

2018 RETAIL REPORT

Complete Review & Analysis of Canada's Retail Hardware/Home Improvement Industry

2018-2019 Edition

Researched and Compiled
by the Editors of **HARDLINES**

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The Hardlines Information Network

Hardlines Inc. is a specialized information publishing company dedicated to helping home improvement managers and executives run their businesses better with information, news, research and connections. We have been providing market intelligence, defining trends, and generating analysis for retail home improvement executives for 23 years.

As the single most authoritative voice of the retail home improvement industry in Canada, **HARDLINES** provides weekly news, special reports and annual updates. Our print magazine, **Hardlines Home Improvement Quarterly**, is sent to 11,000 dealers and store managers across Canada. Our Annual Conference and events provide important forums for vendors and buyers to learn and network.

In addition, **HARDLINES** is proud to represent the North American Retail Hardware Association in Canada. NRHA's range of resources for independent dealers includes online product knowledge training, store management and operations training, business manuals, and the monthly **Hardware Retailing** magazine.

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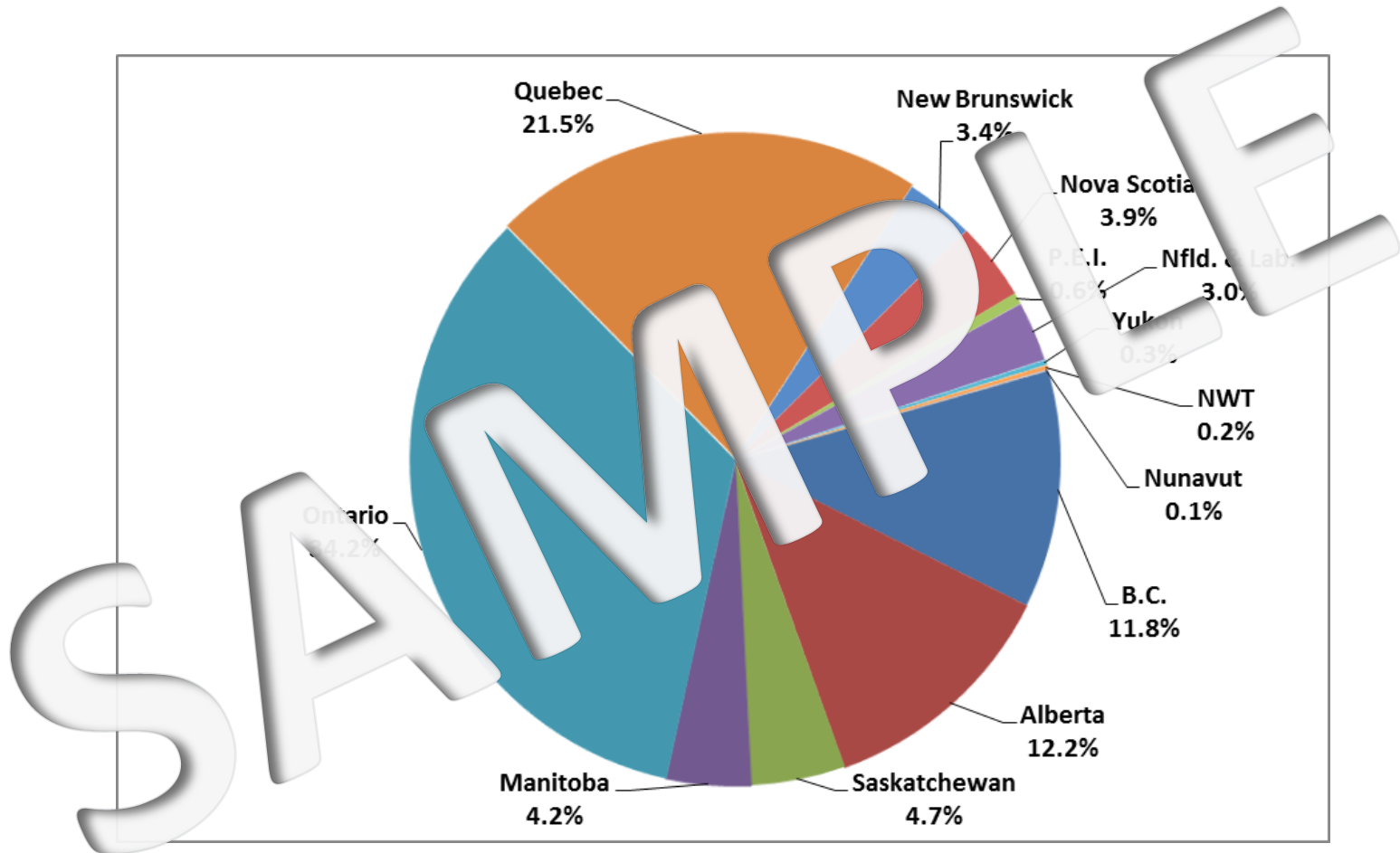
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Sources for Hardlines' Calculations

1. **Statistics Canada:** including employment, building permits, and consumer confidence;
2. **Canada Mortgage and Housing Corporation:** new housing statistics, including current values and forecasts for one and two years out;
3. **Canadian Real Estate Association:** Market forecasts provide insight into existing home sales and resales;
4. **Independent reports:** Quarterly Housing Reports from Angus Group, TD Canadian Quarterly Economic Forecast, and 2018 Global Smart Home Market Forecast by Strategy Analytics, and Dodge Data & Analytics;
5. **Annual reports:** data from the publicly traded companies, including close analysis of the “fine print”, their international activities, and transcripts of the analysts’ calls;
6. **Hardlines e-Newsletter:** our weekly information publication with current and breaking news on Canada’s retail home improvement industry;
7. **Anecdotal surveys of the dealers:** through ongoing phone conversations, interviews and meetings, and interviews with regional association heads for performance by dealers in their regions;
8. **One-on-one interviews:** drawing from conversations and insights gained with company leaders at major retail groups, including Home Hardware Stores; Ace Canada; Castle and FORBSA; communications people from Home Depot Canada and Lowe’s Canada, TIMBER MART, etc.

Market Share by Province - 2017



** Provincial breakouts do not include mass merchants or club stores.*

5: The Top Four Retailers

- Four Retailers Lead in Canada
- Market Shares of the Top Four
- Top Four as a Percentage of the Overall Market
- Consolidation at the Top
- Analysis of the Top Four:
 - The Home Depot Canada
 - Lowe's Canada
 - Home Hardware Stores Ltd.
 - Canadian Tire Retail

IMPORTANT NOTE: This Report typically assesses and measures companies, including their sales and store counts, as of year-end 2016. Although Lowe's acquisition of RONA inc. was not finalized until early in 2016, we combined their sales and store numbers in our 2016 *Retail Report*. Those combined numbers are used again in the year-over-year tables of this year's *Report*.

Lowe's: Bannered Stores – 2017



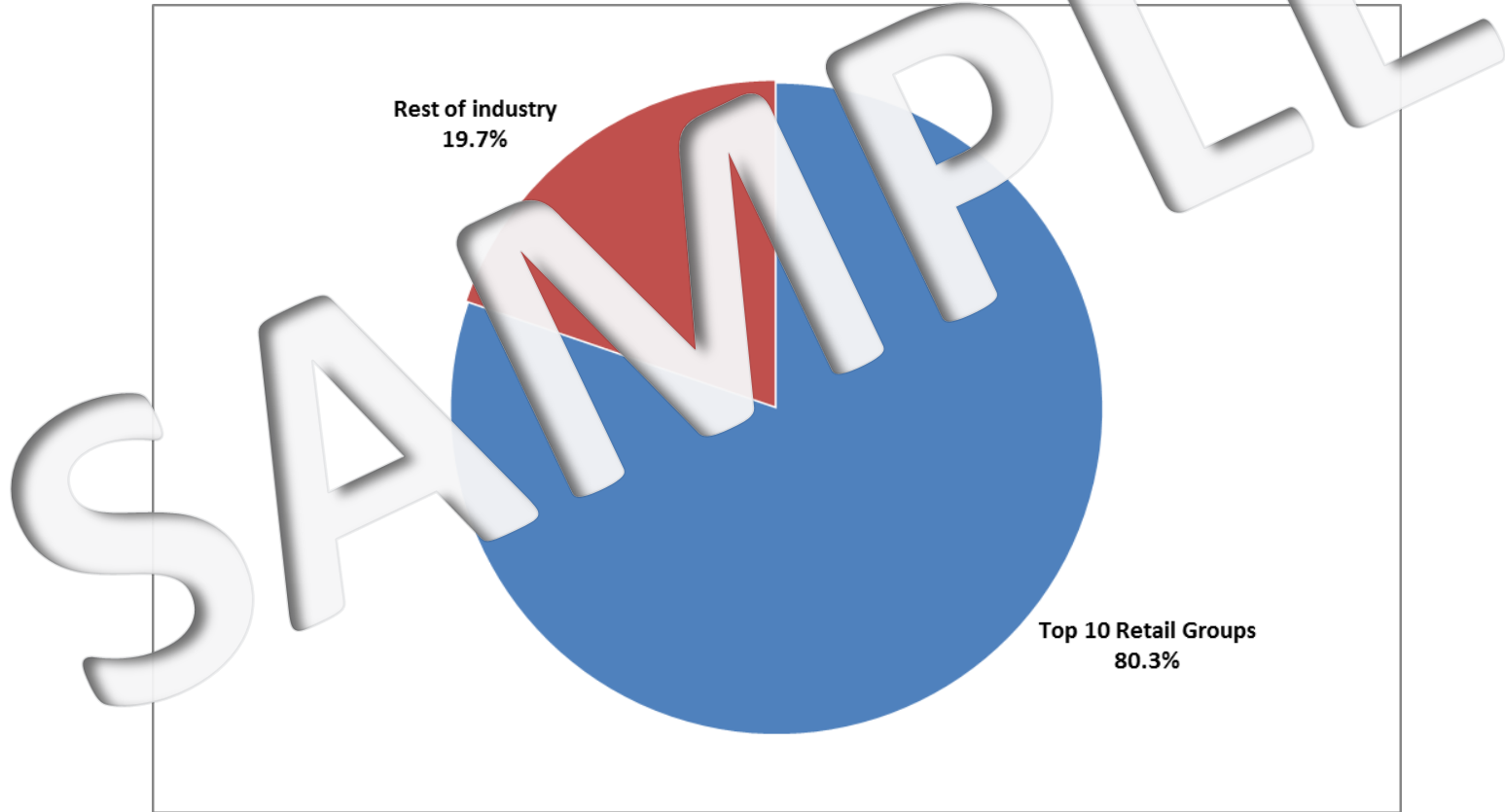
Selling Successfully Online

- 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.
- So far, the majority of Home's online sales are being shipped out of its own warehouse, with the balance coming out of store inventory.
- Customers can order online for same-day in-store pickup or have products shipped directly to a local Home Hardware store for local pickup, but the company is considering options to make ship-to-home available to its customers.
- As Home Hardware's head office works to sort out a company-wide e-commerce strategy, individual dealers are striking out on their own, with varying degrees of success.



Market Share of the Top 10 Retailers

- The market share of the 10 leading retail home improvement groups grew slightly in 2017, to 80.3 percent from 80.0 percent in 2016.



The Bricks-and-Mortar “Experience”

- But the store’s environment is also important. Store design and keeping merchandise fresh is a must for successful retailers. This is par for the course for retail chains, but a costly investment of money and time for independents, who can be left behind if they don’t stay current.
- Fresh store design with add-ons that provide information, food and refreshments, and even entertainment, are becoming more common.
- But activities and services are important, too. Free samples at the liquor store, food tastings at a high-end grocer, or how-to workshops.
- If conventional retail is to survive the next decade, retailers must tap into consumers’ needs to see, touch, and experience products before buying them.
- It’s worth noting that some e-retailers are now implementing restrictions on their return policies, which have traditionally been very generous, encouraging online shoppers to order multiple styles or colours before deciding on the best fit or style at home. Bricks and mortar provide that experience immediately.