

FOURTH QUARTER / 2019

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MATTERS**

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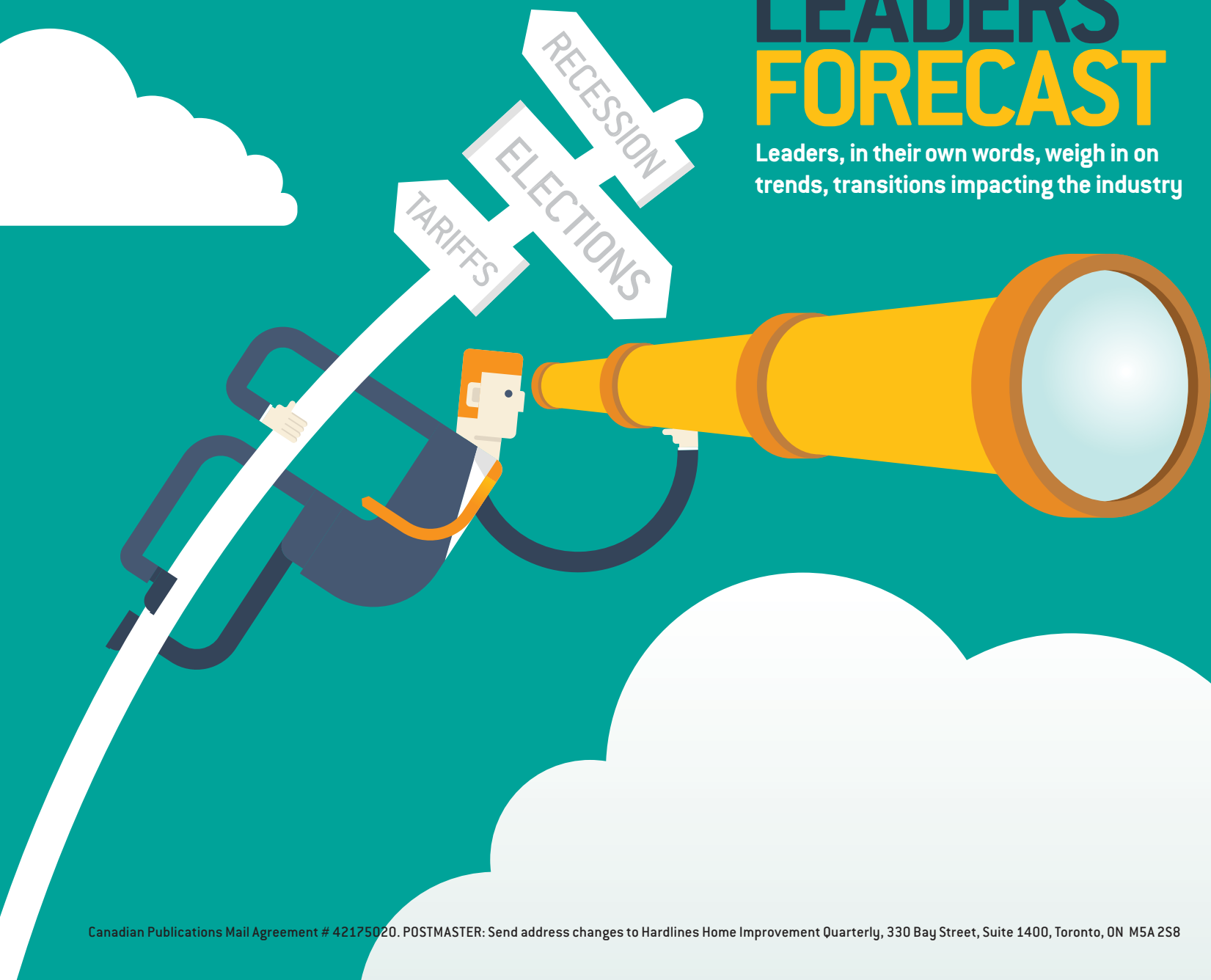
**SCHOOLING
LIFE**

Young retailer is set on soaking up as much knowledge as possible

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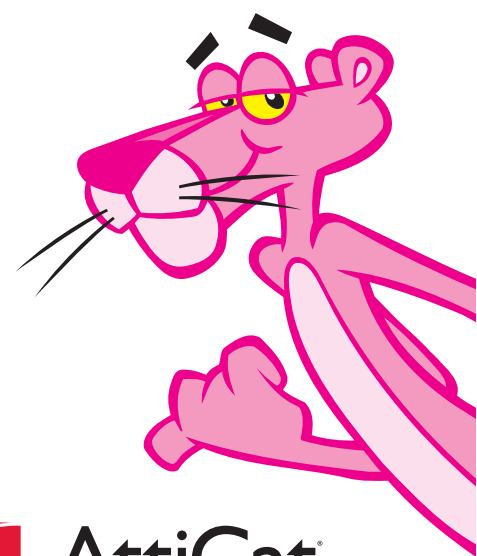




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SIGRID FORBERG, EDITOR

BEST LAID PLANS

There's a saying that if you want to make God laugh, tell him your plans.



While forecasting the weather is a (somewhat) exact science, retail conditions can be a little trickier to predict. The metaphorical skies may look clear one moment, and the next you're hit with a downpour.

In this issue, we strive to give you as accurate a retail forecast for 2020 as we can. Our cover story features a number of industry leaders outlining in their own words what they expect from the next year, based on environmental, political and historical context. While no one anticipates completely sunny skies, they each outline how they plan to support dealers through the challenges ahead.

More than two decades ago, as American retail chains were establishing themselves in Canada and quickly overtaking home-grown names, "Made in Canada" became a form of resistance against the monopoly. And years later, when e-commerce was first gaining momentum, a product's Canadian origins would help protect consumers from exorbitant customs fees and steep currency exchanges. But those hurdles now daunt Canadian shoppers far less—free shipping, free returns and better pricing make it worth the risk.

But "Made in Canada" efforts haven't disappeared. And Canadians, known worldwide for claiming their products (ranging from Justin Bieber and Céline

Dion to basketball and IMAX), still love a "support local" initiative. So how has it changed from those early emotional years of the slogan? Our feature on page 30 explores the eminently practical reasons Canadian retailers are stocking their shelves with Canadian products.


“Being armed with the right knowledge ensures dealers will be able to react appropriately, regardless of what the future brings.”

However, stocking their shelves in general can be a challenge for some Canadian dealers. For home improvement retailers in the North, supply doesn't always meet the demand. From exorbitant shipping fees to difficulties finding and retaining workers, these dealers often need to find creative workarounds for what may seem like everyday obstacles elsewhere. To hear more about how they make it work, flip to page 40.

And on page 44, our marketing expert Lyndon Madden has some advice on how to get your digital house in order, whether you're still working on the basics of your website or just hoping to keep up with the rate of change. As Madden puts it, your website is a living, breathing, digital document—you have to put in the work to sustain it so that it's meeting your customers' needs.

Our Endcap highlights one retailer putting in the work in other ways. Kevin Harris, from Harris Home Hardware in London, Ont., has spent half his life working in the family business. And he's been focused on absorbing as much knowledge as he can the entire time.

"Learning is something I'm going to do until I retire," says Harris. "I'm going to soak up all the knowledge I can. I think the more knowledge you have in the hardware industry, the better you're going to do."

Looking ahead, there are many factors that can dictate a retailer's success that they may not have control over. But being armed with the right knowledge ensures dealers will be able to react appropriately, regardless of what the future brings. 

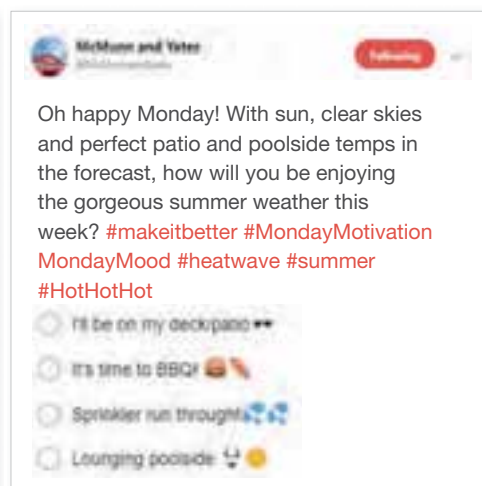

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WHAT'S TRENDING IN HOME IMPROVEMENT

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.



McMunn and Yates makes it easy for even the laziest customers. [#homeshopper](#)

Flight of "fan-cy" in Spring Valley. [#heatwave](#)

A treat for everyone at Lee Valley! [#goodboygetscool](#)

Spring Valley Building Centre
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Fans are literally flying off the shelves @springvalleybc this week! If you are looking for a quick fix to cool down your home during the heat wave – stop in to see Candi & our team of sales associates. They would be happy to assist you! [#PEI](#) [#PEIheatwave](#)
12" Desk Fans - \$25.99





Gentek Building Products experts are on your siding. #stepbystep

Oxbow TIMBER MART does its best to keep hazardous waste out of landfills. #greennandclean



Lowe's Canada points out that with plants, there is such a thing as too much love. #drowningyourdarlings



BMR CONTINUES ONTARIO EXPANSION

BMR Group has been actively targeting Ontario dealers to help it grow its network of members outside of Quebec.

BMR Group recently held the official opening of its first store in Ontario under the BMR Pro banner, Griffith Building Supply in Greater Madawaska township.

Owners John Lacourse and Derek McGrimmon unveiled the new look of the store, which adds 2,000 square feet for an expanded line of materials. “We are very happy, and especially very proud, to open the first BMR Pro store in Ontario,” said Pierre Nolet, BMR’s VP of business development, calling the new dealer “an important ally in Ontario.”

BMR Pro is one of a series of designations created to suit the various formats of its members. They include Pro for contractors and Express for convenience hardware stores.

While the format can vary according to each dealer and their local market, the BMR Pro concept typically involves around 8,000 square feet of floor space with an industrial look and a space tailored to pros. The store offers bulk discounts, digital terminals with access to BMR’s catalogue, online ordering with in-store pick-up and a lumberyard with outdoor tills. Other traditional services remain in place, including on-site delivery, project estimates, cutting, truck fleets, phone-in orders and charge accounts.

While it’s significant that the banner added its first Pro store in Ontario, the company also has plans for the banner in its home province. The first Quebec store for the BMR Pro banner is currently under construction in Trois-Rivières, with an existing BMR dealer, BMR Pierre Naud. That store opened in mid-September.

The group also recently added Feldman Timber, a family-owned business in Timmins. The company, which has been in business for more than 100 years, will undertake major renovations as the



Owners John Lacourse and Derek McGrimmon (centre) cut the board at the opening of BMR’s first Pro store, Griffith Building Supply.

23,000-square-foot store converts to the BMR banner in the upcoming months.

Fourth-generation owner Lorne Feldman was drawn by the range of programs offered by BMR, which include pricing, integrated distribution, new products and a marketing program. “BMR provides us the tools to give our customers an exceptional shopping experience, along with great value,” he said.

While the latest efforts to recruit dealers outside its home province are relatively recent, BMR has in fact had a presence in Ontario for many years. One such longstanding dealer is BMR Windsor Building Centre, in Windsor, Ont. Another, Drummond

Building Supplies in Marmora in Central Ontario, joined BMR in 2006.

However, when BMR was acquired by La Coop fédérée in early 2015, it reined in its expansion efforts while reorganizing its head office. Now, under Nolet, the group has renewed its efforts in a more targeted manner than ever before.

Just a month after the Griffith signing, BMR hired someone to focus on growth in Ontario. Jason Hamburger, a former product manager at Home Hardware, took on the newly created position of business development manager for the province. He reports to Nolet.

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BMR'S STAKE IN LEFEBVRE & BENOIT PROVIDES ENTRY TO HIGH-RISE CONSTRUCTION MARKET



BMR Group and Lefebvre & Benoit aim to combine their expertise to improve their offerings and drive growth across Canada.

BMR Group has reached a deal to acquire a stake in Lefebvre & Benoit, a Laval-based dealer selling construction materials to contractors and builders, and a fellow member of the buying group Independent Lumber Dealers Co-operative (ILDC).

The two Quebec companies aim to combine their expertise to improve their offerings and drive growth across Canada. Where BMR's stores provide retail hardware and building materials to DIY customers and contractors, Lefebvre & Benoit furnishes large-scale industrial and multi-family residential projects. It also has three outlets in the Greater Toronto Area, specializing in residential roofing, industrial flooring and drywall, respectively.

"BMR's dealers right now are in the residential part of the business," CEO Pascal Houle explains. "The big towers in Montreal and Toronto—we're not there. Lefebvre & Benoit has the equipment and the management to understand and serve this market."

"They are real entrepreneurs and know how to build a business," he adds. "I believe it's a good move for both of us. The culture of the two businesses is similar."

Co-owner Alexandre Lefebvre says the partnership will ensure the viability of the family business in the face of mounting pressure from large U.S. chains.

"We think there's room for a large Canadian player that can act as a consolidator for the market," he says. "We're

strong financially. La Coop is a large business. We felt that by partnering with them—for them, it's a platform to grow in the commercial segment," he adds, referring to BMR's parent company, La Coop fédérée, "and for us, it gives the credibility to consolidate coast to coast."

In terms of the family business's succession plan, Lefebvre explains that with the growth of multinationals, "it would have been difficult to continue on our own." The deal with BMR, however, is no slippery slope toward losing more family control. "On the commercial side of the business, a lot of it is based on relationship. BMR wouldn't invest in us if we weren't committed to running the business for the long term. We are not going away."

HOME HARDWARE SEES “HUGE OPPORTUNITY” IN COMMERCIAL SALES

While Home Hardware is known for its DIY-friendly marketing and advertising campaigns, behind the scenes it is aggressively building its offerings to the commercial customer.

“It’s a huge opportunity and it’s growing for us,” says Dave Bond, sales and marketing manager for Home Hardware’s commercial maintenance business. Speaking at Home’s dealer market in the spring, Bond noted that the wholesalers supplying this sector are typically small and fragmented.

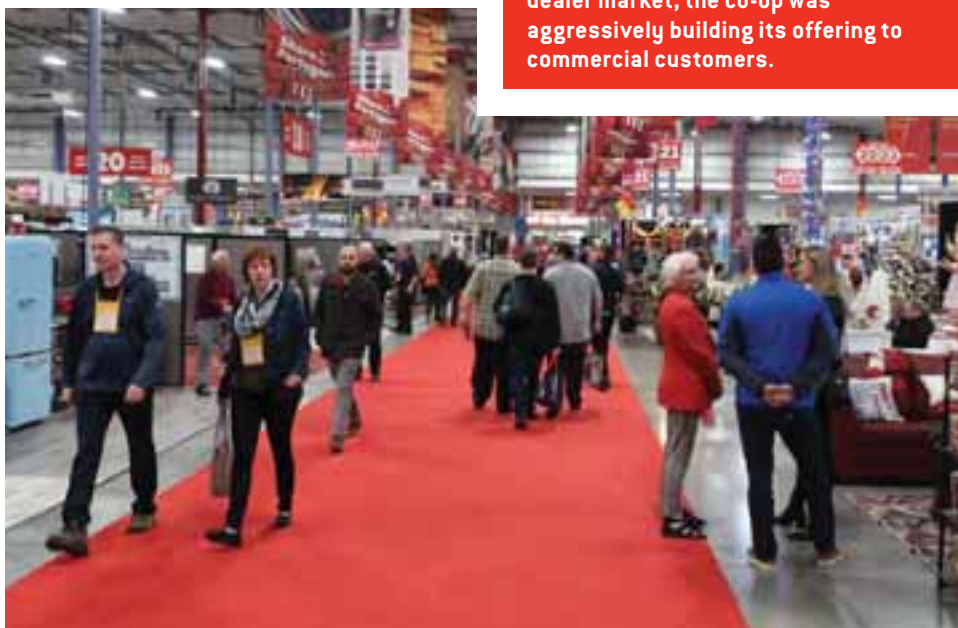
While the channel is dominated by a handful of big international players—Acklands-Grainger, Wolseley and HD Supply—more than 70% of the industry, he says, consists of commercial suppliers with less than \$10 million in sales. Bond estimates that 15% of those suppliers are actually doing under \$5 million. There’s definitely room to consolidate that supplier base, he says.

With so many smaller wholesalers out there, commercial customers must rely on multiple suppliers to get a wide range of products. Home Hardware’s broad assortments could counter that, says Bond. “We certainly could be a one-stop shop for them.”

But that fragmentation also makes for a highly competitive environment. Home Hardware’s head office is working to educate the commercial customer that their local Home Hardware store is an option for them. In fact, at last year’s fall market, Home Hardware introduced a comprehensive marketing program to encourage and support dealers to grow in the commercial market.

Dealers willing to develop their local commercial customers can open up a whole new revenue stream. “That business is there if you want to go after it,” Bond says.

Behind the scenes at Home’s spring dealer market, the co-op was aggressively building its offering to commercial customers.



BRIEFLY

AMAZON’S PRIME DAY SETS RECORDS

Prime Day, the e-commerce giant’s annual shopping event, was on July 15 and 16 this year. And it set new records for the company, leading to more sales than Amazon’s Black Friday and Cyber Monday events combined. Amazon says that worldwide, Prime members purchased more than 175 million items over the two-day sale and saved more than \$1 billion. The company also says Prime Day items were sent to customers faster than ever before thanks to one- or same-day shipping.

FCL NAMED LARGE CO-OPERATIVE OF THE YEAR

Federated Co-operatives Limited was recognized as Large Co-operative of the Year by Co-operatives and Mutuals Canada (CMC). The award recognizes Canadian organizations that have made a significant contribution to co-operatives and mutuals in Canada and around the world. FCL was recognized for its commitment to environmental sustainability, community investment, employee engagement, co-operative leadership and financial responsibility.

CANADIAN COMPANIES REDUCE BEE-THREATENING PLANTS

A survey by Friends of the Earth Canada has found that retailers have made great strides in reducing or eliminating the use of plants containing neonicotinoid pesticides, a major threat to the bee population. Top place for neonic-free flowering plants goes to two national firms and one regional chain: Home Depot Canada, Lowe’s Canada and Sheridan Nurseries in Ontario. Canadian Tire responded that at least 87 percent of its plants have not been exposed to neonic pesticides, and the company believes that more than 95 percent are neonic-free.

TRANSITION COMPLETE AS LOWE'S CANADA RELOCATES OUT OF MISSISSAUGA LOCATION

Seven months after it was first announced, Lowe's Canada closed its Ontario regional support centre. Friday, June 28, was the last day of operations at the office. Mandatory attendance by all remaining staff gave individuals the chance not only to turn in laptops and security badges, but to make final farewells to fellow workers.

Lowe's Canada determined last year that it would consolidate all its head office teams at the Boucherville, Que., headquarters and main distribution centre. "Having our operations under one roof will allow us to improve collaboration between our banners to better serve our customers," said Sylvain Prud'homme, president and CEO of Lowe's Canada, at the time of the announcement in November 2018.

After initial shock among the approximately 200 staff in Mississauga, the long timeline for exiting, plus generous packages and offers of support finding new employment helped mitigate the impact of the closing.

"The decision to close stores is never one that we make lightly," Prud'homme said at the time, adding, "Everything will be done



Lowe's Canada determined last year that it would consolidate all its head office teams at the Boucherville, Que., headquarters and main distribution centre.

to ensure a smooth transition until the stores are closed, and Lowe's Canada will support impacted employees, including by transferring eligible employees to other locations within our network whenever possible."

Some parts of the Mississauga team will remain in the Toronto area. The bulk of the IT group that manages the Lowe's.ca site, under Tanbir Grover, VP, e-commerce and omnichannel, will relocate to a smaller store support centre on Martin Grove Road, near Toronto's Pearson International Airport.

"Impacted employees were supported throughout the transition, and we wish to extend our sincerest thank you for all they have done for our customers and wish them all the best," said a spokesperson for Lowe's Canada. "Starting now, our team—including merchandising—is working from Boucherville, where they can collaborate more closely to better serve our customers across Lowe's Canada's multiple banners."

TAIGA MAKES CHANGES TO ITS QUEBEC MANAGEMENT TEAM

Taiga Building Products has announced two additions to its team in Quebec. Yanick Miron was promoted to Quebec general manager, freeing up Bruno Jean to focus on his role as VP of operations for Eastern Canada after balancing both functions for the past two and a half years.

"I did combine the role of manager for the Quebec region [with the VP job] and then I nominated one of my young guys, Yanick Miron," explains Jean, who has been with the

company for 15 years. "This was a plan in development. We do have succession planning in our organization."

He added that there was outside interest in the position, but he felt Miron was deserving of the promotion given his hard work for the company: "It comes with all the coaching Yanick and I have done over the past two years. He really showed the passion and enthusiasm to be the leader of the Quebec market."

Miron has 20 years of experience in the building materials industry, on both the manufacturing and the merchant sides of the business. He has been sales director for specialty products at Taiga for the past five years.

At the same time, Miron announced the appointment of Guillaume Renaud as director of moulding products for Quebec. He brings six years of industry experience in various posts with Metrie, including as a sales director and territory manager.

HOME DEPOT FOUNDATION UPS INVESTMENT IN PREVENTING YOUTH HOMELESSNESS

The Home Depot Canada Foundation is a key part of Home Depot Canada's identity and how the giant retailer operates in this country. Through an initiative called the Orange Door Project, the charitable organization pours money and resources into alleviating and preventing youth homelessness and recently announced a major expansion of its contribution.

The foundation started in 2013 with a \$10 million, three-year commitment to help homeless youth. In 2016, the company doubled that commitment to \$20 million over two more years. Most recently, Home Depot Canada expanded its support with a further commitment of \$30 million to carry the foundation through to 2022, representing a total of \$50 million.

In addition, Home Depot Canada staff collectively donate about 60,000 volunteer hours to community projects across the country.

"As one of the fastest-growing segments of the homeless population in Canada, we know that many young people first experience homelessness in their early teens; we

don't think that's right," says Pam O'Rourke, who, in addition to being VP of merchandising at Home Depot Canada, is chair of the foundation's board.

She notes that young people make up one of the fastest-growing segments of the homeless population in Canada, with many individuals ending up on the streets as young as their early teens.

The foundation cites research that indicates early intervention is critical to breaking the cycle of chronic homelessness later in life. Through its expanded commitment, the foundation will fund research to better understand the causes and conditions of homelessness. Direct involvement with homeless youth involves a range of services, including providing life-skills training and improved housing options for more than 450 community agencies across the country.

"By working with our sector partners and youth directly impacted, we can better understand the issues they face, make the right investments in the right places and truly make an impact," O'Rourke adds.

BRIEFLY

CANADIAN TIRE PARTNERS ON WEARABLE TECHNOLOGY LINE

Canadian Tire Corp. and Myant Inc. are partnering to introduce wearable computing and smart textiles to Canadian Tire's banners. Toronto-based Myant's proprietary fibre-based innovations will be added to Helly Hansen, Woods and Dakota products. Myant's SKIIN Textile Computing platform integrates biometric sensors, heat generation technology and electroluminescence into clothing. It allows apparel and footwear to light up at night for improved visibility and to connect with smart devices to record performance and health information from heart rate to blood oxygen levels.

ENVIRONMENTALISTS EXPRESS CONCERNS OVER CANWEL LOGGING

A B.C. conservation group has accused CanWel Fibre of "liquidating" the endangered whitebark pine tree. "Canwel [Fibre] is logging in sub-alpine areas where rare whitebark pine is found," said Wildsight spokesperson Eddie Petryshen. The group says CanWel has cut more than 35 truckloads of the species over the past 18 months. The B.C. government is now looking into preparing recommended standards for logging on private lands.

SOBEYS TO DITCH PLASTIC BAGS

Grocery giant Sobeys Inc. says it will remove plastic grocery bags from all its Sobeys grocery stores by the end of January 2020. The change, starting with its IGA stores on the island of Montreal, will take 225 million plastic grocery bags out of circulation at Sobeys' 255 locations across Canada each year. The company will then phase out plastic grocery bags and introduce paper bags in all its other banners, including Safeway, FreshCo and Foodland.

Home Depot Canada has committed \$50 million to combat youth homelessness.



WRLA WILL MOVE ITS BUYING SHOW TO WINNIPEG STARTING IN 2021

The Western Retail Lumber Association (WRLA) has announced it will be moving its annual trade show to Winnipeg in 2021.

The show will be hosted in Winnipeg in 2021, 2022 and 2023. Next year's show will be held one more time in Calgary's BMO Centre, from January 22 to 24.

"We feel it is important for the WRLA to engage with all of its members from Western Canada, to provide venues that present new business development opportunities and experiences that will also help to expand the industry community," says WRLA President, Liz Kovach. "Winnipeg offers a great combination of location and services that will bring enormous value to the membership attending the annual show, while enhancing the community feel of the event, as well."



Next year's show in Calgary will be the WRLA's last, as the show is moving to Winnipeg for 2021.

The show had its start in Regina in 1994. After two years, it was moved to Saskatoon, where it resided for the next 18 years. It was relocated again in 2015 to its current home in Calgary.

Kovach stresses that the change was made with input from the industry. "We are excited about the move as it will provide an opportunity to freshen up the show and provide vendors the opportunity to expand their customer base." And given the huge geography her association represents, a fresh location makes sense, she adds.

"So far the feedback is positive. People like the idea of moving every few years and, from our perspective, we see the niche that each location has to offer to help keep the show fresh."

Proposals from Calgary, Edmonton, Saskatoon and Regina were considered before the WRLA settled on Winnipeg as the show's next host city. The association is currently working with Economic Development Winnipeg to help support the transition.

LEE VALLEY TOOLS' QUEBEC EXPANSION REMAINS FOCUSED ON CUSTOMER EXPERIENCE

With 21 stores across Canada, Lee Valley Tools has always been, since its inception as a catalogue retailer, committed to bricks and mortar. And Lee Valley President Robin Lee is intent on making those spaces vibrant destinations for customer interaction.

The specialty tool and garden supply company started in Ottawa in 1978 and has spread across the country, mainly in major cities, but with some interesting exceptions. In recent years, it has identified smaller centres that serve as destinations in their own right. Two years ago, after debating whether to open in Stratford, Ont. (home to a renowned

Shakespearean theatre festival), Lee settled on Niagara Falls, Ont.

And another store that focuses more on the educational toys, novelties and popular tools available from Lee Valley, called L.G. Lee & Sons, was opened in 2015 in the town of Almonte, Ont., just west of Ottawa.

Lee's focus is currently on continued growth in Quebec. The first store there opened in Laval in September 2018. The success of that location has encouraged him to look for other sites. "Laval is our largest store to date. It features lots of new innovations," he notes.



The next one will be in Brossard on Montreal's South Shore. Lee expects that one to open in the fall of 2020.

After Brossard, Lee expects the next store in Quebec to be on Montreal's West Island, followed by Quebec City. He envisions a total of four stores in the province. After that, he muses, Moncton may be next.

"And we'll keep an eye on Newfoundland." 

A middle-aged man with grey hair and a slight smile, wearing a blue polo shirt, stands with his arms crossed against a light-colored brick wall. The image is the background for the advertisement.

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Competition is fierce in our market and margins are always under pressure. That's why we rely on the team of experts at Sexton to get us the best possible programs with access to top quality building supply brands at competitive prices. Managing inventory of our wide breadth of products is another critical element in being competitive. I know that I can depend on Sexton to help ensure I have the product I need to service my customers. Being a part of Sexton definitely gives us a competitive advantage.”

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



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ProductSPOTLIGHT

BY GEOFFREY McLARNEY

Arrow Fastener's Rivet Tool ▶

Arrow Fastener's Rivet Tool - RT188M has a patented, one-handed design making it easy to squeeze. Suited for pro and DIY users, the compact, lightweight all-purpose rivet tool features an adjustable stroke distance for comfort and control, along with quick change colour-coded rivet heads. It works with both steel and aluminum rivets. The RT188M can be used for heavy duty projects including gutters and downspouts, automotive work, storm doors and windows, air vents and heating ducts.

www.arrowfastener.com



◀ Derby Building Products' Beach House Shakes

Atlantica, a soft, silvered coastal grey tone reminiscent of a New England cottage, is the latest addition to Derby Building Products' Beach House Shake line. Other colours include Sandcastle, the look of natural white cedar; Hatteras, a deep, rich weathered grey; and Pacifica, which looks like fresh western red cedar. Beach House Shake products feature subtle shading variations, grain textures and saw-cuts for the realistic look of natural cedar. Unlike natural cedar shingles, which begin to discolour after they're installed, Beach House Shakes will not fade and require little to no upkeep. Unlike cedar shingles, Beach House Shake products will not rot, decay, crack or split and are impervious to moisture and insects.

www.beachhousesshake.com

SONOpan soundproofing panels ▶

From MSL, SONOpan soundproofing panels with NoiseStop Technology are designed to prevent unwanted noise from travelling through walls and ceilings. Install the lightweight, eco-friendly panels to filter out noise from the street or the kids' playroom. SONOpan absorbs a wide range of frequencies and significantly reduces the transmission of sound and vibrations.

Each lightweight panel is 4x8 feet and 3/4-inch thick, with no formaldehydes or VOCs.

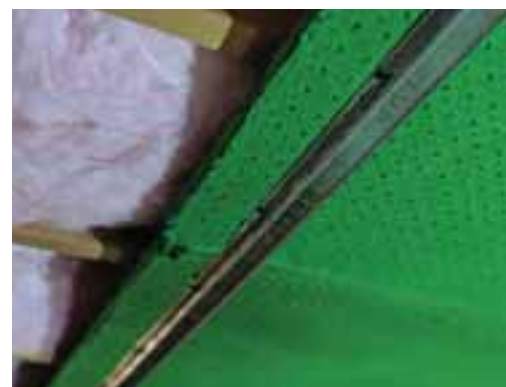
www.sonopan.com



◀ T-Rex's Brute Force duct tape

ShurTech bills its T-Rex's Brute Force duct tape as the strongest on the market. With patent-pending Forge-Link technology at its core, Brute Force features a high-bond, double-thick adhesive and an extreme tensile cloth that allows one loop of the tape to hold more than 700 pounds of weight. The strength and durability of Brute Force make it a quick, compact and portable tool for demanding jobs that would typically require rope or chain—tasks like towing heavy construction materials short distances, hoisting a large tool bucket up scaffolding or strapping and securing a bulky tool or appliance for transport.

www.trextape.com





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ProductSPOTLIGHT



◀ Napoleon Prestige PRO series barbecues

Napoleon's upgraded Prestige PRO series combines traditional barbecue design with elements of coloured light. The exclusive LED Spectrum Night Light will allow users to set control knobs to a custom colour to match their outdoor décor or cycle through a full colour spectrum. Proximity lighting uses motion detection to project a Napoleon logo on the ground when the grill is heated and ready for use. The Prestige PRO series includes six- and eight-burner grills in stainless steel or black-lid design, or with 10 burners in stainless steel only.

www.napoleon.com

GoBoard LT waterproof tile backer board ▶

GoBoard LT is a durable, ultra-lightweight, waterproof tile backer board from Johns Manville. With fast installation, users can complete tile projects in half the time, tiling the same day and grouting the next. Lighter and easier to handle than cement and other heavy boards, GoBoard can be quickly cut right where it's installed with a basic utility knife without crumbling or disintegrating. Only board joints and fastener locations need to be sealed, making for a waterproof tile assembly in less time.

www.jm.com



Cermet II Circular Saw Blades... SO HOT...THEY'RE COOL

Diablo's Steel Demon Cermet II saw blades are changing the game with exclusive innovation that makes metal cutting cool through their ability to cut through mild and stainless steels with high heat tolerances and increased hardness for cool cuts, superior wear and ultimate cutting life. These radical new blades slice through the toughest of metals to produce precise, cool to the touch cuts with less sparks and burr-free finishes that require no rework. Diablo's Cermet II saw blades offer a one-blade metal cutting solution and an unmatched value story, forever changing the game, and the rules in metal cutting.

www.DiabloTools.com



STAINLESS STEEL



ANGLE IRON



ROD

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ProductSPOTLIGHT

◀ Saniflo Sanivite drain pump

A compact but powerful drain pump, the Sanivite drain pump from Saniflo pumps waste water away from multiple fixtures including kitchen sinks, laundry sinks and dishwashers. It saves the expense and hassle of having to break through concrete floors to install traditional drain lines. Homeowners can create a new bathroom, bar, kitchen, laundry or other wet area almost anywhere in the home, including the attic, basement, garage, second floor and even outside.

www.saniflo.ca

1SHOT Steel Stud Anchor ▶

The 1SHOT Steel Stud Anchor is touted as a quick and easy way to hang anything in a steel stud wall. It makes screwing into steel stud a three-step process: find the centre of the stud, drill a small pilot and install the 1SHOT. By delivering simple, ultra-reliable mounts in steel stud structures, the anchor eliminates the need for solid backing behind the drywall. A patented combination of a non-linear thread progression and an exclusive concave fastener profile controls and shapes the distorted pilot hole into a tiny grommet within the stud. Users can securely fasten directly to the steel studs using the 1SHOT by itself or as an anchor.

www.1shot.ca



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LEADERS

WEIGH IN ON TRENDS, TRANSITIONS IMPACTING THE INDUSTRY FOR 2020

In this feature, we asked several industry leaders to share in their own words what they believe 2020 has in store for this industry. From challenges and opportunities to the outside factors that will influence the marketplace, these leaders are preparing their strategies for the year ahead.

Sylvain Prud'homme **PRESIDENT, LOWE'S CANADA**



In 2020, our mission—to deliver products with the best service and value, across every channel and community we serve—will be central to everything we do. Indeed, as the retail industry becomes increasingly complex and fast-paced, in addition to facing challenging market conditions, we are betting on retail fundamentals to gain strength and momentum.

Specifically, this means that we will be taking a closer look at everything we are doing with the goal to simplify and optimize our processes across our entire organization. We want to deliver the fast, fluid and seamless experience that customers now expect of every retailer, no matter the channel they choose to interact with our banners.

We will continue to apply a “back to basics” approach in our core areas by enhancing our attention on our stores and what they need to serve our customers. We

are choosing our products knowing that the people who shop at our stores have a wide variety of other options and are more and more educated about what they need and how to bring their projects to life. We are managing our operations while keeping in mind the specific needs of our customers who are looking for a simple and efficient shopping experience. And we are aligning our supply chain with the reality of the wide-range footprint of our store models and online offering. We will make better use of our resources while improving the

omnichannel experience of our customers and of those of our RONA- and Ace-affiliated dealers.

We are confident that focusing on the basics will allow us to evolve our model and offer an unmatched customer service experience. Thanks to this approach and the excellent work of our team, 2020 will be all about harnessing the full potential of our entire organization, to the benefit of our customers, our stores and our affiliated dealers.

Bob Holmes

GENERAL MANAGER, TORBSA



I think that we really need to wait for the next elections both in Canada and the U.S. to happen. I don't think you're going to see anything change until we have those. I think with Donald Trump with his tariffs, with the Canadian government, whether we're going to have a minority or a majority government, I think all of those factors will come into play as to what we see down the road and it's already affecting our business day-to-day. I think the tariffs certainly haven't helped. We were talking to one manufacturer yesterday who told me that his business was off 20 percent all because of tariffs. So it does create an issue and it does slow things down. I think we're going to continue to see that until we understand who the next President of the United States is going to be. And then there will be what the Canadian government decides to do as far as the party in power and what infrastructure they're going to support, moving forward.

Currently, we've been in one of the longest positive business cycles on record and there's got to be, at some point in time, something of a recession. We'll see that happen—hopefully it's short term—but I would think that we're going to see something closer now than we've been waiting for in the last couple of years. I think things

are going to start to slow down a bit—they already have. Business across the country in some commodity products is off anywhere from 20 to 25 percent. And we don't see that making up any sort of ground over the balance of the year. We may get some sort of pick-up but not to the extent that we're going to make up any of the difference that we've lost already this year.

One of the things that's always in play is that manufacturers put programs in place for your dealers and you've got to make sure that we're all on the same page. We're constantly having discussions with manufacturers to make sure that they see the value of the group and we're partnering with them to make sure that the opportunity stays at the level it has to. I think we're working with our manufacturers more closely today than we ever have before. There's lots of competition and you have to make sure you're keeping your people whole and strong in the marketplace.

I think that the commercial side of the business will still be there; I don't see dropping off. I think certainly that will carry us through. The decisions the government makes as far as mortgages and first-time buyers' rates and new home construction, these

dealer side as well as the manufacturing side, a lot of those changes that will come into play usually don't happen in the initial year of the acquisition. So 2020 will show some changes that will happen at those organizations that will have an impact on the marketplace. I think people are looking at inventories, making sure that they're getting their turns and if there's any way they can just-in-time inventory or storage inventory, making sure that they've got best practices in place. And the other thing is workers. Everybody is struggling to find employees.

And as we move forward, we have to give some credit to the regional associations in the industry, they're all trying to push to bring younger people into the industry and to provide training and to give them the opportunity to be successful and we have to hope that push actually proves to become action and we actually start to see those people entering the marketplace so we can grow because acquiring people is very difficult.

And the last thing is probably succession planning: just making sure that as we're seeing the average age of the business owner, they're getting older, but they're certainly

“I think currently we've been in one of the longest positive business cycles on record and there's got to be, at some point in time, something of a recession.”

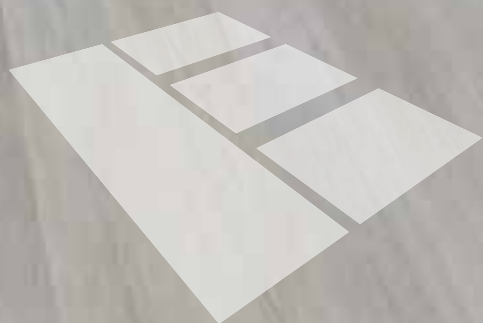
— Bob Holmes, General Manager, TORBSA

are all things that will play into peoples' abilities to go out and buy homes or acquire homes. It's not in our hands, basically we're in a wait and see as to what the government will do to allow those people to re-enter the marketplace. And if they in fact do, it will certainly mean that picks up again.

What's happened in the markets in the last 12 months, the mergers on both the

not finding people that are interested in acquiring those businesses. Hopefully, there are some people out there who are informed and knowledgeable about it and looking at what their succession plans should be and then carrying forward with that because that's the future of the industry. We've actually on a couple of occasions brought guest speakers and people who provide that

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service into our monthly meetings so that our members can be apprised of what's happening out there and give them a link to somebody who might be able to help them down the road in their own businesses. As a buying group, you're trying to support that vehicle beyond the buying and selling of product. There's all these other factors, whether they be human resources or managing your business, banking institutions, people from the Canadian federation of independent businesses who have made presentations, just trying to keep them knowledgeable and give them the best background information you can.

Steve Buckle PRESIDENT, SEXTON GROUP



Sexton Group is expecting 2020 to be a year of uncertainty. The overall economy globally, and particularly the unpredictable application of trade tariffs, are dampening Canadian economic prospects. This uncertainty carries forward into key product lines such as wood and steel-based products, where prices are proving challenging to forecast. The new home construction market continues to shift to smaller units such as condominiums,

reducing the amount of building materials required. Most Canadian construction markets will perform satisfactorily, but we don't expect a banner year.

So what should Sexton Group and its members do in a slower year? For starters, there is a great opportunity to capitalize on the booming renovation market. For members, this may include offering new product lines that fit the current trends in the market. Building supply dealers can look to their buying group for insights on product pricing trends when quoting projects for a competitive edge.

Communication with vendor partners is even more critical in slower markets. To help stay competitive, members should increase the frequency of communication with vendor partners and alert them to market conditions that require their attention. It's also important to network and communicate with building supply dealers in other markets to share new ideas and to understand what is working for them.

Sexton Group members, and indeed, most building supply dealers understand their local markets intimately and are great at adapting their businesses to meet the market conditions. We will meet the demands of the market and succeed as usual.

Bernie Owens PRESIDENT & CEO, TIMBER MART

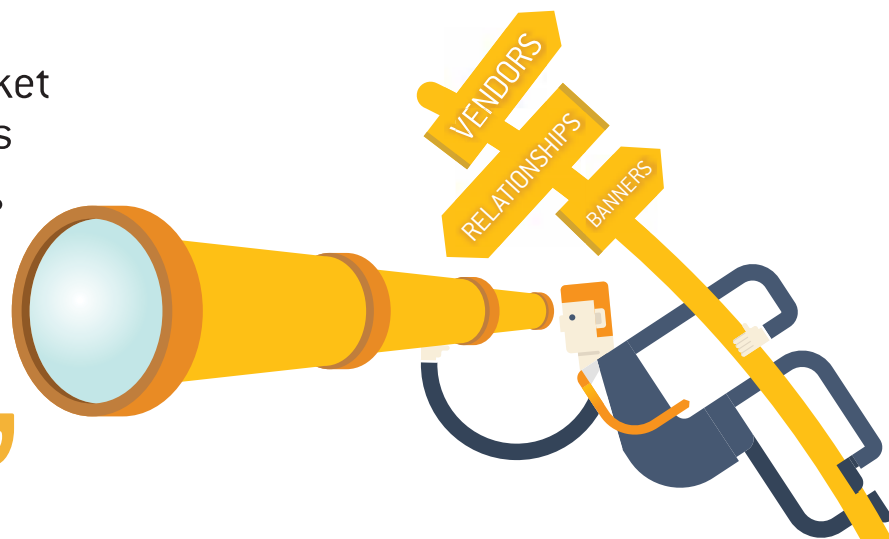


In 2020, our economy and our industry will continue to be impacted by the Bank of Canada's interest rate policies, the housing market and the outcome of the NAFTA/USMCA discussions. The Bank of Canada's recent softening of the mortgage stress test will help housing starts in 2020, however, experts predict that 2020 will see further-declining housing starts. The resale and renovation markets should benefit, and we believe this will continue to be a viable business opportunity for the independent. Media outlets like HGTV will help market repair and renovation opportunities, as well, which increases average ticket sales at the retail level as consumers look for more upscale décor products.

In the meantime, e-commerce will continue to grow, and independent retailers will need to leverage their regional strength, customer service and expertise to draw customers into their stores. Although it is difficult to compete on price with the likes of Amazon, new B2B and B2C applications will evolve to assist independents in gaining access to goods and staying connected with their customers.

“The new home construction market continues to shift to smaller units such as condominiums, reducing the amount of building materials required. Most Canadian construction markets will perform satisfactorily, but we don't expect a banner year.”

— Steve Buckle, President, Sexton Group



A potential downside for our industry in 2020 will be the continued ageing of our overall population and their shifting priorities away from building and renovating their homes to spending their money on travel, recreation and fulfillment of their “bucket lists”.

Consolidation is another dominant trend in our industry, which has led to the issue of security of supply. As more volume is controlled by fewer companies, the need for independent dealers to direct their purchasing power through their buying group has become increasingly important to ensure their competitiveness and security of supply.

In order to face the challenges and seize the opportunities present in our industry throughout 2020, we will continue to remain focused on growing our group with new members, offering greater services and support to our dealers that provide them with a competitive advantage, and fortifying our relationships with vendors to secure supply.

Kevin Macnab
PRESIDENT & CEO,
HOME HARDWARE STORES LTD.



As we have watched major Canadian retailers shutter their locations in the past number of years, it has become apparent that retail continues to face significant changes as customers become increasingly focused on an omnichannel experience.

As we look to 2020, I believe that there is significant opportunity for Home Hardware as one of Canada’s leading home improvement retailers.

With the rise of online shopping, which will continue to grow in 2020, a critical differentiator for Home Hardware is our flexibility to allow customers to choose from an extensive product assortment and our ability to deliver special order products to nearly 1,100 locations across the country with our award-winning distribution system.

There is an evolving behavioural shift of consumers and our ageing demographic. While baby boomers made up the largest customer base for many years, 2019 was

the first year where the millennial cohort out-numbered baby boomers. Customer service is what has made Home Hardware successful in retail for over 55 years and

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MAAX 50 years

we are adapting to our new customer by providing service, products and experience that are focused on our customers.

There are trends of slowing retail sales growth and the number of Canadians considering purchasing a home is down. Home Hardware has adapted to these changes by offering innovative programs, products and services that fit the needs of our customers, whether they are purchasing, renting or building their home.

In LBM, numerous mill curtailments and reduced supply are also strenuous, which has been caused by bad weather, the high cost of fibre, poor lumber markets and challenging operating conditions. All of these factors have led to a reduced demand of mill and have caused inventory to increase. Despite these factors, Home Hardware is proud to continue to provide the quality building supplies and programs for our LBM customers across the country.

A key to our strength, both today and in the future, lies with our close to 1,100 dealer-owned stores who deliver exceptional customer service and great products to their local Canadian communities.

Pascal Houle

CEO, BMR GROUP



BMR foresees the year 2020 very positively considering Canada's financial strength and the large number of promising projects. More precisely, we expect to enhance our online offer next year and further promote the BMR brand in order to continue to maintain our well-paced Canada-wide expansion.

Not surprisingly, e-commerce remains a "must" within the retail industry. BMR will continue to evolve, improving substantially our online selection for hardware and building materials. We will also move towards our digital shift, which will help us acquire new technologies to enhance our daily operation management.

We expect an increase in customized offers for our dealers in 2020. Each dealer has their own reality and specific needs, and they may find it difficult to support a wide selection of items that are featured in the flyers. For this reason, BMR will continue to roll out its new store concepts, including BMR Pro—specifically designed for dealers whose customers are mostly contractors and handymen—and BMR Express, for smaller local stores. This segmentation offers many benefits to dealers, who will now enjoy an offer that will be customized to their needs. Moreover, we will continue developing our La Shop BMR banner—our omnichannel urban hardware concept, which now counts two stores in Montreal.

Lastly, since the retail industry has some challenges for owners, BMR has changed its business model and now uses a new

dividend program. This program will be officially launched next year. Since BMR was purchased by La coop fédérée in 2015, dealers who choose to join La Coop fédérée are now granted an additional dividend of up to several thousand dollars.

The country's financial situation is healthy, and with all these upcoming new things, we can't wait for 2020 to start!

Bruno Jean

VP, EASTERN CANADA, TAIGA BUILDING SUPPLIES




At Taiga, what we see coming in 2020 and beyond is that there will continue to be lots of consolidations between dealers and

through independent dealers being bought by corporate offices.

With all the available digital offerings, online shopping is becoming even more important to the home improvement retail market. Customers are more educated than ever before, and they want an easy shopping experience with professional staff in a store that can answer their needs.

Logistics and deliveries also present a big opportunity. The leaders of the industry are the ones able to adapt to the rate of delivery customers want—just in time, with order accuracy from time of order. Our customers' expectations are getting higher as there are lots of options in the marketplace. We have to be ready to respond.

I believe the biggest threat the industry will face in the near future is not being able to adapt quickly enough to the new market reality. We are living in a fast lane so efficiency is a must; the norm is not enough to get in front of the race. But, all things considered, at the end of the day, it just makes our life exciting. 

“I believe the biggest threat the industry will face in the near future is not being able to adapt quickly enough to the new market reality.”

— Bruno Jean, VP, Eastern Canada, Taiga Building Supplies

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BY SIGRID FORBERG

THE WEIGHT OF A DOLLAR

Money spent locally is an investment in that community. As Canadian consumers increasingly put more thought into where they spend, home improvement retail brands are capitalizing on the practicality of “shop local”.



There are few things more Canadian than laying claim to famous Canadian exports. From actors and musicians to culinary creations and technological innovations, any traceable Canadian origins are worth bragging about.

However, for many years, Canadian retailers' roots were often not enough to compete with the (often perceived) discounted prices and better variety of options available through internationally based companies. But more recently, “Made in Canada” products have had a much more practical appeal for consumers and retailers alike.

A study by the North American Retail Hardware Association (NHRA) found that for every dollar spent at a local home improvement store, seven times that amount stays in the community. And beyond that, with the costs of import fees and shipping

timelines, home-grown products are more accessible and attractive than ever before.

HOMEGROWN AND PROUD

For buyers at some of Canada's top retailers, a product's origin is an important consideration. In fact, for Home Hardware Stores Ltd., it's been a part of the company's overall strategy since it was founded. With a number of private-label and proprietary brands that are Canadian-owned and -made, including its Beauti-Tone paint line and CIL fertilizer, the company proudly promotes its homegrown products.

“For Home Hardware, our Canadian identity is imprinted into virtually every practice,” says Joel Marks, vice-president, merchandise hardlines for Home Hardware. “When customers have access to high quality, competitively priced, Canadian-made products, it is a win-win situation.”

One major benefit Marks identifies is that in working with Canadian companies to supply Canadian-made products, Home Hardware is better able to monitor quality and can cut costs on freight not shipped from overseas—resulting in better value and offerings for its customers.

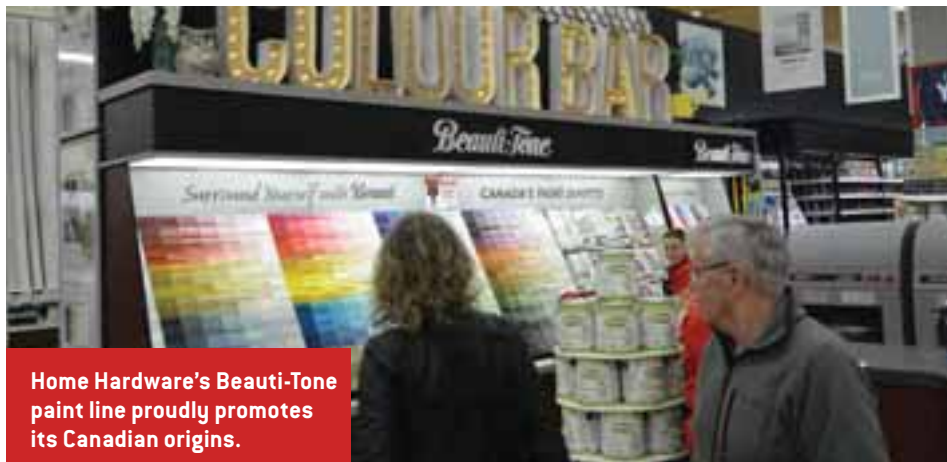
At BMR Group, Charles Grégoire-Béliveau, director of purchasing (hardware and retail), says about 75 percent of the company's vendors employ Canadians, meaning their products are either manufactured in Canada or they have head offices or service centres here.

He adds that part of encouraging local domestic suppliers translates into giving work to its own customers. “The vendors we work with, at the end of the day, many of their employees are our customers,” says Grégoire-Béliveau. “Our stores are deeply rooted in their regions, so it makes sense for us to support local vendors, when we can.”

An added benefit of working with local suppliers, Grégoire-Béliveau notes, is that BMR employees are able to meet with and tour their vendors' facilities, where they're able to confirm factory standards and how employees are treated—something that is of increasing importance to consumers.

QUALITY, ABOVE ALL ELSE

At Lowe's Canada's headquarters, its buyers make buying decisions for its multiple banners, including the Lowe's big boxes and its local RONA, Reno-Depot and Ace



Home Hardware's Beauti-Tone paint line proudly promotes its Canadian origins.

stores. And they have a straightforward goal in mind.

“Our product selection process starts with what Canadians want and need, and we adapt our merchandising strategy accordingly,” says Igor Halencak, executive vice-president, merchandising and marketing for Lowe’s Canada. “Our goal is simple: to get the products Canadians want at the right time and price.”

Halencak adds that when those criteria are met, Lowe’s Canada will always encourage domestic suppliers.

“In addition to supporting the local economy, there are multiple benefits to sourcing products domestically: reducing our business’s carbon footprint, flexible delivery times and the fact that ‘Made in Canada’ products are more likely to be tailored to meet local needs,” says Halencak.

When it comes to what products these heads offices select, what the customer wants is an important factor. But the dealer’s needs are also weighed.

As Halencak points out, sourcing locally means that retailers are able to stay in closer contact with their suppliers and work on tailoring their offerings and services to specific local needs. Grégoire-Béliveau adds that developing those close working relationships with vendors has even led to the development of improved packaging

and manuals that helped reduce waste—something that would have been more difficult to accomplish were their vendors less accessible.

“From a dealer’s point of view, they get good service, they get access to Canadian people, they get access to people that know their market,” says Grégoire-Béliveau. “If we want to have the best products for the Canadian customer, we need to have those Canadian vendors who know the markets and know the customers.”

A major point of emphasis for all these buyers is ensuring the quality of the products their companies bring to market. Marks says Home Hardware has noticed that social and environmental concerns have become increasingly important for its customers. He’s found that many Canadians will pay a premium for local or Canadian-made products. And so his team maintains high standards across the board.

“We believe that every product sold at Home Hardware should be of the highest quality and value for the customer,” says Marks. “There is not one product that is more important than any other when you are committed to providing excellence in your store merchandise—it all matters.”

Locally sourced products have the added benefit of being much easier to customize based on specific needs—and Home has noticed a growing desire for custom-developed solutions and product lines that

Federated Co-op’s marketing program, Made By Us, spotlights its private-label product lines created with small Canadian manufacturers.



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better address consumer preferences. That's something Grégoire-Béliveau says his team has also picked up on.

"We feel that having a good experience, even if we're not selling more to a customer, at the end of the day, is going to have them coming back," he says. "If we're giving the customer what is exactly right for them, we're creating loyalty."

WORKING WITH MANUFACTURERS

With these priorities in place, the next important step is for these retailers to get the products in front of customers. In 2017, Federated Co-operatives Limited (FCL) launched a marketing program, Made By Us, which is a campaign designed to spotlight its private-label product lines created with small Canadian manufacturers. After seeing a major sales lift for the products featured in the campaign, FCL decided to repeat the program for 2018.

Last year, it released six videos highlighting the people and places that produce the products available through their retail locations. A television and social media campaign featured FCL's own Imagine line of paint brushes and rollers. It tells the story

of how Co-op makes applicators together with Bennett Tools in Concord, Ont., which claims to be the only remaining Canadian manufacturer of paint tools.

Another industry initiative to promote Canadian products has been the Well Made Here program, launched in October 2018. A non-profit organization, it's owned collectively by a number of retail banners and industry associations, including Lowe's Canada, Home Hardware and BMR Group.

To qualify for the program, products must have incurred at least 51 percent of the direct manufacturing costs in Canada. Over the last year, representatives from the program have attended a number of buying group and association trade shows to promote the Well Made Here products.

"When our customers come to our stores and see the Made in Canada logo or the new Well Made Here logo, they can see that they are purchasing high-quality items and are supporting Canadian entrepreneurs and manufacturers," says Marks.

PART OF THE EXPERIENCE

The demand is certainly there from consumers to have access to products and



The Well Made Here program, a non-profit organization, is owned collectively by a number of retail banners and industry associations, including Lowe's Canada, Home Hardware and BMR Group.

services that align with their personal values—and that's only continuing to grow.

"In a general way, customers have become far more curious about their choices as consumers, as well as the implications of their choices on themselves and the world around them," says Halencak. "Seeing that in-depth product research can be done at the tips of their fingers, we ensure that we're listening closely to our customers both online and in stores."

Considering the environmental and social factors that have made international products more expensive and difficult to procure, and the quality and value Canadian vendors can offer, Canadian-made products are a natural choice for retailers seeking to make their customers feel as though their purchases have a larger return for the communities they live in. Catering to the shop local movement is a best practice for Canadian retailers looking to respond to a changing market, and no longer just a movement about asserting national pride.

"From a dealer's point of view, I think it's a good advantage," says Grégoire-Béliveau. "And from a customer's point of view, I think it really shows our engagement in giving jobs and buying products from people that give jobs to Canadian people. Everyone wins."

What is Well Made Here/bien fait ici?

Bien fait ici / Well Made Here is a federally chartered non-profit organization collectively owned by its founding banners and professional associations. Its *raison d'être* is to encourage the purchase of quality building materials and other items manufactured in Canada and intended for the residential market. For its first years, its vision is to strengthen the value chain between manufacturers, banners and their network of hardware stores and home improvement centres to better serve consumers and contractors.

The organization seeks to address five main issues:

- To help consumers find information on quality products made locally;
- To enhance offerings for certified contractors, in conjunction with retailers, through the purchase of local, quality products;
- To position retailers as choice destinations for customers keen to buy qualified products;
- To have retail banners associate with the growing movement in favour of buying local, quality products;
- To help manufacturers stand out from imported or low added-value products through the provision of technical information for DIYers and contractors.

Source: www.ici-here.ca/about



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BY JOHN CAULFIELD

BRAVING THE ELEMENTS

Dealers in the North must cope with a host of challenges to serve customers, not just locally, but far and wide.



This year marks the 20th anniversary of the opening of Stagg & Templeton Construction's building supply retail store in Wabash, in Labrador. That 5,500-square-foot outlet, which sits on 3.5 acres and includes an 11,000-square-foot warehouse, serves a Labrador West community of about 14,000 people, but has also delivered to customers in Churchill Falls, Nfld., 250 kilometres away.

The store operates within a mining economy that owner Mike Stagg says is a "mixed bag," as his annual sales swing with the economy's ebb and flow, from \$4 million to \$9 million. (Sales this year are tracking at about 75 percent peak). And Stagg says it's tough to compete for employees who can find work in the mines for \$35 an hour or more.

Dealers operating stores in Canada's remote northern markets face similar challenges every day. The weather, of course, is always a factor, especially when selling to construction projects. Just getting products to their stores and then to their customers usually requires some expensive combination of truck, rail, barge and/or plane. And given the small size of these markets, there are limited opportunities for expansion.

There are exceptions. Watson Lake Home Building Centre in the Yukon operates a 4,700-square-foot store on three

acres that first opened in 1980. Its current owner, Susan Drury, bought the store from Jarand Building Products four years ago. She and husband Barry—who once managed an IRLY Bird store in Whitehorse and now works as the Watson Lake store's sales manager and estimator—are planning to start construction next summer on an 8,000-square-foot store surrounded by 15 acres. That bigger outlet, says Drury, will provide more space for the display of furniture and wood-burning stoves, as well as a rental department.

Watson Lake HBC, situated in a town of 2,000 people, does about \$3 million in sales annually, 70 percent with local contractors. It's been getting more business lately from Telegraph Creek, a six-hour drive away, where homes that were destroyed by fire last year are being rebuilt. The store even gets occasional business from Whitehorse, 438 kilometres northwest.

The store, with between nine and 12 employees, receives most of what it sells from Home Hardware's support centre in Wetaskiwin, Alta., which ships orders once a week. Drury says her store does a brisk special-order business, too, and can promise a five-day turnaround. Its product mix includes appliances, and a few years ago the store started milling rough lumber.

Another expanding retailer is Eskimo Point Lumber Supply, based in Nunavut. It operates a 9,000-square-foot store in Arviat with a 10,000-square-foot lumber shed. And last year, Eskimo Point, through acquisition, added a second, 15,000-square-foot store in Rankin Inlet.

Eskimo Point was recently cited as one of Canada's fastest-growing companies, says its COO Derrick Webster. The retail division is one of six operations under one corporate umbrella that also owns a hotel, heavy-equipment cargo and rental businesses, a cash management business, a jet-fuel supplier and a specialty contracting company.

Eskimo Point operates the only two hardware stores in a seven-town region known as Kivalliq, which has a population of 10,500. Its stores generate between \$10 million and \$20 million in annual sales, and benefited from a mining boom that propelled 10 percent growth in the local economy last year. "We saw that the money would be coming in, and got ahead of the curve," says Webster.

COMPLICATED PRODUCT SHIPMENTS

Access to transportation is a must for these northern stores. For example, Igloo Building Supplies, a 4,000-square-foot building centre on two acres in Yellowknife,

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Cambridge Bay in Nunavut is home to the northernmost hardware store in Canada.

N.W.T., receives all of its inventory by truck, once or twice a week. Lumber and related building materials come from Igloo's distribution centre in Edmonton, says Chad LeFrancois, the store's manager.

Stagg says his store must rely on three common carriers to receive products. Trucking companies aren't always reliable due to driver shortages, and their dispatching puts the mines and food delivery first.

Eskimo Point Lumber Supply operates in the tundra: no trees, bitter cold and no roads in or out. Building material orders assembled at the Port of Montreal are barged in during the second week of July and in late October. Its stores also draw products from Home Hardware's DC in Alberta, and air freight alone runs \$1.50 per pound, on average. Webster notes that a 32-bottle package of water can cost \$55 to fly in.

There aren't any roads, either, in Churchill, Man., population 900, where Home Building Centre found itself stranded in 2017 when a flood washed out part of the rail line connecting the store to Winnipeg. Customers in Nunavut, one of the store's primary markets, assumed that Home Building Supply wasn't getting products, and stopped shopping there.

"In 2003, we shipped 359 crates of product to Nunavut by rail; in 2017-18, one crate," laments Dale De Muelles, the store's owner. Even though the rail line is running again,

and his 12,800-square-foot store receives weekly shipments, it's been a struggle to recover lost business. "We used to average \$2 million to \$2.4 million in sales; in these last two years, we didn't even hit \$500,000." His only salvation was that local contractors remained loyal customers.

The good news is that De Muelles' store—which includes a 16,000-square-foot drive-through yard and another shed with a rail siding—can ship to Nunavut by water. Previously, barges from Montreal went to Nunavut, then Churchill, and back to Montreal. Now, says De Muelles, "Churchill is the first stop" for a new boat in the water.

TENDING FREIGHT COSTS A TOP PRIORITY

Depending on the mode of transport, freight costs can add significantly to the final price tag on products, especially special orders that demand quick turnaround. Air freight is the most expensive form of distribution in the North. Drury of Watson Lake Home says that her store pays \$11 per bag in freight alone for garden soil flown in.

Kitikmeot Supplies, a retailer that's operated for 24 years in Cambridge Bay, a hamlet on Victoria Island in the Kitikmeot Region of Nunavut, is the northernmost hardware store in Canada, according to the store's GM, Bill Killin, who has worked there 11 years. Its winter months are marked by 24-hour darkness and temperatures as low

as -60 C. The dealer has 3,500 square feet of heated retail space and 6,000 square feet of unheated area. Those conditions are a far cry from southern Ontario, where Killin once worked for Home Hardware and Home Depot.

When Killin orders products FOB (freight on board) to Yellowknife (which is 851 kilometres away), freight costs to fly those orders to Cambridge Bay average \$3 per pound. (The store is about two kilometres from the local airport.) Killin says that freight costs are based on weight and volume, so he needs to be smart about having the right combination of light and heavy products in a given order to lower the freight costs and get maximum value at retail, where freight costs are dispersed across the items shipped.

Killin says he can fill just about any order customers are willing to pay for. He recalls one customer who needed a Solatube skylight immediately. The product itself only costs about \$20, but the freight for quick turnaround tacked on another \$250. Killin added a markup of \$20. "I think we sold the most expensive Solatube in history," he quips.

Kitikmeot Supplies—which gets 40 percent of its annual sales from government and institutional accounts, half of which are contractors—orders directly from manufacturers, as well as from a specialty distributor in Edmonton, and through Igloo Building Supplies Group and Sexton Group.

Northern dealers would have a difficult time surviving without their buying groups to lean on as reliable product sources. "Many of our northern dealers are looking to grow their existing business," says Dale MacPherson, Home Hardware Stores' senior director-national retail operations.

When Kitikmeot Supplies became an authorized Igloo distributor in February 2018, Igloo stated that serving Canada's Arctic "has been a core element of [its] business strategy." Igloo's 53,000-square-foot warehouse in Cornwall, Ont., with 100,000

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Kitikmeot Supplies in Cambridge Bay, Nunavut, gets 40 percent of its annual sales from government and institutional contracts.

square feet of yard space, supplies northern dealers in Nunavut, and has access to airports and water ports.

Stagg in Labrador views his affiliation with TIMBER MART as a “huge advantage” in terms of working with trucking companies for deliveries and backhauls. (His store receives between one and four trailers per week, depending on the time of the year.)

“Mike Stagg is successful is because he’s figured out the logistics game,” says John Morrissey, vice president of distribution and trading for TIMBER MART in Dartmouth, N.S. TIMBER MART’s services include assembling orders for transport from Vancouver by train weekly to areas where northern dealers can pick up merchandise by truck and haul it to their stores.

RETAINING WORKERS IS ABOUT DOLLARS AND CENTS

It’s common for northern dealers to expand their product assortments beyond hardware and building materials, even as the size of their stores and yards limits what they can display.

Kitikmeot Supplies stocks Canada Goose-brand clothing and boots and office supplies. Home Building Supply in Churchill sells auto supplies, jewelry, and recently started carrying frozen foods—including salmon packs, steaks, pork chops, chicken, even desserts—supplied by M&M Food Market.

Eskimo Point runs a small grocery within its two stores, as well as what Webster calls a “mini Cabela’s” for fishing and hunting gear. It also stocks furniture and appliances.

“We’re more like a department store,” says Kelly Green, the 48-year-old GM of Northern Hardware & Furniture, a three-storey retail store in downtown Prince George, B.C., 781 kilometres north of Vancouver. The store was started a century ago by Green’s great-grandfather.

Along with home improvement fare, Northern Hardware carries furniture (much of it purchased from U.S.-based suppliers, says Green), housewares and giftware. It also carried appliances until last May, when it dropped that category because it couldn’t compete with a Lowe’s that’s a 15-minute drive away.

Over the years, Northern Hardware has sold luggage, curtains and horse-related products like saddles, all of which were eventually discontinued.

In a typical year, Northern Hardware & Furniture generates about \$2 million in sales. It employs 40 people, and like every other dealer contacted for this article, struggles to hire and retain workers. “Staff will leave you for 25 cents more an hour,” says Green.

Three years ago, Eskimo Point was paying its employees an average of \$15 per hour; now, in a booming mining economy,

it’s paying \$20 per hour “just to hold onto people,” says Webster.

The remoteness of northern stores also limits how often manufacturer or buying-group reps come to provide employees with product demos and knowledge. Stagg says he’s had to fly his workers to Ontario and Quebec just to get them properly trained.

ANCHORED TO THEIR ECONOMIES

Most of these dealers have no plans to expand their existing stores or to open new ones. Growth opportunities, they say, are confined by how well their local economies fare. “Our fate is tied to Yellowknife,” says Igloo’s LeFrancois. And while Home Building Supply expects to return to profitability this year, “I have to be careful with my hiring because I can’t make any promises about full-time work,” says De Muelles.

That being said, some dealers are looking to establish niches. Green of Northern Hardware & Furniture sees growth coming from housewares, lawn and garden supplies and outdoor sports like fishing and hunting. Northern Hardware also operates a wholesale division for transactions with schools, offices and other commercial/institutional purchasers.

Eskimo Point Lumber Supply’s Webster sees e-commerce as a better way of expanding its customer base than building a new store, which he estimates would cost \$400 per square foot.

Stagg, who is 54 years old, says he’s getting ready for semi-retirement. He and his wife recently purchased a house in the Maritimes, and he will eventually be placing the future of his hardware store in the hands of its next crop of managers and workers. “We were fortunate enough, 18 months ago, to hire a new manager who is working out,” says Stagg.

Despite the challenges, there’s a clear need in these northern communities for the products and services these stores provide. With all the obstacles they face, even modest growth and a succession plan are big wins.

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BY ROB WILBRINK

WHAT IS THE ROI OF **RENOVATING MY STORE?**

Most retail stores should refresh their formats at least every seven years, and while that might seem like a costly undertaking, our merchandising expert explains why it's a critical investment.



Digital signage, especially fabric signage, can help to upgrade the imagery of your store and to build a local brand that can make you look as professional as the big chains.

In a 2017 study, retailers were asked which metrics were most important in evaluating the potential and ultimate success of a store renovation. Return on investment (ROI) was the number-one factor, followed by overall store sales, market share and conversion rates.

There was a recognition among respondents that the life cycle of a newly renovated store was decreasing. Historically, common wisdom had suggested seven years was optimal, but given the pace of change in the marketplace, this seemed to be trending lower. This has also accelerated the need for faster ROI on a store reno, with most retailers looking to achieve full payback within one to three years.

This study was not broken down by sector, but it's safe to say that few independents in home improvement have followed the seven-year refresh concept. Many I've encountered have changed little in the last 20 years, despite the ROI in home improvement store renovations being arguably higher than many other retail sectors. That's because the

cost per square foot of renovating these stores is considerably lower than the cost of the elaborate fixtures and finishes needed to sell many other categories. Building centres are also able to leverage the impact of their yards and warehouses, which benefit proportionately when sales in the front-end of their businesses increase.


As the next generation is taking the reins, we are seeing a new energy to compete and grow. Passionate young store owners and managers are taking advantage of tools not available or accessible to the previous generation. They're using social media to promote improvements and to build a following in their communities, rather than waiting for word of mouth to spread the good word.

Digital signage, especially fabric signage, can help to upgrade the imagery of your store and to build a local brand that can make you look as professional as the big chains. And new fixturing systems are making it much easier to add product capacity without necessarily expanding the footprint of a store.



In my experience, stores that renovate typically see sales increases of 15 to 40 percent, with all other factors being equal. They also see an increase in gross margin percent as their product mix changes to higher-end building materials and more high-margin hardware products. The result is that, net of leasehold improvements or building construction, the payback is often less than a year—even at the low end of the growth range.

That's an ROI of more than 100 percent.

After three years of heightened sales and EBIDTA based on normal multiples, the value of your business should increase by an incremental five to six times the cost of the investment. If the succession plan is to sell the business, then renovating your store should be a key part of the planning process. It would be tough to identify a more profitable investment. 

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.



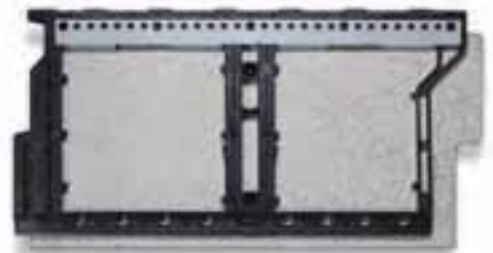
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LEE VALLEY TOOLS CONTINUES TO FIND NEW WAYS TO CONNECT WITH CUSTOMERS

The Ottawa-based specialty tool retailer is known for its quality.

Lee Valley Tools is renowned for its unique tools valued by woodworkers and specialty DIY users. The specialty tool and garden supply company started in Ottawa in 1978 and has spread across the country, mainly in major cities, growing its network to 21 stores. Those stores are vibrant destinations for customer interaction—something that is very important to Lee Valley President Robin Lee.

All Lee Valley stores regularly host activities—everything from knife sharpening classes for adults to wood-burning workshops for children. “It’s not about trying to sell tools. It’s trying to promote hand-craft and the acquisition of skills,” Lee says.

Reflecting on the importance of activities for kids, he adds, “It’s a small thing, but it’s an example of how to interact with customers. There has to be a takeaway—and that takeaway doesn’t have to be a product. It can be an experience.”

But less known about the company is the fact that Lee Valley has a collection of antique and vintage tools at its manufac-



Lee Valley has a collection of antique and vintage tools at its manufacturing facility in Ottawa.

turing facility in Ottawa. These relics not only reflect the legacy of the company, they provide a treasure trove for research and development, as well.

“History is a very important part of our business. We believe tradition and technique are embodied in our tools.”

turing facility in Ottawa. These relics not only reflect the legacy of the company, they provide a treasure trove for research and development, as well.

“We have a very extensive collection of hand tools. There are more than 100,000 pieces right now,” says Lee. He calls them “a physical library” and designers at Lee Valley’s

sister company, Veritas Tools, can refer to old styles of products for hands-on testing.

At Veritas, 140 people work in the manufacturing operation, which has a full machine shop, a woodworking shop and two assembly operations that make parts

and do finishing and assembly. The facility manufactures 1,200 different products—“all highly complex, small runs. For example, we have a run of 50 to 100 for a rabbit plane,” says Lee.

Any effort to remake or update such a product benefits from access to older models. “You can put it in your hand to feel, to

use it,” he says. “It becomes a tremendous way to learn from those who have gone before.” Building on that history, the team at Veritas can add innovation and modern manufacturing methods.

The result is a line of products distinct to Lee Valley Tools—and one that is difficult to find at generalist sites like Amazon. Through its stores and its popular catalogues, both in print and online, the company can share the stories of those tools with its customers—and create stronger relationships with those customers.

The commitment to product innovation is ongoing. The R&D team is designing and planning two to three years ahead of production. Lee says three new production machines, worth millions of dollars, are being added over the next three years.

“History is a very important part of our business. We believe tradition and technique are embodied in our tools.”

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BY LYNDON MADDEN

GETTING YOUR DIGITAL HOUSE IN ORDER

Where to start when it comes to digital, in a world that changes faster than you can get started? With the significant onset of available options to get our brand out to the consumer, that's the ultimate question. Let's clear away some of the digital debris and start with the fundamentals.



By now, most brands, whether retail- or product-based, have at least dabbled or plunged into the digital world. Sometimes we can get so wrapped up in the latest trend, thinking we absolutely have to participate in something, that we forget the strategy of why we were doing it in the first place. So let's take a moment to get your digital house in order. Remember, digital is simply a newer way of accomplishing the same goals we used to use other methods for. The digital age offers us the ability to analyze results much deeper than before, measure ROI better and change to meet consumer needs faster than ever before.

FIGURE OUT YOUR GOAL

A great guiding light to keep in mind as you align your digital strategy is what you're trying to do with all your digital

communications. Knowing your core intent, and holding it as your high-level direction, can help you have a solid plan and build something to stick to in your digital build.

A lot of digital elements come back to a website destination. As much as we have more tools like social media outlets, ad campaigns and so on, they all generally intend to bring consumers to a web destination where they can learn and interact more with your brand. Your website is likely your most crucial starting point to build a digital strategy around. Ask yourself a few key questions.

1. Why are you having people visit your site? Is it to drive direct purchases, to educate or do you simply want people to know who you are and where you are?
2. Why do people want to visit your site? The crucial difference here is between why you want people visiting your site and why

they want to visit. If your consumer wants your website to be full of pretty pictures and not much content, then that may just be the best course to increase your sales. This may be an extreme example, but the fundamentals of what consumers want from you is no joke.

Now that you have identified what you need to have on your site, consider the journey people want to take to get it. If you're about selling products, consider that you need the most logical user experience to get there. No one wants to read confusing or superfluous content, but ensure that you meet the basics of what everyone expects to see: straightforward details like contact info and a bit about who you are. But unless that's the only reason people come to your site, it shouldn't be at the forefront of the experience.

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It's nice that you've done a company team-building exercise, or installed a new sign, but is that what people are really coming to your site to learn? Make sure the less useful info is either lower in the clickable priority or omitted from the site altogether.

You can also analyze how people are using it to help you set up the site to be more effective. You can measure, using tools like Google Analytics, which pages get traffic, and then work to have those brought to the forefront. This can also tell you what your consumers are looking for.

INVEST IN YOUR PRESENCE

There are a lot of other tools that can help round out your web destination. If you buy into a common platform, the opportunity to rate and review your business can be a tool that you can build customer trust with. You also have the option to syndicate your reviews out or build reviews into your site. This content can increase your value offering and also increase your search priority profile.

My recommendation is to link up with a credible web development group that can help you navigate some of your options and show you how to build your best website. Avoid cutting corners. Websites are a living, breathing, digital document collection, which will constantly require updates and changes. If you short-cut something, it will come back to bite you later.

Now that you've taken the time to think of what information you need to have on your website and you've consulted with a great web developer, what's next? You can add in the other facets of how you interact with your customer.

Social media is a hot button issue that has everyone thinking they need to be part of the party. My advice would be to consider social media as just that—a party. At a party, what kind of things do you think others would want to hear from you? Would they want to hear

about how your “XX” brand of paints is used to create a great ambience during the light of the setting sun in August, or would they rather you gave them the hard sell on the latest product you're pedaling?

Social media is for social engagement. I wouldn't recommend taking it so far as to talk about the company picnic, but do engage in inspiring content that draws people in. When a customer decides they want to learn more about your inspiring content, they'll go to your website. In the digital world, that whole transaction transitioned from social media to a website, to a possible purchase in less than 10 minutes. Success!

(LEGALLY) PUSH YOUR MESSAGE

Some elements of social media can also be used in a B2B method. If you're in a technical, fast-changing product or service environment, you can use a tool like Twitter to inform customers of delivery updates, process enhancements, etc. Just be sure you know what your audience wants to hear and use the right social tool to accomplish it.

Another method at your disposal is to push your message out using direct e-blasts. Consider this a fancy name for direct mail, in the digital forum. There are a few major advantages here: this is an active effort, instead of posts or sites which can be deemed passive. Scale doesn't cost you nearly as much as older methods and you can measure every little bit of your readers' response.

Building a digital customer mailing list is a cautious exercise in Canada, though. CASL (Canada's Anti-Spam Legislation) is a concept you need to understand. This regulatory set of laws outlines rules in Canada of how you gather consented consumer digital contact info, how you store it and how you share it. There are lots of regulations and restrictions. It's best to seek understanding and explanations directly from a legal source.


Once you've taken the right steps and legally built a list, you can start e-blasting your news to your customers. If you use the right tools and formats, you can measure the

amount of readers who open the document and what percentage of people also clicked on your promotion. I've personally used this level of detail to then deliver improved experiences and deeper engagement in every subsequent communication.

ASSESS AND CHOOSE YOUR NEXT STEPS

SEO and SEM are two acronyms you will hear tossed around at length. To make it simple, SEO (search engine optimization) is the measurement of how high your website comes up in search engines when someone types in keywords. Those keywords could be your company name, or it could be about the product/service you offer. This has a lot to do with how your website is built, including content types and keyword listings. Don't underestimate the power of this.

SEM (search engine marketing) is the active side of creating digital ads for customers who have a specific profile you are seeking to attract. You can drive both ad content, but also bid on search keywords to bring up your overall score. This goes beyond basic knowledge, so unless you plan on building a core competency in it, I suggest using a service to help you along here.

This is simply a sampler of the key steps to get your digital house in order. A website, social media, e-blasts, SEO and SEM. There's a lot more, but this certainly helps to get you started. Before you go further than that, be sure you think first about what your objectives are and what your customers want from you in that arena. Keeping this as a guiding principle will help you to craft a digital customer experience that meets their needs and maintains your focus. It will also ensure you keep evolving towards your ultimate strategic decision. 



Lyndon Madden is an 18-year consumer goods marketing executive who has worked with many small and large brands. He is passionate about bringing thoughtful business strategies to build long-term brand success.





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KNOWLEDGE DRIVES **THIS YOUNG RETAILER**

Kevin Harris has spent more than half his life learning the family business. Poised to take over from his father in the next year, he's determined to keep learning the rest of his career.

BY SIGRID FORBERG



Kevin Harris (centre), will be taking over the family business from his parents, Ron and Tracey, next year.

Kevin Harris started his career at the age of 17, merchandising the family store, Harris Home Hardware, in London, Ont. By 21, he was store manager.

"I was managing a big staff with many people twice my age," Harris says. "My dad has always had a way of putting me in situations that he knew I could handle, even if I didn't think I could."

His father, Ron, was confident Harris could handle whatever was thrown at him because he sent him on every course, seminar and knowledge session they could find.

"Learning is something I'm going to do until I retire," says Harris. "I'm going to soak up all the knowledge I can. I think the more knowledge you have in the hardware industry, the better you're going to do."

Harris is now poised to buy his father out and take over running the business next year.

"Each year, my dad kept giving me more and more and more," says Harris. "I can't

believe we're already at the point where I'm going to be taking over, but my dad just had an amazing training plan set up and it works great."

Harris also credits his foundational years, learning every department of the store through merchandising them, as helping him learn the business inside and out. "The best thing anyone can learn to do is how to merchandise," says Harris. "You have to have great displays to have a great store. Everything else flows out from there."

With that solid base, last year, Harris undertook his proudest accomplishment—a complete renovation of the store. He spent a year planning, bringing his designs home and perfecting them in his down time. With his father's approval, he and his brother completed the project in just over two weeks.

"I wanted to get the best out of the store, and it was important to me to find the best

plan to do that," says Harris. "The store is completely changed; it looks like it's doubled in size."

Sales are already up 10 percent this year—and that's even with bad weather at the beginning of the year factored in. Harris was recognized for his efforts with the Young Retailer of the Year award for the category of over \$2 million sales from the North American Retail Hardware Association (NRHA) this past spring.

With the major remerchandising done, and the succession transition about to start, Harris doesn't intend to start any other big projects for the next little while. But that doesn't mean he's planning to stand still.

"I think for the next year I might take it easy," he says. "But there's always little things to do. And of course, I'm looking five, 10 years down the road. There's a lot to look forward to; I can't wait."

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Folk traditions assign a different attribute to each leaf of a 4 leaf clover, the first: hope, second: faith, third: love, fourth: luck. But since we're dealing with luck let's go straight to Adam's, Eve. While they certainly didn't have much luck themselves, it was said that Eve, on her way out, picked a 4 leaf clover to remind her of the Paradise lost. So, anyone lucky enough to find a 4 leaf clover consequently has a piece of the blessed Paradise.

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