

FOURTH QUARTER / 2016

# HARDLINES HIQ

HOME IMPROVEMENT QUARTERLY

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How to prepare for whatever next year brings

## CANADA'S TOP FOUR

The strong continue to get stronger

## GROWTH FOR TUCKEY

Family store sees seven decades of success over three generations

## FEATURE STORY

# WEATHERING THE STORM

After a year of turmoil, what are industry leaders forecasting for the year ahead?



## PLUS!

## LOWE'S BACKS THE INDEPENDENT

Giant retailer reveals how the independent fits into its plans for Canada

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# HARDLINES HIQ

HOME IMPROVEMENT QUARTERLY

FOURTH QUARTER / 2016 • VOLUME 6, NO. 4

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# HOW IMPORTANT IS THE INDEPENDENT?

## JUST ASK LOWE'S CANADA.

The world's second-largest home improvement retailer now owns RONA. Will Lowe's hang on to RONA's wholesale distribution business, which serves hundreds of independents across the country? They'd be crazy not to.

MICHAEL McLARNEY, EDITOR

**I** recently attended the RONA Dealer Market in Montreal. There, I had the opportunity to sit with Lowe's Canada President and CEO Sylvain Prud'homme, and one of his senior lieutenants, Executive Vice President Alain Brisebois. Brisebois is in charge of the operations and services for the affiliate dealers, the network of independents who operate under the RONA banner.

Lowe's is the second-largest home improvement retailer in the world. It has 1,855 stores, with sales of US\$59 billion in 2015. Its takeover of RONA inc. represents a major step and a new direction, as it

was a message Prud'homme and Brisebois stressed throughout our conversation—and it's one a large number of independents are staking their futures on.

The show was part of an ongoing investment in Lowe's new banners, with more than 250 dealers in attendance. On the same day as the show, Lowe's held grand openings for two Reno-Depots—one in Boucherville and one in Trois Rivières. At the same time, in Blainville, one of RONA's affiliate dealers broke ground on their third store.

The Ace brand is getting lots of traction, as well. So far this year, 14 dealers have joined the banner for a total of 65 in this country.


“Lowe's appears to understand the value of the independent ownership model.”


indicates Lowe's willingness to go beyond the big box footprint to grow its bricks-and-mortar business. Instead of relying solely on its big boxes, it's willing to add smaller and medium-sized stores to its mix. And most importantly, it's prepared to do that in partnership with independent dealers. This

Prud'homme said the company will likely switch most of its big box RONA stores outside of Quebec to Lowe's stores over time, but he adds that the RONA name will remain an important part of the company's repertoire, especially in Quebec. Lowe's Canada will continue to work with

independent dealers, who will have the option of choosing from both the RONA and Ace banners.

With more than half of the sales in the Canadian industry being generated by independent dealers, the world's second-largest DIY chain has determined that its growth will come, in part, through this important channel. It's easy to be cynical and expect that the corporate powers that be in Mooresville, N.C., where Lowe's is headquartered, will have little concern for the Canadian independent. But the business model is a sound one, if the Lowe's team has the imagination and will to get behind it.

If they stick to that commitment, Lowe's Canada will ensure a viable, profitable alternative for independents. It will create a unique selling proposition that will set Lowe's apart from its number-one competitor, Home Depot. And that's good news for Lowe's shareholders, as well. 

  
mike@hardlines.ca

## QUARTERLY BUSINESS CONDITIONS

# SECOND QUARTER 2016

**F**ollowing an unseasonably warm winter, the vast majority of both retailers and vendors reported business was up in the second quarter 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 housing prices have increased in Quebec and Ontario, which can be

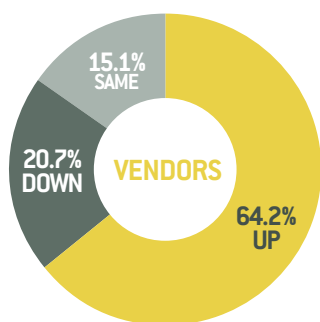
attributed to the fact that sellers now routinely spruce up their properties before listing them, in the hopes of fetching a higher price.

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

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

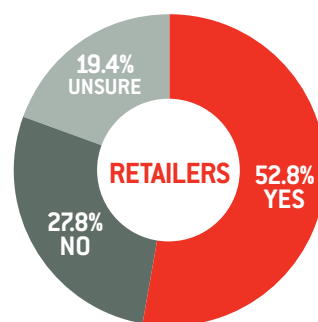


Year over year, the percentage of retailers experiencing better sales than last year is down almost 30 percentage points from Q2 2015, when 70.0 percent of retailers reported increased sales.

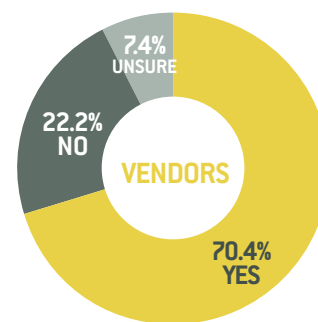


The percentage of vendors experiencing better sales than last year was down seven percentage points from Q2 2015, when 71.4 percent of vendors reported increased sales.

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

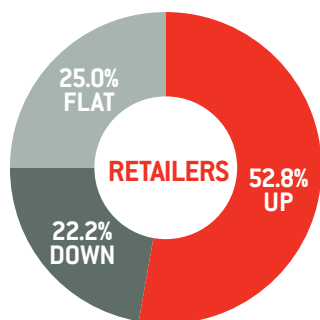


The percentage of retailers expecting sales to increase in the next six months is down from 57.2 percent in Q2 2015, and the percentage of retailers that anticipate sales will not increase was up from 20.4 percent, indicating a general negativity about the near future.

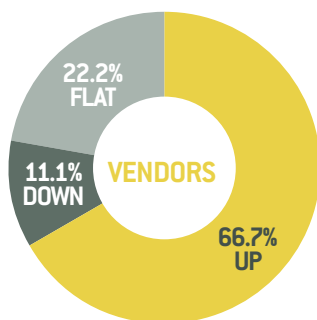


Year over year, the percentage of vendors expecting sales increases in the next six months went down 11 percentage points from 82.1 percent in Q2 2015.

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

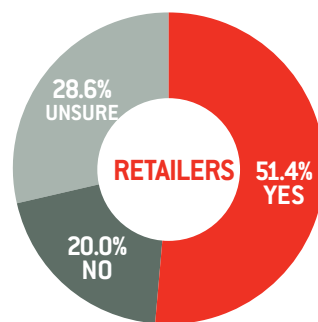


Looking at the rest of the year, the percentage of retailers that predict sales will go up decreased from 68.0 percent in Q2 2015, and the percentage expecting sales to go down was up more than 14 percentage points from 8.0 percent in Q2 2015.

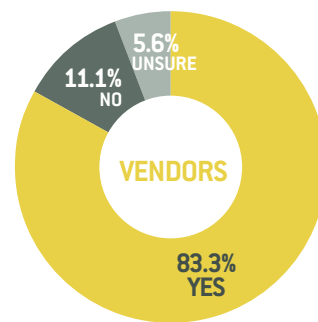


Looking ahead at the rest of the year, the percentage of vendors that predict sales will go up lowered slightly from 71.4 percent in Q2 2015, but the percentage expecting sales to go down stayed pretty much the same from 10.7 percent in Q1 2015.

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



Retailers' 12-month outlook pushed towards a more positive outlook from Q2 2015; the percentage of retailers expecting increased sales was up 1.4 percentage points from a year ago, while the number of retailers not expecting sales to increase went down eight percentage points, from 28.0 percent.



Vendors are optimistic about the coming year. Year over year, the percentage of vendors predicting increased sales is up slightly from 78.6 percent in Q2 2015. And the number of those uncertain about the future is down from 17.9 percent in Q2 2015.



**RETAILERS: Top issues in second quarter**

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

**VENDORS: Top issues in second quarter**

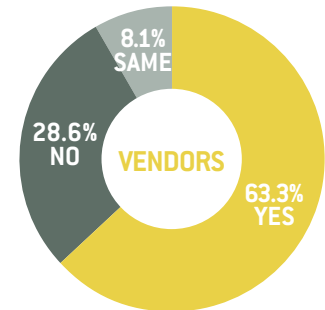
1.	Higher Raw Material/ Shipping Costs
1.	Exchange rate with U.S. dollar
3.	Retail consolidation
4.	Competition from Asian sourcing
5.	Housing market
5.	In-store merchandising and replenishment
7.	E-commerce challenges
8.	Cross-border shopping
8.	Increased presence of U.S. retailers

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



The percentage of retailers offering new products and/or services to better compete was up five percentage points from Q2 2015.

Did you receive more orders in Q2 2016 than in Q2 2015?



Year over year, the number of vendors that received more orders increased by nearly 10 percentage points from 53.9 percent in Q2 2015.

Source: HARDLINES Quarterly Business Conditions Survey

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# CONSOLIDATION MAKES INDUSTRY'S TOP RETAILERS MORE POWERFUL THAN EVER

**Just four home improvement retailers—Home Depot Canada, Lowe's Canada, Home Hardware Stores Ltd., and Canadian Tire Retail—account for well over half of all retail hardware and home improvement sales in the country. A new report shows why.**

**T**he large home improvement retailers in Canada just keep getting bigger, a trend that has persisted over the past two decades. However, that consolidation has been accelerated by Lowe's takeover of RONA inc. As a result, the market share of just four retail groups got bigger than ever in 2015, according to the latest findings in a new report. The latest *Hardlines Retail Report* reveals that Home Depot remains number one with sales exceeding \$7 billion. However, Big Orange faces tough competition: Lowe's \$3.2 billion acquisition of RONA inc., pushed Lowe's Canada up into the number-two spot with combined sales of approximately \$6.6 billion.

That merger also helped increase the overall heft of the Top Four retailers. Their collective sales at retail increased by more than eight percent and their market share


grew by more than six percent in 2015. And while the acquisition may have dampened Lowe's second-quarter results, the company is confident it can double RONA's profitability within five years.

Even though two U.S.-based companies now dominate the scene here, the number-three position is held by a group of independents. Through a combination of aggressive dealer recruitment, in combination with growth by existing dealers, Home Hardware Stores Ltd. maintains third place in the Top Four.

Canadian Tire Retail is fourth in our Top Four elite group. (\*NOTE: HARDLINES estimates only the sales by Canadian Tire Retail stores of merchandise related to hardware, home improvement, housewares, and décor to calculate that company's size in the industry.)

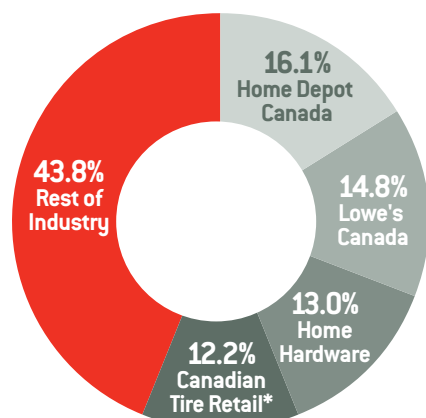
The fastest growth for both Home Depot and Lowe's has definitely been with online sales. The two companies reported big increases in the second quarter of this year. Home Depot's online sales were up

19 percent, while Lowe's saw a lift of 13 percent. The other two groups in our Top Four face a challenge not shared by these big corporate competitors. Home Hardware and Canadian Tire must tie those online sales back to their independent dealer-owners.

Hot on the heels of the Top Four, the greatest concentration of stores and sales remain within the LBM buying groups. In terms of sales, the largest groups after the Top Four, ranking number five through number eight, are: TIMBER MART, Independent Lumber Dealers Co-operative, Sexton Group, and Castle Building Centres Group Ltd. the number-nine and number-10 spots are held by regional players: Groupe BMR in Quebec and Kent Building Supplies in Atlantic Canada, respectively. 

*The 2016-2017 Hardlines Retail Report features almost 200 PowerPoint slides, dozens of charts and graphs, and analysis available only from HARDLINES. For more information, please go to the Reports tab on [hardlines.ca](http://hardlines.ca).*

## Market Shares of the Top Four



\*Excludes automotive, sporting goods, and other non-related products.

## Four Retailers at the Top (\$millions)

Company	2014	2015	Change
Home Depot Canada	\$6,932	\$7,195	3.8%
Lowe's Canada*	n/a	\$6,600	500%
RONA inc.	\$5,476	n/a	n/a
Home Hardware Stores	\$5,488	\$5,865	6.9%
Canadian Tire Retail**	\$5,264	\$5,435	3.2%
<b>TOTAL</b>	<b>\$23,160</b>	<b>\$25,095</b>	<b>2.8%</b>

\* RONA was in the Top Four in 2014 instead of Lowe's, therefore Lowe's 2014 sales do not appear in the total.

\*\* Excludes automotive, sporting goods, and other non-related products.



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Orgill Hardlines Canada is ramping up its infrastructure on both sides of the border to serve Canadian dealers better.

## ORGILL EXPANDS CANADIAN INFRASTRUCTURE

**O**rgill Hardlines Canada is ramping up its infrastructure on both sides of the border to serve Canadian dealers better. The hardware wholesaler has announced the addition of a distribution centre in Post Falls, Idaho, which will service Canadian customers in British Columbia and Alberta, as well as customers in five states throughout the American Northwest. It's expected to be fully operational by March 31, 2017.

"We are excited to announce this expansion to our distribution network and look forward to the enhanced efficiencies this will create for our customers as we move forward," says Ron Beal, Orgill's chairman, president, and CEO.

The company also announced the continued rapid expansion of its Canadian field service organization, as well as accelerated plans to expand deliveries to Canadian retail customers on Orgill-operated trucks.

Recent changes, including consolidating the buying function across the company into the Memphis head office, reflect a continuation of its North American approach to the market, and will make it easier to integrate goods from Canadian manufacturers into its worldwide product offering available to all Orgill customers.

The announcement came on the heels of the recent closing of Orgill's Canadian buying office. At the Orgill show in Las Vegas in August, some vendors worried that loss meant the end of a number of long-term relationships that underlie the buying process in this country. Those vendors hoped to begin making that up with the Memphis buyers—beginning with the Vegas show.

Since Orgill Canada acquired Chalifour last year, the company has converted all procurement and replenishment over to the Orgill buying system and Orgill's purchasing team in Memphis will work with all Orgill Canada vendors through the transition.

Currently, nearly three dozen Canadian territory representatives service its customers throughout Canada, more than twice the number a year ago. Similarly, the number of Canadian-based drivers has grown from just three a year ago, to 13 currently, and is projected to more than double by the end of 2016. Orgill adds that it has also increased staffing at its London, Ont., distribution centre to accommodate the addition of 25,000 SKUs to the London assortment, bringing London's total to nearly 60,000 items available to Canadian customers.



# PEAVEY AND TSC: A MATCH MADE IN FARM HARDWARE HEAVEN

**I**n a move that unites two of Canada's largest farm hardware retailers, Peavey Industries LP has acquired a controlling interest in TSC Stores LP from Birch Hill Equity Partners. The union marks a natural fit between two privately held retail chains that share a similar retail model, while being distinct geographically.

TSC Stores is a farm and hardware supply company based in London, Ont. Peavey, based in Red Deer, Alta., where it has a 200,000-square-foot distribu-

tion centre, has 36 stores that range in size from 10,000 to 35,000 square feet. The stores feature a wide assortment of hardware, farm and pet, automotive, and home improvement products. Serving Western markets, most of Peavey's stores are in Alberta and Saskatchewan.

TSC has 51 mid-sized hardware stores that average 16,000 square feet in size. Except for one store in Manitoba, all of its business is based in Ontario.

The two companies will continue to operate as separate entities under separate banners. Doug Anderson, president of Peavey Industries, will take on the role of executive chairman of TSC, and Darryl Jenkins will continue on as president to run the day-to-day operations and leadership of the company.



In a move that unites two of Canada's largest farm hardware retailers, Peavey Industries LP has acquired a controlling interest in TSC Stores LP.

## BRIEFLY

### IKEA CANADA EXPANDS REACH IN HALIFAX

Ikea Canada has broken ground on its new store in Halifax. Located at Dartmouth Crossing, the store will take roughly 14 to 16 months to complete and be 330,000 square feet in size—larger than four football fields. The company also recently opened a "Collection Point" in the Halifax area, at Sameday Worldwide on Isnor Drive in Dartmouth. The collection point enables customers to shop online and have deliveries sent there for a flat rate of \$59, regardless of the size of the purchase. The Collection Point is not an Ikea store and is in fact owned by a third-party service provider. No products will be available onsite for purchase. According to Ikea, this process, which is less expensive than the previous minimum home delivery fee of \$129, will also substantially reduce delivery times.

### EAB CELEBRATES 40 YEARS

Power tool accessory maker EAB celebrated its 40th anniversary in September, launching a limited edition 40th Anniversary Blade. The brand got its start in 1976, with a philosophy of quality, competitive pricing, recycling, and remanufacturing. Today, it has three brands for its bits, hole saws, abrasives, and other accessories: Exchange-A-Blade, Stay Sharp, and RazorBack. At its facility in British Columbia's Lower Mainland, EAB remanufactures more than 35,000 blades annually from its 40,000-square-foot facility. In the average year, the company says it manages to keep 60 tons of steel out of landfills—equivalent to 60 automobiles.

# SELKIRK HOME HARDWARE MANAGER RECEIVES SCHOLARSHIP FOR NRHA MANAGEMENT SCHOOL

**W**endy Lang, store manager of Selkirk Home Hardware Building Centre, is the recipient of the Home Hardware NRHA Retail Management Certification Program Scholarship valued at US\$6,250 (\$8,166). The program, offered through the North American Retail Hardware Association (NRHA), will take place in Indianapolis later this fall.

To apply, scholarship candidates completed an essay and participated in a phone interview with program administrators. Following this process, a successful applicant was chosen by an NRHA selection committee.

"The scholarship selection committee was very impressed with Wendy's superior organizational skills and her vision for expanding Home Hardware's future use of technology," says Scott Wright, executive director of the Retail Leadership Institute



Wendy Lang (left), pictured with Bill Lee, from the NRHA, is this year's NRHA Retail Management Certification Program Scholarship winner

at NRHA. "Wendy will bring a great deal of experience to the class and will be able to share many of the best practices she has gleaned while working in an award-winning store over the past 20 years."

The NRHA Retail Management Certification Program provides up-and-coming retail leaders with the skills they need to engage in strategic planning, decision-making, and leadership activities.

## ADDITION OF BMR MAKES ILDC CANADA'S BIGGEST BUYING GROUP

**Groupe BMR has joined the Independent Lumber Dealers Co-operative (ILDC). Already one of the country's largest buying groups, the addition of BMR will give ILDC combined sales of about \$4.3 billion through just 22 members and put it firmly in place as Canada's largest home improvement buying group.**

"We are happy to welcome a major Canadian player such as BMR in our group," said Paul Bonhomme, president of ILDC and head of Les Entreprises P. Bonhomme, a 10-store chain in the Ottawa-Gatineau region. "This new partnership strengthens

our position in the home improvement industry in Canada, which benefits our current and future members."

Other members include some of the country's largest independent or closely-held retail chains, including Kent Building Supplies, Patrick Morin, Copp's Buildall, McMunn & Yates, and Central Supply. BMR brings another 325 outlets and about \$1.7 billion in retail sales to ILDC.

La Coop fédérée had been a member itself up until February 2015, when it completed the acquisition of BMR. That company, considered a direct competitor to many exist-

ing ILDC members, forced La Coop to exit the group. However, the retail landscape in Quebec has changed dramatically since then, with the takeover of RONA by Lowe's, the aggressive geographic expansion by Canac, and the consolidation of La Coop and BMR.

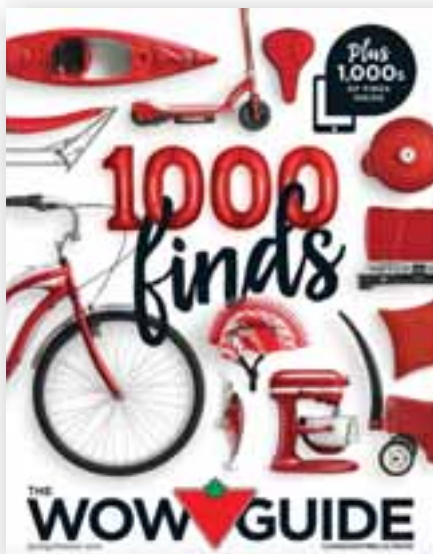
"The great purchasing power of ILDC, combined with our own, and their business model that allows us to preserve our independence, were important factors in our decision to join the group," said Pascal Houle, CEO of Groupe BMR. He added that he looks forward to sharing experiences and best practices with the other ILDC members.

# MEDLINE'S OUSTER FROM CANADIAN TIRE RAISES EYEBROWS

**T**he departure of Michael Medline from Canadian Tire Corp., where he served as president and CEO, came suddenly and without explanation. Medline was replaced by Stephen Wetmore, who had been deputy chair of Canadian Tire. For Wetmore, this marks a return to the role he held before Medline took over, and Medline had in fact worked under him previously. Wetmore was CEO from January 2009 to December 2014. Medline became president in 2013 and CEO in 2014.

If there are any clues as to why Medline was ousted, they may lie in a statement from Maureen Sabia, chair of Canadian Tire, which suggests the move was planned and that Wetmore was not simply parachuted in: "Stephen transformed our company during his previous tenure and laid the foundation for our current performance. We believe he is uniquely qualified to lead the company through the increasing complexities of the new world of retail. His appointment as president and CEO is neither an interim, nor a short term, appointment."

Despite gains on the retail side, Medline's reign was marred by the company's inability to build its online



Recent efforts under Medline to improve the company's digital presence haven't been as successful as Canadian Tire would have liked.

business effectively. A pilot online buying program in Nova Scotia dragged on for almost a year longer than expected before a wider rollout was implemented. And more recently, a hard-copy catalogue, called the "Wow" Guide, reportedly fell short of igniting the kind of digital sales that it was intended to deliver.

## BRIEFLY

### LOWE'S CANADA INCREASES FOOTPRINT

Lowe's celebrated the grand opening of its first store in Thunder Bay, Ont., on August 23. Earlier that month, the company held a grand opening for its fifth Calgary store. The company also opened its sixth Toronto store in June. Lowe's Canada then opened two Reno-Depot stores on September 1. The first, in Trois Rivières, is 67,000 square feet in size. A slightly larger 86,000-square-foot store in RONA's home town of Boucherville opened the same day. This opening also tied in with an official announcement by Lowe's Canada to partner with the city of Boucherville as the community celebrates its 350th anniversary next year.

### CONSTRUCTION PRODUCTS DISTRIBUTION SALE FINALIZED

Superior Plus has completed the sale of its Construction Products Distribution business in a cash deal valued at US\$325 million (about \$428 million). The buyer is Foundation Building Materials, a California-based commercial gypsum supply dealer.

### HOME HARDWARE DONATES TO SPECIAL OLYMPICS

With the support of dealer-owners across the country, Home Hardware Stores Limited donated \$250,000 to Special Olympics Canada recently. The organization is dedicated to enriching the lives of Canadians with an intellectual disability through sports. Special Olympics Canada serves more than 40,000 athletes with programs in 450 communities across the country. Home Hardware has been sponsoring the Special Olympics for 17 years, raising money and awareness throughout the year to help strengthen the organization's many programs and services.



**Is your store doing something that you think is newsworthy?**

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## BSIA RECOGNIZES RETIRED B.C. DEALER



Brian Higgins (left) accepts his Industry Merit Award from Ray Cyr, President of Fraser Valley Building Supply.

**T**he Building Supply Industry Association of B.C. (BSIA) has presented the Industry Merit Award to Brian Higgins. Higgins was general manager of UAP Inc. for Ontario in the 1980s before overseeing the national launch of the Autopro franchise. Settling in Victoria in 1986, he set up a Beaver Lumber fran-

chise and married his wife and business partner Sylvia in 1989. The Higgins' franchise moved to the Home Hardware banner in 1995 and relocated to Victoria West as BayWest Home Building Centre. It operated under that name for a decade before joining RONA as BayWest RONA. Brian and Sylvia sold the business in 2015 and retired.

## BILL DOUMA GETS SENIOR PROCUREMENT ROLE AT TIMBER MART

**TIMBER MART has promoted Bill Douma to the role of senior building material procurement manager.**

Douma enters the role with more than 40 years of industry experience, which includes store experience as a manager, and then a purchaser, for Turkstra Lumber in Stoney Creek, Ont. In 1999, he moved to TIMBER MART

(then TIM-BR-MARTS Ltd.) as building materials manager. In addition to his current responsibilities negotiating the group's national and regional buying programs, and developing and organizing TIMBER MART's flyer program and national buying show, Douma will assume additional responsibilities during TIMBER MART's program negotiations.

### BRIEFLY


#### CASTLE RAISES FUNDS FOR SICKKIDS

Castle staff and their vendor partners gathered in September at the Club at North Halton in Georgetown, Ont., for the annual Castle Vendor Appreciation Golf Tournament. For the past seven years, Castle's charity golf event has raised money for the SickKids Foundation. This year's tournament raised \$25,000 in charitable donations thanks to the generosity of Castle Vendor Partners and a corporate match by Castle Building Centres Group. Castle has raised in excess of \$175,000 for the foundation.

#### ACE CONTINUES TO ADD STORES IN CANADA

Two more Ace stores celebrated grand openings this summer. In Grand Valley, Ont., a 2,600-square-foot store, formerly a Home Hardware location, was re-branded as Ace. The owners are Tania and Ralph Scheiwiller. And a 4,000-square-foot Ace Building Centre opened on June 16 in Mackenzie, B.C., two hours north of Prince George. Victory Ace Building Centre is owned by Sylvain and Marilyne Laferriere. Ace Hardware, licensed here by Lowe's Canada, now has close to 70 stores flying the banner. It's managed out of Lowe's Ace Canada facility in Winnipeg.

#### HOME HARDWARE BRAND RECOGNIZED

Home Hardware Stores Limited has been recognized as one of Canada's 10 most trusted brands. The 2016 Gustavson Brand Trust Index, out of the University of Victoria, highlights the importance of trust when it comes to making purchasing decisions. Consumers across Canada rated 276 brands in 27 categories on a wide range of factors including quality, value for money, innovation, and honesty. Home Hardware ranked fourth, after MEC, Presidents Choice, and Costco. 



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# ProductSPOTLIGHT

BY GEOFFREY McLARNEY



## ◀ Simpson Aluminum WaterBlaster

Simpson's new series of commercial pressure washers, the Aluminum WaterBlaster, is designed to provide commercial cleaning professionals with a durable belt-drive machine. The manufacturer says the washers are suited for paint preparation, professional cleaning services, graffiti removal, commercial job sites, and fleet maintenance. The product was designed with the user in mind to ensure both simplicity and ease of use.

[www.simpsoncleaning.com](http://www.simpsoncleaning.com)

## Rayovac Portable Power charger ▶

Rayovac's Portable Power chargers offer a way to keep electronic devices going at the construction site. In addition to giving extra power to extend battery life, the Portable Power chargers let users continue using their devices on the move because they're not tied to an electrical socket. The small and lightweight chargers are perfect for kids to pop in their backpacks or for business travellers to include in their luggage for when they need a recharge. Several models are available, including a portable power option that can recharge multiple devices at once. Because the units hold their charge for up to six months, they can be used for backup power in the event of an emergency.

[www.rayovac.com](http://www.rayovac.com)



## ◀ Festool HK circular saw

Festool introduces the HK, a circular saw with an attachable retracting guide rail. It combines the precision and functionality of a mitre saw with the benefit of portability. The HK will be available in both a corded AC version and cordless 18-volt version, with or without guide rails with angle stops.

[www.festoolcanada.com](http://www.festoolcanada.com)







## Hyde Tools MudGun ▶

Ingersoll Products, representing Hyde Tools, has launched Hyde's MudGun in Canada. Heralded as the first engineered drywall finishing system for both professionals and homeowners, the MudGun centres on an applicator or "gun" that the user loads with drywall compound for fast and effective application. Interchangeable heads attach to the front of the MudGun, each designed to handle a specific task. Included are two embedding nozzles—one for corners and one for flat surfaces—that apply the right amount of compound for embedding drywall tape; and a finishing head for finishing and feathering the taped surfaces. The finishing head has a slide adjustment and adjustable crown/contour that customizes mud delivery for different situations.

[www.ingersollproducts.com](http://www.ingersollproducts.com)

## ◀ DeWalt FlexVolt battery

DeWalt has unveiled the FlexVolt system, the world's first battery that automatically changes voltage when the user changes tools. The FlexVolt battery powers a new lineup of brushless 60-volt Max and 120-volt Max FlexVolt tools. Its patent-pending technology is compatible with most existing DeWalt 20-volt Max tools and chargers. When used in DeWalt 20-volt Max tools, the battery claims to provide up to four times the running time of a 20-volt battery. It also automatically changes voltage depending on whether it's being used in a 20-volt Max or 60-volt Max tool.

[www.dewalt.com](http://www.dewalt.com)



## ◀ Fiberon Horizon Symmetry Decking

Fiberon's Horizon Symmetry Decking features a low-gloss formulation and unique micro-texturing for a matte finish and subtle, fluid grain patterns on top and bottom. Four-sided, patent-pending PermaTech surface protection provides resistance to fading, staining, insects, and decay. The system is a suitable wood alternative for applications that show both sides of the board, such as a privacy screen, or as a top surface for deck railings. Grooved and square-edge profiles are offered, as well as matching fascia and riser boards.

[www.fiberondecking.com](http://www.fiberondecking.com)



## Amerlux LED Cynch ▶

The new LED Cynch by Amerlux lends versatility to lighting in hospitality and retail environments. It converts instantly from accent to pendant and back again, right in the field. The magnetic connection allows a quick change with one pull, disconnecting the electrical and mechanical connection while its compact, geometric profile conceals an integral driver. Cynch is easy to maintain and available in many styles. Finishes include matte white, matte black, and matte silver.

[www.amerlux.com](http://www.amerlux.com)





Lowe's Canada President and CEO Sylvain Prud'homme (left) and Alain Brisebois, EVP, affiliate dealers and shared services, attended the recent RONA show in Montreal.

## EXECUTIVES REAFFIRM LOWE'S COMMITMENT TO INDEPENDENTS

**HHIQ had the chance to sit down with executives from Lowe's Canada during the RONA show in early September. Here's what we learned.**

BY MICHAEL McLARNEY

**L**owe's Canada President and CEO Sylvain Prud'homme and Alain Brisebois, EVP, affiliate dealers and shared services, were on hand at the recent RONA show in Montreal to demonstrate their dedication to the banner's independent dealers.

With about 230 such dealers in attendance, this year's RONA show enjoyed the best attendance yet. And though it

may not be the largest show in Canada by anyone's estimation, the intimacy of the event ended up working in its favour.

The annual show, held September 1 at the Palais de congrès in Montreal, was the third one by RONA geared specifically for its independent, or "affiliated" dealers. It featured 290 vendors, and provided them all the opportunity to spend time with their customers. Show organizers worked



with this aspect of the event, as well, creating lots of open spaces and lounge areas for dealers to speak with vendors, RONA reps, and each other.

## FIRST SHOW UNDER LOWE'S

An added buzz permeated the show floor, as this is the first one under the ownership of Lowe's. The day before the show, dealers got a message from Lowe's Canada executives that drove home their commitment to independent dealers. Prud'homme told the group that the company is firmly committed to building both the RONA and Ace brands on behalf of independents in Canada.

Those banners will constitute one of the pillars of the Lowe's Canada organization, and be headed by Brisebois. Reporting to him, Philippe Element, vice president, dealer sales and support, oversees the RONA banner, while Ace is under the aegis of Bill Morrison, who is vice president of the Ace Canada Division, based in its Winnipeg office.

Prud'homme and Brisebois also took some time to sit down with *HHIQ* to provide some updates on what to expect from Lowe's/RONA in the coming months. The Lowe's Canada office, currently on Yonge Street in North York, a section of Northern Toronto, will move to a new site in Mississauga, Ont., near Toronto Pearson International Airport. The move is expected to be completed by spring 2017.

## ALL EYES ON QUEBEC

The Toronto-area office will act as a regional support centre overseeing the big boxes operating under the Lowe's banner. It's led by Jim Caldwell, who formerly headed up furniture retailer The Brick. The Milton, Ont., distribution centre that Lowe's purchased last year from Target will continue to serve Lowe's stores nationally.

Prud'homme told dealers that his company is firmly committed to building the RONA and Ace brands on behalf of Canadian independents.



RONA's former headquarters in Boucherville serves as the head office for Lowe's Canada. It's also the wholesale distribution centre for sales to independents. Lowe's will maintain a procurement team there for commodities and a merchandising team for affiliate dealers, led by Vice President Central Merchandising, Global Sourcing and Procurement Igor Halencak, who now reports to Brisebois.

Despite all the consolidation, there are no current plans to change over affiliated and home centre RONA stores to the Lowe's banner. "The RONA banner will definitely be used to support proximity and building centre affiliates," said Prud'homme. There is no plan to turn all the RONA dealers into Ace dealers, or vice versa.

However, many RONA big boxes are likely to be re-branded Lowe's, says Prud'homme. "There's a very good chance that the big box stores outside Quebec will be branded Lowe's." In Quebec, they may remain RONA, but Prud'homme says he'll let the customer decide. "I can't confirm what the brand will be in Quebec."

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BY SIGRID FORBERG

# LEADING BY EXAMPLE

The roles of a retailer go far beyond simply “boss” and “storeowner.” Hardware and home improvement stores are often at the heart of a community, and their owners are just as much leaders in those communities as they are in their stores.



**I**n small towns across Canada, a home improvement retailer's business is often more than just selling tools and lumber to locals. Community involvement is an important part of small-town life, and retailers often become not just leaders in their company, but champions of neighbourhood philanthropy.

An important part of being a retail leader is your relationships with both staff and the customers you serve. A good leader prioritizes the needs of both groups—all with one eye on meeting the needs of the store, as well. For many retailers, this comes naturally. Especially in Canada's rural or small communities, it's an integral part of their role as local business owners.

But whether or not it's second nature to want to help, it's not always easy to balance so many priorities when you have a store to think about. Whether you employ six or 60 people, it's important to have each and every one of them committed to the company's success.

### SHOW, DON'T TELL

For Jillian Sexton, COO of Hector Building Supplies in Pictou County, N.S., leadership is about your actions. As a young girl, she worked her way up in the family business rather than walking into a management position. And she continually works to prove her commitment simply through her presence.

"I think showing up, being there, that's really key," says Sexton. "If we hold a big event on the weekend, I show up too. I'm not just asking them to go in and do things. I really think that's the secret to both your customers and your employees feeling like you're invested."

It's easiest for staff to get on board when their boss is passionate about their work. That kind of enthusiasm is catching. As Kim Ytsma, from Alliston Home Hardware in Alliston, Ont., says, "when you lead by example, others will follow."

Ytsma says one leadership skill she's learned is to frequently and sincerely acknowledge and appreciate her employees for their work—no matter how minor their actions may seem.

She's constantly making the effort to find 10 positive things to say to each staff member.

While it may seem burdensome to be constantly searching for nice things to say to each employee, Ytsma says once you get into the habit, it becomes quite natural. She sees it as an important part of her role as a leader. And she has noticed that it has had a direct impact on the store's entire environment. "Customers say they feel a vibe when they come into the store," Ytsma says.

### FINDING THE FUN IN A FUNDRAISER

Susan Robinson took over Fletcher Ace in Princeton, B.C., in 2012. She moved to the small community of 2,700 from the Lower Mainland, nearly three hours away. The resource-dependent town has changed a lot since the local mine reopened, but it still faces the challenge of isolation. Princeton is at least an hour and a half away from any major centres.

Robinson's charitable efforts in town focus on addressing those needs. She says the store contributes to about 50 to 75 charities in a year, with a focus on medical-related support since there are only a few doctors in town. At Christmastime, staff are given the opportunity to make a direct donation themselves. Depending on how business has been the past year, they're given two store credits: one to keep for themselves and one to give away to a person of their choosing in the community.

She adds that getting involved was a great way to get to know their neighbours when they were new in town. "You're given the chance to meet people and have a conversation about what you're about," says Robinson. "There's nothing like offering your help to engage people."

For Ytsma, her employees represent the frontline of her business. When they're involved in charitable events on behalf of the store, they serve as brand ambassadors for the business. But she also believes that it helps engage them in all of the store's activities.

"Engaged employees are happy employees," says Ytsma. "And happy employees give good customer service, which also brings shopper loyalty."







### GETTING BUY-IN FROM STAFF

Involving your employees in your decisions—charitable or otherwise—is a strategic business decision. When Robinson's husband had a stroke last year, the small town rallied around her. She had to take off a few months from the store to care for him, but because she had involved her employees in the yearly planning process, they were able to manage the store themselves while she focused on her family. It wasn't perfect, she admits. Sales slipped a bit, and some things just fell by the wayside, but her staff were empowered and informed enough to make important business decisions while she was away. "I don't think we could have got through it without them," she says.

Robinson adds that one especially important thing leaders must do is listen to all the different voices—not just the loudest. It's easy to assume there are two sides to a debate, but in small towns, it can be easy for the minority voices to get swept to the side. She says it's crucial to hear them out and to consider their positions. "As leaders, when we listen, really listen, that's when we gain the most," says Robinson.

Martha Konantz, president and CEO of North American Lumber, which owns 13 stores, predominantly in small towns in Saskatchewan, Manitoba, and Ontario, also believes in a collaborative approach to



leadership. "I would say what's important to me about leadership is surrounding yourself with good people and listening to the ideas of those around you," says Konantz.

To that point, Konantz says that being a leader sometimes means having to take a step back. She often delegates important decisions to her employees, especially when she knows they have a better understanding of the issue. She says that as a leader, it's important to know what you don't know. There's no weakness in admitting that your staff are more knowledgeable than you on certain topics, and it's important to recognize and encourage that.

"While it may be tough sometimes, you have to allow people to take risks and support them in their successes," she says. More importantly, she adds, you have to support them even when one of those risks doesn't translate into a success.

### SHOP LOCAL, SUPPORT LOCAL

Once you have your employees engaged, there's the matter of the rest of the community. Sexton says her company focuses on giving back within the community for



Whether donating hair for cancer patients, rappelling down the side of a building, or donating cash for a good cause, Jillian Sexton of Pictou Building Supplies believes in giving back to her community.

a very simple reason. "We want people to support us here and we feel like we're a big part of our community as a business and an employer, so I think it's only right and fair that one hand helps the other," says Sexton.

Pictou County is a region made up of five towns in close proximity with a total population of about 45,000. Sexton says it's an area well known for its charitable activities—several county residents have been recognized for their efforts.

Sexton has been involved in community initiatives since she was young, but she now tries to focus on just one big event a year. Two years ago, she rappelled off the tallest building in Halifax to raise money for Easter Seals. She was even the top fundraiser in the province.

Last year, she started an event called Snip and Share for Shawna in honour of a friend



Kim Ytsma of Alliston Home Hardware (immediate right picture, shown on the far right) believes in leading by example and being a positive force to motivate her team.



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The North American Lumber store in Esterhazy, Sask., held a “motorcycle” giveaway, just one example of their community engagement activities.

she lost to cancer in high school. Around 50 individuals came out to the event to have their hair cut to donate to a salon that makes wigs for Canadian children. “For me, that’s a rewarding event to plan,” says Sexton. “I feel like I get back as much as I put into it.”

Alliston, Ont., is an amalgamated community of 28,000. Ytsma says it’s also known for its loyal base of residents that are committed to giving back. As one of the larger businesses in Alliston, Ytsma sits on the local board of commerce and actively looks for ways to support smaller businesses in town.

“There’s something to be said about giving back,” says Ytsma. “There are just so many opportunities to get involved.” Ytsma’s store is very involved in Tree Canada, a Home Hardware-supported tree-planting organization. She says she also gets different ideas from her fellow Home dealers across the country. From filling a tub in the store with donations for the Food Bank to creative ideas for cancer-awareness month, there are a lot of opportunities to be creative in your community participation.

## JUST A PART OF THE CULTURE

And while there are definitely business benefits to getting both your store and your employees involved in the community, for all the retailers *HHIQ* spoke with, the

## LEARNING TO LEAD

Stan Burkholder is a retired retailer who has been working as an industry trainer for the last 12 years. Burkholder, originally from Blue Sky, Alta., started working in the family store when he was in Grade 6. After 25 years full-time, he bought out his father and uncle and he and his wife became majority owners. While he sold the retail side of the business in 2004, he still owns the property and leases it out as a lumberyard.

But Burkholder wasn’t ready to retire just yet. With all his years of experience, he’s been working for the Canadian Retail Building Supply Council (CRBSC) in a training capacity since 2004. His specialty is estimating, and he teaches courses on principles of yard and warehouse management. He’s also very involved in speaking in church settings and volunteering. He’s been the chairman of his local hospital foundation for 20 years and he keeps busy with other local and national charity work.

“In small towns, leadership is impressed upon you at a very young age,” says Burkholder. “It’s impressed on you that your character and what you do means more than what you say.”

He does make the distinction that a person’s motivations behind those actions are nearly as important as the actions themselves. “I learned early in life that I don’t want people to like me. Just hopefully they can respect me and what I’m trying to do. There’s a big difference between like and respect in leadership.”

And that respect should be a two-way street. Burkholder says managers should never just order staff about. He says he never gave directions to his employees without sharing his reasons. He explains that giving staff all the information empowers and involves them in the decision-making process, thereby engaging and investing them in its success.

One thing about leadership that he tries to convey to the dealers he trains is that leadership isn’t a position to be attained, but rather a process. “Leadership is always evaluating and trying to proactively manage situations. I always say, ‘Are you reading an article on leadership? What are you doing once a week, once a month, once every two months, to be proactive?’”

heart of the matter is simply that it’s the right thing to do.

Ytsma says the store’s approach to community involvement has always been “hands on.” She remembers as a girl when she and other young employees at the store would help deliver Christmas hampers to needy families in town. It was the realization of how fortunate she has been in her life that motivated her to start giving back. “There are a lot of people struggling out there,” says Ytsma. “It’s only right to try to give them a hand up.”

Konantz and North American Lumber are based in Winnipeg, with managers chosen locally to run the company’s small-town stores. Those managers are often also active community members—such as members of city council or community


associations—and will spearhead initiatives ranging from birdhouse-building days to street festivals. “You’re not out there to sell things,” says Konantz. “It’s just part of our corporate culture and part of belonging to the communities we serve.”

That desire to serve the community both inside the store and out is what sets apart independent retailers from the rest. In small towns, community engagement isn’t singularly motivated by the bottom line. It’s simply what you do.

“It’s just very important to me to give back,” says Sexton. “I think everyone will be in a position where they need assistance and I think you want to feel like you’ve put out into the world what you can. I just sleep better at night knowing I’m putting something back out there.”



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BY SIGRID FORBERG

An illustration of an iceberg floating in blue water. The iceberg is white and grey, with a sharp peak. The water is blue with white bubbles. The background is a light blue sky with a white circle.

# GROWTH, FOR THOSE WHO CAN WEATHER THE DIFFICULTIES

Universally, the leaders *HHIQ* spoke with agree that low energy prices have been the industry's biggest challenge. But after a year of turmoil, what are they forecasting for the year ahead?

**T**his time last year, industry leaders didn't have very high hopes for 2016. But they did see opportunities for resourceful and flexible retailers. As the year comes to a close, their predictions from 2015 are ringing true, while expectations for 2017 are about on par with last year's expectations.

And despite the difficulties ahead, there's an undercurrent of optimism for the future of Canada's home improvement and hardware industry—especially for independent retailers.



## TOUGH ECONOMIC CONDITIONS

The largest concern retailers collectively listed was the economic conditions in Alberta and Saskatchewan. Steve Buckle, president of Sexton Group Ltd., says those two provinces represent more than 40 percent of his buying group's purchasing volume in any given year. "That's a big part of our picture, and it's struggling greatly," says Buckle.

Buckle says one of the toughest things for his members in Ontario and British Columbia, where they are actually experiencing a good amount of growth, is diminishing margins. "The margin that our members are seeing continues to be challenged even in very good, strong marketplaces," he says. "There's just more competition out there and often the contracting firms and the home building firms are getting bigger and stronger and more demanding."

Over at Home Hardware, Terry Davis, CEO of Home Hardware, echoes Buckle's comments on the market in the Prairies. And he adds that other provinces, such as Newfoundland and Labrador, have also

being impacted by the downturn—and it's not necessarily just in

energy-reliant businesses. Anecdotally, Davis was speaking with a Home dealer in Newfoundland and Labrador who mentioned that a wedding planner had recently informed them that their business was down this year by 40 percent, due to workers losing their jobs and cancelling their wedding plans.

Tony Steier is the director of home and building supplies for Federated Co-operative Ltd. (FCL). He notes that warm temperatures and lots of rain have only added to those economic concerns in the West. "The weather has been so unusual, it has affected business differently than in the past," says Steier. In the face of these difficulties, shoppers are much more reticent to spend on items they don't consider to be necessities.

## CONSUMERS GET CHOOSY

At the store level, Davis and Steier say that sales have been impacted in the West by consumers having—or at least the sense that they have—less money to invest in things like their home. "I think it's no shocker to everybody, with the unemployment levels going the wrong way and the discretionary income with people being reduced, that it will affect our business," Steier says.

One interesting effect Davis says Home Hardware has noticed in the harder-hit areas of the country is that consumers are shopping in-store 2.3 times more often. However, sales haven't increased proportionally. "So

they're shopping more often, but the problem is that they're spending less each visit. What we think is happening is if you have a good, better, best assortment, they're moving down from the best to good or to better. So while they're still buying a barbecue, they're going with a lower-priced model and that's impacting our sales."

Steier adds that when the economy goes down, so does consumer confidence, which has a clear impact on store sales. "At the store level, obviously there are some sales that have been hurting in certain areas," he says. "However, we've been changing over our marketing programs to adjust for the economy. We've been doing a lot more consumer-focused marketing to drive business, so it's not stopping us. We're continuing to renovate even when the economy is getting tough."

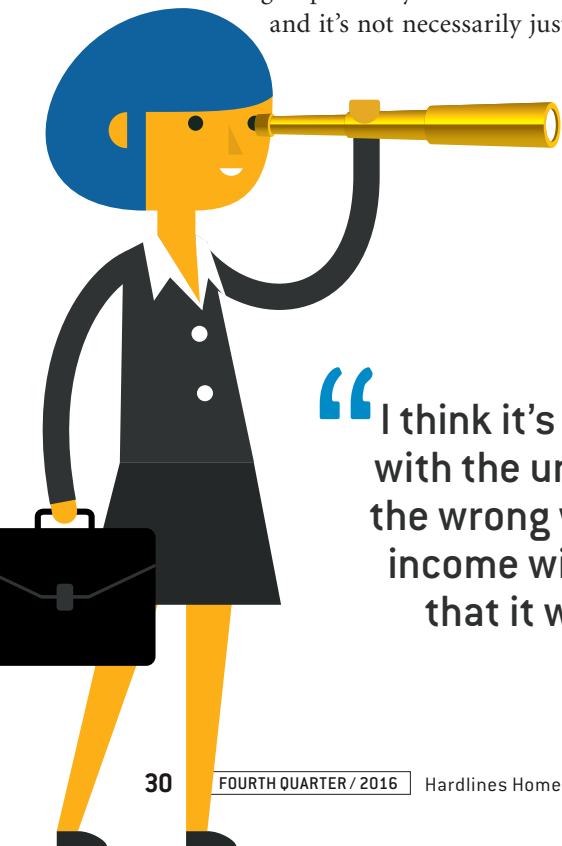
## ABOUT THE SAME FOR 2017

Davis says that he predicts more of the same low growth levels for the year to come. "I think the economy has been a huge challenge for the industry," says Davis. "We haven't seen too many economists with really positive outlooks for 2017—I do think we're in for pretty low growth."

Pascal Houle, CEO of Quebec-based BMR, echoes that sentiment. He adds that 2016 has been a year of consolidation, with the big news being the takeover of RONA by Lowe's. The increasingly smaller selection of retailers has created "its own challenges in order to remain competitive." After being acquired by La Coop fédérée in 2015, the company's focus that year was on improving its operations in an effort to maximize its dealers' success. Houle says that will remain BMR's focus heading into 2017 as he anticipates sales, decreasing margins, and increased competitiveness to be the top issues of the year.

At TIMBER MART, President Bernie Owens says his company has been working on adding building materials dealers

**“I think it's no shocker to everybody, with the unemployment levels going the wrong way and the discretionary income with people being reduced, that it will affect our business.”**



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and large commercial dealers to compensate for the softening Alberta market and uncertainty of the global economy.

Like Houle, Owens believes that one of the major challenges the industry has faced this year has been an increased consolidation. "The industry is evolving through a mass consolidation of organizations, which will see larger entities competing for the available dollar," Owens says. "Compared to this year, 2017 will present an even greater challenge for security of supply for Canadian independents as the U.S. economy rebounds."

To help stay competitive, companies are also encouraging their dealers and members to find outside-of-the-box opportunities for growth. From a head office perspective, TIMBERT MART is looking internally. "Over the past year, we've recalibrated our business model to increase our organizational efficiency, to become better, faster, and lower-cost," says Owens.

At Home Hardware, Davis says they'll be focusing on productivity, especially when it comes to inventory management. "If you turn your inventory well, you will be a more profitable store," says Davis. "The correlation is very direct. If you don't turn that inventory, we see it very clearly when we analyze the financial statements."

And at Sexton Group, Buckle says head office is working hard on advocating for its members to get the best prices possible from vendors, or to resolve any issues retailers may face in those dealings. This year, the company also did an overhaul of its IT system, investing in technology that will help its members access and make use of information they need.

"It's not market-facing, but it's about getting ourselves ready for more complex organizations," says Buckle. "There's a lot of consolidation going on amongst independent retailers, and as they get bigger, they tend to have their own IT systems and we've invested in our system to be able to



**BILL MORRISON**  
Divisional vice president,  
Lowe's Canada-responsible for Ace



**PASCAL HOULE**  
CEO, Groupe BMR



**TONY STEIER**  
Director of home and building supplies,  
Federated Co-operative Ltd.



**BERNIE OWENS**  
President, TIMBER MART

be more internally effective at meeting their needs. I think that is a pretty big piece of the efficiencies that, as a buying group, we need to be bringing to our members."

### INCREASING CONSOLIDATION

For Bill Morrison, divisional vice president of Lowe's Canada responsible for Ace Canada, constant change within the industry has become the "new normal." While Morrison knows there will be a few challenges in the year ahead, including the economy, and the changing workforce demographic, he's optimistic about 2017.

"We believe the industry as a whole will have an exciting and record-breaking year," he says. But the factors that will dictate that success will be most dependent on external factors, such as U.S. interest rates and the

rising costs of housing, which has already moved beyond the reach of many Canadians.

For Ace dealers specifically, however, there certainly has been some excitement this past year, which includes the banner being licensed by Lowe's in Canada. Morrison says 2016 has generally been a good year for them, with strong growth in seasonal products, new renovation categories, and Ace private-label product introductions. Lowe's executives have expressed their commitment to RONA and Ace.

"Dealers understand that the new direction is positive and that they are now part of something 'bigger' and are looking forward to new opportunities," says Morrison.

Sylvain Prud'homme, president and CEO of Lowe's Canada, says that Lowe's is looking forward to being able to





**STEVE BUCKLE**  
President, Sexton Group Ltd.



**SYLVAIN PRUD'HOMME**  
President and CEO, Lowe's Canada



**TERRY DAVIS**  
CEO, Home Hardware Stores Ltd.

offer Ace dealers those opportunities. Representatives from Lowe's head office met with Ace executives in the early days of the RONA acquisition, and Prud'homme also attended RONA's fall dealer show in an effort to reinforce Lowe's plans to continue operating the multiple formats of RONA's business. "Ace is a network that we strongly believe in and that we are committed to," says Prud'homme.

At the RONA show, he also revealed the company's operating strategy going forward. Lowe's would now be categorized into four business units, each representing a different market segment Lowe's serves. "We have adopted a new operating model with the aim to make us the number-one choice of Canadians for all their home improvement needs in all of our markets," says Prud'homme.

### THE BATTLE FOR MARKET SHARE

There's no doubt that breaking into the Quebec market has been top of mind for Lowe's since shortly after it entered the Canadian marketplace close to a decade ago. When developing a strategy to increase their market share in Canada, Lowe's (and its competitors) can't overlook the province that accounts for nearly a quarter of the country's population. Acquiring RONA has been an excellent way for Lowe's to get its foot in the door.

Home Hardware has been open about its efforts to expand in Quebec, as well. "I don't think it's a secret that Quebec is going to be a priority for us," says Davis. "It represents 24 percent of Canada's population and we really only get about six percent of our sales there to date. So we've got a lot of room to grow in Quebec."

“ I would imagine there are a lot of dealers, whether they're with Castle or TIMBER MART or Home Hardware, they feel good about being with a Canadian company. ”

Davis does admit that Home has been growing its presence in Quebec quite a bit in a relatively short period of time. But compared to the company's penetration in other provinces, there's still a lot of room to grow. Davis also sees opportunity for Home Hardware amidst the RONA acquisition. Home hopes to capitalize on its status as a Canadian-owned and operated banner to pick up dealers that may be looking to convert.

"Being Canadian-owned and operated is a real point of pride for our dealers," says Davis. "I would imagine there are a lot of dealers, whether they're with Castle or TIMBER MART or Home Hardware, they feel good about being with a Canadian company."

And of course in Quebec, there's Groupe BMR, which just recently joined the Independent Lumber Dealer's Co-operative (ILDC), Canada's largest buying group. BMR lays claim to being the largest hardware retailer in the province held exclusively by Quebec interests, and the company is doing everything it can to keep its

edge in that marketplace. But other Quebec retailers, like Patrick Morin and Canac, are also developing their own aggressive expansion plans.

"We're all going to have to be out there, fighting for every dollar that shoppers have," says Davis.

### INCREASING WEB PRESENCE

While the outlook for 2017 may seem grim for bricks-and-mortar retailers, for those that have delved into the world of e-commerce, there is a silver lining. Not only does online retail provide access to shoppers who may normally not make it into your store, but it's also a convenient way for regular shoppers to peruse their options and make

decisions before a visit. Some retailers are finding that rather than being a threat to their in-store sales, beefing up their online presence has only benefited that aspect of the business.

"Online sales do not translate into a decrease in in-store sales," says Prud'homme. "Actually, in the past three years in Canada, with an increase of e-commerce sales, we have experienced growing traffic in stores."

Customers like the convenience of online shopping, but most still view seeing products in person and receiving expert advice as an important part of the process of making a decision about their home. "With a bathroom renovation project for instance, consumers may initiate a project on the internet—for example, to choose the bathtub, mirror, or sink," says Prud'homme. "Afterwards, they will visit a store to validate their choice and discuss with specialists on-site in order to get advice. That's why our e-commerce platform will not empty our stores; it's quite the opposite."

Davis says Home Hardware's e-commerce site is booming. In fact, he says between June 2015 and June 2016, Home's e-commerce sales were up 32 percent. The average number of items in an online order increased from 2.5 to 2.7, and the average basket size went up from \$123 to \$130. "We're very happy with that," says Davis. "An average transaction from a person walking into the typical hardware store, they don't spend \$130 on a shopping trip, but online, they do." While the company now provides delivery to store, it plans to start shipping to home next year as well.

If there's one thing all the industry leaders *HHIQ* spoke with for this article can agree on, it's that e-commerce and a robust web presence have become more than just a "nice to have." Customers have come to expect when they go to search your business online that they can find all the information

they need—including location and hours, product offerings, and pricing. Not having that easily accessible can mean losing out on business.

"For our dealers, having an online presence has become crucial," says Houle. "New generations have completely integrated the internet into their shopping habits. Customers want to shop around online in the comfort of their own home and seek their loved ones' opinion before they actually make a purchase."

### THE INDEPENDENT'S ADVANTAGE

Despite the increased competition, consolidation, and economic strain on the industry, there's one other baked-in advantage independent retailers have—their role in the community. Whether it be through sponsoring local sports teams, hosting community events, or participating in local politics, independent retailers are often some of the most engaged members in town.

"It always strikes me that they're not just selling 2x4s or sheets of drywall, but they're a part of the fabric of their community and they do an awful lot more for their community than a chain would do," says Buckle, who spends a great deal of his time traveling and visiting independent retailers of all sizes in all kinds of different markets.

And that placement in their communities also means independent retailers know firsthand what their shoppers—who are often their neighbours and friends—need and they can be flexible when those needs change.

"Independents, they can turn on a dime," says Davis. "Ultimately, first and foremost, independent retailers are entrepreneurs. They know how to look after customers and make money doing it. Any independent with any banner is going to do whatever it takes to look after their customer—they'll go out of their way to address that need."

In the long run, there's a lot of optimism about the future of the home improvement industry in Canada, especially for those retailers that are focused on their customer and creating the kind of omnichannel shopping experience customers demand.

There are still lots of growth opportunities for those independent entrepreneurs Davis refers to. And when it comes to weathering the tough times, the leaders agree unanimously that being independent doesn't mean that you have to stand alone.

"Canadian independents in our industry still represent over 50 percent of the market, and by belonging to and being supported by a buying group, they'll be in a position to compete and grow their market share," says Owens. "The independents who buy right—through their group—sell right, and strive to out-service their competitors will grow and thrive."

**“For our dealers, having an online presence has become crucial. New generations have completely integrated the internet into their shopping habits.”**



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Pike's Building Centre,  
Burin Bay Arm, NL

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# HARDLINES CONFERENCE TACKLES CHALLENGES FACING HOME IMPROVEMENT RETAILERS

The 21st annual Hardlines Conference will bring together leaders from across the field of retail to a new location in Niagara Falls, Ont., to weigh in on emerging trends, best practices told from their own experiences, and where they see the future of retail headed.

**D**rawing on this year's theme "Renovating the Art of Retail," the 2016 Hardlines Conference speaker line-up is chock-full of innovators, retail leaders, and branding experts. It takes place October 18 to 19 at the Sheraton on the Falls hotel in Niagara Falls, Ont.

On the first day, audience members will hear from Jay Heubner, President and General Manager of Ace International Holdings about how the company has built a reputation as being the helpful hardware brand and how Ace equips its dealers to deliver on that promise, as well as how they'll continue to do that within the shifting Canadian market.

On the retail side, Nicolas Couture, now the third generation of his family to work for Gabriel Couture & Fils Ltée, will tell the story of how the business grew from a modest shop with five employees to 50 employees and four locations. Dustin Kaehr, a retail motivator, formerly with Do it Best, will then provide insights into how all stores can experience such growth—by simply keeping customer experience top of mind.

Audience favourites Aron Gampel, vice president and deputy chief economist with Scotiabank, and Ibrahim Ibrahim, managing director of U.K.-based Portland, will be back this year to offer their predictions on the year ahead for the economy and the future of retail, respectively.

On day two, delegates will learn about how to improve their retail experience. Sumit Srivastava from eBay Canada and Al Meyers of Kalypso will weigh in on the importance of ecommerce and how retailers can deliver the omnichannel experience consumers have



Sean Copeland



Ibrahim Ibrahim

This year's conference will bring back audience favourites Aron Gampel and Ibrahim Ibrahim, while bringing in new voices like Sean Copeland and Sumit Srivastava, and will consult with Orgill President and CEO Ron Beal.



Sumit Srivastava



Ron Beal



Aron Gampel

come to expect. Drawing on brand-new data sponsored by HARDLINES, Sean Copeland from the Parent Life Network will give us the scoop on how retailers can cater to the growing millennial demographic, from brands to shopping habits.

Finally, you won't want to miss Ron Beal, Orgill's President and CEO, update the audience on the company's presence in Canada and its next steps.

Emceed by Mag Ruffman, acclaimed television personality of Road to Avonlea and ToolGirl fame, and located in the heart of Niagara Falls, Ont., the 21st annual Hardlines Conference promises to be equal parts fun, thought-provoking, and educational.

For more information on the conference and the full agenda, visit [www.hardlines.ca/events/hardlines-conference](http://www.hardlines.ca/events/hardlines-conference).



Tony Steier, FCL's director Home and Building Supplies, Grant Wicks, general manager of Saskatoon Co-op, and Ron Healey, FCL's associate vice-president Ag and Home, announced the donation of 400 cans of paint for Fort McMurray residents.

## INDUSTRY RALLIES AROUND FORT MCMURRAY COMMUNITY

Help for residents of the Alberta town has come in a variety of ways as the cleanup process continues.

**F**or residents of Fort McMurray, it's a long road to getting back to normal. Although they've been allowed back into the community for months now, many weren't able to get back into their homes for weeks and months after that, and some are still displaced, waiting for homes to be rebuilt.

Corey Funk, the general manager of Spruceland Lumber, says he and his staff all live in the area and were all impacted by the evacuation. Some came back to find their homes mostly intact, while others faced total destruction. When Funk got back to town, the store was temporarily reopened, but because the building smelled like smoke, it had to be closed again to ensure it was free of toxins.

From helping staff evacuation centres, donating items for evacuees, and helping get residents get settled back in town, Funk says the help they've received hasn't gone unnoticed.

"The cleanup is a process, and it's just getting started," says Funk. "But the Red Cross and people from across the country have really come through for individuals

coming back that have suffered losses or don't have any accommodations—that's been the greatest support."

### INDUSTRY REACHES OUT

The effort to help Fort McMurray residents rebuild their homes and community received a colourful boost from Federated Co-operatives Limited this summer. FCL donated 400 cans of paint to restore buildings that were damaged or being rebuilt.

"Co-op is fundamentally committed to serving and caring for Western Canadian communities—it's part of our identity," Ron Healey, associate vice-president, Ag and Home, said when the donation was announced. "We're glad that we can play a small part in helping Fort McMurray."


The donation was made at the Saskatoon Co-op Home Centre on Circle Drive. To celebrate the donation, representatives from FCL, Saskatoon Co-op, and the mayor of Saskatoon began painting a mural and writing messages of encouragement to Fort McMurray. Saskatoon residents were invited to help paint the mural and send

their own messages throughout the week. "Most people in Western Canada have a connection with Fort McMurray through friends or family. I believe we are all looking for an opportunity to provide support to that community," said Grant Wicks, general manager of Saskatoon Co-op.

### SHOPPERS GET INVOLVED, TOO

The mural and messages were applied to the semi-trailer that delivers the paint donation. The trailer also made stops at Co-op home centres in North Battleford, Sask., Stony Plain, Alta., and St. Paul, Alta., over the summer. Residents of those communities were able to help complete the painting and send messages from their communities to Fort McMurray.

This donation was made from the new Co-op Communities in Full Colour program. Through this new program, more than \$400,000 worth of Co-op paint will be donated annually to community projects. Local community groups can apply for a paint donation at their local Co-op home centre.

In addition to the paint initiative, FCL, its co-ops, their members, and customers donated more than \$400,000 at their local co-ops to Red Cross efforts. Local retail co-ops across Western Canada have given more than \$160,000, and FCL has provided \$100,000 directly to the Red Cross relief efforts in Fort McMurray. 

BY GEOFFREY McLARNEY

# FROM EARTHY TONES TO ECO FRIENDLY

The hottest paint colours in 2017 will include something for everybody, with neutral shades continuing to be popular, but complemented by bolder tones.



This year's neutral earth tones from BEHR have a mineral-like finish.

**T**he popularity of grey shows no signs of letting up: as Erika Woelfel, VP for Colour and Creative Services at Behr Paint, puts it, it has “become the ‘it’ colour of interior design” in recent years. Woelfel attributes that popularity to grey’s versatility. “The beauty of grey is that it can really span the entire spectrum,” she explains, “from light to dark, cool to warm and muted to bold.” In the fall, she adds, we will see grey becoming “less of a neutral and more of a statement hue.”

Neutrals are still going strong, however, in the form of earth tones. “Historically,

earthy neutrals have had warmer undertones to help keep space from feeling too cold or stark,” Woelfel explains, “but this year we’re seeing these colours undergo a transformation. The new neutral earth tones are viewed through a slightly misty filter and evoke an almost mineral-like finish.” Fall leaves also provide the inspiration for warm reds, oranges, and yellows, “a great substitute for the brighter but more cool-toned colours we reach for in summer.” Standing apart among the trends is dusky rose-pink, for a feminine but versatile touch.

Bev Bell, from Home Hardware’s Beauti-Tone line, agrees that greys are “still popular”, but adds she thinks “we’ll see browns and taupes leading the way, especially with gold being such a big accent. You’d be surprised what’s turning gold and brass,” she says, pointing to the return of gold in taps. The colour of the year being rolled out at Home Hardware’s Fall Market is called “You Look Mauvelous,” which Bell describes as a grey mauve, but it’s just one of 35 trend colours Beauti-Tone has identified for the coming year. “Right now, we have





The colour cafes in Home Hardware locations are a fun way to make choosing a paint colour more engaging for customers.



Laurentide Paint's Boomerang collection, which recycles unused paints, is an eco- and budget-friendly option.



Beauti-Tone's colour of the year is a grey mauve, responding to a demand for "warm and sophisticated" tones from consumers.

a sense of needing to be grounded," she says, leading to a demand for "warm and sophisticated" tones.

But colour and brand make up only part of the equation. How do manufacturers distinguish themselves in their marketing? As Bell says, "choosing a paint is a very emotional, personal thing. What we want to do is give the best experience to the customer so it's not a chore." Beauti-Tone tries to make the experience fun with its "colour cafés," complete with "baristas serving up delicious colours," Bell explains. All in all, the vendor walks

the customer through a total of 10 steps of visioning and selecting a colour, "so they're not surprised when it's on the wall."

Like Bev Bell, BEHR's Erika Woelfel also stresses process: "With any new collection, our goal is to make the colour selection process simpler." Instead of naming a single "colour of the year," BEHR opts to issue a collection of 20 hues, encouraging buyers to mix and match between their three themes to create their own palettes. The result is a colour scheme as personalized as the home space itself.

## RECYCLED PAINT SAVES WASTE, BUDGETS

At Laurentide Paint, the Boomerang collection presents special marketing challenges. The line of recycled paints was originally acquired from Norman Maurice, a retired school principal in Victoriaville, Que., who developed a technique for making eco-friendly paints low in volatile organic compounds by remixing discarded returns with just one percent new paint. Isabelle Huot, sales and marketing co-ordinator at Laurentide Re-sources, explains that marketing involves informing the customer. "Recycled paint isn't 'virgin' paint, so people often need to be educated, otherwise they're afraid to buy it." Consumers unfamiliar with the concept might, for instance, think it's going to be "dirty" paint, she says.

The education pays off, however. "We've been doing two consumer shows a year, spring and fall. Now people know what it is." And the values are hard to beat. Boomerang gets paint from Benjamin Moore and Sico, even old Boomerang paint returning to create a third generation. Because the "raw" material is already paint, overhead is cut dramatically. Returned paint is often high quality: "if you have a lower budget for paint, you're more likely to use all of it."



# MAKING THE MOST OF YOUR SMALL SPACE

**Many small LBM dealers with storefronts steer away from the hardware side of business because they can't compete with big box stores or large home centres. And it's true. They can't compete—and they shouldn't try.**

BY ROB WILBRINK

**W**hat smaller dealers can do is better serve the needs of their existing customers by broadening their offerings to include products those customers use most. Doing this will not only increase loyalty, it will also attract more of that type of customer—the ones they can serve better than anyone else.

The way to do this is to add limited categories of products that these customers (normally contractors) use regularly. The objective is to be a reliable supplier of these products, along with the LBM side. By stocking enough depth and breadth of inventory in these categories, the trade customer doesn't need to shop anywhere else and can go directly to their jobsite.

Forget décor categories, seasonal products, and even power tools. Focus instead on the products that contractors need every day and don't need their own customers' help to select: nails and fasteners, adhesives, drywall accessories, rough plumbing and electrical, heat and vent, structural hardware, roofing accessories, waterproofing products, power tool accessories, basic hand tools, paint sundries, contractor garbage bags, shims, etc.

At a recent trade show, we set up an 800-square-foot store for one of the buying groups with excellent assortments of these types of products—all great add-on sales for busy contractors ordering or picking up lumber and building materials. We went to nine feet around the perimeter, which accommodated two feet of overhead storage and six feet on the inside. The total invest-


ment for this type of setup at the time was about \$50,000, including inventory.

When merchandising small spaces, it's still important to leave enough room for customers to move around comfortably. That means four-foot aisles where possible, no product blocking aisles, and adequate space around the service desk.

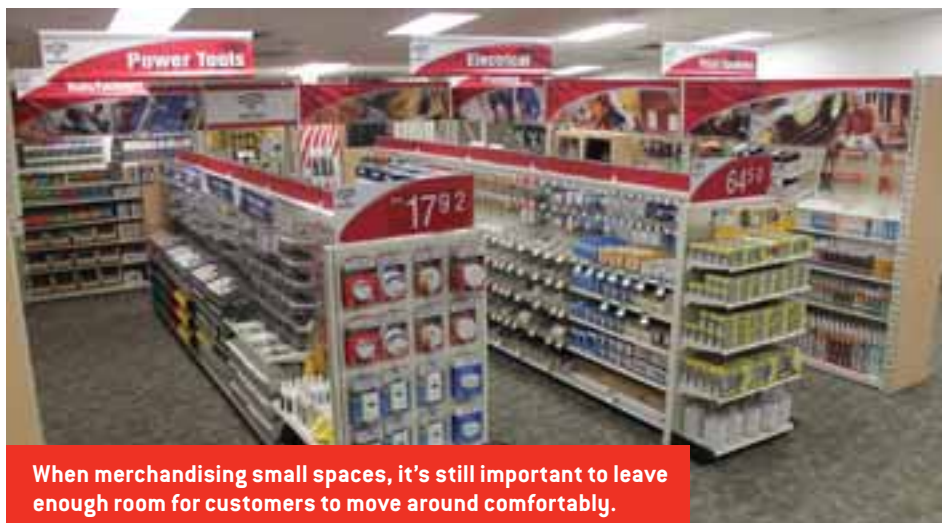
Service desks will need to be close to the entrance for security since many stores can't often justify a separate cash station. However, they shouldn't block traffic by being placed right in front of the entrance and should instead be off to the side so customers are still drawn into the merchandised areas before hitting the desk.

Though counter-intuitive, it makes sense to use longer peg hooks and, for some categories, deeper shelves to reduce the number of facings needed to have adequate depth of stock. Slower-moving items can be faced

up using inventory control clips. Shelving with overhead storage around the perimeter of a small store also helps to keep fill rates high and avoids the need for cumbersome backroom stock. Shallow (six-inch deep) end caps can provide valuable merchandising space for products that can be pegged. Finally, don't forget the service desk, which is increasingly being used to merchandise products by setting back the front face under the countertop to create shelves or pegboard space.

For most dealers with small showrooms, the best way to compete with larger competitors is not to compete for their customers, but rather to focus on selling a broader range of products of your own. Stock the products your customers would need to buy somewhere else if they couldn't get them from you. Do this well and you won't just sell more of the products you add, but also more of the products you've always carried. 

*Rob Wilbrink is the president and CEO of Burlington Merchandising and Fixtures (BMF). BMF provides a full range of services for independent dealers, including category strategy development, store layout and design, assortment planning, project management, design, supply and installation of store fixturing and signage, carpentry, and merchandising.*



**When merchandising small spaces, it's still important to leave enough room for customers to move around comfortably.**



# Gettin down to Business



## SCHEDULE OF EVENTS

Wednesday, January 18

Opening Night Reception

7:00PM - 11:00PM

3 Floor Ballroom, Hyatt Regency

January 18 - 20, 2017

Calgary, AB

Thursday, January 19

Show Opens: 8:00AM - 4:30PM

AGM: 12:00PM - 1:00PM

No Evening Event

Friday, January 20

Speaker Breakfast: 8:00AM - 9:00AM

Show Opens: 9:00AM - 3:30PM

Closing Night Party

Industry Achievement Recipient

Attendance Draw ~ \$2,000 Travel Voucher

7:00PM - 11:00PM ~ BMO Centre

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# THE CANADIAN RETAIL BUILDING SUPPLY COUNCIL MOVES FORWARD WITH INCORPORATION

**Your regional associations are formalizing their relationship under the banner of the CRBSC to better represent you nationally. Here's what you need to know.**

**T**he CRBSC plans to move forward with incorporation of its national entity and introduce an office in Ottawa. The five associations—Atlantic Building Supply Dealers Association (ABSDA), Association Québécoise de la quincaillerie et des matériaux de construction (AQMAT), the Lumber and Building Materials Association of Ontario (LBMAO), Western Retail Lumber Association (WRLA), and Building Supply Industry Association of B.C., (BSIA)—have a long and successful history of representing their members regionally. In the early '60s, the regional groups created an informal council made up of the association executives and senior board members. The council members meet in person annually and frequently hold conference calls to develop positions of interest to their members on a national basis.

Since then, through the CRBSC, the associations have presented their positions on national topics such as housing and the Home Renovation Tax Credit to the Standing Committee on Finance for pre-budget consultations.

After consultations and encouragement from many of its members—both supplier and retailer—the member associations have made the commitment to become a stronger voice for this industry. To facilitate this new direction, it was determined that to ensure a more robust national presence the CRBSC must do the following:

1. Incorporate as a not-for-profit association.
2. Maintain a physical presence in Ottawa to better manage communication between the CRBSC and its members.



**The CRBSC's founding general assembly will take place following the upcoming Hardlines Conference in Niagara Falls, Ont., on October 19.**

3. Through surveys and other communication tools, develop positions on topics of interest for their members, to be presented to their elected representatives, either during the course of the elected parties' term or during federal election campaigns.
4. Continue representing each individual association's members on a regional basis, to ensure provincial and territorial government compliance issues are handled appropriately, as the CRBSC recognizes they are very much an important factor in their members' day-to-day business environment.

The process of strengthening the CRBSC is ongoing. We wish to communicate to the home improvement industry that the five associations recognize that they—on behalf of their members—represent a very large and valuable contribution to

the national GDP. Home improvement retailers and their key suppliers are in many cases major employers in the communities they serve and reflect the true entrepreneurial spirit of the independent business community.

Through this more focused approach to representing their members on those critical issues that affect not only their own businesses, but also the health of the economy, the CRBSC will truly become a stronger and more effective voice of the home improvement industry.

The CRBSC's founding general assembly will take place following the upcoming Hardlines Conference in Niagara Falls, Ont., on October 19.

For more information on these changes, please contact your regional association or Richard Darveau, CRBSC chairman, at [rdarveau@aqmat.org](mailto:rdarveau@aqmat.org).

# OVER 6-MILLION CANADIAN MILLENNIALS ARE SHOPPING FOR HOME IMPROVEMENT PRODUCTS

**7**  
in  
**10** Millennials are searching online for home improvement projects before starting their own

**1**  
in  
**5** Millennials are most often buying home improvement products online

**1**  
in  
**2** Millennials are checking their Smartphones often while shopping for home improvement products



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While finding time to train employees can prove to be a challenge, it's widely recognized as a must for retailers.

# IS EMPLOYEE TRAINING A PRIORITY OR A PAIN?

BY JOHN CAULFIELD

Getting associates involved in their development—and finding time to train—are real challenges, say dealers.

**M**ike Doyle requires all hires at The Home Improvement Warehouse Ltd., the 50,000-square-foot store in Calgary that he's owned for 11 years, to complete the National Retail Hardware Association (NRHA)'s primary level of online education courses within their first 90 days on the job.

Once done (on their own time), Doyle awards them \$500. He's offered \$1,000 more to any worker who completes NRHA's next course level. Over the past five years, he's paid out that amount only once.

"I have to kick and scream just to get them to do the first level; it's like pulling teeth," says the 49-year-old Doyle.

Sound familiar? The stigma of retailing as a career cul-de-sac makes it difficult for home-improvement dealers to get employees enthused about going above and beyond for what many consider to be little more than a paycheck.

But dealers who, in survey after survey, rank training and education as "musts," share some blame for their workers' indifference when they put training on the shelf if it means pulling them off the sales floor. (That's why most dealers train workers during slower winter months.)

Test how serious you are about employee training by answering three questions:

## 1. IS TRAINING EMBEDDED IN YOUR COMPANY'S DNA?

Ray Cyr admits that training at Fraser Valley Building Supplies in Mission, B.C., where he's president and partner, was "ad hoc" until a year ago, when he hired its first human resources manager, Teri Ridley, fresh out of the University of Northern British Columbia, where she earned degrees in human resources and marketing. "We were looking for a fresh perspective," says Cyr.

Ridley recently developed a "new hire" package that includes training procedures, and takes into account the hire's experience level. That package arrived as Cyr is



working on expanding through acquisition. Fraser Valley is also devising job-specific training programs with an eye toward identifying and cultivating the top 10 percent among its 140 employees. “As a growing company, bench strength is critical.”

For the past eight years, Victoria Cook has been training manager at Annapolis Home Hardware Building Centre in Nova Scotia. Cook, who has a teaching degree, has been instrumental in formalizing job descriptions and a training manual. While new hires get classroom training on safety and computers, Cook gets them onto the sales floor as quickly as possible, shadowing experienced employees for a week or two.

Rob Lawrie, who owns both Annapolis and Meteghan Home Hardware Building Centre, 100 kilometres away, adds that employee training is always conducted during working hours. “Otherwise, it wouldn’t get done.” His company uses its seasoned staffers (including he and his wife Joanne) as instructors. And every quarter, different employees are assigned to deliver “show and tells” that explain the benefits and features of new products to their co-workers.

## 2. ARE YOU USING ALL OF THE RESOURCES AT YOUR DISPOSAL?

It goes without saying that a growing number of employees are more comfortable with online learning.

Peace River Home Hardware Building Centre in northern Alberta, which is part of C.A. Fischer Lumber, requires new employees to take Home Hardware’s online safety program during their first week on the job. The two-day process covers personal protection, MSDS, dangerous goods transportation, and even how to lift certain materials.

Peace River is nearly 500 kilometres from Edmonton, so it’s tough for Larry Bench, the store’s GM, to get vendors or experts to come to his location to conduct a few hours of training for his 35 employees. Bench relies on senior-level associates to provide training that



The WRLA is thinking about adding an educational third day for its NexGEN group, a networking event for its members under 40 years old.

is supplemented by Home Hardware’s online Expert Zone training portal, which offers 200-plus courses that cover a wide range of topics for both management and staff.

Across the buying group’s national membership, usage of Expert Zone—of which NRHA courses are an important component—nearly doubled in the last year, says Jacquie Cressman, eLearning co-ordinator for retail education and communications for Home Hardware Stores.

The territory the Western Retail Lumber Association (WRLA) serves is vast and it can be hard for trainers to access members in the far-flung towns where they operate. And getting those members to travel to the association’s Winnipeg headquarters for educational programs can be “logistically tricky,” says Krista Scherpenzeel, its projects and events manager. As a result, turnout lately has been dwindling. So WRLA is partnering with BaseCorp Learning Systems to develop more online courses that broaden access for its membership.

Vendors continue to play important roles in dealer training. WRLA also partners with Cervus, a national forklift supplier that offers equipment operations training (with discounts for WRLA members). For more than a decade, Edmonton-based All Weather Windows has offered training through its AWW University, a two-day course that

covers the company’s history, a plant tour, in-depth product knowledge and customer service, and information about installation, warranties, and building codes.

About 150 dealers enroll each year, and All Weather is now developing advanced courses that dig deeper into topics.

## 3. DO YOU KNOW WHAT DRIVES YOUR EMPLOYEES?

In 2014, WRLA launched NexGEN, a networking event for its members under 40 years old, which the association is now thinking about adding as an educational third day to its trade show. Doyle, WRLA’s past chairman, was involved in that launch, and he’s trying out a version of it at his store that combines education and networking for his staff and customers.

Doyle accepts that owners like him need better information on what motivates younger employees and keeps them in the fold. It’s not just about money, either; employees, he thinks, crave structure, mentors, and a “cultural” thread to hold onto. “When we really engage with our people, we definitely get positive results.”

Doyle hopes that his 23-year-old daughter, Alycia, the company’s director of sales, might serve as a role model for other millennial staffers. “She’s focused, and understands that retailing is hard.”

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

# ARE YOU READY FOR 2017?



**Now's the time to start thinking about your business plan for the coming year. We cannot over-emphasize the importance of having such a plan. Here's a straightforward guide to help you get a head start on your budget and goals for 2017.**

**F**irst, you'll want to get your key managers involved and give your employees the opportunity to suggest changes they'd like to see—it will help them feel the importance of meeting your targets. Then, make sure that any changes you decide to follow through with can be adjusted up and down based on costs so that your business can produce the results you require for your overhead and bottom line results.

## **NOW, ASK YOURSELF SOME IMPORTANT QUESTIONS**

- 1) What is going to affect your business in 2017?
- 2) What is changing in the industry?
- 3) What changes must you make to improve the consumer experience in your retail environment?
- 4) Where and what are the growth opportunities for your business or changes that could negatively affect your business? Do

a competitive analysis on your competitors to look for opportunities.

- 5) What is the return on investment (ROI) you require on your money invested? Companies must earn an adequate return for their investor. Minimum should be 10 percent with a 20 percent target.
- 6) What will it take to grow your business by 10 percent next year? The industry average without major changes has been zero to three percent for the last five to eight years.

## KEY PROFITABILITY AND PRODUCTIVITY MEASUREMENTS

	LUMBER OUTLETS		
	Typical*	High Profit*	Canada**
Gross Margin After Rebate	26.2%	23.2%	21 - 35%
Operating Expenses including payroll	24.5%	20.1%	23 - 27%
Total Payroll***	15.5%	13.2%	9.0 - 22%
Inventory Turnover	4.6x	7.5x	2.5 - 4.6x
Average Collection Period (Days)	50.3	22.1	63 - 65
Sales per Full Time Equivalent Employee	\$315,556	\$344,380	
Sales per Customer	\$105	\$167	\$55 - \$150
Consumer Sales	13%	23%	10 - 60%
Return on Assets (Pre Tax)	6.1%	15.5%	
Return on Net Worth (Pre Tax) (owners' equity)	8.2%	25.0%	4.4 - 17.4%
Profit Before Taxes	2.2%	3.4%	

\*The industry average numbers shown are from the NRHA Cost of Doing Business Survey 2015.

\*\* Canadian numbers have been gathered from retailers showing ranges that we have received.

\*\*\* See note above; Lumber outlets moving to Wages / Gross Margin dollars, a typical outlet runs 45 to 47 percent, with high profit retailers coming in at 42 percent.

7) If you're planning for your retirement, stores that are growing and profitable are much easier to sell.

8) This is also the time to think about succession planning.

A SWOT analysis on some of these questions will assist you on your planning.

## THEN, LOOK AT THE NUMBERS

Forecast your sales for 2017. The *Hardlines Retail Report* showed that in 2015, the industry was up two percent, with the majority of the increase coming from the big boxes and Canadian Tire. If you've been averaging one to two percent annual growth, unless you've found ways to cut costs, your bottom line has probably suffered. Is this the time to budget for real growth?

Forecast your gross margin and rebates. This number can and will vary depending on the percentage of lumber sold. Review each category to see how they compare to other years. Look for opportunities to increase margin—every one percent will impact your earnings.

Total payroll costs and sales per full-time equivalent employee should be in the \$300,000 range. Total payroll including

owner's salary and benefits should range from 13 to 16 percent. Many lumber outlets with lower margins have moved their calculation from percentage of sales to wages/gross margin dollars, with a typical outlet running 45 to 47 percent, with high profit running at 42 percent. If they're higher than 50 percent, they're struggling to be profitable.

Operating expenses, including payroll, should be in the range of 20 to 25 percent. With the exception of payroll costs, it's difficult to reduce costs. Review other costs—this is often a bottomless pit where miscellaneous expenses get lost.

When it comes to your return on net worth pre-tax, your business should earn an adequate return to satisfy your needs. A good target is a 20 percent return on net worth and the minimum should be 10 percent. For those thinking of selling or succession, your budget should be 20 percent or higher.

## FINALLY, WRITE YOUR PLAN


Sales increases: can it be 10 percent? If so, how are you going to reach that target? This type of increase comes from store expansion, new categories, new services such as installed sales, new sales from online, or

taking customers from your competition. Your key managers, major distributor, or buying group should have some ideas for growing your business.

Gross margin after rebate: how can you increase by one percent? This is tough in today's competitive marketplace. An area that can help is using the employee sales training programs from the North American Retail Hardware Association. These can help your staff develop the ability to step-up-sell, gain add-on sales, and selling the complete project. Variable pricing will also help.

Payroll costs must be in line: if you had an increase in minimum wage this year and didn't react to your other employees, you'll have an increase to budget for. If you've been cutting staff and hours for the past years, you probably have no room to cut further without damaging your customer service, which is key to gaining sales.

## DON'T FORGET TO FOLLOW UP

These are the key areas for improving your bottom line. Year-end budgeting and planning is a process that many put off but should be mandatory to help run your business. It works if you follow up monthly with financial reports to measure against your objectives and adjust to make certain you hit the bottom line required in today's business environment. You and your management team should monitor the results at least monthly on your budget and check also that you are also making progress on your business plan. If you're not achieving, what steps do you take? Watch for our article in the next edition of *HHIQ* for following these plans. 



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



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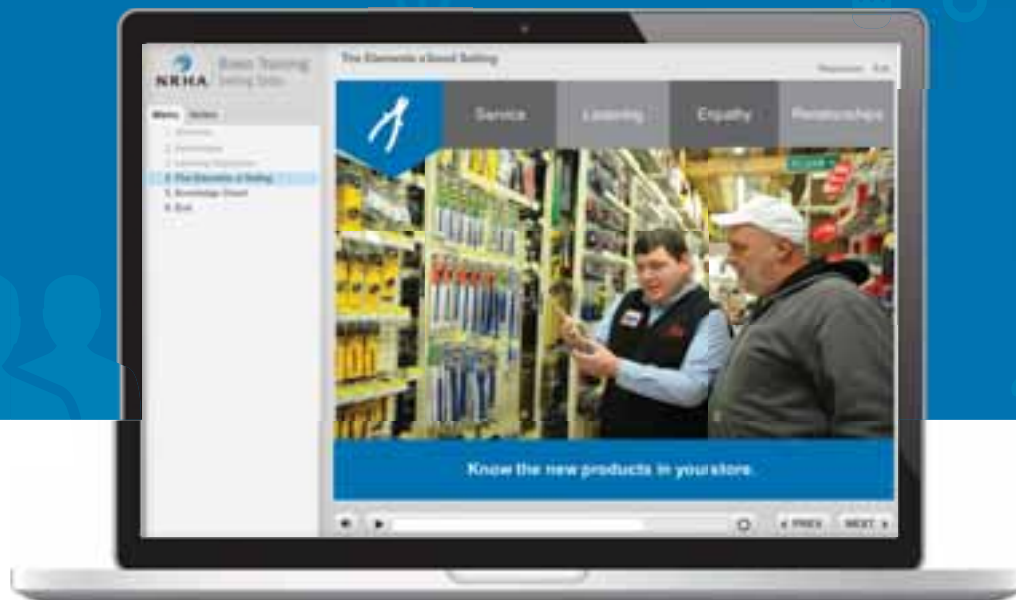
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**This course is available on [www.nrha.org](http://www.nrha.org) for NRHA members. Not a member? Contact Kamille Stokes at 317-275-9419 to join today!**

# FAMILY BUSINESS FINDS PERFECT FORMULA FOR LONGEVITY

BY GEOFFREY McLARNEY

**Tuckey Home Hardware in London, Ont., is one of Home Hardware's founding stores, and is still in the Tuckey family's hands after 70 years. Today, the Tuckeys continue to improve the retail experience for their shoppers.**

**O**wner Dave Tuckey has followed in the footsteps of his father and grandfather running the store in London's historic Old South. For years, he saw sales increase by five to 10 percent, but in the last couple of years they began to level off. For Tuckey, there was no choice but to spend money to make money. He has now overseen a major expansion of the store, almost doubling its footprint to 11,000 square feet, including 8,000 square feet of retail space.

In taking on this expansion, the store faced a challenge most don't. Wortley Village, the south London area the store calls home, is a designated heritage area, subjecting Tuckey's plans to city approval to ensure it met specs for the village's historical integrity. But a focus on small businesses is part of the city's vision for the district, and Tuckey took the challenge in stride: he used elements from two adjoining buildings with little historical value, which he had previously annexed, to preserve the continuity of the facade.

London's designation of the area came down just as Tuckey was getting ready to begin demolition, but he had known the city's plans were in the works and was prepared. In the end, the municipal panel that considered his proposal recommended only "tweaks," he says.

After tearing down the two neighbouring buildings—a coffee shop and a paint shop—Tuckey incorporated their facades into the new design while moving the coffee shop in front of the business to break up the silhouette of the complex. "The timing was



Tuckey Home Hardware in London, Ont., recently underwent a major renovation.

right," he notes, since both buildings had been fully paid off. The timing of the long-anticipated heritage designation caused minor inconveniences, mainly delays and an unnecessarily long closure of the Fire Roasted Coffee shop, which was shuttered for renovation just before city council made its announcement. (Fire Roasted Coffee's management rents the space from Tuckey.) Finally, at the end of April, the store held a three-day grand reopening event with a ribbon cutting and sale.

At a time when many small stores are closing or changing hands (another 70-year-old Home Hardware, McNaughton's in nearby Newbury, just announced a new ownership), Tuckey Home Hardware has turned its size into an asset. Customer service is

"the key to what we do. The one-on-one experience is what [shoppers] are looking for—they don't get that at some of the bigger stores. Everything we do is for customers: we're never satisfied, always trying to improve. Every staff member is conscious of that and we're very attentive from the moment customers walk in."

Tuckey credits his store's longevity to the "extremely supportive community," as well as dedicated, self-motivated staff. "I can step back and let them take ownership" of decisions, he says. He also praises the support and the buying power of Home Hardware, which gives the store added leverage while respecting the management's autonomy. "We wouldn't be here today if it weren't for them," says Tuckey.



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