

FOURTH QUARTER / 2018

# HARDLINES HIQ

HOME IMPROVEMENT QUARTERLY

**TERRY DAVIS  
LEAVES HOME**

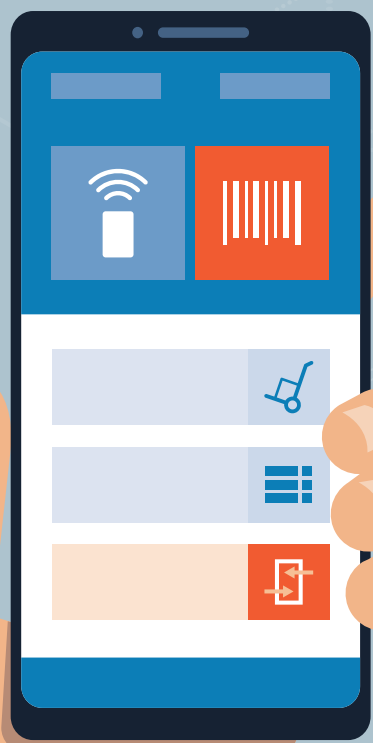
Home's outgoing  
CEO reflects on  
50 years with  
the co-op

**INDUSTRY  
INSIGHTS**

Leaders  
forecast what  
2019 has in  
store for retail

**FAST ON  
THEIR FLEET**

Technology has  
helped these dealers  
better manage  
their deliveries

**FEATURE STORY**

## DISTRIBUTION IN THE DIGITAL AGE

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HOME IMPROVEMENT QUARTERLY

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HOME IMPROVEMENT QUARTERLY



## COVER STORY

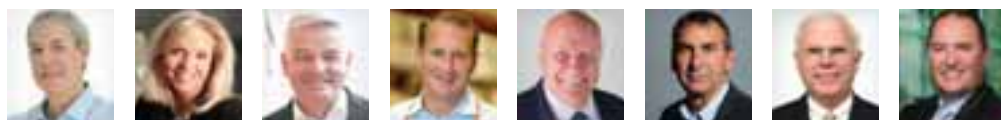
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Kent opens a new flagship big box store in the Halifax market



With more than 100 RONA dealers online, affiliates are catching up to corporate stores



Expect more consolidation from Titan in Canada



UFA focuses on upgrading its back-end systems with new ERP



Peavey adds stores in Manitoba and Alberta, with more locations planned

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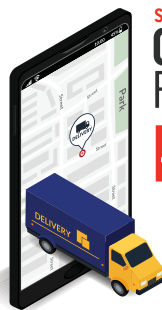
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SIGRID FORBERG, EDITOR

# YOUR BUSINESS IS THE SUM OF ITS PARTS

While there's still a quarter of the year left in 2018, now is the best time to start thinking about the year to come. Hopefully your budget for the year is set, and as the weather starts to cool, you can focus on thinking more in depth about your goals for the year to come.



**I**n this magazine, we frequently focus on the things that are changing in this industry and how they impact our readers at the dealer level. New technologies are frequently the source of these developments.


When we think about retail, distribution—as products make their way from the supplier to the store and then on to the consumer—

external and internal—is what sets the great retailers apart from the good.

We also hear from a number of industry leaders in our annual leaders' forecast on page 32. This year, we gave them the opportunity to voice their predictions and concerns for the year ahead in their own words. While they each anticipate a tough 2019, they've invested in building on their

Encouraging your staff is exactly what Bill Wilson recommends in his regular Store Management column on page 46, where he outlines how getting to know your customers personally will impact you professionally. And of course, your employees are on the front lines of those relationships.

But it's not just your customer service in-store that can leave lasting impressions on your customers. Delivery to both direct consumers and contractors is one of your final opportunities to leave your customers with a positive experience. Read more about how some dealers are managing their fleet and drivers to go the extra mile for their customers on page 44.

With all these factors to consider, it might seem difficult to focus on anything but the short term as you deal with one problem after the next every day. But as the stories in this issue demonstrate, putting aside the time to focus on improving every aspect of your business—your employees, your deliveries, your flexibility—can be just what you need to take your company to the next level. 

“Delivery to both direct consumers and contractors is one of your final opportunities to leave your customers with a positive experience of your business.”

is one of the most important components. In our cover story this issue, we look at how evolving technology and trends have impacted this aspect of retail.

Change, as a theme, came up frequently when we were putting this issue together. From an interview with Terry Davis, exiting Home Hardware CEO and president, on the heels of his announced retirement, to our Endcap subject, a Newfoundland pharmacist who added hardware to his offerings, adjustments and adaptations abound. How you deal with change—both

strengths and there's a sense of cautious confidence that they'll be able to rise to the challenge.

Another theme that recurs is learning to make the most of what you have—whether that be your staff, your space or your knowledge of your customers—to be the best retailer in your market. On page 36, we hear from one Home Hardware manager on the west coast who's been watching his high-potential employees closely and investing in training to support their continued growth.



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

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## WHAT'S TRENDING IN HOME IMPROVEMENT

# ONE CLICK AWAY FROM YOUR COMMUNITY

In this department, we're highlighting a few fun and innovative ways dealers across the country are using social media to engage their communities. The best posts combine selling products with humorous and informative content.



Minden Home Hardware amps up the cute factor with this product of the day pick. #claraknowsbest

Lowe's and Home Depot show even small donations can make big differences in our communities. #changeforgood

Minden Home Hardware cooks up some deals for its followers. #firesale







Milton Home Hardware reminds us summer happened and that it was nice. #neverforget

Whycocomagh HBC gets canny promoting a special on mason jars. #picklingpuns

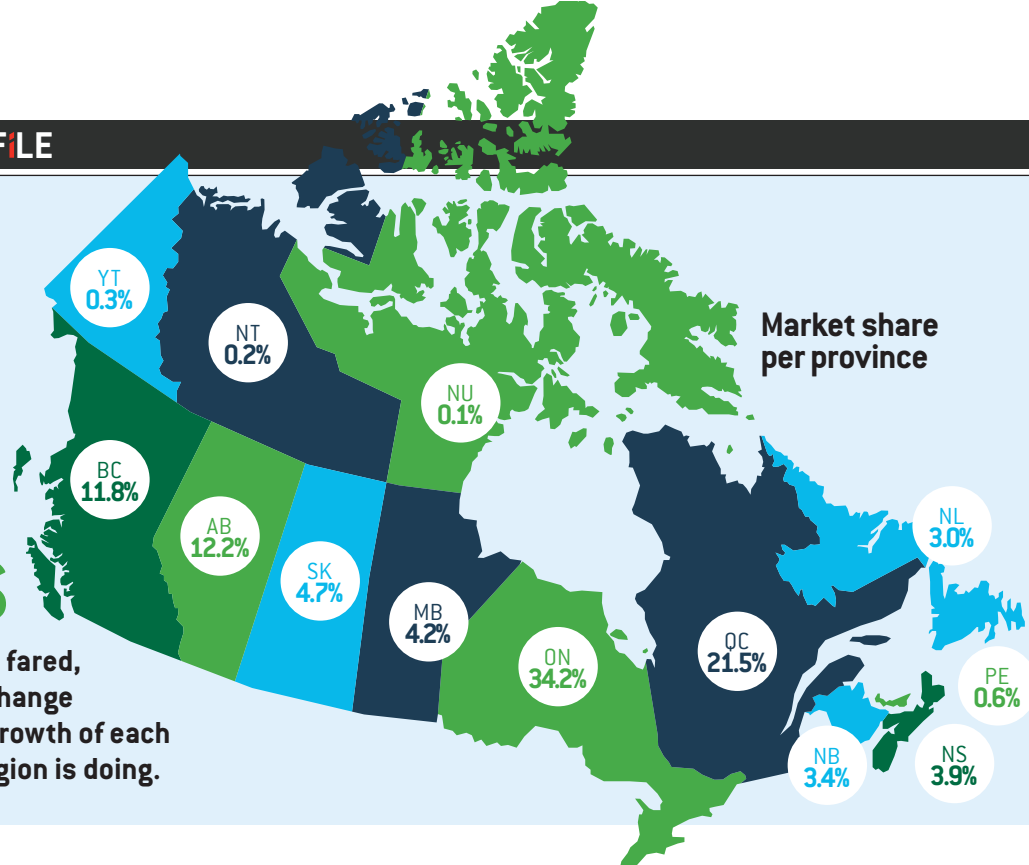
Maybe if Dorothy had used the right deck screws, she could have avoided that whole crushing the witch incident? #safetyfirst



BY MICHAEL McLARNEY

# INDUSTRY GROWTH REFLECTS DISPARITY AMONG REGIONS

Looking back at how the provinces have fared, while their actual market shares don't change appreciably year over year, the rate of growth of each region is a good indicator of how that region is doing.



**C**entral Canada still maintains the lion's share of the market, with Ontario accounting for just over one-third of the market. Quebec, the second-largest province for retail home improvement sales, is just over one fifth. Together, they account for more than half the overall market. And these two engines were performing strongly in 2017, with more to come through the end of this year.

Ontario's sales grew 5.6 percent last year over 2016. Hardlines' forecast for 2018 is to slow to 4.3 percent growth. Quebec, which had been showing negative growth to the end of 2016, rebounded in 2017, with an increase of 5.9 percent. That momentum is expected to soften

through this year and next, to 3.5 and 3.6 percent growth respectively.

Overall, the West showed a net gain in 2017, thanks to varied but positive growth in each province. British Columbia maintained a steady increase, building on 2016's 7.5 percent gain. Saskatchewan rebounded following a 2016 increase of less than one percent. Alberta showed solid growth as the market there stabilized beginning in 2016.

Manitoba is forecast to slip in 2018, and so, to a lesser degree, is Saskatchewan. However, every Western province is forecast to have even stronger growth in 2019.

Every Atlantic province showed a gain in 2017. The big turnaround was with

Prince Edward Island, which showed strong gains following a 4.1 percent drop in 2016. New Brunswick continued to strengthen, following a 1.6 percent gain a year earlier. While Newfoundland and Labrador continued to be challenged in 2017, it did enjoy modest growth, following an even smaller increase in 2016 of 1.3 percent. Following mainly positive growth in 2017, especially from Nova Scotia, the Maritime Provinces will moderate in 2018, then pick up strength in 2019.

While growth is varied across the country, dealers in every region are poised for solid gains, both this year and next. Several factors could still put a damper on the fortunes of the retail home improvement industry before the year is out. However, even amidst softening new home and resale markets, a new wave of homeowners is coming on the market with new families and new aspirations. This demographic, combined with an influx of new Canadians into areas beyond the major urban markets, will ensure an active home improvement market in years to come.

## Western growth trends (\$millions)

	2016	2017	Change
British Columbia	\$4,976	\$5,196	4.4%
Alberta	\$5,106	\$5,365	5.1%
Saskatchewan	\$1,972	\$2,063	4.6%
Manitoba	\$1,731	\$1,842	6.4%
<b>TOTAL</b>	<b>\$13,784</b>	<b>\$14,466</b>	<b>4.9%</b>

## Atlantic growth trends (\$millions)

	2016	2017	Change
New Brunswick	\$1,459	\$1,499	2.7%
Nova Scotia	\$1,582	\$1,715	8.4%
P.E.I.	\$241	\$254	5.1%
Nfld. & Lab.	\$1,269	\$1,307	3.0%
<b>TOTAL</b>	<b>\$4,551</b>	<b>\$4,774</b>	<b>4.9%</b>

Source: 2018-2019 Hardlines Retail Report





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TORBSA GM Bob Holmes addresses members during an industry lunch.

## TORBSA HOSTS DEALERS AT WEST COAST AGM

**M**embers of TORBSA travelled to the town of White Rock, south of Vancouver, over the summer for the buying group's annual general meeting, rounded out by a series of social events and golf. While the majority of TORBSA's members are located in Ontario, it has one member, Crown Building Supplies, in nearby Surrey—reason enough, said Bob Holmes, general manager of TORBSA, for

moving to the West Coast venue this year.

Gary Sangha, owner of Crown Building Supplies, and his wife Jas, acted as hosts for the group, which included about 80 dealers, vendors and their partners. During a welcome lunch, Holmes thanked Gary Sangha and Jas Sangha for their hospitality and their dedication to the business.

Crown is a ceiling and wallboard supplier that joined the group four years ago. Sangha

said he really enjoys being part of the group. He was initially attracted by the “low overhead and the full transparency” with which it operates, especially after being a member of other groups in the past. “Yes,” he says, “we’re glad to be part of it; we’re very fortunate to be part of it.”

The TORBSA getaway included a golf tournament, a wine tour and a harbour dinner cruise.

## HOME HARDWARE WILL INVEST IN SUPPLY CHAIN IMPROVEMENTS TO DRIVE FUTURE GROWTH

**Home Hardware has announced improvements to its supply chain with the intention to move forward with an automated material handling system.**

The project, in partnership with Dematic and Manhattan Associates, has been a part of ongoing efforts by the company to optimize its supply chain and

reinforce the strength of the co-op wholesaler in distribution. The investment is intended to position the company for future growth.

“I am very pleased we continue to invest in our state-of-the-art distribution systems with updates to our material handling equipment at our St. Jacobs facility,” says John

Dyksterhuis, vice-president, distribution. “Our strength in distribution is one of the best in Canada and we are proud to continue to provide excellence to both our dealers and our customers.”

The project is set to launch in the third quarter of this year with a targeted completion date of July 2020.



# KENT OPENS A NEW FLAGSHIP BIG BOX STORE IN THE HALIFAX MARKET

**K**ent Building Supplies has opened a new big box in the Halifax Regional Municipality at Dartmouth Crossing, according to the *Halifax Herald*. In addition, the company is reportedly going to invest in a major expansion of its location in Lower Sackville.

The new Dartmouth store opened its doors July 9. Located next to the Halifax-area IKEA, the Kent outlet features 124,000 square feet of retail space and employs 120 people, a spokesperson for parent company J.D. Irving told the *Herald*. The opening reflects Kent's return in recent years to the big box format. In July 2014, the company opened a 100,000-square-foot big box in Charlottetown, its first large-format store in Prince Edward Island and its first big box in almost two decades.

Kent originally opened seven big boxes in the mid-'90s to head off potential expansion by then-newcomer Home Depot, which was busy expanding in Central Ontario.

Kent is also making changes at other locations in the Halifax area. A former Kent store in Dartmouth, at Mic Mac Mall, is being converted into 110,000 square feet of office space, while the 30-year-old Lower Sackville location will be expanded by almost 14,600 square feet. Considered one of Kent's smallest stores, it is currently 39,360 square feet in size. The expansion will include enlarging the parking lot and adding another entrance from the main road.



The new Halifax Kent store features 124,000 square feet of retail space and employs 120 people.



## BRIEFLY

### LONG-TIME HOME EXECUTIVE RETIRES

Ray Gabel retired as Home Hardware's senior merchandise advisor at the end of June. Gabel spent more than half a century at Home Hardware, joining its predecessor Hollinger Hardware in the summer of 1950. Present at the 1964 meeting that brought Home Hardware into existence, he started in a purchasing role with the new company. A series of positions led to his appointment as VP of merchandise in 1979, and he moved into his most recent role in 2015. Gabel is a 2007 inductee to the Canadian Hardware & Housewares Manufacturers Association Hall of Fame.

### PAINT DEALERS PHASE OUT CHEMICAL INGREDIENT

Sherwin-Williams will phase out the use of paint stripper ingredient methylene chloride this year. The decision comes after pressure from environmental advocates and follows on a similar announcement by Lowe's Cos., both in Canada and the U.S. Last year, the U.S. Environmental Protection Agency proposed a ban on paint removers made with methylene chloride, which is linked to lung and liver cancer, and N-methylpyrrolidone (NMP). Now Home Depot has weighed in, saying it would remove the products from its shelves by year's end.

### AMAZON TO OPEN NEW FULFILLMENT CENTRE

Amazon will open its ninth Canadian fulfillment centre in Caledon, Ont. The new facility will be its sixth in the province. The one-million-square-foot space is slated for completion by the end of next year. Amazon says it will create more than 800 full-time jobs.

## WITH MORE THAN 100 RONA DEALERS ONLINE, AFFILIATES ARE CATCHING UP TO CORPORATE STORES

**R**ONA has announced that its e-commerce channel now includes 117 participating dealer stores—and counting—as it rolls out its Click and Collect service for customers who want to shop online through RONA.

Lowe's Canada's own big box Lowe's stores have been operating in the digital space successfully for years, and RONA's corporate stores, including its Reno-Depot chain, have been getting on board with the Click and Collect program. But the acceptance by RONA's affiliate dealers represents a big step by independents toward adapting to the realities of online retail.

RONA reached 100 stores participating online with the addition of the three RONA Bois Turcotte stores, located in Val-d'Or, Amos and Malartic, Que. "In 2018, e-commerce is indispensable, especially in regional markets, where our stores serve larger areas," says Sylvie Turcotte, co-owner of the RONA Bois Turcotte stores. "In addition to being able to offer our current customers a wide range of products, we can now reach customers farther away."

RONA dealers are incorporating e-commerce in their everyday store operations, including RONA North Vancouver, where owner Bruce Allen has implemented a drive-through service for pickup of online orders. According to Allen, the support RONA has offered its affiliate dealers has been instrumental in helping independents like him keep up with digital sales—and not lose out on sales opportunities.

The program has had a direct impact on both sales and the store's culture. "You can't



help but be excited," Allen says, "when you open the doors in the morning and see 10 to 12 internet orders that have come in overnight." It's important to respond quickly to these orders, he notes, as the online world brings a new kind of immediacy to his business. "You need to respond urgently, causing you to prioritize the selection of items and the ordering and delivery of items."

And, like Sylvie Turcotte in Quebec, Allen now finds that his store is serving a customer base beyond its regular trading area.

Keeping the affiliate dealers up to speed with its online strategy means those stores fit better into the overall marketing that Lowe's Canada is doing to support RONA's online efforts. All RONA corporate stores are already on board, offering online purchases to their customers.

For example, the RONA corporate store in Surrey, B.C., in the community of Fleetwood, has a team of four that is devoted entirely to online order fulfilment. That team includes Sheralynn Joynt and Dinusha Mudunkotuwa. For orders up to a certain weight, they are shipped through Canada Post, and over that they go by Purolator. According to Adam Creelman, the interim manager of the store, the volume of ship-to-home sales is now exceeding that of the store's regular deliveries.

Allen at the RONA North Vancouver store understands that the move to online is a big step for some dealers, but he believes it's an important one. "You are either prepared to change and grow or you are relegated to just keep doing what you've always done," he says.



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

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# EXPECT MORE CONSOLIDATION FROM TITAN IN CANADA

**W**SB Titan is on an acquisition trail. And it's not being shy about using the Titan name, which refers to the three commercial dealers that came together originally to form Titan. They are Shoemaker in the West, Watson in Ontario and Beauchesne in Quebec.

Titan is now part of GMS, a giant commercial drywall operation out of the U.S. GMS acquired Titan for US\$627 million (\$800 million) in a deal that closed over the summer. The U.S. parent has been actively buying up businesses in the U.S., including Grabber Construction Products in the San Francisco area and CMH Distributing in Nebraska in April 2018. With the Titan acquisition here, GMS intends to keep looking for new expansion opportunities in Canada.

The latest addition to Titan is a new outlet for its commercial roofing business, BC Ceiling Systems, which was

acquired in 2015. The store in Langley, B.C., was not named BCCS, but called "Titan". It's part of a plan to expand the Titan name among commercial customers while infilling various markets. BCCS also has locations in Richmond and Vancouver. "We're one branch away from saying we've got the Lower Mainland well served," Skrepnek says.

But don't expect Titan's legacy businesses, Shoemaker, Titan and Beauchesne, to change their names. "It would be foolish to get rid of the names that built the gypsum drywall business in this country."

On the retail side, Titan's ownership of Slegg Building Materials, a major dealer on Vancouver Island, with a dozen locations, is also shoring up its brand power. Titan bought up Dodd's Lumber last year, another yard on Vancouver Island, in Duncan, and that was renamed a Slegg yard, Skrepnek notes.

## UFA FOCUSES ON UPGRADING ITS BACK-END SYSTEMS WITH NEW ERP

**UFA has been making a lot of changes at the store level with the refit of its Farm & Ranch Supply stores, but changes are going on behind the scenes, as well.** The company has invested heavily in a new enterprise resource planning (ERP) platform.

The system, which will effectively tie in all the company's various systems—including purchasing, inventory and order processing—is replacing an existing POS system.

According to Glenn Bingley, COO of retail operations at UFA, the move signifies a big change for the company, and one whose time has come. "It is replacing some really aged technology," he says.

Along with its lucrative petroleum business,

United Farmers of Alberta has an agribusiness division. That business is represented mainly by 35 UFA Farm & Ranch Supply stores throughout Alberta, through which the co-op also drives its commercial agriculture side. Bingley oversees this division and has been working with his teams to fine-tune assortments, update merchandising and develop smarter relationships with vendors. Now he's focusing, along with Mark DiGioacchino, UFA's director of merchandising, on the back end, as well.

Using the Microsoft Dynamic 365 platform, the company is currently rolling this out to the retail and commercial division that Bingley oversees. He expects it to be completed over the next year.

### BRIEFLY

## TASK MARKS 50 YEARS WITH NEW LINE

Task Tools is celebrating its 50th anniversary with the launch of a new line of heavy-duty ballistics work gear, a line of patented Starlock oscillating accessories, and an expanded assortment of European-made drill bits. Task is running a series of contests and giveaways through social media every month for the remainder of the year. The company is still family-owned and operated, with CEO Craig Caplan having taken the helm from his father Michael in 2008.

## HOME DEPOT RECOGNIZED FOR ECO-FRIENDLY EFFORTS

For the 10th time, and the fifth year in a row, The Home Depot Canada has been named the Energy Star National Retailer of the Year. Home Depot Canada was recognized for its commitment to offering consumers the most energy-efficient products and technology on the market. The retailer collaborates with vendors and utilities to make energy-efficient products more affordable and accessible for customers through rebates on products such as LED bulbs and Energy Star certified heat pumps, as well as education for customers on Energy Star products.

## BMR ROLLS OUT NEW DEALER SHOW

BMR unveiled a new dealer show in August. The wholesaler and buying group held its first Imports and Seasonal Products Trade Show in Boucherville, Que. The company says the show was intended to compensate for the increasingly long delivery times faced by its overseas suppliers, in order to ensure all dealers receive their merchandise in plenty of time for spring. Among the categories showcased were patio furniture, barbecue, garden decoration and accessories.



## PEAVEY ADDS STORES IN MANITOBA AND ALBERTA, WITH MORE LOCATIONS PLANNED



Peavey's newest store in Winnipeg, which is the company's second in the area, opened this winter.

**P**eavey Industries continues to add stores through 2018. It opened its 38th Peavey Mart store in the Pembina Highway area of Winnipeg in January, with a grand opening sale in March. The store, in a former Zellers location, comprises almost 33,000 square feet. This is the second Winnipeg location for Peavey, complementing the Nairn store on the city's East Side. And it's Peavey's fifth in Manitoba, along with Brandon, Winkler and Swan River.

To support these locations Peavey has invested in a key interactive sponsorship of the Red River Exhibition, in addition to several community sponsorships in other Manitoba markets.

Peavey's most recent opening, and its 39th Peavey Mart, opened in Sherwood Park, Alta., in April, with a grand opening in early June. The 29,000-square-foot store features tweaks to the merchandise assortment and placement that included relocating the pet and birding sections toward the front of the store, complete with new graphics.



Later in 2018, Peavey will add 10,000 square feet to its existing location in Humboldt, Sask., a project approved in early 2018. In addition to its wide market area, Humboldt is the centre of the province's fast-growing sheep industry. That expansion is expected to be finished by Christmas.

Also in Saskatchewan, the Peavey Mart in Kindersley will move to an expanded location vacated by a Home Hardware. The new 40,000-square-foot space will be renovated and is expected to be open this fall.

### BRIEFLY

#### IKEA OPENS QUEBEC CITY STORE

IKEA Canada opened a store in Quebec City in August. The 340,000-square-foot location includes a showroom and market hall, as well as a full restaurant and a children's play area. As a result, the company closed its Quebec City pick-up and order point. The store is IKEA's 14th location in Canada.

#### HOME IMPROVEMENT RETAILERS RANK AMONG BEST

The Reputation Institute has published the latest edition of "Canada RT50," the 50 most reputable companies as ranked by Canadian consumers. For the second year in a row, Google tops the list, while the top Canadian company is Mountain Equipment Co-op at number five. Canadian Tire came in at number 14 and Home Hardware is in the 21st spot.

#### PEAVEY MART STORES HELP FUNDRAISE FOR AIR AMBULANCES

Peavey Mart is teaming up with STARS (Shock Trauma Air Rescue Society) air ambulance service, selling STARS merchandise both online and in-store at all Peavey Mart and MainStreet Hardware stores. Proceeds from the sales—minus the cost of goods—go straight to STARS. The offerings include more than 20 styles and sizes of shirts, jackets and caps, all exclusive to Peavey Mart and MainStreet. More products will be coming over the next few months.

In a statement on the announcement, Bert Harbour, STARS' manager of enterprise fundraising, noted that "half of all Western Canadians live in rural areas where emergency ground transportation isn't always fast enough."





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# ProductSPOTLIGHT

BY GEOFFREY McLARNEY

## Second Generation of Weiser's Kevo Smartlocks ▶

With Weiser's Kevo smartlocks, your smartphone is your key. The second generation of Kevo locks is smaller, sleeker, easier to install and more powerful. Users can send an electronic key to family, friends or visitors who have a compatible smartphone so they can use their phone as a key too.

Receive notifications of lock activity and manage the lock and e-keys with the Kevo Mobile App. Customers without a smartphone can still manage the system using the separately sold Kevo fob.

[ca.weiserlock.com](http://ca.weiserlock.com)



## ◀ Tando's Signature Stain in Graphite

Tando's Signature Stain cladding is now available in a graphite colour, expanding the stained shake line beyond current wood-like browns to an earthy, deep grey. Signature Stain's Graphite offers the look and authenticity of stained wood, but without the continuous maintenance or upkeep, with a lightweight design for fast, easy, one-person installation.

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

## Ruvati WORKstation Sink ▶

Ruvati is recruiting Canadian dealers for its faucets and sinks, such as the new WORKstation sink, designed for kitchens where space is at a premium.

Part of the Roma Collection, the WORKstation is offered in two sizes.

Featuring a topmount installation, the sinks are crafted from 16-gauge stainless steel and offer heavy-duty padding and undercoating for noise absorption. The cutting board converts the sink into a handy countertop when extra space is needed. The sink comes with a steel colander and other accessories, including a basket strainer and mounting brackets.

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



## ◀ Fiskars Pro Retractable Utility Knife

Fiskars has introduced a new line of Pro Utility knives, designed especially for professionals. CarbonMax coating claims to keep blades sharp 24 times longer than competing blades, and an improved locking system prevents accidental release.

Tabs ensure the blade won't pull out when twisted. Improved ergonomic features include multiple grips to provide comfort, Softgrip with strategic texturizing for enhanced comfort and easy-access buttons.

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# LOWE'S CONTINUES UPDATING ITS RONA BUILDING CENTRES WITH NEW FORMAT

The company has invested millions of dollars transforming one of RONA's first Ontario acquisitions into its new-format building centre model. The store offers insights into the company's overall strategy and its plans for future stores.

**T**he RONA store in the west end of Toronto has been converted to RONA's new building centre model. The location, at 1170 Martin Grove Road, is actually the former head office and anchor store for the Lansing Buildall chain, which was an early—and major—acquisition by RONA as it expanded into Ontario and beyond in 2001.

Now, the store has undergone a major transformation, at a cost of more than \$3 million. It's the second RONA location in Ontario to be converted. Parent company Lowe's Canada expects up to eight more stores to be refurbished by year's end.

"The customer was at the centre of our thought process when developing the new RONA building centre model, which was designed with three goals in mind: to better meet current needs and trends in home improvement, become a true one-stop-shop for our customers' home improvement projects and enhance our offering for contractors and pros," says Patrick Lapointe, divisional vice-president, RONA operations.

He points out that the store format is aimed at both DIYers and contractors, and "plays a key role in Lowe's Canada's growth strategy," one that the company intends to keep investing in heavily.

Keeping in mind the way homes are being designed and furnished—including open floor plans, bright lighting and plush outdoor spaces—the store reflects those changes in both its layout and product selection. The result is a brighter, less compartmentalized store, with entirely redesigned racking that has been lowered, except on the



RONA's new-format building centre model is a brighter, less compartmentalized store, with entirely redesigned racking that allows customers a 360-degree view of the store at a glance.

perimeter of the store, to allow customers a 360-degree view of the store at a glance. In addition, seasonal products have been moved up near the entrance and household appliances now have a prime location by the kitchen project section.


The new-look store is also designed to accommodate project sales, anything from a kitchen or bathroom remodel or roof repair to replacing doors and windows. Project sales are supported by services such as design consulting, 3D renderings and installation services.

Eventually, all RONA building centres will feature a kitchen section, varying in size depending on the store.

Drawing on the location's historical use as a distribution centre for the former Lansing Buildall stores across the Greater Toronto Area, the store will use its 130,000-square-foot warehousing area and five-acre paved



lumber yard as a central delivery hub for the 26 RONA stores in the GTA.

It can house large quantities of products in key contractor categories such as roofing, drywall and insulation. This gives all the GTA stores access to an overall wider product assortment and increased availability. This is especially effective for pro customers who must meet tight timelines when completing their projects. In peak season, the hub has more than 30 delivery vehicles. 





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BY SIGRID FORBERG

# DISTRIBUTION IN THE DIGITAL AGE

Online shopping has changed a lot for retail. But the biggest impact it's had on the market is establishing a standard for product availability. Consumers want everything, immediately. And though many home improvement retailers once thought the industry was safe from e-commerce's influence, that's not the case.

**C**anada's geography has always presented a challenge when it comes to distribution. With a population of 36 million, across 9.9 million square kilometres, just 10 cities account for more than half of the country's residents. And while 90 percent of Canadians live within 160 kilometres of the United States border, the other 10 percent can be challenging to reach—some communities are fly-in, rely on ice roads to be accessed in the winter, or are separated by mountains from the nearest town. Then there's the fact that transferring goods from coast to coast—to coast—poses a significant cost.

We've seen a number of examples of companies that approach the Canadian market without properly considering our geography. What Canadian in the know doesn't feel a little smug when they think about Target's spectacular Canadian failure? Our sprawling geography is not to be underestimated.

But there are several companies—both homegrown and international—that have found ways to make hardware distribution work for them here.

## A CRUCIAL PART OF RETAIL

Home Hardware was founded more than 50 years ago with a solid foundation for its supply chain. John Dyksterhuis, vice-president of distribution for Home Hardware Stores Ltd., says the company's steady growth over the years can be attributed to that foundation. With a network of almost 1,100 stores and a selection of 55,000 products, the company delivers to its stores at least once a week.

"Effective distribution and delivery is vital to our strategy," says Dyksterhuis. "Supplying our stores the products they need in a timely manner is critical to both our dealers and their customers."

Without timely deliveries, Dyksterhuis says Home Hardware's retailers wouldn't be able to provide the standard of customer service their clientele expect. Demonstrating the co-op's commitment to

optimizing its supply chain process, he adds that management has continued to make changes to its four distribution centres over the past number of years to provide best-in-class distribution.

Taiga Building Supplies, a wholesale distribution company based in Burnaby, B.C., has also upgraded several of its procedures to respond to changes in the marketplace. About six years ago, it updated its ERP (enterprise resource planning) system. Taiga is also working on its warehouse management system to create tighter control. Finally, a year ago, it implemented a new customer relationship management program.

"Our new customer relationship management tool tracks everything from birthdays to buying trends and it allows our sales people to compare trends," says Taiga's Graham Hoover. "And it gives us good insight into what we're not doing with our customers."

Hoover adds that the next priority will be setting up the company's trucks with GPS so customers can track their shipments and get real-time updates on when they can expect to receive product.

"From our perspective, we're just trying to lead the way in the right direction," says Hoover.

## INVESTING BEHIND THE SCENES

Home Depot was one of the first American home improvement chains to successfully establish itself in the Canadian marketplace. Now 24 years in, Home Depot Canada has solidified its ranking as the top player in the country. Over the last few years, the company has worked to transform its supply chain to build a fast and efficient delivery network.

"Being in the products business, distribution plays a very important role," says Serge Carestia, VP, supply chain for Home Depot Canada. "The success of our business comes down to delivering an excellent customer experience through great everyday value and convenience, at every opportunity."

Crucial in that customer experience is allowing customers the option to shop with

them where they want, when they want, both online and in their stores.

Carestia says the company has made significant investments in the technology and tools that will enable its associates to pick orders or locate stock, and even connect with one another from across the floor to answer customer questions more seamlessly. "By blending our physical and online presence, we have the opportunity to serve customers in a nimble and flexible way."

In response to the changing landscape in retail, he says Home Depot Canada has rebuilt its entire supply chain. The first phase was to implement two distribution stock and flow campuses to provide the capability to source product from anywhere in the world and flow across the country to its stores. Their second phase was to create a customer delivery network that leverages the distribution network to deliver product to customers when, where and how they want it.

Lowe's Canada has also recently invested a great deal in its supply chain infrastructure. According to Gregor Stuart, senior vice president, supply chain, logistics,







Home Hardware delivers product to its 1,100 dealers across the country at least once a week.

transportation for Lowe's Canada, the company's distribution and transportation plan is designed to ensure that product is received on time at the distribution centres and delivered promptly to its stores.

"Time is of the essence," says Stuart. "Distribution is a key element in our business model. This is even more important with our buy-online-pickup-in-store process for customers, as we set high expectations for on-shelf inventory."

**“Logistics is a huge issue these days. Finding enough trucks to move product is a problem and it’s absolutely critical.”**



### KEEPING UP WITH THE RATE OF CHANGE

Meeting those expectations can be challenging when outside factors you can't control come up. A shortage of resources—from trucks to products—is something dealers can try to plan for, but there's often not much they can do but wait the issue out.

"Logistics is a huge issue these days," says Hoover. "Finding enough trucks to move product is a problem and it's absolutely critical."

He says these truck shortages can result in products being late. And considering that consumers are looking for convenience above all else, distributors need to be exact with their information.

"If we say we're going to deliver on Tuesday, it can't show up on Thursday," says Hoover.

Stuart adds that as technology has evolved, it has changed customer expectations of reasonable turnaround time.

"People are not willing to wait weeks, or even days for products they've ordered online," says Stuart. "We need to be able to offer the same or better service to compete. In some markets, we now offer next-day delivery of appliances."

Keeping up with the speed of change in the industry can prove another challenge.

"Just having what a customer wants is not enough if you cannot get their orders processed and delivered on time," says Bret Walters, from Orgill's operations team in London, Ont. "We're always looking for ways to do things better and more efficiently. Innovation has always characterized Orgill's methods of stocking and shipping merchandise."

The company is continually updating its processes as technology evolves. Recently, Orgill made improvements to its website that make managing and placing orders more efficient for its customers. And every Orgill DC uses a system called the Lucas (Jennifer) Voice Pick, which includes voice direction from a headset that directs the order picker to the product's exact location. Walters says this greatly improves order accuracy and efficiency.



Lowe's Canada's Milton, Ont., DC has a fully automated conveyance system, which helps it quickly move product from its warehouse to waiting trucks.





Orgill's Post Falls, Idaho, facility has helped the wholesaler better service Western Canada.

"The goal is always on customer service and keeping orders accurate," he adds.

Hoover says Taiga also prioritizes their customers' needs, especially smaller vendors that may find filling large orders at today's prices challenging.

"We strive to be a low-cost operator so we can invest in new technologies," says Hoover. He adds that the company is aware of the changes happening in the marketplace and those technological investments allow the company to work with those changes.

## DEMAND DICTATING THE SUPPLY CHAIN

More and more, online shoppers are looking for the option to order specific products to a nearby store, or have them shipped to

their homes, shaking up the traditional distribution formula for distributors and bricks-and-mortar stores alike. But Stuart says it's not as complicated as it might seem—Lowe's Canada has done its best to leverage its existing processes, to keep its system changes to a minimum and reduce the need for extra training for employees.

"Processing a unit pick for a store versus a customer in a DC is not different from a labour perspective," says Stuart. "Our stores are accustomed to picking lumber orders for customers, so expanding that across the rest of the store was straightforward."

This new approach allowed the company to quickly expand buy online, pickup in-store and ship-from-store in its RONA and Reno-Depot banners, as well.



Taiga strives to provide "just-in-the-right-time delivery" to all the communities it serves, big or small.

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And in response to increased need, a number of companies have been recently building up their supply chain networks.

TIMBER MART recently announced the addition of a five-acre property in Mount Forest, Ont., to expand its lumber and building materials distribution network in Ontario. The facility is located within a six-hour radius of a multitude of TIMBER MART member locations and will offer a wide selection of LBM products, weekly deliveries, cross-docking/furtherance service and easy access for dealers looking to pick up their own orders.

The Mount Forest DC will be the company's third facility, in addition to its Langley, B.C., and St-Nicolas, Que., locations. In a release, TIMBER MART President Bernie Owens said the company plans to open the new location by January 2019.

Orgill, which supplies hardlines products for Canadian independent retailers such as TIMBER MART and Castle, has been growing its distribution abilities in this country over the last few years, through its London, Ont., facility and its Post Falls, Idaho, location.




Lowe's Canada has leveraged its existing processes to process unit picks for online orders at all its banners, including RONA L'Entrepôt and Reno-Depot.

Walters says Orgill is always looking to the future and what approaches may work better.

"Innovation has always characterized Orgill's methods of stocking and shipping merchandise," says Walters. "We had one of the first single-storey DC's in the hardware industry, as well as one of the first automated draglines. Not following conventional thinking has worked well for over 170 years, but the focus has always been, and always will be, on our commitment to our customers."

At the end of the day, the most successful distribution strategies have the vision to make the most of all the bells and whistles of new technologies and focus on what the end user wants most—exactly what they want, exactly when they want it.

"A large degree of our success has been the locations of our distribution centres and our ability to service even smaller communities with 'just-in-the-right-time' delivery," says Hoover. "That's absolutely critical." 

## The last mile leaves a lasting impression

More and more, dealers are working with parcel carriers to complete the distribution cycle. Emil Cermak, of FedEx Canada, spoke at last year's Hardlines Conference about the importance of retailers working strategically with carriers such as FedEx to smooth out their customers' experiences.

There was a time not so long ago that home improvement retailers believed this industry was safe from the threat of e-commerce. But with a standard of two-day shipping for anything established by online juggernaut Amazon, and an increasing integration of digital into the overall retail equation, dealers must now factor e-commerce into their overall distribution strategy.

So what do customers want most? According to Cermak, who cited a survey conducted by FedEx, here are some of the most important details for retailers to consider with e-commerce:

- **Ease of experience.** Customers want to be able to find what they're looking for on your website quickly and to painlessly order from your store or warehouse stock.
- **Information.** Shoppers go online because they feel there are more options with better pricing available there. Make sure you provide them with or make yourself available to relay the knowledge they need to make informed purchases.

- **Updates.** Once they've paid for something on your site, they want to be able to track its progress from your DC or store to the delivery point. There is no more anxious customer than a customer who can't find their package.
- **Options.** Depending on the urgency of the order, customers are willing to wait if they don't have to pay extra to have their products shipped to your store or their home. But make sure you offer options—when they're in a hurry, if they can't get what they need from you when they need it, they'll go elsewhere.

Parcel shipments are an increasingly important component of logistics management. At this point, it's not even about getting ahead of the curve, it's just a matter of keeping up with the rate of change.





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## By the Numbers

Accounting is a three-step process at Sexton Group – accuracy, efficiency and transparency

**Christine Moore**  
Nelson Lumber Company Ltd  
EDMONTON, AB



**SEXTON  
GROUP LTD**



# *The **Sexton** Advantage:*





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## Member Advocacy

- Quick action regarding any vendor/member issues



## YOUR Team

- Experienced industry professionals focused on your success



Well Connected.

# By the Numbers

## Accounting is a three-step process at Sexton Group – accuracy, efficiency and transparency

***There's an old saying that if you take care of the pennies, the dollars will look after themselves.***

Keeping track of the books may not be the most exciting aspect of running a business, but most business owners would agree that the quality of their accounting can mean the difference between success and failure. In recent years, the Sexton Group has taken steps to transform the way it handles financial interactions with its members and their vendors with the goal of creating more accurate, efficient and transparent accounting processes.

When it comes to a building supply business, purchase rebates play a vital role in maintaining adequate cash flow. That's why

it is essential that members receive their full rebates from product vendors as quickly as possible, both monthly and at year-end. Sexton is keenly aware that rebates are a major concern for its members, so in 2013 the group decided to ensure that members themselves could become involved in the rebate process and have visibility. Overseeing the rebate process is one of the committee's most important responsibilities.

"The Steering Committee was formed, in part, to get an idea of how rebate money is managed by the group and to make sure the members are getting the best bang for their buck," says Arnold Reimer, General Manager for Nu-Fab Building Products in Saskatoon and a current member of the

Committee. "We wanted to know that the process is being run efficiently and equitably and that members pay appropriately for Sexton's services."

Reimer says the first task for the Steering Committee was to set up what they call the "Rebate Matrix". The Rebate Matrix ensures that members receive the appropriate rebates based on the volumes they purchase from vendors through the group. "The Matrix gives members transparency on all charges, and there are never additional charges that they can't account for," he explains.

Reimer points out that Sexton also engages an outside accounting company to conduct an annual third-party audit of the entire rebate process. Says Reimer: "With the

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*Sexton has been phenomenal working with us to meet the specific needs of our business, which are pretty complex.*

— **Christine Moore**, Nelson Lumber Company Ltd

**Christine Moore**  
Corporate Controller  
Nelson Lumber Company Ltd



“”

*With the combination of oversight by their peers in the Steering Committee and the third-party audit, Sexton members can be very confident that their rebates are being managed correctly.* — **Arnold Reimer**, Sexton Rebate Steering Committee

combination of oversight by their peers in the Steering Committee and the third-party audit, Sexton members can be very confident that their rebates are being managed correctly.”

## MORE RESPONSIVE

Having an equitable and transparent rebate process is important for Sexton members, but so is receiving their funds as quickly as possible. Toward that end, Sexton has made several recent investments in both personnel and technology specifically designed to streamline transactional processes, reduce errors and speed up the remission of rebates.

In terms of personnel, Sexton has expanded its team to now include three full-time Program Co-ordinators. These individuals are responsible

for getting all program information entered into the system and reconciled on behalf of the group’s 400 member locations across Canada.

“With a larger accounting and Program Co-ordinator team it’s easier to stay on top of vendors and get the sales reports we need to reconcile the orders and get the rebates paid out,” says Krista Venn, a Program Co-ordinator who also serves as Accounting Liaison between the Sexton accounting team and the members. “We avoid any delays with regard to rebates by working closely with the vendors to resolve discrepancies and complete reconciliations in a timely manner. We work hard to get rebates paid out in full to our members as quickly as possible. In addition to our monthly rebate payments, we successfully pay out

approximately 90% of our rebates by year-end, and get the remaining 10% in our members’ hands by the end of February. It’s a point of pride for our team to have the fastest rebate remittances in the industry.”

The Accounting Liaison role is a new addition at Sexton, created just two years ago. Venn is responsible for working directly with the members’ accounting teams, helping them understand the reporting and rebate systems and answering any questions they may have related to the group’s policies and procedures. Venn takes pride in her work with the members and takes the time necessary to learn their systems and how to create integration between the two. Building relationships is another key aspect of Venn’s role.

“This is not something I just do over the phone,” she says. “I go out to the member’s locations and meet the accounting teams, even if that is just one person. That allows me to learn about their business and their accounting system and work with them to improve efficiencies and eliminate areas of conflict on both sides.”

Venn says the Accounting Liaison role was created because Sexton saw a need to reduce complexities in financial interactions between the group and individual members, especially those with larger accounting departments. That drive for less complexity has certainly benefitted Sexton members like Edmonton-based Nelson Lumber, which operates five



Edmonton-based Nelson Lumber operates five retail locations, three manufacturing facilities and three home divisions.





Northwest Building Supplies in Ear Falls, Ontario, joined the Sexton Group last year when they decided to expand their original window and door showroom to include hardware and building supplies.



retail locations, three manufacturing facilities and three home divisions.

"Sexton has been phenomenal working with us to meet the specific needs of our business, which are pretty complex," says Christine Moore, Corporate Controller for Nelson Lumber. "For us, making sure we're getting the right term discounts and rebates in a competitive market is really important. Sexton's accounting team provides us with detailed statements, and even modifies statements to the way we need to see them. We had issues reconciling individual statements from multiple vendors, so we worked with Sexton to generate single statements for each of our branches. It was very impressive; our Accounts Payable department is very happy with Sexton."

For some other members the accounting systems may not be as complex, but Venn says there are often just as many questions to answer and issues to address. This is especially

true for new Sexton members who are just learning to interact with the group's accounting team. Ricky Vincent of Northwest Building Supplies in Ear Falls, Ontario, joined the Sexton Group last year when he decided to expand his original window and door showroom to include hardware and building supplies.

"We were basically starting from scratch with multiple new lines and vendors and we had no

experience with that; we just had two vendors to deal with before," Vincent recalls. "Sexton helped us set up our accounting system to deal with all that, and for the first four or five months I was on the phone with them every day. Once we got use to the system that slowed down, but they were incredibly helpful getting us started and the rebate system is working well for us."

## BETTER TECHNOLOGY

In addition to expanding its accounting team, Sexton has also invested in new technology to speed up the exchange of information and streamline accounting interactions between members and vendors.

"A few years ago we did a full review of our accounting processes and determined that we needed to upgrade our IT system," says Angela Visser, Accounting Manager at Sexton. "We knew we needed to find a way to gather

“”

*I go out to the member's locations and meet the accounting people, even if that is just one person. That allows me to learn about their business and their accounting system and work with them to improve efficiencies and eliminate conflicts on both sides.*

— Krista Venn, Accounting Liaison for Sexton Group Ltd





**Ricky and Krista Vincent**  
Northwest Building Supplies  
Ear Falls, Ontario

**“”**  
*Sexton helped us set up our accounting system ... for the first four or five months I was on the phone with them every day.*

— **Ricky Vincent**, Northwest Building Supplies

and process information from members and vendors faster and minimize mistakes if we wanted to pay out rebates faster. The new IT system allows us to do that.”

The core component of Sexton’s improved IT system is the “Member Portal”, which gives group members 24/7 online access to a wide range of fully secure accounting information and data. Using the portal, members can review purchase program details and price lists, download current invoices and historical purchase data, track rebates and communicate directly with both the Sexton accounting team and key vendor contacts.

“The upgrades we made to our IT system have had a huge impact on our ability to process transactions quickly and the members have really felt the difference,” adds Visser. “We can do things now we couldn’t do before, like importing and exporting financial information directly into our member’s accounting systems. And using EDI, or Electronic Data Interchange, vendors can send invoices electronically and our members can access them instantly through the portal. The system is extremely efficient, and that allows us to generate reports faster and remit rebates faster.”

“The upgrades Sexton has made to its accounting software system have really helped us,” Moore says. “When we want vendor information we use the portal, and the system is very easy to navigate. We had some issues prior to being a Sexton member, but no complaints now.”

“We use the online portal all the time; it’s very helpful,” says Vincent. “We have access to all the vendor reps and contacts there. We can see all the rebates as well, which is really useful when we’re putting together a bid for a contract for one of our customers.”

## MEMBER ADVOCACY

Venn stresses that one thing that hasn’t changed at Sexton is the group’s commitment to being a strong advocate the members. She says the creation of the Accounting Liaison role, along with the addition of more Program Co-ordinators, has greatly improved Sexton’s ability to respond quickly to issues when they arise.

“Responding immediately to inquiries from our members is our No. 1 priority; that’s something we talk about in all our meetings,” Venn says. “If a member has a problem with a vendor, we can be the first point of contact for them and get the

answers they need to solve that problem as quickly as possible.”

“Sexton acts like a go-between for us with the vendors,” says Moore. “They handle negotiations and invoice issues and do vendor research for us. If I call and tell them that something isn’t working—pricing issues, damaged goods, warranty issues—or we are having a hard time getting answers, they resolve the issue right away.”

For Ricky Vincent, who was essentially building a new business from the ground up, Sexton’s advocate role was pivotal. “When we first added lumber, we didn’t even have a forklift,” laughs Vincent. “But our Sexton rep went to our lumber vendor and assured them that we were growing the business and would be a good partner for them in the future. The vendor could have said no, but Sexton went above and beyond and really took care of us.”

For Sexton members, having a strong advocate in their corner is just as important to their success as an accurate, efficient and transparent accounting system. ■

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# HOME HARDWARE'S TERRY DAVIS HANGS UP THE RED BLAZER

The top person at Home Hardware Stores is only the third CEO in the co-op's 50-year history. Now it's time to position the company for the next steps. He shares his thoughts in this exclusive interview.

BY MICHAEL McLARNEY

**T**he news that the head of Home Hardware Stores Ltd. would retire this fall is very much in keeping with the rate of change the co-op has been undergoing in recent years.

Over the summer, Terry Davis announced his desire to step down after nearly 50 years with the company. He's only the third CEO in more than half a century. Co-founder Walter Hachborn held that title for more than a quarter-century, until he was succeeded by Paul Straus in 1988. Straus turned over the CEO title to Davis four years ago, maintaining the president's role until just two months before Davis announced his retirement plans.

## WORKING HIS WAY UP

Davis, 67, is a 48-year veteran of the company. He started in the warehouse in St. Jacobs, Ont., which to this day is the head office and distribution centre for the co-op retailer and the 1,000-plus dealers it serves.

In fact, he remembers clearly when he was first hired. "It was July 13, 1970. Someone from Home Hardware called on a Friday afternoon. I was getting ready to leave town. I was on my way to the family cottage," he recalls. "I was hired as an order picker in the warehouse."

In 2010, he was appointed executive vice-president and COO, before becoming CEO on May 1, 2014. But his sense of belonging set in well before that. Within a couple of years of joining Home Hardware, he moved into IT and was soon put in charge of the computers. One of his duties was to shut the computers down after the afternoon shift was done. That required



After 48 years, Terry Davis is retiring from Home Hardware.

him to stay late in the office until everyone had gone home.

So the boss gave him another task.

"Paul Straus gave me a key in 1973 and had me lock up. On a Friday night, I was still here running the computers until after the 11 o'clock shift was gone. I had to check all the doors in the building."

That added responsibility, coupled with a chance to connect with every room in the giant facility in complete solitude, had a profound impact on the young Davis. "Then it struck me. I thought, 'This is my company.' I'd found my place," he recalls.

## NOT QUITE FITTING THE MOULD

Davis's adoption into the culture of a business from the heart of Ontario's Mennonite country, which to this day, reflects many of the fundamental values of honesty and

fair play that typify the company, wasn't without a few enhancements of his own.

One visit to a fall market more than a decade ago found Davis sporting a punky white-dyed hairdo, something one just didn't expect to see amidst the sea of red jackets there. And the punk theme runs deeper than that: the license plate on his pickup truck reads "CLASHFAN", reflecting his love of the British punk band, The Clash.

That edge that Davis displayed even at an early age was to be just what Home Hardware would need decades later.

## PREPARING HOME HARDWARE FOR THE FUTURE

Davis said from the start of his tenure at the helm that he was leading the company on a short-term basis, as Home Hardware positions itself for the future. Now, as the





Davis, pictured with company founder, Walter Hachborn, put his own stamp on Home Hardware's brand.



Paul Straus (right) turned over the CEO role to Davis in 2014.

company sits poised to embrace the digital future of retail, Davis is prepared to step aside. He confirms that his goal as CEO was to help prepare Home Hardware for a new generation of leadership.

Part of that realignment has included the appointment in 2016 of an outsider, Rick McNabb, to a senior executive position. As VP marketing and sales, McNabb had been instrumental, under Davis's direction, in a range of changes at the company. But McNabb himself contributed even further to the disruption at the company by retiring suddenly in mid-September.

Many initiatives are already in place to move the company forward, including a major push to establish a viable online shopping platform that enables customers to pick up orders at their local Home Hardware store. Most recently, the company announced a partnership with Dematic and Manhattan Associates to improve Home Hardware's supply chain with an automated material handling system. But the most high-profile change has been the company's shift to a more updated branding to appeal to a younger customer base.

Davis realizes the company has to develop new competencies in everything from analytics to artificial intelligence to compete

against the online giants. "There are lots of things we have to get better at," he admits.

Now, with retirement ahead, he has set his sights on other values closer to home, including finding "someplace warm this

**“Understanding how you act fairly with such a diverse range of dealers is important.”**

winter" and pulling his painting and sketching materials out of storage. But mostly, he confides, he anticipates a future with much less pressure than he's faced in his executive roles.

"I've been working for 48 years solid and I'm looking forward to not having to make any big decisions for a while."

### THE RIGHT FIT FOR A UNIQUE CULTURE

In early September, Home Hardware announced they had selected a replacement. Kevin Macnab, a former executive with Toys "R" Us, will officially take over as CEO and president on October 10, the same day Davis will retire.

Davis says there are a number of things his successor will have to pay attention

to. Since Macnab comes from outside the company, the biggest challenge will be to understand the unique culture of Home Hardware, which is owned by its 1,000-plus dealers.

"Understanding how you act fairly with such a diverse range of dealers," he adds, "is important," as those dealers range from small local hardware stores to regional chains of building centres with several locations.

"You have to be fair. You have to be equal. There's a very unique culture here."

Externally, the company must, Davis notes, be competitive against the likes of Home Depot and Lowe's. "Customers already equate Home Hardware in the same leagues as these big global players—and these big global players have deep pockets—that's a fact."

The answer, he says, is to keep the focus on remaining in touch with customers. "I have to believe a company that really, truly believes in their customers will survive, no matter what the competition is."

# HARDLINES CONFERENCE FINALIZES SPEAKER LINEUP WITH TOP RETAIL GROUPS REPRESENTED

Canada's leading home improvement retailers will be represented on the podium at the 23rd annual Hardlines Conference, November 13 and 14 in Niagara-on-the-Lake, Ont.

**W**ith the theme, “The Power of Brand”, the 23rd annual Hardlines Conference will bring together some of the top retail brands—and brand leaders—in Canada.

This year, the conference will feature important independent dealers, reporting from the front lines of home improvement retailing. Jillian Sexton is a TIMBER MART dealer with two stores in Nova Scotia, and now a third in Charlottetown that has taken off. And Steve Buckle, president of Sexton Group, will talk about how his group supports the individual brands of its members as it continues to find growth with new members across the country.

Bringing a corporate perspective, Charles Valois, VP central marketing at Lowe's Canada, will talk about how this retail giant is integrating and leveraging a range of retail brands—Lowe's, RONA, Reno-Depot and Ace. From Home Hardware Stores Ltd., Darrin Noble, VP of the co-op's Beauti-Tone paint business, will talk about the power of this private brand for Home's dealers. And from Orgill, Catherine Vaughn will talk about the integrated marketing strategies Orgill has developed for retailers to use to promote their brand to their markets. These include tools letting independents create circulars, flyers, shelf talkers and postcards.

Other speakers at the Hardlines Conference will include Jules Pieri, co-founder of an online retailer now owned by Ace Hardware, The Grommet, and Anthony Stokan, a familiar name to past conference attendees, who will join us this



This year's Hardlines Conference, held November 13 to 14, will bring together some of Canada's top retail brands and brand leaders.



**Steve Buckle**  
SEXTON GROUP



**Darrin Noble**  
HOME HARDWARE




**Jillian Sexton**  
TIMBER MART DEALER



**Charles Valois**  
LOWE'S CANADA

year for a “fireside chat” about the future of bricks and mortar, and particularly what role shopping centres—now under siege in the U.S.—will play as retail grows into the online space.

Finally, eBay Canada will round out the speaker line up. Closing out the 2018 Hardlines Conference, Robert Bigler, COO and director of product for eBay Canada, will present “Staying Competitive in the Age of e-Commerce”. He'll provide an overview of the online retail landscape, demonstrating how eBay is innovating to

create new experiences that are relevant to both buyers and sellers. Most importantly, Bigler will examine how online marketplaces play into omni-channel sales strategies for traditional retailers looking for a competitive edge. 

*The Hardlines Conference will be held at the Queen's Landing in Niagara-on-the-Lake, Ont., November 13 to 14. For more information about the Hardlines Conference and our special dealer rate, visit [www.hardlinesconference.ca](http://www.hardlinesconference.ca).*





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BY SIGRID FORBERG

# LEADERS WEIGH IN ON TRENDS, TRANSITIONS IMPACTING INDUSTRY FOR 2019

In this feature, we asked several retail and vendor leaders to share in their own words what they believe 2019 has in store for this industry. From challenges and opportunities to the environmental factors that will influence the marketplace, these leaders are preparing their strategies for the year ahead.



**SYLVAIN  
PRUD'HOMME**  
President and CEO  
LOWE'S CANADA

**In today's increasingly competitive retail environment, where we are up against not only bricks-and-mortar home improvement stores, but also non-traditional digital players, e-commerce is an absolute must. Consumers' needs and expectations are**

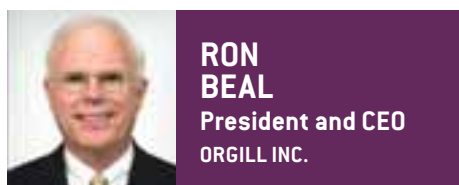
constantly evolving, and in turn, we need to keep innovating and improving our online offering and experience to stay ahead of the game. This is true for all store formats, from big box stores to smaller neighborhood hardware stores.

Over the past year, as part of its omnichannel approach, Lowe's Canada has invested a lot of time and resources in developing and enhancing e-commerce solutions for its network of banners, including transactional, click-and-collect platforms for our

RONA and Ace affiliated dealers. These represent a significant growth opportunity for our dealers who are no longer limited by the square footage of their stores and can now offer access to virtually endless aisles of products to both their retail and pro customers.

That said, we must keep in mind that omnichannel is so much more than online retail: it's about offering a seamless experience throughout our contact points, no matter when, where, how and why our

customers choose to interact with us. Although digital sales are booming, in-store customer experience has never been so crucial. The very nature of our industry is to sell products that will turn houses into homes and, because of that, people will keep coming into our stores to touch and feel the products they are buying and to receive advice for what is likely their most important possession. Therefore, I believe 2019 will be all about aligning the digital and in-store approaches to provide one outstanding omnichannel experience.



**RON  
BEAL**  
President and CEO  
ORGILL INC.

**We look forward to 2019 as a year in which much of the groundwork we've done in enhancing our service, merchandising and logistical support to independent home improvement retailers throughout Canada and North America kicks into high gear.**

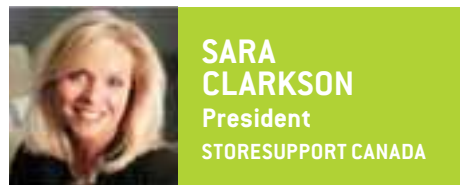
Just over a year ago, our new Post Falls, Idaho, distribution centre became fully operational. A major benefit of this facility has been deliveries on an Orgill truck to customers throughout Western Canada. This change has significantly shortened lead times, and dramatically reduced freight costs to our customers serviced from that facility.

We have also introduced Orgill truck deliveries to many customers serviced from our London, Ont., facility, with many of the same results. A major effort is underway to add more Orgill truck routes from London. This process will be largely completed by early 2019.

We also continue to add to our fully compliant, market specific assortment of more than 60,000 SKUs for our Canadian independent retail customers. Canadian retailers now have one of the most complete offerings of basic hardware and related products available anywhere, including

our newly enhanced plumbing and electrical departments. Independent retailers throughout Canada can now enjoy the benefits of short lead times, low minimum order quantities and competitive pricing on all key departments without all of the costs and inefficiencies associated with factory direct replenishment.

And the Orgill Dealer Markets, which by all accounts are the largest buying shows for independent home improvement retailers in the industry, continue their major focus on providing world-class offerings of the latest product and services keyed to Canadian retailers.



**SARA  
CLARKSON**  
President  
STORESUPPORT CANADA

**Retail continues to evolve and change with the advancement of e-commerce, in-store pick-up and information at the fingertips of every consumer.** The hot topics and trends at retail revolve around how to "get digital". But in this new retail world of clicks and shipments, we cannot lose sight of one of the key areas: human interaction and customer service.

The average consumer knows more information these days than ever before and typically do their homework before even setting foot in the store and/or on the e-commerce site. They can research how-to tips and product reviews and check inventory prior to visiting. With that in mind, retail staff need to be just as educated and understand how store products interrelate and be readily available to this new consumer.

We can compare it to the automobile industry. Before the internet, car sales staff had more knowledge than the average consumer, but today the average consumer walks into the car dealership with specs and pricing already. To adapt, retail sales staff

at the very least will need to have the same level of knowledge, and preferably more to increase upsell and cross-sell opportunities.

Ongoing pressure to decrease costs by cutting down the in-store team is not the best answer. To win the game, you need to have the information the customer needs, when they need it. It's a balancing act with so many other levels to contend with, especially as the options of how to buy continue to grow. But even as the store concept continues to change, we can't lose sight of people in the equation as this could be what will set you apart from the competition.



**TRENT  
BALOG**  
CEO & President  
TAIGA BUILDING PRODUCTS

**I believe that we are in the beginning of the turn from a great run. Most business cycles last seven years, and this current cycle has lasted 10 years.** In the coming months we will begin to see slowdowns in most markets across Canada, which will put everyone on their toes in the early months of 2019.

The current political landscape in Canada has started to have a negative effect on individuals and companies. Increasing taxes will reduce buying power, the rise of minimum wages will put pressure on all businesses, and the smaller, more vocal groups are determining the future of our country. Even more red tape at the civic level of government is generating issues for new home builders. All of these are creating more hurdles for both individuals and corporations to jump through.

The United States is Canada's largest trading partner, and their current president does not instill trust that the strong trading relationship will continue as is, since he is very trigger happy. I'm sure in the long term, NAFTA will settle out, but in the meantime, it will remain as a lingering cloud in everyone's mindset.

That being said, Taiga has stabilized our ownership commitment; we have been aggressive on increasing our technology infrastructure, which will allow us to bring the best service to our customers. We have also continued to increase our U.S. exposure with the recent acquisition of Exterior

channels to market within our industry— independent dealers included. When there are fewer homes being built, the resale and renovation markets benefit, and we believe this will continue to be strong throughout 2019—which is also partially driven by the growth and popularity of home renovation

business opportunities for more dealers to join in the success. We will also devote ourselves to the digital transformation, integrating sales with online activity which will enable us to better equip our dealers with extremely useful and modern tools for their day-to-day operations. BMR's leadership will express itself in our ability to provide our dealers with many unique business development and growth support programs.

BMR is set to pursue the expansion of its brand-new urban hardware store concept, La Shop BMR. The objective is simple: make it the urban hardware reference in Eastern Canada, a concept meticulously designed to meet local consumers' needs, and supplement the traditional hardware selection with products and services adapted to the urban market.

Improving quality and millennial, Gen X and baby boomers' experiences through multi-channel servicing will thus be at the heart of BMR's customer experience. We know how to convert customer's expectations and perceptions into a happy place, and that's why our new tagline is "Welcome home!"

Moreover, on the eve of 2020, convenience, multi-channel servicing, product guarantee, in-stock availability, innovation and a strong brand will be advantages BMR dealers can count on.



“We know how to convert customer's expectations and perceptions into a happy place, and that's why our new tagline is “Welcome home!””

Wood, located in the Pacific Northwest. We will continue to adapt, monitor and add to our current product mix to best serve all our customers. In our 45 years we have been through many of these business cycles, and we will continue to adapt accordingly moving forward into the next phase.

shows, Pinterest and other social media platforms that inspire home improvement projects. Our evolving building codes in Canada will also drive up sales as there will be more expensive materials going into home construction to meet the new standards.

In order to face the challenges and seize the opportunities present in our industry throughout 2019, as a buying group, we will continue to remain focused on growing our group with new members, fortifying our relationships with vendors to secure supply. We are ensuring that our members continue to have access to best-in-class buying programs, resources and services that provide them with a true competitive advantage in their local markets.



**BERNIE OWENS**  
President  
TIMBER MART

**In 2019, both our economy and our industry will continue to be impacted by the Bank of Canada's interest rate policies, the new mortgage rules and the outcome of the NAFTA discussions. Security of supply is also another hot topic in our industry—more so now than ever before—and has become a predominant subject in the negotiation process. Consolidation is another issue our industry has been facing for years now, and as more volume is controlled by fewer players, the need for independent dealers to direct and consolidate their purchasing power through their buying group has become increasingly important to ensure their competitiveness and security of supply.**

Experts predict that 2019 will see slow housing starts, which is opportune for certain



**PASCAL HOULE**  
CEO  
GROUPE BMR

**BMR is aligned with its vision: to increase its presence in Ontario and across Canada.**

Five decades of success enable BMR to operate 305 renovation centres and hardware stores in Quebec, Ontario and the Maritime provinces and have 8,000 employees work in all operations.

In 2019, we intend to craft irresistible

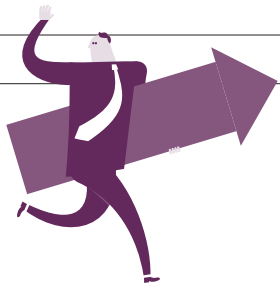


**JEFF KINNAID**  
President  
THE HOME DEPOT CANADA

**The success of our business comes down to delivering great every day value and a great customer experience at every opportunity. Our goal in 2019 is to continue to deliver the One Home Depot experience: a seamless interconnected experience that allows our customers to shop with us where they want, when they want, how they want, both online and in our stores.**

No matter what happens in this changing retail landscape, having great value,





“Keeping our members competitive means working with suppliers in local markets throughout the year.”

innovative and on-trend products for our customers will continue. Our LifeProof brand is a perfect example of how we provide our customers with value and innovation every day. This one-of-a-kind vinyl flooring is waterproof, scratch-resistant and affordable, and can be installed with no special tools. With our focus on innovation, we will continue to anticipate the needs of our customers today and down the road.

Without the hard work and dedication of our teams across Canada, none of this would be possible. I truly believe that we have the best associates and I'm looking forward to what we can deliver in 2019.



**STEVE  
BUCKLE**  
President  
SEXTON GROUP

At Sexton Group, our goal is to serve our members in three ways: 1) keep them price competitive in their local market every day; 2) work with vendors on our members' behalf to resolve issues and capitalize on opportunities; and 3) provide accurate transactions, rebate payouts and supporting documentation. We call this transactional excellence and it means being flawless and timely.

This value proposition considered a future in which a) vendors would consolidate, become fewer and in many cases more distant to the local markets; b) independent dealers would consolidate and become larger, multi-site operations; and c) the channels to market for many products would become blurred and more crowded, something we term Market Chaos.

Well, all of this is happening!

Keeping our members competitive means working with suppliers in local markets throughout the year. That is normally where

our Business Development Managers shine. Their role is to work with our members and vendors on any challenges in our members' markets. In a world of multiple channels to market, our members' contractor customers have many choices on where to buy and it is Sexton Group's job to have a handle on market pricing and respond if our members are having difficulty competing.

Resolving vendor issues of any kind is important work that is normally done by our purchasing team at the Sexton Group office. This has become a more important role as many issues that used to get solved between the supplier representative and a member now needs approval from the supplier's head office. Sexton Group knows the decision makers and prompts them to respond quickly and resolve issues so our members can get back to serving their contractor customers.

All our members want and deserve an accurate and timely accounting of their purchases and rebates. This becomes particularly important in larger member organizations where there is normally an enterprise system, rigid accounting processes and often shareholders to regularly report to. Sexton Group has invested in a state-of-the-art IT system capable of delivering rebates and information in the way that it will most effortlessly and efficiently dovetail into our members' systems. Getting the information the way they want it—clearly, accurately and quickly—has become a necessity and Sexton Group works with its members individually to make sure that happens.

Given Sexton Group's industry leading growth over the past 10 years, we are aware of the challenges in keeping to our commitment to respond fast when a member calls. That is why we have added to our team, notably Tom Bell and Suzanne Walsh, to ensure we are always available when our members need us.



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# DEVELOPING YOUR RISING STARS OFFERS GREAT RETURN

BY SIGRID FORBERG

**Training keeps your top performing employees growing and realizing their potential. The North American Retail Hardware Association (NRHA) has a program designed to take your key people to the next level.**

**J**oe Chawchka, vice president of operations for Pro Builders Supply Ltd. in Penticton, B.C., first heard about the NRHA's Retail Management Certification Training Program (RMCP) when the company's president was contacted by their banner, Home Hardware.

The management team at Pro Builders had been looking for training programs that would help develop their high-potential employees into management roles. The RMCP was the right fit for their needs. The five-store chain has now sent a total of six employees—two are now general managers, one is a partner in the business and two others have been promoted to retail operations management positions.

## INDUSTRY-RELEVANT INFORMATION

The Retail Management Certification Program is a college-level course. It was developed in partnership with Ball State University in Indiana for key employees such as owners, next-generation leaders, managers or directors—anyone who has the potential to excel in an independent home improvement operation. Participants don't need to have post-secondary education, but it does help.

The course consists of a six-month class with three multi-day sessions that feature an industry-specific curriculum and a business improvement project. The course work explores leadership, marketing, sales, customer service, human resources management, finance and accounting, applied business strategies and advanced retail operations.

Students make three trips to Indianapolis for three-day sessions, where they build a network of peers as they learn about multiple topics within retail operations that can be applied to business management.



**The Retail Management Certification Program is a college-level course. It was developed for key employees who have the potential to excel in an independent home improvement operation.**

Attendees are then challenged to use what they've learned to plan and implement a company-wide initiative that will deliver their employers a measurable return on investment.

For Chawchka, what made the program so attractive was not just the content, which he described as “clearly unique from anything else we had seen before”, but the networking opportunity it offered his high-potential employees with others in similar retail hardware and building supply businesses.

It has also offered his management team the opportunity to see how their employees handle pressure.

“The experience has provided broader exposure for the candidates and allowed us to evaluate their adaptability and resilience, both qualities we require in our management teams,” says Chawchka.

## CHOOSING A CANDIDATE

When selecting candidates for the program, Chawchka says he and his team identify certain individuals for management succession within their five stores. Those employees would have demonstrated outstanding performance in their roles and would have

been identified for training by the HR manager or general manager at their location. Chawchka and the company's president then make the final decision about whether to send them for the program. His company plans to send a candidate to Indianapolis in January.

Excluding one employee (who went on to work for one of Pro Builders Supply's largest customers as a project manager), all of the company's candidates have had significant promotions within two years of completing the program. And they have only given Chawchka positive feedback on their experiences, as they gained both the knowledge they need to grow and confidence in their leadership abilities.

Chawchka has some simple advice for other retail managers considering employee development: “Always be on the lookout for your rising stars, and don't hesitate to send your highest achievers to the RMCP program—you will not be disappointed with the return on investment.”

*Want to know more about the RMCP program and the NRHA's other retail leadership programs and events? Visit [www.nrha.org/RLI](http://www.nrha.org/RLI).*

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BY FRANK CONDRON

# STRANGER THAN SCIENCE FICTION

A future of smart computers responding to every human need may sound like science fiction, but it's not far off from where some of the current trends are headed. The advent of smart home products has opened a whole new world of possibilities for both consumers and home improvement retailers.



The term “smart home” has become a catch-all for a range of products in several categories, including lighting, climate control, home security, entertainment devices and various appliances. What these products have in common is that they can all be programmed and controlled on- or off-site via the internet using computers and mobile phone apps. Smart home technology also allows homeowners to link these various devices across a single platform and control them using voice commands.

## ENDLESS POSSIBILITIES FOR NEW PRODUCTS

While the idea of “home automation” has been around for decades, web-enabled smart home products have taken the concept to the next level—using smart switches, you can now turn lights on and off in your house from anywhere using your

**Ecobee's smart thermostats and wireless sensors allow you to heat and cool various rooms or zones based on where people are in the house.**



smartphone; wireless security cameras can send you an email notification whenever movement is detected around your house; and sensors can warn of leaks in your basement before they cause serious damage.



**With the Apple Home app, you can easily and securely control all your HomeKit accessories, all from one place.**

Technology giants like Google, Apple and Amazon have moved aggressively into the segment with their own smart home platforms and product vendors are scrambling to grab their piece of this burgeoning market.

One of those vendors is Toronto-based Ecobee. Founded in 2007, Ecobee manufactures a line of smart thermostats and wireless sensors that allow you to heat and cool various rooms or zones based on where people are in the house. Ecobee's products can be linked to Apple's HomeKit platform and voice activated through Siri.

“We're launching a smart light switch this fall that has the same sensor technology and fits in a standard switch opening,” says Casey McKinnon, Ecobee's vice president

of product. “It can detect when people are in a room and turn the lights on or off, so you never waste energy.”

Charles Beliveau-Gregoire, director of purchasing for Quebec-based BMR, says the buying group got into the smart home segment about three years ago with smart lightbulbs. He says the category really took off last fall, however, with the launch of Google Home's voice-activated smart speaker. Since then, BMR has continued to expand its smart home offerings, focusing on products compatible with the Google Home and Apple HomeKit platforms.

“The Amazon Alexa platform doesn't work in Quebec because it doesn't support French, and voice activation is the big attraction now,” he adds.



**Get answers, play songs and control your smart home with just your voice using Google Home and Home Mini.**

## CATEGORY SEEING EXPONENTIAL GROWTH

According to a 2015 report by U.S.-based Zion Market Research entitled *Global Home Automation & Control Market 2014-2020*, the global market for home automation

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## OUR SHAREHOLDERS

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**Ecobee's Switch+ is a smart light switch with built-in Amazon Alexa. Ask for the lights, music or help with everyday tasks.**

products was worth US\$5.77 billion in 2013 and is predicted to reach US\$20 billion by 2020, growing at an annual rate of about 26 percent. Ecobee can certainly attest to the rapid growth in the market: McKinnon says the company's business has doubled every year since its founding.

"There are a number of things driving the growth in the category, like voice activation and platform technology," Beliveau-Gregoire points out. "But honestly, smart home products are much easier to understand and install now than in the past; before you might have needed an IT professional to wire products in and now they're plug-and-play. Plus retail prices are dropping—a smart bulb is not much more expensive than a regular eco-bulb now, and a smart lock isn't two or three times more expensive than a manual deadbolt."

Todd Coffell has operated a Home Hardware store in the heart of Toronto's booming Liberty Village area for the past three-and-a-half years. Packed with condos and millennials, Liberty Village has the tech-savvy consumers smart home products are made for, or so you would think. Although he does carry smart switches and lighting in his store, Coffell has found the category a little slow to take off.

"I'm looking to grow the category, but I can say that we haven't gotten into it as much as I thought we would have by now," explains Coffell. "We do have customers asking for smart home products, but the truth is the more tech-related the product,

the more likely a tech-savvy consumer is to look for it online or in an electronics store."

### A STEP AHEAD OF CONSUMERS

Coffell's experience is illustrative of the challenge facing the wider home improvement retailing industry: Because smart home products seem to straddle the fence between electronics and home renovation, both consumers and retailers are still trying to figure out where they fit in.

"It's true there can be a mental block about buying a high-tech product from the same store where you buy plumbing supplies," concedes Beliveau-Gregoire. "But what we are saying to our dealers is that they have been selling lightbulbs and locks and thermostats for decades, so this is just the next evolution of those products. We have got to follow the trend or online and electronics stores will become the 'go to' place."

BMR clearly has no intention of letting any competitors dominate the smart home category. The group now regularly includes smart home product specials in its weekly flyer and a special micro-site has been added to the BMR website specifically to showcase the category. Says Beliveau-Gregoire: "We've worked hard to get into smart home products and we believe we're on the right track; now it's just a matter of making customers aware of what we offer."

Growing consumer awareness is also driving growth, adds McKinnon. Whereas a few years ago it tended to be younger, early tech adopters embracing the trend, that's changing.

**Amazon Echo is a hands-free speaker you control with your voice. Ask the Amazon Echo to switch on the lamp, turn on the coffee maker or dim the lights.**




"We find all kinds of people are interested in upgrading to smart home products now, especially people doing major renovations," he says. "Everyone wants to be more energy efficient and find ways to make their lives easier, and everyone has a smartphone now."

Ecobee takes a multi-channel approach to marketing its products, which are available through the company website as well as through retailers like Home Depot, Lowe's, Best Buy and the Apple Store.

Despite stiff competition from other retail channels, Coffell believes the smart home category still holds big potential for traditional home improvement retailers.

"The hardware store has always been the first thought for things like security products, lighting and thermostats," says Coffell. "But I know from experience that you can't just base your assortment on what people have always wanted. It's a decent barometer, but sometimes you just have to put new products on the shelf, so customers know they can come to you for those things."

McKinnon believes the future is bright for companies like Ecobee and retailers that get ahead of the smart home trend: "It comes down to things are changing, so retailers have to change as well," he says. "Home and tech are becoming more intertwined, and smart home products are going to become more mainstream as the iPhone generation starts buying their own homes." 



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# THE BEST DEFENSE IS A GOOD OFFENCE

If retail was a sport, the best players would be the ones who chase the ball, rather than those who wait for it to come to them.

BY ROB WILBRINK

**I**n a sports game, as soon as your favourite team goes into a defensive shell, you know it's just a matter of time before the other team scores. It's certainly true in retail as well. If you just focus on protecting what you currently have rather than seeking new ways to improve and make your store more attractive for shoppers, your store will inevitably lose ground to competition, including online, box stores and stores like your own that are investing.

Fortunately, there are many things a dealer can do to stay on the offence and move the business forward instead of focusing on keeping it from sliding backwards.

Consumers have come to expect that stores will be clean, bright and organized. The pace of life means those customers are always in a hurry, so they need to be able to find what they're looking for easily and they need to have confidence that you'll have it in stock. It's getting easier all the time to order online, so every time customers walk into your store, they need to have a positive experience.

Naturally, a key part of that experience is the human component. Staff need to be engaging and knowledgeable. They need to welcome customers rather than waiting to be approached. This isn't new, but it's more important than it's ever been.

New lighting technology not only saves energy, but it lights up aisles and shows off products much more effectively. Fabric signage has come a long way and is a cost-effective method of keeping the store fresh and vibrant. It also simplifies changing the look of the store seasonally. Digital displays include touch screen options and are a great way to grab customer attention and provide valuable information. They also provide an opportunity to bring the online experience



New types of display systems make yard and warehouse products visible in store and inspire customers to purchase a wide variety of products.

in-store to create a live multi-channel experience.


Bricks-and-mortar retailers have the advantage of being able to properly display products that customers can touch and feel. Store fixturing has evolved dramatically from the simple shelves, hooks and baskets on gondolas that were the mainstay of store merchandising 20 years ago. There are specialized accessories available to attractively and efficiently show off products in almost every category.

New types of display systems make yard and warehouse products visible in the store and inspire customers to purchase a wide variety of products they might otherwise never know are available.

Modern store fixtures increase product capacity in the same footprint, which helps you keep products in stock while reducing freight and handling costs. They also help your staff keep the store clean and organized.

These are just some of the ways dealers can stay on the offence, leading to higher



sales and customer loyalty, boosting employee morale and profits and ultimately making the business more valuable—all goals worth scoring! 

*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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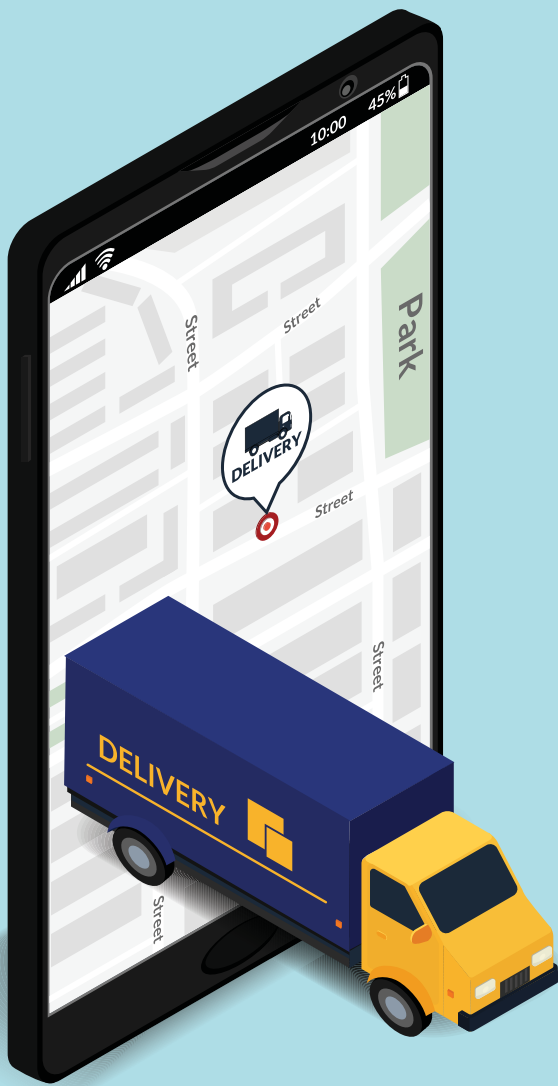
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BY JOHN CAULFIELD

# ON THE ROAD AGAIN

Mobile technology provides a smoother ride for dealers' fleet management.



**F**raser Valley Building Supplies, with three locations in British Columbia, recently made two moves that its president, Ray Cyr, expects to significantly improve his company's management of its 20-vehicle fleet and six full-time drivers.

The first centralizes all seven of Fraser's crane trucks at the dealer's largest location in Mission, B.C., for better co-ordination of usage and routes. The second is Cyr's investment in a Dispatch and Delivery Management System (DDMS), with application software from Epicor, the supplier of GPS devices.

Cyr says the DDMS app is being deployed to "optimize the fleet" and make it easier to manage deliveries and driver activity. He also anticipates that DDMS could become "a big selling point" that his salespeople can pitch to customers who eventually will be able to tap into this system to track their orders.

Fleet management may be unglamorous, but it's critical to many dealers' operations. The proficiency of a dealer's delivery often leaves a lasting impression of its customer service.

At the recommendation of a fleet-management consultant, Coast Builders, with

three locations in British Columbia, has been tracking mileage and repair costs for its nine vehicles. "That's been a real eye opener," says president and owner Russ Jones.

Jones recently invested \$20,000 in DDMS software that his company plans to start using in November to monitor its truck and drivers' performance, if for no other reason than to wrangle drivers' overtime, which is one of Coast's highest line items.

London, Ont.-based Moffatt & Powell has 28 vehicles and 20 full-time drivers to support its five branches. For a number of years, the company has relied on a mobile

tracking app that's on its drivers' cellphones. Jamie Blanchard, a dispatcher, says the information collected by that app has changed the way Moffatt & Powell trains drivers in such areas as route selection and freight handling.

RONA Parry Sound, in Ontario, also runs a DDMS app on its seven drivers' cellphones. Those drivers make a lot of deliveries to cottages when the customers aren't home. The phone can also be used to snap photos of the cottage, the truck and the merchandise to verify delivery, says Bill Corbett, Parry Sound's co-owner.

Chemog Home Hardware Building Centre in Peterborough, Ont., has been using a mobile app, FleetMatrix, for two years to track routes, stops and idle times on its 11 vehicles and five drivers. Next year, the company intends to take a deeper dive into the data this system generates, which Fred Sweeting and Terry Jenkins, Chemog's general manager and co-owner, respectively, believe will help the company get a better handle on the "true cost" of each truck and driver.

## FINDING COMPETENT DRIVERS STILL A CHALLENGE

A sizable number of dealers and distributors control their fleet management costs by relying on contracted owner-operators to make deliveries to customers. Distributors in Western Canada such as AFA Forest Products, ALLMAR and Brock White get by fine without drivers or vehicles of their own, according to location sources at each company.

Cyr of Fraser Valley Building Supplies says he once eliminated his fleet, too. But he ultimately determined that relying on outside owner-operators exclusively didn't give him the control he needed over deliveries, and exposed his company to too much risk. (He now owns 16 of his 20 vehicles, including three- and five-ton roll-off trucks at each location, and three of his seven cranes; the other four cranes are provided by independent operators.)

Windsor Plywood in Airdrie, Alta., is one of only two independently owned stores within that chain. Geoff Watson, a salesperson at that store, says Windsor's corporate-owned locations are more likely to use outside companies to deliver merchandise. His store does, too, but it also has its own cube van and flatbed.

**“You should see the difference when our company goes the extra mile for a customer who just spent \$5,000 on tile.”**

Watson notes that what separates this Windsor Plywood store from local competitors is its willingness to place delivered products wherever the customer wants. “You should see the difference when our company goes the extra mile for a customer who just spent \$5,000 on tile. It's more of a personalized service.” Its driver, though, is trained to use his judgment about safety, and if necessary, to suggest alternate drop-off areas.

Drivers, though, are in short supply nationwide, and many who are available aren't certified to operate complicated equipment that dealers need to deliver building products to jobsites. Corbett says that he's hired drivers who have never worked a boom before, “so that requires extra training.”

Richard Watson, who owns Watsons Home Hardware Building Centres in Gorrie, Ont., says his four locations depend on their 21 drivers to be able to spot when any of the company's 25 vehicles need maintenance—such as worn tires needing replacement—and report that to the foreman who would schedule the vehicle for repair.

## CONSISTENT MAINTENANCE PROLONGS TRUCK LIFE

Dealers put off maintenance at their own peril because buying new vehicles is pricey:


Watson Home Hardware replaces a couple of vehicles every year, and it recently spent \$465,000 to acquire a new triaxle boom truck. In July, Chemog spent \$400,000 for a Kenworth tractor with a crane and flatbed. Coast Builders just spent \$180,000 on a new Western Star tractor, and also recently added a crane truck and delivery

van. Moffatt & Powell's London store just got a new Mack Granite boom truck with an 85,000-pound payload and 65-foot lift.

Most dealers sub out maintenance to outside mechanics. But maintenance is still one of Coast's “pain points,” says Jones. Over the last two years, it has spent \$150,000 on repairs. Jones hopes that switching to DDMS might relieve some of this pain via more efficient route management that reduces the wear and tear on his vehicles.

Dealers agree that consistent maintenance can extend the life of a vehicle. Fraser Valley typically replaces its vehicles every five or six years. But Cyr says he's kept some vehicles for as long as 15. He uses a mechanic who's willing to come to his locations to fix his trucks.

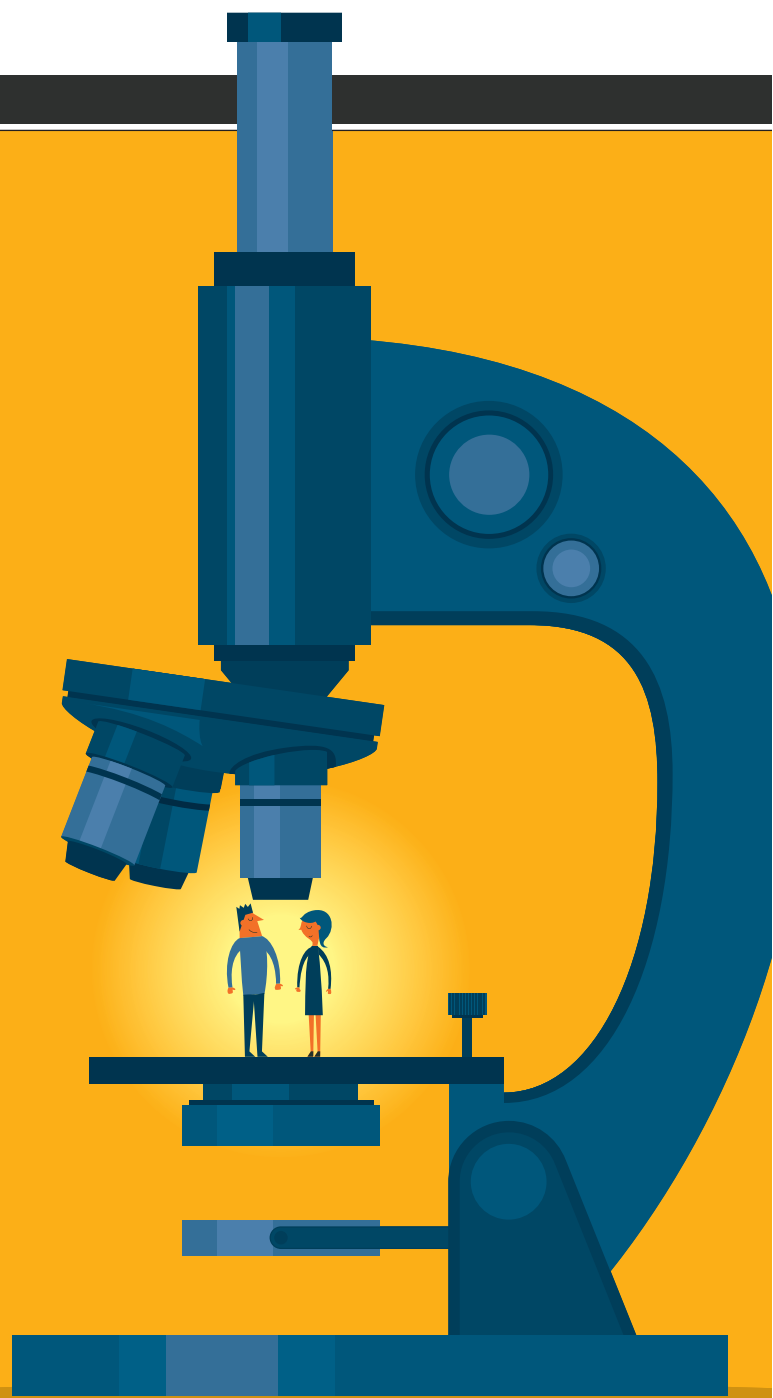
RONA Parry Sound is unique in that it has its own mechanic on staff and a mechanic's shop on premises. Corbett points to a 2001 Western Star triaxle for which the wiring has been replaced five times. He also has a 2005-model Western Star that “has never seen snow” because it only makes deliveries from May through October.

Corbett says he strives to get at least 10 years out of each vehicle. “We've been pushing how long we hold onto our fleet, because these vehicles are quite expensive,” says Corbett, noting that the license alone for a truck he just sold cost \$2,700. 

BY BILL WILSON, RETAIL ADVISOR, NRHA CANADA

# KNOWING YOUR CUSTOMER PAYS DIVIDENDS

Getting to know the people shopping in your store is about more than just being friendly—it's one of the best ways to give your business a boost.



**R**etail is changing. Some traditional department stores have failed, while many are still struggling to be profitable. The traditional mall anchor stores have closed, leaving many shopping malls struggling, forced to change their business mix. In the U.S., many malls are adding entertainment centres, health clubs, commercial offices and even condominiums.

Online retailing is also growing in Canada. Walmart has made changes and strengthened groceries to grow. Big box home improvement retailers continue to evolve, adding products such as major appliances for growth.

The exciting part of all this is that growth is possible for those who know their customer base, do the research and make changes to

evolve and continue changing their business model to meet their customers' needs.

## KNOWING YOUR CUSTOMER

How are you going to get this information? Many options exist but talking to your customers and staff is still the best way.

- **Ask your customers questions.** At one store—a former Outstanding Retailer



Award winner—the owner regularly walks the parking lot, talking to customers and asking questions, getting to know their names, inquiring about their experiences, and always looking for ways to know more about their needs.

- **Have your staff ask customers questions.** Give them two questions to ask each month to gain insights into what your customers want. At your monthly staff meeting, ask your associates for the feedback.
- **Reach out.** Many retailers find getting involved in the community, through special projects and events, helps generate awareness, customer feedback and community appreciation.
- **Volunteer your time and money.** Consider sponsoring a local house league hockey team, baseball or other sports that are meaningful to your community. Join a local charity to give back, be seen and be noticed as contributing to the area you live in and serve.
- **Get involved in your community.** Be the go-to store for charity prizes and silent auction donations. Budget for this as part of your marketing budget. Small donations go a long way to making connections.
- **Do research.** Hire marketing students to talk with customers on busy days. Give them specific questions to ask for feedback you require.
- **Good retailers are always looking for new products or categories.** Stay current by visiting your suppliers' trade shows and major industry shows to see what's new.

Another way to gather data is through online surveys. Ask for feedback on your customer receipt or invoice with a monthly prize. Most importantly, when you get information, discuss it with your management team and make some changes, all with the intention of improving the customer experience.

Some questions to ask yourself: do you and your management team know the names of the 20 percent of your customers that give

you the 80 percent of your business? Are you maintaining their loyalty? If you're not experiencing the degree of loyalty that you'd like, what are you doing about it? Have you discussed this with your management team? Are you offering them special services?

“Customer loyalty is achieved by creating a customer experience that is better than your competitors.”


Customer loyalty is achieved by creating a customer experience that is better than your competitors'. Empower your team to deliver that experience every day.

## OPPORTUNITIES FOR GROWTH

- **Where does your customer base come from?** Are they in urban markets, rural areas, are they home owners, condo renters or small acreage horse owners? In some markets it may be a mix. Think if there are special categories that can gain you sales and attract new customers in your area. Some examples might be work clothes in rural markets; in urban and condo markets, it could be small, electric barbecues and space-saving storage products.
- **Are you keeping up with your customers' needs or wants?** Online sales are growing annually and in today's marketplace, many of your competitors are offering online purchasing with pick-up at the store, using their suppliers' programming and full product availability. We've heard of retailers having good success with this program and gaining additional sales with enhanced product availability. You must also be able to track orders for fulfilment with a dedicated storage area for customer orders to track product availability and customer pickup.

- **What is your customer looking for?** Are you keeping abreast of new categories such as smart home with thermostats, lighting, wiring devices, switches, timers, etc.? This is a growth category. What steps must you use to stay on top in your market? New products should be a significant portion of your annual sales.
- **Knowing your customer better,** including the products and categories they're looking for, will help you merchandise for better service and product flow. To gain room, reduce the duplications and practice good, better, best product assortment. Updating your merchandising should be an ongoing process. With online selling, you may be able to reduce some slower moving products using the expanded SKU range of your distributor, improving your return on investment.

Knowing your customer, keeping up with new products and categories, refreshing your merchandising and managing your business is most important, but it all fails if your staff isn't performing at their best. Communications from management should be positive and personal. You should discuss the need to have a work/life balance. Give your associates the tools, training and technology they need to perform their jobs. They should be as well-equipped as the consumer—this will help their confidence.

You must create the atmosphere to motivate your staff by having them work as a team. Create opportunities for growth and development and empower them to make decisions. When your employees are confident in their abilities, your customers are going to receive the best experience possible. 



*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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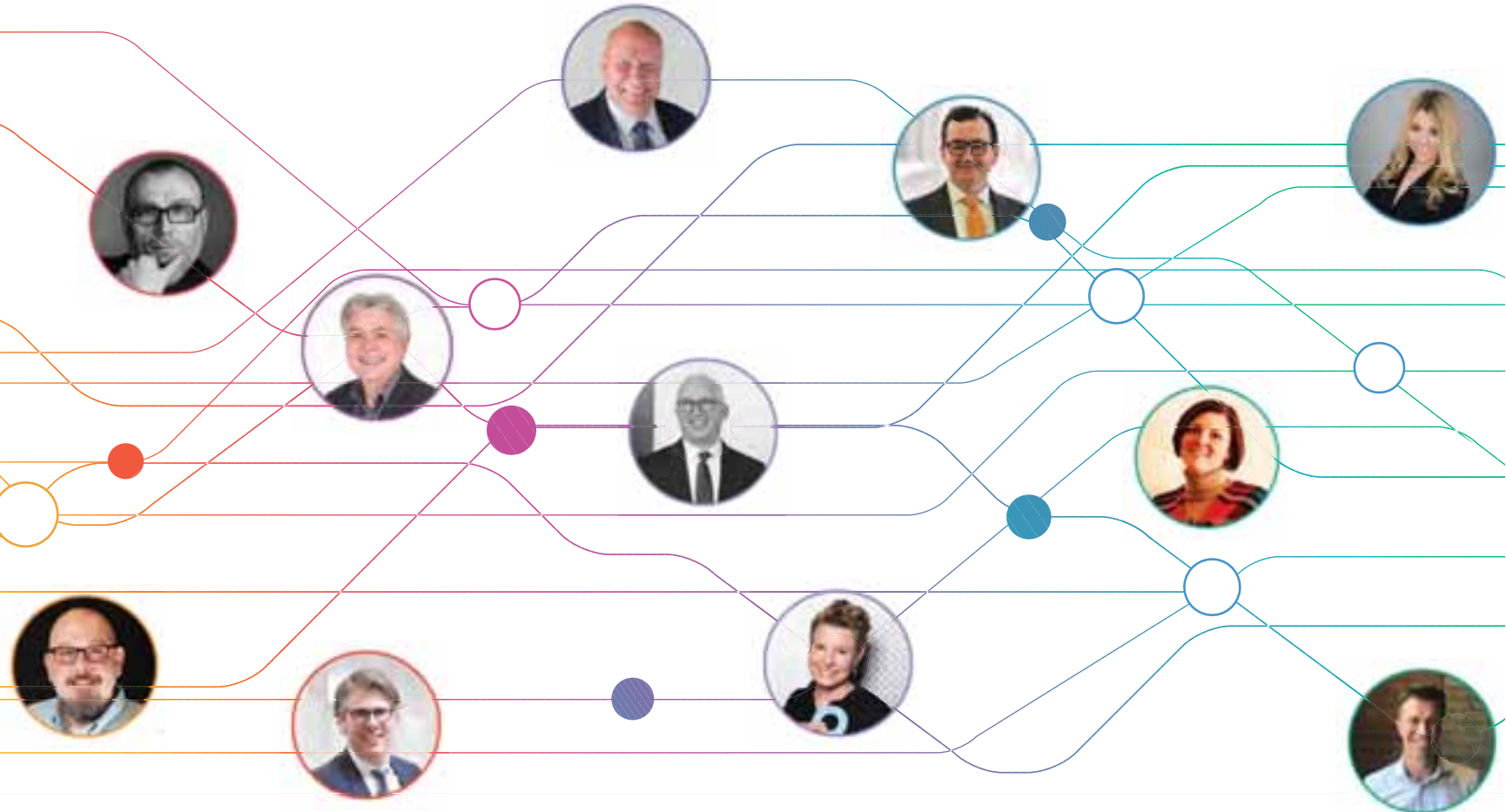
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# ALL THINGS TO ALL PEOPLE

BY GEOFFREY McLARNEY

**Craig Walters trained as a pharmacist, but for his small Newfoundland community his store is a one-stop shop. Through his store, Valley Pharmacy, he has fulfilled his original calling while becoming a self-taught retail generalist.**

**C**raig Walters is a pharmacist by vocation, and he serves the community of Burgeo, on Newfoundland's south coast, in that capacity. Yet like many smaller communities, Burgeo relies on its pharmacist to meet a broader range of needs.

For the past few years, Walters has operated a second store in the village of Ramea, on Northwest Island, on what had been the site of the E. L. Carter Ltd. store for some 75 years. Here, the focus is on the sort of general store offerings that sustain an island community: hardware and lumber, groceries and liquor and more.

The area itself was familiar to Walters. "We were [already] delivering into Ramea for about 20 years, from a little store up the road there," he explains. "Around 2015, we took over the building there and just amalgamated everything" under one roof.

Both locations continue to be administered under the parent company of Valley Pharmacy in Burgeo, Walters adds, "but we've got [the Ramea store organized] under Rock Island Convenience, so we run it as a different entity." Still, he continues to deliver medications from Burgeo to Ramea for his island customers.

Walters says his inventory in Ramea is "pretty even between grocery and hardware" at about 40 percent each, with the remainder made up by gift and household items, liquor and cigarettes and other sundries. "Drug delivery is still a big part of it," he stresses. "We deliver over there every day."

Walters is like many other rural pharmacists in having needed to become a jack of all trades, and pharmacy training only takes you so far. "It's all self-taught really: you're going into something you haven't been through."



Learning to price lumber, he says, was one of the many trials by fire he's faced.

Within the past year, the store has added a selection of appliances. "We signed on with someone down in St. John's and we've got some good pricing on appliances we get shipped here." Other items can be ordered, but "the pricing's not always the best."

"Our biggest problem down here is the cost of freight," says Walters. As a Castle member, he's able to benefit from the building group's guidance in optimizing costs, but the itinerary—"three and a half hours down the main highway and then the ferry over"—isn't straightforward even under the best conditions.

In addition to selling their daily needs, Walters maintains close ties to the community's causes. The business has long supported the local fire department, with public events and donations for new equipment and suits. Castle membership has brought additional resources to bear, with



the buying group making \$1,000 available annually for such projects. "We give that right back to the community."

That involvement extends to both of Walters' locations. "Last year, we put it together to raise money for a bike for a child in Burgeo with multiple sclerosis," Walters recalls. This year, funds went toward an area school. In the past, the business has even contributed to a memorial for a ship lost off the coast.

It's little wonder that Walters and his team should be active in such a range of local concerns. With the array of needs his stores serve, they're already involved in just about every aspect of their customers' lives.

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