

THIRD QUARTER / 2019

HARDLINES **H1Q** HOME IMPROVEMENT QUARTERLY

CROSS CUSTOMERS

Difficult customers are universal—but the solutions aren't always one-size-fits-all

MAKING HIMSELF AT HOME

Home Hardware's new CEO reflects on his first few months in office

CHANGE THE CHANNEL?

What bricks-and-mortar retailers can learn from omnichannel businesses

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Paul Wilson
Rockwood, ON

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HARDLINES

H1Q

HOME IMPROVEMENT QUARTERLY

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SIGRID FORBERG, EDITOR

STRIKING THE RIGHT NOTE

Home improvement retailers these days sell more than just tools and lumber—they're often also selling themselves, or their brands. Of all the trends influencing consumers, emotional resonance may be the most deceptively difficult for dealers to pull off.



Walking the aisles of a big show (and even a small one) can be so exciting. With all the fresh, new products on display, there's never a shortage of new textures, colours and shapes.

But those physical, tangible trends aren't the only factors impacting retail. In this industry, tradition has long been fundamental, but an ageing generation of leaders is beginning to retire and make space for new voices with their own opinions. This trend is sure to increase over the next few years, as the demographic of those calling the shots in retail continues to mirror the changing demographic of home improvement consumers.

And while the many stark differences between the boomer and millennial generations may be overblown, the younger consumer does assign a heavier weight to meaningful interactions. What does that mean? They crave genuine experiences—they want help with their projects, but they want store associates to be direct, helpful, and above all else, real.

In our cover story this issue, we explore what some of this country's top retailers are doing to keep themselves at the top. Analyzing these companies' big moves over the last year, the most successful strategies demonstrate an eagerness to meet consumer expectations. But beyond that, these retailers are channeling their best efforts into

determining their strengths and developing those, rather than trying to compete in areas outside of their core competencies.

Confused about how all the retail banners relate? Consult our Banner Organizational Chart on page 28. Our handy map lays it all out and makes sense of the increasingly complicated connections in the Canadian home improvement retail industry.

“The major takeaway this issue is not to sweat the small stuff. Don't let perfect be the enemy of good.”


And on page 32, Home Hardware President and CEO Kevin Macnab gives his first media interview since taking the helm last fall. Macnab, new to the industry (and Home's first outside hire to the role), says his fresh perspective is an asset. In just over half a year on the job, he's already realigned Home Hardware's executive team and made a big push on updating the company's e-commerce strategy.

For some light-hearted reading, have you checked out our Social Media Corner? Flip to page 8 to see what some of your fellow retailers are Tweeting! If you're active on social media, you might just find one of your own posts in an upcoming issue.

And when you're done with the Tweets, turn to page 42 for John Caulfield's story on

customer complaints—you won't believe the things some people gripe about. Well, on second thought, you probably will, and you probably have your own stories, too—what retailer doesn't? With the year already half over and the busiest period about to begin, it helps to remember you're not the only one ankle-deep in it. And a little perspective never hurts: as Jeff Redden,

owner of Windsor Home Hardware in Windsor, N.S., puts it: “I'm not getting into an argument over a \$30 can of paint.”

The major takeaway this issue is not to sweat the small stuff. Don't let perfect be the enemy of good. Focus on what you do well and laugh about the rest, because when you're having fun with what you do, your customers will notice—and that's sure to resonate with them. 


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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.



King of the Q. #keepingitgrill



Mild and mucky? Meet mat.
#keepoutsideoutside



Happiness is warm weather. #patioprep



Copp's is shingle-minded in its promos.
#raisetherooft

We can't beleaf Home Depot Canada went there. #plantpuns



Humboldt Co-op knows that health is wealth. #communitycaring



NEW ORGILL PRESIDENT SHARES PLANS FOR INVESTMENT IN BOTH THE U.S. AND CANADA

The new president of Orgill, Inc. takes the helm at a period of active growth for the Memphis-based hardware wholesaler. And he has big plans for Canada.



Boyden Moore was named to the role of president for Orgill, Inc. at the beginning of 2019. Ron Beal, Orgill's long-time chairman, president and CEO, dropped the president title, but remains the company's chairman and chief executive officer.

Moore, whose own background is in retail, was already president of Tyndale Advisors, a subsidiary of Orgill that provides consulting and management services for dealers that ranges from strategic planning, store operations and finance to merchandising, marketing and human resources. The president's role at Orgill has been added to his existing duties.

As he settles into his new role, Moore says he will spend the rest of 2019 getting more familiar with every part of the business,

Boyden Moore, president for Orgill, Inc., has been spending 2019 getting more familiar with Orgill's business, including a visit to the London, Ont., distribution centre.

particularly the operations and sales divisions of the company.

Extensive changes in the U.S. home improvement market over the last couple of years have created numerous growth opportunities for Orgill. In addition, Orgill enjoys steady organic growth as it serves independent home centres and lumber yards looking to expand their hardware departments.

But all this new business requires an expansion of the wholesaler's existing distribution network.



"We continue to improve our services, grow our business and invest in that growth," Moore explains. "We're currently expanding our Kilgore, Tex., distribution centre by 500,000 square feet. We're also

in the early process of selecting a site for a new distribution centre somewhere in the Northeast U.S.”

Orgill continues to invest in all its DCs, says Moore. That includes investments in the London, Ont., distribution cen-

“We’re excited about our Canadian business,” he says. “We’ve made significant investments there and we’re off to a good start.”

Response to that investment was reflected in the turnout for the most recent Orgill

The market also featured a Canada Smart Start Showcase and a number of other showcases for lawn and garden, impulse buys and spring-related products. The goal, says Philip Walker, senior vice president of merchandising for Orgill, is to help their customers find ideas to grow their businesses and help them discover new and innovative products.

And Canadian retailers should expect even more from Orgill in the coming years.

Moore recently visited the London, Ont., DC. “I’m diving into the whole Canadian business,” he says. “We’ve made some great progress in Canada over the past year and are very pleased with the growth and improvement. We look forward to continuing to grow that business along with our U.S. and international business.”

“I’m diving into the whole Canadian business. We’ve made some great progress in Canada over the past year and are very pleased with the growth and improvement.”

tre which services customers in Eastern and Central Canada, as well as the Post Falls, Idaho, facility, which delivers to Western Canada.

Spring Market as a healthy contingent of Canadian dealers from TIMBER MART, Castle and ILDC descended on Orlando for the show.

BMR

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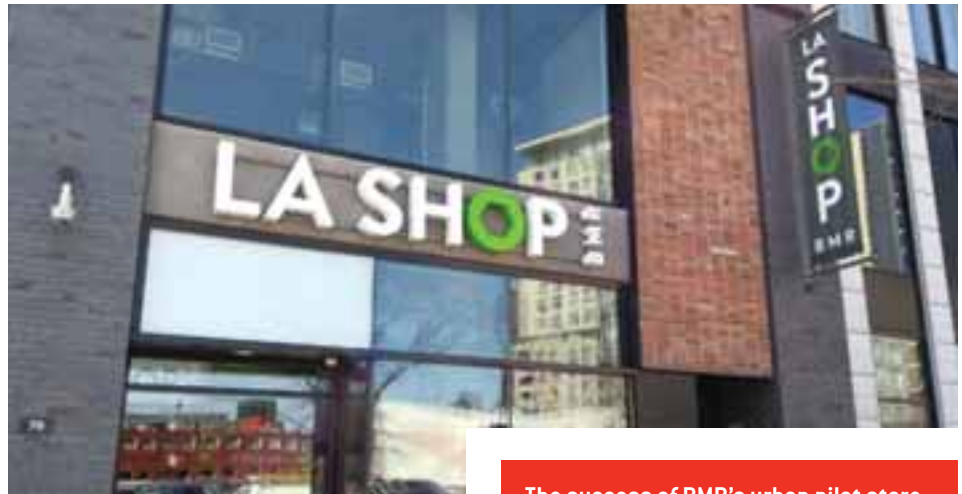
BMR EXPANDS ITS URBAN LA SHOP CONCEPT WITH SECOND MONTREAL LOCATION

BMR Group has opened its second La Shop urban neighbourhood store concept in the Montreal-area town of Mount Royal. La Shop made its debut last spring in Montreal's trendy Griffintown neighbourhood.

The concept store, which opened in early May, has a distinctive product mix aimed at meeting the needs of young urban families, especially those living in smaller spaces.

The Mount Royal store features a similar range of smart products, hardware, seasonal items and pet food as well as new categories promoting eco-friendly consumerism. Its setting is surrounded by a mix of condos and retail outlets not unlike that found in Griffintown. In other ways, however, the site is an innovative choice. Griffintown is an integral part of the city of Montreal, wedged between downtown's Golden Square Mile and the Old Town.

"TMR", as the town of Mount Royal is known, is a separate municipality north of the city. The town's evolving retail foot-



print has been in the news lately as plans for a mega-mall and housing complex called Royalmount have sowed dissension between TMR and Montreal councillors who fear a negative impact on traffic, businesses and cultural sites in the city. La Shop's footprint is modest in comparison. At 6,200 square feet, it's even smaller than the Griffintown location.

The success of BMR's urban pilot store, La Shop, in Montreal's Griffintown neighbourhood has resulted in the opening of a second location in nearby Mount Royal.

"Over the past decade, the retail sector has undergone significant changes that have had a major impact on how business is conducted," CEO Pascal Houle said. "La Shop hardware stores, with their technology, local products, innovation and environmentally responsible alternatives, are adapted to this new market's needs, allowing us to broaden the horizons of the traditional hardware store concept."

Both La Shop locations are corporate stores owned by BMR Group.

"The Griffintown store has allowed us to test out a multitude of ideas with a new client base, which has proven very receptive," added Martin Lecomte, BMR's VP of retail. "With this second location, we're maintaining La Shop's modern and trendy look, but also building on our ideas so we can keep surprising our customers."

GOT A SHOUT OUT FOR YOUR TEAM?

Does someone on your team deserve a special shout out? HHIQ is starting a new column and we're looking for your help. We know your retail staff are hard-working, thoughtful and innovative—and we want to help you tell their stories. This is your chance to recognize your store employees for all the things they do, big and small.

Contact our Editor, Sigrid Forberg (sigrid@hardlines.ca), with the details of how your customer-service champions, product-knowledge prodigies or natural leaders go above and beyond every day to make your store successful and improve their colleagues and customers' lives.



LOWE'S CANADA PROMOTES APPLIANCES ACROSS ITS RONA AND RENO-DEPOT BANNERS

Appliances have been a mainstay of Lowe's long before it even ventured to Canada, but the Canadian division has been actively promoting the category here in recent years. Nor is it restricting itself to its 67 Lowe's big boxes stores.

To capture market share in a growing Canadian retail segment that has become even more fertile since the demise of Sears Canada, Lowe's Canada launched a major campaign in 2016 to enhance its RONA and Reno-Depot stores with major appliances.

"The deployment of appliances has become one of Lowe's Canada's major achievements in the last couple of years," says Andrea Danielle Wong, a spokesperson for Lowe's Canada.

Currently, 22 Reno-Depot stores, 120 RONA corporate stores and 112 RONA dealers are leveraging the appliance offering. And the program is gaining traction beyond its retail customers. The company reports that builders and contractors are relying on the access to fridges and stoves at RONA and Reno-Depot to complete their projects, as well. Lowe's Canada is growing the appliance department to position the RONA and Reno-Depot banners as project destinations for completing kitchen, bathroom or laundry room projects.

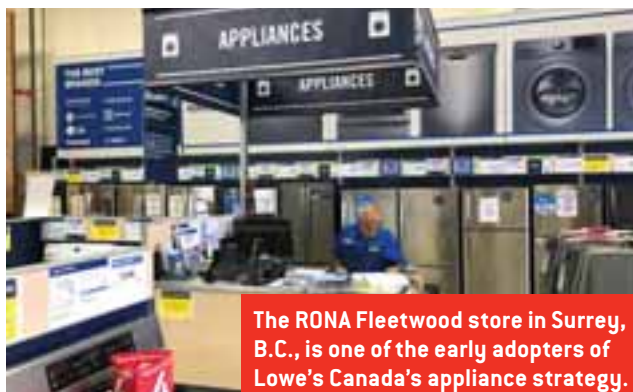
As part of Lowe's Canada's omnichannel strategy, Lowe's, Reno-Depot and RONA all offer major appliances online with a selection that rounds out the assortments available in stores. That includes the RONA corporate store in Chilliwack,

B.C., which has been busy selling appliances since April 2018.

For smaller-format corporate and dealer stores with less floor and storage space, Lowe's Canada has introduced an "Appliance Extended Aisle Kiosk", says Wong. This user-friendly, in-store space is equipped with a connected screen and a mobile application that provides customers an online gateway to RONA's full range of appliances. Those customers can also access online features such as 3D rendering and virtual design options.

Dealers are turning back ideas of their own, as well. Russ Jones, who owns three Coast Builders RONAs on British Columbia's Sunshine Coast, turned a former Sears store into a RONA appliance outlet in Gibsons, B.C., last year.

Wong from Lowe's Canada says that appliances will remain an important growth driver throughout 2019, especially for affiliate dealers. "We'll expand this category by continuing our rollout in corporate and dealer stores, along with increasing store capacity to support appliances on a case-by-case basis."



The RONA Fleetwood store in Surrey, B.C., is one of the early adopters of Lowe's Canada's appliance strategy.

BRIEFLY

MADE IN CANADA CAMPAIGN UNITES BANNERS TO INFORM CONSUMERS

The Quebec home improvement association, AQMAT, has launched a program to educate do-it-yourselfers and contractors on Canadian-made hardware and building products. Called Well Made Here-Bien fait ici, the program has already distributed five million flyers at 2,404 affiliate and corporate stores belonging to 10 banners. To be accredited under the Well Made Here program, manufacturers must be able to demonstrate that 51 percent or more of their manufacturing costs are incurred in Canada, excluding R&D, design and freight. They must also meet construction code rules and several other prevalent industry standards.

HOME OUTFITTERS STORES TO CLOSE

Hudson's Bay Co. will close all 37 of its Home Outfitters stores in Canada by the end of this year. A company spokesperson stated that almost all areas served by the housewares banner also have a nearby Bay store.

NEW WEBSITE FOR LOWE'S CANADA

Lowe's Canada has unveiled its new corporate website. The responsive platform was created to host all corporate information under one roof and facilitate easy access to company info. "Our new corporate website, which acts as a first point of contact for the public, features our people as well as our major projects," says Jean-Sébastien Lamoureux, senior VP of communications, public affairs and compliance for Lowe's Canada. In addition to providing the latest news on the organization, this platform gives an overall view of the company operating the Lowe's, RONA, Reno-Depot, Ace Canada and Dick's Lumber banners. The website was created to host all corporate information under one roof.

INDUSTRY CELEBRATES THREE NEW MEMBERS INDUCTED INTO CHHMA HALL OF FAME

The Canadian Hardware & Housewares Manufacturers Association (CHHMA) has inducted three new members to the Hardware and Housewares Industry Hall of Fame.

Terry Davis, former president and CEO of Home Hardware Stores Ltd., recalled his early years and mentorship under company co-founder Walter Hachborn.

Solly Feldman, founder of Accent Fairchild

Group, was introduced by his son and company president Evan Feldman. “My father has a never-ending passion for people and work,” Evan said proudly.

Dennis Nykoliotion, whose career included leadership roles at Black & Decker Canada, Cambridge Towel, CanWel and GSW, was introduced by former CHHMA President Vaughn Crofford. Nykoliotion thanked the industry, and his fellow col-

leagues in the room, for the experience and for the award.

The Hall of Fame was established in 1984 to recognize the achievements of leaders and pioneers in Canada’s hardware and housewares industries. Over the years, 68 industry leaders, inventors, business founders and builders from the retail and manufacturing sectors have received the honour.



Dennis Nykoliotion (right) with Vaughn Crofford, former CHHMA president.



Solly Feldman (left), and his son Evan Feldman.



Terry Davis (left) and Joel Marks.

BSIA TRAINING PROGRAM WILL PROVIDE SKILLS FOR ENTRY-LEVEL WAREHOUSE WORKERS

The Building Supply Industry Association of British Columbia has launched a new training program aimed at entry-level workers. Called the Building Supply Warehouse and Distribution Training Program, it’s run through the BSIA’s office in Surrey.

In co-operation with the trade association’s own members, the B.C. government and the Northwest Skills Institute, the BSIA has developed a certificate program covering the essential skills for new staff. The six-week

program is industry specific and available to people willing to commit to the training who will continue on to accept full-time employment within the home improvement industry, either on the supply side or in retail.

The program is open to any Canadian citizen or permanent resident and is designed to assist the unemployed and the under-employed. It’s 100 percent subsidized for eligible, qualified participants. Every participant who completes the program

gets a job placement and up to one year of coaching and support.

“We have enough funding to run this incredible career-changing program for 45 eligible people between now and the end of August,” says Thomas Foreman, president of the BSIA. He adds that the kinds of skills this program will offer will be a “game changer”.

The six-week curriculum includes training in warehousing and distribution, workplace safety awareness, first aid certification, quality control and job entry skills.

CANADIAN TIRE'S TRIANGLE PROGRAM HELPS IT BUILD CUSTOMER PROFILES WITH DATA

A big part of Canadian Tire's push in 2018 was the launch of the Triangle rewards program. The program aims to complement the famous Canadian Tire money that has been part of the retailer's heritage since its early days.

The digital rewards, however, go well beyond the sense of customer loyalty the paper money has always engendered. The data being provided about customers is proving invaluable for tracking and predicting shopping behaviours.

Getting a handle on how to use that data has been Canadian Tire's challenge. It has worked to combine the initiatives from head office with the needs of its associate dealers, who operate 503 Canadian Tire stores across Canada.

The company says it has made great progress on this front, managing data being created from the Triangle Rewards program to better understand its customers. One result has been the ability to tailor email offers weekly to the retailer's most valuable customers.

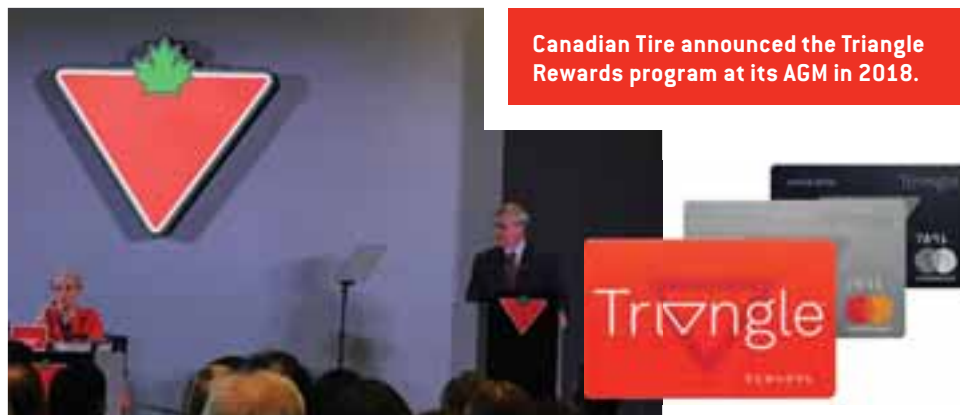
In a call to analysts following the release of its 2018 year-end results, Canadian Tire executives offered some insights into the company's digital progress.

Explaining how data generated by the Triangle Rewards initiative is used, Greg Hicks, president of Canadian Tire Retail, said, "we actually get it at the SKU level, so we know exactly what customers are purchasing. So that wealth of information allows us to be pretty responsive to any changes in behaviour we potentially are seeing for new accounts."

"The classic example is a customer who had [purchased] winter tires. We now send a promo for a spring and summer tire change-over. Those types of things are pretty simple and that's the starting point. It gets incredibly sophisticated from there."

According to Allan MacDonald, Canadian Tire's EVP – Retail, advances are being made across the company's digital presence. "In 2018, we made major improvements to both canadiantire.ca and our fulfillment capabilities. We've dramatically improved our site speed, search and navigation."

MacDonald said the improvements have been "incredibly important" in terms of the customer experience on the Canadian Tire site. "We've driven increased site visits, page views and conversion, critical performance metrics in an omnichannel retail world."



Canadian Tire announced the Triangle Rewards program at its AGM in 2018.

BRIEFLY

HOME HARDWARE RECOGNIZED FOR CORPORATE MANAGEMENT

Home Hardware was recognized with Platinum status for overall business performance and sustained growth in this year's Canada's Best Managed Companies program. The designation recognizes Canadian-owned and managed companies with revenues over \$15 million that demonstrate strategy, capability and commitment to achieve sustainable growth. "We are honoured to be recognized with Platinum status as one of Canada's Best Managed Companies," Home Hardware CEO and President Kevin Macnab said.

RENO-DEPOT ADDS AIR MILES TO OFFERINGS

Reno-Depot, a banner of Lowe's Canada, has launched the Air Miles reward program in all of its stores. Customers who shop at Reno-Depot will be able to earn Air Miles on eligible purchases made in-store and on its site. Lowe's, Ace and RONA stores in Canada already carry the Air Miles program. In addition to earning rewards on eligible purchases, Air Miles members will benefit from special offers throughout the year and get discounts on purchases.

HOME DEPOT HAS ONLINE PROCESS FOR VENDORS TO SUBMIT NEW PRODUCTS AND SERVICES

The Home Depot Canada has refined a process for attracting new vendors and new products. Through the "Prospective Supplier New Product Submission," vendors can provide details about their products, with instructions to supply only non-confidential public information—all online. The submission process puts the vendor in direct contact with the retailer's buying teams, who can, in turn, evaluate the submissions, qualify them and respond quickly if they find the submission of interest.

TIMBER MART EXPANDS DISTRIBUTION CENTRE NETWORK WITH ONTARIO OPENING

The opening of a new distribution centre in Central Ontario this spring completes a network of facilities for TIMBER MART to service its dealer-members across Canada.

The DCs are used to funnel and direct building materials to the members, helping them manage their inventories and keep their shelves filled. TIMBER MART's VP of distribution and trading, John Morrissey, manages the LBM purchasing from Dartmouth, N.S. He oversees purchasing for all three of the group's DCs in tandem with TIMBER MART's procurement team.

The newest DC, which sits on five acres in Mount Forest, is currently getting up

and running after opening earlier this year. Mark LaRonde was recently named distribution centre manager and will lead the team at the DC. He reports directly to Morrissey.

When fully inventoried, the location will have more than 10,000 lumber and building material SKUs. Once its systems are fully in place, TIMBER MART expects it to serve all TIMBER MART members and dealers in Ontario. It joins a 27,000-square-foot LBM distribution centre in Langley, B.C., that opened in the spring of 2017 and an existing 55,000-square-foot distribution centre in Saint-Nicolas, Que.

BRIEFLY

INDUSTRY GALA UNITES QUEBEC'S RETAILERS AND SUPPLIERS TO CELEBRATE AWARD WINNERS

The seventh annual AQMAT Recognition Gala gathered industry players in Montreal to recognize outstanding companies and individuals in categories ranging from loyalty to social involvement. Awards were presented for outstanding individuals and companies, with most categories subdivided into merchant and supplier laureates. Lowe's Canada's banners and Home Hardware were both well represented, while BMR's inaugural La Shop urban concept store took the Perspective prize in the merchant category. Genevieve Gagnon, of Groupe Yves Gagnon, accepted the Community award, which recognizes business leadership in the social, ecological or humanitarian sectors.

GOOD WEATHER HELPED BOOST NUMBERS AT ABSDA BUYING SHOW

Members of the retail home improvement industry from across Atlantic Canada headed to Halifax in March for the ABSDA Building Supply Expo, the annual buying show hosted by the Atlantic Building Supply Dealers Association. The event kicked off with a meet-and-greet reception that hosted dealers and vendors alike.

The show was held in the Halifax Convention Centre, right downtown. It featured 76 exhibitors representing about 100 companies. From the retail side, it attracted dealers of all stripes, including a strong showing of Castle dealers and Home Hardware members, and, to a lesser degree, TIMBER MART dealers. Sexton Group, which is now growing its membership more aggressively in the Atlantic region, also reported a healthy turnout by its members there.

Exhibitors overall gave positive feedback on the show, saying they met with enough customers during the two days to make their involvement worthwhile. Individuals at the Sexton Group reported that they were experiencing "a good vibe" among the dealers, while TIMBER MART managed to develop some strong leads on the show floor.



Good weather and the prime downtown location at the Halifax Convention Centre helped boost this year's attendance at the ABSDA buying show.

Working for our members every day.



There's no doubt that consolidation has cut down on the number of product manufacturers. For independent dealers like me, that means less competition between suppliers for my business and less leverage for me to get more competitive pricing for my customers. That's where I rely on Sexton's strength to negotiate programs that keep me competitive."

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



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ORGILL SHOWCASE

SPECIAL SPONSORED SUPPLEMENT

Curious about some of the products you may see at the Orgill Fall Market in August? Here, we've curated a select few. And if you're headed down the Orgill Dealer Market in Chicago, from August 22 to 24, retailers should be sure to swing by our Canada Night event at Reggie's Chicago, on the evening of August 22 at 6:30 p.m. to meet some of the vendors below, who are sponsoring the event.

Oatey Canada SCS designline ▶

Behind the scenes, a drain whisks away water quickly, elegantly. But it is much more than merely a hole in the floor. At the surface, it should complement your bath's design so completely that it's both beautiful and invisible. Designline by Oatey offers rugged dependability under the seamless sophistication of the latest, tasteful, graceful flair in plumbing.

Show contact: Denise Deacon, Jodi Durham
www.oateycanada.com



◀ Hy-Ko Products 8 Ft. NLS Planogram

This Numbers, Letters and Signs assortment has the best-selling products and is sure to boost sales. The assortment has signs, house numbers, packaged numbers and letters, driveway markers and accessories. Signs can be provided in English or French, and all packaging includes trilingual packaging. All products are refillable through the Orgill warehouse.

Show contact: Kevin Shepard
www.hy-ko.com

EAB SDS Quad RazorBack Industrial Drill Bits ▶

EAB is launching their new SDS Quad RazorBack Industrial Drill Bits. These new drill bits have four carbide cutters for faster, smoother drilling and enhanced flutes for quicker dust extraction. They will give the user increased performance and more efficient cutting with less heat. Ideal for masonry, concrete, tile, concrete block, pavers, granite and stone. They are part of the green exchange system, helping you save money and the planet.

Show contact: Danny Wight
www.eabtool.com



◀ Imperial Manufacturing Group

The Imperial 4" R2 white Exhaust/Intake Hood

The Imperial 4" R2 Heavy Duty Wall Exhaust/Intake Hood is easily convertible from an exhaust hood to an intake hood. It has a durable metal casing and includes both a plastic damper and screen. Used in general venting, it is designed for maximum airflow. It has a quiet mechanism and is ideal for bath fans and range hoods.

Show contact: Steve Finlay, Anne Petry
www.imperialgroup.ca






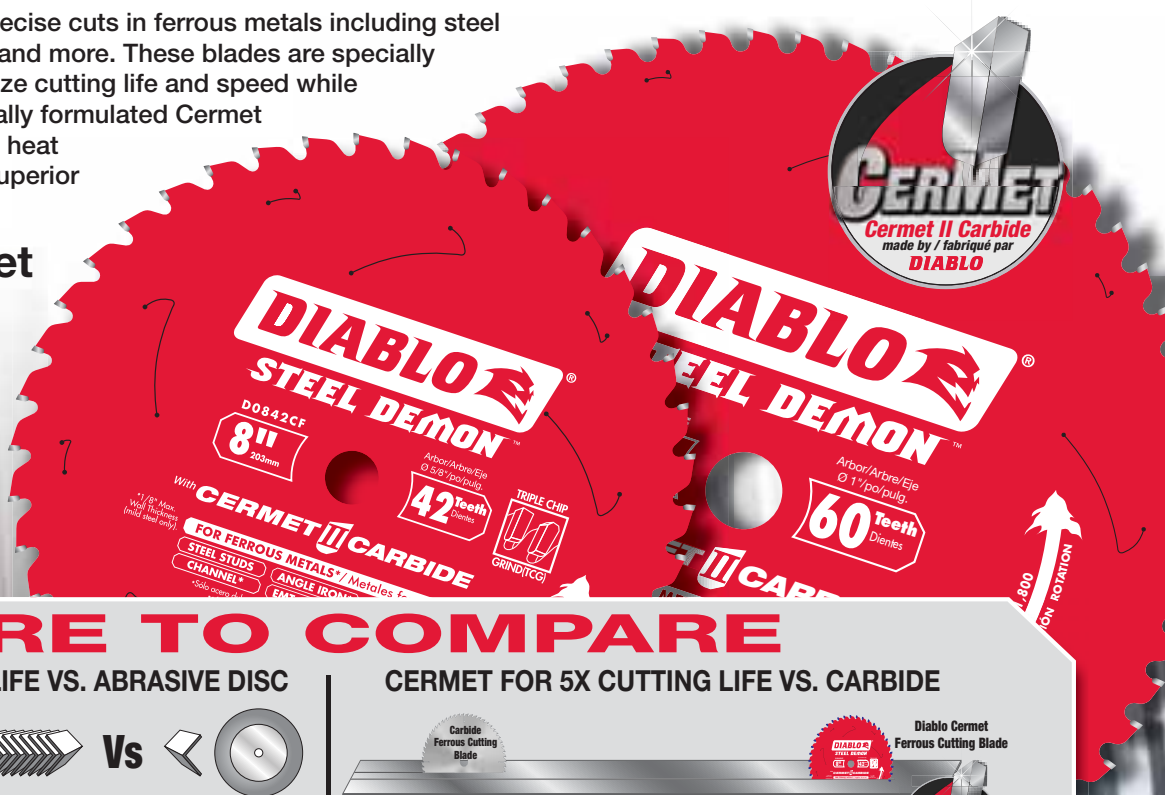
REDEFINING METAL CUTTING

Diablo's Steel Demon® blades deliver precise cuts in ferrous metals including steel studs, steel pipe, steel sheet, angle iron and more. These blades are specially designed with unique features to maximize cutting life and speed while providing cool, burr-free cuts. The specially formulated Cermet (Ceramic and Metallic) teeth provide high heat tolerances and increased hardness for superior wear and ultimate impact resistance.

Next Generation Cermet

Lasts up to 5X longer than standard carbide in metal cutting applications.

-  fast and accurate cuts
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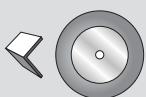


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Diablo is the first manufacturer to offer a full line of carbide recip blades for all metal cutting applications, from thick to thin metal and including general purpose.

Diablo's full-range of metal cutting recip blades are designed to ensure our users lead... never follow on the job site.



CARBIDE TEETH for **50X** LONGER LIFE



THICK METAL
1/8" - 1/2"



MEDIUM METAL
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GENERAL PURPOSE
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www.DiabloTools.com

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Freud Wood & Metal Carbide Saw Blade ▶

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Show contact: David Sparks & Luciano Laboni

www.diablotools.com



◀ MIBRO Vulcan Power Tool Accessory Merchandising

Optimize your power tool accessory planogram by adding a comprehensive Vulcan planogram, a Vulcan product category or by expanding an existing Vulcan product assortment using space efficient racking with point-of-purchase signage. Vulcan's merchandising gives you the flexibility to tailor your power tool accessory assortment to meet your specific needs and space availability, while offering your customers a superior shopping experience.

Show contact: Tom Nickelson

www.mibro.com

GSW Water Heaters ▶

The GSW powered by Takagi condensing tankless water heaters are state-of-the-art and are Energy Star qualified with an Energy Factor of 0.95. Their primary heat exchanger is constructed of commercial-grade copper, which is more resilient against erosion.

Show contact: Kim Laurette

www.gsw-wh.com



◀ DOW DuPont GREAT STUFF SMART DISPENSER

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Show contact: Sue Swing

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The background of the entire page is a stylized, low-poly mountain landscape. The mountains are rendered in various shades of blue, green, and purple. A bright sunburst effect emanates from behind the word 'Top', with rays extending across the sky. The overall aesthetic is modern and graphic.

Canada's *Top* HOME IMPROVEMENT RETAILERS

Our definitive report on the top players in the Canadian home improvement and hardware industry is your authoritative information source on the trends influencing retail strategies in this industry.

TRACKING THE Trends

BY SIGRID FORBERG



Home improvement retail continues to adapt and evolve to changing consumer needs. Here, we identify some of the major trends that guided Canada's top retailers' strategies and big moves in 2018.

In retail, a lot can happen in a year. And while the principles of good customer service, excellent product offerings and convenience for customers remain timeless, how retailers are meeting those demands continues to evolve year over year.

Not only that, the industry itself continues to evolve. Baby boomers are retiring and leaving spaces at the executive level, resulting in younger faces and fresh ideas at the management table. With new directions, territories and products, Canadian home improvement retailer banners are refining their brands, refocusing their efforts and channeling their resources into how best to serve their retailers—and the country in general.

Bolstering online presence

In the history of retail, it has never been more important than now to have a more-than-rudimentary web presence. The first thing new customers will do is search for your store online—and if you don't have a website, or if it seems outdated or too basic, they may keep looking for another outlet.

In response to growing consumer expectations, several retailers last year invested in

boosting their technological capabilities. Last spring, Home Depot announced it was looking to support its intensive growth into high tech retailing by hiring 1,000 IT professionals across North America. In Canada, that meant 100-plus additional technology professionals at its headquarters in Toronto's east end, called its Store Support Centre.

"With the changing Canadian retail environment, we know technology is playing an increasingly important role," Paul Berto, director, corporate communications, external affairs and sustainability for Home Depot Canada, said at the time. "Customers want to shop whenever, wherever and however they want. That's why the Canadian team is making similar investments in our business for roles like software engineering, system engineering, [user experience] design, product management and roles with e-commerce."

Canadian Tire, for its part, announced that it was going digital with its rewards program, Triangle, at its AGM last spring. The company also launched a pilot for home delivery and integrated its online ordering with in-store pickup in four major cities across the country. While the Triangle program provides Canadian Tire with a wealth

of data—they can see from the SKU level exactly what customers are purchasing—the company is still figuring out how best to make use of that information.

As Berto explained, finding synergy between online and in-store business continues to be more of a priority for retail customers. One way many retailers have approached that has been to implement buy online, pickup in-store policies.

Over the past year, click-and-collect has grown across the Lowe's Canada banner. While it was already an option at all its corporate stores, it has now turned its focus to its independent affiliates, as the company marked its 100th RONA dealer to offer that option last summer.

Other retailers beefed up their online presence through 2018. Castle unveiled its revamped website late last year. The new, more intuitive, mobile-friendly site has an efficient store-locator function that can map a user's route right to the nearest store. It also offers a selection of some 30,000 products, including access to the catalogue of Castle's primary hardware supplier, Orgill. At its annual buying show this spring, TIMBER MART announced it was launching a new marketing

program to help its dealers sell more effectively on the internet. Bernie Owens, TIMBER MART's president, said support for building a social media presence, including templates for creating Twitter and other accounts, were among the services introduced at the show.

And in the West, United Farmers of Alberta Co-operative (UFA) upgraded its back-end systems with a new ERP (enterprise resource planning). 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.

These efforts come right in time. Online retail sales in Canada are projected to surpass \$55 billion by 2023. And according to Forrester Research Inc., 10 percent of Canadian retail spending will take place online, up from six percent only four years ago. That brings Canada's statistics closer in line to those of U.S. consumers, who make about 11 percent of their retail purchases online. However, studies show retailers here have been slow to catch up to the demand—leaving Canadians looking to international sellers.

Shifts at the executive level

Internally, it has undeniably been a year of change. At Home Hardware, a company known for its steady and consistent head office leadership—in 55 years, it has had only four CEOs—change became the constant. From the start of his tenure as CEO, Terry Davis made it clear he didn't intend to be a long-term leader, so it should have come as no surprise when he announced his planned retirement in July 2018. But what was remarkable about the appointment of Kevin Macnab as his successor was the fact that he became the first outside hire for the position. After the appointment of Rick McNabb as vice president, marketing and sales in 2016, who was also an outside hire, Home Hardware has

Combined Top 20 Groups (\$MILLIONS)

Rank	Company	2017	2018	Change
1	Home Depot Canada	\$8,150	\$8,473	4.0%
2	Lowe's Canada	\$7,240	\$7,400	2.2%
3	Home Hardware Stores	\$6,428	\$6,644	3.4%
4	Canadian Tire Retail ¹	\$5,884	\$6,051	2.8%
5	ILDC	\$3,928	\$4,016	2.2%
6	TIMBER MART	\$2,935	\$3,169	8.0%
7	Sexton Group	\$2,070	\$2,375	14.7%
8	Castle Building Centres	\$2,073	\$2,248	8.4%
9	Groupe BMR*	\$1,240	\$1,296	4.5%
10	Kent Building Materials*	\$909	\$932	2.5%
11	Delroc	\$743	\$784	5.5%
12	WSB Titan	\$640	\$714	11.6%
13	Canac	\$609	\$664	9.0%
14	Federated Co-operatives*	\$554	\$560	1.1%
15	TORBSA	\$408	\$525	28.7%
16	Peavey Industries/TSC	\$417	\$429	2.9%
17	UFA Ltd.**	\$366	\$374	2.2%
18	FBM/Winroc	\$358	\$345	-3.6%
19	Patrick Morin**	\$286	\$297	3.8%
20	Windsor Plywood***	\$235	\$255	8.5%
TOTAL		\$41,883	\$43,837	4.7%

¹ Excludes automotive, sporting goods and other non-related products.

* BMR, Kent, FCL and Patrick Morin are included with ILDC, so their sales have been backed out of the total to avoid double-counting.

** UFA is included with Sexton, so its sales have been backed out of the total to avoid double-counting.

*** Windsor Plywood is included with Delroc, so its sales have been backed out of total to avoid double-counting.

certainly been rethinking its formerly strict internal hiring policy.

The retirement of Ray Gabel, a long-time executive who was with Home from the very beginning, and McNabb's exit in September, added more evidence of the changing of the guard at Home Hardware. In December, the company brought on Marianne Thompson, an industry veteran from the vendor side, as its lead LBM merchant.

Change was in the air for other retailers, as well. At Lowe's Canada, Bill Morrison, vice president of the Ace Canada division, announced his retirement this past winter.

And Federated Co-operatives Limited (FCL) saw the retirement of a long-time executive, Tony Steier, which coincided with a complete management re-organization and the appointment of Ron Healey as VP of agricultural and consumer business.

Of course, some retailers looked for consistency at the executive level going into the next few years. At Canadian Tire, President and CEO Stephen Wetmore signed another three-year commitment to lead the company. Wetmore was re-appointed at Canadian Tire in 2016 after the company fired his successor, Michael Medline.

And for Sexton Group, based in Winnipeg, the priority was to backfill its staffing by adding roles in purchasing and business development to help manage its current and projected growth, as it has been

steadily shifting its focus from growing in the West to nation-wide growth.

"We've been a Western phenomenon, particularly on the Prairies, for 35 years," says Steve Buckle, Sexton's president. Over the past 10 years, the company had gained traction geographically, especially in British Columbia.

Then, in 2018, Sexton made significant gains in Ontario, signing Tarpin Lumber and Truss, Kott Group, Royal Homes, Tampa Hall and Northlander Industries,

working towards acquisitions outside of its home province. It has been actively developing business in Ontario, and in December 2018, it signed a new dealer in Griffith, Ont. The group also added 17 stores in Atlantic Canada under the Co-op Country Store banner to its network.

BMR is also investing in its urban La Shop store model. After the success of the Montreal pilot in 2018, the company announced in January that it would be opening a second store in the Montreal

“Over the past decade, the retail sector has undergone significant changes that have had a major impact on how business is conducted.”

all big dealers supplying everything from trusses and framing components to complete manufactured homes. That, Buckle says, gave the group the traction it needed in Canada's largest market. "These are high-profile, high-volume members," he noted. "It was the breakthrough we were looking for."

With these shifts taking place at the top, it's no surprise that 2018 also saw a number of the country's top retailers making forays into new areas of business.

Expanding into new territories

Home Hardware has made no secret of its eagerness to expand in Quebec. The province, which represents slightly more than one-fifth of retail home improvement sales in Canada, had just 125 Home Hardware stores at the end of 2017, representing about 12 percent of Home's locations. But by the first half of 2018, it had already more than doubled its growth from the previous year, bringing its store count to 132 in the province—indicating that the years Home has spent investing in the Quebec market have begun to pay off.

And, conversely, BMR Group, which is based in Quebec, has been

area, in Mount Royal. The small-format model caters to hip, urban condo dwellers, offering a vast assortment of pet supplies, home décor and lighting options.

"Over the past decade, the retail sector has undergone significant changes that have had a major impact on how business is conducted," CEO Pascal Houle said in a statement. "La Shop hardware stores, with their technology, local products, innovation and environmentally responsible alternatives, are adapted to this new market's needs, allowing us to broaden the horizons of the traditional hardware store concept."

As the demographics of the market have shifted, so have marketing techniques. Last year, Home Hardware announced that it was now working with select social media influencers to promote its products to a new generation of homeowners and DIYers.

According to Jessica Kuepfer, public relations manager at Home Hardware, the retailer works with up to 20 different influencers through the year, and that number can reach into the hundreds. But the co-op focuses closely on just four or five of the more popular influencers, sending them products—often on an exclusive basis—for their review and evaluation.

Home plans to roll out its most cohesive influencers program yet this year. “[Last] year was a lot of testing and learning, and [this] year we’ll be rolling out promotions with our best partners,” Kuepfer says.

Product exclusivity and selectivity

Home improvement retail banners have also been leaning toward refining their offerings, many focusing on private label, or exclusive, products. Whether they’re appealing to a “made in Canada” demographic or the allure of well-known and respected brands, exclusivity has a certain cachet in the eyes of a consumer.

FCL focused on its “Made By Us” initiative, which has the co-operative working closely with domestic producers to spotlight its private-label lines made with small Canadian manufacturers. Last year was the program’s second year and the first to promote hardlines products. Its TV and social media spots featured FCL’s own Imagine line of paint brushes and rollers and told the story of how Co-op makes these applicators together with Bennett Tools in Concord, Ont., which claims to be the only remaining Canadian manufacturer of paint tools.

For Canadian Tire, private label brands have historically been an important part of its business. The company continued to build its collection of brands as it finalized its acquisition of Norwegian outdoor apparel company Helly Hansen last summer. And in a call with analysts, recapping Canadian Tire Retail’s financials for 2018, Allan MacDonald, executive vice president-retail, said the company plans to continue growing its house brands through 2019.

“In Q1, we’ll be proudly launching our new line of Paderno countertop appliances, Vermont Castings will be launching a premium line of barbecues and Golfgreen will launch a

new line of innovative gardening products,” MacDonald said. “Owned brands are an important part of our strategy and we’ll be continuing our efforts to build world-class owned brands and assortments.”

Lowe’s Canada has also been building up its exclusive brands, confirming last spring that the company’s Lowe’s, RONA and Ace stores would exclusively carry the Craftsman tool brand in Canada. The addition of the line was formally launched at the RONA and Ace buying show last fall, and Annick Day, national director of RONA dealer support, anticipated it was going to be a major deal for retailers.

“Owned brands are an important part of our strategy and we’ll be continuing our efforts to build world-class owned brands and assortments.”

Equally as important as the products these companies are carrying can be the lines they intentionally choose not to carry. Last spring, an environmentally friendly effort sweeping the U.S. arrived in Canada when Lowe’s Canada announced it would soon be phasing out paint products that contain chemicals which have been linked to deaths. The company then announced it would also begin charging five cents for plastic bags (as many other retailers outside of home improvement have been doing for years).

Giving back to their communities

From the smallest independent to the biggest national chain, Canada’s top home improvement retailers have always put a huge emphasis on philanthropy. Last year, it continued to be a priority across the board.

Peavey Industries’ CEO Doug Anderson found a creative way to give back to the Western communities his chain

serves—getting dropped into the Rocky Mountains with no way to get out until he raised enough funds for the air ambulance non-profit, STARS. Peavey also teamed up with STARS to develop and sell licensed merchandise to support the organization, which relies on donations and government contributions to provide rapid and specialized emergency care and transportation for critically ill and injured patients in rural areas.

Also in the West, last spring, FCL invested in giving back to its communities. The company allocated \$2 million in grants to fund 24 community-improvement projects such

as a learning garden at the public library in Victoria, B.C.; an inclusive playground in Airdrie, Alta.; the Children’s Discovery Museum in Saskatoon; and a multi-use trail network near Dauphin, Man.

And after the tragic bus crash in Saskatchewan that killed 13 and injured 16 players and coaching team members of an adolescent hockey team, FCL created a fund to support survivors’ mental health. The initiative falls in line with the co-operative’s five-year commitment to donate up to \$1.5 million for community-based emergency response efforts.

On the East Coast, Kent, the big-box chain with 49 locations across Atlantic Canada, teamed up with the Canadian Association for Community Living to sell wooden deck chairs in 20 of its locations to help support intellectually disabled adults.

For the larger national chains and big boxes, a lot of their charitable work is channeled through their company foundations. Home Depot Canada continues

to direct a good deal of its charitable resources to youth struggling with mental health or housing insecurity. And Lowe's Canada's annual Heroes fundraising campaign donated \$1.1 million to more than 260 organizations in 2018. The company says the Heroes campaign aligns with its mission statement of helping people love where they live, by directing funds towards bringing inspiring projects to life and taking concrete steps to improve the lives of the communities it serves.

Working for dealers

The top banners continue to refine their offerings for their dealer members. At Lowe's Canada, which acquired the RONA and Ace banners in 2016, the parent company launched three new awards for its independent affiliates at its annual awards program during the RONA and Ace Canada Buying Show last fall.

With a focus on helping its dealers meet the increasing popularity of the seasonal category, BMR hosted its first Imports and Seasonal Products Trade Show last August. While the group's annual November show usually offers a good selection of lawn and garden, the timing isn't quite right for dealers.

"The main goal of this new formula was to make life simpler for our dealers," said Martin Menard, vice president of hardware and imports for BMR Group. "It's much easier for them to target their needs in this category during the summer."

And at TIMBER MART, the banner expanded its LBM distribution network in Ontario by adding a five-acre property in Mount Forest, a facility that is conveniently located within a six-hour radius of a large number of TIMBER MART member locations.

"Our new distribution centre in Ontario will offer our members all of the conveniences that our existing facilities provide and that our members in B.C., Quebec and New Brunswick currently enjoy," Bernie


Owens, president of TIMBER MART said in October 2018, when the new DC was announced.

TIMBER MART has also been putting some thought into how best to help its dealers market to their customer base. At its annual show in February, the buying group hosted a series of educational sessions on its new marketing programs, which include options for dealers to promote themselves across digital and print media.

In terms of infrastructure, Home Hardware is improving its supply chain. John Dyksterhuis, vice-president, distribution for Home Hardware, announced in October of last year that the company would be moving forward with an automated material handling system. The project, in partnership with Dematic and Manhattan Associates, is part of ongoing efforts by the company to optimize its supply chain and reinforce the strength of the co-op wholesaler in distribution. Launched in the third quarter of 2018, the new system should be completed by July 2020.

The bigger picture

As consumer expectations and demands continue to evolve, the industry's top retail players continue to rise to the challenge. Whether that means boosting their online presence and capabilities, striking out in new areas or offering their customers, communities and dealers value, all of these retailers are investing heavily in keeping up with the changing market.

While tracking trends is crucial to keep up in this increasingly competitive market, the best retailers are doing so while staying true to their company's values and mission. In the age of social media posts going viral, what resonates most with the younger generations is the truth—they can sense when companies are trying too hard or faking things. Regardless of what's currently trending, genuine interactions build relationships, and a consistent commitment to that is what customers crave most. 

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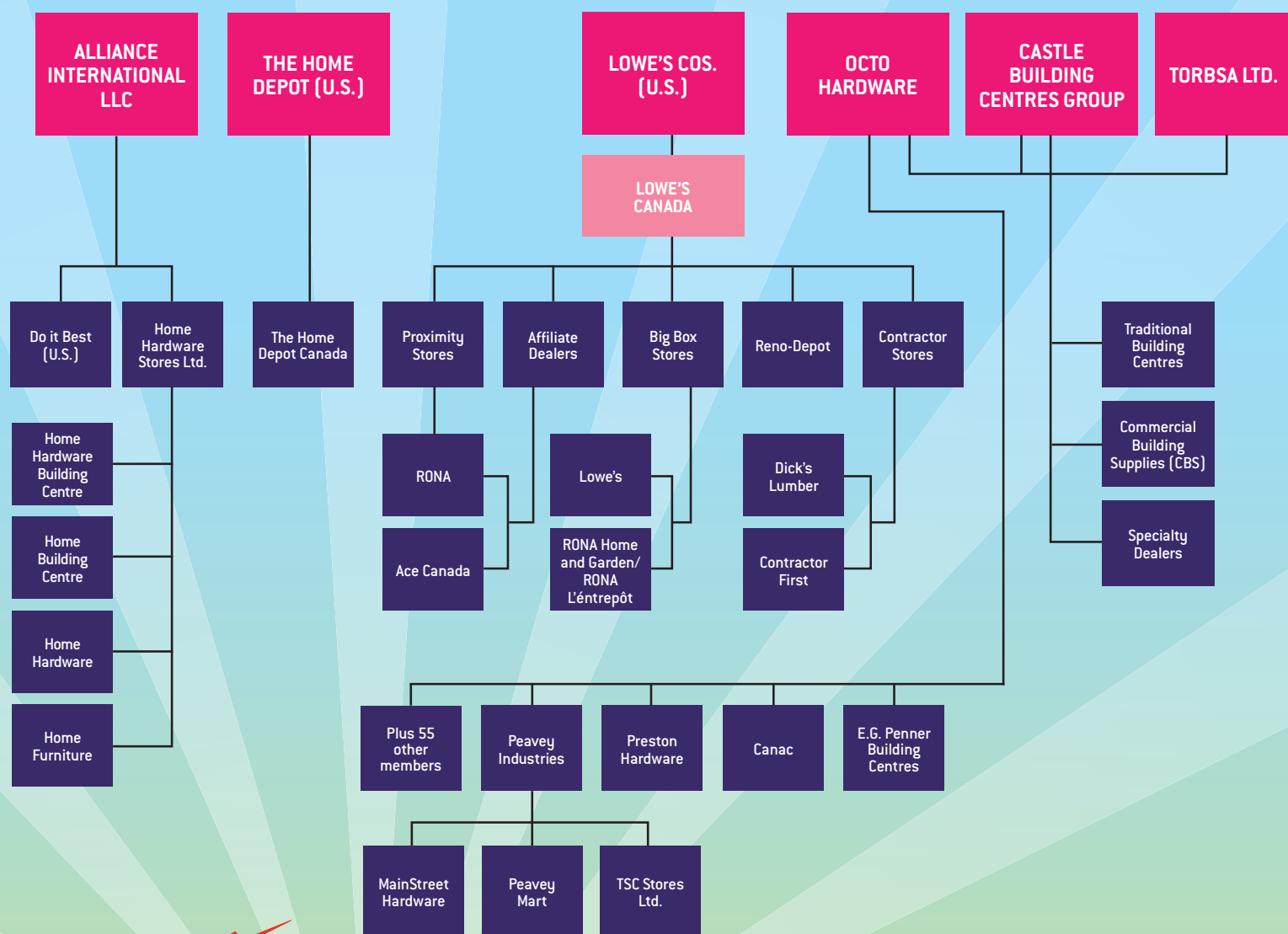


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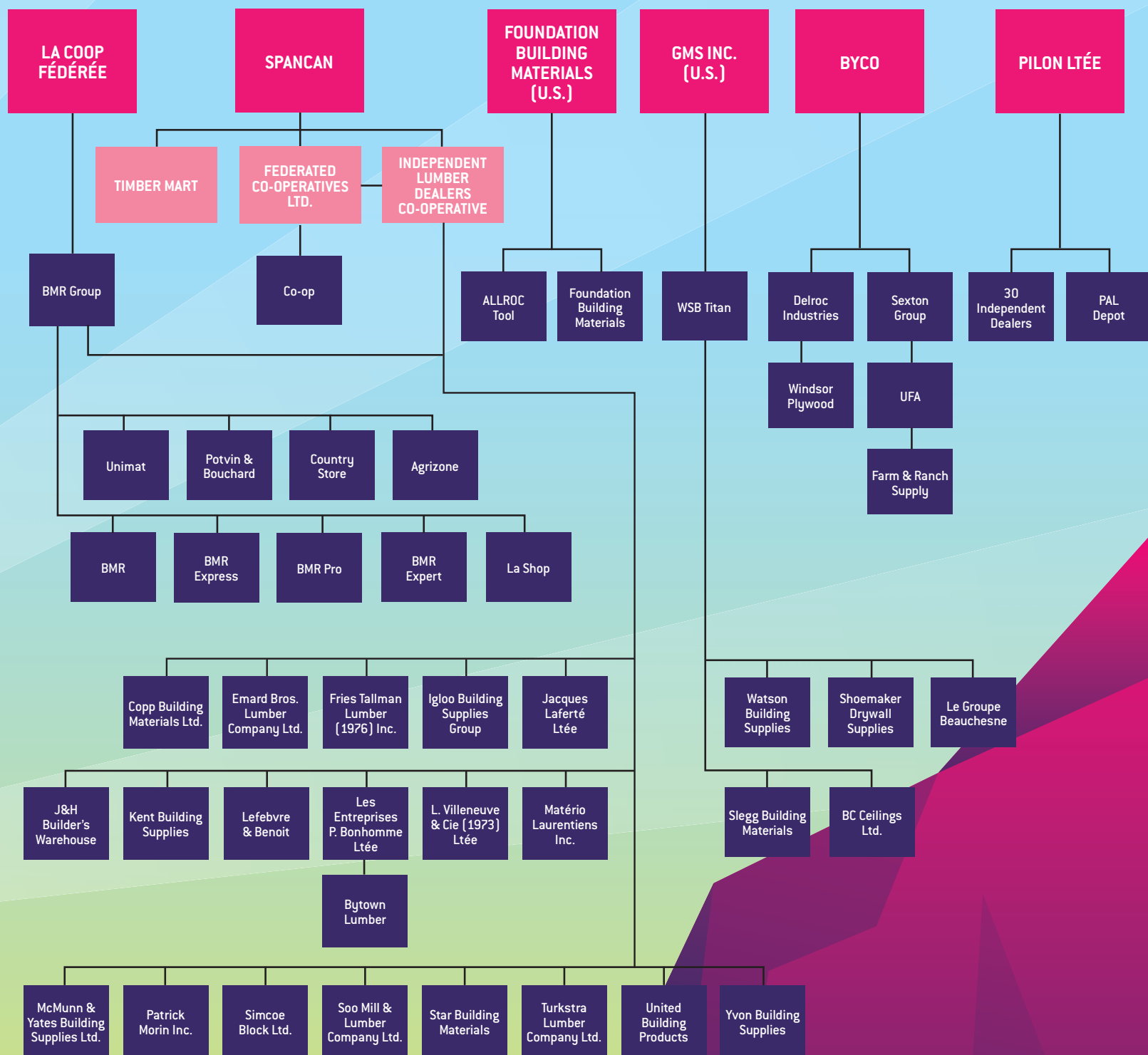
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HARDLINES 2019 Banner Map

As part of our annual coverage of the Canadian home improvement industry, here we break down the major banners and how they're connected. From the smallest independent to the biggest corporation, this map will help you sort out where everyone fits in.



HARDLINES CONFERENCE PROMISES INSIGHTFUL SPEAKERS, FRESH IDEAS

There's something for everyone at the next Hardlines Conference, taking place in the Greater Toronto Area from November 13 to 14.

The 24th Annual Hardlines Conference is shaping up to be one of the best yet. The two-day event will take place November 13 to 14 at the Kingbridge Centre in King City, Ont., just 20 minutes away from Toronto Pearson Airport. Featuring the theme, It's All About the Experience, this year's agenda is packed with retail leaders and home improvement experts.

The event will kick off on Tuesday, November 12 with a pub night at the Kingbridge bar and lounge. Attendees will have the opportunity to network with Outstanding Retailer Award (ORA) winners, speakers and fellow Hardlines Conference delegates over a pint and snacks.

Bright and early the next day, the conference presentations will kick off with independent retailers from across North America. From Newfoundland, Christine Hand, a Home Hardware dealer-owner and chair of the company's board, will grace our stage. And from Brooklyn, N.Y., Joe Franquinha from Crest Hardware will relay how he has made his store memorable in his eclectic neighbourhood.

Lowe's Canada's Tanbir Grover, vice president of eCommerce and omnichannel, will provide an in-depth look at how the company has integrated its online and bricks-and-mortar sides of its business and what's next on the heels of a new corporate website launch.

And back by popular demand, economist Peter Norman of Altus Group will provide his housing and industry analysis, while Dan Tratensek of the North American Retail Hardware Association (NRHA) will



Joe Franquinha (pictured with his father, Manny) from Crest Hardware in Brooklyn, N.Y. will relay how he has made his store memorable in his eclectic neighbourhood.



Lowe's Canada's Tanbir Grover, vice president of eCommerce and omnichannel, will tell us what's next for the company.



Christine Hand, a Home Hardware dealer-owner and chair of the company's board, will grace our stage.

Bespoke

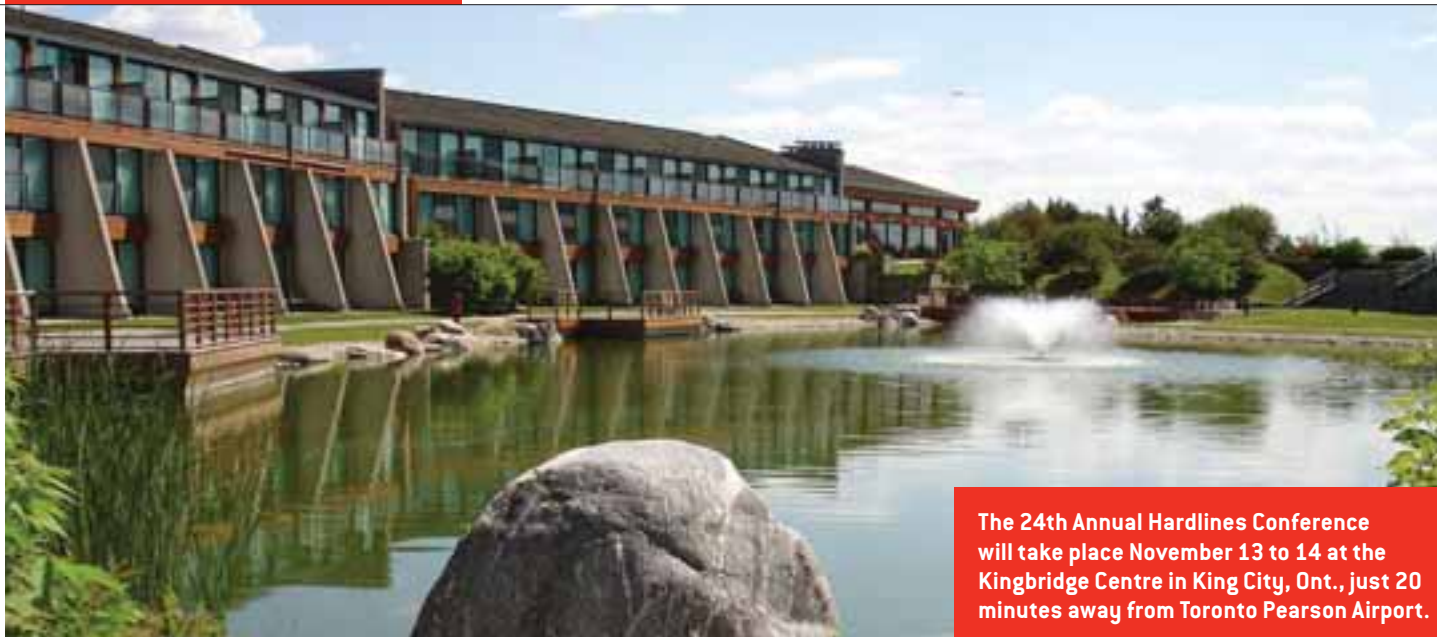
Sophisticated and Modern, our new Bespoke collection offers almost an unlimited set of options to suit any contemporary design. Never before have so many choices been available to homeowners, designers/architects and builders. Dreams, Design and Durability finally come together. Our new Brushed Face and Hidden Fastener along with options such textured or smooth face help define our Bespoke Line.



**Dreams
Design and
Durability**
finally come together



Try a custom siding profile to make the project truly unique. Add special lengths, pressure treatment, semi transparent and our new metal accents to finish off your project. Once the exterior of your home is complete, its time to move to the interior with Bespoke Shades, Whitewash and Sugi Ban. Our New interior cladding will enhance any home with a distinctive look that can only be achieved using real wood and our new colour system.



The 24th Annual Hardlines Conference will take place November 13 to 14 at the Kingbridge Centre in King City, Ont., just 20 minutes away from Toronto Pearson Airport.




offer a topline look at some of the association's most recent dealer research.

Outside of the home improvement industry, David Boone, CEO of Staples Canada, will share his insights and expertise on the trends impacting his business across Canada. And the co-owners of Toronto's quirky clothing store, The Store on Queen, will offer some insight into their unique business model and the experience they offer their customers and social media followers.

But the experience doesn't end when the presentations are over. Be sure to book a room at the Kingbridge Centre and stay for the duration to make the most of this location's beautiful grounds and facilities. The centre will also serve as the location for this year's Outstanding Retailer Awards on the evening of November 13. The ORAs



will honour retailers from across the country in seven different categories—from Best Hardware Store to Best Contractor Specialist. Be sure to buy a ticket to come hear your fellow retailers' stories and celebrate their success.

The Hardlines Conference is the Canadian home improvement industry's only national-level conference. With special dealer pricing available, this is a must-attend event for retailers looking for fresh ideas and inspiring content. 

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HOME HARDWARE'S NEW CEO HITS THE GROUND RUNNING

BY MICHAEL McLARNEY

Meet the new boss of Canada's number-three home improvement retailer. It's still early days, but he's definitely not like the old boss.

Kevin Macnab is Home Hardware's new president and CEO. Now, in place at Home Hardware for about 10 months, he feels confident that he is getting a firm grip on the challenges and opportunities facing the company. Macnab sat down with *HHIQ* during the Home Hardware Spring Market to give his first media interview in his new role.

Macnab brings with him a strong retail background that includes senior roles at the iconic British retailer Marks & Spencer in the U.K. and then Canada. After that, he moved to Toys "R" Us as head of that retailer's international operations—including the title of president for Canada.

Sitting at the front of Graham Ferguson Hall in Home Hardware's warehouse in St. Jacobs, Ont., Macnab talked about his new role, the strength he sees in the dealer-owned organization, the potential for growing areas such as online sales and his overall vision for the company.

A STRONG RETAIL BACKGROUND

Although he comes from a traditionally corporate environment, Macnab feels confident that his experience handling a range of businesses for Toys "R" Us—he oversaw everything outside of the U.S.—has prepared him for the co-op business model and the range of products and services Home Hardware offers.

Referring to the many product lines his former retailer also carried, he says, "I'm experienced at dealing with that sort of scale of difference. Working at Toys 'R' Us, I was involved in a whole range of categories. What I really enjoy about Home Hardware is the whole range of categories it encompasses."

Kevin Macnab may be new to Home Hardware, but he brings a wealth of retail experience to the role.



And how does the co-op model compare with the corporate environments of his previous career? Where previously he would have to answer to a board of directors, Home's accountability extends to all 1,000-plus dealer-members. "At Home Hardware, that's the real strength of the business," he says, adding that he's really been educated on the core strengths of dealers in their local markets. "It's a positive difference."

Macnab has been putting the company through an in-depth strategic planning process that finds him focusing on several areas. They include being in-stock on inventory and optimizing marketing and promotions. He also wants to invest more in Home's e-commerce and "to really strengthen the fundamentals of our support for our dealer-owners."

REALIGNING THE TEAM

In his early days at Home Hardware, Macnab wasted little time re-examining how the company is being run—from the top down. The first major addition to the executive team

under his tenure was Marianne Thompson, who joined at the beginning of the year as vice president, merchandise LBM. Joel Marks had been filling both the hardlines and LBM roles since 2016. With Thompson in the lead role on the LBM side, Marks was able to return to focusing on the hardware side as vice president, merchandise hardlines.

By spring, more changes started coming, at a remarkable rate for a company long known for its stability and consistency. Darrin Noble was promoted to the role of vice-president, store operations, in addition to existing duties as vice-president and general manager of Home Hardware's paint and chemicals division, Burford Paint & Home Products.

On the merchandise side, Brian Straus and Dave Martin were appointed directors, merchandise hardlines. They report to Joel Marks, vice-president, merchandise hardlines.

Just weeks later, the company announced a new alignment of the entire merchandising team.

On Home Hardware's IT side, a long-time executive retired to make way for a new face. John Rogez, VP of IT and a 36-year veteran with the company, was replaced by Gino Gualtieri, whose resumé in the information technology field includes Reitmans, Sears Canada, The Brick Group and Staples.

FOCUS ON STRATEGY

Since joining Home Hardware last September, Macnab has not taken long to start building a clear strategic focus on the fundamentals of the company.

That strategy quickly became part of head office's efforts to boost support for dealer-owners—who are both the customers and the shareholders of the company. A big part of that focus is on e-commerce, something Macnab is determined to push the company to become more effective at. And he's building a team to create platforms that will help customers complete their purchases by giving them digital tools right in the store.

“There are a number of opportunities to grow within our dealer-owner model. I'm proud to be part of this organization.”

Under Macnab, Home Hardware hired its first-ever director of e-commerce, Chris Parsons. Another addition to this part of the business includes Michael Gawtrex, who is director for loyalty and CRM. He is tasked with driving strategies for loyalty and engagement for both pros and retail customers.

As the economy remains slow in many parts of the country, Macnab wants to make sure head office is doing everything it can to support its dealers and expects e-commerce to play a significant role. He promises that there's "more to come" as Home Hardware increases its online presence. "We need to expand what we are doing and be at the leading edge."

Efforts like expanded online access for Home Hardware customers is just one of the ways Macnab believes the company is helping its dealers improve the customer experience and weather a soft economy. "We're confident of the outlook for our business for the year ahead," he adds.

He's also confident that the Home Hardware dealer model is a strong one. He acknowledges that the biggest growth in the banner has been with the Home Hardware Building Centre format, a home centre footprint that combines both hardware and building materials. In fact, in recent years, both smaller hardware stores and some of Home's more contractor-oriented yards under the Home Building Centre banner have been encouraged to expand their lines and transform into HHBC stores, depending on the nature of their respective markets.

The combined format also helps Home Hardware present a consistent experience to customers—something that is, according to

Macnab, critical. "We're focused on getting our business right and getting the customer experience right." But regardless of the format a dealer chooses, the focus remains on growth. "We will continue to grow in profitable locations—and Quebec remains an opportunity market for us."

He adds that, despite the lethargic state of the economy, the dealers are well positioned. "We're confident in the outlook for our business for the year ahead."

Finally, he discounts any notion that the co-op model may have run its course. "There are a number of opportunities to grow within our dealer-owned model," he says emphatically, adding a personal note: "I'm proud to be part of this organization."

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TRADITIONAL RETAILERS STILL PLAY CRUCIAL ROLE IN OMNICHANNEL

BY FRANK CONDRO

Despite the rapid growth in online shopping, rumours of the demise of independent bricks-and-mortar retailers have been greatly exaggerated. Instead, an omnichannel retail marketplace has emerged, where traditional retailers in all segments engage consumers across platforms and leverage their strengths to compete with online challengers.



One of the biggest macro trends in retailing is that in-store traffic is declining to flat because of the new omnichannel retailing world; that's just the new reality," says Michael LeBlanc, a senior retail advisor for the Retail Council of Canada. "Between eight and 10 percent of all goods are sold online now, and that percentage is growing. So, the trick for traditional retailers is to make their retail experience fast and convenient enough to compete with pure online alternatives."

One omnichannel approach that is gaining traction is "Buy online, pick-up in store" or "Click and Collect". Retailers as diverse as Old Navy, Best Buy and Loblaws all now offer consumers the option of purchasing products through their online catalogue for pick-up at a chosen location. That saves the consumer the time it would take to shop for items in the store while giving them control over when and where

they pick their purchase up, rather than waiting for a home delivery. And because the customer can verify their purchase at the pick-up point, they don't have to worry about returning items that are incorrect or unsatisfactory.

"Click and Collect is a great opportunity for savvy retailers. Loblaws' PC Express brand is even experimenting with things like pick-up lockers in transit stations for small grocery loads," says LeBlanc.

SOCIAL MEDIA

Another new retail reality is the fact that many consumers, especially millennials, now learn about new products and services primarily through social media interactions.

"Younger consumers are not influenced by traditional advertising the way older generations are," explains Anna Zamparo, professor of Global Retail Operations at Humber College. "They are much more

likely to learn about new products through images they see on Instagram and base their buying decisions on reviews and comments they read on Facebook, Twitter and blogs."

She adds: "Influencers play a big role as well. More than 10,000 people showed up at Square One Shopping Centre in Mississauga to see YouTube beauty influencer James Charles cut the ribbon at the new Morphe Cosmetics store. These influencers have become celebrities through social media."

And if you think the home improvement segment is immune to the influencer phenomenon, Zamparo points out "HGTV is full of them."

In the omnichannel retail world, LeBlanc argues, retailers have to use traditional advertising and marketing in tandem with social media to cover all the potential customer bases. "That's where the conversation takes place, so you have to engage in that conversation and give your customers a reason to talk about your brand."

One way to do that is through what LeBlanc calls "Instagram-able" in-store marketing. A prime example is the "Cold Room" Canada Goose recently installed in five of its 11 stores. The tiny room, which is designed to look like the inside of an ice cube, is kept at a chilly -27 C so customers can experience the quality of the company's pricey parkas. The added benefit of the Cold Room is the images customers post on social media of themselves experiencing the cube. Says LeBlanc: "Retailers who use social media well have figured out how to connect the dots that lead back to their brand essence."

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Since penetrating the Canadian market, Uniqlo, a Japanese fashion retailer, has steadily been gaining in popularity.

THE VALUE-ADDED IN-STORE EXPERIENCE

The advantage bricks-and-mortar retailers will always have over their online competitors is the ability to provide value-added services and experiences in-store for their customers—and many are finding ways to leverage that strength.

“Believe it or not, people still crave human interaction. They’re looking for reasons to get out and get together with other people,” says Zamparo. “In-store events and services can offer a form of entertainment and community that draws people in and builds a connection with the brand. For example, I love the store Staples just opened in Toronto where they’ve added work stations for customers to use and an event space for business mentors to come and speak to entrepreneurs.”

Snuggle Bugz is a Burlington, Ontario-based baby products specialty chain with 11 stores located in Ontario and British Columbia. The company runs several in-store events designed to provide product support and generally strengthen the bond between their key customer demographic—young parents—and the brand.

“Last summer, we worked with one of our main stroller suppliers to run what we called a ‘stroller tune-up’ event at all of our locations,” says Melissa Kriz, director

of marketing and brand for Snuggle Bugz. “Customers were able to bring their strollers in to be cleaned, have small repairs done and get them evaluated for larger repairs if necessary, all for free. It’s a great way to let customers know that they can count on us for post-purchase support, and that differentiates us in our market.”

Snuggle Bugz also offers free in-store sleep clinics for harried new parents, pre- and post-natal fitness and nutrition seminars and “mom and baby” music and exercise classes where new moms can get out of the house and connect with each other.

“We are a specialty retailer, but we compete with mass marketers as well as online retailers, so we know we have to deliver a superior customer experience,” explains Kriz. “Our goal is not to simply push product; we want to educate and empower our customers as well and give them confidence in their purchase decisions and let them know we’ll help them navigate their baby journey.”

KEEPING IT FRESH

With growth in overall bricks-and-mortar retail sales flattening due to online competition, traditional retailers are turning their focus toward growing market share. The key to that, says LeBlanc, is offering customers something new: “Retailers today

have to clearly differentiate their products which means innovation and freshness are paramount.”

The demand among consumers for new and innovative products is being driven by several factors besides online competition. LeBlanc points out that multiple foreign retailers (Nordstrom–U.S.; Decathlon–France; Miniso–China; Uniqlo–Japan) have entered the Canadian market in recent months and years, exposing Canadian shoppers to interesting products and different shopping experiences. Social media is another factor, says Stuart Rice, national visual and merchandising manager for Brown’s Shoes, a Canadian shoe store chain with 64 locations across Canada.

“Before social media, trends were driven by word-of-mouth, and that takes a while to get around,” laughs Rice. “Now those conversations are all instant, so people are aware of new products faster and demand for those products rises and peaks faster. When it comes to merchandising a store today, the turnover of product has to be much quicker and much more responsive to what people are looking for right now.”

Leblanc adds that the goal of merchandising is now making the most of every customer who enters a store.

“It’s not like 20 years ago,” adds Rice. “If someone comes in your store and doesn’t immediately see what they’re looking for, they can easily get it somewhere else. They can get it on their phone.”

Despite the challenge posed by online retailers, Zamparo believes that consumers still value the in-store retail experience. “Physical stores will never disappear; however, the retail experience has changed from being product-centric to customer-centric,” she argues. “Since consumers have so many choices, physical retailers need to give consumers a reason to get in the car and shop.”

Rice agrees: “The experts have said for years that traditional retail is dead, but it’s not true. People will always like to see and touch items; they like to shop. Even Amazon has stores now.”



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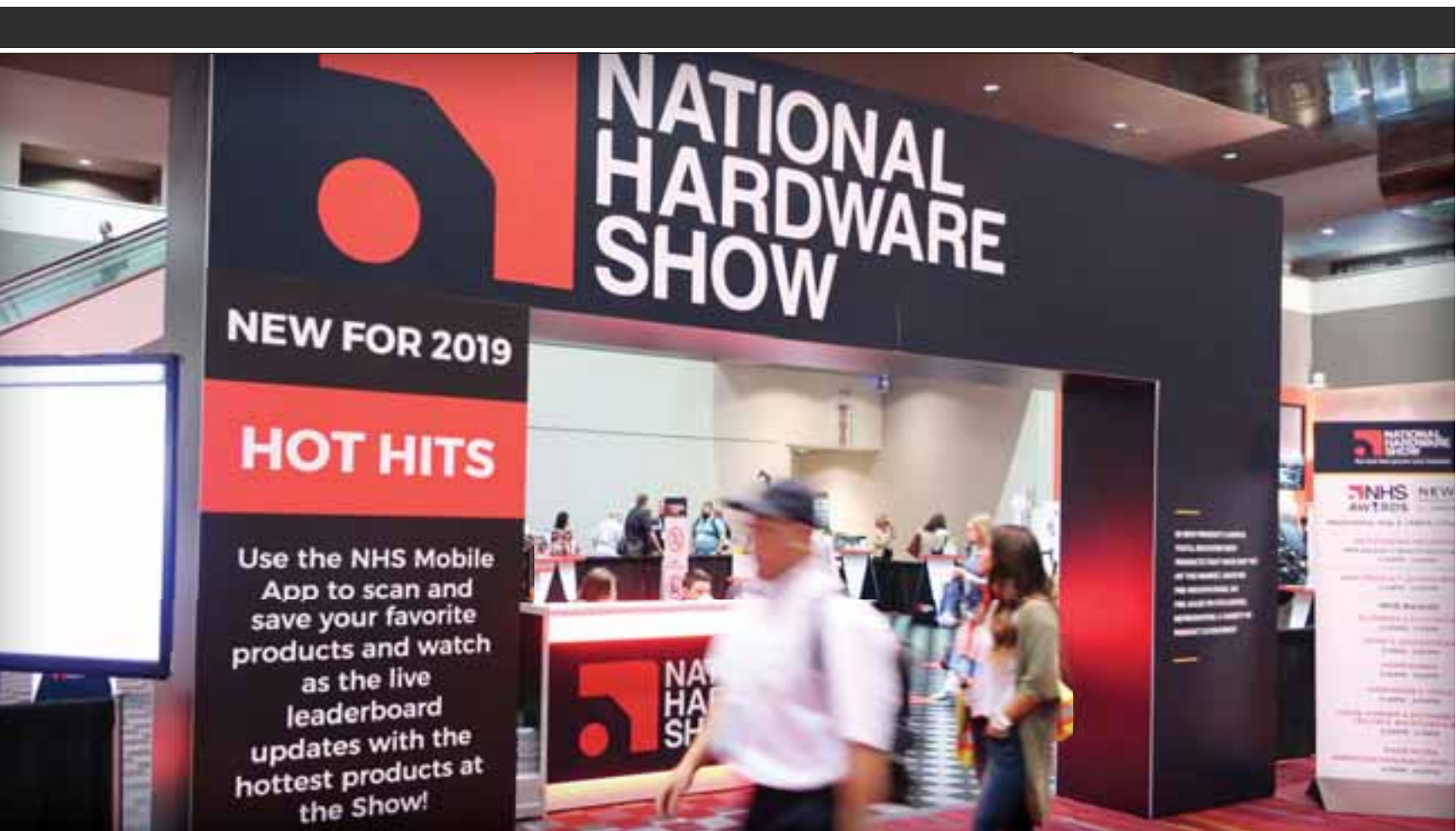
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NATIONAL HARDWARE SHOW OFFERS A LOT FOR CANADIANS

Las Vegas played host to the hardware and home improvement industry this spring, as retailers and buyers from across North America attended the National Hardware Show at the Las Vegas Convention Center.


The National Hardware Show is the destination of the home improvement industry for all of North America, not to mention a range of other countries internationally. But for the Canadians who look forward each year to attending, the show is considered in many ways their Canadian hardware show.

Many of Canada's largest retailers had buyers in attendance, walking the show, including representatives from Lowe's Canada, Canadian Tire, Home Hardware, TIMBER MART and Home Depot. And

regional retailers and independents were well represented, such as UFA, Peavey Industries, BMR Group, Lee Valley Tools, Federated Co-operatives, McMunn & Yates and Patrick Morin.

The show was held in conjunction with the All-Industry Conference, held by the North American Retail Hardware Association. From the NRHA stage at the entrance to the show, the first day of the event was kicked off with a presentation by John Hartmann, CEO of The True Value Company.

With a number of displays, ranging from an interactive smart home, New Product World, and Tiny Living @ NHS (designed specifically for professionals in small living, modular and manufactured housing industries), to the backyard marketplace and inventors spotlight, the show works hard to make space for all the newest products and trends.

Next year's show will take place May 5 to 7 in Las Vegas at the Las Vegas Convention Center. For more information, visit www.nationalhardwareshow.com. 

The main lobby showcased new products and inventions.



Vendors displayed their affiliation with the Quebec association's made in Canada initiative.



Co-owners of Lloydminster HHBC share their experience visiting Facebook's headquarters at the All-Industry Conference.



John Hartmann, CEO of True Value, kicked off the NRHA's All-Industry Conference.

Vendors reported doing brisk business over the three-day show.



Canadian vendors, like Super Remover, were at the show in full force.



BY JOHN CAULFIELD

BESIDE THEMSELVES

Dealers discuss how they handle difficult customers without losing them.



Have you heard the one about the customer who complained that a dealer's six-inch-high parking lot curbs weren't tall enough to prevent him from crashing his car through the store's front wall? Or the customer who ordered studs for a basement finishing project and then called the store demanding to know why they weren't delivered preassembled as

wall frames? Or the customer who insisted the dealer compensate him for the cost of a failed stucco project that was applied over mesh he had installed upside down with a hammer tacker instead of a stapler?

Every home improvement dealer has war stories about aggrieved, difficult customers. The above complaints were made against, respectively, The LumberZone's store in

Steinbach, Man., Lealta Building Supplies in Lethbridge, Alta., and The Cedar Shop Building Centre in Calgary.

Fortunately, say dealers, this level of chutzpah is rare. But dealers are also acutely aware that no complaint can be taken lightly at a time when negative comments about a store's products or services, valid or not, can find their way onto social media and spread.

How dealers handle complaints will vary, but they all want the same result: to reach a solution that is reasonable and acceptable to the customer so that they feel good enough about the store to shop there again in the future.

A number of dealers point out that managing complaints should start with avoiding them. "We've worked hard to create a service model upfront to prevent complaints in the first place," says Mike Doyle, president of The Home Improvement Warehouse in Calgary. That model encompasses product knowledge, professionalism, and, says Doyle, "limiting the categories we're involved in."

For example, Home Improvement Warehouse got into offering door installation because "it was a problem area that the average contractor can't do right," explains Doyle.

TIMBER MART-affiliated LumberZone, with three locations, ascribes to the philosophy of under-promising and overdelivering, says owner Joel Hartung. "If you think a load is going to deliver at 10 a.m., tell the customer 11 a.m. If a supplier tells

you a shipment will arrive May 1st, tell your customer May 3rd.”

John Canning, owner of Happy Harry’s, a Castle dealer with two locations in Nova Scotia, has found that most customers hear what they want to hear, “so it’s important to be clear with them, and to set expectations.” That’s why he insists customers sign receipts and count the items in their orders so there are no misunderstandings.

Pike’s Building Centre in Burin, Nfld., also makes all of its customers sign off on deliveries because the store was getting too many complaints about short shipments and damage. “This kind of takes us off the hook,” says owner Albert Pike.

When things fall through the cracks, dealers agree that the first step in complaint management is to find out what the problem is, which isn’t always easy when a customer is in a state of high dudgeon. “Calming them down means I’ve got to keep cool,” says Paul Parsons, who owns five Frasers Pro Home Centres in Nova Scotia. “I tell my employees, ‘Let the customer bleed on to you; it won’t kill you.’”

Parsons has found that listening, apologizing “and sometimes eating crow” goes a long way toward resolving disputes. Several dealers concur that what irate customers are really irked about is not being heard. Hartung observes, too, that complaints can manifest deeper psychological frustrations in customers’ personal lives. Once calmed down, “they apologize for over-reacting to the situation.”

Customers who might otherwise be happy with the store in general “just want to tell you when you’ve let them down,” says Rob Borthistle, co-owner of Selkirk Home Hardware Building Centre in Selkirk, Man. He’s found that offering a perk like free delivery on the next order appeases their agitations.

Rick Kurzac, owner of Kamloops Home Hardware Building Centre in Kamloops, B.C., acknowledges that customers’ complaints “are often valid and justified; our

staff either dropped the ball, or there’s something wrong with the product.” He tells his employees to put themselves in the customer’s shoes. “Sometimes problems happen, things get lost. But you can’t expect the customer to understand this.” He adds that the sooner his staff reaches out to the customer, “our ability to fix the problem improves tenfold.”

Complaint resolution, when handled properly, can become “an opportunity that makes customers more loyal,” says Jeff Redden, owner of Windsor Home Hardware in Windsor, N.S. He’s found that



what customers want, in order to settle a dispute, “often isn’t unreasonable; I may actually be more generous than what they expected.”

DON’T LET COMPLAINTS FESTER

Dealers take different approaches to prepare their employees to handle complaints. Dave Jackson, who owns Lealta Building Supplies, says the key to managing difficult customers “is the 100 years of experience we have on our sales desk.” His counter people “are versed in defusing these situations.”

In worst-case scenarios, the store’s general manager might get involved, but says Jackson, 90 percent of the time customers with a legitimate beef will be satisfied with a replacement product or a refund.

Mitch Wile, who owns The Cedar Shop Building Centre, a 53,000-square-foot store that specializes in decks, fencing and outdoor living, takes a personal interest in resolving complaints. “The number-one thing is to go to [the jobsite] immediately. When you do that, 90 percent of the complaints go away.” His strategy is to resolve the dispute as quickly as possible, and then figure out the longer-term fix with his employees or suppliers.

When LumberZone employees are confronted by complaining customers, they are instructed to get one of the company’s three owners involved immediately, says Hartung. “We include the employee in those conversations so they can see how we ask questions,” to uncover the basis for the complaint and how to resolve the customer’s objections.

RECONCILING EXPECTATIONS WITH REALITY

Patterns of complaints usually depend on who the store or yard sells to. Lealta Building Supplies, a Sexton-affiliated dealer, gets 90 percent of its business from pros, so complaints are usually more about service than products, says Jackson. Pike’s Building Centre recently opened a furniture showroom and started carrying appliances, so it’s been getting more inquiries about warranties. “Customers seem to think that it’s our warranty,” says Pike. “No, we tell them, they need to call the 1-800 number. But we also try to help them as best we can.”

Roy Perkins, owner of a RONA store in Cornwall, Ont., has observed that complaints often stem from a customer having wrong information about a product, pricing or service. Perkins also traces customers’ annoyance to their expectations about

product quality exceeding reality. “There’s no grey area with customers.” His solution, then, is to concede the complaint, replace the product in question or give a refund or store credit. “In the big picture, the cost of customer satisfaction is next to nothing,” he says.

Another area that vexes dealers and customers alike is when the delivery doesn’t match the invoice. “These complaints always cost me money,” laments Borthistle, the Manitoba-area Home Hardware dealer.

Resolving such cases is situational.

For example, Doyle recently refused the request of one homeowner for 10 pieces of moulding she claimed she was shorted from a delivery she had received five months earlier. But Home Improvement Warehouse has absorbed the cost of replacing a custom door to keep a customer happy even when it was determined that the customer provided the wrong measurements for the original order.

When customers complain about a product’s performance, most dealers seem more than willing to simply give them a new product. “I’m not getting into an argument over a \$30 can of paint,” says Redden of Windsor Home Hardware.

It gets more complicated when customers come into a store demanding discounts on purchases made after seeing the same product advertised for a lower price by another dealer. “Nobody puts a value on anything these days, and I often have to explain why what we sell might cost more than the price of what Home Depot sells,” says Jackson of Lealta Building Suppliers. He adds that when his store offers a quote to a customer within 24 hours, “our closing rate goes up 25 percent.”

BAD ONLINE COMMENTS: SPIKE OR REALITY CHECK?

One goal of complaint management is to keep disputes from escalating. “It’s cheaper [to refund] the money than to get bad-mouthed around town,” says Parsons of Pro Hardware.

Retailers always prefer to deal with customer complaints on their own turf: their stores or yard. But when those efforts don’t mollify customers, the internet often becomes the shopper’s megaphone. And the last thing dealers want is to get into a virtual shouting match with customers online.

Windsor Home Hardware knows this all too well. A customer complained that the coating he bought to paint his \$200,000 transport truck had failed. Redden contends that the customer had applied the

respond; you just have to let it go,” says Pike. Doyle, whose store is on Facebook and Instagram, is even more emphatic: “Our policy is Do Not Engage—with either good or bad comments. It’s like Donald Trump on Twitter; it’s become entertainment. And if you keep poking that bear, it will keep coming back at you.”


Doyle, though, does reward his salespeople when patrons post positive comments about the store.

Wile of The Cedar Shop is equally flummoxed by the internet, which he calls “a cesspool” where “nine out of 10 times” negative comments about his company are “inaccurate,” and posted “by someone who just wants to cause somebody grief.” His counter is to post “factual information” on the same platform. When an unhappy customer voiced his discontent on the Better Business Bureau’s site, Wile got the customer to send him pictures of the product in question. “We determined the wood was rotted, which is why it didn’t hold the stain, and we refunded him the cost of the product.”

Other dealers believe engagement is essential, because social media has become “a much bigger part of the review process for businesses,” says Kurzac of Kamloops Home Hardware.

“There are so many outlets where customers can express their displeasure,” says Perkins of RONA Cornwall. “We deal with these one at a time. We’ll go back to the [poster] and discuss the problem. You can’t bury it; you have to own up to your mistakes. Most people will respect you for that.”

Dealers agree that the ideal course of action is to get posters to take down their negative blasts as quickly as possible, and to get the shopper back into the store to resolve the grievance.

Negative comments on the internet “can be useful reality checks,” says Borthistle of Selkirk Home Hardware, who has had success getting customers who have posted their displeasure to repost positively once their complaints get resolved. 



second and third coats prematurely. The store offered to replace the paint and applicators, but the customer wanted Windsor to pay for his labour as well. When Redden refused, the apoplectic customer stormed out of the store and posted negative comments about Windsor on the city’s website. After the city removed that comment, the customer reposted the same message—seven times.

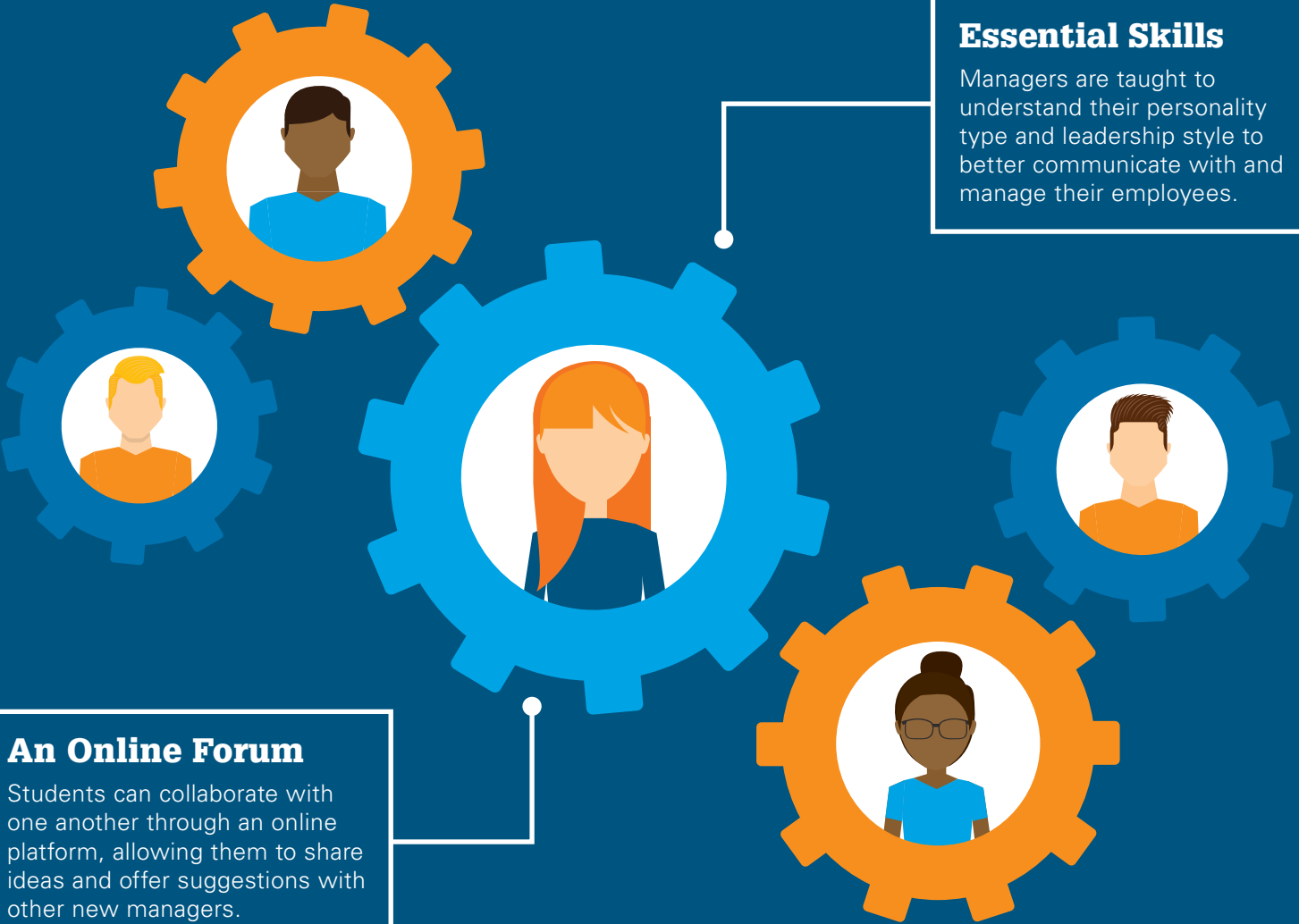
Obsessive public harangues are uncommon, which may explain why some dealers choose radio silence when negative comments surface. “I don’t think you can

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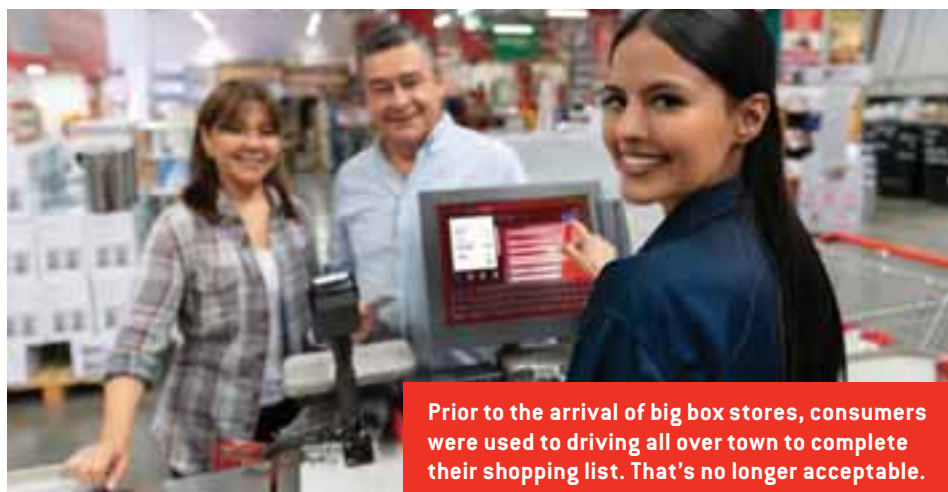
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THE NUMBER ONE REASON CUSTOMERS SHOP IN YOUR STORE

Merchandising expert Rob Wilbrink weighs in on the top factor consumers consider before deciding where to spend their home improvement budget.

BY ROB WILBRINK



Prior to the arrival of big box stores, consumers were used to driving all over town to complete their shopping list. That's no longer acceptable.

A recent consumer research study looked at how consumers decide where to shop for home improvement products: Was it price? Selection? Store brand? Online presence? Service? Loyalty programs?

What struck me was that despite all the changes that have shaken our world since the millennium, the results were a carbon copy of the feedback I got from several thousand exit surveys of Lansing Buildall customers 20 years ago.

The number-one determinant of where and how a homeowner decides to shop is a belief that “They have what I need”.

Prior to the arrival of big box stores, consumers were used to driving all over town to complete their shopping list. That's no longer acceptable. And internet shopping has made it even easier to get what they need when they need it. This has forced a paradigm shift in thinking for smaller bricks-and-mortar retailers. It has forced them to embrace retail fundamentals such as in-stock position, appropriate depth of stock, thoughtful assortment planning,

impactful displays, reliable and timely replenishment, natural product adjacencies and adequate staff training.

As a retailer, it doesn't matter if you actually have a particular item if the customer's perception is that you won't. This perception is built before a customer is in the market for something. They may be buying a faucet today, but if you don't use the opportunity to highlight siding options in the store, they may well think of your competitor first when they go to re-side their house six months from now.

That's why you need strong product displays that reach out and grab customers and make it clear you're in that business. This applies to core hardware categories, but even more so to building materials.


Sometimes building the right perception means getting out of categories altogether. It's better to be awesome at a few categories than average to below average in a lot of them.

It's important to continually purge products that aren't moving. Unwanted products have a tendency to accumulate and block

space better devoted to desirable products. Large retailers regularly do line reviews to analyze how customers are voting with their wallets and to stay on top of market trends, especially in fashion categories.

Adding product capacity will increase the odds you'll have what your customer is looking for. The obvious way is to expand your store. But even in the same footprint, much can be done with the right fixturing to eliminate the need for storage rooms and make overstock readily accessible. This also reduces the need for as many facings of any one product, which frees up space for more selection.

The less sexy side of ensuring customers get what they need is analyzing item movement and suggested order reports. But computer reports are no substitute for product knowledge and understanding, from a customer's perspective, what will be needed for a typical project or task. Staff also need to be compulsive about auditing and filling holes with available overstock or adding unavailable items to the re-order sheet.

A healthy business demands a two-pronged approach of building a positive reputation while doing the hard work of maintaining the right inventories and making them easy to find. In this sense, merchandising and operations have equally important roles in satisfying the most important and fundamental customer needs. 

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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YOUNG RETAILER OFFERS FRESH PERSPECTIVE TO FAMILY BUSINESS

BY GEOFFREY McLARNEY

Rebecca Wichers-Schreur started working for her parents right after finishing her master's degree to help get their new store up and running. Three years later, she's become an integral member of the team and a large part of its success.

Rebecca Wichers-Schreur's introduction to the home improvement industry was all about timing. When her mother Laurie Wichers-Schreur bought Wood Works of Renfrew, Ont., in 2016 with her spouse Bruce Gannon, Wichers-Schreur was just graduating from Queen's University with her master's degree in industrial relations.

"I finished in June when they were finalizing the sale," she recalls.

The trio, Wichers-Schreur explains, were all completely new to the industry. Her mother and stepfather had heard of the store through the grapevine and thought it was a good opportunity. Both had other jobs, however, which kept them from being in the store on a full-time basis. Bruce is an electrical contractor and Laurie was working full-time for a public service union.

Though the family faced a whirlwind three years, as Wichers-Schreur puts it, the combination of her degrees in industrial organization and communications put her in good stead to get the company on track.

When her parents acquired the Renfrew store, it had just five employees. Now, aided by her efforts, it has swelled to 19 and the company has added a second store in nearby Burnstown. Both stores operate under the Castle banner.

After slumping sales in the first year, the Renfrew store underwent a physical transformation spearheaded by Wichers-Schreur, before a grand reopening in the summer of 2017. By the end of the year, sales had nearly doubled compared to the year before.

Another part of her job has been an overhaul of the stores' marketing, including a social media blitz to raise their profile.



It's a family affair. From left to right: Laurie Wichers-Schreur, Bruce Gannon, Rebecca Wichers-Schreur, Gerritt Wichers-Schreur, Kimberly Gannon.

The Burnstown store, as McLeod Building Supplies, had been closed for a few years when the Wichers-Schreurs and Gannon took over. "Trying to get the word out that it's back open" has been Wichers-Schreur's main objective for the location. A series of YouTube videos kept customers updated on the progress of renovations at the store.

"Both stores have completely redesigned websites," Wichers-Schreur adds, while the company Facebook page has become more active under her watch. With a new online catalogue, "people can now purchase through our website, which is fantastic."

A new flyer program covers both stores. "I also instituted a loyalty program where you can earn points or cash back, which has been very popular," says Wichers-Schreur.

Still contractor-oriented, Wood Works of Renfrew has nevertheless moved to broaden its appeal, adding new offerings in kitchen

and seasonal categories as well as changing paint vendors.

When she started out, Wichers-Schreur thought she was just helping out for a short time. "I kind of thought it would be more of a temporary thing," she reflects. "But three years later, I'm still here."

What's kept her in the role long after she thought she'd have moved on is how every day is different, and each new challenge helps her expand her horizons.

"We have a great base of customers and getting to know them and their projects has been great. Everyone's been so welcoming and supportive," says Wichers-Schreur. "It's been a big learning curve for me, but so interesting—getting to learn things I'd never learn and experience things I'd never experience. It's so rewarding when you get to see something you've started come to life."

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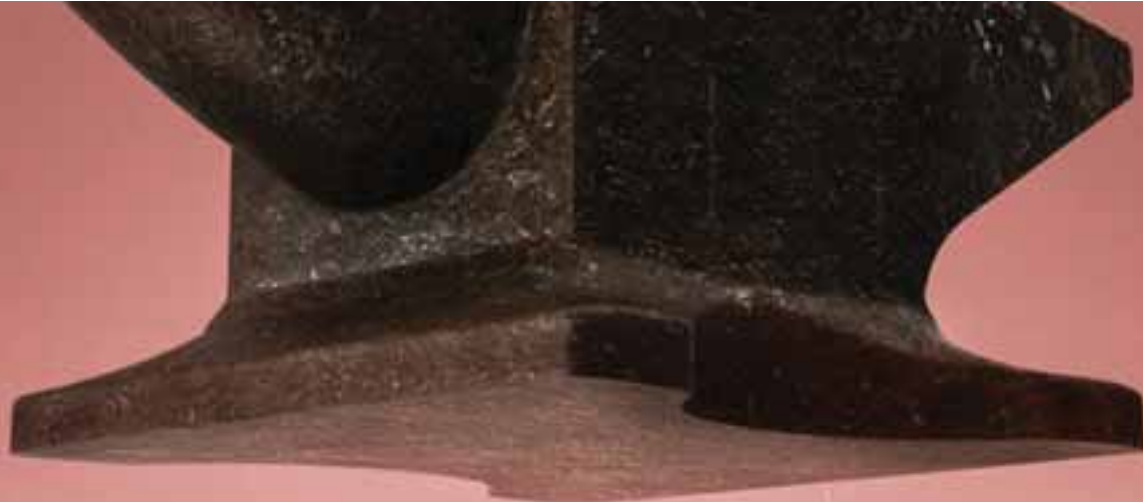


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