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RETAILER CHALLENGES AND OPPORTUNITIES: THE TRANSITION FROM CCA TO ACQ

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1. Introduction

Russ Jones has been in the industry for 23 years and has been with Rona for 18 years. Russ had set up the very first Revy Big Box Store in Edmonton in 1994. In 2003, Russ's store in Vancouver won the Builder of Excellence Award with Rona for being the best Big Box Store for Rona. Also in 2003, the Vancouver store went on to receive the *Canadian Hardware Merchandising Magazine* Outstanding Big Box Store of the Year (Large Surface Retailer over 50,000 sq. ft.)

2. Methodology

In order to broaden the retailer perspective, I chose to solicit input from all Rona Big Box retailers in Western Canada – the region includes provinces from Manitoba to British Columbia.

Added Perspective

In early October, I personally began building my own 900 sq. ft. deck with treated lumber for the framing and *Trex Decking* for the surface. Preparation for this presentation has been a learning experience for me; my store, as well as my company, will benefit from some of the changes that I will make due to the knowledge I have gained.

3. Results and Discussions

Retailer Challenges

Increasing Costs. Increasing costs make us reflect on the effect to the customer – a 30% or higher increase in price. Some consumers will still proceed with their project despite these increases. However, some consumers may defer their project until they can afford it while others may downsize their project or even cancel it altogether.

Figure 3.1
This is my environment – a photo of the treated lumber aisle in my store. Fifty different SKUs on two 100 foot aisles with treated lumber stacked 16 feet high. This is typical of a Big Box Store – some of our stores keep their lumber in a covered, outdoor drive-thru.

Regulatory Challenges. P.M.R.A. has not registered ACQ product for commercial/industrial use. This has caused some problems for our customers in agriculture; they are purchasing round posts in CCA but dimensional lumber is not available in CCA. The result is that they have a need for a product and are forced to purchase "unregistered" ACQ product. The P.M.R.A. needs to register ACQ for commercial/industrial use. Will they?

Fastener Industry Issues. This is definitely our biggest challenge; currently there is no regulation in this side of the industry. There are many conflicting reports from manufacturers regarding ACQ compatible products. Some manufacturers are providing us with information as in *Figure 3.2* that places their coated product in the same category as hot-dip galvanized – which I do not believe. Also, there is much debate regarding the effectiveness on the salt spray method used to test these products.

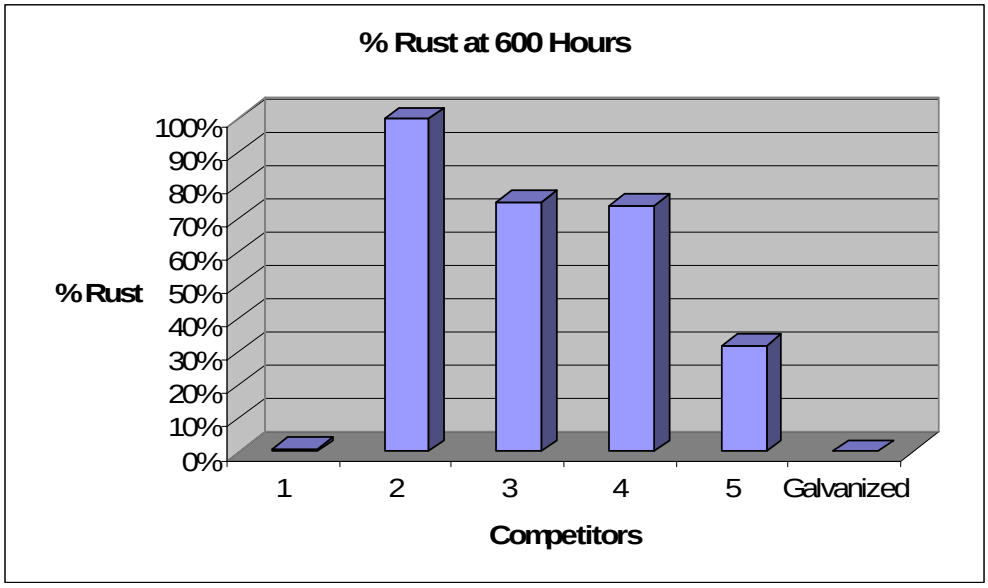

Figure 3.2 - Manufacturer Comparison of Product

There is also much confusion with the metals used in the product; examples are: (1) stainless steel is approved and hot-dip galvanized is also approved – however, a stainless steel screw cannot be used with a hot-dip galvanized connector; and (2) zinc plated and cold-galvanized (electro-galvanized) items are not approved.

Prior to ACQ we had a complete section of connectors (16-lineal feet by 16-feet high). Since the arrival of ACQ, we have added an additional 8 lineal feet of product with many duplicated inventories. As customers shop, their perception is that the assortment is confusing and overwhelming. However, consumers shopping for ACQ compatible product will not find a complete selection of connectors (we need to correct this and we will correct this).

Product Issues. Did you know that ACQ darkens cedar? Many customers purchase treated posts and then install prefab cedar fence panels. This causes darkening on the cedar where it comes into contact with the ACQ post. The most extreme case we have heard of to date is where a customer had purchased and installed ACQ treated posts and rails – he then attached cedar fence boards. After a short period of time, it was obvious that he had a problem. Dark streaks ran down the fence boards, especially where water come into contact with the ACQ and then ran down the face of the cedar fence board.

Figure 3.3 - Example of corrosion with a staple on Trex lumber and ACQ treated lumber. Both had been exposed in a customers backyard for 2 weeks.

Another important issue regarding ACQ is that it is highly corrosive to certain metals. It is very corrosive to aluminum, uncoated steel, zinc, electro-galvanized and cold-galvanized. As mentioned earlier, it is not advisable to mix differing metals when using ACQ. This problem had not been nearly as prevalent with the former CCA product.

Figure 3.4
Example of a zinc plated rafter tie nine days after installation with hot-dip galvanized nails. The metal has started to corrode.

Store Issues. We have to carry duplicate inventories. Labour costs increase in order to order, receive, stock, and sell the additional product. Also, the carrying charges associated with holding more inventory increases.

We need to request more training and support from both the treated wood vendors and the fastener/connector vendors in order properly educate staff. One of our challenges in the retail industry is employee turnover. It is important to us that our employees know what products are compatible with ACQ treated lumber.

Verbally, we need to get the message out in order to educate our customers. Visually, we need to do this through improved signage and POP material.

Figure 3.5

Figure 3.6

Figure 3.5 is a great example of signage with actual samples of the connectors with lumber. In contrast, *Figure 3.6* is an example of poor signage. Here we are 10 months after the industry change and we have no vendor signage – the best we have are: (1) some homegrown labels attached to the shelf indicating that the product is ACQ compatible; and (2) green masking behind the labels in order to indicate that these items are good to use with ACQ green treated lumber.

Retailer Opportunities

We have discussed a lot of challenges and there are some opportunities:

1. **Margins**: there is an opportunity to increase some of the low margins on these now specialized items.
2. **Increased Sales**: provided we have done our work on educating our staff, there is a great opportunity to increase our sales.
3. **Substitute Goods**: as the price for treated lumber continues to rise, it does open the market for other substitutes. Cedar is not as much of an upgrade as it once was and as composite products become more known in the market place (for both its pricing and claims of a no/low maintenance product), it's popularity can be seen as increasing. Again, these substitute goods provide an added opportunity of increased margins

Figure 3.7 - Photo of my deck under construction – 2x12 ACQ treated beams, 6x6 ACQ treated posts, 2x10 ACQ treated joists, and 2x10 Trex Decking.

4. Conclusions

Objectives of the Retailer

We want to keep our customers happy by providing both long lasting, quality product and sound advice. We want them to be proud of the projects that they have built.

We want to make sure to keep the customers best interests in mind. It is important for us to be as transparent as possible when providing consumers with technical information. Their construction projects should last without product failure for many years.

Consumer Decisions

Why do people buy? Quality versus cost decisions are made every day in our stores. Value decisions are made regarding appearance versus functionality. We are optimistic that most people when aware of the issues presented will purchase the right products (compatible with ACQ) through our support, be it signage or personal advice.

At the end of the day, however, there are still people out there that will make a buying decision strictly on price and purchase the non-compatible fasteners and connectors.