

BY MICHAEL McLARNEY

DOUG ANDERSON HAS BEEN MAKING BIG CHANGES AT PEAVEY MART

Peavey has been busy on two fronts: bringing on Ace dealers to its distribution network following the acquisition of the Ace licence in Canada, while consolidating its takeover of TSC Stores in Ontario. Here, Peavey's CEO shares his vision.

It's been almost 10 months since Peavey Industries announced its takeover of the licence and distribution rights to Ace Hardware stores in Canada, and a lot has happened since then. Through it all, Peavey President and CEO Doug Anderson remains confident in the viability of the move, one that he believes will bring stability supported by a truly Canadian supply chain.

"At Peavey, we understand small towns," Anderson says, referring to the fact many Ace dealers flourish in smaller communities. He notes that Peavey is an employee-owned company with the flexibility that kind of structure can bring. "We're very focused on Ace long-term as a company."

The Ace banner in Canada has had a varied history, one that dates back to the early 1990s. At that time, LBM wholesaler CanWel attempted a cross-docking arrangement for Ace products through one of its distribution centres in the Vancouver area. To this day, a handful of dealers, mainly in British Columbia, maintain an Ace affiliation from that period. Ace then came to Canada through a deal with Beaver Lumber back in the mid-1990s. That ended with Beaver's demise barely five years later. Since then, ownership passed to now-defunct hardware wholesaler Sodisco-Howden Group, back to CanWel, then TIMBER MART, RONA and finally Lowe's Canada (see sidebar). Peavey acquired the Ace business from Lowe's Canada early last year.

MAINTAINING A LEGACY

"As a counter to the past, we believe we can provide the stability that the brand needs,"



Peavey president and CEO Doug Anderson believes the change will lead to success, especially in small towns.

Anderson says. Ace's legacy of change has also had an impact on the dealers themselves. Some chose to switch banners during the disruptions. However, the brand continued to add new dealers under Lowe's Canada, offering an option that can support smaller stores.

"Our goal is to stop the churn. There's no reason why the Ace brand can't flourish in Canada. It's an amazing brand—an international brand."

Anderson points out that Peavey is big enough to provide the nearly 100 Ace dealers—plus a handful of un-bannered

stores—with the purchasing power to stay competitive and the distribution system to support them. But, he adds, Peavey is not so large as to alienate or lose sight of its newly acquired retail customers. "Those values will definitely add value to the Ace banner and Ace network."

The company has distribution centres in Red Deer and London, Ont., home of TSC Stores, which Peavey acquired three years ago. Hardware distribution from Lowe's Canada to Peavey was completed by the end of August.

For the next few months, LBM distribution for the dealers came from Lowe's Canada. Then Peavey forged a deal with Sexton Group to tap into that buying group's buying power and distribution network for lumber and building materials. Ace dealers with LBM will have access to that supply chain, while Sexton dealers have the option to take on the Ace program to build up the front end of their businesses.

Anderson expects to begin promoting the Ace banner to potential new dealers in the future. But for now he and his team will focus on the existing dealers "and prove ourselves to them and make them feel confident and comfortable."

Nevertheless, Peavey has been formulating its recruitment strategy over the past several months. It has been evaluating how to introduce the Ace program to the market. Beginning this year, the Ace dealer development teams will be knocking on the doors of potential new dealers.

MERGER OF THE TSC BANNER

Peavey has been growing on other fronts as well. In recent months, the company has been consolidating its acquisition of the TSC Stores chain. Peavey gained a controlling interest in TSC in 2016 with an option to acquire the chain outright. It exercised that option and closed the acquisition at the end of 2017, a year ahead of schedule.

The union was a natural fit between two privately held retail chains that shared a similar retail model while being distinct geographically. TSC Stores was based in London, Ont., with 51 stores. At the time of the takeover, Peavey had 36 stores ranging in size from 10,000 to 35,000 square feet. The stores feature a wide assortment of hardware, farm and pet, automotive and home improvement products. Serving Western markets, most of Peavey's stores are in Alberta and Saskatchewan.

Peavey identifies four main customers for the farm and ranch business. The first two are the farmers themselves, which the company breaks out into family farms



and company farms. The next category is equine, including both regular farmers and a more upmarket demographic of horse enthusiasts.

The TSC acquisition added 51 stores that average 16,000 square feet in size. Except for two stores in Manitoba, all of its business is based in Ontario. Those two Manitoba stores, in Brandon and Winkler, turned out to be the testing ground for Peavey's plan to switch out the TSC banner, converting to Peavey Mart soon after the initial takeover.

The first Peavey Mart signs in Ontario went up in early November of last year, with the three TSC stores in that brand's home town of London being switched over. The company had plans to convert about

three-quarters of the TSC locations by the end of 2020, with the remaining sites, mainly in areas of Northern Ontario, being switched early this year.

"We are eager to move forward with this conversion, strengthening our corporate brand while further streamlining our internal processes," Anderson said. The conversions were slated for completion by February 2021.

The entire process of the TSC takeover gave Anderson and his team a chance to dig deeper into the Peavey business. "Both companies are similar on the surface. But there are differences in how they were built up. The structure of TSC was a huge opportunity for us to really grow as a combined entity."