for the proposed Bundaberg Masters is projected at \$26.0 million in 2017 (projected sales of \$30.6 million minus 15% spending from beyond), as detailed in the previous subsection of the report. Sales available to other retailers, both within and beyond the defined main trade area, are also indicated in the Table.
- viii. As shown, given the population growth projected to occur within the Bundaberg market, the total estimated home improvement market available to other stores (excluding the Bundaberg Masters Home Improvement store) is projected to decline only slightly from the current level of \$254.4 million, to some \$246.8 million, representing a decrease of only \$7.7 million despite the addition of the proposed Bundaberg Masters store.
- ix. Table 4.1 then summarises the estimated trading impact on other competitive facilities within the Bundaberg market. This impact is based on the proposed opening year for the store (2016/17) and as such, shows the difference in sales for competitive stores from the opening of the Bundaberg Masters store, compared with if the store does not proceed. The results of these calculations show that the reduction in the available home improvement market for other facilities is in the order of 9.5%.
- x. The likely reduction in the available home improvement market, as detailed above, is the estimated average impact across competitive home improvement stores both within and beyond the defined main trade area. Some stores are likely to be

impacted more than others based on the offer and competitive situation relative to the proposed Bundaberg Masters Home Improvement store.

**TABLE 4.1 – BUNDABERG MASTERS TRADING IMPACT ASSESSMENT, 2014 - 2017**

	Unit	Existing 2014	Projected 2017	Change	
				\$M <sup>1</sup>	%
<b>Trade Area Home Improvement Market</b>					
Trade Area Retail Customer Market	\$M	175.2	187.9	12.7	7.2%
Trade Area Business & Trade Market	\$M	<u>79.2</u>	<u>84.9</u>	<u>5.7</u>	<u>7.2%</u>
Est. Total Trade Area Home Improvement Market	\$M	254.4	272.8	18.4	7.2%
<b>Calculation of Home Improvement Market (With Bundaberg Masters Development)</b>					
Master Home Improvement Store Trade Area Sales <sup>2</sup>	\$M	0.0	26.0	26.0	n.a.
Market Available for Other Stores (Excluding Masters)	\$M	<u>254.4</u>	<u>246.8</u>	<u>-7.7</u>	<u>-3.0%</u>
Est. Total Trade Area Home Improvement Market	\$M	254.4	272.8	18.4	7.2%
<b>Est. Sales Impact of Development (2017)</b>					
• Projected Sales Post Bundaberg Masters Dev't Compared with Current Sales (2014)	%			-7.7	-3.0%
• Projected Sales Post Bundaberg Masters Dev't Compared with Projected Sales Pre Dev't (2017)	%			-26.0	-9.5%
1. Constant 2013/14 dollars & Including GST				LOCATION	
2. Total sales of \$30.6 minus 15% generated from spending beyond the main trade area.					

- xi. For example, projected impacts will be highest on the future 18,000 sq.m Bunnings Warehouse currently under construction along Johanna Boulevard. More limited impacts will then result on the smaller hardware stores and other household goods traders.
- xii. It is important to note that the impacts from the proposed Bundaberg Masters are only likely to be experienced by competitive stores in the short-term and these stores will benefit from the strong growth in the home improvement market once these impacts have been absorbed. Reflecting the average annual increase of around 2.4% in the home improvement market, any possible impact from the proposed Bundaberg Masters is likely to be absorbed in 4 years.

- xiii. Offsetting any potential competitive sales impact on other facilities, the proposed store will benefit the consumer through an increased range, convenience and price competition that is likely to result from the development of the Bundaberg Masters Home Improvement store.
- xiv. Furthermore, the proposed development will also generate additional business and flow-on benefits to surrounding retail and commercial facilities through increased customer visitation to the Bundaberg area.
- xv. The average projected impact level, at 9.5%, is within the normal competitive range of less than 10%. As such, the levels of projected impact will not threaten the ongoing viability of any existing traders or centres/precincts within the Bundaberg Masters main trade area.
- xvi. While the Masters Home Improvement store offer competes directly with large format home improvement/hardware traders, such as Bunnings, Masters does not exclusively replicate the offer at these stores. Instead Masters provides a complete home improvement offer, including a larger provision of whitegoods and appliances as well as a stronger focus on customer service. A more sophisticated store presentation and layout further differentiates Masters from existing traders within the home improvement/hardware market.
- xvii. Whilst exact sales for the surrounding competitive stores in the Bundaberg region are not known, the stores currently serve a large market of nearly 100,000 persons. As discussed in the previous sub-section, at least two home improvement stores greater than 10,000 sq.m are generally supportable within a market of this size, with this number of stores ensuring that choice, convenience and price competition are maintained.
- xviii. The success of the existing Bunnings Warehouse along Faircloth Crescent is evident by the decision by Bunnings to construct a larger 18,000 sq.m store along Johanna Boulevard. The strong trading performance likely to be achieved by the new Bunnings store would indicate that an impact of more than 9.5% could easily be

absorbed by the business, which would continue to trade viably even after the opening of the proposed Bundaberg Masters Home Improvement Store.

- xix. Most impacts on hardware stores and household goods traders within and immediately beyond the trade area would be well within the normal competitive range of less than 10%.
- xx. With the arrival of Masters Home Improvement stores in Australia, the major hardware stores, including Bunnings and the independent operators, have been gearing up for the sales impacts. Of relevance to the sustainability of the hardware industry are comments made by the former Mitre 10 Chief Executive as reported in *The Australian*, 31 May 2010 (Appendix 1).
- xxi. Mr Mark Burrowes indicates that independent hardware chains can prosper in the \$28 billion home improvement sector. He indicates that if there is a 20% revenue drop initially, from a Masters Home Improvement store, it will take about two to three years for a well-run Mitre 10 store to get that business back. Mr Burrowes also indicated that the US and Canadian market showed strong independent groups can still thrive in a market dominated by two big home improvement retailers, where many customers sought a more personal experience than the larger format offers of the Masters and Bunnings template.
- xxii. In addition to the above, comments have been made by Metcash and Bunnings which further demonstrate the ability of the home improvement market to remain viable and support additional competition including:
  - The announcement of Bunnings expansion strategy made by the managing director of Bunnings, Mr John Gillam on the 30<sup>th</sup> of March 2012. Bunnings now plan to invest some \$1.5 billion dollars and plans to roll out 85 new stores across Australia by 2015. This is likely to generate up to 6,000 new jobs.
  - Comments made by Mr John Gillam in *The Australian Financial Review*, 9 June 2010 (Appendix 1), reinforce the fact that Bunnings plans to continue to open between 10 and 14 large format stores, two to four small stores and four to

eight trade centres each year and stating that there is plenty of growth in the hardware market despite the entry of Metcash and Woolworths. Mr Gillam states that “The market is more than \$36 billion and there is more than \$30 billion of growth in front of us.”

- In addition, following the acquisition of a controlling stake in Mitre 10, former Metcash chief executive, Mr Andrew Reitzer, indicated plans to drive sales growth at Mitre 10 in the face of additional competition and attract additional business directly as a result of the Woolworths/Lowes acquisition of Danks. (*The Australian Financial Review* and the *Australian*, 2 June 2010, refer Appendix 1).

xxiii. Taking the above into account, any projected impact on Bunnings and other independents, as a result of the Bundaberg Masters store, is likely to be sustainable.

xxiv. In reviewing the Woolworths/Lowes acquisition of Danks, the ACCC prepared the Public Competition Assessment, 14 January 2010. The ACCC recognised the fact that big-box stores are generally each other’s closest competitors, resulting from the similar format, large product range and one-stop shop experience. Medium sized stores compete to a more limited degree, while smaller stores are recognised to play a greater convenience role. The ACCC, therefore, states that Bunnings will compete most directly with the proposed Masters Home improvement Stores.

xxv. As a result, in instances where two retailers go head-to-head, as witnessed between major supermarket operators, price competition will increase, benefiting the local population. While profit margins will be eroded by reduced pricing, the increase in overall sales volumes ensure two retailers can trade successfully. In terms of big-box home improvement retailers, this is supported by overseas examples, where two major retailers along with independent operators can all trade successfully. This situation is witnessed in the US and Canadian markets and it is this example that is also referenced by the former Mitre 10 Chief Executive, Mr Mark Burrowes (Appendix 1).

## 4.5 Employment and Consumer Impacts

- i. The development of the proposed Bundaberg Masters Home Improvement Store will result in a range of important economic benefits. The key positive employment and consumer impacts will include the following:
  - The promotion of choice, convenience and price competition for Bundaberg residents, given the fact that by 2015 Wesfarmers will supply the only large format hardware store of 10,000 sq.m and greater within the Bundaberg market.
  - The Bundaberg Masters Home Improvement Store is projected to employ around 150 persons as summarised in Table 4.2. Taking a conservative view and allowing for an estimated 10% of the total increase to be as a result of the reduced employment at existing facilities, the net additional jobs are estimated at 135. The estimated employment levels for the Masters store are based on an average of 150 employees for a large format store.
  - The additional 135 permanent retail employees would earn an average annual wage of around \$28,800 (as sourced from the ABS). This represents an additional \$3.9 million in salary and wages for the local economy, directly as a result of the proposed development.
  - Further jobs would be created from the supplier induced multiplier effects as a result of the retail jobs for the on-going running of the retail component of the proposed Bundaberg Masters Home Improvement Store as well as from the construction of the development. Jobs created are full-time equivalent jobs, which may include both full-time and part-time positions. In total, some 128 jobs are projected to be created in the broader community, based on ABS Input/Output Multipliers (refer Table 4.3).

- The proposed Bundaberg Masters Home Improvement Store will create a substantial number of additional jobs, both for the construction and related industries during the construction phase of the development and for the economy generally once the development is completed.
- The estimated total capital costs for the construction of the development are \$20 million. By using the appropriate ABS Input/Output Multipliers that were last produced in 1996/97 and a deflated estimated total capital cost of construction of \$15.7 million (i.e. in 1996/97 dollars), it is estimated that the construction period of the proposed Bundaberg Masters Home Improvement Store would create some 110 jobs (refer Table 4.4).
- The additional construction jobs (110) will result in a further 176 jobs in the broader community based on ABS Input/Output Multipliers (refer Table 4.4).

**TABLE 4.2 – ESTIMATED EMPLOYMENT IMPACT**

Type of Use	Estimated Employment Per '000 sq.m	<b>Bundaberg</b>	
		Change in GLA (sq.m)	Employment (persons)
Masters Home Improvement Store	11	13,619	150
<b>Net Increase<sup>1</sup></b>			<b>135</b>
<i>1. Net increase includes an allowance for reduced employment levels at impacted centres estimated at 10% of the total increase</i>			LOCATIONIQ

**TABLE 4.3 – ESTIMATED EMPLOYMENT IMPACT**

Original Stimulus	Direct Employment	Supplier Employment Multiplier Effects	Total
Masters Employment <sup>1</sup>	135	128	263
<i>* Employment totals include both full-time and part-time work</i> <i>1. Indicates the estimated number of net additional ongoing jobs as a result of the proposed development</i> <i>Source : Australian National Accounts: Input-Output Tables 1996-97</i>			LOCATIONIQ

**TABLE 4.4 – ESTIMATED CONSTRUCTION EMPLOYMENT IMPACT**

<b>Original Stimulus</b>	<b>Estimated Capital Costs (\$M)<sup>1</sup></b>	<b>Direct Employment</b>	<b>Supplier Employment Multiplier Effects</b>	<b>Total</b>	
Construction of Project	15.7	110	176	286	Job Years <sup>2</sup>
<p><i>* Employment totals include both full-time and part-time work</i></p> <p><i>1. Adjusted by inflation and productivity to 1996/97 Dollars</i></p> <p><i>2. Indicates the estimated number of jobs over the life of the construction project plus ongoing multiplier effects, for the equivalent of one year</i></p> <p><i>Source : Australian National Accounts: Input-Output Tables 1996-97</i></p>					



## 5 NEEDS ANALYSIS

This section summarises the impact analysis for the proposed Bundaberg Masters Home Improvement Store.

‘Need’ or ‘Community Need’ in a planning sense is a relative concept that relates to the overall wellbeing of a community. A use is needed, for example, if it would, on balance, improve the services and facilities available in a locality. The reasonable demands and expectations of a community are important, therefore, in assessing need.

A number of important factors that relate to need, particularly economic need, include:

- Population growth
- Home improvement floorspace demand
- Consumer trends
- Floorspace demand and supply
- Site location
- Impact on hierarchy
- Impact on existing retailers
- Net community benefits

### 6.1 Population Growth

- i. The defined Bundaberg main trade area population of 95,900 in 2014 is projected to increase to 110,200 over the period to 2026.
- ii. This strong level of population growth will increase the demand for further home improvement floorspace in a number of ways, including:
  - The increased population will result in additional spending by retail customers, particularly given the majority will be home owners. Residents who own or are

- in the process of purchasing their own homes will generally spend more in the hardware and other household goods categories than those who are renting.
- Additionally, 37.7% of the Bundaberg market are traditional families. Families are more likely to invest in their properties and generally spend a higher proportion of their income on home furnishings and building supplies for home repairs, alterations and ‘Do it Yourself’ projects.
  - The large number of new homes being built to accommodate the new residents will result in growth within the trade market. Trade spending is an important market for hardware retailers within the Central Queensland area as population growth fuels the continued construction of residential dwellings and infrastructure.
- iii. This continued growth will generate further business within both the customer and trade markets, which in turn will allow a greater level of hardware/home improvement floorspace to be supportable.

## 6.2 Home Improvement Floorspace Demand

- i. As indicated above, the steady population growth projected within the Bundaberg area will result in further demand for home improvement floorspace. However, it is important to note that this additional floorspace should not only include large and small traders but also different types of traders so that choice, range and price competition can be achieved.
- ii. The purchase of a house is usually the largest capital investment by individuals in Australia. Housing affordability and the current rising interest rate environment are critical issues facing Australians in every city and state. The upkeep and investment in fittings of a house are typically large outlays as compared with everyday items, such as food and grocery items.

- iii. In this current economic climate, a competitive home improvement sector is vitally important for consumers, given their house is their largest capital outlay and is a large ongoing cost if they are making mortgage repayments.
- iv. In 2015, Wesfarmers will be the only hardware chain to supply a store of 10,000 sq.m or greater within the Bundaberg market. Although there are some similarities between the Bunnings Warehouse and Masters Home Improvement stores, including the retail warehouse format, concrete flooring, range of departments and large format boxes, there are also some differences including:
  - Masters Home Improvement has a greater product mix and emphasis on the interior of a home as compared with the more exterior, outdoors and general hardware focus at Bunnings Warehouse.
  - This results in a greater range of products particularly in whitegoods (fridges, washing machines and ovens) as well as other indoor categories such as lighting but less selection in some other categories.
  - The overall feel and ambience of a Masters Home Improvement store is more sophisticated and provides an enhanced customer experience for certain target markets, particularly for the female homewares customer.
  - Across certain departments, although the two chains sell similar products, they are often from different suppliers.
  - Masters Home Improvement and Bunnings Hardware offer project advice for example across an entire kitchen or bathroom renovation including the ability to supply or contract tradesmen to complete the work, however this is a feature that Masters Home Improvement appears to emphasise or focus more upon.
- v. The introduction of additional large format concepts, such as the large format Masters Home Improvement store, will provide increased competition and an overall benefit to consumers through increased choice, range and price

competition. The Masters will offer a point of difference from the Bunnings Warehouse currently under construction.

### 6.3 Consumer Trends

- i. Sales from the ‘Do it Yourself’ and gardening market have continued to grow in recent years, due to a number of changes in both the economy and consumer behaviour.
- ii. The Global Financial Crisis resulted in consumers spending less on luxury items, such as pleasure shopping, and more on items where they would eventually see a return on their money, such as their homes. As a result, the concept of ‘why pay someone else when you can do it yourself?’ has become widely publicised with a number television programmes developed around the ‘Do it Yourself’ concept.
- iii. The ‘Do it Yourself’ trend, coupled with the increasing popularity of the outdoor room and the greater environmental awareness of the consumer, has resulted in a boom in hardware and gardening sales. This has boosted large format home improvement sales nationwide and led to further demand for home improvement floorspace.

### 6.4 Floorspace Demand and Supply

- i. The consumer trends outlined above has result in increased demand for home improvement floorspace nationwide. Bunnings has responded to this demand with plans to open 12 new stores in Queensland between 2011 and 2014.
- ii. Based on recent behaviour by both Bunnings and Masters, it is estimated that 40,000 people are required to support one large format home improvement store of 10,000 sq.m or greater. Given the existing main trade area population of nearly 100,000, currently two stores of 95,900 sq.m or greater are supportable within the Bundaberg market with the Bunnings Warehouse along Johanna Boulevard the only large format store to be operating by 2015.

- iii. By 2017, the population within the Bundaberg area is projected to increase by around 14,300 to 110,200. At this time, the Bundaberg main trade area would be able to support almost three large format stores.
- iv. As such, given the pattern of development from both Bunnings and Masters Home Improvement stores around Australia and the strong growing nature of the Bundaberg main trade area, all existing and proposed large format home improvement/hardware stores will be supportable within the region by 2017, including the proposed Masters Home Improvement Store and the Bunnings Warehouse currently under construction along Johanna Boulevard.
- v. As both the retail and trade markets grow in the Bundaberg area, with steady population growth resulting in the continued construction of residential dwellings and infrastructure, so too will the need for further home improvement floorspace.

## 6.5 Site Location

- i. The proposed Bundaberg Masters Home Improvement Store will be located at the south-west corner of Greathead Road and Fe Walker Street. This high profile location will make the proposed store easily accessible for the surrounding population, with Fe Walker Street forming part of the Bundaberg Port Road (Fe Walker Street) and Greathead Road connecting to Elliot Heads Road in the west. Both roads provide access to the Bundaberg CBA in the west.
- ii. Given the location of the site on eastern side of the Bundaberg urban area, the site would be highly accessible for the growing coastal communities of Burnett Head, Bargara, Coral Cove and Innes Park.
- iii. As such, the proposed store is well located to serve both the surrounding residential market, as well as the Bundaberg trade market, given the amount of residential housing currently being developed in the surrounding area.

## 6.6 Impact on Hierarchy

- i. The proposed development will clearly strengthen Bundaberg as a retail destination for home improvement shopping. The proposed facility will not impact on the role served by the Bundaberg CBA or on major facilities such as Hinkler Central and Sugarland Shopping Town, which contain a large non-food component including apparel and discount department store shopping. The proposed facility will not include any apparel or major non-food traders which will compete directly with stores at these locations.
- ii. There are no other bulky goods or showroom precincts which will be impacted to any significant degree, with the largest impacts, as indicated previously, on the Bunnings Warehouse currently under construction along Johanna Boulevard.
- iii. Consequently, there will be no impacts on the hierarchy.

## 6.7 Impacts on Existing Traders

- i. The analysis of impacts provided in the previous Section 4 of this report shows that the projected impacts on other stores throughout the region from the development of the Bundaberg Masters Home Improvement Store will not threaten the viability or continued operation of any centre or trader.
- ii. Large format home improvement stores are projected to be impacted to some degree, however, these larger traders and particularly Bunnings, are understood to trade successfully as evidenced by the new Bunnings Warehouse under construction along Johanna Boulevard. These stores will continue to remain viable following the addition of the proposed Masters Home Improvement store at Bundaberg.
- iii. Offsetting any potential impacts on retailers, however, are the substantial benefits to the consumer and surrounding population, resulting from the increase range, convenience and price competition, with Wesfarmers supplying the only hardware stores greater than 10,000 sq.m within the Bundaberg market.

- iv. The impacts from the proposed Bundaberg Masters Home Improvement Store are only likely to be experienced by competitive centres in the short-term and these centres stand to benefit from substantial market growth after these impacts have been absorbed.
- v. The visual character of a Masters store, shown in Figure 6.1, illustrates the high level of design of the stores and is not expected to impact on surrounding facilities to any significant degree. Instead, the Masters store will provide an increase range and choice to the local community. Masters is an emerging retailer and caters for the modern Australian society in established and growing family markets.
- vi. As such, the impact from the proposed development would not affect the ongoing operation or continued viability of any centre or facility.

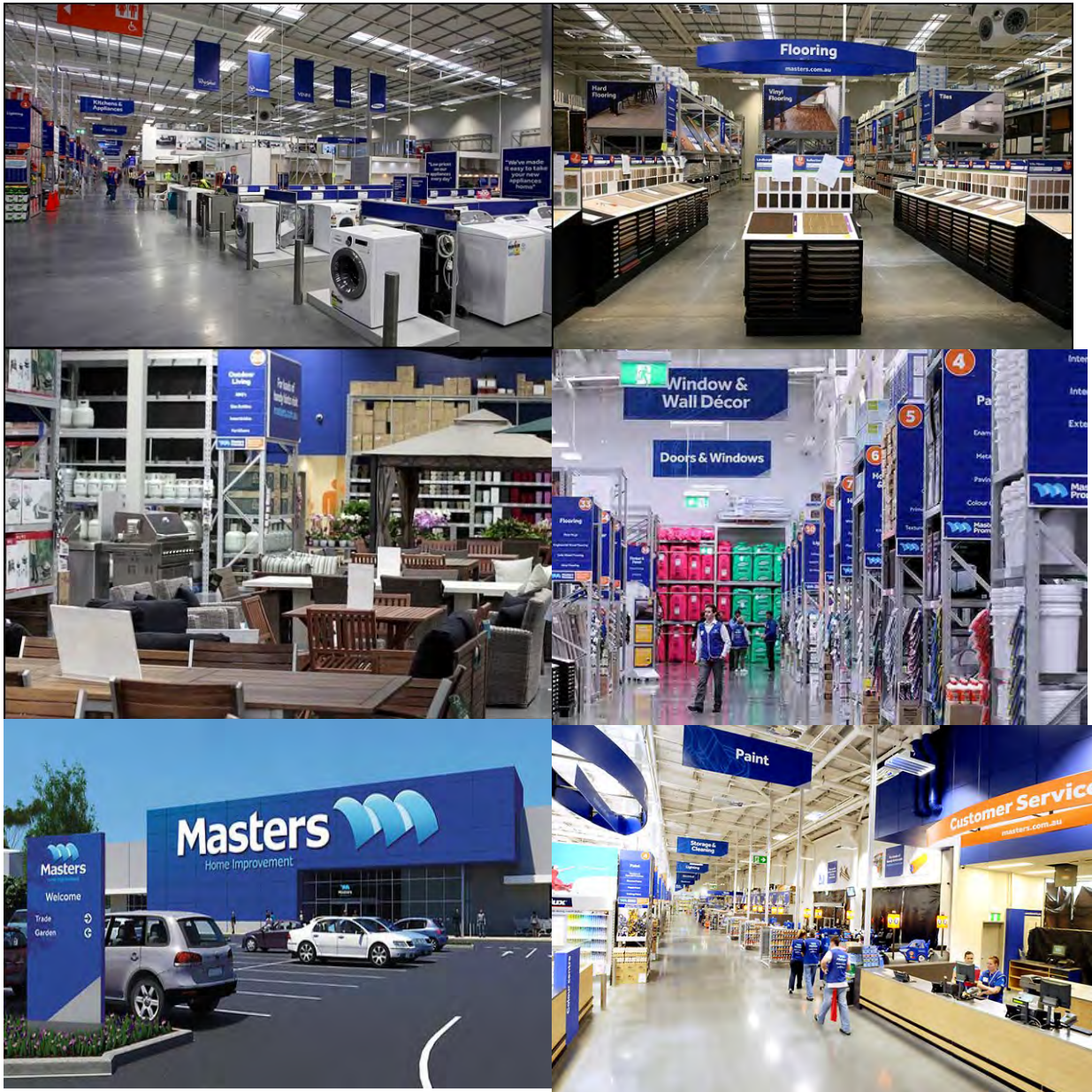
## 6.8 Net Community Benefits

- i. It is the conclusion of this report that a substantial net community benefit will result from the development of the proposed Bundaberg Masters Home Improvement Store.
- ii. Offsetting the trading impacts on some existing facilities, there are very substantial positive impacts including the following:
  - Given the number of existing and proposed Bunnings stores situated within Bundaberg and Queensland in general, the proposed Bundaberg Masters Home Improvement Store would provide additional choice, convenience and price competition to the consumer.
  - The addition of the proposed store will help fulfil the existing demand for large format home improvement floorspace, with area currently able to support an additional two stores.
  - The creation of additional employment which will result from the project, both during the construction period, and more importantly, on an ongoing basis once the development is completed and operational. Some 135 permanent

positions are likely to result from the proposed development, generating a further 128 jobs within the broader community. In addition, some 286 jobs are likely to be created, both directly and indirectly, from the construction stage.

- iii. It is concluded that the combination of the substantial positive economic impacts serve to more than offset the trading impacts that could be anticipated for a small number of the existing stores, particularly large format home improvement stores, in the region. Further, the impacts would not threaten the viability of any of these traders or centres.

FIGURE 6.1 – MASTERS STORE PHOTOS



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## **APPENDIX 1**

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THE AUSTRALIAN, 31<sup>ST</sup> MAY 2010

# Mitre 10 set to brave hardware war

The departing chief says independents can survive competition from Bunnings and Woolworths

RICHARD GLUYAS  
HARDWARE

OUTGOING Mitre 10 boss Mark Burrows believes the independent hardware chain can prosper despite an imminent assault on the \$28 billion home improvement sector from Woolworths' rollout of 150 big-box stores.

Mr Burrows, who stepped down as Mitre 10 chief executive on Friday, predicted tumultuous change from next year when the Woolworths joint venture with US giant Lowe's would open its first megastore.

"From (Mitre 10's) planning, it's clear that when a big box lands, it sucks business from the whole area," Mr Burrows said.

"So if there's a 20 per cent revenue drop initially, it will take about two to three years for a well-run Mitre 10 store to get that back." Badly run businesses would go out of business, he said.

However, Mr Burrows said the US and Canadian markets showed strong independent groups could still thrive in a market dominated by two big-box home improvement retailers, like Woolworths/Lowe's and the Wesfarmers unit Bunnings.

Many customers, he said, sought a more personal experience than the sprawling, 13,000sq m Woolworths template could offer. "Customers don't want to go to a big box with lots of aisles and lots of staff and lots of loud pestulations about where-to-go," he said.

Last month, new Mitre 10 majority owner Metcash surprised the market, announcing that senior executive Mark Laidlaw would succeed Mr Burrows, who was seven months into a three-year contract.

The grocery wholesaler had won off a competing private



Outgoing Mitre 10 chief Mark Burrows says the hardware chain faces stiff competition

equity bid in December to pay \$11 million for 50.1 per cent of Mitre 10. It also acquired an option to buy the remaining 49.9 per cent in either 2012 or 2013, based on an agreed multiple of earnings.

When Mr Burrows joined Mitre 10, which supplies 450 branded stores that hold a 6 per cent market share, the business

was testing the patience of Commonwealth Bank. CBA was tired of 590m and the economy was heading south as the financial crisis took hold.

In the current financial year, it is expected to earn \$18m before interest and tax — its best EBIT result in some time.

This follows a 25 per cent cut in

Mitre 10 staff, mostly at head office, a one-quarter contraction in inventory levels, and the sale of all corporate stores that were competing with the business's customer owners.

A further leg of the restructuring, more bank funding to support the turnaround, foundered as the financial crisis took hold.

Mitre 10 was able to cut debt below 100m, but the business showed a deficiency in octanets after the 2009 "dissect" year, leading the board to start an equity raising process last April.

Mr Burrows left Australia yesterday to spend three weeks in Britain. "I'll start thinking about the next thing when I return."

THE AUSTRALIAN FINANCIAL REVIEW, 9<sup>TH</sup> JUNE 2010

# Bunnings glad to have better rivals

Julie-anne Sprague and Sue Mitchell

Metcash's \$55 million acquisition of a controlling stake in hardware distributor Mitre 10 has received the thumbs-up from market leader Bunnings, which is preparing for an increase in competition.

Bunnings managing director John Gillam said yesterday that Mitre 10 was in "desperate need" of new capital when Metcash acquired a 50.1 per cent stake in March.

Mitre 10, which supplies 450 independent hardware retailers, would benefit not only from Metcash's \$55 million cash injection but its operational and supply chain expertise and would hopefully become a more disciplined competitor, Mr Gillam said.

"They have a terrific chance of being a better operator," he said after addressing the Stockbrokers Association annual conference. "They needed capital to get some strength back into their core operation. Metcash is a very disciplined operator and will probably bring some operational focus that will drive a more effective core and a more effective centre."

"Hopefully Mitre 10 will respond to that and behave in a more disciplined manner at each shop front."

Mr Gillam confirmed plans to

open between 10 and 14 large format stores, two to four small stores and four to eight trade centres a year, saying there was plenty of growth in the hardware market despite the entry of Metcash and Woolworths.

Woolworths plans to open 150 big-box home improvement stores over the next five years in conjunction with its US partner Lowe's, but plans to offer whitegoods and soft furnishings as well as traditional hardware.

"In 1980 in the US, Kmart talked about the market being saturated for discount department stores. They had \$20 billion in turnover and a little business called Wal-Mart had \$1 billion. The rest is history," Mr Gillam said.

"We don't use the word saturation. We do use the concept of mature markets. The market is more than \$36 billion and there is more than \$30 billion of growth in front of us," he said.

Bunnings has been one of the strongest performers in Wesfarmers' retail stable this year, with cash sales up 11.9 per cent in the nine months ended March and trade sales up 8.9 per cent.

Mr Gillam said consumer sentiment was better "than what it was" and he expected an improving contribution from trade sales as the economy recovered.

Rear Window, page 46

THE AUSTRALIAN FINANCIAL REVIEW, 2<sup>ND</sup> JUNE 2010

## Hardware business is ready for growth

Sue Mitchell

Less than three months after taking control of hardware distributor Mitre 10, Metcash is preparing to embark on a new growth phase by recruiting new retailers and opening more stores.

Metcash chief executive Andrew Reitzer has unveiled plans to drive sales growth at Mitre 10 by approaching unaligned hardware retailers and poaching those being supplied by Danks, which was acquired late last year by Woolworths and its hardware joint venture Lowes.

Metcash completed a strategic review of Mitre 10 last month after gaining shareholder approval to buy a 50.1 per cent stake in March, in return for a \$55 million cash injection.

Metcash has an option to acquire the remaining 49.9 per cent in 2012 or 2013.

The review yielded no unpleasant surprises, but confirmed Metcash's view that there was plenty of scope to lift returns by increasing sales and earnings.

"The good news is that what we thought was there was there [and] the bad news is there is just a bucketful of potential," Mr Reitzer said.

"The previous chief executive did a great job in terms of stabilising the business, taking out costs, getting service levels right and reducing overheads.

"We've now come in as a strategic equity partner and we're now switching to a growth phase and will grow the business going forward."

Metcash's initial focus will be on improving productivity by overhauling Mitre 10's supply chain, implementing systems and techniques used by Metcash's IGA Distribution business.

Metcash also sees scope to improve merchandising and marketing at Mitre 10 and lift levels of compliance among retailers to improve the impact of promotions.

Metcash has already reshuffled senior management within Mitre 10, installing a former IGA executive, Mark Laidlaw, as chief executive and

### Metcash's initial focus will be on improving productivity at Mitre 10.

appointing new merchandise and finance executives.

Mr Reitzer said it was too early to quantify Metcash's future investment in Mitre 10.

If Metcash buys out the remaining shareholders in 2012 or 2013, the acquisition is expected to boost its wholesale sales by at least \$1.2 billion and earnings before interest

and tax by between \$30 million and \$40 million.

In the first month under Metcash's control, Mitre 10 contributed \$1.5 million in earnings before interest and tax and \$62 million in sales.

"The most interesting thing for the next two years will be Mitre 10 and whether they can make that business work," said one analyst.

Mitre 10's focus in the past had been on helping its retailers achieve sales and little attention had been paid to supply chain efficiency and distribution.

"While they had invested in some new distribution centres they didn't really see DCs as their core function," the analyst said.

"Metcash sees itself as a business that wants to be as efficient as possible in shifting boxes so they think there's a big opportunity to install that culture in Mitre 10."

THE AUSTRALIAN, 2<sup>ND</sup> JUNE 2010

## Mitre 10 takes aim at Woolworths

BLAIR SPEEDY  
HARDWARE

METCASH is taking the hardware fight to Woolworths, ramping up its sales force to head-hunt independent retailers to join its majority-owned Mitre 10 chain.

An operational review of the hardware business, which cost Metcash \$55 million for a 50.1 per cent stake earlier this year, had identified "millions and millions of dollars" in savings via improved sourcing, Metcash boss Andrew Reitzer said.

Some of these savings would be directed to growing the business by poaching retailers who were currently customers of rival wholesalers such as Danks, owned jointly by Woolworths and US home improvement giant Lowe's.

"We have to take some of the money from the low-hanging fruit and put a few guys back in the field so that they can start knocking on competitors, suppliers and customers and getting them across to Mitre 10," Mr Reitzer said.

The company had fielded con-

siderable interest from Danks customers concerned at the impact of Woolworths' plans to open big-box hardware outlets with Lowe's starting next year, but had yet to sign up any defectors.

In the event that Mitre 10 store owners decided to quit the sector due to the tougher competitive landscape, supply agreements gave Metcash the first right of refusal to buy many of the stores, he said.

Metcash would also take around 18 months to overhaul the Mitre 10 supply chain, whose efficiency Mr Reitzer said was currently impossible to gauge.

"I don't know how you can run a supply chain and not measure anything, so we have to put in all the technology and the systems that we use in their warehouse," he said.

The upgrade was expected to drive a 20-50 per cent increase in productivity, Mr Reitzer said, while sales would benefit from the addition of new stores to grow from around \$800m this year to more than \$1 billion in two to three years' time.

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