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- Home Hardware has plans for 50th
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- What we learned in 2013
- Business conditions blues

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# MORE THAN JUST A MAGAZINE



**HHIQ IS ONE FACET OF THE HARDLINES INFORMATION NETWORK. SINCE 1995, WE'VE BEEN DELIVERING THE MOST UP-TO-DATE INFORMATION DIRECTLY TO YOU.**

Hardlines and HHIQ conduct surveys, follow up leads, and create the press releases that other magazines copy.

Size of the industry? Ask Hardlines, just like the Globe and Mail and BNN do. Interested in how many locations a retailer has, their estimated sales, SKUs, corporate management, buyers, etc? It's in our annual Who's Who Directory.

Making a presentation or need to train new staff about the home improvement industry? You're probably using the Hardlines Retail Report.

Retailers and manufacturers schedule time every October to attend the Hardlines Conference for its outstanding information and networking.

The value of Hardlines and HHIQ isn't that we produce a magazine or a newsletter. Our value is connecting you, our readers, to each other and to the trends in the marketplace. Keep that dialogue going and we will continue to do our best to provide you with the information you need to plan for the future and prosper.

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THE BEST PRACTICES ISSUE

# PLAYING AT THE TOP OF YOUR GAME

We've filled this issue with retail best practices articles to help you win in 2014

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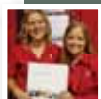
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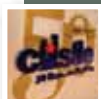
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**On January 14, Orgill, Inc., the world's largest independent hardlines distributor will be holding an Open-to-Buy Day specifically for Canadian-based manufacturers.**

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Orgill's customers represent a broad spectrum of home improvement retail models ranging from convenience hardware stores to full-service home centers and pro-focused lumber dealers.

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Orgill's merchandising team will be considering manufacturers and product lines from across all categories including:

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- Heating and Cooling
- Lawn and Garden
- Housewares
- LBM
- Automotive
- Building Materials
- Outdoor Living
- and more

**"Our experience at the first Orgill Open to Buy Day last year was excellent... We met individually with key stakeholders from different Orgill divisions. A follow up meeting was arranged at their head office and we are now a vendor with inventory in all DCs. Our experience with Orgill has been a very positive one."**

**—Normand Caissie,**  
CEO of Imperial Mfg. Group,  
New Brunswick

**We would like to encourage any and all Canadian-based manufacturers interested in presenting their product lines to Orgill's merchandising team to go to the website listed below for more information:**

**[www.orgill.com/canada](http://www.orgill.com/canada)**







# PLAYING AT THE TOP OF YOUR GAME

Successful home improvement retailing is all about customer service. So how is your customer service any better than your competitor's?

MICHAEL McLARNEY, EDITOR

“The customer service gap among independents has shrunk by almost 20 percent.”

**I** remember well my very first interview with a dealer many years ago. I was a junior editorial assistant for the now defunct *Hardware Merchandising* magazine. Going through my list of questions, I asked the dealer, owner of a family-owned operation in a small town in Ontario, “What’s sets you apart from your competition?”

“Customer service,” he replied without hesitation.


There it was. The secret to being a successful dealer. After decades meeting with dealers from every province in this great country, their markets and their challenges may have differed, but their answer to that question never has. Every one of them has insisted that customer service sets them apart.

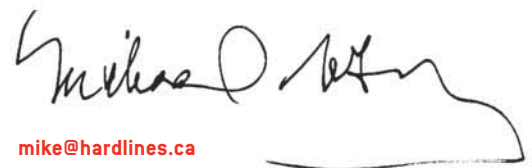
But just saying it doesn’t make it so. And relying on the good will and enthusiasm of a team is not enough. Today, you face a whole generation of homeowners, contractors, and DIYers raised on big boxes. To many of them, the best customer service comes from a Home Depot or Lowe’s or RONA big box.

Statistics bear this out. The North American Retail Hardware Association, represented in Canada by HARDLINES, did a study showing that 55 percent—more than half—of home improvement customers said they got the

best customer service from independents. That may not sound bad, until you consider that a decade earlier a similar poll got that answer from 64 percent of respondents. In just 10 years, the customer service gap among independents has shrunk by almost 20 percent.

Offering the best customer service takes a commitment to being the best you can be on many, many fronts: the best negotiator, the best finance person, the best merchandiser, the best HR person. This issue of *HHIQ* is devoted to presenting examples of retail best practices, through case studies, exemplary performances by other dealers, and by outlining sound management practices.

Home improvement retailing requires you to be at the top of your game—a game that requires you to keep many, many balls in the air at any given time. It may sound daunting, but for dealers who are playing at the top of their game, they know they have no other choice. And they know the rewards of winning are incredibly satisfying. 

  
mike@hardlines.ca



# THIRD QUARTER 2013

## 2013 shaped up to be a tougher year than expected

**A**t the end of 2012 and heading into 2013, there was an optimism surrounding the year ahead. As the year moved along, a lot of that optimism faded as the weather was very cold for the first quarter, housing didn't bounce back as expected and economic recovery has yet to meet pre-recession levels.

Fast-forward to the third quarter of 2013. Favourable fall weather helped improve sales for retailers and may have impacted expectations for the months ahead. When dealers look ahead 12 months, there is definitely optimism. Slightly less than 70 percent of dealers expect increased sales in the next 12 months. This is a welcome increase in growth expectation, especially when compared to dealers' outlook in the third quarter of last year, when less than 62 percent said they expected their sales to improve in the coming 12 months.

For retailers, six-month expectations are very similar to last year though. In 3Q 2013, 46.7 percent expected an increase and 31.5 percent did not. Expectations are similar to the same period a year earlier: 49.4 percent

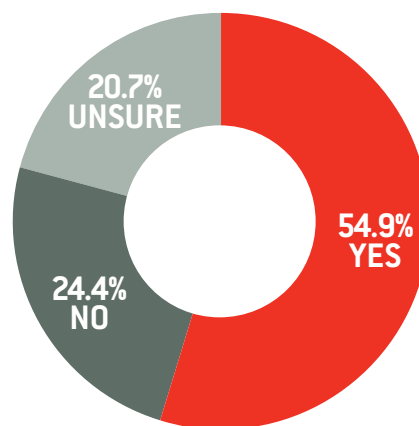
of retailers expected sales to increase over the next six months when surveyed in 3Q 2012, while 30.6 percent did not.

When retailers were asked about conversion rate, the number that reported that their conversion rate has remained the same increased from last quarter. In 2Q 2013, 53.6 percent of retailers reported steady conversion rates. In the third quarter that number was up to 62.9 percent.

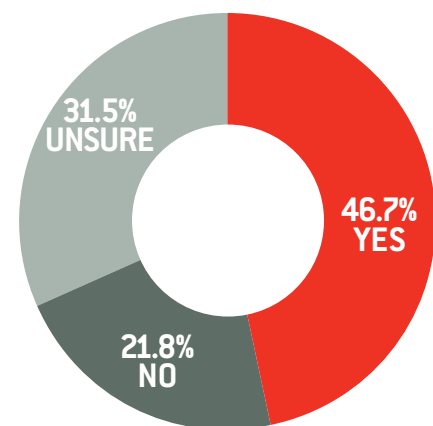
The number of retailers that reported their conversion was up dropped from 33.9 percent in 2Q 2013 to 28.1 percent this quarter.

Moreover, this quarter fewer retailers offered new products and services to better compete than they did last year. New product offerings are down almost five percent this quarter. In 3Q 2013, 56 percent of retailers offered new products; a

**VENDORS: Do you expect your sales to increase over the next 6 months?**



**RETAILERS: Do you expect your sales to increase over the next 6 months?**





year ago 60.5 percent of retailers offered new products.


Comparing business to the same time last year, only 39.8 percent of vendors thought that business was up. This is down from 51.5 percent answering that business was up when asked the same question in 3Q 2012. This data clearly indicates that the year has been tougher on the suppliers, as the lift dealers experienced mid-year is slow to filter back to their vendors.

However, suppliers are optimistic that business will improve by this time next

year, which is especially good news given their slower performance year-to-date. Fully 73.5 percent of vendors expect their business to improve over the next 12 months. Expectations in the short run are less enthusiastic, however, with only 54.9 percent of vendors expecting sales increases in the next six months, down from 68.4 percent reporting a positive expectation in 3Q 2012.

Looking forward to the end of the year, both vendors and retailers were asked "how do you expect sales to have gone this year,

at year end 2013?" For vendors, 41 percent are expecting flat sales and 38.5 percent are expecting sales to increase. Retailers shared a more optimistic outlook, with 56.5 percent anticipating increased sales and 30.4 percent anticipating flat sales.

Overall, retailers are faring better than vendors in this quarter. By the middle to end of next year, those sales should filter through to increased orders to vendors. If seasonable weather conditions continue, that will also help both the retailer and vendor outlook. 

#### VENDORS: Top issues in third quarter

1. Increased retailer demands
2. Higher raw material/shipping costs
3. Falling consumer confidence
4. Housing market

#### RETAILERS: Top issues in third quarter

1. Staffing
2. Customer retention
3. Training
4. Expanding products
5. Adding New services
6. Increased competition
7. Succession

#### VENDORS: Top concerns in third quarter

1. Rising mortgage interest rates
2. The rise of online retailing
3. Parity with the U.S. dollar
4. Keeping pace with technology
5. The increased presence of U.S. retailers

#### RETAILERS: Top concerns in third quarter

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# CLIMBING TOWARDS RECOVERY

Canada's retailers  
remain resilient in  
face of slow growth

BY MICHAEL McLARNEY

## ECONOMIC CONDITIONS REMAINS SLOW

The Canadian hardware/home improvement industry's rate of growth in 2012 slowed very slightly compared to 2011, nevertheless continuing a trend of positive, although modest, growth following the downturn during the slowdown of 2008-2009.

Retail home improvement sales in Canada were valued at \$40.8 billion in 2012. That number consists of retail sales by all hardware stores, building centres and home centres in Canada, including related hardware/home improvement/seasonal sales by Canadian Tire, Costco, and mass merchants. It also includes only hardware and home improvement sales from the co-ops, excluding petrol and agro products.

Note that the rate of national inflation for Canada was 2.9 percent in 2011 and 1.5 percent in 2012, so dealers' growth in 2012, though modest, is even tighter when taking the rise in the cost of living into consideration.

Conditions in 2012 were off to a healthy start with housing starts recovering and weather co-operating to drive sales. However, conditions did not remain consistently robust across the country through the remainder of the year.

Therefore, overall growth of 2.0 percent in 2012 will be followed by slower growth in 2013, reflecting slowing in housing starts and mixed consumer confidence as Canada's employment level grows slowly. The industry in Canada is forecast to grow by only 1.4 percent in 2013, and that continued softness is not expected to begin turning around until late in 2014, when growth is expected to be only slightly higher than in 2013.



## GROWTH BY RETAIL FORMAT

All retail formats except hardware stores enjoyed growth in 2012, although for the most part that growth was small.

Only club stores, represented solely by Costco in Canada, showed growth exceeding the industry average (4.0 percent vs. 2.0 percent), reflecting the success of Costco in this country.

Traditional hardware stores actually had negative growth in 2012, shrinking their sales by 2.6 percent. This follows a year of slow growth in 2011, when the sector was up by only 1.5 percent. This decline is likely more a function of the emphasis on building centres and home centres by the major retail groups such as Home Hardware and RONA. The hardware store, in addition, has much smaller sales than a building centre.

Big boxes continue to recover post-recession. Their collective sales growth of 1.0 percent would have been higher if not for the fact that RONA is focusing growth on traditional building centres and Lowe's is facing tough conditions in Canada as it expands here.

Canadian Tire's related hardware and home improvement sales climbed by an estimated 2.1 percent, actually exceeding the industry average rate of growth of 2.0 percent.

## CHANGES IN PROVINCIAL MARKET SHARE

In a year of positive, but relatively slow, growth, that growth was not distributed evenly across the country.

Even with uncertain growth in some parts of the province, Alberta showed the greatest growth among the provinces. (Nunavut in Canada's far north was up more, but given the small population and lower presence of dealers, this increase could be more situational than trending.)

Ontario, Canada's largest province, and the largest market for home improvement retailing, managed a 3.0 percent increase, after four consecutive years of falling sales.

Quebec's market was sluggish overall in 2012, down 1.9 percent.

British Columbia grew again in 2012, thanks to a rebound in mining and natural resources, increasing overall sales there by 1.6 percent.

Following moderate growth in 2011, the Maritimes—New Brunswick, Nova Scotia, and P.E.I.—were down. Newfoundland again led the Atlantic region with overall sales up a healthy 4.6 percent.

## INDUSTRY CONTINUES TO CONSOLIDATE

Canada's top four home improvement groups by sales are RONA inc., Home Depot Canada, Home Hardware Stores Limited, and Canadian Tire Retail. Sales by these "Top Four" retail groups increased by 2.3 percent. This rebound can be attributed to solid growth by Home Hardware, the continued recovery by Home Depot Canada following a recessionary drop that persisted into 2011, Canadian Tire's solid performance in core categories, and some stabilization by RONA as it works through its latest strategic plan.

In 2012, the Top Four increased their collective sales by 2.3 percent, increasing their overall share of the market from 52.8 percent to 53.3 percent, representing a 1 percent increase in the overall market share of the industry.

## CONCLUSION

The retail home improvement industry in Canada is still climbing slowly toward recovery following the worldwide recession of 2008-2009. While the country was not hit as hard economically as were other countries, especially the U.S., it is, in turn, not growing as quickly post-recession.

However, independent dealers remain the backbone of the industry, with strength in local markets by dealers that are showing resilience in the face of slow or flat conditions in many parts of the country.

## Home improvement industry growth

Year	2011	2012	2013*
Sales	\$40.01	\$40.80	\$41.38
y-o-y change	2.1%	2.0%	1.4%

\*Forecast

Slow growth is expected to continue in Canada. As conditions improve and if mortgage interest rates stay stable, housing markets are anticipated to come back up somewhat in 2014, pushing the forecast for 2014 closer to 2 percent.

## Atlantic Canada shift in sales

	2011	2012	Change
New Brunswick	\$1,195	\$1,184	-0.9%
Nova Scotia	\$1,374	\$1,351	-1.7%
Newfoundland	\$1,056	\$1,105	4.6%
P.E.I.	\$172	\$166	-3.5%
TOTAL	\$3,797	\$3,806	0.2%

Atlantic Canada is perennially resistant to economic highs and lows. In 2012, three provinces saw sales dip. Newfoundland again led the way in Atlantic Canada.

## Western Provinces shift in sales

	2011	2012	Change
British Columbia	\$3,988	\$4,053	1.6%
Alberta	\$4,291	\$4,567	6.4%
Saskatchewan	\$1,704	\$1,712	0.5%
Manitoba	\$1,681	\$1,691	0.6%
TOTAL	\$11,664	\$12,023	3.1%

While growth in the West was not as strong as the 5.3 percent increase enjoyed in 2011, all the Western provinces made gains in 2012.

NOTE: All data taken from the Hardlines 2013-2014 Home Improvement Retail Report

## HOME HARDWARE HAS BIG PLANS FOR 50<sup>TH</sup> ANNIVERSARY

**H**ome Hardware Stores Ltd. turns 50 this year and the company plans to play up the milestone in a big way. Promotions will take place at both the consumer and dealer levels, while a new e-commerce initiative will be rolled out.

“We’re doing some very interesting things for our 50th, including an ‘Ode to Ownership,’ which will start with TV,” says Jack Baillie, Home Hardware’s marketing director. The promotion will celebrate the independent dealer. “Then, in early 2014, we’ll be covering all the bases—TV, fliers, and digital.” The messages will celebrate the company’s history, “but focus on the future, as well,” says Baillie.

Home is launching an e-commerce site this year, one that enables shoppers to buy online and pick the products up in-store. “It will just supplement our business—for people who only like to buy online and for smaller stores that don’t have the full assortment.”

The company is also rolling out a new range of designer-chosen colours and haute hues. The new range will convince consumers that Beauti-Tone is a brand that is both trendy and stylish, says Darrin Noble, vice president and general manager, Beauti-Tone Paints, for Home Hardware Stores. “I can promise you that they are going to be pleased and excited to learn how sophisticated we are. We can’t wait to wow them when we roll out Canada’s best colours in January.”



Lindsey Dietrich, public relations co-ordinator for Home Hardware Stores Limited, and Melissa Rogez, from the company's digital marketing division, show off a 50th anniversary commemorative book developed to celebrate the dealer-owned co-op's half century of existence.



# CANADIAN TIRE EXPANDS ITS HOME SERVICES

**C**anadian Tire has tried a number of new strategies in the face of continued retail competition. In recent years it's tried adding food to its shelves, taken on large appliances, tested a smaller rural store, and developed an installed sales service.

Of those, only the last one—installed sales—is still around. Called “Home Services,” the business model is focused on two key lines of business. The first is in-home services, which includes painting, roofing, lawn care, and landscaping. In some ways, it's reminiscent of the services provided by Sears Canada's own “Home Services” division.

The other is coined “install what we sell.” It began in August 2011 with just two services, garage door openers and central vac installations. It has since expanded to include a wider range of offerings representing its various product themes: in “Living,” the company will install toilets and faucets, and window air conditioners,



along with central vacs. In “Seasonal,” Canadian Tire can supply installation services for sheds, play structures, gazebos, and barbecue gas lines.

A spokesperson for Canadian Tire told HARDLINES that the services are available through “our trusted group of authorized service providers.”

## SEXTON DEVELOPS SALES TRAINING FOR DEALERS

**Recognizing the importance of customer service, the Sexton Group has established a training program for its member dealers.**

The program was developed by Dave Leonzio, Sexton's business development manager for the Prairies and Territories.

Leonzio put together the “On-site Sales Training Program for Building Supply Dealers.” According to Sexton, a number of members have already taken the training, calling it “a huge success.”

Leonzio has a background in sales training, which he incorporated into an interactive session that is held right at the

dealer's site. “Building, maintaining, and growing our relationship with our customers is very important to our dealers and to us,” he says. “Whether your employees are inside sales, outside sales or yard personnel, providing good service is a skill, and like any other it must be taught, particularly to those employees new to the industry.”

While Sexton has always prided itself on being a no-frills buying group, this training program is one more example of how the group is evolving and fine-tuning its services to keep pace with the changes in the marketplace.

### BRIEFLY

#### CHALIFOUR ROLLS OUT E-CATALOGUE

**Chalifour Canada**, the hardware distributor owned by TIM-BR MART Group, has introduced an “ecat,” an enhanced online platform that promises to make ordering easier for Chalifour's dealer customers.

#### SUPERIOR'S CONSTRUCTION DIVISION MAKES GAINS

The construction products division of **Superior Propane** reported positive results in its latest quarter, despite fewer Canadian locations after restructuring in 2012. EBITDA from operations for the third quarter reached \$10.1 million compared to \$3.6 million in the prior year quarter. Sales volumes were up in areas like commercial and industrial insulation, attributed to sales and marketing initiatives to increase sales. However, gross margins for C&I were down slightly due to pressure on margins in large projects.

#### CANADIAN TIRE ENJOYS Q3 GROWTH

**Canadian Tire's** results for the third quarter included retail sales growth of 3.1 percent with positive contributions from all retail banners. Consolidated revenue increased 4.5 percent. Consolidated net income grew 10.7 percent compared to Q3 2012 due in part to strong margin performance across the Retail and Financial Services segments. Sales at the Canadian Tire retail banner increased 2.8 percent and same-store sales increased 2.0 percent in the quarter driven by strong performances in automotive, seasonal, and kitchen categories.

# LOWE'S AND HOME DEPOT REPORT GAINS IN THIRD QUARTER



**A**s the home improvement market rallies in the U.S., those gains were reflected in third-quarter results of America's leading home improvement retailers. Lowe's Cos. had a 7.3 percent increase in sales for the third quarter ended November 1, to \$13.0 billion. Comp sales for the quarter increased 6.2 percent. For the nine-month period, sales were \$41.8 billion, a 5.8 percent increase over the same period a year ago, and comparable sales increased 5.1 percent.

Net earnings for the quarter reached \$499 million, up 26.0 percent over the same period a year ago. For the nine-month period, net earnings increased 18.6 percent to \$1.98 billion.

Lowe's biggest rival, Home Depot, also reported strong increases. Sales reached \$19.5 billion for the third quarter of fiscal

2013, a 7.4 percent increase from the third quarter of fiscal 2012. Comparable store sales were positive 7.4 percent, and comp sales for U.S. stores were positive 8.2 percent. Net earnings for the third quarter were \$1.4 billion, compared with net earnings of \$947 million a year ago.

Lowe's also reported strong results for its stores in Canada. "I am also pleased with our performance in Canada. We have a new leadership team in place and for the second consecutive quarter, they've delivered double-digit comps," said Robert Niblock, Lowe's chairman, president and CEO, during a conference call to analysts.

## BRIEFLY

### RONA COMPLETES SALES OF COMMERCIAL DIVISION

**RONA** has sold the assets of its Commercial and Professional Market Division specializing in plumbing and HVAC systems. Talisker Plumbing Corporation, a division of Emco, has taken over the assets. The sale, announced in June, had been awaiting regulatory approval.

### HOME DEPOT SUPPORTS HOMELESS YOUTH

Following a study done of homelessness in Canada, **The Home Depot Canada Foundation** is committing \$10 million to relieve homelessness among Canada's youth. The study notes that breaking the cycle of youth homelessness goes beyond providing shelter. The foundation narrowed its focus to youth after completing a study of the affordable housing landscape in Canada. The \$10 million pledge, which is spread over three years, aims to harness the capabilities of the foundation and its network, focusing on renovation and repair projects, life skill development programs, and research and collaboration programs.

### FIRST HOME HARDWARE STORE GOES BIG

The original **Home Hardware** store in St. Jacobs, Ont., which dates back to 1964 when a group of dealers banded together, is moving. It will occupy a space three times its current size right across the street. It is the main tenant at a new three-storey development, of which it will lease 2,270 square metres.

# CASTLE HOLDS OPEN HOUSE TO CELEBRATE 50<sup>TH</sup> ANNIVERSARY

**C**astle celebrated the end of its 50th birthday year in 2013 with an open house honouring its vendors. The event took place at Castle's headquarters in Mississauga. The LBM buying group, which was formed in 1964, has grown to represent almost 300 dealers in every province and in two territories.



Marianne Thompson of Alexandria Moulding, Jennifer Mercieca of Castle Building Centres, and Castle chair Vicki Hagel of Cook Street Castle in Victoria, B.C.



Brad West of Jeld-Wen and Cully Koza of CanSave.



Stephen Marshall of Surewood Forest Products, Amar Doman of CanWel Building Materials, and Peter Rebello of Louisiana Pacific Corp.

## RONA SALES SLIP ON HIGHER PROFITS

**RONA touted its cost-cutting efforts as a success even in the wake of soft results for the third quarter.** A net income of \$30 million represented a gain from \$5.5 million, but a decline from \$33.5 million adjusted for one-time costs.

Results felt the impact of reduced sales following the closing of stores over the past several months, and the tightening of its inventory. The company has also been investing in repositioning its Réno-Dépôt stores in Quebec, and buying back assets of some of its independent dealers. Most recently, it announced it is buying the outstanding minority stake in Groupe Coupal Inc., a 99-year-old lumber and building materials store near Montreal. RONA will pay an undisclosed sum to the Doucet family, owners since 1971, for the remaining 49 percent stake.

CEO Robert Sawyer said the "transaction is fully in line" with RONA's consolidation goals.

While acknowledging the numbers fell short of expectations, Sawyer held firm to the company's objective of saving \$110 million by the end of the year. With savings amounting to \$63 million year-to-date, RONA is on track to meet that goal, he said.

With cash on hand as a result of both its cost-cutting measures and the \$214 million sale of its Commercial and Professional Division last fall, RONA also announced it would use up to \$150 million to buy back up to 10 percent of its shares.



## WITH NEW PRESIDENT, TIM-BR MART MOVES AHEAD

**A**fter months without a top executive, TIM-BR MART Group has re-asserted itself with the appointment of Bernie Owens as president.

Formerly vice president of Certainteed Canada, he stepped into the top job at Canada's largest LBM buying group less than two months after the abrupt departure of Tim Urquhart, who had been president and CEO. Barbara Hopper, then executive vice president and COO of TIM-BR MART, also left the company.

Both Urquhart and Hopper were asked to take a paid leave of absence in July. The board then brought in outside consultants to examine the books. By the end of August, they had found "isolated incidences of failure to adhere to corporate reporting structure and corporate governance," according to a release from TIM-BR MART Group.

TIM-BR MART's vice-president of merchandise and general manager for Western

Canada, Randy Martin, was promoted to VP operations. He had joined TIM-BR MART in 2000, overseeing Chalifour and TIM-BR MART's Spancan contracts and negotiations, as well as procurement. With all the group's senior managers now reporting to Martin, he has essentially taken over Hopper's role.

However, the company still faces changes. The resignation of Doug Skrepnek in the fall from the board of directors signaled the departure of his company, WSB Titan, from TIM-BR MART at the end of 2013. Titan consists of three giant gypsum supply dealers (GSDs)—Watson Building Supplies in Vaughan, Ont., Shoemaker Drywall Supplies in Lethbridge, Alta., and Beauchesne, headquartered in St-Mathieu de Beloeil, Que.

Then, in the fall of 2013, Daniel Rioux, TIM-BR MART Group's general manager for Quebec, as well as sales manager for Ontario, left the company after five years there.



Formerly vice president of Certainteed Canada, Bernie Owens stepped into the top job at Canada's largest LBM buying group, TIM-BR MART.

## ORGILL HOLDS OPEN TO BUY DAY FOR CANADIAN VENDORS



**Orgill, Inc., the Memphis, Tenn.-based hardlines distributor, hosted a second Open to Buy Day this month in Toronto.** The event

was open to Canada-based hardlines manufacturers.

Orgill, which has been expanding its reach—and its inventory—in Canada, opened its first distribution centre here in 2013. Orgill's customers represent a broad spectrum of home improvement retail models, ranging from convenience hardware stores to full-service home centres and contractor-oriented dealers.

"We are constantly looking for products to add to our inventory that will meet our customers' dynamic needs," says Brett Hammers,

Orgill's senior vice president – merchandising and marketing. "We held our first Open to Buy Day in Canada last year and it proved to be a very worthwhile sourcing endeavour for our buying teams."

"Our experience at the first Orgill Open to Buy Day last year was excellent," says Normand Caissie, CEO of Imperial Manufacturing Group, a New Brunswick-based producer of HVAC supplies and building products. His company got listed with Orgill at last year's event. "Our experience with Orgill has been a very positive one."





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# ProductSPOTLIGHT

BY KATHERINE YAGER

## Honeywell Wi-Fi Smart Thermostat ▶

The Wi-Fi Smart Thermostat features a customizable touchscreen, a simple set-up and wifi remote access from your computer, tablet or smartphone. The thermostat has fully flexible programming options based on your schedule and your utility company's peak rate pricing. It is compatible with central heating and cooling systems as well as heat pump systems.

[wifithermostat.com](http://wifithermostat.com)



## ◀ Taymor's Round Contemporary Deadbolt

New to Taymor's Premier brand of residential locksets for retailers, the Round Contemporary Deadbolt marries style with security in four finishes: Aged Bronze, Satin Nickel, and Polished or Satin Chrome. The deadbolt is designed with an ADA spring-assisted thumb turn, and pairs with any of the Taymor Premier leversets. Additionally, the visual design of the packaging provides an attractive planogram in any configuration.

[taymor.ca](http://taymor.ca)

## ColorWRX Quikbrush ▶

The QuikBrush is a new painting tool that claims to make painting faster and easier.

A built-in pump delivers paint to the tip of the pro-grade brush with a squeeze of the trigger. A belt-mounted paint reservoir goes wherever you do, eliminating the need for paint cans or trays.

[colorwrx.com](http://colorwrx.com)





## ◀ Rustoleum Neverwet Multi-Purpose Sealer Kit

A multi-surface super hydrophobic coating repels water, mud, and ice on surfaces such as floors, decks, fences, satellite dishes, running shoes, and so on. The two-step spray-on process can be applied to aluminum, galvanized metal, PVC, masonry, asphalt, vinyl siding, plastic, fabric, leather, and canvas.

[rustoleum.ca](http://rustoleum.ca)

## Nest Protect Smoke + Carbon-Monoxide ▶

The Nest Protect smoke & carbon monoxide (CO) alarm does more than just sound an alarm when there's danger in your home. It speaks to you, telling you where the danger is and what the problem is. And before it sounds a piercing alarm, Nest Protect gives you a friendly Heads-Up warning that you can silence with a wave of your hand — no more swinging towels or brooms to try to quiet a false alarm. It integrates with your mobile devices and even messages you if the batteries run low.

[nest.com](http://nest.com)



## ◀ Sliding Door With Soft Close by MAAX

The Aura SC door has a Soft Close by MAAX system on each side which captures the door panel in order to slow down the closure. Available on 8mm clear shower and tub shower Aura SC doors, the soft close feature eliminates accidental slams and pinched fingers by easing the door shut no matter how hard you slam it.

[maax.com](http://maax.com)





## ProductSPOTLIGHT

### IPG Iron Grip 17 mil Premium Duct Tape ▶

Iron Grip™ features a black polyethylene coated cloth with a pressure-sensitive natural rubber adhesive suitable for adhering to a wide variety of surfaces under a wide range of temperature conditions. It is designed with an easy unwind for temporary patching of utility access holes, ductwork, and a variety of heavy-duty applications.

[itape.com](http://itape.com)



### ◀ PT50 Pneumatic T50 Stapler

New from Arrow Fastener Company, the PT50 Pneumatic T50 is the company's first pneumatic stapler. The Arrow PT50 features bump-fire capability allowing users to fire staples quickly and accurately, with a built in safety mechanism. It has a quick-release magazine for loading staples more easily. It fires heavy duty Arrow T50 staples, including 5/16" 8mm; 3/8" 10mm; 12mm, 13mm, 14mm, 1/2", 17/32" and 9/16" sizes. The tool features a blow-moulded case, replacement oil, and two hex wrenches for tool maintenance and storage.

[arrowfastener.com](http://arrowfastener.com)



### Creative Crown ▶

Creative Crown high density, foam crown moldings claim to be very easy to install. The flat back design makes it simple to cut in a mitre saw. The product installs with painters caulk and is said to require only one coat of paint. Creative Crown does not contract or expand.

[creativecrown.com](http://creativecrown.com)



### ◀ Sylvania Light Bulbs

January 2014 finally brings an end to the 100 watt incandescent bulb. Sylvania is ready with a full range of energy-saving LED, compact fluorescent, and halogen light bulbs.

[sylvania.com](http://sylvania.com)



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# BMR & LA COOP FÉDÉRÉE WORK OUT DETAILS OF ALLIANCE

BY MICHAEL McLARNEY

**Although the acquisition didn't come into effect until the New Year, both companies have wasted no time starting to learn from one another.**

**G**roupe BMR and La Coop fédérée have finally confirmed a deal that will combine the home improvement assets of the two companies. However, surprisingly, La Coop will take only a minority interest in BMR, and not, at this time, make an outright acquisition, despite being flush with cash following two solid years of performance, combined with a desire to grow its home improvement retail side.

Nevertheless, the new arrangement enables the two companies to rationalize their buying functions and combine distribution facilities. It has also resulted in putting the leadership of the combined entity under the control of BMR president and CEO Yves Gagnon. He is expected to continue in this role for the next three years.

HARDLINES spoke with Gagnon at his group's annual hardware buying show,

held in Quebec City last fall. Although reluctant to say too much more about the deal—at least not until after the New Year, when the acquisition went into effect—he did share some insights.

Branding for the new, combined entity is among the details which remain outstanding. BMR's nearly 190 dealers fly the BMR banner, while La Coop has been promoting its hardware and home improvement outlets under the Unimat name. "We have to work it out," says Gagnon. "We have to do the business plan."

Nor could Gagnon shed much light on the potential merging of buying offices. La Coop is turning to BMR for its expertise in LBM, while "they are strong in hardware," Gagnon says of his new partner.

La Coop remained part of the Independent Lumber Dealers Co-operative (ILDC), until



The new arrangement has resulted in putting the leadership of the combined entity under the control of BMR president and CEO Yves Gagnon.

## TWO COMPANIES—ONE GIANT FORCE

**The joining of Groupe BMR with La Coop fédérée will create a retail giant in home improvement in Quebec that will give market leader RONA a run for its money.** BMR is a buying group for LBM dealers, with a growing number of hardware stores in its ranks. But BMR has an added dimension: it has its own hardware distribution and now offers a full range of hardlines and LBM to more than 180 dealers, primarily in francophone Canada.

Unlike most co-op buying groups, this one is owned by a small handful of its members (nobody will confirm exactly how many, but it's estimated at between 16 and 22). Retail sales by all BMR dealers in 2013 exceeded \$1.3 billion.

La Coop overall represents more than \$8.5 billion in sales through all channels, which include fertilizer, feed, and fuel. The retail home improvement side represents about \$300 million. In recent years it has been working to convert its member stores that specialize in hardware and building materials to its Unimat banner. Unimat has been the subject of some major updating, and two years ago it began expanding seriously into building materials on behalf of its members.

The investment in BMR will give La Coop the expertise—and the critical mass—to step up its role as a dominant player in home improvement retailing.

January 1. As a matter of good form, he says, La Coop agreed to withdraw from that buying group's year-end vendor negotiations.

But the two companies did not wait until the beginning of the year to start learning from each other. A number of Coop dealers were seen walking the BMR show, accompanied by executives, including La Coop CEO Claude Lafleur, "just to see how we do it," Gagnon said.

Gagnon reiterated that all major decisions are on hold. He does expect lots of changes to take place on the Coop side, as it prepares to merge the two companies and rationalize the distribution centres. "They are two very different cultures."

Overall, Gagnon admits, "It's a big challenge."



The investment in BMR will give La Coop the expertise—and the critical mass—to step up its role as a dominant player in home improvement retailing.



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BY GEOFFREY McLARNEY



# THE YEAR IN REVIEW

Major changes in the retail landscape in 2013—both inside and outside the home improvement landscape—point the way for the future of retail in general.

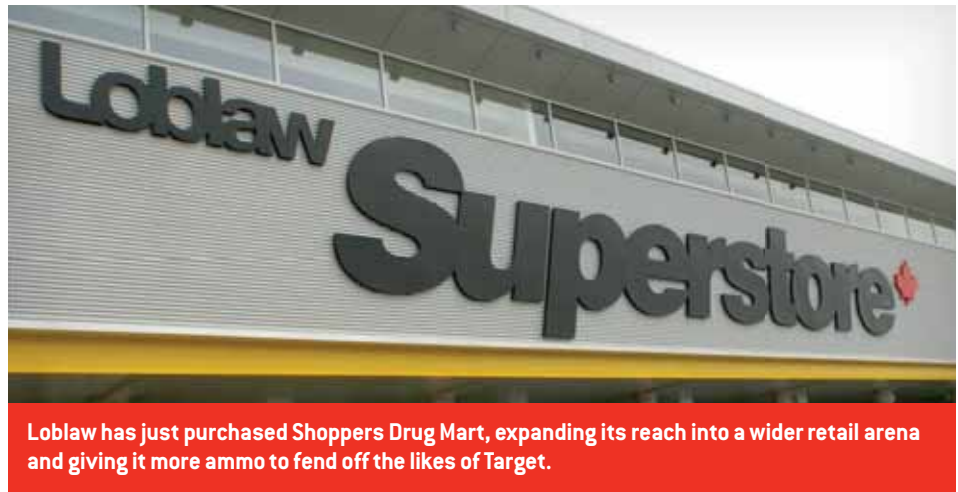


The year saw numerous changes to the retail landscape as new and increased competition demanded new strategies from merchants anxious to keep their market terrain. New American arrivals offered consumers more choices while pushing established Canadian firms to find creative ways to streamline in order to stay afloat. The arrival of **Target** in particular put pressure on retailers to step up their game. With **Walmart** as well as homegrown retailers like **Loblaws** and **Metro** on the scene, the grocery sector was especially vulnerable to the surge in competition, triggering a series of newsworthy industry moves.

### A FINE BALANCE

Responses typically involved a combination of diversification and cost-cutting, with businesses aiming to balance investment in growth with streamlining where there was fat to be trimmed. **Loblaw** made a bombshell announcement over the summer that it would acquire pharmacy and convenience giant **Shoppers Drug Mart/Pharmaprix** in order to shore up its business. At the same time, it axed 275 administrative jobs, in a series of layoffs announced in October, to offset the \$12.4 billion cost of the Shoppers deal. In a buildup to the bid, Loblaw floated a pilot health food store as an experiment in the field.

The Shoppers story was characteristic in a few ways of how retailers coped with an increasingly crowded market. Metro also threw its hat into the pharmacy game. In a clever move, it used the arrival of new competition to boost its chances of holding its own against the very same competitors, landing a deal to operate Target's pharmacies in its newly arriving Quebec stores under its Brunet pharmacy banner and prompting analysts to speculate it could make a similar play for the **Jean Coutu** chain. Like Loblaw, Metro balanced the store grab with restructuring measures to save on overhead, closing underperforming



Loblaw has just purchased Shoppers Drug Mart, expanding its reach into a wider retail arena and giving it more ammo to fend off the likes of Target.



stores and converting others to the **Food Basics** banner, as well as buying out the positions of some unionized employees at its Ontario stores.

Other banners kept up the consolidation trend. **Sobeys** sought to expand its footprint by acquiring the western-based Canadian operations of **Safeway**, North America's second-largest supermarket chain. This was another double-edged strategy designed to encourage both expansion and streamlining: Sobeys and parent company **Empire** anticipated the merger would reduce expenses by some \$200 million a year within the first three years, but remained coy about whether it would entail layoffs, or if the Safeway brand would be retained. The plan hit a snag in October when the Competition Bureau required the sale of 23 Safeway stores as a pre-condition, concerned the deal would allow Empire to corner the market for groceries in the West.

In home improvement, dealers continue to



Faced with less-than-stellar sales here, Target has become the prime example of the challenges facing U.S. retailers that come to Canada.

look for ways to expand assortments. Full-line hardware distributors like **Chalifour Canada** and **Orgill** both have hardware programs that offer a one-stop shop for dealers while providing better margins. Dealers that already have hardware are expanding more and more into female-friendly assortments to capture that shopper as well. These include pet food and sundries, as well as expanded kitchenwares.

## TAKING THE HIGH (END) ROAD

The grocery business isn't the only sector where American expansion has prompted a brand shuffle. Luxury retailer **Nordstrom**, which announced its Canadian entrée last fall, has been building up to store openings in Toronto, Ottawa, Calgary, and Vancouver, which will be rolled out over the next few years. The announcement motivated **Hudson's Bay Co.** to step up its own footprint on the high-end retail front, closing a \$2.9 billion deal in July to bring the upscale U.S. retailer **Saks** into the fold along with its HBC and Lord & Taylor brands. Observers noted that bringing the Saks banner into Canada could give HBC an edge in competing with the new Nordstrom arrivals, including the possible conversion of some existing Bay stores. In September, however, analysts questioned the wisdom of the bid when second-quarter profits fell short of expectations.

Also spurred to action by Nordstrom's planned arrival was **Holt Renfrew**, which launched hr2, a banner aimed at the fashion- and budget-conscious shopper, with stores in the Montreal suburb of Brossard and at Vaughan Mills mall outside Toronto. The format is similar to the Nordstrom Rack stores in the U.S. and intended to undercut Nordstrom's appeal to shoppers looking for upmarket brands but put off by Holt Renfrew's prices. For its part, Nordstrom vowed to bring Canadians the full experience of its stores, dismissing any suggestion of "Nordstrom Lite" and insisting its "high-low" range of brands would not be undersold. The firmness with which Nordstrom ruled out any reduced-scale operation bucked the trend of a retail marketplace that continues to be fascinated by smaller formats this year.

Consumer interest in upscale brands extended to home improvement and furnishings as well. **Pottery Barn** opened its first Quebec stores last spring, following the debut of **Williams-Sonoma** in the province in the fall of 2012. On the other hand, **Restoration Hardware**, which has long walked the line

between hardware and décor, took a step away from the industry mainstream, going even more upscale and rebranding itself simply under the initials RH.

## GOOD THINGS IN SMALL PACKAGES

Nordstrom aside, the popularity of the move to smaller formats was unabated among major retailers this year. Anxious to remain competitive in the wake of Target's northerly incursion, **Canadian Tire** began testing a smaller store format in selected urban markets over the summer. The mall setting has become highly sought after as a way of raising foot traffic and luring in passersby for impulse purchases. It also began to eye an expansion of standalone specialty chains in order to compete with niche marketers like **Bass Pro Shops**, building on its existing holdings under the **SportChek** banner.



Retail continues to polarize: Williams-Sonoma, and its sister chain Pottery Barn, are expanding carefully in Canada.

**Wal-Mart**, meanwhile, renewed the push for its Walmart Express and Neighbourhood Market stores and explored ways to combine them with existing big boxes. The plan would allow the classic stores to feed their little siblings, functioning as a kind of warehouse in miniature. Closer to home, **RONA** got on the smaller-is-better train with satellite openings in Mississauga and other locations.



After faltering just a few short years ago, Restoration Hardware is back with a new look and an even higher-end approach.



U.S. high-end fashion retailer Nordstrom will begin opening stores in Canada in 2014, starting with a location in Calgary this fall.



This small-sized store, a new concept from Canadian Tire, tries to fit in to local, urban neighbourhoods.

By renewing its focus on smaller “proximity” stores, RONA is responding to surveys which highlight the importance of convenience in how consumers choose a hardware store. The smaller format will allow more precise targeting of merchandise, with central urban locations catering to different needs than suburban mall settings.

The Wal-Mart strategy of combining the strengths of large and small stores found some analogues across the pond, as British retailers like **Tesco** and **B&Q** took a similar tack—with a twist. Rival hypermarkets **Tesco** and **Asda** each sought to create the experience of a mall within their stores, separating out standalone departments while exploring space-sharing partnerships with a diverse array of specialty retailers.

The push toward smaller formats is just one way retailers are making the most efficient use of their space.

### THE REIT STUFF

Last year saw another approach gain traction as well, one which allows companies to draw capital out of the very properties they hold.

Real estate investment trusts (REITs) trace their origins to an ancillary provision hidden within an Eisenhower-era law on cigar taxes, but have since taken on a life of their own, arriving in Canada at last in 1993. They are becoming an increasingly popular way for retailers to capitalize on real estate they don’t plan to sell—so much so that Revenue Canada is getting nervous. The big REIT story of the year was **Canadian Tire’s** own real estate, **CT Real Estate Investment Trust**. Its initial public offering in late October raised gross proceeds of \$263.5 million.

Other Canadian retailers poised themselves to take advantage of the REIT trend. Loblaw introduced its **Choice Properties REIT** to the Toronto Stock Exchange in July, as trusts were struggling to keep ahead of

the interest rate curve. Despite the potentially unfavourable climate, shares in the trust traded at or near the IPO price of \$10 throughout their first day. **George Weston Ltd.**, which owns the majority of Loblaw, indirectly bought a 5.6 percent interest in the REIT.

Hudson’s Bay Company soon followed, insisting its real estate holdings were too valuable to be negatively impacted by interest fluctuations. HBC is now understood to be studying the REIT option as a prelude to its anticipated acquisition of Saks.

By fall, observers were beginning to wonder how long the honeymoon with REITs

could last. Since they are not liable for corporate taxes so long as taxable income is distributed to investors, analysts speculated that the Finance Minister Jim Flaherty might be moved to close this loophole.

While major players like Canadian Tire and Loblaw can expect to see more success ahead, it could become harder for upstart trusts to penetrate the market.

### BACKYARD WARS

Disputes over plans for development in the Greater Toronto Area were a mainstay of the headlines this year. First, residents of the village of Bolton in the town of Caledon,



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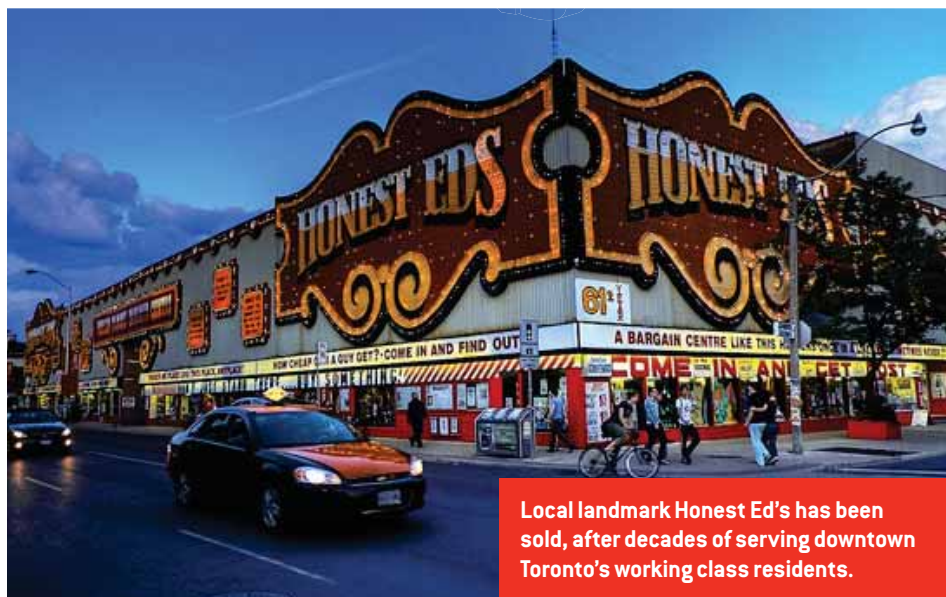
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Local landmark Honest Ed's has been sold, after decades of serving downtown Toronto's working class residents.



Lowe's acquisition of Orchard Supply exemplifies the big-box retailer's pursuit of new store formats in new markets.

northwest of Toronto, were up in arms over plans for a Canadian Tire warehouse. The facility, intended to replace an existing distribution centre in nearby Brampton, highlighted a rift between local zoning regulations and provincial priorities.

In 2005, the Ontario legislature passed the *Places to Grow Act*, outlining its plans for the urban sprawl expected to continue spreading from the Toronto core. Developers began plans for a new residential subdivision in Bolton and were on the way to executing them when Canadian Tire revealed its plans in the summer of 2012.

In a controversial use of a rarely exercised power, the province granted a ministerial zoning order overriding the local by-laws. Outraged locals took their case to the Ontario Municipal Board seeking the revocation of the order, but as of press time construction of the warehouse appears to be a *fait accompli*.

Meanwhile, residents of downtown Toronto were more successful in bending their council's ear when a proposed Walmart threatened to encroach on the edges of the historic Kensington Market district. The neighbourhood, which has hosted several waves of immigrants including Jewish and West Indian Canadians, is famous for its honeycomb of low-rise independent shops and its pedestrian-friendly atmosphere. When the old Kromer Radio store at its western boundary closed, retail landlord **RioCan** expressed interest in developing the site as a multi-storey mall anchored by a Walmart. A public uproar ended for the time being with Toronto's council agreeing to impose a one-year freeze on development along the strip, in a vote RioCan is at present seeking to have reversed.

Yet the victory could still prove to be a pyrrhic one. Just days before the council vote,

impresario David Mirvish announced the impending sale of the iconic bargain palace **Honest Ed's** and the surrounding Mirvish Village cluster of artisanal shops. The store has been the anchor of the Bathurst and Bloor intersection, just a few city blocks north of the on-hold Walmart, since the late Ed Mirvish first opened for business on the corner immediately following World War II.

## REAL ESTATE PLAYS

Another Toronto landmark was tossed by the winds of retail change: **Sears** announced that it was selling back several of its leases, including its flagship at Toronto's Eaton Centre, inviting speculation that the space could welcome the city's next Nordstrom store.

Finally, one more major acquisition held our attention this year. In June, **Lowe's** announced its bid to acquire California's **Orchard Supply Hardware**, but faced hurdles overcoming competing bids, satisfying creditors, and winning the approval of the state's Bankruptcy Court. The \$205 million deal (not including debt assumption) was finally closed at the end of August. Under its terms, the San Jose-based Orchard will continue as a distinctive banner within the Lowe's family.

The Orchard Supply takeover could set a precedent for a future Lowe's entry into Canada, following on the firm's controversial and ultimately unsuccessful play for RONA before last summer's general election in Quebec.

An increasingly crunched supply of retail space, especially in Western Canada, has added to the appeal of the smaller format, in addition to sending retailers outside of urban centres when seeking properties.

These and other dramatic changes to the Canadian retail landscape ensure that doing business in 2014 and beyond will be more challenging and exciting than ever before.

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BY JOHN CAULFIELD

# REGIONAL DISTRIBUTORS: NOT JUST FILLING SPACE

Regional and specialty distributors fight to remain relevant in a consolidating industry, adding products and services to meet the needs of their own markets.



**C**anSave, the Barrie, Ont.-based building materials distributor, has been in business for 31 years. But only in the last five years has CanSave made important divisional additions that the company's president, Dan McArthur, believes are its platform for future growth.

This year, CanSave will initiate two new product launches for its Cabinetsmith division, which already offers more than 160 configurations of kitchen cabinets. Cabinetsmith's mantra, according to McArthur, is "fast and simple," meaning that the division's "system" can produce orders for cabinets in multiple configurations and colours within two weeks.

Three years ago, the distributor expanded into the pre-hung door category via its Doorsmith division, which CanSave supports with a 30,000-square-foot finishing plant and a 120,000-square-foot storage facility. CanSave expects significant growth in exterior door distribution next year.

"We're good at purchasing, logistics, and forecasting, and we've transferred those talents to manufacturing," says McArthur. To expedite production, the company pre-manufactures components in advance of orders so it can deliver finished doors quicker.

## GETTING IT RIGHT

CanSave is one of the shrinking breed of regional hardlines and building materials distributors that has withstood the industry's tumultuous consolidation. Another is Coast Distributors, which has been selling a range of hardlines to dealers on Vancouver Island and in lower British Columbia since 1968. And it's done so in the face of what Coast's sales manager Brad McCluskie characterizes as competitive "turmoil" in western Canada during most of those years.

Regional distributors, and particularly those specializing in just one or two product categories, have long protected their flanks from increasingly aggressive onslaughts into their territories by Canada's national

wholesalers and big-box dealers. Those still standing succeed by emphasizing the value propositions of their inventory management and delivery services to dealers looking for any competitive edge.

For example, CanSave recently added the Ondura line of steel roofing—which McArthur calls "a great price point"—and the Wedi line waterproof shower systems. Coast, with more than 1,500 retail accounts that include hardware stores and auto centres, is looking to add product categories where it currently has little or no market penetration. These include plumbing and electrical, striking tools, automotive, and lawn and garden, the last of which McCluskie believes presents "a massive opportunity" for his company.

**“If you don’t have something, even if it’s offered at a good price, you’re going to lose business.”**

Lawn and garden—specifically outdoor furniture and living products—have also been a boon for Holland Imports, the Burnaby, B.C.-based importer and distributor. It serves about 2,500 retail accounts. "The hardware business has been soft over the past two years, so outdoor living will account for one-third of our division's sales in 2013," says Keith Brown, general manager of Holland Imports.

Like other distributors we talked with, Brown says attrition and consolidation have winnowed the number of buying offices and dealers his company can sell to. For example, since TIM-BR MART Group absorbed CanWel Hardware (renaming it Chalifour Canada), Holland has become more of a fill-in supplier for that buying group's dealer-members.

Brown notes that the number of independent dealers in urban centres has been dwindling, too, causing his company to shift its marketing toward rural stores.

## BATTLING IN A FLAT MARKETPLACE

In Atlantic Canada, Chalifour has seen its sales increase "in what is generally considered to be a down market," says its regional president John Morrissey. "We've actually picked up some market share."

Chalifour has benefited from the "fidelity" of TIM-BR MART's 56 dealer members in this area. "It's a core group, very tight and very strong," says Morrissey. Chalifour's division in Atlantic Canada also sells to between 70 and 100 independent dealers there, including stores that fly the Ace banner. Morrissey says Chalifour continues to expand its dealer base despite the "uncertainty" created by the recent disruptions within TIM-BR MART's corporate management.

Morrissey says Chalifour is "constantly expanding its offering" so it can present itself to dealers as "a full service solution." As recently as last fall, the company had completed line reviews of plumbing, electrical and builders hardware. Next summer, Chalifour plans to move its British Columbia operations into a state-of-the-art DC near Delta, B.C.

## THE PRIMACY OF LOGISTICS

The national ambitions of some companies are nothing new to regional distributors that have watched competitors come and go in their markets, some successfully, others woefully. That may be why regional distributors have remained undaunted as RONA and Home Hardware have expanded both eastward and westward.

McCluskie refers to "western alienation" to describe western dealers' negative reactions to distributors wanting them to buy from eastern DCs. So it's

not surprising that regional wholesalers continue to assert their local advantage—an understanding of market conditions and, because of their proximities, the speed at which they can deliver products and services.

Other wholesalers are tapping into regional needs as well. Take, for example, Woodstock, Ont.-based Owl Distribution, which has been in business since 1976. It touts itself equally as a “logistical services provider” and a source for building materials. Its services include overflow storage, vendor-managed inventory, cross docking, and third-party logistics. Go farther east and find Garon Distribution. With 900-plus retail accounts, it ships building products as often as three times a week from its head office complex in Quebec City, which includes one million square feet of yard space and a 140,000-square-foot warehouse.

Garon sells mostly to pro dealers in New Brunswick, Nova Scotia, Newfoundland, and Prince Edward Island, as well as east-

ern Ontario. “The accuracy and delivery of the order, with no mistakes, is what’s most important to our customers,” says Francois Garon, the company’s general director and owner. “If you don’t have something, even if it’s offered at a good price, you’re going to lose business.”

Inventory management is also “extremely important” to dealers buying floorcovering

products from Melmart Distribution, whose 50,000-square-foot warehouse in Saint John, N.B., has been one of the main reasons why the company is gaining market share, says Patrick Thomas, its general manager in Atlantic Canada. Toronto-based Melmart expanded into Atlantic Canada in April 2012 when it acquired Coates Distributors. That deal has been pivotal in allowing Melmart to deliver its best-selling items out of warehouse to this region, at a time when local dealers are relying more on distributors to carry their inventory loads. Thomas also observes that it’s still “a major pain” for most dealers to buy flooring directly from China.

### STAYING PUT, FOR NOW

One of Melmart’s hottest products is luxury vinyl tile supplied by Mannington Mills, the Salem, N.J.-based manufacturer that’s Melmart’s number-one brand. Supply-chain links to U.S.-based companies are common for Canadian distributors. But the regionals’ connections sometimes extend beyond that.

For example, Owl operates a reload centre in Michigan. One of Regina, Sask.-based Lancashire Distribution’s six locations in the West, which distributes

hardware, saw blades, and adhesives, is in arrangements with U.S.-based companies, says Brown.

However, the regionals aren’t in any hurry to expand geographically at a time when Canada’s economy continues to look sluggish. Consequently, CanSave is confining its expansion to “filling holes in existing markets,” says McArthur. His company, like most other distributors, is banking on its existing customers getting bigger and ordering more products and services.

Garon says his company has concluded that expanding into new markets that are farther from the company’s distribution centres would eventually reach a point of diminishing returns for it and its suppliers. “Our understanding of the market tells us that it’s difficult to be successful from west coast to east; it’s like managing in five different countries,” he explains.

He’s convinced that manufacturers prefer dealing with regional distributors, “someone like me, who speaks French and knows the markets and its laws and codes.” Garon also contends that suppliers are looking for more efficiency, “and demand is growing for our services from dealers.”

Even national players are examining their regional presence carefully. Right now,

“It’s difficult to be successful from west coast to east; it’s like managing in five different countries.”

Chalifour services Atlantic Canada from its distribution centre in Quebec, which is fine for the time being, says Morrissey, as the region’s economy is expected to be flat next year. But if oil drilling and shipping kick in as projected, the region’s growth in the years 2015 and 2016 should pick up. If that occurs, it just might make sense for TIM-BR MART to open a DC in Atlantic Canada, Morrissey says.



Chalifour services Atlantic Canada from its distribution centre in Quebec, which is fine for the time being, says Morrissey, as the region’s economy is expected to be flat next year. But if oil drilling and shipping kick in as projected, the region’s growth in the years 2015 and 2016 should pick up. If that occurs, it just might make sense for TIM-BR MART to open a DC in Atlantic Canada, Morrissey says.

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- Electrical & plumbing retailers
- Drywall supply yards



BY SIGRID FORBERG

# HARDLINES CONFERENCE A HOTBED OF TRENDS & INSIGHTS

**As hardware/home improvement dealers heard at this year's Hardlines Conference, the future of the industry is up to them.**

**I**t's fitting that several of the speakers at the 18th annual Hardlines Conference brought up the topic of Lego in their presentations.

Those little plastic bricks served as a perfect metaphor for the overarching themes of this year's conference—getting back to the basic building blocks of what makes independent retailers great, and using that to bring your business creatively into the future.

From the start, Frances Sologuk, from Osoyoos Home Hardware in Osoyoos, B.C., reinforced how important it is to be a part of one's community. Whether through your interactions with your customers in a small resort town or over the internet, those connections are crucial.

It's an old-fashioned idea that suits the vintage, old-timey feel of Sologuk's shop. But she's still adamant about having all the advantages of modern technology to help maintain her edge in the field.

To keep up with the big box stores and rising threat of American companies, independent retailers need to stay on the cutting edge. And for a long time, that has meant extending your presence beyond bricks and mortar locations.

As Bill Morrison, president of TruServ Canada and vice president of wholesale for RONA inc., put it to the group, the future is already here and we in this industry have to catch up. Retailers need a web presence,

and more than just a somewhat functioning website. Dealers need to build the story of their store through various media including Facebook, Twitter, Instagram, and Pinterest.

But with all the fear of e-commerce taking over retail, retail expert Anthony Stokan, of Anthony Russell Inc., reassured the crowd that Canadians remain tactile customers—even more so statistically than our southern neighbours. If they play their cards right, retailers should be able to use their web presence to drive customers into their stores—in what is being coined reverse showrooming.

When HARDLINES' own Beverly Allen showed a slide of a Lego store in Germany during her presentation of great merchandising from around the globe, the hands-on

interaction of the children in that store with the product itself drove home the message of the value of the in-store experience.

As Ibrahim Ibrahim, managing director of Portland Design in the U.K., put it, "The internet will not kill retail; the internet will liberate retail."



Dealers and vendors alike gathered at the 18th annual Hardlines Conference in Toronto.



More than 165 delegates came to hear from an international roster of keynote speakers from the retail, forestry, and economic sectors.

PHOTOS: LIZ SZYNKOWSKI



Lowe's Canada saw the value in sending a dozen of its young managers from across the country to attend.



Pat Bolland, Sun News anchor and media coach, offered some hard facts about the Canadian economy.



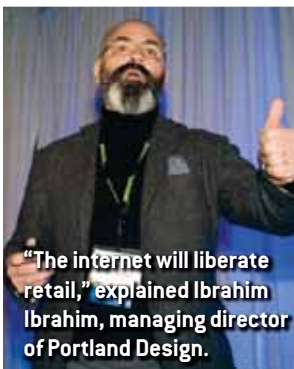
The Hon. Bob Rae, former Parliamentarian and former leader of the Liberal Party of Canada, shared his thoughts on leadership with wit and humility.



Delegates found networking with colleagues and customers to be just as important as the formal speaker program.



Sponsors found the event a lively venue for sharing new ideas.



"The internet will liberate retail," explained Ibrahim Ibrahim, managing director of Portland Design.



Online opportunities abound for retailers, according to Google Canada's Rafe Petkovic.



Jill Nykoliati, president of the ad agency Juniper Park, shared her insights as a brand strategist.



Michael McLarney, editor of Hardlines, proudly introduced the Outstanding Retailer Awards during a gala dinner at the conference.



# EXEMPLARY CANADIAN RETAILERS RECOGNIZED

BY SIGRID FORBERG

**For more than 20 years, the Outstanding Retail Awards have acknowledged the hard work of Canadian hardware and home improvement dealers. This year's winners prove that some of the best and freshest retailing in this country can indeed come from one of the country's oldest retail sectors.**

**I**f there's anything that all five winning retailers from this year's Outstanding Retail Awards share, it's that they know running a store is about more than just selling products.

Their commitment to going the extra mile for their shoppers—as well as their communities—stands out in an industry already known for its dedication to the customer's experience.

The latest awards, presented at the 18th Annual Hardlines Conference in Toronto last fall, recognized five hardware and home improvement dealers from across Canada for their excellence in a range of categories. Judges evaluated excellence in customer service, overall store appearance, merchandising, marketing, employee management, community involvement, and sales growth.

But when it comes down to it, whether they have been in the industry for more than a century, like the Nash family from the Wellington Home Hardware store in Wellington, Ont., are still new to the business, like Larry and Brenda Fullerton from the TRU Hardware Breton in Breton, Alta., all these retailers have recognized that it's about providing a service that extends beyond a store's four walls.

## GETTING CREATIVE

Over the last few years, hardware and home improvement dealers have been hit especially hard by the economic slump. Store owners have had to get creative to keep ahead.

When the local mill in High Prairie, Alta., closed down, the community faced an economic catastrophe. Stores closed and families



Now under the ownership of Hardlines, the ORAs remain an integral part of the annual Hardlines Conference.

began moving away. But when the local Home Hardware went into receivership, Lorne and Jim Peyre and Harold Oliver decided it was integral to the town's well-being. So they partnered to buy the store, which became POPS Home Hardware Building Centre.

They were able to capitalize on the displaced talent of members of the community who'd lost their jobs when the mill closed. Their new staff came to them with varied knowledge and skills, which meant they were able to offer the best possible service to their customers. And of course, the community members that had lost their jobs were able to continue using and building upon their experience and expertise in the industry.

Employing local people is something Chad Sonnenburg, owner of the RONA stores in Elliot Lake, Ont., and Massey, Ont., also strives to do. To ensure his employees feel invested in the team, he



provides them with training, which only improves their customer service. With staff who are proactive, the store keeps customers coming all year round, which means Sonnenburg can avoid laying people off during non-peak seasons.

PHOTOS: LIZ SZYNKOWSKI



## MEETING CUSTOMERS' NEEDS

While hiring members of the community is a great way for local shops to give back and maximize easily accessible resources, it's never going to be enough to compete on price with big box stores and chains. That's a familiar concern for Kemptville RONA Building Centre owner Eric Norenberg, who says he faces stiff competition from the market in nearby Ottawa, where most Kemptville citizens already visit daily for work.

To keep up, Norenberg has made a point of making his RONA store a one-stop shop for the community. He offers a range of products and services to help both contractors and do-it-yourselfers. And when a store needs to grow to keep up with the economy, turn to POPS Home Hardware for an example of a dealer that has bumped up its square footage and selection—as well as its promotional activities, including the store's own Facebook page.

Like Norenberg, Larry and Brenda Fullerton, owners of the TRU Hardware store in Breton, Alta., face serious competition from nearby Drayton Valley. Although they had no experience in the hardware industry when they first got started just over two years ago, they were still able to reach \$2 million in sales for 2013. A good portion of their success can be attributed to the fact that they pride themselves on finding out what their customers want and searching out the right products to meet their needs.

## CONNECTING WITH THE COMMUNITY


But for all the ORA winners, their investment and involvement in the community isn't just a sales strategy. It's a genuine desire to be connected with their customers who are also their friends, family members and neighbours.

Sonnenberg believes that helping the local community is an important part of the role of small-town retailers. Those values are something that many of the ORA

winners have passed down through generations of family ownership.

A staple in its community, Wellington Home Hardware has gone through five generations of owners. The Nash family believes that business, family, and community are intertwined. Their store is known as the glue that holds their small community together. Whether it's tourists looking for something they forgot on vacation or locals seeking the phone number for the pizza place down the street, Wellington Home Hardware is the go-to destination for answers relating to both hardware and the community.

They've even held movie-viewing parties in the park to celebrate the end of school for the kids in town. And though they know they could seek out a larger shop at a different location, they also realize that their store is one of the main reasons that Wellington's main street thrives.

That small sacrifice for the betterment of the community sums up perfectly how this year's ORA winners place more value on connections than conversions and prize service over sales, proving that the future of the hardware and home improvement industry is firmly rooted in old-fashioned ideals. 

## WHAT ARE THE ORAS?

**For more than two decades, the Outstanding Retailer Awards have been recognizing and honouring the best in the hardware/home improvement industry.**

The awards are presented annually at the Hardlines Executive Conference in late October and recognize excellence in a range of categories. Awards are given out in five categories:

- Best Building Supply/Home Centre under 25,000 square feet;
- Best Building Supply/Home Centre over 25,000 square feet;
- Best Hardware Store;
- Best Young Retailer of the Year;
- Marc Robichaud Award for Community Leader.

Candidates had to meet a range of criteria. These included excellence in customer service, overall store appearance, merchandising, marketing, employee management, community involvement, and sales growth. The winners were flown to Toronto to attend the 18th Annual Hardlines Conference and ORA Gala Dinner on October 23, 2013.

The awards were judged by a panel of industry experts: Bill Wilson, NRHA Canada Retail Advisor; Anthony Stokan, Partner at Anthony Russell Inc.; Bruce Smith, Director of Retail Solutions at McIntyre Group; Chad Murray, Director of Business Development at Quest Brands; and Michael McLarney, Editor of HARDLINES.

Judges looked for winners that demonstrated the qualities that make great retailers and great stores: dedication to customer service, entrepreneurial spirit, great business acumen, resilience, and love of community.

Is your store outstanding? Apply for the 2014 ORAs. Information for next year's applications will be available in spring 2014 at [www.oras.ca](http://www.oras.ca).

# RONA KEMPTVILLE BUILDING CENTRE

## BEST BUILDING CENTRE/HOME CENTRE OVER 25,000 SQUARE FEET

### HISTORY

In 1974, Karl and Christa Norenberg started Kemptville Building Centre as a modest family business with just one thousand square feet of space. The store has expanded exponentially to its current size of 35,000 square feet of retail, 25,000 square feet of warehouse space, and a 4.5 acre lumber yard. Karl and Christa handed over the reins of their store to their son Eric in 2001. He has been growing the business ever since.

### THE LOCAL MARKET

Located just 40 minutes from the highly competitive Ottawa market, where much of Kemptville's population goes every day for work, Kemptville Building Centre has had to differentiate itself. The local economy has been growing and expanding over the past few years, with numerous new recreational sites, including a golf course, firehall, and library, plus retail powerhouses such as Walmart and Canadian Tire. Though competition is growing, Kemptville Building Centre has been able to adapt and compete effectively.

### OFFERINGS AT KEMPTVILLE BUILDING CENTRE

RONA Kemptville Building Centre strives to be a one-stop shop for the community. The business has full offerings in flooring, cabinets, furniture, and appliances. Eric Norenberg insists that his store has everything to satisfy customers' project needs from start to finish.

The store employs 50 full-time staff, reaching as high as 70 in peak season, and is one of the largest employers in town. The experienced staff are able to guide customers through their projects from start to finish.



**L-r:** Beverly Allen, Publisher of Hardlines, which hosts the Outstanding Retailer Awards; Sebastién Plourde, President of Super Remover, sponsor of the award; Eric Norenberg, Owner of Kemptville RONA and winner of the Outstanding Retailer Award for best building supply/home centre over 25,000 square feet; Chris Sargeant, Store Manager at Kemptville RONA.

Services include three full-time interior designers on staff, complete material estimating, and instruction on various install and construction techniques.

### TRAINING

The dedication of the staff is reflected in the longevity of many of its employees, some who have been with Kemptville Building Centre for more than two decades, and a few that have even been there since they opened almost 40 years ago. The store taps the vast knowledge of its long-term employees to train and teach new hires.

With a store that is a one-stop shop, employees at Kemptville Building Centre are trained in all facets of the business so that they can live up to the store's commitment to customer service.

### ROLE IN THE COMMUNITY

Kemptville Building Centre is always looking for new ways to appeal to the divergent needs of their customers, while continuing

to establish their reputation. Eric Norenberg believes that in a small community, being involved is crucial. The store buys locally, including sourcing its fleet of vehicles from a nearby dealership. Norenberg regularly donates to the local hospital, new town library, and the new municipal centre. He has even hosted a store event to raise money for breast cancer research.

Kemptville Building Centre has won numerous awards, including North Granville Chamber of Commerce Employer of the Year 2012 and 2010 Readers Choice Diamond Furniture Store.

A family business that has built its reputation on exceptional customer service, knowledgeable and friendly staff, and support for its community, RONA Kemptville Building Centre is a leader in the industry and the community. It's these traits that made Kemptville Building Centre the 2013 Outstanding Retailer Award winner for Best Building Supply/Home Centre over 25,000 square feet.

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# THE MAKING OF A MERCHANT

BY SIGRID FORBERG

**Retail isn't for everyone. At its best, it's a risky, yet highly rewarding business. For Osoyoos Home Hardware owner Frances Sologuk, it goes beyond just the risks and rewards. It's not simply a profession. It's a passion.**

**G**rowing up in Northern Ontario, Frances Sologuk, the daughter of a local shopkeeper, witnessed firsthand the time and effort her mother devoted to the day-to-day running of her store. And that's why she decided to become a school teacher.

But in 1973, when Sologuk and her family moved to Osoyoos, B.C., she came to realize that retail was in her blood. And even though she would leave teaching behind, she sensed that she could still be creative, make a difference—and learn every day. So Sologuk decided to open a Home Hardware in Osoyoos. “I started the business because I wanted to serve the community,” says Sologuk. “If you have an insatiable eagerness to learn, this is the best industry.

“Of course,” she adds, “If I had known that Osoyoos was in Canada's only true desert, I might have questioned the decision.” The small town consists mainly of retirees and—in the summer—tourists. In fact, during July and August, Osoyoos' population triples. Both those factors would individually prove to be challenging for most hardware retailers, but Sologuk



Frances Sologuk shared her vision of the important role of the independent dealer at the 18th annual Hardlines Conference.

“Whether with your customers, suppliers, or employees, it's about making connections.”

has found creative ways to overcome those obstacles. Taking her cues from her mother, she's invested the time and effort into her store to make it an integral part of

the community. From annual Easter egg hunts and surprise customer appreciation days to keeping treats on hand for canine customers, Sologuk knows that retail is

more than just serving the community, it's about connecting too.

“Whether with your customers, suppliers, or employees, it's about making connections,”

says Sologuk. “Success doesn't bring happiness; happiness brings success.” Still, a hardware store first, the Osoyoos Home Hardware prides itself on taking risks and stocking typically hard-to-find items. For example, her store was considered so charming by one travel writer that it was featured in a magazine for people who travel North America by RV. After the article was published, the magazine received a letter from a couple that had decided to visit the Osoyoos Home Hardware. The husband, who had long been searching for an obscure spring, wanted to check and see whether this shop was really the cornucopia of hardware the magazine

PHOTO: LIZ SZYNKOWSKI

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Staff have maximized their use of the store's front and sidewalk space, setting up seasonally-appropriate displays that use every single nook and cranny available in the shop.

had described. To the couple's surprise and delight, the wife wrote, the staff "could not have been more helpful," as they set out on a search for this obscure item, which they eventually found. The husband bought up their whole stock—all six of them. Sologuk has done her best to make the store an inviting and homey space for her customers, despite its small size. Staff have maximized their use of the store's front and sidewalk space, setting up seasonally-appropriate displays that use every single nook and cranny available in the shop. "We're a smaller retailer, but we think big," says Sologuk.



But her shop isn't just old-fashioned in its aesthetic. Sologuk insists that

matters is how you make people feel," says Sologuk.

“The bottom line is that what really matters is how you make people feel.”

They also undertook a big renovation, restoring the ambiance of an old-time hardware store, complete with historical murals, beams and awnings, as well as local antiques like an old jail cell door and gas pump.

maintaining traditional relationships—just like her mother did—is crucial. The best way to keep customers coming back and recommending you to others is just to be genuine in everything you do.

"The bottom line is that what really

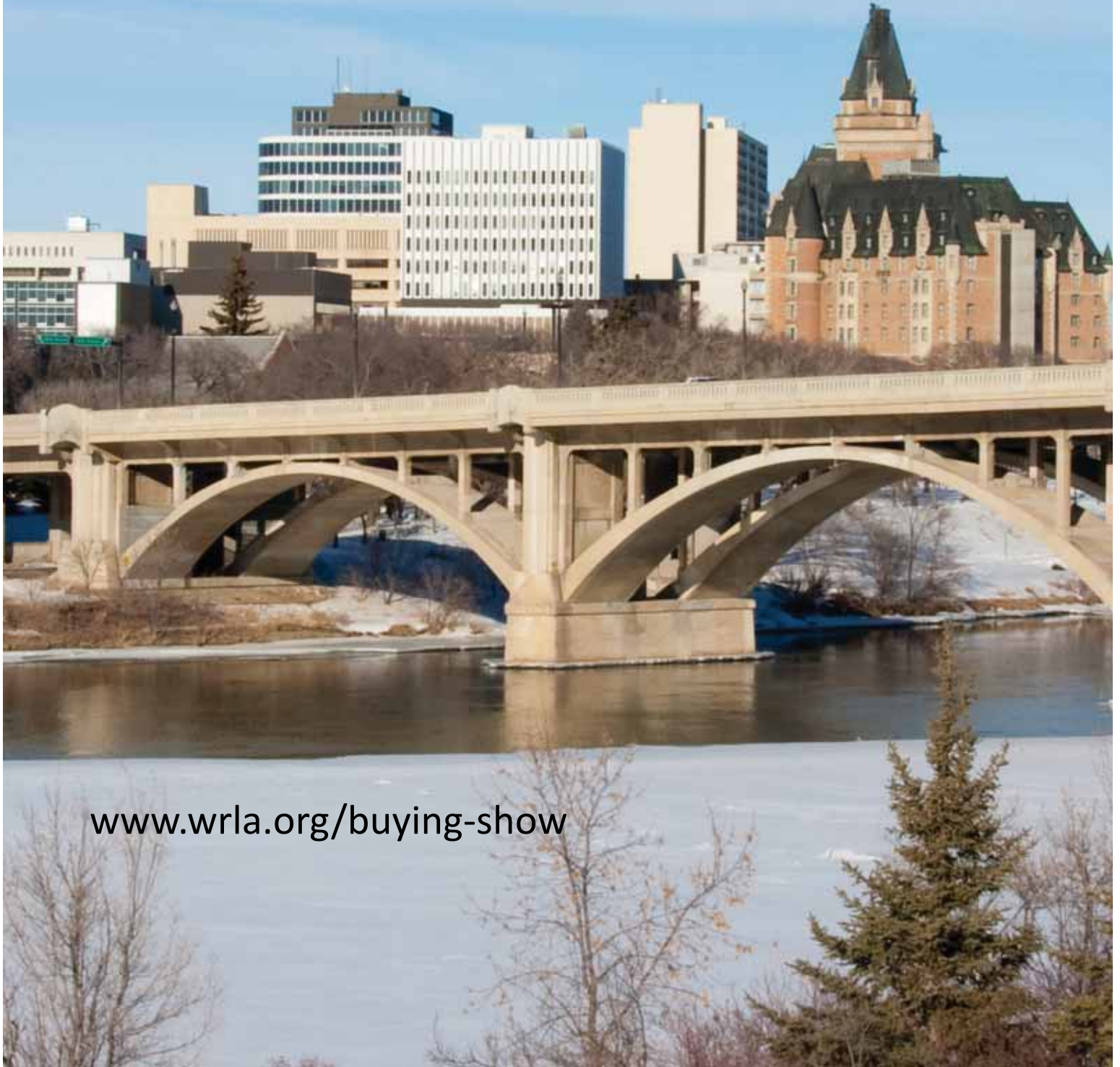
And 40 years in, that bottom line doesn't seem to have wavered. Thinking back to her mother and her own store, Sologuk now realizes that her mother's customers were her friends and the relationships she formed the backbone of her social network. She adds that, to be successful, it all comes down to setting your business apart, by injecting it with your own personality—a mandate that she transforms into a challenge for others: "I'm not only daring you to be different," says Sologuk. "I dare you to be outstanding." 📌

PHOTOS: LIZA COSTA





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## RETAIL BEST PRACTICES

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

**Good store management requires a firm understanding of the basics of retail practice. Here is an overview of best practices that should be part of every store's day-to-day operations.**

**T**he most important best practice, one that every dealer is wise to start with, is to build a culture of customer service backed by values of integrity, learning, and respect. This formula will create a superior customer experience, making the customer feel important and appreciated.

**For superior customer service, remember these simple points:**

- The customer is boss.

- Be a good listener and try to identify customer needs. Getting feedback from customer verifies you understand their needs.
- Empower your employees to make decisions to solve customers' problems.

### FINANCIALS: HITTING THE NUMBERS TO BE PROFITABLE

At the other end of the spectrum of best practices is the importance of managing what goes on behind the scenes. Strong financials are the end result of all of the

practices in your business. Gross margin, rebates, expenses, inventory, sales, marketing, customer service, delivery, and incoming freight each must have a rigorous process to fulfill the superior customer service goal.

Using a SWOT analysis, as reported in our last issue, creates opportunities to grow and improve the business. Growth can come from either increased market share or new business opportunities—or a combination of both.

### Key points for achieving financial best practices:

- Create a budget for the current year and monitor monthly.
- Set a goal to increase gross margin after rebate by 1 percent using variable pricing.
- Review your total operating expenses. Monthly, typical lumber yard costs are 25.1 percent.\*
- Increasing your average sale by just \$2 can have a dramatic impact on the top line. Average basket size for a typical lumber yard is \$141;\* for a hardware store it's \$18.\*

### ADVERTISING & MARKETING BEST PRACTICES

To grow business, advertising and marketing should be an important segment of your business plan. In today's world there are many options and you will have to closely monitor results for the best return on your dollar. There are flyers, radio, television, print ads, online, and social media. Most dealers use their group advertising programs, while others are increasing their use of social media and online, websites, and email marketing.

- Create an address and email list of your customers obtained through contests and special events. This can be used for personal letters, email flyers, and special event promotions.

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- Track your advertising and marketing results by number of customers and dollars. This will help you in allocating dollars to advertising in future.
- Track how new customers have found you. Is this from your advertising or customer referrals?
- Plan to improve and use more online advertising and social media.

### MERCHANDISING: A KEY TO INCREASING SALES

Continual upgrading of merchandising throughout your store is critical to getting your share of that one-third of customers who make an impulse purchase. Use the area from 36 to 66 inches high on your peg-board for key and impulse items to show best sales results. Strong use of feature ends, dump bins, and clip strips will help to drive promotional and seasonal sales.

#### Key best practices in merchandising to consider:

- Face up inventory on all shelf merchandise. Use stops on peg hooks to move inventory to the front of the hook.
- Continually look for new products. At least 10 percent of your total sales can come from products added in last the 12 months.

“Continually look for new products. At least 10 percent of your total sales can come from products added in last the 12 months.”

- A goal of 95 percent service level on the 20 percent of your products that account for 70 percent of your business is a must.
- Change 50 percent of your promotional merchandising weekly.
- Reduce duplications in your product mix.
- Identify which categories are making you the most money. These categories should be continually updated.




### A CULTURE OF LEARNING AND TRAINING IN YOUR STORE

Staff training should be on the top of your list, as employees create additional sales with product knowledge and effective selling skills. Training is proven to grow the average sale. Not only that, but it helps to retain employees as they develop improved customer relations skills and feel more confident serving the customer.

#### Training best practices:

- First, set a budget and plan for training your most important asset—your people.
- Next, delegate. Most store owners and senior managers are busy enough already. Appoint and empower a staff member to be the training co-ordinator. Many stores use their assistant manager for this important role.

- Make training mandatory for all new employees.
- NRHA training courses are available online. Have your staff do them either in-store or at home. We calculate that it takes about one to two hours per chapter to study and take the test. When a student has taken the testing at home, add two hours to their pay cheque.

Review various best practices with your employees and discuss the benefits of implementing these with your current practices, adding ideas from your team. Remember, superior customer service must be part of your store's culture. 

\* Source: NRHA Cost of Doing Business Survey 2013



*Bill Wilson is Retail Advisor for the North American Retail Hardware Association Canada. He has a background of more than 40 years of experience in hardware and home improvement retailing and distribution and is committed to training for independents.*

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# NRHA CANADA

North American Retail Hardware Association

## What You Get for Your Membership

As a member of the North American Retail Hardware Association you have unlimited access to a number of valuable training and information resources provided through the members-only portion of NRHA.org. These include:



### NRHA'S BASIC TRAINING SERIES

NRHA's new Basic Training Course in Hardware Retailing and Basic Training Course in Building Materials Retailing are comprehensive product

knowledge training programs that include coursework, testing, instant grading feedback and a complete progress report for each student enrolled from your business. You get a fully administered training program up and running with

very little effort. And, best of all, you can train an unlimited number of students at no additional cost. These courses are designed to help both new and existing retail sales associates gain the confidence they need to be successful on the sales floor or out in the lumberyard.

NRHA's Basic Training Courses Include:

- 11 Core Hardlines and 9 Building Materials Chapters
- Product Photos & Descriptions
- Frequently Asked Questions
- Upselling & Add-On Selling Techniques
- Selling Skills
- Merchandising Techniques

### THREE PENNIES OF PROFIT



This instructional video course "Three Pennies of Profit" educates your employees on the real impacts of shrinkage, breakage and inventory mistakes on your bottom line. As an added benefit for NRHA members, you can test your employees on what they learned in the video to be sure they retain this valuable information. This is a great tool for staff meetings.

### HOW-TO SERIES ONLINE

This series of 71 online printable project brochures shows how to do various popular home improvement projects. Many titles contain animated modules to help both customers and employees better understand these projects. Each title also contains a complete checklist of tools and materials to make sure customers don't leave your store without need to complete the project.

### LOSS PREVENTION

The series covers topics on Internal Theft Prevention, External Theft Prevention and Store Safety & Security.

### PROJECT SELLING

We will also be launching a new program for project selling, which will feature videos from planitdiy and be set up as training with testing at the completion of the course.



### PLANITDIY (NEW) - YOUR HOMETOWN HARDWARE RESOURCE

PlanitDIY.com is yours: add it to your website today. Give your customers the most complete home repair and maintenance how-to information available anywhere. This is a program of 80 how-to videos. Designed for your customer with a link on your store website. This can be added with a special link so that your customers will not see other stores. Check out PlanitDIY.com.



### CODB STUDY

Cost of Doing Business Study Benchmark your own financial performance against this annual study that provides industry income statements, balance sheets and various performance ratios for both average and high-performance stores.

With the online calculator, you can plug in your numbers and compare your own performance by line item against industry benchmarks for hardware stores, home centers and lumberyards.

### HUMAN RESOURCES HIRING TOOL: FORTÉ

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# THE GLOVES COME OFF

BY SIGRID FORBERG

**Sears Canada's top hardlines merchant says his company is ready to duke it out.**

**S**ears has its eyes on the prize. For James Ryan, the vice president of Home and Hardlines at Sears Canada, that means being able to face ongoing retail challenges, while realizing that the trajectory the company was once on just isn't sustainable.

But the giant retailer is starting 2014 with an optimistic outlook and a strong business plan. And, according to James, his company is ready and willing to put up a fight. He is quick to point out that in 2013 Sears Canada still had 95 million viewers to its website. He also notes that 85 percent of Canadians are within a 10-minute drive of a Sears store. And despite a general gravitation towards online shopping, there's still a market for Sears' iconic print catalogue.

"At the end of the day, the charts don't matter," says James. "It's all about the customer and finding ways to be more modern and more relevant to continue to inspire them."

In recent years, Sears has focused on tailoring its business around what it believes its customers want to see. Rather than carrying toys year-round, it has focused on

James Ryan, the vice president of Home and Hardlines at Sears Canada, says the giant retailer is starting 2014 with an optimistic outlook and a strong business plan.



use the strengths that we have," he says. "We still service what we sell; when you see that Sears truck, you know that you're going to be taken care of."

Sears has launched two pilot stores, in Ancaster and Whitby, Ont., which were based on the success of a Sears Home store in Ottawa. The new stores have a cleaned up look and feel of the Home stores, while using every square inch of space, to make it inviting and homey. James says the feedback

"Customers are sometimes even coming into the store saying, 'I'll take the entire room.'" Sales at the pilot stores, he adds, are 10 percent higher than the performance of Sears' existing outlets.

When it comes to major appliances, he takes a more realistic view: "Most people are out shopping because something has broken down. So they need it quickly, and the price is still incredibly important—which is why offering the best value is still something incredibly important to the Sears experience." That includes the famous Kenmore brand. James notes that three out of four Canadian households have at least one Kenmore appliance.

"What we choose to be in, we're going to do well in," says James. "We have to put our resources into what we can do well and what resonates with our customers."

James and his team are refocusing on areas where they believe they can succeed—meaning his company is far from down for the count. "Sears is here for the fight and I look forward to being here for it."

**“We have to put our resources into what we can do well and what resonates with our customers.”**

offering them solely online and through the Christmas season, which has actually resulted in better sales. And when it comes to hardlines, James says Sears realizes it has to be in it fully or not at all. At the moment, he explains, his company has no plans to move the Craftsman brand elsewhere (in the U.S. it is licensed to Ace Hardware). "We have to

has been very positive. Focus groups even told researchers "they couldn't believe it was Sears," which, James jokes, was encouraging but also a bit disconcerting. But he knows that the fashionable, upscale displays that have been tailored to various lifestyles and seasons are what customers want to see—and it's resulting in more accessories sales.

PHOTO: LIZ SZYNKOWSKI



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# ATTENTION TO DETAIL

## Orgill Helps You Find Opportunities for Growth

**"I am definitely a believer in Orgill. Since we have converted to Orgill, I can't say enough good things about them. They see opportunities for our business that we might not have even seen ahead of time."**

**Brent Perry**

Alf Curtis Home Improvements  
Peterborough, Ontario

### Alf Curtis Home Improvements

Alf Curtis Home Improvements is a third-generation family business that operates two lumber and building materials facilities with locations in Peterborough and Lindsay, Ontario.

The company primarily services contractors and tradesmen but has begun to expand its operation to meet the needs of more walk-in D-I-Y traffic.

Alf Curtis' Peterborough facility sits on approximately 18 acres and includes a 1,400-square-foot showroom, a 42,000-square-foot of warehouse space and a 17-acre yard.

The Lindsay facility, which was opened in 2005 is a 4-½ acre site with 25,000 square feet of warehouse space, a 1,400-square-foot store and a 3-½+ acre storage yard.



### Expanding Your Market

"We are a pro yard, but we are slowly trying to build our retail trade. Since we started our relationship with Orgill, there is no doubt that we have been able to improve our walk-in traffic."

### Helping Your Operations

"Throughout our entire remerchandising process, Orgill was heavily involved. They had a whole team of people that made the process go so smoothly."

### Living Up to Commitments

"One of the biggest differences between Orgill and our old supplier is the fill rates. With Orgill, fill rates are just fantastic."

### Presenting Options

"Since we started working with Orgill we have returned to and expanded a number of categories because we can be competitive, even with 11 competitors in our market, which has a population base of only about 80,000 people."

**"If I could say one thing to other dealers about doing business with Orgill it would be—do it yesterday!"**

**—Brent Perry**



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