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INTERNATIONAL HARDWARE FAIR COLOUR AND STYLE HIGHLIGHTS IN COLOGNE



Drawing some 50,000 delegates this year, it remains by far the largest show for this industry in the world.

YOUNG RETAILERS A GENERATION WITHOUT GENDER RESTRICTIONS

Young women have the right tools to break through the glass ceiling.



RONA banks on success of new-look Réno-Dépôt

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BUYING GROUPS MUST CONTINUALLY REDEFINE THEMSELVES

The definition of an independent is evolving. And so are the defining strategies of the groups that represent them. Which formats will survive long-term?

MICHAEL McLARNEY, EDITOR

Only time, and your customers, will tell which strategies will be the winners. n conversation recently with senior executives at some of Canada's largest home improvement banners, I've uncovered an interesting theme. While Home Hardware and RONA may be heated rivals in the marketplace—both for customers and for dealers—both sides are telling me much the same thing: "Not all dealers are a fit for us."

Luc Rodier, EVP at RONA (*see page 20*), and Terry Davis, the new CEO of Home Hardware Stores (*see the in-depth interview starting on page 34*), say they are always on the lookout for new dealers to join their ranks. But in recent months they have become more selective in their recruitment policies. They are not looking for just any dealers, but only those who will fit the culture and discipline of their respective organizations.

Home is by far the most structured in its banner package, a formula that trades in a degree of individual freedom for a wellestablished—and winning—formula. Based on recent expansion by some of its dealers, who have opened stores of their own in new markets, RONA wants dealers with whom it can work closely to build RONA's network of stores.

At the other end of the spectrum, groups like Sexton and TORBSA offer a minimum of services, in favour of the all-important "best price" for key commodities on behalf of its members. Somewhere in between lay the likes of Castle Building Centres and TIM-BR MART Group. Castle offers a variety of programs and services, but on an as-needed basis. TIM-BR MART has been actively building a vertically integrated operation, with its own hardware distribution (Chalifour Canada), a range of dealer services, and now, with the termination of its licensing and supply agreement with Ace Hardware in the U.S., the potential to focus on its own TIMBER MART banner.

So which one is best? Of course, they are all suited in some way for the diversity of the individuals who make up this incredibly varied industry. But long term, some may work better than others. Only time, and your customers, will tell which strategies will be the winners. But, ultimately, tightening up the standards by which a dealer becomes a member of Home, RONA, Castle, Sexton, or TIM-BR MART will help independents find the best fit for their stores and their own personalities.

It should also help further define and differentiate the banners in the marketplace. This can only be a good thing.

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mike@hardlines.ca

QUARTERLY BUSINESS CONDITIONS

FIRST QUARTER 2014

ith a harsh winter and a late spring across the country, both retailers and vendors have been affected with slow sales and a late start to 2014. Despite this, retailers are optimistic about the coming six months and are confident that conditions will improve through the rest of the summer. Vendors are more cautious about the near term, with expectations for the next six months in line with their outlook a year ago. Longer term, their forecast of business conditions is even more cautious. However, with improving weather, the summer season could significantly improve the outlook for both vendors and retailers.

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



The percentage of retailers expecting sales to increase in the next six months is up drastically, versus expectations in Q1 2013.



Almost three-quarters of vendors anticipate their sales will improve over the next six months.

Do you expect your sales to increase over the next 12 months?



Year-over-year, the answers are consistent with last year's responses.



Vendors are less optimistic in their outlook for sales over the next 12 months.

At year-end 2014, how do you expect sales for this year to have gone?



About two-thirds of dealers expect to end 2014 with improved sales over last year.



More than 90 percent of vendors expect their sales this year to be up over 2013.

Did you offer new products/services in Q1 to better compete?



In Q1 2013, 68.6 percent of retailers offered new products/services to better compete. This is an increase of five percentage points over the same period a year ago, showing that retailers are trying to offer their customers more to increase their business.

> Year-over-year, the answers are consistent with last year within a margin of two or three percentage points.



VENDORS: Top issues in first quarter

- Higher raw material/shipping costs
- Increased retailer demands
- Falling consumer confidence
- **Housing market**

RETAILERS: Top issues in first quarter

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

VENDORS: Top concerns in first quarter

- Parity with U.S. dollar
- **Rise of online retailing**
- Keeping pace with technology
- **Rising mortgage interest rates**
- Increased presence of U.S. retailers

RETAILERS: Top concerns in first quarter

- 1. **Rise of online retailing**
- 2. Keeping pace with technology
- **Rising mortgage interest rates** 3.
- Parity with U.S. dollar 4.
- Increased presence of U.S. retailers

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INDUSTRY RETAIL SALES INCH UP YEAR-OVER-YEAR Poor weather and a sluggish economic recovery held back industry growth

in 2013. And the current year is shaping up to be only slightly better.

Market share by province



In another year of relatively slow growth, the most sluggish sector was central Canada, with Ontario down 4.3 percent percent, after a three percent increase a year earlier. Quebec was essentially flat, while the West made gains and the Maritimes saw an overall dip in sales.

anada's retail home improvement industry grew slightly to \$40.705 billion in 2013. That represents an increase over the previous year of just 0.7 percent, less than the rate of inflation.

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

This smaller growth reflects the overall sluggish recovery of the market, especially in areas that were expected to rebound quicker early last year, such as Alberta and Ontario.

The slight growth in 2013 was further compounded by the loss of sales by RONA and only modest increases by a number of larger retailers, especially the regional players. For the remainder of 2014, dealers across the country continue to be cautious in their forecasting. More than one-third still expect their sales to be flat or down this year. Based on the performance by dealers, overall market conditions, consumer confidence, and a weak housing outlook for 2014 and 2015, HARDLINES is maintaining a very moderate forecast for this year and next.

Year-over-year growth

Year	Sales	Change				
2009	\$39,116	-2.9%				
2010	\$39,179	0.2%				
2011	\$40,013	2.1%				
2012	\$40,424	1.0%				
2013	\$40,705	0.7%				
2014*	\$41,195	1.2%				
*Forecast						

Market share by retail format 2013



MARKET SHARE BY STORE FORMAT

While hardware stores showed a drop in sales again this year, following a 2.6 percent drop last year, our research indicates that same-store sales by this format were healthy and positive by low single digits. The decrease overall reflects the emphasis on building centres and home centres by the major retail groups such as Home Hardware and RONA. Many hardware stores, in fact, are expanding into building centres.

Sales by the country's big boxes dipped slightly as RONA closed stores in 2013 and faced a further drop in sales by its Réno-Dépôt outlets in Quebec while that chain got a facelift.

(All data drawn from the 2014-2015 Retail Report: Complete Review & Analysis of Canada's Hardware/Home Improvement Industry by the Editors of HARDLINES. Go to hardlines.ca and click on "Publications & Reports" for more information.)

RONA Fall Show and Home Hardware and Truserv fall markets **Epicor Software Inspires** Business Excellence

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Jim Fulford Owner **Fulford Hardware** Owen Sound, ON



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Ken Crockett Vice President **Star Building Materials** Calgary, AB

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NEWSROUNDUP OF THE HOME IMPROVEMENT INDUSTRY

Visit Hardlines.ca for breaking news in the Home Improvement Industry

CHALIFOUR CANADA WINS JDA PLANOGRAM AWARD

halifour Canada has won JDA Software Group's 2014 Real Results Award for best in Space and Category Management. Nine companies that used JDA's software to achieve "industry-leading results and business-process excellence" were honoured at JDA's 24th annual global conference in Las Vegas.

"By partnering with JDA to transform our space planning processes, Chalifour Canada created more than 330 dynamic planograms across three departments," said Rob Brown, Chalifour Canada's planogram specialist. As a result, Chalifour Canada gained market share nationally and increased its in-store footprint by 120 percent, while delivering a 200 percent increase in planogram sales over the past three years.

"We are honoured to have been selected from among JDA's more than 4,000 global customers and represent companies that have the best supply chain success stories. Providing the optimal solution for our



dealers is key to our growth," said Andrew Pantelides, Chalifour Canada's procurement and merchandising manager. I-r: Rob Brown, planogram specialist for Chalifour Canada, and Andrew Pantelides, Chalifour's procurement and merchandising manager, proudly display their company's award for businessprocess excellence from JDA.



SHERWOOD TO RETIRE FROM ATLANTIC ASSOCIATION

Don Sherwood, long-time president of the Atlantic Building Supply Dealers Association, has announced his plans to retire.

Sherwood joined the association in January 1998. He came over from the wholesale side, having served before that for 24 years as general manager of Coates Distributors.

The ABSDA board will spend the summer searching for Sherwood's replacement and he expects to be out soon after that. "Basically, I'd be on call until the Atlantic Building Materials Show in the second week of February," he says. "And my swan song will be at the show."

RONA POSTS Q1 LOSSES, BANKS ON SUCCESS OF NEW-LOOK RÉNO-DÉPÔT

tore closures and the renovation of 11 Réno-Dépôt outlets contributed to a drop in revenues for RONA, with consolidated revenues of \$764.3 million down 8.2 percent from \$832.9 million for the first quarter of 2013.

The decrease primarily reflects the closure of underperforming stores, harsher weather conditions, and a decline in housing starts across the country. Sales were also affected by major renovations at Réno-Dépôt stores as that banner was re-positioned during 2013.

These factors contributed to a four percent decrease in same-store sales in the first quarter.

RONA achieved cost savings of \$23.7 million through lowered selling, general, and administrative expenses, and the positive impact of closing the underperforming stores, which helped to narrow RONA's losses and boost adjusted EBITDA.

RONA also spent most of last year refocusing its Réno-Dépôt stores in Quebec on a more contractor-oriented product selection and customer. With early indications revealing positive results from the new concept, the company is now looking at how—and where—to expand the winning formula.

The company insists the Réno-Dépôt stores are working and all 16 stores would be completed by the end of June. From there, the company has plans to roll out aspects of the Réno-Dépôt strategy to other markets.

It will start with Ontario in 2015, where its big-box stores have been under-performing in a number of major markets



Positive customer response to the new look at its Réno-Dépôt stores in Quebec has RONA executives eager to roll out the concept to other regions, starting with Ontario.

around the edges of the Greater Toronto Area and through southwestern Ontario.

Luc Rodier, executive vice president, retail for RONA, says, "We've been very pleased with the results so far. Pretty much everything we've touched is working," he stresses, adding that core categories like plumbing and a new lighting department have been successes.

"Customers are reacting very well to it." The stores have seen the reintroduction of products that had been abandoned in recent years. "We've added more consumables, as well—cleaning supplies and paper products—and it's adding to the basket."

BRIEFLY

SEXTON KEEPS GROWING WITH NEW MEMBERS

Sexton Group Ltd. has added eight new members to its ranks. Sanbec Canada Inc. is the newest member in Quebec, located in Laval. Two members have joined in Ontario—Grant Drew Designer Stone Inc., in Canvan-Monaghan, and Stevenson Building Products in Roseneath. Located in Fort Simpson, N.W.T., Unity Store has expanded to include a complete assortment of hardware and building materials. In Alberta, Nelson Lumber in Lloydminster has most recently signed on. Hard Rock Developments in Calgary is a concrete, construction tools, and supplies retailer. Kenroc Building Materials just added two locations in British Columbia with the acquisition of Commercial Construction Supply Ltd. in Kelowna and Kamloops.

SUPERIOR PLUS TO SELL CONSTRUCTION PRODUCTS BUSINESS

Superior Plus has decided to seek a buyer for its Construction Products Business. The division includes LBM wholesaler Winroc and the Allroc buying group, as well as a chain of ICI outlets in the U.S. The purchase of Specialty Products & Insulation (SPI) in 2009, which became part of the same division as the Winroc business, was slow to recover during the slowdown south of the border.

CANADIAN TIRE SALES AFFECTED BY WEATHER

Canadian Tire's overall consolidated revenue in the first quarter was up 3.8 percent to \$2.6 billion, but the late arrival of spring weather affected the Canadian Tire outlets' same-store sales. They were down 0.5 percent. The company also announced that Scotiabank will acquire 20 percent of Canadian Tire's financial services business. That agreement includes a credit card funding facility of up to \$2.25 billion.

FEDEX OUTLETS TO APPEAR IN HOME HARDWARE STORES



NEWSROUNDUP

edEx Canada has inked a deal with Home Hardware that will allow it to set up full-service shipping centres in participating dealer-operators' stores.

The FedEx "Authorized ShipCentres" will be rolled out across Canada in a series

of implementation waves throughout the year, giving FedEx a major expansion of its own retail footprint.

The partnership is expected to work on a number of levels. With the increasing number of home-based businesses in the country, the potential placement of FedEx stores in up to 1,000-plus locations will increase the level of accessibility and convenience for its customers.

More importantly, FedEx Express Canada had forecasted that 60 percent of Canadians did some form of online shopping during the 2013 holiday season. In order to meet that growing demand for online fulfillment, transportation companies are required to offer more local "points-ofaccess" options for drop-off and pick-up. The Home Hardware dealers can provide that, at the same time bringing in more foot traffic to their stores.

HOME HARDWARE DEALER WINS NRHA YOUNG RETAILER AWARD

A Canadian dealer was among the winners of this year's Young Retailer of the Year Awards. The awards are presented annually by the North American Retail Hardware Association. Trevor Kowalchuk, dealerowner of Brandon Home Hardware Building Centre in Brandon, Man., was one of six dealers and managers who were awarded.



I-r: Bill Ferguson, director of dealer services for Home Hardware Stores; Trevor Kowalchuk and his wife Kristi; and Brady Peever of NRHA Canada.

LOWE'S AND HOME DEPOT REPORT VARYING Q1 RESULTS FOR CANADA

The world's two largest home improvement retailers both turned out positive results for their first quarters. But those results varied here in Canada.

The Home Depot reported first-quarter net earnings of \$1.4 billion, up 16.6 percent from \$1.2 billion in the same period of fiscal 2013. Diluted earnings per share increased 20.5 percent from the same period in the prior year.

Lowe's Cos. reported net earnings of \$624 million for the quarter ended May 2, a 15.6 percent increase over the same period a year ago. Sales for the first quarter increased 2.4 percent to \$13.4 billion from \$13.1 billion a year ago, and same-store sales increased 0.9 percent.

Total sales for Home Depot for the first quarter were \$19.7 billion, a 2.9 percent increase that's similar to Lowe's 2.4 percent increase. Same-store sales for the first quarter were positive 2.6 percent, and same-store sales for its U.S. stores were positive 3.3 percent.

However, Home Depot in Canada did not perform as strongly as its U.S. counterpart,

while Lowe's stores here saw their samestore sales surge. Estimated same-store sales growth for Home Depot Canada was less than two percent. "We expected more normal weather for this spring. Instead, much of the U.S. and Canada had an even colder spring and this had a significant impact on our sales," said Frank Blake, Home Depot's chairman and CEO.

Lowe's business in Canada saw more positive growth, however. "I am pleased to share that our team in Canada delivered double-digit comps in local currency for the fourth consecutive quarter," said Robert Niblock, Lowe's chairman, president, and CEO.

FEDERATED CO-OP EXPANDS FOOTBALL MERCHANDISE



ederated Co-operatives Ltd. is carrying a range of footballthemed products this season, thanks to expanded licensing agreements with Western teams in the Canadian Football League.

Saskatchewan Roughriders slotback Chris Getzlaf and quarterback Darian Durant will headline the Riders' Co-op Game Day Approved roster with "Chris-py Dill Chips" and "Darian's Quarterback Quench Sports Drink." Riders' Co-op products for 2014 include a bar fridge, hard hat, lounge chair, food cooler, and energy drink.

FCL also has Game Day Approved products with the Winnipeg Blue Bombers, the Edmonton Eskimos, and Calgary Stampeders. Co-branded food and merchandise will be sold at Co-op locations in all four markets.

A portion of sales from Game Day Approved products will be donated to local children's hospital foundations in the three Prairie provinces. The money raised through these product sales is in addition to the \$5 million over five years that FCL has already committed.

BRIEFLY

URQUHART JOINS SLEGG LUMBER

Tim Urquhart, who was formerly president and CEO of TIM-BR MART Group, has joined Slegg Lumber & Construction Materials Ltd. as that company's general manager. Ron Slegg, one of the brothers who own Slegg Lumber, had been chairman of TIM-BR MART Group during most of Urquhart's tenure there. He has been brought in to take over the day-to-day management of the company. "It's a great landing for me, because I worked directly for Ron in his role as chair at TIM-BR MART for nine and a half years," says Urquhart.

LOWE'S DEVELOPS PARTNERSHIP WITH IN-STORE ONLINE PROVIDER

Lowe's is expanding its strategic partnership with Porch.com, an in-store resource to help homeowners find the right contractors and installers for projects not covered by Lowe's current installation services. If a Lowe's customer needs a professional for a service Lowe's does not offer, such as handyman, painting, or landscaping services, employees can access the Porch network of pros on their mobile devices and in-store terminals to identify local providers.

CANWEL SALES DROP

CanWel Building Materials Group Ltd. reported revenues for the first quarter ended March 31 of \$150 million, down from \$162 million in the same period in 2013. Despite positive contributions from recent acquisitions, the overall decrease was attributed to weaker market conditions for construction materials and the impact of the harsh weather through most of the country during the first quarter. The company suffered a loss of \$1.147 million, down from net earnings of \$1.095 million last year.

NEWSROUNDUP



INDUSTRY WELCOMES MERGER OF TWO SHOWS BY TIM-BR MART

he announcement that TIM-BR MART Group would merge the Chalifour Canada Retailer Buying Expo with its TIM-BR MART National Buying Show has been widely met with industry approval. The combined event will be held February 20-21, 2015, in Toronto.

The buying group, which also owns hardware wholesaler Chalifour, said the move was made "in response to dealer input," but the news has been well received by vendors, who are already beleaguered by a plethora of shows in the industry. "We believe that the industry—retailers and vendors alike—will welcome the merger of these two events," said Randy Martin, vice president, business development. The Chalifour Expo, a hardware buying show that is not restricted to TIM-BR MART member dealers, is the showcase for the buying group's hardware wholesale business, Chalifour Canada. It has historically been held in Montreal in October. To replace that event, TIM-BR MART Group will hold a "virtual show" for customers and vendors that will showcase seasonal promotional buys and bookings.

The TIM-BR MART Show puts an emphasis on building materials, although it has been adding more hardware each year and increasing the presence of lines from Chalifour, as well as private-label from Ace Hardware. However, TIM-BR MART has recently announced the termination of its partnership with Ace.

BRIEFLY

SEARS LOOKS TO SELL CANADIAN BUSINESS

Sears may sell its Canadian operations as it continues to explore options to improve business. The U.S. retailer is eyeing "strategic options" for its 51 percent interest in Sears Canada, including the possible sale of the stake of Sears Canada as a whole. Sears Canada says that ownership matters won't affect store operations.

WELSH TO RETIRE FROM CASTLE

Castle Building Centres has announced that Sandy Welsh, business development manager for Atlantic Canada, will retire from the company at the end of the summer after seven years. The company will begin scouting for potential successors in the Maritimes, with a view to filling the position by mid-year in order to ensure a smooth transition.

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Bosch Next Generation Power Tool Batteries

The BAT621 5.0 Ah 18-volt Lithium-ion FatPack battery is said to be the lightest and most compact 5.0 Ah battery pack on the market. It's built with low-resistance lithium-ion cells, which increase the overall capacity from the current 4.0 Ah batteries by 25 percent. The product features patented "CoolPack" technology for longer recharge life and compatibility with the complete line of Bosch 18-volt Lithium-ion power tools. The pack comes standard with a fuel gauge.

boschtools.com



WD-40 3-in-One's New **Telescoping Marksman Spout**

WD-40 Company has developed the Telescoping Marksman Spout for its 3-In-One multi-purpose oil line. The six-inch flexible spout provides users with more precise application, whether lubricating moving parts, penetrating rust, or cleaning and protecting tools and equipment. 3-In-One oils now come in a compact, ergonomically shaped bottle for easier use and storage. 3inone.com



Milwaukee Torque Lock Locking Tool 🕨

Milwaukee Torque Lock locking tools are designed to provide faster tool setup and more locking force for professional tradesmen. The thumb screw provides the user with a convenient geometry for hand force, while providing clearance to generate lots of torque with a unique screwdriver throughhole design. Featuring hardened jaws for more gripping power, and forged alloy steel for maximum durability. milwaukeetool.com

PRODUCT SPOTLIGHT

Briggs & Stratton with Powerflow+ Technology

The force behind Powerflow+ is in the Briggs & Stratton-designed, patent-pending pressure washer pump with two separate cleaning modes: high pressure and high flow. The high-pressure mode is ideal for cleaning tough stains, mildew, and grime from decks, driveways, and siding. The high-flow mode delivers up to five gallons per minute for power rinsing. Briggs & Stratton has simplified operations with an all-purpose adjustable nozzle, detergent-on-demand soaping system, and fold-down handle for compact storage.

powerplus.com



PPG Mulco Supra Elite

Mulco's Supra Elite sealant is a low-VOC sealant that claims to offer a bubble-free seal. It's been designed to meet the most stringent Canadian regulatory standards for VOC levels, making it suitable for builders and contractors. Mulco says the Supra Elite sealant does not shrink during curing because it uses water on the surfaces and in the air to cure. Available for interior or exterior applications.

ppg.com

Bondic

Bondic is not a glue: it is a the world's first liquid plastic welder—a bonding agent that hardens rapidly when cured with an ultraviolet LED light that comes in the kit. It will stay liquid until the LED is applied, leaving plenty of working time. (The metal box that the kit comes in protects Bondic from the UV rays of the sun.) Bondic won the 2014 Retailer's Choice Award for most innovative product at the National Hardware Show in Las Vegas.

notaglue.com



PlexiDor Pet Doors are shatter resistant, saloonstyle door panels manufactured from a patented composite specially formulated to resist damage from sunlight, extreme temperatures, and high impact. The door panels have been tested to withstand harsh outdoor conditions and are lined with an industrial-grade weather seal for an airtight seal. PlexiDor frames are made of hardened aluminum and come with lock and key for security. plexidors.com



MULCO

RONA SETS SIGHTS ON DEALER SUPPORT, MORE POSSIBLE ACQUISITIONS

BY MICHAEL McLARNEY

RONA is juggling the expectations of investors while trying to meet the needs of its considerable base of independent dealers. Can it do both?

ONA's high-profile properties such as Réno-Dépôt and Totem were considered the top priorities that needed fixing under the leadership of Robert Sawyer when he took over RONA in late 2012. Now that board pressures to satisfy investors have eased, the company is reaffirming its support of its independent dealers.

Luc Rodier, executive vice president– retail, for RONA, concedes that the demands of shareholders put tremendous pressure on management to deal with the performance of its various corporate stores. "We needed to make dramatic changes to those banners to ensure the profitability was there," he says.

However, in recent months, the company has made great strides to pay more attention to its independents. A wholesale division was created that has resources committed solely to those independents. Buyers are working to develop programs that suit independents, Luc Rodier, executive vice president—retail, for RONA, concedes that the demands of shareholders put tremendous pressure on management to deal with the performance of its various corporate stores.

he makes an important point to distinguish RONA's recruitment strategy from the heady days of pell-mell expansion that typified the company pre-2008. The company in fact made a conscious decision not to attempt to retain many of them. "Not all dealers are a fit for RONA."

He says the company wants to serve a wide range of dealers, as long as they are a good fit. "We can't sell what we are not," he stresses. "We can't be everything for everybody. Part of a good banner strategy is knowing what you can be the best at."

He also says that not all the dealers that went elsewhere to kick tires stayed away.

We can't be everything for everybody. Part of a good banner strategy is knowing what you can be the best at.

not big boxes. Support programs, including flyers and merchandising terms, are being tailored separately for the big boxes, Réno-Dépôt, and its traditional building centre format, the proximity stores. Most of its independents fit into this latter category.

Rodier admits that dealers have left over the past 18 months. "Yes, a number of dealers have gone to other banners, and that's all part of the dynamic of the market." But "Many people saw RONA dealers at, say, the last Orgill show, but some of those dealers came back and said, 'It's not for us.' That's probably the biggest change for the company—to work with the dealers we've got and make them more profitable."

And RONA is flush with cash, with \$25.6 million on hand at the end of the first quarter. "We always welcome looking at a potential acquisition—at the right value," says



Rodier. "RONA is in a very, very good position financially. But we're going to be very careful and make the right acquisitions."

The company's strategy to align itself with like-minded independents is definitely resonating with some dealers. A new dealer location in Pincourt, Que., will open this fall, representing an \$18 million investment by dealer Richard Allard. Allard, who currently operates a RONA proximity store in nearby Ile-Perrot, will be doubling his selling space with the opening of the 82,000-square-foot Pincourt store.

The Turcott Group, which already owns a number of RONA stores in the Capital Region, bought a RONA corporate store in Stittsville, Ont., in March, enabling the group to expand outside the Ottawa-Gatineau area. And Glacier Building Supplies Ltd., which operates a RONA-affiliated building supply and garden centre in Revelstoke, B.C., also expanded its operations by acquiring the 20,000-square-foot RONA corporate store in Salmon Arm.

Just another case of window envy.

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HOME IMPROVEMENT GROUPS DLINES' definitive annual report on the top pla

COMPILED BY THE EDITORS OF HARDLINES

HARDLINES' definitive annual report on the top players in hardware and home improvement retailing

Using sales and other statistics from the companies themselves in most cases, combined with competitive intelligence, much of it proprietary, HARDLINES has tracked the growth of the retail home improvement industry in Canada since 1997. Sales and store counts for each company are as of year-end 2013, and based on company data and/or HARDLINES estimates.

The industry, as measured by HARDLINES, comprises sales at retail by all hardware stores, building centres, and home centres in Canada, including related hardware and home improvement sales by Canadian Tire, club stores, co-ops and mass merchants.

All data drawn from the 2014-2015 Retail Report: Complete Review & Analysis of Canada's Hardware/Home Improvement Industry by the Editors of HARDLINES. Sales in \$ millions. Go to hardlines.ca and click on "Publications & Reports" for more information.

FEATURE

1. RONA INC. Boucherville, Que. 2013 Dealer Sales: \$5,550,000,000 2013 Points of Sale: 504

A new management team and a refocus on its core assets are the main ingredients in RONA Inc.'s latest corporate strategy to turn around the fortunes of a company that reported net losses from continuing operations in 2013 of \$45.9 million on sales that fell 5.7 percent to \$4.19 billion.

As this plan has evolved, however, RONA executives also had to quell an uprising by a significant dealer group that complained the wholesaler wasn't including dealers in its corporate decisions, wasn't being transparent about supply costs passed on to dealers, and wasn't allowing dealers enough autonomy to negotiate with suppliers.

Ironically, establishing better dealer relationships was part of the "transformational strategy" that RONA's board set in motion in the spring of 2013, just months after the company named Robert Sawyer as its president and CEO. Sawyer came from the grocery industry, having been COO at Metro.

His tenure got off to a shaky start when RONA said it was seeking buyers for its corporate stores and then, a few months later, revealed its intention to hold onto all of its remaining big boxes. Over the course of 2013 and early 2014, RONA's game plan became clearer, and now revolves around the mantra, "Fix. Improve. Grow."

The "fix" part found RONA cutting \$110 million in costs last year by laying off 325 employees, closing 11 underperforming stores, addressing the sub-par profitability of at least 50 other stores, and selling off assets, specifically its Commercial and Professional Market division to Emco's Talisker Plumbing Corporation for \$214 million.

The "improve" part, according to the company, is manifested in its reorganized management structure with the goal of allowing RONA's various business units greater operational autonomy. That includes RONA's wholesale distribution business to its independents, which now operates separately within the organization.

Alain Brisebois, who came on board as RONA's executive vice president and chief commercial officer in May 2013, explained that the "grow" component of RONA's strategy will derive from four vectors: its big boxes; its proximity stores, which include 144 corporate stores and 239 independent and affiliated dealers; its contractor business; and its 16 Réno-Dépôt outlets. Brisebois noted that each vector, to be effective, requires its own marketing, product mix, and pricing.

RONA's desire to woo contractors was accentuated last November when it acquired all of the minority interest in Groupe Coupal, which operates nine locations under the Matériaux Coupal banner, specializing in the sale of lumber and building materials to pros.

The company continues to target contractors and heavy DIYers through its contractor business—which includes Dick's Lumber as well as Coupal. In addition, the Réno-Dépôt banner in Quebec has received a \$20 million facelift that is intended to return this chain to its roots as a discount retailer with scaled back assortments of nationally branded products available in case quantities and job lots. The first retrofitted Réno-Dépôt reopened in the Montreal area with 25 percent fewer SKUs.

2. THE HOME DEPOT CANADA Toronto, Ont. 2013 Dealer Sales: \$5,520,000 2013 Points of Sale: 180

As Home Depot closed its books on fiscal 2013, chairman and CEO Frank Blake crowed that his company had achieved its best same-store sales growth—6.8 percent—in 14 years. In the fourth quarter of 2013, the retailer's 180 stores in Canada outperformed the company as a whole.

Blake attributed Depot's North American gains to a recovering housing market and to "solid [operational] execution." Now that Home Depot has put opening new stores on what seems like permanent hold, squeezing the most out of its existing homeimprovement warehouses has never been more imperative.

Home Depot's productivity strategy rests on four foundations: increasing online sales, expanding its base of professional customers, enhancing the "in-store experience," and improving its proficiency through technology and distribution.

That last category manifested itself fully





FEATURE

CANADA'S TOP 20 RETAIL HOME IMPROVEMENT GROUPS (\$ MILLIONS)*

RANK	COMPANY	2009	2010	2011	2012	2013	CHANGE	% OF INDUSTRY
1	RONA inc.	\$5,700	\$6,200	\$6,100	\$6,173	\$5,550	-10.1%	13.6%
2	Home Depot Canada	\$5,565	\$5,192	\$5,236	\$5,393	\$5,520	2.4%	13.6%
3	Home Hardware Stores	\$4,763	\$4,863	\$4,940	\$5,100	\$5,400	5.9%	13.3%
4	Canadian Tire Retail*	\$4,690	\$4,783	\$4,860	\$4,962	\$5,086	2.5%	12.5%
5	Tim-BR MART Group	\$3,200	\$3,487	\$3,514	\$3,602	\$3,400	-5.6%	8.4%
6	ILDC	\$4,302	\$3,000	\$4,302	\$3,443	\$2,320	-32.6%	5.7%
7	Castle	\$1,067	\$1,100	\$1,180	\$1,368	\$1,530	11.8%	3.8%
8	Sexton Group	\$1,191	\$1,300	\$1,352	\$1,400	\$1,430	2.1%	3.5%
9	BMR	\$1,400	\$1,400	\$1,400	\$1,360	\$1,360	0.0%	3.4%
10	TORBSA	\$342	\$400	\$396	\$440	\$748	70.0%	1.8%
11	Lowe's Canada	\$239	\$371	\$552	\$541	\$646	19.4%	1.6%
12	Delroc	\$603	\$567	\$600	\$608	\$636	4.6%	1.6%
13	Allroc	\$630	\$615	\$600	\$558	\$526	-5.7%	1.3%
14	Alpa Lumber	\$500	\$460	\$490	\$501	\$511	2.0%	1.3%
15	Federated Co-op	\$460	\$473	\$486	\$510	\$510	0.0%	1.3%
16	Kent Building Materials	\$435	\$452	\$475	\$496	\$504	1.6%	1.2%
17	UFA Ltd.	\$340	\$320	\$320	\$340	\$347	2.1%	0.9%
18	Canac	\$284	\$298	\$302	\$306	\$308	0.7%	0.8%
19	La Coop fédérée	\$310	\$300	\$297	\$300	\$300	0.0%	0.7%
20	Windsor Plywood	\$215	\$215	\$215	\$219	\$216	-1.4%	0.5%

* Related hardware, home improvement & seasonal sales only

in Canada in the early months of 2014, when Home Depot opened its first Rapid Deployment Centre (RDC) in Canada, a 657,600-square-foot facility in Vaughan, Ont., which will service 123 of its stores in Eastern Canada. The retailer is now building a second massive RDC in southeast Calgary, which will service 57 stores in the West when it opens in late 2015.

While Home Depot's web sales are a sliver of its overall revenue, they grew last year by an estimated 50 percent to \$2.7 billion. In January it acquired Blinds.com, an online retailer of window treatments. And in the U.S., they continue their national rollout of Redbeacon.com, its online service that connects homeowners with qualified contractors for home-improvement projects.

About a year ago, Home Depot Canada tied online shopping with its brick-and-mortar stores through a new program called "Buy Online, Pick Up in Store." Around that same time, the Canadian division began installing in-store kiosks, which allow customers to shop online while in the outlets. The division also began equipping store employees with hand-held devices through which they could place customers' online orders.

However, the Canadian division's fullyear same-store sales in 2013 fell below those generated by Depot's U.S. stores, a trend that appears to have been repeated even into the first quarter of 2014.



3. HOME HARDWARE STORES LTD. St. Jacobs, Ont. 2013 Dealer Sales: \$5,400,000,000 2013 Points of Sale: 1,060

As it celebrates its 50th anniversary in 2014, Home Hardware Stores and its dealer-members embark on a new era with a new chief executive, a fledgling e-commerce site and a brawnier supply-chain infrastructure.

The groundwork for these latest initiatives has been dug over the past two years, as Home Hardware rededicated itself to enhancing its product assortment and delivery. The company and its dealers are also paying more attention to contractor customers, who account for between 50 and 60 percent of sales generated by the group's LBM stores. This year, Home once again scheduled a series of "Tough as Nails" events across the country that bring together contractors and remodelers with suppliers, "and reinforce the many ways in which we work to be the building centre of choice," said Paul Straus, then Home's CEO and president.

On May 1, Straus relinquished his CEO title to Terry Davis, who has been with Home Hardware for more than 40 years, and most recently, was its executive vice president and COO. Straus will remain as Home's president and serve as an advisor to its board and staff.

Home is exploring different ways of reaching more customers efficiently including distribution. After five years of municipal wrangling over land development, Home Hardware's planned expansion of its Eastern DC in Debert, N.S., finally got started in March 2013. Over the previous several years, shipments from this distribution centre had increased by 35 percent. Home is adding 236,000 square feet of warehouse space to this facility, which was scheduled for completion this spring.

Home also began testing its first e-commerce website in selected stores, which in 2014 is being rolled out to enable shoppers to purchase products online and pick up those products at Home's stores. "It will supplement our business," said Jack Baillie, Home's marketing director. E-commerce was also the driving force behind Home's recent agreement with Federal Express Canada that allows Home's dealer-members to house full-service FedEx Authorized ShipCentres in their stores.

Many customers associate Home Hardware's banner with its proprietary brands, especially Beauti-Tone paint. That paint line recently got a makeover when Home, after two years of development, released a new colour palette for its "Colour Comes Home" paint system.

4. CANADIAN TIRE RETAIL

Toronto, Ont. 2013 Related Hardware/Home Improvement Sales: \$5,086,000,000 2013 Points of Sale: 491

Over the past two decades, Canadian Tire has fended off one big competitor after another: Home Depot, Costco, Lowe's,



This small-sized store in Toronto's east end is Canadian Tire's attempt at capturing more of the urban market.



Destination Success

Orgill Fall Dealer Market Provides Range of Opportunities to Retailers

ORGILL FALL DEALER MARKET Chicago August 14-16

oday's home improvement retailer is busier than ever. Between managing inventory, planning promotions and training staff, finding new ways to grow the business can be difficult. That's exactly why Orgill, Inc. makes it EASY for home

improvement retailers to see the entire world of products, programs and services available to them in ONE location—its Fall Dealer Market in Chicago, which will be held Aug. 14-16.

From the thousands of products on display to the range of retail service vendors, model stores and educational sessions, the Orgill Fall Dealer Market provides home improvement retailers with the ideal venue to explore all the ways they can take their businesses to the next level.

"We understand that retailers are incredibly busy and for them to take time to leave their stores to come to an event, it has to

be worth their efforts," says Ron Beal, president and chairman of Orgill. "Because we know retailers are investing their time to come to our Markets, we have teams tirelessly refining the Market experience, bringing thousands of vendors, retailers and industry leaders together to deliver a one-of-a-kind experience to attendees."

This one-of-a-kind experience will be on display throughout 850,000 square feet of floor space at the McCormick Place Convention Center.

Below are just some of the many things attendees can expect to find at the show.

A True Buying Experience

Time and again, retailers report that the onsite buying deals are one of the most valuable part of attending an Orgill Dealer Market. In fact, many retailers find that the special deals they receive on products at the Market far outweigh any costs to attend the event.

These Market-only discounts, special dating and vendor exclusives help attendees grow valuable margins and create customer-driven promotion opportunities year-round.

From deep product discounts on the most popular merchandise to special, limited-time only deals in areas such as the "Flash Market," there is no shortage of buying opportunities at the show. "The Markets offer a great opportunity for us to see what's coming up in the industry," Roberto Giannetti, industrial products purchaser at Preston Hardware in Ottawa, Ontario says. "We get the chance to see up-and-coming products, and then we can communicate this information to our customers."

Innovative Showcase Concepts

And while the deals are a BIG part of why retailers come to the Dealer Markets, Orgill constantly looks for new ways to add value to the Market experience.

Most recently, the company debuted its Showcase Concept, which focuses dedicated areas of the Market floor on category-specific products, educational sessions and networking opportunities.

"Having the products displayed next to each other allows for easy comparisons and exploring of some of our most popular categories is what these showcases are all about," says Phillip Walker, Orgill's VP of marketing. "These areas not only introduce new product but allow attendees to find inspiration in unique, space-saving merchandising strategies as well."

At its Fall Dealer Market, Orgill will feature four different Category Showcase areas:

- Hand and Power Tools
- Winter and Wild Bird Assortments
- Spring Products, and
- MRO

Inspiring Model Stores

Deals and products don't mean much if retailers can't picture how these components would come together in their stores. That's why Orgill also dedicates a sizeable portion of its Market floor to a unique concept called model stores.

These model stores are full-size representations of different store concepts, complete with signage, product, merchandisers and checkout areas.

At the Fall Dealer Market in Chicago, Orgill is excited to display three unique formats: Kodiak Trails Hardware and Supply, Everglade Building Materials and One Stop Hardware.

Back by popular demand is Kodiak Trails Hardware and Supply, a comprehensive North American hardware store model. Sizing in at 18,000 square feet, everything stocked in Kodiak can be sold anywhere in North America. Whether a retailer is operating in Canada, the U.S. or Mexico, this model is full of compliant products and innovative merchandising ideas.

Not only do we get to interact with retailers one-on-one but it's a time to showcase all of what Orgill can offer customers under one roof.

—Brett Hammers, Orgill's Senior VP of Merchandising and Marketing

Coming in at just under 5,000 square feet, Everglade Building Materials represents a pro-focused store and features sophisticated merchandising solutions focused on the ease of getting contractors in and out conveniently, as well as a comprehensive set of pro-focused product lines geared specifically toward the contractor and builder community. The model store will even feature Orgill's Design Center, an innovative display of builders' hardware, lighting and fashion-reliant assortments.

Finally, Orgill will be debuting its One Stop Hardware store model in Chicago. This store is similar in size to Everglade Building Materials but puts a special emphasis on merchandising essential hardware items for your store.

Every aisle will be packed with merchandising ideas ranging from wing panels to specialty fixture. If an attendee is hoping to find ways to pack more products in limited real estate, this is the place to go.

Latest Trends, Front and Center

As if these deals, networking opportunities and merchandising ideas weren't enough. Orgill has also strategically developed examples for increasing transaction sizes throughout its show floor including a special impulse-item area, a rental area and an MRO area.

Add to that a full-slate of educational seminars and the opportunity to interact with top representatives from all the industry's leading manufacturers, service providers and organizations, and it's easy to see that the Orgill Fall Dealer Market is one of the best places for retailers to find ways to grow their businesses.

"Dealer Markets are some of my favorite events of the year," says Brett Hammers, Orgill's senior VP of merchandising and marketing. "Not only do we get to interact with retailers one-on-one but it's a time to showcase all of what Orgill can offer customers under one roof. It makes what we do every day worth it."

For more information on Orgill's Fall Dealer Market, contact Orgill at 800-347-2860 Ext.141, or visit Orgill.com.





and most recently Target, the third-largest retail chain in the U.S. Yet its hold on the Canadian psyche—and pocketbook—is unwavering.

Preparing for Target, regardless of that dealer's impact on Canada's retail landscape, certainly didn't hurt Canadian Tire's competitiveness or relationships with customers. Since March of 2013, it has deployed more than 7,000 in-store devices that allow customers and employees to access the company's first interactive catalogue.

Other IT initiatives included opening a 28,000-square-foot cloud computing centre in Winnipeg and testing an interactive in-store product locator with a 42-inch touch screen and a mobileshopping application capable of reading Quick Response codes and sending instant messages to customers' smartphones. Since March 2013, Canadian Tire has been testing an e-commerce shopping option that gives customers loyalty rewards online.

Early this year, Canadian Tire rolled out a line of tools made for its "Tested For Life in Canada" marketing campaign, including a 20-volt Mastercraft battery that can be used with 20 portable tools. Its stores also carry a new line of Yardworks garden and outdoor tools. This spring, the retailer introduced a collection of outdoor furniture, barbecue grills, and garden tools sized specifically for condo living. And it's currently working on revamping both its Mastercraft and Millenium brands to give them an even more powerful presence in the marketplace.

The company continues to experiment with smaller-store formats, although the future of these smaller footprints remains unclear. More concretely, the retailer converted many of its existing stores to give more space to its fast-growing Pro Shops for hunting and fishing gear.

FEATURE

5. TIM-BR MART GROUP

Calgary, Ont. 2013 Dealer Sales: \$3,400,000,000 2013 Points of Sale: 732

Based in Calgary, TIM-BR MART Group consists of more than 700 stores in 11 provinces and territories. Affiliated dealers include those operating under the Ace banner and, to a lesser degree, Pro. TIM-BR MART and Ace will end their relationship, however, effective August 31, 2014, with both sides citing dissatisfaction with the terms of the relationship. TIM-BR MART also owns Chalifour Canada, the former CanWel hardware distribution business.

TOP 20 RETAILERS VERSUS THE REST OF THE INDUSTRY



Under president Bernie Owens, who took over in October 2013, the management team at TIM-BR MART has been finetuned, with the addition of Mark Finucane as vice president and Lou Valeriati as VP of operations. In an effort to strengthen the connection with its dealer base, a number of its dealer development lieutenants were promoted to senior regional director of member services (RDMS) roles across the country. TIM-BR MART has also announced it will be merging its two buying shows, the Chalifour Canada Retailer Buying Expo, which focuses on hardware and is open to non-members, and the building materials-oriented TIM-BR MART National Buying Show, which is restricted to its own dealers.

6. INDEPENDENT LUMBER DEALERS CO-OPERATIVE (ILDC) Ajax, Ont. 2013 Dealer Sales: \$2,320,000,000

2013 Points of Sale: 335

ILDC of Ajax, Ont., is a buying co-operative affiliated with the hardware buying group Spancan. ILDC's membership brings together almost two dozen independent chains plus Western Canadabased Federated Co-operatives Ltd. In January, Regina-based Fries Tallman Lumber, formerly with TIM-BR MART, became the co-op's first new member since the 2012 departures of Delroc Industries and Sexton Group.

ILDC's members meet regularly, both to negotiate with vendors and to compare notes on best practices and commercial intelligence. The members sit at the Spancan negotiating table with its vendors alongside Chalifour, which serves as the group's hardware wholesaler of choice.

7. CASTLE BUILDING CENTRES GROUP Mississauga, Ont. 2013 Dealer Sales: \$1,530,000,000 2013 Points of Sale: 291

Now into its 51st year, Castle continues to grow, thanks in large part to aggressive recruitment and its preferred partnership with U.S. hardware wholesaler Orgill. Committed to the success of independent building supply dealers across the country, Castle has three divisions: traditional retail dealers, specialty dealers, and its Commercial Builders Supplies (CBS) business for gypsum supply dealers (GSDs).

Cutting-edge just got sharper.

Sharper Name

After 38 years' of pioneering exchangeable power tool accessories, Exchange-A-Blade now has a new name: the **EAB Tool Company**, or simply, **EAB**.

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A new name needs a new look, so you'll soon be seeing new logos for our exchangeable EAB products and non-exchangeable StaySharp line.





Along with bold, bright, merchandisingfriendly packaging and POP that stands out against competitors, our new look will make it easier for your customers to choose the right EAB product.

Sharper Value

Our tried-and-true **Exchange System** is what makes us unique, but we believe there's always room for improvement.

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Lots new – same great quality, service and commitment to sustainability.

For more information please talk to your EAB Sales Representative or visit us at **EABTool.com**



FEATURE



Castle has been one of the fastest growing groups in the country for the past few years, with a net gain of 50 new member locations from 2011 to 2013. And this year, the group has already added half a dozen new points of sale to its roster.

8. SEXTON GROUP Winnipeg, Man. 2013 Dealer Sales: \$1,430,000,000 2013 Points of Sale: 293

The bulk of this buying group's members are found in Western Canada, where it originated, but it is increasingly a national presence, with particular growth in Ontario. Single-mindedly committed to securing the best deals for its members, it has no banner of its own and only a few private-label offerings, and has earned a reputation as a low-cost, no-frills group. The group combines traditional yards with other niche operations such as pre-fabricated home manufacturers in its diverse membership.

Sexton experienced a shuffle of its top executives early this year as owner Ken Sexton was named chairman. Brian Kusisto, then president, was promoted to CEO, while VP and general manager Steve Buckle replaced him as president. In recent months, Sexton has added members in Western and Central Canada that included dealers who specialize in prefabricated building systems, custom homes, and the manufacturing of engineered wood products.

9. BMR

Longueuil, Que. 2013 Dealer Sales: **\$1,360,000,000** 2013 Points of Sale: **178**

One of the most distinctive buying groups in Canada, BMR has its roots and greatest strength in Quebec. But it has also expanded to some 20 members in other provinces and even has a presence in the French territory of Saint-Pierre and Miquelon off the Newfoundland coast. BMR focuses on both the front and the back end in its support of its members, with several specialty categories in addition to LBM, reflecting the range of member business interests.

BMR was also one of the first buying groups to distribute through its own warehouses, shipping both hardware and building materials to its 178 dealer-members. The group has historically been owned by a core group of its member dealers, but went through a major change at the end

30 THIRD QUARTER / 2014 Hardlines Home Improvement Quarterly

of last year when agro and fuels giant La Coop fédérée, through its Unimat banner, acquired a 20 percent interest in BMR. Under the agreement, the companies now operate some 360 retail locations Central and Atlantic Canada.

10. TORBSA

Bolton, Ont. 2013 Dealer Sales: \$748,000,000 2013 Points of Sale: 77

Headquartered in Bolton, Ont., TORBSA's members are strictly commercial and gypsum supply dealers, who cater to a clientele made up of builders and contractors. TORBSA operates purely as a buying group, and resists offering members any frills outside of that function. Each dealer operates under its own banner and carries commodities and national brand products. The group is in turn affiliated with Epic Alliance Buying Group, along with Castle Building Centres.

MARKET SHARES OF THE TOP 20

RONA inc.	13.6%	\$5,550	
Home Depot Canada	13.6%	\$5,520	
Home Hardware Stores	13.3%	\$5,400	
Canadian Tire Retail	12.5%	\$5,086	
Tim-BR MART Group	8.4%	\$3,400	
ILDC *	5.7%	\$2,320	
Castle	3.8%	\$1,530	
Sexton Group	3.5%	\$1,430	
BMR	3.3%	\$1,360	
TORBSA	1.8%	\$748	
Rest of the industry	20.5%	\$8,361	

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Over the past year, the group has been actively focused on growing and spreading its ranks, beginning with Canac, our number-18 retailer, which effectively doubled the size of TORBSA in terms of sales. It has also extended its reach into Nova Scotia.

11. LOWE'S COS. CANADA Toronto, Ont. 2013 Dealer Sales: \$646,000,000 2013 Points of Sale: 35

Mooresville, North Carolina's Lowe's is the world's number-two home improvement retailer. Its main focus is on DIY and DIFM (do it for me) projects, with a secondary emphasis on contractors and trades. It arrived in the Canadian market in 2007 with full-sized format stores.

Lowe's Canada saw major changes in executive leadership this past year, following the installation of Sylvain Prud'homme as its first Canadian president. Prud'homme created three new head positions with a broader range of duties than before.

Lowe's Canada also made strides in expansion this year, reaching growing communities in southwestern Ontario with new-format stores in Burlington and Cambridge that aim to be more female friendly, while finetuning the in-store offering to contractors.

12. DELROC INDUSTRIES Langley, B.C. 2013 Dealer Sales: \$636,000,000 2013 Points of Sale: 118

Delroc, a buying group for building materials, serves 118 gypsum supply dealers (GSDs) and building supply dealers, mostly in Western Canada, and has been in business for 39 years. This buying group stays focused on LBM purchases: buying as effectively as possible while offering a competitive rebate program, a full product offering, and low overhead.

About half of Delroc's dealer base consists of Windsor Plywood stores, the B.C.-based lumberyard chain that spe-

FEATURE

cializes in specialty and imported woods (and ranks number 20 in this list). Its membership also includes Dryco, a GSD with eight outlets in British Columbia, Alberta, and Ontario. Delroc was a member of the Independent Lumber Dealers' Co-operative from 2009 to 2012. It left ILDC, along with Allroc and Sexton Group, to form a new umbrella group, Byco, with a focus on the purchase of gypsum, roofing, and steel products.

13. ALLROC *Calgary, Alta.* 2013 Dealer Sales: \$526,000,000 2013 Points of Sale: 35

This buying group distributes wall and ceiling products, as well as tools and fasteners, to dealers that specialize in drywall in Canada and the U.S. It's part of the 113-branch Construction Products Distribution (CPD) division of the energy holding company Superior Plus. This year, however, Superior Plus announced it's seeking a buyer for the CPD division.

Allroc's core products are drywall, insulation, roofing, and steel studs. It also has a wholesale tool division, selling hand and power tools, fasteners, and related products to professionals.

14. ALPA GROUP Vaughan, Ont. 2013 Dealer Sales: \$511,000,000 2013 Points of Sale: 24

This privately-owned dealer is based in the Greater Toronto Area, with 24 points of sale, including building centres, truss and millwork shops, flooring manufacturing, and a plant which manufactures Alpa's own "Alpajoist" engineered wood product.

Closely held by the DiPoce family, Alpa operates outlets under a number of names, including Main Lumber, Fairbank, Argo, and Central Lumber, and is a verticallyintegrated company focused on large builders.

SALES OF THE BIG BOX STORES

COMPANY	2013		
Home Depot Canada	\$5,520		
RONA*	\$1,805		
Kent *	\$267		
Lowe's Canada	\$646		
Rest of the market	\$32,467		
TOTAL	\$40,705		

* Sales by big box stores only

15. FEDERATED CO-OPERATIVES LTD. Saskatoon, Sask. 2013 Dealer Sales: \$510,000,000 2013 Points of Sale: 232

The enduring power of the co-operative movement is well expressed through the success of Federated Co-operatives Ltd. FCL is the second-largest company in Saskatchewan, and the top non-financial co-op in Canada. Much of FCL's growing revenue comes from crop supplies, feed, and petroleum, but FCL's presence in our industry is still extensive, with 232 ownermember retail co-operatives from British Columbia to Northwestern Ontario. FCL also supplies independent, non co-op members on a fill-in basis, through its ValuMaster banner division.

FCL had a strong year in 2013, aided by record bumper crops on the Prairies. At the end of the year, the company got a new home and building supplies director in Tony Steier, who first joined the division as a buyer in 1989.

Following on the heels of last year's growth, FCL is looking to keep the momentum going, announcing early this year that it will buy 14 locations from Sobeys as part of a deal authorized by the Competition Bureau in the leadup to the latter banner's acquisition of Western Canada's Safeway stores. Going forward, FCL continues to focus on building up its independent dealer base, in particular under the ValuMaster banner.



16. KENT BUILDING MATERIALS St. John, N.B. 2013 Dealer Sales: \$504,000,000 2013 Points of Sale: 42

Kent dominates the home improvement retail scene in Atlantic Canada, where it is the largest member of ILDC, our numbersix spotlight. While most industry players seek to recover from the economic uncertainty of the past few years, Kent has been unabashedly expanding its base.

Based in Saint John, N.B., with additional distribution in Moncton, this Irving holding had undergone a hiatus in big box building after a push in that direction in the '90s, aimed at heading off the position of Home Depot. Last summer, it opened its first new big box in a decade, in Charlottetown. The new 100,000 square foot facility, at three times the scale of the previous Charlottetown facility, reportedly cost \$10 million to construct. Another focus for expansion has been the buoyant economy in Newfoundland.

17. UFA LTD. Calgary, Alta. 2013 Dealer Sales: \$346,800,000 2013 Points of Sale: 39

Calgary-based UFA Co-operative's agriculture, petroleum, construction, and retail businesses are a \$2 billion enterprise largely serving rural Alberta. It also operates 25 sporting goods stores under the Wholesale Sports banner, the result of acquiring two sporting chains. Since then, however, UFA has scaled back on its "lifestyle" divisions, returning to a focus on its traditional agricultural base. Its 35 UFA Farm and Ranch Supply stores are scattered throughout Alberta, and one building centre, Spruceland Lumber, is located Fort McMurray.

Last summer UFA tapped Todd Ormann, a 20-year veteran of the agro business, as vice president of AgriBusiness.

18. CANAC L'Ancienne-Lorette, Que. 2013 Dealer Sales: \$307,500,000 2013 Points of Sale: 23

Formerly known as Canac-Marquis Grenier, Canac is Quebec's largest independent home improvement retailer. Family-owned, it's known as a low-cost dealer, and especially competitive on commodities such as gypsum. Canac has resisted being acquired by larger enterprises over the years, and finally, at the beginning of last year, joined the buying group TORBSA.

Canac operates 23 building supply outlets, 12 of them in the Quebec City area where it has its head office and distribution centre. Even in the wake of the recession, Canac continued to grow, opening three new stores since 2010. Based out of Quebec City, its southernmost reach is at Cowansville on Montreal's South Shore.

19. LA COOP FÉDÉRÉE DE QUÉBEC *Trois-Rivières, Que.* 2013 Dealer Sales: \$300,000,000 2013 Points of Sale: 177

La Coop fédérée is, first and foremost, Quebec's farm co-operative, but it has a sizeable presence in hardware and home improvement as well, with 177 point of sale generating \$300 million in revenues. At the centre of this network is La Coop's Unimat banner. Originally rolled out in 2004 for the group's non-member dealers, it replaced all hardlines outlets in Quebec previously under the Coop fédérée banner.

The big news this past year was La Coop fédérée's investment in BMR, in our numberseven spot. Through its Unimat banner, La Coop acquired a minority interest in BMR, allowing the partnership to operate 360 retail outlets in Quebec, Ontario, and the Maritimes. This spring, Gaétan Desroches was promoted from COO to be the firm's newest CEO, replacing Claude Lafleur.

20. WINDSOR PLYWOOD Surrey, B.C. 2013 Dealer Sales: \$216,000,000 2013 Points of Sale: 59

Windsor Plywood specializes in hard-tosource interior and exterior finishes and imports them from around the world. Founded in 1969 in Vancouver, the company has stayed focused on this specialty through the years, backed by strong customer service. It has seen the most growth in British Columbia and Alberta, but its 58 outlets also reach into Manitoba, Saskatchewan, Ontario, and the United States. A key member of the Delroc buying group and one of the most powerful family-owned regional banners, Windsor Plywood outlets average 10,000 square feet in size.

Home Hardware Mission Staten

Home's mission as a Dealer-Owned construction

CEO OF HOME HARDWARE^{g d} STORES LIMITED

Meet the new boss. Definitely not the same as the old boss.

'd known Terry Davis for many years by the time he'd become head of marketing for Canada's largest co-op home improvement group. So that day, a few years ago, while interviewing him at a Home Hardware Market, I was a bit surprised to see that his hair was dyed completely white. Not a look one expects to find at the otherwise conservative head office of Home Hardware Stores Limited, tucked away in the charming little town of St. Jacobs, Ont.

However, Davis was proving himself one to watch, and in more ways than one. Despite a hint of the unconventional, he continued to rise up in the ranks of the organization, working in a range of roles. Now, after more than 40 years at Home Hardware, he's got the top job at a company that ranks as this country's third-largest retail home improvement organization by retail sales. He's only the third CEO in the company's history, which this year marks its 50th anniversary. The original CEO—and company co-founder—Walter Hachborn, turned the reins over to Paul Straus in 2010, but less than five years later Straus was ready to step back, and Davis was heir apparent.

to

While Hachborn had the charisma and larger-than-life presence to build, then hold together, an organization that now numbers more than 1,000 dealers across Canada, Straus was the stable father figure who held the organization together during its next phase of increasingly aggressive growth. In some ways Straus embodies all that is good and true about Home Hardware, and while a twinkle would appear often in his eye, his humour was reserved for those who know him best.

TERRY DAVIS EXECUTIVE INTERVIEW

Now it's the turn of the guy who dyed his hair and whose license plate on his pickup truck reads, "CLASHFAN."

"It's the only band that ever really mattered," says Davis, of the post-punk '80s-era English rock band. Davis is also very funny. When asked to speak a couple of years ago at the annual Hardlines Conference in Toronto, his delivery was so dry it took a few minutes for the audience to catch on that his serious talk was being couched in humour—and we were all in on the joke.

IT'S STILL ALL ABOUT THE DEALERS

With a former punk rocker heading this venerable company, has anything really changed? "The expectation on me is pretty straightforward, I think," Davis answers frankly. "The board really wants the culture of this company to continue."

In defining that culture, Davis's answer quickly zeroes right in on the members themselves. "We still stand for that solid store that's always there to help you solve your problems for you. All themes centre around who we are—a solid part of the community that's got a good brand."

He elaborates on the idea of being a big company that's really about the independent dealer. "People come to us because they want to make their homes nicer and to buy stuff for a good value." With Home dealers, he says, they can do that by supporting a local business that has a "massive brand" attached to it. "I think it's the best of both brands."

"Everybody who is an independent is unique and we know if you're a manager of a Home Depot or another chain you have your own personality too. But there's no means to bring that into the store." Even though Home has been getting more rigorous in recent years about its policies and procedures, the model, he says, is not so tight that each store can't have its own personality. "Home Hardware allows that."

Each dealer, however, in spite of their uniqueness, has a "brand promise" to match when customers enter their store. That promise has been made through heavy advertising and promotion of the Home banner year after year. "To fall short of that promise would be a huge disappointment to the customers."

That of course puts high expectations on the dealers themselves, "so we're introducing more and more and higher and higher standard operating procedures. The expectations of the customer are so high that the bar's been raised."

Faced with "a more challenging retail environment than ever," dealers need to define their businesses within the tenets that built the company, he says. "The board sees in me someone who believes deeply in the Home Hardware culture and will protect it."

NEW INITIATIVES COMING ONLINE

He cites as an example Home Hardware's e-commerce initiatives. The logistics of selling online through a central website require a scenario that can somehow deliver products to end-users while including the independent in the equation. But Home Hardware is committed to figuring this one out, and will push its dealers into the world of online selling, whether they like it or not. "We expect every dealer to support e-commerce," Davis insists.

The same attitude extends across the board for Home's programs, including staying current with the group's signage and branding. "Whereas before, maybe five percent of the dealers who were 'renegades' would have been tolerated, now we expect everyone to participate. We've moved on and we need all the dealers to commit to current branding."

HOW MANY IS TOO MANY?

The power of the Home Hardware brand also reflects the growing number of the Home Hardware stores. Many a town in Canada now has a Home Hardware Building Centre (home centre) on the edge of town and a Home Hardware store (hardware) on the main street, while a Home Building centre (lumber yard) sits on the outskirts of town on the way out. Already, the number of dealers who must make room for a fellow Home dealer in their own market is becoming more commonplace.

To its credit, Home works with the dealers to develop unique selling positions and shared resources in those communities. Like most groups, growth these days is focused on adding more points of sale. But at what cost?

We're not just pushing another store into a market, but we talk to the incumbent and convert them.

"I don't know what the max is," Davis admits. "I think we have room to grow in Quebec. I think we have a lot of stores in Ontario; we have a bigger market share in, say Prince Edward Island. But there are other areas where we're not that strongly represented. For example, we're not just pushing another store into a market, but we talk to the incumbent and convert them."

The company has been actively pursuing new members in recent years. Since the establishment of a Dealer Development Team in October 2008, 128 locations have switched to various Home Hardware banners, for a net gain of about 60 dealers. While recruitment remains a priority, the co-op is becoming much more selective, especially as it implements more standardized operating procedures.

"We would never ask a member to leave. That would be unheard of. But we've been more protective of the Home brand in the past year"—protective to the point that Home is monitoring and working closely with dealers who aren't being as protective of that brand. **TERRY DAVIS**

"We really want to make sure the Home Hardware brand is well represented in the market and we've made the decision with some dealers that they are not the right fit for us."

DIVERSIFICATION IS ONE ANSWER

In many of the communities where the Home brand is popular, one of the trends, says Davis, has been consolidation of the Home Hardware and Home Hardware Building Centre formats. It's part of a larger trend by dealers to move into more building materials. As a traditional hardware store looks to add more products, expansion into a home centre format suits many of them. The same trend is occurring among its traditional lumber yards, as Home Building Centres are growing into full-line Home Hardware Building Centres. For some dealers already selling LBM, décor showrooms are becoming the answer. "We're definitely seeing more design centres. They're just taking off like gangbusters."

If a dealer wants to expand their lines in, say, flooring, tiling, carpeting, or doors and windows, a design centre becomes a good way to expand the existing business. Sometimes it can be done right in the existing store, but more and more design centres are popping up as stand-alone outlets.

Home's only spin-off banner, Home Furniture, is another way dealers can grow their existing business. With its focus on big-ticket heavy goods, the furniture business can become either a standalone store or an extension of an existing store, typically with its own entrance, a more subdued ambience, and its own sales team.

AT ITS ROOTS IN HARDWARE

The roots of Home Hardware remain its hardware dealers, even as that store format goes through changes of its own.



A BEGINNER'S GUIDE TO THE CLASH

Rock and roll music in the early 1970s was settling into a polished, tightly produced format that many considered "over-produced." In the



mid-'70s, a new form of music emerged that resisted this polished sound. Punk music became the anthem for the disaffected youth of a generation, and the Clash were part of that movement in the UK.

Fronted by guitarist and singer Joe Strummer, The Clash were notable for their loud, fast music, with influences of reggae. The group's third album, "London Calling," provided the breakthrough that really opened up the band to North American audiences with the song, "London Calling."

Fans reflected the disaffected style and sentiments behind punk with an energetic form of dancing called "the pogo." It consisted of hopping up and down in a fashion similar to a pogo stick, sometimes bouncing off other people dancing around them.

The Home Hardware brand creates a certain customer expectation, says Davis. When shoppers walk into a Home Hardware store, they expect to find all the things they see in the ads and in the flyers—regardless of how small the store might be.

He admits that the pure hardware format is growing less than Home's larger home centres and building centres. The hardware store remains viable, however. In fact, those stores in the Home family outperformed the other formats last year. "Comp-store sales are strongest on the Home Hardware side. But what's happening more and more with Home Hardware stores is they're carrying convenience lumber because it's part of the Home Hardware brand."

Davis explains that when a dealer puts up a Home Hardware sign it becomes easier to start selling a wider range of products, including some building materials, because that is what people expect when they go into any Home Hardware store. The result is that many of those dealers choose to expand into full-sized home centres.

Regardless of the format or the size of a Home Hardware store, the focus at head office, even under its new leadership, remains clearly aimed at those dealers themselves and serving the communities in which they operate. That leadership just might be doing it a little louder and with a little more attitude now.
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COLOUR AND STYLE HIGHLIGHT INTERNATIONAL HARDWARE FAIR

FLE

BY MICHAEL McLARNEY

The International Hardware Fair, held in Cologne, Germany, every other year, is a lively meeting place for new ideas in products and packaging. Drawing some 50,000 delegates this year, it remains by far the largest show for this industry in the world.



ologne, with its global diversity and sourcing opportunities, remains an important destination, one that Canadians—vendors and buyers alike—would be remiss to overlook.

Bright colours and imaginative designs were hallmarks of much of the product and packaging on display. Everything from innovative power tools and grinding tools to multi-hued wheelbarrows, innovative tool kits, and storage boxes could be found at the show, which featured nearly 2,800 exhibitors from 50-plus countries. Here are some of the innovative products on view:

1 New abrasives program from Norton: The premium abrasives brand of Saint-Gobain featured a new merchandising concept at the show. Derk Vruwink, Saint-Gobain's product manager for Northern Europe and South Africa, says the program will differentiate Norton's retail and DIY lines from its pro and industrial products. The products, in four categories—coated blades, diamond blades, bonded wheels, and cutting and grinding—are being branded under the Quantum name.

2 Colourful tool boxes: With its roots in Canada, SPG maintains a strong international presence, exhibiting regularly at the Cologne International Hardware Fair with its range of tool boxes and work stations.

3 Ford-branded tools: A Chinese company has secured the license to use the Ford automotive brand for a range of hand

and power tools, including some portable equipment. Power tools are featured in two ranges: "Basic" for DIY and "Premium" for contractors. Launched two years ago in Brazil, it's now moving into Europe and Asia—and is already showing up in North American shows.

4 Colourful tool packaging: Maxado, a company from the Netherlands, was showing a range of tool kits and accessories storage units in bright, primary colours. The company offers turnkey programs for packaging to protect everything from power tool accessories to sensitive measuring instruments.

5 Balanced hand tools: Ox Group Global is a fairly new company out of Australia that sources "from all over,"



HARDLINES HOSTS INTERNATIONAL PARTY AT COLOGNE FAIR

The world retail home improvement gathered this past spring in Cologne for the International Hardware Fair, where delegates came to meet new buyers and find new business contacts. As in years past, HARDLINES hosted a party at the fair, the Canada Night International Reception. The event, which drew delegates from around the world, was sponsored by Koelnmesse, which owns and operates the world's largest trade show for hardware and home improvement.



Among the attendees at the bash were buyers from Canadian Tire, Orgill, and Princess Auto, The Mibro Group, Task Tools, SuperRemover, Vancouver Tool, ITW, and Techinseal, as well as guests from the UK, Spain, Australia, Italy, Portugal, and Germany. The high point of the evening came when the HARDLINES team led the group in a rousing rendition of "O Canada." **Z**



says its international sales manager, Ben Howgate. The company prides itself on the quality of its tools for pros. "You've got to get the steel right in a hammer," Howgate explains.

6 Compact compressor: Prebena was introducing a new compressor, its smallest yet. The device weighs just 10 kg, making it suitable for small jobs or hard-to-get-at places for both pros and DIYers, says Marco Strauch, Prebena's export manager.

7 Greenworks battery powered chainsaw: A lithium-ion battery gives this variable-speed chainsaw 40 watts of power. "This is the future," says Gustav Dafinās, who handles marketing for Europe. Runtimes are getting better for batterypowered tools, he says, and the torque on this chainsaw is better than gas. Greenworks is already in Canadian Tire, he adds.



A GENERATION WITHOUT GENDER RESTRICTIONS

FLE

BY SIGRID FORBERG

Hardware and home improvement retailing has seen a steady increase in young women rising up through the ranks into leadership positions—and they've got the right tools to break through the glass ceiling.

illian Sexton was 17 years old when she realized the hardware industry wasn't an easy place to be a woman. Sexton, still in high school at the time, was working in her parents' store, Hector Building Supplies, in Pictou, N.S. One day, she answered the phone and asked the caller if she could help with anything.

There was a long silence on the phone, and then a male voice gruffly asked if there was a man he could talk to.

"That was the moment I realized that it wasn't an equal playing field for women in this industry," says Sexton. "I still remember that moment—where I was standing and how I felt—to this day."

In the years since that defining moment, she's worked her way up to management, and while her journey hasn't been without its challenges, the rewards of taking the helm of a family business are worth it, she believes.

"You have to be willing to work hard," says Sexton. "I definitely did feel some stares walking into meetings as a young woman, but once they saw I was there for more than just to be the next generation, that changed."

CONNECTING WITH PEERS

Gender isn't the only thing working against young women in the industry—their age can sometimes be an obstacle as well. Whether in interactions with their peers in management positions who have more extensive experience, or with customers, being a young (and especially a young woman) means there are always going to be some people that don't take them seriously.

Sexton's experience is just one of the many



examples of this. But the best weapon against the ignorance of others is knowledge.

In an effort to help the next generation of leaders in the home improvement and hardware industry to learn from and develop relationships with their peers, the Western Retail Lumber Association (WRLA) started up a program called NexGEN earlier this year.

Krista Scherpenzeel, project and events manager for the WRLA, is the co-ordinator for the NexGEN program. She says the association's board consists mainly of (over-40) males. Last year, the WRLA wanted to welcome the next generation that might not have been aware of all the opportunities available to them within the industry, and NexGEN was born. Now, says Scherpenzeel,



Kim Ystma's leadership was forged in tragedy when her father died suddenly, leaving her to run the business.

the diversity of people from various generations and experiences involved in the group is causing a shift for the better in terms of innovation and creativity, as well as sound business practices.

"The future looks bright," says Scherpenzeel. "There are a lot of exciting things happening and there's a great mix between the technoliterate and the more traditionally inclined leaders."

Alycia Doyle is a NexGEN member. Doyle, the assistant manager of the Home Improvement Warehouse, a Castle dealer in Calgary, is following in the steps of both her parents and grandparents as she prepares to eventually run the company.

She's been generally well accepted by the staff and by her peers in the industry. When she does face some resistance, it's usually from customers, especially those from an older generation. "I take it for what it is," says Doyle. "That's just life, that's just the industry. But you can prove them wrong and show them that you're not what they assume you are."

KEYS TO SUCCESS

Home Hardware has a Young Leaders group of its own. Sherri Amos, retail education and communication assistant manager for Home Hardware Stores Limited, co-runs the program. She says it was created four years ago, thanks to a female dealer who felt that the growing number of up-andcoming young dealers could benefit from an informal way of sharing best practices.

Their first session attracted 110 dealers. Amos says all the young leaders in the industry are in the same boat, and with the huge sense of community that comes along with what is typically a family-oriented business, the group collectively lean on one another—regardless of gender.

"We don't differentiate between our leaders, at least, not in terms of gender," says Amos. "We're just looking to develop the future young leaders. But maybe that says something too."

One of those leaders is Kim Ytsma, coowner of Alliston Home Hardware Building Centre in Alliston, Ont. Ytsma took over running the store after her father's sudden death in 2010. Although she'd always known she wanted to take over eventually, the role came much sooner—and with less guidance—than she'd expected.

Her mother, another of the co-owners, had very little experience in the industry at the time. Ytsma looked to her staff and fellow Home Hardware dealers for support, advice, and encouragement.

"Sometimes you can feel like you have to know everything," says Ytsma. "But there's a wealth of knowledge out there and you can't be afraid to ask questions or say you need help."

Sexton at Hector Building Supplies echoes Ytsma's sentiments. Proving yourself doesn't mean showing everyone you already know everything; it's acknowledging that you in fact don't know everything and are willing to seek out the information and skills to take your business to the next level. With that attitude, male or female, success is yours for the taking, says Sexton.

"Knowledge is power. The more people saw me out there, working hard, the more they took me seriously. I want to be involved in this industry. I just want to do it wearing heels."

ONE PARENT'S PERSPECTIVE



Dave Roode with his daughter, Marissa.

Dave Roode's father started his hardware and building supplies store in Truro, N.S., in 1946. He grew up in the business and started working in the store after completing university. Today, Roode is president of Hubcraft TIMBER MART.

So it was natural that his children also take on their own roles within the business. His daughter, Marissa, is preparing to take over when Roode retires—a prospect he's more than happy with. "Nothing makes you prouder than to stand back and watch your kids, especially your daughter, take over," says Roode.

Since taking on more responsibility within the company, she's implemented regular, structured staff meetings, set up a Facebook account, and developed strong relationships with both staff and customers.

Roode adds that his daughter's presence in the store is also a good strategic consideration. Those customers she's built rapports with are, more and more often, female shoppers. He refers to a study conducted by HARDLINES that indicates women in a household are involved in more than 80 percent of the decisions about home improvement projects.

"We're seeing more ladies coming into the store," says Roode. "Twenty years ago, you didn't see that many girls, but it's a lot more commonplace now. And they appreciate it when they can speak with staff members they can relate to."

NATIONAL HARDWARE SHOW IS TRULY NORTH AMERICAN

In May, Reed Exhibitions hosted the National Hardware Show in Las Vegas, co-located with the All-Industry Convention of the North American Retail Hardware Association. Attendance at the show was in line with last year and enjoyed a particularly strong Canadian presence.

s economic recovery in the U.S. remains tentative, the prevailing mood at the National Hardware Show, held in Las Vegas from May 6-8, was decidedly positive. Playing host to more than 2,500 exhibitors, this year's show—its 69th—drew steady traffic from buyers, dealers, and agents, all looking for new products while seeking to renew relationships with existing vendors. In fact, the range of North American brands at this year's NHS included Benjamin Moore, 3M, SC Johnson, Craftsman, and for the first time in years, Black+Decker. The event also showcased the launch of some 600 new products.

In addition, 120 Canadian manufacturers had booths at the show.

"Our Canadian attendance has always been an important part of the National Hardware Show," said Richard Russo, vice president of the National Hardware Show, "and I'm proud to say our Canadian buyer participation has increased from just under 200 attendees in 2010 to over 800 in 2013."

Buyers, including the likes of Home Depot Canada, BMR, Peavey, Home Hardware, and Canadian Tire, were all present in healthy numbers. Exhibitors reported that the traffic was very good, especially for the first day and a half of the three-day event. But the show wasn't just good for meeting Canadian contacts; it was a great vehicle for increasing business south of the border and beyond.

While many Canucks were exhibiting, many more were walking the show. Martin Verret, general sales manager for Candiac, Que.-based Techniseal, was there for the first







time, exploring the aisles as a visitor. "I like the show. I like the design, with the booths separated by category." He also found the critical mass of the show overall worthwhile.





Clockwise from top left: Steve Matz of Louisiana Grills shows off the latest in barbecues; Jeremy Lippenholz at Black+Decker demonstrates a cleaning tool that uses steam instead of chemicals to kill germs; Apex Tool was celebrating the 150th anniversary of the Nicholson brand; Gardner Bender's eTEQ wifi inspection camera gets behind walls with a fibre-optic cable; Richard Elden at Dbest Products with a line of collapsible wheeled carts.

"It has created a good opportunity to have a conversation with the buyers. It has an easy flow—and Techniseal will have to be here [as an exhibitor] next year."



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ORA WINNER PROFILE FLE



Brenda and Larry Fullerton (centre), owners of TRU Hardware Breton; with (from left): Mona Caplan and Sam Russo of Schlage, which sponsored the award; Mark Wilson of Schlage; and Beverly Allen of Hardlines, host of the awards.

TRU HARDWARE BRETON BEST HARDWARE STORE (ANY SIZE)

In a town with a population of just 580 people, one retailer has managed to grow substantially since opening in 2010. In fact, TRU Hardware Breton, owned by Larry and Brenda Fullerton, in Breton, Alta., has managed to double sales within its first two years of business.

But for Larry and Brenda, business isn't just about making a profit. It's about serving the community and helping residents find what they need locally. Since opening their doors, the Fullertons' mission has been, "To provide prompt, dependable, and competitive service for our customers."

HISTORY

The Fullertons bought an existing auto parts business in 1995. They had no previous retail experience, but believed that there was an opportunity. Importantly, they decided to change the focus of the auto parts store from selling to local garages to selling to end users. The strategy worked and after just three years they were already looking for a larger location. But they didn't stop there: they bought and renovated the liquor store down the street and moved their business. Then, adding another 4,500 square feet in a renovation, the Fullertons opened the TRU Hardware in 2010. The wall between the auto parts and hardware store was opened up so that customers could shop at both stores in one trip.

To further diversify their business, Brenda and Larry added a Husqvarna dealership, offering small engine repairs. They even have an Esso Bulk oil lot across the street. The Fullertons have evolved their business into a one-stop shop to meet the needs of their community, offering a variety of services and products. customers need and ensuring that they carry the products that best suit their community. They have great staff and a business mix to meet the needs of their unique customer base and location. These traits made TRU Hardware Breton the 2013 Outstanding Retailer Award winner for Best Hardware Store.

COMPETITION

The store faces local competition from two small hardware stores in its immediate vicinity—an independent lumber and hardware store right in Breton and an old fashioned hardware store about 15 kilometres away.

In addition to the competition in town, TRU Breton also faces big city competition. A Wal-Mart, Canadian Tire, and two Home Hardware outlets are located in Drayton Valley, just 40 kilometres west of Breton. Additionally, a new shopping centre recently opened in Drayton Valley. But the Fullertons didn't see a drop in their business with this additional competition.

Larry and Brenda have also found innovative ways to increase their stores sales, namely by selling items through Kijiji. Posting ads on Kijiji has been so successful that they were able to expand to selling boat docks by advertising this way.

TRU Breton also believes in providing excellent customer service. That can include anything from delivering riding lawnmowers free of charge—and full of fuel. That extra commitment to service is what the Fullertons believe enables them to differentiate from their competition.

THE STORE

TRU Hardware Breton has six full-time and two part-time staff, most of whom have been working there since the store opened. Larry works on the floor, while Brenda takes care of the books and oversees the running of the store.

The Breton store is very involved in the community, including helping the local high school organize for and build a sports field that opened in 2012. The store also donates to many different local sports associations, including soccer, baseball, and hockey.

Larry and Brenda Fullerton pride themselves on understanding what their



STORE MANAGEMENT FLE

WATCH YOUR MARGINS CLOSELY

Changes in the value of the Canadian dollar are going to affect your inventory costs. You can count on it. BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

ith the decline of the value of the Canadian dollar compared to U.S. currency, many of you are no doubt seeing price increases on products manufactured in the United States or imported from anywhere in the world. If you are direct importing, you will see an increase when you buy U.S. dollars to pay for the shipments. This will include landed at port of entry, as ocean freight is paid in American currency. You will also see increases in costs from your distributors on imported product.

And even though most of your lumber products might be sourced domestically, you could also see pricing there increasing, as moderate growth in housing starts in the American marketplace drives up demand south of the border.

How you handle increases can affect significantly the cash required to maintain the same inventory in your business, especially as so many of the products sold in the home improvement industry are not made in Canada. The Canadian dollar has declined by 10 percent since Q3 last year. At time of writing, the Canadian dollar was running at 91 cents to the U.S. dollar. This difference will show increases of anywhere from five to 10 percent on your cost price. Economists are forecasting the dollar could continue to fall this year to as low as 85 cents.

WHEN TO IMPLEMENT PRICE INCREASES?

- Some items will be more vulnerable to price changes, especially when your competitors decide not to increase their prices. For example, they may have taken early delivery of price-sensitive seasonal items ahead of the currency fluctuation.
- Some retailers will not increase pricing until they replace inventory. This alternative can become very expensive for you.
- Other retailers will increase pricing as they are advised of price increases from their wholesaler.

Resist the urge to simply pass on costs directly to your customers. This is the time to review margins and see if you can pick up additional gross margin.

Retailers who do not increase prices until they replace their inventory are typically using min/max auto buying. When new inventory arrives that reflects higher pricing, they then change their own prices. This is an adequate short-term strategy, but when it comes time to replace that inventory, dealers will have to invest additional dollars.

WHAT DOES IT COST TO MAINTAIN THE SAME INVENTORY?

Assume you are carrying an average inventory of \$1,000,000 at cost. You have an average increase of six percent on 50 percent of your inventory. If you continue to sell at the current retail and do not increase prices until you sell out of existing inventory, replacing that inventory at the same level as before could cost you up to an additional \$30,000. To avoid a sudden hit on your product costs—and your cash flow—you should update pricing on an ongoing basis, as you receive notice from your suppliers. The new retail pricing should be updated at least weekly.

Retailers who are proactive and review price increase information as received will then increase the retail price on the date an increase is effective. This helps you to recover most of the dollars that it'll cost you to maintain the same quantity of inventory with increased margin.

When calculating the new increased retail price, you should not let an automatic calculation roll the retail price. Resist the urge to simply pass on costs directly to your customers. This is the time to review margins and see if you can pick up additional gross margin. If you have the opportunity to buy prior to the price increase being implemented, this is a great time to buy an extra two or three months of your fast-turning inventory. Where else can you make five percent with little risk?

HOLD ON TO YOUR MARGIN

Talk to your staff about the importance of staying on top of price increases. Monthly sales should be continually monitored against last year to verify that you are picking up the sales increase from the higher pricing. You will see a one-time pickup in margins if you are continually updating your pricing. The procedure of changing sale pricing and removing sale signage immediately should be reviewed. If not done on time, margins can be deteriorated.

To keep up to date on price changes, you will need your full team to participate.

The exchange rate on the Canadian dollar will continue to fluctuate either up or down, creating uncertainty in prices. You have to make the decisions about changing retail prices, which affect costs for maintaining the same inventory.



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



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Wednesday, January 21 Opening Night Meet & Greet Hyatt Regency 7:00pm - 10:30pm

Schedule of Events

Thursday, January 22 Show: 8:00am - 4:30pm AGM: 12:00pm - 1:00pm Awards Banquet - Hyatt Regency 7:00pm - 10:00pm Friday, January 23 Show: 8:00am - 3:30pm Closing Night Party - Telus 7:00pm - 10:30pm Featuring Paul Brandt

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Q & A WITH A "VISION CRITICAL" THINKER

FLE

BY MICHAEL McLARNEY

Donald Cooper has been both a world-class manufacturer and an award-winning retailer. Now, as a Toronto-based international management speaker and coach, he helps business owners and managers rethink, refocus, and re-energize their businesses. We spoke with him about how dealers can sell more, manage smarter, grow their bottom line—and have a life.

MM: You've spent seven years studying, thinking about, and implementing a very different kind of vision for clients. How is your version of a business vision different and better?

DC: There's huge confusion in business today about what a "vision" is and what it isn't. I've worked with hundreds of clients around the world who have spent years and tens of thousands of dollars on consultants and "strategic retreats," only to come up with a vision statement that isn't worth the paper it's written on.

MM: So how do these vision statements fall short?

DC: They state nothing that's quantifiable or measurable; there's no timeline, so no sense of urgency; there's no specific call to action and, certainly, there's no commitment and no accountability. It's what I call an "aspirational" feel-good vision statement. It states in vague and general terms what we aspire to become. This type of vision is meaningless. But they proudly hang it in the lobby saying something like, "We love our customers and we honour the diversity of our staff." You may as well hang a picture of somebody's smiling grandmother on the wall.

Our vision is also not a statement of purpose or a statement of values. Every business needs both of those, but they're not our vision. MM: So, Donald, now that you've explained what a business vision *isn't*, in the work that you do with clients, what exactly is your concept of a vision? And how is it different?

DC: In my work we help businesses create what we call an operational vision statement. It's a clear, specific, and measurable statement of what the business commits to become to be a more profitable and responsible market leader in three to five years. It consists of six points on one piece of paper and it gets updated every year, so we're always looking three to five years ahead. It will lead to specific action and will create commitment, urgency, and accountability.

We help businesses create what we call an operational vision statement. It's a clear, specific, and measurable statement.

This vision guides us in everything we do. It gets everyone singing from the same hymn sheet, as my grandma used to say. That's



what a vision is for. It will inform, focus, challenge and inspire us as leaders and everyone on our team. It will be simple, clear, measurable, and understandable to all. Any vision that doesn't do that is missing the point.

MM: Donald, do you have a specific process that businesses can follow to create and implement this 'operational' vision?

DC: Great question. We have a complete set of implementation tools to guide businesses in making this happen that helps them determine where they are now, what needs fixing, and who in their organization "gets it."

Donald will speak in depth about "Vision Critical: how to define your future, grow your business and improve your bottom line," at the 19th Annual Hardlines Conference, October 22 -23. Check out hardlinesconference.ca for more information.



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