

HD Metro **Property** Development, Transtar International, AussieCommerce **Group** and Seeley International vie for best \$100-250 **million company** award

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One's just made a windfall selling land to **China**, another by being the first in its industry to base a data centre there. And all four finalists in the Momentum Mid-Market Awards for companies turning over between \$100 **million** and \$250 **million** have had to be innovative to survive. Here are their stories.

THE **PROPERTY** DEVELOPER

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In the past four years, Metro **Property** Development has grown to be one of the most active and successful private **property** developers in Australia.

The **company** has \$2 **billion** worth of development in the pipeline, including more than 2500 apartments in Brisbane and 1000 houses across Melbourne, Adelaide and Perth. It has projected revenues of more than \$500 **million** for the 2014-15 year, up \$100 **million** on last financial year.

Chief executive Luke Hartman spoke to BRW during a skiing holiday with his family last week. He attributes **company** growth to plenty of industry research, the **company's** ability to predict market trends and relying on gut instinct. Having fingers in both the housing and development market also allows for smoother cash flows, he says.

"There couldn't be a better time to be in **property** development, that's for sure. Current interest rates are a real plus for us, and there's also a lot of catch-up going on because Australia is still massively under-supplied, so there's huge opportunities for developers in all major capital cities. Vacancy rates in both capital cities are also sitting at sub-2 per cent," Hartman says.

Housing affordability is the biggest issue facing the market, he says.

"It's our job to find ways to continue to provide product that meets market demand."

Metro was dealt a blow when the federal government pulled the pin on the National Rental Affordability Scheme. The **company** was a large supplier of housing stock under the scheme. Metro expressed concern in a series of newspaper advertisements in The Australian Financial Review late last year and early this year.

As recently reported in the media, Metro plans to sell a large parcel of land to **Chinese** real **estate** giant R&F Properties, which has agreed to pay more than twice the \$22 **million** Metro paid for a Brisbane **site** last December. The **sale** will reap the **company** \$24 **million** profit in just over six months.

Hartman says: "We're embracing overseas investors coming into the market and we welcome competition. I see that as an opportunity, not necessarily as a threat in a lot of ways."

THE INTERNATIONAL FREIGHT **COMPANY**

Transtar International Freight was enjoying decent profit five years ago, but had no market differentiation against its 400-odd market competitors.

It was also struggling to recruit basic clerical staff within a salary range the **company** was able to justify. So, management began searching for a lower cost option, deciding to open an offshore data centre in **China**, which offered growing trade volumes and market opportunities for both import and export. The Australian workforce has been reduced dramatically, resulting in greater efficiencies and savings. Now, all **operations** flow through a single platform, reaping financial rewards in the past 12-18 months (it predicts revenues of \$160 **million** this calendar year).

Establishing an overseas base stands it apart from the majority of its competitors. Other than the global giants, most competitors rely on overseas transport agents, chief executive Hank Meyer says.

"The basic premise of our business is moving a box of product from location A to location **B**, but there are many ways in which that can go wrong, and the most critical of those is information flow. Having control over the flow of information puts us in a terrific position to service our customers and have transparency over our process," Meyer says.

"There is a fundamental difference in what we provide now. But it's taken us some time to build confidence to tell our story to the market in a consistent way. I guess it was a confidence thing; for us to really believe in what we do and what we sell. That's now resonating around the entire business."

However, the **company** is battling against low freight rate levels, which has been driven by global shipping overcapacity.

"That makes it pretty difficult to make money when you're just shipping a container from **Hong Kong** to Melbourne. This has levelled the playing field from a price perspective," Meyer says.

Line haul costs are inflating transport costs greatly for Australian customers, who import everything into Sydney and send to warehousing before distributing across the country by road, Meyer says.

"That's not particularly smart from a cost perspective. It's where you lose all your dollars. A lot of our customers have significant capital tied up in trucks and vans. It's far simpler to ship direct to the capital city and distribute out of our DCs on your behalf. It saves time, significant **energy** costs and transport costs."

Meyer says: "Nothing is surer that we'll do something different again over the course of the next year. What that might look like, I'm not yet prepared to say."

"We're sort of dragging our customers along for the ride and we've got to make sure we don't get too far ahead of them."

THE E-COMMERCE STORY

In four years, AussieCommerce has grown from a small business to a leader in Australian e-commerce. It operates nine e-commerce websites, including Luxury Escapes, TheHome, TheActive, TheGourmet, brandsExclusive, pop.com.au and Cudo.

The **company** was recognised by BRW as being the fastest growing **company** in Australia last year, with average growth of 276 per cent in the past three years.

Sales have increased from \$43 **million** to a forecast \$165 **million** and it continues to innovate, creating three new brands in the past 12 months.

AussieCommerce has expanded into products, both through **acquisition** and the creation of new organic websites. It has also grown to be one of the country's largest providers of travel packages online.

The **company** also creates custom video content and two custom magazines, which are read by more than 25,000 people monthly.

However, the **company** didn't chase rapid growth, instead opting for slow growth to ensure its business model was sustainable.

Chief executive Adam Schwab says the difficulty lies in the low barrier to entry in his industry, meaning new competitors are constantly coming out of the woodwork.

"You've got to be especially concerned in this space to be offering the best products and the best after-sales service in the market, which is an issue that has become even more acute as new, often less experienced players enter the market. We've been working hard on that, which is driving strong organic growth for us."

AussieCommerce founder Adam Schwab

Artfully dodging spam laws and finding ways to cross-sell is where the growth opportunities lie.

"No one does that part well in this area. You've got to be really careful. You can't directly email a customer with an offer from one of our other websites, though we can include a link to an offer at the bottom of an email list they're already signed up to.

"Still, unless it's got some real context behind it, it can be pretty ineffective. It's also about being able to pivot really quickly and resonate with members in new ways.

"A lot of work goes into running a campaign. We've got 280 staff all up, 180 of whom we've added in the past year, and it takes a lot of them to work on every single one. Although we try and share as many resources as we can."

AussieCommerce is presented with several new **acquisition** offers each week, and Schwab considers each and every one. "Unfortunately, you can't **buy** everything," Schwab says.

MORE THAN HOT AIR

Australia's largest airconditioning and heating manufacturer is also in the race.

Seeley International already exports to more than 120 countries. Its vision is to create innovative climate control solutions and expand its global presence.

Seeley's revenues rose from \$112.3 **million** in 2013 to an estimated \$125.0 **million** this year, while full-time equivalent staff numbers remained steady, at 335.

But executive chairman and founder Frank Seeley has his sights set on much bigger growth. He says: "We will continue our aggressive growth towards the goal of becoming a one-**billion**-dollar **company**."

Frank Seeley, founder of Seeley International at his Adelaide factory.

Seeley's doing this by focusing on innovation. The **company** commits a major chunk of revenue to research and development. In fact, more than a dozen of the 50 engineers focus solely on innovation and product development.

Its team pushes the envelope and constantly looks over the horizon so that by the time a competitor replicates any of Seeley International's products, Seeley claims they've often already been superseded by newer Seeley International technology launching onto the market.

The **company** also manufactures most of its own parts, including electric motors, pumps and other major components to ensure quality control.

Seeley motivates staff to drive a continuous improvement program, which has in the past five years seen more than 1200 projects come to fruition. These have improved safety by 35 per cent, increased productivity by 12 per cent and generated savings worth \$650,000 since 2009, the **company** claims.

Seeley says: "One of the biggest hurdles has been deciding which innovation should be brought to market first."

The **company** is currently rolling out its new cooling system, Climate Wizard, which is different to conventional cooling systems, Seeley says.

"Much of the sales effort is educational; therefore it tends to be quite labour intensive. One way to address this challenge is to address materials which better educate customers, through real-life studies which evidence the performance of the Climate Wizard."

Finalists of the BRW and GE Capital Mid-Market Awards 2014 have been announced. Join us to celebrate the winners at our exclusive awards evening on Thursday 28th August at the MCA Sydney. Click here to **purchase** tickets.

CO auscmm : Aussie Commerce Pty Ltd | seelin : Seeley International

IN i32 : Machinery | i3284 : Heating/Cooling Equipment | iecom : E-commerce | iindstrls : Industrial Goods | iint : Internet/Online | itech : Technology

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