



**Business Kapiti Horowhenua Inc**

**Organisers of the Electra Kapiti Horowhenua Business Awards**

## **Case Study**

### **Mitre 10 MEGA Kapiti**

#### **Winner of the 2012 Electra Business of the Year Award**

##### ***Synopsis***

This is a case study of Mitre 10 MEGA Kapiti (the Company), winner of the 2012 Electra Business of the Year Award. It is owned and operated by Vincent and Tricia Indo and it is the largest home improvement warehouse in Kapiti. <http://www.megakapiti.co.nz>

The Company is, in some ways, similar to previous Electra Business of the Year Award winners in that it is in rapid growth mode, competes successfully against strong competition and operates in an evolving and increasingly sophisticated sector where quality and consistency of product and service are paramount and where measuring and benchmarking its performance against other businesses is standard practice.

But it is also different from previous winners. Although it is a family business, it is part of a Members' cooperative which means it can access a large range of support services from Mitre 10 Support Centre in Auckland such as national marketing, and is able to network and draw on the best practices from the Mitre 10 "family network" throughout the country.

Winning the Award was based on the same business principles that won the Award for previous winners [http://www.electra.co.nz/business\\_awards/](http://www.electra.co.nz/business_awards/). As with Tuatara Brewery Ltd, Aura Software Security Ltd and Turk's Poultry Farm Ltd, this case study offers valuable learnings for every business regardless of the sector they operate in.

## ***Introduction***

This case study<sup>1</sup> is about Mitre 10 MEGA Kapiti winning the Award. Its success is based on the qualities that characterise successful businesses – a long term vision, business plans (which the Award assessors rated “...with the best nationally and possibly “world class”), clearly defined values, sound business practices and focused customer objectives supported by a strong national and local brand. Above all, it is driven with passion by its owners who take pride in employing staff with a similar attitude to theirs and who are committed to the pursuit of excellence. Part of the business and personal philosophies of the owners is to be involved in their communities: Tricia is a member of the Kapiti Concert Orchestra and Vincent is involved in Rotary.

Mitre 10 MEGA Kapiti did not win the Electra Business of the Year Award because of their category wins (they won the Staff Development, Marketing and Image Building and High Growth) but because they scored consistently across *all* categories. Consistent with previous Award winners and their philosophy of continuous improvement, the owners acknowledge there are areas that can be improved as the business grows.

## ***Background***

Vincent and Tricia Indo came to New Zealand from Canada in 2004. They were initially approached by Mitre 10 NZ Ltd who was looking at the “MEGA” (superstore) concept. They were invited to work with Mitre 10 in NZ and Australia to help develop the concept which led to them working at the Mitre 10 Support Centre in Auckland (IT systems and processes and business development) where the MEGA concept was developed. During this time they gained firsthand knowledge about the Mitre 10 group and the New Zealand consumer which they applied when they eventually bought Mitre 10 Solutions store in Paraparaumu.

They, along with their future business partners - Graeme and Stephen Ricketts, owners of MEGA stores in Napier and Hastings, felt the MEGA concept could be developed further. Drawing on their collective experience in the business at wholesale and retail sectors and after carefully evaluating a number of locations, it was decided Kapiti was the best site to open another MEGA store.

The decision to work together as business partners was made only after considerable research, careful assessment of synergies and alignment of mutual values. This aspect of their business relationship with their partners is seen as critically important. They are aware of instances where “getting into bed” with a business partner can present experiences that are sometimes extremely challenging. This is not the case in this business.

The owners stress that before they settled on Kapiti for their MEGA store they researched the region’s potential – namely its business and community environment, business growth, strategic future (proximity to Wellington, road and rail network, airport), population growth, socio-economic

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<sup>1</sup> According to the Concise Oxford Dictionary a case study is “The use of a particular instance as an exemplar of general principles.”

and related demographics, and the attitude of the local Council. Impetus was given to their decision making by the support from Sir Noel Robinson (whose vision and drive turned the airport from a small provincial to a national facility) who promoted the MEGA store as a cornerstone of the airport retail complex to the extent where the airport's architect worked with the owners on the design of the store ensuring it delivered not only on aesthetics but more importantly on operational requirements.

***Start up: do the homework first***

Before it was started the owners wrote a detailed business plan which encompassed financials, the store's design and layout, product range, staff requirements/skills and the other thousand or more items that make up a business. It took 12 months to develop and it involved many hours of researching, thinking and evaluating "best practice" models. Doing the hard planning yards from the onset is part of the owner's philosophy.

***The Company's modus operandi: clear, simple, successful: Everyone's Guide***

The Company has a clearly defined modus operandi:

- Vision: "To be the Home improvement destination of choice on the Kapiti Coast...end of story".
- Purpose: "To be outstanding at providing products, knowledge, and inspiration that improves Kiwi homes and environments".
- Goal: "To be a profitable and sustainable home improvement business that delivers value to its Shareholders, Team, Partners and Community".
- Values: "Our values define the behaviours expected of everyone on our Team. These behaviours will shape the culture and reputation of our business – Customer Driven, Honest and Fair, One Team, Down to Earth, Strive for Excellence".

They are the four cornerstones of how the business operates and are the philosophical elements that mark out all successful businesses. However, they are more than just operational: they serve another purpose – to shape the strategic direction of the business.

***A team of high quality and motivated staff makes a difference to profitability***

Mitre 10 MEGA Kapiti employ over 80 staff. All applicants are interviewed by the owners for culture fit – this is important. Aside from skills and experience, attitudes – enthusiasm, being positive and nice - are key attributes for employment.

Staff are trained to improve their skills across a number of areas – technical e.g. computer; "soft" e.g. relating to customers; personal development; and where appropriate, leadership development involving mentoring and coaching. The driver is to seek out people who have talent and attitude and encourage them to develop it.

In winning the Staff Development Award the judges commented that:

***“The Company has very effective performance measures and staff development systems with the induction of new employees into their culture. They “fit the job to the strengths of the person”.***

Recognition of staff comes in the form of a “STAR” merit system where the five points of the star represents the Company’s five values and is awarded to members of staff who are nominated by peers and then are eligible for the annual MEGA Valuable Awards. Other, more conventional, recognition systems such as annual appraisals, individual development programmes and monthly one-to-ones are also used. The owners believe a high operating store has to have staff of sufficient calibre that they are capable of taking leadership roles and making leadership decisions.

#### ***Division of labour - separation of duties***

The owners have clearly defined areas of responsibilities that complement their respective skills. Typical of all couples who work successfully together, they learnt over the years about their respective strengths and complementary attributes and they feel they now have the knowledge and experience to work together as a team to create a profitable business as well as be part of the local community.

#### ***Systems: complexity simplified***

The philosophy driving the Company is to “get it right from the start”. It has 45,000 lines plus multiples and managing them has to be time efficient and cost saving which means pricing, product quantity and quality, inventory and stock control and invoicing has to be done properly from the onset. Computers are important tools for MEGA and learning to use them correctly from the onset helps to ensure a high level of management control.

As part of this the store uses a rolling stock take system and has introduced what they call a “gap” management system – of what is *not* on the shelf.

It operates a tight stock ordering system, similar to but not the same as Just in Time ordering (the type of product it stocks does not lend itself to a strict JIT system but its ordering system enables product to be replaced as they start to run out). This means stock control (“every (cost control) dollar is a prisoner”- Vincent Indo) has to be efficient otherwise it can tie up considerable amount of space and money. It also means knowing what is happening from point of entry to point of exit.

#### ***Knowing the target market – researching and applying consumer trends***

A lot of thought is given to the store layout. Being “Customer Centric” is a highly critical part of the business, to the point where it is a science of consumer behaviour mixed with the owner’s experience and to some extent, trial and error – what works/doesn’t work. Each store is different although there tends to be universal formats which are known to work.

Assessing consumer trends and ideas is fundamental to their market research and information is drawn on from its Support Centre, which also provides national marketing and related support services. The Support Centre’s role is also “proactive” (look to future) whereas the Mitre 10

MEGA stores tend to be “reactive” to customers’ immediate needs. Because they visit a large number of Mitre 10 stores, the regional suppliers also play a role in that they are able to cross-fertilise new ideas and improvements.

*The Company knows its target market and the products to serve it.* Its customer base is B2B (business to business – commercial and trade) and B2C (business to retail customers –serious and recreational DIY (do it yourself), DIFM (do it for me) and leisure shoppers).

It conducts research on its local market, for example customer satisfaction online surveys and focus groups to assess local customer trends (what is hot, what is not and what they would like to see in the store/how to improve it e.g. layout, products etc) with feedback to customers where appropriate.

### ***Think nationally, act locally: marketing and image building***

The marketing strategy is “think nationally, act locally” and is based around a mix of national and local marketing, advertising and branding – each of them different from the other (i.e. above and below the line) and have distinctive roles to play.

*“The whole organisation is focused on meeting and exceeding customer expectations by delivering a superior experience and value, extensively and actively measured by customer surveys, focus groups and testimonials.”* Electra award assessors about Mitre 10 MEGA Kapiti marketing and image building.

The Company keeps a close eye on its regional and local competition which, by definition, is any store that sells what it stocks. Included in this is its obvious direct competition (e.g. Bunnings and Placemakers) but also fringe competitors like the Warehouse and Briscoes. Conversely it also happens for competitors to also be customers.

### ***Planning and measuring performance – a characteristic of all high performers***

Detailed planning is an integral part of the Company’s modus operandi and is based on a disciplined one page “layer” approach. What this means is a one page strategy is developed which in turn underpins a detailed business plan where each component of the plan (one page) has a series of subsections that drill down layer by layer (each one page) and where each layer has action points, KPIs and responsibilities. It is simple, thorough, slightly unorthodox in the conventional sense, but it works.

Measuring performance is standard practice and is done daily across performance indicators based around a set of ratios – labour, wages, sales, store footage, ROI. But measuring performance is also about producing results.

### ***ROI: a win: win for everyone***

High growth was a factor in the Company's success with growth of over 300% in the 2011/12 financial year. As Vincent Indo puts it:

***"Moving into custom designed premises, the company has evolved from a smaller 'blue' to an orange 'Mega' store, growing its turnover by nearly 300%, stocking considerably more product and expanding into the trade supply market."***

It is focused on providing a return on investment for its shareholders over five years through a strategy of stabilising, growing and sustaining the business. The owners believe that to achieve results it is imperative that they and their staff understand the levers that drive the business and focus on making them work hard for the Company.

### ***Governance – an evolving process***

The Company's governance board consists of the four directors (Indos and Ricketts). At this stage they don't feel the need for an independent director as their focus is more operational than governance (or as they define it – operational governance) and decision are based on a mixture of objectivity and consensus. It is acknowledged that in time they are likely to move to a more conventional governance structure.

The owners are not risk averse – building MEGA is evidence of this – and even though risk is carefully assessed it is acknowledged there will be the occasional event (unplanned or outside their control) that may happen but they feel that all things being equal, risk properly assessed and managed will go a long way toward mitigating it.

### ***What is work/ life balance?***

Work/life balance is summed up by the owners simply as:

***"There are no boundaries between our life and our work: we are passionate about the business we are in and the Company we own therefore we are able to integrate our life and work as an harmonious element – this is not unique just to us but is common to all successful business owners".***

### ***A year of awards and rewards***

2012 has been a good year for awards for the Company. It won the Mitre 10 Garden store of the Year; finalist in the Mitre 10 MEGA store of the Year; Finalist Wellington Top Shop awards for large format and Sustainability categories; Finalist in 8/10 categories in the Electra Business of the Year award, winner of 3 categories and overall winner. In terms of the Mitre 10 MEGA competition Kapiti was up against 33 Mitre 10 MEGA stores nationwide of which 8 are in the lower North Island with 4 in Wellington:

### ***The Electra Kapiti Horowhenua Business Awards – a valuable business tool***

Before the owners entered the Electra Business of the Year Award they did their homework and researched its methodology and processes, quality of previous winners, transparency and scope of its assessing and judging criteria. The business efficiency feedback (an assessment of their performance relative to other entrants) is seen as a valuable outcome of the process.

This was the first time Mitre 10 MEGA Kapiti has entered the Awards. The reason for doing so was to see how they measured up against other businesses. They already knew how they compared against other Mitre 10 stores but they wanted to validate their performance against external competition. This is an example of their search for continuous improvement. They believe all businesses should do the same and use awards as a point of comparison against others in the region and nationally.

### ***The future looks great***

Looking ahead to the next two – three years the owners say delivering on the Company's five year strategic objectives is priority. Further ahead, it is to continue to work for themselves: “*We are the business and we are responsible for its decision making. In this respect the people we work with are more important than if we are merely working for someone else*”. And beyond this: “*We will probably be doing something else, hopefully using our energies to help others to become successful*”.

### ***Conclusion***

This case study provides useful business lessons: passion and the drive to make the business a success; planning and research – leaving as little as possible to chance; emphasis on staff selection, having the right people to fit their culture; quality customer service and a breath of strategies with a single focal point – striving for excellence in everything they do. The Electra Business of the Year Award is recognition of this.

### ***The final word***

The final word about Mitre 10 MEGA Kapiti goes to the Award assessors:

***“In all of the assessment processes, this company rated very high, especially compared against other benchmarks and rating number 3 for job satisfaction and number 1 for customer satisfaction. The owners and team have demonstrated great organisational and business skills while contributing significantly to the retail environment in Kapiti.”***

### ***Appreciation***

Finally, BKH appreciates the time given to the case study by Vincent and Tricia Indo – owner operators of Mitre 10 MEGA Kapiti.

**This case study was compiled by Chris Ineson of Drivingforces for BKH (Business Kapiti Horowhenua)**



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