

HARDLINES ^{20 YEARS} HIQ HOME IMPROVEMENT QUARTERLY

THIRD QUARTER / 2015

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- Slegg opens new doors for Titan
- Lawn and garden: Trends to watch
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TWENTY YEARS OF GROWTH

We look back at two decades of winners and losers.

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BMR

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HOME IMPROVEMENT QUARTERLY

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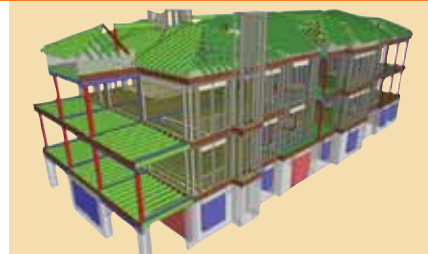
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Justin Machabée
Saint-Antoine-Abbé, QC



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A VIEW FROM ABOVE

Reflecting on the people and companies that have made this industry great.

MICHAEL McLARNEY, EDITOR

“When was the last time you were on Vancouver Island? You haven’t been here in a while and you haven’t seen my store.”

It was as much a challenge as it was an invitation, and it came from one of the true characters in this industry. Bill Wansbrough owned Cubbon Buildall in the heart of Victoria. I was a young editor at the now-defunct *Hardware Merchandising* magazine, where I spent close to 10 years before striking out on my own 20 years ago and establishing Hardlines. During those

“Rent a car, drive south for half an hour. Go park by the landing strip and I’ll pick you up at 8 a.m.”

Mystified and intrigued by the forthrightness of the man, I did as I was told. Parking the rental car the next morning, I scanned the road—and the sky—wondering when and how Bill would arrive. At four minutes after eight, I saw a small three-seater plane angling down from the clouds. It landed, and out emerged the bulky figure of Bill, accompanied by his pal and sometime business partner, who piloted the plane.

“Mystified and intrigued by the forthrightness of the man, I did as I was told. Parking the rental car the next morning, I scanned the road—and the sky—wondering when and how Bill would arrive.”

formative years, I began my acquaintance, and often, friendship, with many of the characters in this industry.


Wansbrough was one of them, for sure. On assignment in Vancouver at the time, I stuttered an excuse—we didn’t have the budget, I didn’t have the time, I couldn’t really justify the trip. He interrupted me.

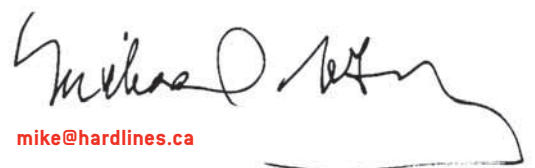
I climbed into the backseat, strapped myself in, and put the headphones on so I could hear them talk to me over the crash of the single engine. That day, I got a tour of the Gulf Islands, of Vancouver Island, the city of Victoria from the sky, and a close-up look at an amazing business—and an amazing business operator.

Wansbrough brought the same élan to his business that he did to his personal life. He had decided that the installed business was the future. Home décor was the future. He opened a second location for kitchen and bath installations and staffed it with trained kitchen designers. He was one hell of a marketer.

The stories of the individuals and the businesses that have made this industry so great are myriad. I’ve had the pleasure and the honour to be privy to many of them. Bill’s story is, of course, just one of many, but his spirit and passion for life—and for his business—exemplified the greatness that lies at the heart of this industry.

Join me in this issue as we look back over more than two decades of hardware and home improvement retailing—and some of the individuals and companies that have shaped this industry.

It’s been my pleasure and honour to report on it all these years. 


mike@hardlines.ca

QUARTERLY BUSINESS CONDITIONS

FIRST QUARTER 2015

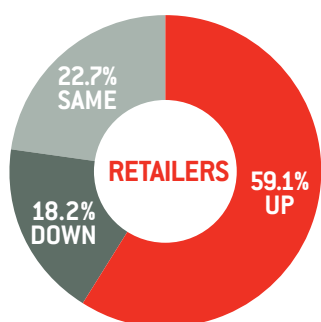
After a long, hard winter, both retailers and vendors agree that the weather was a sales detractor in Q1 2015. But despite the slow start, retailers and vendors alike indicated that the first quarter's sales in 2015 were up compared to the same quarter in 2014. And the majority of all polled were optimistic about their sales over the next year.

We asked retailers if they felt the effects of showrooming in their stores and 72.1 percent indicated yes—up significantly from

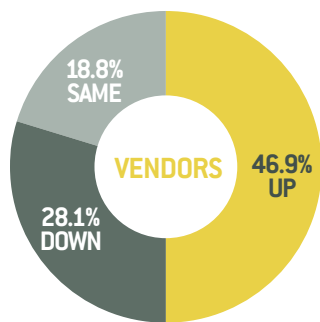
60.9 percent in Q1 2014. For vendors, there was a small increase in the percentage of those who offered new products in Q1 to better compete—from 67.2 percent in Q1 2014 to 68.8 in Q1 2015.

The top issues for retailers are staffing, decreasing margins, and customer retention, whereas vendors are concerned about the exchange rate with the U.S. dollar, higher raw material/shipping costs, and competition from Asian sourcing.

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

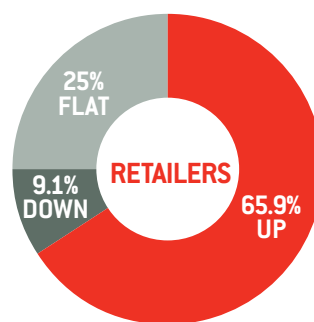


Year-over-year, the percentage of retailers experiencing better sales than last year is up almost 10 percentage points from Q1 2014, when 50 percent of retailers reported increased sales.

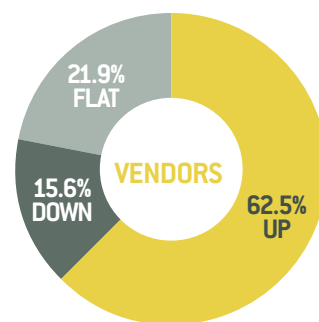


Year-over-year, the percentage of vendors experiencing better sales than last year is up seven percentage points from Q1 2014, when 39.7 percent of vendors reported increased sales.

At year-end 2015, how do you expect sales for this year to have gone?

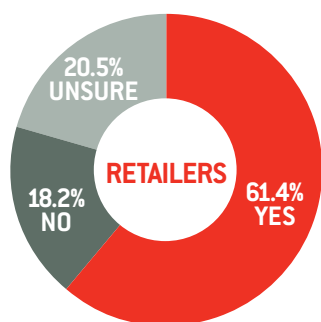


Looking ahead at the rest of the year, the percentage of retailers that predict sales will go up stayed pretty much the same from 65.2 percent in Q1 2014, but the percentage expecting sales to go down was also up almost five percentage points from 4.4 percent in Q1 2014.

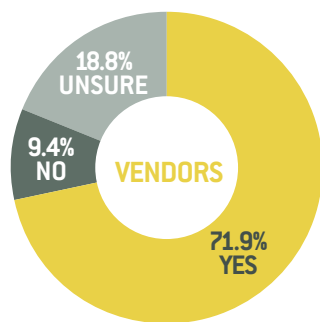


Vendors are much more confident about what the year ahead holds compared to last year: the percentage of vendors that predict sales to go up increased from 56.5 percent, but the percentage expecting sales to go down was also up seven percentage points from 8.1 percent in Q1 2014.

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

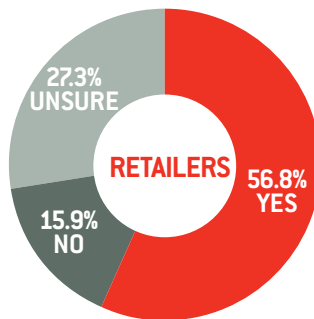


Looking back, the percentage of retailers expecting sales to increase in the next six months is down drastically from 82.6 percent in Q1 2014, and the percentage of retailers unsure about sales increases was up from 10.9 percent in Q1 2014, indicating a general uncertainty about the near future.

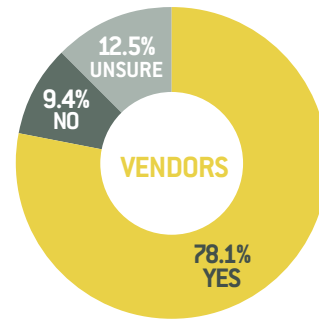


Year-over-year, the percentage of vendors expecting no sales increases in the next six months has decreased nearly nine percentage points from 18.0 percent in Q1 2014. However, the number of vendors uncertain about sales increases over the next six months has increased nearly 10 percentage points from 8.2 percent in Q1 2014.

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



Retailers' outlook for the months ahead is less optimistic than in Q1 2014; the percentage of retailers expecting increased sales decreased nearly 10 percentage points from a year ago. In Q1 2014, 65.2 percent of retailers were expecting sales increases throughout the year.



Vendors are optimistic about the coming 12 months. Year-over-year, the percentage of vendors predicting increased sales is up from 64.5 percent in Q1 2014. And the number of those uncertain about the future is down from 19.4 percent in Q1 2014.

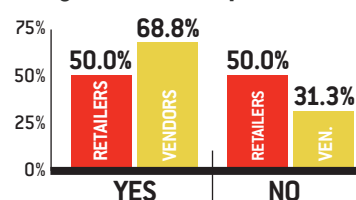
RETAILERS:**Top issues in first quarter**

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

VENDORS:**Top issues in first quarter**

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

Source: HARDLINES Quarterly Business Conditions Survey

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

Year-over-year, the percentage of **retailers** offering new products and/or services to better compete is down significantly from 73.9 percent in Q1 2014.

Year-over-year, the number of **vendors** offering new products/services is fairly steady at 68.8 percent, compared to 67.2 percent in Q1 2015.

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MILLENNIALS ARE EMERGING AS THE DIFM GENERATION

Why should retailers be paying close attention to the Millennial generation? Well, the text-happy, socially conscious generation is backed by nearly \$2 trillion in buying power. Retailers who ignore this burgeoning demographic do so at their own risk.

BY SIGRID FORBERG

When it comes to marketing, Willy Kruh, a partner and global chair consumer markets for KPMG, looks to his own 15-year-old daughter for inspiration. The trouble is, what Millennials (typically defined as the generation born between 1980 and 2000, and who account for 25 percent of Canada's population and one-third of the global population) want can seem complicated and inconsistent.

Unlike their parents before them, they're a far less loyal group, and 84 percent of them have no trust in traditional marketing. They rely on word-of-mouth from their friends, as well as blogs and social media when selecting brands and products. With terms like YOLO (you only live once) and a growing emphasis on the power of social media, what

they're most looking for from the products they purchase are experiences. They'll spend their money on something they perceive as special even when they can't afford it.

“You need to provide turnkey options. It has to be quick, from the shelf to full installation.”

They want their goods to feel personalized: “They want to discover the product, explore the product, engage with the product, and buy the product,” says Kruh.

At the same time, there's also a growing social consciousness. Kruh cites the widespread popularity of brands like Toms Shoes, a company that matches every shoe purchased by donating a pair to children

in need; Millennials lean towards brands that give back.


In terms of the home improvement and hardware industry, Kruh says retailers will face some inevitable challenges. Comparatively, Millennials are delaying some of the big milestones of adulthood: getting married, starting families, and buying homes. “You can't avoid this challenge,” Kruh advises hardlines retailers. “It's getting tougher to buy houses and a lot of young people are staying home.”

But the silver lining, Kruh adds, is that while many are not buying houses or moving up from their starter homes, they are still finding ways to repurpose what they have—and so are renovating a lot more. He adds that this is an important phenomenon for retailers to understand to ensure they have the right products on hand and that they present them to these shoppers in the right ways.

Gone are the days of DIY; Kruh refers now to DIFM—do it for me. He says this generation is looking for things to be made as simple as possible for them. “You need to provide turnkey options,” says Kruh. “It has to be quick, from the shelf to full installation.”

The speed factor is also important when attempting to capture and sustain these young people's interest. Kruh says in the world of social media and instant information they will move on quickly if they can't

find what they're looking for. “It's vital to be effective to deal with that ADD that Ritalin won't help,” he says.

Shifting your entire marketing strategy and marketing your store to an unfamiliar generation might seem an onerous task to some, but Kruh says retailers that choose to ignore this powerful generation do so at their own peril. 



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NEWS ROUNDUP

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Watson TIMBER Mart employees served more than 400 customers over the weekend of celebrations for the store's 50th anniversary.

WATSON TIMBER MART CELEBRATES 50 YEARS

Watson TIMBER Mart in Courtright, Ont., celebrated the company's 50th anniversary in May with a splash. The shop, which is located in a small town just outside of Sarnia, and is close to the Michigan border, was opened in 1965 by Bob Dobson and his wife, Ilene.

With customers lined up at 7:20 a.m. before their 8 o'clock opening, the store

served more than 400 customers over three days at the end of May and raised \$600 for the local baseball team. The local MPP, Bob Bailey, was also on hand to present the Dobson family with a commemorative award.

Rob Altman, the multimedia salesman and a buyer at the shop, says the store has been a landmark in the town since it opened—he can remember shopping there with his father when he was a little kid—and as one of the biggest employers in town, the family-owned business wanted to mark the milestone in a way that gave back to the community that has supported it for five decades.



(Left to right) Brenda Postil, bookkeeper; John Dobson, part owner; and Ilene Dobson, president, pause for a moment during Watson TIMBER Mart's 50th anniversary celebration.

"This is quite a big deal," says Altman. "This is a small community where everybody knows everybody. People will just walk in, hold something up and yell across the shop, 'Put this on my tab!' and walk out. You don't get that in a big city."

Is your store doing something that you think is newsworthy?

Let us know! Give us a call at 416-489-3396 or send us an email at sigrid@hardlines.ca

FEDERATED BUILDS NEW BUYING TEAM



(l-r) Rob Williams is now the Category Development Manager – Building Materials. Cody Smith is now the Category Development Manager – Hardware. Both Williams and Smith have a team of category managers, category co-ordinators, and planogramming staff reporting to them.

Federated Co-operatives Limited's Home and Building Supplies unit has restructured its Home Office and Regional teams. The changes reflect an ongoing focus on the home improvement side of FCL's business.

Rob Williams is now the Category Development Manager – Building Materials. Cody Smith is now the Category Development Manager – Hardware. Both Williams and Smith have a team of category managers, category co-ordinators, and planogramming staff reporting to them.

"Home and Building Supplies is a key strategic business category within the Co-operative Retailing System, which adds value through the offering of products and services to meet the needs of Western Canadian consumers," says Tony Steier, Director of Home and Building Supplies, who heads up the entire divi-

sion. "These changes are designed to better serve the needs arising from the continued growth and investment taking place at Co-op retail locations throughout Western Canada."

Despite having a bigger focus on farm and feed and energy products, FCL remains a key player in Canada's retail home improvement scene. With more than half a billion dollars in sales, it is one of the Hardlines Who's Who Top 20 Retail Groups.

Under Steier's leadership, the team will work alongside Co-op retails, "in providing outstanding service to make customers feel at home in their local Co-op stores." He notes that a broader investment is being made in the entire division. More resources have been added to bolster support in marketing, training, technology, and procurement.

BRIEFLY

CO-OP ATLANTIC CONTINUES EXIT OF FOOD AND RETAIL GAS BUSINESS

Co-op Atlantic has entered bankruptcy protection as it restructures its business, under the *Companies' Creditors Arrangement Act*. The CCAA proceedings "will provide Co-op with the time and stability needed to continue its ongoing efforts to pursue solutions to its financial challenges," the company said in a release. That restructuring centres on exiting the food and retail gas businesses. In the process, it closed four corporately owned food stores, two in New Brunswick, and one each in Prince Edward Island and Newfoundland last week. About 400 jobs will be lost. The company had already sold off five other corporately owned stores and its wholesale grocery business to Sobey's back in May. Co-op Atlantic says it wants to keep focusing on its agricultural, bulk fuel, and housing businesses, supplying its remaining independently owned co-op stores.

CANWEL TO DISTRIBUTE KNAUF IN CANADA

CanWel Building Materials has entered into a multi-year agreement with Knauf Insulation to distribute Knauf's glass wool insulation products to the LBM channel across Canada. Knauf was formerly distributed in Canada by Guardian Building Products Distribution Canada. But that distributor pulled out of Canada unexpectedly at the end of 2014.

CASTLE'S MEMBERSHIP GROWS

Castle Building Centres Group recently acquired three new members: Lortie et Martin Ltée, a large independent dealer in Sainte-Agathe-des-Monts, Que.; B & P Building Materials Ltd. in Hinton, Alta.; and Cottage Country Building Supplies in Carnarvon, Ont.



The new Home Hardware weighs in at 66,000 square feet, which includes 37,500 square feet of retail space, plus an enclosed drive-through.



HOME HARDWARE OPENS ITS LARGEST QUEBEC STORE YET

Home Hardware's latest store opening in Quebec is also the co-op's biggest store to date in that province. The Rousseau family opened a brand-new store in Roberval that replaces an older store they had there. The new one weighs in at 66,000 square feet, which

includes 37,500 square feet of retail space, plus an enclosed drive-through. The family already owns three other stores in the Lac-Saint-Jean region. All four stores, which are operated under the Reno-Max name, are branded Home Hardware Building Centres.



HACHBORN INDUCTED INTO CANADIAN BUSINESS HALL OF FAME

Walter Hachborn, co-founder of Home Hardware Stores Limited, was inducted into the Canadian Business Hall of Fame in May. Over the course of his almost 80-year career, Hachborn's leadership and vision have made a profound impact on the hardware and home improvement industry in this country and on the survival of the independent dealer. He dedicated his career to this vision of helping independents grow their businesses.

(l-r:) Paul Straus, president of Home Hardware; Hall of Fame inductee Walter Hachborn; and Home Hardware CEO Terry Davis

BMR LAUNCHES INSTALLED SERVICES PROGRAM

BMR has begun testing a new partnership with a management company in Quebec to provide installed repair and renovation services to BMR's DIY customers. The pilot for the new service was launched yesterday at one of the company's 17 corporate stores, situated in Sainte-Catherine on Montreal's South Shore. The program is expected to roll out to four more stores at a rate of one per week throughout the month of June. All 17 stores are expected to be running with the program by year's end.

The installed services partnership is the latest initiative to come out of BMR since the wholesaler and buying group was acquired by La Coop fédérée earlier this year.

According to Martin Lecomte, vice president of retail sales for BMR, Travaux Solution will act as project manager, building a group of contractors and installers drawn from each BMR store's own contractor customers. It will secure three quotes and guarantee the quality of the work.

"I think this will be good for the contractor customers of BMR because we offer references at the store, so the contractors don't have to do their own marketing."

BMR expects to have a test store in Ontario in the coming months as well. The concept will be test-driven in the bilingual Ottawa community of Orleans through Builders Warehouse, a large BMR store with estimated sales exceeding \$50 million annually.

"Travaux Solution will work for us at all 17 corporate stores in Quebec," says Lecomte, "and I am working with another partner to offer the same service in Ontario in a few months." He adds that outsourcing this service to a partner lets BMR "concentrate on our core [retail] business."

Besides its corporate stores, BMR serves some 330 independents, both existing BMR dealers and Unimat stores that had been formerly served by La Coop. "We will be ready to offer installed sales in 2016 to our private [independent] members," Lecomte adds.

HOME DEPOT CANADA OPENS STORE NORTH OF TORONTO

The Home Depot Canada opened its 182nd store in May, a 117,000-square-foot outlet with a 17,000-square-foot garden centre.

Open in time for the busy spring season, the store is putting a big focus on its seasonal assortments, including outdoor living products, décor, and home improvement services. The store employs close

to 200 staff and boasts the first flooring showroom for a Canadian store.

To tie in with online shopping needs, the Vaughan store features a dedicated pick-up centre for orders made online, plus access to extended product offerings on its website with kiosks throughout the store. It also features an updated area for contractors and an expanded kitchen showroom.

This is the second Home Depot store to open in recent months. Another opened in Brampton, Ont., in November 2014, the first for the chain since an opening in Chilliwack, B.C., four years ago.

BRIEFLY

TS AUTO & AG SUPPLY JOINS SEXTON

Sexton Group continues to expand its range of member dealers. The latest to join the privately held buying group is TS Auto & AG Supply in Wilkie, Sask. Troy and Sheila Wildeman opened up the business in 1997 with a focus on hardware-specific categories in their market. Over the years, the business expanded to include power tools, plumbing, electrical, and a full complement of farm hardware.

LOWES EXPANDS INTO NORTHERN ONTARIO

Lowe's has opened its first location in Northern Ontario with a store in Sault Ste. Marie. The 91,500-square-foot outlet puts a big focus on seasonal products, with a 4,472-square-foot garden centre in-store and an additional 6,300-square-foot "pop up" seasonal garden centre in the parking lot. An extensive barbecue section features Weber, Broil King, Char Broil, and Master Forge brands, while a patio assortment includes Lowe's proprietary Allen & Roth collection of outdoor furniture, gazebos, and matching accessories. This is Lowe's 39th store in Canada.

TORBSA AND CASTLE END EPIC RELATIONSHIP

A joint buying arrangement between two competing groups, TORBSA Ltd. and Castle Building Centres Group Ltd., was terminated earlier this year. The Epic Alliance Buying Group was an umbrella buying organization formed in early 2011 to combine the purchasing power of Castle and TORBSA on some key commodities. However, after four years, the agreement was dissolved.

DELROC SEES POTENTIAL FOR MORE GROWTH

Delroc Industries had a good year in 2014, says the private buying group's general manager, Dave Boyce, and although he expected it to slow down in the second half because of oil prices in the Prairies, 2015 has also been relatively strong so far. Boyce admits that the 10 percent growth the organization experienced last year was not typical of the industry overall. He credits the surge to some new member growth.

But, he adds, some of his dealers just "had a good year," especially in Saskatchewan, as well as a member in the Yukon who enjoyed a healthy increase. The net result pushed total sales by Delroc's members past \$700 million for 2014.

Founded in 1974 by Bruno Mauro, Delroc's membership tends to be gypsum supply dealers and other commercially oriented yards. (Its largest member is Windsor Plywood, also based in Langley, which specializes in moulding and millwork. It has about 60 outlets and more than \$200 million in sales, according to the Hardlines Who's Who Directory.)



Delroc Industries' general manager, Dave Boyce, says the appeal of his buying group is its very lean operations translating into the best deals for its members.

So far this year, Delroc has brought on six more members in British Columbia, Ontario, and Prince Edward Island. A major new member for the company was Kelowna, B.C.-based dealer, OK Builders Supplies, which joined at the beginning of the year, with four stores and a big concrete and masonry division.

While Delroc already had a relationship with OK Builders on some products, Boyce says the appeal of his buying group is its "very lean operations." That translates, he adds, into "the best deals for our members, the best buys for our members." In addition, being headquartered in the West gives the group an insight into the markets in British Columbia and Alberta—making it a good fit for a dealer like OK Builders.

"When we're talking to western-based yards, I think we have an advantage."

BRIEFLY

PEAVEY MART PLANS TWO MORE OPENINGS BY AUTUMN

Peavey Industries plans to open two new Peavey Mart stores in the fall, in Strathmore, Alta., and Kamloops, B.C. They will join the 32 stores the company already operates across Western Canada. The new 35,000-square-foot outlet in Kamloops is a part of the Red Deer, Alta.-based company's goal of expanding in British Columbia—its only other shop in the province is in Dawson Creek, which has already been in the northeastern B.C. community for 40 years.

KENT PLANS ANOTHER BIG BOX STORE

Kent has purchased land and put through a proposal for a big box Kent store on a 15-acre site in New Minas, N.S., that will include a small commercial development. However, the vulnerability of the land has many locals up in arms.

Kent's parent company, J.D. Irving, has agreed to a buffer of 16 acres to protect the Kentville ravine, an ecologically sensitive area in the Annapolis Valley that is the site of some old-growth hemlocks and other species that are reportedly at risk.

Kent, which has been steadily expanding in recent years, has for the most part been focusing on more traditional building centres that range from 35,000 to 50,000 square feet in size. But in July 2014, the company opened a 100,000-square-foot big box in Charlottetown, its first large-format store in Prince Edward Island and its first big box format store in almost two decades. Kent now has 43 stores, eight of which are big boxes, with estimated sales of more than half a billion dollars.

Kent originally opened seven big boxes in the mid-'90s to head off potential expansion by then-newcomer Home Depot, which was busy expanding in Central Ontario. But Kent abandoned its big box strategy for many years in favour of opening more traditional building centres.

The New Minas Kent store, however, will be just one of a number of large-surface home improvement stores springing up in Canada: Home Depot Canada opened its second store this year after a hiatus of three years, and RONA has re-opened two stores, under the Reno-Depot name, that had been closed more than a year earlier.

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ProductSPOTLIGHT

BY GEOFFREY McLARNEY

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www.exchangeablade.com



◀ Patch Plus Primer 4-in-1 Applicator

3M has recently launched its Patch Plus Primer 4-in-1 Applicator, applying nanotechnology to small repairs in walls and surfaces. The applicator includes spackle, primer, a putty knife, and a sanding pad, combined into one tool so that homeowners have everything they need to patch walls. The manufacturer promises a simple process for quick-drying, strong, and even patches, with professional-quality results. No priming is required and the spackling compound will not shrink or crack. The 4-in-1 system works on drywall, plaster, stucco, and wood.

www.3mcanada.ca

Quick Dam Flood Barriers ▶

Quick Dam Flood Barriers are touted as an "alternative to heavy sand bags," and are filled with an absorbent powder that grows and forms a gel when wet. The result is a non-toxic water repellant that its makers say can swell to heights of more than three inches in just minutes.

A built-in wedge prevents the barriers from rolling out of place. Available in 5-, 10-, and 17-foot lengths, the barriers require little storage space and are naturally degradable.

www.quickdams.com



◀ Vinyl Siding Blocks and Vents

Ply Gem's Blocks and Vents are now available in Canada. Designed in more than 100 colours to match Ply Gem's Mitten vinyl siding, these accessories are heralded as the ideal solution for mounting light fixtures, mailboxes, or doorbells. The mounting blocks are simple for professionals to install, with a two-piece design that can be adjusted to fit over multiple siding choices. Built for a variety of weather conditions, they will not chip, crack, or split, according to the manufacturer.

www.plygem.ca



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www.finitec-inc.com



◀ Steel Tine Lawn Rake

Garant's Steel Tine Lawn Rake is designed for durability and efficiency, with a bowed head to maximize the amount of debris collected with each stroke. The shape of the extra-long, curved tines was researched to capture all sorts of debris, gliding between blades of grass without damaging them. Built from a single piece of steel, the tines connect to an ultra-resistant poly head. The handle is covered with a piece of foam to enhance comfort and control, and prevent hand injuries.

www.garant.com

Max Strength Duck Tape ▶

Duck Tape adds a Max Strength tape to its line, billed as a thicker and stronger tape for heavy-duty and industrial applications at an affordable cost. The UV-resistant, all-weather adhesive is recommended for both indoor and outdoor use and comes in a variety of colours. Duck Tape says the Max Strength tape, like the rest of its line, is easy to tear and will not curl.

www.duckbrand.com



Egg Chair ▶

From FlowerHouse comes the Egg Chair, an affordable furnishing designed for comfort. With a simple design based on classic European models, the hanging seat is said to offer a feeling more like floating than sitting.

www.flowerhouses.com



TITAN, CANADA'S LARGEST DRYWALL DEALER, GOES RETAIL

BY MICHAEL McLARNEY

What's it like to buy the biggest LBM dealer on Vancouver Island? Just ask Doug Skrepnek. As one of the principals of WSB Titan, the acquisition of Slegg Lumber last year was just part of a growth strategy that has been part of Titan's game plan in recent years.

WSB Titan already consists of some of the largest commercial and gypsum supply dealer (GSD) locations in Canada—WSB stands for Watson-Shoemaker-Beauchesne—and consists of 22 sites across the country. The addition of Slegg, with nine retail locations and a door plant on Vancouver Island, plus one yard on Salt Spring Island and a contractor location in Vancouver, not only expands Titan's footprint to 36 points of sale, but leads it into a more retail-oriented building materials business model.

And that's something Skrepnek wants his existing team to learn from, while bringing some best practices to Slegg. "We'll bring some definite infrastructure improvements to an already successful, long-standing 67-year-old company."

Slegg Lumber was one of TIM-BR MART's oldest—and largest—members, with estimated sales north of \$150 million. Ron Slegg served as chairman of TIM-BR MART's board during much of the time that Tim Urquhart was president and CEO of the group. The two established a solid relationship and after Urquhart left TIM-BR MART in 2013, he ended up taking over the day-to-day operations of Slegg Lumber, first as general manager and then as president, while Slegg looked to step away from those duties.

The next step turned out to be the acquisition of Slegg by Titan. Titan had also been a member of TIM-BR MART until Skrepnek decided to exit the group at the end of 2013. Since then, Titan has been making its own deals for drywall and



Doug Skrepnek, one of the principals at WSB Titan, has overseen a lot of growth for the company in recent years.

commodities with suppliers, while keeping an eye out for ways to grow. The acquisition of Slegg in 2014 was followed by an equity stake in Vancouver-based British Columbia Ceilings, a four-outlet specialty supplier, in March of this year.

But growth needs to be managed, and different companies and cultures need to be consolidated. Skrepnek is excited about the retail side that Slegg presents, calling it "a great foray into that segment of the business for us." He wants the sales team at Slegg, which is much more customer facing than his other sites, to be trained and working at their max. That includes using product knowledge and sales skills training from the North American Retail Hardware Association (NRHA).

Slegg's product mix, which is much broader than a typical GSD, opens doors for Titan. "We can now observe and monitor whether

some of those product lines will be a good fit for our dealers," especially for his outlets in smaller centres, "where a builder buys his own materials, things like doors, mouldings, and siding. It could be very advantageous to our locations in outlying areas."

He sees Slegg benefiting in turn from Titan's technological sophistication. "Technology is very important at Titan and we can bring that efficiency to Slegg and improve their logistics. That will mean a huge advantage to a company that large," he adds, noting that Slegg represents 25 percent of Titan's revenues.

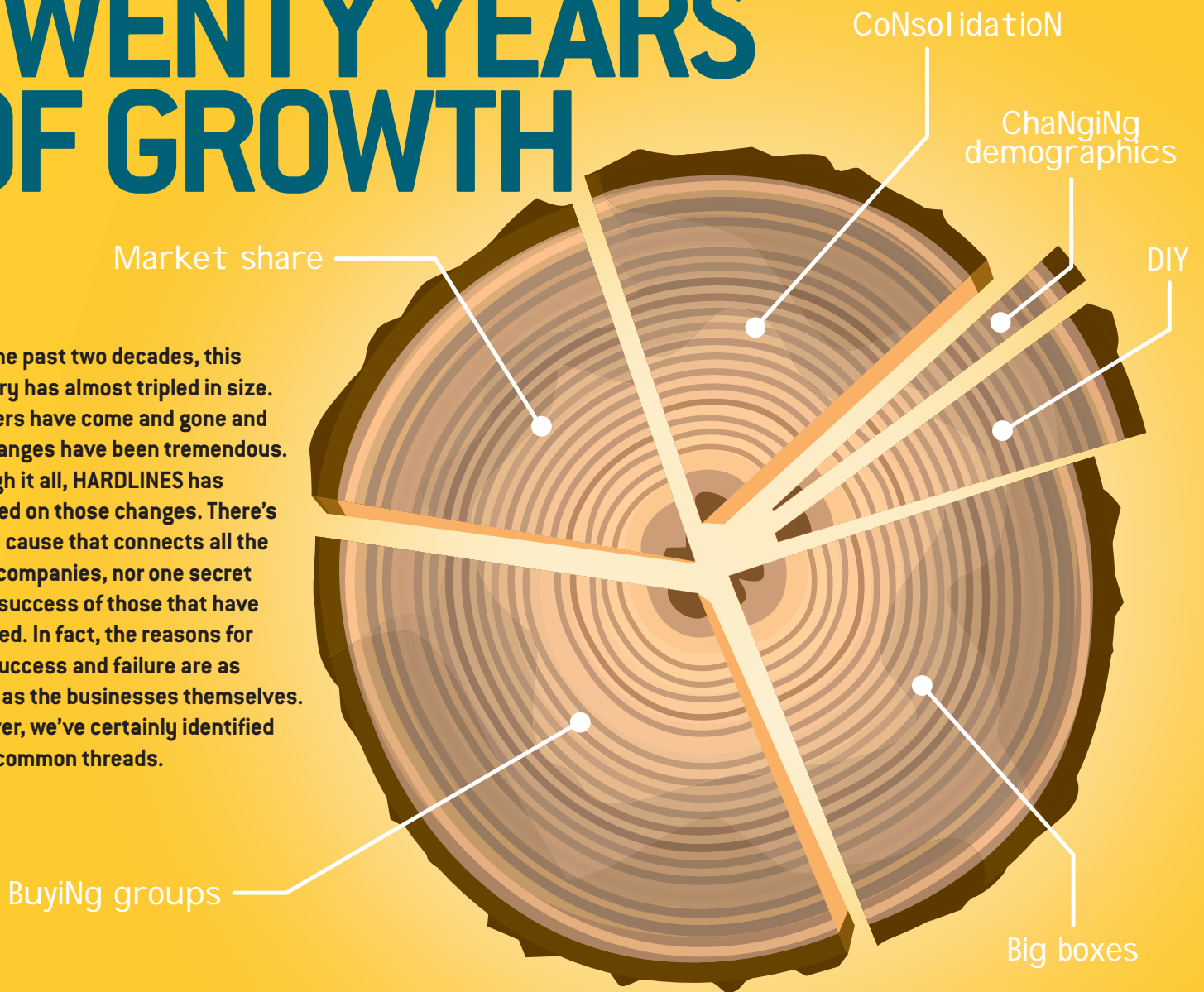
More recently, the investment in BC Ceiling Systems. This brings the total number of Titan locations to 39.

Does Skrepnek anticipate more growth in the near future? "Slegg was a big acquisition!" he admits. "We're taking a breath."

BY MICHAEL McLARNEY

TWENTY YEARS OF GROWTH

Over the past two decades, this industry has almost tripled in size. Retailers have come and gone and the changes have been tremendous. Through it all, HARDLINES has reported on those changes. There's no one cause that connects all the failed companies, nor one secret to the success of those that have survived. In fact, the reasons for their success and failure are as varied as the businesses themselves. However, we've certainly identified some common threads.



It was 1995. The retail home improvement industry was worth \$14 billion at retail. Walmart and Home Depot had both just arrived in Canada a few months earlier. The whole notion of DIY was just a few years old, and with it the concept of customer service. It was also the time that HARDLINES began reporting on this industry.

The arrival of what would become the number-one and number-two retailers in the world quite simply turned home improvement retailing on its ear. The reason was simple. The new warehouse format retailing, or big box, had cut a swath through home improvement in the U.S., leaving a trail of bankrupt and failed dealers in its wake. At the same time, Walmart

was causing the disappearance of smaller general hardware stores, regional department stores and even many larger chains.

In hardware and home improvement, so many of the U.S. stores and chains that were household names in their own local or regional markets were out of business within a decade of Home Depot's arrival. Names like Hechinger, Ernst, Builders Square,



Lumberland may be gone, but the viability of the business was borne out by the fact that it was acquired by RONA.

Handy Andy and Payless Cashways disappeared one by one as Home Depot, and then Lowe's, began gobbling up market share.

And no wonder. Each new Home Depot store represented the equivalent sales of 25 traditional hardware stores. At the peak of their expansion during the late '90s, a new Home Depot was being opened every 36 hours somewhere in North America and a new Lowe's was going up every two days.

But Canadian dealers had an advantage. They watched carefully what was going on in the U.S., and many developed strategies to compete in anticipation of the big box onslaught that was coming.

THE ARRIVAL OF THE BIG BOX

One of Canada's first big box retailers was Aikenhead's. A division of Molson Cos., which also owned Beaver Lumber, it was created by an expat Home Depot executive named Stephen Bebis. He holed up in a hotel room in Markham, Ont., for a year, cobbling together a strategy that would change how this industry—and retail in general—approached the customer experience.

It didn't take long for Home Depot to come here itself, buying up Aikenhead's and setting up a new team in Canada in 1995, headed by Annette Verschuren. The daughter of a Dutch Cape Breton dairy farmer who had formerly launched the Michaels craft and hobbies chain in Canada, Verschuren started on the job barely a year

after HARDLINES began publishing and she gave her first interview to the newsletter.

Within a year, Home Depot was still on track to open 50 stores in this country, with seven planned for 1997 alone. That year, Home Depot's sales across the board were up 23 percent, while Canadian sales were even stronger. "If you [vendors] aren't having a 30 percent increase with us, you're falling behind our growth," Verschuren was quoted in HARDLINES.

Here in Canada, dealers developed a strong focus on medium-sized stores that catered mainly to contractors and trades. This was a turnabout for many, which had only been developing a DIY, retail-oriented business over the past decade themselves. They included Totem in Alberta, Lansing Buildall in the Toronto area, Chester Dawe in St. John's, McDiarmid Lumber in the Winnipeg market, Patrick Morin in Quebec, and Lumberland in B.C.'s Lower Mainland.

Other companies began building big boxes of their own. Kent built seven in Atlantic Canada to ward off Home Depot, while Val Royal began the Réno-Dépôt chain in Quebec. Revelstoke began building Revy big boxes, based on the Lowe's model in the U.S.

These regional players were the very ones that Home Depot set its sights on most aggressively. In a fashion Canadian dealers were unaccustomed to, the giant American company went after the local



dealers and their customers very pointedly. In fact, Home Depot managers would sit in the parking lots of competing Revy and Lansing stores and write down the phone numbers on the side of tradespeople's work vehicles to call them later and woo them.

GROWING THE MARKET

One thing Home Depot insisted that it did was grow the market in which it operates. There is much credence to that boast. The ads, the how-to seminars, and the sheer range of products and renovation options fired the imaginations of North American homeowners.

Riding on that wave of the growing DIY market, many dealers who were building their contractor focus also looked at expanding their assortments. They could attract DIYers, but also keep those trades and builders in the store to buy more.

The buying groups to which many of these dealers belonged looked for ways to accommodate this broader retail approach. Independent Lumber Dealers Co-operative (ILDC) hired its first ever hardware buyer, while other groups made alliances with hardware wholesalers. Castle and IRLY aligned with Cotter Canada (now TruServ Canada), and Sexton Group made a deal with Ace Hardware Canada to increase its members' selection of hardware products.

Another company that has survived—and flourished—is Home Hardware Stores Ltd. Home Depot's growth was initially in the major centres—Toronto, Vancouver, Calgary—leaving hardware stores and building centres in the big cities especially vulnerable. Home Hardware decided to focus on smaller markets. That company's strategy throughout the first decade follow-



When RONA bought Reno-Depot, they acquired Building Box in Ontario.

ing the arrival of big boxes was to develop dealers in smaller towns and leave the urban markets to other competitors.

Home's slow, steady, and low-key approach worked and the dealer-owned co-op continued adding stores and growing sales to secure a spot as one of the leading players in the industry.

THE HARDER THEY FALL

Beaver Lumber is the biggest company to disappear. The company had attempted to reposition itself a number of times in the last decade of its existence. Under wunderkind Ralph Trott, formerly of Hudson's Bay and Canadian Tire, who was infamous for his ponytail and love of vintage muscle cars, the company attempted to turn all its joint-venture stores into corporate stores and focus on the contractor.

In 1995, leadership of Beaver Lumber was turned over to yet another American, Doug Robinson, who was brought in to sell off the Beaver business. Recognizing the value in the business, both from a branding and real estate standpoint, Robinson then made the bold move to attempt a management takeover. However, his efforts either to sell the business or raise capital were met with skepticism by investors. Not only was Home Depot making huge inroads into the industry by then, but personal issues got in the way of professional strategies: Robinson's wife did not want to remain in Canada and the plan finally ran out of steam.

Robinson went on to run Lowe's international division out of its head office in Charlotte, N.C. In fact, he started up Lowe's Canada—coincidentally from the same hotel and business centre that Stephen Bebis had created Home Depot Canada more than a decade earlier. After moving back to Charlotte, he spearheaded another unsuccessful takeover of a giant Canadian company. He led the team that attempted to acquire RONA in 2012. Robinson has since retired.

And Beaver? Parent company Molson held out for the best price, turning down a couple of solid overtures. But when the well dried up, the last player in the game was Home Hardware Stores Ltd., which acquired the stores for a reported \$50 million, both a steal and a feather in the cap of the company that was still overseen by company co-founder Walter Hachborn.

NATURAL SELECTION

One of the problems facing dealers after the arrival of the big boxes was a need to become really good in fields that were foreign to them. So many times HARDLINES would talk with dealers who insisted "our customers know what we stand for." Yet the likes of Home Depot were promoting what they stood for constantly and aggressively, advertising heavily and offering in-store how-to workshops to engage customers. All of a sudden, independents had to be really good at marketing, PR, and human psychology—on top of everything else.

One company doomed to extinction from the very start was Eagle Hardware & Garden. Consider it the dodo of Darwinian natural selection. Eagle started in Tukwilla, Wash., and that regional big box player decided that Canada could be an easy market to enter. It opened two stores in Edmonton in 1994, each weighing in at 130,000 square feet and carrying a whopping 58,000 SKUs. Despite that wide assortment, it wasn't adequately tailored to the needs of Canadian shoppers—or the country's weather. Part of Eagle's problem was selling merchandise that wasn't suited to Edmonton's severe climate. Live plants in March just didn't sell. Within two years, Eagle retreated and its Canadian stores were bought up by Revelstoke.

But for other dealers, even failure was something prosaic. One major Do-it center dealer east of Toronto appeared to be a case study for modern home centre retailing. It closed up suddenly. Why? The parents divorced and the mother wanted her half of the estate, so the property the stores sat on had to be sold.

For some of these dealers in hotly contested markets such as Vancouver and Toronto, the traditional lumberyard model was just not enough to keep them going, regardless of the cosmetic changes they made to their business. Even with a strong succession plan in place, sometimes the best outcome was just to sell the inventory and the real estate.

For companies like these, the grand gestures and big investments were no protection against a tight, fickle market and the complexities of human nature.

STRONG AND STEADY

Canadian Tire didn't roll over when Walmart came to Canada. But it may have stumbled a little. The arrival of Walmart in 1994 was a wakeup call for the venerable Canadian retailer. It took the arrival of the world's largest retailer very seriously, and began repositioning itself to carry more and more products.

That may have not been entirely the best direction to head in long term, however. As it took on more products to compete against Walmart, it became something of a hardlines department store, while losing sight of the strength of its heritage categories, such as automotive and sports.

Canadian Tire's response in recent years has been to grow its own specialties, starting with automotive six years ago, and more recently on its "Playing" business, which includes fitness and sporting goods. The company is also investing in re-invigorating its "Fixing" business, which includes tools, hardware, and paint.

Home Hardware survived the rise of the big box by expanding into "boutique" categories, including kitchenware, paint, and décor. It also rallied its dealers more firmly than any other group, building a culture that generated tremendous loyalty, keeping growth and continued investment within the co-op.

Slow, steady growth, and a desire for many years to remain "under the radar," enabled Home Hardware to groom its leaders from within, maintaining the strength of its corporate culture. And despite its small-town

veneer of charm, Home Hardware became one of the slickest marketers in the country, with a powerful brand.

Meanwhile, Canada's buying groups have regained their dominance in an industry that once bowed down to the big boxes. Representing independent dealers, groups like Castle, TIM-BR MART, Sexton, TORBSA, and Delroc continue to grow and expand their ranks to this day.


THE MAKINGS OF A WINNER

Today, retail home improvement dealers sell more than \$40 billion at retail annually. That's three times the size of the market two decades ago. In 1995, a total of 50 big box home improvement stores were scattered across this country. Now there are 182.

While many dealers are now history in Canada, many more of them survived here than their counterparts south of the border. A testament to the staying power of Canadian dealers rests in their ability to hold back the big box onslaught in ways that their American counterparts could not. Today, big boxes account for about half of home improvement sales in the U.S. Here

in Canada, their market share has never exceeded 21 percent.

Even the companies that no longer exist in their original forms were successes. The Lumberland, Lansing, Revy, Totem, and Chester Dawe names may be gone, but the viability of their businesses was borne out by the fact that every one of them was acquired by RONA. They were key to that company's national expansion and those stores continue to this day.

Many of the companies that survived did so through sheer moxie, good timing and a strong vision of what their company and their people could accomplish. The individuals who drove these companies are as varied as the markets in which they operate. They had to focus on every single aspect of their business to succeed. It was no longer enough to be good at a few things, like customer service, deliveries, and flexible terms, or good inventory management and careful buying. They had to be good at promoting their company to their local marketplace, managing and inspiring their staff, and expanding into niches they never imagined possible in the past. 

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HOW THE BIG BOXES GOT STARTED IN CANADA

BY MICHAEL McLARNEY

Twenty years ago, Molson Cos., the giant beer company, had a full retail division. It included the venerable Aikenhead's Hardware, plus BB Bargoon's, a wallpaper retailer, and its flagship, Beaver Lumber. When former President Jack Bingleman suggested to Molson that it get into the big box business, he ended up losing his job over it.

But the powers that be must have seen the value in Bingleman's advice: two years later, they hired a retail exec from the U.S., Jack Edwards, to develop big boxes. He, in turn, recruited another American, Stephen Bebis, a former vice-president for a company little-known this side of the border: Home Depot. Bebis spent nine months working out of the Embassy Suites Hotel in Markham, Ont., (now the Hilton—and coincidentally the same hotel that Doug Robinson would work out of while starting up Lowe's in Canada 15 years later).

The first Aikenhead's stores opened in 1992, putting the industry on alert. By year two, the big box market was exploding. In that short time, seven Aikenhead's big boxes were already up and running, with sales approaching \$400 million. The rate of growth achievable by these big box stores was unheard of in Canada at the time. By comparison, Homecare Building Centres, the buying group in Ontario that later became TIM-BR MART Ontario, had the same sales that year through 166 dealers.

Then Molson made a deal with Groupe Val Royal in Montreal, investing and retaining 25 percent ownership to help that company develop big box stores in Quebec. Val Royal was renamed and the

The first Aikenhead's stores opened in 1992, putting the industry on alert. In 1993, Eagle Hardware & Garden, at the time a successful big box operator in the U.S. Pacific Northwest, opened a store in Edmonton.



first two Réno-Dépôt stores went up in 1993. Réno-Dépôt would quickly become firmly entrenched in the minds and wallets of Quebecers, making it the most successful big box chain in North America, with average annual sales per store reaching as much as \$65 million.

Also in 1993, RONA opened its first big box stores, under the L'entrepôt banner.

Surprisingly, the next big box retailer in Canada was actually an American company. In 1993, Eagle Hardware & Garden, at the time a successful big box operator in the U.S. Pacific Northwest, opened a store in Edmonton. Meanwhile, on the West Coast, Revelstoke Home Centres Ltd. decided to get into the big box business, too. It developed a relationship with Lowe's, and sent its top people down to Lowe's headquarters and into Lowe's stores to learn the business. When Revelstoke unveiled its big box Revy stores, they were created in the Lowe's image, right down to the signature blue signage.

The first Revy stores opened in Edmonton and Calgary, pitting them against the Eagle



stores. However, Eagle's merchandising approach, which attempted to convey a more upscale shopping environment than the traditional warehouse atmosphere of a big box, came across as too high-end, and so did the pricing. That, plus poor marketing that showed a lack of sensitivity to differing climate and product needs, prevented Eagle from taking off. With only two stores, both in Edmonton, and two sites under construction in Vancouver, Eagle was soon sold to Revelstoke for \$30 million. Eagle in the U.S. was eventually bought by Lowe's Cos.

By 1994, big boxes were popping up across the country. Kent opened its first big box in May, an 85,000-square-foot outlet on 11.5 acres of land in Halifax. On the West coast, Lumberland, a family-owned building centre dealer based in Surrey, B.C., opened two big boxes later in the year. Lumberland, was in turn, bought by Revy.

Sales by all the big boxes in Canada grew to \$694 million—from only \$100 million in 1992, accounting for five percent of the market overall. But that kind of growth soon began to generate consolidation. In February 1994, Home Depot purchased Aikenhead's 12 stores from Molson, including the 25 percent ownership in nine Réno-Dépôt stores.

Both companies had maintained a "gentlemen's agreement" to stay out of each other's territory, an arrangement that lasted until Réno-Dépôt announced the creation of an Ontario division, with stores named the Building Box. Soon after, Home Depot opened its first store in Quebec, in downtown Montreal.

Meanwhile, RONA was beginning its onslaught as a true industry consolidator. Its first major acquisition was Cashway

Lumber in 2000, followed barely a year later by the takeover of Revelstoke. That deal comprised 33 Revelstoke Home Centres and eight Lansing Buildall outlets—plus 11 big box Revy Hardware & Garden stores. That deal resulted in a total of 42 big boxes for RONA.

“Home Depot and Réno-Dépôt had a “gentlemen's agreement” to stay out of each other's territory.”

Réno-Dépôt erected six Building Box stores before going up for sale itself. Home Depot Canada had right of first refusal, an option it declined to exercise for a number of reasons. The main ones were a desire to continue greenfields expansion and—most significantly—a reluctance to take on stores that had unionized workers. As a result, RONA ended up buying the stores, leaving the Quebec outlets to operate under the Réno-Dépôt name, while converting the six Ontario Building Box stores to RONA Home and Garden.

Next, RONA paid \$220 million to Revy's parent, West Fraser Timber, for all of Revy's 539 stores, including 46 big boxes. The deal

added about \$2.9 billion in retail sales to RONA's business.

The arrival of Lowe's into Canada in 2007 was the latest foray by a big box company into Canada. In just a few short years, the world's number-two home improvement retailer has passed the \$1 billion mark in

sales and added 39 stores of its own to the already competitive retail landscape.

The big box format fell out of favour post world-wide recession, and Home Depot added only one store during that time, until late last year. It has since added two, for a total of 182, while Kent is working on its second big box in as many years, this one in New Minas, N.S. Lowe's will open two more this summer—in Sault Ste. Marie, Ont., and Saskatoon. Even RONA is back on the big box bandwagon, having reopened a number of large-surface stores that had previously been shuttered. Today, there are about 300 big boxes in this country, representing more than \$9 billion in sales. 



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BY MICHAEL McLARNEY

LA COOP FÉDÉRÉE COMPLETES TAKEOVER OF BMR

In an exclusive interview with HARDLINES, Pascal Houle talks about the La Coop fédérée's takeover of BMR.



One of the biggest news stories coming into 2015 was the takeover of Groupe BMR by La Coop fédérée. Why does it matter to every dealer in the country? It shows the growing strength of the farm co-op system and the continual process of consolidation that keeps creating larger competitors. This merger creates an entity that is second only to RONA in Quebec's retail home improvement arena.

Pascal Houle's first order of business in the top job at BMR is to get two businesses working well together. In an exclusive interview with HARDLINES, the CEO explains that his focus will be "to merge Unimat and BMR, and for the next 18 months we will work to that."

That reorganization will be driven out of BMR's existing offices. "The name of the business will remain 'BMR,' the head office will be at the BMR headquarters in Boucherville, and we will operate both banners under the BMR business name," Houle explains.

A lot has happened already. Over the past year, a number of hardlines buyers were moved from La Coop to the BMR offices, and in January, La Coop closed its hardware distribution centre in Trois Rivières, Que., so all hardware supply for both Unimat and BMR stores now comes out of BMR.

The deal, which makes BMR a wholly owned subsidiary of La Coop, is the conclusion of a union that began more than a year earlier when La Coop bought up 20 percent of BMR, a closely held buying group and wholesaler. Besides having more than 160 stores in Quebec—most of them dealer-owned—BMR is also active in Ontario, the Maritimes, and Saint-Pierre and Miquelon. It generates annual sales of more than \$1.4 billion through almost 180 stores. The merger will give La Coop a total of 350 building centres and hardware stores. Both La Coop's Unimat brand and the BMR store name will remain in use.

AN UNEXPECTED ROLE

Unlike some buying groups, BMR is closely held by a small group of dealers. One of their main dealers is also the past head of the company, Yves Gagnon. He was to have run BMR for at least the first two years, but decided to step down for health reasons in September 2014.

Pascal Houle was made executive vice president of the BMR business when he came over from La Coop fédérée in November 2013. Within a year, he had been promoted to the role of CEO. Houle, who holds a bachelor's degree in business administration from Laval University and is a certified management accountant, has worked within La Coop network since 1998. He started as hardware director for La Coop des Appalaches, then as management advisor at La Coop fédérée. In 2004, he became director of hardware, materials, and petroleum products at La Coop des Bois-Francs before being promoted to general manager there.

TIME TO FOCUS ON CONSOLIDATING BUSINESSES

Houle admits that the logistics of merging the two businesses have posed "a challenge." But he is proud of the progress so far. The combined business will represent close to \$2 billion in sales.

In recent years, La Coop fédérée has been expanding its footprint in the hardware and home improvement sector. The creation of the Unimat banner was a way to attract dealers that were not



Left: Both La Coop's Unimat brand and the BMR store name will remain in use; Right: All hardware supply for both Unimat and BMR stores now comes out of BMR.

necessarily co-op member stores. Over time, all hardware related stores within La Coop, both member and non-member, took on the Unimat brand. In 2012, Unimat rolled out a prototype building materials store. Then, at the beginning of this year, La Coop entrenched itself as a force to be reckoned with in this industry with the complete takeover of BMR.

La Coop's BMR business now counts a total of 350 points of sale, mainly in Quebec. Of that, about 180 are BMR stores, and another 170 are Unimats. The latter are typically smaller stores, operating in smaller, rural markets. Most of them also have gas stations, operating under the Sonic brand. "Unimat is a leader in the farm industry, so we are in a strong strategic position in rural markets," Houle says.

Actively growing the dealer network will be put on hold during the initial period of consolidation, says Houle. "But we expect in the next two years to develop additional dealers."


OUTLINING NEXT STEPS

Houle certainly has his plate full. He intends to combine the two groups' trade shows, gain market share, and offer more opportunities for vendors. And he's coming from a position of new-found strength, as La Coop's hardware and building materials business is now the number-two player in Quebec, behind industry leader RONA. Quebec, in turn, is Canada's number-two province for market share of retail home improvement sales, representing almost one-quarter of the market.

And, he says, his organization is here to stay. In contrast with its chief competitor, La Coop is member-owned, which means it isn't vulnerable to an unwelcome takeover

bid, and therefore more stable than a public company. While La Coop's BMR and Unimat stores are located mainly in Quebec (BMR has a few dealers in Ontario and the Maritimes as well), Houle says the

formula for success is a good one, which can be expanded across Canada within the next few years. Meanwhile, Houle will focus on the operations of the two companies, including combining their trade shows. Now, Unimat dealers will attend BMR's hardware buying show in Quebec City, November 4 to 6. BMR also holds a spring event at its headquarters in Boucherville for dealers to shop for products for the coming winter.

Houle says vendors will have more efficiencies working with one buying office—and more opportunities, as well. Through BMR's affiliation with the hardware buying group Octo, he expects BMR's hardware and agro purchases to grow steadily. "It will be more efficient for us and more efficient for the suppliers," he says. 

LA COOP'S INVESTMENT IN HOME IMPROVEMENT HAS A LONG HISTORY

The takeover of Groupe BMR by La Coop fédérée marks the latest, and most dramatic, move by the Quebec farm co-operative to position itself as a leader in the hardware and building materials arena. But the company's focus on hardware and home improvement dates back almost four decades.

Serving the farm market through its network of co-op stores, La Coop watched the decline of the market with the consolidation of small farms and the rise of factory farming. "In 1977, the company made the decision to increase the hardware and building supply side to support the farmers," says Gaétan Desroches, CEO of La Coop fédérée. In 1986, the Unimat banner was introduced.

Desroches says the concept proved successful, and the company eventually faced the need to develop its infrastructure to adequately support its growing dealer ranks. That's when the decision was made to consider an acquisition. "So we knocked on BMR's door," he adds. La Coop ended up buying up 20 percent of BMR, effective as of the beginning of 2014.

AT 70, NATIONAL HARDWARE SHOW FEATURES MANY CHANGES

Kicking off with a high school marching band, the National Hardware Show drew attendees from around the world, including a strong contingent of retailers and vendors from Canada, with retailers from Home Hardware, Home Depot Canada, Amazon.ca, Kent, and more represented. The three-day show ran in early May at the Las Vegas Convention Centre.

It was the show's 70th anniversary, and featured new products, seminars on upcoming trends, and plenty of networking. As in years past, the focal point for Canadians attending was the "Maple Leaf Night" reception hosted by the Canadian Hardware and Housewares Manufacturers Association, which drew buyers of all stripes to network with CHHMA member vendors.

A recurring topic of discussion was the size and layout of the show this year. The North American Retail Hardware Association's "NRHA Village" moved its presentation stage from the entrance of the show to the middle of the show floor, offering the audience information and advice about understanding different generations of customers, how to make the most of mobile technology, and more. The NRHA also provided multiple curtained-off areas for independent retailers to hold their own meetings.

The South Hall was expanded over two floors, with a special area for new

1.



2.



3.




1. Alibaba Group Holding Limited, a Chinese e-commerce company, brought a robot to the show and it was a huge hit;
2. The new NRHA Village moved its presentation stage to the middle of the show floor and offered the audience information and advice on a wide range of topics.



4.



- 3. Rustica Hardware displayed its doors on a shipping crate at the show;
- 4. The Task Tools booth at the National Hardware show.

exhibitors on the second floor. On the show floor, the newest event was a three-day digital auction. The auction was a collaboration between the National Hardware Show and RNO Exhibitions and included the sale of hundreds of product lots, including new, overstock, discontinued, and seasonal products. 

STACK 'EM HIGH AND WATCH 'EM FLY

BY BOB SHERWOOD

“At Reno-Depot, there are no boutiques to wander through. No display doors and windows to wonder at. No dream kitchens to covet.”



The new leadership team installed at RONA in 2013 took a good look at their asset base and made decisions. Knowing that shrinking to profitability is seldom a strategy that delivers long-term dividends, they balanced the need to close unproductive big box assets with the opportunity to re-energize their legacy big box brand.

David Giguere, Reno-Depot's executive marketing director, was part of the team that delivered on the original Reno-Depot promise of the 1990s. He and others were brought back to see if the passion that ignited the brand decades ago could be rekindled today. While touring the Anjou store with David and Mario St-Louis, the operations VP, it was obvious that the way forward for this brand is heavily invested in people who've celebrated victory in this space before.

QUANTITY AND VALUE

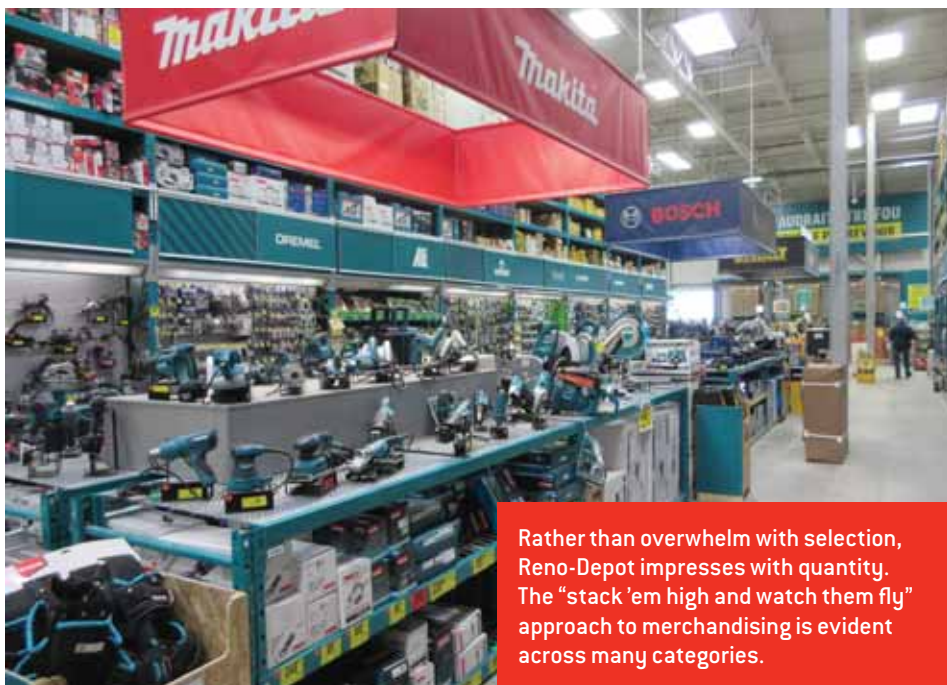
Rather than overwhelm with selection, Reno-Depot impresses with quantity. The company has placed its product bets on tapered down assortments in areas such as bathrooms, kitchens, and millwork, but significantly amplified the in-stock position and simplified the presentation to the customer.

The “stack 'em high and watch 'em fly” approach to merchandising is evident across many categories—notably flooring, vanities, stock kitchen cabinets, and doors. It then

extends to high visibility end-cap displays. It can also be found in the aisles of rough plumbing and electrical, where high-demand fittings are displayed in floor-level dump bins that contain hundreds of each SKU.

The project team made tough choices to simplify the assortment breadth and then compensate with stock quantities to ensure contractors and consumers are seldom faced with out-of-stock situations.

The focus of the stores is very much around immediate fulfillment. Competitors



Rather than overwhelm with selection, Reno-Depot impresses with quantity. The “stack ‘em high and watch them fly” approach to merchandising is evident across many categories.



are investing in “endless aisle” strategies and web-based fulfillment options. Reno-Depot doesn’t yet offer online shopping, but it does have full search capabilities and up-to-the-minute data on what’s in stock at each store.

Kitchens and millwork are two departments that traditionally devote a lot of space, time, and investment to special order products. At Reno-Depot, there are no boutiques to wander through. No display doors and windows to wonder at. No dream kitchens to covet. Instead, there are doors, windows, and kitchen cabinets (RTA and assembled) waiting to be loaded onto carts and taken home or to the job site right away.

Reno-Depot is committed to “lowering the cost of home improvement.” Pallet drops at the

entrance, end-cap and side stack merchandising positions shout the price points. The focus is on delivering low prices every day while highlighting the occasional extra special value with red signage. They back up their pricing decisions with a 15 percent low-price guarantee.

Another transformation was to bump up the size of the fonts on pricing labels. The large, easy-to-read black type contrasts against a bright yellow background that shows pride and confidence in their pricing.

SALUTE, SERVE, SATISFY


This “what you see is what you can get” approach means that selling staff help customers with fulfillment of their immediate product demands. The store teams at Reno-Depot embrace a 3-S service model: salute, serve, and satisfy. The assortment changes made in the store lend themselves to supporting this service platform. The products available for sale are displayed in bulk, with easy access and clear signage. Store staff simply and efficiently help the customers make their purchases.

For those customers who seek a different level of service, for example custom kitchen, millwork or installed sales products, there are beacons in the store that allow them to

call a help centre immediately to arrange in-home support or takeaway information that invites the customer to make those arrangements at their convenience.

The repurposing of the brand in a couple of test markets in Quebec has created a lot of room for growth. Following a rapid transformation of the concept throughout all of the Reno-Depot stores in Quebec, the brand is now being expanded outside Quebec for the first time.

Aurora, Ont., followed by Calgary, were the first markets to receive the banner. They need to fight for every sales dollar they can since the RONA stores that provide the real estate closed some time ago and the volume they had has since dissipated to other competitors.

There’s much to admire about the simplicity of the value proposition. The ultimate test of the brand will come down to the people: those who carry forward the brand and those who choose to shop within it. 

Bob Sherwood has wide-ranging experience as a hard goods retail executive. He’s the principal at market-share.ca, where he brings “street-smart common sense” solutions to vendors and retailers.

CULTIVATING AN OUTDOOR OASIS

BY SIGRID FORBERG

Summer may be in full bloom, but it's never too early to think about what's coming down the road. Here, we look at some trends to watch when planning for spring 2016 and what some retailers have lined up to meet those needs.

One trend to watch is the concept of backyard living. Home Depot is capitalizing on the popularity of home and garden television shows and the increasing importance of outdoor spaces for Canadians by marketing the concept of a “garden oasis” as the perfect spot to unwind after a long day. The company predicts a high demand for fountains, birdbaths, and natural, earthy-looking outdoor furniture.

But on some hot days, an oasis might seem more like a desert. Honeywell has a solution for that: evaporative air coolers. The systems, which run on water, differ from air-conditioners because they don't require power-hungry components like compressors. The product draws in warm air, the air then passes over a wet honeycomb cooling medium, which then absorbs heat and naturally cools and humidifies the air. The line even has models rated for outdoor use. **A**

Of course, seeking refuge in the garden oasis shouldn't just be enjoyed exclusively by homeowners with sprawling properties. Home Depot also released a new lawn mower this year meant for small home and condo dwellers that might not have access to a lot of storage space, but still want to keep their lawns looking neat. The Toro Recycler with SmartStow can be folded after it's been used and then stored vertically. **B**

SHIFT TOWARDS NATURAL

For the garden, retailers are picking up on a desire from consumers to be more environmentally aware. In May, RONA announced its plans to help reduce the use of pesticides that have been linked to declining bee populations worldwide. The giant retailer is encouraging its suppliers to limit the use of neonicotinoids in treated plants sold in its stores.

This year, 70 percent of the plants sold in corporate RONA and Reno-Depot stores have been grown without the chemical. And by 2016, company policy stipulates that all its plant suppliers will be required to clearly identify their products according to whether or not they contain the noxious pesticide.

Home Hardware is also responding to the growing concern for the health of pollinators like birds, butterflies, and bees. A recent Ipsos Reid survey indicated the majority of Canadians believe pollination is important, but only 49 percent surveyed put an effort into attracting pollinators. **C**



Home's resident lawn and garden expert Mark Cullen says there's plenty a hobby gardener can do to help pollinators. One of the products Home has been promoting is a bee hut filled with Home's trademarked EasyTear tubes, which they've been promoting as a way for gardeners to help raise the pollinators with little effort. **D**

Whether it's for recreational, practical, or environmental purposes, there's a growing interest from Canadians in products that will help improve their outdoor spaces. **E**

TAKING STOCK OF YOUR CUSTOMERS' NEEDS

BY JOHN CAULFIELD

An attentive staff that can anticipate demand is the key to effective inventory management.



Star Building Materials is stocking slightly less inventory at its yards in Winnipeg and Calgary, compared to a year ago. Business is down a bit, and prices for lumber, OSB, and plywood are stagnant. Those factors make branch manager Chris Osborn “hesitant” about buying product.

But Star also can’t afford to be out of stock on wood products that its yards turn so rapidly. Therein lies the supply-and-demand dilemma for home-improvement dealers everywhere.

This juggling act doesn’t always boil down to what’s moving either. Star’s yards, which stock more than 17,000 items, buy hardlines through its buying group, Independent Lumber Dealers Co-operative (ILDC). Despite having warehouse space, for his

company to take advantage of special buys, “capacity is always an issue,” says Osborn.

Customer satisfaction also plays a role in dealers’ inventory management decisions. When RONA recently reopened its big box in Calgary Northwest as Reno-Depot, that switch brought with it a procurement strategy that’s designed to ensure a reliable in-stock position in seven key departments that offer deeper assortments with fewer SKUs. RONA refers to this level of product availability as “grab and go.”

CONTROLLING STOCK LEVELS

Management software like QuickBooks helps dealers weather market and demand blips, but as important as those tools are, so is the expertise of employees and vendors, who are able to spot customer buying trends

and help dealers anticipate demand shifts to determine when—or not—to purchase.

Brent Perry, president of Alf Curtis Home Improvement in Peterborough, Ont., says his staff are really good for that. He points out, though, that his store’s inventory “is as high as it’s ever been,” not so much as a reflection of more sales, but to keep customers happy.

In late June, Alf Curtis opened its third store, a 12,000-square-foot showroom on five acres in Belleville, Ont., that Perry says is larger than his company’s other two stores combined. He doesn’t think the larger store will present inventory control challenges “as long as we have our [sales and inventory] management system set up properly.” That will include implementing auto-replenishment via its POS system



connected to its hardlines supplier, Orgill, which provides about 8,000 items the other two locations carry. Perry expects the new location to possibly double the number of SKUs they stock.

Star is also thinking about opening a larger store in Winnipeg. Osborn says a bigger location probably wouldn't carry much more inventory than the current store, but could display wider assortments. "Right now, we only show three ladders because we don't have room to show all 15 we carry."

Windsor Plywood in West Edmonton, with a 20,000-square-foot store and 4,500-square-foot yard, has ample room for inventory that includes between 5,000 and 10,000 lineal feet of mouldings. The store's inventory management is also abetted by the fact that vendor purchases are set up through the Windsor's corporate headquarters in Langley, B.C., from which the West Edmonton location receives weekly shipments of moulding and two shipments per week of flat lumber, says its manager Josh Zizek.

He and his staff keep a "close watch" on changing customer tastes to avoid getting stuck with out-of-style products. Zizek notes that his store is selling more "sleek, basic flat" moulding, versus the enhanced profiles of a few years ago. Four or five years ago, demand was high for two-panel Cheyenne doors, whereas now, his store's biggest-selling door is Masonite's West End Collection, with "a simpler panel design."



Alf Curtis Home Improvements opened its third store, a 12,000-square-foot showroom on five acres in Belleville, Ont., that company president, Brent Perry, says is larger than their other two stores combined.

CONVERTING SPECIAL ORDERS TO STOCK PROGRAMS

Stevenson Building Products in Roseneath, Ont.—whose yard includes an 1,800-square-foot warehouse for siding and a store that's about the same size—generates about 70 percent of its revenue from special orders of windows, doors, and garage doors. Manager Rob Stevenson says that before his company offers anything new, such as decking, his employees need to be trained as specialists.

Stevenson says that a special order item rarely merits a stock program. But it does happen. Windsor Plywood, Zizek says, started stocking live edge mantels after a vendor was willing to conduct product knowledge training for his staff. "Now,

we're stocking the item and we like to have 10 on display at a time, which we sell out of on a regular basis."

Special-order items become inventory items at Star Building Materials, "when it's easier for a customer to grab it off of the shelf, and easier for us than putting it onto a pool truck or on one of our fleet," says Osborn. Usually, he adds, special orders "that have a flavour to them," like certain colours of vinyl siding, draw enough demand to merit a stocking program.

The internet has broadened dealers' special-order capabilities and minimized the need to add to inventory. Alf Curtis has the best of both worlds: it offers 57,000 SKUs on its website, and gets one-week turnaround from Orgill's DC, says Perry. "So we're able to offer everything that Orgill has on our store site."

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REGIONAL ROUNDUP OF BUSINESS CONDITIONS

We've invited the heads of each regional dealer association to share the business conditions and challenges facing their members.



THOMAS FOREMAN
President, Building Supply Industry
Association of B.C.

Here we are in late spring and it appears that we will set a new record for lack of precipitation. Who would have guessed? B.C. is in a drought!

From what I have been told and have confirmed with statistics, our building supply business is booming right now in all corners of the province. Building and renovations definitely got off to an early start as our customers were out in their yards early and the builders were able to accelerate their project timelines as a result of all the dry weather. In speaking with a number of storeowners throughout the province, they believe that the devalued Canadian dollar has helped curb some of the shoppers that were going south.

Certainly there have been some substantial revenue increases over last year's spring numbers, which is very satisfying and we hope to see this trend continue for the balance of the year. Many of our members both retail and supply are setting monthly sales records. Retailers, suppliers, and manufacturers are all doing their best to keep up with the flurry of activities and increased sales.

On top of a booming building supply industry, there are a number of M and A (mergers and acquisitions) rumours in the works along with people on the move.

This keeps our industry very interesting to watch, to say the least.

Spring is also a very active time for the association with Trade Shows, Open Houses, our AGM, and lots of golf. So far we have hosted tournaments in Nanaimo and Kelowna with many more to go. Be sure to check out all the events and activities on our website: www.bsiabc.ca

Our Education and Training classes are being well received and it was great to see 18 students participating in the sales course recently. Knowledge is our sword so keep supporting our programs that enrich our industry. There is more information on our website, so be sure to have a look.

We are focusing on our big event in March 2016, our Trade Show/Home and Renovation Show in Cloverdale. With nearly half the booths sold and commitments from retailers to attend from across the province, we know the show will be a great success. Our goal is to be the best, not the biggest!



GARY HAMILTON
President, Western Retail Lumber Association

The early spring melt, followed by continuous favourable weather has produced a solid increased sales trend throughout the West. It should be noted that last spring produced some of the worst weather on record with the resulting negative impact on sales. So it wouldn't take much to show an increase

over last year. However, our dealers are still reporting a positive trend based on historical data. Records are not being set, but the overall cautious optimism reported in my last *HHIQ* issue is continuing.

Grain, cattle, hog, and poultry prices are approaching record levels. Traditionally, farmers would rather spend money on building and equipment than pay taxes or put money in the bank and that translates to a more optimistic attitude for businesses in agricultural-based areas. The price of oil is on everyone's mind throughout the Prairies, but it has not affected our business...yet.

The majority of building centres in the oil patch, including new fields in Saskatchewan and Manitoba have reported increased business through to August. In previous years, those sales trends would extend well into the fall. Will that trend continue? If what you read and hear in the media is true, a major correction should have happened in Q1, but it didn't. Then they predicted that the global economy had delayed the downturn to Q2. Not yet. Even with the dramatic political turn of events in Alberta with the election of an NDP government after 44 years of Conservative rule, business continues to grow. The media (excluding Hardlines, of course) thrives on drama. But the reality is, the Western economy is buoyed by diversification and immigration. Is that enough to counteract the oil crisis? Time will tell.

Many dealers say that sales forecasts at the end of June will be the barometer for the balance of 2015. Keep in mind that oil prices have been creeping up throughout May. Oil companies say that it costs nothing to sit on oil in the ground and the only expense is when they begin to extract. Until then, they're prepared to play the waiting game.

What are some of the other indicators? Spring is traditionally show season and all

centres throughout our region are reporting increased attendance at their home and renovator shows. At the same time, many of the larger contractors are booked out until the end of the year. If those shows produce additional work, we can expect delays into Q1 2016.

While renovations are up, housing starts, particularly single family units, are down. Projected slowdown in the economy, over supply, and shortage of land all come into play. Another factor that seems to be a trend in some of the larger urban markets is civic government policies and red tape. High cost of land development to support expensive infrastructure and delays in building permits are impediments that need to be addressed. You only need to look at the increasing number of expanding rural bedroom communities that are attracting not only single and multiple units, but commercial and industrial developments.

So next time you hear or read in the media of pending doom and gloom, visit a building supply dealer or supplier in the West to get the real story.



DAVE CAMPBELL

President, Lumber and Building Materials Association of Ontario

As indicated in my previous report for HHIQ, Ontario is starting to recover from the slow economy the province experienced in 2013-2014. StatCan's latest report shows that building material and garden sales were up 1.6 percent from March 2014 and 11 percent annually. Ontario was one of the provinces that experienced higher than average growth.

No question that the lower dollar has stimulated economic benefits for Ontario on the manufacturing side. Weather is always a factor on stimulus in new housing construction and renovations, particularly exterior projects with the season starting slowly but gaining traction into late May and June.

“We are now truly in a global economy and many of our suppliers and international retail chains are affected by conditions in Europe, Asia, and China.”

I have attended several events in the past few weeks and had the opportunity to talk to many of our retail members. All report that they are busy and have lots of jobs on the books, and with the weather starting to break, it would appear that the summer business will be strong. Competition is fierce and margins will be tight as consumers are tightening their belts trying to pay down debt, however, they'll be buying houses and doing renovation projects supported by low interest rates.

Since our economy is interfaced both with the U.S. and global economic trends, it could be a bit of a roller coaster going into the fall. We are in uncharted waters in respect to the situation in Greece and the potential impact a default on their debt would have globally. It wasn't that long ago when economic influences outside of Canada had little impact on our industry. We are now truly in a global economy and many of our suppliers and international retail chains are affected by conditions in Europe, Asia, and China.

Overall, we should have a strong summer season, weather being the major influencing factor on sales.



RICHARD DARVEAU

President & CEO, Quebec Hardware and Building Materials Association

AQMAT's members are worried in the face of the housing starts, which decreased 30 percent for the first four months of 2015, compared with the same period of 2014.

Consistently, the number of annual housing starts, estimated at 39,000 by Desjardins and at 37,000 by the Quebec Home Builders Association, should reach none of these plateaus.

Besides the housing starts decreasing, the renovation industry will have to contend with the end of the LogiRenov tax credit planned for July 1 of this year. AQMAT wrote to the prime minister to ask that the tax credit be extended one more year. We pursue our representations.

To thwart a gloomy market, 123 retailers were invited by AQMAT to answer a referendum—a typically Quebecois concept!—in the way to refocus the priorities of action of their association.

Six curative or preventive working fields emerged from the exercise:

1. A coalition grouping the leaders of the housing sector must be created to take bureaucracy out of real estate activity;
2. The province shouldn't go further with its project to raise the sales tax from 9.975 percent to 11 percent;
3. It's necessary to organize a campaign promoting the purchase of made-in-Quebec or made-in-Canada products, and shopping in hardware stores and renovation centres rather than in large generic surfaces;
4. The business in the Quebec-Ontario corridor should be encouraged because 75 percent of the manufacturing activity in our branch takes place there;

5. We have to make all the players with the notion of the “right price” aware of the long-term damage price cutters have; and
6. We have to strengthen the penalties for stores that are open outside the hours allowed by law.

**DENIS MELANSON**


President, Atlantic Building Supply Dealers Association

With the near record-breaking snow accumulation of winter behind us, the sun has come out and most of our members are experiencing increased activity and traffic. This winter's heavy snow accumulation delayed housing starts in many jurisdictions as contractors waited for ground conditions to dry up, allowing for excavation for foundation work to begin. With a slight decrease in new housing starts forecast by Canada Mortgage & Housing Corporation (CMHC), retailers are aggressively competing for their share of this part of the business.

Members are working hard to make up for lost ground from the first quarter of 2015. In our recent Business Conditions Survey, 69 percent of members reported a drop in sales volume in the first three months, year over year, 2015 versus 2014. Sixty percent of the respondents reported a decrease of one to five percent in volume for the period. These results are compared to the first quarter of 2014, which was not stellar, to say the least.

Another reality in the Atlantic market is a record inventory of homes for sale on the MLS market. Many sellers who want to give their home an edge over the competition are investing in upgrades to give them the upper hand when prospective buyers view their property. This situation has provided retailers with opportunity in the renovation market.

Overall, economic growth is expected to remain fairly flat for 2015, with New Brunswick and Prince Edward Island forecasted at 0.5 percent and Nova Scotia at one percent. Newfoundland and Labrador is forecasted to post a 0.3 percent decline in 2015.

All this being said, 67 percent of respondents from our First Quarter Business Conditions Survey are expecting a reasonably good outlook for 2015. 



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Nancy Powell-Quinn and her husband, D'Arcy Quinn, took over the family business in 2012.

MOFFATT AND POWELL RONA YOUNG RETAILER AWARD

Moffatt and Powell was founded in 1958 by Nancy Powell-Quinn's grandfather, Melvin Powell, in partnership with Keith Moffatt. In 1982, Nancy's father David Powell purchased the shareholdings of the London, Ont.-based chain.

In 2007, after going away to school in Manitoba and then working for the Department of Fisheries and Oceans, Nancy Powell-Quinn decided to bring her valuable work and life experience back to the family business. Upon returning to Moffatt and Powell with her husband D'Arcy Quinn, a succession plan for the business was formed with Nancy and D'Arcy at the helm.

In 2010, Moffatt and Powell decided to join the RONA buying group. And it was

through that succession plan that Nancy and D'Arcy took control of all the shares of Moffatt and Powell RONA in 2012.

VALUE OF SERVICE

Although Nancy has only been running Moffatt and Powell for a few years, as is the nature with family businesses, she can remember discussions between her parents and grandfather around the dinner table or outside on their porch, and running around the store with her sister as a child on Sundays after church.

In her short time at the helm, she's made a huge impression on the business, including opening a location in Tillsonburg, Ont., in 2013. She has also been maintaining sales increases of between three and six percent every year.

Moffatt and Powell now has six stores in Ontario, with each store operating in a unique business environment. Nancy's role as president and co-owner is to work with each store to ensure that they're well maintained and merchandised for their customers.

All located in different markets, each store faces different competition. The biggest threats to all of their businesses are the big box stores, which have forced Moffatt and Powell to lower pricing in several key categories of commodities. But the company has been able to grow through differentiating from the competition by offering services that box stores don't—and the store's customer base recognizes the value of these services.

They're also well in tune with that customer base's needs and wants. For example, Tillsonburg has a significant customer population that are traditional Mennonites. So when they built the new store, they also constructed a horse-and-buggy-only parking zone. That dedication to customer service was recognized last year when the Tillsonburg store won a local Reader's Choice Award for Number One Best in Home Improvement.

With all that she's accomplished with Moffat and Powell, Nancy has also managed to balance starting and raising a young family.

RELATIONSHIPS FIRST

In the community, all Moffatt and Powell stores fundraise for the Children's Health Foundation and have donated more than \$132,000 to the foundation over the last 15 years. The Moffatt and Powell stores also sponsor a number of minor sports organizations including local hockey, soccer, and baseball teams. There's even an annual contractor pancake breakfast, complete with maple syrup made from the Powell family's own trees.

It's also important to Nancy to recognize the teams that make all six locations run so smoothly. Between the part-time students helping customers in the yards, the cashiers, managers, and administration in the store,

and the senior management at head office, what's made Moffatt and Powell so successful has been the people behind it.

Every year, they host an employee appreciation barbecue, where front-line staff are recognized and thanked by management, who cook and serve the meal. Safety and knowledge are important factors in taking care of their employees as well—regular health and safety training is conducted annually and vendor-specific product knowledge training is arranged seasonally with vendor representatives at each store.

That focus on knowledge hasn't gone unnoticed by their customers—testimonials rave about the knowledge of their staff and their innovative design ideas that both maximize the customer's space and budget.


Employees are also encouraged to provide input regarding operational challenges and opportunities and there's a formal process



Robert Boulanger of Techniseal, sponsor of the Young Retailer Award; Nancy Powell-Quinn; D'Arcy Quinn; and Michael McLarney, editor and president of Hardlines, which hosts the Awards.

for them to give feedback on and discuss upcoming initiatives for the company.

Nancy Powell-Quinn has expanded her family business by focusing on exceptional customer service, relationships, helping the

local community, and differentiating each store in its respective market. These qualities make Nancy Powell-Quinn the 2014 Outstanding Retailer Award winner for Young Retailer Award. 

GANANOQUE HOME HARDWARE

**BEST BUILDING SUPPLY/
HOME CENTRE OVER
25,000 SQUARE FEET**

Gananoque, Ont., is located between Kingston and Brockville and has a permanent population of around 5,500 people that swells to 11,000 in the summer. The town is the launching point for the Thousand Islands tourist area of the St. Lawrence River.

Ken and Linda O'Connor have been in hardware retailing for more than 40 years, but in 2009, Ken took what some would consider a huge gamble. In a devastated economy, he bought an 84,000-square-foot building and turned it into one of the largest Home Hardware Building Centres in the country.



Ken and Linda already owned an 8,000-square-foot Home Hardware store in Gananoque, but Ken saw the potential for a much larger store in the bustling community. So when the 84,000-square-foot space became available, Ken jumped on it.

A short time after Ken and Linda purchased the store, the bottom fell out of Gananoque's manufacturing industry. But Ken had big plans for the new store. In fact, he had a hand in every aspect of its design and development.



In May 2009, the doors of the new store opened, featuring a 32,000-square-foot drive-through building supply space at the back of the store, 40,000 square feet for the Home Hardware Building Centre retail, and 12,000 square feet for a new Home Furniture store.

STIFF COMPETITION

The store, which employs 70-plus people year-round, not only makes a significant contribution to the financial health of the community, but also encourages community residents to shop local. Ken says the staff are the key to the company's success. While he spends a great deal of time interacting with customers, they're the ones on the front lines and the reason customers, whether they're consumers or contractors, keep coming back.

With 28-foot ceilings, there was a lot of wall space to cover. The store team had the great idea to line the walls with 8x16-foot posters of staff and customers to reinforce the image to customers that the staff are standing alongside them, ready to help.

In Gananoque, people don't mind travelling outside of town to shop, including driving just over 30 kilometres to go to RONA, Lowe's, or another Home Hardware. In town, there's also competition from a True Value and a Canadian Tire. However, with the new larger format, Gananoque's staff is able to offer a product and service selection that can compete with the larger retailers and keep people shopping close to home.

Ken spends a great deal of time researching new trends and products to ensure the store provides customers with a unique shopping experience, complete with items they'd be hard-pressed to find elsewhere. He says they're fearless when it comes to buying and aren't afraid to spend money on new things.

COMMUNITY MINDSET

When it comes to competition, they know their limits and they strive to be good neighbours to their fellow Gananoque retailers. They leave automotive and sports to Canadian Tire and farm supplies and feed to True Value/Co-op.

Of course that emphasis on community extends beyond their competitors. As the largest retailer in town, Gananoque HHBC is involved in every community-focused

event that takes place in town. Some events they participate in financially, some with people power, some with leadership, and all with "let's do it and have fun" enthusiasm.

Helping eliminate hunger is a key initiative for the store. They sponsor the Linklater Breakfast Club, which ensures that school children receive breakfast, and they're a big supporter of the local food bank.

The philosophy behind all of their events is to create excitement in the community. From events like the 1000 Islands Playhouse, which helps bring a lot of tourists into town, to being responsible for the float that carries Mr. and Mrs. Claus in the annual Santa Claus parade, Ken strives to strike a balance between events that cater to the seasonal influx and ones that appeal to the local community during the off season.

Gananoque HHBC was the recipient two years in a row of Home Hardware's Proud of My Home Award, as well as awards from Home Furniture.

Against all odds, including being located in a small town with many businesses closing, a seasonal population flux, and a tight economy, the Gananoque Home Hardware has succeeded. These traits make Gananoque Home Hardware the 2014 Outstanding Retailer Award winner for Best Building Supply/Home Centre over 25,000 square feet.



Beverly Allen, publisher of Hardlines, which hosts the Awards; Kenzie O'Connor and Laura Ware of Gananoque Home Hardware Building Centre; and Sébastien Plourde of Super Remover, and sponsor of the award.

FINDING YOUR 20 PERCENT

BY BILL WILSON,
RETAIL ADVISOR, NRHA CANADA

I assume most readers will have heard of the Pareto Principle, or, as it's most commonly known, the 80/20 rule. For this article, we'll focus on how this principle can improve your business's profitability. But it's a fine balance—if it's taken too far, it can also cause problems in servicing your customers.



In today's complex retail world, we're facing many competitors, all with different business strategies. There are online retailers, like Amazon, that are reported to carry more than 60 million SKUs in Canada. Big box retailers can carry 40,000-plus SKUs and have the availability of online ordering. Home Hardware has the availability of 100,000 SKUs and their e-commerce shows 50,000-plus, with the option of convenient pick-up at a local Home dealer.

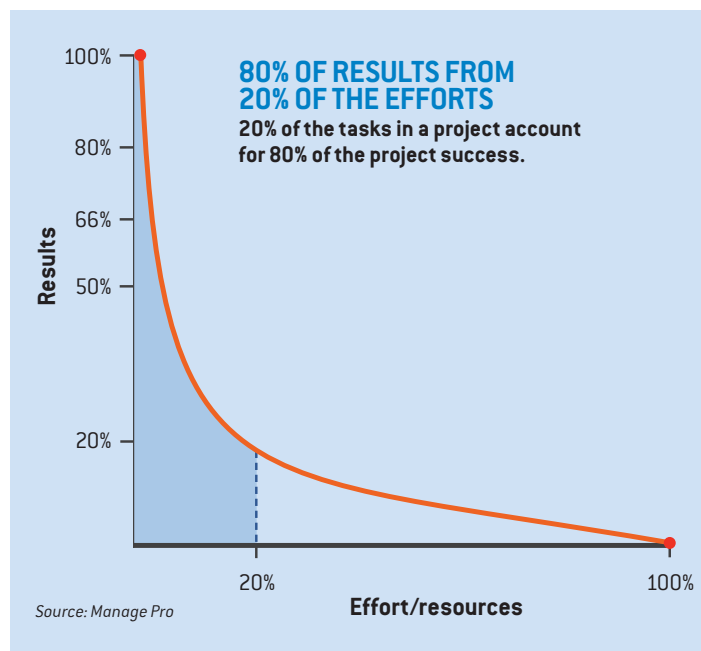
In comparison, the average hardware and building supply dealer stocks 8,000 to 10,000 SKUs. To compete with the large amount of SKUs available in the marketplace, many retailers have special-order options through their distributor, or online capabilities with in-store pick-up—options that help them work towards being a one-stop shop for their customers, as well as lowering their inventory investment.

Online retailing is a major competitor to bricks-and-mortar retailing today. How is that going to impact your business in the future? Are your e-retailing, website, and social media competitive enough in today's marketplace?

CONSIDER THE 80/20 RULE

What's the right combination? We know that for most building supply retailers 20 percent of the SKUs will do 80 percent of the

business (approximately 2,000 SKUs) and 80 percent of the SKUs will do 20 percent of the business (approximately 8,000 SKUs).



The question is: can you carry only the 20 percent and reduce inventory investment? From a return on investment (ROI) standpoint, it could be easy to make a decision to reduce the number of SKUs dramatically. But as a full-service building supply retailer, your customer expects you to have the products in stock required to finish the project (*Source: NRHA Study Customer Expectations*). High-profit retailers turn inventory cost to cost 4.1 times, while the typical retailer is turning inventory 2.6 times (*Source: NRHA Cost of Doing Business Study 2014*).

So how will you compete with one-stop shopping? You have to find the midpoint that makes sense for your business and profitability. For the past several years, interest rates on borrowing have been very low, but this is expected to change and each point can add substantially to your costs of carrying inventory. Now is the time to start planning.


THE PRINCIPLE IN PRACTICE

My first recommendation is to run an inventory report off your POS system on all products that have been in stock for more than 12 months and show sales of two units or less. You'll likely find 500-plus items on this list that have no sales and most could be discontinued.

The balance showing sales of one or two should be reviewed. You have to ask yourself whether they should be carried in stock, if they're a must-have for finishing a project, or an in-stock necessity for the image you're marketing.

The 80-20 rule can apply to customers as well, with 20 percent of your customers accounting for 80 percent of your business. But are these customers profitable? How do you make them feel special to ensure they continue as customers? What are their expectations, and how best can you meet them?

A strong website with the ability for online ordering and e-retailing helps keep you competitive. Well-trained staff also help to make sure that your customers' expectations are met. All staff should be able to greet your key customers by name.

Remind yourself and your staff to focus time on the tasks that give you 80 percent results. Those are the ones that are really important to your business. When the problems of the day begin to take your time, remind yourself of the 20 percent you need to focus on. Don't just work hard, work smart. 



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

Here are a few tips to determine whether you need all the items you stock:



Walk your store with each department manager to look for duplications using a good, better, or best strategy in most categories. Recognize the brands or private labels that are popular with your consumer. It shouldn't be a surprise if you find 500-plus items across your store that you could phase out. You shouldn't see sales lost if you move out duplications.



Print a list of your SKUs that account for a lot of your unit sales (which could be the small items that don't account for a lot of your sales) and then print a list of the SKUs that account for a lot of dollar sales (but don't necessarily account for a high volume of sales). Compare both lists to your inventory; you should have all those items in stock to be sure you have what you need to service your customer.



Invest the money you save from the discontinued items into the products that generate the majority of your sales and maintain a better service level on these products.



Confirm that you have in stock all of the items needed to complete the projects that you sell. Your distributor should have guidance for you on the basic stock that's required.



Following these steps and clearing out non-productive product to focus on the stock that generates 80 percent of your sales will improve your customer's overall store experience, will help sales, and will improve turnover.

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IN THE
NEXT
ISSUE
 OF HHIQ:

HARDLINES marks 20 years:
Tracking the ups and downs
of the last two decades

PLUS: This year's Top 20; category trends in paint; how the Scherer brothers came out of the recession strong; what we saw at the FerroForma and DIY Summit conferences; and how online sales have helped one Home dealer.

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“NOTHING SHORT OF **MOTIVATING AND INSPIRING**”

An ailing hardware store turns to crowd-funding for financial support and receives overwhelming support beyond the owners' wildest expectations.

BY GEOFFREY McLARNEY

When Doug and Julie Wade became restless with the Toronto rat race, they chose the village of Seeley's Bay, northeast of Kingston, for a change of setting. Pouring their savings and severance packages from their city careers into the local Main Street hardware store, they regained a customer base that had largely moved on under the previous owners. But the turnaround has eaten away at their savings and the couple soon found themselves owing back payments in rent and taxes.

Now, the Wades have turned to social media to help meet costs, and have raised almost all of the \$10,000 they initially requested on GoFundMe—about half of what they need to keep the store going all told. They've also seen unexpected and sizeable offers of support—from accounting to business consulting services—through the GoFundMe account, which Doug says went way beyond their wildest expectations.

With some 8,000 SKUs, Main Street Hardware supplies a full complement of traditional hardware offerings: plumbing, automotive, and HVAC are strong categories. Yet, given its location, it also functions as a general store, where locals



Doug and Julie Wade have turned to social media to help cover back payments in rent and taxes at the Seeley's Bay, Ont., Main Street hardware store

Town residents need to drive at least half an hour to get to a big box.

It would be easy to write the store off as another “mom and pop” that has had its day, unsustainable in an era when Amazon can deliver anywhere. But Seeley's Bay has demonstrated in the past that the market for the store exists. In the '80s, Wade explains,

“The store's got a great legacy and a great history, and we're trying hard to restore it to its former glory.”

can shop for appliances and stock up on hunting and fishing supplies or drop off their bottle returns for the liquor and beer stores. Being “squarely in the middle of cottage country,” as Doug Wade puts it, guarantees a certain “captive audience.”

it was an award-winning independent hardware retailer. Then a new owner tried to reformat the store from its original and current orientation to “more of a flea market,” neglecting core inventory. Customers began voting with their feet and driving to the big

boxes in larger towns like Gananoque, the site of Home Hardware's largest outlet.

Since the Wades have returned the store to its original format, many of those customers have returned. When the family began crowd-funding to get through this year, the response was overwhelming—from both local and far-flung sources.

Between the store's strong record and the community's response, Doug Wade is optimistic about weathering the storm. “The store's got a great legacy and a great history, and we're trying hard to restore it to its former glory,” he says, adding that the community response has been “nothing short of motivating and inspiring.”

And when the funding is complete, he adds, they're just looking forward to getting back to business and “getting back to providing what the community needs.”

PHOTO: WAYNE LOWRIE, SUN MEDIA



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"I am definitely a believer in Orgill. Since we have converted to Orgill, I can't say enough good things about them. They see opportunities for our business that we might not have even seen ahead of time."

Brent Perry

Alf Curtis Home Improvements
Peterborough, Ontario

Alf Curtis Home Improvements

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

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

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

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



Expanding Your Market

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

Helping Your Operations

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

Living Up to Commitments

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

Presenting Options

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

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

—Brent Perry



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