

HARDLINES ^{20 YEARS} HIQ

HOME IMPROVEMENT QUARTERLY

FEATURE STORY

JOCKEYING FOR MARKET SHARE

Never have there been so few players in hardware wholesaling than today, but never before has the competition been so fierce.

FIRST QUARTER / 2015

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FIRST QUARTER / 2015

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HHIQ is one facet of the Hardlines Information Network. Since 1995, we've been delivering the most up-to-date information directly to you.

As we enter our fifth year of publishing HHIQ and our 20th Anniversary providing news, information and conferences to the retail home improvement industry, I'm proud to say that we stay true to our mission, "Connecting the Home Improvement Industry."

We listen and respond to requests from you, our readers and advertisers. Our constant monitoring of the pulse of the industry and our ability to explain what's really going on sets us apart. Our editorial content is not for sale; instead we work hard to provide you with the analysis and research to help you make informed decisions to grow your business.

And we're always thinking about what we can do to add value for you, with special sections, comprehensive articles and executive interviews not found in any other publication.

Thanks to your support, we have become the industry's best read magazine and our website has the most traffic of any site in this industry.

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your message out with us.
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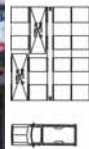
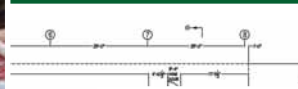
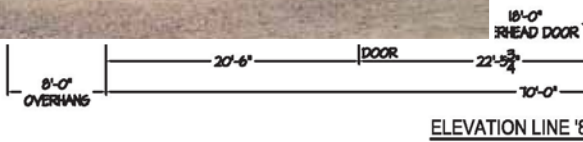
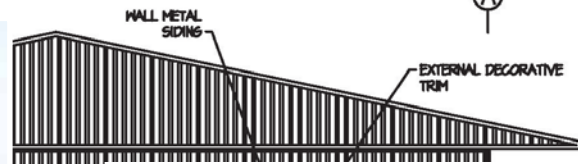




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Never before has the competition been so fierce in hardware wholesaling.



HARDLINES

HiQ

HOME IMPROVEMENT QUARTERLY

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Chalfour replaces tradeshow with virtual event



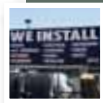
RONA's solid profits pave way for renewed expansion



Home Hardware awarded for its corporate culture



Addition of Unimat dealers gives boost to BMR Show



Home Depot breaks ground on Calgary RDC

Expect Canadian Tire to look for more acquisitions

RONA plans to market installed sales more aggressively

HARDLINES CONFERENCE

GETTING BACK TO COMMUNITY BASICS

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30 Major retailers are increasingly looking to high-tech solutions in order to streamline the purchasing process



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20 YEARS OF REPORTING: A TIME FOR CELEBRATION —AND REFLECTION

MICHAEL McLARNEY, EDITOR

“For dealers, that independence, that ability to respond quickly and directly with their own markets, has set them apart, even as larger chains, like big ships, take longer to steer a new course.”

Home Hardware, Castle, Sexton Group, TORBSA, BMR, TIM-BR MART, TruServ Canada, a significant number of RONA stores, and many of the stores served by Federated Co-operatives and La Coop fédérée together make up more than half of Canada's retail home improvement industry. What do they have in common? They're all independents.

And so are we.

Hardlines is proud to have been serving this industry for two decades. The first product we issued was a fax newsletter, sent from a basement home office 20 years ago. The magazine you hold in your hands now began just four years ago. In between, the team has grown to half a dozen, and our range of products and services has grown as well: seminars, market reports, free Daily News, our annual Hardlines Conference, and the Outstanding Retailer Awards.

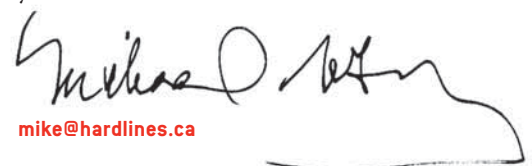
We're also proud to represent the North American Retail Hardware Association in Canada. NRHA Canada now has more than 1,500 members who take advantage of online product knowledge training courses, loss prevention modules, and project training videos. These tools all help dealers improve their customer service skills, something that's been a competitive advantage—and competitive challenge—for the past 20 years we've been covering this industry.

From the time in the early 1960s when now-defunct D.H. Howden & Co. brought up the Pro banner and Home Hardware got started, independents have been rallying, thriving, and co-existing with the other retail chains that have been able to grow and prosper during this time.

For dealers, that independence, that ability to respond quickly and directly with their own markets, has set them apart, even as larger chains, like big ships, take longer to steer a new course. Even RONA, which felt the impact of the recession in 2008 more than many, admitted that the independents in their network were the stores that carried them through that tough time.

Today, when I travel to shows across the country and talk with dealers, each one has their own story. Each one has a business that, despite the sign in front of their store, is like no other. And they're all based on solid customer service.

We'll continue to report on the great stories of the fine dealers across the country. Join us as we celebrate our first 20 years, and as we look forward to thriving and co-existing with you for another 20.


mike@hardlines.ca

QUARTERLY BUSINESS CONDITIONS

THIRD QUARTER 2014



In our latest survey of dealers and suppliers, the consensus was that conditions would strengthen through to the end of 2014 and into 2015. Despite tough conditions in 2014, the outlook for the next 12 months looks positive, with the majority of retailers expecting increased sales into 2015. Vendors also reported better sales than in Q3 2013.

Short-term expectations are for more stable sales throughout the next six months. In the long term, vendors are very optimistic about sales over the next 12 months. Both vendors and retailers are increasing their offerings of new products and services to better compete.

The top issues for retailers are consistently staffing and customer retention, while concerns about the rise of online retailing keep growing. For vendors, the top issue was higher raw materials/shipping costs and parity with the U.S. dollar.

RETAILERS:

Top issues in third quarter

1. Staffing
2. Customer Retention
3. Training
4. Increased Competition
5. Adding New Services
6. Expanding Products
7. Succession

RETAILERS:

Top concerns in third quarter

1. The Rise of Online Retailing
2. Rising Mortgage Interest Rates
3. Keeping Pace with Technology
4. Parity with U.S. Dollar
5. Increased Presence of U.S. Retailers

VENDORS:

Top issues in third quarter

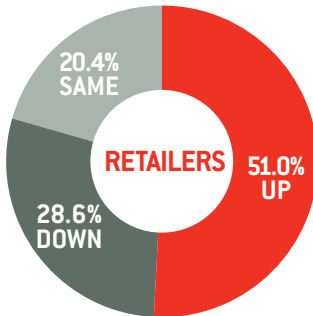
1. Higher Raw Material/Shipping Costs
2. Increased Retailer Demands
3. Falling Consumer Confidence
4. Housing Market

VENDORS:

Top concerns in third quarter

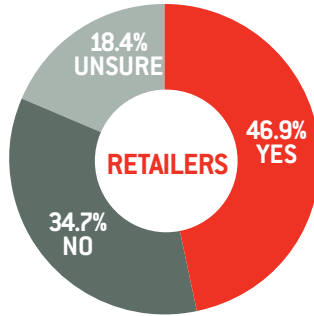
1. Parity with U.S. Dollar
2. The Rise of Online Retailing
3. Keeping Pace with Technology
4. Rising Mortgage Interest Rates
5. Increased Presence of U.S. Retailers

How did your business compare with the same time last year?



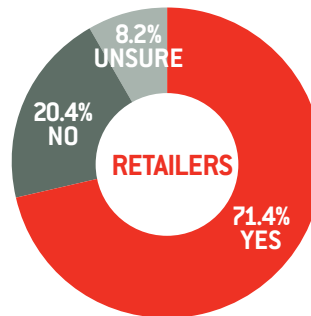
Year-over-year, the percentage of retailers experiencing better sales than last year is down around five percentage points from Q3 2013, when 56 percent of retailers reported increased sales.

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



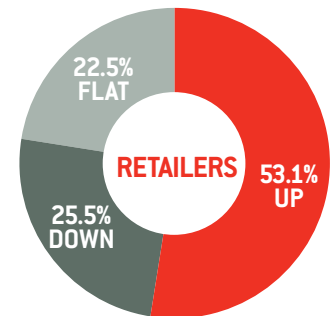
Looking back, the percentage of retailers expecting sales to increase in the next six months is down drastically from 67.3 percent in Q2 2014, revealing uncertainty for the remainder of 2014. Year-over-year, outlook for the next six months is aligned with Q3 2013.

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

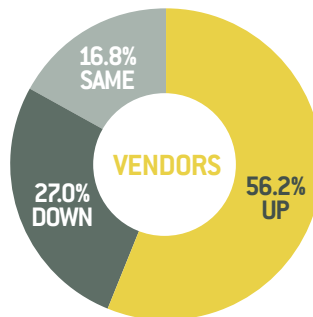


Retailers' outlook for positive sales for the next 12 months is up around two percentage points, from 69.5 percent in Q3 2013.

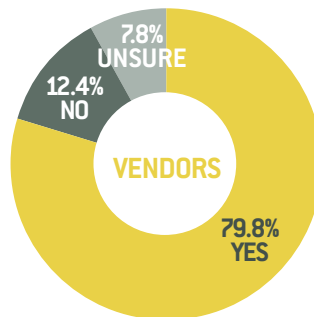
At year-end 2014, how do you expect sales for this year to have gone?



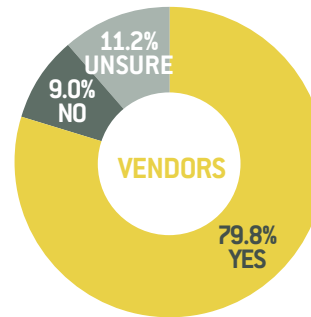
Retailers are optimistic about the rest of the year, with more than half expecting sales to pick up over the remainder of 2014, ending the year with increased sales.



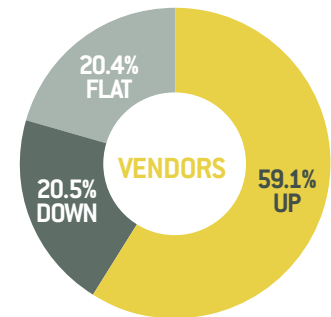
Year-over-year, the percentage of vendors experiencing better sales than last year is up are 15 percentage points from Q3 2013, when 39.8 percent of vendors reported increased sales.



Year-over-year, the percentage of vendors expecting no sales increases in the next six months has decreased from 20.1 percent in Q2 2013. Around 80 percent of vendors are optimistic about the next six months, up from 54.9 percent a year ago.

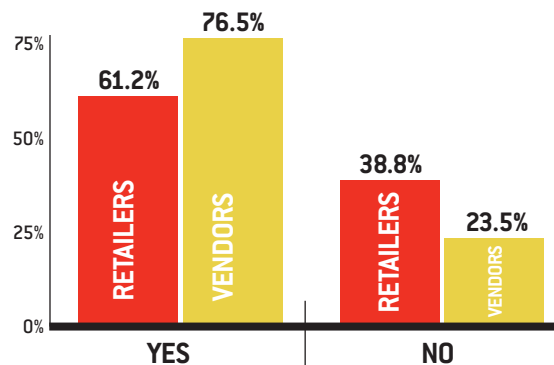


Year-over-year, the answers are very close with Q3 2013, however, this year almost 80 percent of vendors are expecting sales increases in the next 12 months compared to 73.5 percent a year ago.



Overall, the majority of vendors are expecting to end 2014 in the black and the expectations for the rest of the year are in line with results from Q2 2014.

Did you offer new products/services in Q3 to better compete?



RETAILERS

In Q3 2013, 56 percent of retailers offered new products/services to better compete. Year-over-year, the percent of retailers offering new products/services is up around five percent in Q3 2014.

VENDORS

Year-over-year, vendors offering new products/services is up around 15 percentage points from 60.5 percent increasing their offerings in Q3 2013.

Source: HARDLINES Quarterly Business Conditions Survey

NEWS ROUNDUP

OF THE HOME IMPROVEMENT INDUSTRY

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



CHALIFOUR REPLACES TRADESHOW WITH VIRTUAL EVENT

Chalifour Canada Ltd., TIM-BR MART Group's hardware and LBM distribution company, has taken a new approach to an industry tradition: it launched a virtual trade show for its dealers. Called "Virtuo 2014, the industry's first virtual trade show," it was produced to replace Chalifour's annual trade show.

Virtuo 2014 is a fully hosted, web-based tradeshow platform allowing "attendees" 24-hour online access to virtual buying and networking opportunities. It offered 3D graphics and interactive conferencing capabilities. Virtuo 2014 went live on Monday, November 17, and was accessible to Chalifour customers and TIM-BR MART members through to Friday, November 21.

"Virtuo allows us to offer our custom-

ers—large and small—the full trade show experience, with all the buying and networking opportunities of a physical trade show, yet without the expense of time and travel associated with one," says Randy Martin, vice president of business development for TIM-BR MART.

Dealers certainly agreed. Chalifour has moved the show around from Montreal to Calgary to Toronto, and it has drawn criticism—as have most distributors—for offering so many shows in the industry. This online alternative certainly appears to respond to those criticisms.

"At previous Chalifour shows, I would spend time travelling to the venue and then once at the show, only get to spend a couple hours there," says Michel Daigle from Quincaillerie

Auto Daigle in Thetford Mines, Que. With the convenience of the virtual show, he didn't feel as pressured to buy right away.

Other dealers, like Richard Morin, from Quincallerie Windsor, in Windsor, Que., have skipped going to the show altogether in the past, as it meant precious time away from the store. "With Virtuo, I can browse at my own speed, go back to my store and take care of customers, and then log back on to my computer at night and complete my purchase. The virtual show really suits my needs as a business owner," Morin says.

Another advantage that Chalifour is touting is an environmental one. "Virtual events like this one also cut down on our carbon footprint; we don't have the excess amount of paper waste from show guides and brochures that a physical trade show creates, nor are we contributing to air pollution created by attendees flying and/or driving in to attend the show," says Andrew Pantelides, Chalifour's procurement manager.

RONA'S SOLID PROFITS PAVE WAY FOR RENEWED EXPANSION

RONA inc. has reported essentially flat sales results for its third quarter, with consolidated revenues of \$1.167 billion, compared to \$1.169 billion a year earlier. However, profits surged by 28.4 percent, going from \$30 million to \$38.5 million. The company's solid financial footing has helped position it for renewed growth, says company president and CEO Robert Sawyer. After closing 11 stores, RONA will open five more in 2015, including its first two Réno-Dépôt stores outside of Quebec.

With the exception of an outlet in Halifax, N.S., in May 2014, these will be the company's first new corporate stores since Sawyer took over almost two years ago. And two of those stores will represent the first locations for the Réno-Dépôt concept outside of Quebec.

"We are also currently analyzing other opportunities and regions where we must protect and reinforce our market

share or where the investment is justified by strong growth potential and good return on invested capital ... Given our leaner structure, any organic sale growth should directly lead to profit improvement," says Sawyer.

The big boxes outside of Quebec will in fact be existing stores that will be re-opened after being shuttered in recent years. One is in Calgary North and the other is RONA's big box in Aurora, Ont. Both stores will be downsized to around 70,000 square feet from their original size of almost 100,000 square feet. They will use the Réno-Dépôt name.

Two other locations will be corporate stores: a 35,000-square-foot outlet in Halifax and a 50,000-square-foot store in British Columbia in a community yet to be confirmed.

Another outlet in Rockland, Ont., will be an affiliate store, weighing in at 25,000-35,000 square feet.

HOME HARDWARE AWARDED FOR ITS CORPORATE CULTURE

Canada's third-largest home improvement retailer has been named one of Canada's best. Home Hardware Stores Limited has been recognized as one of Canada's 10 Most Admired Corporate Cultures in 2014.

The award, created by executive search firm Waterstone Human Capital, measures companies on their vision and leadership; recruitment and hiring for fit; cultural alignment and measurement; retention, rewards

and recognition; organizational performance; and corporate social responsibility.

"The traditional values on which we were founded—value, service and dependability—remain unchanged and have created a strong culture for our close to 1,100 Home Hardware stores across Canada," said Terry Davis, CEO, of Home Hardware. The win has additional meaning as it came during Home's 50th anniversary year, he added.

BRIEFLY

CANADIAN TIRE TO OPEN FLAGSHIP STORE IN EDMONTON

Canadian Tire has plans to open a new flagship store in Edmonton. The new showcase format will be 137,000 square feet—far surpassing the retailer's largest existing store, which measures 90,000 square feet. Along with a distinct look and feel, the store will rely heavily on digital technology. That includes the process of picking up online orders in-store. With customers increasingly gravitating towards buying online and picking up in-store, Canadian Tire is looking into a dedicated pick-up area to streamline wait times.

RETAILERS SUCCESSFULLY BATTLE HIGH CREDIT CARD FEES

Two major credit card companies have agreed to lower their fees, making usage more affordable for merchants across Canada. The federal government nailed down voluntary agreements with **Visa** and **MasterCard** to reduce their respective credit card fees for consumer cards to an average effective rate of 1.5 percent for a period of five years. A greater reduction is provided for small and medium-sized enterprises. The lower fees are expected to be in place by no later than April 2015.

AMAZON NOW OFFERS SAME-DAY DELIVERY

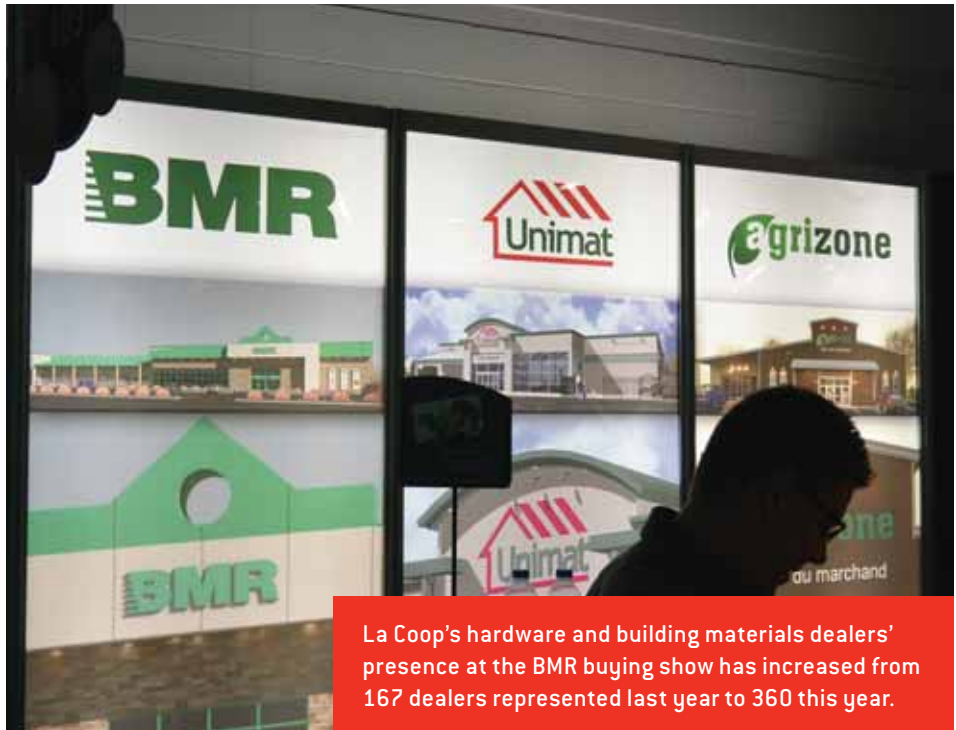
Amazon.ca has begun same-day delivery to Toronto and Vancouver. The company promises that customers can place orders as late as noon and receive packages before 9 p.m. the same day, seven days a week. Not everything the online retailer sells is eligible for the same-day service. However, Amazon says it has more than one million products that are.

ADDITION OF UNIMAT DEALERS GIVES BOOST TO BMR SHOW

When buying group and wholesale distributor BMR held its winter buying show back in November, the event got an added boost from the merger of BMR with La Coop fédérée almost a year ago. This is the first time La Coop's hardware and building materials dealers, which operate under the Unimat banner, attended the BMR show in force and their presence increased attendance from 167 dealers represented last year to 360 this year.

The show reflected the larger numbers with a heightened buzz of energy and more traffic on the show floor. Vendors exhibiting at the event were also positive about the combined presence of the dealers, hoping to translate that into a higher volume of orders than in past years. The presence of La Coop dealers also gave a number of vendors not already selling to this company a chance to broaden their business even more.

La Coop, which has holdings in farm and feed, fuel, groceries, and home improvement, bought a 20 percent stake in BMR in a deal that closed at the beginning of last year. Buying teams for hardlines and LBM have been combined into BMR's own offices, and this month La Coop is closing its own hardware distribution centre in Trois Rivières, Que.



La Coop's hardware and building materials dealers' presence at the BMR buying show has increased from 167 dealers represented last year to 360 this year.



HOME DEPOT BREAKS GROUND ON CALGARY RDC

Home Depot Canada is building its second rapid deployment centre. The RDC is part of an overall strategy by the giant home improvement retailer to trim costs from its supply chain by flowing products through to its stores more efficiently.

The 425,000-square-foot centre will serve Home Depot's 70 stores across Western Canada. It's expected to be completed by the end of next year. And it's being built alongside a 640,000-square-foot stocking distribution centre—a first for Home Depot.

Home Depot opened its first Canadian rapid deployment centre in Vaughan, Ont., in late February of 2014. That RDC services the retailer's 110 stores in Eastern Canada. It's big enough to house 12 football fields and features more than two kilometers of conveyor belts.

Breaking ground at Home Depot's second rapid deployment centre is (l-r) Mathieu Faure, managing director, CP Logistics at Canadian Pacific Railway; Calgary Mayor Naheed Nenshi, Bill Lennie, president of Home Depot Canada; and Serge Carestia, vice president at Supply Chain.



BRIEFLY

BMR LAUNCHES AGRIZONE AS STANDALONE BANNER

BMR now offers its dealers a wider range of banner options than ever before, along with the traditional BMR banner, which Unimat has added thanks to the investment in BMR by La Coop fédérée, which owns the Unimat brand. But Agrizone, BMR's farm hardware merchandising concept has also been spun off as a stand-alone banner.

LOWE'S, HOME DEPOT ENJOY Q3 DOUBLE-DIGIT PROFIT GROWTH

The two largest home improvement retailers in the world are benefiting from a recovering housing market in the U.S. For its third quarter, **Lowe's** reported a 17.3 percent increase in net earnings to \$585 million, on sales that were up 5.6 percent to \$13.7 billion from \$13.0 billion. Same-store sales for the quarter increased 5.1 percent. Similar growth continues north of the border, where Lowe's had its sixth straight quarter of positive same-store growth. Home Depot reported sales of \$20.5 billion for the third quarter, a 5.4 percent increase. Same-store sales were up 5.2 percent. Net earnings were \$1.5 billion, up 14 percent.

SLEGG JOINS TITAN WITH URQUHART AT THE HELM

Slegg Lumber, TIM-BR MART Group's largest member, turned in its resignation to the group on November 17, marking the closing of the sale of the 10-store chain on Vancouver Island to WSB Titan. Slegg left TIM-BR MART Group officially on January 1. Under the new ownership, Urquhart will take over as president of Slegg Lumber, serving as resident partner in Slegg Lumber on behalf of Titan. Urquhart, formerly the CEO of TIM-BR MART Group, went to work as general manager at Slegg Lumber following his departure from the group.

EXPECT CANADIAN TIRE TO LOOK FOR MORE ACQUISITIONS



Canadian Tire Corp. says it will look for companies with a strong financial outlook, a brand with great potential, a profitable base, and runway for growth.

Based on its newest strategic plan, Canadian Tire Corp. will continue investing in its core businesses—including more acquisitions. The company has set aside \$575 million annually from 2015-2017 for capital investment.

That will include everything from digital technology to upgrading its store network.

In evaluating possible acquisitions to grow core categories, CTC will, it says, “look for companies with a strong financial outlook, a brand with great potential,

a profitable base, and runway for growth. Also, any acquisition must have a distinctive long-term value proposition that can be strengthened through existing CTC expertise.”

Acquisitions in recent years have focused on CTC’s core sporting goods business. In 2011, it made a major acquisition when it took over Forzani Group, a Calgary-based retailer with more than 500 stores and annual revenue at the time of about \$1.4 billion. In 2013, CTC bought up Pro Hockey Life Sporting Goods, a chain of 23 stores, for \$85 million.

“Our core businesses will have the capital they need to grow and compete—including increased investments in digital and technology,” says Michael Medline, president and CEO of Canadian Tire. But he notes that the company will take its time and carefully evaluate its next steps. “Any acquisition has to make sense strategically and financially. It has to be the right cultural and business fit and it has to generate a strong return.”

RONA PLANS TO MARKET INSTALLED SALES MORE AGGRESSIVELY

RONA has been accelerating its installed sales program in its stores, reporting that this business has been picking up over the past year, growing by double digits.

Robert Sawyer, president and CEO of RONA, says the program is well positioned for today’s customer. “I think the socio-demographic trend allows that people would like to have

an installed program. I would say the opportunity is there.” He adds that the service could complete an offering for RONA customers and expand RONA’s business in areas it is not as strong in currently.

Sawyer adds that the installed sales will be an important part of RONA’s marketing going forward. And, because of the larger



purchases that installed sales typically entail, he sees a good tie-in for it with RONA’s credit card business.

CONGRATULATIONS

*to ALL of the 2014 ORA Winners
and in particular to our Retail Partner*

Rona, Erin Mills

for Winning the Best Large Surface Retailer Award



2014 ORA Winner-Best Large Surface Retailer-RONA-Erin Mills, Ontario

Left to Right: Beverly Allen, Publisher of Hardlines, Elizabeth Graham and Bill Graham-Managers of RONA Erin Mills, Mississauga, ON, Sara Clarkson-President-Storesupport Canada

"Storesupport has been a true partner at our store supporting our team and helping us to deliver excellence at retail!"

-Bill Graham-Manager, RONA Erin Mills



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ProductSPOTLIGHT

BY GEOFFREY McLARNEY

Liteline four-inch Versa-Series pot lights ▶

Liteline Corporation's new four-inch Versa-Series pot lights promise maximum safety and versatility without sacrificing performance. By pairing a GU24 socket with a GU24-base LED lamp, the fixtures are designed to help protect end users and contractors alike from accidental over-lamping. The fixtures are airtight and approved for use in insulated ceilings in both new and remodel projects. Taking advantage of LED technology, the Versa-Series can provide energy savings to homeowners, and make it possible to install more fixtures on a dedicated lighting circuit.

liteline.com



◀ Bosch GLM 15 Laser Measure

Bosch's GLM 15 Laser Measure aims to put an end to the familiar old tape measure. The pocket-sized device can measure up to 50 feet with the click of a button, and claims to be accurate to within an eighth of an inch. The square shape and flat surfaces reinforce accuracy, allowing the device to be placed on any flat surface and measure in any direction. The GLM can also calculate square footage and verify if a room or object is truly square and has parallel sides. It can even calculate one's paint order using the dimensions of the room.

boschtools.com



Heavy Duty Footwear from Blundstone ▶

Blundstone Footwear's latest offering is the "UTE" 165 CSA Met Guard, a safety boot that promises comfort, style, and durability on the job. The new boot features the same pull-on, kick-off ease as the rest of Blundstone's line, but also includes Poron XRD foot-top met guards for added flexibility and comfort. Steel toes, protected side elastics with leather covers, bullet-proof kevlar stitching, and shock-proof soles round out the UTE's safety and comfort features.

blundstone.ca



◀ Task Tools dust containment accessories

Task Tools is rolling out a series of dust containment accessories, including its QSR Dust Containment Door Kit and extension, and Dust Containment Tape. The double-zipper slider door is made from heavy duty six-mil fire retardant poly and is designed to contain dust thermals quickly. The double-sided tape secures tarps or poly sheeting to surfaces such as wood, glass, aluminum, plastic, vinyl, and painted surfaces. It bonds and holds sheeting materials in place and its makers say the masking tape adhesive side can be cleanly removed from surfaces for up to 14 days.

task-tools.com





Seljax Estimating Service ▶

Seljax now offers an Estimating Service for retail lumber dealers throughout Canada and the U.S. The Seljax Estimating Service provides estimates for houses, garages, decks, farm buildings, etc. Simply go to the Seljax website, then click on “Estimating Service” and fill in the necessary information, or attach a PDF of the house plan. Seljax will send out an estimate. The completed estimate can be supplied via email, or directly into Seljax Software for ease of pricing, editing, and printing.

seljax.com



◀ Bona Hardwood Floor Mop system

The Bona Hardwood Floor Mop system combines Bona’s premium no-residue cleaner with a durable microfibre mop, creating what the company proudly calls “the ultimate, quick and easy cleaning tool.” The mop features Bona’s microfibre cleaning pad, which picks up moisture and dirt, leaving floors clean with no dulling residue. It also comes with a full-sized, refillable cartridge of Bona’s non-toxic Greenguard certified cleaner for floors, families, and the environment.

bona.com

New from Duck Tape times Two ▶

Duck has added two new products to its line of duct tapes. Max Strength Duck Tape is thicker and stronger than its other tapes for heavy-duty projects. Designed specifically with industrial applications in mind, this UV-resistant, all-weather tape is recommended for both indoor and outdoor use and comes in a variety of colours. Also available: Duck’s No Residue Tape, which can be removed cleanly within six months for those projects where leftover glue isn’t an option.

duckbrand.com



◀ Champ's Survival Skybox Multi-Function Emergency Radio

For the trained survivalist and the amateur outdoor enthusiast alike, Champ’s Survival Skybox Multi-Function Emergency Radio combines emergency preparedness and entertainment. Stay up to date with weather alerts while streaming music from your smartphone via Bluetooth. A built-in phone charging port and emergency hand-crank charging keep the user connected in all conditions. The Skybox also comes equipped with a flashlight and distress light for added security.

champprepared.com

HARDLINES CONFERENCE GETS BACK TO COMMUNITY BASICS

When it comes to the home improvement industry, all retailers need to jog their memories is to look around and be reminded of the people in their communities who determine their success.



Robert Howard, from Kurt Salmon, a management consulting firm, warned that customers will leave even well-established brands based on bad service.

The theme of community involvement ran strongly throughout the 19th annual Hardlines Conference, held in October in Toronto. The event, which drew more than 165 managers, executives, and dealers from across Canada, featured presentations from some of North America's leading retail figures.

Greg Hicks, the senior vice president of merchandising for Canadian Tire, explained how the iconic Canadian brand, facing declining sales, re-evaluated and came to the conclusion that it had to get back to its original values.

"This soul-searching helped us realize that we need to stay true to our roots," said Hicks. "And our social causes became our compass."

Canadian Tire's Jumpstart program, which funds sports equipment for under-privileged



youth, and its partnerships with professional athletes have not only boosted the company's reputation in the eyes of Canadians, but sales as well.

But it doesn't take getting professional hockey players involved to meaningfully give back to your community. As the delegates heard, a gesture as simple as providing



Greg Hicks, senior vice president of merchandising for Canadian Tire: "We need to stay true to our roots."

ear plugs at a local music festival in Victoria, B.C., made Vicki Hagel's Cook Street Castle Building Centre's booth there the talk of the festival.

While this wasn't news to audience members—quality customer service and community involvement have long been what sets the home improvement industry

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Robert Moschorak, Ace Hardware International, reminded delegates that the bottom line isn't about pleasing shareholders.



Vicki Hagel, Cook Street Castle Building Centre, told great stories of local community involvement.

apart—to see and hear first-hand examples of this kind of involvement, ranging from Canada's largest retailer to a local independent, brought home the importance of balance, at home and at the workplace.

RETAIL AS “EXPERIENCE”

What consumers want most from their retailers are experiences. This turned out to be one of the key takeaways from the conference.

As Robert Howard, from Kurt Salmon, a management consulting firm, told the audience, consumers are willing to pay a premium for an experience. He went on to reference a study that said 80 percent of executives thought that their companies were delivering superior customer service, but only eight percent of customers agreed.

Even more jarring is the fact that a study also showed that 90 percent of consumers

Jo Rossman, from the Association of Retail Environments, shared merchandising ideas from around the world.



will leave brands because of a bad customer service experience.

Jo Rossman, of the Association of Retail Environments, presented examples from around the world of innovative store design and POP aimed at engaging customers and making the store visit more exciting.

But if retailers remember that their bottom line isn't about pleasing their shareholders—or even keeping track of their

shares and likes on social media—and instead focus on sharing their knowledge, expertise, and their own personal touch, said Robert Moschorak, from Ace Hardware International, they're pointed in the right direction.

“You can never lose sight of who you're serving,” said Moschorak. “Success isn't about getting it past the goal post, it's about how you practice every day.”

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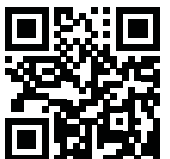
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BY JOHN CAULFIELD

HARDWARE WHOLESALEERS JOCKEY FOR MARKET SHARE

Never have there been fewer players in hardware wholesaling than today, but never before has the competition been so fierce.



Sutton Home Hardware, a 16,000-square-foot store in Sutton West, Ont., has been a member of Home Hardware Stores Ltd. for 23 years. When asked why that buying group continues to earn his company's loyalty, owner Dave Haynes says the reason was pretty basic.

"At the end of the day, what matters is 'can they deliver?'"

Haynes' explanation is worth remembering at a time when Canada's leading hardware distributors once again are jockeying for a competitive position to capture more shares of a consolidating market.

This latest horse race was set off by last summer's divorce between Ace Hardware in the U.S. and TIM-BR MART Group and the subsequent marriage of Ace with RONA through a master license and long-term distribution agreement.

"This is a story of two great brands and companies coming together to benefit Ace Canada dealers and the Canadian consumer," proclaimed Ace International's president and general manager Robert Moschorak when the pact was announced. And the initial reactions of Ace Canada and TruServ Canada members to this deal have been mostly positive—RONA acquired TruServ Canada in the fall of 2010—with dealers from the ranks of both Ace's former and current partners giving the banner serious consideration.

The Ace-RONA combination can be seen as a continuation of recent events that have turned Canada's hardware distribution sector upside down. These include the acquisition in November 2013 by Quebec's La Coop fédérée of 20 percent ownership in rival BMR. Three months later, La Coop determined that it would close its distribution centre in Trois-Rivières, Que., whose last day of operation is January 16, 2015. What remains to be seen, then, is how hardlines distribution fits into the combined group's plans for its hardware and LBM dealers, including those that fly the Unimat banner.



Unimat dealers can expect to share in a wider access to hardlines now that La Coop and BMR have merged their hardware distribution.

Executives at BMR have said they'll not be prepared to discuss their company's plans and strategies until early 2015. By that time, all of the La Coop dealers that had been buying through the Trois-Rivières DC should be switched over to BMR's purchasing program and distribution system. To help with the transition, BMR's latest winter dealer show, held in November, featured heavy attendance for the first time by La Coop's own dealers.

LOOKING AFTER THE INDEPENDENT

Certainly more clear-cut at this point is the arrangement between Castle Building Centres and Memphis, Tenn.-based hardlines distributor Orgill. Doug Keeling, Castle's LBM buyer, who handles the Orgill account, says that about 200 Castle dealers currently receive product from Orgill's distribution centre in Inwood, W.Va., or a third-party facility in Brampton, Ont., which handles bulkier items and "products specific to Canada," says Keeling.

While Orgill's most extensive customer base remains the Castle members, the wholesaler is actively developing customers regardless of their current affiliation. Orgill's own dealer shows, held in locations as distant as Orlando, Fla., typically attract a cross-section of Canadian buying groups,

including ILDC, RONA, TIM-BR MART, Sexton, and Unimat.

Meanwhile, TIM-BR MART's hardlines distribution arm, Chalifour Canada, is shaking off the split from Ace. The distributor has decided to close its hardware distribution centre in Victoriaville, Que., and shutter another LBM support facility in Rivière-du-Loup, Que., in the first quarter of 2015. That will leave it with DCs in Ontario and British Columbia to handle orders for 1,600 active dealer customers across the country, only half of which are TIM-BR MART members.

"You'd be surprised how many true independents there are out there," says Lou Valeriat, Chalifour's vice president of operations. Chalifour's calling cards, he adds, are the "regionality" of its product assortment and its ability and willingness to sell hardware products to dealers large or small, anywhere in the country.

PROVING THEIR VALUE

But switching suppliers is far from straightforward. "There are a lot of options out there," concedes Haynes of Sutton Home Hardware, even if the industry's new order isn't compelling him to switch distributors anytime soon. "When you start flipping around, you have to rebuild all those relationships again."



RONA giving its TRU dealers a new option thanks to a partnership with Ace International.

Haynes' observation is shared by many dealers. But that doesn't mean they'll blithely stick with a supplier no matter what. And the industry's recent turmoil might give some of them pause to reconsider their current supply chain. So the question hardware distributors must ask themselves is: What do dealers want to keep them in the fold?

"Any retailer has to be thinking 'I've got to be part of a strong brand,'" says Terry Davis, CEO of Home Hardware Stores. But a supplier must fortify the value of that brand every day.

For example, a few years ago, Home's dealers weren't happy with the quality of housewares the buying group was stocking. "They told us the assortment wasn't keeping up with the times," recalls Davis. Home had been purchasing housewares from North American and European vendors, but finally went to factories in Asia to find products better suited to what dealers were asking for. It now markets Chinese-made housewares under the Kuraidori private label.

Castle was motivated to find a new hardware distributor after its members kept complaining about fill rates from previous suppliers. "They were telling us they needed a new situation," says Keeling. "Hardware may have been a small part of

their businesses, but it was creating the most headaches." He adds that Orgill's fill-rate record so far has been "excellent."

The rationale behind the Ace Canada-RONA agreement was a bit more complex. Bill Morrison, president of TruServ Canada in Winnipeg, Man., says the two groups had identified the need among their dealers for programs with more depth, something Ace in Canada could provide.

Morrison says that Ace also brought to the table an "insight into smaller markets in the U.S.," something that would be transferable to similar markets in Canada.

The partners are certainly expecting big things from this alliance. Angel Garcia, Ace Hardware Corp.'s vice president of international sales, has stated his hope that nearly 400 Canadian dealers would be Ace-bannered within the next five years. In the near term, Morrison expects at least 100 TruServ hardware dealers, in addition to some of TruServ's farm-store dealers, to change banners to Ace Hardware.

TruServ dealers seemed pleased about the prospect of a fresh start. For some, TruServ's TRU Hardware banner never really clicked with their customers. Ace's brand is widely recognized because its U.S. ads are seen in Canada via cable and satellite TV, says Will

Pasichnuk, who co-owns TRU Hardware in Manning, Alta.

Wilf Gerhardt, general manager of TRU Hardware in Air Ronge, Sask., adds that rebranding his 17,000-square-foot store as Ace Hardware might also attract Americans who come to his market for the sport fishing. Gerhardt is also enthusiastic about being able to access Ace's private-label and dealer services programs.

Morrison says he's less certain about how many existing Ace Canada dealers, which number around 120 and are mostly in Quebec, would continue to use that banner. "That number is in constant flux."

MAKING THE SWITCH

But at least one dealer made up her mind immediately.

"The Ace-RONA agreement is a plus because we'll be with a buying group that knows and appreciates retail," says Susan Robinson, the former president and CEO of IRLY Distributors, now owner of Fletcher Building Supplies in Princeton, B.C., and an Ace Canada dealer.

Robinson says that TIM-BR MART was less supportive of the Ace brand after its CEO, Tim Urquhart, left the company in 2013. "We didn't have flyer support for two years," because, she says, Chalifour didn't always supply everything that Ace's flyers promoted. TIM-BR MART was also at that time working on building its own TIMBER MART brand for its dealers. (Chalifour's Valeriat said that he was not at liberty to discuss any aspect of the TIM-BR MART-Ace Canada dispute.)

Robinson expects to make fewer special orders and direct purchases from manufacturers under the RONA-TruServ purchasing and distribution umbrella, saying, "I can get smaller quantities and reliable delivery."

She says what she values most from any distributor is "high fill rates and good communication with dealers" and would like all distributors to provide dealers and

their customers with more online ordering options. Those options, she adds, should include customers picking up their orders at the store, or letting the store make the deliveries. “We need to be the point person in those transactions,” she says.

Can Ace fill that role? Depending on how you count, this will be the fourth attempt by Ace to make a lasting impact in Canada. Admittedly, in the past, it was never the master of its own fate here, relying on partnerships that, through the years, made the Ace brand part of an existing brand strategy for a series of Canadian distributors.

Home Hardware’s Terry Davis evaluates the latest move by the U.S. co-op in light of this history, saying that the latest partnership could be a good fit. “RONA has the experience of running a multiple banner operation. So now we’ll see if it can make Ace acceptable to [dealers and] customers.”

Nevertheless, Davis is confident that Home Hardware’s value to dealers remains strong. “The question is what brand will work best for dealers? Our view is that some dealers will choose RONA, Ace, TRU. But we believe that more dealers will see Home Hardware as the right brand. We like our strategy.”

FIELD IMPROVEMENTS

Brad Swanson, who owns Swanson’s Home Hardware in Kitchener, Ont., has been a Home Hardware member since 2000 and buys 95 percent of his store’s inventory through the co-op. But he thinks Home could be doing a better job at identifying and listing products it sells. “When you try to find something, it may be in their inventory, but you still need a salesperson to tell you what they have,” Swanson lamented.

Home Hardware appears to be listening to those concerns. Davis says the company made an important enhancement to its distribution capabilities when it installed Manhattan Associates’ Enterprise, Resource, and Planning (ERP) system at its distribution centre in Diebert, N.S. That system lets the DC handle more products

with the same number of employees. Davis says Home plans to roll out this system to its other DCs in 2015.

It also made a conscious shift in 2014 from the previous six years when its focus was on converting dealers from other banners, a campaign that added 140 stores and \$850 million in additional retail sales. Now Home Hardware is working more purposefully with existing dealer-members to upgrade their stores, assortments, and banners. Davis says this effort is working, as same-store sales account for 38 percent of Home’s annual revenue, compared to 37 percent from banner conversions.

Other distributors are making improvements, too. Chalifour, says Valeriati, has been investing in hiring and training “business development agents,” who now number 18. “They are our eyes and ears on the ground, and are like retail hardware consultants.”

The distributor also recently introduced a proprietary paint line called Mosaic, which is made by PPG. While nothing is imminent, Valeriati says Chalifour is investigating other private-label opportunities.

And in September, Chalifour launched a test in Toronto, Ont., with a third-party logistics company that is co-ordinating the distributor’s freight deliveries using different common carriers. “We’re assessing how cost effective this is,” and whether it could be rolled out to its Western markets eventually, says Valeriati.

MAINTAINING NATIONAL REACH

In explaining the benefits of the Ace-RONA deal, Moschorak says the key for dealers will be their ability to “bulk up on private label and controlled label products that you can’t get anywhere else in Canada.” The goal, he says, is “to make one solid national brand across the country.”

Morrison adds that this new arrangement “gives us the ability to finally think on a national scale.” Valeriati, on the other hand, says that Chalifour’s national footprint is still unique because it isn’t confined




Chalifour's Lou Valeriati: “You’d be surprised how many true independents there are.”

to selling only to dealer-members, like the bannered groups do.

National coverage, though, may be less important to dealers who are more concerned primarily about how their single store can compete with Canada’s retail behemoths. “There are big players in this market, like Home Depot and Lowe’s,” says Kirk McLean of Orillia Home Hardware Building Centre in Orillia, Ont. “Home Hardware is different: it’s independently owned but it still puts us on the same playing field [as the big boxes]. We can be proactive in our approach to business, and we can be what we need to be for our community.”

WHAT THE FUTURE WILL HOLD

Distributors are rightly concerned about the ramifications of retailer consolidation on their businesses and growth. Morrison sees “an industry in transition,” where “many dealers today will not be around in five to 10 years.” Even some dealers think Canada’s home improvement sector still needs some shaking out. “We are overstored, and we haven’t seen enough stores close yet,” says Swanson at Kitchener Home Hardware.

He also wonders, as no doubt do many others in the industry, if deals like the one between Ace and RONA might presage even more consolidation among Canada’s hardware distributors and suppliers. 

HOUSING & RENOVATION OUTLOOK: IS GOOD NEWS AHEAD?

Housing will stall, but reno activity is expected to increase. Ted Tsiakopoulos, Regional Economist for Canada Mortgage and Housing Corporation, speaking at the 19th Annual Hardlines Annual Conference in Toronto, shares his insights.

Efforts to rejuvenate Canada's new housing market will flag in 2015. However, that decline is expected to be accompanied by a strong and growing resale market. In fact, that resale market is where CMHC expects the most growth in the coming years.

Regionally, the West has dominated the country since 2003 in terms of growth; however, there is optimism that growth in Central Canada will start to increase and will continue to grow steadily. As land availability decreases, especially in urban areas, there will be increased price pressure in the resale market because the amount of housing stock is limited. Tsiakopoulos explains that two-thirds to three-quarters of the housing stock in Canada was built before 1991. Therefore, much of the housing stock is coming up for resale—and will need renovating.

Price pressure is especially strong for resales of single detached homes. These are growing the fastest in Calgary, followed by Vancouver and the Greater Toronto Area (GTA), which are growing at the same rate.

RENOVATIONS REMAIN HOT

In those hot housing markets, price growth will start to slow down in the coming year, but a price correction is not likely, says Tsiakopoulos. However, with most housing sales concentrated in the reselling of existing housing stock, there will be major investments in renovations, which will positively impact the hardware/home improvement industry.

Currently, renovation spending is supported by low interest rates, an ageing

population, ageing housing stock, and rising housing prices. Tsiakopoulos draws a strong correlation between price and spending on renovations. When housing prices increase, homeowners feel richer and are more likely to invest in their homes through renovations.

Exports are expected to remain strong and drive the economy here. CMHC is predicting that the Canadian dollar could drop to 85 cents on the U.S. dollar; however, this keeps exports strong. And as the U.S. economy recovers, it's looking good for 2015 and job growth south of the border is forecast to keep growing. Ontario and Alberta are expected to benefit most from a growing U.S. economy.

CONDOS SUPPORT RENOS

The condominium market is where most of the new housing starts are generated in urban cores. Condo purchases are currently positively impacting the market, but that could change due to the correlation between price and spending. If condo prices start to drop, spending will also decrease on renovations.

For now, rental demand in urban cores is very strong and is able to absorb the extra condo supply, and therefore, investors are holding onto their units. According to CMHC, around 60 percent of investors hold their condo units for more than five years—and this is supportive of a market that encourages renovation spending.

PREDICTING THE FUTURE

Trying to predict interest rates has been tough for CMHC, Tsiakopoulos admits. A number of external factors could have



Ted Tsiakopoulos says when housing prices increase homeowners feel richer and are more likely to invest in their homes through renovations.

a positive impact on the economy, such as whether the U.S. economy starts to grow faster than expected. Additionally, if the global economy continues to keep interest rates down, this will affect Canadian lending rates and help promote growth and renovation spending.

However, there are also risks in predicting how the economy will perform. If the economies in emerging markets and/or Europe start to slow their growth, that will negatively impact the Canadian market. Furthermore, if condo inventories start to grow faster than the rental market can absorb the extra units, that could lead to a drop in condo prices, which would affect the whole housing market.

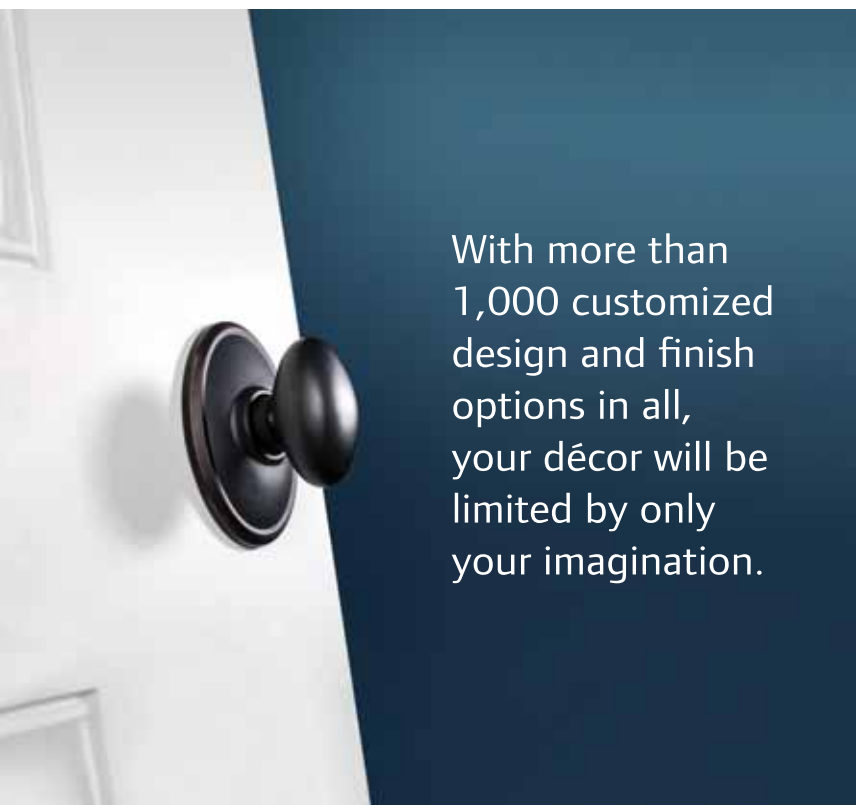
Overall, says Tsiakopoulos, the Canadian economy is well positioned for continued growth. The housing market is strong and will support continued renovation spending that favourably impacts the hardware/home improvement industry.

PHOTO: CALLUM PINKNEY



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BY SIGRID FORBERG

TONY STEIER: FCL FOCUSES ON GROWING IN ALL DIRECTIONS



Between corporate food stores, petroleum operations, and a feed and seed business, one might think Federated Co-operatives Limited doesn't have time to focus on the hardware aspect of the business. But then, one might be wrong.

Tony Steier jokes that his high school yearbook quote predicted his ultimate doom would be to work for a co-op. But three decades into his career with Federated Co-operatives Limited, Steier knows that even though it was his ultimate doom, he's accomplished something.

In his time with the company, he's worked his way up from retail sales co-ordinator, to buyer, then sales and marketing manager, procurement manager, and process improvement manager. In 2013, he was promoted to home and building supplies director, where he's now responsible for leading and developing the home and building supplies business throughout the co-operative retailing system.

During his tenure, he's seen a lot of changes as the industry has adapted to meet an ever-evolving market.

Last October, Steier spoke at the 19th annual Hardlines conference, where he shared how FCL is transforming home improvement retail in the West. The proof is in the sales: after strong numbers in 2013, FCL is anticipating positive results for 2014 as well.

FOCUSED ON THE WEST

FCL's focus remains regional for the time being, Steier says, as the company has been focusing primarily on figuring out how it fits into the fabric of Western Canada, where FCL's Co-op stores are spread out across 500-plus communities.

As a locally invested and community-minded co-operative, FCL has marketed itself as a brand for customers to view as their local alternative and an extension of the Western Canadian landscape. And Co-op's customers wouldn't be far off in that perception: FCL is the second-largest company in Saskatchewan and the top non-financial co-op in Canada.

While FCL does big business in fuel and feed and seed, the hardware business is an important part of its retail strategy, tracing right back to its farming roots. FCL's hardware and home improvement sales are in the range of half a billion dollars per year, making it the 15th-largest retail group in this industry. Part of what Steier says makes his company so successful is that it immerses itself in the business to meet customers' needs.

"Backed by the fuel and crop input, we're basically into all these products that sell into the farm category," says Steier.

Its access to a wide product assortment is aided by its membership in both the Spancan hardware buying group and the Independent Lumber Dealers Co-operative. Steier says that when it comes to buying groups, "two are better than one."

On the other hand, FCL hasn't limited itself simply to addressing its customers' needs in traditional home improvement and hardware areas. The modern approach is all about convenience and one-stop shopping. Steier refers to one of its stores, Pioneer Co-op, which houses a food store, C-Store, and Farm Centre all under one roof in Kyle, Sask.

PHOTO: CALLUM PINKNEY

ON THE CUTTING EDGE

Beyond what's on offer in the store, it's crucial to stay a step ahead of what customers are going to be looking for tomorrow. "We need to have all the knowledge we can for farmers," says Steier. "They're highly connected these days."

From tractors that drive themselves to drones that water their crops, the technology available to farmers is rapidly evolving. To keep relevant, FCL needs to stay on the leading edge of those developments and connect with its customers through the channels that work for farm customers. Even though FCL is selling to a historically traditional market, the company is using new technologies and advertising, which includes everything from social media to its own FCL app.

But an online learning curve was involved. Now customers can choose whether they want to receive emails or personalized flyers through their apps that advertise certain products and categories, such as grocery or hardware. Not only does it save the customer from getting frustrated or overwhelmed with constant ads—which benefits the company as well—but it also gives FCL a good amount of material for marketing research.

"We were bombarding people at first. But we figured that out and adjusted that—now people can sign up for what they want," says Steier.

"And we know what people are buying and when they're buying."

But in the desire to stay current, FCL hasn't abandoned all its traditional ways or what people feel defines the company. Steier says FCL was founded 85 years ago with the idea of built-in loyalty—offering direct returns on customer purchases. Over the last few years, FCL has given back \$3.5 billion to its members. "We call profits patronage in the co-op world," says Steier. "All our profits go back to the ultimate consumer."

CONNECTED TO THE COMMUNITY

Beyond the structure of the co-op, the company is also involved in some non-profit initiatives that appeal to its customers' desire to be connected.

A partnership with four Western teams in the Canadian Football League has resulted in FCL carrying a range of football-themed products like bar fridges, lounge chairs, energy drinks, and chips.

It also has its own line of Game Day Approved products with the Winnipeg Blue Bombers, the Edmonton Eskimos, and Calgary Stampeders. A portion of the sales from the co-branded food and merchandise will be donated to local children's hospital foundations in the three Prairie Provinces.

"It's just another way for us to be involved in the fabric of the community," says Steier. "Philanthropy is a part of who we are."

In addition to the Game Day Approved products, which have raised more than \$400,000 for local children's hospital foundations since 2010, FCL has donated the manpower of their employees



FCL's refurbishment process includes getting more products out of the back of the stores and onto the shelves.

through the Red Cross during floods, and held fundraisers for the Canadian Breast Cancer Foundation.

Another important social cause is ensuring that FCL moves in an environmentally sustainable and socially responsible direction. "We're working on sustainable procurement," says Steier. "We're going to lean towards options that are better for the environment—that's key for us."

RESPONDING TO CUSTOMERS' NEEDS

It all goes back to knowing what their customers not only need, but also what they want. And while convenience, on-point use of social media, cutting-edge tools and machinery, and community involvement are increasingly important these days, they're only a few parts of what customers are looking for in a store.

For years, conventional gondola and shelving fixtures had typified many of FCL's stores—as it has for many other retailers. But, last year, the company decided that approach was no longer working as well as it should and implemented a plan to update its retail locations. The refurbishment process includes getting more products out of the back of the stores and onto shelves. Twelve stores have already been upgraded, with more planned over the next few years.

"We're looking at all the different ways to meet our communities' diverse needs," says Steier. That includes working hard to provide a diverse product assortment and high fill rates.

Steier also announced that after acquiring 14 Sobeys stores and 17 agro stores from Viterra this year in Western Canada, FCL is looking for companies in the hardware industry to purchase and opportunities for greenfields expansion, as well. Acquisition targets could include smaller independents or even larger chains. "We're in a good financial shape to expand and grow."

So while it might have been his "ultimate doom" that Steier's been working on cementing all these years, he certainly hasn't done it with any half measures. "And it's been wonderful."

HIGH-TECH INNOVATION WILL DRIVE RETAIL TRENDS IN 2015

BY GEOFFREY McLARNEY

Against a backdrop of aggressive cost-cutting measures, major retailers are increasingly looking to high-tech solutions in order to streamline the purchasing process.

From helping customers decide what to buy to adding more options for payment and shipping, technology is reducing the time and effort needed to take a purchase from an idea in a customer's head to an item in hand.

Just about every big retailer these days has a strategy that combines online with helping customers navigate their stores. In a recent interview with *HARDLINES*, Lowe's Canada president Sylvain Prud'homme said, "We don't talk about bricks and mortar versus e-commerce. It's just commerce. It's just about giving customers what they want."

According to this year's *Mobile Personas* report, he's right: the survey found that 70 percent of shoppers are using mobile devices to help them shop, and the rate jumps closer to 80 percent among the youngest demographic. A typical example is Home Depot's mobile app, which includes catalogue information, a barcode scanner, information on in-store availability, and comes in different formats for iPad, iPhone, Android, and mobile web.

Retailers continue to seek new ways to ride the mobile bandwagon. Canadian Tire's president and CEO Michael Medline has spoken of his vision of a digital future where customers can receive automated text messages when the winter weather sets in, notifying them of seasonal discounts and special promotions in sync with up-to-the-minute climate conditions. In Britain, B&Q just poured the equivalent of \$100 million into redeveloping its web platform, in part to make it more accessible to mobile users.



Lowe's has developed a "holoroom" that will allow shoppers, through virtual reality, to envision how various home improvements and furnishings will appear in their own homes.

A more dramatic example of the same principle in practice was Lowe's introduction of robots. Confined for now to a single store in California under the recently acquired Orchard Supply Hardware banner, the "OSHbots" can assist customers in finding and selecting merchandise in just about any language. The OSHbots are also at the disposal of store employees, who can get help with inventory management in real-time and network with their colleagues in other stores.

Robots aren't the only high-tech tool Lowe's has in store for customers, either: the



retailer's Innovation Labs have developed a "holoroom" that will allow shoppers, through virtual reality, to envision how various home improvements and furnishings will appear in different rooms. While it's only being rolled out in two stores this year—both in Canada—CNN is already proclaiming that it may signal "the end of fabric swatches and paint samples."



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Other companies are following the same path, reaching out to both customers and their own employees with in-store technology. Home Depot's SMaRT (Social Mobile and Real Time) provides much of the same kind of information as its mobile apps, but is geared to the store's own employees. They can use a tablet device to consult not only information from the Home Depot website but also comparative pricing data from the competition and even weather updates to help them tailor their suggestions to the customer.

Lowe's is also investing in this more down-to-earth, if less theatrical, kind of in-store connectivity. At the beginning of the year, it quietly teamed up with Seattle web startup Porch.com, which connects both customers and store employees to local professional contractors, as well as allowing them to see how other homeowners' projects have turned out. The site allows Lowe's to act as a bridge between customers and services that it doesn't provide itself.

THE LINES ARE BLURRING

Technology isn't just helping customers and employees navigate within stores, either: it's narrowing the distance between home and store. More and more stores are combining e-retail and bricks-and-mortar storefronts in creative ways, with buy online, ship to store and buy online, pick up in store options proliferating among retailers. In fact, according to Ottawa-based Benbria, which specializes in customer notification systems, 88 percent of top U.S. retailers make some provision for it.

Canadian Tire, for example, makes 80 percent of its inventory available to order online and then pick up in person, making stores effectively into small warehouses. Walmart and Home Depot are also among the retailers capitalizing on the popularity of such options. At Home Depot, customers can place orders online or use the iPhone app to select a pickup location, and an email



Retailers are working hard to integrate bricks and mortar with an online experience.

notification lets them know when the items have arrived. Customers who opt for home delivery can also go to their local Home Depot if they need to make returns.

Similar moves are being made at the independent dealer level, as well. Home Hardware Stores expanded its own online shopping initiative last year, enabling customers to order products online and pick them up at their local Home Hardware store.

Getting a piece of the e-commerce pie may be understandably appealing to traditional retailers battling encroachment by Amazon, but the draw of the eclectic approach runs both ways. Plans are afoot for Amazon to open a facility in midtown Manhattan that's rumoured to include a bricks-and-mortar Amazon store.

This is precisely the kind of blurring of the lines between traditional and e-retail that Lowe's Canada's Prud'homme described. In a similar vein, Target recently



announced the purchase of Pittsburgh's Powered Analytics, a developer that touts their software as offering an "Amazon-like shopping experience" to the in-store shopper, just another indicator of those blurred

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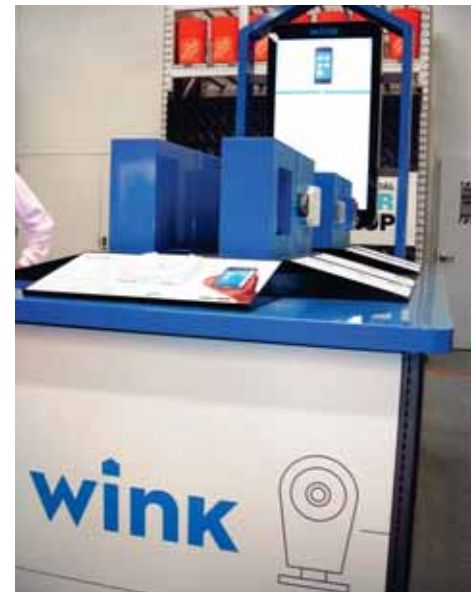
lines. The system sends custom alerts and recommendations to customers based on the layout and inventory of the store.

TECHNOLOGY AT HOME MEANS SALES FOR DEALERS

In addition to the numerous uses of technology to connect customers with and within stores, a growing number of solutions are targeting the user at home. Honeywell has introduced Lyric, a WiFi thermostat that can be controlled via computer or mobile device from anywhere in the world, and can even learn to adapt to the heating and cooling cycles in one's home. It's part of a growing trend toward interconnected home technology that's being dubbed the "Internet of things," and it encompasses everything from light bulbs to garage doors, all controllable at the touch of a mobile device.

Companies such as Philips are taking the lead with LED light technology that's fully programmable. Lights throughout one's house can be controlled through a mobile device or iPad to turn on and off on command, to vary in intensity, and even to change colours, matched to a set mood or to music playlists. The bulbs can also be set to turn on and off automatically when one arrives home and leaves. A dimmer setting gradually transitions lighting in the morning and at night.

Similarly, Chamberlain's MyQ garage doors use wireless technology to open and close garages as well as adjust home lighting. Users can receive a phone alert notifying them when their garage has opened or closed.




Clockwise from left: Lighting manufacturers like Philips are using technology to target the homeowner; Home Depot promotes online shopping right in its stores; Wink is a "smart home" interface now available through Home Depot; and Honeywell's Lyric thermostat can be controlled remotely through a mobile device.

As more and more applications are linked up to mobile computing, the natural trend is toward aggregated platforms that allow homeowners to manage multiple devices, and ultimately to creating a "smart home." Wink, which has teamed up with Home Depot, is one mobile app that keeps users connected to home while on the go. Using their mobile device, users can control lights, locks, thermostats, and even window blinds. They can also monitor live footage from home security cameras. Home Depot currently sells more than 70 products that tie in with Wink. Some can sync directly with the app, while others need to be connected first to a Wink "hub" in the user's home.

Not to be left out, Lowe's has its own "smart home" platform. Iris supports a similarly comprehensive range of applications. Customers typically start out with one of the three starter kits on offer. The "Safe and Secure" kit focuses on home security, the "Comfort and Control"

is geared toward temperature and lighting, and the "Smart Kit" combines features from each of the others. Iris produces its own line of products that can be synchronized to it: available exclusively from Lowe's, they include door and window contact sensors, motion detectors, surveillance cameras, smoke and carbon monoxide detectors, door locks, a water leak detector, garage door openers, and light switches.

All of these emerging technologies present industry players with a potentially steep learning curve. With new products and services available almost every day, vendors have to be increasingly quick on the draw, informing retailers about products they may still be teaching themselves to use, so that retailers can in turn pass that knowledge on to the consumer. The explosion of technologies geared to in-store and at-home use mean that vendors and dealers will have to get used to hitting the ground running as a fact of life. 



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Beverly Allen, Publisher of Hardlines, which hosts the awards; Elizabeth Graham and Bill Graham, Manager of RONA Erin Mills, Erin Mills, Ont.; and Sara Clarkson, President of Storesupport Canada, sponsor of the award.

ERIN MILLS RONA

BEST LARGE SURFACE RETAILER (OVER 65,000 SQUARE FEET)

Erin Mills RONA was originally a Revy Building Centre that was built in 1999, making it one of the oldest big box stores in Ontario. The store came under the RONA banner in 2001 when RONA bought the Revy chain. And big changes happened in 2009 when Bill Graham began managing the store.

THE STORE

Since Bill Graham took over, sales have tripled—despite the fact that he stepped in during a recession. Since 2009, a number of services have been added to make the store a one-stop shop for consumers and contractors. The store has added a tool rental centre, a centralized service desk

for purchasing project packages, and an outside sales rep who supports selling full house packages.

Erin Mills offers a convenient one-stop shop experience where customers' needs can be fulfilled in a central location. The staff pride themselves on making sure that the store looks fresh, clean, and inviting to customers. To look after pro customers, the store has a centralized sales desk as well as their outside sales team.

COMPETITION

The customer base of Erin Mills is approximately 750,000 people and the main



industries in the area include retail, financial, and food services, plus small industrial and manufacturing facilities. Due to the store's location in the Greater Toronto Area, there's a lot of competition. Within a five-kilometre radius, there are five Home Depot stores, three Canadian Tires, and three Home Hardware dealers. And if that isn't enough, two Lowe's stores have opened nearby in the past year.

Despite this tough competition, since 2009, the store has seen sales increases every year, sales per square foot have increased by eight percent, and turns have doubled.

COMMUNITY INVOLVEMENT IS IMPORTANT

In the community, Erin Mills participates in the Annual Bread and Honey Festival, a weekend community event when the store offers a how-to instructional workshop for children that includes painting RONA hats. Additionally, the store raises money for the Heart & Stroke Foundation, Ride for Heart, and Sick Kids Hospital.

The mission statement of Erin Mills RONA states that the store's goal is to provide Canadians with the best products and best advice to build and renovate their homes in total confidence. Bill Graham has led his team to embody this philosophy whole-heartedly and his leadership has paid off immensely.

The impressive growth of the store coupled with great customer service and a constant striving to improve the customer

experience are what have made Erin Mills RONA stand out in the category of Best Large Surface Retailer.

Since Bill Graham took over at RONA's Erin Mills big box store in Toronto's west end, sales have tripled.

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(Front) Jason Stewart and Anita Terry of Rocky Mountain House Co-op; (rear) Jeff Lelond of Rocky Mountain House Co-op; Eric Schlaud of Orgill, sponsor of the award; Shane Buss and John Adrian of Rocky Mountain House Co-op; and Michael McLarney, of Hardlines, which hosts the awards.

ROCKY MOUNTAIN HOUSE CO-OP

BEST BUILDING SUPPLY/HOME CENTRE UNDER 25,000 SQUARE FEET

Rocky Mountain House Co-op was found in 1946 by a group of local citizens who decided that they needed a hardware store in their community. The co-op is owned by the members who shop there—and to buy a share in the store costs just \$10. The store opened its doors in October 1947 and is still operating out of the same building.

Two years ago, Jeff Lelond returned from an office position with Federated Co-operatives Limited to run Rocky Mountain House Co-op. Since Jeff's return, the store has undergone a complete store upgrade to the tune of \$1.2 million.


COMPETITION

Rocky Mountain House is located in central Alberta with a population of around 7,000 people. It's a very young community with a large percentage of the population between 20 and 34 years old. The local economy is driven by farming, petroleum, and forestry.

Although the trading area for Rocky Mountain House only includes around 10,000 people, there's a lot of competition—a Home Hardware, a Peavey Mart, and a Canadian Tire all sit within two kilometres.



Operating out of the same building since 1947, Rocky Mountain House Co-op is owned by the members who shop there.

Rocky Mountain House Co-op embodies the store's slogan, "You're At Home Here" by being an integral part of the community. The store embodies its mission statement of being a leader in service, value, and community enhancement— and these values are why Rocky Mountain Co-op was chosen as the winner for Best Building Supply/Home Centre under 25,000 square feet. 



COMMUNITY

Rocky Mountain House Co-op is very active in the community and the employees there believe strongly that building connections with the community goes beyond supplying goods. Rather, they are invested in building relationships that are strong and permanent.

For example, the staff found out that a customer had just had a new deck built, but the contractor had made an error in the installation. Even though the store had nothing to do with the installation, employees got the correct pieces and went to the house and fixed it. While they were there, they noticed damage to the garage door trim and fixed that, too.

In addition to generously giving time, in the last three years, Rocky Mountain House has donated more than \$260,000 back to the community and surrounding area. The store is a big supporter of their team members volunteering to make Rocky Mountain House a better place, and they're regularly organizing events such as annual pancake breakfasts and sports tournaments.

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(Front) Jane Kelly of Schlage, which sponsored the award; and Linda Haynes, owner of Sutton Home Hardware; (rear) Sam Russo and Mark Wilson of Schlage; Dave Haynes, Owner, and Steve Peasgood, Manager, of Sutton Home Hardware; and Michael McLarney, Editor of Hardlines, which hosts the awards.

SUTTON HOME HARDWARE

BEST HARDWARE STORE

Sutton Home Hardware is owned by Dave and Anita Haynes. Dave started his career at Canadian Tire, but by 1989, the couple had decided they wanted to own their own hardware store. They visited an existing operation in Sutton West, Ont., a five-year-old store, which at the time was located in an old grocery store. But there was a problem: the 8,000-square-foot shop, with 6,000 square feet of retail, was underperforming. When they walked through, they quickly realized why: the shelves were empty. Dave and Anita watched customers walk out of the store empty-handed and realized that, if they could just

stock the shelves, they could be successful. In 1991, Dave and Anita bought the business.

THE STORE

To keep people shopping at Sutton Home Hardware, Dave takes the approach that he would rather expand his business to meet customer's needs than go out of business. Within 10 years of opening, their current space had reached capacity and the Haynes' knew they had to build a new store to meet their expanding needs. The new store opened in 2008 with more than twice as much space—plus lots of parking and a 2,000-square-foot garden centre.

The philosophy at Sutton Home Hardware is that they don't sell products, they solve problems. When it comes to customer service, the store makes every effort to go above and beyond customer expectations, such as installing windshield wiper blades for free when a customer purchases them.

COMPETITION

Sutton Home Hardware's approach to competition is simple: if you give people what they need at a fair price and continue to grow the business to keep things interesting, they'll not only shop at your store, but they'll also stay loyal. Keeping a strong customer base is extremely important for a store that's competing with another Home Hardware just 500 metres away and a huge selection of retailers and big box stores in the Greater Toronto Area, just 50 kilometres away.

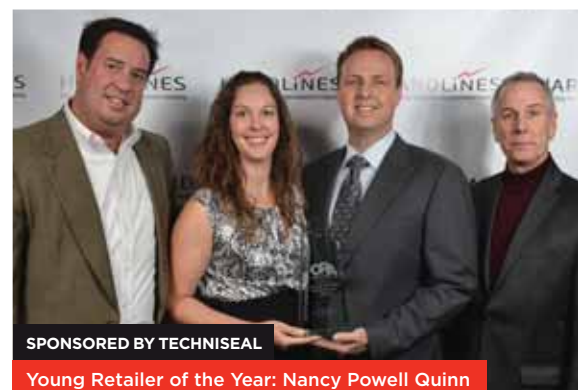
COMMUNITY

Sutton Home Hardware employs 10 full-time and 15 part-time staff. The store is very involved in the community, including support of local sports teams. An example of the store's role in the community is when, in 1997, the town said that it could no longer host its Santa Claus parade. Sutton Home Hardware took over co-ordination of the popular event, which continues to this day.

Dave and Anita Haynes make sure that every customer is looked after and that customers walking into the store with a problem walk out with a solution. The staff's dedication to helping customers in their community is why Sutton Home Hardware won the 2014 Outstanding Retailer Award for Best Hardware Store. 



Congratulations to the 2014 Outstanding Retailer Awards Winners



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BUILD A POSITIVE CUSTOMER EXPERIENCE

Price is only one way to keep enticing customers back into your store. You also need to engage them with a lively and appealing shopping experience.

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

Customer experience is the combination of all touch points a customer has with your store and brand: face-to-face, tangible, visual, consumed, and experienced. All staff dealing with customers need to be hired for their attitude, be well trained—and be well treated. Many companies are very good at segments of the customer experience, but fall short on the total customer experience.

Most home improvement retailers will always tell you that they have great customer service. However, research by the North American Retail Hardware Association has shown that the “service gap” is narrowing between the big box and the independent retailer. The percentage of people who say

they get the best customer service at their local independent store has declined by nine percent over the last 10 years.

Clearly, retailers need to broaden their definition of service to succeed.

START WITH THE OUTSIDE OF YOUR STORE

Different segments of the customer experience must be addressed when looking at the total customer experience picture. It starts when they pull into your parking lot. Is the lot clean, is your storefront clean with well-identified signage, and are outside product displays well organized?

When shoppers move into the store, they expect good customer service. It's necessary

in today's competitive environment for a business to thrive. But when you service the consumer in ways that go beyond expectations, you create a “wow” factor that sets your store apart from the competition.

HOW DOES YOUR STORE LOOK?

Moving inside, does the store look up to date and has the paint and interior décor been refreshed recently? Most major retailers update their stores every five to seven years.

The store should be well organized and merchandising with inventory that's current and in stock. If not, it could be costing you sales. Customers shop at clean, well-merchandised stores that are able to supply their needs. The store's look and ambience all help build that special bond between customer and retailer.

WHAT DOES THE CUSTOMER EXPECT?

In another NRHA study, a panel of consumers were asked, “What is important to you when considering where to shop for Home Improvement Products?” Here's what they said:

- above-average customer service at all touch points; face-to-face, phone calls, emails, social media, etc.
- friendly employees that are knowledgeable, well trained and can answer questions
- employees who are empowered and able to make decisions, rather than having to wait for the manager
- employees who can help them with their projects
- fast and easy checkout
- products that are in stock
- product selection that's relevant to their local market

Also, are you bringing “new” into your business? Consumers are constantly looking for new products that simplify their lives.

REMEMBER—PRICE IS STILL IMPORTANT

The store experience depends on the highly interactive nature of many of the products you sell. Most of them require some kind of product knowledge guidance from sales staff, something that's unique to home improvement retailing.

But you have to combine top quality products with competitive pricing. That, of course, is a moving target in Canada, where high/low pricing (blame—or thank—Canadian Tire) is still the norm, unlike the U.S., where everyday low pricing is more typical.

How am I going to help my staff with all these wants of the consumer? When looking at training staff, look for support in product knowledge, step-up and add-on sales, project selling, selling skills, and customer relations. Staff meetings discussing these needs go a long way in helping your employees recognize the need to learn new customer service skills.

GIVING BRICKS AND MORTAR A COMPETITIVE EDGE

This enhancement of the store and the customer experience will be your greatest counter-offensive to online retailing—and

Does your online presence measure up?

Think about these facts:

- one in four consumers turns to the Internet as their first source for home improvement product/project advice
- 74 percent of consumers rely on a store's website for information
- consumers research five to six home improvement products or projects every year
- consumers expect more than store hours and driving directions from your website
- many retailers are delivering e-flyers on Facebook and Twitter, and are linked with their distributor's catalogue

Source: North American Retail Hardware Association



to other competitors in general. Despite the increased challenges that online purchasing will create for bricks-and-mortar businesses, the desire for meaningful emotional connections, more intimate store formats, and better quality products will give independent retailers a competitive advantage in the future.

Determine a point of differentiation for your store, and then wrap a unique experience around the products and service you offer for a superior customer experience. Loyalty is now driven primarily by a

retailer's interaction with its customers and how well it delivers on their expectations. Continuing success in home improvement retail will rest on delivering a superior customer experience.



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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BANKING ON PLAY

BY SIGRID FORBERG

Greg Hicks is the senior vice-president of merchandising for Canadian Tire Retail. He spoke with us at the 19th annual Hardlines Conference in October about Canadian Tire's efforts to capitalize on its heritage and turn that heritage back into capital.

Canadian Tire has never had any trouble with brand recognition. When word spread that the company might be getting rid of its iconic Canadian Tire “money,” chaos ensued. Or, at least, Canadians—not so quietly—expressed their dismay.

This impassioned response confirmed the company's belief that it was doing all the right things, but sales had still been softening, pushing the company to work on several initiatives to, as Greg puts it, “move past why Canadians love us to why Canadians shop us.”

Canadian Tire's strength was always in its legacy, but with more choices, customers were tightening their belts and searching for discounts online. Canadian Tire found itself at a crossroads. “A few years ago, we were iconic, we were pioneers, but our brand wasn't resonating,” he adds.

A lot of introspection led the company back to what it considered the important things—the jobs and joys of Canadians.

retailer with Canadian athletes, such as hockey player Jonathan Toews, for fundraising initiatives to help get kids involved in sports by assisting with the costs of registration and sports equipment.

Sports equipment had long been an important part of Canadian Tire's business and history. But research found that one in three kids can't afford to pay for the necessary equipment. In his mind, Greg says, working to promote stronger kids means stronger families and in the end, a stronger society on the whole.

And that passion for play led Canadian Tire to get involved in sponsoring the Canadian Olympic team. Promoting the belief that “we all play for Canada,” Canadian Tire built an ad campaign to promote the idea of play. The results were overwhelmingly positive.

“We had brought back what Canadian Tire means to Canadians,” he says.

Greg points out that the company needed to strike a fine balance between drawing on



Greg Hicks, senior vice-president of merchandising for Canadian Tire Retail, says a lot of introspection led the company back to what it considered the important things—the jobs and joys of Canadians.

“This soul-searching helped us realize we need to stay true to our roots and our social cause became our compass.”

“This soul-searching helped us realize we need to stay true to our roots,” Greg says. “And our social cause became our compass.”

From those principles sprang the “Jumpstart” program, which partners the

company's heritage and modernizing its brand and approach. Through social media, it was able to engage customers and get their feedback on whether its products are meeting their specific needs. More than 75,000 Canadians initially signed up through

Facebook to become product testers for the company.

“We have to wake up every day and think about how we're going to be the best in every business we operate,” Greg says. From rediscovering its values to streamlining the online experience, he adds that Canadian Tire is an energetic, energized retailer that's continually evolving and thinking of new ways to get better, always with the focus on its customers.

“Consumers are proud of what Canadian Tire is doing,” Greg concludes. “We've got a huge pride in our company and we're just continuing to get better.”



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Brent Perry

Alf Curtis Home Improvements
Peterborough, Ontario

Alf Curtis Home Improvements

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

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

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

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



Expanding Your Market

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

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

Living Up to Commitments

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

Presenting Options

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

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

—Brent Perry



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