

HARDLINES **20** YEARS

H1Q

HOME IMPROVEMENT QUARTERLY

FOURTH QUARTER / 2015

PLUS:

- Top Four dominate the market
- Orgill acquires Chalifour. What's next?
- This season's paint trends
- HHIQ's Bill Wilson recognized



YEARS ^{OF THE} TOP 20

How big.
How many.
How much.

ALSO INSIDE!**SCHERER BROTHERS
LUMBER CO.**

After cutting to the bone, this pro dealer empowered its remaining employees, and increased its profits

**LEADERS'
FORECAST**

Industry leaders reflect on the year that was and the kind of year we can expect in 2016

BMR

IT'S MORE THAN A COLOR



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HARDLINES ^{20 YEARS} HIQ

HOME IMPROVEMENT QUARTERLY

FOURTH QUARTER / 2015 • VOLUME 5, NO. 4

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Hardlines Home Improvement Quarterly is published four times a year by Hardlines Inc., 528 Queen Street East, Toronto, ON M5A 1V2. \$25 per issue or \$90 per year for Canada. Subscriptions to the Continental United States: \$105 per year and \$35 per issue. All other countries: \$130 per year. (Air mail \$60 per year additional)

Subscriber Services: To subscribe, renew your subscription, or change your address or contact information, please contact our Circulation Department at 289-997-5408; hardlines@circlink.ca.

Canadian Publications Mail Agreement # 42175020

POSTMASTER: Send address changes to Hardlines Home Improvement Quarterly, 528 Queen Street East, Toronto, ON M5A 1V2.

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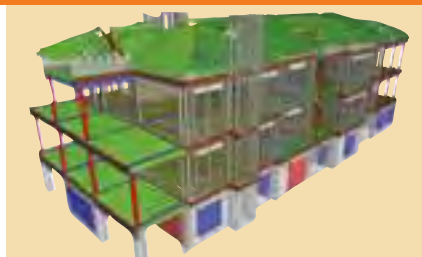
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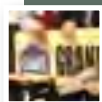
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20 YEARS OF HARDLINES

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BUYING GROUPS

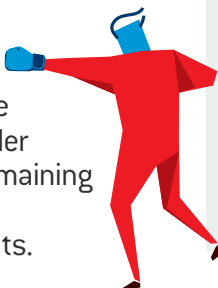
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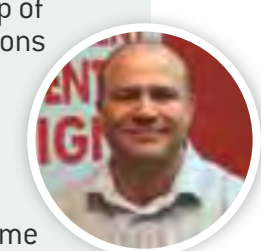
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ARE YOU GETTING THE MOST OUT OF TRADE SHOWS?

**What are you looking for in a trade show?
It should be about more than just the best price.**

MICHAEL McLARNEY, EDITOR

Show season is upon us. While many vendors will measure the success of their participation solely on the number of orders written, more and more vendors we speak with are focusing on using these venues as a way to strengthen the larger customer relationships.

More and more dealers, as well, are admitting that special buys are becoming less of an incentive. They talk instead about the importance of networking and product knowledge in an age when orders can be made online easily and tight margins preclude any real deals in many product categories. In fact, a survey conducted by the Western Retail Lumber Association indicated that the top reason for attending the WRLA Buying Show was for “new product ideas.” Special buys rated second.


While many suppliers, especially of commodities, continue to measure the success of shows solely on the volume of orders signed, many are emphasizing in-store displays and product knowledge that will help dealers sell their products better. Smart dealers, in turn, aren't just looking for ways to put pressure on their suppliers for better deals. They're looking for ways to partner with vendors to make their stores destinations for their product categories and services. They

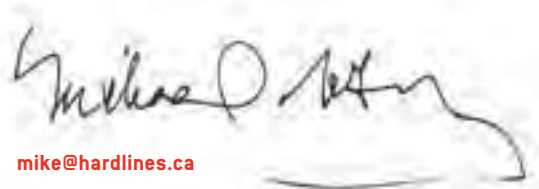
are looking for good ideas and more knowledge to make their stores better than their competitors'.

In the face of online technology and squeezed margins for products, all trade shows are evolving to become less about buying and more about interacting with customers and offering new product ideas. This is a compelling argument for dealers to get out and attend the industry trade shows, including dedicated banner shows and the regional buying shows held by the LBM associations.

The notion of a strong in-store experience, which helps make one's store a destination for shoppers as well as an alternative—or next step—for customers searching for products online, is an important message for dealers, and one that savvy vendors are getting behind in their support of their dealer customers. Home Hardware is one organization that understands this. The dealer-owned co-op hosts a pre-market conference before each of its own markets. These seminars introduce members to new ideas and innovations. While some of the sessions educate dealers about Home Hardware's own services or programs, many of them focus on outside trends that affect home improvement, and retail in general, in a broader way.

Other groups are seeking solutions of their own. TIM-BR MART Group's buying show includes dealer meetings before the show and a model store right on the show floor to effectively showcase vendors' products and merchandising. Castle conducts an annual Buying Expo in Atlantic Canada, where vendors are guaranteed face time with each dealer, who can ask questions about products while placing their orders.

HARDLINES is in the information business and, needless to say, is committed to delivering industry news to help with your business today, and sharing insights and trends that will guide you into the future. We also believe in the value of the industry trade shows. That's why we look forward to meeting you at your next show to share ideas and insights. 



mike@hardlines.ca

QUARTERLY BUSINESS CONDITIONS

SECOND QUARTER 2015

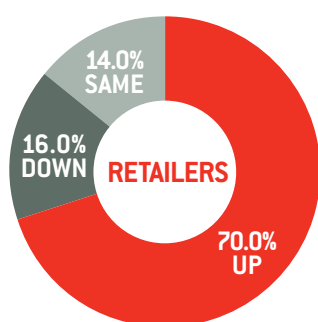
Despite a slow start to the year, following a long, hard winter, the vast majority of both retailers and vendors reported business was up compared with the same time last year. For the most part, both groups' business projections were in line with last year's expectations.

The only major shift compared to last year at Q2 is that vendors are much more optimistic about the coming six months. In contrast, the

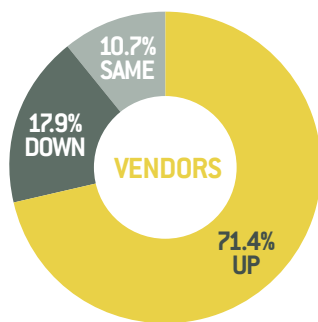
percentage of retailers with a positive perception of what the next half-year holds dropped 13 percentage points over the year.

Long-term, retailer and vendor forecasts of business conditions are overall optimistic. The top issues impacting that optimism for retailers are staffing, training, and customer retention, whereas vendors are concerned about the exchange rate with the U.S. dollar, higher raw material/shipping costs, and the housing market.

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

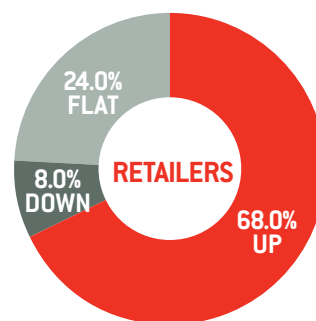


Year-over-year, the percentage of retailers experiencing better sales than last year is up almost 12 percentage points from Q2 2014, when 57.7 percent of retailers reported increased sales.

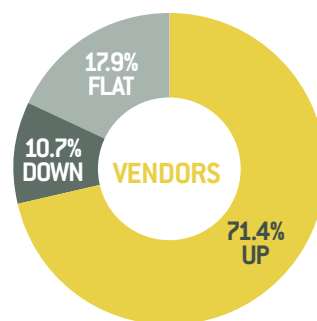


Year over year, the percentage of vendors experiencing better sales than last year was up nearly 25 percentage points from Q2 2014, when 46.6 percent of vendors reported increased sales.

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

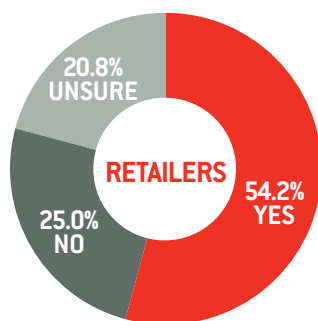


Looking at the rest of the year, the percentage of retailers that predict sales will go up increased slightly from 65.4 percent in Q2 2014, and the percentage expecting sales to go down was down almost four percentage points from 11.5 percent in Q2 2014.

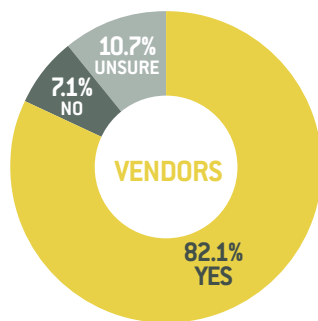


Looking ahead at the rest of the year, the percentage of retailers that predict sales will go up stayed pretty much the same from 65.2 percent in Q2 2014, but the percentage expecting sales to go down was also up almost five percentage points from 4.4 percent in Q2 2014.

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

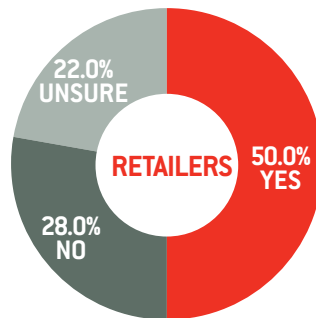


The percentage of retailers expecting sales to increase in the next six months is down significantly from 67.3 percent in Q2 2014, and the percentage of retailers that anticipate sales will not increase was up from 13.5 percent, indicating a general negativity about the near future.

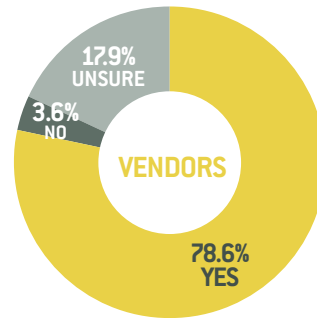


Year over year, the percentage of vendors anticipating sales increases in the next six months went up five percentage points from 77.2 percent in Q2 2014.

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

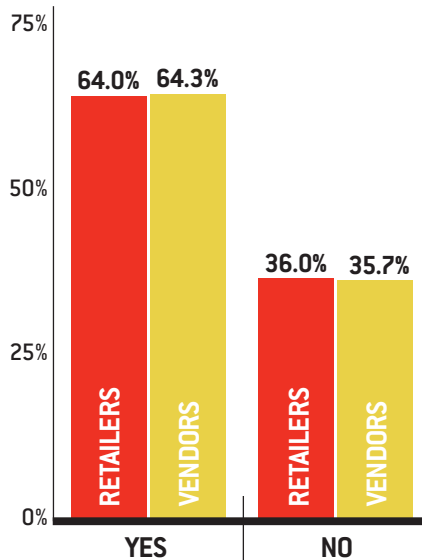


Retailers' outlook for the year ahead is less optimistic than in Q2 2014; the percentage of retailers expecting increased sales decreased almost 10 percentage points from a year ago, while the number of retailers unsure about whether sales would increase rose nearly nine percentage points, from 13.5 percent.



Vendors are optimistic about the coming year. Year over year, the percentage of vendors predicting increased sales is up slightly from 77.6 percent in Q2 2014. And the number of those uncertain about the future is down from 8.6 percent in Q2 2014.

Did you offer new products/ services in Q2 to better compete?



Year over year, the percentage of **retailers** offering new products and/or services to better compete was up just over 12 percentage points from Q2 2014.

The number of **vendors** that offered new products rose slightly from last year's 62.5 percent, while those that did not dropped by nearly two percentage points from 37.5 percent.

RETAILERS:

Top issues in second quarter

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

VENDORS:

Top issues in second quarter

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

Source: HARDLINES Quarterly Business Conditions Survey

NEW PRODUCT COMING SOON



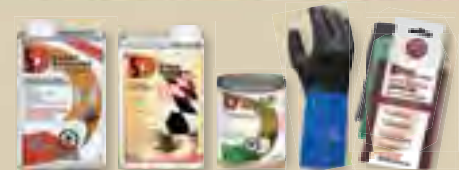
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CANADA'S TOP FOUR RETAILERS

Just four banners comprise the lion's share of Canada's home improvement sales.

More than half of Canada's \$42 billion retail home improvement industry rests in the hands of just four banners. According to the latest *Hardlines Retail Report*, The Home Depot Canada, Home Hardware Stores, RONA inc., and Canadian Tire Retail collectively comprise 52.1 percent of all hardware and home improvement sales in Canada.

At the top of the list, Home Depot Canada is now Canada's largest home improvement retailer. Years of consistent, steady growth following the worldwide recession, combined with changes in the competitive landscape, pushed Home Depot's Canadian business to the top spot, based on volume of sales.

With estimated sales in 2014 of \$5.65 billion, Home Depot Canada also managed



In focusing on the soft DIY market and pursuing the contractor customer in a more serious fashion, Home Depot has seen steady growth, making it Canada's number-one home improvement retailer.

to bump RONA inc. from the top spot, a position it had held for seven years. Home Hardware Stores moved from third place in 2013 to the number-two spot in 2014, with sales of \$5.49 billion.

RONA, with retail sales of \$5.48 billion, moves to third position, followed by Canadian Tire Retail, with \$5.26 billion in home improvement-related sales. (Note: Canadian Tire's numbers reflect estimated sales in its hardware, housewares, and home improvement categories only, and exclude automotive and sporting goods.)

Home Depot's growth here was driven by a steady, consistent strategy that targeted female shoppers (and soft DIY in general), while pursuing the contractor customer in a more serious fashion. At the same time, the company has been investing in its online business, making "buy online, pick up in-store" (BOPIS) an increasingly important part of its growth.

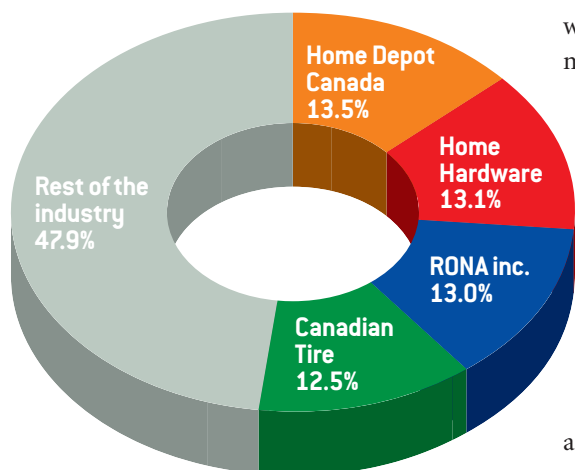
RONA held the top spot for many years, but has undergone restructuring under a new executive team since 2012. Changes include the sale of its Noble industrial division, the trimming of some of its big box store locations, and a radical reset of its Reno-Depot chain in

Quebec. All these moves have affected the company's top line. As RONA has trimmed its business for future growth, Home Depot has focused on maximizing sales from its existing stores. The result has been a radical change in the order of the industry's top four players in 2014.

Home Hardware has made gains of its own, resulting in its move up from number three in 2013 to number two. That growth has been based on a number of factors. One is the re-sizing of many of its independent co-op members into larger stores. But most significantly, Home's solid branding has made it a strong alternative for dealers from other banners who converted over the past five years during a time of great upheaval in this industry. Home's increased ranks—it now counts almost 1,100 dealers—was instrumental in driving up its top-line sales.

Although these four groups make up a significant part of the overall industry, their market share actually shrank slightly in 2014. The top four increased their sales overall by 1.5 percent in 2014, but that rate was lower than the growth of the overall market. As a result, the market share of the top four relative to the overall industry slipped from 52.7 percent to 52.1 percent.

**Estimated market share
of the Top Four Retailers**





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LOWE'S HIRES SUPPLY CHAIN VP, PLANS DC RELOCATION

With 40 stores already and another 14 planned for the next 10 to 18 months, Lowe's Canada is beefing up its supply chain. That includes a new, larger distribution centre—and a new executive to oversee that side of the business. Gregor Stuart was appointed as vice president, supply chain, a newly created position. He will be responsible for overseeing the supply chain function and distribution centre for Lowe's Canada.

Lowe's has also announced it will move its distribution facilities in Milton, Ont., just west of Toronto. Part of the company's recent acquisition of 12 former Target sites included Target's own distribution centre, which is also

in Milton. Currently in a 635,000-square-foot facility, Lowe's relocation to the former Target site will give it 1.3 million square feet, more capacity to better serve its growing number of stores in this country. Lowe's expects to move to the new DC in November 2015.

Lowe's is really stepping up its Canadian expansion in a concerted effort to reach the critical mass that will finally make its Canadian operations profitable. With the acquisition of 12 former Target retail sites and a distribution centre, combined with greenfields openings, Lowe's expects to have 70 stores here by 2017. That store count is expected to give the company the profitability it seeks in Canada.



Clockwise from top left: Lowe's Canada is stepping up its Canadian expansion to reach the critical mass that will finally make its Canadian operations profitable; Lowe's opened a new location in Lethbridge, Alta., in April; Lowe's new Sault Ste. Marie store has given the company a presence in Northern Ontario.

FEDS PROMISE PERMANENT RENO TAX CREDIT

Just days after they called a federal election, the Conservative government stated it would re-introduce a popular tax credit for home renovations. The Home Renovation Tax Credit was first introduced in 2009 as the country was still recovering from the worldwide recession of a year earlier. It lasted for just one year, and let homeowners get a tax credit of up to \$1,350 on materials and labour up to \$10,000.

At the time, the tax credit was lauded for giving a tangible boost to home improvement sales and for helping discourage the underground economy, which is considered prevalent in renovation contracting.

The new tax credit would apply to home renovations costing between \$1,000 and \$5,000.

The Quebec building materials association, AQMAT, welcomed Prime Minister Stephen Harper's pledge to introduce a permanent tax credit for home renovations, while warning against possible adverse effects. According to AQMAT President Richard Darveau, the proposed program would provide incentives for homeowners to hire contractors, but its usefulness is undermined by a \$5,000 cap—half the limit of the previous tax credit.

The association suggested removing the caps while limiting the credits to renovations on a principal residence. The proposed program has attracted further criticism because the Harper government admits it can't afford to implement the tax credit until mid-way through the 2016-2017 fiscal year.

PRIMESOURCE WILL SHED CANADIAN OPERATIONS THROUGH YEAR-END

PrimeSource's announced withdrawal from the Canadian market continues, as it winds down operations in this country. The fastener and materials distributor will close its doors on October 30. Beginning November 1, the company will liquidate or move its final inventory and begin the full shutdown of the business.

"We are going to service our Canadian customers all the way to October 30," says Danny Strachan, regional vice president of PrimeSource Canada, "and fulfill our commitments on open orders, after which we will begin the shutdown. This will last until the end of the year, or possibly January [2016]."

PrimeSource Canada has four full operations, in Vancouver, Calgary, Toronto, and Montreal, as well as two reload locations, in Winnipeg and Halifax. The reload centres were to have closed September 15.

BRIEFLY

CANADIAN TIRE TESTS OUT GOOGLE NOW

Canadian Tire is one of the first North American retailers to get on board with Google Now, a "context-aware" app that offers custom information to users based on their location. Canadian Tire's electronic information cards will serve as a "mobile storefront," providing basic information on hours, return policies, and how to contact stores. The program, which is still in beta testing, works on the same principle as Google Maps or iPhone pins.

GOODFELLOW, LEBEL CAMBIUM FORM PARTNERSHIP

Building materials wholesaler Goodfellow signed an agreement with Groupe Lebel Cambium to form a treated wood manufacturing company. Both companies will be joint shareholders of the new company, which will consist of seven wood treating plants serving markets in Ontario, Quebec, and Atlantic Canada. The combined entity is expected to create one of the largest and most geographically broad producers of treated wood in Eastern Canada.

INDUSTRY PLAYERS RECOGNIZED FOR ENERGY EFFICIENCY

Some of this industry's leading retailers and vendors were the recipients of this year's Energy Star Market Transformation Awards. The companies were recognized for efforts to improve energy efficiency. Canadian Tire took the Sustained Excellence category, while Home Depot Canada was named Retailer of the Year. Manufacturers of the Year were Globe Electric (in the Lighting category) and All Weather Windows (Windows and Doors).



RONA RESULTS INDICATE EFFECTIVENESS OF TURNAROUND STRATEGY

RONA's second-quarter results announced in August painted a picture of a successful turnaround under way. Same-store sales increased by 5.4 percent, its fourth consecutive quarter of growth. Consolidated revenues totalled \$1.26 billion, up 5.9 percent from \$1.19 billion a year earlier.

The increase mainly reflects 6.7 percent higher revenues in the retail segment due to the success of merchandising strategies and a repositioned Reno-Depot banner in Quebec. Same-store sales saw a fourth consecutive quarter of growth, rising by a healthy 5.4 percent.

But the company is reaping the fruits of other strategies, as well. It's restructuring

its stores by moving franchisees within the corporate fold, allowing it to consolidate 20 different operating entities with differing business models. Meanwhile, RONA is engaged in what CEO Robert Sawyer called a "resetting" of its core business in the big box and proximity stores.

The acquisition of franchisees will put the 79 RONA L'Entrepôt, RONA Home & Garden, and Reno-Depot stores under the corporate banner and lift retail margins, while adding some expenses to the bottom line. Six of eight Coupal stores, which were contractor-oriented outlets, have been converted to the Marcil banner, increasing traffic with greater retail offerings.

The weak loonie forced a more aggressive approach in the latest quarter, with some new store openings and the elimination of some products. Asked about the effect of the home renovation tax credit in Quebec, which expired July 1, Sawyer observed little change was expected either way in the sluggish economy.

Regional variations played a role, with a strong spring in the Atlantic. Sawyer warned that RONA will be facing "turbulence" in Alberta where same-store sales will be "less positive" going forward. Continuing inflation will affect the company's relationship with its vendors. One new initiative is a loyalty program for contractors, already being rolled out in select regions.

HOME HARDWARE REORGANIZES MERCHANDISE AND MARKETING



Ray Gabel



Joel Marks



Rob Wallace



Bruce White

Home Hardware has created two new senior positions within the company to separate merchandising and marketing roles. The moves are in step with the transition by Ray Gabel, who is currently VP for both merchandise and marketing of hardlines, to a new role as senior merchandise advisor.

A single merchandise organization has been formed to handle all product sourcing. It will be led by Joel Marks, director of merchandise, hardlines. He has accepted the title of vice-president,

merchandise. Under the newly integrated merchandise department, Bruce White, vice-president, merchandise and marketing for LBM, reports to Marks. Gabel also reports to Marks.

The marketing roles have been spun off from both merchandising roles, and Home is building an integrated marketing and sales team led by a vice-president, marketing and sales. So far, Rob Wallace, formerly Home's PR Manager, has been placed in the role of marketing director. The VP position had not been filled as of press time.

UNDER NEW PRESIDENT, FRASER VALLEY MOVES TO RONA

Fraser Valley Building Supplies in Mission, one of the largest dealers in British Columbia, left TIM-BR MART Group for RONA. Ray Cyr, who was formerly the director of network development for RONA corporate in Western Canada, stepped in as president of Fraser Valley.

Cyr took over from Dave Nick, who founded the company in 1992 along with his brother Brad and their father, Ernie. "Going forward, we have a strong growth mandate for the company, strengthened by our alliance with RONA," Cyr said.

The store is just a block away from a corporate RONA store on Lougheed Highway, which Fraser Valley had purchased and closed down at the end of June. In addition to the 25,000-square-foot store on Wren Street, Fraser Valley has another store in Cloverdale.

Both stores' retail operations were re-branded as RONA affiliate stores, while the company's contractor and builder business continues to bear the Fraser Valley Building Supplies name.

"We are happy to welcome Fraser Valley as a RONA dealer, offering them a business model that truly fits their expanding operations," says Luc Rodier, EVP retail for RONA inc. "The lease for our corporate store on Lougheed Highway was soon ending and the site required major renovations, so the timing is perfect."

BRIEFLY

LOWE'S CANADA ADOPTS AIR MILES

Lowe's Canada has announced an agreement with LoyaltyOne Co., owner and operator of the Air Miles Reward Program, to launch the reward program in Lowe's stores. Full roll-out is anticipated for December 1. No other terms of the agreement have been released. Both RONA and TIM-BR MART already have the program in their stores, and on a regional basis, Kent has it in Atlantic Canada. Home Hardware uses Aeroplan.

RONA STAFF WIN LOTTERY

A group of 20 night shift workers at RONA's warehouse on Montreal's South Shore won a \$55 million Lotto-Max jackpot. The group was buying tickets every week, and their investment paid off when Dominic Lord discovered their ticket had won at a Longueuil Petro-Canada station, which will get a \$550,000 bonus. The Canada-wide jackpot is the largest ever paid out by Loto-Québec.

RIOBEL CONTINUES TO EXPAND

Riobel Inc.'s head office will undergo a 34,000-square-foot expansion, bringing its total floor space to more than 100,000 square feet. The move is the latest in a series of expansions for the faucet and shower manufacturer.

NATIONAL HARDWARE SHOW DATES CHANGE

The National Hardware Show will return to Las Vegas this spring, reverting to the Central and North Halls of the Las Vegas Convention Centre after last year's show in the Central and South Halls. As a result, the schedule will be offset by one day, beginning this year on Wednesday, May 4 and running until Friday, May 6. According to organizers, the floor layout will more closely resemble that of the 2014 show.

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 just four years, the agreement was quietly dissolved.

“Basically, we decided not to continue the umbrella at this time,” says Bob Holmes, general manager of Bolton, Ont.-based TORBSA, which has 22 members representing 45 stores and annual sales of \$400 million. “We’d seen

value in it, it had benefits, but the market’s changing.” He adds that TORBSA wants to continue as “a stand-alone business.”

Castle, which is based in Mississauga, Ont., has almost 300 stores representing an estimated \$1.72 billion in retail sales nationally. That group’s president, Ken Jenkins, says that with the growth Castle has experienced in recent years, the need for an umbrella group diminished. “We’ve had a great relationship with TORBSA, but we felt it was better to move ahead unfettered and to go it alone. The industry has changed, so we felt it was time to move ahead in a different direction.”

While various “supergroups” have existed in the past, they are not as common today—and Jenkins feels that they are not as valuable as they once were. “With the amount of consolidation that continues to take place, the need for the umbrella buying group model has pretty much run its course in the industry.”

One other “umbrella” group still exists, however. Byco was formed in 2012 by Sexton Group, Delroc, and Allroc. Though Allroc ended up leaving that group within months of its formation, Byco is still going strong with its two remaining members.

BAEUMMLERS CHAMPION FUNDRAISING CAMPAIGN

Bryan and Sarah Baeumler recently joined Lowe’s Canada President Sylvain Prud’homme and employees of the Etobicoke, Ont., Lowe’s behind the counter to help raise funds for families in need of safe and accessible housing. The Baeumlers were celebrating the launch of a new in-store fundraising campaign for the Baeumler Family Foundation. The Baeumlers were on hand to greet customers, assist with the checkout process, and inform customers about the BFF campaign to encourage them to donate, as part of a larger campaign by Lowe’s Canada, in partnership with Baeumler’s foundation.



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ProductSPOTLIGHT

BY GEOFFREY McLARNEY

Two-Speed Hammer Drill ▶

Bosch's HD18-2 Two-Speed Hammer Drill weighs in at just under six pounds, and claims to be as fast as the competition at a fraction of the weight. Its variable speed is designed to provide greater precision. The first gear is for high-torque applications, including maximum diameter drilling; the second speed is for high-speed drilling. The dual-mode selector converts from hammer drill to rotation-only mode, and an integral slip clutch disengages torque transmission if the bit gets into a bind situation.

www.boschtools.com



◀ SlimLED Lights

Liteline has added the SlimLED to its range of LED lights. Designed to be slim, sleek, and low-profile, the SlimLED is half an inch thick and clippable. Suitable indoors and in damp locations, it is airtight and environmentally friendly. The lights can be dimmed for a softer glow, and work on their own without a housing unit.

www.liteline.ca



Cordless Braking Grinder ▶

Milwaukee's latest contribution to cordless power tools is the world's first cordless braking grinder. Stopping accessories in under two seconds and delivering up to 10 times longer tool life, the M18 FUEL Braking Grinder is marketed as the only cordless solution that can effectively grind, cut, and surface prep. The grinder features the same metal housing and gearing system as Milwaukee's corded grinders.

www.milwaukeeetool.ca



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We recognize that your core business is LBM and that the hardware assortment should strengthen your business instead of complicating it.

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Your showroom is the face of your business. It should show your customers what makes you unique and why they should shop there. Let us help you put your best face forward. Contact us today.

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Powerack 1500 Pure Sine Wave Generator ▶

AspectSolar introduces the Powerack, billed as a portable power solution with enough off-grid energy storage to power a small house. This 1500Wh/1500-watt pure sine wave generator offers power independence for emergencies or when life or work takes people off the grid. Able to power lights, appliances, communication devices and more, the Powerack 1500 combines a compact, lightweight design with advanced long-life LiFePO4 green battery technology. Weighing in at only 63 pounds, about half the weight of comparable products, the Powerack 1500 is easily portable. It can be powered through its internal or external chargers, solar panels or car battery. And it charges quickly—reaching full power in as little as eight hours.

www.aspectsolar.com



◀ Ultimate Wood Stain One Coat Coverage

One of Rust-Oleum's latest additions to its Varathane line, Ultimate Wood Stain is touted as a high-performance stain system enhanced with nano pigments and soy oil base for increased colour clarity. Combined, the formula creates rich one coat coverage, which dries in one hour. No wood conditioner or pre-stain is required. With this formula, Rust-Oleum guarantees beautiful results three times faster than traditional wood stains on furniture, doors, cabinets, or floors.

www.varathane.ca



Ultra Flexible Sanding Sponges ▶

3M's Pro Grade Precision Ultra Flexible Sanding Sponge's patterned side channels dust away from the sanding surface for easier cleanup and the regular side works well for first sanding. And the sponge's flexibility allows you to sand detailed areas efficiently. Suitable for wet or dry work on interior or exterior surfaces, the sponge is clog resistant, which means it last five times longer than 3M's conventional sanding sheets.

www.3mcanada.ca



ORGILL ACQUIRES CHALIFOUR CANADA FROM TIM-BR MART

Orgill, the giant U.S.-based hardware wholesaler, has solidified its growing presence in this country with the acquisition of Chalifour Canada.

BY MICHAEL McLARNEY

Bernie Owens, president of the TIM-BR MART Group, says the strategic alliance resulting from the sale will offer his company's membership and Canadian independents at large a competitive foothold against big box stores in Canada. "This will empower our membership. It will give them better buying power and the local consumer in turn will be able to buy better," he says. "This is a win-win for the independent and a win-win for local communities. It will keep business from draining into larger metropolitan centres."

“This is a win-win for the independent and a win-win for local communities. It will keep business from draining into larger metropolitan centres.”

The new company, Orgill Canada Hardlines, like its U.S. counterpart, will not offer a separate banner. Orgill does offer a range of services and promotional programs for dealers, however, and hosts a dealer market in the U.S. twice a year. "Our goal is to be inclusive rather than exclusive," says Ron Beal, chairman, president, and CEO of Orgill, "and we will focus on providing a unique mix of products, competitive pricing, and cutting-edge services to help Canadian independent retailers compete in their local markets."



The Chalifour acquisition will enhance Orgill's presence in Canada, something they've been committed to for a while, as proven by their Canadian-compliant product offering at their shows.



The sale is just one of the changes coming out of TIM-BR MART under the leadership of President Bernie Owens.

Orgill Canada's acquisition of the assets will include its complete ownership and operation of Chalifour Canada's London, Ont., distribution centre, as well as the purchase of the hardware inventory in


Chalifour Canada's Surrey, B.C., facility. Orgill will consolidate its current warehousing operations, in Brampton, Ont., into the London facility over time.

TIM-BR MART will maintain ownership and operation of its LBM distribution centre in St-Nicolas, Que., and continue to operate the Surrey facility. That includes managing Orgill Canada's hardlines offering from that location on a fee basis.

"Our focus is to ensure that service to both Orgill Canada and Chalifour customers is maintained during and after our transition to a single company," says Beal. "Our plans are to maintain both of these facilities for as long as they are needed to provide this service."

The transaction was finalized at the end of September.

The sale is just one of the changes coming out of TIM-BR MART under the leadership of Owens. When he joined the company, he put considerable effort into breaking down the silos within his company and getting everyone pulling together in the same direction.

Speaking with *HHIQ*, Owens says his focus as president of TIM-BR MART is to provide the industry, which has seen a lot of growth over the last 10 years, with leading programs and services. The sale of Chalifour will free up the buying group to better focus on those programs and services, while giving Orgill the volume of business it needs to continue growing in Canada. 

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MICHAEL McLARNEY, EDITOR

IT TAKES A VILLAGE...

...to raise a news service. And 20 years after starting out as a modest fax news service, **HARDLINES** remains strong—thanks to the support of an entire industry.




The kind of support that the Hardlines team has received through the years has been alternately heartwarming, inspiring, and challenging. I say challenging because that support came with expectations. We have a responsibility to inform, educate, and enlighten the retail home improvement community: as competition has become fiercer, knowing what retail in general, and competitors in particular, are doing has become crucial to survival. For suppliers, understanding the dynamic of the retail customers on a timely basis became an important part of their business week.

Hardlines has strived to satisfy both sides with a relentless pursuit of the truth behind the stories that drive the businesses in this industry, and the stories of the people who make it tick.

There have been lots of great and memorable moments in the course of gathering that news. Calling Walter Hachborn, co-founder of Home Hardware Stores, for the very first time to apologize for getting his first name wrong in print. Managing to get the very first interview with Annette Verschuren after she had been appointed president of Home Depot Canada—and before the Atlanta head office PR machine got in the way. Ambushing Stephen Bachand, president of Canadian Tire Corp., on a shuttle bus from the Sheraton Hotel to the National Hardware Show back when it was held in Chicago (he had been dodging me for months).

Some were just plain embarrassing. Like trying to get in some photos of the big Kent store in Moncton, N.B., when it began opening on Sundays, only to have General Manager Stew Valcour swoop down on me, put his arm firmly around my shoulder, and give me the bum's rush, saying, "No photos allowed." Or having lunch with Robert Dutton, at the time president and CEO of RONA inc., and having nothing else to make notes with but a red-and-white Home Hardware pen.

Lots of life lessons, as well. Like sitting with Jack Weber, the head of Weber Supply out of Kitchener, Ont., as I nervously asked about whether he might like to advertise with Hardlines. He looked me squarely in the eye and said, "Don't ever be afraid to ask for the sale, Mike."

Over time, I learned always to ask for the story—and the sale. While the answers back have not always been the ones I'd hoped for, they were always delivered with the sincerity that typified the support we've received through the last 20 years, and exemplified the honesty and dignity that pervades the industry we have the honour to report on. 

A handwritten signature of Michael McLarney in black ink.

mike@hardlines.ca

CELEBRATING 20 YEARS IN THE INDUSTRY

Ok, join us as we indulge in a look back over the highs and lows of reporting on this industry. And what an industry it is!



Holed up in a basement office, our intrepid Editor Michael McLarney is interviewed for a segment on "Asian Business News." In his very first appearance on television, his voice was dubbed in Mandarin.

Hardlines started out 20 years ago as a bi-weekly fax newsletter, written and sent out from a basement office in Toronto. It has certainly experienced a lot of growth over the last two decades. Back then, it took 26 hours to dial and send to all the fax numbers on the subscription list. Now, it's prescheduled to go out electronically with a single click of a mouse and is delivered directly to our subscribers' inboxes in the early hours each Monday morning.

From the beginning, the company has taken on the role of not just informing, but also connecting members of this industry, through various events and activities. We understand that the information Hardlines provides has long been an important tool for retailers and vendors alike. As the premier source for information on home improvement retailing in Canada, everyone on the Hardlines team takes that job very seriously. However, that doesn't mean we take ourselves too seriously. Looking back through the archives as we mark 20 years in business, lighthearted fun and good humour have always been as much a part of what we provide as the breaking news, networking events, and our annual conference. Here are a few snaps from the archives we wanted to share with our loyal readership.



The Hardlines Show Breakfasts at the now-defunct Canadian Hardware Show were educational, sort of, but certainly lots of fun. Mag Ruffman (of Road to Avonlea and Toolgirl fame) joins Michael and Beverly for a spontaneous celebrity plug.



The Hardlines Conference has been a forum for individuals in our industry to share stories and experiences since its inception.

“Beverly and Michael are friends of the building supply industry. Organized and visionary, they have created a powerful voice in the industry, sharing research and knowledge.

Consistently, they add value through their multimedia publications to their readers and advertisers. I personally benefited by attending their Annual Hardlines Conference, where I met several of the current and future leaders of the industry.

What a pleasure it is to wish them both continued success and to congratulate them on 20 years! Best wishes, Beverly and Michael!”

— Susan Robinson, FLETCHER Building Supplies, Princeton, B.C.

“In 2010, Super Remover was mostly a Quebec-sold product, with the exception of Canadian Tire, which opened national distribution to our products in August of that same year.

In 2011, I attended my first Hardlines annual conference and understood immediately that I had to be a sponsor for the 2012 conference. Since then, Super Remover’s national distribution grew exponentially throughout all the major players.

With all their extended knowledge of the trade, they really helped me understand and keep track of all the changes in the home improvement industry.

Beverly, Michael and the whole team from Hardlines definitely helped my company be recognized as a Canadian manufacturer—even if we are established in Quebec. All through the years Beverly and Michael have become good personal friends and great travelling companions.

Happy 20th to Mike and Bev and the whole Hardlines team! Keep up your important work and especially your excellent annual conferences.”

— Sébastien Plourde, Super Remove, Granby, Que.



Besides being the rudder on the Hardlines ship, our Publisher Beverly Allen is a role model—and voice—for women in an industry that was pretty male dominated when she started.

"Michael and Beverly are the go-to people in the industry. They have successfully navigated the complex structure of the distribution chain and also the confusing retail network. Keep up the good work!"
— Kim Emmerson, President, Emmerson Lumber Limited, Peterborough, Ont.



Canada's strongest man, Hugo Girard, flexes some muscles with our editor at a BMR show in Quebec City. (Hugo's the one on the left, by the way.)



Debbie Travis, TV personality, décor spokesperson, and interior designer, shares a smile with Beverly during a Canadian Tire product launch.

"Within the construction and building materials sector, there is a host of information providers that strive to provide relevant information, updates, upcoming projects, newsworthy readings. HARDLINES has excelled in all of these practices. In my mind, HARDLINES stays current right up to the minute. Providing accurate information that serves to inform all of us of what is happening in this dynamic industry. HARDLINES serves as a beacon in numerous ways that are important for us to navigate the complex and the ever-evolving building material and construction sector. HARDLINES has risen to be the 'first choice' and 'best choice' of the available information sources with accuracy and validation."

—Greg Drouillard, Target Building Materials, Windsor, Ont.



The support given by the industry through the years is always evident at the annual Hardlines Conference, where up to 200 people gather annually.



Desperate to save the Canadian Hardware Show, organizers asked Hardlines to liven things up during the Hardlines Show Breakfast. We pulled it off—with a little help from some inter-galactic friends!

Join us for the 2016 BSIA

Westcoast Building & Hardware Show and Ultimate Home Show

Located in the 22,000 sq. ft. Cloverdale Agriplex
Featuring 100 Show Booths. 50% ALREADY SOLD!

Trade Show March 11 – 12, 2016
Ultimate Home Show March 12–13, 2016

ALL NEW THIS YEAR

Exhibits will be open to the public, Saturday afternoon & all day Sunday!



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Please call BSIA at 604-513-2205 or email info@bsiabc.ca
to book your booth space or to sponsor our event.



Hardlines has worked diligently to promote the Canadian industry around the world, including at the famous Hardlines Canada Night International Reception, held during the International Hardware Fair in Cologne, Germany.



Young leaders are establishing themselves at Hardlines: Katherine Yager, our Marketing Director; Brady Peever (who has since moved on, after eight years with the company); and Managing Editor Sigrid Forberg.

"For the 20 years Hardlines has reported on our industry, it has been a great source of timely, compelling stories, balanced news and valuable networking opportunities for our TIM-BR MART membership.

Thank you to you and your team for your hard work and dedication in bringing to our members — and the industry at large — the news and insights that matter most!

Congratulations on your 20th anniversary — and cheers to another 20 years of success!"

— **Bernie Owens, TIM-BR MART Group, Calgary**

"I am writing to congratulate Hardlines on its 20th anniversary. Hardlines has its finger on the pulse of the home improvement industry. I rely on them for breaking news stories via the weekly Hardlines e-Newsletter and Daily News, as well as more in-depth articles published in the *HHIQ* magazine. The Hardlines Conferences provide presentations that are both informative and inspirational and have left me with thought-provoking ideas and strategies that I've been able to apply in my own business. That is in addition to the discussion and networking opportunities provided with colleagues from across the country. Bev and Michael, congratulations on a job well done and to Hardlines, many more years of continued success."

— **Martha Konantz, North American Lumber, Winnipeg**



That's it! Thanks for joining us. We look forward to the next 20 years!





BY THE EDITORS OF HARDLINES

YEARS^{OF} THE TOP 20

Wow. A lot has changed in two decades. Yet the core strength of the home improvement industry remains the same.

The retail home improvement industry was red hot in 1995. Through the late 1990s and early part of this century, the industry's growth typically outstripped that of retail in general. It was not uncommon in those days to record high single-digit, and even double-digit growth from year to year. The big boxes were growing fast, but the independents were firmly established, and the smart ones flourished better than

anyone. The DIY trend was taking off, and pride of ownership in one's home reached crazy new heights. Where at one point, a family would renovate a kitchen just once in a lifetime, rooms became fashion statements that needed updating every five or 10 years, adopting the latest trends in cabinet finishes and granite countertops.

In fact, the industry has more than doubled in size since 1995, when it generated barely

THE BEST JUST GOT BETTER!

TWO OF THE MOST WELL-KNOWN AND RESPECTED NAMES IN HARDWARE DISTRIBUTION HAVE COME TOGETHER TO OFFER RETAILERS THE BEST OF BOTH WORLDS!



Retailers Can Now Take Advantage of More Choices, More Buying Power and More Clout to Fight Back Against the Big Boxes!



Now, Orgill Gives All
Dealers A Choice.

Orgill Canada Provides Retailers Exactly What They Need to be More Successful—A Strong Partner!

A Stronger Alliance

The combination of Orgill and Chalifour, two of the most respected names in hardlines distribution, gives retailers a win-win situation by offering access to an enhanced product selection, even sharper pricing and world-class retail services.

THE Choice for Independents

The team at Orgill Canada isn't concerned about what banner a retailer flies. They are concerned about how to make each of their customers more successful meeting the needs of their unique markets.

Your Best Ally

When it comes to competing against the boxes, Orgill Canada offers all the support independent retailers need including access to leading branded products, unique private-label merchandise, focused assortments, competitive pricing, cutting-edge services and more.

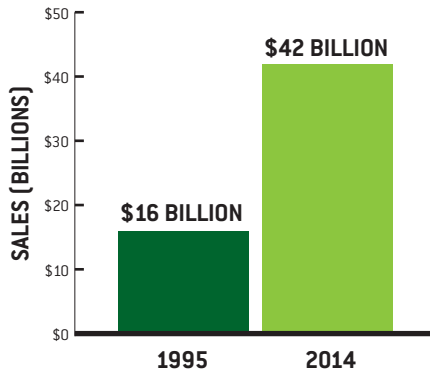
Built to Last

This new company was formed to provide a long-term solution for retailers across Canada and provide them with a partner they can rely on to meet their distribution needs.



Orgill Canada, Delivering Independent Retailers the Products, Pricing and Programs They Need to Succeed!

INDUSTRY SALES 1995 VS. 2014



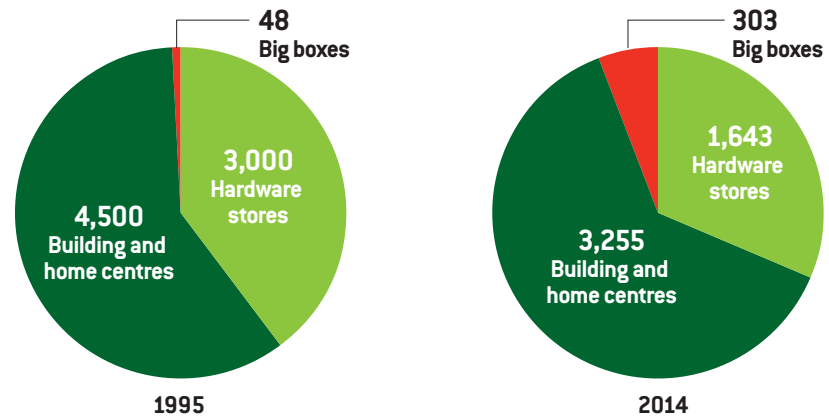
\$16 billion at retail (NOTE: HARDLINES' measurement of the industry consists of all hardware stores, building centres, and home centres in Canada, including related hardware/home improvement/seasonal sales by Canadian Tire, Costco, and mass merchants. It also includes only hardware and home improvement sales from the co-ops, excluding petrol and agro products).

By 2014, the industry was valued at almost \$42 billion, up just 2.6 percent over 2013. Sales were stalled right from the start in 2014, as a slow start to the year was only boosted by year-over-year sales that had been even slower in the first quarter of 2013. HARDLINES forecasts that industry sales will grow again this year at a similar rate.

By the end of 2014, the industry in Canada consisted of 1,643 hardware stores, 3,255 building centres and home centres, and 303 big boxes. During the year, each of these store formats faced its own set of challenges and opportunities. Building centres showed a healthy increase in 2014, up 4.6 percent. That follows a gain of 2.5 percent in the previous year, ensuring that this store format continues to represent almost half of the industry by sales.

Compare the size of the industry today with two decades ago, when there were 3,000 hardware stores, 4,500 building centres and home centres, and fewer than 50 big boxes. The industry was growing by double

STORE BREAKDOWN 1995 VS. 2014



digits during that time, and was poised for continued solid growth for another decade.

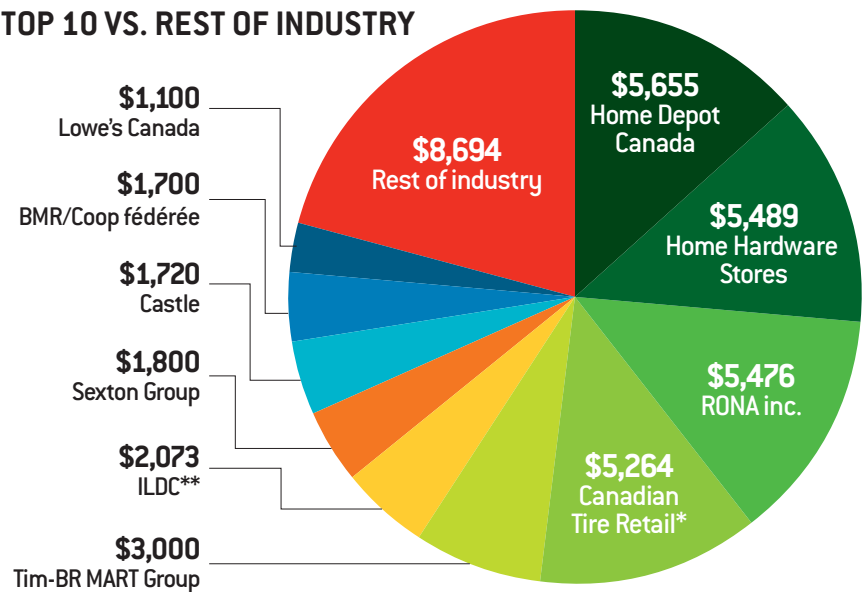
While industry growth in recent years cannot match the halcyon days of the mid-'90s, small, steady growth has been the trend since 2010, when the industry and the economy in general began to recover from the worldwide recession of 2008-2009.

In 2014, hardware stores showed a double-digit drop in sales, following a 2.6 percent drop in 2012 and a 4.5 percent drop in 2013. This despite the fact that same-store sales by this format remained stable in 2014. However,

the decrease overall reflects the emphasis on building centres and home centres by the major retail groups, such as Home Hardware and RONA. Many hardware stores, in fact, are expanding into building centres.

After steady or falling sales over the previous two years, sales by the country's big boxes showed positive gains in 2014, up almost five percent. This reflects new stores by both Lowe's Canada and Kent, a successful reboot of RONA's big box strategy, as well as solid performance by Home Depot Canada.

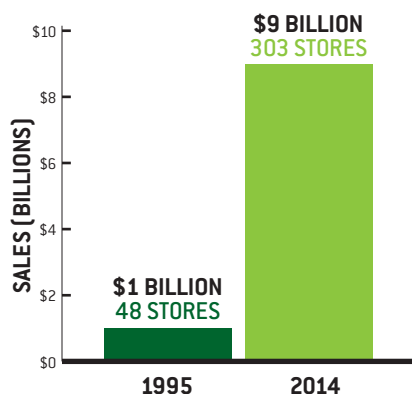
2014 TOP 10 VS. REST OF INDUSTRY



* Hardware/home improvement/seasonal sales only

**ILDC's membership here also includes Federated Co-operatives

BIG BOX SALES 1995 VS. 2014



Canadian Tire, with 490 stores of its own, showed healthy growth of 3.5 percent in its hardware/building material categories in 2014 as that company focuses on rebuilding its brand, especially as a destination for sporting goods. However, it has also been putting renewed emphasis on its hardware, housewares, and home décor categories so those are expected to continue growing steadily over the next five years.

CONSOLIDATION AT THE TOP

The consolidation within the retail home improvement industry has resulted in 20 companies now accounting for nearly 90 percent of the market. In fact, that number continues to rise annually: in 2013, the top 20 made up 82.3 percent of the market; just

THE TOP 20

Rank	Company	2013	2014	Change
1	Home Depot Canada	\$5,520	\$5,655	2.4%
2	Home Hardware Stores	\$5,400	\$5,489	1.6%
3	RONA inc.	\$5,550	\$5,476	-1.3%
4	Canadian Tire Retail*	\$5,086	\$5,264	-1.3%
5	Tim-BR MART Group	\$3,400	\$3,000	-11.8%
6	ILDC **	\$2,320	\$2,073	-10.6%
7	Sexton Group	\$1,430	\$1,800	25.9%
8	Castle	\$1,530	\$1,720	12.4%
9	BMR/Coop fédérée	\$1,660	\$1,700	2.4%
10	Lowe's Canada	\$846	\$1,100	30.0%
11	Delroc	\$636	\$700	10.1%
12	Federated Co-op	\$510	\$540	5.9%
13	Kent Building Materials	\$504	\$522	3.6%
14	Alpa Lumber	\$511	\$511	0.0%
15	Allroc	\$526	\$500	-4.9%
16	UFA Ltd.	\$347	\$400	15.3%
17	TORBSA	\$748	\$400	-46.5%
18	Canac	\$308	\$345	12.0%
19	TSC	\$210	\$250	19.0%
20	Peavey Industries	\$170	\$190	11.8%

*Hardware/home improvement/seasonal sales only

**ILDC's membership here also includes Federated Co-operatives

one year later, that had grown to more than 87 percent.

Drill down even further and just 10 companies still make up 79 percent of the overall industry's sales at retail. Compare that

to 1995, when they represented just over half the market. Beaver Lumber, Cashway, Lumberland, and Revelstoke were all in the top 10. None of those companies exists today.

The ranking of the top retailers finds

Compare to 20 years ago

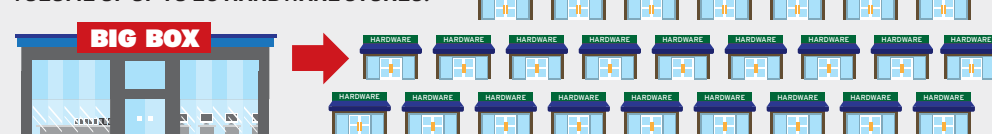
Many of the companies that dominated in 1995 are history now. The reasons for their demise are as varied as the companies themselves: many had come to the end of their business lifespans, with family concerns or personal situations getting in the way of the business plan. Others just could not face the onslaught of the big boxes.

Across the country, the story was the same: large, dominant names in a community were

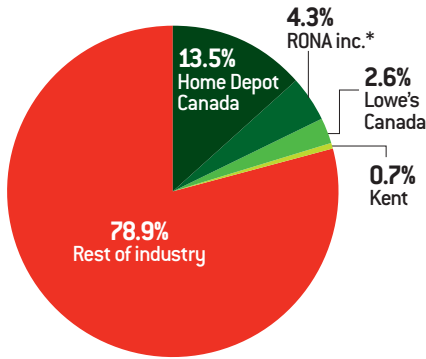
sold off or went out of business. In major cities across the country, large retailers were bought up by the consolidation that ran through the industry.

Today's dealers are typically doing a bigger volume of sales than their predecessors 20 years ago, even as increasing competition have eroded margins.

IN 1995, ONE BIG BOX WOULD DO THE VOLUME OF UP TO 25 HARDWARE STORES!



2014 BIG BOXES VS. THE REST OF THE INDUSTRY



Home Depot Canada in the number one spot for the first time since 2007, when it was displaced by RONA inc. (See *Top Four Dominate* on page 10). Buying groups remain a significant part of the industry, with five of them in the top 10. TIM-BR MART Group tops the list of buying groups, in terms of sales at retail, and weighs in at number five in the top 10. In fact, buying groups hold the number six through nine positions: Independent Lumber Dealers Co-operative, Castle, Sexton, and BMR respectively.

Big box retailers now bookend the top 10. After recent years of strong growth, Lowe's Canada entered the top 10 for the first time in 2014, with sales exceeding \$1 billion.

BIG BOXES THEN AND NOW

In 1995, when Home Depot bought Aikenhead's, then the industry's leading big box retailer, it announced it could erect as many as 50 big boxes in Canada eventually. That number 20 years ago sent the industry reeling, as people tried to figure out which markets could actually sustain The Home Depot's large footprint formula. That year, there were just 30 big boxes in Canada, with Aikenhead's in the lead with 19 stores, followed by nine Reno-Depot stores, and three by Revelstoke under the Revy banner. RONA had just two big boxes of its own then.

Total sales of all those big boxes were less than a billion dollars in 1995. Of course,

REGIONAL ROUNDUP

	2013	2014	Change
ATLANTIC			
New Brunswick	\$1,208,976,849	\$1,250,619,073	3.4%
Nova Scotia	\$1,328,260,716	\$1,395,418,874	5.1%
Newfoundland	\$1,159,460,072	\$1,145,304,916	-1.2%
P.E.I.	\$184,261,149	\$199,873,896	8.5%
TOTAL ATLANTIC	\$3,880,958,785	\$3,991,216,759	2.8%
WEST			
British Columbia	\$4,325,134,545	\$4,499,886,042	4.0%
Alberta	\$4,774,518,910	\$4,992,702,034	4.6%
Saskatchewan	\$1,796,773,672	\$1,893,370,477	5.4%
Manitoba	\$1,731,302,296	\$1,726,266,880	-0.3%
TOTAL WEST	\$12,627,729,423	\$13,112,225,433	3.8%

BUYING GROUP SALES

Rank	Buying group	2013	2014	% change
1	Home Hardware*	\$3,321	\$3,568	7.4%
2	TIM-BR MART	\$3,400	\$3,000	-11.8%
3	ILDC**	\$2,320	\$2,073	-10.6%
4	Sexton Group	\$1,430	\$1,800	25.9%
5	Castle	\$1,530	\$1,720	12.4%
6	La Coop/BMR	\$1,660	\$1,700	2.4%
7	Delroc	\$636	\$700	10.1%
8	Allroc*	\$526	\$500	-4.9%
9	TORBSA	\$748	\$400	-46.5%
TOTAL		\$15,571	\$15,461	-0.7%

*Sales by Home's building centre and home centre members only

**ILDC's membership here also includes Federated Co-operatives

the appetite for home improvement proved to be as insatiable here as elsewhere in the world. Fast-forward 20 years to Home Depot opening its 182nd store in Canada. Today, there are more than 300 big boxes in this country, with sales of almost \$9 billion.

Canada's leading retailer in home improvement is also number one in big box sales: Home Depot Canada had estimated sales of \$5.65 billion in 2014. Next is RONA, whose sales from its 72 large-format

stores generate an estimated \$1.81 billion in sales, out of total retail sales of \$5.48 billion. Lowe's Canada began opening stores in Canada in December 2007 and ended fiscal 2014 with 37 stores here. Kent remains a dominant player in Atlantic Canada, where eight big box stores generated an estimated \$267 million in annual sales in 2014.

Together, the big boxes make up just over 20 percent of all retail sales in the home improvement industry.

REGIONAL ROUNDUP

Retail sales grew, and in some cases, shrank at varying rates last year, depending on the area of the country. Ontario finally showed some recovery, up more than five percent after negative growth of 4.3 percent in 2013. Quebec continued to falter in 2014, with a sales decline of 2.5 percent.

The West grew again in 2014, and 1.2 percentage points ahead of the industry overall. While all Western Provinces showed growth, the greatest strength came from Saskatchewan.

Atlantic Canada has enjoyed modest growth since 2009, and 2014's growth was

slightly ahead of the industry average of 2.6 percent. P.E.I. showed an increase that reflects the opening by Kent of a big box store in that province's capital, Charlottetown, in July 2013, while Newfoundland's sales actually dipped in 2014.

BUYING GROUP GROWTH

Despite the growth of big boxes, the independent dealer remains a major part of the industry. As measured by the buying groups that most of them belong to. In 1995, the LBM buying groups generated just over \$8 billion in sales collectively. That number grew to almost \$15.5 billion in 2014. Their numbers have also

grown: in 1995, the buying groups counted approximately 1,500 stores in their ranks; by 2014, that number had grown to 2,798.

Industry growth in recent years has been further supported by steady growth among the buying groups, which continue to add specialty members that would not typically have been counted in our estimates of industry growth. These include some specialty door and window dealers and some large pre-fab home builders.

Source: All data in this article has been taken from the latest *Hardlines Retail Report*. To purchase the report, visit www.hardlines.ca.

Internet ushers in changes

One of the biggest factors that has impacted the industry has been the exponential growth of the internet. *Internet Retailer* reported that in 2014, retail e-commerce sales in Canada were \$25.37 billion.

In 2014, Home Depot added \$1 billion in web sales. E-commerce accounted for 23 percent of the company's growth in all revenue—and it's projected to account for almost five percent of all sales in 2015. In fact, according to *Internet Retailer*, Home Depot is the number-one retailer in the hardware/home improvement category, accounting for 42.8 percent of sales among mobile 500 retailers.

While many consumers like to order their products online, for the most part, they still want an in-store interaction. Home Depot's "buy online, pick up in-store" option both provides customers with that option and the retailer an opportunity to boost their in-store sales once the customer comes in to pick up their product. With claims of one million SKUs offered online, Home Depot sees its retail locations as "mini distribution centres" for customers who can buy online.

For Home Hardware, e-commerce is also



Home Depot's Brampton store set up a service desk where customers could go to retrieve their "buy online, pick up in-store" items.

becoming increasingly important. From corporate headquarters in St. Jacobs, Ont., home office is investing a great deal in the company culture. According to CEO Terry Davis, all dealers are expected to get on board with e-commerce. Part of that extends to the training and knowledge available to the dealers. Relaunching its intranet platform as "Connect" last year, the company has made online education and company promotions and best practices readily available to dealers.

With more customers gravitating to buying online and picking up in-store, Canadian Tire has also announced that it's looking at ways to streamline the process for customers. The retailer has finally rolled out online sales, also

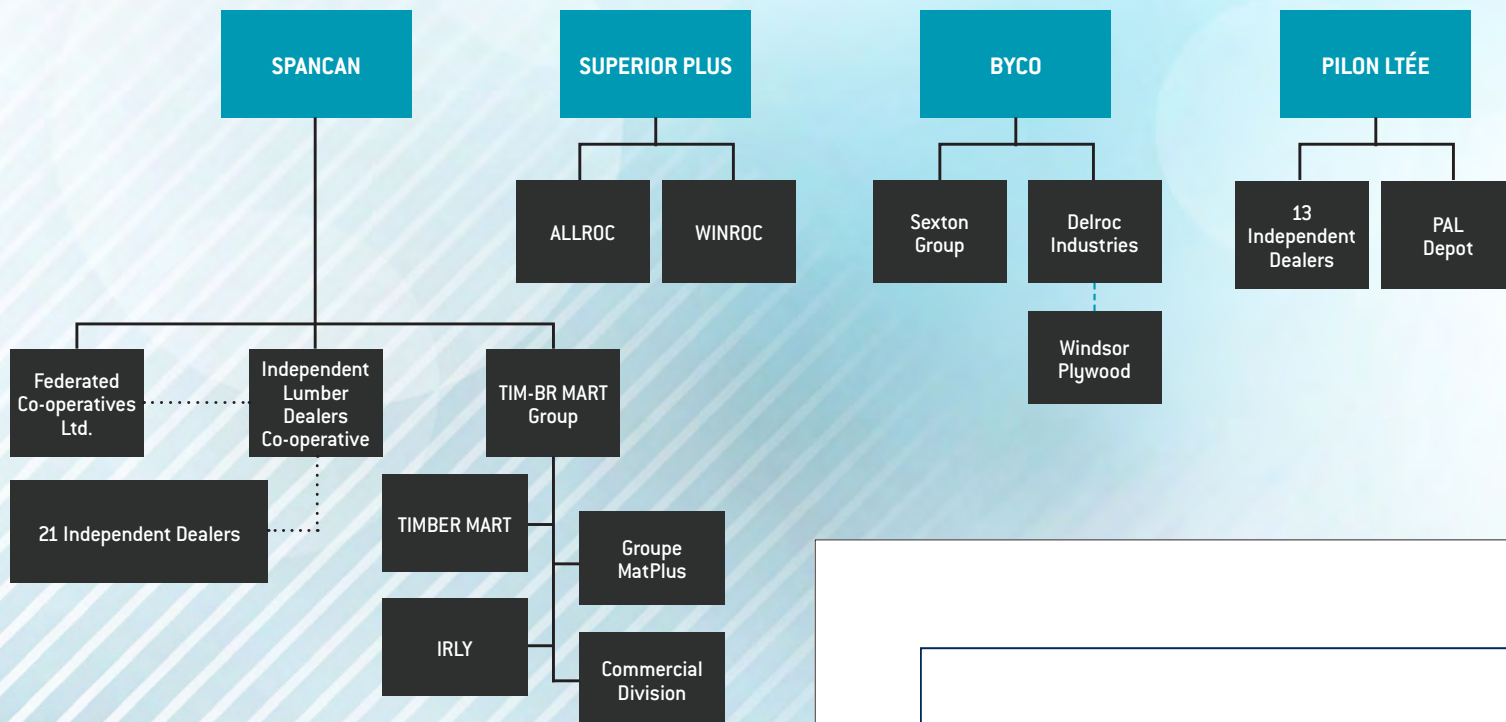


Lowe's Canada's Holoroom is another example of home improvement retailers making use of leading-edge technology in-store.

with a buy online, pick up in-store option called Pay & Pick Up. About 80 percent of Canadian Tire's products are available online, however, the company currently doesn't have a home delivery option for product orders from its website. But the technological advances can be used for more than just online sales. Earlier this year, Canadian Tire unveiled its brand-new flagship store in Edmonton, an impressive 137,000 square feet—far surpassing the retailer's next largest store, which is 90,000 square feet. With its own distinct look and feel, the store is piloting different ways to make the shopping experience for customers easier and more efficient—both technologically and through its merchandising. 

The organizational chart for RONA Inc. is structured as follows:

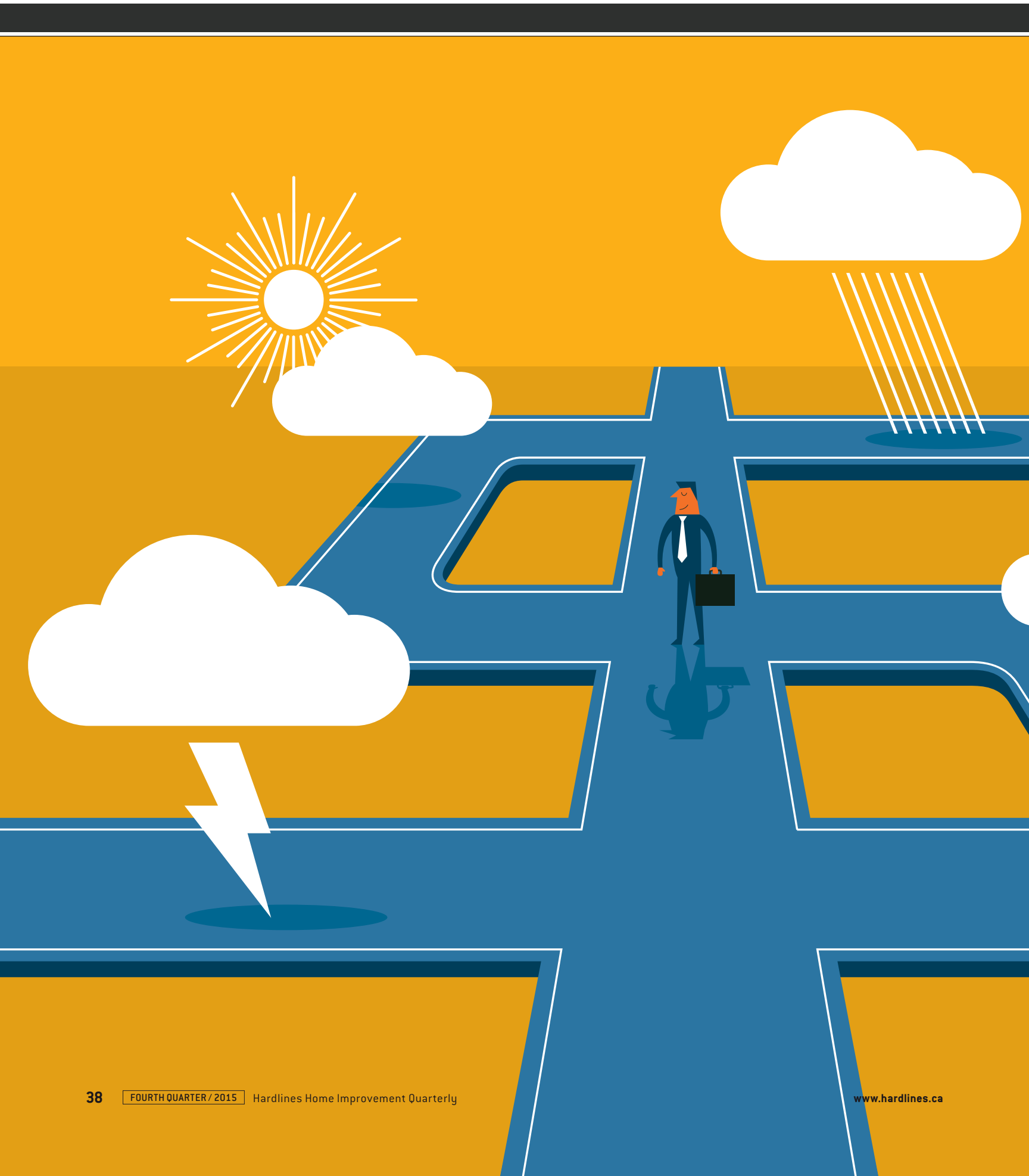
- Parent Companies (Top Level):**
 - TORBSA LTD.
 - CASTLE BUILDING CENTRES GROUP
 - ALLIANCE INTERNATIONAL LLC
 - RONA inc.**
 - LA COOP FÉDÉRÉE
 - OCTO HARDWARE
- Subsidiaries of RONA inc. (Second Level):**
 - Specialty Dealers
 - Commercial Building Supplies
 - Do it Best (U.S.)
 - Home Hardware Stores Ltd.
 - Home Furniture
 - BMR
 - Unimat
 - Potvin & Bouchard
 - Matco Ravary
- Subsidiaries of RONA inc. (Third Level):**
 - Corporate Stores
 - Affiliate Dealers
 - Big Box Stores
 - Réno-Dépôt Division
 - Contractor Stores
 - Dick's Lumber
 - Specialized Consumer
 - Botanix
 - TruServ Canada
 - TRU
 - Ace Hardware
- Other Subsidiaries (Bottom Level):**
 - Canac
 - Peavey Industries
 - Near North Supply
 - TSC Stores Ltd.
 - Eddy Group
 - Preston Hardware
 - Toolway Industries
 - Penner Building Centres
 - Marcel Baril Itée
 - Guillevin Int'l Inc.
 - Island Distributors Ltd.
 - Next Supply
 - Northern Metallic Sales (GP) Ltd.
 - Mac Mor Industries Ltd.
 - Plus 40 Other Members



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BY SIGRID FORBERG

FORECAST PREDICTS CLOUDY SKIES, WITH A CHANCE OF OPPORTUNITY

As 2015 draws to an end, industry leaders reflect on the year that was and the kind of year we can expect in 2016.

This year has offered up no shortage of challenges: between the low price of oil and the longest federal election campaign in a century, it's been a year of social, political, and economic upset for Canadians. It's been especially difficult for Canadians in Alberta, a province that has long played an important part in the industry's success.

And when you factor in several U.S. companies pulling out of the country, the devalued Canadian dollar, and lower housing starts, it's been a tough ride the past 12 months. But just because there have been some lows, that doesn't mean the industry hasn't also experienced a few highs. Despite the challenges, the majority of those we spoke with were cautiously optimistic about the coming year.

REGIONAL DIVISIONS

When looking at where the industry is headed, it's impossible to avoid the importance of Alberta. Between the price of oil and the unexpected election of the NDP which brought a shocking end to the Progressive Conservative's 44-year rule in the province, all eyes have been on the West.

"A lot of the industry centres around Alberta," says Trent Balog, CEO and president of Taiga Building Supply. "And Alberta, one of the larger markets in Canada, is seeing some negative impacts and that will impact the rest of the country as well."

While Alberta has been hit the hardest by the changing tides, there's always the ripple effect for the rest of Canada's

provinces as they struggle to make up for lost revenue and opportunities.

Bill Morrison, president and CEO of TruServ Canada, points out that there's a potential bright side to the low value of our dollar: "The dollar being what it is, Canadian products are more accessible, there's more value to them, and I think they will have a significant advantage."

Ken Jenkins, president of Castle Building Centres, also points out that the Canadian dollar's value has been positive for provinces like Ontario and British Columbia. They're attracting tourist dollars from both American neighbours and Canadians who are sticking close to home.

Whatever region is facing challenging or prosperous periods, Balog is quick to note that the market is—and has always been—cyclical. He's philosophical about Taiga's ability to weather the storm, even in the hardest-hit areas. "I think we're going to tread lightly going into 2016, we won't be doing any hiring and we won't have any major expenditures. But we've always been fairly nimble; we're just going to take a pause and see what comes to us. We've always been quick to bounce back."

Sylvain Prud'homme, president of Lowe's Canada, echoes Balog's emphasis on the need to be flexible during trying economic times. "The market in Canada is a good market. Yes, it's not growing. And yes, it's tough competition. Markets are what they are and you can't do much to influence the market, but you can make sure you offer your customers what they want. You have to be nimble, you have to take risks, but when you focus on giving them what they want, you're going to be successful."

Prud'homme isn't expecting 2016 to be an easy year either. However, he stresses that the importance of keeping focused on the customer. "It's never easy in retail, there's always going to be something," he says. "But if you work hard for your customers, and you focus on being customer-centric, it will fall into place."



BILL MORRISON
President & CEO, TruServ Canada



PASCAL HOULE
CEO, BMR



KEN JENKINS
President, Castle Building Centres



LUC RODIER
Executive vice president, RONA inc.

THINK LOCAL

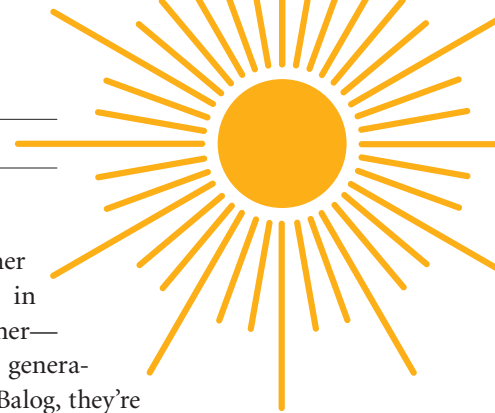
Focus on the community is something the independent has always done very successfully. In the face of the climate in the West, Jenkins says Canada's independents stand to benefit from this strength. "I think there will be some grey skies over Alberta for the next few years. But the independent in Canada is well-positioned. And I think we'll see more of the same for 2016."

In terms of positioning, Home Hardware Stores Ltd. is one of Canada's most recognizable independent brands. But while those red jackets are instantly identifiable, under CEO Terry Davis, the company has been cracking down on stores that don't measure up to headquarters' now-stricter standards, something they'll be continuing to enforce. "Our corporate strategy is

to get all of our stores up to a level that all Canadian customers expect our brand to stand for," says Davis. "Once, dealers could pick and choose. Not anymore. There are a lot more mandatory business practices—and it's my job to enforce these."

Davis says the company has set its eyes on the province of Quebec for further growth, which he describes as "a very, very important market." While, according to the most recent *Hardlines Retail Report*, Quebec is Canada's second-largest market, accounting for close to one-quarter of the whole, Home is seriously underrepresented in Quebec with only about 10 percent of its dealer base there.

However, Home Hardware has been making active gains in *la belle province*. This past spring, a dealer in Roberval, Que., opened a new store which, at 66,000 square



STEVE BUCKLE
President, Sexton Group Ltd.



SYLVAIN PRUD'HOMME
President, Lowe's Canada



TERRY DAVIS
CEO, Home Hardware Stores Ltd.



TRENT BALOG
CEO & President, Taiga Building Supply

feet, is the largest in the province and one of the largest in the country. "Our job is to identify other opportunities for our dealers there to grow, as well," Davis notes. "It's a province with a ton of potential."

Another company making the most of that potential is Groupe BMR. For Pascal Houle, CEO of BMR, 2015 was a special year for the company "because of [its] arrival in the great family of La Coop fédérée."

The integration of 350 BMR and Unimat stores in a short period of time has been a challenge for the company, and its plans for change next year are going to be much more modest.

"Our challenges are likely to be rather different in 2016," says Houle. "Our priority remains to serve our merchants. Obviously, we will still face the challenges of our ever-changing industry such as market

consolidation and competitiveness in a market that saw no major growth in recent years."

While the company doesn't plan on making any big changes in the coming year, it is reviewing its digital positioning to be more present and accessible online, including offering training for dealers and their employees. And it will be preparing to compete with independent stores that are aggressive on prices and the services they offer. "Our strategy remains the same: our merchants are involved in their store and in their community," says Houle. "This is the best way of growing business."

BRIDGING THE GENERATIONAL DIVIDE

And when it comes to small businesses and family operations, independents have

got another strength in their corner—the next generation. For Balog, they're an invaluable asset to the future of the industry both in 2016 and in the coming years.

"The industry is made up of a lot of independents and we're starting to see a lot of younger people taking over," says Balog. "I'm positive about seeing some more of that energy. That just continues to get more interesting."

Growing in the current climate is certainly a challenge. Independents and small business owners need to make the most of what is offered for them out there. Steve Buckle, president of Sexton Group Ltd., says while there's sometimes a question as to what the role buying groups play in the industry, the days of signing deals and saying, "See you next year," are long gone. He sees their role as working and fighting alongside their members to ensure they keep growing and reach their full potential by developing the relationships between dealers and vendors.

"We have a vast membership across Canada of independent dealers who are crucial to the fabric of their communities," says Buckle. "We have to work with our vendors to continue to drive home that point that these are important institutions in their communities and that they need to be supported."

Buckle's organization is also working to support its young leaders with a young leaders group, which has added fresh perspectives and ideas to their team. And from an idea generated by the group, they've developed a full suite of electronic communication tools for its members to bring them close to their contractor customers.

"The energy of youth coupled with the experience of our senior leaders allows us to tackle issues and opportunities effectively and with enthusiasm," says Buckle.

Home Hardware also works closely with its up-and-coming young leaders with their

Young Leaders group. Created five years ago when a young dealer suggested that the growing demographic could benefit from an informal way of sharing best practices, the group has continued to foster a sense of community across the board.

"I think we've got strong bench strength here." Dealers are onside with the company's direction, Davis notes. "They are very positive. They like what they see. They like where we are going."

“I think our biggest challenge this year will be really educating our retailers to understand how to sell over the internet.”

Looking down the line, some leaders are confident that “bench strength” will play an important role in the industry's growth as margins get tighter and competition more intense.

"I think the growth for the industry in the next 10 to 30 years will be in the independent channel," says Jenkins. "There's a good platform for well-run independents to grow aggressively."

DON'T COUNT OUT THE BIG BOXES

But Luc Rodier, the executive vice president of RONA inc., says rumours of the death of the big box have been greatly exaggerated. Last year, RONA saw strong growth all across the country and the company plans to ride that wave into 2016. While the economy, customer confidence, and housing starts do give him pause, Rodier sees a lot of potential to grow in the coming year by adjusting RONA's offerings based on customer needs.

He adds that while there have been fewer housing starts this past year and the projections call for another less-than-prosperous year in 2016, there are still plenty of opportunities for home improvement and hardware retailers elsewhere.

"When the hot water heater bursts, it will always need to be fixed," Rodier says. "Every

time regions are affected by the economy, our customer profile changes and we adjust ourselves for that. We're offering new categories for a wider customer base, including more consumables, like bottled water."

Rodier adds RONA plans to continue to roll out its Reno-Depot chain, which opened its first few retail locations outside of Quebec in 2015 and have been received extremely well in their markets.

And of course there's Lowe's Canada,

which has a very ambitious plan for growth in this country. With 40 stores currently, Prud'homme (the company's first Canadian president since it entered the market in 2007), says the goal is to bring that number up to 70 by 2017.

Prud'homme echoes Rodier's concern about consumer confidence, but emphasizes Lowe's focus on providing value to customers and supporting those, especially in the West, through a challenging time.

"I'm excited about our growth," says Prud'homme. "We're expanding into 14 new markets where we'll be able to focus on meeting those customers' needs. We're planning to drive innovation; we're getting a new distribution model. There are lots of exciting opportunities coming for us in the next year."

IN LINE WITH ONLINE

An important factor in all retailers' success in the coming year will be their adoption and use of e-commerce. As consumers look for the easiest possible shopping experience, more and more, they're looking for the buy online, pick-up in store, and buy online, ship-to-store options.

"Online is something we've been doing well, but it's not about a matter of either/or with bricks and mortar or e-commerce,"

says Prud'homme. "It's the same customer we're interacting with, just through different channels."


All the leaders *HHIQ* spoke with agree: the omnichannel experience of offering customers the convenience to choose how they want to interact with your brand is only going to become more important in 2016.

"In terms of click and collect, it's still just a small portion of our sales, but it's also one of the fastest growing aspects of the business," says Rodier. "It's really a trend people are looking for and we have to respond to that."

For Morrison, responding to the growing demand for a comprehensive web presence is going to be one of the big adjustments his company will be facing in the coming year. "I think our biggest challenge this year will be really educating our retailers to understand how to sell over the internet," says Morrison. "I think that's really where the industry is headed and our job is really helping independents understand and take advantage of what's out there."

Davis has previously stated that all Home Hardware dealers are expected to get on board with e-commerce. It might seem like independents and smaller hardware stores are at a disadvantage compared with the large big box stores when selling products online, but it just means they have to be a little more creative in their approach. Some, such as Michel Robidoux in Roberval, Que., have even used online sales to completely turn their sales around. Robidoux was even named Entrepreneur of the Year by eBay Canada last year.

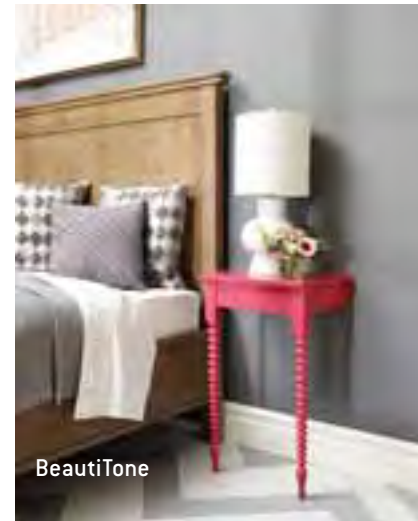
There are definitely opportunities in the online sector for everyone in 2016; the challenge will be identifying the best route for both the industry and the customers it serves.

"I will say it's not going to be an easy year, so it becomes more important to understand who your customer is and what they want—that's what I'll be telling my people, too," says Prud'homme. "We're going to have to be at the top of our game." 

PAINT, BY THE NUMBERS

BY GEOFFREY McLARNEY

Paint manufacturers are seeing definite, if diverging, trends in colours during 2015.



Cool neutral tones have seen a spike in popularity this year, but at the same time, customers and design mavens are falling in love with some warmer shades.

According to Janine May, colour specialist at Laurentide Paints, soft grey tones and darker tints are popular for residential projects. Homeowners are also turning to soft tints with grey undertones to give walls a neutral look. For a contemporary look, cool white trims are trending, while cabinetry has been going for a darker look, with charcoal a customer favourite. At the same time, May expects to “see some strong reds used in interiors” going into 2016, with saturated reds and Bordeaux tones as accents.

Benjamin Moore’s 2015 Colour Trends confirms May’s account. Its current colour of the year is Guilford Green, described as a silvery, neutral green tone. And Pantone named Marsala, a wine red-brown shade, as its 2015 colour of the year, touting its sophistication, unisex appeal, and versatility across skin tones. Not surprisingly, the colour authority noted that Marsala “combines dramatically with neutrals.”

For Bev Bell, creative director with BeautiTone, the trends indicate a warm front moving in. Between economic and global distress, and the proliferation of technology, homeowners are seeking the balance and feeling of optimism that warm hues give a room. Bell also echoes May’s assertion that grey is still popular, however, undertones like red give the shade a warmer appeal.

As Garry Belfall of Para Paints explains, your choice of paint colour can say a lot about you. Para has been tracking the demographics of paint colour choices among customers. Belfall is seeing “empty-nesters” gravitate to Para’s “Indulgence” palette,

Different groups of paint customers may have different preferences, but there are clear points of convergence. The popularity of neutral tones, heavy on white, grey, and black, is a common and chic theme across a number of demographics.

which features rich wine tones paired with neutrals for a sophisticated look, echoing May’s forecast of a push for bold reds.

Meanwhile, Belfall says, “more and more young professionals are turning to country music.” That preference influences their décor choices, and Para’s New Country ensemble—with its natural wood and blue denim mix—is a hit with them, as are raw-edged tables. Like Para’s “Dawn” palette, it makes extensive use of earth tones.

While some are looking to the country for inspiration, others are moving in the opposite direction. “A lot of people are moving back to the city,” Belfall explains, “both the young professionals and people starting families.” For this crowd, a stark, “almost industrial” aesthetic carries the day, featuring the same kinds of cool greys and darker charcoals that May has seen moving at Laurentide. This group of customers also tends toward dramatic contrasts—mixing fabric with metal, or setting off black-blues with whites.

Different groups of paint customers may have different preferences, but there are clear points of convergence. The popularity of neutral tones, heavy on white, grey, and black, is a common and chic theme across a number of demographics. At the same time, homeowners aren’t afraid to set those neutral tones off with more dramatic contrasts, and 2015 is well underway as the year of the rich, wine-toned red.

UP OFF THE MAT



After cutting to the bone during the recession, this pro dealer empowered its remaining employees, and increased its profits.

BY JOHN CAULFIELD

It would have been easy for the three brothers who own and manage Scherer Brothers Lumber Co. in Minnesota to turn on each other when business conditions foundered during the last recession.

"We went from 10 years of incredible growth to five years of nothing, and it wasn't gradual," recalls Mark Scherer, the company's 47-year-old COO, who forms the corporate troika with brothers Peter, president and CEO, and Kris, CFO.

The company's revenue, which reached \$240 million a decade ago, plummeted as the market's housing starts fell from 2.2 million in 2005 to less than half a million in

2010. Business from builders, who in good times had accounted for 50 to 60 percent of Scherer Brothers' annual revenue, all but evaporated. "Remodelers kept us from going under," says Scherer, noting that during the recession remodeling pros accounted for 65 percent of the yards' sales.

The brothers were forced to take necessary, if draconic, steps to prevent their company from capsizing. Two yards and two manufacturing plants were closed. Five hundred of 720 workers were laid off.

Scherer Brothers Lumber came out of the recession with 240 employees (now up to 270), three yards, a truss plant, and a consolidated millwork plant. Its assets generate

about \$125 million in annual revenue. But at twice the profit, this pro dealer earned as much as a much larger enterprise.

Scherer attributes this survival, in part, to the family sticking together. "No one started pointing fingers. We made a conscious commitment to one another, because a unified front was critical. There were times when we all sat in an office and looked up at the ceiling, wondering what to do next. But once we left that office, we didn't let anyone see us sweat."

He says they learned some valuable lessons during the recession. "Be decisive" is one. Another is that profitability and growth "are mutually exclusive concepts."

The brothers saw survival in terms of leadership, priorities, and culture. So when they were reducing their workforce, the first to be let go were “the opera singers,” those employees and managers who thought they were indispensable, but whose individuality was deemed an impediment to the company’s recovery.

Among the employees who kept their jobs were 193 who have been with the company for more than 20 years. Another 50 had worked there, were let go, and then rehired. “Our employees believed in us, even when we weren’t just cutting into muscle, but were taking off limbs,” says Scherer.

Compensation was also rejigged. Salespeople are now paid based on gross margins, and as a result, the company’s gross margins have risen. Scherer playfully refers to this as the “L’Oreal Effect,” whereby its salespeople sell value instead of products, “because it’s worth it.” Bonuses for general managers are based on the success of the company as a whole, not just their yard or plant.

When *HHIQ* interviewed Scherer in early July, he had just come back from



Mark Scherer, COO, Scherer Brothers Lumber Co.

to work well beyond 55. However, he enjoys his job more than he did eight years ago, when life at Scherer Brothers was more “stressful and complicated.”

He’s uncertain whether any of the family’s younger generation will join the business. And at a time when there’s been a flurry of consolidation activity in

this sector, a successful independent dealer is always an acquisition target. But Scherer says his family has no plans to sell the business. And he’s convinced that by empowering its employees, this pro dealer can compete against the big guys. “We made it through the recession and have a ‘corporate memory’ that’s stronger than the consolidators’.”

Mark Scherer will be speaking at our 20th Annual Hardlines Conference this October in Toronto. For more information on the lineup and how to register, visit www.hardlines.ca.

“Our employees believed in us, even when we weren’t just cutting into muscle, but were taking off limbs.”

Many of those employees were given more responsibility and the authority to solve problems on their own. We checked our egos at the door,” Scherer says about himself and his brothers.

vacation. “I wasn’t missed,” he laughed, primarily because he trusted his employees’ management abilities.

Because the recession knocked his retirement plans for a loop, Scherer now plans



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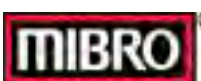
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POSSIBILITIES BEYOND THE PRESENT

FEATURING SPEAKERS FROM:

- TIM-BR MART
- Home Hardware
- Castle Building Supplies
- BuildDirect
- Scotiabank
- Google Canada
- Scherer Bros.
- Portland Design
- *Plus more!*

conference.ca to register!

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Home
hardware

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MERCHANDISING & FIXTURES



The 2014 Outstanding Retail Award winners

CELEBRATING EXCELLENCE IN THE INDUSTRY

The Outstanding Retail Awards are the industry's only independent awards program dedicated to celebrating the achievements of hardware, home improvement, and building supply dealers in Canada. Launched in 1992, over the last 23 years, it has honoured more than 140 retailers.

The awards ceremony takes place each year during the Hardlines Conference and recognizes independent Canadian hardware retailers in the categories of Best Hardware Store, Best Building Supply/Home Centre (both over and under 15,000 square feet), Young Retailer Award, Marc Robichaud Community Leader, Best Large Surface Retailer, and Best Contractor Specialist Store.

This year's awards gala will be on October 21 at the Westin Bristol Place Toronto Airport Hotel and Conference Centre.

As HARDLINES celebrates its 20th anniversary, join us to celebrate these recent ORA winners.



1.



2.



3.



4.



5.



6.

OUTSTANDING RETAIL AWARD WINNERS

1. **Wellington Home Hardware**
2013 Marc Robichaud Community Leader
2. **Kemptville Building Centre**
2013 Best Building Supply/Home Centre
(Over 25,000 Square Feet)
3. **Gananoque Home Hardware**
2014 Best Building Supply/Home Centre
(Over 25,000 Square Feet)
4. **Hickey's TIMBER MART**
2014 Marc Robichaud Community Leader
5. **Nancy Powell-Quinn, Moffatt & Powell RONA**
2014 Young Retailer (Store Manager 35 or Under)
6. **Rocky Mountain House Co-op**
2014 Best Building Supply/Home Centre
(Under 25,000 Square Feet)
7. **Erin Mills RONA**
2014 Best Large Surface Retailer
(Over 65,000 Square Feet)
8. **TRU Hardware Breton**
2013 Best Hardware Store (any size)
9. **POPS Home Hardware**
2013 Best Building Supply/Home Centre
(Under 25,000 Square Feet)
10. **Chad Sonnenburg, Sonnenburg RONA**
2013 Young Retailer Of The Year
11. **Sutton Home Hardware**
2014 Best Hardware Store (any size)
12. **Alf Curtis Home Improvements**
2014 Best Contractor Specialist Store



7.



8.



9.



10.



11.




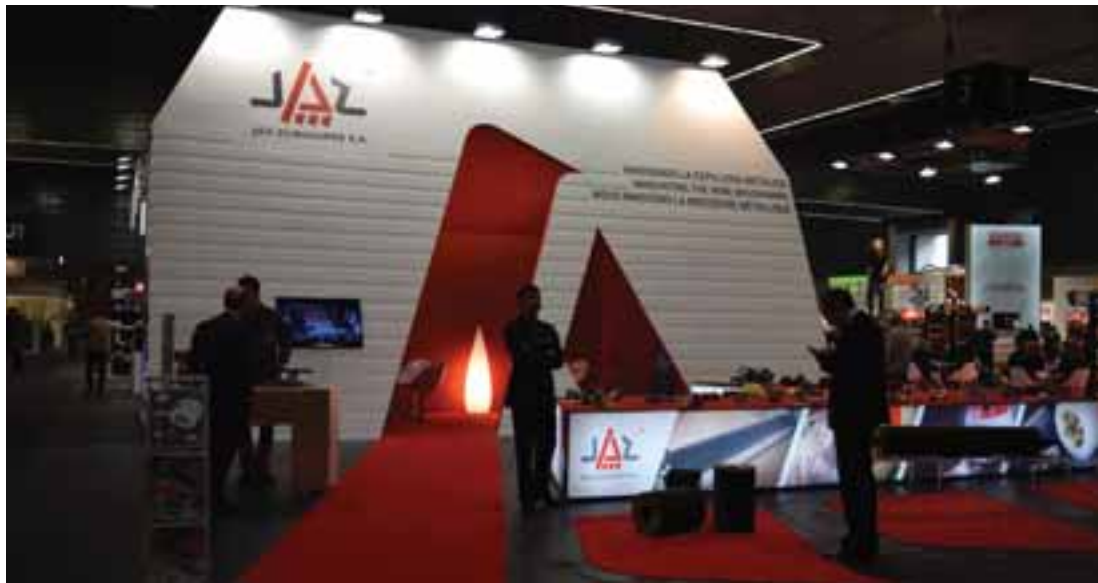
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FERROFORMA FINDS SUCCESS IN NEW FORMAT

Ferroforma, the Spanish international hardware fair for the DIY and industrial supply, brought five shows together at the Bilbao Exhibition Centre May 26 to 29 for its 21st year. The show featured an expanded focus on both industrial and home products. With 355 exhibitors, buyers from more than 40 countries were expected to attend.

Bringing new life and an increased optimism to the event, two halls of the Bilbao Exhibition Centre were dedicated to Ferroforma, with the new industrial maintenance, pumps and valves section opening the second day of the show in another hall. Unlike North American fairs, this show increased its attendance on the second day and had more expected to attend on day three.

In response to requests from exhibitors, there was a B2B meeting area set aside in Hall 1. But three days of meetings for manufacturers, retailers, and distributors had mixed results in its first incarnation. Some exhibitors were less than keen to leave their exhibits to attend meetings. But several exhibitors *HHIQ* spoke with were quite happy with the process and the leads they gathered from it. In addition, they were pleased to see how Ferroforma had grown from its last installment in 2013. The next show will be from May 23 to 26, 2017 in Bilbao, Spain. 



With 355 exhibitors and buyers from more than 40 countries in attendance, Ferroforma brought together five shows at the Bilbao Exhibition Centre in May.

January 20 - 22, 2016 | Calgary, Alberta

Go to www.wrla.org/buying-show for registration and complete details

ROCK the SHOW



Schedule of Events

Wednesday, January 20

Opening Night
7:00PM - 11:00PM
Hyatt Regency

Thursday, January 21

Show: 8:00AM - 4:30PM
AGM: 12:00PM - 1:00PM
Awards Banquet: 7:00PM - 10:30PM
Hyatt Regency
Featuring: Day Tripper (Beatles tribute band)

Friday, January 22

Show: 8:00AM - 3:30PM
Speaker Breakfast: 7:00AM - 8:15AM
Closing Night: 7:00PM - 11:00PM
Hall D, BMO Centre
Featuring: White Buffalo & Trooper

Over 265 Exhibitors | 700 Booths - 170,000 sq/ft | Two Day Show | Three Evening Events | Innovation Station
Show & Pallet Specials | Excellent Deals | All Attendees must be WRLA Members



GLOBAL DIY SUMMIT

Despite coming from around the world, this gathering of retail home improvement leaders found they had many concerns in common.



A record attendance of 750 delegates from 45 countries attended the third Global DIY Summit in June in London. The summit began with a series of questions for the audience that benchmarked expectations for the year ahead and gave feedback on delegates' impressions of the future of retail with a voting tool that calculated responses in real time.

A panel discussion on home improvement retailing of tomorrow featured international home improvement leaders, including Veronique Laury, Group Chief Executive of Kingfisher; Sergio Girolodi, CEO of OBI Germany; John Gillam, CEO of Bunnings; John Lundgren, CEO of Stanley Black & Decker; Hartmut Jenner, CEO of Karcher; and moderator Mark Herbek, Senior Partner with Cleveland Research.

Demystifying Big Data and discussing how best to use it were the topics for an afternoon's discussion, preceding the third Global DIY–Lifetime Award and Gala Evening. The event was held in the historic Guildhall, a London City landmark since the 12th century. Jim Inglis, Global Home



Improvement Consultant and former Executive VP of Strategic Development at The Home Depot, was this year's recipient.

The second day of the summit featured presentations by innovative retailers from around the world, including Robert Niblock, chairman and CEO of Lowe's, sharing Lowe's emphasis on innovation. The day ended with a speech by Jane Ni Dhulchaointigh, inventor and CEO of Sugru. She shared her company's development and the community developing



around this product. Her moldable product can be formed to any shape and is fun as well as useful. She sees it as a reminder that we can fix things and our lives don't need to be filled with disposable items. Her heartfelt message was an inspiring end to the summit.

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.

It has been a spring and summer of sunshine and heat, the perfect weather for our dealers and suppliers in the building supply industry. Our B.C. builders and renovators all took full advantage of the dry conditions to get their projects started in early spring as we all are able to move outside sooner than in most years. Our dealers North and South commented on the early start, while our manufacturers and suppliers scrambled to respond to a different time schedule and a peak in demand for seasonal products.

This early start has certainly contributed to record levels of sales and margins for many of our members as the demand continued through the summer. We've seen more new multi-unit projects using the new building codes for four- and six-storey wood-frame complexes. There are more than 300 of these types of projects throughout B.C. and they provide additional incremental business for all of our members.

As some of you are aware, we also manage the BCFA (British Columbia Floor Covering Association) and we have a lot of synergies that allow us to work and play together. This is particularly true of our education programs as our classes are filled up with people from both associations. Our fall schedule is set with more member programs listed on our new website.

We're busy promoting our March 11-13, 2016, Westcoast Building and Hardware Trade Show, coupled with our Ultimate Home Show, which will be hosted back-to-back in the new updated Cloverdale Agriplex. We're excited about this new direction we're taking and would invite you to join us next year. It's a traditional trade show for the first day-and-a-half and then open to the public Saturday afternoon and Sunday.



GARY HAMILTON

President, Western Retail Lumber Association

Although Manitoba is looking very good for both crops and cattle, Alberta and Saskatchewan are feeling the effects of a serious drought. Any moisture has been of the torrential variety and has done more harm than good. This is going to affect spending this fall and into next spring in many areas. However, on the positive side, the dry weather has stimulated both construction and renovation projects in non-agricultural areas.

The effect of low oil prices is being felt throughout the West and has resulted in mass layoffs, spending cuts, surplus commercial and residential real estate, and cuts in the multitude of spinoff industries.

However, our members in the North, which includes Yukon, Northwest Territories, and Nunavut, are seeing a steady growth in business, continuing a trend over recent years. Lack of rental accommodation, cheap money, and the availability of land are resulting in a

new home construction boom. Typical construction delays due to the shortage of skilled labour have been eliminated with the influx of workers recently laid off from the oil patch.

The majority of business in the North is dependent on mining and exploration. Unfortunately, the decreasing price of gold and other minerals is expected to result in a decline in exploration. However, the low price of oil and fuel is mitigating this decline due to reduced operating costs.

The Prairies, like many other parts of the country, are seeing a moderation in new home construction.

As a result, dealers are putting emphasis on smaller contractor projects and DIY renovations. The key here will be a renewed focus on customer service, accurate estimating, timely deliveries, new products, and optimum inventory levels.

In summary, our dealers are preparing for an adjustment in business. The degree of that adjustment will be determined by many factors out of our control: weather, oil, the dollar, and elections.



DAVE CAMPBELL

President, Lumber and Building Materials Association of Ontario

With a federal election happening in October this year, the association through the Canadian Retail Building Supply Council (CRBSC) communicated to all party leaders their support of the "Home Renovation Tax Credit" as put forward by the Conservatives.

We endorse this proposal as a cost-effective stimulus that would be very inexpensive to manage and implement as it would virtually eliminate the underground economy and provide tax revenues to offset any loss taxes given out through the credit.

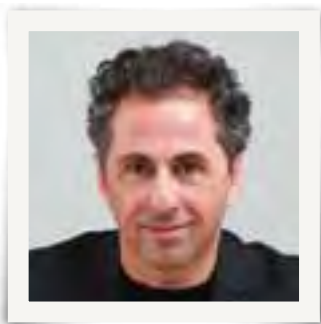
We endorse the proposal with the following amendments:

1. The annual amount should be increased from \$5,000 to \$10,000.
2. The Tax credit should be introduced immediately and not in 2017 or later.

It is the position of the CRBSC that all parties should endorse this effective but simple tax credit proposal.

The last quarter of 2015 will be a challenge for home improvement retailers to maintain the strong sales enjoyed throughout the first three quarters. We are certainly in a recession in this country and the slowing of the economy will most likely have a negative impact on sales for renovation projects. Many consumers will reconsider their projects, waiting to see the impact the recession will have on their jobs and futures. The recession is primarily driven by the energy sector but all facets of the economy will be affected.

Many retail stores report that they have lots of quoting happening and many projects on the go. If we enjoy a reasonably quiet fall and early winter in respect to the weather, sales should be fairly strong.



RICHARD DARVEAU

President & CEO, Quebec Hardware and Building Materials Association

The second half of 2015 in Quebec had AQMAT hoping for a tax relief. Unfortunately, the provincial government announced its third sales tax increase in five

years. The TVQ, which is now 10 percent, is already among one of the highest sales taxes in Canada, and surpassed only by Nova Scotia's rate. In the current economic environment, and while the last economic indicators show a new reduction in the GDP of Quebec, it's imperative that the taxation of consumer goods remains competitive.

Retail in Quebec represents \$18.5 billion in economic activities and employs near a half million workers. It must already contend with competition from e-commerce, the depreciation of the Canadian dollar, and the hazards of our economic situation. Moreover, the consumer, who sees the increasing price of products in Quebec, will be urged to buy the same products in the other Canadian provinces, even abroad or online. Leaving Quebec retailers facing even more negative impacts on their incomes from the taxation by the government of Quebec.

"For rent" signs continue to multiply along the commercial arteries. Several retailers have had to close shop. The obstacles are many for the Montreal storekeepers: competition of the big retailers and from the web, the rate of taxation, byzantine regulations, and construction in the street. These closures provoke a domino effect.

Montreal and the provincial government need to be better tuned to the needs of its job creators, and consult them better.



DENIS MELANSON

President, Atlantic Building Supply Dealers Association

I was recently out on the road visiting some of our members. Many brought

up the issue of a long winter season and expectations for business as the weather improved.

For some, business has been steady. However, many are experiencing what might be considered the "new normal," at least for now. With a soft retail environment, some consumers are not quite ready to pull the trigger on larger home improvement and construction projects. Those firms that have been successful have taken a look at their overall operation, coming up with new and innovative products and services to grow their client base. If there was ever a time to step up customer service, it is now.

The following is quoted from the CMHC publication Housing Now – Second Quarter 2015: "Housing starts in Atlantic Canada increased close to three percent in the first quarter of 2015 compared to 2014, despite continuing declines in population, economic weakness across the region as well as challenging winter conditions. Single-detached starts in Atlantic Canada were up over 12 percent in the first quarter, with one province—Nova Scotia—contributing the bulk of the growth in the quarter, rising close to 50 percent. The other three Atlantic Provinces reported year-over-year declines."

In the area of commodities, 2015 has experienced some growth and some softening in pricing. SPF two-by-fours have maintained significantly higher price points than those experienced back in 2012, although there has been some slight deterioration in the pricing for the first six months of 2015. Plywood is experiencing its highest price points in five years, showing steady growth. The red herring in the mix is OSB. While prices spiked in 2013, the market eroded by 40 percent in 2014 and 2015.

Let's hope that we are blessed with a nice, mild fall season so that our industry can extend its season and get closer to profitability.

BILL WILSON'S EXPERTISE GARNERS RECOGNITION

NRHA retail advisor Bill Wilson's regular *HHIQ* column receives honorary mention in Canadian business writing awards.

With more than 40 years of retail experience that ranges from running his own store to heading the merchandising department of Canada's largest hardware wholesaler, Bill Wilson is an expert on all things hardware retail.

Readers of this publication get the benefit of Bill's experience and expertise through his column, Store Management. Bill has been writing for *HHIQ* since the magazine's inception five years ago.

Now Bill's expertise has received wider recognition, earning an honorary mention in Canada's prestigious business writing awards, the Kenneth R. Wilson Awards, in the category of Best How To Article or Series of How To Articles.

Bill first got involved with HARDLINES eight years ago when we announced that the company was to start representing the North American Retail Hardware Association (NRHA) in Canada. Hardlines Editor Michael McLarney was named Managing Director of NRHA Canada at that time, and




Readers of this publication get the benefit of Bill Wilson's experience and expertise through his column, Store Management. Bill has been writing for *HHIQ* since the magazine's inception five years ago.

when Bill read about this, he immediately called to volunteer his time and expertise. At that point, Bill was easing into retirement but didn't want to lose contact with the industry that he had been a part of for four decades. He quickly became an integral part of the NRHA team and was a familiar face for many at trade shows across the country.

When we started *HHIQ*, we quickly saw the value for dealers across the country of channeling Bill's expertise into the pages of the magazine. His regular columns are devoted to providing real, concrete guidance and tips for dealers to run their businesses better. Bill has shown his depth of

understanding in all aspects of retail, from merchandising practices and inventory management to strategic planning and employee management.

HHIQ is devoted to giving dealers insight into trends and new product ideas, and news about the industry in general, but the core of the magazine's message is how to run your business successfully. Bill's writing embodies that mandate. We are proud of his column and we are honoured that his writing has earned this distinction. Many of you have known Bill throughout the years, if you'd like to congratulate him yourself, you can reach him at bill.wilson5@sympatico.ca 



WHERE IS YOUR BUSINESS GOING?

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

Our industry is changing with new competition and shifting demographics. Dealers must change to compete and grow.

Online retailing is growing and is expected to continue gaining market share in the retail industry. We're also seeing the start of online retailers opening bricks-and-mortar locations for consumers to view products or pick up orders. Many building materials retailers and their distributors have set up online retail with the ability to pick up in-store. Multi-channel retailers provide a competitive advantage over online-only retail outlets as consumers facing customer service issues can deal with the problem at the bricks-and-mortar location.

STRATEGIC PLANNING

Dealing effectively with all these changes requires planning. Strategic planning is an organization's process of defining its strategy and direction, making decisions and allocating resources to pursue this strategy. It should also define the process for implementation of the strategy. Communicating with staff is needed to achieve those goals. Developing a strategic plan might seem like an overwhelming process, but breaking it down into

small segments makes it easier to tackle.

Some key points to consider in starting your plan:

- **Analysis of where you are positioned today.** It must be reality. Identify the competitive environment and your Strengths, Weakness, Opportunities, and Threats.
- **What's important?** Define where you want to take your business over time, for the longer term and identify the markets, customers, products, company culture, and direction for the future. Identify the priority issues.
- **Identify what you must achieve.** Define what your organization must achieve to address the priority issues.
- **Who is accountable?** The strategies, action plans, and budgets are steps in the process that communicate how you will allocate time, people, and money to address the priority issues and achieve your objectives.
- **It's never over.** To ensure the plan performs, you must hold regularly scheduled formal reviews of the process and refine as necessary. These should be done at least quarterly.

A strategic plan can help you take your business to new levels. So take the time to lay out a strategic plan now. It will help keep your business on track and focused on the future.

GROWING MARKET SHARE

To succeed in today's competitive retail environment, companies must understand consumer spending patterns as tastes and behaviours change and new products are introduced. Staying abreast of consumer spending patterns helps better understand the customer's needs and wants. It will, in turn, improve customer experience, service expectations, merchandise mix, and marketing.

To grow market share you can steal it from a competitor, or you can grow your business faster than the overall market. Growing market share is important to the future existence of most businesses. Start by analyzing your existing customer base to see if there are ways to increase sales with your best customers and create an analysis of your market potential.

Based on an NRHA survey, the consumer that shops your store wants:


- above-average customer service at all touch points: face to face, phone calls, emails, and social media;
- employees who are well-trained, empowered, and able to make decisions;
- products they need in stock;
- employees that can answer their questions;
- easy checkouts;
- new products or categories—for many retailers this is the best way to increase market share.

SIZE VERSUS PROFITABILITY

Since the start of the big box retailer, many in our industry have thought bigger is better and, yes, for many, it has been very profitable. However, with low borrowing costs, it's too easy to drive up debt levels. As we look to the future, will borrowing costs increase? Do your financials show that you are tracking with industry financials compared with high-profit retailers in similar outlets?

Recently, we've seen some big box retailers downsize and reduce product duplication in store inventory.

As the consumer moves to more online purchasing, this will further affect store size needs in the future.

You need to think ahead: what will your business require to be profitable? To maintain the status quo is to go backwards. 



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.

Tips for increasing your market share



FOCUS ON HOW YOU SELL

Doug Stephens, founder of Retail Prophet and author of *The Retail Revival*, puts it this way: "Assume that no one really needs what you sell, because they probably don't. In a little over 25 years, we've gone from an economy based on scarcity of goods and services to one that offers unimaginable abundance. There's very little you can sell that can't be gotten elsewhere. Focus instead on how you sell what you sell. Completely differentiate your customer experience and make sure it's remarkable. Products come and go but there will always be a market for truly remarkable experiences."



NEVER STOP RESEARCHING

Always research how you can improve your sales, your marketing, your merchandising, your product and inventory movement, and your employees' needs. Research your competition and your customers.



CONNECT ONLINE

With the multitude of information available online, today's shopper is more knowledgeable than ever before. This makes it important that retailers provide access to product information in store. This also makes well-trained staff very important. While more than half of shoppers now use digital tools to pre-shop, many still want to complete the transaction in store.



JOIN AND USE SOCIAL MEDIA

If you have time to get to know and use a variety of social media, do it. But if you only have time for one, Twitter is the pick because it's quick and easy to use.

Marketing strategies should be built into your strategic plan, however, concentrate on one strategy at a time. You still have daily business to look after, which is your most important priority.

BEVERLY ALLEN, PUBLISHER

THANKS FOR 20 YEARS OF SUPPORT

... it's been a pleasure.



It's hard to believe that Hardlines is celebrating our 20th Anniversary Conference this month. When I first started working in the basement office of Michael's home where Hardlines was launched, thoughts of a company that would be celebrating its 20th Anniversary Conference never occurred to me. But here we are, reviewing how we got here and what's ahead.

“There's something special about home improvement and the people in this industry that keeps us here once we find it.”


Like many in home improvement, it's not a field I chose—it chose me. I fell into it. It's common that we see people going from one buying group or manufacturer to another, but staying within the industry. There's something special about home improvement and the people in this industry that keeps us here once we find it.

As much as this industry and its players are continually changing, there are some things that don't change at all. Here, with a

slight change, is what I said in the first issue of *HHIQ*. I think it still rings true, nearly five years later:

“HARDLINES has been steadfastly committed to the retail home improvement industry for more than 16 years (now 20 years). During that time we launched the industry's first weekly electronic news service, developed ground-breaking research and industry leading reports, created the internationally recognized Hardlines Executive Conference, hosted networking events and established awards and research programs for this industry.

Now we offer the leading publication for industry knowledge. Sharing our information, insights and events will, I believe, lead to a stronger industry.”

I stand by that. We're here to help build a stronger industry and have some fun at the same time. Thanks for joining us on that journey. We know you'll keep changing and we'll keep improving to serve you better. Thanks for your support over the past 20 years. It's been a pleasure. 

Beverly Allen
bev@hardlines.ca

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IN THE
NEXT
ISSUE
OF HHIQ:

Winning the retail war: Spotlight on ORA winners

PLUS: Trend report from the Hardlines Conference; 2015: a year in review; Selling to pros and making your business run better.



Publication Date: January 5, 2016 • **Ad Reservations:** November 19, 2015 [contact bev@hardlines.ca] • **Ad Material Due:** December 2, 2015

WHAT'S NEW AT NRHA

Membership in the North American Retail Hardware Association provides many tools to assist the independent hardware stores, home centres, and lumber/building material outlets in being successful in today's marketplace. Training is available 24/7 and can be used by all of your employees.

An investment in training your employees will pay you dividends in the long run.



Here's a list of some recent and helpful courses offered through NRHA membership that will give your employees the skills to help margin growth and add to average customer sales:

NEW BASIC TRAINING IN HARDWARE RETAILING

This new course was changed recently to improve both the content presented and the student's learning experience. The new course is more interactive, easier to use and view, has audio narration and is broken into smaller, more manageable chapters and modules. Content has also been updated in every department to reflect current trends and industry standards, especially in areas such as Electrical & Lighting and Plumbing. The Canadian version content has been updated as required for our standards.

NEW BASIC TRAINING BUILDING MATERIALS

This course offers the same interactive format as the Basic Hardware, and will be ready for use with all content reviewed for Canadian code and product in 4Q. You can view the U.S. version of the new Basic Training on the NRHA website.

LOSS PREVENTION

A must for all employees, especially the modules on Internal Theft Prevention, External Theft Prevention, and Store Safety. This training program is designed to help retail home improvement stores develop a safe and secure retail environment for both employees and customers. It includes complete testing and record-keeping.

NEW PROJECT PRO


This course is NRHA's new project-based sales training program. Each section is approximately 20 minutes long and combines project videos with valuable selling skills to teach associates how to complete common DIY projects, as well as how to sell them. Modules explain how to deliver better customer service and increase transaction sizes by focusing on key selling tips.

And the following courses will specifically teach you one-on-one selling techniques and the basics of building eye-catching product displays:

SELLING SKILLS & CUSTOMER RELATIONS

This course will teach employees the basic selling skills needed for delivering top-notch customer service. It will cover topics such as how to make a good first impression, how to deal with customer complaints, how to overcome objections and close the sale, and much more. This course is appropriate for both new hires as well as seasoned veterans who need a refresher. At the end of the course, employees take a 50-question test to measure what they have learned.

RETAIL MERCHANDISING

Proper merchandising helps a store improve sales, so it's essential that every employee be familiar with best merchandising practices. The Retail Merchandising course will help employees understand merchandising fundamentals and what they can do to maximize the impact of every display. At the end of the course, employees will take a 50-question test. This course is a must for new hires, but is also appropriate for long-time employees who may need a refresher. 

To learn more about the NRHA training, visit www.nrha.org



**The North American Retail Hardware Association
would like to congratulate The Hardlines Conference
on 20 years of service to the Canadian
home improvement channel.**



NRHA  CANADA

North American Retail Hardware Association

www.nrha.org

E-RETAIL TURNS HOME HARDWARE STORE AROUND

BY GEOFFREY McLARNEY

Michel Robidoux's Home Hardware in Sainte-Julie, Que., went from the brink of bankruptcy to outgrowing its space and he credits an e-commerce push with the turnaround.

Established in 2009, this independent retailer affiliated with the Home Hardware banner last year. During its first few years, the store struggled to make the sales it needed to hire staff and grow.

Robidoux, who managed a Montreal Canadian Tire before striking out on his own, turned to e-retail in 2011 and the effect was immediate: that year, the store expanded from 2,000 to 3,500 square feet. A second location an hour's drive away in Acton Vale opened in the spring of last year, two months before Robidoux signed on with Home Hardware. The merchant points to the cost savings of bulk purchasing as a primary benefit of e-retail, as well as the platform for a wider audience, noting that "for every customer who walks into my store, I have a thousand ... who could see my products on the internet."

Robidoux started out locally: "I started using some websites like Kijiji," he explains, driving neighbourhood traffic into his store. At a time when the business was facing bankruptcy, the influx of local customers allowed him to sell off inventory that had not been moving. "That was five years ago," he notes, "now I sell across the world." Sites like eBay Canada, which named him Entrepreneur of the Year last year, allow him to reach an international audience. What began as a novelty tried in desperation has become a part of the core retail strategy.

The dramatic turnaround at Robidoux's store is a testimony to the ever-increasing power of the online market. Even smaller



Michel Robidoux points out that for every customer who walks into his store, he has a thousand who could see his products on the Internet.

local retailers are finding they can't ignore the benefits of e-commerce. And compared to the medium's infancy, it's a lot easier for small businesses to tap into. Sites like PayPal can allow almost anyone to become an e-retailer by setting up an account, without having to manage a separate payment system. The rising popularity of "buy online, pick up in-store" options means even businesses that might not have the means to offer delivery can still take advantage of the convenience of online sales.

For Robidoux, the payoff has been considerable. Following on the 2011 expansion, the Sainte-Julie Home Hardware further grew this year to approximately 8,500 square feet, and has been shortlisted for a possible second win in the eBay Canada Entrepreneur of the Year category.

More than 20 years on from the debut of the World Wide Web, e-retail seems to be here to stay, in small towns as well as major metropolises, for local dealers as well as multinational conglomerates.



Now, Orgill Gives All
Dealers A Choice.



There's No Catch

Retailers who do business with Orgill have access to thousands of products, industry-leading retail programs and a world-class team of distribution professionals. But the best part is, there is no catch. Retailers only pay for the products, programs and services that they feel are right for their business.

**THERE ARE NO ADVERTISING FEES, NO PROGRAM MANDATES,
NO CO-OP CHARGES OR MEMBERSHIP DUES—EVER.**

You Don't Pick up the Tab

As a privately owned company, we constantly make investments in our product lines, distribution enhancements and our infrastructure to better serve our customers, because we know that our customers ultimately make the decision about who they choose to do business with. Unlike other distributors, however, when we want to improve our services and efficiencies, we don't ask our customers to pay the price for it.

A Unique System for Unique Retailers

With thousands of SKUs in stock, Orgill can deliver unique assortments to customers of all shapes and

sizes throughout Canada. With more than 160 years of distribution experience, you know you can count on Orgill to deliver when you need it.

A Simple Mission

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