

Distribution



Fletcher Building's distribution business, PlaceMakers, is the premier supplier of building materials to New Zealand's commercial and residential construction markets.

PlaceMakers leads the market in its core trade segments and provides an important distribution channel for Fletcher Building products. There are 63 stores, most of which are operated in partnership with local owners. Frame and truss manufacturing is a key feature of the division's offering.

PlaceMakers works closely with joint venture operators and key suppliers to deliver value to customers through trade credible products, and great service through the quality of its employees and its customer relationships. These are key points of difference underpinning PlaceMakers' competitive success.

Performance overview

PlaceMakers' sales fell by 18 percent for the year due to the decline in residential building activity in New Zealand. Operating earnings, excluding unusual items, were 59 percent lower at \$30 million with margins affected by competition and lower turnover.

A decline of 39 percent in New Zealand residential building consents from the 2008 year had a significant impact on PlaceMakers' performance. With the shrinking residential market some competitors moved into the trade segment, and increased competition led to lower prices and margins. PlaceMakers maintained market share in both the trade and serious DIY segments.

Significant operational improvements in frame and truss manufacturing were achieved through closing some smaller plants in the Canterbury region, and centralising production at a new plant in Christchurch. A similar consolidation in other centres will be implemented over the next year.

The ratio of working capital to sales improved during the year, with strong inventory management achieving reduced stock levels despite increased shelf capacity in new stores.

A new trade store was opened in New Plymouth and a number of store refits were completed, including Kumeu and Antigua Street in Christchurch.

PlaceMakers has reconfirmed over the past year that joint venture ownership remains the preferred operating model. Succession planning remains a key priority and PlaceMakers has actively reinvested in the appointment, retention, development and performance of joint venture operators. This will ensure that PlaceMakers always has a robust pipeline of qualified people available to become partners. The preferred succession mix is a predominance of internally developed high potential people, supplemented with approved external candidates to match

the anticipated leadership bench strength and succession needs of the business.

Health and safety initiatives during the year included establishing a 'near miss' reporting target and incentive scheme, an increase in the standard of internal audits, and a compulsory training programme, Home Safe Everyday, for managers and supervisors. A seven percent reduction in total reportable injuries was achieved.

Looking ahead

Improved trade customer service to grow market share will be driven off PlaceMakers' strong base of trade relationship skills, product and industry knowledge, and supported by improved delivery performance and logistics improvements. PlaceMakers will also focus on growing share of the serious DIY customer segment by focusing on trade credible products with competitive pricing and authentic 'Know how. Can do.'

PlaceMakers will continue raising store standards. Refits of three more sites will soon be completed.



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