

Transcending Supercheap

It's probably the enthusiasm that makes all the difference at the Super Cheap Auto Group. It starts at the top. Managing director Peter Birtles said the enthusiasm of the people involved in the group's brands – Supercheap Auto, BCF (Boating, Camping, Fishing) and cycle specialists Goldcross – is infectious and vitally drives progress.

"I think it's the people. It's the quality of the people," Mr Birtles said. "I'm fortunate I've got some very good people who work in our business.

"David Ajala, who runs Supercheap Auto is a first class retailer. He's a first class merchandiser, marketer and operational person. He provides great direction to Supercheap Auto. And he has got a great team that work with him.

"And Steve Doyle who runs BCF is a real driver of that organisation and is highly passionate about BCF and he's done a first-class job there. So you've got these guys and then I've got great people who do the support functions as well.

"That allows me to operate at a strategic level in the organisation and to manage the external relations. I am very interested in each of our businesses and the guys are always open to suggestions and ideas and discussion. We try and do that as a culture. We are all very keen on our businesses, fortunately.

"I feel we are very lucky in that because it is a tangible that we do – you can see the product, you can see the stores, you can touch things and get involved, with lots of people to interact with, so it's a real easy business to imbed yourself in and get excited about.

"We aim to (attract enthusiasts as staff) that's part of our plan – that whole passion thing. If we have people who like the product then they are more likely to engage with the customer when they talk about it. They have got an affinity for it. So, absolutely, the more we can attract people who have a natural passion for the product, the more we will win."

But it is the enthusiasm of the customers in the auto enthusiast, boat-

ing, camping, fishing and cycling sectors that underpins the business.

Communicating that and meeting their product and service expectations is the DNA of the business, according to Mr Birtles.

WINNING PROMOTION

Supercheap Auto is one of the most promotionally driven businesses in Australia. It has 17 catalogues a year which tend to last for about two weeks in the market. The catalogues are all national and across New Zealand as well.

"So there's 6.5 million catalogues we do each time, and they are a major driver of activity," Mr Birtles said. "But around that, there are four key peak times in the year – Father's Day is always a good time, because we appeal more to the male customer base.

"Then Bathurst, and we've been really successful in terms of the turning the whole sponsorship of Bathurst into a major feature for the organisation both internally and externally, so it is something that we really get behind. And it's been successful in driving sales from our customers and it's been a real way of galvanising the organisation."

The other two key sales periods for Supercheap Auto are Christmas and Easter.

Supercheap Auto has been involved in race team sponsorship of V8 Supercars for many years, but is in its fourth year of sponsorship of the overall Bathurst 1000 race, with two years remaining on the deal.

The sponsorship has been a defining event for the brand.

"My predecessor (Bob Thorn) was the major driver of that decision. As an

organisation we have been involved in motor sport for some time, sponsoring a V8 team. But the opportunity came up to get involved with the Bathurst event and Bob was passionate about that opportunity. It's proven to be a very good decision for us.

"Bob was involved with the first year (he left in January 2006 to concentrate on his own business interests, after overseeing the growth of the Supercheap Auto brand from seven stores when he joined in 1993 to more than 200, handing over the reins to his number two, then-CFO Mr Birtles). But I think what we've done since is taken that opportunity and turned it into a real brand building event and sales driving event for the organisation.

"It is the leading auto event and it is most highly valued by people," Mr Birtles said.

The Supercheap Auto Bathurst 1000 says, simply, Supercheap is the leading retailer in this space.

"There are all the ancillary things that come, as a driver of culture, as a driver of relationships with suppliers, all of those things then assist the company," Mr Birtles said.

On a direct performance level, Bathurst is now a key part of the overall mix of marketing activity.

"So those periods of Fathers Day, Bathurst, Christmas and Easter are key for Supercheap Auto."

BRAND NEW APPROACH

The newer brands, BCF and Goldcross are settling into their own marketing patterns.

BCF, Mr Birtles said, is more skewed towards the summer holiday period.

"The business is predominantly tar-

getting the mum and dad customers, average income, people that do tend to spend their time over the summer holidays either going away camping or they will spend some time fishing or whatever it may be," Mr Birtles said.

"So we get a bit of a seasonal peak and BCF does very well, from a gifting point of view as there's a lot of call for Christmas gifts ... There's a lot of gift cards, and the December-January period is key for BCF."

Goldcross is also expected to do well in the gift card arena.

"This is a trend that we saw in the US about five years ago. Gift cards started to develop and we had an old paper-based gift voucher system which wasn't particularly practical so now we've changed to a more attractive presentation with plastic card and so on and we're seeing that sales of gift cards are increasing significantly."

RANGE ADDS UP

One of the great strengths of Supercheap Auto, now extending to BCF and Goldcross, has been the careful growth of its range. Supercheap has in recent years developed its own high end range of auto

products, named Calibre, and a broader mid-range brand, SCA.

It is a far cry from how Reg Rowe founded his mail-order business 'from under the house in Brisbane' in 1972.

Stuck with a range of excess auto parts, he borrowed an unleased shop and put up signs *Super Cheap Auto Parts – closing down sale – all stock must go*.

The stock went and the closing down sale went on for a long time – through several successful re-stocks, legend has it. The name Super Cheap Auto was born out of a closing down sale.

It has both endured and morphed into something more meaningful to customers – although Mr Birtles often jokes that even today as non-executive director Mr Rowe is not past suggesting that, whenever sales are slow, they roll out the *closing down sale* banners to pick things up.

"We're pretty certain that wouldn't work too well for us these days," Mr Birtles laughed.

The business is now one of the world's most sophisticated in sourcing, developing and even creating its range.

"And the whole positioning of the business now is around what you see in all of our ads, *everything Auto and*

much, much more, gives us that permission to do those other things.

"We did a lot of work prior to the investment in new store formats, the new product and so on. We knew the brand wasn't where we wanted it to be. The organisation had invested a lot of money in Super Cheap Auto as a brand and whilst it's very strong and has some real clear connotations you can, over time, evolve a brand with what it actually delivers – into people understanding that's what the brand means, that's what the brand is for... rather than the words."

Like the kinds of vehicle improvements that the stores now cater for, the modifications were subtle, cost effective and performance driven.

"We did make some subtle changes to the branding. It was two separate words (and the S and C were dollar symbols). What we've done now, it's now one word and also the Auto is much bigger than the Super Cheap in the old logo. We've balanced it a bit. Still Supercheap stands out more, but it's a bit more balanced.

"Now, instead of Super Cheap Auto, with the focus on the Cheap, now it's Supercheap Auto. That subtlety

Image: Creative Eyedentity.

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helped. And then of course all the messaging around it... from *you get the lot for less to everything auto and much, much more*. And the positioning of the adverts being not as strong in terms of price messaging but more in terms of range messaging and so on."

CHANGE GEAR

Mr Birtles said the positioning statement and subtle tweaks to the Supercheap Auto brand came out of intensive work by senior management in 2005 and 2006, which aimed to set a sustainable course for growth.

"The business had been highly successfully growing its footprint over a number of regions," Mr Birtles said. It had been rapid growth and very much on the (old) brand position of *get the lot for less*.

The handyman and 'home mechanic' markets were changing

the last few years and so (developed) a number of key strategies including the layout of the stores – making them more shop-able – and we've been working very hard on the product, including the range of the product, the quality of product and yes we have been investing in team member knowledge and looking at a whole suite of people-development programs and trying to be clear on what the business is going to stand for."

Training has stepped up dramatically, especially with the onset of the group's intranet and there are ongoing developments in that area.

"The one area that we still have a little bit of work to do is team member knowledge," Mr Birtles said. "That is in relation to the various elements of retail – how convenient you are, what value you offer, what depth and breadth of range you offer, what

used to getting through the web. Something's got to engage them.

"We have a weekly (e-newsletter) that we call the Bulletin. So we are trying to talk to people through different media and we are actually about to launch a site through our Basil – our intranet system – which allows the team to send in questions that will be answered. We always feel there is more we can do from the communication standpoint."

In the area of staff training, ironically the junior brand, BCF, has contributed upline to Supercheap Auto.

"One thing that we've done very successfully in BCF, which we are moving across is a three tier knowledge development program," Mr Birtles said. It is based on the question, 'what are the 10 things you have to know to work on the floor in each category?'

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with fewer people knowing how to do things on their vehicles, plus the complexity of the vehicles was increasing.

"What we were seeing was the number of those people reducing and more people needing assistance. So in an environment like that we started to think about the brand positioning and recognising that we needed to have more credibility in terms of quality, knowledge and so on."

This drove a major re-think on staff training and raising the quality of both products and in-store service to meet a changing market.

"We've been working on that over

level of in-store experience do you offer, what level of expertise you offer. Those are the five key components of any retail model."

It is a serious challenge geographically, with Supercheap Auto's 251 stores spread throughout Australia and both islands of New Zealand.

"We've got this system of development which we run through our intranet. It sounds a bit strange, but it is a cartoon-based system where we get a character talking about the product. And we are trying to keep it as interactive and I suppose high level as possible for our team and audience.

"The average age in our business is around 22 to 23 so we have a lot of young people and these people are used to getting a lot of information from the internet. So we are trying to create programs internally that are consistent with the type of information they are

"So the 10 things I must know about boating, the 10 things I must know about fishing, the 10 things I must know about camping. Everybody, before going on the floor, has to know those 10 things," Mr Birtles said.

"There are intermediary and expert levels of the program for staff to move through and it is likely to be introduced to Supercheap Auto."

He said it was an increasing challenge to keep up with the rapid changes in information. With more than 10,000 different products already in stock at Supercheap Auto, Mr Birtles said the group still had to not stray from bringing through new and appropriate products that the customer wants – and they all had to relate to the brand's core offer

A good recent example is the range of garage storage furniture and items Supercheap has helped bring to market.

NEW HORIZONS

Mr Birtles said in leading an 'energetic' group of people who like challenges, questions often come up about the next stage of development.

"That's really the core components of the organisation. We looked at the people – very few of us have automotive backgrounds. We've got a whole melee of retail experiences. So that's the core of the organisation. It's retail capability."



It was those discussions that led to expansion as a retailer in symbiotic sectors. The company bought the four CampMart stores in Brisbane in January 2005 as a base, and the BCF journey began, to reach 53 stores nationally today.

"We really felt that there was nobody who truly owned camping, boating and fishing as an offer across the country," Mr Birtles said. "And research said 56 percent of people who go camping go fishing at the same time, take their rods with them and, not surprisingly, 88 percent of people who go boating go fishing at the same time. So fishing sometimes is the glue that pulled them together. But we felt, here's a real opportunity to pull an offer together that goes across those three categories and to do it in a way that nobody else has been doing it.

"BCF is interesting in that it has only been trading for three years but in some ways it is much closer to the maturity profile because we are currently at 53 stores and the view that we have been set is probably 65," Mr Birtles said. "What we are doing is exploring. Are there offshoots of BCF that can go into smaller locations? That's an opportunity there.

"Then our new business, Goldcross which is obviously very new to us and obviously we've been busy working out what we want that business to be going forward. We'll be starting to launch new stores at the end of November. And then we will be refurbishing all the existing stores in Melbourne in February and March."

ON YOUR BIKE

Mr Birtles is confident the group can work its magic into the cycle sector and create a market-leading Goldcross chain, as it has done with Supercheap Auto and BCF.

"That will be a business that we believe, in the longer term, has the potential for at least 100 stores. We are quite excited by that opportunity," he said.

"The (cycle) market has been growing between eight and 10 percent over the last five years. We believe that demographic factors will continue to grow the market.

There are 1300 independent bike stores across the country so we see an opportunity to take a leadership position and we think that we can actually do a lot more from the marketing standpoint."



Russell Ingal enforces the brand in the Supercheap V8 at Bathurst.

An example of where Goldcross may open up a product leadership position is electric-powered bicycles which are popular in Europe but have yet to find their niche in Australia.

"There happens to be different regulations in terms of size of motor and all that kind of stuff in different countries, so the products that are currently manufactured for the US and European markets don't suit the Australian markets," he said. "We plan some work in that area.

"We are taking a position with the ACCC (Australian Competition and Consumer Commission) to try to clarify some of the regulations around the whole bike industry."

Even though Supercheap Auto has had requests to export both its products and its retail stores, at this stage that is unlikely to happen.

"We've had requests. We haven't particularly pursued that opportunity yet. We've got plenty on our agenda locally, so it's certainly there and there is a desire for something like our own-branded products... particularly the Calibre and the SCA brands.

"We are a centrally driven organisation. That's the business model we are accustomed to. So the pricing decisions, the marketing decisions are taken centrally. The ranging decisions are taken centrally," he said.

"The people decisions and the customer service decisions are taken locally. We are comfortable with that model."

For now, the company that likes to race ahead will stay on track.

"Supercheap Auto is currently at 251 stores and we are looking to take

QUEENSLAND LEADERS

Super Cheap Auto Group (SCA) is a partner in Queensland Leaders, the organisation helping to foster and mentor the next generation of Queensland-based international companies.

For managing director Peter Birtles, Queensland Leaders is "part of the give-back" for the group. Mr Birtles said he had found Queensland Leaders very handy for hearing about other businesses and industries and how they do things, at a CEO-to-CEO level. In particular, he has struck up a friendship with fellow retailer David Botta, CEO of the Colorado Group, which has helped stimulate interesting discussions and perspectives about the sector. Mr Birtles said Queensland Leaders has been part of a process of good corporate citizenship that SCA encourages and is encouraged by. www.queenslandleaders.com.au

it to 300. So we are looking to open between five and 10 stores a year for the next five years or so.

"That's reasonable growth, and continuing to reinvest back into the stores and bringing in new products, to drive like-for-like sales.

"We've got different size store formats. The standard stores are 700sqm, there's a smaller store format which is 400sqm which we will use in smaller towns, and then there is a superstore format which we have just trialled at Caboolture, which has done very well for us. We will do more of those superstores going forward, and at 1000sqm," he said.

It's a company that can 'shift gear' in every sense.

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