

top & tail niche



With Jeanie
Watson

Embrace the changes in the competitive kitchen and bathroom industry and increase your market share. Jeanie Watson reports.

There are some important trends happening in the world of kitchens and bathrooms – such as the polarisation of the market and cheaper imports from Asia – that are changing the landscape for many businesses in the industry.

So how do you make sure your business remains relevant and competitive? Mike Rigby, owner of Select Kitchens and Merlin Kitchens, offers the following advice.

‘I think you have to find a niche,’ he says. ‘You’ve got to talk to the clients

who you currently trade with, find the supplier base that you want, understand what you’re good at, have a plan and a strategy, and then decide what cost base you’re going to run to.’

The cost base is often dictated by clients, so whether you’re supplying a builder or a renovator or retailing kitchens to renovators, you have to understand what’s driving their buying behaviour and what their affordability index is, says Mike.

Sound advice from a man who has positioned his businesses at either end of the market – while Select Kitchens offers handbuilt, customised kitchens for the premium end, Merlin Kitchens produces flatpack kitchens for around \$5000.

Mike has made a niche for his businesses by ‘topping and tailing’ the market, and, in so doing, has increased his market share.

‘There are very powerful players in Victoria in the middle ground,’ he says, ‘and we’ve chosen not to compete with them. We’ve stayed out of that market because it’s extremely competitive.’

Mike’s business models reflect the polarisation of the market that Liz Jones from Trend Journal discussed in our September issue (see page 33). ‘The premium end of the market represents a

Insource or outsource?

Mike Rigby of Select Kitchens is bucking the trend of outsourcing and is now steadily bringing functions back in-house.

‘We’re insourcing as much as we can now because we’re finding that we get a better result that way,’ he explains.

The benefits of insourcing include:

- it’s more predictable
- budgets are always met
- it’s faster and more efficient
- it allows for greater control.



Photo courtesy Merlin Kitchens





The big picture

The trends impacting on the K&B industry include:

- overseas suppliers, particularly from Asia, are increasing their market share
- an increase in various finishes, such as gloss, driven by consumer demand
- improved hardware such as drawer systems or pullout pantry systems.

Make your business more competitive by:

- finding your niche in the market
- providing superior customer service
- sourcing the best priced products
- ensuring all materials you use comply with Australian standards
- knowing your strengths
- talking to your clients
- developing a plan and a strategy
- deciding what cost base you're going to run to.

According to Liz, changes in the industry are causing a lot of fear among small-to-medium businesses which are concerned about imports from Asia and the potential of increased competition and decreased market share.

But she urges businesses to remain optimistic. 'I believe there's a lot of fear in the industry among the smaller players and I don't really think there needs to be,' she says. 'Let's put it in perspective – it's a \$6.3 billion market which means there is more than enough opportunity for everybody to compete profitably.' **H**

Photo courtesy Select Kitchens

good opportunity for the cabinetmaker,' says Liz, 'because it's an area of specialty, almost craftsmanship. Smaller players can really own that part of the market.'

As for being competitive in the lower end of the market, it's difficult to avoid looking towards Asia to keep manufacturing costs low. Although there is a lot of valid concern in the industry about imports not complying with Australian manufacturing standards, Mike Rigby is confident that, given enough pressure from the Australian market, Asia will eventually get the quality and the pricing right.

It's a challenge that the industry cannot afford to ignore.

'Trends are very important but so is managing your customers' expectations to ensure a satisfying experience'

'The notion that 50 per cent of the market will be supplied from China and/or Asia in the next few years would seem to be accurate,' says Mike. 'We're certainly on our way.'

Merlin Kitchens are imported from China but Mike reflects that the move from putting the theory into practice was no small feat.

'It did take us five years to get it right,' he says. 'We do have to nominate which mill produces the carcass for us, what paper goes into it, what chemicals go into it and where they come from. We have had to go right back up the supply chain and specify every part of the board that we buy – otherwise it wouldn't be compliant.'

Excellent customer service is another key to being successful in the K&B industry, Liz Jones believes.

'I think the focus has gone more to the customer and how businesses service that customer, through the representation of their brand and showroom,' she says. 'It's less about manufacturing and more about having the right environment for customers, including the right displays to showcase the extent of craftsmanship and design interest that smaller players can achieve. If a customer wants something unique or different, then they need to see that they can get that from a cabinetmaker.'

'Trends are very important but so is managing your customers' expectations to ensure a satisfying experience,' she adds. 'It's also about customer service standards such as the process for managing communication with a customer, even simply down to the way you provide your quotes. This is also about finding your niche.'

