

Success Leaves Clues – What The Reece Group Can Teach ALL Business Owners

Reece Group Interview Episode 3

Matt Jones: [00:00:00] Good day, Jonsey here. On this episode of Power Up Your Business podcast, we speak with Mark Young and Craig Smith. Two senior leaders from Reece who are the International Plumbing and Trade Supply Specialists.

Craig Smith: [00:00:13] The senior leadership team know around keeping that culture vibrant in the branches is the majority of our leadership teams have got ten year plus experience. So they're setting the examples in the branches on a day to day basis and those that are coming in at entry level, get to see the leaders and they're putting pipe away, they're sweeping the floors and they're emptying rubbish bins. It doesn't matter your position. You can do all of the one percenters.

Matt Jones: [00:00:35] Now if you're fair-dinkum about growing your business, this episode is for you. Learn from the market leaders how you can dominate your market through empowering team members, through doing little things right and developing that culture where everyone buys in. Today's episode is brought to you by the Cube software platform- assisting business owners how to plan, market and improve their financial decision-making. To find out more about the cube go to www.thecube.network and click Request a Demonstration now.

Matt Jones: [00:01:36] Welcome to this episode of Power Up Your Business podcast. I'm your host Matthew Jones and really excited to be here today with a couple of the gurus from the Reece Group, the senior leaders from the New South Wales team. Mark Young, youngy welcome.

Mark Young: [00:01:50] Thanks Matt.

Matt Jones: [00:01:51] And Craig Smith, Smitty

Craig Smith: [00:01:51] Hey Matty.

Matt Jones: [00:01:53] For those of you who are not aware, the Reece Group the leading plumbing supplies and trade supplies through the Australian market. Reece has got a great story, i'm keen to tap into the Reece story today. Big on success leaves clues and from a Reece perspective an empowering team. Now for listeners I've been involved with Reece now since 2009. I've been very fortunate to partner with Reece and provide the Reece customers with business training, coaching, tools and workshops. Since 2009 done about over 300 workshops, I've been fortunate enough to go to Perth, go to New Zealand, Hobart, Darwin. The thing that really impresses me it doesn't matter where I go it's like a clone might be a bit taller bit shorter, thinner, fatter but they're all of the same mindset, the same belief about customer value. It's about providing service and it's a credit to the Reece team. So boys just opening up that success leaves clues, why is Reece now a powerhouse today? I suppose start with you what's some of the big things that you see that is critical to Reece's success today?

Mark Young: [00:03:04] Yes, for a business to be successful you're got to have a great culture. Something that's been pretty consistent through my time at Reece. I've been with Reece over 13 years now is, the culture across every where you work within Reece. I've been lucky enough to work within Australia and New Zealand with the Reece group. The culture has been really consistent. I suppose the essence of that has been from promoting within. So we've got a real model where we promote from the ground up. Myself I started putting stock away at Waterloo down the road here. The coaching and development side of the Reece group and their staff is really important to be building that culture. So when you've got a branch manager, he's done just about every roll

through that store. He's really hands on with the coaching of the staff. We're really customer-centric business and that is spread through the whole group. It doesn't matter which business unit. It doesn't matter what level of management. If you don't believe in our service standards, you really don't last within the business.

Matt Jones: [00:04:15] I love that where if you don't believe, see you later. The managers don't have to get rid of anyone, it's more everyone on the team sort of turns around so you're not pulling your weight. The thing I like, it doesn't matter what Reece store I go to, whether I go to the toilet, whether I go to the lunch room, on the wall is the Reece way. This is what we believe in, you either believe it, join us have a good time. Work hard but if you don't see a later.

Mark Young: [00:04:40] Yes I suppose there our company values. Well the number 1 is creating customers for life. If people don't believe that, it's a culture that's really self regulated as well. So often the team will pick someone that doesn't live the values before the management will. It's really powerful but also the teamwork not only from a branch at Waterloo but how they interact with Waverley but even someone as far out as Moree. If you're a part of the Reece family you help each other out. Grow as a team is one of our values and one that really I think has differentiated us in the market and helped us to grow to the scale we are today.

Matt Jones: [00:05:18] And Smithy, how long have you've been with the team for?

Craig Smith: [00:05:23] Over 21 years now Matty.

Matt Jones: [00:05:23] And what do they say? In the head office at Burwood, unless you've been there at least 20 years you're still a junior?

Craig Smith: [00:05:28] Yes, I'm still a junior mate. So, 25 years still a couple away for me, but to Youngy's point the senior leadership team around keeping that culture vibrant in the branches is the majority of our leadership teams have got 10 year plus experience so they're setting the examples in the branches on a day to day basis. Those that are coming in at entry level get to see the leaders they're putting pipe away. They're sweeping the floors. They're emptying rubbish bins. It doesn't matter your position. You can do all of the one percenters, because that's important. When you grow from where I first started and even where Youngy first started, we only had probably 100 to 150 stores in those days. As we grew and you're bringing a lot of new people into the organization that to keep that culture at a high level, we needed our senior leadership teams to continue to do those one percenters. We revisited that actually not that long ago, where something we call the Seven Standards, which is really they're one percenters, just answer the phone, service the customer in front of you, get your deliveries out on time and keep the area neat and tidy. It's just really simple stuff but it's that first impressions, we hold that in high regard.

Matt Jones: [00:06:44] I think a lot of business owners they always look for the big wins or the big sale. As you mentioned one percenters, it's doing the little things every day well, is the hardest. It can get overlooked correct. They're just one of those things where there's like I don't need to worry about that little thing. I don't need worry about getting back to that customer now. I'm going to look for the next big win. It's the little things that create that culture.

Mark Young: [00:07:08] Definitely and I think from our point of view, when we see those things that are good examples, we make sure we share them and share them long and far. So as an example from a senior leadership position to say this is what's important. Let's reinforce it and let's really give the person a pat on the back that they deserve because that's what this company is about. It's been a pleasure but it's never perfect either. It takes a lot of focus long term, it's a long slog. We do recruit for attitude with the view to build someone from the ground up. I suppose from a managerial

or leadership point of view we know that it's a long game it's not a short one and we've got to invest a lot in those people because we know the business has been built on it so far. As I said it's a long slog but very rewarding.

Matt Jones: [00:07:59] It's testament to the results of that long slog putting the little things in. Coming back to what you mentioned before, about leading by example, doing the little things right, you know sweeping the sheds, obviously the book about the All Blacks legacy, it's a great book around sweeping the sheds. The thing that I definitely, from a firsthand perspective wherever I go, when I'll go in a room and there's all the Reece team there, you don't look at it from a hierarchy. We don't know who's the boss or everyone's just the same. Everyone's got the same vision. Every one has got different roles but everyone's respected the same. Big thing that I'm about from an empowering team point of view is about leading from within. You don't have to have that big stick. You don't have to have a big stick to make people go. If everyone buys in and believes. The leadership comes from the inside out whether you're a 17 year old who is just starting out can be the best leader in your organisation. Taking that step from again from Reece's perspective again for listeners you know Reece is 100 years old next year. Reece started out with one store, one guy. Now a lot of people now think but Reece is a big company and they've got it easy and they've got their resources. Back in the day they struggled, like every other organization, someday you don't know if you're not going to be surviving. Some days you know if you're going to be around having enough money to pay the bills. But testament, they're here now. From your intimate stories now with customers that you've had over a long period of time and the amount of the journey that you share with a lot of your customers, what can you share to the listeners about that success leaves clues or in empowering teams that you've seen first hand where, business owners and tradies have really got that concept of empowering teams. Have got that concept of, you know what, i'm the leader. I've actually got to get out of the way the business and let other people take control. What are some of the success stories that you've seen first hand from your customers?

Mark Young: [00:09:45] Yes I've got a really good story of that from probably several years ago. It'd probably be about 6 or 7 years ago now. I remember going around at the end of the year to say thanks for their business to one of the plumbing companies here in Sydney. In that year he doubled the size of his crew. He hadn't really changed the way he was managing. I saw him and he looked he looked down and out. He looked like he was about to have a nervous breakdown. We ended up having a good heart to heart chat. He sort of said, "I've done the wrong thing this year." He said, "I've gone too big. I don't have the systems in place. I'm absolutely stretched. The marriage is suffering." I sort of said, "What do you plan to do?" He said, "I'm going to sit on it over Christmas and then come back to you." I remember going back about mid the way through the next year. He'd actually trimmed it right back to where he was for and he said, "You know I'm making more profit now, with having less guys." The key learning from that for him was he went too big, too quick. He said his key guys, those four guys that he still had to that day, he said, "I had enough there to build a business around those guys I just need to do the slow approach. What I tried to do is do it all myself." He said, "So I needed to build a team where I could share the load and actually make life easier not harder." I think there's a real good story there. I suppose the way Reece have done it as well it has been a long slog. I think certainly the trades people that deal with us, who build successful teams, are the guys that backed themselves into do it over a long period of time. Don't do it too quick. Start a culture. Let it manifest into something that's really great. They eventually get tradespeople coming to their door, knocking on their door for a job rather than chasing them due to the culture and the reputation they're having with their workers.

Matt Jones: [00:11:40] That's the big thing when you start, you build a business you want to attract good clients. Not very many trade businesses think about attracting good team members and having the best marketing tool you've got is your current team members sprouting, "How good is it to work for this organisation. You know I can leave at 330. I can go away. I don't get called all these other

different jobs. I get paid on time. They're reinvesting in my training. They actually care about me. They actually listen to me. They treat me like an individual." Coming back, it's a classic scenario, which we call "beware growing broke". It's one of the key things part of our methodology. Beware going broke where you double turnover, yet your sales are going north, your productivity pretty much go south, your profit goes south, your stress levels as a business owner just goes through the roof. You are that classic hamster on the wheel. For the listeners out there, growing your top line is easy. It's not hard to win big jobs. Coming back to what Smitthie was talking about before, it's the one percenters. You got to put the one percenters in place if you're going to maximize good opportunities that are in front of you. Smitthie, from your point of view what have you seen some good stories around you?

Craig Smith: [00:12:47] I was just thinking as Youngie he was talking as more of a general overview. What I've seen over the 20 plus years is guys perhaps not understanding until many years have gone past the area of business that they're involved in. Back when I first started and I was in more regional areas you had plumbers red tickets to do a lot of things. That could have been doing roofing, gas fitting, obviously drainage and they might be putting some swampies on the roofs etc. They carried a lot of tickets and they were doing that, so they could go to a job, be on a job all week and do all these various parts of the trade. As years have gone on, some of the tradies or the techs have let some of their licenses probably elapse. So it comes down to something I've taken from some of your teachings, which is well now that I'm working in a tighter circle, where am I making my profit? Am I a hotwater specialist? Am I a maintenance specialist? Am I a draining specialist? Do I do luxury work? Do I do domestic work? Really knowing their costs and then honing in on what they're good at. The next step is, you were just talking about, when they go to potentially trying to increase turnover is they're moving away from being the tradesmen and becoming a business person. For all of us even for Youngie and myself, we go from being probably working in the inwards goods area. As you move through, you get to management. It's all new to us as it was new to the plumbers. You just got to learn. You got to pick your marks. You know what you're good at and what you're not so good at. What you're not good at you bring people in to help support you. For me that's what I've seen over the last sort of 20 years. The guys that have been long term successful know what they're not good at and bring resources in to help. The guys who, to Youngie's point, get stressed are the guys who are still trying to really do it as a lone hand.

Mark Young: [00:14:41] It's a great point. You see a lot of guys start their business and just go for everything. It's a really good point to take a step back for them to understand, what is their target market? What is their value proposition? They initially go chasing all the work and for a plumber it's often the builders that no one will work for. So it's really important for those guys to, as they start their business, to go what am I targeting first?

Matt Jones: [00:15:07] For a lot of business owners you don't know what you don't know. So as a tradie, you're just taught to do a lot. Get a lot of things done at the end of the day. So when you then transition to a business owner, you see the more jobs I do, I'm going to better off financially right. Obviously it's the other way. Often when there's that lack of confidence so you don't know your numbers. You don't know which jobs you're making good money or not making money on, you think you just got to do more. So you're not confident saying no. So you say yes to everything. Again I'm not confident bringing other people in, everything revolves around me and it becomes that again. You're the bottleneck in the business. Often when you get to that situation, you start blaming everyone else. "I can't get good team members. You know these these guys are dickheads, why can't they think like me." It's like, "You're the dickhead mate." It's what we always say. If you've got issues, it's not the people around you. Look in the mirror you're generally the issue there. Now getting onto now from that team and the culture is a big thing for me. From my organisation one thing starting out. I knew when we started in the coaching going back in 2007, I knew I needed to partner with people. I knew I wanted to be partnered with the right organisation. So hence talking

with Reece. I wanted to make sure as a small business how could I leverage the market? How could I rather than talk to one on one how can I talk to tens of thousands at once? So hence for me I knew I wanted to partner with Reece the market leader, same vision, same values, that connection is there. From Reece's perspective, the power of partnerships and one thing. Again listeners out there as a business owner you cannot do it alone. You need good people in your corner that support you. The big thing from my point of view is win-win partnerships. If your customers are winning, you're winning. If I'm winning, you're winning. It's that mentality, it's not a win-loss mentality. How important are those win-win partnerships and partnering with people and assisting them on their journey from Reece perspective and the overall success that Reece has had today?

Craig Smith: [00:17:02] Yes, definitely I think some of the training you've done is really helped us internally as well. Identify opportunities to have win-win partnerships with our own customers. It's really about getting close enough to your customers to understand the intricacies of their business and then knowing from a merchant point of view, how do we help them become more successful as well? As a partnership we like to always say that our customers aren't customers, they're business partners. We often get told that our staff members are the equivalent of one of their employees for the work that they do for them. We really want to make an impact on their lives, not just their business. We want to make sure that we're giving them the tools and the assistance that we can to help build their business. We know that the merchant they choose actually has an impact to their brand. The way that we service them can have a huge impact to their bottom dollar good or bad. If we let them down with service it's not only money, it's actually their reputation as well. So we're going to be really mindful of that but we can also have a really positive impact by the service we provide or the value proposition that we give to them.

Matt Jones: [00:18:11] I mean talk about great stories. I was in Perth not long ago was a great story. A husband and wife team just doing bathroom and kitchen renovations and they just subbed everything out. What they used to do, they used to go talk to the customer, then they get a scope from the customer and then they go to the bathroom life. They talk to the bathroom life they come back to the customer and back and forth. The bathroom life team member said, "How about you provide us the scope, send the client there and we'll run them through it and assist you." Anyway twelve months down the track this bathroom life person is basically their team member. It's what they said. There's their team member. They just talk to the client. They send all the information to the bathroom life team member. The client goes and basically the bathroom life team member makes us a sale. That bathroom life team member is win-win, you know he's committed and buying into that organisation and it's a it's a connected brand, a connected delivery for that client. It's a great story. Smitthie, from your point of view you again win-win partnerships?

Craig Smith: [00:19:07] So to take a step back, our responsibility to our customer is who we partner with. Again we could damage you know our brand and potentially our customer's brand if our partnerships aren't with the right companies and with the right people. So our supplies fit into that category, it's really important who we partner with. It goes to the innovation some of the products that we might bring to the market as well to keep our customers at the forefront of their industry. Being the Reece Group now that could be not only plumbing it could be hvac, it could be civil, it could be onsite and etc. So yes that's where it starts for us. We're going to our customer and through mini workshops and tool box meetings we call them. We're going out and with product specialists or tech experts from the companies, we're helping the customers stay at the forefront of the industry. So that's our responsibility in the partnership to go and keep them as up to date as we possibly can around products and services.

Matt Jones: [00:20:11] I know Reece obviously invest a lot going overseas and going into Europe, the latest and greatest. When I was a tradie back in the 1990s, it's pretty simple. I had a tape measure, oxy acetylene and a tube of silicone. I could pretty much do anything.

Craig Smith: [00:20:24] Duct tape?

Matt Jones: [00:20:24] Duct tape, heaps of duct tape. It was my go. Now it's just totally different. With the software, the digitization and the speed it's amazing. You mentioned that your key value add is keeping your customers ahead of the game. Keeping your customers ahead of the competition.

Mark Young: [00:20:43] I think the technology is a big one and probably something that reared its head in the last couple of years and that's a big focus for us at the moment. We know if we can't actually integrate with someone's software program or job management program, it can become a deal breaker. These are now probably the most important part of a plumber's business. Is how they transact from a digital point of view with their own employees, their merchants and their supply partners. I suppose the win-win partnerships as well. You know this year we're doing a lot with the TAFEs across Australia as well. We see that as a real probably an obligation for us with the size of the business we are today in Australia. The future of our industry and the health of it really depends on who's coming through the TAFEs at the moment. For us that is also a win-win partnership for not only Reece and the TAFEs but also the plummie businesses across the country.

Craig Smith: [00:21:42] Look and one of the other things we're doing Matty is and we started probably inside the business for a start. It was doing quarterly health checks because when I first started perhaps like when you first started the first you or I probably knew about how did the last 12 months go was your accountant telling you a thumbs up or thumbs down. We've had to get better than that. We're sitting down quarterly. I'd be sitting with Youngy. We'd be going through how things going. Where should the focus be for the next quarter. We're taking that to the tech, to the plumber or the builder as well at the moment. You're just giving them a health check around. How you going? It's a lot of information we can pull out of our system now. To give them information they may not be aware of and we think that's really important in that partnership and looking for those win-wins. We want to be competitive don't get us wrong but we certainly want to save people time because in Sydney, particularly in Sydney Metro at the moment, we know ourselves we're just talking about it on the way here. Youngy or I go to see someone and hey're in Penrith or Liverpool, you're talking half a day's gone. You've got to be really conscious of time.

Mark Young: [00:22:49] One of the key outcomes we often get from those quarter health checks is like when you got a plumber or builder, who's got numerous guys on the road doing work for them, but they're getting 70% of their orders from Reece they're picking up. We've got a massive fleet that delivers product.

Matt Jones: [00:23:06] Their saving over 10 dollars an order. It takes them two hours.

Mark Young: [00:23:10] For a business owner to see the data though and to be able to say okay let's shift our focus for the next quarter together to try and get some of our guys to utilise your delivery network rather than pick ups. There some really invaluable things that you can pick up just from sitting down and understanding how they're transacting with you and how you can add extra value to their business.

Craig Smith: [00:23:30] Just on that if I could jump in. I was with a plumber the other day doing a health check and one of the things that he mentioned was that his toll bills monthly now are higher than his fuel bills. So we had that conversation around deliveries. It doesn't always work and we understand that but where we can make it work better for them and gain efficiencies and if they can be on the tools for an additional hour per day everyday, what could that be worth at the end of the year.

Matt Jones: [00:23:58] That comes back to knowing your numbers correct but it comes back to knowing your operations. Now on that win-win partnerships and just finishing off on this area, it's a real passion of mine. It's a real thing to get out there as a business owner is you've got to be understanding what you want, what do you want to be good at and where do you want to go. How important or how easy is it when a tradie business owner comes to you and says, "Hi Youngie and hi Smittie, I want to be the best at residential maintenance or I want to be the best at a high end architectural installs for construction?" When they're very clear on what they want and they've really pointed at you for questions basically, "Hey are you good enough to help me?" When someone comes to you very clearly like that, how easy is it for you to help them?

Craig Smith: [00:24:44] I suppose Matty, what we have got over the journey is we've got a lot of data on same type businesses. So if I'm sitting or anyone from my team we'd be sitting with someone that you've just described, we'd be calling on that data I suppose to some extent around like-type businesses. We've got a lot of historical information now around that so we can help guide them through that. The decisions ultimately still theirs. We can certainly give them the data and give them the information so they can make better informed decisions. Again that goes to the health checks.

Mark Young: [00:25:17] One thing that is really under utilised in the industry is like minded business people talking to each other. It's very secretive. You know plumbing business down the road won't want to talk to the other plumbing business up the road. At the end of the day there's a lack of trades. They're all going through the same thing and I think through some of your sessions you often get the plumbers after the session when they're having a bite to eat, start talking to each other. There's a lot of expertise to be shared within the industry and I reckon there's a real missed opportunity there from our community point of view for the guys to help themselves.

Matt Jones: [00:25:53] This comes back to that mentality right. This comes back to the culture of the trades. It's like it's just me. Don't share. A customer approaches you sort of treat like this is the last customer on. We've got that scarcity mentality. Where im big on the abundance mentality. There's a niche for everyone, in every market. Just because you're a plumber or you're a plumber I'm a plumber. So straight away you think you're competing but hang on. What type of customers are you focusing on? What problems are you really solving? What are you the experts at, especially now there's so much diversity. If we collaborate and those look the business that are out there, that are really doing well. They're the ones that are collaborating. They're transparent. They're growing.

Mark Young: [00:26:32] Just on the point of collaboration and in New Zealand, I remember one week I went and saw two separate businesses amongst some other visits. There were two guys, they were both probably early 30s both had plumbing businesses, with employs between 10 and 20 people. Probably on a similar journey to what Reece were at the time in New Zealand. Trying to build a really big culture. We had inexperienced staff but we had a really good group of people that we were trying to build experience in. These two plumbing business had the exact same issue and both the directors of these companies that I saw on separate days but in the same week. It was almost like a mirror image of what they were going through. They were probably asking us for a bit of guidance. "How do you do it with your staff? What do you suggest that we do? What rhythm should we put in place to build experience and what not." At the end of the week, i've reviewed the week and I said, "You know what I should just put these two together and see what can come of it." So I rang the first one and said, "Would you be keen to talk to another business owner that I've met this week that's probably gone through similar pain points as what you are?" He was all for it. He said, "I've never done this before." I said, "I think it probably will work pretty well." All they did was hook up and go to a pub. They probably just vented for a couple hours but then it became actually a regular thing. I have left the New Zealand business now, but when I last left they were on

first name basis with each other. They were pretty friendly with each other. I think it broke down the barrier of saying, "Well we're not here to steal each other's business we're actually here to help each other." It was invaluable. One of the meetings we would go along to but often they would just meet up. They are even thinking of doing joint Christmas parties in the end with the two businesses.

Matt Jones: [00:28:21] Sharing the same story, it's the same story, you're on the same path. It's just assisting each other. When was the last time a customer come up to you and said, "Hey Smitthie or Youngie, next Friday at 9:00 I'm going to take you out for breakfast. I'm going to pitch a plan to you. I win. You win. are we together." Does that happen often?

Craig Smith: [00:28:43] Well actually for myself it happened just the other day. I was with one of the bigger customers in the area that I look after in the lower north shore area. We were just talking generally about, it was a little bit of a quarterly health check theme to the catch up. We got talking about where they were making some other purchases out of our HVAC business. They purchased actrole. They needed some parts off civil. One of the questions to their credit they popped up with, "The Reece Group now like what other businesses do you have," which led to me working with a guy that I've worked with for a long time now, Benny Council, he works in our irrigation civil business. These guys do a lot to work around maintenance in ponds and pools on larger commercial sites. Now all of a sudden we've got a meeting booked in for about three weeks time, where we can sit down and both explore the opportunities for us there's a win potentially here. For the for the business owner there's a potential winner here. He's going to deal with someone potentially, who he's had a longstanding relationship with. So yes that's true.

Matt Jones: [00:29:50] I love those stories.

Mark Young: [00:29:51] It is often a plumber or builder. They do often say well this is a target market I want to go after. You do quite often get it where they say you know how do you think we should tackle this and you know what offerings do you guys have that we could use and collaborate together and do it. So I think it's really important that they understand it is a win-win. We're going to help you break into that market and probably share our expertise across the business units to make sure that they enter that market in the right way and we both grow.

Matt Jones: [00:30:25] Pretty simple ask the question. When you're in the tradie mindset, you're waiting to be tapped on the shoulder. You're expecting Reece to take you out for lunch, where the successful guys will step forward. They're not going to wait. They're going to be proactive. They're gonna be accountable. They're going to take you out to lunch and ask a question. Ask the question everyone, "How can you help me?" Don't wait to be tapped. "No one helps me." Well it was me sort of bullshit, which is common right?

Craig Smith: [00:30:52] Nothing much changed in my time like I did a trade as a kid. I went down to Melbourne and did a trade. So I've been in the industry for a long time, come off a farm originally, so I'd like to think I'm a fairly practical sort of person. The one thing that's not changed in all that time, nearly 30 years probably, is everyone likes Counter lunch. We're not saying don't have the counter lunches guys but bring something to the table. Try to take something away. If you just get one thing from us or we can get one thing from them then we're in a situation where we can hopefully better their situation and help them.

Matt Jones: [00:31:24] Comes back to that whole time right. It takes a long time to get there especially during this busy day and age. If you're going to meet. Make it proactive. Get some takeaway out of it.

Craig Smith: [00:31:33] Be more effective. Just have a more effective catch up. It could just be

those one or two things. Everyone still wants a little bit of downtime, have a bit of fun, earn a laugh and a giggle. We're all for that. You gotta get something out of that.

Matt Jones: [00:31:44] Come prepared with a question at least one question.

Mark Young: [00:31:46] One thing that happens regularly is invoicing. So are we providing the right help in and around how they invoice their customers. As you know Jonsey that has a massive impact on cashflow. Sometimes we haven't actually haven't asked the right questions, sat down and worked out the way they're transacting with Reece but not only with Reece but their own customers. Are they getting the full benefit of the tools that we have? It's one that comes up often when you actually sit down and do some of these quarterly health checks that Smittie was talking about. It's not just about growing sales. It's about actually helping the back end.

Matt Jones: [00:32:24] Generally growing sales is on the bottom tier, it's everything else around it that's the problem. Now getting the elephant out in the room, a lot of listeners are going to be saying are, "Bloody Reece friggin rip off merchants, their friggin prices are expensive. Price. Price. Price." I'm sick of hearing price. Again just price does not materially change your life. This is what I tell everyone, "Yes get it for the cheapest price put no margin on it, I guarantee you're going to get a lot of work. You're going to get a lot of work after hours. You're going to win a lot of work. You're still gonna be on that treadmill because you got no cash. You're struggling and your missus' going to hate you because your never there. The thing I love and obviously with our partnership and as part of Reece investing in cube performance services is about adding value to your customers. It's not about just providing materials, product, pipe or a tube of silicon that's irrelevant. It's bundling everything around it that will materially help that business owner's business, which obviously will help their life. The importance of adding value to your customers, where does that really stem from? Obviously what I see as your competitive advantage in the marketplace that's very hard to replicate.

Craig Smith: [00:33:30] If I can Jonsey what I'd say first of all is, we've got a responsibility to be competitive. It's our first responsibility.

Matt Jones: [00:33:36] You've got to be profitable right.

Craig Smith: [00:33:37] I don't think the Reece group would have got to the scale if we've never been competitive. So that one's a little bit of a red herring maybe at times. I also mentioned earlier our management team has got 10 years plus experience in most cases. These guys are well educated in the industry. They know where to find hard to get things. They're really conscious and got long term relationships that they do treasure with a lot of these tradesmen over a long period of time. When we move staff they want to go with them. "Don't leave me. Don't leave me." So because as youngy said before they do feel like they're a part of these businesses. There's lots of level of value from our responsibility and the products we bring to the market and then teaching them the plumbers, the techs, how to use them and what's new. Youngie's touched on the technology, which is more he's field than mine so I'll let him talk about that and our responsibilities there. Certainly as far as operationally goes day to day looking at the right stock, there's no point someone coming to us downing tools and actually making the effort they come to us then we haven't got the stock. In 22 years I've never been pulled up by somebody in the organization to say, "Hey you got too much." So that's just some of the things.

Mark Young: [00:34:58] Talking about price that is really an important piece of the puzzle for our offering to our customers. It's got to be a competitive price but our plumbing stores have got over 5,000 items on the shelf. So it's really about getting close and customising it to the customers needs. I suppose adding value in general that's where a high cost model. We've got a high cost of doing business. We've got stores all over Sydney. I think the average would be probably every 10 minutes

you're running into a Reece store. Inside those stores we've got a lot of staff and we've got a lot of vehicles that help service the metro but also the regional areas as well. So that's another part of our service offering. We've got to really know what our offer is to the market. It's really hard to be good, fast and cheap and the plumbers and the tradespeople we deal with really struggle with that sometimes. It's really about, "Are they the cheapest plumber in Sydney?" They really got to know what their value proposition is. You can't do all three.

Matt Jones: [00:36:02] This is what I say to people who are plumbers. Plumbers will come to me and say "How you been?" "I've been busy busy busy with heaps of referrals." So how's your profitability?" "Terrible." "How's your cash flow?" "Terrible." They get all these referrals because they're the cheapest, which you don't want. It's just testament to the education process now where I've seen over 25 years where especially back in my day, it was very about price, price, price. As business owners now, the tradies will try to transition to as business owners. They understand it's not just about price. They understand in this competitive market, where customers expect a lot, there's a lot of compliance. There's a lot of competition out there. They understand that their supplier is a key partner. Now just sharing a story one of my clients got approached by one of Reece's main competitors used to do work with a number of years ago, manager come in and said, "Can I meet with you?" Met with the supplier, within about the first two minutes the supplier said, "What price can I do?" My client pretty much said, "Is that all you got," and just sort of cut the meeting. He said, "You guys just don't get it. You don't get. It's not just about price. It's about everything else that goes into my service. How do you support that back that." So I'm really, especially the last five years where there's a lot more information, more podcasts out there, people are understanding, it's not about price. So we're moving on that value added train. It then flows over into the tradies' business. What value are they adding their customers? How are they separating themselves and not competing on price? It's what everyone wants to do, get price off the table. If price is on the table and you're just talking about price then you're not educating the customers in the value that you're serving.

Mark Young: [00:37:41] We trade in a really reactive market so a big part of it is for us it's about getting the product to the customer in the most efficient and professional way possible. Our customised service we call it, really is underpinned by service, quality, relationships and expertise. It's what we've really built the brand on. You're right it's not just about price. It is important but there's much more pieces to the pie that we really focus on. I suppose the higher service model obviously means higher costs for us. So we got to make sure that we're targeting the customers that actually appreciate that and also know that we can tailor our offering to make any offer work for the customer. It's really about getting close enough to understand the importance of their needs and how we can best service it.

Matt Jones: [00:38:39] In line with what you're saying, there are certain clients there that you really have got to say, "I can't help you. Sorry, I can't help you."

Craig Smith: [00:38:45] I'd probably just say they might use this for components of their business. Those instances Jonsey, so we've probably got plenty of customers who might see for some parts of their business that our model doesn't suit. Then there's other parts of their business where our model does suit. It could be again using other parts of the business not the plumbing. They could be using the bathroom life. They could be using HVAC, actroll part of the business. The technical information or that one on one you talked about before with the Perth example where we've essentially got a staff member working for the customer nearly directly. Those models in those instances may well work for them. The bottom line is if we can put on the table what it is we can offer through products and services and the customer makes an informed decision. If from that point it's not for them, it's not for them.

Matt Jones: [00:39:40] Yes, I like that about that informed decision and the takeaway for our listeners definitely is are you educating the customers? Are you giving them enough information so that you are assisting their buying decision? Make an informed decision. You can come with us or not that's fine. Don't believe in what we believe in no problem. We want to give you at least from our expertise, this is the information and then go if your life.

Craig Smith: [00:40:02] I can't remember in that 20 plus years Jonsey, a customer coming to me and saying, "Sorry Craig we can no longer deal with Reece because you're making me money." The bottom line is if your listeners our role is to try and help whichever account customer it is to be more profitable. They don't generally leave us.

Matt Jones: [00:40:21] It's the essence of the training component that we provide. If we can make tradies more professional, more profitable, they pay on time and they're more loyal. Again it comes back that to win-win.

Mark Young: [00:40:32] One of the big opportunities we see is guys that are let's say for instance doing a hot water unit. They're trying to play in a market where someone's just swapping in and out of a hot water unit. When you get down and talking to them and say "there are actually products out there that will help you differentiate yourself but also get more GP dollar." So it's about educating them on the value of a different product, a more innovative product that's ultimately going to add value to their customer but also make them more in their material. We see a lot of opportunities but we've got a real service commitment to our plumbers where we want to protect margin. We do still see a lot of opportunity for our tradespeople that leave money on the table from a mark up opportunity, where they can still be fair and still offer a great service to their customer.

Matt Jones: [00:41:22] We see that a lot, leaving money on the table where they'll be providing a premium product. They don't put any margin on it just to win the job. So they please a customer but who doesn't get pleased? Pretty much themselves, their family. Why? They're going to actually go do more work to try and cover their costs.

Craig Smith: [00:41:38] Some of these guys Jonesy are very experienced in their own right. There's a real value in the services they're providing as the trades person. You'd sort of hope that they would value their own experiences and services.

Matt Jones: [00:41:52] People come to me and say "Jonsey, why should I increase my mark up?" I'll tell you why "because you're the expert in this. You're providing time to source the right product. To get the right product on site, supply it, maintain it and hold the debt for it." Just finishing up now I want to move on now which is a critical thing. I'm a big believer in it. There's no such thing as failure. It's more learning. We expected to do X and we fell in our face. I only deem it as a failure if you pretty much stop. From Reece's perspective the continual learning, continual improvement and I know that underpins some of your values as well, how important is that to put their hand up and say, "Hey Mr. Customer or Hey Team, yes I flunked today but we're going to learn from it." How important is that?

Mark Young: [00:42:46] It's massive. So we talk about that and promote within culture. You've got to have a real mindset as a leader that offer support not judgment. You're empowering someone to essentially control a business. If they're a manager of a Reece branch, they're controlling a business. You got to understand that they're not going to be perfect. Everyone has their bad days. It's you know every mistake is an opportunity to say, "Yes, it didn't go as planned. Let's look at how we could have done things better." I think we've worked really hard as well over the last year or two around how we facilitate our coaching. It's not the tell, it's the ask a lot of questions to ensure that you're creating insights for people to say, "I could have done that a lot better." Yes, look we're not a

company that's perfect and you're going to accept that. You look at opportunities to coach.

Matt Jones: [00:43:43] No company is perfect that's for sure, Smitty?

Craig Smith: [00:43:45] Yes, I learned something from my boys school Jonsey, where from a guy's point of view is we probably don't learn as well as maybe the girls do through text or reading a lot of information. We're more visual. So to that end we've got TV screens now in our branches. When we're doing a tool box meeting a lot of it's done via laptop screens and so forth. So guys can see stuff visually. A lot of our teaching aids I suppose on our website that plumbers can go to. How do you do this joint? How do you do that joint? It's very visual as opposed to. There sorts of things that we need to stay abreast of and to Youngie's point around don't tell, you've got to teach. These are some of the I suppose the support mechanisms that we have got in place now that we can not only help our staff but help our customers.

Mark Young: [00:44:39] There's no doubt the trades people we deal with have similar issues around the new generation coming through. So the buzzwords the millennials. Like it or lump it, they're our future. So we got to actually embrace. There's a different way you need to deal with the new generation coming through. So we're finding you got a real divide guys say "I don't want an apprentice because they're hopeless. They just don't get it. They're not like they used to be." Correct. They're not like they used to be. So you got to actually learn how do you get the best out of them? What are their limitations and accept that. We've got business owners now that have to adapt to the generation not to one person. You can't change a generations. Internally we have had to really adapt to that. Even the way we learn now, we've got a great department, the People Experience department, who are really forward thinking in the way we're going to have to teach our staff members moving forward. There's not just one set way to do it. We're going to offer a variety.

Matt Jones: [00:45:42] You look at now how people consume their media, podcasts, audio and videos and a lot of people don't want to read text and how they learn. Just taking a step back for one second, which is really important. Having that culture where the team are comfortable to put their hand up and say, "I've made a mistake." Often in a lot of businesses, people put their hand up. I made a mistake. They got hit over the head with a ruler and then I'm never going to do that again. I don't want to. So it's about that culture of actually sharing learnings and having an open and transparent culture. It's okay to make the mistake because we're all going to learn from it. How important is that about that sharing and the learnings?

Craig Smith: [00:46:21] I can remember when I got my first managers gig Jonsey. Having Alan Wilson come and have a visit. As he's done with many Reece employee over the years, he sort of lead you about of the branch, you go for a bit of a walk around the yard. He's making out that he's looking at things but he's actually giving you some mentoring. It was really about that entrepreneurial spirit. If we talk about those first time plumbers, guys getting out the journeyman and so forth getting out. You're gonna make mistakes. I've made plenty of them. I've ordered roofs the wrong colour. I've ordered p-traps instead of s-traps. But you learn. You do learn and you have to have whether your Reece or whether you are the plumber, you've got to have some flexibility around learnings and making mistakes. You tend to find the good people if they make a mistake. They learn by it and they don't make them again is generally what I find. I suppose the other thing to culture is we're trying to take some of that best of the past Reece and adding it to the best of the new Reece, which will be around services, products, technology and how we do things in 2018 versus how we did it you know 20 or 30 years ago.

Mark Young: [00:47:38] Look I heard a really good quote at a World Business Forum recently Mark Webber the Formula One driver was talking and he just made a comment and to be successful you've got to be prepared to do the things that others won't. And if we want our staff members and

future leaders to be successful we have got to expect that things won't always go to plan. And I think Reece has been really good firm myself is creating an environment where disruption is expected and with disruption you're going to have challenges. But if you don't learn, you don't grow and you're going to make mistakes when you're learning. But it's huge because as I said before every mistake is an opportunity to coach.

Matt Jones: [00:48:20] And I frame that as being uncomfortable, you've always got to be in this uncomfortable zone which is telling you that you're challenging yourself. You're growing, yes you're failing. But if you are in that comfort zone which a lot of businesses fall into. They're not growing and they're not going to be competing going forward. One of the things from our point of view, you know our business, we're not a big business but everyday we're making mistakes, every day there's something that happens but I'm big on with our team and I know Reece are the same, it's how you respond and if you do flunk it with customer service again, you put the wrong roof on. That's not the issue. It's the last experience that that customer has. It's how you respond to that. Because I find if you've got a customer that absolutely hate you and then you find out about and you put your hand up and say "I understand you hate me and we flunked." You take the pressure off that there are at boiling point they come back down to your level. They go "Oh wow thanks for actually listening to me. I was ready for a fight." Na we're here for you and we put our hand up." Generally what I find that bond that loyalty is stronger than ever.

Craig Smith: [00:49:24] It's it's one of the it's one of the areas I suppose our experience people you know have got I think a lot better at with some of the training we've done internally is that whole complaints handling and seeing the objection as an opportunity not as you know someone wants to give me a kick up the backside, you know seeing it as a learning opportunity a coaching opportunity as youngy said. And you know generally if a complaint gets to me you know it's the Friday afternoon the phone goes I don't recognize the number. What's this going to be. And I had one of those last week and it was on the flip side. It was a really nice one where someone who ran big business themselves had gone out of their way to track me down to give some kudos to a couple of branch staff members for going the extra mile.

Matt Jones: [00:50:11] That's great.

Craig Smith: [00:50:11] But at the same time at the start of this particular story though it didn't start that way you know it started there was a hard to find part, customers getting frustrated, but at the end we're able to sort of get their for them and you know I suppose they're the things. Going back to you know what the future might look like. I'm probably one of the older versions in Reece now so the ability to adapt to the changes. You know the millennials but the one thing I'd say about the millennials Jonesy is they're also the first frontline staff now that we can try and use our system within 24 to 48 hours. They're all over PCs.

Matt Jones: [00:50:51] They love the technology.

Craig Smith: [00:50:53] They love the technology, the iPhones. You know as much as it might frustrate you that they've stuck around the corner and jumped on Facebook for a few seconds but they're going to be the first one to solve your IT problem in the branch.

Matt Jones: [00:51:03] They've moved away from the rocks and the Stones and the chisel.

Mark Young: [00:51:06] One thing that we find we do well when you're talking about addressing mistakes is we do daily huddles. So every branch will get together either in the morning or the afternoon. They talk about the day that was, weather it be yesterday or what's ahead, what's on, what went well you know what potentially didn't go well that we could make better for today. If you

look at a trade business owner they don't have the luxury of having everyone in the one building. They got guys traveling all over the city. If you don't have an environment where you're you know acknowledging mistakes are going to happen and there an opportunity to coach, you're going to get guys trying to cover things up. It's going to be much worse for your business.

Matt Jones: [00:51:44] It comes back to that rhythm right. I know Reece are very big on that rhythm. What processes have organizations got to actually collect that data to actually share that story. A lot of times too many traders think it's a waste of time I haven't got time to have that meeting or this half an hour meeting. Generally why meetings don't go well is because the owner is there just talking for 30 minutes and everyone's tuned out after about three minutes. Is that what we're trying to rule out clients. You shut up you stand back and let other people do the talking don't interrupt. Don't but in, let the tribe, let the community actually do the talking that's when you get some really meaty conversations. But more importantly what you mentioned before. Insights learnings bit of a light bulb moment. "Why didn't you tell me this three years ago?" "Well I actually did. But you weren't listening. You just wanted to talk."

Mark Young: [00:52:32] Peer to peer is huge.

Matt Jones: [00:52:34] So business owners listening out there. Get out of the way stand back and let the team who have got a lot of knowledge and information to share and help you, let them do the work for you.

Craig Smith: [00:52:43] And you're not on your own. You know as far as if you're talking specifically about recruitment and trying to find people we're on that journey ourselves. Continually trying to find new people to come into the organization. I Know plumbers. We've got a look at our cafe bar noticeboards Jonesy and see these applicants well people looking for people everywhere posts that are around our chalkboards and so forth so that you know we're always willing to have a conversation and help as part of our health checks, quarterly, 6 monthly whatever routine rhythm works for them and probably on routine and rhythm it's not a difficult thing. The hardest thing is to stay disciplined actually do it. It's not the agendas if you like within your routine and rhythms aren't the difficult part. The difficult part is every Monday get out of bed and saying righto stick to the plan and.

Matt Jones: [00:53:33] It comes back to what it meant to the get go. Smitty, the one percenters. This is how we do it here. This is how we do it and just stick to the little things that work well. Recruitment and I was talking to a customer yesterday up in Carins telling me how I'm struggling for team members, I'm talking to someone last week in Hobart I'm struggling for team members, i'm talking to someone in Perth, I'm stuggling for team members. Everyone seems to think it's just their own patch. Big city's little city's, everyone's in the same vein where we need great people, we need great resources to help drive it. How we can do it in this day and age especially with the Millennials you've got to invest in systems, you've got to show that you care about your team. You've got to reinvest in your team and I think that's one of the key things that I've seen from the outside looking in the Reece team have done really, really well in terms of leveraging the success today.

Craig Smith: [00:54:19] We've taken a lot in some instances we all like our footy at Reece. We've taken something from a lot of sporting teams, professional and how you you only got to drop 2 per cent on the year before and you fall back in the pack. So you've got to create your own you know would be you know I suppose my message today if you think you're gonna go out and recruit a graders all the time it's not going to happen. If you've got the environment, the culture, you've got the experienced people already on board bringing people into that environment, you'll get better outcomes.

Mark Young: [00:54:50] I think you hear a lot of business owners now say, "well you know you get an apprentice in and all they want to do is own their own business in you know five, six years". That may be the case but you can't let that get in the way of getting someone and training them up. If you train them up right way you never know they could be here co-director one day. Yeah I think guys miss a lot of opportunities from getting good caliber young guys just by being a bit risk averse in. Where are they going to be in five years. Invest the time. I think you'll find it will actually generate a huge benefit to the culture of your business.

Matt Jones: [00:55:28] Definitely. That just comes down to mindset of what you think. Everyone's a dickhead or hang on. Because some businesses are killing it. Some businesses are attracting great team members so it's not just the markets tough. No you're not attracting great team members but other people are. So it's not just the market.

Craig Smith: [00:55:43] The risk we take every time Jonsey is we put a young person on is travel. These days you find a lot of the kids want to go away. So we've probably got a pretty intensive first two years for people to start with us with. Because theres a lot to learn between procedure and products but risk is always that their going to jump on a plane and go overseas. But to Youngy's point if we were really overely reactive around that. We wouldn't put them on and then we wouldn't be able to feed some of the growth that we've had.

Matt Jones: [00:56:09] Smitty, Youngy. Great to have you guys with us today.

Craig Smith: [00:56:12] Thanks for the opportunity Jonsey enjoyed having a chat about the industry. Thanks Jaideep. Thanks for having us. We had a great time. Jeez guys and thank you for listening to your business podcast.