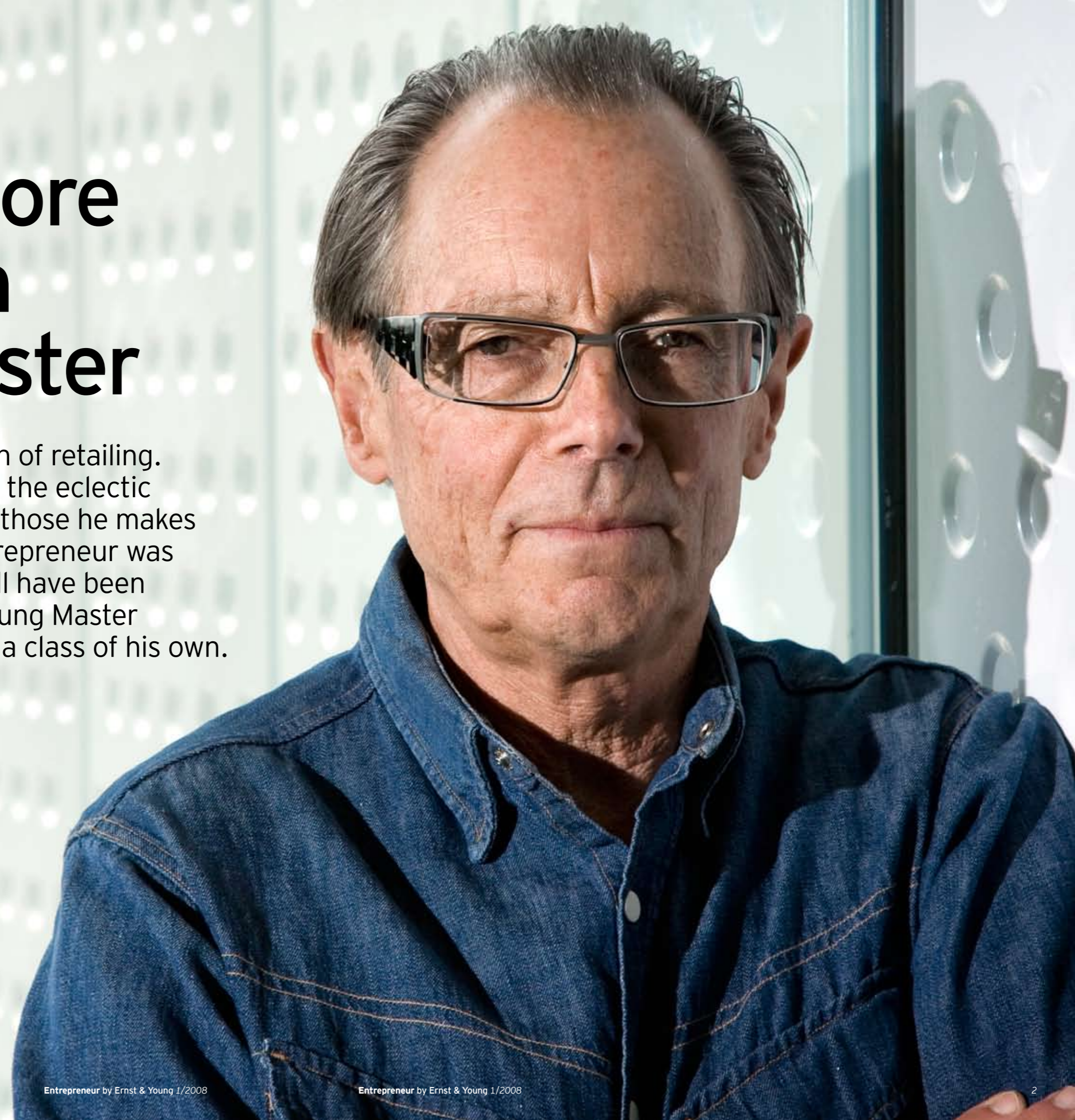


# Achieving more – motivation for retail master

Think of him as the Renaissance Man of retailing. He is dynamic and passionate about the eclectic opportunities his vision creates and those he makes happen. When the mould for an entrepreneur was first fashioned Michael Hill could well have been the prototype. The 2008 Ernst & Young Master Entrepreneur Of The Year is truly in a class of his own.



**Among the flames devouring his** dream home, Michael Hill may well have spotted a phoenix, the mythical bird that immerses itself in an inferno of change to then rise again, full of flight and fancy, out of the ashes. Poised for change, redirection and action.

But for that tragedy, the phrase (now part of New Zealand popular culture) "Hello, Michael Hill, Jeweller" may have been heard only in his family-owned shop in Whangarei. The prospect of starting from scratch sparked in him a real belief that he could achieve so much more than he already was.

Granted, he had demonstrated ambitions outside the world of jewellery and retailing, shown through his love of violin music and winning the Bulova International World Window Dressing competition. Few people anywhere, but especially in Whangarei in the 1950s, leave school at 16 to become a concert violinist. At the *New Zealand Herald* Violin Competition a year later, he failed to win. He was told to forego the bow and take up watchmaking in the jewellery business owned by his uncle. The safe-and-steady option seemed the path Michael Hill was destined to follow. He and watchmaking didn't click, so for 23 years he followed in his father's footsteps as a salesman for the family venture. He became manager of the shop when his father and uncle retired. This somewhat bucolic lot looked to be his - until the fire.

"We had bought a house on Beach Road in Whangarei," Michael Hill recalls. "We also bought two flats next door, renovated them and sold them on at a profit which allowed us to buy a few acres near Whangarei Heads. We built a very complicated but stunning hexagonal house - designed by a well-known Auckland architect - that ran way over budget. After three years it was finally completed. One night when we came home from the cinema we saw flames licking into the sky and saw that it was our house burning.

"As the house disintegrated before my eyes something literally snapped inside me. Then and there I decided to buy my uncle's business. I realised that I could, and wanted to, achieve more. Common sense would have said it was a hopeless time to have such thoughts but over the next few months I found a backer and he put up the capital."

The fairytale could well have come true except for one minor hitch - his uncle didn't want to sell.

The "pre-flamed" Michael Hill might well have rolled over and returned to his niche. Instead, he decided to open in opposition to the family and set up shop just down the road.

His window-dressing experience, plus spending time in Asia where he saw the art of retailing and selling done to perfection, opened his eyes and mind to the possibilities of "being different" when it came to creating the ultimate

shop experience. In terms of area his first venture was hardly expansive, but with a U-shaped display area, wide open doorway and Swiss chalet-style windows, he made the overall ambience inviting.

Once inside, the product offering was also innovative and alluring. Still a stickler for the "old-fashioned" methods of "creating" a sale, Michael Hill made the process very engaging and even entertaining. So much so that within 18 months the first Michael Hill Jeweller's takings had left his previous employer's truly in the dust.

Thrilled with the taste of independence and personal success, he set forth from Whangarei to conquer the country.

"We bought out Garlands Jewellery Store in Hastings, staged a closing-down sale and took the equivalent of its annual turnover in eight weeks. Our next acquisition was Lesters Jewellers in Lower Hutt."

With his first burst of ever-so-slightly off-the-wall advertising that was to be a harbinger of the "Hello" campaign, customers hit the shop and the sales figures went north. Takapuna, Palmerston North and Hamilton were the next targets for this jewellery juggernaut.

Enough capital had been accumulated by this stage to allow Michael Hill to buy out his backer. In the year of the 1987 stock market crash, he listed his company, raised \$3 million and embarked on his next foray - the retail world of Australia. He started with three shops in Brisbane and expanded into other major centres and states.

Helping him in his quest was an uncanny ability he had discovered to visualise his business progress and then harness this into action and achievement. Practising the art of transcendental meditation only heightened these capabilities.

His seven-shops-within-seven-years prophecy was achieved so he upped the ante to open 70 more shops within the same seven-year period. To date he has nearly 250.

Despite having an energy level that would make the Energizer bunny seem anaemic, he soon deduced that applying the art of delegation would be what would help him achieve his jewellery dreams and other pursuits that were occupying his mind.

"I was never happier than when I was able to see my team grow stronger until they were ready to go it alone. So, once trained, I cut the strings and let them fly - still with occasional guidance but never to the point of being over-controlling. This hands-off approach has stood me in good stead. I had seen too many people who felt they could not trust anyone and the only option they had was to do everything themselves. I knew I'd never get to my 1,000 stores worldwide if I behaved like this."

His selection of a CEO to further guide the business proved a deft touch.

"Mike Parsell has been with me since 1981. He started as a watchmaker. I trained him to sell, sent him to run the Takapuna shop and he excelled, so I took him to Australia with me. We shared a round table together in the IBM Building in Brisbane for three years. We would go down to the shops and sell together - in fact, we did everything together. He reached the stage where it was time for him to fly and he did. I knew he was my key man and I knew that if he acquired my skills he would be a real winner - and so would my business."

Moving to the next phase in the evolution of his business, Michael Hill and key team members knew that some quite dramatic rethinking and redirection would have to be on the agenda.

"When you develop a big goal, it changes the attitude of the troops. They can see a way forward - a really golden future - and they want to embrace it. It was up to me to sell them my dream.

"By 2003, the 1,000-shops-by-2024 focus was gaining considerable traction. It meant a complete restructure of

how we did things. I was very clear, however, that if we were to become a globally recognised brand we needed to keep the undertaking very simple and very precise. One head office, one distribution centre, one manufacturing division, a simple IT system to register sales, a different marketing approach as warranted, and get the stock sold as soon as possible.

"Brisbane was chosen as the main nerve centre to drive the expansion. I have to say there was a great deal of personal pain in closing down our large head office in my old hometown of Whangarei. Yet I knew it had to be done or we'd falter. The 'lean machine', as we called it, was ready to rumble and roll in a new country with new challenges and opportunities."

Canada was the territory of choice but some difficulties ensued. For starters, the "high-impact, high-recall" Hello television campaign was cost-prohibitive in such a large market. Getting the message out there became a challenge. Michael's daughter, Emma Hill, had been given the task - with the total support of her peers - to lead the charge with a small team. Opening with four shops in Vancouver, persistence and "slog" paid off after five years. Twenty-one shops now dot the Canadian landscape, budgets are being met and the next target is across the border in the United States.

Chicago is the site of the brand's US roll-out. Having cut its teeth in Canada, the company perceives the road south will be somewhat less rocky. Despite the global economic downturn, spirits remain high for continued success.

"This is a time of huge opportunity," he says. "We are launching in the heartland of the US and already have positions now that a year ago we only dreamed of. Already more opportunities are arising because we have decided to make this move. Naturally we will keep the ship tight and lean and certainly won't be dwelling on the negative press.

"I love the idea of leaving a legacy of something great behind me and I am committed to give a certain percentage back to the community."

"I had a very slow incubation period and never really thought I had a future. I really did not think I'd amount to very much in life."



"I now have a plan up to 2034 which is keep it simple, always have the infectious enthusiasm like a young boy and never deviate from the plan."



With the right attitude and not too much debt these can be very exciting times."

Having truly visualised achieving a global brand, the next round of visualisation focused on how to add value to the company's equity by having accoutrements and trappings that "walked the talk" of what the Michael Hill "experience" should represent.

"First off, the shift had to be made away from Michael Hill, the discounter, to Michael Hill, the admired and valued brand. Easier said than done but we're on to this. I have always looked at how the world's leading brands - in jewellery and other luxury-end products - enhance their image by being associated with classical music and golf.

"When I moved back to New Zealand in the 1990s and bought a deer farm and 500 acres, I had in mind the idea of developing a world-class golf course and club. Not only would this be a great ambition to achieve but I knew, if handled correctly, would accentuate other aspects of the brand."

Taking his idea from his head to the creation of The Hills golf course, just outside Arrowtown, was a mammoth undertaking, a far bigger project than even Michael Hill realised. Five and a half years in the making and costing more than \$1 million a hole, the pinnacle of the project has undoubtedly been the creation of the course's much-lauded clubhouse. It has won the 2008 Supreme Architectural Award for New Zealand and is attracting overseas attention.

Staging the revamped New Zealand Golf Open at his course under the new mantle of the Michael Hill New Zealand Open was a real coup.

"We use the event to link with our push into the Michael Hill watch range. Sales have really taken off and, consequently, we have flicked all other watch brands instore and have gone solo. My feeling is that we will sell more than one million of our watches a year by 2027.

That will put us firmly up with the big boys. I also see a future in opening branded watch shops which we could then franchise globally."

The other string to this branding bow is the connection with his passion for violin music and the launching of a world-recognised competition.

"The Michael Hill International Violin Competition is recognised as one of the world's most elite. My ambition in developing this was two-fold. As well as the branding exercise I wanted to have young New Zealanders experience the best in classical music and broaden their horizons away from just a passion for sports. I think I'm winning as I see violin playing in the country is on the increase."

He personally chooses adjudicators from around the world to select 18 finalists for this bi-annual competition. Along with the cash prize of \$40,000, a tour of New Zealand and a recording contract, the winner plays with the Auckland Philharmonia Orchestra. Michael Hill's love of the instrument has gone to even greater heights with his purchase of a Stradivarius that was crafted in 1694 and has its own name, Maria Muir McKenzie.

He has built a world-class super-yacht and has restaurant connections through Joe's Garage (which he plans to franchise) and Lone Star Cafés. As he says, he literally has a great deal on his plate.

"The sky's the limit for Michael Hill International. I see a global watch brand, a global jewellery brand - all we will sell is our own brand - better image, more profit and it all ties in with the golf, the music, the boat, the homes [he is looking at crafting 18 underground houses on The Hills property] and the restaurants. Michael Hill International will be doing \$2 billion by 2027.

"I love what I do. I still have time to be with my family, to smell the roses, play golf, play my violin and, of course, think and visualise. Each time I do I think how good is this?"



## Entrepreneur talks to Michael Hill about Achieving Potential – Making A Difference

### **Hello, Michael Hill, entrepreneur. Do you like the sound of that?**

To a certain extent yes, although one has to be very careful that one doesn't come across as being egotistical. That is something I do fear because I genuinely feel being humble in life is quite important. It would be awful to think that one entered a competition like this just for the sake of one's ego. In fact, it would make me want to crawl under the carpet really.

### **So why did you enter a competition that is all about entrepreneurs?**

When you think about it a little bit more seriously, you realise that if no one in New Zealand ever wanted to stand up and be recognised for what they have achieved, where will the role models for future generations come from? Kiwis do need to learn to be more aggressive. I think we need to fight harder for what we want and I think it is a trait that we could have more of.

### **Are we getting better at having that fighting, or entrepreneurial, spirit?**

I'm not sure we are. On a global basis, as far as entrepreneurs are concerned, I think we're in a most extraordinary country because we are such a small country but have no boundaries. There is no fear, we have no class system like they have in other parts of the world and we can't be easily slotted into a convenient hole. I believe we are able to think more freely and in totally lateral directions that actually confuse some of our competitors and neighbours. This is a really great attribute.

The difficulty is, of course, that probably a lot of us don't recognise just how damn good we are and when the heat comes on we might have a tendency to say "Well, perhaps I'm not that good" and we sort of give in. Now that's why I think we need that killer instinct because you do need that absolute dogged determination if you are going to succeed. We are finding this out in our quest to become a global

player in the jewellery brand. It's all very well being the best swimmer in the Whangarei primary school but, you know, when you're suddenly in the Chicago market you look over and Michael Phelps is next to you. You have to give it your all to succeed.

### **Your role has changed quite dramatically as the Michael Hill brand and business have evolved. What's the most important thing you're doing now?**

I like visualising and conceptualising my future and my firm's future. Then I like being able to sell my vision. Everyone has to sell everything in life to stimulate their own desire and their team's in order to achieve the desired end. I need to keep a gentle eye on this but I've trained people in my company who are far better than me now. My CEO is a great example. At first we worked around a small table for three years when we first went to Australia. We were just about like Siamese twins. But gradually he learned everything that I had to offer about the business and the culture and then I let him go. The art is to be able to delegate and not stand in people's way once they're ready to move on to new challenges.

### **Has that been an easy transition for you to make?**

Very, very easy! A lot of people find that very difficult but I have never found it difficult at all. I love doing that and I love seeing people "fly". It's very exciting to look back at the people we have trained and how outstanding they have become. They have achieved the Michael Hill degree. It actually is quite a degree to get. You have to have three months of solid training to learn the art of how to sell properly and effectively.

### **The turning point for you in life was when your house burned to the ground. Do you remember looking into the flames and do you remember what you saw?**

Yes, I do. Very clearly. I was doing all right in many ways. I had a lovely wife

who was earning good money working as an art teacher. I was managing the jewellery shop and when we pooled our income we were doing well. We were building a beautiful home - we had run out of money but were in the process of finishing it off. We had a boat, good friends, and I was able to make my own sake and homebrew for parties.

Watching the flames destroy all this, I knew I probably should not have been working for my uncle for 20 years and with no real future prospects of anything more than managing that shop because he didn't want to sell to me. We got the call that the house was on fire and, by God, it was. Everything we had was gone in two hours. Looking at that, it was just like I saw my whole past life, the whole 40 years, like a tape going fast forward. I realised at that second I had to move, I had to finish procrastinating.

Right there and then, on a card, I wrote down some goals. I had a vision of seven shops in seven years which I achieved. So I upped the ante to having a vision of 70 shops in seven years. I now have a vision of 1,000 shops in 18 years, of taking the company to \$2 billion. I want to become a global brand. You think these things are not possible but if you have the vision you can make things happen. I was actually able to aim at anything and, to my surprise, whatever I wrote down became true. It was an amazing thing. I've built myself a golf course, I'm writing a book, I'm designing a perfume, I'm designing some pens. I've got a 101 things I'm passionate about doing.

### **Among that incredible list of things is there one achievement that really stands out?**

That's a big call. I guess the violin has always been a big part of who I am. I wanted to be a concert violinist and it never worked out. I was "forced" to go into the jewellery business which was the best thing I ever did. But, you know, I love

playing the violin and I also love having a competition. It's very special to give back and I meet all these young players and protégés. It takes me back in time and music is a nice way of losing yourself. I can play Bach for an hour and just lose myself in another time zone and I don't know where I am. Having a balance and a release in life is very important.

Building the boat was a great thing, too. It's been one hell of a ride. We won Super-Yacht of Year in Venice. Then there's the golf course and clubhouse. It won the Supreme Architect Award for New Zealand and is in the final for the World Sports Buildings awards.

### **You say you are a great delegator and no doubt you'd say this ability was part of your success. What other advice would you give to people wanting to succeed?**

You have to believe in yourself and at some stage you've got to jump! You've got to move. I worry about some today who are very impatient and want it all without work. They think "I'll have everything done in a couple of years and then I'll retire". You can forget all that nonsense. If you really want something it's a lifetime's commitment.

Selling is a case in point and is becoming a lost art. People don't go into retail today to learn to sell. Selling is the crucial part of all retail and if one is to learn my trade, there is only one place and that is behind the counter and not sitting in some ivory tower. The moment you get into a shop and sell you know whether the brand experience is in synch or not. A good sale is only a good sale when both sides are in a win-win situation - in other words when the customer feels completely in euphoria about having made the purchase with no regret whatsoever. That's a good sale. Any sale that is a "push" sale, that comes across that they bought just to get out of the shop, well, that's an appallingly bad sale.