

# Super A-Mart rides its own

## Queensland Ink

Alex Tilbury

EDDIE MacDonald is a retailer in a sweet spot. He knows many of his rivals in retail heartland are hurting with tight discretionary spending, lacklustre housing sales and generally skittish consumers who are nervous about making expensive purchases while employment is uncertain.

But as the chief executive officer of Super A-Mart, Queensland's largest discount furniture and bedding retailer with a 20 per cent market share, business is looking good.

The company now has a chain of 30 stores in all states except Tasmania although it has plans to open there and in the Northern Territory.

The next superstore, its fourth in Melbourne, will open its doors in Springvale, right across from a new IKEA.

"People in Melbourne shop more, they are our best stores, the housing market is stronger and more than double Queensland in terms of housing starts," Mr MacDonald said. "Rent is cheaper in Melbourne. I want my 20 Melbourne stores. The hard bit is finding the right sites."

Super A-Mart, founded by businessman John Van Lieshout in 1972, has flourished since being bought by private equity firm Ironbridge Capital for \$478 million in July 2006.

While most retailers are struggling as deep discounting erodes margins and are being faced with the ever-increasing threat of online competitors, Super A-Mart sees opportunities for expansion.

"Traffic is flat but we are selling more to our customers, we are getting more out of the traffic," Mr MacDonald told *The Courier-Mail*.

"For us, we don't have Westfield charging us high rents like other speciality retailers and we don't have the online threat, for us it's actually an opportunity.



"So a lot of the forces swirling around other retailers are not swirling around us, we don't have the same problems.

"We don't have global competitors coming in, the only one is IKEA and they have been here for years and they are a different proposition.

"People cannot import a lounge suite from America. We have just started a web store actually, it's early days but it's looking good and over the next six months we'll develop it into something more

sophisticated." He said the typical customer for Super A-Mart is 25-50 years old, with 60 per cent female on an income of \$50,000-\$100,000.

Mr MacDonald has streamlined Super A-Mart into an efficient machine now with 35 suppliers, compared with 170 previously, and has brought the company's IT out of the dark ages, so any employee can find any product in any store quickly.

It's a big problem if you've got \$60 million worth of stock but you don't know where

everything is. Staff numbers have grown from 600 in 2007 to 900 today, and there is an aggressive store rollout happening, with 10 stores opened in the past three years, all outside Queensland.

Mr MacDonald said furniture sales are pegged to new housing approvals, which are down 60 per cent since the GFC.

"It's been a crazy few years. Originally there were 20 stores, and I figured if you were the No.1 furniture retailer in Queensland, why not in other

# wave of profit in retail maelstrom



states?," he said. "Now our new stores interstate are our best stores. They are more successful than any of us could have imagined. The housing market is better there but they have never seen a concept like ours, a big-box furniture retailer.

"We have found we are filling a void. Our competitors are Fantastic Furniture, which is a different proposition to us as our stores are three times as big, and IKEA doesn't do interest-free finance and Harvey Norman is a lot more

expensive than us. We decided when the (global financial) crisis hit, we started package deals and surprisingly enough we started selling higher-priced products, and that has worked. "We are now getting more out of fewer people.

"We now get higher margins, we have fewer suppliers and the higher dollar is obviously helping our buying, and our store rollout has helped. We have a very efficient, low-cost supplier chain.

"Our margin is up six points

and we want to get to 80 stores - opening probably four a year - in the next 10 years.

"We have to make sure we get the right stores at the right rent, we need our stores to be making \$15 million-\$20 million (in revenue) a year.

Ironbridge Capital has not stated what its long-term plan for Super A-Mart is but Mr MacDonald said "we've all been sitting back and going 'wow look at this profitable growth, why would you want to do anything with it?'"

"I am not sure what their intention is but obviously a sale in the current environment is probably not value maximising.

"The sharemarket is diabolical at the moment. It's all over the place. They may just keep it running as there are few retail businesses with this sort of growth potential."

And he should know. Mr MacDonald is a long-term retailer, who used to be the chief operating officer at the footwear and apparel retailer the Colorado Group, which was placed into administration in March with the receiver Ferrier Hodgson looking for a buyer.

## Going places

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- Owned since 2006 by Ironbridge Capital
- Has 20% of Qld market
- Has 30 stores nationally
- Plans expansion to 80 stores

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Colorado's five key retail brands include Colorado, Mathers, Williams, JAG and Diana Ferrari. There were 434 stores across Australia and New Zealand, employing about 3400 people and by June they closed 139 stores and shed 1042 employees.

Mr MacDonald attracted a lot of talented personnel from his Colorado days to Super A-Mart, including Matthew Keys, chief information officer and Tishara Mina in human resources.

"We are like the Bunnings of furniture, or JB Hi-Fi," he said.

"At a lot of other furniture retailers you have to wait 6-8 weeks for your couch to be made. Only us and IKEA is where you can take it home that day. We track our stock daily store-by-store."

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