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SPECIAL PROFILE ON DO IT BEST CORP.

2019



Do it Best

Helping Retailers Reach New Heights



The DNA of Service

How Do it Best Provides Retailers the Building Blocks for Success

Nearly 75 years ago, Albert Gerberding went door to door to hardware retailers and lumber dealers throughout the Midwest, asking them to pledge \$1,000 to help secure greater buying power for their businesses and to maintain their independence.

Fort Wayne, Indiana-based Do it Best has since grown from 96 retailers who attended the first shareholders meeting in 1945 to serving thousands of locations in more than 50 countries. The co-op’s board of directors still only comprises retailers, a choice made by the original members.

On the following pages, co-op leaders affirm Do it Best’s commitment to continuing Gerberding’s legacy of innovating to help retailers improve their operations. ➔

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This special Hardware Retailing supplement is part of a yearlong series profiling the home improvement industry’s distributors.

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EXECUTIVE Q&A

Carrying the Torch

Do it Best CEO Talks Co-Op’s Core Values and Strategic Goals

Hardware Retailing (HR): What does the current landscape look like for Do it Best members now?
Dan Starr (DS): We have a lot of members who are pursuing growth opportunities in many markets. There’s a lot of positive activity. As the economy has grown, there has been a great deal of strain on the labor markets, and we’ve seen that a lot of our members have labor as their No. 1 concern. Finding qualified available talent in a very, very competitive pool is challenging.

HR: What’s your strategy to help encourage additional growth for your members?
DS: We tend to focus on our three key mechanisms for growth. The first focus area for us continues to be to drive more sales to our existing members. We do that through a number of particular strategies. Second is by supporting better retail execution, which is more about increasing foot traffic and overall sales. And then, of course, the third would be to add members to the fold however we can. Each of those three focuses has a number of strategies associated with it, but they’re three very different types of growth.

HR: How does Do it Best successfully provide full service to both lumberyards and retail-focused operations?
DS: One of the biggest keys is that it’s just been part of our DNA from the very beginning. We haven’t had to try to learn a different side of the business, owing to the fact that from the very start, in 1945, we were serving both hardware retailers as well as the pro or the lumber dealers. Truthfully, there’s a great deal of overlap between the two. But there is a degree of specialization required for both, and for us, that is a key differentiator. It’s kind of staked out who we are as the only co-op provider in our industry that is able to do both really well. It’s been a great competitive advantage.

HR: How can Do it Best help retailers face potential future challenges?
DS: One of the greatest challenges all retailers face is getting their business on the map and drawing people into the store once they know it’s there. Everyone talks about the impact of Amazon because it’s such a phenomenal presence, so retailers not only have a requirement to participate in an online environment, but they also have a bit of an unknown impact in large areas of our retail space. Fortunately for our industry, there’s still quite a bit about the retail experience that is unique and necessary, which makes us more competitive.

Another challenge for our members is the need to make sure they are creating what we refer to as a “first and best choice experience” for their customer segment. That would mean making sure the retailer is top of mind for their customers, making sure they are the first choice within their marketplace.

Regardless of the nature of the shopping experience, whether it’s online or in-store, it’s important that their business is the destination customers have in mind. Then, once customers are through that door or through that shopping portal, it’s entirely about making sure that the experience customers have rates among the best they can ask for. And that’s a real challenge for anyone. This expectation isn’t new, but it has evolved. I think every retailer spends their day or wakes up in the middle of the night thinking about the best ways to make sure the retail experience they offer is one that is absolutely gratifying for the consumer. Retailers just need to continue to do that.

HR: What does the next decade look like for Do it Best?
DS: The next 10 years are going to be about continuing to build and nurture a team. That’s a key part of my job responsibility, which I look at as twofold. One part is to try to be a good coach for the team, to select and put the people on the field who are going to make a difference in the game. Another key component that I believe is absolutely critical is to continue to build and strengthen the culture of this great company.

Our philosophy is serving others as we’d like to be served, and that approach to doing business is critical to our success.

I want to make sure that our cultural ethics don’t take a step backward—that we continue to build on that great strength that we were so privileged to inherit. We didn’t create that culture; we were the beneficiaries of that culture. We all have a great sense of responsibility to those folks who spent a lifetime building this company. We want to carry that torch in the best way we can so it continues to burn brightly. ➔



Dan Starr
President and CEO
Dan Starr has served as president and CEO of Do it Best since 2016. He has previously served in a variety of roles since joining the company in 2006. Starr is only the fifth CEO in the company’s history.

EXECUTIVE Q&A

Here to Everywhere

How Do it Best Executes a Comprehensive Supply Chain Plan

Hardware Retailing (HR): What role do the teams you oversee play in serving Do it Best members?

Steve Markley (SM): The role I have is really about working with our teams to make sure we're providing excellent support and service to our members—day to day, week to week and month to month—on the core basics: distribution, marketing, sales, and program and product support. It's also about working with our teams on strategic initiatives, investments and enhancements to our services and programs so we're well-positioned to help our members succeed.

Through those efforts, we're working to coordinate the strategies across all of our divisions so we're really focused and delivering tangible results for our members.

HR: How have you optimized your supply chain to meet the needs of your members?

SM: Distribution excellence is one of our strengths; it goes to the core of what we do. So continuous improvement is absolutely a key driver for us. We work to find efficiencies, cost savings and improvements for our members, but we also make those big strategic commitments and investments.

Last year, we rolled out a transportation management system, and that was certainly a strategic commitment. Through the use of that system, we will cut about 1 million miles out of our delivery routes to our members.

This system also helped us be more agile in the formation of those routes, more flexible in how we can adapt to situations. We've also seen logistical improvements. Over the last six months, we achieved our highest on-time delivery rates to our members.

When we look forward, supply chain is critical. We are continuing to invest in what we do with our product content. I'm looking at content as an asset, so it's about more robust data on the items we have that our members buy and sell to their customers. It's providing that data to them in a very user-friendly way, so it's very accessible for them. They can search and find the information they need quickly for their needs or for their customers, and the front-facing piece of that is our online catalog that goes out to our members.

Another strength I would call out is inside the four walls of distribution centers—our warehouse management system. That investment is about improving the flow of goods into and out of our warehouses more quickly and more efficiently so we can get goods to our members when, where and how they need them.

HR: How is Do it Best helping retailers implement innovation in their operations?

SM: Innovation can mean many different things. Inside the store, I look at something like The Color Bar, which is a store-within-a-store paint program we launched in the spring of 2017. When it comes to a product like paint, you're not selling just cans of paint, you're selling color, so that program helps members update their departments to be relevant for today's consumer. It meets them where they are, whether it's in store or online.

Our members who have implemented The Color Bar are seeing double-digit increases in their paint department sales, so staying in that conversation with members about a core department like paint is about making sure they are relevant for today's customers and have the right tools in place inside the store to make them as successful as they can be.

HR: How does Do it Best approach providing a menu of services without mandates?

SM: We're shifting toward a thought process of showing our members the options they have that they should be considering to becoming stronger in certain areas. We're working to incorporate data into those recommendations and doing that with our planogram development and our promotional items. These are focused programs that we call out to members as opportunities—niche categories that work for certain regions or certain profiles of members. Also, since we are the only full-service co-op for both hardware and lumber operations, our strategy is to highlight opportunities in all of those crossover departments.

We strive for continuous improvement to bring those opportunities to members to help them grow their businesses and provide the support, services and programs they need. We're not just sitting down and accepting the status quo. Our member-owners are who we serve. We're proud of them and their performance and our role in helping them. ➔



Steve Markley

Executive Vice President of Operations

Steve Markley brings more than 30 years of industry experience to Do it Best. He assumed his current role in 2018 and uses his experience to lead teams in enhancing operations and continually improving supply chain excellence.

EXECUTIVE Q&A

Diving Into Marketing

The Digital Dashboard Keeps Retailers Connected

Hardware Retailing (HR): What's your overall approach to marketing?

Rich Lynch (RL): Our approach for marketing is to make sure we establish our member locations as the first and best choice in their communities, and I think we do that a couple of different ways.

First, we help them work on what a strong message is for their business in a single, strong story. We make sure it's one that's relevant to the customers they're trying to reach. Then, it needs to be a message they can carry out in their stores with absolute excellence.

If you think about it, we're making a promise. We are making sure the promise we make matters to the person we're making it to, then we make sure that we're following through on that promise. We believe we can do that with our members in a way that it's their promise, it's their execution, it's their customer. We think that's a much more efficient and effective way to establish them as the first and best choice in their markets.

HR: You launched the Digital Dashboard in 2017, which is a comprehensive digital marketing manager. What's the strategy behind that program and how does it serve retailers?

RL: The dashboard came up as an offshoot of what's happening in marketing in general. We have a very traditional way of marketing that many of our members have grown very, very good at and very accustomed to. The dashboard gave us a way to help them broaden their horizons and get out there so they get found, get noticed and sell more product.

It's not enough to just get found or noticed if that's not translating into product sales. For a lot of people, this digital space is new, and it's revolutionary. They're not sure what to do with it or how to respond to it. The dashboard allows us to help our members bring order to some perceived chaos in the digital space.

The dashboard allows them to get into it by putting a toe in, or they get into it by diving all the way in. That's the beauty of what we put together. It really meets our members where they are in their level of digital acumen, strategizing and comfort. It lets us meet them where they are and come up with something that will let anyone in any spot along those spectrums do a really good job with getting their message out.

HR: What are the different components of the Digital Dashboard?

RL: It includes Google Ads (online advertising), social media postings, emails and all the other things out there that we would expect someone to have as part of their digital marketing strategy. Google Ads, social and email are the big three, though.

The dashboard allows members to set a budget. They can opt in and opt out on a month-to-month basis, depending on how their promotional calendar looks, so we give them full flexibility.

One of the challenges retailers have with marketing in general is that it's hard to measure impressions and results. What's nice about working in the digital space is it lets retailers see exactly who saw what when, and then they can do a better job of planning out what I would call "smart spend" going forward based on the analytics.

HR: How has marketing changed for retailers?

RL: Marketing is more involved than it's been in the past. We've identified at least eight different elements of a good marketing plan. For us it's traditional advertising, loyalty programs, digital, online, in-store, social, email and store design. We offer a resource to help members pull all of those together into a comprehensive plan.

The beauty of our approach is that it acknowledges that an individual member may need to turn up the volume on one element and turn down the volume on another. It's about helping our members figure out what that right mix is. We think all of these components are important, but we know the recipe is going to vary a little bit, and our approach is to help our members figure out what their right recipe is.

Customers have more and more choices, so the actions we take to help our members become the first choice and reinforce that they are the best choice will go a long way toward fending off competition. ➔



Rich Lynch

Vice President of Marketing

As vice president of marketing for Do it Best, Rich Lynch is responsible for all components of member marketing, including education, communications and more. He brings more than 25 years of experience to his role.

RETAILER PROFILE

Planted in Plainview

Trio Hardware Grows Its Footprint, Deepens Its Roots



Small business owners often hear from customers how important their businesses are to the community, but it's not quite as common that they see those comments in action. Todd and Ritsa Kirschner, owners of Trio Hardware in Plainview, New York, saw their customers literally take to the streets to show their appreciation.

In 2018, the business moved from one store location to a new building about 1 mile down the road. Todd and Ritsa put out a call on social media and in the local paper asking for help to move inventory from the 3,100-square-foot store to the new location over the course of two days.

On the first day, 110 families moved the entire operation in six hours.

"It was unreal. The amount of people who showed up was incredible," Todd says. "After everything was moved into the new store on the first day, we asked ourselves, 'What are we going to do with everyone who's showing up tomorrow?'"

Trio Hardware's longevity in the Plainview community is part of the reason so many customers came out to lend a hand. The business has been in operation since the original owners opened it in the 1960s. It even sponsored Todd's soccer team when he was 3 years old. The Kirschners themselves have been involved in the company for their entire professional careers. They both worked at the store while they were in high school in the 1980s and early 1990s, and they bought the business in 2017 as part of a thoughtful succession plan.

Todd started out sweeping the floors and stocking the business when he was 15, and then he continued working at the business full time while he was in college. A fire in 1996 made Todd rethink his initial career choice.

"I was offered a job in the film industry building sets, and the night I accepted that new position, the original Trio Hardware store burned down. I thought, 'How do I give my notice now?'"

Instead of taking the new job, Todd changed his major to business marketing to support the company and decided he would stay to help them rebuild. The store reopened in the same location a year later, and at that time, Todd was named the store manager. Sales grew more than 35 percent in the first 18 months at the new location.

"I started talking to the owners about what my plans were. I told them I was going to stick it out, and I would be the first in line to buy the business when they were ready to retire," Todd says.

The Kirschners and the original owners, Bruce and Francesca Carlow, developed a succession plan in 2010. The Carlows and the Kirschners became 50-50 partners in 2012, and then Todd and Ritsa took over the business completely in 2017.

In addition to its owners having a long history in the industry, Trio Hardware has had a long relationship with Do it Best. The company joined the co-op in 2002, and Todd says it was the company's approach to customer service that sealed the deal for him.

"We were in the market for a new co-op at that time, and I checked them all out. Do it Best was the right fit because of the family atmosphere," he says. "You can get anyone on the phone within minutes. It's not 'us and them,' it's 'we.' They treat people the way they want to be treated, and they have the answers to your questions."

Top-to-Bottom Design

Before Trio Hardware could rally its customers to help move the business, they needed a building to move to.

The lease on their building was coming due, and the other business in the strip mall had just left. They originally had the opportunity to expand into that space, but it wouldn't allow for additional outside space to expand their lawn and garden category. Coincidentally, Todd had a sales meeting with a developer who was working on a new project.

"He asked if we were interested in moving, and he asked me to make a list of our must-haves in a new property," Todd says. "We gave him our list, and he came back with a plan to meet all of our needs. We couldn't pass up the opportunity."

With the help of Do it Best, they designed a brand new store that didn't lose the character of the business the community was so fond of.

"It's a partnership, and at the end of the day, their job is to help us succeed. When it came down to the layout, together we came up with a great plan."

—Todd Kirschner, Trio Hardware

"One of our biggest concerns with building a new space was that it had to look like Trio Hardware," Todd says. "Do it Best helped us get it done. I can't say enough good things about how they helped us make it happen."

Todd and Ritsa worked with Do it Best representatives to field a customer survey to find out what products and categories people would want in the new Trio Hardware location. Todd says that survey significantly helped with the planning process.

"It's the best tool Do it Best has when you're expanding or adding a new service," he says. "It gathers demographics about your customers, and it really prevents you from sticking a lot of money in the wrong areas."

In the way of products, the survey results reported that Trio Hardware customers wanted additional housewares and a larger selection of outdoor seasonal items. At their current location, the Kirschners knew they didn't have enough space to expand those categories.

To meet their customers' needs with the new location, Todd and Ritsa introduced their developer to the Do it Best design team.

"They're so easy to work with. They make recommendations, but they're open to doing things a different way," Todd says. "It's a partnership, and at the end of the day, their job is to help us succeed. When it came down to the layout, together we came up with a great plan."



Customers requested a broader outdoor living category in a survey Trio Hardware sent before the new store was built.

The collaboration resulted in a 5,600-square-foot salesfloor with an additional 1,800-square-foot garden center outside. To fill the new space, they added 11,000 SKUs.

“That’s something we would never have been able to do at our old location,” Todd says. “Every area got more product. We were able to expand more into power tools, which is something we barely sold before.”

Another requirement for the new store was a large service counter. At the old store, the service counter was 18 feet wide, and in the new space, Todd asked for a 30-foot service counter, which wouldn’t include the checkout.

“I have eight POS systems in the store,” Todd says. “It’s all about service. A customer will stand in your store all day long getting what they want, but the second they want to pay, it has to be quick. They don’t want to stand in a line.”

In addition to making it easier to check out, Todd and Ritsa also made it easier to shop by adding shopping carts.

“When your customers’ hands aren’t full, they grab more product,” he says. “We also offer free popcorn on the weekends, so they have something to snack on while they shop. It gets them to stay.”

Todd is also a primary member of the repair team at the store, which operates from the basement. He repairs nearly anything a customer brings in, from broken kitchen doors to window screens.

“They can’t check Amazon to see how much a repair is,” he says.

Going Online to Get Going

Todd knows that bringing in the next generation of consumers is key to maintaining the business into the future. He launched a Facebook account for the business many years ago, back when pages were first available for businesses. He also manages a YouTube page and Instagram account for Trio Hardware.

“You have to be current and relevant,” he says. “Everybody has a phone in their hand, so you need to use social media. In our area, the people who are my age are all on Facebook, and everyone in their 20s and 30s is on Instagram. I switch between the two platforms.”

Initially, Todd started by posting messages for the holidays and promoting sales, but then he evolved into posting videos for his accounts. To ensure consistent quality, Todd hired a local videographer to shoot the videos he posts online.

“We’re always looking to stay fresh,” he says. “You need to get the younger generations in the store, and this is how you do it. If you can get your message into their hands, that’s how you stay relevant.”

Once the social media posts get the younger generations into his store, Todd’s service philosophy doesn’t change.

“Anyone can sell a bolt, but it’s how you portray it and how you treat the customer that makes you different,” he says. “People love to shop where they are welcome, where you know their name. If you do that with selling hardware, you retain your customers.” ➡



Store owner **Todd Kirschner** (right) added a 30-foot service counter to **Trio Hardware**’s new store location in Plainview, New York, to give more customers better access to services, including repairs on a variety of products.