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FEATURE STORY

DISTRIBUTION MOVES OUTSIDE OF THE BOX

What it means now that so many
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MARKET REPORT

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SECOND QUARTER / 2016 • VOLUME 6, NO. 2

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

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

Canadian Publications Mail Agreement # 42175020

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

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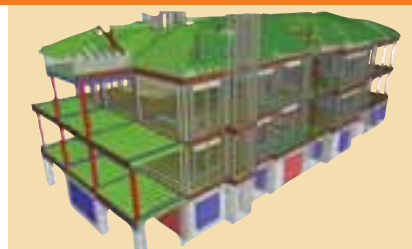
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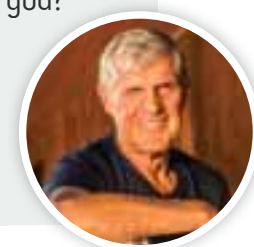
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THE WEDNESDAY THAT SHOOK THE INDUSTRY.

Don't kid yourself. Lowe's takeover of RONA inc. is going to affect this industry at every level. But the news isn't all bad.

MICHAEL McLARNEY, EDITOR

If the importance of a news story can be gauged by how many calls and emails I receive, then the announced takeover of RONA by Lowe's would rank as one of the biggest this industry has faced in the last 10 years.

The story broke at 6:17 a.m. on Wednesday, February 3. By 6:32, the emails started flooding in and by 6:57 a.m., my cellphone began ringing. What will this deal mean for the hundreds of RONA-affiliated dealers, for the hundreds more independents served by RONA through its Ace Hardware Canada division in Winnipeg? What will it mean to Lowe's, which is first and foremost a big box retailer? And what will it mean for Canadian retailing, now that yet another homegrown company will be foreign-owned?

Independents I've talked with are worried about the future of the RONA brand, while Ace dealers are not sure what the future is. The good news is that Lowe's Canada wants different banners and different store sizes. RONA will continue to be a separate banner from Lowe's and Ace will be part of the mix, as well. Lowe's growth strategy embraces different footprints and banners to suit the varied retail landscape, supported by aggressive online sales. Lowe's Canada President

Sylvain Prud'homme has a background in grocery and has told HARDLINES that he recognizes the value of multiple banners, some independently owned, from his days as an executive at Loblaw.

So Lowe's is prepared to make it work, and make it work with the network of independents that come along with the deal. That's a smart move: I've found that the dealers that have stayed with RONA through its ups and downs are dynamic independents

that worked with Canadian vendors and understood Canadian dealers is now a division of the world's second-largest home improvement retailer based in North Carolina. The very thing RONA's growth plan was originally designed to counter when Robert Dutton took over as president and CEO in 1992 has come to pass.

I'll leave the last word to Roy Perkins, a RONA dealer in Windsor, Ont., who emailed me shortly after the news of the Lowe's

“Independents I've talked with are worried about the future of the RONA brand, while Ace dealers are not sure what the future is.”

who get strong support for their brand in their local communities.

That local strength can't be underestimated. Greg Drouillard, a TORBSA member from Windsor, Ont., said it best: “I believe the independents—the Home Hardwares of the world—will continue to innovate, continue to rise to the challenges put forth by the Americans. We might all get leaner going forward but, I think, stronger. Patience and persistence will ‘win out’ in the end.”

That persistence has served independents well through decades of constant change. But the fact is that a Canadian company

takeover broke. “Last, but not least, it's a sad thing that Mr. Dutton's (who I have a lot of respect for as a person) dream of competing head-to-head with all competitors has died. In hindsight it was a good idea to go public, in order to grow to the size RONA became ... but as of Wednesday this week, being a smaller, Canadian-owned company seems like a nice thing to be.”


mike@hardlines.ca

QUARTERLY BUSINESS CONDITIONS

FOURTH QUARTER 2015

Our year-end survey of dealers and suppliers indicates that, for many, business is finally starting to rebound after a tough period.

Retailers who reported an increase in business compared to the same time last year was up 10 percentage points in Q4 2015, and overall, we observed a 20 percentage point increase in those who reported business was up for the year compared to 2014. For the year, on average, retailers reported a 6.5 percent increase in business.

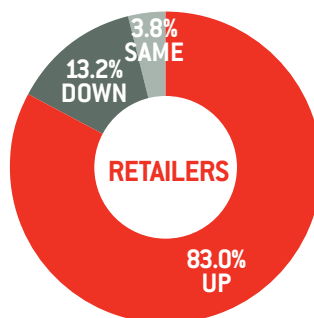
In terms of how they planned to help their company grow in the next year, retailers listed focusing on better training staff, using social media as a marketing tool (and increasing their overall marketing campaigns), gaining a better understanding of competitors, and increasing their online sales as some of their top strategies.

From the vendor side, 2015 was also a good year. When comparing 2015 and 2014, the number of vendors reporting that business was up from the year before increased by 10 percentage points. While fewer of those polled reported an increase for Q4 2015 compared to the year before, nearly a third were reporting that the numbers were about the same.

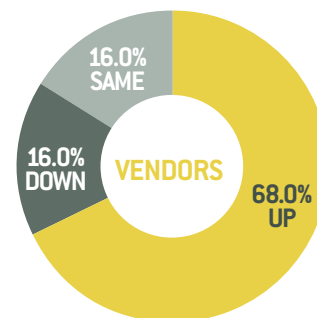
For vendors, proposed strategies for growth into 2016 focused on offering new products and/or services, using social media as a marketing tool, better training staff, and gaining a better understanding of their competitors.

Overall, the most pressing concern for the year ahead for both retailers and vendors is the value of the Canadian dollar. Heading into 2016, both groups were uncertain about what exactly it will mean for business, but weren't optimistic about the potential for increased sales; they're instead preparing to weather a tough few quarters.

For 2015, how did your business compare with 2014?

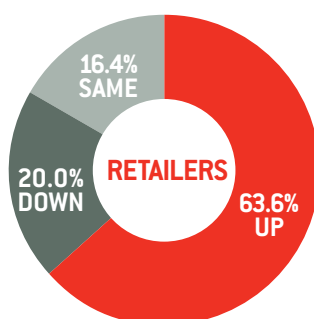


The percentage of retailers whose business was up in 2015 compared to the previous year was up by more than 20 percentage points from the 61.4 percent who reported positive increases in last year's year-end report.

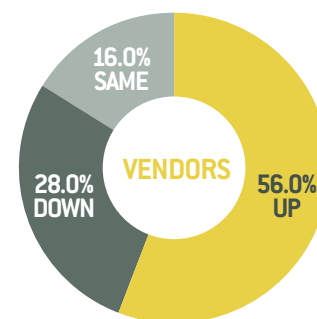


Year over year, the percentage of vendors who experienced sales increases in 2015 compared to 2014 was up 10 percentage points. And the number of vendors who experienced decreases was down from 25.6 percent in 2014.

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

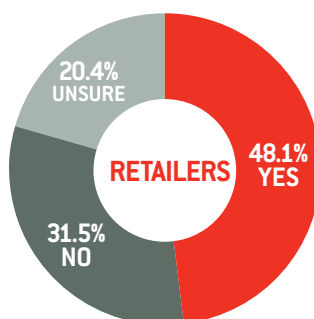


Year over year, the percentage of retailers experiencing better sales than last year has gone up 10 percentage points, from 54.3 percent in Q4 2014.

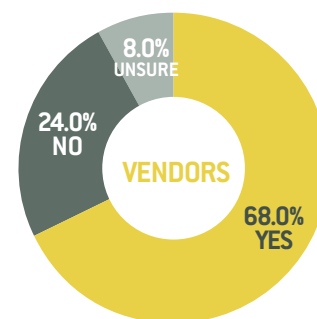


While the percentage of vendors experiencing better sales than last year was down slightly from 65.1 percent in Q4 2014, the number reporting sales were down also shrank by two percentage points from 18.6 percent.

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

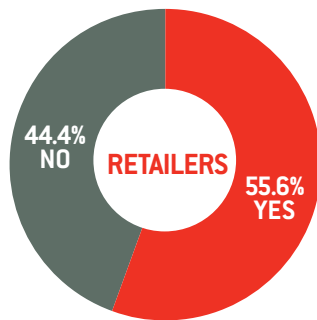


Retailers' outlook is less optimistic looking ahead through 2016, compared to the 55.2 percent who anticipated increased sales in our survey last year.

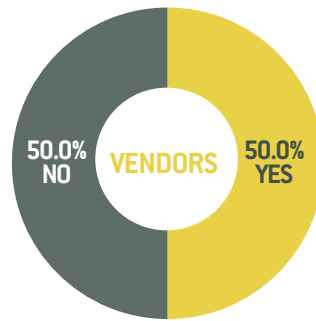


Optimism heading into 2016 has taken a significant hit compared to Q4 2014, when 83.7 percent of vendors indicated that they expected sales to increase in the year to come. That number is down almost 16 percentage points in Q4 2015.

Did you offer new products/services in Q4 to better compete?

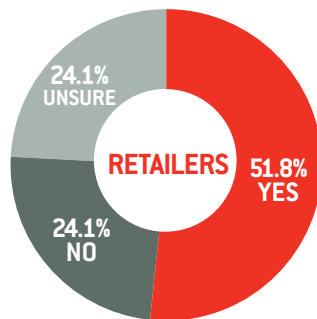


Year over year, the percentage of retailers offering new products and/or services to better compete was down slightly from 57.4 percent in Q4 2014.



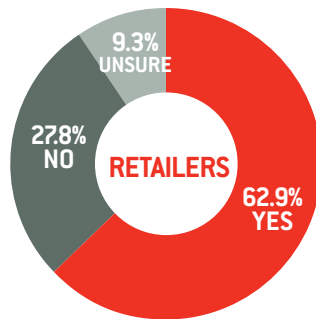
Year over year, the number of vendors that offered new products in 2015 was down 18 percentage points from 68.4 in 2014.

Compared to 2014, is your average basket size up?



Slightly more than half of the retailers polled reported an increase in the number of items sold per transaction compared to the year before, which may indicate more successful merchandising and upselling from floor staff.

Compared to 2014, are your sales per customer up?



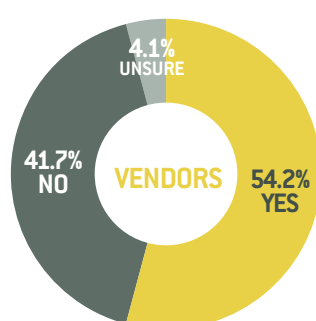
In addition to an increased basket size, two-thirds of retailers are reporting that customers are spending more per transaction.

Did your conversion rate increase in Q4 2015 compared to Q4 2014?



In Q4 2015, 34.3 percent of retailers reported their conversion rates were up for the quarter compared to Q4 2014, but most retailers were flat.

Did you receive more orders in Q4 2015 than in Q4 2014?



Vendors observed a drop in orders in Q4 2015, compared to the same period the year before, when only 27.9 percent reported a decrease in orders from the year before.

RETAILERS:

Top issues in fourth quarter

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

VENDORS:

Top issues in fourth quarter

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

LOWE'S TAKEOVER OF RONA EXPANDS ITS PRESENCE NATIONALLY—WITH MULTIPLE BANNERS

The marriage of Lowe's Canada and RONA will create a new giant home improvement network in this country. But that presence varies from province to province.

It may appear to be a case of the tail wagging the dog: RONA has 13 percent of the Canadian retail home improvement market, based on sales at the cash register. By contrast, Lowe's Canada has just 2.4 percent market share. RONA has almost 500 stores, of which 236 are corporately owned. RONA reports consolidated sales of \$4.1 billion, which measures its wholesale sales combined with retail sales through corporate stores. But once sales from its independents are added in, RONA's contribution to the market grows to almost \$5.5 billion. Together, Lowe's and RONA's combined sales will reach an estimated \$6.6 billion, catching up to Home Depot Canada's \$7 billion-plus in sales.

But Lowe's Canada is part of a much larger operation, of course. Lowe's Cos. is the number-two home improvement retailer worldwide, second only to Home Depot. Lowe's total sales in 2015 were US\$59.1 billion through 1,857 stores, compared with Home Depot, which has 2,274 stores and sales of US\$88.5 billion.

The RONA acquisition will give Lowe's Canada much-needed velocity to expand its presence here, including getting it firmly into Canada's second-largest market, Quebec, where it currently has no stores. It will also get a boost in regions it has been focusing on pre-takeover, namely the West. RONA is very strong in British Columbia, with almost 19 percent of the market there. Lowe's so far has just one store and less than one percent of that market. Lowe's will also get a boost in Saskatchewan and Alberta, plus entry into Manitoba, where it currently has no stores.

Lowe's is not yet in Atlantic Canada either, but the RONA connection will give it an

Lowe's plus RONA: Provincial market shares


Province	Lowe's	RONA/TruServ	Combined
British Columbia	0.7%	18.7%	19.4%
Alberta	3.5%	8.6%	12.1%
Saskatchewan	1.6%	9.3%	10.9%
Manitoba	0.0%	12.0%	12.0%
Ontario	6.9%	10.0%	16.9%
Quebec	0.0%	30.0%	30.0%
Nova Scotia	0.0%	9.1%	9.1%
New Brunswick	0.0%	3.5%	3.5%
P.E.I.	0.0%	0.9%	0.9%
Nfld. & Labrador	0.0%	8.2%	8.2%
National Marketshare	2.4%	13.0%	15.4%

Comparison: Lowe's vs. Home Depot

US stores	Lowe's	Home Depot
Sales (US\$ billions)	\$59.1	\$88.5
Year-over-year change	5.1%	6.4%
Same-store Sales Growth	4.8%	5.6%
Store Count	1,857	2,274
No. of Employees	265,000	xxx
Revenue per Employee	222,083	224,194
Sales per square foot	\$293	\$371
Online sales	3.0%	5.3%
Canadian stores	Lowe's/RONA	Home Depot Canada
Sales (CD\$ billions)	\$1.1	\$7.2
Store Count	182	540
No. of Employees	9,000 + 22,000	32,000

important means of entry, especially through the deployment of the Ace banner, a complement to the RONA banner that is well-suited for stores in smaller communities.

While the combination of Lowe's and RONA will result in a powerful retail entity, it still faces challenges in various

regions of the country. However, multiple banners and store sizes, through Lowe's, RONA, and Ace, will give Lowe's the versatility to penetrate regional markets with footprints that aren't confined to the big box model. And that's something Home Depot Canada can't offer. 



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CASTLE MAKES CHANGES TO BUSINESS DEVELOPMENT TEAM

Castle Building Centres Group has enhanced its business development management structure. The changes come both from movement within the ranks of the team and from dealer growth within the buying group itself.

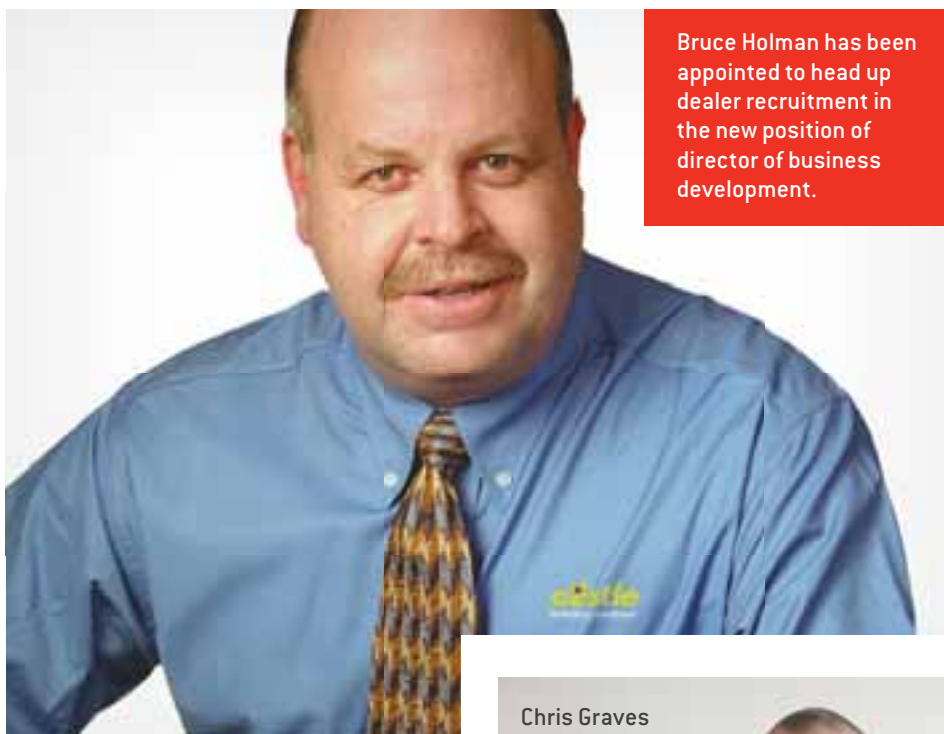
The company has named Bruce Holman to head up dealer recruitment efforts in a newly created position as director of business development. This role was created to help strengthen communication within the Castle membership and assist in coordinating growth objectives in all regions. Holman was previously business development manager for the group's Central Canada region. In his new role, he oversees the activities of the regional business development managers across the country.

Castle will be assessing additional member support needs for the Central Canada region over the coming months.

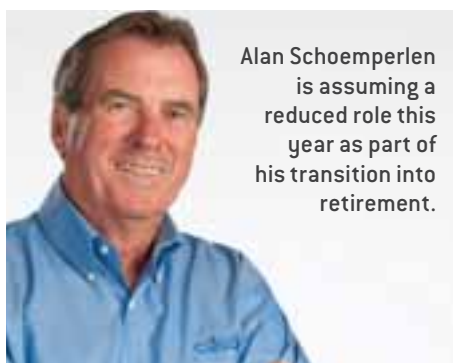
In addition, Alan Schoemperlen, the team's business development manager for Manitoba and Saskatchewan, has assumed a reduced role, as part of a transition into full retirement. In a new role as business development manager-mentor, he will work with the Castle team sharing best practices, industry insight, and knowledge.

Schoemperlen's first mandate will be to work closely with Chris Graves, who is taking over business development duties in Manitoba and Saskatchewan. Based in Winnipeg, Graves comes to Castle from CertainTeed Corp., where he served as senior territory manager.

"The combination of new member addi-



Bruce Holman has been appointed to head up dealer recruitment in the new position of director of business development.



Alan Schoemperlen is assuming a reduced role this year as part of his transition into retirement.



Chris Graves is taking over the business development duties in Manitoba and Saskatchewan from Schoemperlen.

tions and the organic growth of our existing member base requires that we enhance the structure that services their ability to succeed in the market," says Ken Jenkins,

president of Castle. "Our business development team is best in class and these changes further support our commitment to our members."

TIMBER MART TO EXPAND COMMERCIAL DIVISION STRATEGICALLY

TIMBER MART is looking to strategically expand its commercial division. But, Mark Finucane, VP of commercial for the company, says that the buying group is pursuing that growth in a measured way. “We’re looking for quality over quantity,” he stresses.

In the past 15 months, TIMBER MART has bolstered its ranks of commercial dealers, which provide important volume for a buying group. In fact, according to President Bernie Owens, TIMBER MART has the highest volume of drywall purchases of any buying group in Canada. Its latest members are: Clare Interior Supplies in Hamilton, Ont.; Master Building Materials in Woodbridge, Ont.; and Manugypse in

Quebec City—the group’s first commercial dealer in the province of Quebec, which recently opened a second location, in Montreal.

Finucane says each of the group’s new members brings TIMBER MART more volume, increases the group’s critical mass, and broadens its buying power.

He says the group is “open for business in all categories,” but would not announce any more new members at this time. However, TIMBER MART is always talking with potential new dealers, and he adds that any new additions must be carefully planned—and strategic. “We will be cautious about any additions we’ll bring into the group to ensure that they bring value to our current membership.”



Master Building Materials in Woodbridge, Ont., joined TIM-BR MART late last year.

BRIEFLY

INDUSTRY COMPANIES SOME OF CANADA'S BEST BRANDS

Technology and data company Engagement Labs has released the 2015 rankings of Canada's Best Brands on Facebook, Twitter, and Instagram. Home Hardware topped the Facebook category, while Tim Hortons dominated on Twitter and Roots Canada had the most strength on Instagram. Canadian Tire ranked number two for Twitter engagement.

SCHLAGE AND JELD-WEN ANNOUNCE DISTRIBUTION PARTNERSHIP

Allegion Canada, manufacturer of Schlage residential locks, and Jeld-Wen Windows & Doors have formed a distribution partnership. Beginning with Alberta, the two companies have combined the forces of their respective inventories to better meet consumer demand. Jeld-Wen Canada VP Bill Donaldson said the partnership is “consistent with our strategy to provide the highest performing products to the Canadian marketplace.”

RICHELIEU TO DISTRIBUTE RELIABLE FASTENERS

Richelieu Hardware has announced a new Canada-wide distribution agreement between its Reliable Fasteners division and GRK Fasteners Canada, a division of American-based Illinois Tool Works. GRK produces specialty fasteners for contractors, installers, and other construction and renovation professionals. They are mostly sold in hardware stores and home centres. According to Reliable GM René Labrecque, the new agreement “will benefit our customers as well as help us expand and diversify our functional hardware offering in Canada.”

RONA CONTINUES AGGRESSIVE STORE EXPANSION

RONA inc. is continuing its store expansion strategy, with a number of new and expanded outlets in multiple formats being opened in coming months. Three of those openings will be new Réno-Dépôts in Quebec—in Boucherville, Trois-Rivières, and Valleyfield, along with two new traditional RONA “proximity” stores, in Saint-Félix-de-Valois, Que., and Moose Jaw, Sask. Two more proximity stores, in Saskatoon and in Châteauguay, Que., are being expanded and converted into big boxes, under the RONA Home and Garden and RONA L’entrepôt banners, respectively.

“Last year, we were very active with our plans to open new stores and we are pleased to begin 2016 with all these projects under way. The markets for the stores were carefully selected to increase our reach and to provide better service to surrounding-area communities,” says Luc Rodier, RONA’s executive vice-president, retail.

With the addition of the three new stores, the number of Réno-Dépôt locations will increase to 22. However, these latest ones will be smaller than the big box footprint of the original Réno-Dépôt concept. The 70,000-square-foot Boucherville store will be located in a former Maxi store on Nobel Street and will open its doors in July. The two other Réno-Dépôt stores, in Trois Rivières and Valleyfield, will each occupy 50,000 square feet.

“The new Réno-Dépôt store concept that occupies 50,000 square feet allows us to optimize our retail space and gives us access to a greater number of markets across the country, compared to the traditional 80,000-square-foot space reserved for big-box stores,” adds Rodier.

The new proximity stores will be smaller still. In Saint-Félix-de-Valois, in



Despite the announced take-over of RONA by Lowe’s, business is continuing as usual, with the planned opening of three new Réno-Dépôt stores in Quebec.



the Lanaudière region, construction of a new 25,000-square-foot store will begin this year, with a scheduled opening in early 2017. In Moose Jaw, the new RONA store will occupy 35,000 square feet of space in a former Sobeys location. That one was expected to open in March.

As for the conversions of two RONA stores into big-box stores, the proximity store in

Saskatoon recently became a RONA Home and Garden with the addition of 25,000 square feet. The Châteauguay RONA store will see its retail space increase by 40 percent, adding 15,000 square feet, and will become a RONA L’entrepôt location.

HOME HARDWARE NAMES VP MARKETING AND SALES

Rick McNabb has been named vice president, marketing and sales for Home Hardware Stores Ltd. The hire, which is effective March 7, comes after months of searching and brings in an outsider to the ranks of Canada's largest co-op home improvement retailer, which is well known for hiring from within.

McNabb was formerly with Cara Foods, most recently as COO of Swiss Chalet and Harvey's. In addition, his family has been in the home improvement business for 38 years: McNabb's brother Gary owns the Home Building Centre in Parry Sound, Ont.

The latest hire also continues the realignment of Home Hardware's executive structure that began in 2015 under CEO Terry Davis. That restructure created a single merchandise organization responsible for all product sourcing led by one vice-president, Joel Marks. The addition

of a vice-president, marketing and sales completes the formation of an integrated marketing and sales organization.

"As we strengthen our company for the future and ensure that we are well positioned to continue serving our dealer-owners, we welcome Rick's extensive marketing and operations expertise and proven leadership to our team," Davis said.

As part of the move, Dunc Wilson, who had been serving as acting vice president of operations, will now report directly to McNabb in a new role as executive director, retail sales and support. Rob Wallace, director, marketing, will also report to McNabb.

"We thank Dunc Wilson for his dedication and leadership over the past year as the acting vice-president, operations," Davis added. "We look forward to Dunc's ongoing support in his new role."



Rick McNabb has been named vice president, marketing and sales for Home Hardware Stores Ltd.

BRIEFLY

ORGILL ADDS TRUCKS TO SERVE CANADIAN CUSTOMERS

Orgill Canada Hardlines continues to beef up its new London, Ont., facility, including increasing the size of its truck fleet with a dedicated service for the growing base of customers in Central Canada. The company has added 10 new tractors, 20 new trailers, and hired 10 new drivers to deliver product to customers located in Ontario and southern Quebec. Service will continue as before to the West and Atlantic Canada.

ARRLIN JOINS TORBSA

TORBSA Limited has announced the addition of a new independent member. Arrlin Interior Supply Inc. in Toronto has joined as a shareholder member of the buying group.

Over the last 31 years, Arrlin has built a successful distribution business. According to Bob Holmes, general manager of TORBSA, the group continues to seek out opportunities to build its base of independent building materials dealers.

ONTARIANS TAKE ADVANTAGE OF ENERGY-SAVINGS COUPONS

More than two million consumers in Ontario availed themselves of energy-savings coupons, the CBC reports. The numbers come from the province's Independent Electricity System Operator, which funds the saveO-Nenergy program. Available online and in certain hardware stores, the coupons offered savings of up to \$30 on high-efficiency appliances.

"They're very popular," Brad Swanson, owner of a Kitchener Home Hardware store, told the CBC. "The most popular ones nowadays are for the LED light bulbs. We sell tens of thousands of them."

JEFF KINNAIRD NAMED PRESIDENT OF HOME DEPOT CANADA

Jeff Kinnaird, a 19-year veteran of Home Depot Canada, has been appointed to take over the Canadian division's top job. Kinnaird was formerly vice president of merchandising. Pamela O'Rourke, senior director of merchandising, strategy, planning, and sourcing, replaced Kinnaird as VP merchandising.

Kinnaird, who has been with the company since 1996, started out as a store associate at a Home Depot in Richmond, B.C., at the age of 22. He moved up through the ranks, getting his executive MBA along the way, and eventually becoming regional vice president. He took over as VP merchandising when Gino DiGioacchino left that position in 2011 and joined Walmart Canada.

Kinnaird takes over a job that was up in the air for several months. Outgoing




president Bill Lennie was given the added role of EVP of outside sales and service for Home Depot's newly created MRO, pro, and installation business. This position was created following the company's acquisition of Interline Brands, a large maintenance, repair, and operations company based in Florida. Lennie continued to lead Home Depot Canada while a successor was being sought.



Jeff Kinnaird has been promoted to take over Home Depot Canada's top job.

OLYMPIAN TEAMS UP WITH CERTAINTEED INSULATION

Olympic skier Alexandre Bilodeau, who became the first Canadian to win an Olympic gold medal in Canada at the 2010 Vancouver-Whistler games, is teaming up with CertainTeed Insulation as its Quebec brand ambassador. As CertainTeed's partner for 2016, Bilodeau will be featured in print and digital advertising. He will also appear at local trade shows and meet-and-greets at RONA stores, making his debut at a recent RONA Contractor

Show in Brossard, Que. Bilodeau says he is "hoping to raise awareness among Canadian homeowners of the importance of having the best insulation possible in a climate like ours in order to maximize the energy efficiency of our homes." 



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ProductSPOTLIGHT

BY GEOFFREY McLARNEY

Stanley Inspection Camera ▶

Stanley introduces a new compact, battery-powered Inspection Camera that offers users the versatility to see between walls and inspect plumbing in tight areas. Its small camera head—8mm compared to the 17mm heads of some other cameras on the market—makes it ideal for automotive work such as under the hood inspections. The STHT77363 Inspection Camera rotates 90 degrees to allow users to adjust the display for the best viewing position. The high-resolution viewing screen features an LED light with eight brightness and contrast settings to provide maximum visibility in dark environments. With an 8mm wide camera head and a 1m camera wand, the Inspection Camera slips into most small spaces and will extend to reach behind most surfaces.

www.stanleytools.com



◀ Diablo Steel Demon circular saw blades

Diablo's new Steel Demon circular saw blades are specially designed to maximize cutting life and speed while providing cool, burr-free cuts. With new carbide technology advancements, the blades are said to last up to three times longer than standard carbide blades, cutting steel studs, steel pipe, steel sheet, angle iron, EMT conduit, rebar, and other ferrous construction materials. Diablo's next generation Cermet II carbide teeth are attached to the blade using a three-metal brazing system for extreme impact durability. The company claims that in addition to lasting up to three times longer than standard carbide teeth, they last 120 times longer than abrasive discs, the most common alternate method to cut job site steel.

www.diablotools.com



Fiskar striking tools ▶

Fiskars, recognized for its distinctive orange-handled scissors, has introduced a new line of striking tools. These new products feature the IsoCore Shock Control System—a patented design that absorbs strike shock and vibration during use through an insulation sleeve located in the middle of the handle, as well as a dual-layer handle specially formulated with insulating materials to dampen lingering vibration. The hammers claim to transfer four times less shock and vibration than wood handles and include a magnetic nail starter for easy one-handed nail setting.

www.fiskars.ca



Rototek TeckBlock ▶

From Rototek, the TeckBlock is designed for easy installation of patios, decks, and sheds. Made from polyethylene, it's lighter and more durable than concrete blocks, reducing risk of injury. Engineered to help stacking and grounding, it's 100 percent recyclable and is resistant to impact, cold weather and UV rays, with 1,000 pounds of loading capacity.

www.rototek.com



◀ iFLEXFOAM panels

iFLEXFOAM panels are made of high-density expanded polystyrene with a laminated polypropylene membrane on each side. The bottom membrane is micro-perforated, while the panels integrate a four-sided clipping system named IsoClick. iFLEXFOAM panels are suitable for residential or light commercial applications such as a basement under slab insulation or garage under slab insulation. Panels can also be used for heated slab insulation. The design of the IsoClick clipping system ensures continuity of insulation, according to the manufacturer.

www.isolofoam.com

Garaga garage windows ▶

Garaga introduces two new window designs aimed at co-ordinating garages with entry doors. The Azur model provides the desired amount of privacy while offering narrow visual openings. Its double-printed surface creates an effect of subtle movement touted for its aesthetic appeal. Both models will be available for Garaga doors in white, desert sand, dark sand, brown, green, and black.

www.garaga.com



◀ Novik Dealer Beautification Program

As an incentive and loyalty builder for new stocking dealers in 2016, Novik has launched a Dealer Beautification Program that revitalizes dealers' facilities and storefronts, while highlighting the versatility of Novik's low-maintenance shake and stone products. These products replicate the luxury of wood and stone materials at a fraction of the cost, providing attainable luxury for interested dealers.

www.novik.com

LOWE'S TAKEOVER OF RONA: **BIG**

BY MICHAEL McLARNEY

The acquisition of RONA by Lowe's will create the second-largest home improvement retailer in Canada. And now Lowe's expansion strategy includes Canada's second-largest province, even as the industry faces further consolidation.

Lowe's has entered into a deal with RONA inc. to acquire all of RONA's common shares for \$24 per share in cash, and all preferred shares for \$20 per share. The deal is valued at \$3.2 billion (US\$2.3 billion) and is more than double the value of RONA's share price just prior to the announcement of the acquisition.

Lowe's Canada intends to move its head office from Toronto to RONA's headquarters in Boucherville, Que., with Lowe's Canada president Sylvain Prud'homme continuing in the lead role. Lowe's says it will continue to operate RONA's multiple retail banners and distribution services to independent dealers. The result will be Canada's number-two home improvement retailer, after Home Depot Canada, with revenues exceeding \$6 billion at retail.



Lowe's Canada intends to move its head office from Toronto to RONA's headquarters in Boucherville, Que.

SECOND OFFER TO GO THROUGH

Lowe's made a friendly, albeit controversial, takeover bid for RONA back in 2012 that was worth \$1.8 billion. But that offer was made just ahead of a provincial election in Quebec, and got a lot of resistance from the Quebec government, which perplexed the executives at Lowe's.

This time, the deal has been unanimously accepted by RONA's board of directors. Despite resistance from the Parti Quebecois and the Teamsters' union, the deal, which had not been finalized as of press time, was expected to go through, pending approvals from Investment Canada and the Competition Bureau. Even RONA's largest shareholder, the Caisse de dépôt et placement du Québec, backed the deal.

"The transaction is expected to accelerate Lowe's growth strategy by significantly expanding our presence in the Canadian market through the addition of RONA's attractive business and excellent store locations across the country," said Robert Niblock, CEO and chairman of Lowe's Cos. "Importantly, the transaction also provides Lowe's with entry into Quebec, where RONA is the market leader and we have no presence."

While Lowe's has been known for slashing management in other takeovers, it insists it will continue to employ the vast majority of RONA's current employees and maintain key executives from RONA's leadership team. It also says it will look to strengthen existing relationships with RONA's vendor base, and potentially expand relationships both Lowe's

and RONA have developed with Canadian manufacturers and suppliers.

"We look forward to continuing our commitment to the Canadian market and further enhancing our offering to the customers of both Lowe's and RONA," said Sylvain Prud'homme, president of Lowe's Canada, in a release. "We have great respect for RONA's leadership team and RONA's talented employee base and look forward to working together to take our businesses to the next level."

MULTIPLE BANNERS AND FORMATS TO FUEL GROWTH

Lowe's also plans to maintain the RONA network, including the existing banners and store formats, without disruption. "We

have no plans to remove these banners,” Prud’homme says. “It’s part of our strategy to operate multiple store formats.” As a former senior executive at grocery giant Loblaws, he dealt with “10 or 11 banners. It’s very interesting—and very effective,” he adds. “Independent dealers are very important to the model we have in mind. They can really connect with their communities.”

Another banner that will be part of Lowe’s strategy is Ace, which was licensed by RONA last year and is operated out of Winnipeg. “Ace will be part of the omnichannel strategy—I can’t say how yet. It’s too early to say anything, from a detail perspective, but we want the brand and that’s part of [our growth].”

Lowe’s has identified ways to cut costs and increase revenue and operating profitability through its takeover of RONA inc. Those




Sylvain Prud’homme, president of Lowe’s Canada, says Lowe’s plans to maintain the RONA network, including its existing banners and formats, without disruption.

measures could add up to an increase in profitability of least \$1 billion, says the company.

Lowe’s intends to expand RONA’s offerings by applying Lowe’s specialization

in categories such as appliances as well as maximizing its strengths in omnichannel marketing for the RONA business. It further expects to drive profitability by leveraging shared supplier relationships, the expansion of Lowe’s own private-label capabilities, and the elimination of RONA’s costs related to being a public company, which the company says add up to about \$3 to \$4 million annually.

Given these opportunities, Lowe’s believes there is potential to double operating profitability in Canada over five years. 

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BY SIGRID FORBERG

It's been a big year for hardware distribution in Canada. With the announcement of Orgill's acquisition of Chalifour Canada, and Lowe's purchase of RONA (and with it, Ace Canada), many distribution roads now lead back to the U.S.

The changes we've seen in the market over this past year mean something different to everyone you ask. Both Orgill and Lowe's are positive about their recent acquisitions, while dealers and competitor distribution companies are much more cautious about weighing in. It might be too soon to tell how the two huge American companies will impact the Canadian market, but there's no doubt in anyone's mind that they will be altering the landscape.

When it was announced that Orgill was acquiring Chalifour Canada, one industry member that was especially happy about the news was Castle Building Centres Group President Ken Jenkins. Castle has had a relationship with Orgill for a few years now, but Jenkins believes that an increased Orgill presence in Canada will only serve to help his independent dealer members. "As we've grown with Orgill, and we grew our volume with them, we knew it was only a matter of time before they were going to be here in Canada," says Jenkins. "To say I'm excited and happy about the change would be an understatement."

He adds that it offers Castle dealers an edge over their competing banner chains, such as Home Hardware. "It gives us a leg up on our competition. We see this as a tipping point," he says. "For independent retailers that are not aligned with a distribution banner, the future is bright."

KEEPING THE MARKET IN MIND

Certainly Orgill brings with it plenty of experience. One only needs to speak with a dealer who's been to one of the organization's

massive buying shows to hear about how well they manage those events, in spite of their scale. The nearly 210-year-old company has been involved in numerous acquisitions over the years, but never internationally and this marks the first time it has created an entirely new company in a different currency. However, Orgill seems to have done its homework and won't be walking into the market with any illusions—employees working on developing Orgill Canada Hardlines are constantly reminding themselves that the Canadian consumer is different from their American counterparts. Orgill Canada will also be operating in both of Canada's official languages, as well as within our national and provincial laws and regulations—all the while in Canadian currency.

"The major differences are the ones that are obvious," says Ron Beal, president of Orgill. "The Orgill team has worked diligently to overcome the challenges raised by these requirements. The goal has been and will continue to be to make the transition as seamless as possible for our customers."

Beal emphasizes that Orgill is proceeding with Canadian dealers top of mind. "We take the approach that each local market is unique, with its own distinctive demographics, competitors, challenges, and opportunities," he says. "We focus on providing the tools and services to allow each individual dealer to take advantage of this uniqueness and precisely identify the merchandising and marketing strategies that work best for that specific market."

And then, while the industry was still buzzing about the Orgill announcement,



Lowe's Cos. made its second offer on RONA inc. (its first being a failed friendly takeover in 2012), which was accepted. Following the announcement late last year that TruServ Canada had completed its transition to Ace Canada, everyone was left wondering what would happen to RONA's full-line Canadian distributor arm.

In an interview with *HHIQ* in the days immediately following the announcement, Sylvain Prud'homme, president of Lowe's Canada, made it clear that the intention heading into the transition was to keep RONA's multiple separate banners, including Reno-Depot and Ace. "Independent dealers are important to our planned

Canada and our support of you. As previously stated, our allegiance and loyalties remain in support of our existing and prospective independent Ace owners."

COURTING THE INDEPENDENT

Morrison says he'd long prepared for the entrance of Orgill as a Canadian competitor. "We anticipated this coming down the line, he says. "What has emerged is that the market is served by fewer, but probably much stronger, companies. We've got some really good competitors and I have a lot of respect for them."

For the independents out there, Morrison says they now have very clear choices

Across the board, whichever distributor they're dealing with, dealers and banners alike agree that the relationships they have with their distribution companies are crucial. "It's absolutely integral to have a strong relationship with a wholesale supplier because of the vast amount of SKUs within the category," says Jenkins. And for the independent dealers, they need that strong relationship and strong support from their distributors to be able to compete in the marketplace.

Christian Bélair is the general manager of Lortie & Martin in Sainte-Agathe-des-Monts, Que. Lortie & Martin has been with Castle for about a year and with RONA for 45 years prior to that. Bélair says the appeal of working with Orgill was the flexibility and freedom of being a true independent. "We strongly believe that if you want to survive as a real independent, you have to differentiate yourself with services," Bélair says. "Orgill has a strategy in place; when you really want to stay independent, you need an Orgill."

And while Bélair is prepared for an adjustment period while Orgill Canada establishes itself, he's optimistic that the recent acquisition of Chalifour by Orgill will only contribute to his company's success.

Dealer Gary Hebert, of Ace Hardware in Englehart, Ont., on the other hand, is getting the best of both worlds. Hebert switched to Ace five years ago, but he also purchases with Orgill through his old Chalifour account. What Hebert looks for in a distributor is the level of quality of the product, as well as its availability. He says he's quite comfortable with Ace and the support he receives from the banner now. "In our case, it's been a very smooth and easy transition," says Hebert. "We're looking forward to continuing to build the Ace brand." He's positive about the purchase of RONA by Lowe's and what it will mean for Ace dealers in the long run.

"With distribution, I think you need to have a great understanding of your customer," says Morrison at Ace. "We're really

“I think the challenge is for independent retailers to be thinking long term about how they want to run their business and who has the programs in place to help them be successful in the future.”

model,” Prud'homme said “They're the ones who know how to really connect with their communities.”

When specifically asked about Ace, Prud'homme responded that while it was too soon to say how exactly it would fit in, Ace will be part of the company's omnichannel strategy. He added that, in return, Lowe's will be able to offer the Ace team very strong tools to compete in this market.

Ace dealers who may not have been entirely reassured by that would have been relieved to receive a recent letter from Ace executives recapping the highlights of a call they had with Prud'homme in early March. The letter, signed by Ace International's President, Jay Heubner, and Ace Canada President Bill Morrison, explains how heartened and “very encouraged” they were following the chat with Prud'homme. It went on to state, “For now, we want to underscore our commitment to advancing the Ace brand in

between the few companies on offer since they each have very different attributes. “I think the challenge is for independent retailers to be thinking long term about how they want to run their business and who has the programs in place to help them be successful in the future, rather than just about the day to day,” he adds.

What Morrison says Ace brings to the table is an “incredible program, but it certainly requires dealers to be actively involved and aim for tremendously helpful service.”

One of those dealers is Rob King, the owner of Fraser Valley Ace Hardware, in Mission, B.C. King switched to the Ace banner last June. He was intrigued by the company's promises of helping him expand his business. As a small dealer in a small town, he was unsure where to start. Ace helped by providing manpower and expertise to remerchandise and expand his store. “It's been a really seamless process,” King says. “The company is pretty much in tune with all my issues that would come up.”

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COMPETING WITH THE BIG GUYS

However, watching these acquisitions warily will be Canada's regional distributors. For Warren Tiemstra of Can-Cell Industries, based out of Edmonton, Alta., there's a certain amount of uncertainty involved. Can-Cell is a strong provider to independents and big box retailers, with eight distribution centres servicing everyone west of Thunder Bay, Ont., all of Western Canada, and the Northern Territories. Tiemstra says Orgill is a formidable competitor.

"We will be moving forward cautiously," Tiemstra says. "All of our customers are smart businesspeople that learn quickly.

And our size and our experience afford us the ability to react quickly in order to compete." As one of the true independent distributors left, Can-Cell Industries will be working with all of its customers to ensure they're able to compete with all players in the market.

Differentiating yourself from the competition may be the key. For Greg Drouillard, of Target Building Materials in Windsor, Ont., sameness is dangerous. Having been to their shows, he has a lot of respect for Orgill. But he adds that, in Windsor, he's a 10-minute drive from the U.S. and even just crossing that border, there's a huge cultural difference. Bridging that gap means more than just learning local customs, it also means developing relationships and having a genuine interest in your customers. In his experiences with Lowe's, these aren't qualities he says he's seen displayed.

"The big are getting bigger and the small are getting smaller," says Drouillard. "But the big boxes still haven't mastered what smaller groups do. We don't just talk about customer care, we live and breathe it."

Even without the various acquisitions going on, 2016 was set to be a challenging year for the Canadian home improvement and hardware market. With the low Canadian dollar and dropping oil prices, some regions have been hit particularly hard. But Brad McCluskie, from Coast Distributors in Kelowna, B.C., says the market in British Columbia has managed to weather the storm and is looking to come out of the year strong.


In fact, he says, in all the confusion as various acquisitions take place, smaller, regional distributors can sometimes pick up a bit of business. For Coast, which is a family-owned and operated company that has many long-time staff, the customers they call on every day are also friends.

While McCluskie thinks it will be a few years again before the market settles from all the recent changes, he's optimistic about Coast's place within it. "We know the province really well," he says. "And we have that stability with our customers."

Moving forward, that knowledge and connection with customers is what's going to help Coast—and other regional companies like it—compete with the large players, Canadian or otherwise. And after 30 years in business, McCluskie adds that change is nothing new. He wasn't shocked when he got news of either of the recent acquisitions. In fact, he says these disruptions in the marketplace are as much a part of the status quo as anything else.

"When I heard, I thought, 'Here we go again,'" says McCluskie.

"This industry every few years goes through a cycle.

It's just that this time, there's a lot more going on." 

Home Hardware values products plus services

While hardware distributors jockey for position in an ever-shifting retail landscape, one dealer-owned wholesaler continues to see quiet, steady growth. Home Hardware Stores Limited has almost 1,100 stores across Canada, through a network of three distribution centres—in Diebert, N.S., Wetaskiwin, Alta., and its head office and DC in St. Jacobs, Ont.

Because of the co-op ownership of Home Hardware, all shares of the business, including the distribution business, are held by the dealers themselves. Despite this democratic model, Home's board has placed the company's direction firmly in the hands of a strong executive team led by CEO Terry Davis.

Davis insists this model will ensure that Home Hardware remains a leading—Canadian-owned—home improvement retailer. "We are fully focused on the independent business owner with a board comprised 100 percent of women and men who represent every region of our country and who understand, as entrepreneurs and as retailers, what it takes to look after customers."

Backed by one of the best recognized retail brands in Canada, Home Hardware insists on enforcing a well-tuned, albeit rigid, formula. Following the lead of similar organizations such as Ace Hardware in the U.S., Home Hardware has been gradually culling its dealer network to ensure that its members buy into its culture as fully as possible. That includes marketing and training programs, regional and national TV advertising, and its signature red jackets.

Davis is confident this strategy of offering "everything dealers need to operate effective and efficient stores" is a winning one. "Home Hardware's core strength lies not only in offering a full assortment of quality brand-name and private-label products, but also in the wide range of services we provide," he says.



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FINDING SUCCESS IN SUCCESSION: YOUNG LEADER WEIGH IN

BY SIGRID FORBERG

A generation of leaders is looking to retire in the next few years. Here, we hear from up-and-coming young people from every side of the industry on how both sides of the equation can make the transition as smooth as possible.

From the moment Jillian Sexton decided she wanted to take over her father's store, Hector Building Supplies in Pictou, N.S., she went along with him to every business meeting, big or small.

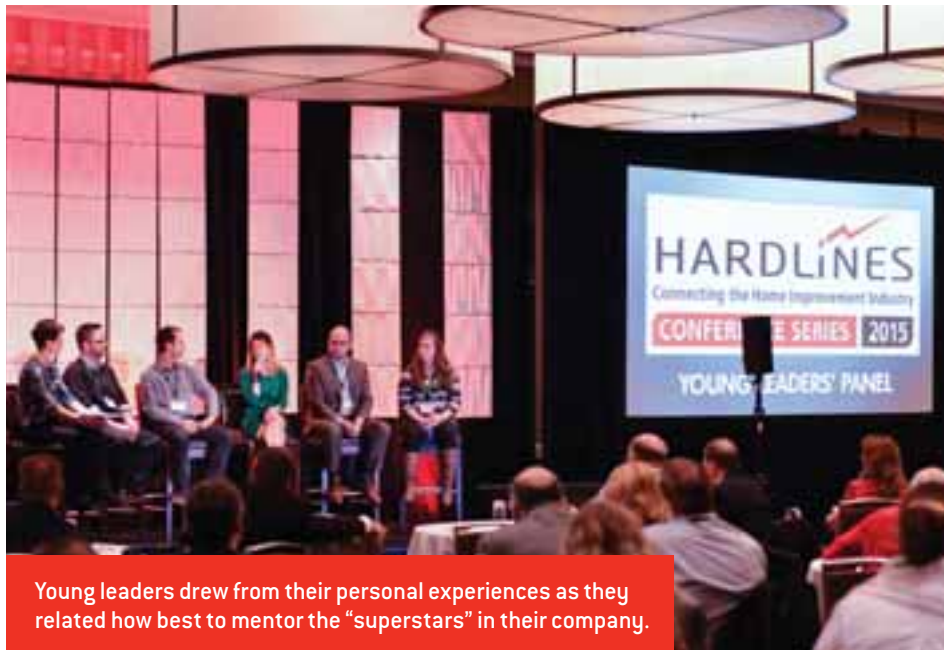
"From the second that I said I wanted to be involved, I made the decision that I was going to be really involved—I went everywhere I could, I learned everything I could," says Sexton.

Sexton spoke about her experience at the 20th Annual Hardlines Conference last fall as part of a young leader's panel. Moderated by Sherri Amos, the director of dealer support from Home Hardware Stores Ltd., the panellists weighed in on topics such as succession, leadership, and where they see the industry headed. Sexton was joined by Ryan Emmerson of Cottage Country Building Supplies, Vanessa Morin from Mountain View Building Supplies, Matthew Raetsen of Mitten by Ply Gem, and Steven Wilson from Canadian Tire.

IDENTIFYING CANDIDATES

One of the major themes of the panel's discussion was the topic of succession. The five young leaders shared their thoughts on what both mentors and their protégés can do to make these transitions go more smoothly.

"I've shown a lot of humility along the way," says Raetsen. "I've failed, we all do, but I don't hide it, and I go to the people with the experience to provide me with feedback. I've found that really helps." Sexton agreed with Raetsen and reiterated that being able to say "I don't know" is a critical part of the learning process for up-and-coming leaders. Acknowledging that



Young leaders drew from their personal experiences as they related how best to mentor the "superstars" in their company.

you have a lot to learn saves everyone a little time and confusion. And it also demonstrates a maturity leaders look for in their successors.

But before the learning stage of succession can take place, potential leaders need first to be identified. For Morin, she demonstrated to her employers she was ready to take on a new position by accepting more responsibility within the company. "I didn't mind stepping up and just doing something that I saw needed to be done, or maybe even creating new opportunities for our company."

Although Emmerson and Sexton are working for family businesses, it's not always a given that the next generation will be passionate about following in their parents' footsteps. Sexton says that with two daughters, her father never expected that

he'd be passing along the business to either of his children. And with Emmerson, while it was always the plan for him to follow in his father's footsteps—he's been involved in the business since he was a kid and even tailored his studies to prepare for his role—he didn't just walk out of school into that corner office.

"I went to school to prepare for this role that I've taken on," says Emmerson. "The way I showed I was ready was responsibility—being there for work, doing what was asked of me, and putting in the sweat equity. That really pays dividends because it shows interest. And so there are no questions when it comes time to take on more responsibility."

Sexton says it was the same in her case. She started from the bottom, sweeping floors, and hasn't forgotten that some of

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Alongside moderator Sherri Amos, Matthew Raetsen, from Mitten by Ply Gem, spoke about his generation's differences.



Jillian Sexton, from Hector Building Supplies, worked hard to prove herself. Sexton is flanked by Ryan Emmerson of Cottage Country Building Supplies, and Steven Wilson from Canadian Tire.

the store's employees that have been there from 20 to 30 years have gained invaluable knowledge through their experience.

In contrast, Wilson, Raetsen, and Morin all came to the industry on their own. Wilson started working in retail for Sears Home delivery before joining Lowe's Canada as one of its first employees. Now with Canadian Tire, he says he's committed to the industry, adding that he believes it has a bright future. Raetsen has been in the industry for eight years and also feels he has only scratched the surface of what he'd like to accomplish. For Morin, who got her start at age 15, she left the home improvement industry briefly, only to be drawn back right away by not just the people, but also the opportunities for personal growth.

All three panellists not born into the industry not only sought it out, but took the initiative to actively put themselves forward for opportunities for growth and more responsibility. Now as a manager, Wilson says his strength as a leader lies in recognizing that passion in others. "There's a quote from Steve Jobs, 'Hire really smart people and don't tell them how to do something, let them tell you how to do something,'" says Wilson. "When I look for people, I look for smart and energetic people that really want to make a difference and give them the opportunity for it."

SUPPORTING THE SUPERSTARS

In searching for the next generation of leaders, current managers need to start

identifying what Sexton calls their "superstars" and help them cultivate their leadership skills. The responsibility for cementing the future of the industry falls to both sides.

"I don't think it's just this industry, but people are not spending enough time grooming and working with the next generation," says Sexton. "I think we have a ton of work to do, and vendors and retailers alike need to spend more time thinking about where we're going to be in 10 years."

Raetsen adds that for this industry specifically, a challenge he sees is the need to sell young people—especially students—on the possibilities open to them with a career in the home improvement and hardware industry. And in a similar vein, Wilson says it's important for managers to recognize and make the most of their young employees' skills.


Morin is a good example of a company doing just that. She related to the audience a solution Mountain View Building Supplies came up with in response to a number of customers on the retail side asking for contractor references. The store set up a plasma television that displays slides of its contractor customers' projects and their contact information. She adds the store is always looking for ways to promote better through social media. "Another thing we're trying to do is make our Facebook page about our customers," says Morin. "If we can share a contractor's photo that has our product in it, not only are we showing off to the retail side how

good our product is, but we're also making that contractor feel special."

It's that kind of unique perspective and innovation that Wilson says young people can offer. He adds that because of the evolution of e-commerce, retail sales come down to more than just price these days.

"I think people engage in a number of different ways," says Wilson. "We know our customers are in our stores, on our websites on their smartphones, you absolutely have to have a web presence. But it's not exclusively one or the other; I think the engagement has to happen in a number of ways."

Emmerson adds that learning to manage is similarly complex. While he grew up in the industry and spent considerable time learning the business, when he interacts with the people who work for him, his management style is as varied as the people in his employ. He needs to be able to adapt to how his employees want to be managed, not the other way around. Here, Raetsen made an important point: his generation learns differently from the ones that have come before, but that doesn't mean he's any less eager to learn from the previous generation's experience and knowledge. It's just a matter of being given the chance.

"I think taking that leap of faith as the older generation gives the younger generation the room to grow, make mistakes, learn—it's pivotal," says Sexton. "I know it's hard, but until someone takes that leap of faith and gives you the opportunity, it's hard to shine." 

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BY BOB SHERWOOD



LEVERAGING E-COMMERCE IN BRICKS AND MORTAR STORES

Successful retailing is not just a prosperous intersection of products and customers. Sustainability requires that the intersection be a rewarding experience, whether that's online or in a store.

Considering the seemingly infinite amount of product that is available on the internet and the real constraints of what will reasonably fit inside of a bricks-and-mortar store, the choices retailers face are becoming exponentially more challenging. The requirement to be relevant in the online channel has been a priority for many retailers. But has it been at the expense of the physical store?

Store shopping should be the ultimate 3D experience. E-commerce can be a convenience-oriented enhancement to the store brand and not the preferred alternative to it. What buyers choose to put in stores has never

been more important than today and the role of the line review is overdue for a retooling.

The spectacular and largely unexpected flameout of Target was primarily a failed assortment strategy that never found its footing and then crumbled when the rest of the value proposition could not compensate for it.

Simple product refreshes and quick reallocations of space to reflect historical data have short “best before” dates. The practice of putting high-volume products in the store and listing the rest online is a mechanical exercise that is backward-facing and ignores where the consumer is going.

The common practice of shoplifting merchandising and display ideas from competitors may bring you current with today, but does little to differentiate. The end result is a retail store that morphs into a lesser version of its e-commerce platform.

Rather than allow technology to sap the life out of retail stores, let's create the opposite effect. Make the experience of shopping at a retail store more compelling and desirable than shopping online for similar products.

Buyers and vendors together need to consider the information power the internet brings to consumers and make information content in stores as important as the

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product content. Can't we plug the internet of things into the store shopping experience and make growth in the bricks-and-mortar sector an unintended consequence of the e-commerce boom?

Here are seven steps to a line review reboot that applies to retailers, vendors, manufacturers, and others who participate in the retail space:

1. THINK LIKE AN ANGRY CUSTOMER

Look at all the opportunities your customers have to shop the category online or in person from competitors.

What gets in the way of customers advocating for your product assortment to everyone they meet? What cylinders are misfiring? Assortment? Price? Stock Position? Information? What have you done to find out what they think about you? Fixing something can be the quickest path to growth. Fire up your web browser and see what sort of online reviews your product, category, or brand is getting.

Take a critical look at what you are putting into the market and create a list of things you need to both start and stop doing—we'll call it your Start/Stop list.

2. PREDICT THE FUTURE

The line review process needs to begin with a declaration of what a store purchase experience will look like. The curation of product assortment experiences helps to meet customers' needs in a simple and content-rich environment. Dominate a category, not through endless choice, but with relentless focus on creating assortment experiences that draw customers to the store because they feel compelled to engage with them.

Describe how customers will experience your assortments in the future. How have you dispelled their anger, fulfilled their needs, and turned them into ambassadors for your brand? Be very specific on what the line review is to deliver.

3. COMMIT TO A HIGHER POWER

You're not going to get this done alone. You need to surround yourself with trusted advisors, energetic coworkers, and likeminded business partners. What subject matter experts exist among them? Deputize them with your vision and then challenge them to make it better. How do they see the future? What relevant experience can they bring to the review? Can they add to your Start/Stop list?

4. BE RUTHLESS WITH THE FACTS

Historical data is particularly good for one thing: ensuring you don't repeat mistakes. Acknowledge and analyze your mistakes, but then move on. The purpose here is not to rue past results, but to root out the causes and inoculate yourself against them.

Be equally rigorous with "future facts," or, those outcomes you must achieve. List what you expect from the line review and rank them in order of importance. Assign a minimum and stretch metrics to them. Note what will happen should these not be achieved. Accept no compromises with the key deliverables. Look at your Start/Stop list and test against those imperatives.

5. CROWD SOURCE YOUR VISION

Safe decisions are those that have tangible benefits with minimal disruption to process or cost. Save that energy for running the business day-to-day. The line review is about disruption: changing consumer perceptions of what's possible, affordable, necessary, or desired.

You need freedom to implement a visionary change. This requires intellectual investment up and down the organizational chart. The incredible metrics you'll achieve may require longer timeframes to realize. The impact on how stores serve customers may need radical change. If you need a launch pad and not a runway to propel your product line, it's best to have the organization fully invested in your solutions.


6. BREAK THE INTERNET

The success of a website is predicated on content, functionality, and usability. These drive traffic, conversion, time on site, and bounce rate. Why not apply them with at least equal rigour to the in-store shopping experience? Merge virtual reality with online shopping and you have a blueprint for how customers can experience your products in that 3D environment.

7. PROCEED AT WARP SPEED

Your ability to make quick decisions is reliant on being confident in your line review mission and then being able to assemble and synthesize the information to bring it to life. There are many thousands of data points you can draw on: trends, research studies, surveys, product reviews, and competitor assessments.

How you organize the receipt of the information you solicit is directly related to how quickly you can react to it, make decisions because of it, and implement plans to take advantage of it. Before you solicit information from manufacturers, vendors, or service providers, have a plan for how you will collect, store, merge, cull, augment, and make decisions from that information. The demographic changes that are occurring require us to change how we assess customer needs and how we fulfill them. Our industry has incredible investments in real estate and stores upon which we can build multi-dimensional experiences and relationships with consumers.

Today's biggest retailers didn't become so by mastering incrementalism. They will not stay that way by practising it now. 

Bob Sherwood has wide ranging experience as a hard goods retail executive. He is a partner at Intergistix Inc. a provider of speed to market solutions for the retail industry. www.intergistix.com

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INDUSTRY RALLIES AROUND CHARITABLE INITIATIVE

Installing eco stoves in remote communities in Central America has brought together members of the industry from all levels.

BY SIGRID FORBERG

It was at a home builder's event more than a decade ago that Rick Kurzac, the owner of Kamloops Home Hardware Building Centre, had his first interaction with Developing World Connections, a charitable organization. He recalls not paying close attention to a presentation that had been going on. So when he received a call several months later reminding him he'd volunteered to attend a trip to Sri Lanka, he was, needless to say, quite surprised.

That evening, when he brought up the trip at home, his 16-year-old daughter was hanging on his every word. "Her eyes were as big as saucers," he jokes. So he invited her along as well. Since then, the two have travelled to Cambodia, Nepal, and several countries in Africa, in addition to that initial trip. But over the last few years, Kurzac has been looking to get involved in a project that could be accessible to his fellow industry members. "I was looking for something the industry could really rally around," he says.

And then a few years ago, he heard about a project bringing eco stoves to Central America. In Guatemala, more than half of the country's families still rely on wood energy to prepare their daily meals. Years of prolonged exposure to smoke from open fire is connected to serious health issues, especially for the women and children who spend long periods of time near the hearth. Kurzac was intrigued by the project, and eventually Developing World Connections got involved, setting a goal of installing 5,000 stoves in Guatemala.

Last April, a small group, including Marianne Thompson from Alexandria Moulding and Kurzac, travelled to Guatemala for an exploratory trip to install a handful of stoves. In November, a group of 14 individuals—mostly from the home improvement and hardware industry—travelled again to install another 40 appliances.

Sarah Hounslow, from Burlington Merchandising and Fixtures, was on that trip. "It's something I've been wanting to be involved in for a while," says Hounslow. "I think we take for granted appliances like stoves and the role they play in our lives in terms of health."

According to Developing World Connections, every year, exposure to cooking-fire smoke kills approximately 4.3 million people worldwide. During the trip, Hounslow met the mother of an 18-month-old baby who'd already had pneumonia three times in its short life. Each eco stove creates a healthier space for up to eight family members.

There's also the matter of how much wood the eco stoves burn. "The great thing about these stoves is that they're not only good for health, they're also good for the environment," says Thompson. "They use two-thirds less wood than an open fire. Some family

Installing the eco stoves involved cutting a hole in the ceiling for the stove's chimney.




The group from Light Up Guatemala also spent time with Guatemalan families during their stay.



members had to walk hours a day to get wood for their stoves. These new units reduce the need for that."

Both Thompson and Kurzac will be organizing charity golf tournaments in the spring. Kurzac adds that one benefit has been the bonds that form between both retailers and vendors, even among direct competitors through working together, being away from home and out of their comfort zones.

"There's just something about this industry that people form real, life-long friendships," says Kurzac.

"And when you add an element of discomfort and put people on buses to remote villages where people have so little, it helps remind us how lucky we are and it really builds on those connections." 

Are you or someone you know in the industry involved in an interesting community-building initiative? Send us your story to sigrid@hardlines.ca

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CALGARY LOCATION GAINS MOMENTUM FOR WRLA SHOW IN SECOND YEAR

Now in its second year in Calgary, the Western Retail Lumber Association's 2016 Buying Show again faced a drop in attendance by dealers from Saskatchewan. However, attendance from Alberta and British Columbia dealers remained high, and traffic was brisk, according to many vendors.

While the show remains a venue for special buys, a number of vendors were content to be present mainly to reinforce customer relations and provide product information. Travis Reynolds of Steel-Craft, whose booth was front and centre at the BMO Centre, was one such exhibitor.


At the Bosch booth, the relaunch of the Skil brand as "Skilsaw" for the company's line of professional circular saws was getting a big push. According to Greg Lavigne (pictured bottom right with the "Sawsquatch"), national sales manager for Bosch's power

tool division, eight new products were being featured. Jamey Paterson of Paterson Products based in Langley, B.C., was rolling a new line of tape measures, thanks to a new listing with Keson out of the U.S.

Jeld-Wen of Canada was promoting a new distribution agreement with Allegion's Schlage brand of locksets. "For us it's about bundling products to best serve our customers' needs," said Laura Fisher, marketing director for Jeld-Wen. "This opportunity ties tightly to our core product. Our focus will continue to be being the world's biggest window and door company and we're not going to lose focus."

The presence of two wholesalers was also garnering a lot of attention among dealers. RONA was there with Ace Canada, presenting a range of products and programs for independents. Two aisles over, representatives from Orgill Canada kept busy fielding



queries from dealers interested in understanding more about this new company, which is the result of Orgill's acquisition of Chalifour Canada last year. 

KITCHEN & BATH AND BUILDERS' SHOWS BIG DRAW FOR CANADIANS



The Builders' Show, as part of Design & Construction Week (DCW) in Las Vegas, featured the co-location of IBS and the National Kitchen & Bath Association's Kitchen & Bath Industry Show. This year, DCW also included two partner events—the International Window Coverings Expo and The International Surface



Event. This mega-event brought together more than 110,000 builders, general contractors, remodelers, designers, flooring professionals, and product specifiers from around the globe.

Bolstered by the growth in the American construction market, exhibitors went all out. The outdoor area was filled with model homes con-

structed for this event, including Ply Gem's custom designed Innovation home titled the Home of Solutions. Featuring four solutions stations, the tour highlighted how to grow one's business using Ply Gem's products and design tools.

"The association between Ply Gem as an exterior building products company and the move to the outside exhibit area really resonated with our customers. We received a substantial amount of positive feedback on the Home of Solutions display," said Ply Gem's John Vukanovich, vice president, marketing, Canada.

Inside the Convention Centre, Canadian companies represented included Better Living Products, Richelieu Hardware, InStone, and Metrie. By mid-day of the first day, Peter Brandis, director of sales for Metrie, was feeling positive. "We see this as positioning ourselves for growth as the U.S. market improves. We're ready." 

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A SIMPLE APPROACH TO RE-MERCHANDISING YOUR STORE

Have you ever walked into a store and been totally overwhelmed by cluttered, messy merchandising? Shell shocked, you might have high-tailed it out the front door.

BY ROB WILBRINK

What do I look at? How will I ever find anything? Which way do I go? A common cause of what you see is “death by 1,000 improvements.” This is where a small, simple business grows over many years by adding SKUs and categories, by building additions, extending the height of fixtures, and further narrowing impassable aisles. Dead stock accumulates rather than being cleared out or written off. Old signs are left to age and vendors are allowed to add to the sign pollution.

The solution to this may be a brand new building and a fresh start, but for many dealers this isn’t an option. Fortunately, I’ve seen lots of dealers transform their businesses by starting with a clean slate—on paper. They develop a plan that looks at the store at three levels.

1. THE BIG PICTURE

A simple, modern, and attractive storefront is the place to start. A 2014 Wisconsin study suggested that simply updating the storefront draws an average of 10 percent more

customers through the door. Updating lighting will save power, and will make the environment more inviting. Within 50 feet of the entrance, customers should be able to make sense of the layout. Clean sight lines should allow them to “see the store” and easily decide which way to go. Major aisles are easily identified and well-merchandised with impulse items. Two to three focal points such as an attractive tool, bath, lighting department, or service desk help draw the customer in. Departments are zoned to appeal to certain customer groups. Clear branding reinforces the image of the store and gives the customer another reason to stay and shop. Buggies and baskets should be visible and conveniently placed.


2. DEPARTMENTAL LEVEL

Ideally, each aisle displays a single category, but if that’s not possible, try to keep each side of the aisle consistent. Dealers often struggle with the width and length of secondary aisles. Here are some good rules of thumb: avoid aisles less than four feet wide so customers

can pass easily; aisles should be at least half as wide as the fixtures are high; and the length of runs should be no more than 12 times the width of the aisles between them. It helps to open up larger departments by inserting some lower fixtures, making it easier to navigate within the department and creating a more impactful presentation—especially with décor. Related categories should be visibly close together to save customers time and drive a higher average ticket. The most attractive categories and impulse categories should be located closest to the main aisle.

3. SHELF LEVEL

The third level of merchandising is at the shelf: what is in each four-foot section or eight-foot bay. Here, a properly merchandised section should make it easy to select and find a product. High-value items should be displayed out of the box to grab the customer’s attention and deter them from ripping open packages. Vertically merchandising products helps customers to make a selection while they’re standing in one spot. Customers generally look from left to right and then down. This suggests the most profitable merchandise should be placed on the left side of the section at eye level and the lower-priced or commodity items to the bottom right. Pricing needs to be clear and, where appropriate, information on “how to make a selection” should be readily visible. Using fixtures that support overhead storage makes managing inventory much easier and allows optimally merchandised sections to be easily maintained.

This three-tiered approach to planning can transform a cluttered, old store into an organized selling centre. 

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

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DENIS MELANSON
PRESIDENT, ATLANTIC BUILDING
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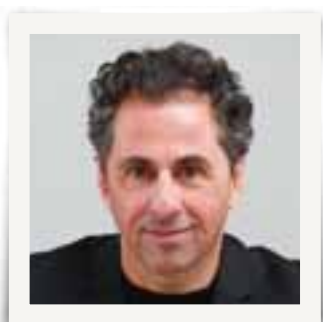
For the most part, Atlantic Canada Retailers are optimistic when looking ahead through 2016. This optimism will be tempered in parts of the region as some major employers have cut back or suspended operations. The most poignant example is the recent announcement by Potash Corporation of Saskatchewan that it is indefinitely suspending its Picadilly mine operation near Sussex, N.B. This one closure alone represents more than 400 job losses in Central New Brunswick.

On March 2 and 3, we held our newly rebranded Building Supply Expo, at which we introduced many new changes. It is my belief that one of our biggest challenges moving forward is going to be attracting labour and succession planning. This is not a challenge unique to the building supply industry. So what can we do about it? The answer is "Be proactive!" We have lots to offer and people have had nice careers in our industry. Yes, I said "careers." Let's stop focusing on promoting jobs; let's talk about careers. This is an area where I believe the ABSDA can support our members. Quite truthfully, I believe it's an area that we at the national level of the CRBSC could work together on to develop career awareness marketing and social media campaigns.

In the spring, the ABSDA will take the first step towards supporting that effort as

we'll be launching a new website. And in the near future, we may even add employee recruitment tools.

Many exciting things are in store at ABSDA as we continue to focus on adding value and supporting our members.



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

The extraordinary acquisition of RONA by Lowe's was an upset for the citizens of Boucherville (RONA's head office), but also for our association. After 17 media interviews in 10 days, with episodes one after another like Russian nesting dolls, the saga continues.

At the beginning, the journalists' interest was concentrated on the transaction itself. Then they moved on to the risks incurred by the suppliers of RONA, mostly those from Quebec, then focused on the future of affiliate merchants, and finally, on profits reaped by top executives in relation to their performance the past three years.

Both the public and reporters had the same reservations: employees of the RONA stores sold to an American employer, immediate disruption of the supply chain that gives way to Lowe's, changing the signage of stores to install the blue banner.

It took talking business, not nationalism, to expose marketing reasons for the proposition that Lowe's Canada must offer brands that are popular and used by customers here. In other words, RONA, entirely

Quebecois in its enterprise, says its products are about 50 percent local. Partially, the company does that because an estimated 15 percent of its customers demand local products. But RONA does it mainly because those products consistently offer what the company's customers want in terms of sales prices, technical, or aesthetic features.

The belief that the purchasers from Lowe's will push American products because of nationalism is irrational. They'll only do that if those companies prove more competitive.

This whole circus forced Quebec's new Economy Minister, Dominique Anglade, to create an advisory group with the mandate of proposing measures to support the growth of vendors potentially touched by the acquisition. AQMAT will be playing a key role.



DAVE CAMPBELL
PRESIDENT, LUMBER AND BUILDING
MATERIALS ASSOCIATION OF ONTARIO

The warm weather we're now enjoying is certainly contributing to strong sales in January, February, and March at the retail level, while contractors who are busy with outdoor projects aren't being hampered by weather.

Low interest rates are also contributing to a robust home renovation market as home owners use cheap money to improve their living quarters.

Ontario is enjoying the benefits of good weather, low interest rates, and a strong real estate market in the Greater Toronto Area.

Employment is strengthening as manufacturing is slowly starting to gear up to the benefits of a low dollar. However, with the financial markets softening and consumer confidence starting to show signs of slowing, we could well see a pullback on spending.

Many of us have weathered the ups and downs of high interest rates, swings in the stock markets, and a low dollar, but we always rebounded strongly. It might take a year or so, but the correction will provide buying opportunities and stimulation of the economy.

An important factor in Ontario is how our provincial government manages its debt. Taking an economy that is highly leveraged in debt and adding more debt to stimulate growth would not be an approach that some of us in the private business community would endorse. Hopefully sound financial management will factor into the provincial planning.



GARY HAMILTON
PRESIDENT, WESTERN RETAIL
LUMBER ASSOCIATION

Our members entered the new year with the realization that the current economic conditions brought on by the weak Canadian dollar and low oil prices will continue for the foreseeable future. However, their spirits are lifted somewhat from the positive atmosphere at our recent buying show in Calgary. With a record number of show specials, pallet buys, and new products, many of the exhibitors were reporting increased sales over the previous year. The days of double digit increases are gone, but the majority of dealers and vendors I have talked to are prepared to make the necessary adjustments to maintain a positive bottom line.

We're starting to see the rebalancing of regional growth with decreases in Alberta and increases to the manufacturing sector in Central Canada, which has been depressed over the past decade. And a combination of a strong U.S. economy and our devalued dollar make us very competitive in the global market. Fiscal stimulus packages including infrastructure projects, employment insurance, and worker retraining will all have a positive effect on our industry. Unfortunately, these will take time to have any meaningful impact. Immediate results will come from our members fine-tuning their operations, embracing new products, implementing innovative strategies to their business models, identifying new market opportunities, and training their staff to offer the highest degree of customer service. In the area of training, the WRLA is in the final stages of implementing its first online workshop with the Level One Estimating Fundamentals.

Representatives from our Board are travelling with me in April to meet with our regional partners from British Columbia, Atlantic Canada, Ontario, and Quebec this April. This is a great opportunity to share our collective best practices and develop strategies on a national scale.

In conclusion, 2016 will present many new opportunities in the West for those retail and supplier members who are willing to approach their businesses in new and innovative ways.



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

Thank you for your support and understanding as we've had to postpone our

March show. I'm sure you're all aware of the many factors contributing to our decision. We sincerely apologize for any inconvenience this has caused. A steering committee is being established to review the future of our show. Please participate in the forthcoming survey as your feedback is important to us.

Moving forward, there are many additional functions, events, and educational courses scheduled this year. Be sure to have a look at our courses, as they've been designed based on member feedback and cover everything from computer training to first aid certification. All are listed on our website: www.bsiabc.ca.

Habitat For Humanity has agreed to honour their excess inventory program we were offering at our trade show and they're able to provide tax receipts to our members if you need to reduce your "dead" inventory in a cost-effective way. Even more savings are available through our BSIA Insurance and Benefits Plan. Call me directly for more information.

Our Bursary Program deadline isn't that far away, so be sure to let everyone in your organization know about the funds that are available and how they may participate. We're proud to have been able to help our members and immediate family over the years with the distribution of more than \$250,000.

Our regional golf tournaments are always a success and we've added an opportunity for all of our members to be more involved and to showcase their products and services. In addition to that, the Orion Regional Award recipients will be honoured at the tournament suppers this year.

We've also expanded the Membership Breakfast being held on July 7. We've moved the location to the Cloverdale Fair Grounds as we've run out of room at our BSIA office.

We'll continue to research ways to support our association and industry in positive ways and trust that you are able get involved and support our events this year. 🏠



BY JOHN CAULFIELD

STAYING ON TOP OF YOUR STORE'S SELECTION

New products can be just the thing to help set your business apart from competitors both online and in-store.

Soo Mill & Lumber has been scaling back the assortment at its two yards, whose departments now focus on featuring a commercial-grade and consumer-grade product per category.

But that doesn't mean this Sault Ste Marie, Ont.-based dealer has shut the door on offering new items. It recently got back into stocking wire mesh and rebar. And a few months ago, it purchased two lifts 1x12 No. 4 pine board—sanded on three sides, 120 4- and 8-foot pieces per lift—to gauge demand from its pro customers.

"Can we make money on it?" is what Soo Mill's president Lynn Hollingsworth asks whenever a new product is on the table. The

answer usually includes investigating whether a vendor or another dealer is selling the product cheaper online.

For Winnipeg-based Sexton Group, which buys for 300 members with 400 locations, "we're looking for some kind of critical mass" in member purchases when considering something new, says Sexton President Steve Buckle.

Patrick Morin, a family-owned chain with 21 locations in Quebec, sees new products as a way to keep customers coming to its stores at a time when they're inclined to shop online. Daniel Lampron, general manager, adds that new products help Patrick Morin stay in front of a new generation of shoppers, "which is a big challenge for us."

NEW PRODUCTS HAVE TO BE THE RIGHT FIT

Dealers and buying groups get bombarded with new products all the time. And their vetting process isn't always that complicated. "Oftentimes, we just look at it, and if it looks good, we take it on," says Ryan Chornick, a purchaser with Fraser Valley Building Supplies in Mission, B.C.

Last June, Fraser Valley switched to RONA, so new product additions must also take into account whether they fit RONA's program and marketing. For example, its five locations that once only dabbled in flooring now are heavier into that category, "because we have flyer support," explains Chornick.

C.A. Fischer Lumber, with 10 locations in Alberta and British Columbia, relies on its co-op, Home Hardware, to locate new and exciting items. But this dealer's stores have final say about what they take on and in what quantities, says Kevin Gillman, who manages Fischer's Grande Prairie Home Hardware Building Centre in Alberta.

There are three main reasons why Ace Canada adds products for its 655 dealer-members, says President Bill Morrison: "You've identified a customer need, you want to be innovative to keep your customers from getting bored, or you have a gap in your value message."

Dealer-members are Ace Canada's "sounding board" about whether new products conform to local preferences, says Morrison. He adds that Ace incentivizes dealers to try new things with rebates and discounts.

Ace Canada likes to meet with multiple vendors to get as much exposure to new things as possible. "The vetting process starts by listening and understanding what their pitch is. They need to define the sales opportunity, show how new [the product] is, and how innovative it could be," says Morrison.

Soo Mill and Patrick Morin belong to Independent Lumber Dealers Co-Operative (ILDC), and both Hollingsworth and Lampron say that before their stores take on anything new, they'll ask other ILDC members, whose stores might already carry the product, how it's selling.

Sexton's programs with vendors often have their genesis in a few dealers carrying a new product. That's how Sexton's appliance program got started, and Buckle believes appliances could become a niche play for dealers that cater to the manufactured housing sector or those that have more homeowners as customers.

E-COMMERCE AFFECTS WHAT'S CARRIED IN STORES

Most independent dealers rely on their buying groups' websites to promote new products to online shoppers. Sexton also introduces new stuff via an e-newsletter it distributes to 8,000 contractors. Sexton recently experimented with a social media campaign and found that platform works best for marketing consumables like air filters, says Buckle.

Sometime this year, Patrick Morin intends to offer a purchasing option on its website. Lampron points out, though, that some products will be available for online ordering and in-store pickup, particularly those that require service or present shipping challenges.

How the customer wants to buy—be it in the store, via special order, or online—ultimately determines how Ace Canada makes something new available, says Morrison. However, Ace also considers a product's supply chain and how long order fulfillment takes. Offshore items like batteries require several months' lead time.

TV MARKETING STILL A GAME CHANGER

Inventory is fluid and dynamic, and dealers are constantly adding and deleting items to find that ideal mix customers respond to. The size of their stores often dictates how willingly dealers expand their assortments and inventories. That being said, the dealers and buying groups insist that adding new products is not a zero-sum game that automatically requires subtraction someplace else.

Most dealers contacted have been increasing their SKU counts over the past few years, and are constantly looking for more new things to add. While a lot of what's "new" is derivative, dealers and buying groups say that manufacturers step up to the plate and come up with fresh merchandise all the time, often with new technology twists. "I just wish I was seeing more new products from Canadian suppliers," says Lampron.

Patrick Morin's most successful product launch in recent years, he says, happened in 2014 when it took on vinyl floor tile to replace ceramic flooring its stores had carried. "It's easy to install, good looking, and less expensive." Lampron also says replaceable propane tanks have become "huge items for us" since their introduction two years ago.

Gillman and Larry Bench, who manage Peace River Home Hardware Building Centre in Alberta, agree that when Home Hardware advertises something new on TV, it generally sells. Such items include Heft's snow shovel attachment, and the Ultimate Spin Mop, the latter of which Bench's store has sold more than 1,000 units in the last two years.

Despite media fragmentation, TV marketing is still a powerful influencer. Chornick says Fraser Valley's most successful new product launch of late was Stihl's chainsaw line, which is "self-selling," he says, because "our customers see it on ESPN and in TV ads all the time."

Supplier support is also critical to luring dealers and customers to new products. About four years ago, Sexton started offering Irwin's tool line. Some dealers took on up to 60 feet; others only eight feet. That flexibility, says Buckle, has been one of this program's attractions, along with Irwin's "first-class presentation."

The vendor-buying group relationship "isn't perfect," says Buckle, "but it works."

WHAT CAN YOUR DISTRIBUTOR DO FOR YOU?

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

Distributors have many programs to help drive sales. In these competitive times, you should be taking advantage of all the programs you can. Your banner distributor can be your business partner in today's market.

Despite the number of corporate-owned big box stores and other competitors that have entered the Canadian market over the years, distribution has played an important role in ensuring the independents' share in the market.

A LITTLE HISTORY

Back in the 1960s, several hardware distributors formed a group called Pro Hardware Canada, joining together and merging their volumes to receive volume pricing. They then launched a retail banner Pro Hardware, which was franchised from Pro Group in the U.S. In 1964, 122 independent Ontario hardware retailers purchased Hollinger Hardware Limited of St. Jacobs, Ont. This resulted in the formation of a dealer-owned hardware co-operative. The Home Hardware name and logo became official on November 9, 1967.

In 1962, Les Marchands en Quincaillerie Ltée was purchased by a group of hardware store owners. This transaction marked the beginning of their co-operative operations and the company

that became RONA. These three new entities could now gain better buying power to compete in the marketplace. This was their response to the challenges posed by the new "big box" discount retailers that enjoyed the advantage of direct-from-manufacturer buying power.

These distributors were then able to create additional programs, required by retailers to grow their business and lower the costs of doing business for their members. Programs included:

- advertising flyers and marketing programs;
- models or basic stocks for each category;
- modernized retail outlets developed for the target consumer;
- a profit-making system for the retailer with inventory control and functional ordering programs; and
- volume purchasing programs with suppliers for the complete retail environment, e.g., credit card costs, insurance, etc.

This was the start of hardware distributors thinking like retailers to help their members grow and be profitable.


CURRENT ROLE OF DISTRIBUTORS

Think about your business today: what is the worst thing that could happen to affect your business profitability? Many will say, "Losing our major distributor. I need the products and programs that my distributor supplies." But you should ask yourself: are you truly supporting your distributor or are you a cherry picker? You can sometimes find product at lower prices, but are you looking at all the hidden costs and lost productivity? With mergers and companies closing, there are fewer distributors in Canada.

Recently, a new company, Orgill Canada Hardlines, ULC, was created as part of the takeover of Chalifour Canada. Like its U.S. counterpart, it won't offer a separate banner, but will focus on providing products and services to dealers. Orgill has the size to offer retailers the best pricing on products from every category, while allowing dealers to make the choices that are right for their business.

The most important service a distributor must supply is the ability to ship orders to the retailer on time, accurately, and with a fill rate in the mid-90 percent range, and, key items should be

98 percent-plus. Pricing must be competitive for the market with good quality control and the ability to order product electronically in the quantities needed. Distributors will break pack on most products and source product worldwide for competitive pricing, with fixed delivery times and freight costs. This gives the retailer the opportunity to better manage their inventory turnover.

While availability will vary by distributor, there are many different retail selling programs that are offered by distributors to help drive sales. All these programs are designed to help retailers operate profitably in this competitive retail environment. Retailers and their teams need to focus on giving their customers quality products, competitive pricing, and great customer service to keep customers coming back. 



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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REMEMBERING THE TITAN BEHIND TIMBER MART

BY GEOFFREY McLARNEY

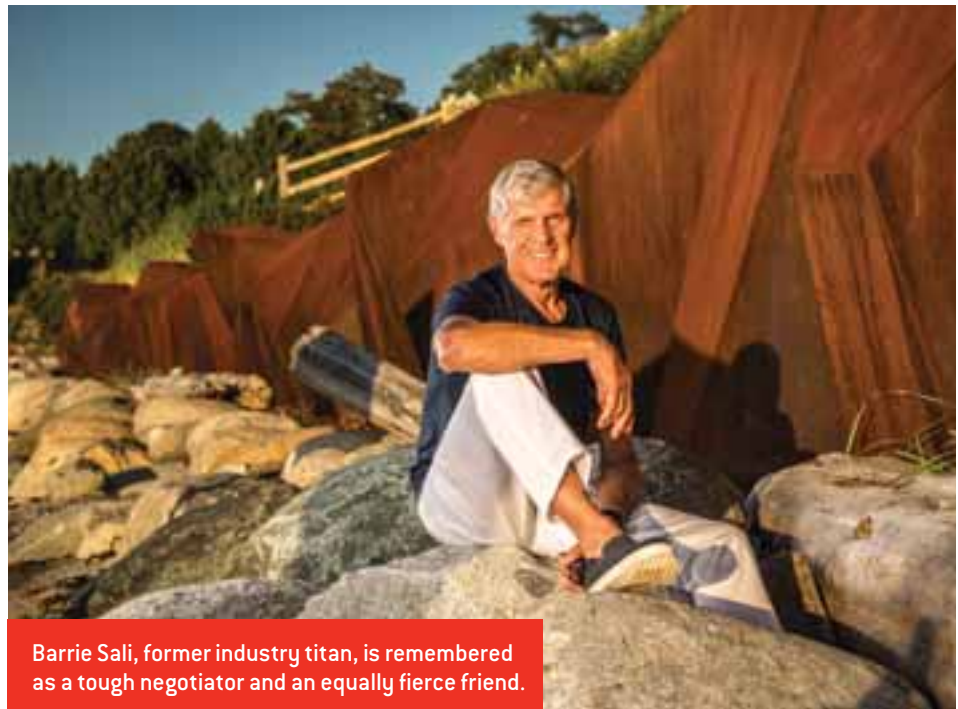
The industry lost one of its legends with the passing on January 13 of Barrie J. Sali, former TIMBER MART president and CEO, while he was on holiday in Maui, Hawaii. He was 77 years old.

Sali joined TIMBER MART, originally named Tim-BR Marts Ltd., in 1970, when a group of 18 dealers invited him to take over as general manager. At the time, their combined purchases came to a total of \$1 million, but it took Sali only a few years to reach his goal of raising that figure to \$10 million. A famously tough negotiator, he made TIMBER MART one of the country's largest buying groups by the time he retired in late 2003.

Gino Allegro remembers the first time he spoke to Sali over the phone. In his final year as an undergraduate student in commerce at the University of Manitoba, he was required to present to his class on a business segment to be drawn from a hat. "I happened to get buying groups in Canada," he recalls. Tasked with phoning Sali, who was then based at TIMBER MART's Winnipeg office, he didn't know much about his subject: "I knew he was a pretty tough guy, but I didn't know who he was." Allegro naively asked Sali for 20 minutes of his time. "I'll give you five minutes, and five minutes only," was the reply.

Five minutes turned into three and a half hours, and by the time they finished, Allegro had enough material to earn him a solid grade on his presentation. When he sent Sali a copy of his work, Sali told him, "You owe me." It was, Allegro says with a chuckle, "typical Barrie."

The assignment proved to be a foreshadowing. Today, he is Canadian sales manager for insulation maker Johns Manville. "By coincidence," Allegro observes, "I happened



Barrie Sali, former industry titan, is remembered as a tough negotiator and an equally fierce friend.

to end up in the same industry. Barrie was a pretty integral part of my life." He counted Sali as "not only a business partner, but a true friend, who was very good-hearted under his tough, barking exterior."

Sali's love for his dealers—and for the West Coast—even trumped the chance to head up Canada's largest hardware co-op. More than two decades ago, Walter Hachborn, co-founder and then-president of Home Hardware Stores Ltd., pursued Sali to be his predecessor as Hachborn began developing a succession plan. Sali visited St. Jacobs, the quaint Ontario town where Home's head office is located, and finally told Hachborn he was not prepared to leave

the lifestyle and business connections he had with TIMBER MART, by then based in Vancouver.

He also had many passions outside of his business. Sali will be remembered as a wine aficionado—even investing in a winery—an avid traveller, who slowed down only a little in retirement, and for his love of golf and barbecuing.


Barrie Sali is survived by his wife of 31 years, Roxanne Diaz, and their sons Max and Harrison Sali, as well as his siblings, their partners, and his many nieces and nephews. A celebration of his life was held in February at Shaughnessy Golf and Country Club in Vancouver. 

PHOTO: POPLAR GROVE WINERIES

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