

BRUTALLY HONEST: HOW PEER CRITIQUES CAN PUSH GROWTH

Retailers Swap Feedback on Stores to Identify Strengths and Weaknesses

The partnerships started as a pact between three California retailers who knew each other through their co-op.

The store owners wanted honest, thorough critiques of their home improvement stores. All three had reputations as good retailers, and they respected each other. They also wanted some solid ideas for ways to improve their businesses.

“I’ll be brutally honest with you if you’ll be brutally honest with me,” is what they promised, according to Paul Filice, co-owner of Miner’s Ace Hardware, a seven-store chain headquartered in Grover Beach, California. He, Eric Hassett of Hassett Hardware and Mark Schulein of Crown Ace Hardware agreed to start visiting each other’s stores and offering business advice.

That was in 2011, and after touring the stores, the West Coast retailers realized the feedback they gave and received was helpful for every aspect of business—from merchandising grass seed to hiring store managers and poring over financials.

“We have always had good results,” Filice says. “We’ve probably seen a six-figure improvement on sales

or profitability or both. Some of the minor changes can be hugely impactful on an ongoing basis.”

While all retailers might not see these kinds of results, business owners should be constantly evaluating their operations and looking for ways to improve. Fresh perspectives from peers can make a massive difference. That’s why *Hardware Retailing* asked two retailers who serve noncompeting markets to visit and critique each other’s stores. We’ll describe their process in this story to illustrate how anyone can use peer reviews to get a brutally honest assessment of their business.

Hard Words

Filice’s group now includes six Ace retailers from across the country. They are all too busy for a trip to turn into merely an average meeting, so they work hard to make the most of every one, Mark Schulein says.

“The conversations never stray too far from hardware retailing, but anything is open to dialogue. We talk about current challenges and future concerns, and anything that keeps us up at night,” he says.

“We have really meaningful and valuable conversations. It doesn’t have to be about specifics of the business,



“It’s a missed opportunity. You want the front of your store as a showcase.”



“You want it to be dumb-proof. When you have a small footprint, you have to use space well.”

and can be about anything that impacts our ability to be best-in-class retailers, managers and owners. It's an open forum that provides a great sounding board for business success."

They have developed a technique and strategies to help each other that you and other retailers can imitate, as long as you're willing to take direct criticism. Those six Ace retailers, who jokingly call themselves the Pterodactyl Management Group, have learned to accept hard words and profited from each other's brutal honesty.

"We try to do it respectfully. The intent is to be very respectful and positive, but sharing the truth," Schulein says.

Their approach is based loosely on the idea of seagull management, which involves visitors coming into a business, analyzing the operations and leaving behind a laundry list of criticism for the owners to handle. Visit www.hardwareretailing.com/pterodactyl for the backstory on the group's name.

The constructive criticism is sometimes hard to swallow, but the retailers know they're hearing valuable opinions from smart operators who are only there to help, Schulein says.

"We take it really seriously, but we also have a good time," he says. "I value their opinion. I value their criticism. And it's not without its bumps and grinds."

The Pterodactyls' model for offering peer feedback inspired the project that is described later in this story, which *Hardware Retailing* tested with two retailers in the Midwest. The goal is to provide you with resources and ideas for connecting with and learning from other business owners.

What To Do

To make a peer critique group work requires finding other store owners who are committed to sharing financial information, touring stores and offering both encouragement and critical feedback. Finding retailers interested in partnering may not be as hard as it sounds. In the short time spent developing this story, *Hardware Retailing* came across nearly a dozen good retailers who think annual store critiques would highly benefit their businesses.

Making critiques work, though, requires trusting the other retailers, committing time and agreeing to accept and give brutally honest criticism, Filice says.

The Pterodactyl Management Group began as an idea from friends, but a committed team doesn't have to start as organically.

For example, Jim Lehrer, owner of Brownsboro Hardware & Paint in Louisville, Kentucky, joined a group facilitated by Do it Best Corp.

“There’s not one silver bullet that I’ve gained out of this thing, but there are a lot of little things I’ve gained along the way.”

—Jim Lehrer, owner of Brownsboro Hardware & Paint

of Fort Wayne, Indiana. The 16 members own businesses across the U.S. from Seattle to Orlando, Florida, and they are like-minded and committed to helping each other improve in business.

"It's a great group and I'm honored and glad I'm part of it. At the end of the day, it's made me a much better retailer," Lehrer says.

The commitment for both the Do it Best and Ace groups includes annual store visits hosted by a team member or two, coordinating many busy schedules and paying for travel.

Prior to the visits, Pterodactyl members share basic information such as how old the stores are, revenue numbers, key performance indicators, pertinent competitor data and explanations of recent remodels or other business changes.

The Do it Best group shares financial information throughout the year, regardless of which stores are getting the visits, to help each other benchmark their businesses. The members do employee compensation comparisons and product price comparisons, study department sales and look for margin opportunities. "You're going to get what you put into it," Lehrer says.

During the visits, the retailers walk through store aisles, poke around in back rooms and crunch numbers. Afterward, the group members recommend actionable steps for improving the businesses, but they also pick up good ideas to take home, Lehrer says.

"To make more money in this business, you've got to increase sales, reduce expenses and improve your margins. As a group, we try to focus on all three of those things," he says. "There's not one silver bullet that I've gained out of this thing, but there are a lot of little things I've gained along the way."

The North American Hardware Retail Association (NRHA) can help facilitate similar collaborations through roundtable discussions or connecting association members who are interested in peer feedback.

Scott Wright, executive director of NRHA's Retail Leadership Institute, can also help. Wright can be reached by phone at 317-275-9417 or email at swright@nrha.org.

The experience of the two retailers who *Hardware Retailing* asked to visit and critique each other's stores can offer some guidance for getting feedback on your own business.

The retailers we paired up for this project are Steve Fusek, owner of Fusek's True Value Hardware in downtown Indianapolis, and David Grimes, owner of nine Handyman Ace Hardware stores in the Dayton, Ohio, area.

Fusek and Grimes had not met prior to the first store visit, and—unlike the members of the two peer critique groups featured previously in this story—did not exchange financials.

In late July, Fusek visited Grimes' Fairborn, Ohio, store, which is 14,500 square feet and 25 years old. The store's customer base is about 75 percent DIY and 25 percent commercial.

Grimes then toured Fusek's store, which is 11 years old and 10,000 square feet. Its customer base is 70 percent urban DIYers and 30 percent pro.

For the critiques, Grimes and Fusek walked every store aisle and also checked out back rooms and storage areas. They swapped ideas and later exchanged written feedback.

The retailers graded each other's businesses on areas such as store appearance, cleanliness, organization, merchandising and inventory levels. Both retailers also offered each other suggestions for how to improve the stores.

The Takeaways

Much of what Fusek and Grimes noticed during the store tours included how very different their businesses are.

For example, Grimes oversees a multistore operation and hadn't been to his store for about two months prior to Fusek's visit. He delegates most day-to-day in-store duties to his staff.

Fusek, on the other hand, has an office inside his single location, and he walks the floor multiple times a day observing his employees, noting product outs and straightening displays.

"His philosophies and my philosophies are a little bit different because I'm not there as much," Grimes says.

They chose to disagree on some issues. For instance, Grimes likes closeout sections. Fusek doesn't, so he donates dead product to a nonprofit organization to get rid of it.

But the outside perspective will inspire changes at Handyman Ace Hardware, and Grimes will discuss Fusek's feedback with his Fairborn manager, he says. They will reorganize the entrance of the store and implement other suggestions if they agree with them, he says.

"I plan on taking this as an action plan and doing something about it," Grimes says.

Some of Grimes' recommendations to Fusek weren't new ideas, but they made Fusek realize he needs to take action. When Grimes called Fusek's tool department lackluster, Fusek had to agree. He will look for ways to spice up the category at his next co-op buying show, he says.

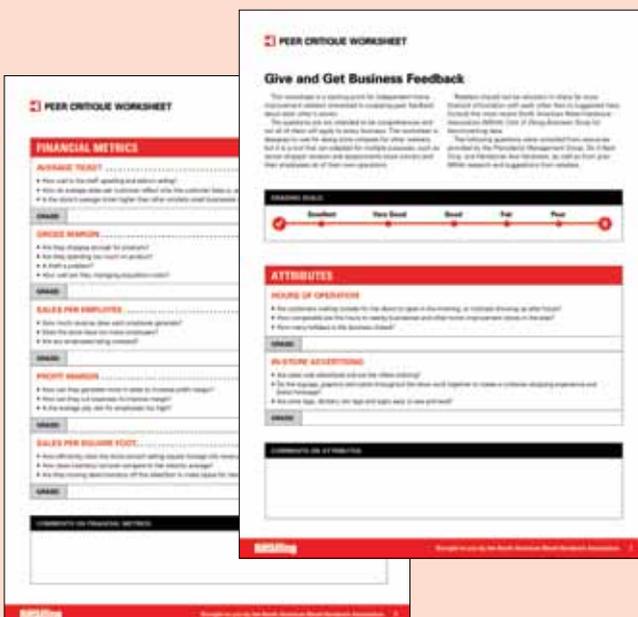
Grimes' fresh look at his merchandising offered new insight, Fusek says. Based on Grimes' suggestion, he plans to move an 8-foot display of trashcans onto a top shelf where he keeps overstock, and consider moving other large items to top shelves also.

"That's going to create a lot of space in our store that we never had before," Fusek says. "We all see things a little bit differently, and really, you're not trying to call the guy out. You're looking for recommendations to make his store better."

The following pages provide more of Fusek's and Grimes' feedback on each other's businesses.

Work This Critique Sheet

Hardware Retailing compiled a worksheet, which you can download at www.hardwareretailing.com/peer-critique, as a starting point for retailers interested in swapping feedback about stores. The downloadable document is intended to be a tool you can adapt for critiques, including your own analyses of your operation. The worksheet provides bullet points for grading product categories and other aspects of business.



WHAT'S STRONG



SALE TAGS

The house-made sale tags are eye catching and easy to understand. The handwriting reminds customers that they're shopping at a locally owned store.

“Those are really good. It's quick and it's easy. There's something to be said for handwriting. It looks like the local guy did them.”



TALLER FIXTURES

The small store needs to maximize the use of space, and the tall fixture allows Handyman Ace to stock a variety of brooms and merchandise them neatly.

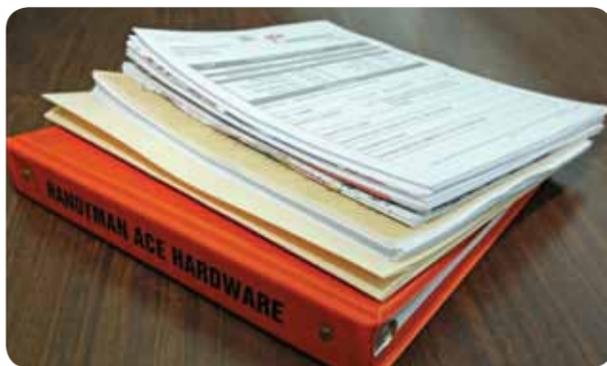
“This, they do well. Great variety. That's just a good use of space. They made the fixture taller to accommodate that height.”



WELL-PLACED SIGNAGE

Customers can clearly see, both when they walk in and as they leave, exactly what the store stocks but doesn't have space to display on the salesfloor.

“The other thing I liked—above the checkout, they have a list of products sold out of the warehouse. That area was really good.”



EMPLOYEE HANDBOOK

The detailed handbook, store evaluation checklist, clip strip program and employee relations guidelines for the chain are customized, thorough and well documented.

“I thought they were really good at operational stuff. They're off the charts on that.”

WHAT'S WRONG



CLOSEOUT AREAS

Multiple closeout areas, including dump bins throughout the store, look messy and attract bargain hunters, not necessarily loyal customers.

“I just think there's way too much of it. For me, it sets the tone for the store. It was overwhelming, I thought. It looks junky.”



DIRTY DISPLAY

Dirt on a main aisle mower display and product outs in the Stihl power tool area could give customers a bad impression of the store.

“It's bad. Customers hate it. For me, dirty and out of stock is an impression you don't want to leave with people.”



LOW INVENTORY AND OUTS

Customers go to hardware stores precisely to find products such as shelf hangers. An employee should be ensuring a display doesn't have ones or zeros.

“This should be fully stocked. One? One doesn't do any good because you can't hang a shelf with one.”



DISORDERLY DISPLAYS

A disorganized main aisle near the front door gives customers mixed messages, confusing them about where to find products and why they're displayed.

“It's not logical. You want it to be dumb-proof. When you have a small footprint, you have to use space well.”

WHAT'S STRONG



PRODUCT VARIETY

The home electronics area provides product variety in a category that offers growth opportunities in an increasingly wireless, high-tech marketplace.

“He’s got a good selection. It’s a category we haven’t taken advantage of and we need to expand ourselves.”



CLEAN, ORGANIZED STORE

The overall store environment is pleasant, organized and well cared for. The products are neatly arranged with the front labels showing. The store is very nice, which gives visitors a good impression.

“The store’s fronted. It’s faced. It’s clean.”



GOOD MERCHANDISING

A well-merchandised wing panel uses impulse items to draw customers into the product category’s main aisle. Fusek’s display of cleaning items does exactly that, showing customers in an inviting way where the category is located.

“He does a good job with that. It’s inviting to the customers.”



HIGHER PRICING

Fusek’s opened to fill a void downtown and the store has few nearby competitors. It can carry high-end gloves and price them higher than Handyman Ace, which is surrounded by big-box stores.

“I would be doing the same exact thing as he’s doing. At least he’s taking advantage of it.”

WHAT'S WRONG



ENDCAP IN THE WINDOW

The front windows give customers their first impression of the business. Showing the blank end of a shelf in the window is a lost opportunity.

“Seeing the endcap there—I would move the signs to cover that up. It’s just an eyesore. You want the front of your store as a showcase.”



USE OF SPACE

The store entry is prime real estate for showcasing product. Filling a wall with a logo instead of merchandise doesn’t sell anything or help customers.

“He has his logo right there, but you already know where you are. He should maximize square footage as much as possible.”



PRODUCT MIX

Because the downtown store is small, space is key. The product mix should cater specifically to the needs of the customer base.

“Do you really need sockets downtown here? Maybe you need to pick and choose who you cater to.”



BIKE RACK NEEDED

Fusek’s True Value gets steady bike traffic, and shoppers have to haul their bicycles into the store to keep them safe. Bike racks would provide secure, convenient storage for many customers.

“He should provide a bike rack for his customers. It’s just a good customer relations thing to do.” →