

FOURTH QUARTER / 2017

HARDLINES

# H1Q

HOME IMPROVEMENT QUARTERLY

## A CATEGORY OF POSSIBILITY

Are you serving all your community's business needs?

## SMALL, BUT MIGHTY

Colombia's tiny hardware stores don't waste an inch

## REBUILDING FROM THE ASHES

Family store finds support, comfort from community after loss

FEATURE STORY

# NAVIGATING THE CHANGING MARKET

Leaders from across the country weigh in on where they envision the industry headed for 2018 and beyond



OF BUILDING  
OUR COMMUNITIES  
**TOGETHER**



**OUR TEAM**  
HAS BEEN A KEY ELEMENT IN  
CANADIAN DEALERS' SUCCESS  
SINCE 1967



**EDITOR-IN-CHIEF**

Michael McLarney  
mike@hardlines.ca

**EDITOR**

Sigrid Forberg  
sigrid@hardlines.ca

**STAFF WRITER**

Geoffrey McLarney

**CONTRIBUTING WRITERS**

John Caulfield  
Sara Clarkson  
Frank Condron  
Bill Wilson

**ART DIRECTION**

Shawn Samson  
TwoCreative.ca

**PUBLISHER**

Beverly Allen  
bev@hardlines.ca

**VP BUSINESS DEVELOPMENT**

David Chestnut  
david@hardlines.ca

**MARKETING DIRECTOR**

Katherine Yager  
kate@hardlines.ca

**ACCOUNTING**

Margaret Wulff  
margaret@hardlines.ca

**ADMINISTRATION**

Maggie MacKinlay  
admin@hardlines.ca

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- Gary Sangha, General Manager  
Crown Building Supplies, Surrey, BC

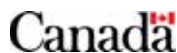
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**Beverly Allen**

PUBLISHER  
Office: 416.489.3396 • Mobile: 647.880.4589  
Email: bev@hardlines.ca

**David Chestnut**

VP BUSINESS DEVELOPMENT  
Mobile: 416.425.7992  
Email: david@hardlines.ca

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**John Glover**  
Upper Tantallon, NS

Visit [home-owner.ca](http://home-owner.ca) to learn how you could benefit by joining Home.



HARDLINES

# HiQ

HOME IMPROVEMENT QUARTERLY

## COVER STORY

# NAVIGATING THE CHANGING MARKET

**26** Leaders from across the country weigh in on where they envision the industry headed for 2018 and beyond.

## MAINTENANCE, REPAIRS, AND OPERATIONS

# COMMERCIAL SALES

**22** There's a whole category of customers out there waiting to be won over by the dealers who are willing to put in the effort.



## NEWSROUNDUP

**12**



TIMBER MART becomes home improvement partner of Canadian Football League



Home Hardware launches campaign targeting millennials



Fastway Group purchases Winnipeg's North American Lumber



Canadian Tire expands customer product testing to enhance online reviews



BMR's renovation of Potvin & Bouchard store part of a wider initiative



WD-40 assists grizzly bear research

## FINDING YOUR NICHE

# DARE TO BE DIFFERENT

**34** You have to think a few steps ahead of the market.



## MERCHANDISING

# GIVE 'EM SOMETHING TO TALK ABOUT

**40** Are you effectively managing your digital reputation in an era of e-commerce?

## REGIONAL SPOTLIGHT

# DON'T UNDERESTIMATE THE SMALL-TOWN DEALER

**42** Atlantic retailers weigh in on the challenges and opportunities of home improvement retailing.



## DEPARTMENTS

**7** **EDITOR'S MESSAGE**  
Optimism, above all else

**8** **BUSINESS CONDITIONS**  
Second quarter 2017

**10** **MARKET REPORT**  
Industry's top four keep consolidating the market

**18** **PRODUCT SPOTLIGHT**  
Duplex grinder, wireless recording, and more

**20** **NEWS SPOTLIGHT**  
Kenroc at 50

**32** **SPEAKER SPOTLIGHT**  
Home Hardware's Rick McNabb

**36** **SHOW REPORT**  
Global DIY Summit in Berlin

**38** **RETAIL TRENDS**  
Colombia's tiny hardware stores

**44** **SELLING TO PROS**  
Playing it too safe

**46** **STORE MANAGEMENT**  
Measure your store against the opinions that matter

**50** **ENDCAP**  
How the Gauthier family saved their legacy



Recommended by  
Jim Caruk, Master Contractor,  
HGTV Host and Editor-in-Chief  
of Renovation Contractor Magazine

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SIGRID FORBERG, EDITOR

# OPTIMISM, ABOVE ALL ELSE

**Ours is an industry of ups and downs, but the successful retailers who've managed to weather the changes share one important quality: optimism.**



**W**ith the end of the year on the horizon, at *HHIQ*, we've been wondering what 2018 has in store for the industry. The last few years have brought a number of challenges for Canadian home improvement retailers—between poor weather, increasing consolidation, and the looming threat of e-commerce, it would be easy to understand if dealers were feeling a little uncertain.

But pessimism is a rare quality to find in this industry's retailers. As Rob Lawrie, who owns two Home Hardware stores in Nova Scotia says, "I think successful retailers are always optimistic." I guess you have to be in this business—especially when there are so many factors out of your control that can impact your company's success. But despite the challenges they face, Lawrie and his East Coast peers explain why they remain cautiously

positive about what the future holds in our spotlight on the Atlantic region on page 42.


Beyond the store level, the head offices of Canada's largest retail companies are also optimistic heading into 2018. We delve into the challenges, opportunities, and expectations they have for next year in our leaders' forecast on page 26.

For many retailers, however, one challenge that continues to puzzle them is figuring out the millennial generation. Home Hardware is working hard to reach that crucial group of young people just beginning to settle down and enter the housing market. Find out more about Home's new marketing campaign on page 20.

But retailers must do more than just learn to sell to millennials, there's also a need to sell them on a career in retail.

Retailers, such as those featured in our Atlantic spotlight, continue to grapple with this issue as their staff members continue to age and fewer young people are coming up to replace them. The right time to start thinking about succession is now.

As the busy summer season wraps up, it's a good time to reflect on other aspects of your business, as well—what are your successes? And what can you improve on? Our NRHA Retail Advisor Bill Wilson gives some expert tips on how you and your staff can better serve your customers' needs and close the deal more often.

But when it comes down to it, you're the expert of your own store. You know what your business and your customers need—and armed with the right tools, tips, and a bit of optimism, the future looks promising for Canada's independent home improvement retailers. 

## CORRECTION

In our Q3 2017 issue's Top 20 Countdown, we incorrectly listed the sales of Patrick Morin and Peavey Industries. We reported Patrick Morin's sales as \$304 million in 2015 and \$293 million in 2016, with a 3.6 percent decrease. The company's sales were actually \$233 million in 2015 and \$255 million in 2016, which reflects a 9.4 percent increase. And we indicated a 15 percent decline year over year for Peavey Industries. While the company did have a small decline, it was only three percent and its combined revenue was \$419 million, versus \$432 million the prior year in 2015.



[sigrid@hardlines.ca](mailto:sigrid@hardlines.ca)

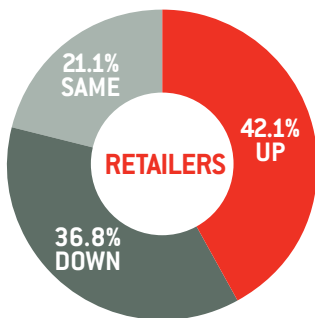
# SECOND QUARTER 2017

**D**uring our most recent survey of dealers and suppliers, there was a discernible increase in retailers investing in buildings, machinery, and equipment. The majority of vendors, on the other hand, don't intend to invest in buildings, machinery, or equipment in the next 12 months, which is fairly consistent with their stated plans for this period a year ago.

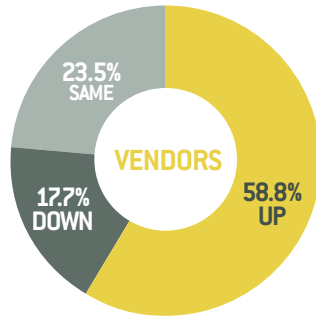
Just over half of the dealers polled are expecting their sales to increase over the next 12 months. And on the vendor side, expectations are very high, as the respondents are overwhelmingly anticipating positive growth over the next year.

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

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

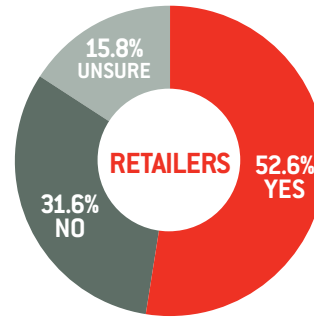


Year over year, the percentage of retailers experiencing better sales than last year has decreased more than seven percentage points from 50.0 percent to 42.1 percent in Q2 2017.

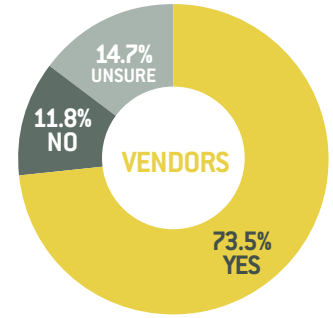


Looking back, the percentage of vendors experiencing better sales than last year has decreased from Q2 2016, when 64.2 percent of vendors reported increased sales.

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

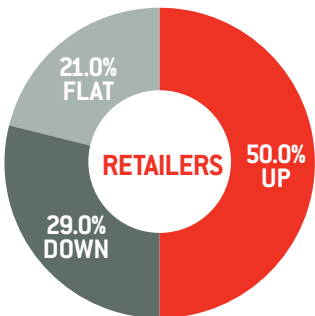


The percentage of retailers expecting sales to increase in the next six months has remained consistent from 52.8 percent in Q2 2016.

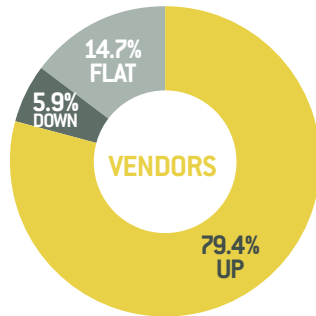


The percentage of vendors anticipating sales increases in the next six months went up by three percentage points from 70.4 percent in Q2 2016.

## At year-end 2017, how do you expect sales for this year to have gone?

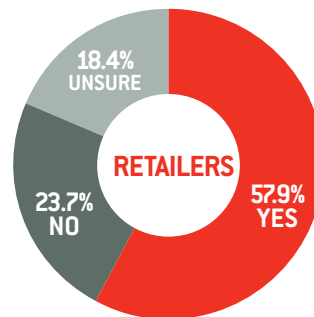


Looking ahead to the end of the year, the percentage of retailers that predict sales will go up has decreased slightly, compared to 52.8 percent in Q2 2016.

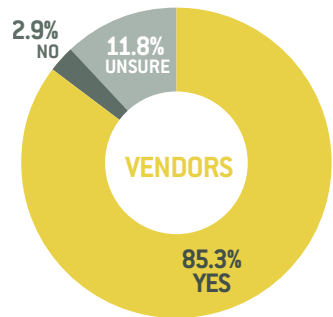


Looking ahead at the rest of the year, the percentage of vendors that predict sales will go up increased from 66.7 percent in Q2 2016, while the percentage expecting sales to go down decreased significantly from 11.1 percent in Q2 2016.

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



Retailers' outlook for the 12 months ahead is consistent with the same quarter from the previous year; the percentage of retailers expecting increased sales has decreased approximately six percentage points from a year ago, while the number of retailers not expecting increased sales over the next 12 months remained fairly consistent with 20.0 percent in Q2 2016.



Year over year, the percentage of vendors predicting an increase in sales over the next 12 months has remained consistent with Q2 2016's 83.3 percent.

**RETAILERS: Top issues in second quarter**

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

**VENDORS: Top issues in second quarter**

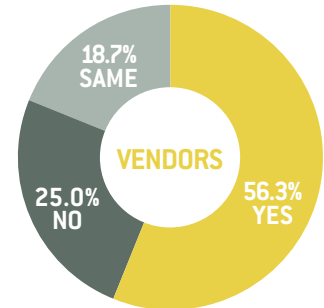
1.	Exchange rate with U.S. dollar
2.	Higher raw material/ shipping costs
3.	Retail consolidation
4.	Competition from Asian sourcing
5.	In-store merchandising and replenishment
6.	Housing market
6.	E-commerce challenges
8.	Cross-border shopping
9.	Increased presence of U.S. retailers

Do you intend to invest in buildings, machinery, or equipment in the next 12 months?



Year over year, the percentage of retailers intending to invest in buildings, machinery, or equipment in the next 12 months has increased a healthy 19 percentage points from 38.9 percent in Q2 2016.

Did you receive more orders in Q2 2017 compared to Q2 2016?



Year over year, the number of vendors that received the same amount of orders decreased seven percentage points from 63.3 percent in Q2 2016, while the number whose sales remained flat increased more than 10 percentage points.

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Source: HARDLINES Quarterly Business Conditions Survey

# THE BIG GET BIGGER: INDUSTRY'S TOP FOUR KEEP CONSOLIDATING THE MARKET

In 2016, the Canadian retail home improvement market was up 2.9 percent from the year before. And while the future looks stable for this industry throughout most of the country, all is not entirely rosy for Canada's hardware stores and building supply dealers.

## Overall market share (\$ millions)

Company	2015	2016	Change
Top Four Retail Groups	\$25,095	\$26,430	5.3%
Rest of industry	\$19,525	\$19,519	0.0%
Total Industry	\$44,620	\$45,949	3.0%
Top Four as % of industry	56.2%	57.5%	2.3%

The Top Four increased their sales overall well ahead of the industry average.


Canada's retail home improvement market grew at a healthy pace in 2016 thanks to Canada's red hot housing market, low interest rates, and ageing housing stock—all factors driving renovation sales. And that momentum is forecast to continue in 2017 and 2018, according to the latest *Hardlines Retail Report*.

However, tough competition from some of the country's largest retailers, including Lowe's and Home Depot, as well as the challenge of selling products that need careful explanation about how to use or install them, give the retail home improvement industry challenges and opportunities all its own.

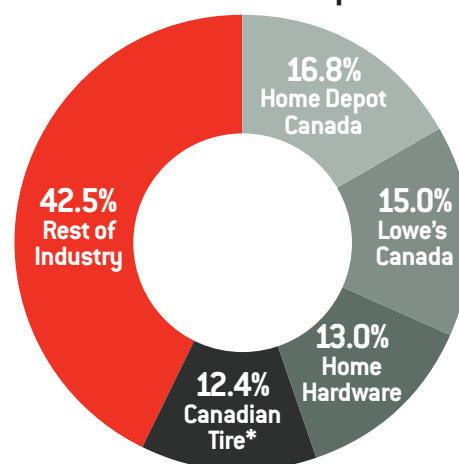
The toughest competition from within is coming from the industry's largest players. According to the *Hardlines Retail Report*, Home Depot Canada, which is number one with sales of almost \$8 billion, must

contend with its biggest rival from south of the border, Lowe's, which purchased RONA inc. last year and has been expanding aggressively.

In fact, thanks to this growth by Lowe's Canada, along with solid same-store sales gains by Home Depot Canada, the market share of these big box retailers is now at a record high, accounting for more than one-quarter of all retail home improvement sales.

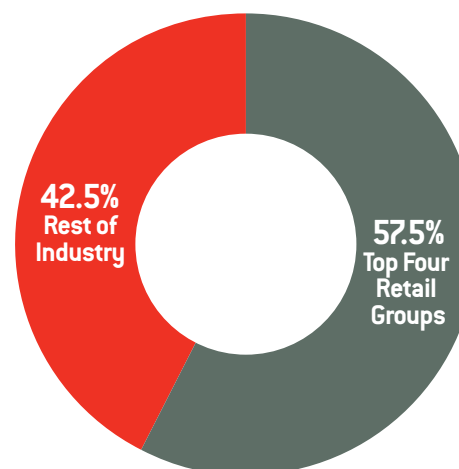
Along with Home Depot Canada and Lowe's Canada, two other retail groups, Home Hardware Stores Ltd. and Canadian Tire Retail, make up well over half of all sales by hardware stores and building supply dealers in Canada. These "Top Four" retailers collectively grew their sales at a rate that was well ahead of the industry average last year, driving more consolidation at the top and ensuring that the big players in this industry continued to get bigger in 2016. 

## Market shares of the Top Four



\*Excludes automotive, sporting goods, and other non-related products. Total does not equal 100 percent due to rounding.

## Consolidation at the top




The Top Four retail groups comprise well over half of all sales in the industry, a market share increase of 1.3 percentage points in 2016, from 56.2 percent of the overall industry in 2015.

Source: HARDLINES 2017 Retail Report



With 200 PowerPoint slides, dozens of charts and graphs, and in-depth analysis available only from HARDLINES, the 2017 *Hardlines Retail Report* provides full details of the size and growth of the Canadian retail home improvement market. Go to [www.hardlines.ca/publications/annual-retail-report](http://www.hardlines.ca/publications/annual-retail-report) for more information and to order the report.



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Steve Running  
Contractor Sales Representative  
Home Hardware Centre Woodstock

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## TIMBER MART BECOMES HOME IMPROVEMENT PARTNER OF CANADIAN FOOTBALL LEAGUE

**T**IMBER MART has joined forces with the Canadian Football League as the official home improvement partner. The buying group entered into a three-year sponsorship that will yield national exposure both online and in-stadium for the TIMBER MART brand and its member-dealers. That exposure will be placed across multiple sports media outlets and CFL broadcasts at post-season games, including the Grey Cup championship game.

“Our partnership with the CFL will provide our members with the opportunity to leverage exposure of the TIMBER MART banner to increase their local brand awareness,” says Jon Irwin, TIMBER MART vice-president of member services. “We are excited to be officially partnered with the CFL and look forward to a mutually beneficial partnership for years to come.”

“The innovative and entrepreneurial spirit that makes up both our organizations is reflected in our fans across the country, and we know this partnership will build great things to serve those fans,” says Tyler Mazereeuw, CFL vice-president of corporate partnerships.

The games are available in Canada on TSN and RDS, and on SiriusXM radio. This year’s 105th Grey Cup will be held in



Ottawa on November 25th. Last year’s Grey Cup was one of the country’s biggest televised events with 10 million unique viewers tuning in.

Jon Irwin, TIMBER MART vice-president of member services, and TIMBER MART President Bernie Owens pose with the Grey Cup.



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

Let us know! Give us a call at 416-489-3396, ext. 3, or send us an email at [sigrid@hardlines.ca](mailto:sigrid@hardlines.ca).

# HOME HARDWARE LAUNCHES CAMPAIGN TARGETING MILLENNIALS

**D**riven by a new, hip downtown ad agency, Home Hardware has launched a brand campaign to Canadian consumers that focuses on a younger demographic—and the support they'll need to repair and renovate their homes.

The new campaign underscores the relaunch of Home's own brand to reach out to millennial Canadians, who are now actively involved in starting their own families and establishing homes of their own. The cornerstone of the campaign is a 60-second video that shows a young couple turning a fixer-upper into their first home. The video ends with the line: "Do it yourself doesn't mean do it alone. Here's How." The campaign will be supported through social and digital channels, as well as television.

The campaign takes a project-focused approach to show how Home Hardware

is serving the needs of Canadian communities.

"DIY can sound intimidating. Especially to a younger generation of buyers who might be getting into their first apartment or house. We know that they want to get their hands dirty as they fix up their space, but they aren't quite sure how to do it," says Angus Tucker, executive creative director of John st., the agency that developed the campaign.

The concept, complete with the new company tagline, "Here's How," was shared with Home Hardware's dealer network at the 2017 spring market in April, and rolled out at the fall market in September.

"There is real momentum behind this new work with our dealer network," says Rob Wallace, director, marketing at Home Hardware. "They love the more contemporary positioning of the brand and they feel that 'Here's How' really describes the role that they can play with our customers."



Home's new campaign targeted at millennials emphasizes the support Home Hardware staff can offer novice DIYers interested in getting their hands dirty.

## BRIEFLY

### RENO-DEPOT AND SID LEE PAIR UP FOR PAINT

Branding firm Sid Lee and Reno-Depot have partnered for a third consecutive year to showcase the range of Sico paint colours available at the building supply banner. For this year's follow-up initiative, Reno-Depot is introducing LiveSwatches, an app that captures colours from everyday life and associates them with the Sico paint range database in real time.

### LOWE'S INTRODUCES CHARGE ACCOUNTS

Lowe's new store in Edmonton North will be the first Lowe's store in Canada to introduce charge accounts that let commercial customers make purchases at any RONA corporate store in Western Canada. Customers will receive only one monthly invoice for all transactions made at those stores. In addition, Lowe's is introducing its own delivery trucks at the Edmonton North store to increase service levels to contractors.

### IKEA'S BIG PLANS FOR CANADA

Ikea Canada's new president says the chain plans to double the number of its stores in Canada by 2025. Speaking to the press for the first time since taking the helm, Marsha Smith, who previously ran Ikea in Ireland, said she still sees life in the bricks-and-mortar concept. She told the Canadian Press the banner's goal is to have 24 stores by 2025, though at present only two openings have been confirmed: in Halifax at the end of September and Quebec City by the summer of next year. The company has already broken ground on the Quebec City location.

## FASTWAY GROUP PURCHASES WINNIPEG'S NORTH AMERICAN LUMBER



North American Lumber is the latest acquisition in the home improvement space by Toronto-based Fastway Group.

**A** Toronto-based diversified-investment company has bought up another independent building supply dealer. Mill Street & Co., through its subsidiary, The Fastway Group, has entered into a purchase agreement for the acquisition of the business operations of Winnipeg-based North American Lumber Limited.

Through a network of stores that average less than 5,000 square feet in size, North American Lumber has maintained a solid reputation for providing a broad range of lumber, hardware, and building materials to smaller communities in Northwestern Ontario, Manitoba, and Saskatchewan for 110 years. However, in recent years, the company has lost both stores and sales. It currently has 11 retail locations with sales of about \$21 million, down from a dozen stores and almost \$37 million in sales in 2010.

"I am very pleased for the company, its staff, and the continuing legacy of this great brand," said Martha Konantz, president of North American Lumber. "I believe The Fastway Group will bring positive energy and opportunities to the company and will successfully grow and develop the business in new directions."

North American Lumber is just the latest acquisition by Fastway in the home improvement space. In 2016, it acquired Parliament Building Supplies in downtown Toronto, and Thorold Lumber, a dealer in Ontario's Niagara region. Its portfolio of companies also includes Uxport Tools, an industrial tool supplier about an hour east of Toronto, and Sauve Lumber and Building Supplies in Timmins, Ont., which it acquired in May 2017.

## CANADIAN TIRE EXPANDS CUSTOMER PRODUCT TESTING TO ENHANCE ONLINE REVIEWS

A recent survey commissioned by Canadian Tire shows that online ratings and reviews influence 80 percent of Canadians' purchasing decisions, and the same percentage are looking for truthful product reviews written by real people.

Online product reviews from real customers and users are perceived to be more truthful, creating confidence in the reviews. The survey, conducted by Innovative Research Group and Heartbeat Analytics, also shows that more than three-quarters wish Canadian retailers would be more proactive in ensuring that product reviews, ratings, and testimonials about their products are authentic and truthful.

This research supports a big investment by Canadian Tire in its "Tested for Life in Canada" program, which uses a sample of customers across the country to try out new products at home and give feedback on them. The feedback provided by users creates a pool of online product reviews that enhances the legitimacy of the products themselves.

The company has recently expanded the reach of the testing program, which uses a panel of 15,000 Canadians coast to coast. By the end of this year, the number of products put out for testing will reach 7,000.

Canadian Tire claims that "Tested for Life in Canada" is the country's largest consumer testing group. Users evaluate products for ease of use, functionality, and durability and assign a star rating out of five. A product is awarded a badge when it is assigned four or more stars by at least eight testers.

# BMR'S RENOVATION OF POTVIN & BOUCHARD STORE PART OF A WIDER INITIATIVE

**P**otvin & Bouchard inaugurated its new store in Chicoutimi this summer. The \$3.1 million investment involved a complete renovation of the 50,000-square-foot store. The chain, which is part of Groupe BMR, is celebrating its 85th anniversary in 2017.

The work included the construction of a brand new and more modern facade, the installation of wood structures inside the store, and a completely new layout of the store's departments, all designed to create a more intuitive shopping experience.

The goal of this renovation project was to improve customer experience in store. It's part of a large-scale project to improve store design and customer service for all 15 of Groupe BMR's corporate stores. The group has already renovated Beloeil at a cost of \$1 million, and put

\$2.5 million into a reno of its outlet in Chambly. With Chicoutimi now fully renovated, BMR plans to invest next in the Potvin & Bouchard store in La Baie.

"I am very proud of the end result of this major transformation project! And more so, I am immensely proud of the Potvin & Bouchard stores that are not only celebrating 85 years of business, but also positioning themselves for the next 10 years by building stores that stand out from the competition," said Potvin & Bouchard's managing director, Michel Leclerc.

BMR owns a total of four stores under the Potvin & Bouchard banner, with estimated sales of almost \$50 million. The new look expands the range of products available to Potvin & Bouchard's base of residential and commercial contractors.



The renovation of BMR's Potvin & Bouchard in Chicoutimi, Que., is part of a larger strategy to improve all of BMR's 15 corporate stores.

## BRIEFLY

### COBRA ANCHORS INVESTS IN GROWTH

Cobra Anchors Co. Ltd., a maker of masonry and hollow-wall anchors, has completed an \$8.2 million investment in the Anjou borough of Montreal. The investment included a plant expansion and the addition of new machinery, automation, and robotics. The family-owned business, which is headquartered in Montreal and has been in operation since 1973, claims to be one of the largest manufacturers of masonry and hollow-wall anchors in North America. With 222 employees, the company also owns manufacturing in the U.S., as well as a distribution centre in France.

### HOME RENEWS BLUE JAYS PARTNERSHIP

Home Hardware Stores plans to continue its support of major league baseball. The co-op signed a new deal with the Blue Jays this year, one that locks it in for several years, according to Rick McNabb, Home's VP of marketing and sales. "We see them as being a very key partner and they have a very young demographic across the country. We're happy to align with that." Home's logo will remain behind home plate.

### UFA WILL CLOSE WHOLESALE SPORTS DIVISION

Wholesale Sports Canada Ltd., the sporting goods business owned by United Farmers of Alberta Co-operative Ltd., is going out of business. UFA has announced it will wind down and eventually close all 12 of its retail locations in the four Western Canadian provinces. UFA President and CEO Carol Kitchen attributed the decision to factors including "an increasingly competitive environment, the continued shift to online purchases, and an

## WD-40 ASSISTS GRIZZLY BEAR RESEARCH



**A** University of Alberta biologist seeking to prevent grizzly bears from killing cattle found an unlikely weapon in an ordinary can of WD-40.

Andrea Morehouse's 15-year study, dubbed the intercept feeding program, attempted to change grizzly behaviour by collecting roadkill during the winter. The carcasses were then distributed by helicopter drop at various locations in hopes that bears emerging from hibernation would choose to feed on them instead of descending into cattle pastures.

Morehouse explained that to track the number of grizzlies who went for the roadkill, her team chose "two trees that were near [each] site and we sprayed those trees with WD-40 and wrapped

them in barbed wire. For whatever reason, that I don't know, WD-40 elicits a rub response from bears and so they would come into the sites, feed on the roadkill and then rub on these artificial rub trees that we had collected."

WD-40 is in fact a lubricating water-displacement product (hence the "WD") and has, over the years, been subject to a lot of myths and misinformation. It has been considered ideal bait for fishing and a cure for arthritis, claims the company goes to great lengths to deny.

While WD-40 has proven effective as a bear rub, in the end, the grizzlies in the study took up the researchers' roadkill offer, but only to whet their appetites. The number of cattle they kill has held steady.

### BRIEFLY

overall slowing of consumer discretionary spending as a whole, including the outdoor industry." UFA's retail farm and hardware business consists of 35 stores under the Farm & Ranch Supply banner.

### HURRICANES "INCENTIVE" FOR SOFTWOOD DEAL

The impact of the hurricane season on the U.S. South could bring pressure on the U.S. government to settle its dispute with Canada over softwood lumber. With rebuilding efforts underway following Hurricane Harvey and more to come in the wake of Irma, lumber prices have been driven up. Scotiabank economist Brett House told the Canadian Press that affected communities will need "every single log they can get their hands on from Canada," a situation he described as "an incentive to move forward on the softwood lumber discussions in a way that's constructive for Canada."

### KENT RECOGNIZED FOR BUSINESS PRACTICES

Kent Building Supplies has been named a "Champion for Change" by the not-for-profit Adventure Group, in recognition of business practices supporting the advancement of P.E.I. women in the workplace. The honour comes at the conclusion of a three-year project partially funded by Status of Women Canada. The Adventure Group praised Kent's mentoring program and training opportunities. "Our motto at Kent is to give a strong foundation from the first day so we see everyone succeed," said Kent's HR director, Marie McInnis. "We recognize that training develops skills [and] enhances productivity and quality of work."



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# ProductSPOTLIGHT

BY GEOFFREY McLARNEY

## Saniflo's Sanicubic 2 Duplex Grinder System ▶

From Saniflo, the Sanicubic 2 is a pre-assembled duplex grinder system designed to handle the waste from multiple bathrooms and fixtures throughout a home or building. The system can handle up to 90 gallons per minute from several fixtures, including a toilet, sink, shower, bathtub, and washing machine. The heavy-duty grinder features smart-pump technology, which allows two independently operating grinders to work both alternately and simultaneously. This technology eliminates clogging issues, which can result in pipe blockages or damage to grinder pumps, sewage ejector pumps, and septic pumps, and thus avoiding the potential for costly repairs.

[www.saniflo.ca](http://www.saniflo.ca)



## ◀ Ply Gem Mitten vinyl soffit products

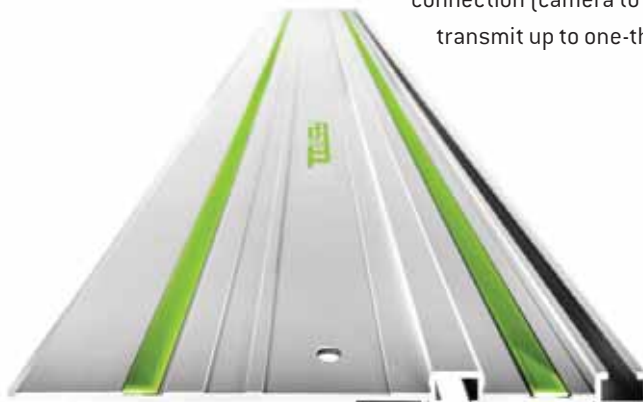
From Ply Gem comes a new line of Mitten vinyl soffit products: the Jamb-Fit, 7" Beaded, and Triple 4" black soffits. The 7" wide Mitten Beaded Soffit size lends a crisp, clean appearance to eaves, rooflines, and porch ceilings. Available in solid and hidden vent profiles, with a .040 thickness, it helps prevent damage from trapped moisture through proper ventilation. The soffit comes in a choice of 12 colours.

[www.plygem.ca](http://www.plygem.ca)

## Hyndsight Vision Systems' Wireless Recording System ▶

Hyndsight Vision Systems has introduced a recording version of its wireless vision system, Journey, for the construction industry. With Capture, users can enjoy all the benefits of Journey with added simultaneous recording capability, while still providing real-time video stream, remote on/off capability, and HD recording quality that can be stored on a 32 MB SD card for easy removal and downloading. Capture is comprised of a custom-designed camera and monitor with a sunlight readable screen, antenna set, and two mounts in a solid case. The water-resistant system provides real-time video stream through a direct wireless connection (camera to monitor), and a clear image that can transmit up to one-third of a mile with direct line of sight.

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

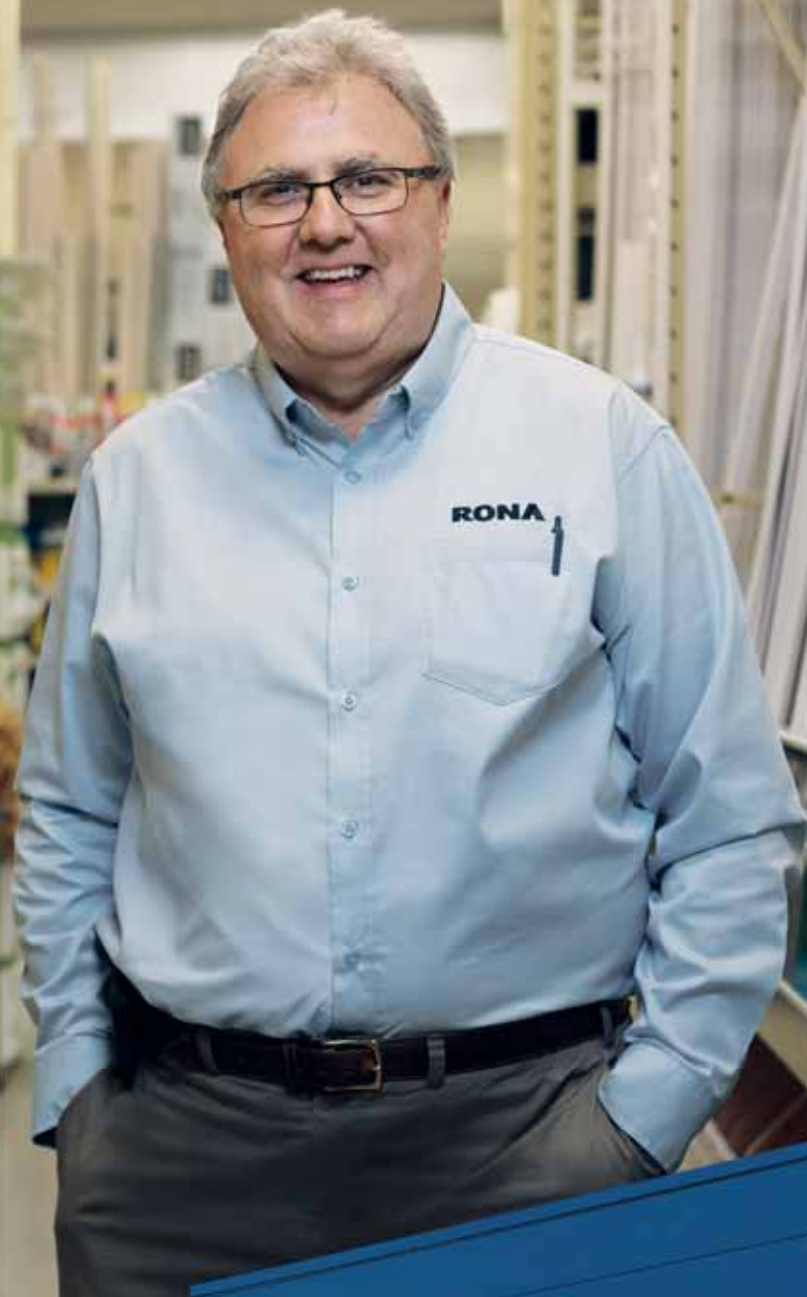


## ◀ Festool's FS Guide Rails

Festool's FS Guide Rails are an integral system component and accessory for many of the manufacturer's power tools. The aluminum tracks work with Festool's track saws, routers, and jigsaws. The integrated splinter-guard aligns perfectly to the cut line, saving set-up time and serving as protection against tear-out, on cuts both with the grain and across. The rails are available in eight different lengths from 800 to 5,000 mm.

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

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Over its 50 years in business, Kenroc has completed its goals for Western Canada, and isn't ruling out further opportunistic growth.

## KENROC AT 50: THERE FOR THE BIRTH OF THE DRYWALL INDUSTRY

When drywall began to take over the house-building market 50 years ago, Ken Sexton recognized the future in gypsum. As Sexton's company, Kenroc, celebrates five decades of growth, the company is also taking the opportunity to reflect on its humble beginnings.

**I**n the mid-1960s, a dramatic change occurred in the way houses were being built in North America. The time-honoured and specialized skill of the wall plasterer was being replaced by pre-fab plaster made of crushed gypsum. Drywall was rapidly becoming the norm, but it was prone to breakage, making it difficult to handle and ship.

Ken Sexton recognized the future of the drywall business. He quit his job at Bird Building Supplies in Calgary, sold the family cottage, and borrowed \$3,000 from the bank to fund the startup of Kenroc Building Supplies. The first location was on North Railway Street in Calgary. The building, says Kenroc

President Brian Kusisto, was only big enough to fit three people. If a customer ever came in, someone would have to step outside. The only other structure onsite was an outhouse.

That was 50 years ago. Today, the company has grown to 16 locations in Western Canada and sales well in excess of \$100 million. (In 1985, Sexton founded the Sexton Group, as well.) At 88 years of age, he has stepped back from running the business. But that hasn't stopped the company from celebrating the anniversary with a series of events at its stores.

The celebrations started, says Kusisto, in the spring, and are being held for the benefit of both customers and staff.



The original Kenroc Building Supplies office was so small that if a customer ever came in, one of the three employees would have to step outside.

As for the future, the company will continue to grow “opportunistically,” says Kusisto. “One of our strengths is the ability to quickly identify opportunities, assess them, and act on them quickly,” he adds. “I think our coverage of Western Canada is fairly complete so I don't think we have any defined plans for the West.”

He adds that he doesn't expect Kenroc to expand into Eastern Canada any time soon—though he doesn't rule anything out, should one of those opportunities present itself. “But going farther from our base would require critical mass.”



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# COMMERCIAL SALES: A GREAT OPPORTUNITY TO BOOST SALES

**There's a whole category of customers out there waiting to be won over by the dealers who are willing to put in the effort.**

**BY FRANK CONDRON**

**W**hen most people think of home improvement and building supply customers, they tend to think of either DIYers or professional contractors. And on any given day in any given home improvement or building supply store, the vast majority of customers are likely to fall into one of those two categories. But for dealers willing to think a bit outside the box, there's another category of customer just waiting to come in and spend money.

Although they defy exact description, this group can be loosely categorized as “MRO” customers, with MRO standing for maintenance, repair, and operations. The term MRO serves as a catch-all for anyone responsible for the day-to-day upkeep of any facility that needs to stay looking good and in good working order. That can mean a small business or factory, an office building, a multi-unit residence, or even a public building like a school or hospital. These facilities have a steady appetite for a wide variety of products, like lighting and plumbing supplies, HVAC parts, paint and materials for ongoing repairs, cleaning and janitorial supplies, as well as things like filters, lubricants, and safety products. MRO customers have to buy these things to keep their facilities running smoothly; the only choice they have is where to buy them.

### A STEADY REVENUE STREAM

Six years ago, Dwayne Sprague, after 30 years in the building supply business, took over as owner of a Home Hardware in the town of Morrisburg, Ont., located about halfway between Kingston, Ont., and Montreal. As the proprietor of a small-town home improvement store with a limited local DIY and contractor clientele, Sprague realized pretty quickly that he would have to look for alternate revenue streams if he wanted to grow the business.

“We started with the factories in our area,” Sprague recalls. “We’d go out and talk to them about what kinds of products they needed and got them coming in for general things—lighting, plumbing parts and supplies, drywall, cleaning supplies like J-cloths. Eventually we started to bring in specific items for certain clients, like airline hoses and bulk acetone for a company that manufactures dental drill points. One of our MRO clients manufactures sound-proof rooms and they buy commercial-grade, kick-down door stops 20 at a time from us.”

Sprague expanded his MRO business into the public sector when he began supplying a nearby government-run heavy equipment training school with safety equipment such as reflective vests, gloves, and protective eyewear. That business expanded to the point that Sprague helped set up a safety “tuck shop” at the school offering a full line of equipment and apparel. “They purchase the goods from us in bulk and resell it to the students; we even sold them the racking for the shop,” says Sprague.

Langley, B.C.-based PacWest Systems Supply specializes in supplying large residential and commercial builders with bulk loads of materials like drywall, steel studs, insulation, and acoustic tile. While big-ticket supply contracts are PacWest’s bread

to be competitive, he says things like being consistent about inventory and stocking specialty products are just as important. “MRO customers are kind of a self-perpetuating market if you take good care of them; they just give us a heads-up about what they’re going to need in the future and we make sure we’re ready for them when the time comes,” says Hisoaka.

### BUILDING YOUR NETWORK

While never a core focus, the MRO market is certainly not being ignored by the corporate head offices of Canada’s largest home improvement banners. Home Hardware, for example, set up a strategic business unit four years ago dedicated to helping its network of independent dealers increase MRO sales.

“We started with the factories in our area. We’d go out and talk to them about what kinds of products they needed and got them coming in for general things.”

and butter, Specialty Products Manager Neil Hisoaka calls MRO “an important adjunct to our core business.”

Hisoaka says PacWest supplies building materials for rebuilds and touch-up work for school boards and health centres as well as the University of British Columbia and Simon Fraser University. “We also have property managers from downtown buildings coming to us for materials, and insurance companies doing fire and flood damage and accident repairs to properties,” Hisoaka says. “The MRO market provides a steady revenue stream that isn’t as vulnerable to shifts in the overall economy as construction can be.”

When it comes to big construction jobs, Hisoaka explains, the bid normally goes to the supplier with the best price, but MRO customers are different. While the price has

“Our dealers have always been great at the DIY and contractor aspects of the business, but MRO is a distinct revenue stream that requires some dedication and investment,” says Commercial Sales Marketing Manager Alex Goyette, who heads up the national initiative for Home Hardware. “We’ve found that janitorial and sanitation supplies is a good entry point for most dealers, but the goal is to become a full-service provider for the MRO customer.”

When Sprague was working to break into his MRO market, Goyette held an “information lunch and learn” for potential MRO customers in the region at a nearby hotel. Invitations were sent out and 25 people showed up. Along with lunch, attendees were treated to demonstrations from six product vendors and a mini trade show. Most importantly, Sprague was able to

build relationships with potential customers that would eventually lead to business. Says Goyette: “We use flyers and direct mail to raise awareness, but a big part of this is getting out and meeting people and making connections.”

According to Goyette, a variety of variables can impact the MRO market potential for specific dealers, depending on their location. In rural and small-town markets, a limited customer base, small orders for specialty products, and delivery challenges can be a deterrent. Dealers in urban and suburban markets, meanwhile, face daunting competition from other home improvement banners, dedicated MRO suppliers and even grocery stores. Lastly, in the case of government buildings, corporately-owned commercial and industrial properties, and national chains, like hotels and restaurants, it can be difficult to get to the decision-maker.

## UNDERSTANDING YOUR CUSTOMER

Shayne Arthey knows a lot about getting in front of key MRO decision-makers. As regional director, commercial business – Ontario east for RONA, Arthey is responsible for growing the company’s MRO client base, which includes school boards, hotel chains, the Toronto Transit Commission,

and multiple property management companies. He says looking after the needs of RONA’s existing MRO clients in the eastern Ontario region alone keeps two dedicated reps on the road full-time. As for landing new clients, that takes plenty of advanced research and persistence.

“If you’re trying to land MRO customers by making cold calls at places like schools and hotels, you’re not going to make much headway,” Arthey explains. “You have to do your due diligence and find out who you need to talk to, the person actually in charge of purchasing MRO products and supplies, and that person may not be at the same location. Once you get in front of the right person, you need to offer something different, like a better price, better inventory and delivery, or a product line their current supplier doesn’t carry.”

Arthey says RONA’s primary marketing tool is an electronic catalogue created specifically for MRO items. “In lots of cases the client doesn’t want to come into the store to get what they need,” he explains. “Using the electronic catalogue they can just drop us an email saying ‘Please deliver the following items.’ It’s not always about price for MRO customers; it’s also about making the process easy.”

Part of Goyette’s job includes holding training sessions for Home Hardware

dealers and employees across the country on how to best manage their MRO business. If the dealer is just too busy to properly look after their MRO customers themselves, Goyette encourages them to nominate a dedicated employee responsible for maintaining MRO client relationships, staying on top of MRO inventory, and dealing quickly with any issues that crop up. “If the dealer shows the MRO customer that they are committed to consistently meeting their ongoing needs, the customer is more likely to commit to the dealer,” says Goyette.

Two years ago, with his MRO business expanding too rapidly for his current warehouse, Sprague rented a 1,100-square-foot space adjacent to his Home Hardware store and set it up as a commercial maintenance storefront. A dedicated staffer now focuses exclusively on Sprague’s MRO business and works with individual clients to match inventory with their particular requirements. Says Sprague: “The need is constant; for some, it’s every week, for others, it can be once a month, but you know they’re eventually going to need more of something or other.”

Hisoaka points out that it’s also important to remember that MRO customers are often under a different kind of time constraint than DIY or contractor customers. By definition, the MRO customer has a

facility to maintain or a business to run, and they don’t have time to wait around or shop around for the products and supplies they need to keep things running smoothly. Says Hisoaka: “The bottom line is, if you can get the MRO customer what they need whenever they need it, they will keep coming back.”

“If the dealer shows the MRO customer that they are committed to consistently meeting their ongoing needs, the customer is more likely to commit to the dealer.”





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BY SIGRID FORBERG



# NAVIGATING THE CHANGING MARKET

**These days, being a good retailer means anticipating your customers' needs in an evolving marketplace. And excellent retailers are the ones thinking even further down the line. We asked leaders from across the country to weigh in on where they envision the industry headed for 2018 and beyond.**

**I**t's not always easy to get executives to admit to being hopeful. But the successes of 2017 have some of home improvement's retail leaders looking to 2018 with a level of optimism we've not seen in years.

Although this year got off to a slow start, difficult winters resulting in tough first quarters are par for the course in this industry. And our leaders report that despite a challenging first few months, the rest of the year thus far has made up for any shortfall.

E-commerce remains top of mind across the country. When it comes to competition, Amazon is giving everyone—from small independents to the big box stores—a run for their money. But the e-commerce juggernaut is challenging Canada's home improvement retailers to continue to innovate with the end consumer in mind.



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Winter 2017 • [www.sextongroup.com](http://www.sextongroup.com)



**Gary Fletcher**  
Trail Building Supplies  
EDMONTON, AB

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# Well Connected.

## Working for the independent dealer every day

***Independent dealers have always been at the heart of the Canadian building supply industry,*** but

surviving as an independent today is more challenging than ever before. So how important is a good buying group in today's ultra-competitive marketplace? Just ask some long-time Sexton Group members.

"I've been in the building supply business for over 40 years, 13 of those as a contractor specialist dealer, so I've seen the business change over time," says Charlie Hotham of Hotham Building Materials in Windsor, Ontario. "There's no doubt that consolidation has cut down on the number of product manufacturers. For independent dealers like me, that means

less competition between suppliers for my business and less leverage for me to get more competitive pricing for my customers."

Ron Sargeant and his partners became Sexton members when they took over Northcoast Lumber in Surrey, B.C., nine years ago, but he has been involved in the building supply business for more than 35 years. "This market has grown incredibly since I got my start, and I've

seen the business change as retailers and vendors consolidated," says Sargeant. "To be honest, I don't think an independent dealer could survive here without the help of a good buying group. That's why we chose Sexton."

"Working with Sexton definitely gives us a competitive advantage in our market," says Gary Fletcher of Trail Building Supplies in Edmonton, Alberta. "They have an efficient staff that is dedicated to helping

“”

*No matter what is going on, our members' calls take top priority.* — **Joe Collerone**, Sexton Group Ltd

**Charlie Hotham**, Owner,  
Hotham Building Materials



“”

*Sexton does the ground work for us in building relationships and opening doors with new suppliers.*

— **Charlie Hotham**



the members, and they have helped us negotiate group buys, exceptional buys, quarterly and seasonal buys and bookings from individual vendors. In a market like ours, we have to purchase product at the best possible price or we won't be competitive."

## YOUR VOICE AT THE TABLE

Sexton Group's original mandate was to negotiate with product vendors for competitive pricing for its members, and that remains the core mandate today. According to Sexton president Steve Buckle, the group's number one priority is to provide its members with access to top quality building supply and hardware brands at competitive prices.

"The key to Sexton Group's approach to pricing negotiation is the vendor relationship," says Buckle. "We work hard to establish and maintain strong relationships with senior vendor management on behalf of our members. Managing the day-to-day demands of running an independent building supply business is a full-time job and then some. Independent dealers simply don't have time to make and maintain relationships with hundreds of product suppliers."

This is where the Sexton team can have a huge impact for the members; they take that responsibility off the dealer's plate. It starts with price negotiation and builds from there, Buckle explains. When a member needs to source a particular product, Sexton helps them choose a vendor that is best able to supply them in their specific market. And when problems crop up, as they often do, the Sexton team prides itself on its ability to work with the dealer and the vendor to come up with a solution.

Two key members of Sexton's vendor relations team are Joe Collerone and Eric Palmer. Combined they help create and manage hundreds of individual supplier programs across a range of categories. Says Collerone: "When you sit down to build a supplier program with a vendor you have to know what you're doing, and I believe the team we've assembled at Sexton Group is the most experienced in the country."

"It would be difficult for an independent dealer to negotiate the breadth of programs we put together for our members," adds Palmer. "As a dominant buying group, Sexton focuses on negotiating strong, regionally competitive vendor programs for all members across Canada."



*"In a market like ours, we have to purchase product at the best possible price or we won't be competitive."*

— Gary Fletcher

## ON YOUR SIDE EVERY DAY

Once a program has been implemented, Sexton switches its focus to ensuring adequate inventory levels are maintained, especially during the busy construction season. If a particular product is in high demand, the Sexton team works with specific vendor partners to make sure its members are at the front of the line to get what they need. "When any member contacts us, it doesn't matter if the issue is big or small, we immediately leverage our vendor relationships to get the issue resolved as quickly as possible," says Palmer.

"We carry a lot of specialty product lines and we have four major competitors right in our backyard, so we have to stay on top of inventory," explains Fletcher. "I know when

*"*

*We develop pricing strategies that allow our members to be competitive now... not two months from now.* — Eric Palmer, Sexton Group Ltd



**Gary Fletcher,**  
General Manager,  
Trail Building Supplies

“”

*When members call me with an issue, they know I will listen to them and get right to work to solve it.*

— **Steve Buckle,** Sexton Group Ltd

## IT'S ALL ABOUT RELATIONSHIPS

The Sexton team works hard every day to make sure each individual supplier program is working as intended and that everyone involved is benefitting. “The key to keeping everything running smoothly,” says Collerone, “is having strong relationships with each supplier.”

“Sexton does the ground work for us in building relationships and opening doors with new suppliers,” says Hotham. “Being involved with the group has really helped us gain access to a wider range of suppliers and, because the group is Canada-wide, we’ve been able to gain access to product manufacturers in different parts of the country.”

“Competition is fierce in our market and margins are always under pressure, so it is essential for us to maintain good relationships with our suppliers,” adds Fletcher. “I believe working through the buying group actually provides the product manufacturer with better

I have a problem sourcing product, I can pick up the phone to Sexton and they will go to bat for me.”

“Having supplier options is important for us because simple supply and demand is often the biggest problem in our market,” adds

Hotham. “During the busy construction time, basically from March to November, the smaller dealer can get left out in the cold. Sexton Group gives us other resources to draw from when we need to fill inventory and keep our contractor customers happy.”

**VENDOR • Johns Manville**

## Win-win proposition



**Gino Allegro**  
Canadian Sales Manager,  
Johns Manville

***I think it's fair to say I know Sexton Group pretty well.*** I'm from Winnipeg, where Sexton got its start, and they've been involved in the building supply business just a little longer than I have. Over the years I've seen Sexton grow from a small regional player into a national buying group representing independent building supply dealers from coast to coast.

At Johns Manville we know that having strong relationships at the buying group level is essential to our success. They know they can call me any time if there is an issue with one of their members and I will call them back right away.

But those relationships don't happen overnight. They are built up over time through things like facility tours and product presentations and at industry events where manufacturer's representatives can meet face-to-face with buying group staff. Strong relationships are also built at the negotiating table; there is a mutual respect that comes from working together to come up with pricing structures and programs that benefit both the manufacturer and the dealer.

The building supply business is all about volume sales, and a lot of that volume is driven by independent dealers. For manufacturers like Johns Manville, the buying group provides the link to hundreds of independent dealers who are on the front line selling our product. The buying group delivers value for its members by negotiating good product programs at competitive prices, then it's up to us to deliver quality products to their members when they need it. If we both do our jobs, the dealer can focus on what they do best, which is serve their customers. ■



“,”

*I don't think an independent dealer could survive here without the help of a good buying group. That's why we chose Sexton.*

— Ron Sargeant

**Ron Sargeant and Rick Zaklan**  
Owners, Northcoast Lumber



access to the dealer and gives suppliers a better understanding of the dealer's needs."

When vendor problems crop up for Sexton members, Collerone says solving the issue is often as simple as the Sexton office making a phone call to the vendor. Depending on what the issue is, the response time from Sexton is usually within the same day or the next business day.

## MOVING FORWARD TOGETHER

The building supply business is sure to keep changing, and Buckle believes Sexton Group is built to adapt to every new challenge. He points out that Sexton's efficient team of skilled and dedicated industry professionals allows the group to keep overhead costs down, and no distribution centre investment means no capital tied up in inventory.



"We may not spend millions of dollars promoting our brand, but our members and suppliers know who we are and what we do for them," says Buckle. "They know we are committed to the independent dealer."

That's a commitment that Sexton members feel as well: "What I like about Sexton is the fact they allow you to be a true independent," says Sargeant. "You don't have to fly a certain banner, and if you want to paint your store a different colour, you don't have to go through a committee to get permission."

Maintaining that independence will likely get tougher as the building supply business continues to evolve, but Sargeant believes Sexton Group members are in good hands: "You can't argue with success: we've seen our business triple in the time we've owned it. I believe Sexton Group has had a lot to do with that." ■

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## IMPROVING YOUR IMPRESSIONS

For a long time, home improvement retailers thought e-commerce wouldn't impact them. Who was going to buy building materials online? But today's consumer prioritizes convenience and accessibility much more than shoppers of even a decade ago. To keep up, retailers need more than just a basic web presence—they need to offer multiple ways for customers to interact with their brand and to fulfill their home improvement needs.

Home Hardware has been working on a new website to be launched shortly, and will be introducing a ship-to-home option for 2018, as well. Home Hardware CEO Terry Davis says it's still a small part of the company's overall business, but the level of consumer demand means successful retail outlets have no choice but to grow their online offerings.

"E-commerce has been growing at a much faster pace than sales growth at physical locations so it's extremely important for us," says Davis. "It's what our customers want and our desire is to give our customers great service."

Groupe BMR also launched its own new website in May 2017. "This is where we need to invest a massive amount of money to make sure that we are not only going to catch up to the Amazons of the world, but be on top of the game," says Martin Juneau, VP finance for BMR. In the six months since the company launched its new site, Juneau says BMR saw a marked increase in its online traffic. In addition to plenty of DIY content and information for consumers, the company has invested in the back end of the site to make it easier for its dealer network to offer their customers the most seamless experience possible.

## EVOLVING CUSTOMER EXPECTATIONS

Online accessibility for consumers goes beyond simply having an up-to-date and

easy-to-use website. Home Depot Canada has taken an "endless aisle" shopping experience approach, offering 40,000 SKUs in-store and more than 140,000 online. Not all retailers have the size or buying power to offer that number of products, but that's why it's so important to understand precisely what your customers are looking for from your store.

"Today, customers' expectations are higher than ever," says Jeff Kinnaird, Home Depot Canada's president. "They want more customer service from us; they want a complete experience. Blending our physical and online presence gives us the opportunity to serve customers in a nimble and flexible way."

One way of narrowing in on what your customers need from your store is through analytics. UFA's COO of retail operations, Glenn Bingley, says that's been a key part of the co-operative's efforts to better serve its members and customers.

"Technology plays a central role in how we operate and enable our day-to-day business initiatives and strategies," says Bingley. "For us, it's clearly a key driver of our three-to five-year strategic plans."

UFA is also making a significant investment in upgrading its point-of-sale software in all of its Farm & Ranch Supply stores. The goal, Bingley says, is to better understand their customers' needs and shopping patterns and whether they're meeting those expectations. The company has had to make some tough decisions this year, and it announced in September that it was going to be closing its sporting goods business. But Bingley says that decision was made with the best interests of the co-operative's future success in mind.

"We've made what I consider to be significant progress over the last 12 to 18 months at our Farm & Ranch stores, but there's plenty of work to be done as we continue to strengthen our retail fundamentals," says Bingley.

## TAKING IT OFFLINE

And while e-commerce is a necessity, it's important retailers don't abandon basic retail principles. "For us, it's all about continuous improvement on retail fundamentals," says Bingley. "We've got to be sure that we've got timely in-stock, that it's seasonally correct, and that we have the right products at the right time to meet the needs of our members and customers."

At TIMBER MART, Randy Martin, vice president of procurement, says e-commerce hasn't emerged yet as a priority for its members, as they tend to prefer to focus on their bricks-and-mortar stores.

"What remains increasingly important for our members is to focus on doing the many things that e-commerce cannot do," says Martin. Those priorities include having the right products on hand; merchandising in a way that makes decisions easy for consumers; hiring, training, and retaining engaged and knowledgeable staff; nurturing relationships with customers; and focusing on being easy to do business with.

Davis at Home Hardware adds that value and flexibility will continue to be crucial for shoppers as the population ages and household debts increase, leaving consumers more aware of the value of each dollar they spend. Smart retailers will be the ones who adapt and respond to those needs.

"Customer expectations for what constitutes a great shopping experience will continue to evolve, driven largely by the flexibility offered by leading online retailers like Amazon," says Davis. "The key to success is giving customers what they want."

## REFLECTING INWARD, GROWING OUTWARD

Marking its 50th anniversary this year, Juneau says BMR put a lot of emphasis on making it a great year for its dealers and the company overall. In addition to



the website launch, BMR also ran a number of promotions for which it received good response from dealers and customers alike.

The company was also recognized externally by Quebec's prestigious annual business contest, Les Mercuriades, winning a prize under the category of productivity and improvement, as well as an overall award for business of the year. "We were thrilled by that," he says.

Looking ahead, he adds the company wants to use that momentum to continue its growth in 2018. "Growth is always a

challenge," says Juneau. "It's a major issue for us to keep the growth going, so we're looking at expanding outside of the province of Quebec." He says they've set their sights on expanding into Ontario, but it's too soon to give any specifics on locations or dates.

Also marking their 50th anniversary in 2017 was TIMBER MART. Martin says the milestone offered TIMBER MART the opportunity to reflect and double down on its values and priorities. "Everything we do is for the benefit of our members—they are our reason for being," says Martin.

With that in mind, TIMBER MART has invested in new technologies to increase its operational efficiencies, such as upgrading its dealer intranet and enterprise resource planning system.

"TIMBER MART is committed to ensuring we're easy to do business with from a dealer and vendor perspective—and investing in the right technology is one way we do that," says Martin.

After Lowe's Canada acquired RONA in 2016, the company went through a year of transition. Alain Brisebois, executive vice



**JEFF KINNAID**  
President  
The Home Depot Canada



**ALAIN BRISEBOIS**  
Executive vice president, affiliate dealers  
and operations central services  
Lowe's Canada



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



**GLENN BINGLEY**  
COO, Retail Operations  
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president, affiliate dealers and operations central services at Lowe's Canada, says now that the company has harmonized its head offices, it's ready to take on 2018.

"We're putting a lot of effort and energy into offering our customer base what they need and what they expect," says Brisebois. "We essentially cover the entire spectrum of the business and we're confident that now we can focus on maximizing the reach and power of our organization."

### APPEALING TO THE "OTHER" CONSUMERS

Like their American counterparts, Home Depot and Lowe's Canada continue to compete for the lucrative pro customer business. And Home Depot Canada is also responding to an increased desire from contractor customers to do business online with the launch of a new digital portal for their Pro Xtra loyalty program. According to Kinnaird, members can log in and access everything related to their account, including purchase tracking.

"Interconnected retail will continue to be a significant growth driver for our business," says Kinnaird. "We know our customers lead busy lives and need flexible

reacting very well; we're more than pleased with the growth of this business. Going forward, e-commerce will be one of our most important growth vectors."

He adds that Lowe's is definitely competing for the contractor business: "The pro business is a key component of our mix and we're anticipating a lot of traction in that field."

Home Hardware for its part has been aligning its business at head office to help dealers go after the commercial side of business. An increased emphasis on that was evident at Home's latest dealer market, with a prominent section on the show floor dedicated to the products and needs of those shoppers.

"We've put renewed emphasis on commercial accounts with more dedicated resources and relationship development at the corporate level," says Davis. "In the past, we'd take the position that the retailer developed the relationship with the local commercial account representative, but that's not how large national organizations want to conduct the buying side of the business."

Davis adds Home Hardware has also introduced a new price zone to increase

"We have a very cost-effective approach to marketing and we capitalize on opportunities that will help market our brand while being extremely low-cost to our membership," says Martin.

### INDEPENDENTS GROWING STRONG


Despite increasing consolidation and growth from large-format competitors, Canada's independent home improvement retail banners are also optimistic about the future of the industry and their place within it.

"I believe there will always be a role for the independent as the retail sector will always require what the independent offers best: vast knowledge, close customer relationships, and the ability to be an agile business," says Martin.

He adds that he thinks the biggest opportunities for independents are in Canada's rural areas, where dealers engage with and invest in their communities, ensuring customers stay loyal and shop local. Retailers on the front-lines of their stores are also well-positioned to get direct feedback from their customers on their needs as they continue to evolve—something they should take advantage of to stay relevant.

"Canadian retailers really have to understand the speed of change in retail," says Bingley. "Customer shopping patterns are changing quickly and retailers that can adapt to change while engaging their customers, employees, and suppliers will win in the new marketplace, as we all know customers have many choices of where to shop."

According to Juneau, that means finding a perfect balance between the traditional retail approach and a technology-centric model.

"We cannot rely on the way we worked for the last 50 years to be successful in the future," says Juneau. "We have to pool our resources and bring that to our dealers and help them strengthen and increase their success in the market." 

**“We cannot rely on the way we worked for the last 50 years to be successful in the future.”**

delivery options. Whether they're a DIY customer or a pro contractor, we also offer the option to buy online and deliver directly to a home, office, or job site."

At Lowe's, Brisebois says the Reno-Depot stores, which are mostly located in Quebec and cater to construction and renovation customers, began offering e-commerce on their site this past year. "It seems like the Quebec population was just waiting for this type of offer," says Brisebois. "They are

the dealer's flexibility in responding to local market competition in this area.

In their efforts to help their members grow and develop profitable and sustainable businesses, TIMBER MART also struck a deal in 2017 with the Canadian Football League (CFL) to help leverage exposure of the banner and increase local brand awareness. The three-year partnership will help TIMBER MART target a large part of its members' customer base both online and in-stadium.



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# HOME HARDWARE'S RICK McNABB: VP COMES WITH NEW VISION FOR THE CO-OP

With a new ad agency, a new slogan, and a new imperative to target millennial customers, Home Hardware Stores Ltd. has made a lot of changes in recent months. A key driver of those changes has been Rick McNabb, vice president of marketing and sales for the dealer-owned co-op.



Rick McNabb, in front of Home's new slogan at the company's spring dealer market, says the new tag line reflects Home's efforts to attract millennial customers.

**H**ow do you go about freshening up your company's brand, while staying true to its strong, family-oriented corporate culture that values tradition? That has been the challenge for Rick McNabb since joining Home Hardware Stores Ltd. as vice president of marketing and sales in 2016.

One of the first places he started was with a review of the company's ad agency. Morris Saffer had been working with Home for 40 years—an unprecedented length of time for a business cycle that typically lasts five years at most. The hiring of a downtown Toronto shop, john st., began a process of evolving Home Hardware's marketing strategy in a new direction.

The result: a new slogan and a new strategy that targets a younger demographic, which was introduced at Home Hardware's spring dealer market. The tag line, "Here's How," reflects the co-op retailer's efforts to attract millennial customers and is a directive to

empower a younger generation to seek products—and advice—from a Home store.

"It's more than a slogan; it's a calling card that embraces what Home Hardware stands for," he says. "We don't want to be seen just as small project stores."

## GROWING STORE NUMBERS AND SQUARE FOOTAGE

His next project was harmonizing the strength of the building supplies business within the company, which has traditionally considered itself largely a hardware retailer. But growth in recent years has come from converting many Home Hardware stores to Home Hardware Building Centres, increasing the store footprint dramatically to accommodate a full offering of LBM.

McNabb points out that Home actually has four banners: Home Hardware (hardware), Home Hardware Building Centre (home centre), Home Building Centre

(lumberyard or contractor specialist), and Home Furniture (furniture, décor, and heavy appliances).

Talking about the new direction for the company, McNabb cites Lowe's as the competitor he believes it's important to keep up with. "It's not going to be business as usual. This will position us to keep ahead of the changes in the market and be fresh and relevant."

## E-COMMERCE PLANS IN THE WORKS

Looking ahead, the company will launch a ship-to-home capability at the beginning of 2018. With three distribution centres across Canada, Home can utilize its existing logistics network as sources for products bought online, "and harness our roots as a wholesale distribution centre," he says.

"We're trying to position an e-commerce business that dealer-owners have empowered us to manage and run from [head office]."

The initiative will include the launch of a new website during the second half of 2017 that will feature a new campaign to promote Home's brand and products. The goal of the website, says McNabb, will be to reflect the experience of shopping in a bricks-and-mortar Home Hardware store. "There's a huge amount of excitement around the company about the future," he adds.

"Our goal is to be a full omni-commerce retail channel."

*Rick McNabb will be a speaker at our upcoming 22nd Annual Hardlines Conference. If you'd like to hear more about what McNabb has planned for Home, come join us! Find out more at [www.hardlinesconference.ca](http://www.hardlinesconference.ca)*

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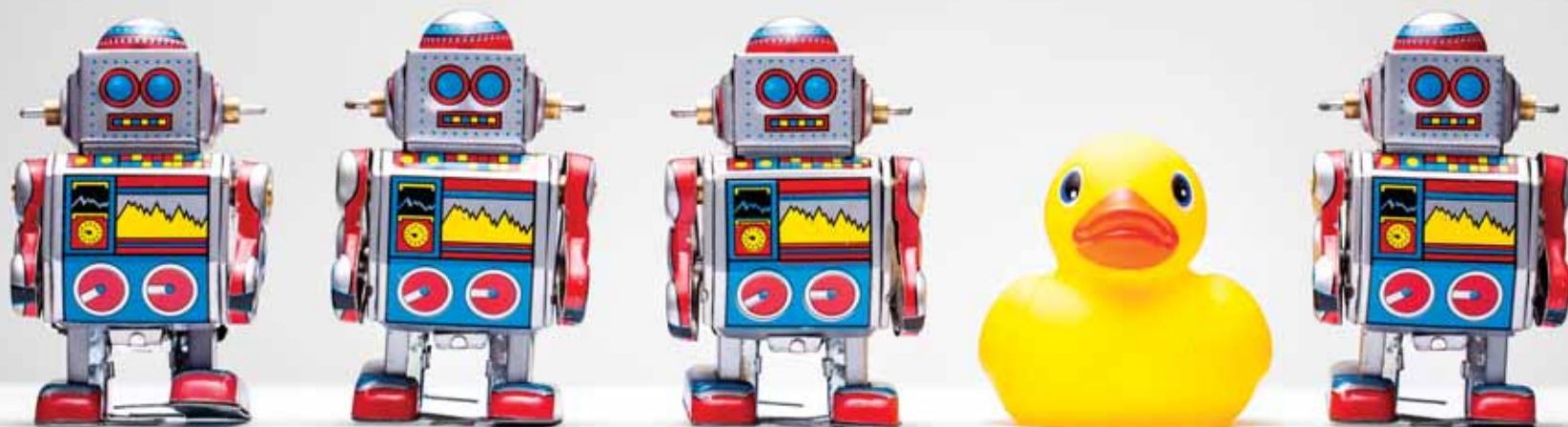
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BY SIGRID FORBERG

# DARE TO BE DIFFERENT



**Being an independent retailer means you have to think a few steps ahead of the market. Here, we talk with some retailers who've found niches that they might never have expected, but now play an integral role in their success.**

**B**usiness in Northern Ontario during the winter can be really slow for Chad Sonnenburg's stores in Massey and Elliot Lake. Ten years ago, when he was getting ready to lay off one of his workers for the winter, he hesitated. The guy was a good worker who had a young family. Sonnenburg wanted to give him some work to get him through the winter—and keep him available for next summer, too. So he asked this employee to take home materials to build some docks that could be sold in the summer months.

A decade later, he now has two employees working 10 months of the year to keep up with demand for his docks.

"By the third year, I said, 'I think we're onto something here,'" says Sonnenburg.

"We now have people stop in our store just to enquire about the docks."

## UNCOVERING YOUR CUSTOMER'S NEEDS

For Doug Lemieux, of L.B.H. Building Supplies, in St. Albert, Alta., it was also through chance that he found a successful niche service for his business. Lemieux's store makes custom doors and metal trim. He says he started the door-hanging business because he wanted to be able to control the quality and the pricing of the product he was selling.

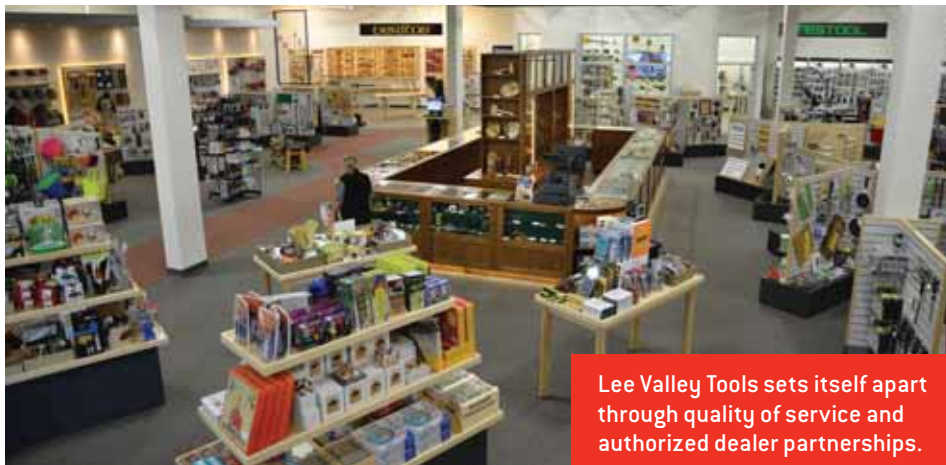
He'd actually had a few complaints from a finishing carpenter who's also a regular customer about the quality the store was getting from his suppliers, so

Lemieux hired him on to provide quality control.

"It's kind of a fitting task for him," he says. "Now that he's in charge, we know we're putting out the best product that we can."

Lemieux is now able to provide better service for his customers and he has more control over the turnaround time, quality of product, and the pricing.

Service is paramount at Lee Valley Tools. The company, with 19 locations across the country, emphasizes the customer experience above all. Lee Valley President Robin Lee adds that he counts retail as the interface between a customer and a business, so email, telephone, and web communications have to be as friendly and responsive as they



Lee Valley Tools sets itself apart through quality of service and authorized dealer partnerships.



L.B.H. Building Supplies, in St. Albert, Alta., makes custom doors and metal trim.



Chad Sonnenburg's off-season dock business has evolved from a winter project to an almost full-time job for two staff members.

are in person. He trains his employees to provide the best service possible, even if that means sending them to Home Depot or another retailer when that makes the most sense for the shopper.

"When it comes down to retail, you have to deliver a good experience to your customers if you want them back. Experiences are what we remember—we may forget prices or what we bought, but we'll never forget having a good experience."

## TAKING CHANCES, REAPING THE REWARDS

All these niche products and services do come with some risk. For Sonnenburg, he could have suffered a loss that first year and then every year after, and both he and Lemieux have had to invest money and manpower into growing new sides of their business. And for Lee Valley, carrying quality products that cost consumers more comes with the chance that you might get a number of show-roomers into your store.

But being risk-averse isn't a good quality for a successful independent retailer. "If you're scared to fail, you're definitely in the wrong business," says Sonnenburg. "I think, as an entrepreneur, we're not like normal people. We do take risks and we know there's a chance we'll lose money and time, and that things will fail, and you've got to be okay with that."

And when you take a chance on something new or different, Lemieux says the biggest pay-off is getting new customers into the store. He warns dealers that might be looking to try something new, especially if it involves investing in machinery or increasing your inventory of products, to be prepared for some bumps in the road on the way to success.

"The biggest thing is to be prepared for what can transpire once you get there," says Lemieux. "You have to be prepared to grow your business and to accept some of the learning curves and costs involved in the process."

## Authorized dealers: A two-way relationship

When it comes to setting their company apart from the competition, some retailers, such as Lee Valley Tools, go the route of authorized dealer relationships with vendors to exclusively sell their products. A number of companies, such as Festool, Pella, and Husqvarna, sell exclusively this way.

Tim Melady, director, Canada Dealer Sales of Husqvarna Canada, says the kind of dealers Husqvarna looks to partner with are forward-thinking and value innovative technology. The outdoor power tool company, headquartered in Sweden, also prioritizes businesses that are able to communicate and showcase the company's offerings to their customer base.

"Our focus has always been to innovate and engage, both with our consumers and partners," says Melady. "Culture and adaptability are key with any of our retail partners."

There's a give-and-take relationship for both the retailers and vendors. Retailers can count on minimum advertised pricing for their authorized products and don't have to worry about being undersold online. And vendors provide information and training for store employees, ensuring they have the knowledge to not just sell the product to customers, but to be able to answer any questions they have at any point.

"It's a good model because the customer also knows the price is the price. They can buy it anywhere with the confidence that there isn't a better deal somewhere else," says Robin Lee, president of Lee Valley Tools. "And they're going to get an excellent level of service because all these companies have to compete on service, so if you want that customer back, you have to perform really well."



# PAY ATTENTION TO CHANGE: WHAT WE LEARNED AT THE GLOBAL DIY SUMMIT

Global home improvement delegates gathered in Berlin earlier this year for insights from leading experts in the field on the current and projected developments within the global market. The outlook, while overall positive, warned attendees of the importance of staying on the leading edge of technology.

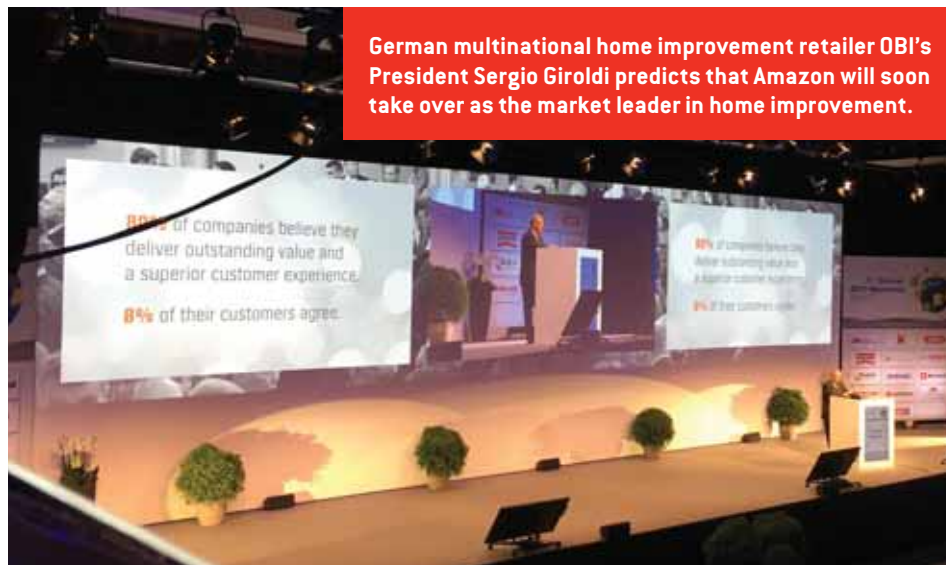
**T**he fifth annual Global DIY Summit took place in Berlin this past summer. This year's motto was "A New Era—a Glimpse into the Future of Home Improvement". Presentations included the use of digital platforms as new business models worldwide, political and economic forecasts in the wake of the Trump presidency and Brexit, how a company should start its own digital transformation, the promising future for the garden sector, and a global overview of home improvement stores around the world.

The summit was hosted by three international organizations: the European DIY Retail Association (EDRA), the European Federation of DIY Manufacturers (fedima), and the Global Home Improvement Network (ghin). Three Canadian companies were in attendance at the event; one of them was HARDLINES.

The general perception of the global economy was positive and most of the speakers forecast more innovation and growth within the coming years.

The first day concluded with a gala dinner and the presentation of the Global DIY Lifetime Award. This year's award went to Gregory M. Bridgeford, former executive vice president of business development and chief customer officer at Lowe's. In his acceptance speech, Bridgeford spoke to delegates about the importance of networking and how much Lowe's had learned from the best practices of other home improvement companies from around the globe.

Presenters shared a wealth of insights. According to OBI President Sergio Girolodi, Amazon will soon take over as the market leader in home improvement. Traditional



German multinational home improvement retailer OBI's President Sergio Girolodi predicts that Amazon will soon take over as the market leader in home improvement.


dealers will have to embrace this future or go out of business. To do that effectively, he urged delegates to use technology to transfer customers into "fans". In Europe, he said, the majority of people have their basic needs met, so they are more likely to be looking for wishes than needs. "We have to think about the future, not about our past," he added. "Our mission is customer satisfaction."

Stephen Collinge of Insight Retail Group warned delegates to prepare for "huge turbulence ahead," as 52 percent of the Fortune 500 companies from the year 2000 are now gone. "They were out-innovated. They couldn't simplify."

He shared yet another startling fact: the Bank of England has forecast that 15 million jobs in Europe will be replaced by technology within the next decade. To reinforce his point, he shared that, just a week earlier, U.K.-based grocery retailer Tesco had made its first robot delivery in a driverless car.



OBI has redirected its efforts towards customer satisfaction to compete with e-commerce.

The next Global DIY Summit will be held in Barcelona June 13 to 14, 2018. More than 67 percent of the delegates have confirmed their participation in next year's event. 



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BY MICHAEL McLARNEY

# COLOMBIA'S TINY HARDWARE STORES: A LESSON IN CO-OPERATION AND CONVENIENCE

An invitation to Bogota, Colombia, to speak at Expo Fierros, the hardware conference and trade show for the Andina region of South America, offered *HHIQ* an opportunity to see hardware retailing that's unlike anything in Canada. Yet, there may be some lessons Canadian retailers could learn.



Ferricentro is a large-format store in downtown Bogota that features a wide range of products on four storeys. With its self-serve approach, it is more like North American retailers than the independent ferreterias that surround it.

**S**maller hardware stores are still widespread in Colombia. And the culture of the country, with a ready pool of affordable labour, doesn't have the same DIY customers that drive North American home improvement sales.

The majority of Colombia's hardware stores, called ferreterias, are family-owned and small. Colombian retailers do not, for the most part, organize as part of buying groups, though a new organization, Red Ferreteria, founded two years ago in Santiago de Cali, has managed to rally 50 ferreterias there to combine buying power and begin seeking negotiations with the vendor community in Colombia.

Bogota is a city with twice the population of Toronto and is 12 times the size of Vancouver, but depending on the neighbourhood, stores can be found on every block. A typical shop is little more than a store front, often no more than 10 or 12 feet wide. A sliding partition, like a garage door, goes up and reveals a counter that runs the width of the store. One or two people might sit behind that counter, with only a few feet



Expo Fierros, the hardware conference and trade show for the Andina region of South America, brought dealers and vendors to the Colombian capital this past summer.

of space behind them. But that space is crammed with products.

Many of the stores are highly specialized and clustered together, creating something



Specialty hardware stores can be found in clusters in certain parts of Bogotá. Here, a series of electrical and lighting stores co-exist by each providing its own niche in the category.



Specialization to the extreme: this ferreteria carries every type of battery and charging device, while neighbouring stores carry other ranges of electrical products.



The merchandising approach is simply to display as many products as possible in the tight space available.



Colombia is a country with an affordable labour pool of skilled tradespeople. Those are the typical customers at most of the hardware stores, or ferreterias, in Bogotá.

of an outdoor mall experience. On one block, a row of storefronts specialize in electrical products. One carries electrical connectors and wiring, another lightbulbs and nothing else, while yet another is dedicated only to commercial lighting fixtures and tubes.

Some stores do have a wider range of products. In one case, the store ran straight back narrowly from the street for about 75 feet. All along the hall were nooks and ante-rooms, requiring staff to squeeze sideways

to fit into more than a couple of those spaces, which were all filled with products. One had huge spools of wire and cable, while another was stacked high with bags of cement.

Colombia—and South America in general—has one dominant big box chain, Sodimac. Based in Chile, that company has been making gains in Colombia through an alliance with a domestic wholesaler, the Corona Group. Another smaller chain, with home centres of its own, is Ferricentro.

It has six stores throughout Colombia's northern region, including one in Bogotá. That store is stacked on four storeys, with a product mix aimed at pros and industrial contractors. Its closest comparison in Canada might be the Reno-Depot chain, which is part of Lowe's Canada.

Based on the growth of big boxes in Colombia, the dealers there will face tougher, more organized competition in coming years—a trend faced by Canadian dealers since the mid-1990s.

# GIVE 'EM SOMETHING TO TALK ABOUT

Your customer's first impression of your business is more and more likely to take place on the web. Are you effectively managing your digital reputation in an era of e-commerce?

BY SARA CLARKSON

**T**he e-commerce versus bricks and mortar debate is not a new one, nor is it one that's likely to be solved in the foreseeable future. And while Canadians may not be buying online as much as our American neighbours, they're researching online in a major way.

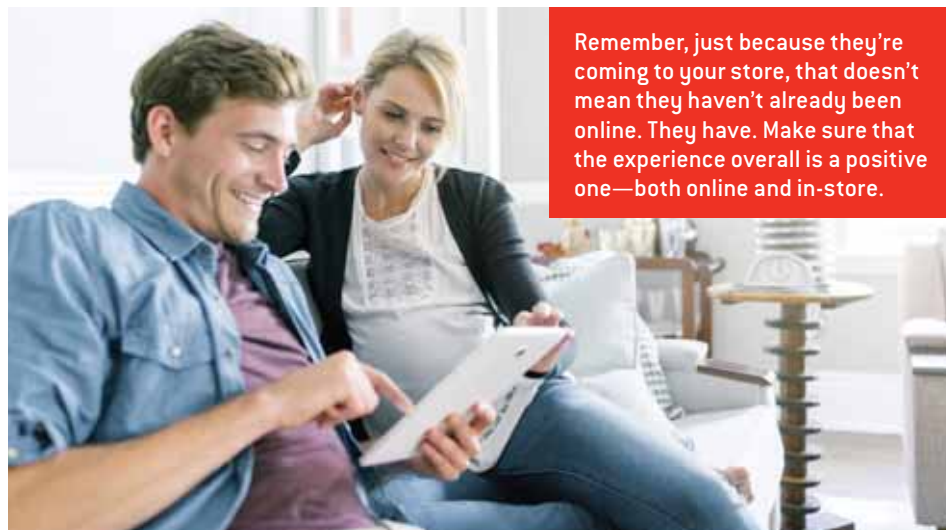
Today, people are going online first to find and learn about products they're interested in. They want to be experts before they even enter your store. Your website needs to be able to provide that information. Whether or not you offer some form of online shopping, you'll be well served by providing information that allows your customers to access the data they're looking for.

## THE EXPERIENCE STARTS ONLINE

Social media is also a place they'll head for information—and not just about your products. With the various social media networks, it's easy to find out what other customers think about a company with very little effort. Of course, this has both positive and negative aspects. Just as you'll have happy, satisfied customers raving about you online, you'll also have those critics who could find something wrong with even the most efficient customer service or top-of-the-line products.

Unfortunately, people are more likely to talk about a company online after a bad experience than they are following a good one. What's more, countless Canadian studies have found that reviews on social media hold significant sway over an individual's purchasing decisions. This is why managing your digital reputation is critical.

When we're talking about managing your online reputation, one of the most important things you need to be doing is monitoring reviews and responding to them—and quickly. Saying nothing is akin to ignoring



Remember, just because they're coming to your store, that doesn't mean they haven't already been online. They have. Make sure that the experience overall is a positive one—both online and in-store.

your customers, and that alone speaks volumes. Regardless of whether the feedback is negative or positive, you need to be thanking the poster for their comments, assuring them that their satisfaction is your top priority, and guaranteeing them that you're doing whatever you can to regain their trust.


## HAVE YOUR BASICS COVERED

Are you considering the logistics involved in implementing e-commerce? If it isn't a possibility, make sure you're paying as much attention to your online presence as possible. At the very least, people must be able to find your store hours, find out how to contact you, and learn about sales and events going on in the store.

Remember, just because they're coming to your store, that doesn't mean they haven't already been online. They have. Make sure that the experience overall is a positive one—both online and in-store.

At last year's Hardlines Conference, we heard about the shopping habits of several distinct shopping groups. Millennials will spend a lot of time researching online, but still need help in-store. Sherri Amos, from

Home Hardware Stores Ltd., noted at the time: "Even if I'm not making that purchase on your website, I want to know if that item is in stock. I have an hour to do my shopping and I want to know if it's there."

Thankfully, we believe that bricks-and-mortar retail is not going away. People still want the ease and speed, as well as the actual shopping experience, which only comes with entering a physical location. However, e-commerce isn't going anywhere, so you have to embrace both. Digital offers distinct advantages that, if taken advantage of, can significantly impact your bottom line. Falling behind because you're reluctant to adapt isn't an option anymore. 

*Sara Clarkson is the President of Storesupport Canada. Storesupport works with brands, manufacturers, and retailers across Canada and supports them in creating a better experience for the consumer, thus increasing loyalty and return on investment. Her team's goal is to empower brands to regain control at the point of sale by delivering outcomes that enhance the customer experience, directly impacting their ability to sell more.*

## Who are your future leaders?

Give your best employees the opportunity to develop their own leadership styles, learn best practices in communication and problem-solving and gain knowledge on how to build and develop teams. In return, you'll improve employee retention and reduce turnover in your business.



## Strengthen Your Team

### How can I get started?

Identify the employees on your team who are ready to take the next step in their careers. The NRHA Foundations of Leadership Program is a 16-week online introductory leadership course designed to teach employees who are new to management about key concepts of leadership and personal development.

**“As a member of the retailer consortium, we worked with NRHA to develop this program because we believe it’s **vitaly important** to further the leadership capabilities of our key people.”**

Mike Gregory | Vice President of Human Resources | Aubuchon Hardware

FOR MORE INFORMATION, GO TO [NRHA.ORG/RLI](https://nrha.org/RLI)



**NRHA**

Foundations of  
Leadership Program

# DON'T UNDERESTIMATE THE SMALL-TOWN DEALER

BY SIGRID FORBERG

**The East Coast may not be known for its great bursts of growth like in the oil communities of the West, but it remains consistent year after year. Here, several Atlantic retailers weigh in on the challenges and opportunities of home improvement retailing in their region.**

**L**ast winter was a tough one across the country, but it was especially hard on the Atlantic region. Though they endured a tough first quarter, retailers remained optimistic and were rewarded with strong summer months.

Harsh winters are just one of the factors impacting business down East. Staffing and retention are a huge concern for a region currently coping with an ageing population and more work than workers.

Rob Lawrie, the dealer-owner of Home Hardware Building Centres in Annapolis and Meteghan, N.S., says while southwest Nova Scotia is a typically depressed economy, it still has opportunity.

"We don't have a lot of industry, but what we do have is consistency. You can count on that business year after year," says Lawrie. "We don't have a lot of growth, but we've got growth opportunity. You just need to be more creative or come up with new and different ideas to create growth."

How Lawrie accomplishes that with his stores is by being a progressive businessperson. That includes offering rentals and installation services, as well as a turnkey house-building service for clients from across the country and even in the U.S. "We're always thinking outside of the box," he adds. But the most important factor contributing to his success is a positive attitude. "I think successful retailers are always optimistic," says Lawrie. "I honestly believe you have to set your own pace. That eternal optimist is a retailer who prepares for the worst, works hard, and hopes for the best."



Mike James makes sure his two Castle stores in P.E.I. go out of the way to help contractors, even if it's out of his own pocket.

## SERVICE AN IMPERATIVE

These dealers work to set themselves apart from their competition through customer service. Jay Hickey, of Hickey's Building Supplies, which has three stores in Newfoundland, says service is important everywhere, but it's an imperative in Newfoundland.

"It's a huge part of our business," says Hickey. "We service the hell out of people; we just look after them. I honestly think that's the reason we can compete against everyone else—because people like us."

Bill Towndrow, owner of Lunenburg Hardware in Lunenburg, N.S., stays competitive by focusing in on the specific everyday needs of his community. Located on a peninsula and surrounded by competition, he knows he has to narrow his focus to do well.



"I'm not trying to take customers from the competition or the next community over," he says. "We don't try to be all things to all people because we know that we just can't do it properly."

As a UNESCO World Heritage Site, Lunenburg has very specific challenges. Historical buildings require a certain level of attention and maintenance—like exterior paint, which can be trickier and requires more maintenance for consumers than a domestic interior paint job. So Towndrow familiarized himself with the category to help customers as best he can.

That straight-forward perspective is one Mike James, owner of Spring Valley Building Centre and O’Leary Building Centre in Prince Edward Island, also brings to his business. James keeps an extra boom truck available in case contractors need last-minute deliveries, even though it may affect his profits, because it’s the kind of responsiveness his customers appreciate. However, while he emphasizes the need for top-notch service with his staff, he also asks them to be realistic.

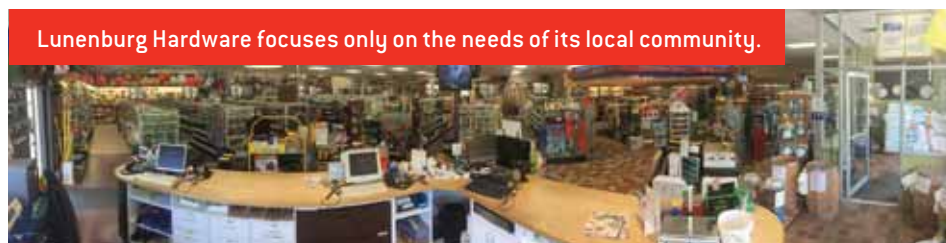
“I do stress to my staff that the worst thing we can do is over-promise and under-deliver,” says James. “We’re honest with the consumer. If we can’t get something to them right away we’ll tell them that. If we aren’t upfront and honest with them, then it’s only going to hurt us in the end.”

## STAFFING IS A NUMBER-ONE CONCERN

While they excel in customer service, there is still one major issue currently plaguing dealers across Eastern Canada. Whether it’s succession, finding new employees, or retaining their current staff members, the workforce is one of the most pressing concerns for these dealers.

Newfoundland retailers especially have faced competition for its young workers from high-paying and desirable oil industry jobs. At the moment, Hickey says the majority of his workers are 55 years and older. “Getting good guys is definitely a challenge. I’ve got a lot of senior guys and there aren’t a lot of young people out there willing to get their hands dirty.”

Selling the next generation on a career in retail is top of mind for Lawrie, as well. “The millennial does not consider retail a



Lunenburg Hardware focuses only on the needs of its local community.



Rob Lawrie’s two Home Hardware stores in southwest Nova Scotia offer outside of the box services to compete.



Hickey’s Building Supplies in Newfoundland: “We service the hell out of people.”

career,” he says. “We’re racking our brains trying to come up with some ideas on how to create long-term employees and get kids to consider this as a career.”

James adds that expectations can be an obstacle, too. Young people leaving university these days have different notions of wages and salaries than previous generations had, meanwhile, minimum wage has been steadily increasing. It’s a constant battle to find the right employees and then hold onto them.

“I think we’ve absolutely tapped out our work force—there’s just so much demand

that it hasn’t caught up with the rest of the world how much opportunity there is up here,” says Towndrow. However, he has identified one bright side to the challenges of this business—it narrows the competition down to those most passionate about home improvement and retail.

“I think we have a lot of work cut out for us, but that’s okay,” Towndrow says. “If this was too easy for people to do, then everybody would jump in and try it out—and then you’d have a whole new set of problems.”



BY JOHN CAULFIELD

# PLAYING IT TOO SAFE

**Narrow mixes of work-safety products could mean missed sales opportunities as both DIYers and pros seek a diversity of options to keep them protected on the job.**

**P**reston Hardware's two outlets in Ottawa carry a healthy assortment of occupational safety products: 600 SKUs displayed across 80 lineal feet within their hardware departments.

As workplace regulations have toughened, Preston Hardware has brought on better-grade fire extinguishers, first-aid kits, harnesses, and related hardware. "Gloves have probably had the greatest changes over the years," says the dealer's safety buyer Johnny Giannetti.

But at a time when workplace safety is definitely a concern of contractors and their employees, Preston Hardware remains an exception among independent hardware and

building supply dealers that typically stock a modest assortment of helmets, gloves, masks, caution tape, and the like, but yield customers looking for broader selections and service to specialty dealers and distributors.

"Safety is a category you have to have if you're selling to pros," acknowledges Paulette Schiestal, buyer for Copp Building Materials in London, Ont., whose four stores display eight feet of safety products. "But it's not as good a category as it could be." One reason, she explains, is that cities in Ontario designate where pros can buy safety products, and those recommendations usually don't include hardware stores or lumberyards.

Cook Street Castle Building Centre in Victoria, B.C., devotes 20 lineal feet in each of its two stores to work safety. But the mix is "pretty basic," says general manager Brent Cowling. It includes "visibility" (such as vests and caution tape), respiratory, head and eye protection, gloves, and "first line" first aid. But work clothes, harnesses or safety-related hardware don't make the cut.

Cowling says pros seeking depth usually turn to specialists like Western Safety Products in Port Moody, B.C., an industrial supplier that offers mobile safety and inventory management solutions to jobsites and businesses via more than a dozen service vans that cover the province.

Western Safety Products is part of the global corporation, Bunzl, which has similar operations across Canada. Bunzl also supplies big box and independent retailers with occupational safety products through its McCordick division, the preferred vendor of buying groups Spancan and Home Hardware Stores.

## REGULATIONS AND BRANDING DRIVE DEMAND

Labour ministries and workers compensation boards set the ground rules for workplace safety that dealers and distributors say drive demand for these products. “Everybody is wearing safety products—in warehouses, on jobsites, driving,” proclaims Patrick Harrington, vice president-safety products for Vancouver-based SureWerx, a supplier of wearable safety.

Dean Provonost, national sales manager-Canada for Honeywell Safety Products in Anjou, Que., adds that heightened customer awareness corresponds with recent information and press reports about the relationship between safety and health, such as premature hearing loss.

Canadian Standards Association’s approval is the benchmark for quality assurance that dealers and their customers rely on most. Superior Glove, with 3,500 styles, also follows ANSI standards for cut and puncture prevention, says Matt Burtney, its content marketing associate.

Jeff Cutler, senior vice president of purchasing for Orgill, the Tennessee-based hardware distributor, attributes his company’s double-digit sales growth in this category with Canadian dealers this year to the multiple branded options it offers for DIYers and pros. Its brands include Honeywell/North Safety, McCordick, Radians Safety, and Safety Works.

As iconic brands like Stanley and Dewalt now appear on work-safety products that are featured by large retailers like Canadian Tire, Cutler says Orgill is considering the

distribution of brands that are licensed by relevant manufacturers, with an eye toward establishing proprietary or private-label relationships with retailers.

## HELPING CUSTOMERS CHOOSE THE RIGHT ITEM

Canadian Tire’s website promotes Stanley-branded respirators selling for \$14.99 to \$129.99. Similar price ranges can be found in just about any category within occupational safety.

“An integral part of selling is understanding and communicating these new laws/standards at retail.”

Given that many work-safety products sold at retail are imported, DIYers can always find inexpensive options, particularly if they’re buying something they might use only once, like a dust mask. But dealers and suppliers say it’s wrong to conclude that consumers simply default to the cheapest alternative.

Honeywell’s new Bluetooth 4.1-enabled hard hat, which retails for around \$130, is available at several dealers including Walmart. “We’re finding that the store determines the customer” in terms of what quality they purchase, says Provonost.

“We carry safety glasses that retail for \$30, and they sell okay,” says Grant Tkachuk, co-owner of Allied Ace Hardware, whose 18,000-square-foot store in Blairmore, Alta., stocks about 100 SKUs of safety products displayed along eight lineal feet. Cowling of Cook Street Castle adds that consumers “can be pretty adamant about having the ‘right’ gloves, the ‘right’ mask.”

But dealers could do a better job helping customers differentiate, beyond price, among occupational safety products. Too


often, say suppliers, customers end up buying the wrong product, and sometimes spending more than they need to. “It’s a question of knowledge,” says Michel Gagnon, a buyer for Matèrio Laurentiens, a building supply dealer in Saint-Jerome, Que., which devotes 12 lineal feet of display space to the work-safety category.

Last year Preston Hardware hired a “safety specialist” who advises its customers on which work-safety products are best suited for their projects.

Cutler of Orgill notes, too, that dealers and manufacturers are trying to keep pros and DIYers abreast of regulatory changes through packaging and in-store expertise. “An integral part of selling is understanding and communicating these new laws/standards at retail,” he says.

## A NICHE CATEGORY

In response to customer demand, Preston Hardware is looking to take on a new eye wash line from Bio Med, says Giannetti. Gagnon thinks Matèrio Laurentiens could be doing more with safety products for roofers. And Tkachuk of Allied Ace Hardware says he’s considering taking on work clothes after a local store that sold those products recently went under.

However, work safety seems destined to remain ancillary for most home improvement dealers, and suppliers know it. Superior Glove—which Burtney says does substantial business with industrial suppliers like Grainger—is pushing harder into the automotive sector. This fall, it will introduce a line of 21-gauge gloves that, he says, will be slimmer and less impeding. 

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

# MEASURE YOUR STORE AGAINST THE OPINIONS THAT MATTER

This year has seen many large retailers struggle with profitability, while announcing store closures, restructuring, or bankruptcies. Some blame online retailing, which may be an accurate assumption for a handful of cases. But many of these companies also aren't meeting their customers' expectations. Are you?



**D**o you measure the number of customers entering your store against the number of sales made through the cash desk? Many retailers don't. But check your local Costco Warehouse—most days they're counting cardholders through the front door and are tracking sales hourly. Retailers need to collect accurate traffic counts to better manage their business.

The important question that metrics helps answer is: "How can I get more customers to buy from my store?" To start answering that, you need to know how many customers who come into your store are actually buying product. What's your sale success rate? If it's a low percentage, why aren't they buying?

## HOW DO YOU STACK UP?

Check your average sale against the industry average. The North American Retail Hardware Association (NRHA) Cost of Doing Business survey shows the average sales at high profit are as follows (in U.S. dollars): hardware stores \$23, home centres \$51, and LBM outlets \$219. How do you compare?

If you're not measuring up, ask yourself why you're losing the customer to the competitor. Are shoppers using your store for product knowledge or touch and feel, then buying online or at your competitors' stores at lower pricing? Is your employee asking for the sale?

So how do you get more customers to buy from your store? The easy answer is to simply get more customers into your store. How are you going to do that?

- The number one thing every marketer must do better is know their product.
- The NRHA has an excellent staff training program that supports many of the skills your employees need for increased sales. It's crucial that you ask them to close the sale.
- Many online retailers have been opening or buying retail operations to supplement their online sales and upsell pick-up for the consumer. Recognizing that most hardlines/LBM retailers don't have the resources for online selling, many distributors have developed excellent programs for online selling and e-retailing with their local retailer serving as the customer pick-up location. Are you using the tools available through your distributors and supporting and advertising these programs on your website?
- Consumers today use their mobile phone for researching, purchasing, and transacting business in-store, at home, and on the go. According to a UPS study of online consumers, four in 10 mobile users have used their devices to make an online purchase. Does your customer have more information on the product they wish to buy than your employees? Make certain your staff have the tools to make the sale!

To improve performance, reduce costs, and drive new sales, businesses need to be driven by new technology. There are affordable options out there through distributors and other sources, but to be successful, retailers must be willing participants.

## CLOSING THE SALE

The consumer today has higher expectations and retailers face more competition than ever from big box stores, specialist stores, online retailers, and many others. Retailers must reimagine their store—from inventory transparency to associates armed with mobile POS devices with all the latest technology—to once again excite the shopper and ensure they're getting the ultimate shopping experience.

At the same time, retail staff must have all the tools, including an outgoing personality, good training, product knowledge, and selling skills. The number-one way to improve your closing rate on sales is by having well-trained employees. NRHA has introduced a new Selling Skills module which should be part of all employees' training skillset.

**“Offer a different grade of product, as the problem may be price. You should always have the good, better, and best options for most of the products you carry.”**


There are 10 modules in total, designed to accomplish the goal of closing more sales and improving the customer experience. A study guide helps your employee prepare for each test. Here is a selection of tips from some key modules:

- Essentially, good selling is about using good listening. The five elements to remember throughout the selling process are product knowledge, service, listening, empathy, and relationships.
- Know your customers' expectations. For the most part, shoppers want to save money, know they're getting good value, and save time. Product knowledge and project information help staff to meet customer expectations by ensuring those customers have all the components and tools they need to complete their projects.
- Overcome objections: acknowledge any objections, show customers that you

understand their concerns. Ask questions to get to the real problem. If you allow your customer to give an objection and then simply leave, you won't have helped solve their problem and you'll have lost the sale.

- Offer a different grade of product, as the problem may be price. You should always have the good, better, and best options for most of the products you carry, so maybe you can move them down from best to better by explaining the differences in the products. You're much more likely to close the sale if you can find out and solve your customers' issues.
- Survey your customers to rate your customer experience. To get the information, you could hand out a short questionnaire on a card and ask your

customers to fill it out or set one up online and offer a prize for best suggestions on improvement. You may be surprised by the answers you receive.

Enhancing your employees' selling skills and encouraging them to build their product knowledge will undoubtedly enhance their ability to better close sales, and will also help enhance the overall experience for your customers, which also drives sales. For more information on NRHA training in these fields, visit [www.nrha.org](http://www.nrha.org). 



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

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# FAMILY STORE FINDS SUPPORT, COMFORT THROUGH CRISIS

BY GEOFFREY McLARNEY

**The Gauthier family turned the destruction of one of their stores into an opportunity to build an even better one. Dominique Gauthier spoke with *HHIQ* about how her family saved its legacy.**

**T**he Gauthier family has been in the hardware business for seven decades, half of that time under the RONA banner. So when their second store in Les Cèdres, Que., was destroyed by fire, owners Bernard, Sylvain, and Richard knew right away that they would rebuild, and in the same location.

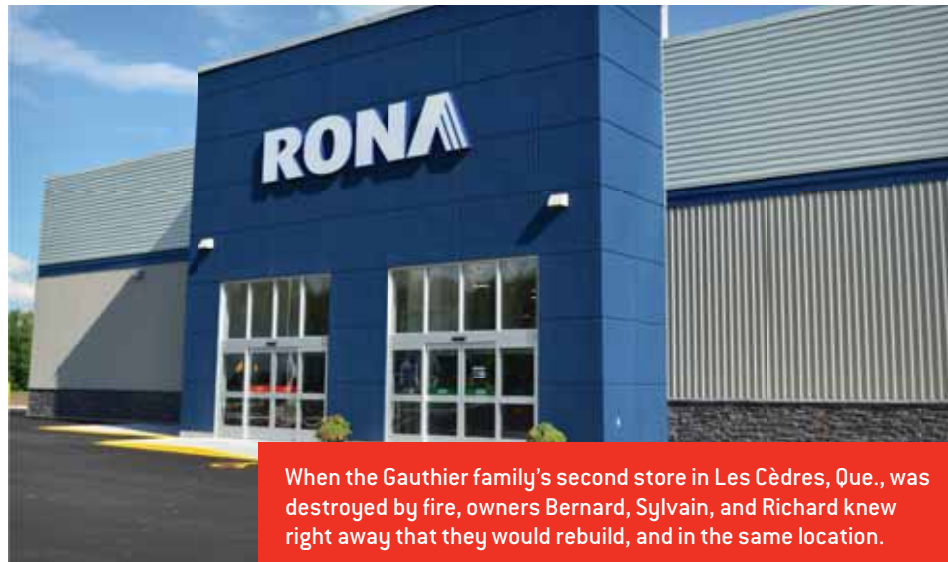
It was only a few days into 2016 when the fire struck during the early morning hours. Triggered by an electrical issue, it spread quickly in an environment full of dry wood and flammable materials. Firefighters from 15 municipalities in the area converged to combat the blaze, transporting water to the site, which has no fire hydrants nearby.

Though the Gauthiers acquired the store in Les Cèdres in 1992, the family business has been around for 70 years. Their father, Roch, started his first store in Saint-Polycarpe with his partner Elie Asselin in 1947, where they manufactured doors and windows in the basement of the family home.

Now, with the help of an insurance payout, they have built a new store on the lot in Les Cèdres, for a total investment of \$3.5 million.

The family didn't set out to duplicate the old store, says Dominique Gauthier, the store manager, but seized the opportunity offered by a fresh start. "The rebuilding of the store allowed us to create an updated functional layout of the store," she explained, adding that the focus was on the customer experience. "The new lumberyard makes it easier for customers to pick up materials in their cars."

Between the fire and the new store's grand opening at the end of last May, the family doubled down at their original store in Saint-Polycarpe, even relocating each of



its 25 staff, which includes Gauthier and her sister, Isabelle, the company's accounts manager. The community rallied, too.

"Most of our clients drove the 16 kilometres to St-Polycarpe to continue to encourage us," Gauthier recalls. "We received kind messages of support from everybody." Customer interest in the reconstruction prompted the company to set up its own official Facebook page, which it continues to maintain, as a way of providing updates.

Support from the banner was also key to the venture's success. "RONA was very helpful throughout the challenging times," she says. "They were on site the next day supporting us with the emotional burden, and they helped us through the 18 months of rebuilding [and the] transition of our operations to our St-Polycarpe store, providing us with ideas for the redesigned store and assisting us in planning the reopening festivities."

That celebration took place earlier this summer, the culmination of an 18-month



effort, when the family welcomed customers back to the Les Cèdres location. Though it was not possible to expand the store, the layout and 90,000-square-foot lumberyard are new.

The family's priority for the near future is to continue servicing their loyal customers who saw them through the initial crisis and reconstruction process. "We are constantly trying to improve our customers' service to make it as efficient as possible," says Gauthier.

# Helping You Grow

Orgill is committed to strengthening your business!



**"Since we started working with Orgill, they have given us many opportunities to grow various aspects of our business, and we now have the ability to obtain a much wider variety of products for our customers."**

Sam Gerber | Earlton Country Store, Ontario | An Orgill customer since 2015

## Programs for Success

"We utilize a number of Orgill's programs that are focused on helping us run a better operation and create additional savings opportunities."

## Staying Competitive

"With Orgill, we have access to weekly deliveries and the most up-to-date pricing information to make sure we are in line with our competition."

## Expansion Assistance

"We recently expanded our seasonal and agricultural categories, and Orgill helped us through the entire process. Now, we receive nothing but positive feedback from the customers who shop those departments."

## Beyond the Store

"We enjoy attending Orgill Dealer Markets to learn about new products and take advantage of great deals."

**For more information about how Orgill can help you grow your business, contact us today!**

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