

# BUSINESS ENTERPRISE

## PROFILE

# Success can start with a name

This entrepreneur was keen to get into the kitchen, writes **Hannah Tattersall**.

**M**ichael Kitchener doesn't drink, smoke or gamble, but he does take risks. Kitchener was an industrial designer but decided he couldn't ignore fate or his name and founded Kitcheners Kitchens from his Bondi apartment in Sydney in 2005. He set up a website and sold 80 kitchens in his first year.

"I thought, maybe this isn't a hobby. It can be a proper business," he says.

Kitchener has since opened an office and showroom in Sydney's Alexandria and hired a team of professionals in Sydney and Melbourne who sell about 300 kitchens a year.

The company's 2008-09 turnover was \$3.5 million compared with \$2.4 million the year before.

Kitcheners Kitchens are pitched at the mid-market – mums and dads wanting to renovate.

Customers spend \$15,000 to \$25,000 on a kitchen, which is about \$10,000 more than a do-it-yourself Bunnings or Ikea kitchen, and a quarter of the cost of a luxury kitchen, although Kitcheners Kitchens caters for the affluent buyer as well.

Most kitchen companies operate within this mid-market and offer modular kitchens (think Kitchen Connection and Freedom Kitchens) but these companies offer set sizes and colours.

"There are not that many established, big kitchen players that are set up as design companies," Kitchener says.

"Our motto is, 'We make any shape, any size, any colour, any finish', but at the same price as these modular kitchens."

The idea seems to have worked well so far but Kitchener admits it hasn't all been shiny knobs and benchtops along the way.

Starting a company with no start-up capital was a challenge and is not something Kitchener says he would do again. "I had no capital. One hundred per cent of



Michael Kitchener makes the point that risks need to be taken. Photo Louise Kennerley

the business growth has been organic and the sacrifices I've had to make [to make] that happen have been huge.

"I didn't have any overheads then so the first year of business was a slightly different business set-up. My target market was investors [and] property owners who had rental tenants, so I was doing kitchen fit-outs in between tenancies. That was the majority of my market and those people found me through Google."

He says he couldn't have done it without taking risks.

"I've been really fortunate that I haven't made any costly mistakes. I remember when my overheads were around \$10,000 a month, which is nothing compared to what they are today, and I allowed myself \$2000 a month to invest back into the business to grow

**We didn't have any downsizing – if anything our growth wasn't as steep as it could have been.**

business, do photo shoots and work on the website.

"I've made a couple of mistakes where the overheads have increased and instead of a \$2000 investment, it's been \$10,000 or \$15,000 here and there and I'll see if it works and a few of them haven't paid off."

Not having a showroom in his first year also posed a problem.

"[In] my first year of business that would have been the biggest objection I heard with meeting people," he says. "Even though I could bring samples into the home

and show them, they wanted to see a showroom. I felt very young and it wasn't the impression of the business I wanted to give."

Twelve months later his wife had a baby and Kitchener lost his home office. He moved into shared office space in Alexandria with his client supplier.

To compete against the sea of kitchen companies operating in Australia, Kitchener knew he needed a good marketing strategy. Last year, he enlisted celebrity chef Iain "Huey" Hewitson as the face of the company. Huey helps promote the business and cooks from a Kitcheners Kitchen on his TV show. Since Huey came on board, the company's profits have risen considerably.

But Kitchener says it's been a tough year for the industry with many big kitchen companies reporting slow sales and some going out of business. He says in July and August this year he was forced to put a pause on expenses.

"We didn't have any downsizing," he says. "If anything our growth wasn't as steep as it could have been. [But] if I hear of interest rates going up I don't think people won't be buying a new kitchen now – they'll be staying where they are and renovating their place."

The industry has also had to adapt to accommodate green building initiatives.

Kitcheners Kitchens was Australia's first kitchen company to be endorsed by Climate Friendly, which helps businesses manage their carbon emissions.

Kitchener says the company offsets 100 per cent of its carbon usage and keeps abreast of new products coming onto the market, such as water-saving dishwashers and energy efficient appliances.

As for the future of the company, Kitchener wants to further expand nationally. He plans to open showrooms in Queensland and the ACT next year.

"I've always tried to educate the people that work with me to treat me as though I'm not a small business [owner]," he says.

"My turnover may have been \$500,000 a year when I first started, but I don't want to stay there. I want to turn over \$10 million."

## Q&A

# Plan for a tax-free party

**We want to hold a Christmas party for our team. It's been a tough year and we want to thank them for all their effort. We're working to a budget and a friend told me to watch out for fringe benefits tax. Surely you don't have to pay tax on a Christmas party?**

Not even Christmas escapes the Tax Office. Go too far with your celebrations and you will have to pay fringe benefits tax, which can elevate the cost significantly. The good news is that if you know the rules and do some planning you should be able to avoid any FBT liability. The rules depend on whether the party is held on your business premises or externally.

If the party is held on the business premises on a working day, the provision of food and drink to employees is classified as an exempt property benefit, so it is not counted for FBT.

If you hold the party at a restaurant or away from the business premises, you are inside the FBT net but you still may be able to avoid any liability. You would be relying on the minor benefits exemption here.

Under this exemption, providing the cost per person is less than \$300, the benefit will not be counted for FBT. If your staff bring partners or family this exemption extends to them.

If you provide gifts, the minor benefit exemption also applies and they would be considered separate from the cost of the party.

To avoid FBT liability, plan your celebrations around these minor benefit numbers and make sure you keep the paperwork to support your calculations. This should include details of the cost of the party plus a list of attendees.

**Hayes Knight – Accountants & Business Advisers.**

**Answers are general and should not be taken as specific advice. Send your questions to [fentonjones@afr.com.au](mailto:fentonjones@afr.com.au) or Enterprise, *The Australian Financial Review*, GPO Box 506, Sydney, NSW 2001.**

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