

Strategy

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Darryl Abotomey, Chief Executive Officer, Burson Auto Parts



The combination of a strong business, an experienced CEO and a private-equity firm focused on strategy puts a family enterprise into high gear.

Darryl Abotomey thought he was heading for retirement when he got a call from Garry Johnson—the founder of Burson Auto Parts—in 2011. Darryl had just finished four years in a leadership role at rival car parts operator Repco, and thought he had reached the end of a pretty successful career.

Burson had been founded in 1971 when Garry started making and selling car mats from his house. Its first store opened in 1978 and by 2011 it had 82 shops across Australia and was one of the largest suppliers of automotive parts in the country.

However, Garry had no obvious successor in his family or in the business and he felt that Darryl could be the one to lead Burson into its next phase.

Darryl would require funding to buy out Garry and he thought the best way to structure the deal was to bring in a private equity partner.

Quadrant Private Equity had previously expressed an interest in the business and a deal was struck with a team lead by director, Justin Ryan.

For Quadrant, the deal was a no-brainer. Justin already knew the business and was aware that it had a great brand, network and culture.

Once the deal was inked, the first priority for Darryl and the private equity team was to establish a leadership structure at Burson. "It didn't have a management structure and Quadrant agreed that we would have to invest in getting the best people," Darryl says. "They insisted we have top-quality people in the business and they were dead right."

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The second challenge was not to disrupt the culture of the organisation. "It had a great culture ... People were driven to win and to create a successful business," Darryl says. "We didn't want to change that culture but we did want a better understanding of what the drivers of the business were."





Who we are

AVCAL is a national association which represents the private equity and venture capital industries covering early stage, expansion and management buyouts. Our members include fund managers, investors and advisors who support the industry.

AVCAL members build better businesses

The investment model used by the private equity and venture capital industries supports the building of stronger businesses that can deliver sustainable increases in enterprise value over the long-term.

AVCAL's core objective

To ensure that the business community and other key stakeholders understand the benefits of the private capital model of business ownership, and the role that it can play in contributing to investment and employment growth across the Australian economy.

In typical owner/founder style, Garry had built up the enterprise through hard work, good service and strong relationships, but very little analysis had ever been done on the business.

"We spent the first six months understanding the business and Quadrant was critical to this period," Darryl explains. "It helped by finding us the right people to do the deep-dive analysis."

What emerged was that the biggest opportunity was in empowering and educating the store management team. Darryl wanted the store managers to take responsibility for driving profitable sales—up until then, store managers had focused on overall sales figures, without necessarily concentrating on the profit. Now their incentives were linked to the overall profits of their stores.

"We opened up the fundamentals of the business to them," Darryl says. "Up until then, they had never seen all the figures. They embraced the knowledge."

Targets were simplified around profitable sales. "We did a one-day session on the fundamentals of the business, where it suddenly dawned on everyone that the real focus should be on profitable sales," Darryl recalls.

With a different framework and the right incentives in place the team simply went out and hit their targets. "They delivered in more ways than we could have hoped," Darryl recalls.

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The other opportunity Justin could see was the available capacity in the business. "I could see the warehouse was under-utilised," he says. "It was only 80 per cent full, which meant we could start to roll out a lot more stores without having to build more warehouses."

Burson now has 160 stores around the country and is the largest supplier of automotive parts to mechanics. That success has not just come from changing the business model; it's also been about providing a better service to mechanics.

From the beginning, Quadrant encouraged Darryl to invest in technology. Burson now has a sophisticated online ordering system that saves mechanics time, providing fast information on parts required for car models.

"If a mechanic has a Mazda 3 coming in for a service, they can use our system to find out all the parts they may need and get a

service checklist as recommended by the vehicle manufacturer," Darryl says. "Our role is to make the mechanic more efficient. The online system tells them if the part is in stock at our stores or not and they don't have to waste time on the phone."

This is crucial in the car mechanic industry, where the average order size is \$60 and where money is made by selling labour, not parts. Every moment spent not servicing a car is a moment wasted.

For Darryl, this has been yet another positive aspect of working with private equity. Quadrant, he says, has been an excellent sounding board. And he remains particularly thankful for the contacts the firm provided to do the initial deep-dive analysis and further contacts for developing network planning.

"You can't understand how useful that information was to us," he says. "We had thought we would end up with 175 stores but that was by putting our finger up in the air and making a guess. Quadrant brought in people who did work such as plotting all the mechanics in Australia and put some insight and logic around our plans. We would never have thought of using people like that."

For Justin, the success comes down to the small and focused team he set up for the Burson deal. He and Quadrant investment director Alex Eady worked closely with Darryl and Burson CFO, Greg Fox. "We kept the communication lines open and when we wanted to do something, we just went and did it," Justin says.

It was also a deal, he says, where the founder remained involved all the way through the process. When Burson Group floated on the stock market in 2014, founder Garry Johnson—who is one of Burson's largest individual shareholders—was the one to ring the bell at the ASX. Something that when he started making car mats in his garage all those years before, he never imagined he would one day be doing.

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