# HARDLINES HiQ
HOME IMPROVEMENT QUARTERLY

SECOND QUARTER / 2013

**BUYING GROUP REPORT**
The nation's buying groups are evolving to help independents

**RONA'S DOMINQUE BOIES**
The acting CEO during RONA's darkest days talks frankly about supporting dealers

**PLUS:**
- Pro dealers share best practices
- Home Hardware gets it right
- Kent keeps expanding
- On target with Target Canada
- Social media for everyone

FEATURE STORY

## 2012 WAS TOUGH. HOW WAS YOUR YEAR?

**And 2013 is shaping up to be even tougher. What should you watch out for?**

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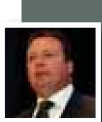



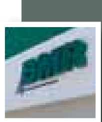



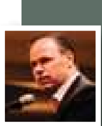






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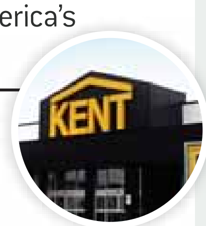




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# THE BACKBONE OF THE INDUSTRY

MICHAEL McLARNEY, EDITOR

**One of the most interesting, and overlooked, aspects of the recent changes at RONA has to be the attempt by its then-CEO Robert Dutton, to take the company private.**

According to an interview in Montreal's La Presse just weeks after his ouster from RONA, Dutton revealed that he proposed the privatization plan to Michael Sabia, who is CEO of La Caisse de dépôt et placement du Québec, one of RONA's largest shareholders. Sabia would not entertain such heresy.

Like so many at the upper echelons of RONA, Dutton recognized the need for dramatic change. But unlike the board, whose purpose is to increase shareholder value, Dutton saw RONA's future in its dealers. A move to go private would have returned the company into the hands of those dealers.

Now with the noise around Lowe's thwarted takeover bid for RONA and the leadership of the company resolved since the appointment of a new CEO, RONA is renewing its focus on its dealers—and on growing the base of dealers to which it can supply product. Our interview with Dominique Boies, executive vice president, who was serving as interim CEO when our interview took place, talks frankly about the need to pay attention once again to its independent customers.

The strength of independent dealers, of course, is not news for other groups in the country. Just look at TIM-BR MART Group, actively growing its dealer involvement through both membership in its buying group and as customers of its wholesale distribution business, Chalifour. Or Castle Building Centres, which is celebrating 50 years serving independent home improvement dealers. And Home Hardware, whose fortunes—and membership—continue to grow regardless of the ups and downs of the economy.

> "Independent dealers account for fully 46 percent of the overall retail home improvement industry by sales volume."

According to our annual *Hardlines Retail Report* on the home improvement industry, independent dealers account for fully 46 percent of the overall retail home improvement industry by sales volume. Despite the rise of the big boxes, corporate chains, and U.S. incursions, the independent remains the backbone of this industry. RONA has realized that.

The independents, however, never doubted it for a moment.

mike@hardlines.ca

QUARTERLY BUSINESS CONDITIONS

# BUSINESS CONDITIONS: A FINAL LOOK AT 2012

Throughout 2012, there was steady, albeit slow, growth. We predict this trend will continue into 2013.

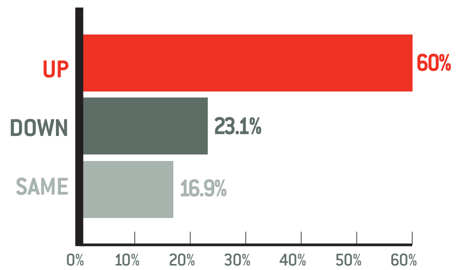
Optimism and consistency are the best words to describe 2012 when looking back over the year. The latest HARDLINES Business Conditions Survey, done in conjunction with NRHA Canada, shows some interesting trends.

## COMPARING TO 2011

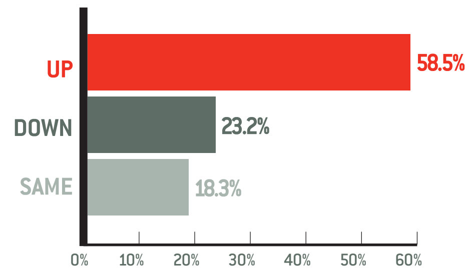
A look back at the year demonstrates business has considerably increased from the previous year. Retailers and vendors were asked how their business in 2012 compared with 2011: 60 percent of vendors and 58.5 percent of retailers responded that business was up. This is impressive when compared with last year's answers: at the end of 2011, only 30.4 percent of vendors and 40 percent of retailers responded that they had increased business.

On average, retailers who answered that their business was up in 2012 estimated it to have increased by 10.7 percent. Among the 23.2 percent who reported their business had gone down, that drop averaged 8.4 percent. For vendors, of the

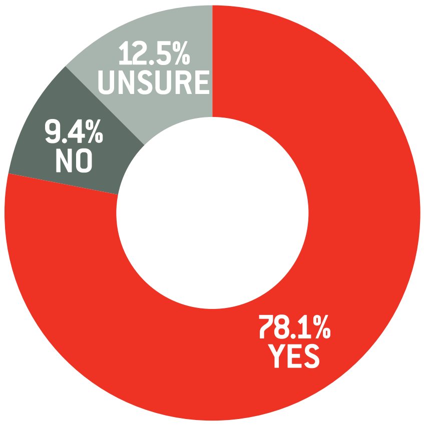
**VENDORS: How did your business compare with 2011?**




**RETAILERS: How did your business compare with 2011?**




**VENDORS: Do you expect your sales to increase in the next 12 months?**

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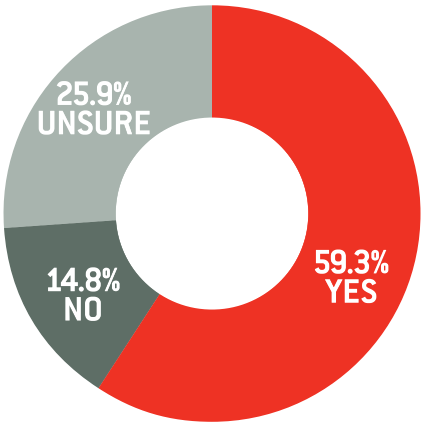
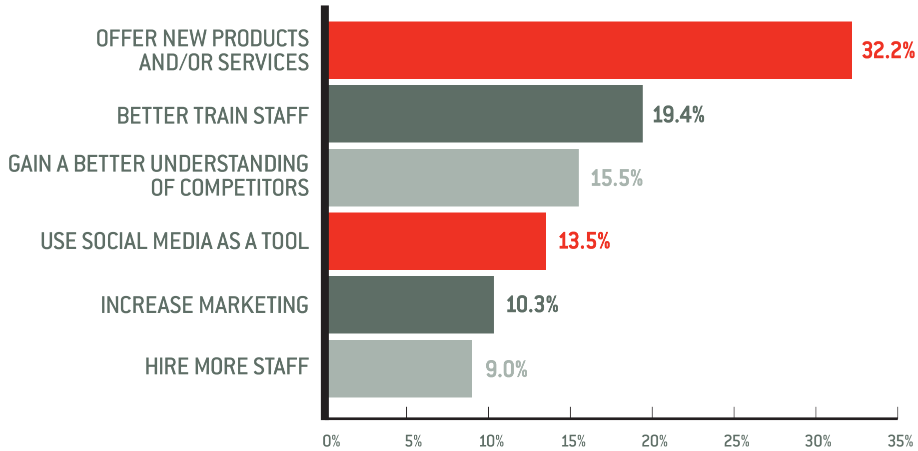


## VENDORS: What does your company plan to do to help your business grow in 2013?

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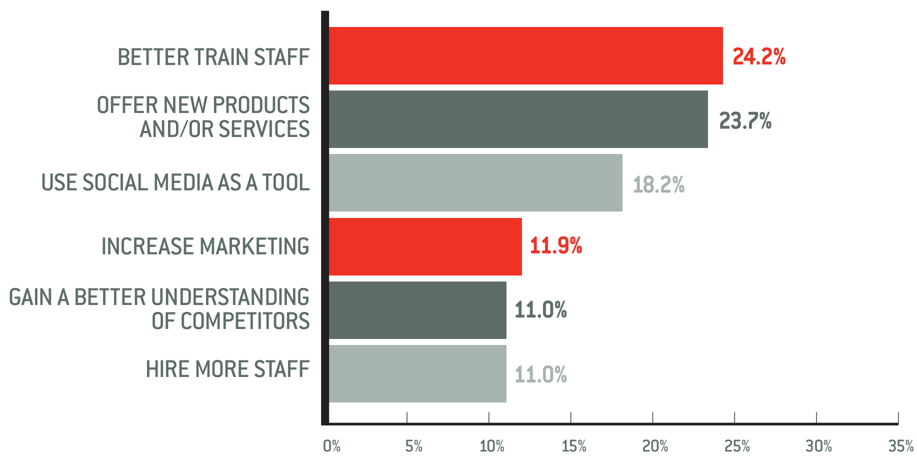
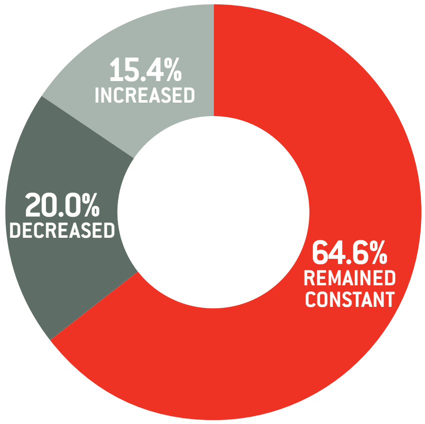



## VENDORS: Were there any changes from the previous quarter to your number of employees?

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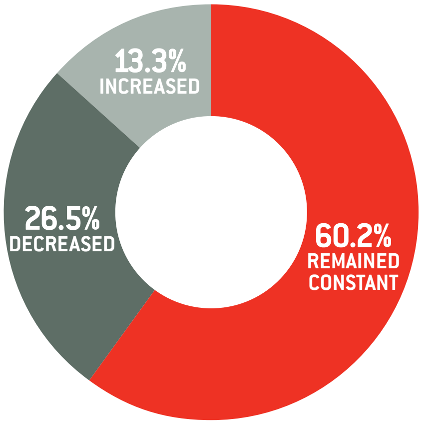
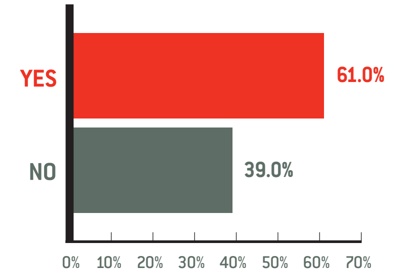



## VENDORS: Did you offer new products to better compete in 4Q?

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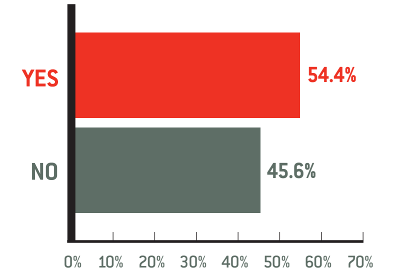
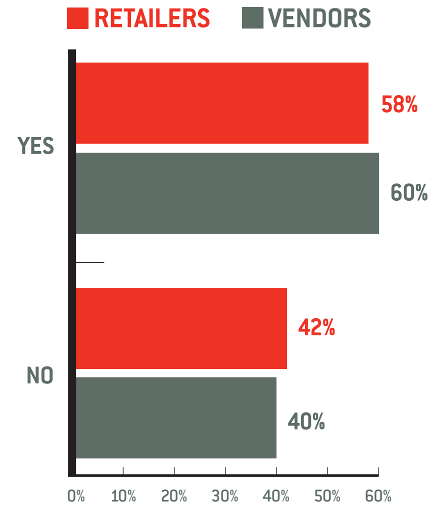



## Do you intend to invest in buildings, machinery, or equipment in the next 12 months?



### RETAILERS: Top issues in fourth quarter

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

### VENDORS: Top issues in fourth quarter

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

### RETAILERS: Top Concerns

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

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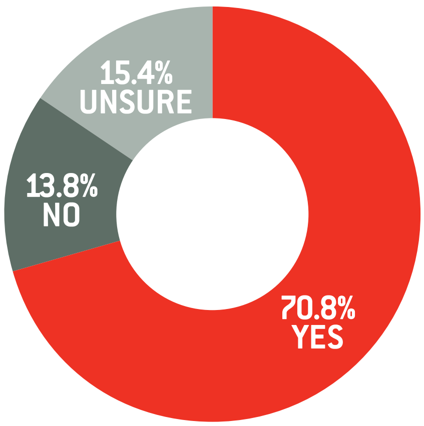
### VENDORS: Do you expect your sales to increase in the next 6 months?

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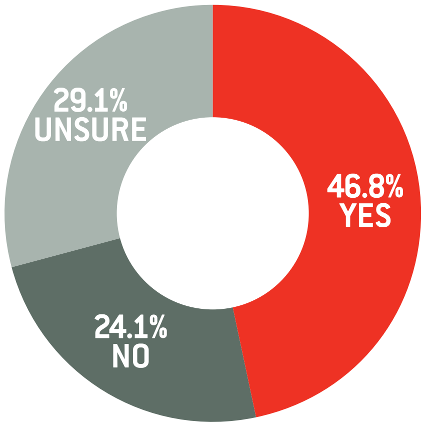
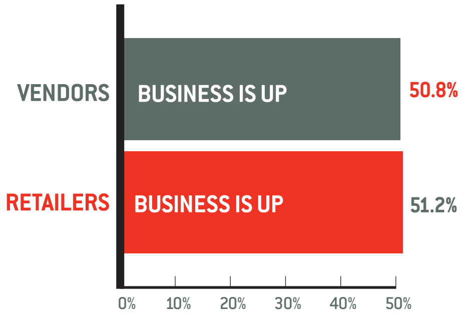



60 percent who reported increasing business, on average their business increased 10.4 percent. The 23.1 percent of vendors with decreased business saw their business decline by an average of 12.1 percent.

When assessing how business in the fourth quarter compared to the same period in 2011, vendors and retailers both identified increased sales: 50.8 percent of vendors responded that sales were up, reflecting an increase of almost 10 percent in the number of dealers who were positive during 4Q 2011. The percentage of retailer respondents who had increased sales in the fourth quarter was up 10 percent as well, from 41.2 percent in 4Q 2011 to 51.2 percent in the fourth quarter of 2012.

### How did your business compare to the same time last year?




## GREATEST CONCERNS

What are retailers and vendors most concerned about? We found that retailers' highest concern was the rise of online retailing and their lowest concern was parity with the U.S. dollar. For vendors, rising mortgage rates was of least concern to them, while the increased presence of U.S. retailers was the most divisive issue. Respondents were split equally between it being the most and least important concern. The rise of online retailing was also a very important issue for vendors.

## CONCLUSION

Looking back through 2012, business conditions have certainly improved, with increasing optimism about the year to come. Last year started with high expectations about economic recovery and there has been some growth. However, throughout the year growth has been slow, with the enthusiasm for recovery waning. The slow, steady growth will continue through 2013.

*Source: HARDLINES Quarterly Business Conditions Survey*

# A SLOW BUT STEADY RECOVERY

BY KATHERINE YAGER

**Six years after the global recession, the economic downturn should be far behind us. But many economists are predicting that Canada's economic woes are not over yet.**

**The United States is only now showing signs of recovery and Europe's economy still faces many areas of stagnation.** While Canada is showing growth, the effects of the recession can still be felt throughout the country. Ted Tsiakopoulos, an economist for the Canada Mortgage and Housing Corporation, predicts the growth will continue, but not at the rate that we saw before the recession.

The Bank of Canada recently released a report on the state of economy finding that the global economic outlook at the end of 2012 was slightly weaker than had previously been predicted. However, the Bank of Canada is forecasting that the economy will be back to full capacity by the second half of 2014.

What does this mean for you?

## HOME BUYING

As the recession hit, many would-be first time home buyers were pushed out of the market. With fewer first-time home buyers, the market has become dominated by repeat buyers. A weak job market and skyrocketing unemployment for 18 to 24 year olds means that these would-be first time home buyers are waiting longer to buy their first home. This has resulted in fewer starter homes that require renovations and less money going to pay for contractors or DIY supplies.

Another factor inhibiting spending is that personal disposable income has also decreased in the last few years. With this decrease in disposable income, spending habits have also changed. Individuals are choosing to pay down existing debt instead of taking on more debt or spending more. Instead of buying a more expensive house, homeowners are looking for ways to make their current house work better for them.

## SHIFTS IN HOUSING

Peter Norman, chief economist at Altus Group, explains that housing starts over the last 50 years have varied between 150,000 and 250,000 units per year. Although 2012 ended with 215,000 housing starts, indicating that the housing market is actually doing well, the type of housing being built is shifting. Housing starts in 2012 were mainly for apartments and single-family homes with much less square footage than in the past. Buildings with less space and the increasing shift to an urban lifestyle means that less money is going into renovations and upkeep.

## RENOVATIONS

Renovations are one of the fastest growing segments of the economy. The changing housing market has created a new trend whereby many families are staying in their existing home and renovating instead of moving into a new home. The real estate market takes a hit through this shift, but it is good news for contractors and home improvement dealers.

Another trend is energy efficient renovations. With the push to go green and saving for more efficient appliances and housing, homeowners are still willing to spend money to "green" their house.

## OUTLOOK

In regional terms, the West has fared better than Ontario and the East. Alberta, British Columbia and Saskatchewan have been growing the fastest. Due to economic growth in these regions, the population has been increasing and so have the employment opportunities. However, by 2014, CMHC's Tsiakopoulos predicts that the gap between the regions will even out.

The last factor playing into the economic recovery is the low interest rate; the Federal Reserve has guaranteed the current rate until 2015, so the Bank of Canada's hands are essentially tied in varying much from the levels of the Fed.

As regional discrepancies even out and the economy slowly returns to full capacity, the economy should strengthen. However, improvement throughout 2013 will be slow, and the economy is not forecast to reach full strength until 2014.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Alan Huggins, Lowe's Canada's outgoing president, has returned to Lowe's head office in Mooresville, NC, to serve as vice president of the international division.

# LOWE'S HIRES FORMER LOBLAW EXEC TO RUN CANADA

Sylvain Prud'homme, a former executive vice president at Loblaw Companies Limited, has been appointed the new head of Lowe's Canada. He replaces current president Alan Huggins, who has returned to Lowe's head office in Mooresville, NC, to serve as vice president of the international division. There, he will work with Doug Robinson, head of international operations and development. Prud'homme, who took the helm in Canada on March 25, will also report to Robinson.

Huggins had been with Lowe's Canada since it opened its first stores here in 2007. At the time, he was vice president of operations and Robinson was the president. Huggins has led the division since 2009. In 2011, he spoke at the Hardlines Conference in Toronto as part of the conference's "Profiles in Leadership" Series.

In his new role, Huggins will be responsible for developing Lowe's international operations and co-ordinating business operations outside the U.S. That includes working with Prud'homme to help grow the chain beyond its current 34 stores here. Lowe's also has five stores in Mexico and through a joint venture with Australian retail giant Woolworths, it has 25 stores in that country under the Masters name.

# CANSAVE UPS ANTE WITH RE-POSITIONED SALES FORCE

**CanSave, the Barrie, ON-based specialty LBM distributor and door and kitchen manufacturer,** has developed a new initiative for its sales teams. Called "Business Builders," the initiative effectively repositions the sales teams as partners for the dealers that CanSave supplies. According to Larry Koza, co-owner of CanSave, the initiative even goes to "rebranding" his sales managers as sales "coaches."

"It's really about making the team learn to work more closely with the customers," Koza says. That relationship has a number of aspects, and things like service and price are a given, he notes. "If you're still in business right now, you've got good service—but that's just the beginning."

Koza outlines a number of points that Business Builders operates on: market positioning (are you selling the right SKU?); working out a competitive strategy with each dealer to help them identify their customers and sell to them); online quoting and a design service that both consumers and designers can access; and "showroom optimization"—creating the right display in-store to deliver that dealer's message.

CanSave's sales team is also committed to pull-through sales, helping dealers by actively going after contractors on the job sites. Behind the scenes, the new program is being supported by staff training.

"These points simply reinforce that we have proven, profitable lines and we're going to help you make a profit. That's what Business Builders is about," Koza concludes.

# ORGILL CONTINUES TO EXPAND CANADIAN PRESENCE

U.S. hardware wholesaler Orgill continues to make inroads into the Canadian market. After securing customers in areas as far-flung as Vancouver Island and Newfoundland, Orgill is establishing its first distribution centre in Canada. Located in Mississauga, ON, just west of Toronto, it is scheduled to be up and running by May 1. The new DC will assist the giant wholesaler in servicing the network of independents now using Orgill to supply hardware assortments.

According to Ron Beal, president of Orgill, the new facility will be stocked with Canadian-specific products. "We've been very successful getting traditional suppliers to be compliant and filling in Canadian compliant products," he says. But, he adds, some products, including chemicals, don't cross borders as well as others.

The new DC will operate as part of a "branch system," marrying local product with shipments from Orgill's larger U.S. DCs. It will be a flow-through facility with very little product actually warehoused there. "This solves our issues of rounding out our assortment," Beal adds.

With this infrastructure being put in place, Orgill has also expanded its reach in the West and is now serving Francophone customers. It has created a French-language catalogue and put in place a customer service and field support co-ordinator in Montreal. "Part of our effort to do what it takes is to service our customers in Canada—and Quebec is certainly an important part of that," says Beal.

In the West, another person, Greg Kelly, formerly with Arxx, has been added to the business development team. That team works under the aegis of Castle Building Centres, with which Orgill has a preferred supply arrangement and management arrangement. This expansion into different Canadian regions has required Orgill to accommodate regional tastes. "We're continuing to round out assortments for regional needs, especially in Quebec, such as reflecting local brand preferences."


Orgill's first distribution centre in Canada, located in Mississauga, ON, is scheduled to be up and running by May 1.

## BRIEFLY

### RATES EXPECTED TO HOLD

Scotiabank has issued its latest forecast on interest rates. According to a report by Derek Holt, vice president, Scotiabank Economics, and Scotiabank's financial economist Dov Zigler, "We have changed our house forecast for the Bank of Canada to show no rate change throughout 2013-14." Previously, they had predicted the BoC would hold interest rates only until the first quarter of 2014, but are now extending that by another year.

### HOME EXPANDS ATLANTIC DC

Home Hardware's patience has been rewarded as municipal officials gave the green light to plans for expansion of its Eastern Canada distribution centre in Debert, NS. The project involves land connected to the former Debert armed forces base, and was long held up as archaeologists verified the extent of artifacts in the area. The provincial government blocked development in 2008 before the search wound down: stone-age artifacts were first discovered on the base in 1948. The expansion will add another 200,000 square feet to the 360,000-square-foot facility.

### TIM-BR MART UPDATES LOGO FOR ITS DEALERS

TIM-BR MART has re-worked its banner to read "TIMBER MART," presenting a new name for use by the buying group's stores. The updated look is expected to simplify online searches and increase general consumer awareness of the brand. The logo also simplifies the TIM-BR MART colours so they don't overlap, making the logo easier to identify. The traditional spelling of TIM-BR MART will continue to refer to the group corporately; the new logo and spelling will apply to dealers and their stores.

# LA COOP FÉDÉRÉE AND BMR IN DISCUSSIONS

La Coop fédérée and BMR have confirmed that discussions are currently underway towards an eventual business relationship. While neither side will confirm further details, those discussions could, say insiders, be heading toward anything from a supply deal for BMR's distribution business to an outright takeover of BMR by La Coop.

The giant Quebec agri-food co-operative is a $5.2 billion company that has large holdings in farm and feed, oil and gas, and hardware and farm machinery. That latter division operates under the Unimat name, supporting hardware and building materials dealers that generate close to $297 million in sales annually. BMR is a buying group with its own hardware and building


materials distribution whose ownership is held in large part by a small group of BMR dealers. Total sales by its 187 dealers exceed $1.3 billion.

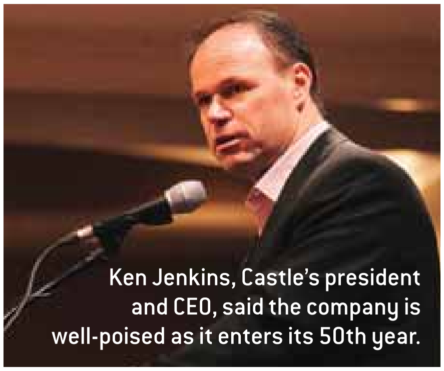
According to a joint release by the two companies, "These discussions are being held in an active business context for Quebec distributors and retailers specializing in hardware, renovation, agricultural machinery and gardening products."

## CASTLE CELEBRATES 50TH AT WRLA SHOW

**At the Prairie Showcase buying show in Saskatoon,** held in January, Castle Building Centres used the event to launch officially its 50th anniversary celebrations, hosting a meet-and-greet complete with martini bar and a stand-up comedian.

Ken Jenkins, Castle's president and CEO, said the company is well-poised as it enters its 50th year, and he expects 2012 to have been one the group's best. Purchases, he said, were up 14 percent over 2011. He further anticipates growth in 2013 to rival that, with purchases forecast to be up 12 percent this year.

But despite the fanfare surrounding the celebrations at the Saskatoon show, Jenkins pointed out that Castle has been pursuing "managed growth," with a very targeted list of prospects. Many of those prospects are non-traditional dealers. In fact, the greatest growth of the independents' ranks, he said,



Ken Jenkins, Castle's president and CEO, said the company is well-poised as it enters its 50th year.

will be among specialty dealers such as door-and-window dealers and flooring operations.

In 2012, Castle added another $150 million from the recruitment of specialty dealers in its Commercial Builders Supplies (CBS) division. "That's volume that Castle didn't have five years ago from GSDs and one-steppers. And their purchases drive volumes up for all group members."

BRIEFLY

### LOWE'S GROWS

The 33rd **Lowe's** store in Canada opened in the north end of Etobicoke, in Toronto's west end earlier this year. The store features 117,000 square feet of retail plus an exterior garden centre. Lowe's opened its 34th store on January 21 in Nepean, ON, in the Ottawa market.

### ONLINE RETAILING GROWS

**Global e-commerce sales** reached $1.089 trillion in 2012, says a new report from digital marketing research firm eMarketer. Sales last year were up a healthy 21.9 percent from $893.33 billion in 2011. Total e-commerce sales worldwide are expected to grow 19.3 percent year over year in 2013, to just under $1.3 trillion, says the report.

### NEW STANDARDS FOR WINDOW INSTALLATION

**CSA Group** has developed standards for products and installers in the door and window industry. In collaboration with American Architectural Manufacturers Association and the Window & Door Manufacturers Association, CSA Group has published a revised version of "NAFS – North American Fenestration Standard-Specification for Windows, Doors and Skylights." It requires manufacturers to meet specific performance guidelines and provides additional requirements for a certification program in Canada for these products. That means retailers should be sourcing their doors and windows from manufacturers that have had their products tested by a third-party accredited certification organization such as CSA Group.

# RONA YEAR-END REFLECTS RESULTS OF FIRST STRATEGIC STEPS


With big changes at the executive level, an unwanted takeover bid, and a sluggish economy, RONA inc. faced numerous challenges in 2012. However, the company was still able to report a sales increase of 1.7 percent for the year, with total sales of $4.9 billion for fiscal 2012. Comparable sales ticked up 0.7 percent overall: same-store retail sales edged down 0.3 percent but comparable distribution sales rose 6.4 percent.

At the same time, the implementation of RONA's "New Realities, New Solutions" plan helped to modify that downward trend, while a new "Tranformational Strategy" will guide the company as it tightens its belt this year, cutting some 200 administrative jobs to focus on its core businesses.

Part of the streamlining will be seen in RONA's ongoing transition to proximity and satellite stores, at the expense of many of its big boxes. It closed five such stores in 2012, with plans to close or transform another 30. Meanwhile, it is focusing on a smaller "proximity" model store, with two of these and five smaller satellite stores slated to open in the next few weeks.

It's part of RONA's larger plan to increase profitability by freeing up capital from "non-core assets," which will be re-invested in store renovations, assortment reviews and the positioning of its private label, regionalizing its pricing strategy, and providing better service to its affiliated dealers.

Already, the company has announced it will lay off 15 percent of its administrative staff (about 200 full-time positions). RONA says it will focus growth on core markets, especially in Quebec, where profitability is already strong, and among RONA's network of dealers across Canada. This includes continuing the changeover of the Totem banner into RONA's new proximity model and the redefinition of the Réno-Dépôt banner in Quebec.

BRIEFLY

## THREE ZELLERS LEFT

**Hudson's Bay Co.** has announced it will continue to operate three stores, not assumed by Target or Walmart, under the Zellers banner, ending speculation over the fate of the brand and the last of its unaccounted-for stores. Those stores are in Kipling Queensway Mall in Etobicoke, ON; Semiahmoo Shopping Centre in Surrey, B.C.; and Place Bourassa, Montréal-Nord, QC.

## NEW NAME FOR WHOLESALER

Building materials wholesaler **CanWel Broadleaf** has changed its name to CanWel Building Materials Division. The change, which took effect January 1, reflects the acquisition two years earlier by CanWel of rival Broadleaf Logistics. The company used the portmanteau name to maintain the recognition and goodwill of Broadleaf during its integration with CanWel.

## WALMART GETS READY FOR TARGET

**Walmart Canada** will invest $450 million in new stores and distribution in 2014 in order to contend with direct competition with its format from the arrival of Target in Canada. Walmart already has some 375 stores in this country, but plans to open another 37 supercentre stores, and renovate and relocate others during the fiscal year. Target will open more than 125 stores in 2013, while Walmart has leasehold rights to 39 former Zellers sites, which it plans to develop.

# CANADIAN TIRE READIES FOR TARGET WITH SMALLER MARGINS, BIGGER DATA

Canadian Tire Corp. has made a number of strategic moves to prepare for the opening of Target stores across Canada. First, Canadian Tire has identified stores that are competing geographically most directly with Target stores, to make sure those stores have the latest upgrades, displays, and merchandising assortments.

Increased focus on margins indicates that Canadian Tire's retail business is trying to be more competitive price-wise, as well. However, that initiative has had an impact on sales. According to Marco Marrone, COO, Canadian Tire Retail, "We knew that, as we focused on margins, there would be an impact on top line sales, and CTR's fourth quarter retail sales decline of 0.5 percent reflects this in part. However, the actions we have taken reflect that our focus is not on driving top-line at all cost."

Another area that Target excels in is understanding the profile of its customers based on data generated by its customer loyalty programs. To meet that challenge, Canadian Tire began offering online loyalty rewards in addition to its Canadian Tire money. With that data, Canadian Tire now has the analytical capability to understand which customers are buying what products, and how they're actually buying those products.

"With the data generated by our loyalty product, we are able to gain valuable insights," said Marrone. "Through our loyalty data, we are able to determine if those customers are high-value customers, and we are able to look at prior purchases as well as understand the correlation across categories. All of this will sharpen our ability to target and focus promotional activity that will help in improving sales and margins."

## HOME HARDWARE NAMED ONE OF CANADA'S BEST COMPANIES

**Home Hardware Stores Limited** has been selected as one of Canada's Best Managed Companies. The business awards program, sponsored by Deloitte, CIBC, National Post, and Queen's School of Business, recognizes excellence in Canadian-owned and managed companies. Shown (l-r): Paul Straus, Home Hardware CEO; Dino Medves, CIBC; John Hughes, Deloitte; and Terry Davis, COO of Home Hardware.

BRIEFLY

## PEOPLE ON THE MOVE

**Bret Walters** has been appointed general manager of Chalifour Canada, the hardware distribution business of TIM-BR MART. He is based out of Chalifour's London, ON, facility and reports to COO **Barbara Hopper**. Also reporting to Hopper is **Randy Martin**, VP of merchandise, who has relocated to TIM-BR MART's Calgary head office. In addition to negotiating Spancan contracts for Chalifour and TIM-BR MART, he is responsible for building material programs, specifically for Western Canada.

At Castle Building Centres Group Limited, **Kelvin Johnston** has joined as commodity lumber and panel buyer at the buying group's Mississauga head office. Johnston is a 20-year veteran in the lumber industry, with experience in the wholesale channel and national distribution, as well as in lumber manufacturing operations.

**Paul Hobbs** has been appointed regional operations manager, Central Alberta, for RONA. Based in Calgary, he is responsible for the growth and development of the company's various store formats, including dealer-owned locations, throughout Central Alberta. He was formerly director of retail operations at Totem Building Supplies Ltd.

**Mike Gennette** has joined TIM-BR MART Group as commodity trader. His background in lumber, plywood, and OSB trading and LBM distribution includes working at AFA Forest Products. He will be based in Dartmouth and will report to **Rich Huisman**, the new national director of sales.

# Product SPOTLIGHT

BY JON STOLLER

## Quickloader Tiedown Strap

Wessel Industries says the Quickloader is faster, easier, and more versatile than other tiedown straps. Features a longer handle for better leverage, and an extended release to prevent pinched fingers. The springloaded coil holds messy excess webbing in place.

**www.quickloader.ca**

## Decorative Concrete (DC) Tapes

Intertape Polymer Group is targeting the decorative concrete industry with their new line of DC tapes. Products include regular and double-sided masking tape, heavy duty duct tape, reinforced tape, and a compact, durable film. Perfect for contractors, installers, and DIYers.

**www.intertapepolymer.com**

## INEXO Electrical Boxes

Designed for Insulated Concrete Form (ICF) construction. This time-saving, versatile device from IPEX HomeRite Products comes ready to use, and can be installed anywhere on the ICF wall. The first of its kind to provide a professional and code-approved solution for this application, according to IPEX.

**www.ipexelectrical.com**


## DuraPro Glues & Adhesives

A comprehensive line of products for DIYers and professional builders alike. New packaging features include ergonomic bottles, easy to read labels, and convenient sizes.

**www.duraproadhesives.com**

## Bellagio Patio Torch

This single four foot flame from Napoleon provides cozy, intimate lighting that is perfect for backyard get-togethers. Approved for use on wooden decks, concrete, and stone or brick patios. Comes with a battery operated push button for easy lighting, and a protective SAFEGUARD screen.

**www.napoleongrills.com**

## DAP Wall Repair Kit

This complete wall repair solution will patch holes up to 3" in diameter in drywall, plaster, and masonry surfaces. The convenient all-in-one kit contains a 237-ml tube of DRYDex spackling with dry time colour indicator that verifies when the patch is ready to be sanded and painted. Also contains a 4" x 4" self-adhesive patch, putty knife, and sandpaper.

**www.dap.com**

# KENT'S STORE EXPANSION CONTINUES

BY MICHAEL McLARNEY

**Kent Building Supplies is working hard to firm its place as Atlantic Canada's largest building supply chain through rapid expansion, a new distribution centre, and a new store concept devoted to contractors.**

Kent erected its first Kent Contractor Supply outlet in the St. John's area, NL, before Christmas.





Recent expansion efforts by Kent Building Supplies have reached new heights. The giant retailer, privately owned by the Irving family in New Brunswick, is aggressively opening new stores—and rumours abound that it is making plays for some of Atlantic Canada's other large independent chains.

A store being erected in Charlottetown, PE, will replace a former 50,000-square-foot Schurman outlet (part of Kent's acquisition of the Schurman chain in Prince Edward Island in 2004). The new store, in the Royalty Power Centre, will weigh in at 100,000 square feet, the first big box from Kent in almost a decade.

Another new store being built in Dieppe, NB, across the river from Moncton, will add a big footprint to the Dieppe area, in a retail development beside the Greater Moncton International Airport. Also in New Brunswick, an acquisition of two existing 6,000-square-foot locations, one in Shediac and the other in Pointe à Landry, re-opened recently with the Kent banner.

Moncton will also be the site of a new distribution centre. The facility is 368,000 square feet in size, with plans to make it expandable to allow for a second phase of expansion soon after it opens in the spring. It replaces an existing DC that has been deemed too small to handle the retailer's growing needs in the region. Phase one of the new DC will handle commodities, mainly building materials and heavy industrial hardware. More traditional hardware lines will reportedly be added over time.

Kent erected its first Kent Contractor Supply outlet in the St. John's area, in Conception Bay, NL, before Christmas. The performance of this store will likely be evaluated before any wider rollout of these specialty contractor yards is considered.

Along with Kent's rapid expansion, there are also currently negotiations between Kent and King's County Council that could lead to new opportunities in the Annapolis Valley of Nova Scotia. Kent has put in a proposal with local council to build a store in a new retail development. This would add to Kent's store count and cement its place as a major player in Atlantic Canada.

Kent currently has 40 retail outlets throughout Atlantic Canada, with estimated sales approaching $500 million.

PHOTOS: ATTICUS SAMSON

HARDLINES
Connecting the Home Improvement Industry
CONFERENCE SERIES 2013

# MARC ROBICHAUD AWARD FOR RETAIL INNOVATION

**RECOGNIZING INNOVATION AMONG CANADA'S HARDWARE AND HOME IMPROVEMENT RETAILER**

## CALL FOR ENTRIES

**Closing date for entries is September 6th, 2013**

### WHO IS ELIGIBLE:

Any retailers in Canada who are driving retail innovation in their operations. This includes sales associates, managers and owners. Retailers can enter themselves or anyone in their operation for consideration. Wholesalers, manufacturers or anyone else in the home improvement industry can nominate a retailer for consideration.

### AWARDS:

All of the winners will be featured in an article in Hardlines Home Improvement Quarterly magazine and receive a plaque honoring their accomplishments. The winners will receive a trip to the **Hardlines Conference held at Sheraton Toronto Airport Hotel and Conference Centre in Toronto, October 23-24, 2013.**

### HOW TO ENTER:

All nominations/entries must be accompanied by information detailing the accomplishments. It's also a good idea to include any additional materials such as photographs, newspaper articles, letters of recommendation, etc. that might help the judges in their decision.

The entry form, available online, must accompany all entries. Some points to consider when putting together an entry:

- Give as much specific information as possible about what the entrant has done to excel in retail innovation.
- Provide as much detail as possible about the outcome of the entrant's efforts, such as ROI, community support, efficiencies created, carbon footprint reduction,etc.
- Provide as much in the way of samples or visual aids as possible – it always helps the judges if they can see the retailer's efforts in action.
- Make sure to point out how the entrant's accomplishments are different or innovative as compared with other things taking place in the market.

**For Questions or Information, Contact: Katherine Yager, kate@hardlines.ca, 416-489-3396, x1003**

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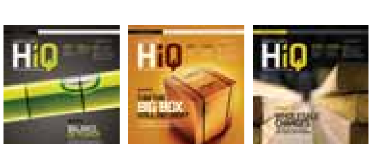


HARDLINES
Connecting the Home Improvement Industry

A SPECIAL REPORT BY THE EDITORS OF HARDLINES

# WHO ARE CANADA'S BUYING GROUPS?

*In a year that will continue to pose challenges for many dealers in this country, buying groups are re-examining their core strengths and forging new alliances.*

***Canada's buying groups still represent the lion's share of independent dealers in Canada. In fact, slightly more than one-third of Canada's retail home improvement sales are generated by dealers in the country's LBM buying groups.***

Despite that inherent strength, the groups are not remaining static. Each one continues to search for ways to get closer to its core customer. For example, TIM-BR MART, which includes its own hardware distribution business, Chalifour Canada, has been actively reinventing its structure over the past year, to the point of developing a new charter and a new name. Now called TIM-BR MART Group, the organizational changes are the outcome of the restructuring that the company has gone through over the past two years.

The new charter outlines the company's values and mission: TIM-BR MART Group's mission is to help improve the profitability of Canadian dealers by "managing the buying group professionally, operating with a winning spirit, and being customer-centric."

But even with the new name, the group is making further changes at the retail level: the dealers' banner will now read "TIMBER MART," giving the name the conventional spelling.

Tim Urquhart, president and CEO of TIM-BR MART Group, says the rapid changes that have taken place in the industry demanded that his company evolve to keep pace. "Operating in that fluid environment requires an examination of every part of our business to be clear on who we are, how we operate and what our values are. That's what our charter lays out," says Urquhart.

## SUPPORTING INDEPENDENTS

Castle Building Centres Group Limited, celebrating 50 years in 2013, remains dedicated to supporting independents that have their own local brand. The group supports dealers that have a strong back-end business, while at the same time promoting a partnership with U.S.-based hardware wholesaler Orgill to strengthen front-end assortments wherever it makes sense. That initiative continues to grow, taking both Castle and Orgill more firmly into markets such as Quebec, where Orgill has installed a bilingual customer service rep and launched a French-language catalogue and website. Orgill has added another business development person in Western Canada, Greg Kelly.

As it prepares to celebrate 50 years in existence in 2013, Castle is also reaching record numbers. Where historically its membership hovered around 225, its ranks have swelled to almost 300. "I think 2013 will be our most successful year," says Ken Jenkins, president of Castle Building Centres. That success, he notes, will be measured "in terms of new member traction, purchase volume increases, total member growth, and rebate payments."

Those purchases, by the way, are expected to be up by 14 percent over 2011. "Despite a flattening of the industry mid-year, Castle kept growing thanks to dealer recruitment."

Some of the biggest news in recent months has come from the industry's smallest group: Bolton, ON-based TORBSA Limited hired a business development manager. The move marked an important evolution of the building materials buying group, which has historically been content to keep a low profile and a limited membership. With Ken Pompey on board, the group joins the ranks of many other groups and banners in Canada that see active dealer recruitment as vital to long-term growth.

Formerly part of the The Signature Group (TSG), Pompey later moved to TIM-BR MARTS Ltd. when that organization took over TSG.

"We've looked at opportunities in the last little while and we think we have something different to offer," says Bob Holmes, general manager of TORBSA. "We're shareholder owned and transparent and we have no frills." He adds that his dealers are diverse, specializing in everything from drywall to roofing to block and cement. "And they're all treated the same in the group."

Almost simultaneously with the recruitment of Pompey came the news that

TORBSA had added one of the country's biggest independents, the Quebec chain Canac, to its ranks. With 22 stores of its own, the addition of Canac effectively doubles the size of TORBSA's retail sales by its members and expands significantly the group's presence in Quebec. TORBSA now has 28 members with more than 60 locations.

## NEW ALLIANCES

The departure last year of two big members from Independent Lumber Dealers Co-operative underscored just how tenuous the myriad relationships between groups can be. Sexton Group and Delroc went out on their own with Allroc to form a new group called Byco. This organization's focus is on commodity purchases, specifically drywall, insulation and metal products. The beginning of 2013 marked the first round of serious negotiations for this fledgling group.

ILDC, meanwhile, sees potential for new recruits in Western Canada, now that its presence there has been reduced by the departure of Sexton and Delroc.

Another big—potential—alliance could be some joining of forces by La Coop fédérée and BMR. These two groups (the former a giant farm and energy co-op, the latter Quebec's largest buying group) have confirmed that discussions are currently underway towards "an eventual business relationship." While neither side will confirm further details, those discussions could, say insiders, be heading toward anything from a supply deal for BMR's distribution business to an outright takeover of BMR by La Coop.

## GYPSUM SPECIALTY DEALERS FACE DOWNTURN

Groups that focus their membership on specialty commercial dealers and gypsum supply dealers (GSDs) have had to cope with a ponderous housing market over the past couple of years. And 2013 does not look to be much brighter. Allroc, the construction products division of Superior Plus, has been trimming its under-performing operations and looking for ways to improve operationally as it rides out the economic recovery both here and in the U.S., where it has extensive holdings (Superior's acquisition in 2009 of SPI, a chain of commercial supply outlets, increased its footprint there considerably).

In Canada, the slow recovery has forced Allroc to examine unprofitable outlets. According to Paul Vandenberg, president and CEO, the focus for the next two years will be on improving internal performance. The company had closed 15 locations by the end of 2012, nine of which were in Canada.

Most significantly, closing locations in Nova Scotia, New Brunswick, and Newfoundland marked Allroc's exit from Atlantic Canada altogether. Another three branches were shuttered in British Columbia's Okanagan Valley. In other markets, such as Toronto and Vancouver, smaller sites have been closed or downsized, with those markets now being served by a "hub and spoke" model.

"I don't see the Canadian market growing [in 2013]. In fact, I see it trending down," says Vandenberg. "Now is the time to get your cost structure down."

The company is also looking at ways to better manage its supply chain, looking to improve purchasing power, with centralized pricing strategies, "while being able to respond to the dynamics of local markets," Vandenberg adds.

## GROUPS REINFORCE THEIR NICHES

The groups continue to re-invent themselves. Those changes range from a new name for TIM-BR MART dealers and a new recruitment policy for TORBSA, to new strategic growth by Allroc and to the new alliance signified by the creation of Byco. But their diversity ensures they will all remain positioned to serve the varying and subjective needs of Canada's group of independent dealers.

## *WHO ARE CANADA'S BUYING GROUPS?*

### *ALLROC BUILDING PRODUCTS LTD.*

***Calgary, AB***
***Retail Sales: $900 million (up from a revised $800 million in 2011)***
***Affiliations: Winroc Corp., a division of Superior Plus Inc.; Byco***

This private wholesaler and buying group, which is owned by Superior Plus, has 117 gypsum supply dealer GSD locations in 31 U.S. states and seven Canadian Provinces. It specializes in drywall and ceiling products under the Winroc brand, selling mainly to industrial and pro customers. It also has fabrication operations, supplying pre-assembled structures to a growing international market. In 2012, it closed some locations, and exited the Atlantic Canada market entirely. It is currently focusing on streamlining and centralizing its supply chain management.

### *BMR*

***Boucherville, QC***
***Retail Sales: $1.4 billion***

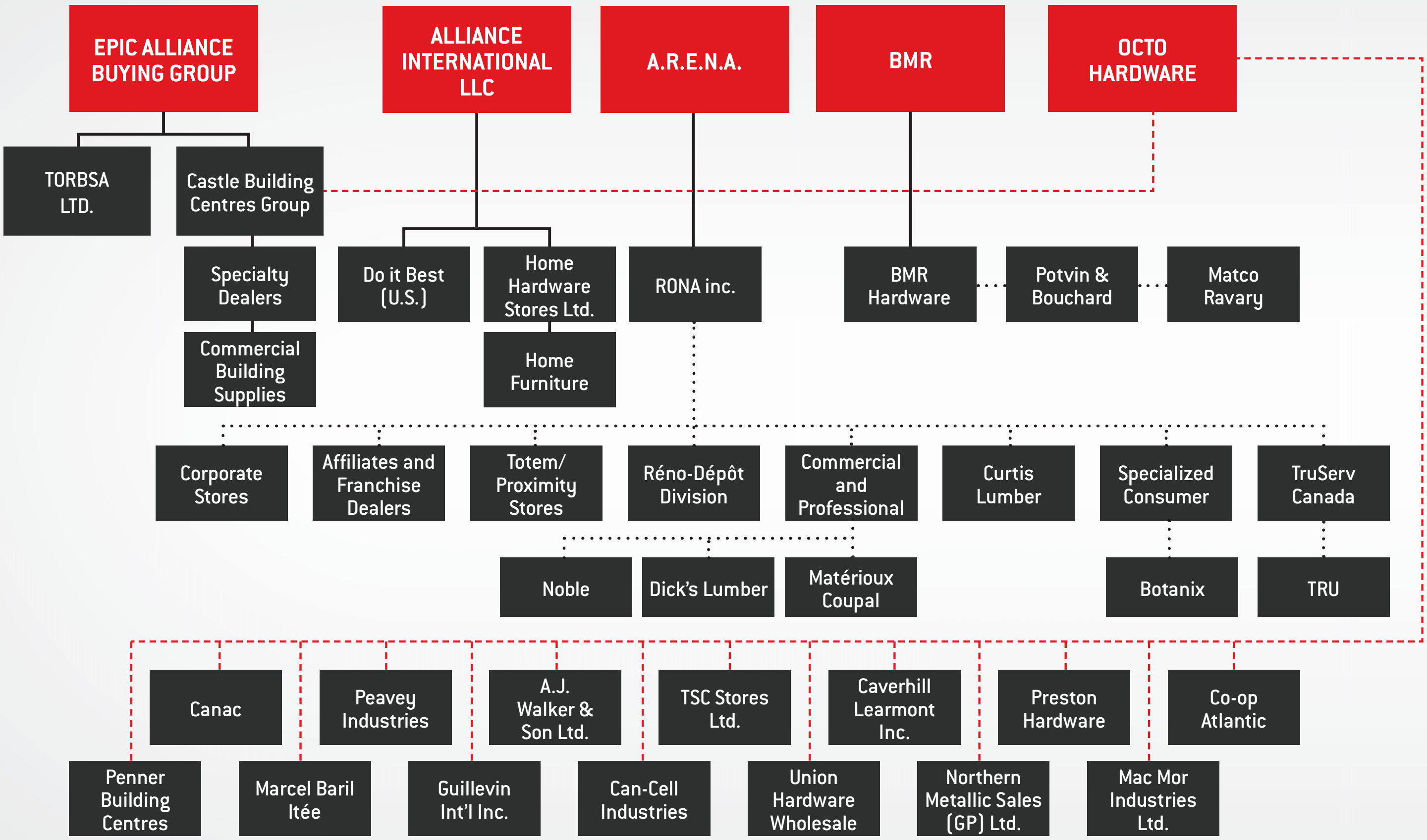
This co-operative buying group and wholesale distributor counts 171 building supply dealers and 15 hardware stores in its ranks. Most of those stores (164) are in Quebec plus two in St-Pierre & Miquelon. The remainder are in Ontario, with a few in the Maritimes. On the distribution side, BMR has four distribution centres stocking 27,000 SKUs. Customer type among BMR dealers is typically split 50 percent consumer, 40 percent contractor, and 10 percent industrial. As of press time, BMR was in discussions with farm and hardware co-operative La Coop fédérée to form some kind of a business relationship.

### *CASTLE BUILDING CENTRES GROUP LTD.*

***Mississauga, ON***
***Retail Sales: $1.6 billion***
***Affiliation: Epic Alliance Group, Octo***

Now in its 50th year, this dealer-owned group has enjoyed healthy growth over the past five years. New dealer-members have three options: traditional building centres join under Castle; specialty shops, including door and window operations, become part of the Specialty division; and contractor yards join Canadian Building

## HOW THE BUYING GROUPS ARE ORGANIZED:




Supplies (CBS). In fact, the greatest growth of late has been with these specialty dealers. While groups such as TIM-BR MART and BMR have their own distribution, Castle has opted for a preferred supplier partnership with U.S.-based hardware wholesaler Orgill, which now supplies to Castle dealers and other independents across the country.

### DELROC INDUSTRIES LTD.

***Langley, BC***
***Retail Sales: $600 million***
***Affiliation: Byco***

This privately owned buying group boasts 116 members, including four in the U.S. While strongest in British Columbia, where it has 58 stores, it also has 26 members in Alberta and 15 in Ontario. Sales among its dealers are split 45 percent consumer, 50 percent contractors, and 5 percent industrial. Along with Allroc and Sexton Group, Delroc formed a new group, Byco, in 2012 to focus on drywall, roofing, and metal products purchases.

### HOME HARDWARE STORES LTD.

***St. Jacobs, ON***
***Retail Sales: $5.1 billion***
***Affiliation: Alliance International LLC***

Home has six distribution centres serving almost 1,100 dealers in total, of which more than 500 of them are building centres or home centres comprising the retailer's LBM buying group entity. But unlike most buying groups, it brings with it strong brand recognition, to which independents marry their own identity. Home tapped its acquisition of Beaver Lumber 14 years ago to up its expertise on the contractor side of the business of that company to its marketing to contractors. The company is also upgrading its dealers' retail POS system, eventually to better track its building materials purchases.

### INDEPENDENT LUMBER DEALERS CO-OPERATIVE

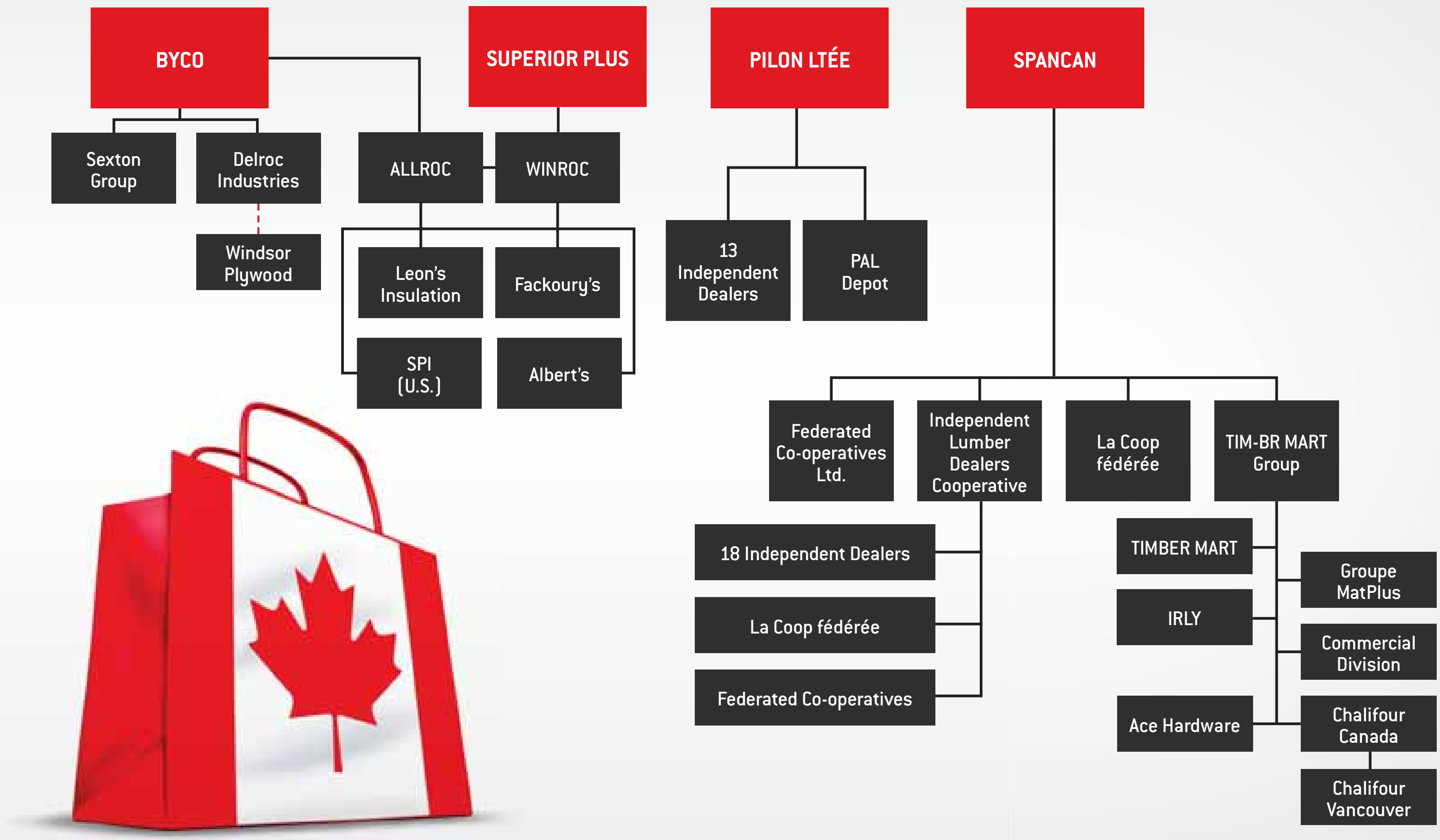
***Ajax, ON***
***Sales: $3.0 billion***
***Affiliation: Spancan***

This member-owned buying co-operative represents some of the country's best private chains, including Kent in Atlantic Canada, Laferté in Quebec, and Manitoba's McMunn & Yates. Unlike other groups, which have head office buying teams to negotiate on behalf of members, ILDC purposely keeps its membership low (around two dozen), and those companies form buying committees made up of representatives from the retailers themselves, which negotiate directly with preferred suppliers. Dealers access hardware purchases through ILDC's membership in Spancan, which negotiates primarily with hardware wholesaler Chalifour Canada.

### SEXTON GROUP

***Winnipeg, MB***
***Retail Sales: $1.4 billion***
***Affiliation: Byco***

With almost 360 members, this privately owned buying group




counts among its membership building supply dealers, home centres, gypsum specialty dealers, wood component manufacturing operations, and even a few hardware stores. Its membership, which spans almost every province and territory of Canada, counts on the group for a "no-frills" approach that focuses on negotiating purchases, rather than a comprehensive offering of support services. Last year, it left ILDC to become part of the new commodity buying group, Byco.

### TIM-BR MART GROUP

***Calgary, AB***
***Retail Sales: $3.7 billion***
***Affiliation: Spancan, Ace Hardware***

This dealer-owned buying group is one of the fastest growing groups in recent years. It now has 760 members, representing the consolidation of other groups in recent years, notably IRLY Distributors in British Columbia and Groupe Matplus in Quebec. The buying group side of the business operates as TIM-BR MART Group, and includes support services, training, national sponsorships, and advertising. It owns the hardware distributor Chalifour Canada, through which it owns the license to the Ace Hardware name in Canada. The group recently revamped its logo at the dealer level, changing to a traditional spelling of TIMBER MART to facilitate online searches by customers. Both the new name and the Ace banner (for hardware), are being offered as choices, including co-branding, to dealers.

### TORBSA LTD.

***Bolton, ON***
***Retail Sales: $700 million***
***Affiliation: Epic Alliance Buying Group***

This privately-held buying group represents almost 50 building supply dealers, including two in Quebec. One of those, Canac, in the Quebec City area, is not only the newest member, but by far its largest. While Canac has an even split of contractor and DIY customers, the other TORBSA members tend to be heavy contractor or commercial yards, specializing in building materials, gypsum, insulation, and steel studs.

## HARDWARE BUYING GROUPS

### SPANCAN (1999) CORP LTD.

***Ajax, ON***
***Members:*** ILDC, TIM-BR MART Group, Federated Co-operatives Ltd., La Coop fédérée

### OCTO PURCHASING GROUP LTD.

***Montreal, QC***
***Members:*** Can-Cell Industries Inc., Castle Building Centres Group Ltd., Peavey Industries Ltd., TSC Stores Ltd., plus 60 others, mainly wholesalers and industrial supply companies

**In some cases, retail sales by the groups are estimated based on data from the HARDLINES Industry Database.*

BY MICHAEL McLARNEY

# RETURN TO ITS DEALER ROOTS: RONA AIMS TO REGAIN ITS EDGE


Dominique Boies

**As RONA's interim CEO, Dominique Boies managed his company through dramatic changes, changes that are intended to maintain confidence with both investors and dealers alike.**

**Dominique Boies** wastes no time getting to the point. "We lost our edge with the dealers," he admits. After months of wooing investors following an unwanted bid by Lowe's, the ouster of its long-time CEO, and a major reshuffle of its board, RONA is getting its house in order. Shareholders have been placated. Now Boies wants to send a clear message of support to RONA's dealer network.

RONA enjoyed crazy growth over the past decade. While that growth made it Canada's number-one home improvement company, RONA's structure kept evolving, putting demands on the company's internal operations. One side effect was diminished focus on RONA's core businesses—hardware distribution to local (proximity) hardware and home improvement stores.

And since a large portion of those outlets are independent dealers, Boies is eager to stress his company's renewed conviction to manage the business in their favour. To do that, he says, "We really need to simplify our business. We've lost focus over time. We've tried to be everything to everyone."

## MAKING CHANGES

Boies is the young executive vice president and CFO of RONA who, after barely a year and a half on the job, was thrust into the role of interim CEO of a company that generated $4.9 billion in sales in 2012—up 1.7 percent—and represents more than $6 billion in retail sales through all the outlets in its enterprise.

But he's quick to dismiss any notion that he is simply "a numbers guy"—making a sly reference to one so-called home improvement pundit who called him just that on BNN television. Rather, he says, he has been deeply involved in RONA's strategic direction ever since joining RONA in September 2011. At that time, he came over from one of RONA's largest shareholders, the Caisse de dépôt et placement du Québec, where he'd served as a senior vice president within the Caisse's private equity team.

RONA's new "Transformational Strategy" was established months ago, before the new executive chairman Robert Chevrier took over the board, and it has its roots in RONA's previous "New Realities, New Solutions" business plan that was implemented a year before that. Under then-president and CEO Robert Dutton, RONA had identified the need to downsize or eliminate many of its big boxes, while taking a closer look at the best sizes for stores in their respective markets.

It's something Boies has championed from the start. "I've been pushing hard for a change at RONA since I came on board." Chevrier and the new board all supported his vision, he adds. "That strategy, that plan—I'm the foundation of all that."

## RE-ASSESSING THE COMPETITION

So far, RONA has closed five big boxes, in Brampton, Mississauga, and Whitby, ON; and Calgary North and Edmonton West in Alberta. The plan calls for the closing or downsizing of another 30 big boxes outside Quebec. Boies explains that some stores, especially in the West, are actually doing well, but these were countered by many others, mainly in Ontario, that were not. "Taken as a whole, our big boxes are under-performing."

"So what do we do?" To answer his own question, he outlines three possible courses of action: to close the under-performing sites, exit the big-box business entirely, or find a joint-venture partner to help revive them. All of these, he says, remain viable options.

He recounts how RONA decided more than a decade ago that, if the company could be really good at local retail, it could compete against the arrival of the big boxes with large-surface stores of its own. It began building a big-box network, starting in its home province of Quebec. There, many of the stores were either joint ventures with existing dealers or stores that were dealer-owned outright. Encouraged by the success of these large stores in Quebec markets, RONA rolled them out across Canada. In the process, it bought up two other big-box chains: Revy in Western Canada and Réno-Dépôt in Quebec.

But operating big boxes turned out to be a totally different kind of business.

"We made the bet that we could as good as, or better than these guys. But the reality, after five to seven years, is that we can't operate all these vectors."

## CORE DISTRIBUTION BUSINESS

The shift in focus from big boxes provides RONA with new opportunities to invest further in its dealer network. But it also poses a big challenge—how to replace the missing volume those big stores generate. "We want to remain a national distributor," Boies asserts. He makes it clear that RONA's rationalization does not mean retrenching or limiting itself to Quebec, as suggested in other business media. On the contrary, he says, RONA wants to continue to support dealers right across Canada.

That support will continue to rely on the programs and services developed since RONA acquired Winnipeg-based TruServ Canada two years ago. At that time, the Winnipeg-based hardware wholesaler was having trouble keeping its volumes up to dealers, which consist of a large base of independents, many of them in smaller markets, most of them in Western Canada. RONA's ownership role gave the company operating capital to re-energize its business. One result was the TRU banner for hardware, building centre, and lawn and garden retailers. It was developed by the joint RONA-TruServ marketing teams to replace the True Value banner, which was being licensed from a U.S. company.

"But the model as it exists right now is not sustainable," says Boies. He says the company will look for ways to optimize the performance of the Winnipeg facility, and may end up integrating some of its resources into other RONA locations. However, he stresses the importance of the TRU program and the service teams that support the banner. In addition, Boies values the overall relationship that TruServ has maintained with independent dealers, which includes RONA and TRU dealers as well as other independents.

## GAINING THE COMPETITIVE EDGE

Building on that framework of dealer support does not mean buying up more independents' stores. RONA is still looking for ways to continue growing its independent dealer network, but it will no longer be the consolidator, the great acquisitor that marked its legacy under Robert Dutton. With so much growth for so many years, the company is now carefully assessing the value of each of those acquisitions and how they affect the core distribution business.

"It's time to take a step back. It's time to take a breather," Boies says frankly.

Instead, the company will develop dealer affiliations. In fact, says Boies, the company will explore reversing the trend: "There's also an opportunity to sell some of our corporate stores to our dealers. They are way better operators than we are." (In April 2012, RONA sold off its first corporate store, when employee Russ Jones and his wife Tess took over the location on the Sunshine Coast Highway in Madeira Park, BC.)

## KEEP IT SIMPLE

But how best to serve those dealer customers, who comprise 35 percent of RONA's business?

"The goal is to simplify the way we do business with our dealers." That means more transparency, more simplicity in everything from pricing to billing practices. He gives an example: "When dealers get pricing on a product, it does not reflect the year-end rebates and the volume discounts they would receive later on. So it makes it hard for them to calculate their actual costs of doing business. More transparency means outlining those true costs right on their bills."

Another way RONA seeks to help dealers under its new Transformational Strategy is make a careful review of its product lines, develop new pricing, and add more regional pricing. That will include, over the next year, a review of all SKUs, says Boies, with reductions where needed. "I'll give you an example," he says. "We examined our range of circular saws and found that we have 70 SKUs. But two SKUs account for 20 percent of sales. Do we really need 70 SKUs of circular saws?"

Boies is confident that RONA can deliver a winning formula for independent dealers. "We can give the dealers a competitive edge," he says. "Nobody can buy better in this country than we can."

With RONA on firmer ground with its shareholders, the company is committed to solidifying its relationship with its dealers, who formed the foundation for RONA's growth in the first place. Boies says that relationship will be much more inclusive in the future. "We'll be involving them more in the decisions we make. We'll be listening to the dealers more. You need to gain their trust on every transaction on a daily basis."

## RONA FACES FUTURE WITH NEW BOARD, NEW CEO

At the urging of two of RONA's largest shareholders, Caisse de dépôt et placement du Quebec and Invesco Canada Ltd., the giant retailer made drastic changes to its board of directors earlier this year.

Robert Chevrier, the former chairman of Richelieu Hardware, joined RONA's board as executive chairman, replacing Robert Paré, who continues to serve as a board member. In addition, a number of other new faces have joined RONA's board. The result? The number of RONA directors increased from 12 to 14, eight of whom were new.

With these changes in place, both the Caisse de dépôt and Invesco gave their assurances to RONA that they would support the new board and leave RONA alone to implement its plan to make changes through its "Transformational Strategy."

Now RONA has a new CEO, Robert Sawyer, formerly an executive at Montreal-based grocery chain Metro. Dominique Boies, who served as acting CEO during the transition, will continue in his role as EVP and CFO of RONA.

BY JOHN CAULFIELD

# NOT-SO-STANDARD OPERATING PROCEDURES

## Some of America's pro dealers have beaten the odds in a tough economy. What can Canadian dealers learn from the tough lessons they've endured?

T.W. Perry of Gaithersburg, MD, is one of the most respected pro dealers in the United States. In 2011, its 100th anniversary, this operator with seven facilities received "dealer of the year" honours from Home Channel News and the Southern Building Material Association. Envious competitors and loyal customers alike regularly laud T.W. Perry for the excellence and consistency of its operations and services.

Just don't tell Michael Cassidy, its president and CEO, that his company is a model to be emulated. "Best practices is not a term I believe in," says Cassidy. "We're cautious about putting a label on anything we do as a national example. What's 'best' for us won't necessarily be best for a dealer in Alaska."

That same reluctance to get positioned as a paragon of process can be heard from other dealers with reputations for standing above their peers. "What you need to do is what works for you, and that isn't necessarily what will work for someone else," says Chris Costello, owner of **Timberline Enterprises** in Gloucester, MA, explaining his criteria for opening a new branch in Newburyport, MA, in January.

But interviews with several of these dealers reveal common distinguishing characteristics: a willingness to change with shifting and often unpredictable market conditions, a unity of purpose from top to bottom in their personnel ranks, and a striving for constant improvement that is quantified and measured.

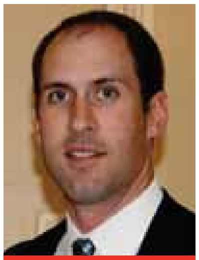
Take, for example, **Safrit's Building Supply** in Beaufort, SC, which was Pro Sales magazine's Dealer of the Year for 2012. One of Safrit's claims to fame is its centralized dispatching and a year ago it started tracking the percentage of deliveries that arrive at a jobsite on time and carrying everything promised. (Its current delivery fill rate is around 97 percent.) Safrit's has also been working on formulas for calculating its true delivery costs more precisely.

"We have data on everything," says Cassidy. That includes a quality assurance regimen that tracks mistakes and how they are rectified. "We had been very good at fixing problems, but didn't take the time to document and capture the root causes. Now we do." For instance, T.W. Perry's holds its outside salespeople accountable for writing up purchase orders—a chore they sometimes forgot to do—so the yards have a record of sales transactions when customers arrive to pick up materials.

The following takes a closer look at how other U.S. dealers succeed through a methodical execution of business practices that, for them at least, work "best":

## EXPANSION

**Townsend Building Supply** of Enterprise, AL, was one of the few dealers in America that saw the economic recession as a growth opportunity and began buying up other yards in the state. In June 2009, Townsend acquired Hendricks Building Supply, with yards in Troy and Ozark. In January 2011, it bought Andersen Window and Door in Dothan. And 11 months later, it purchased the assets of Chapman Building Systems, a roof and floor truss manufacturer in the same town.


Michael Townsend

Michael Townsend, the president, says that in each case, the first thing his company did was "to look at our financial strength to determine whether we could survive if the acquisition didn't work out as planned."

Then he analyzed the markets. The Hendricks deal made sense, he determined, because the previous owners were having money troubles that were unrelated to market conditions. "Hendricks was the only locally owned full-service yard in the market, and it was something that the community needed."

When Townsend bought Hendricks, it added management and upgraded its computer system, so it did not need to make additional operational changes as it expanded further, other than giving employees more responsibilities. "We tried to emphasize how important they are to us, and that we didn't just want them punching a clock," says Townsend.

Up until the time Townsend acquired the Andersen door-and-window showroom, his company had been unsuccessful at selling higher-end windows, primarily because "we didn't have the expertise in the product." Townsend chose to make this acquisition because, he explains, "we wanted a serious presence in the category, and it moved us into a new geographic location."

The addition of the Chapman truss plant gives Townsend more flexibility in servicing its contractor customers.

Timberline, the Massachusetts dealer, took a different expansion route when it converted an old boat storage facility on five acres into a lumberyard with 60,000 square feet of covered space. Opening a new branch, says Costello, "requires a lot of prep work and a tremendous amount of advance work to get ready for a new location."

One advantage Timberline had, says Costello, was that it had a year to get the location right. Costello was "pleasantly surprised" by the co-operation his company received from the city to obtain permits and variances. And a key to getting the new store up and running was hiring its personnel early: Timberline had the 20 or so people it needed for the Newburyport store on board by last September, and was able to train them for three months before the store officially opened.

## DIVERSIFICATION

**HEP Sales**, which serves central New York and northern Pennsylvania, is a throwback to the days in the 1960s and 1970s when many home improvement dealerships were a mishmash of stores with varieties of merchandise.

This company, which started in 1961, currently operates five HEP Sales locations that specialize in lighting, electrical, plumbing, and kitchen and bath products; six full-line lumberyards that operate under the name North Maine Lumber; four Builder's Bargain Outlets; and a lighting and K&B design centre called Bright Ideas.


John Krueger

This combination "has worked very well for us," says John Krueger, HEP Sales' president, about a company whose annual revenue ranges from $30 million to $45 million. He calls his company "a creature of opportunity," noting that when he bought his first yard in 1999 "I was more interested in the property," a 10-acre shopping centre with 120,000 square feet of covered space. The yard, in fact, wasn't even on site at the time.


HEP Sales serves central New York and northern Pennsylvania.

HEP opened its first bargain outlet in 1996, primarily for the purpose of liquidating distressed inventory from its other stores. (Krueger estimates that 10 percent of his company's annual sales come from new products, which means that 10 percent of its stores' inventory—HEP Sales stocks 18,000 SKUs, North Maine 37,000—is displaced each year.) "This is not an easy business to be in," says Krueger. "On a regular basis I'm buying from other retailers that couldn't get rid of this stuff on their own."

Krueger views each business as distinct. But there are synergies: HEP and North Maine share a distribution centre, a back office, a purchasing team, an inventory management system, and a truck fleet that Krueger says "is the biggest synergy we have."

In Ohio, **Strait & Lamp Lumber** operates two yards, a roof/panel/truss plant, a window showroom, an interior trim shop, and an installed sales division called S&L Contracting. Each runs as a separate profit centre, said executive vice president David Clay, although the plants are driven primarily by sales generated from the yards.

"The [truss] plant is so important to our installed framing division, because we sell jobs on the speed factor," says Clay. The quicker that S&L gets buildings up and running, the better it is for the customer's cash flow. And because it features panelization, S&L uses fewer sub-contractor crews. For example, S&L has a contract with the Bob Evans restaurant chain and is saving that company $25,000 per opening.

Another key to making diversification work, said Clay, is communication throughout Strait & Lamp's organization. "Our estimator has a direct call line to our salespeople at the yards. Communication is imperative."

## INSTALLED SALES

America's recession stalled home building and remodeling, and undid many dealers' installed sales programs. But **Forge Lumber** in Erlanger, KY, just outside of Cincinnati, kept its installation services department going during tough times. Jerry Schaefer, its vice president of construction, explains how.

He says Forge's ownership remained committed to the labour component of installed sales because the owners saw it as the "fuel" that ignited the sales of building products. (Forge will bundle labour and materials, but won't do labour alone.) Forge's seven sales teams also saw the value of selling installation services, "and got over the fear that one bad job would cost them business with a customer," says Schaefer.

Forge has five field co-ordinators who supervise its field labour and material delivery to job sites with the company's inside salespeople. Schaefer estimates he needs one field co-ordinator for every $1 million of revenue generated by the labour component of installation. Forge was fortunate, too, that Schaefer had long-time relationships with sub-contractors at a time when just finding seasoned crews was a problem for many dealers.

During the housing downturn, Forge did everything it could to keep its subs busy, which sometimes meant paying them less. Schaefer recalls one project with 18 buildings and 240 apartments. "When I told the crews what I could pay them, they looked at me like I was crazy." However, the carrot in that arrangement was that if crews worked faster they got more buildings to frame. "And the more buildings they framed, the sooner they'd start making money," says

## EMPLOYEE OWNERSHIP KEEPS THIS DEALER UNIQUE

**Your Building Centers**, based in Altoona, PA, has been employee-owned since 1989. Currently it employs about 325 people, and every year the company opens up its books to show them where it stands financially.

Phil Skarada, president and CEO of this 14-yard pro dealer, says that being an ESOP makes it easier for YBC to impress on its employees how "critical everything they do is to the well-being of the company." These "Accounting 101" sessions are typically framed in ways that employees can relate to, such as comparing the dealer's operating expenses to an associate's household bills.

Employee ownership helps preserve the uniqueness of YBC's operations, which Skarada says can vary from location to location in terms of its balance of customers and sales. In fact, each yard has a diverse customer base and carries a somewhat different mix of products—with different margin expectations.

"In this industry, you find your niche based on your customer base," says Skarada. And in many cases, Your Building Centers is dealing on a day-to-day basis with contractors and homeowners whose knowledge levels vary markedly, and who are slow to change in terms of what products they use or buy. So listening to and meeting their needs are big parts of YBC's success.

But finding employees who understand these business relationships is getting tougher. "There's nothing romantic about selling building products," says Skarada, who nonetheless thinks that being an ESOP might give YBC an advantage in its efforts to attract young people into the industry. "A big part of my job is teaching people how they can be successful in this business."

Forge Lumber in Erlanger, KY, kept its installation services department going during tough times.

Schaefer. "They could either take the job or go home and lie on their couches."

That project gave the framing crews five months of work. "And all of those guys still work for us."

## PRODUCT EXPOS

Since 2000, **Kuiken Brothers Company** of Fair Lawn, NJ, generally considered one of the best-managed pro dealers in America, has conducted a biannual Product Expo for customers and vendors. Last fall, it held this event in the ballroom at a local hotel, where nearly 1,000 people attended and suppliers exhibited in 50 booths.

Ryan Mulkeen, Kuiken Brothers' director of marketing, recalls that the company's first few expos relied heavily on promotions that included giving away a two-year lease on a new pickup truck, plus sports memorabilia and scratch-off coupons with every purchase.

But as the expo evolved, it has become exclusively educational and informational. The dealer has a strategic partnership with Katz Roadshow, which conducts live clinics at the expo on waterproofing and the installation of doors, windows, moulding, decks, and custom kitchens. Kuiken Brothers also offers continuing education seminars sanctioned by the American Institute of Architects. Mulkeen says 185 architects sat in on those seminars last November.

"We think that, by not being a buying show, it takes the edge off of the event, and is more value-added for our customers," says Mulkeen.


Ryan Mulkeen

Even though total attendance was down last year, Kuiken Brothers has outgrown the facility it uses for its expo. When it ran its first event, the dealer operated four yards. Last July, it opened its ninth, a 16-acre facility in Succasunna, NJ. Mulkeen says the company is considering holding a second event on alternating years at a different site.

## ACCOUNTS RECEIVABLE

**Harbin Lumber** in Lavonia, GA, always thought it was keeping a tight rein on accounts receivable. But then the recession hit, and "we realized our management process wasn't working," says CEO Chris Moon. Between 2005 and 2007, the days out for its customers' invoices averaged 44.2, compared to the mid 30s in the 1990s.

"We had to do something," says Moon. "Building material dealers were folding, and a lot of times it was because of A/R problems."

Harbin simply had too much exposure with builders and contractors that couldn't or wouldn't pay up, "and we allowed them to ride us longer than we should have," says Moon. So in 2009, Harbin Lumber formed a credit committee that consisted of Moon, the company's president Barron Harbin, its CFO, credit manager, sales manager, and manufacturing division vice president. That committee met for two hours at least twice a week, "and it was like waterboarding; those meetings were very tough," recalls Moon.

"Our focus was to keep people out of 60 to 90 days," he says. At the time, the company had four pages of customers who were at least 60 days delinquent. So the committee started "cleaning up this mess" through stricter enforcement of Harbin's existing policies. For example, it put accounts on hold if they hadn't paid by the 20th of the month. And it filed liens on customers on the 65th day. "We also sent a lot of pre-liens to homeowners and builders," says Moon, to inform them that if the contractor's been paid, it had to pay the lumberyard.

In the latter part of 2010, the company also brought on a new credit manager.

The committee still meets twice a week, and Harbin Lumber's accounts receivable between January 2012 and January 2013 averaged 29.56 days. Only six customers were 60 days or more out. The real trick to lowering the A/R numbers, says Moon, was getting the company's 15 outside salespeople on board. "We tried to get them more involved with the process, and they realized that customers [in arrears] weren't calling them back, either."

BY KATHERINE YAGER

# TARGET: WHAT'S IN STORE FOR CANADA

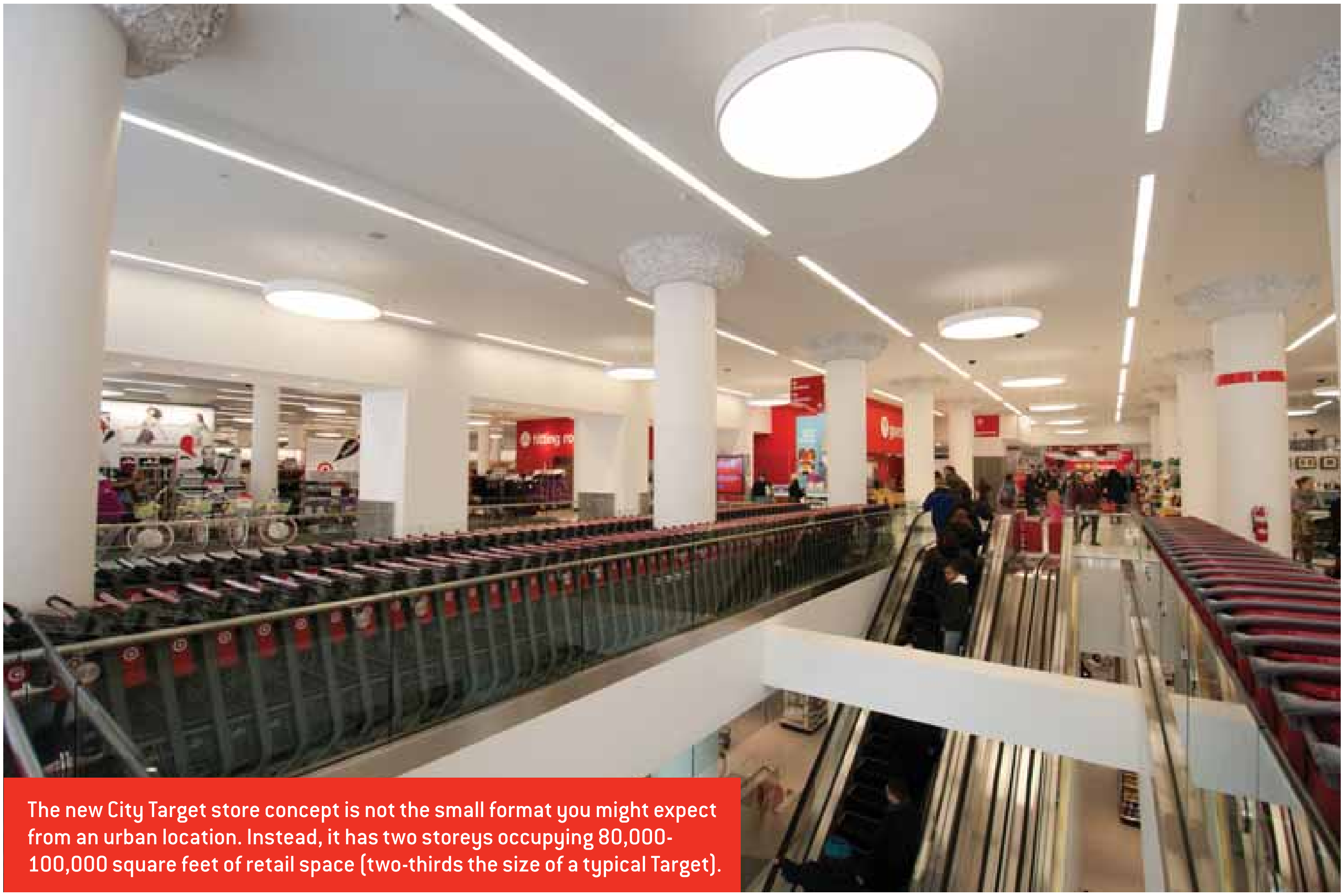
**We visited one of Target's new urban formats in Chicago to see what the company is doing to stay on top—and to get a preview of what awaits Canadians when the retailer opens as many as 125 stores here this year.**

We walk into the City Target in downtown Chicago, to see everything you would expect from a suburban Target store, including well-priced items and a selection of everything from clothing to pharmacy to groceries. The big difference with this store is that it has been merchandised to appeal to an urban customer. For example, instead of the usual women's apparel right at the front of the store, we found an assortment of workout apparel for business travelers who may have forgotten a necessity.

The new City Target store concept is not the small format you might expect from an urban location. Instead, it has two storeys occupying 80,000-100,000 square feet of retail space (two-thirds the size of a typical Target). The location itself is unique. It resides in the old Carson, Pirie, Scott and Company building, a historic structure built at the end of nineteenth century after the Chicago fire destroyed the previous building.

The appeal of City Target is capturing many shoppers in this bustling location in the Chicago Loop. Instead of occupying a non-descript building outside of the urban centre, City Target is targeting urban shoppers with smaller packaging (paper towels sold in four-packs instead of 24-packs),


PHOTOS: CALLUM PINKNEY



The new City Target store concept is not the small format you might expect from an urban location. Instead, it has two storeys occupying 80,000-100,000 square feet of retail space (two-thirds the size of a typical Target).

better stocked shelves with grocery necessities, and items that apartment dwellers or tourists may need. The lawn furniture is nowhere in sight to make room for air mattresses, an item the apartment dweller is more likely to buy. Even with the stocking changes, the breadth of product carried was impressive—from home goods to prepared meals and a fresh foods section.

The City Target brings new challenges that traditional Target stores have not had to deal with, such as the art of window displays and decorations that don't block the customer's view of the store from the street. The City Target needs to strike a fine balance between sticking to its roots as a store with enormous selection and great prices without seeming too department store-like.

The City Target stores, along with expansion into Canada, are part of Target's plan to boost revenue to $100 billion by 2017.


# THE KEYS TO INCREASING YOUR SAME-STORE SALES

**BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA**

**In today's marketplace, where retail sales growth in the retail home improvement industry is hovering around two percent*, dealers can find it difficult to achieve same-store sales increases. When customer traffic is flat, one way is to increase transaction size.**

Same-store (or comparable-store) sales are used to measure the performance of stores that have been open for at least one year based upon comparable time frames. These time periods are traditionally quarterly, and are expressed as a percentage. Increases or decreases in same-store sales may occur from rising or falling prices in major categories or commodities, which contribute significant volume sales in the business. A sales decrease could also be a sign that your customers have moved to new competition in your marketplace. Management using same-store sales figures can determine if changes need to be made to your marketing strategies or operating procedures.

## AM I MEETING CUSTOMER EXPECTATIONS?

The best way to increase your same-store sales is by making every sale count. To do that, let's review your in-store performance.

Your customer's first expectation is that your store has knowledgeable employees. One study by the North American Retail Hardware Association shows that retailers rate the importance of trained staff at 70 percent while consumers averaged 50 percent.** Do you have staff that is well trained to make the customer experience memorable, not only on the retail sales floor, but at every point at which your customers interact with your business? If so, this could well be your competitive advantage.

The second customer expectation is selection of product: "Do you have what I need?"** What is your perceived dominant category? Has it become a destination for your store? If so, do you meet the customer's expectation with strong product selection? Do you service the customer's needs in all defined categories? Ask your staff for feedback here. After all, they are on the front line.

Define your dominant category and basic categories you want to carry and make certain that you carry the product to meet the customer expectation. Remember: 20 percent of your SKUs create 70 percent of your sales. Make sure you have adequate stock for that 20 percent.

## KEEP YOUR STORE FRESH TO KEEP YOUR SALES UP

Have you updated your store in the last seven to 10 years? If not, you may be falling behind and missing out on the latest merchandising techniques available. For example, recent studies by NRHA have shown that 73 percent of consumers like to touch and feel the merchandise before buying. Holding product can create a sense of ownership, creating must-have purchase decisions.

Make sure your merchandising reflects these customer needs.

### MAKE YOUR STORE EASY TO SHOP

Is your business up-to-date, with the latest merchandising techniques, updated departmental store signage, and bin labels with pricing on all items? Try making better use of the cube on the retail floor to store product and shrink your back stockroom. More product in the back takes staff off the floor and makes them unavailable to customers. Shrinking the back room will also make space for additional retail displays—which help encourage sales. Make sure you have plenty of promotional merchandising opportunities and keep changing them regularly to drive impulse sales.

Moving your service counter to the back wall helps pull customers right into the store and exposes them to more products—and more purchasing opportunities.

### MIX IT UP

Online shopping is growing rapidly. Do you have a consumer-friendly website? Does your supplier or group supply you with the tools required to take advantage of this growing trend in the market to give you a competitive advantage?

Many customers will use the web to research their purchases. Then they will shop in your store to touch and feel product and, if you are competitive, complete the sale. Increasing your use of social media will give you new opportunities for increasing sales. NRHA now has a new program called "PlanitDIY" that consists of more than 80 DIY consumer videos. These online tools can be linked right from your own store's website.

Review your marketing strategies and advertising programs to make certain that you are targeting your customer properly and that you're advertising in the areas in which your customers live.

Remember, a company's ability to deliver an experience that sets it apart in the eyes of its customers helps to increase spending and inspire loyalty. As retail becomes more competitive and customers more demanding, ask yourself: "Am I focusing on delivering superior customer experiences that give me a competitive advantage?"

## GAIN A COMPETITIVE ADVANTAGE FOR YOUR BUSINESS

Most hardware and home improvement retailers fail to put aside any meaningful budget for training their most important asset. In fact, this training should be on the top of your list, as employees create sales with new selling skills.

> "The best way to increase your same-store sales is by making every sale count."

NRHA offers five types of employee training to drive retail profitability:

1. Retail Profitability Training Sets the Stage
2. Product Knowledge to Drive Sales
3. Project Knowledge and Selling Skills to Drive Transaction Size
4. Customer Relations Skills to Maintain Customer Service Edge
5. Loss Prevention Training to Reduce Shrinkage

Plan to make training part of your store culture. This will give you a competitive advantage to increase store sales.

In today's competitive retail environment you need to deliver a plan that will give you a competitive advantage with friendly knowledgeable employees, supplying the product that customers need when they want it—in an easy-to-shop space. By making your shopping environment as friendly and as responsive as possible to your customers' needs, you are poised to meet those needs with increased sales to each customer. That means a bigger basket size and higher same-store sales. Sales increases will come with executing your plan.

**Source: 2012-2013 Hardlines Retail Report*
***Source: 2009 NRHA Survey*

*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.*

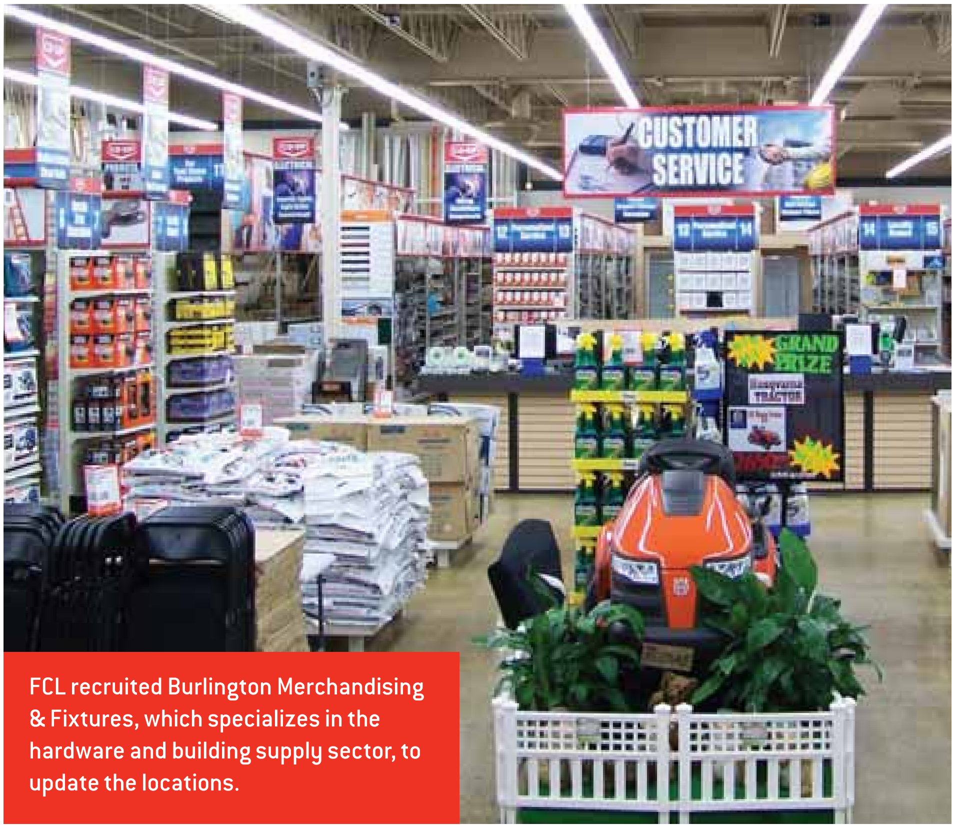
# FEDERATED CO-OPERATIVES UPDATES STORES

**Retail co-operatives are investing in and updating approximately half of their home centre and building supply outlets across Western Canada.**

"The financial commitment and enhancements to these facilities will enable us to better meet the increasing needs of our loyal members and customers in communities both large and small throughout the West," says Doug Knowles, manager of retail operations and technology in the Home and Building Supplies Department at Federated Co-operatives Limited (FCL). Based in Saskatoon, FCL provides wholesale, manufacturing, and administrative services to its 235 owner-member retail co-operatives from British Columbia to Northwestern Ontario.

For years, conventional gondola and shelving fixtures had typified many of its stores—as it has for many other retailers. But, says Knowles, his team decided that approach was not working as well as it should any more and years ago FCL implemented a plan to update the locations. It recruited Burlington Merchandising & Fixtures, which specializes in the hardware and building supply sector.

So far 12 upgrades have been completed with many more stores planned for the coming years.




FCL recruited Burlington Merchandising & Fixtures, which specializes in the hardware and building supply sector, to update the locations.

> "Over time we would like all existing Co-op stores to be refurbished, and all new stores will have the new modern look."

"Over time we would like all existing Co-op stores to be refurbished, and all new stores will have the new modern look," Knowles says.

The refurbishment process includes getting more product out of the back of the stores and onto the shelves. Knowles cites one example of a store with a large attached storage warehouse that was converted to retail. As part of the re-fixturing, core hardware categories are being given more emphasis, most notably plumbing. "In every store we've done, we've dramatically improved the presentation of the plumbing category," he says.

While most of the stores are focused on hardware and building materials, some agro stores are also implementing the new look. "It looks good in these stores, as well," he notes. Currently, two of FCL's largest members, Saskatoon Co-op and Rocky Mountain House Co-op, are going through the conversion.

"We are quite excited about the program, and more importantly, so are our customers," Knowles adds.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# WRLA PARTNERSHIP ADDS EDUCATION, SERVICES FOR MEMBERS

**Western dealer association adds a wide range of training programs for its members.**


WRLA announced its partnership with NRHA Canada at the 2013 Prairie Showcase in Saskatoon on January 24. Representatives from two leading Western dealers, McMunn & Yates and North American Lumber, were on hand to renew their WRLA membership and add NRHA training and services for their employees. From l-r: Mark Kennedy, North American Lumber; Michael McLarney, NRHA Canada; Gary Hamilton, WRLA; and Jason Yates, McMunn & Yates.

Independent dealers in Western Canada now have easier access than ever before to a wide range of training and business services. The Western Retail Lumber Association (WRLA) has added product knowledge training, courses on loss prevention, project sales modules and more. All of these courses are available online for employees to take according to their own schedules. Test results for the courses are also generated online.

The new services have been made available to WRLA members through a landmark alliance with the North American Retail Hardware Association Canada. "We were looking for ways to meet the needs of our independent dealer members, who need easy access to more services to run their businesses," said Gary Hamilton, president of the WRLA. "The North American Retail Hardware Association (NRHA) has a full range of programs for independents. Rather than re-invent the wheel, we have made a partnership with NRHA Canada to make these services available to our members at an affordable rate."

> "We were looking for ways to meet the needs of our independent dealer members, who need easy access to more services to run their businesses."

"NRHA Canada already makes its programs available to Canadian dealers, but this partnership with the WRLA is the best way to get these programs in front of dealers," said Michael McLarney, managing director of NRHA Canada. "This partnership is the ideal way to get the full range of services into the hands of Canadian dealers."

The WRLA is committed to serving the needs and promoting the common interests of the Canadian lumber, building materials and hard goods industry in Western Canada. It has nearly 1,200 members in Western and Northern Canada.

The NRHA has been serving the needs of independent hardware retailers in Canada and the United States for more than 110 years. Its purpose is to help independent home improvement retailers become better and more profitable merchants by providing members with a wide array of educational and training programs, financial management resources, and human resource tools that are all available online with unlimited access.

# A BEGINNER'S GUIDE TO SOCIAL MEDIA

BY KATHERINE YAGER

**Don't worry, you don't need an army of online marketers to make it work in your store.**

Think social media is not necessary for you and your business? Consider that 70 percent of customers who use social media read other consumer experiences with brands at least once a month on Facebook. Most customers will look up your store online before they enter your doors.

And yes, they will look at online reviews of your business and your service as much as they'll peruse your product selection.

Social media remains a hot topic and the number of platforms to keep aware of increases at a dizzying rate. At the Johns Manville Hardlines Dealer Conference last fall, social media guru Sacha Chua spoke about how to use social media in a way that does not require an army of online marketers. LinkedIn, Twitter, Facebook, and other social media applications have become a necessary part of doing business, but that does not mean that using them has to be onerous.


## SOCIAL MEDIA: HELPING YOU SELL MORE

The easiest way to make a sale is to an existing customer, and social media can help you connect with them to buy more—and more frequently. Chances are your customers are already on Facebook, and many of them are likely on Twitter as well. These are great places to start a conversation and let those customers give you feedback. You can promote sales or give incentives for following you on Twitter or 'like'ing you on Facebook.

According to Chua, using a social media platform gives you another way to get your business's message out and interact with existing and new customers. Give your customers a helpful tip, update them on what's new in your store, and demonstrate why they should choose you over the competition.

These are ways to converse with your current customer, but you might be wondering, "How do I reach new customers?" First of all, make sure that you're online and people can find you! Even a simple website that outlines what you do, with your specialties, location, and hours, makes it that much easier for a potential customer to find you. Coming up on Google searches is important, as well, so make sure you've registered your company on Google Maps.

Even Yelp, originally a community site for reviews of restaurants, has reviews of home improvement stores. Why should a customer choose you over the competition? Your website, Twitter, Facebook, blog, or any other form of social media you decide to engage in should outline this.

## JOIN THE CONVERSATION

Social media is another tool for engaging with your customers; it's not just about selling but joining a conversation and becoming a valuable resource. Is your store doing something great to help the community? Do you hold special events on evenings or weekends that could drive people into your store? That type of information needs to be promoted online so that everyone, not just your existing customers, can see what you're doing.

## YOUR SOCIAL MEDIA CHECKLIST

Mastering social media may seem like a monolithic undertaking, but if you keep these three things in mind, social media can help you reach your business goals:

- Figure out your business goals—whether it's getting new customers or retaining existing customers.
- Figure out the small things that you can do step-by-step—pick one social media tool that you are comfortable with and start using that. Once you have mastered that then add more, instead of taking on more than you can handle at the beginning.
- Keep that big picture in mind—how does this relate to my business goals? How do the tools fit with each other and feed into each other?

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# WHAT'S IN A NAME?

BY MICHAEL McLARNEY

## Home Hardware's Jack Baillie talks about how to create a brand for 1,000-plus independent dealers

**With almost 1,100 stores of all sizes ranging from corner hardware stores to large contractor-oriented building centres, Home Hardware represents a lot of different kinds of dealers.** Through the years, Home's marketing people have looked for ways to reflect some commonality and strived to find a slogan that represents a common thread throughout the disparate group. "Home of the Handyman" was a catchy play on words, but lacked clarity. "Help is Close to Home," which was used for close to 20 years before being replaced just two years ago, was perhaps more pointed in its association of a Home dealer as a physical destination embedded within the community, but lacked the warmth to reflect the individuals behind the stores.

All these slogans were catchy, and reflected some outward manifestation of the value that lay in Home Hardware stores as a destination for customers. But the latest slogan, now in its third year, has turned inward, to the innate qualities of each Home dealer, as the focal point for the strength of the combined organization: "Home Owners Helping Home Owners."

All 1,000-plus dealers have one thing in common, despite their geographic differences or any disparity in the way they do business. With the exception of some corporately-managed locations, each store is run by an independent dealer who is part of the community in which he or she serves.

Jack Baillie, director of marketing for Home Hardware Stores Limited, explains the thinking behind the slogan: "Our research shows that we're always perceived to be high on customer service and advice. But we found our competitors were getting high ratings too." The current tag, he says, doesn't focus on what Home Hardware dealers can deliver, but who they are. It suggests that Home Hardware dealers, who own their own stores, have a common bond with homeowners who live and work and take their kids to the same schools and shop at the same grocery stores as their own customers, are in an ideal position to understand, and provide good service to those neighbours.

As part of their communities, their ability to connect with those communities—and their customers—is implicit in the new slogan.

> "Our research shows that we're always perceived to be high on customer service and advice. But we found our competitors were getting high ratings too."

A more recent tune-up of the slogan attempts to emphasize the customer service piece more directly. "Home Owners Helping Homeowners with Expert Advice" is the latest incarnation of the slogan, and to Jack, "it just makes perfect sense." To him, it is a slogan that embraces all the values of being a Home Hardware dealer. More importantly, Jack insists, the dealers can live up to the promise inherent in the slogan. "We honestly believe we're walking the talk. That's what the customers get when they go into our stores."

Jack Baillie, director of marketing for Home Hardware Stores Limited.

But, at the end of the day, any slogans are just words, Jack admits. "Does that make customers go in and buy from our stores? I don't know—but it sure builds awareness." How well does the Home Hardware slogan work at building awareness? "Our research shows that we have higher recognition for [the 20-year-old slogan] 'Home of the Handyman' than many of our competitors' current slogans."