

# GOOD GUYS IN THE HOUSE

It is tough times in retail but Andrew Muir's model for selling electrical goods sets him apart.  
Report: Jane Lindhe

● They may be among the most irritating and repetitive television commercials in recent years, but the catchy tune, "Come in and see the good, good, good guys. Pay cash and we'll slash the prices", has undoubtedly made The Good Guys co-founder Andrew Muir one of Australia's wealthiest retailers.

The story of a self-made millionaire, who with his father Ian turned a small suburban whitegoods store in Melbourne into one of the country's largest home electronics and whitegoods chains, is an unpretentious one. Yet it has landed a media-shy Muir somewhat uncomfortably on this year's *BRW Rich 200* with a fortune of about \$316 million.

The Good Guys, which splits ownership between the Muir family's Muir Electrical Organisation and joint venture partners, has essentially expanded by keeping good on three promises: happy staff, low prices and discounts for cash transactions.

Unlike their television commercials, the Muir family prefer to stay low-key and let their business and individual franchisees "speak for themselves".

But the home electronics category has nothing to do with the Muir family's success, according to Retail Oasis managing director Stephen Kulmar. He says the key to the Good Guys expansion is its decentralised joint venture model and its heavy discounting strategy.

"If you had to look at home electronics and whitegoods as a category you would say, 'what are the advantages of being in this market?' There are absolutely none," Kulmar says.

"Home electronics sales are flat and companies like Harvey Norman are really struggling in that category. You would say the advantage for the Muirs is not in the category but in the model."

The strategy relies on joint venture partners operating the business and heavily motivating their staff. Stores are set up mainly with minimal fit-outs in large warehouses rather than expensive high street locations. "Managers play hard on price under a really tight framework," Kulmar says. "They understand if they don't get the sale immediately they will probably lose it to the competition." Unlike its competitors' highly complex franchise models, licensees buy half of a Good Guys store and manage it as their own business. The property is held separately from the joint venture agreement.

The average cost of doing business is also much lower compared with competitors such as Harvey Norman, Kulmar says. Fit-out costs are minimal and the retailer sticks to what it knows – home electronics and whitegoods.

Today Muir owns 60 per cent of Muir Electrical, which controls about 42 per cent of the Good Guys store network and the remainder of the family company is owned by his mother and sister. Although the retailer's ownership structure may appear confusing to potential investors, it is understood Muir Investments has the right to the shares owned by the stores' franchisees at a price based on an earnings multiple agreed to at the start of the partnership.

Apart from Ian Muir's long history in the whitegoods business, the idea for the Good Guys is believed to have been borrowed from a now defunct Californian retailer of the same name. Last year the company had turnover of more than \$2 billion, according to IBISWorld. It estimates that the company's revenue is increasing by about 30 per cent a year.

The Good Guys' financial results combined with its strong brand has had potential buyers circling for years. And while it is understood that Muir, 49, is interested in selling, he is also determined to wait for the right price. Reports suggest the family want close to \$1 billion but analysts say it is worth closer to \$600 million.

While the retail sector is experiencing one of its toughest years, Kulmar argues that good businesses such as The Good Guys will continue to be acquisition targets.

The father and son team of Ian and Andrew created The Good Guys in 1992 by renaming 14 Mighty Muir stores they operated throughout Victoria and Queensland. Since Ian's death in 2009, Andrew's sister Carlyne and mother Joan have become shareholders in the business.

Described by those close to him as "extremely private", Andrew Muir stepped into the public domain briefly last year when the family's Good Foundation donated \$5 million to British chef Jamie Oliver's Ministry of Food charity, which promotes healthy eating and fighting obesity.

"It's far cheaper for the nation, and quicker, to nip this thing at the source, to teach people how to cook again, with good basic nutritional eating habits, rather than eat ourselves to death," Muir said. *BRW*

## ANDREW MUIR

**Born:** Melbourne

**Lives:** Melbourne

**Age:** 49

**Career:** Andrew Muir and his late father, Ian, founded The Good Guys in 1992 after rebranding their 14-store Mighty Muirs chain. Using a franchising model, they built The Good Guys into one of Australia's biggest retailers with nearly 100 stores and sales of \$2 billion last year.

**Wealth:** \$316 million

