



UNBOXING THE COMPETITION

REAL-WORLD STRATEGIES
TO COMPETE (AND WIN)
AGAINST THE BIG BOXES

Unboxing the Competition

Real-world strategies to compete (and win) against the big boxes

By Manda Newlin

As independent retailers everywhere scramble to compete with big box stores, one segment of the industry offers hope with proven strategies for success.

Independent home improvement stores, including lumber and building material dealers, are innovating ways to hold their ground and even gain market share against larger national competitors. Deloitte's annual Retail Volatility Index, which measures gains and losses in retail segments, backs up this assertion. Since 2009, "smaller, more nimble" retailers have been reclaiming customers from large chains, Deloitte reports.

Yet LBM retailers still face what may be the most competitive marketplace ever.

In the Northeastern U.S., three independently owned LBM operators shared their strategies for competing and winning against the big boxes.

Prepare to Win

What does a home center do in a highly competitive marketplace when Home Depot announces plans to open a store across the street? If you're Robert Ashley, president and CEO of Triple "A" Lumber Inc., you take stock, deploy your best resources, and prepare to win.

Triple "A" Lumber, founded in 1971 by Ashley's father, works to provide superior service and name brands to retail and contractor customers in northern New York. By the early 2000s, Triple "A" had two stores and was negotiating to buy a competitor. As the purchase was finalized, the news came of the new big box on the block. Triple "A" turned to its co-op for support.

Do it Best Corp. serves thousands of lumber and building material dealers nationwide. The company's mill relationships are the industry's best and most extensive.

Headquartered in Fort Wayne, Ind., Do it Best Corp. operates five regional LBM offices. Divisional staff have an average of 27 years of experience and are versed in unique regional opportunities.

"The Do it Best design team was here within about seven days," Ashley said, and quickly went to work planning an exterior and interior remodel.

"In the six months before Home Depot opened, we had 100% of the pie."

But what happened when the competitor opened in plain sight of Triple "A"?

"Our sales soared upward, and we just kept gearing up," Ashley reports.

Years later, the local economy is struggling and the competition remains fierce. Even so, Triple "A" recently remodeled its three locations. Store managers continually review their merchandising mix to keep up with customer needs and trends.

Ashley attributes his long-term success to an experienced staff, smart purchasing, and the right co-op partner, among other factors. More than half the staff has served Triple "A" for 25 years or longer. Mike Pollack, for example, is a 44-year industry veteran and a favorite among contractors.

"They can ask him a question about a job he did seven years ago. They just love him," Ashley said.

Triple "A" also leverages the expertise of the Do it Best Corp. commodities team.

"They give their courteous attention to my corporation like they are my business partners. By giving their best and going that extra mile, Do it Best leaves me with the feeling that I'm not going it alone," he said.

Because pricing is always a critical factor, Triple "A" draws on insights from his co-op's division managers to buy better

"It's a challenge to compete. Start with people, and have products and services the big boxes don't, like an outside sales team and high-end appliances. Serve contractors well. We've found we can do a lot of things the competition won't."

**— Matt Smith, president and CEO,
Corning Building Company**

and maintain margins.

“There are a lot of co-ops out there, but only one has the vision to see beyond the yard,” Ashley said. “I get more than lumber from Do it Best Corp. I get ideas and programs that help me grow my business from people who take my success personally. Since lumber is a primary focus, they offer options the others can’t—like the reserved inventory program, which allows me to make advance purchases at a specific price from a specific mill. Now I can make the most of my selling season by investing only in the product I need, ready when I need it.

“Their LBM program is really that good. They walk the walk.”

Going Pro

Big boxes struggle when serving pro dealers. This weakness reveals an opportunity for independents, according to Gary Nackers, vice president of lumber and building materials for Do it Best Corp.

“Price becomes less of an issue when service to a jobsite with on-time, in-full deliveries allows builders to save money by having the material they need, when they need it. It removes the costly delays of potentially skilled labor waiting on materials to complete their work,” Nackers said.

“The end customer is becoming more educated on the latest building products. Offering upgraded products and communicating the value proposition will differentiate the independent from the big boxes.”

Outside the box

Corning Building Co. was established in New York’s Fingers Lakes area in 1848. The Smith family has run the company since 1905, with fourth-generation Matt Smith now serving as president and CEO. Over the decades, Corning has weathered fires, floods, and intense competition.

The main operation is a 42,000-square-foot home center with millwork, windows, doors, kitchens, and baths, highlighted by a line of high-end appliances. A second store, Bath Building Co., is 20,000 square feet.

“We have to buy correctly to sell correctly,” Smith said. “People in our store and competitors’ stores are pricing everything. You have to be in the ballpark and buy properly to keep your margins’ integrity.”

Also a Do it Best member, Corning taps into buying specials at the co-op’s spring and fall markets. To promote a competitive price image, the store features monthly fliers and seasonal catalogs with discounted pricing and offers price matching.

“The perception is that big boxes have better pricing, but that’s not necessarily true,” he said.

With a Lowe’s on one side and Home Depot on the other, Smith has to go outside the box—literally—to find untapped opportunity.

“I can’t expect someone to go by them to come to me, so we follow our contractors wherever they go,” he said. “That could be 60 miles one way to get as much of the project as we can. If we’re going to find any growth, it’s with contractor and commercial business, like landlords and industrial customers, who buy a lot of materials from us.”

Another Corning advantage is the experienced staff. Every manager has been in the industry 20 or more years. Even with 3,000 accounts, they call customers by name.

“Everybody wants to be known when they interact with a business. That means a lot to people,” Smith said.

Nackers agrees. “Service can be a bigger factor than price. Having the product contractors need when they need it will continue to be a differentiator. We help our members with contracts for supply consistency and support from an extensive reload network. We’re also involved in the futures market to help our members buy better.”

New ways to innovate

Your Building Centers, Inc., with 14 locations in Pennsylvania, makes its mark by serving LBM contractors and do-it-yourselfers. The keys to competing well, according to Richard Lender, president and CEO, include “customer service beyond what the boxes offer, competitive pricing, quality lumber and building materials, knowledgeable staff calling on the pro trades and contractors, and partnering with contractors and remodelers to support their profitability.”

YBC belongs to Do it Best Corp., which provides the purchasing power to compete, Lender said. “Our buyers work closely with our co-op and others to make sure we’re buying at the best possible price.”

Staff monitor pricing and track products to ensure they’re offering high-grade framing, treated lumber, and brand-name building materials. They also encourage contractor loyalty with their YOURewards incentive program.

“Do it Best helps us stay competitive on many commodities and provides current market information and very competitive pricing on thousands of hardware, paint, plumbing, and electrical items out of the warehouse,” Lender said.

The co-op’s strategic LBM programs—including the reload centers, reserved inventory program, and LBM Total Solutions—help increase YBC’s competitive position.

“The reload centers allow us to purchase highly mixed loads of quality lumber and ship to our stores in a very short time,” Lender explained. “The reserved inventory program has allowed us to buy material when we believe the market price is best for our situation. This lets us lock in the price on projects that may take a longer than usual time.”

According to Nackers, “Even the largest volume lumberyards see an advantage with the ability to fill their needs when the market is risky for a large buy or to increase their turns and improve their cash flow. Our members have access to the most extensive reload network and the most inventory on the ground to serve their needs.”

“It’s not going to get easier in the LBM world. Identify what you believe the weakness of the boxes are, then make their weakness your strengths,” Lender said. “Stay in touch with your remodeling and building contractors to find out how you can help them. Look for new ways to innovate—and out-service the boxes every chance you get.”

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