

Succession: Challenge Or Opportunity?

For 75 years, Ryan's Hardware has been a family operated business in the trendy Beaches area of Toronto.

Albert Ryan took over a defunct hardware store shortly after the stock market crashed in 1929. He worked at the store right up to his death in 1965. That left it to his two sons, who came on board in 1949 and 1955, to carry on the business which they did for just short of 40 years. The sons, now 69 and 74, have decided it is time to retire. And when they close the doors to the store, it will mark the end of an era.

It's also an excellent example of one of the most serious challenges facing the hardware and building centre retail industry. How do we replace those owners of stores who are at or near retirement?

TURNING INTO A NIGHTMARE

The dream of having a family business which will be handed down over the generations from father to son or daughter is fast turning into a nightmare for the buying groups and co-operatives. Now, as these owners are looking towards retirement, they are being forced to find other means of ensuring the business carries on when they step aside. The worst case scenario is that they simply close the store, thereby losing any equity they may have in the store for use in their retirement or to leave for their children.

Simply put, too many of these small store owners are finding their sons and daughters have no interest in following in their parent's footsteps. They've carved out their own successful careers and find no allure in working in the family store.

So what to do, where does the industry find the next generation of hardware and building centre retailers?

RONA thinks one source of these entrepreneurs is its own members. For some time now, RONA has actively sought, in the words of Robert Dutton, its president and chief executive officer, members who aggressively want to grow their businesses. RONA currently has a number of members who have grown their own empires from one to several stores and who have partnered with other members to own and operate both regional and lawn and garden stores. The opportunity for growth now is to buy-out those members who are retiring.

RONA is not alone in this approach. There are

other independent hardware and building centre retailers across the country who have decided that managing two, three, four, or more stores can be more challenging, interesting, and profitable. All three of these may turn out to be enough to entice their children to take over the chain of stores when they step aside.

The task for the buying group or the co-operative is to bring together the sellers and the buyers. This could be as simple as letting members know who has their business on the block. Or it could be a process where the right buyer is identified and assisted with whatever means necessary to realize the deal.

Let's also not exclude creating opportunities for existing store staff to buy out their store or taking people from corporate stores, for those that have them, and creating programs which will enable them to own their own store.

NUMEROUS CHALLENGES

Plus, while the big boxes have created numerous challenges for independent retailers in Canada, they also could be a source of potential store owners. Not everyone can rise up to become a manager of a big box, but those people who are filling senior and middle management positions at these stores obviously have the interest and many have the talent to own and operate their own stores. All they need is the opportunity to take advantage of their entrepreneurial abilities.

There is perhaps one other option to deal with succession issues and that is for the buying groups or co-operatives themselves to take over stores in key markets. Obviously, we are not talking about stores which may be better off closed once the current owner retires. But there are going to be stores which are in key markets, markets where the group needs to maintain its profile. The only choice may be to operate these as corporate stores until a suitable owner-operator is found.

The succession issue may, in fact, be an opportunity for Canada's buying groups and co-operatives. Given the right support programs, they may be able to dangle the offer of owning your own store or stores to attract the best and brightest of the next generation of hardware and building centre retailers to the industry. ○



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