

Duncan Pacific's new flagship is the largest independent RONA in the West

## McKinnon family opens 60,000 sq. ft. 'perfect' store

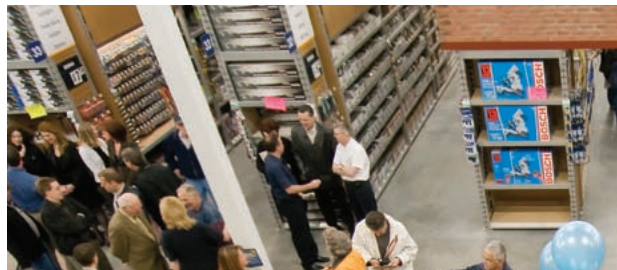
*"We've really brought the home improvement retailing up a notch here, just as RONA has been doing in the rest of the country."*

When your dream is big enough, you don't mind waiting a little longer for its fruition. Four years in the making—largely because of a long delay when the original developer of the retail property bowed out—Grant and Wayne McKinnon's brand new Duncan Pacific Builders Supplies store held its long-anticipated grand opening at Duncan, B.C. on March 19.

"This is the perfect product for this market, the perfect mix," said Grant McKinnon. "We've really brought the home improvement retailing up a notch here, just as RONA has been doing in the rest of the country. We've got a flair and a style to offer our customers that no one else can match."

Based largely on RONA's proximity store model, but with custom-designed elements added specially for the contractor customer, this is no cookie-cutter RONA, Grant says: "I call it the Proximity Plus. We've taken the best elements of the corporate stores and added what works for us. Developing this with RONA has been a great partnership. They are a flexible organization who don't look to control dealers like us, but rather give us the tools we need for our market."

*Continued on page 2*



Ray Cyr, general manager



Grant McKinnon



Wayne McKinnon

## McKinnon family opens 60,000 sq. ft. 'perfect' store

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The store has 60,000 sq. ft. of retail space and an additional 12,000 sq. ft. of offices and storage. "If and when Home Depot ever came to town, we'd be ready to take them on with this store. More than ready," Grant adds.

Cowichan Commons is just phase two of the McKinnon family's aggressive expansion of their 49-year-old building supply operations on Vancouver Island. A year ago they put the finishing touches on a 22,000 sq. ft. revamping of their Cobble Hill outlet. Their next project will be the building of a brand new

35,000 sq. ft. RONA for their Nanaimo location. When that store opens, the McKinnons will be the first dealers to have opened all three versions of the new RONA prototypes.

But for now, the McKinnon brothers are taking some time to reflect on their new flagship store. Above all, Grant sees it as a tribute to the memory of their brother, David, who passed away last August at the age of 51. All three brothers shared the same lifelong dream to one day operate with this calibre of retail offering. "He was involved in every single aspect of this vision we all had," Grant said. 🍁

## ACCESS TO CAPITAL made the difference

When the McKinnons were with Home Hardware, they were unable to realize their dream of opening these types of stores. But when they joined RONA, they could finally make it happen. Since the maximum investment that RONA requires of a dealer is \$225,000 (and it can be lower, depending on the size of the business), dealers have access to the capital required to invest in their expansion goals.

## We can grow to 20 per cent of market: Dutton

Even in a difficult market, RONA's national market share is expected to increase from 17 per cent to 20 per cent over the next five years, according to RONA's 2008-11 business plan unveiled by president and CEO Robert Dutton on Feb. 27.

Independent dealers will play a major role in this success, Dutton said, especially in the company's fast-growing regions of Western Canada and Ontario. In order to help its dealer-owners to expand, the company will beef up its development

and support teams, speed up the time it takes new affiliates to be integrated into the RONA network, and provide more assistance for independents who want to expand their stores or open new ones.

"The independents in our network bring us back to our roots, it is one of our core strategies," Dutton says. "Pooling together our power and expertise, and the knowledge and determination of our dealer-owners, creates a powerful combination." 🍁

## Co-op shares can't do this!

Wealth created by RONA's shares has allowed dealers to invest in their businesses and in themselves, rather than seeing their shares frozen, as in some co-ops and buying groups.

### Projects initiated by RONA affiliates

Year	No. of projects	Value (\$ million)
2003	90	\$21.0
2004	105	\$23.1
2005	144	\$48.0
2006	166	\$68.8
2007	180	\$53.1
<b>TOTALS</b>	<b>685</b>	<b>\$214.0</b>

### Who's joined RONA (2003-2007)



11



22



18



35



8

Other

37

**Total: 131 new independent dealers, representing \$631-million in retail sales**

## NINE NEW INDEPENDENT DEALERS SINCE JANUARY 1ST!

This is a new RONA benchmark for the number of independent dealers who switched to our banner in the first quarter



### SASKATCHEWAN

New Era Lumber  
Macklin

Former Banner: Sexton

RRM Family Hardware  
Moosomin

Former Banner: TruServ

### MANITOBA

D.N. Enterprises  
Lac Du Bonnet

Former Banner: TruServ

Kaviar Inc.  
La Broquerie

Former Banner: Sexton

### ONTARIO

Skyam Holdings  
Mississauga

Former Banner: Home Hardware

Feldman Timber Co.  
Timmins

Former Banner: Castle

### NOV A SCOTIA

Stephens Home Centre  
Arichat

Former Banner: CanWel

BRITISH COLUMBIA  
North Valley Supply  
Clearwater

Former Banner: IRLY

### BREAKING NEWS!

Barry Campbell's former  
Home Hardware  
in St. Albert, Alta.  
has just joined RONA.



# From two small stores to one **great** one

“We knew we wanted to dominate this market, right from the word go. It’s why we joined RONA in the first place.”

— BRAD DICK, President, Newton Enterprises

**N**ewton Enterprises president Brad Dick loves to be first. Just over four years ago, the Manitoba-based construction and retailing company became the first independent RONA dealer in Western Canada. And right from the word go, Brad knew that RONA would help him turn his 22,000 sq. ft. of retail selling space, shared between his existing two stores in Newton and Portage La Prairie, into something much more impressive—a retail operation that could dominate this market just west of Winnipeg.

Last September, Brad opened a 50,000 sq. ft. proximity store in Portage La Prairie, once again scoring a “first”—it was the first and biggest independently-owned proximity RONA in the West. (When Duncan Pacific Building Supplies topped that with a 60,000 sq. ft. outlet that opened March 19 (see cover story), Brad joked, “Now I’m going to expand again, just to show those guys in B.C.!”)

The RONA Report recently spoke to Brad to see how his new flagship store is working out.

**Q. You’re six months in. How are your numbers tracking?**

**A.** Very satisfactorily. We’ve met every single one of our targets. Transaction counts and customer flow have both increased significantly. What’s most exciting is that people are coming in and making buying decisions right then and there, because the merchandise is so visible in this new format. Whereas in our old store, we had warehouse racking, and the merchandise just did not impact the customer in the same way.

**Q. What special marketing have you done to help bring people in the door?**

**A.** We’ve upped our advertising, of course, including doubling the amount of flyers. But people are clearly being drawn in because of the sheer visual impact of the store.

**Q. Of all the new lines you’ve been able to add, doubling your space, which ones seem the most promising.**

**A.** Well, it’s hard to tell, because we’re only six months into a full-year cycle and we haven’t seen the spring and summer yet. But so far, the décor products and the paint boutique have been the stars. But it’s all up.

**CONSOLIDATING THE MARKET:**

Once affiliated with Do-it, Newton Enterprises was operating two smaller stores in Newton and Portage La Prairie when it joined RONA as an independent dealer four years ago. Last September, president Brad Dick and his partners began to aggressively consolidate the retail and contractor business in their marketplace with a brand new 50,000 sq. ft. (retail) RONA proximity store in Portage La Prairie.

**Q. How has RONA helped you during the building of this store?**

**A.** It’s been a great partnership on the whole program. From the difficult decisions on the format, the actual layout, the exterior and interior finishing, they’ve given me a lot of guidance. The merchandising firm, Amenagement RD, moved into town and were here for us as long as we needed them. 🍁

*A succession plan done right:*

# "I liked it so much, I bought the company"

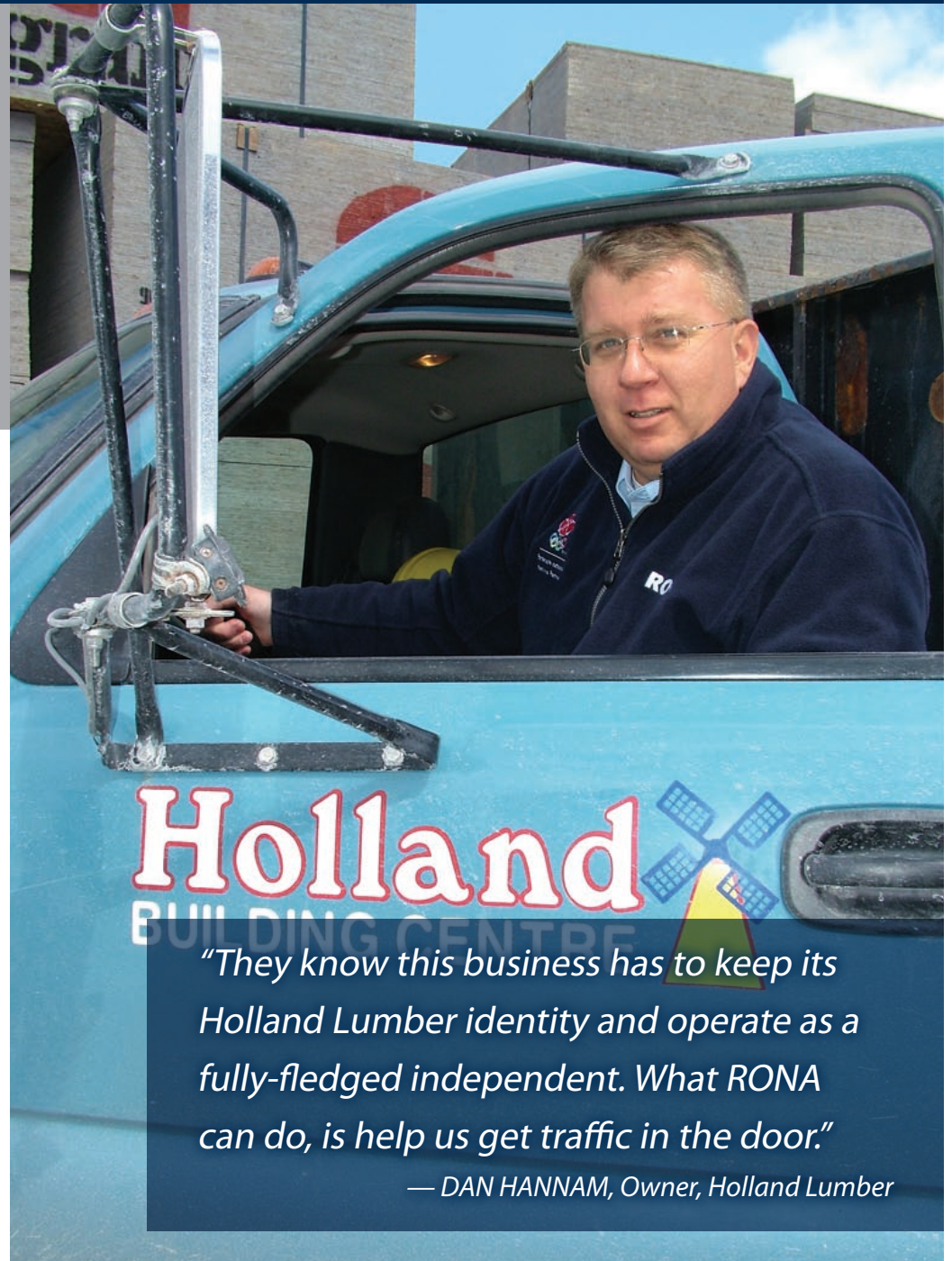
It wasn't the four years that Dan Hannam put in as a regional operations manager for RONA that convinced him that RONA was the right banner for his dream of owning his own store.

What convinced him of RONA's superiority to all other Canadian banners, was the almost 20 years he spent in this industry before RONA, working almost every conceivable position you can hold in a building supply operation: truck driver, yard foreman, lumber salesman, front-end merchandiser, territory manager... you name it.

In previous careers at Sodisco-Howden, ACE and Cashway, Hannam has personally worked in more than 60 building supply stores in Ontario and the Maritimes. That vast experience will help him as he moves into the dealer-owner role at Holland Lumber, in the north end of Oshawa, Ontario.

This former Castle store had been in the Holland family since Ray Holland purchased it in 1963. When the family decided they wanted to sell the business, RONA created a succession plan that will be a win-win-win for the sellers, the buyer and the company itself. RONA knew that Dan Hannam was the perfect candidate to take over the business, and having the second- and third-generation Hollands (Dave and his son Ryan) stay on staff with Hannam was the perfect fit for everyone.

"RONA has been through this so many times—setting up succession plans—that they really are the masters at it," Hannam said. "They know this business has to keep its Holland Lumber identity and operate as a fully-fledged independent, maintaining all those great contractor relationships Dave and his father built up over the years. What RONA can do, is help us to bring the 'other' side of the business into this location—the front-end—and add marketing, merchandising and traffic-in-the-door muscle that lumber buying groups can't hope to emulate." 🍁



*"They know this business has to keep its  
Holland Lumber identity and operate as a  
fully-fledged independent. What RONA  
can do, is help us get traffic in the door."*

*— DAN HANNAM, Owner, Holland Lumber*

# Award-winner plans his second RONA

Wrapping up 2007 by winning a *Hardware Merchandising* 'Outstanding Young Retailer' award was "an awesome experience for me and a tribute to my staff," says John Albi, owner of a superbly-run RONA hardware store in Newcastle, Ont., an hour east of Toronto.

But having won a hardlines industry honour, Albi is all the more eager to play the game on the LBM side, where he is sure he can win big, too. He is "absolutely determined" to buy or build a local lumberyard that will enable him to expand beyond the limitations of his current 8,000 sq. ft. of retail space.

"I want to get the lumber into this marketplace, under the RONA name, and I can't do it from my existing footprint, which is busting at the seams," Albi says. "The development staff at RONA are working very closely with me and we will make this happen." Albi is in his fourth year as a RONA dealer, having first worn the blue shirt almost 14 years ago, as an employee. 🍁



Robert Dutton (above) with staff from the Newcastle RONA owned by John Albi (above right) John Albi and the Newcastle RONA staff (right).



## PRICE COMPETITIVENESS

RONA's obsession with giving its independent dealers the best possible prices is a cornerstone of the company's success. With the largest buying power of any group being channeled through the most efficient and high-tech distribution network in the Canadian industry, RONA's dealers get the margins they need to grow their businesses.

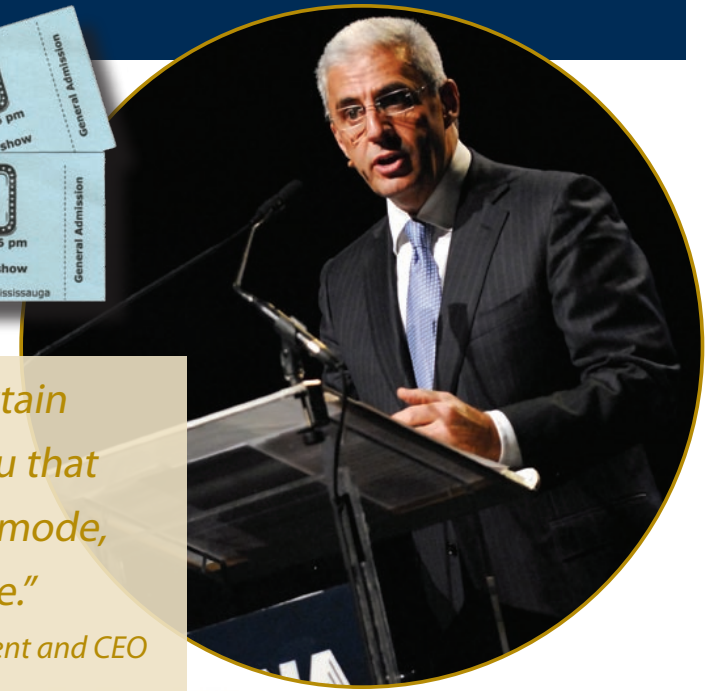
"RONA's costs to the dealer are second to none."

MICHEL PERRON,  
RONA HARDWARE,  
QUEBEC CITY



## THE 2008 GREAT CANADIAN TOUR

President and CEO Robert Dutton and senior executives went “on tour” in March, meeting and talking with some 6,000 people (owners, managers and staff) in the RONA network. Standing-room only events, featuring live entertainment (including performances by RONA’s own employees) were held in Vancouver, Calgary, Toronto and Montreal.



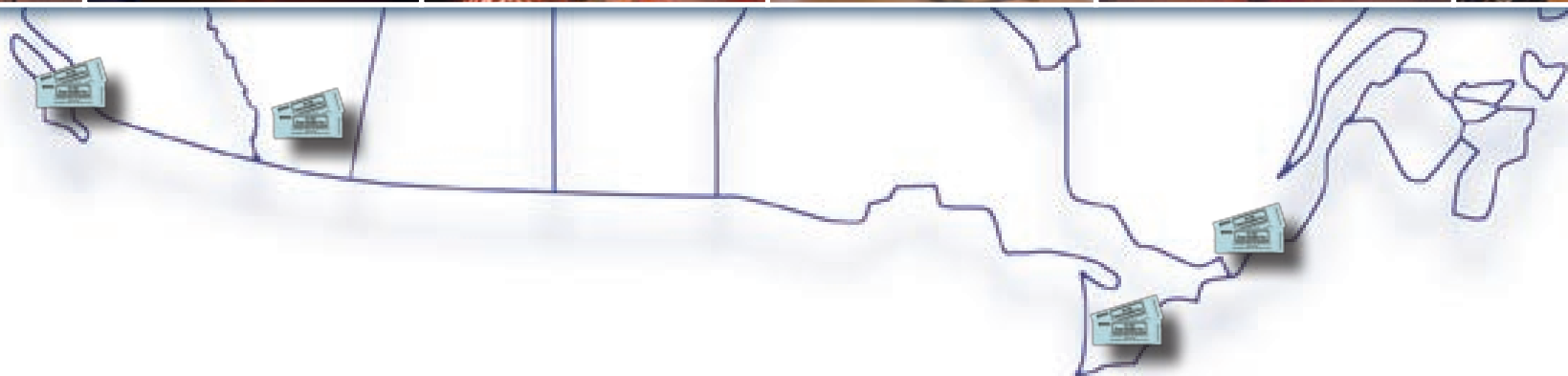
*“We currently have 161 expansion projects underway in 56 stores”*

*-- Claude Bernier, Executive Vice-President, Proximity and Specialized Stores*

*(SOURCE: Great Canadian Tour, Mississauga, Ont., March 26, 2008)*

*“Even if the market is uncertain these days, I want to tell you that RONA is not in contraction mode, RONA is in expansion mode.”*

*-- Robert Dutton, President and CEO*



# New traffic builders

## AIR MILES™

Studies in each of the past two years showed that AIR MILES had a roughly two-to-one lead on Aeroplan (the loyalty program used by Home Hardware) in terms of the number of Canadians who carry these cards. The traffic-building power of AIR MILES is one of the most frequently-cited advantages that new RONA dealers feel they have over their former banners.



*"AIR MILES are massive here in Alberta. And RONA has been very savvy about marketing this program, to our benefit."*  
**ROBBIE MCKAY,**  
 Black Diamond, Alta.

## RONA Eco brand launch

"Responsible, ethical behaviour has always guided RONA's development. That's why we aim to become the eco-responsible standard for the construction and home renovation industry in Canada," said Robert Dutton at the Nov. 9, 2007 launch of RONA's new sustainable development program. (RONA is collaborating with CIRAIG, an organization that develops leading-edge expertise on the impact of the *entire life cycle* of products on the environment.) The first product launches are occurring in early April, with five RONA Eco cleaning products and two RONA Eco garden waste bags.



*"These are premium products, but priced to sell. We are excited."*  
**JOHN ALBI,**  
 Newcastle, Ont.



## RONA magazine

Recognizing that two-thirds of all home improvement purchase decisions are made by women, RONA has launched its own magazine. The first copies reached a carefully-selected national audience of up to one million Canadian consumers in mid-March. *RONA: The Magazine* is the most stylish home improvement publication ever distributed in Canada. But it's the substance—the way RONA products are explained and sold—that will build traffic to RONA dealers.

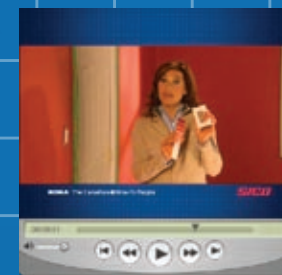


*"It's a great looking publication and it will help our business."*  
**LINDA KOLEWASKI,**  
 Cold Lake, Alta.



## New TV spots

RONA, in association with CTV and RONA's advertising agency partners Carat and Cundari Group, has created a new TV advertising platform. Included in the mix are 30-second spots divided into two—like a mini-TV show—which give renovation tips and tricks, building awareness of RONA's legendary customer service, including the availability of RONA's project guides.



*"Our retail traffic has doubled, thanks largely to the RONA brand."*  
**ED GAMOLA,**  
 Humboldt, Sask.



# Join Us!

## TO ENQUIRE ABOUT JOINING FORCES WITH RONA, CONTACT YOUR LOCAL DIRECTOR OF DEVELOPMENT

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