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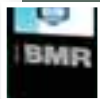
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Doug Lemieux recognized by WRLA with Industry Achievement Award



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Canadian Tire looks to strengthen its retail business with proprietary brands



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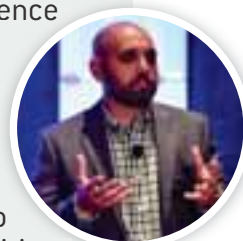
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Start the year on a solid financial footing

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IS IT ALL ABOUT BRICKS AND MORTAR?

Who are the leaders in hardware and home improvement retailing? Guess what: independents are lagging. Why leave leadership to the big boxes?

MICHAEL McLARNEY, EDITOR


The focus of most dealers remains on the business in front of them. On the bricks-and-mortar sales that you can see going out your door every day. The sales that are driven by the great customer service and product knowledge you and your team can provide for customers, whether they're DIYers or contractors. That business was, for most dealers this past year, better than expected. But will that be enough? And what about online sales?

Depot, Lowe's, and Canadian Tire have committed huge resources to developing this aspect of their business. Don't be content to leave the leadership in this important sector to these competitors.

In fact, the big guys are leading the way in a number of areas. Besides e-commerce, Lowe's and Home Depot are going after the commercial and contractor business with laser focus. They are also developing installed services (for Home Depot, it was

business, and e-commerce—will be eroded if you don't have a strategy to build them yourself. Can an independent win with online sales? We've had numerous examples in these pages recounting just such wins. Can you expand or improve your dealings with pros? Turn to page 44 of this issue to see examples of dealers doing just that.

To change your business takes planning. Are you doing a business plan to measure your store's successes and identify weaknesses on a quarterly or even monthly basis? Check out NRHA Retail Advisor Bill Wilson's column on page 46 for details on how to do that.

Finally, are you stepping back from your own business enough to imagine what it can look like in five years? If you don't, then that business may not be here in 10 years. 

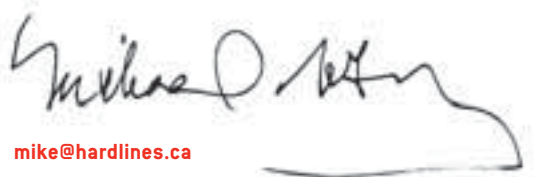
“Okay, independents have enough to worry about day to day. But so many aspects of your business—installed sales, contractor business, and e-commerce—will be eroded if you don't have a strategy to build them yourself.”

Some perspective here: Home Depot's online sales now account for more than five percent of all its retail sales. And the rate of growth of the company's online sales is up around 25 percent annually—well ahead of bricks-and-mortar sales.

So, let's ask the question again: what about online sales? Big retailers like Home

a standout growth area in the company's third quarter). Canadian Tire remains committed to developing new product lines, many of them under the company's own private, or proprietary, brands.

Okay, independents have enough to worry about day to day. But so many aspects of your business—installed sales, contractor



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QUARTERLY BUSINESS CONDITIONS

THIRD QUARTER 2016

In our latest survey of dealers and suppliers, there was overall optimism for the future coming off a year when both vendors and retailers are anticipating increased sales for the 2016 year end.

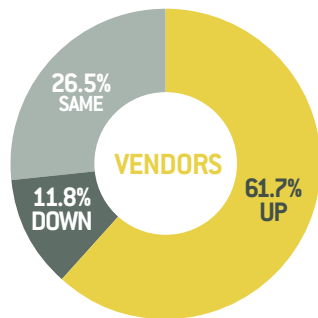
Last year, retailers took it upon themselves to offer more products and services to better compete in Q3. From the vendor side, expectations for the year remained high with a dramatic 20 percentage-point reduction in those expecting decreased sales over the year.

The top issues right now for retailers are customer retention, increased competition, and staffing, while vendors are concerned with the exchange rate with the U.S. dollar, higher raw material and shipping costs, and retail consolidation.

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

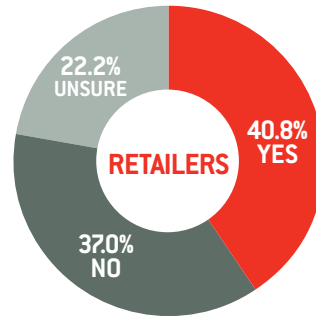


Year-over-year, the percentage of retailers experiencing better sales than in the previous year has dropped from 50.0 percent to 37.0 percent in Q3 2016.

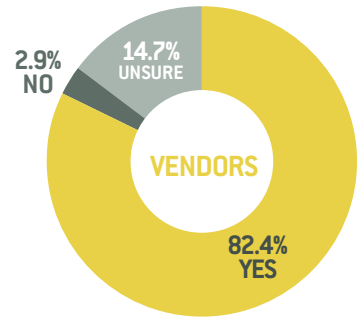


The percentage of vendors experiencing better sales in Q3 2016 was up from Q3 2015, when 54.6 percent of vendors reported increased sales from the previous year.

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

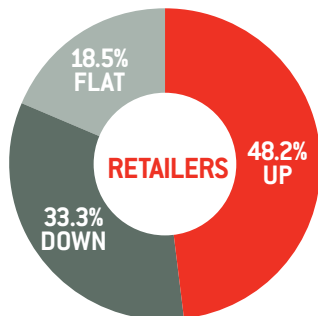


The percentage of retailers expecting sales to increase in the next six months is up significantly from 21.9 percent in Q3 2015. Meanwhile, the percentage of retailers who anticipate sales will not increase was down nearly 14 percentage points from 50.0 percent last year.

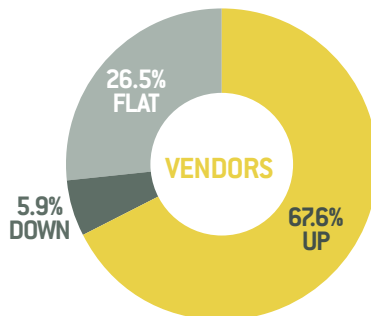


Year over year, the percentage of vendors anticipating sales increases in the next six months was up nearly nine percentage points from 73.9 percent in Q3 2015.

At year-end 2016, how do you expect sales for this year to have gone?

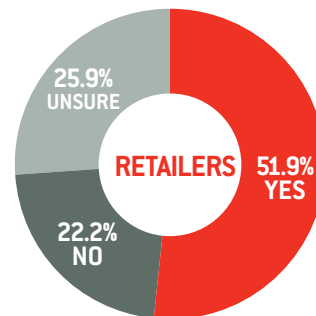


Looking ahead to the end of 2016, the percentage of retailers who predicted sales would go up has remained fairly steady, compared to Q3 2015.

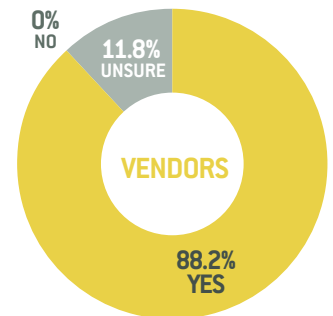


The percentage of vendors that predict sales would go up in 2016 went up from 60.9 percent in Q3 2015, but the percentage expecting sales to go down decreased more than 20 percentage points from 26.1 percent in Q3 2015.

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



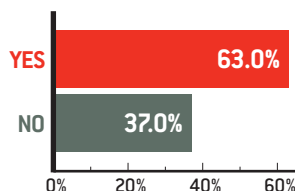
The percentage of retailers expecting increased sales increased nearly 14 percentage points from a year ago, while the number of retailers unsure about whether sales would increase went down nearly 15 percentage points from 40.6 percent in Q3 2015.



Vendors are very optimistic about the year ahead. Year over year, the percentage of vendors predicting increased sales has remained fairly in line with Q3 2015's 87.0 percent. And the number of those predicting decreased sales is down to zero percent from 87.0 percent Q3 2015.

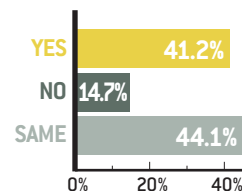
Did you offer new products/ services in Q3 to better compete?

Year over year, the percentage of retailers offering new products and/or services to better compete was up significantly from 50.0 percent in Q3 2015.



Did you receive more orders in Q3 2016 than in Q3 2015?

Year over year, the number of vendors who reported their sales remained steady from the previous year rose more than 25 percentage points, from 18.2 percent in Q3 2015.



RETAILERS: Top issues in third quarter

1. Customer retention
2. Increased competition
2. Staffing
4. Training
4. Decreasing margins
6. Expanding products
6. Exchange rate with U.S. dollar
6. E-commerce challenges
9. Supplier consolidation
9. Succession
11. Adding new services
12. Increased presence of U.S. retailers
12. Mortgage interest rates
14. Cross-border shopping

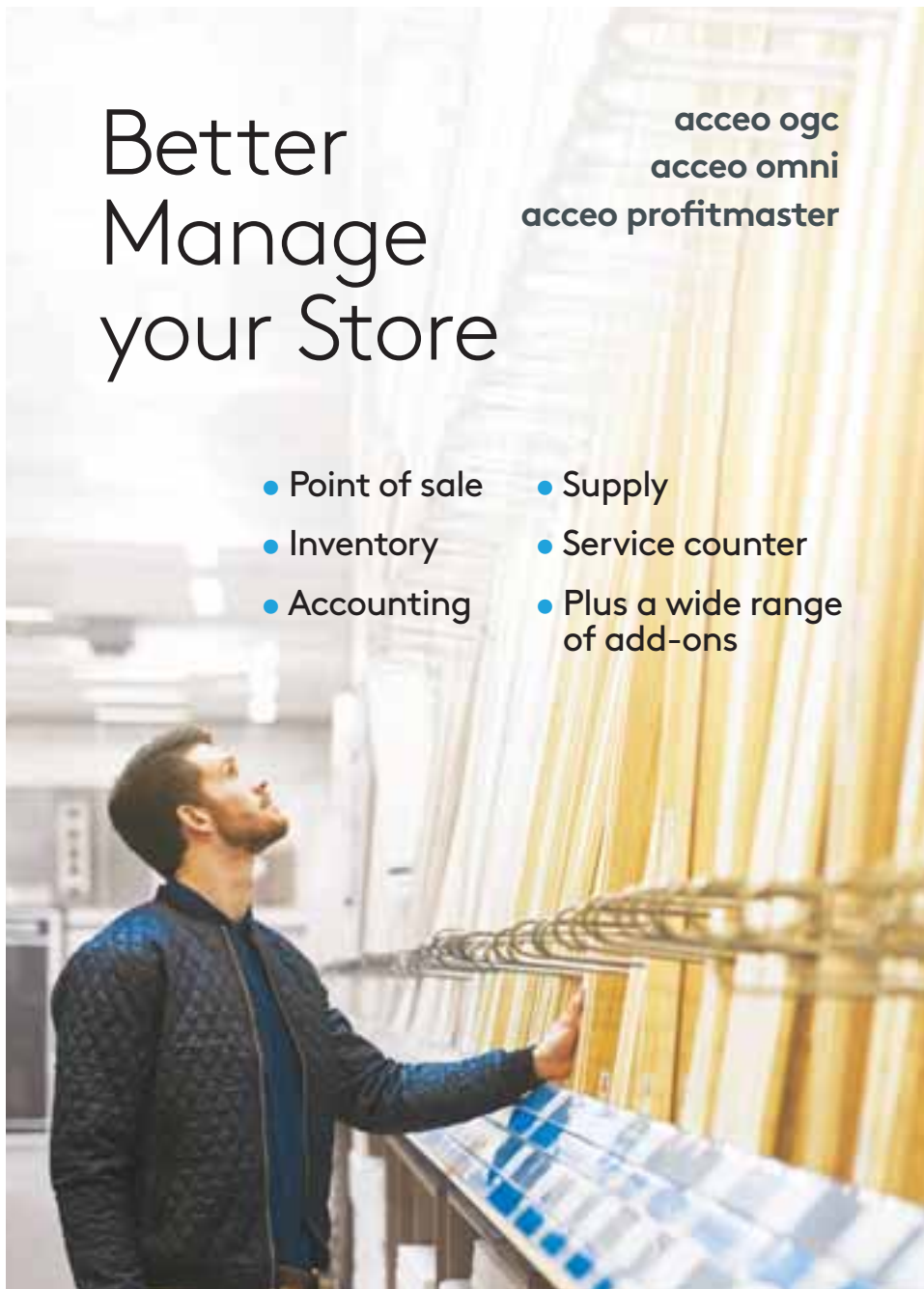
VENDORS: Top issues in third quarter

1. Exchange rate with U.S. dollar
2. Higher raw material/shipping costs
3. Retail consolidation
4. In-store merchandising and replenishment
5. Housing market
5. E-commerce sales
7. Competition from Asian sourcing
8. Increased presence of U.S. retailers
9. Cross-border shopping

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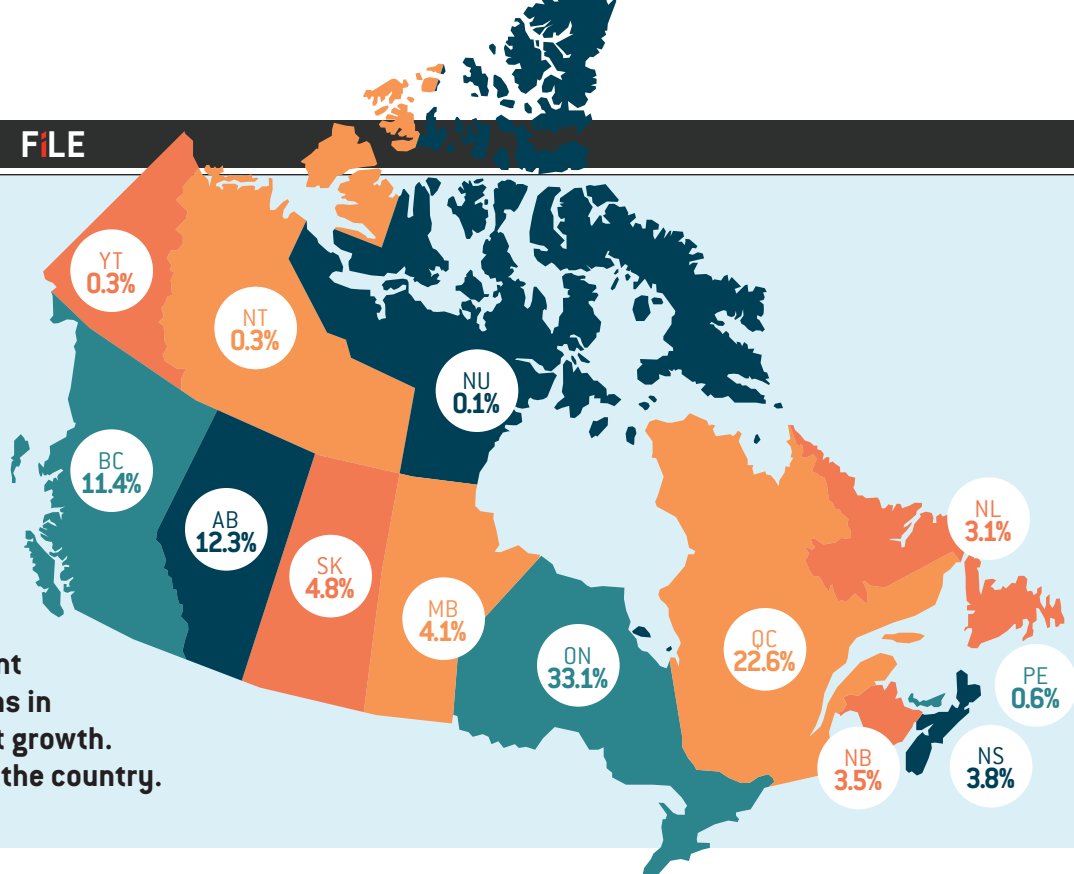


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HOME IMPROVEMENT INDUSTRY GROWTH VARIES BY FORMAT, REGION

The hardware and home improvement industry's rate of growth in 2015 was in line with forecasts, showing modest growth. However, that growth varied across the country.



Coming into 2016, weather was on the side of dealers in most parts of the country. With a good start to the year, business stayed strong right into the fall, with notable exceptions in areas affected by the oil patch.

As a result, growth overall for 2016 is expected to be higher than the previous year, before slowing slightly again in 2017. This is good news, given the headwinds the industry is facing. While spending on new construction was up for the first part of the year, new housing starts are forecast to fall in 2016 and 2017 according to Canada Mortgage and Housing Corp. The collapse of the energy sector, exacerbated by the fire that swept through Fort McMurray, has had a drastic effect on dealers in Alberta. Falling natural resources prices have further impacted Newfoundland and Labrador.

Regionally, growth was varied in 2015 (provincial sales for 2016 will be available later this spring). Many parts of the country enjoyed healthier sales despite the downturn in the energy sector, which affected the country in general.

British Columbia began to enjoy an uptick in 2015, but that growth was late in

coming and focused mostly on the Lower Mainland for much of the year. As a result, the province was down overall. B.C. has been showing greater growth in 2016 across the province and is expected to sustain that growth through next year, as dealers catch up to improving conditions there.

The Prairies continue to suffer a downturn, with Alberta showing the greater dip in dollar terms: it lost \$150 million in home improvement sales in 2015. Total retail home improvement sales coming out of that province totalled just over \$5 billion, down 2.9 percent from the previous year.

Quebec has seen its share of the market fall in recent years, due to economic conditions there that continue to stall overall

growth in home improvement sales. That province accounted for 22.6 percent of the market in 2015, down from almost 26 percent just five years earlier. However, 2015 sales were up a healthy 5.3 percent over 2014, when Quebec's share of the market reached a low of 22 percent. This would indicate the downward trend may be reversing.

Atlantic Canada showed some increases, albeit on smaller overall sales. P.E.I. showed the greatest growth, up 8.0 percent, while the other provinces were even in 2015. Newfoundland and Labrador managed to show an increase, despite the downturn there. That region is forecast to show flat to slightly positive growth in 2016.

Western provinces shift in sales (\$millions)

	2014	2015	Change
British Columbia	\$4,683	\$4,629	-1.2%
Alberta	\$5,184	\$5,034	-2.9%
Saskatchewan	\$1,960	\$1,954	-0.3%
Manitoba	\$1,780	\$1,686	-5.3%
TOTAL	\$13,607	\$13,303	-2.2%

Atlantic provinces shift in sales (\$millions)

	2014	2015	Change
New Brunswick	\$1,389	\$1,436	3.4%
Nova Scotia	\$1,471	\$1,534	4.3%
Newfoundland	\$1,191	\$1,253	5.1%
P.E.I.	\$233	\$252	8.0%
TOTAL	\$4,284	\$4,475	4.5%

Source: HARDLINES 2016 Retail Report

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NEWS ROUNDUP

OF THE HOME IMPROVEMENT INDUSTRY

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ABOVE: Malcolm Parks, Vice President Store Operations, Lowe's Big Box; Jaime Oliveira, Store Manager, Centerpoint (North York) Lowe's; Mohini Datta Ray, Executive Director, North York Women's Shelter; Jim Caldwell, Executive Vice President, Lowe's Canada Big Box Retail; Duane Oldham, Market Director, Lowe's Canada Big Box, GTA North.

LOWE'S CONTINUES EXPANSION WITH TORONTO, VICTORIA-AREA STORES

Lowe's celebrated the grand opening of its first store in the greater Victoria area in November at Tillicum Centre mall in Saanich. Saanich Mayor Richard Atwell and City Councillor Judy Brownoff joined Jim Caldwell, Lowe's Canada's executive VP for big box retail, and Lowe's employees for an official board cutting and community grant donation presentation.

The Saanich Lowe's marks the company's 52nd store in Canada under the Lowe's banner, and the 11th new store to open in 2016.

Both Lowe's and RONA have aggressive expansion plans: Lowe's bought up a dozen former Target stores, plus its distribution centre in Milton, Ont., in May 2015 and has been converting those outlets to Lowe's. In addition, it is continuing to develop green-fields sites of its own.

The company then opened its 53rd store later in November at Centerpoint Mall in North York, in Toronto. In addition, the company opened two big boxes in Quebec under the Réno-Dépôt banner at the



ABOVE: Lowe's Canada Executive Vice President Jim Caldwell; Representatives from the District of Saanich and City of Victoria; Lowe's B.C. Market Director Fred Pagotto; Mayor Richard Atwell, District of Saanich; Victoria Lowe's Store Manager Tony Cooper, Lowe's Canada VP of Store Operations Malcolm Parks cut the board at Lowe's new Saanich store.

beginning of September. Two more Lowe's stores are scheduled to open this winter in Milton, Ont., and Sherwood Park, Alta.

HOME HARDWARE RECOGNIZED AS ONE OF CANADA'S TOP BRANDS

Home Hardware Stores Limited has been recognized by a number of organizations as one of the most influential brands in the country. According to ranking by *Canadian Business* magazine, Home Hardware came in at number two, right after sports equipment and clothing company MEC (aka Mountain Equipment Co-op), which ranked first for the second year in a row.

The list of Canada's Top 25 Brands is reserved for companies that connect most with their customers. An online survey asked approximately 1,500 Canadians to provide their opinions on key aspects of a company's reputation, including the quality of its products and services, customer service, commitment to innovation, and community involvement. A score is then given to each brand based on the results.

The dealer-owned co-op climbed in the rankings from number 12 last year. In the category of "Product and Service Quality," Home Hardware took first place, with a 99.6 percent overall brand rating.

The list included companies from all sectors of business, including WestJet



(number three) and Tim Hortons (number four). In the retail home improvement sector, RONA weighed in at 21st spot, down from 18 last year. Canadian Tire was number six, climbing seven spots from number 13 last year.

Back in the summer, Home Hardware ranked third among Canada's top 10 most reputable companies in corporate social responsibility, according to a study by the Reputation Institute. And the company was also recognized by the 2016 Gustavson Brand Trust Index as one of Canada's 10 most trusted brands. The survey, out of the University of Victoria, highlights the importance of trust when it comes to making purchasing decisions.

BRIEFLY

HENKEL HELPS HABITAT FOR HUMANITY

The Henkel-Lepage team spent a day giving back to the Greater Toronto Area community recently, as part of Henkel Corp's global partnership with Habitat for Humanity. Henkel's Canadian team, consisting of 18 employees from sales, marketing, distribution, and product development, spent the day doing the last of the drywall installation for two townhouse units. In addition to the 125 person-hours, the company donated more than \$12,000 in cash and products toward the completion of the complex.

CASTLE WELCOMES NEW MARITIMES MEMBER

Yarmouth, N.S., is home to the newest Castle Building Centres location. E & J Millworks, specializing in custom millwork design, has been serving the local community with their designs as well as a full line of lumber and building materials for almost 40 years. Founded in 1979 by Edward Cottreau, the business has evolved into a successful custom woodworking, millwork, and building materials centre over the years. In addition to building materials, E & J manufacture windows and doors as well as mouldings from just about any species of wood, giving them a distinctive product niche in the Yarmouth area.

UNIMAT STORES CONVERT TO BMR

Two Unimat renovation centres have adopted the BMR banner. They are in Acton Vale and Mont-Joli, Que. Both stores celebrated grand openings at the end of September. BMR was acquired outright by La Coop fédérée, which owns the Unimat banner, at the beginning of 2015.

DOUG LEMIEUX RECOGNIZED BY WRLA WITH INDUSTRY ACHIEVEMENT AWARD

Doug Lemieux, president of L.B.H. Building Centre in St. Albert, Alta., has received the Western Retail Lumber Association's highest honour, the 2016 WRLA Industry Achievement Award. Lemieux was recognized for his years of dedication to the LBM industry, the development of his local community, and the support of various not-for-profit organizations, including the WRLA.



TIMBER MART ANNOUNCES NEW LOCATION FOR B.C. DISTRIBUTION CENTRE



TIMBER MART plans to relocate its current Surrey DC to a new facility in Langley, B.C.

TIMBER MART plans to relocate its distribution centre in Surrey, B.C., which has been purchased outright, to a new facility at 5671 Production Way in Langley, B.C. The new DC includes an office space, 27,000 square feet of warehouse space, and a three-acre yard.

Following TIMBER MART's sale of its hardware distribution business to Memphis-based Orgill, Orgill continued to use TIMBER MART's Western facility to warehouse its hardlines products for

Western customers. At the new facility in Langley, Orgill will continue to manage hardlines, but once the move is complete in January 2017, product will be cross-docked from Orgill's new facility in Post Falls, Idaho. The shift of hardlines to Orgill will allow TIMBER MART to expand the range of building materials it can warehouse.

"Our new TIMBER MART distribution centre will provide us with greater square footage to house LBM products, as well as a more suitable and cost-effective distribu-

tion solution for our members in B.C.," says Bernie Owens, president of TIMBER MART.

TIMBER MART currently operates two distribution facilities. Besides the one in Surrey, which houses both LBM and Orgill hardlines products, the buying group maintains a DC in St-Nicolas, Que., which handles LBM exclusively. By January 2017, TIMBER MART's distribution network will consist of LBM distribution only—through both the new Langley facility and the existing DC in St-Nicolas.

CANADIAN TIRE LOOKS TO STRENGTHEN ITS RETAIL BUSINESS WITH PROPRIETARY BRANDS

With the release of Canadian Tire's third quarter results, CEO Stephen Wetmore admitted that he was not entirely satisfied with results of the company's Canadian Tire Retail (CTR) business. "Our CTR revenue is not quite in line with our point-of-sales growth, otherwise bottom-line would have been better," he said in a call with analysts following the release of the company's Q3 numbers.

"However, as we move forward on our journey, we are spending a significant portion of our time looking well beyond the next quarter to build the types of capabilities and programs for the future," he continued.

Perhaps offering some clues as to why

former CTR President Michael Medline was let go last July, he noted: "CTC is at its strongest when we have a one-company approach."

Reorganizing the management post-Medline was part of the strategy "to better align existing expertise within the organization" under Allan MacDonald's leadership at CTR. That included significantly expanding the role of Greg Hicks, who oversees merchandising, automotive, and the retail experience. In addition, automotive was brought in closer to CTR's other lines of business and is now led by Andrew Davies.

During the quarter, a Consumer Brands division was created, headed up by TJ Flood,

who was previously senior vice president of marketing for CTR. In this role, Flood has been tasked with expanding Canadian Tire's range of private brands, both through development in-house and through the acquisition of other product brands that could complement or extend the company's existing portfolio.

CTR's exclusive brands include Noma lights, Woods camping equipment, Canvas, which focuses on home accessories and décor, the venerable Mastercraft tool brand, and Frank, which features snacks and consumable household products.

"These areas are critical to our strategy as we move forward," Wetmore added. "We are a product-led company. If we don't have great products and great people, then we won't be able to execute our retail strategies."

ANTICIPATING 50-YEAR ANNIVERSARY, BMR SHOW FOCUSES ON TECHNOLOGY

Groupe BMR held its latest trade show in Quebec in November. The event used the official theme of technology to drive it, while anticipation around the organization's 50th anniversary this year was prevalent. According to a company spokesperson, Stéphanie Couturier, with those two notions in mind, "we wanted this show to be a window on the future of our industry."

In keeping with the technology theme, the main hall of the show, held at the Centre des congrès, offered several new technologies on display, including 3D printers, drones, and a 2.0 store where dealers could experience virtual reality renovation planning and see how RFID chips can be used in stores.

Inside, some 300 exhibitors were waiting to introduce their new products for spring and summer 2017 to 325 dealers, under the BMR, Unimat, and Agrizone

banners. This year, instead of a house, the star of the show was a large deck that hosted a wide collection of outdoor furniture and an extensive gardening area complete with live plants. Another big hit was the BBQ Québec booth. The popular Quebec barbecue lines will be featured in sections within BMR and Unimat stores, which will help the BBQ Québec brand expand beyond the handful of stores it currently possesses.

To provide dealers with even more information on new products and trends for 2017, the buying show also featured a conference area where speakers from different sectors of the industry gave seminars over two days. The traditional gala evening marked the official kickoff for the festivities for the anniversary year to come. BMR CEO Pascal Houle invited everyone in attendance to raise their glass to celebrate 50 years of success.



BRIEFLY

ACE OPENS B.C. STORE

Ace Hardware has opened another store, this one in Lake Country, B.C. Lake Country Ace Hardware had its grand opening recently, following a soft opening at the end of July. The 5,100-square-foot store has been designed to serve the local community with everyday home maintenance needs, as well as an extensive array of paint, lawn and garden, and lumber and building materials.

The town had been without a building centre since another store closed in 2014.

LOWE'S COMPLETES RONA ACQUISITION

Lowe's has completed its previously announced acquisition of RONA's preferred shares. Preferred shareholders will receive CD\$24 per share in cash, without interest. RONA has applied to delist its preferred shares from the Toronto Stock Exchange and expects the delisting to be completed in a few trading days. RONA has also applied to cease to be a reporting issuer in each province under applicable Canadian securities laws.

SUPER REMOVER EXPANDS WAREHOUSE

Super Remover is investing \$700,000 to double the square footage of its warehouse, in order to be able to support projected growth. The company is amping up its presence outside Quebec, recently signing a deal with Lowe's Canada, which will fill a gap in its distribution. At the same time, it is cautiously scouting potential clients in the U.S., with meetings in Vermont and Maine.

The company's acquisition of Elano International, which provides its shipping containers, is another motivation for the expansion.

DEALER ASSOCIATIONS ANNOUNCE FORMALIZED UNION UNDER CRBSC UMBRELLA



The regional association members gathered in Niagara Falls, Ont., after the Hardlines Conference for their inaugural CRBSC general meeting.

Leaders from each of Canada's home improvement dealers' associations met during the Hardlines Conference in October to formalize their union under an umbrella association, the Canadian Retail Building Supply Council (CRBSC).

Those associations: The Atlantic Building Supply Association (ABSDA), Quebec Hardware and Building Materials Association (AQMAT), Lumber and Building Materials Association of Ontario (LBMAO), Western Retail Lumber Association (WRLA), and the Building Supply Industry Association of British Columbia (BSIA), have been working behind the scenes to create a unified voice for the industry under the umbrella council. Each group will be an equal shareholder in CRBSC.

Richard Darveau, president and CEO of AQMAT, and current CRBSC chair, took the occasion of the conference, which had gathered 165 leaders from retail, wholesale, and vendor sides of the industry in one

room, to announce the formalization of the CRBSC and its first board meeting, which took place following the conference itself.

"The potential force we will represent together is impressive," Darveau told the group. "The total membership of our five associations is more than 3,000 retailers, more than 500 suppliers, and all the buying groups and distributors involved in the market." He added that the drive to unify efforts is a direct response to the needs and desires of the retailers, buying groups, and suppliers in this industry.

Key initiatives of the CRBSC will be to provide a forum that allows members to share ideas, information, and best practices for the betterment of the hardware and building materials industry in Canada. It intends to represent this sector before federal government authorities and to promote and defend the interests of its members by undertaking communication initiatives, taking policy positions, and offering educational activities.

BRIEFLY

HOME HARDWARE SIGNS WITH JOHN ST.

After more than four decades with Morris Saffer Agency, Home Hardware Stores Limited has signed with a new advertising agency. John St. is a downtown Toronto firm that provides a range of creative, design, and digital services with a client roster that includes Loblaw's, Tangerine Bank, Maple Leaf Foods, Mitsubishi Motors, Shoppers Drug Mart, and Winners. Home Hardware has spent recent months transitioning the account and hopes to have new work from John St. flowing in the spring of 2017.

ACCEO AND TRURATING PARTNER UP

Payments and store POS provider ACCEO Solutions Inc. is partnering with TruRating, a consumer ratings start-up. ACCEO's secure EMV-certified Tender Retail payment software will combine TruRating's customer feedback platform to give North American merchants and retailers the tools to gather live consumer feedback at the point of payment. TruRating takes the pulse of consumer sentiment via a pin pad, asking each customer to anonymously rate an aspect of their experience on the keypad just before they pay. The program will launch this year.

HOME HARDWARE BREAKS FROM VERSABANK

Home Hardware Stores Limited has ended its agreement with VersaBank relating to the retail co-op's private-label credit card. VersaBank, formerly Pacific & Western Bank of Canada, says it will continue to issue and service all aspects of the Home credit card until the end of the year and will continue to service the wind down and collection of receivables beyond that date. VersaBank is a technology-based, digital Canadian chartered bank.



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ProductSPOTLIGHT

BY GEOFFREY McLARNEY

MCN Nature Cross faucet ▶

The MCN Nature Cross faucet line captures signature elements of industrial style with gleaming metal finishes and fixtures that resemble pipes taken from an old factory or warehouse. The handles in this collection are detailed, with a utilitarian cross design capped with rounded balls. The starkness of the design is softened by graceful curves and columns, creating a finished look that is comfortably at home in both contemporary and traditional décor. The Nature Cross Collection is available

in a variety of configurations that make it easy to create a cohesive bathroom environment. Choose from a wide-spread faucet, a Roman tub set with hand-held shower, a tub spout, and thermostatic and pressure balance tub and shower sets.

Available in polished chrome, brushed nickel, and polished nickel.

www.mcnfaucets.com



◀ Hickory Hardware Pipeline pulls and knobs

Hickory Hardware's Pipeline range offers a stylish industrial look. Imitating salvaged elements from old warehouses and factories, these pulls and knobs feature the life-like patinas one would see in old discarded objects. Simple and clean, the design combines function with industrial chic for an upcycled yet sophisticated style. The 1-1/4-inch knob and 160-mm pull are available in Black Nickel Viced and Vintage Bronze finishes.

www.hickoryhardware.com

SkilSaw MeduSaw ▶

MeduSaw from SkilSaw is a worm-drive concrete saw that is equipped with an integrated wet/dry dust management system to control dust, allowing for cleaner cuts, and GFCI protection. Both features extend the life of the saw and protect the user. MeduSaw features a cut-ready adjustable plunge lock that allows users to quickly and accurately set and make consistent plunge cuts. The saw also has an integrated rolling foot plate with rubber wheels that help users move it smoothly across hard surfaces and rust-resistant brackets and fasteners to protect against corrosion. Finally, the tool includes a retractable front pointer that guides the saw along the cut line and retracts for tight spaces.

www.skilsaw.com





◀ Task Tools Heavy Duty Hammer Tacker

Task Tools introduces the Heavy Duty Hammer Tacker, a cartridge that can hold up to two full strips of staples, doubling capacity before a reload. Innovative design prevents the spring-loaded cartridges from flying out during reloads, a major frustration for contractors. It also has an extra-large protective grip that ensures the handle hits the wall, not your knuckles.

www.task-tools.com

Pfister high-efficiency faucets ▶

Pfister has announced that it is upgrading select versions of current faucet families with high-efficiency models. The new faucets are designed to help consumers save water with no noticeable impact on the performance of the Pfister kitchen and bathroom faucets and showerheads. According to Pfister, the new faucets can reduce water usage by as much as 20 percent. Popular Pfister families such as Ashfield and Kenzo are available in the upgraded high-efficiency models.

www.pfisterfaucets.ca



◀ Delta MultiChoice Integrated Shower Diverter

The Delta MultiChoice Integrated Shower Diverter provides a sleek, streamlined style in showers. Once the rough is installed, future shower style and functionality changes can be made without altering the plumbing behind the wall. With separate controls in one trim, the Diverter is available in 3- and 6-setting options with a one-piece forged valve body is available with and without stops.

www.deltafaucet.ca



Ply Gem Mid-Century Modern entry door ▶

Ply Gem has launched the Mid-Century Modern entry door collection. The new door collection, which comes unfinished and ready to paint in any colour, was inspired by customization requests. Each door design can be paired with a variety of decorative glass options in geometric shapes and privacy finishes. Like all Ply Gem fiberglass doors, Fiber Tuff won't dent, warp, rot, or rust, and insulates up to six times better than wood doors. The door frames are also composed with a smooth finish—with no exposed screws—for a polished look.

www.plygem.ca



TIMBER MART'S BERNIE OWENS WANTS TO KEEP COSTS DOWN FOR INDEPENDENTS

The Canadian Hardware & Housewares Manufacturers Association welcomed TIMBER MART President Bernie Owens as guest speaker at its fall breakfast seminar in Montreal, where he offered insight into his vision for the company.

BY GEOFFREY McLARNEY

Addressing members at the Holiday Inn Montreal-Longueuil for the CHHMA's fall breakfast seminar, Bernie Owens, TIMBER MART's president, stressed the importance of independent dealers rallying under a flexible buying group to compete in a market that increasingly favours big boxes. He began by noting that he has experience from the vendor's perspective. "As much as I'm on the buying group side of the fence," he told the gathering, "for 21 years I was on your side of the fence," adding that he can relate to the challenges vendors face.

Owens gave an overview of the evolution of the group since he took the helm, recounting how a formerly loose cluster of regional banners learned to start "pulling in the same direction." At the same time, he took pains to make it clear that in centralizing the direction of the company, its leadership has not sacrificed its flexibility in responding to diverse regional and local needs. Noting that member stores represent an array of formats and specialties—from gypsum dealers to lumber yards to garden centres—he acknowledged that there is no



Bernie Owens addressed members of the CHHMA at the organization's fall breakfast seminar in Montreal

Owens said he sees this trend extending to Canada. Membership in a buying group like TIMBER MART offers independent stores the kind of clout they need to compete with larger players, while respecting their independence and offering personalized support to stores.

He listed several ways the group keeps costs down for members—such as opting for a simple banner identity over a more expensive brand development, eliminating spot programs, and providing for pool

The group also provides an alternative in the form of a virtual buying show online platform, an industry first, he said, for North America.

Looking forward, Owens said his goal was to have LBM distribution in all regions, but added that caution and time were needed. "After I'm very comfortable that B.C. is growing, I truly think we need LBM distribution in every region," he explained, "but it's up to me to prove this is the way we've got to go," noting that the board was still "a little gun-shy" following the sale of Chalifour, TIMBER MART's hardware distribution business, which has become part of Orgill.

He also urged vendors to maintain personal contact with stores, telling the audience to ensure they have "feet on the ground to support your sales." Vendors, he said, have tended to focus on "distribution and large surface," and they sometimes "have left the independents to the side."

“As much as I’m on the buying group side of the fence, for 21 years I was on your side of the fence.”

one-size-fits-all approach, and emphasized that TIMBER MART has “no cookie-cutter format to impose.”

Pointing to data from HARDLINES' own *Retail Report* and a *Washington Times* report showing the decline in market share among independent hardware dealers in the U.S.,

buying and flexible shipping options. For example, he suggested, a local dealer may choose to serve as a pickup point for one or more neighbouring stores on a group order.

To help those independents compete more effectively, TIMBER MART has sought to improve the buying show experience.

PHOTO COURTESY OF CHHMA



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2016 Outstanding Retailer Awards



The winners of the 2016 Outstanding Retailer Awards pose together at the Awards Ceremony and Gala Dinner at the 21st annual Hardlines Conference.

PHOTOS: CALLUM PINKNEY

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For more information on the ORAs, or how you can apply for this year's awards, visit www.hardlines.ca/events/oras.

2016 Outstanding Retailer Awards

ORILLIA HOME HARDWARE BUILDING CENTRE

Marc Robichaud Community Leader

John Locke, a former Beaver Lumber dealer, joined forces with Bill Ecklund in 2000, and two years later they purchased Orillia Home Hardware Building Centre in Orillia, Ont.

They also began a concerted campaign to establish the store as an integral part of the local community, a tradition that has grown and inspired not just the local community, but other dealers across Canada.

John and Bill have been generous from the start. Their contributions range from large donations to local causes to literally hundreds of smaller challenges each year. These include personal catastrophes like homelessness, hunger, chronic or terminal illness, and families struck with debilitating circumstances. While always quick to make a donation, the store itself will often create events of its own.

John often turns to his team for ideas. In one instance, a garden centre employee heard an ad encouraging gardeners to plant one row of vegetables for themselves and one to give away. Unused space behind the garden centre was quickly converted to vegetable gardens for the food bank, and cared for by garden centre staff.

In a “Stamp Out Hunger” campaign, John invited the town simply to show up at the store’s parking lot on a particular day. For every person that came, the store promised to give one dollar to the food bank. People turned out in droves, including hundreds of school children escorted by police officers, who all descended on the store’s parking lot. Not only did the store raise a lot of money, but John says they were also able to provide a lesson to young people on the value of coming together for a great cause.

The most rewarding part of an event, John says, is when it’s all over and customers



(l-r) John Locke and Bill Ecklund, co-owners of Orillia Home Hardware; Sebastien Plourde, Super Remover, which sponsors the award.

come in the next day to ask, “How did we do?” That buy-in from the community is the reason they do all that work. John also works to spread the message of community caring to other Home Hardware dealers, speaking at Home Hardware Markets and inviting his fellow dealers to the store to see how Orillia HHBC does it. He’s proud that more than 50 stores have taken him up on that offer.

Orillia Home Hardware is one of only two stores to have won the Walter J. Hachborn Store of the Year Award twice, in 2011 and 2013. It was also awarded the Paul Strauss Public Relations Award in 2014 and the Outstanding Retailer Award for Best Building Supply in 2009.

Its commitment to serving the community and to spreading its mandate of caring to other dealers firmly establishes Orillia Home Hardware Building Centre



People turned out in droves to donate to the local food bank.



Unused space behind the garden centre was converted into vegetable gardens for the food bank.

as this year’s Outstanding Retailer Award winner in the category of Marc Robichaud Community Leader.

2016 Outstanding Retailer Awards

RONA HOME AND GARDEN KELOWNA

Best Large Surface Store

Under the leadership of store manager Matt Wachter, the RONA Home and Garden in Kelowna, B.C., is doing everything right. That includes working closely with 160 employees and maintaining a consistent in-stock position on 30,000 items across 130,000 square feet of selling space.

RONA Home and Garden Kelowna takes advantage of the full range of services available through RONA, such as contractor sales, commercial sales, installs, kitchen design, financing, Air Miles, and online shopping. The contract sales team can estimate, free of charge, the design of an entire home from start to finish. With almost half the store's sales coming from trades, this kind of responsiveness is crucial.

The store has a mandate to make the customer its number-one priority. Matt says their ultimate goal is to offer the best customer experience in the industry—period. All the store's employees are on board with that goal and are trained continually to maintain the most up-to-date knowledge on any relevant topic customers may ask about.

But taking care of employees is also key. Along with competitive compensation, Matt takes pride in creating a pleasant workplace where individual efforts are recognized—and management's door is always open.

Another important ingredient is fun—like ice cream bars and popsicles on hot summer days, tickets to hockey and baseball games, and cakes to celebrate employees' birthdays. The effort pays off: long-term tenure of staff averages 15 years or more. That satisfaction is also reflected in the store's sales. When RONA Home and

Garden Kelowna opened in 1995, it was the first home improvement big box in town. In the last three years, sales have consistently grown by about 10 percent and will again surpass 10 percent in 2016.

The store is extremely involved in the community, as both a major sponsor of sports teams and through charitable donations to the United Way, the Heart and Stroke Foundation, and the local theatre. In 2011, the store launched a “commitment to our community” initiative, where the leadership team was challenged to connect personally with a charity of their choice.

Involvement in those activities continues to grow each year.

The same year, the store also purchased a popcorn machine. The customer service team pops, bags, and sells the popcorn, and the vault staff roll all the coins from the sale. In the past five years, staff have raised \$83,000 for charities chosen by team members.

Creating a warm, friendly, and inviting atmosphere inside a happy and healthy workplace makes RONA Home and Garden in Kelowna the 2016 Outstanding Retailer Award winner for Best Large Surface Store.



(l-r) Sara Clarkson, Storesupport, which sponsors the award; Ryan Grassmick, assistant manager, and Matt Wachter, general manager of RONA Home and Garden Kelowna.



The contract sales team can estimate, free of charge, the design of an entire home from start to finish.



Half of the store's sales come from trades.



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2016 Outstanding Retailer Awards

HOME BUILDING CENTRE – SALMON ARM

Best Building Supply/Home Centre (under 15,000 square feet)

When John Kehler, a Home Hardware dealer from Vernon, B.C., decided to open a second store in 2009, he set his sights on a business in nearby Salmon Arm. But he never expected his greatest challenge to come from the very citizens of that town. They were fiercely loyal to the previous owner and none too happy that an outsider was moving in. John realized he would have to work hard to win the town over.

He started by hiring local staff who were willing to be ambassadors for the new store and help convince residents that his business would ultimately be good for their community. John gives huge credit to his manager, David Kroeker, who understood the local climate. With his experience running a home building centre, John was confident that, together, they would be unstoppable.

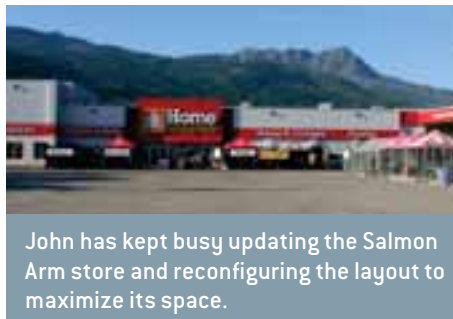
They hired all local staff, who then set about changing perceptions in town through positive word of mouth. Customer service became John and David's focus. There's always a staff member at the service counter to field questions and employees on the floor to help customers as soon as they need it.

All the while, John kept busy changing and updating the store. Once focused largely on contractors, he wanted to widen its appeal for do-it-yourselfers. He revamped it with a new front entrance and removed the wall between the store and the warehouse. Not to neglect that important trade customer, a separate entrance and service area were installed for contractors.

Quickly, John realized that the 10,000-square-foot store wasn't going to be large enough to carry all the products



(l-r) John Kehler, owner of Home Building Centre–Salmon Arm; David Kroeker, manager of Home Building Centre–Salmon Arm; Jonathan Lapidus, Mibro, which sponsors the award.



John has kept busy updating the Salmon Arm store and reconfiguring the layout to maximize its space.



Winning over customers loyal to the previous owner wasn't easy, but John was determined to change perceptions in the community.

he'd like. So he reconfigured the layout and added additional retail space, moving the warehouse into a Quonset hut. His next renovation will more than double the store's retail space, bringing it up to between 20,000 and 25,000 square feet.

Competition is strong in Salmon Arm, with a RONA and Canadian Tire just minutes away. But even with a Benjamin Moore store nearby, Home Building Centre–Salmon Arm is in the top 15 percent of Home Hardware's paint sellers.

The store has made generous contributions to the local community. It supports

two families in need each Christmas, while other causes include support for victims of domestic violence, the Roots & Blues music festival, and the Salmon Arm Special Olympics. Together with the Vernon store, John hosts a "Ladies Only" charity golf event that has raised more than \$275,000 in 10 years.

A dedication to the business and to the town it serves is just one of the many reasons why Home Building Centre–Salmon Arm has earned this year's Outstanding Retailer Award for Best Building Supply or Home Centre under 15,000 square feet.

*2016 Outstanding Retailer Awards***VANDERHOOF AND DISTRICTS CO-OP****Best Building Supply/Home Centre (over 15,000 square feet)**

Founded in 1944, Vanderhoof and Districts Co-op has a long history behind it. Vanderhoof, B.C., is primarily a logging community with ties to tourism and farming. Nestled in the fertile Nechako Valley of central British Columbia, two mines are nearby, with a wind farm coming soon. The primary trading area is about 5,000 people, with a secondary trading area of 20,000 from nearby towns and First Nations communities.

The store sells feed, building supplies, hardware, and appliances; but there's so much more. It also carries many special-order items—everything from lumber to dog food. Store manager Trevor Erhardt is proud of the store's team atmosphere, which brings out the best in staff and makes this location truly outstanding. New team members get the benefit of orientation and online training. And the NRHA's online product knowledge courses are available to all staff. Full-time employees also enjoy

incentive programs and a comprehensive benefits and pension package.

The store's mission statement, to provide sustainable goods and services in an environmentally and socially responsible manner to improve the economic position of its members, reflects its modern and socially aware values.

Customer service extends to both retail and contractor customers, who all appreciate the effort of staff to ensure that people can remain in town to shop. Besides initiatives from the store itself, team members participate in charity runs and rides, Pink Shirt Day to combat bullying, and a Pumpkin Walk. The store is also part of Federated Co-op's new initiative, Communities in Full Colour, which will have Vanderhoof and Districts donating in excess of \$2,000 worth of paint each year to local charities to help with community beautification. They've also set up a coffee station in the home centre and a vending

machine in the contractor centre, with the proceeds from both going to charity.

Business remains strong in this vibrant community. Sales have increased steadily year-over-year for the past three years, and the company makes ongoing investments in retail technology to improve inventory control and to provide accurate quotes to customers on building packages.

A passion for retail, for staff and customers, and a firm commitment to its community, all built on business practices that ensure strong growth year in and year out, set this store apart. And those traits are what make Vanderhoof and Districts Co-op the 2016 Outstanding Retailer Award winner for best building supply or home centre over 15,000 square feet.



(l-r) David Chestnut of Hardlines, on behalf of Autostak, which sponsors the award; Bud Pye, President of the Board of Directors; Bernadette Ukrientz, Hardware Manager; Allen Bieganski, General Manager; Trevor Erhardt, Vanderhoof and Districts Home Centre Manager; Beverly Allen, publisher of Hardlines.



Right from opening day, sales have been strong in this vibrant community.



Nestled in the fertile Nechako Valley of central British Columbia, this store serves the logging community as well as two nearby mines, and a wind farm coming soon.

*2016 Outstanding Retailer Awards***BRANTFORD HOME HARDWARE****Best Hardware Store**

Dave Liesemer believes his store in Brantford, Ont., is the best hardware store in Canada. By his own admission a people person, his personality is the tie that binds the store to its customers and the community it serves.

But his life in this medium-sized town in Southwestern Ontario had bumpy beginnings. As the fourth generation Liesemer in the hardware industry, and employed by Home Hardware's head office, Dave had been working at a store in Saskatchewan when asked to take over the Brantford location. It was a difficult move: the local economy was depressed and the long-suffering store was now in receivership.

When Dave first saw the store, he almost headed right back to Saskatchewan. Instead, he stuck it out, cleaning up the tired site, which involved the elimination of outdated categories, remerchandising, and paying diligent attention to sales and inventory levels on a daily basis. The store's growing success soon attracted a business partner, Ron Ciccutini, who owned two other stores in the region. Together, they purchased the Brantford store in 2003.

With little more than 15,000 square feet of retail, Dave and his team have to make the most of the space. In his words, he uses every space in the store to its max, without tipping over into looking junky. Supervisors in every department are hands-on, ensuring the store looks its best each and every day. Department supervisors also have a hand in ensuring that Dave's inventory control system is working at its peak performance. How else could a store sell 75 lawnmowers every year out of just four square feet of space?



(l-r) Michael McLarney, editor of Hardlines; Dave Liesemer; Dirk Drieberg of Schlage, which sponsors the award.



Dave and Rhonda Liesemer moved from Saskatchewan to take over Brantford Home Hardware.

The store sets itself apart through a wide selection of unique product offerings, from purified water and granite vanities to factory-serviced small electronics. Paul Wilson, the floor manager, has a knack for spotting trends. He convinced Dave to demo Keurig coffee makers when that kitchenware first came out.

While customer service is one thing, the proof is in the sales. Brantford Home Hardware's sales have increased consistently over the past five years. While there's considerable competition nearby, Dave carefully curates the store's offerings to keep up with current trends and styles,




The quality of customer service at Brantford is reflected in its sales, which have grown steadily over the last five years.

and matches the product offerings with the town's demographic and its budget points.

Four years ago, the store was given the Walter J. Hachborn Store of the Year Award from Home Hardware head office, and Dave was also honoured when he was asked to host Home Hardware's Future Stars segment of Hockey Night in Canada.

A focus on strong merchandising and exacting attention to store operations make this store an important destination for its local community and exemplify why Brantford Home Hardware is the 2016 Outstanding Retailer Award winner for Best Hardware Store.

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2016 Outstanding Retailer Awards

SEN WESTERN WHOLESALE LUMBER

Best Contractor Specialist

Robert Sengara and his brother, Ron, have been operating their business in Vancouver for 30 years. In 2014, they took over full ownership from their parents, Bunta and Puge, who founded it in 1969.

Sitting on five acres in South Vancouver, this TIMBER MART dealer is right in the middle of one of the hottest real estate markets in the country. But that alone is no guarantee of success. It faces tough competition from seasoned rivals like Dick's Lumber. And while Lowe's and Home Depot are nearby, Sen Western has remained firmly focused on trade and commercial customers, a niche that is hard for the big boxes to crack.

The store has a flat management style and they promote from within, resulting in a strong staff with incredible loyalty—and longevity. Some employees have been with the company for 35 years or more. With all their experience, the Sengaras trust their employees to make the right decisions for the company. And from the start, they're set up to succeed: they get training in everything from blueprint reading to Mandarin language classes, as well as a company employee manual and a two-week job shadowing period to provide support and exposure on the job.

That kind of expertise is backed by a responsiveness to customers to the point that a rush order can be packed and delivered to a job site in under an hour. The brothers run the store by the golden rule of treating others as they would wish to be treated.

The store is dedicated to enhancing the customer service experience in all kinds of ways. Sen Western employs an award-winning engineer consultant to design engineered wood



(l-r) Beverly Allen, publisher of Hardlines; Ron Sengara, co-owner of Sen Western; Stephanie Sengara, brand & communications advisor for Sen Western; Rich Russo, National Hardware Show, which sponsors the award.

products to spec and help customers with technical questions. This complementary service adds value to both the customer's experience and the store's bottom line.

Community involvement is also part of Sen Western's *modus operandi*. The company is a proud supporter of B.C. Children's Hospital Foundation, the B.C. Cancer Agency, and a number of local sports teams. And the store always participates in Vancouver's Diwali festival.

Sen Western's special order business has grown in recent years, and includes projects such as skylights, siding, and timbers. And if the Vancouver market wasn't busy enough for them, Robert and Ron have built a healthy export business, with the majority of sales going to China.

A rigorous attention to detail, to customer service, and staff—underscored by a simple mandate to treat people the way you would want to be treated combine to make Sen Western Wholesale Lumber this year's winner of the Outstanding Retailer Award for Best Contractor Specialist.



Sen Western was opened by Ron and Robert Sengara's parents 30 years ago in one of Vancouver's hottest real estate markets.



Sen Western is able to pack and deliver a rush order in an hour.

2016 Outstanding Retailer Awards

QUINCAILLERIE PALMAROLLE

Best Young Retailer

Living in Palmarolle, Que., a small village of just 2,700 inhabitants, Cindy Caron grew up in her parents' business, running up and down the aisles of the store. So perhaps it was inevitable that two years ago, at the age of 27, she and her partner Raphaël D'Amours purchased the business, passing the store to a new generation.

Together, Cindy and Raphaël have grown the business in a difficult economic climate, while growing their family at the same time. The couple brought new ideas into the business right away, setting up a website and using Facebook to promote the store.

Nestled in a mining and forestry region, the winters are long and the selling season is short. But the harshness of the region and the economic environment are kept at bay within the store itself. Despite strong regional competition and many changes in the industry, the business continues to meet and even exceed its objectives.

The business works to distinguish itself through a delivery service available throughout the entire region, a tool rental service, and the sale of doors and windows, paint, hardware, and building supplies—all delivered with quality customer service. All Quincaillerie Palmarolle employees value and prioritize their relationship with the store's customers.

When it comes to product knowledge training, Cindy and Raphaël welcome support from vendors, adding new products and educating customers on how to use and install them. This effort has helped increase sales of doors and windows, as well as power tools. The store has also expanded its range of agricultural products to serve surrounding farms, and sales overall have remained strong every year.

Cindy and Raphaël have chosen to pay employees well, keeping salaries competitive. Their close relationships with employees, coupled with occasional rewards and events have created solid ties and a good work environment.

With a three-year-old and 18-month-old at home, having family time is crucial for this pair. And just as important is the couple's desire to extend their belief in life-work balance to their team, accommodating personal needs and being flexible with schedules.

Their community involvement is extensive. The store has contributed both money

and materials to projects such as the village bike path, a skate park, the local football team, a public market, and many other local organizations.

This energetic young couple has displayed the entrepreneurial spirit to meet the challenges and daily struggles of building both a business and a family, all the while maintaining loyalty to their staff and community. This passion and commitment make Cindy Caron and Raphaël D'Amours this year's winners of the Outstanding Retailer Award for Best Young Retailer.



(l-r) Katharine Leko, Techniseal; Cindy Caron and Raphaël D'Amours; Patrick Beloin, Techniseal, which sponsors the award.



Cindy grew up in the store founded by her parents in the small village of Palmarolle, Que.



Cindy and Raphaël have close relationships with their employees, bolstered by occasional rewards and staff events.



DIFFERENTIATE OR DIE: LESSONS FROM THE HARDLINES CONFERENCE

Staying focused on the customer was a message that came through loud and clear at the 21st Annual Hardlines Conference.

The 21st Annual Hardlines Conference gathered 165 people at the Sheraton on the Falls hotel in Niagara Falls, Ont., in October. The conference kicked off with Jay Heubner, president of Ace International, who warned the audience to “differentiate or die.” He stressed the importance of dealers staying focused on customer service, “because service is our only competitive differentiation.”

He also said the partnership in Canada with Lowe’s could be mutually beneficial, as the big box and traditional store both appeal to their own groups of customers. Heubner’s warning served as an overarching theme to the conference, as a variety of speakers from all areas of retail addressed how the field is changing and what retailers need to do to keep up.

GROWING IN YOUR OWN DIRECTION

Dan Tratensek, vice president of publishing at the North American Retail Hardware Association, provided the results of a recent poll of dealers in Canada and the U.S. The eye-opening findings identified how dealers are evolving their businesses and where they are looking to invest. Tratensek pointed out that the biggest growth categories by far for Canadian dealers are plumbing, paint and sundries, and lawn and garden-outdoor living.

Nicolas Couture is general manager of Gabriel Couture & Fils Ltée, a TIMBER MART dealer in Richmond, Que. He gave his grassroots story of growing up in the family business and being challenged now to expand it while maintaining the spirit and passion that typifies an independent operation.



1. The 21st Annual Hardlines Conference took place October 18 and 19 in Niagara Falls, Ont; **2.** This year’s emcee, Mag Ruffman, of Road to Avonlea and ToolGirl fame, knit a pair of socks to give away over the course of the two-day conference; **3.** Hardlines Editor Michael McLarney presented some of his latest observations on the industry and fielded questions from the audience.

INCREASING YOUR NET PRESENCE

Al Meyers of Kalypso weighed in on the importance of e-commerce and how retailers can deliver an omnichannel experience. But he also talked about the importance of bricks and mortar, and what it takes to make your customer drive past your competition to buy from your store. Drawing on

PHOTOS: CALLUM PINKNEY

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his years of experience in retail planning, Meyers detailed the different approaches high-performance retailers are using to innovate—and stay afloat—in today's tough retail environment.

While many of the presentations over the two days were devoted to the inexorable rise of online selling, one online leader gave some sobering statistics. Sumit Srivastava of eBay Canada told the delegates that only about

13 percent of Canadian retailers are selling online. However, online sales are expected to grow by three percent annually over the next three years, while bricks-and-mortar sales are forecast to grow by only 2.6 percent.

Along with top retail and economic speakers, the delegates at the Hardlines Conference benefitted from two days of networking, great food, and an incredible view of Niagara Falls.

4. Crowd favourite Aron Gampel, from Scotiabank Economics, was back with his projections for the Canadian marketplace; 5. Dustin Kaehr, a retail motivator, spoke about how retailers can create quality customer experiences; 6. Richard Darveau, the CRBSC chair, announced the newly formalized relationship of Canada's regional LBM associations under the CRBSC banner; 7. The conference kicked off with an informal pub night; 8. Hardlines honoured retailers at the ORA gala on the first evening of the conference. For more about these winners, turn to page 22; 9. Robin Lee, president of Lee Valley Tools, spoke about how the company is currently reinventing the retail side of its business.

THE BATTLE FOR SHELF SPACE

BY SIGRID FORBERG

What does a manufacturer's agent really do? It's a lot more involved than simply putting products on your shelves. Here, we hear from agents about how their role has changed over the last few decades and how that impacts your store.

In the halcyon days of big box retail, agencies did millions of dollars of business each year simply servicing the Home Depots, Lowe's, RONAs, and Canadian Tires. But when those companies decided to move that role in-house, a number of Canadian agencies went under. And the ones that were left had to work hard to prove their worth.

Agents, and the manufacturers that employ them, say the most important factor in proving their worth is providing an added value. Whether that be through hosting hands-on product knowledge events and "lunch-and-learns," or advocating for the brand in-store, there's much more to the job than merchandising.

KNOWLEDGE IS CRITICAL

Paul Crawford, president of King Marketing, says there are a few reasons manufacturers seek out agents: economics, geography, customer intimacy, and "feet on the street." With a new product, or prospective new retailer, some manufacturers might not have the money, relationships, or employees to cover Canada's spread-out hardware stores.

And with the very technical and oftentimes complicated nature of the products they represent, agents can be a real boon to retailers, manufacturers, and consumers alike.

"The hardware and home improvement industry is technical. It's complicated," says Crawford. "We've got all these TV programs showing us all the problems you can get into if you don't know what you're doing."

But for consumers to be able to understand the products, retail associates have to be able to explain them. And that takes product

McDonald Sales representatives on hand at a Home Hardware store for a weekend event.



King Marketing's product knowledge training helps customers and employees understand technical products.

knowledge. Krista Hamilton, from McDonald Sales, says there's a direct correlation between knowledge and higher sales.

"Product knowledge is critical at the store level," says Hamilton. "You can sell a



product to the warehouse, but if you don't have anyone actually at the ground level,

pushing it through at the store level, the sales will remain very low.”

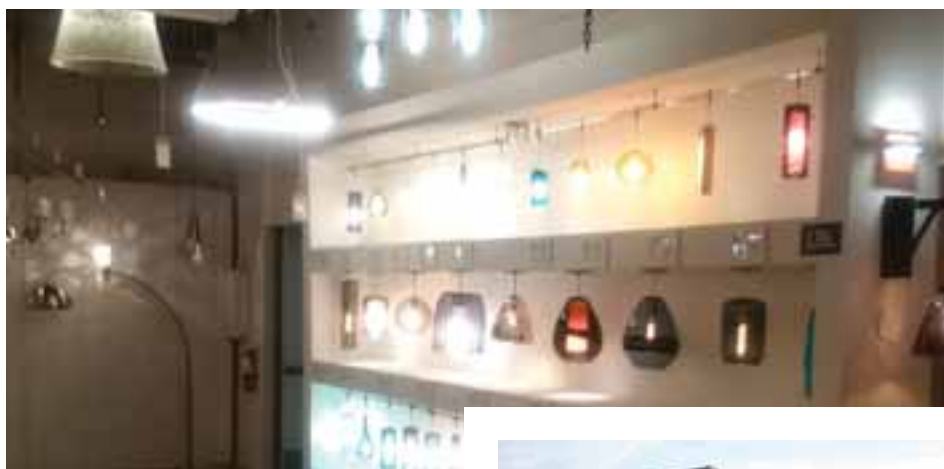
Crawford adds that while a lot of agencies went out of business after the big boxes took back their business, the ones that have stuck around are those that have found efficiencies for both themselves and their clients. And in fact, some former clients have ended up returning to agencies in the end.

REPRESENTATION AT RETAIL

Fred Fennell, of Fennell Marketing & Sales, has worked with some of the same companies for 30 years. In that time, he has developed strong working relationships with retail buyers and he continues to work at them. Face time is something that’s important to him, as he believes people still like to buy from other people.

“I was with a manufacturer and we went into a store and we asked the dealer, ‘When you’re looking at a new line, what’s the first thing you consider?’ He said, ‘The representation,’” says Fennell. “He didn’t mention the product, he didn’t mention the price; he said representation because he wants someone to help him.”

That help ranges from the basic “added value” services agencies provide upon



Fennell Marketing & Sales has helped with the merchandising of Home Hardware showrooms.

request, such as quick fixes for in-store displays, to return-to-vendor events, which involve repairing items that would have otherwise been sent back to the factory—saving money and time for both the manufacturer and the retailer.

Hamilton says it’s easy to see why retailers push for that involvement from factory representatives and manufacturer’s agents: the stakes are high for their small business.



“You have more skin in the game when you own your store,” says Hamilton. “You’re only going to hire people that for sure are going to do the best thing for your business. This is an independent retailer’s livelihood; they can’t just get another sales job down the street.”

From the manufacturer’s perspective

Kim Laurette, with A.O. Smith, a manufacturer of water heaters, works with several different agencies across the country. In the West she uses King Marketing and McDonald Sales for Ontario. Laurette says that working with agencies has allowed A.O. Smith to grow and evolve in the retail landscape without being impacted by turnover from associates at the store level.

“Our products being water heaters, there’s a little bit more to the warranty process,” says Laurette. “We want to be able to support all of our customers across Canada by having somebody that can do product knowledge training

and can understand some of the challenges at the store.”

She adds that the expectations she lays out for an agency are pretty clear—she’s looking for agents that can serve as her company’s brand representative and provide more “feet on the street.”

“It allows me to focus on strategies at the head office and develop a business plan that the agencies can then help me implement at the store level,” says Laurette. “And that added support helps store associates feel comfortable selling the product.”

Regular reports are also very important to Laurette. She says King Marketing’s web-based reporting program, Pick-See, and McDonald Sales’ reporting templates provide her with invaluable information. And there are times they bring back additional information and opportunities from store visits that factory representatives or company employees might not have access to or recognize.

“They bring different things to the table,” says Laurette. “What’s great about agencies is that they’re out there talking to dealers, getting information, and drawing conclusions based on those relationships.”



MARKETING YOURSELF TO THE MILLENNIAL SHOPPER

The Millennial generation (born between 1980 and 2000) is coming of age and starting their own households. In conjunction with HARDLINES, the Student Life Network & Parent Life Network conducted a survey to uncover what home improvement retailers need to know when catering to these shoppers.

The Millennial demographic currently ranges in age from their late teens to late 30s. As they now find themselves in different stages of life—some are students, new parents, or homeowners, while others may be some combination of the three—their needs from home improvement retailers and brands vary widely.

That being said, a survey done by the Student Life Network & Parent Life Network in partnership with HARDLINES uncovered some common findings that indicate trends to watch from Canada's Millennial shoppers. Hardlines Conference delegates got a sneak peak of these statistics in October at the 21st Annual Hardlines Conference in Niagara Falls, Ont.

A HUGE OPPORTUNITY

Millennials stand to make a significant mark on the home improvement market this year. More than six million Canadian Millennials plan to spend \$20 billion on home improvements in 2017.

The top five areas where Canadian Millennials plan to undertake home improvement projects over the next year are:

1. Outdoor (51%)
2. Bedroom (49%)
3. Bathroom (41%)
4. Living room (39%)
5. Kitchen (37%)

GENDER-BALANCED SHOPPERS

Gone are the days of only finding male shoppers wandering the aisles of their local building supply store. According to the survey, Canadian Millennial men still outnumber their female counterparts two to one as the primary decision-makers in the household when it comes to what items to buy. But seven in 10 Millennials shop in-store with their spouse or partner, revealing that this generation views home improvement shopping as a shared experience, regardless of who makes the final decisions.

SHOPPING FOR THE FAMILIAR

Canadian Millennials ranked the following retailers in order of the top 10 places they shop for home improvement products and services:

1. Canadian Tire (77%)
2. Home Depot (70%)
3. Walmart (60%)
4. RONA (42%)
5. Costco (41%)
6. Home Hardware (39%)
7. Amazon (30%)
8. Lowe's (24%)
9. Sears (17%)
10. eBay (8%)

Whether shopping for Christmas decorations with their parents, buying last-minute dorm-room accessories for post-secondary school, buying car wash and wax for their first car, or picking up tools to assemble furniture for their new baby's room, Millennial shoppers consider Canadian Tire to be the brand that is

familiar and trusted. Whether it is nostalgia or comfort, they are much more likely to shop there for their home improvement products than any other retailers. However, the researchers point out that Millennials are still early in developing their home improvement shopping habits, leaving plenty of opportunities for retailers to win these shoppers over.

DIY, BUT WITH HELP

When it comes down to it, the majority of Millennials prefer to do things for themselves, over the “Do-it-for-me” approach. In fact, 70 percent of those shoppers prefer to go online and educate themselves on project plans and products before setting foot in a retail store. The researchers predict a massive growth of “how to” online videos relating to home improvement projects over the next 10 years. This is the “you can do anything you set your mind to” generation, but they still need some professional help to accomplish those projects themselves.

They’re also selective about what kind of outside help they’re willing to seek— 80 percent of Canadian Millennials will only consider hiring a contractor for a project they consider complex, such as building a new backyard deck or remodeling their entire kitchen.

HOPE FOR BRICKS AND MORTAR STILL

While Millennials prefer to do their research online before making a purchase, 80 percent of shoppers do not prefer to buy home improvement products online. They still prefer the in-store experience, where they are able to touch and compare products side-by-side. There they can get the immediate gratification of bringing products home after they’re purchased them. Augmented reality and virtual reality have come a long way, but they still can’t offer everything an in-store experience can.



Sean Copeland explains to the Hardlines Conference audience that Millennials will spend a lot of time researching online, but still need help in-store.

CUSTOMER SERVICE IS KEY

Despite having done research online before going to the store, eight out of 10 Millennials still want help from staff once they arrive at your store. They prefer it to be readily available and helpful, but it’s important to find a balance between informative and condescending when communicating with these eager, but green, DIYers.

COMPETING FOR CLIENTELE

So how can your store cater to Millennial shoppers? The results suggest a few opportunities to win over their business:

1. **Gain their respect.** Show them you know how to do their home improvement project, but that you respect their choice to try to do it themselves. Regardless of gender, treat them with respect by showing them that you believe they can learn to do anything.
2. **Share with them.** Tell them that you have the products that they need as soon as they need them. Connect with them regularly to ensure you’re always top of mind when they’re ready for their next DIY project.
3. **Encourage their purchase.** Provide them with special opportunities to buy what they want most at a price they can’t

find anywhere else. Drive incremental items in their basket by making sure they bring their list of required products when they shop for that big item sale.

ABOUT THIS SURVEY

Homeowners Canada was commissioned by HARDLINES to conduct a research study of Millennials to uncover their home improvement shopping habits and preferences. Homeowners Canada conducted an online survey in the fall of 2016 with more than 3,000 Canadian Millennials aged 20 to 35. For more information on the survey and its results, contact Sean Copeland at sean@squarecrop.com.

ABOUT STUDENT LIFE NETWORK & PARENT LIFE NETWORK

With nearly a million Canadian members between 16 and 40, and a social media reach into the hundreds of thousands, Student Life Network and Parent Life Network (PLN) drive millions of actions for Canada’s top brands. For more information, visit www.studentlifefnetwork.com and www.parentlifefnetwork.com.



QUEBEC: DIFFERENT, BUT THE SAME

In a new series to *HHIQ*, we take a look at Canada's various regions and what makes them unique. Here, some retailers weigh in on catering to the Quebec shopper.

BY SIGRID FORBERG

Quebec, which accounts for nearly a quarter of the country's population, has also proven a tough market for outsiders to break into. When asked about what makes the Quebec shopper unique, Alain Charbonneau, owner of Centre de Rénovation Fabreville in Laval, said that he finds the Quebec consumer eagerly embraces innovation and new trends and aesthetics.

Perhaps contributing to the difficulty retailers face entering the market, there's long been a perception that the Quebecois are die-hard "support local" shoppers. Charbonneau admits that's true, but adds that consumers are more fixated on price than ever before.

Marie-Josée Clément agrees. As the general manager of eight La Coop Univert stores located between Quebec City and Trois-Rivières, she's found that consumers are prioritizing price above all else. "They compare a lot," says Clément. "Even if you're in a rural area, you have to be very competitive. These days, with the internet, price is really becoming an important factor."

But both agree the fixation on dollars is not something unique to shoppers in Quebec—all across the country, Canadians are working with tighter budgets. And with those tighter budgets comes an increased competition for every dollar.

TOUGH COMPETITION

Michel Prescott, the owner of Matériaux J. Lajeunesse Inc. in Val-des-Bois, says the fierce competition for business has resulted in a greater emphasis on customer service. Prescott's Home Hardware store is in the Outaouais region, just outside of Ottawa. Like Charbonneau, he faces competition from big city stores. Both work to set themselves apart by placing an extra emphasis on the customer experience.

"We try to know all of our customers by their names," says Prescott. "Many customers say that the way we receive and recognize them is totally different from what they're used to. We have some people coming to us from as far as an hour away."



Alain Charbonneau
Centre de Rénovation
Fabreville



Marie-Josée Clément
La Coop Univert



Michel Prescott
Matériaux
J. Lajeunesse Inc.

In the busy Montreal suburb of Laval, Charbonneau knows it would be easy for his customers to find another store to shop. Within a five-kilometre radius from his TIMBER MART store, there are two Reno-Depots, two Home Depots, a RONA L'Entrepot, a BMR, and a Marcil. And as the province still continues to recover from the recession, he says it's become "a renovation market, not a construction market."

But in fighting for each dollar, he puts himself in the mindset of his customers. "I think what the consumer is looking for most is advice and service," says Charbonneau. "We're all alike—we're short on time. The consumer wants to be served quickly, to have quality products to choose from, and to get out of the store with little trouble."

CHANGING STRATEGIES

The big news in Quebec home improvement last year was the purchase of RONA by Lowe's. As the deal was finalized, dealers in Quebec were preparing for the company's entry into the market.

Home Hardware, for its part, has made no secret of its desire to grow its presence in the province. Prescott says he's seen the company undergo a huge transformation since he joined the banner 13 years ago. When he walks the floor of Home's twice-annual buying shows, more than 50 percent of the suppliers have signs that indicate they speak French—a huge difference from when he used to



Matériaux J. Lajeunesse Inc. in Val-des-Bois



Centre de Rénovation Fabreville in Laval

expect that all his business would have to be conducted in English.

“It’s common sense,” says Prescott. “If you want to increase your sales in Quebec, you have to talk French, it’s that simple.”

Clément says while BMR emphasizes the company’s Quebecois roots, everything goes right back to the fight for each dollar retailers are seeing in the province. “We work on that in our publicity and our everyday interactions, but I don’t think it’s enough to sway people,” says Clément. “Lowe’s is a competitor that is aggressive—like a lot of our other competitors.”

However, she does say her stores do a lot of education with customers about the value they’re getting for the prices they pay. And loyal customers are willing to pay a dollar more for a local store with great advice and service.

“I think the future market for Quebec will be difficult,” says Charbonneau. “The economy isn’t very reassuring, and customers are buying more based on their needs than wants. I think you need to be more a vendor of service than sales volume—that’s what consumers will be looking for over the next few years.”

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“CHAOS” OF GYPSUM PRICING AS TARIFF CREATES WIDESPREAD SHORTAGES

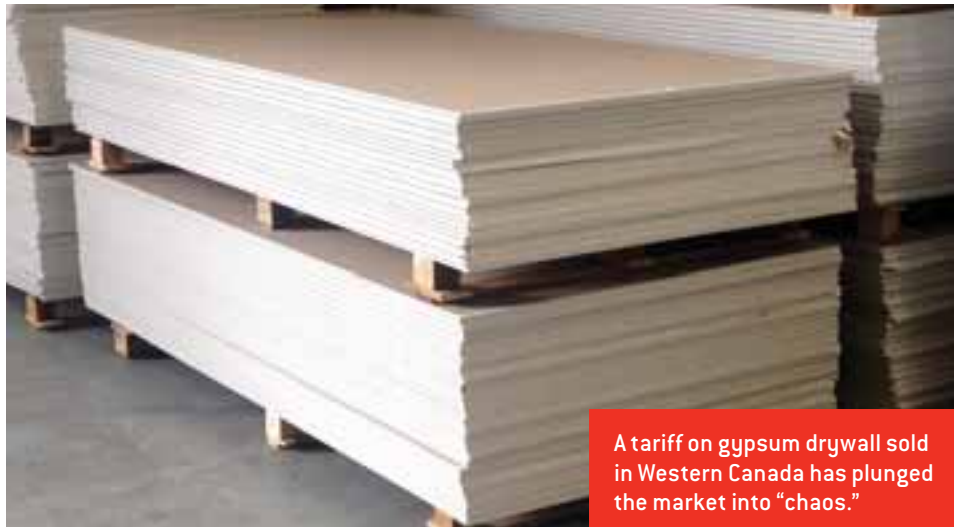
Following the imposition of a tariff on gypsum drywall sold in Western Canada on September 6, 2016, reports of shortages soon started coming in from as far away as Ontario. The Canadian International Trade Tribunal was to review the tariff in early January, but until then, the market has faced a lot of uncertainty.

John Adrian is the lumber and agro manager for Rocky Mountain House Co-op Home Centre, located an hour west of Red Deer, Alta. He placed an order for two truckloads of drywall from CGC at Federated Co-operative's Fall Buymart back in mid-October. The terms included immediate delivery.

Four weeks later the order finally arrived. Prices shot up and shortages abound, all due to a tariff on gypsum drywall that has affected Western Canada. It has taken a toll on margins—and on the receptiveness of end-users, who were paying up to 60 percent more than they did three months before.

The tariff was the result of a ruling on September 6 by the Canadian International Trade Tribunal on drywall from the U.S. being dumped into Western Canada. As the only drywall producer with manufacturing in Western Canada, CertainTeed Gypsum Canada filed the original complaint. The CITT ruled in favour of a tariff to level the playing field. CertainTeed's own product, which is produced in a facility in Calgary, was not affected by the tariff, but the company did raise its prices by 30 percent to recapture some margin.

Delivery times now, says Adrian, are running up to seven weeks out. At the same time, demand is way off due to pricing. “The only ones buying drywall are the ones who have to,” he says, noting that his biggest customers now are on nearby reserves, where demand remains high. He's seen his cost go from an average of \$16 per sheet to \$21.



A tariff on gypsum drywall sold in Western Canada has plunged the market into “chaos.”

Shoemaker Drywall Supplies is a commercial drywall dealer, and part of the WSB Titan group of companies. It has a dozen locations in Western Canada. Doug Skrepnek of Titan summed up the situation in one word: “Chaos.” The increased prices have affected Titan's business, which he says were down 40 percent due to high prices and the lack of supply as U.S. product is staying south of the border. “Never in my 40 years in the industry have I seen this much turmoil in the marketplace,” he says.

However, the impact of the tariff can vary from dealer to dealer, depending on their supply relations. One dealer with locations in British Columbia and Alberta who asked not to be named says he buys already from CertainTeed. Dealers tied more closely to that supplier are not feeling the impact as much, he says. As for his customers, he noted that the contractors “did a lot of



Doug Skrepnek of WSB Titan says in his 40 years in the business, he's never seen so much turmoil in the marketplace.

squawking at first,” but the situation has settled down somewhat.

A ruling was to be made by the Tribunal on January 5, with any changes to go into effect January 20. Skrepnek believes the tariff will be lowered significantly as a result of the hearings. “But,” he adds, “if it's not lowered, it will have a devastating impact.”

WHAT'S IN STORE FOR YOU?



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REGIONAL ROUNDUP OF BUSINESS CONDITIONS

In this regular column, the heads of each regional dealer association share the business conditions and challenges their members currently face.



THOMAS FOREMAN
PRESIDENT, BUILDING SUPPLY
INDUSTRY ASSOCIATION OF B.C.

It's that time of the year when we reflect on the past and look to the future. Last year, we focused on our internal structure and made a number of significant changes to better serve our members through enhancing our BSIA Group Benefit Plan and consolidating our underwriters to Great West Life.

We've also chosen to work with a contract publisher for our magazine and are excited to announce a new partnership with Del Communications. Del will be publishing our BSIA News, directory, and calendar. We'll continue to have 100 percent editorial control although much of the "heavy lifting" traditionally managed by our office will be removed, resulting in a huge productivity gain.

Our Board of Directors and committee chairs have diligently put together a very full calendar of events for 2017, particularly in the education and social areas. We have more training happening next year than any other year in the past, along with a number of special regional board meetings being hosted throughout the province.

Some of you may remember our Ultimate Show Home project in 2010, which was an 8,500-square-foot custom-built home. Over the next year, we'll be launching the Ultimate Show Home II, next door to the last show home and it will be a 9,000-square-foot custom home, with an estimated value of \$4

million. Both of these projects were designed to showcase many of our members' products and services from the start to the finish of the building process.

Our educational and training programs are growing and we now offer Windows Excel and PowerPoint courses as well as hands-on installation workshops for moulding, doors, windows, plumbing, and electrical. All these workshops are topped off with our great estimating and principles of yard and warehouse operations courses we offer a couple of times a year in the Lower Mainland and Kelowna.



DAVE CAMPBELL
PRESIDENT, LUMBER AND BUILDING
MATERIALS ASSOCIATION OF ONTARIO

Last year was a banner year for most building supply and hardware retailers in Ontario, particularly in the GTA and cottage country. Housing sales, new home starts, renovations, and low interest rates drove the demand for building materials. Based on recent comments from the Bank of Canada, interest rates will continue to be low to deter an economic slowdown. However, consumer debt is becoming a factor and there will be pressure this year to make minor adjustments and manipulate borrowing practices with more stringent regulations for new home buyers.

Although the economy in the GTA is strong as housing values skyrocket, there are pockets in Ontario not enjoying the

same growth and employment opportunities. Southwestern Ontario was hit severely in the 2008 to 2012 recession and has never gained back the manufacturing jobs lost at that time.

However, housing values in the Niagara region are moving up significantly due to demand from people selling properties in the GTA and enjoying a sizeable gain and buying a comparable or even upgraded property outside of Toronto for considerably less. Commuting from the Niagara area to the GTA for employment is increasing as the difference in housing costs outweighs the costs of the commute.

This year will continue to be a robust year and the only area of concern will be interference from government trying to manipulate the housing market!



RICHARD DARVEAU
PRESIDENT & CEO, QUEBEC HARDWARE
AND BUILDING MATERIALS ASSOCIATION

After a round-table gathering all banners in November in Longueuil, the AQMAT team has officially launched its own training academy called AQMAT College. The initiative has received the support of all the buying groups because it answers a problem considered the most pressing for our hardware and renovation centres as they compete with big box stores and e-commerce: a better customer experience.

The "wow" effect is a combination of several factors, including merchandising,

decoration, and good selection of products. But at the heart of the operation is the sales representative who should welcome and assist customers throughout their tasks before and after their visit to the store!

A six-day course has been designed and will begin in mid-January in different cities in eight regions of the province. We'll follow each of the departments (materials, plumbing, and electricity) as well as niche activities, such as pesticides and locksmiths. These are certificates that will be recognized by the government and the industry that "students" can acquire only if they get 80 percent in total and for each module.

In addition to the college activities, we've introduced a second action, also in partnership with the banners, to help stores find talent. A web platform and participation in job fairs are in the making. Hiring the best talent and perfecting the existing staff make up the two facets of a broad solution aimed at transforming the purchasing experience in Quebec's hardware and renovation centres.



DENIS MELANSON
PRESIDENT, ATLANTIC BUILDING
SUPPLY DEALERS ASSOCIATION

The optimism ABSDA members were feeling after the first quarter of 2016 has continued through the third quarter of the year with 75 percent of respondents to our Business Conditions Survey reporting improved sales over the same period in 2015.

While this should be encouraging for our Atlantic market, some members have experienced short periods this year when orders fell off for two to three weeks at a time, causing some concern on the sales front. These periods were usually followed with an increase in

orders, which helped bring things back into line for their sales projections.

While sales increases seemed positive, in some parts of the region they came at a cost. Seventy-eight percent of survey respondents reported margins either equal to or lower than the same period a year before. This can be disturbing when margins for some members were already at levels that were of concern.

In the fall, ABSDA, with our fellow regional associations, expressed concern to Federal Finance Minister Bill Morneau with respect to some of the tightening of eligibility rules for first-time home buyers applying for mortgage financing. We focused our attention on the new eligibility rules that have the potential, in our opinion, to upset the balance in an already fragile Atlantic Canadian real estate market.

There is some excitement building for the 2017 ABSDA Building Supply Expo scheduled for March 22 and 23 in Halifax. The move to a different city, combined with some great Atlantic Canadian entertainment at the networking functions, has drawn renewed interest in this event. The industry can look forward to a fresh look for this Atlantic Canadian tradition.



LIZ KOVACH
PRESIDENT, WESTERN RETAIL
LUMBER ASSOCIATION

The last quarter of 2016 ended with business conditions ranging from flat to slightly ahead of the year before. Unseasonably warm weather conditions allowed for additional housing starts, which is always a bonus on the Prairies this time of year. Unfortunately, the warm weather brought wet conditions that resulted in a


very late harvest and depressed crop prices. This created delays in spending on farm-related construction projects. Building supply business on the Prairies is equally split between urban and rural markets.

Urban sales in Q4 were flat and a lack of new housing starts that traditionally fuel this market were mitigated by a combination of relatively strong renovation, commercial, and multi-family projects. These should remain strong due to recent immigration policies. Most rural business was positive due to local infrastructure initiatives and some carry-over from a strong rural economy the previous year.

The weak Canadian dollar continues to have a negative impact on margins. The recent government-imposed duty increase on gypsum has now put added pressure on margins—not to mention testing relationships with our customers.

Local and regional factors continue to impact business, mostly in a negative way, such as taxation on new housing developments, low oil prices, minimum wages policies, and reduced infrastructure dollars as some governments try to reduce deficits.

Most of our members are entering 2017 with flat to single-digit decreased sales projections depending on the extent of continued higher drywall duties, low oil prices, depressed housing starts, and vendor price increases. But more importantly, it's the unknown we face: softwood lumber negotiations, U.S. President Trump's trade policies including NAFTA, carbon taxes, immigration policies, and government austerity programs.

Both retail and supplier members continue to be successful in fine-tuning their operations to protect market share and profit margins. The WRLA is there to support them through our annual WRLA Buying Show, our industry-specific training, our NexGEN program that bridges the generational gap, and our strategic partnerships with the Retail Council of Canada and Home Builders Associations. We have the tools to allow our members to address challenges and take advantage of opportunities as they move into an uncertain 2017. 



TAPPING INTO THE COMMERCIAL MARKET

BY JOHN CAULFIELD

Selling to commercial contractors isn't for everyone—it's a different kind of business in every way. But the risks can also pay off. Here, we talk to some dealers who are doing it right.

Patene Building Supplies, with 15 locations in Ontario and Manitoba, generates between 35 and 40 per cent of annual revenue from contractors doing light commercial projects such as multi-family apartments, medical office buildings, and strip malls.

But commercial sales aren't for everyone. "It's definitely a different business," observes Patene's owner and general manager Joe George, in terms of products,

credit risk, delivery, and "who you are interacting with."

More home improvement dealers have been eyeing commercial lately as demand for rental apartments and offices booms. "I know a lot of my competitors pooh-poo this side of the business and say it's too difficult," says Andrew Payzant, owner of Payzant Home Hardware Building Centre in Halifax, N.S. "But the housing market has changed, and if you don't sell into

multi-family, you're walking away from a lot of business."

It's axiomatic that succeeding at commercial sales requires a certain volume level to compensate for lower margins. Fraser's Pro Home Centre is a TIMBERT MART dealer with five locations in rural Nova Scotia's Annapolis Valley. Its markets total only around 90,000 residents, so opportunities to supply commercial projects are limited, says GM Paul Parsons.

And competition for commercial jobs can be stiff. “Everybody thinks they can do this, but you have to sell a lot of apples to make money,” says Paul Singer, who owns Morinville Castle Building Centre in Morinville, Alta., which has the advantage of being a contractor and developer.

Singer is one of a number of dealers *HHIQ* interviewed about their commercial sales programs. They offered advice that other dealers interested in this arena might heed.

SELLING

Having dedicated commercial salespeople on staff isn’t essential, but it doesn’t hurt. Patene has a separate sales force for commercial roofing, and specialists for products like masonry and house wrap.

Sault Ste. Marie, Ont.-based Lyons Timber Mart, with three locations, calls its commercial salespeople “our relationship guys,” says GM Scott Beaumont, because working with contractors and developers “is a relationship business.” The more relationships, the fewer “one-off” jobs Lyons needs to bid on.

PURCHASING AND DELIVERY

General contractors usually leave purchasing to their supervisors or subs. Most dealers ship at least part of any commercial order from their stores’ inventories, although there’s also a lot more special ordering, especially when fire-rated materials are specified. Even standard items like steel studs get ordered in different gauges and lengths.

“Supers rely on us as their soup-to-nuts supplier,” says Singer. “They expect us to fulfill their needs, and are prepared to pay for these services.”

Lyons stocks and cuts engineered lumber—LVL and I-joists—up to 48 feet, which Beaumont says gives his stores a decided advantage over competitors who must order those products through distributors.

Dealers point out that manufacturers of certain commercial products, such as roofing and clay brick, won’t sell directly to dealers with substantial consumer traffic. Such “channelization,” as Beaumont calls it, requires dealers to know which distributors they can depend on for quick order turnarounds.

If you’re into commercial sales, you need boom trucks to lift products to higher floors. Lyons owns and operates its equipment, whereas Windsor Plywood in Vancouver uses cartage carriers, says manager Marlon Vinson. Cranes are usually the responsibility of the general contractor or developer, says Patene’s George.

STORAGE

Windsor Plywood is right in the city, “so we’re super handy” for contractors who

“I might sell more 5/8th-inch drywall in three days than what I would normally sell in a month so you need a yard or warehouse to store this stuff.”

need products quickly for urban projects, says Vinson. But this location has very little storage area, so it can’t hold orders beyond a couple of months. “We rely on just-in-time manufacturing,” to deliver projects like prehung doors, says Vinson.

Commercial orders can tax the limits of any dealer’s physical capacity. “We carry steel studs, but our inventory can go up 100 or even 1,000 fold to fill a commercial order,” says Payzant. “I might sell more 5/8th-inch drywall in three days than what I would normally sell in a month,” so “you need a yard or warehouse to store this stuff.”

Singer cautions that dealers need to be “organized” so that their commercial customers aren’t abusing the privilege and parking orders at their yards indefinitely.

“Sometimes orders are placed months before the foundation is even poured.”

CREDIT

Most dealers interviewed say commercial pros are bigger credit risks than residential pros or consumers.

Commercial pros often borrow from specialty lenders at higher interest rates. And that financing only covers the cost of building, not a pro’s profit margin.

“So if the contractor’s costs get out of control, or the job gets delayed, they can bury you faster” than a small homebuilding project would, says Singer. Vinson of Windsor Plywood adds that his store often “floats” larger contractors (that is, carrying their invoices beyond the terms of payment) because “they are slower to pay.” Government-financed projects like hospitals

also have reputations for being slow to pay, which trickles down to dealers and suppliers.

George notes that there’s been a lot of student housing built lately in the Kitchener-Waterloo, Ont., market, whose lending can be contingent on the projects being completed before the school year starts. So collecting from pros on late projects “can be problematic.”

Consequently, dealers must be careful about how long they will extend pricing terms. “Credit risk is a challenge every day, and you don’t always win,” says Beaumont.

But if dealers are up for building the relationships, investing in the right storage and stock, and taking a risk on credit to cater to commercial contractors, the return on this “different business” can be quite profitable.

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

START THE YEAR ON A SOLID FINANCIAL FOOTING



In our last issue, we wrote of the benefits of following a plan. Here, we'll go over how you can achieve that plan and make the most of 2017 for your business.

If you haven't made a budget for 2017 yet, it's not too late. The first quarter of the year is usually not the most significant. But you should be starting to plan your numbers soon—it's hard to achieve much without knowing where to begin.

Start by preparing a financial report that shows your actual numbers by month,

year to date, and compare them against last year's budget numbers. This will help show variance by column. Next, create a key operating report (KOI) and run it every Monday morning, showing sales, margins, wages, receivables, and other key data you'd like to see weekly. Share the report with your management team and look at each issue it reveals.

WHAT IF MY SALES ARE LOWER THAN EXPECTED?

Analyze your numbers and consider the following:

- Are your sales comp numbers trending up or down?
- Compare sales by category: Have you made major changes or discontinued categories?
- Compare sales year to date versus last year to date by your top 25 customers: Where are there inconsistencies?
- Have you lost any key customers?
- In the first couple of months, is it weather related from last year, or did weather allow early housing starts in the previous year?
- Were there any major changes in the community, such as business closures?
- Have there been major price changes, due to downward currency swings or price deflation in major commodities?
- Is there new competition in your trading area?
- What did your plan for increasing sales consist of?

In the first quarter, you shouldn't be making decisions to change your budget, just continue to monitor your numbers. However, staff hours can be adjusted if you're tracking below budget. This period is a good time to make changes that will help grow your business. Try and focus in on just one or two ideas.

KEY OPPORTUNITIES TO INCREASE SALES

1. Adding new products or categories. If you're worried about having no space, look at the duplications in your store. How many double- and triple-facings do you have on display to fill up the module? How many products in your inventory have you sold one or less of? First quarter is a good time to get the updated planograms from your distributor to weed out the old items. New products added in the last 12 months should account for 15 to 20 percent of your sales. Make it an objective to discontinue items that aren't performing or have too many duplicates.

2. Increase average basket sale with the same customers. Suggesting add-on items with the project they're selling, such as tools and fasteners required to complete the project. Display impulse merchandising throughout the store using clip strips, feature ends, stack outs, and feature bin merchandising. For an average LBM dealer of \$5,000,000 with average sale of \$105, a three-dollar average sale increase would show a yearly \$142,000 sales increase.

3. Increase your gross margin. The NRHA 2016 Cost of Doing Business Report has shown an increase from 23.2 to 27.2 percent for 2016. Some of this increase comes from a four percent increase in consumer

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sales. Canadian stats have shown declines in 2016. Variable pricing on non-sensitive items, step-up, and add-on items helps improve margins. A one percent increase in gross margin contributes greatly to your bottom line.

4. Gain market share from your competition. What is your competition doing that you can do better? Having a strong team and better customer service rates strongly with the consumer and contractor. How do you rate? How are you going to market to the Millennials (18 to 34)? They need to be a big portion of your volume as the Boomers start to downsize. Are you keeping up with the new trends? Focus on the five Ps: People, Product, Pricing, Place, and Promotion. Service still matters and needs to be the key for the bricks-and-mortar retailer.


5. Strengthen your team. Employee training pays dividends—go look at the NRHA

employee training program. It has several new and updated modules with Canadian content for hardware and building supplies. With access to a wealth of information through their mobile devices, shoppers often enter the store with more knowledge than associates. It doesn't have to be this way! You can motivate store associates by arming them with the right technology.

GOING FORWARD

If you're not seeing the gains you forecast by the second quarter, then you need to make some changes. These are usually your busiest months, so balance hours to customer flow. Remember you can only reduce employees so far without damaging your

customer service. Measure what you have done to grow your business and ask yourself if it's working. Continue to reassess, make changes, and monitor your results.

As the owner or store manager, you should be the expert of your company. If you don't understand your numbers, schedule a meeting with your outside accounting firm and bring a list of questions to make sure you understand what they'll tell you. And remember, you're a retailer, not an accountant, so don't be afraid to ask your questions, no matter how trivial they may seem. 



Bill Wilson is Retail Advisor for the North American Retail Hardware Association Canada and an ORA judge. 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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FAMILY BUSINESS FINDS ITS FORTÉ

BY GEOFFREY McLARNEY

Nicolas Couture started his career in the home improvement industry at four years old, sweeping floors at his family's store and being paid in cans of pop. Now the general manager of Gabriel Couture & Fils Ltée, he shared his insights at the Hardlines Conference of how the company has grown over the years in a very targeted way.

Nicolas Couture has spent his whole life in the industry. Growing up in his family's hardware store, he looked forward to going to work and took pride in keeping the place clean. "It was my daycare," he told the audience at the Hardlines Conference in Niagara Falls, Ont., last fall.

As a child, he operated a forklift in the yard, and as a teenager he challenged his friends at work to sales competitions and delivery races, and their enthusiasm not only generated more sales, but spread to other employees as well. From it all, he gained a wide exposure to the store's operations. And though he's now in his 30s and general manager of the business, he still occasionally sweeps the floors at the four Couture TIMBER MART stores in Quebec's Eastern Townships.

Couture attended Université de Sherbrooke for a bachelor's degree in business as a co-op student. An encounter with then-TIMBER MART head Tim Urquhart at a Montreal trade show led to an invitation to complete his co-op placements at TIMBER MART's head office. His arrival came at an opportune time, as TIMBER MART was rolling out the Ace banner. Couture was first involved in implementing Timber U, the company's internal online training program for members, working from Toronto. In his second placement, he assisted in the transition from Pro to Ace in Quebec, familiarizing dealers with the banner and training them in paint sales.

Having grown up in the industry, he knows that young leaders need to be



identified and encouraged as the demographic continues to grow older. He stresses the importance, for independents, of planning for succession early. Speaking to *HHIQ*, he elaborated on that point: "It needs to be [planned] well in advance by the owners. A lot of times, people tend to work in their business and not on their business. So they spend 30 or 40 years and then realize—'Do I pass it on? Do I sell? Do I have anyone interested in buying?' And by then, it's not the time to do that. It needs to be laid out well in the beginning."

Couture told the Hardlines Conference the three basic components to his business philosophy: to be happy, to challenge yourself, and to strive to create opportunities. However, those opportunities

have to be the right ones. He points to the Couture family's brief flirtation with the grocery business as an example of the pitfalls that can come from trying to do something other than what you know and love.

Metro, impressed by Couture's grandfather Gabriel's retail know-how, wooed him to set up a 20,000-square-foot store in Richmond, Que. The patriarch agreed, allured by the possibility of making his fortune in supermarkets. But his experience in retail didn't translate to the new métier: "You don't manage tomatoes and cucumbers like you manage bits and screws," said Couture. Soon the family was back to focusing on its forté. And that passion and focus hasn't wavered since.

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