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SPECIAL PROFILE ON ORGILL INC.

2019



Orgill

Putting the Focus on the Customer



Service by Design

Continually Striving to Grow and Improve

In its 172-year history, Memphis, Tennessee-based Orgill Inc. has witnessed many changes impacting the home improvement industry. Long recognized as an industry leader, Orgill now services independent retailers in more than 60 countries from its seven distribution centers in the U.S. and Canada.

In the following pages, hear from some executives at Orgill as they talk about serving their customers, company growth and what’s planned for the future. Then, hear from one Orgill customer, an independent retailer who talks about the importance of the company’s biannual Dealer Markets and the positive impact they have on his business’s performance.

Finally, go online to read extended versions of these Q&As and profiles of several other Orgill customers throughout the U.S. ➔

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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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To read additional retailer profiles, visit TheRedT.com/orgill-profiles.

EXECUTIVE Q&A

A Proactive Approach

Orgill Provides Its Customers With Tools for Their Success

Hardware Retailing (HR): What in your strategy has allowed for the growth Orgill has experienced recently?

Ron Beal (RB): Our strategy is pretty simple: Take care of our customers every day and execute at consistently high levels at everything we do. We continually remind ourselves that the easier we make it for our customers to do business with us, the more time they have to concentrate on their own operations.

We also strive to provide our customers with choices. We focus on offering our customers options, not rules, because we have a very high regard for their ability to select and make the decisions that are right for their businesses.

Given the right support and tools, most independent retailers will do what is required to be successful. That entrepreneurial mindset is a major reason why there are still so many successful independent retailers throughout our industry.

HR: Do you see anything about your strategy or approach to the market changing?

RB: Change is a fact of life. We want to be proactive versus reactive to the needs of our customers. We want to be disciplined in our approach and deliver continuous, incremental improvement in everything we do. The industry is always evolving, but rarely at a rate that requires dramatic, short-term, disruptive change.

That being said, I don't think there is another distribution company in this industry that embraces new technology more than we do. When you look at the advancements we have made with our delivery fleet, distribution centers, e-commerce programs and the systems inside our organization, you'll quickly see how consistent we've been in making the investments and improvements that make sense for our company and our customers.

HR: Has this approach always been the case for Orgill?

RB: Being proactive and methodical seem to be in our corporate DNA. We embrace the idea that we want to be evolutionary rather than revolutionary, and that holds true with basically everything we do. It's certainly true when you look at the fact that our company has been around for 172 years. During that time, change has always been a constant. We welcome change and plan for it, and are rarely caught by surprise. We don't have a history of having to operate in crisis mode.

HR: Orgill has seen some changes in its leadership structure. Do you consider these changes evolutionary?

RB: Without a doubt. Certainly our leadership team continues to evolve. Joe Orgill (who passed away last spring) was a strong presence in the industry and within the company. Many years ago, he and his business partner, Mike McDonnell, laid the foundation for an orderly and successful transition from a family-run business to a company overseen by an experienced executive team. We see that same kind of planning and implementation going on now.

The executive team that works directly with me has expanded responsibilities in 2019. Each member brings many years of unique experience to these new roles. This group, along with our other senior staff, has for many years functioned well together as a team. These changes have been planned for a long time and will make us even more effective.

It is also vital that transition planning extends to all levels of management. We make sure this happens. People who come to work for Orgill tend to stay here. We have a real mix of veteran employees who provide stability and hands-on experience, along with newer members of the team who bring new ideas and energy.

HR: How does Orgill focus on continuous improvement?

RB: A core objective for us as a distribution company, something we know we have to do, is to always find ways to get products to our customers more efficiently and less expensively. This is one area where incremental improvement is incredibly important.

Every single day, we have to focus on how we can buy better, deliver product more efficiently and help retailers grow their margins.

The cumulative impact of this continued, incremental improvement in the way we operate over a period of three years, five years or 10 years can be profound—not just for Orgill, but more importantly, for our customers. —



Ron Beal
Chairman and CEO

Beal joined Orgill in 1985 and served as a senior vice president and general manager before becoming president and CEO in 2005, and chairman in 2013. In 2019, he stepped down as president, but remains the chairman and CEO.

EXECUTIVE Q&A

Learning From Others

Vice Presidents Discuss Growth, Collaboration Between Locations

Hardware Retailing (HR): What growth has each of you seen in your respective distribution centers over the past few years?

Vic Price (VP): I oversaw building our first few distribution centers. Our center in Kilgore, Texas, opened 11 years ago, and I've been there ever since. We've more than doubled in size in 11 years due to the growth our company has experienced.

Bryce Abbott (BA): The Tifton, Georgia, distribution center was home to the first building expansion in 1995, and we've seen growth ever since. We're in a good location, close in proximity to a number of our customers. And we've set up a number of systems internally to provide our customers with what they need. For example, we can shuttle trucks to meet drivers part of the way into the route, which means those drivers can head out and start delivering more quickly.

HR: How do the distribution center managers work together and learn from each other?

VP: We meet frequently, and we look at a lot of different metrics. If one location has found a more effective way to do something, I want to learn more about it so my location can improve, too. For example, I wanted to do some additional training with my inventory control team, so a number of them went to Tifton for a week. It's a bit of a friendly competition. We all have the same end goal, but at the same time, we all want to see what we're doing the best.

BA: Sometimes you get in a rut if you only see what you've been doing, so it's good to go elsewhere. When Orgill implements a new process or program, it's usually done at one distribution center that serves as the pilot location for that program. Then, when everything is in order, we can roll it out to other facilities. Employees from the pilot location will visit the other distribution centers to train employees there.

HR: When a natural disaster occurs, what plans go into effect to make sure customers are provided with everything they need in a timely manner?

BA: The key is great transportation managers. Our team works closely with our sales team. When something happens, they're working at all hours to provide our

customers with any assistance that they can. Our drivers are also an integral part of the process.

Our other warehouses will step in and fill some of our regular routes so we can dedicate more drivers to those customers affected by the hurricane. That's in addition to them providing product for us. The sales team also has a buddy system so if one sales rep is dealing with a natural disaster, his buddy can help him and his customers. Corporate is a huge help for us. Rebecca Rainer Partee, our director of North American sales support, and her team provide whatever we need during times we're dealing with natural disasters. The whole warehouse is involved, too.

VP: It's especially important to make sure you have enough product in stock when a hurricane comes through. Orgill has a whole system in place. We let customers know what items we'll have in stock, and we tell them what we consider the must-haves.

We're also lucky to have a good group of employees in the warehouse. In our business, it's hard to say what a set end time will be. Whatever the customer ordered the night before is what we're filling today. Our employees have to be willing to stay and work those longer days. It's important to get the right people in and train them right. When there's a hurricane or other natural disaster, we've come in early on Saturdays and Sundays, and we've asked our teams to stay past midnight before. We always have people who are willing to stay and help. ➔



Bryce Abbott

Vice President of Distribution—Southeast

Bryce Abbott joined Orgill in 1995 and is vice president of the company's southeast distribution center in Tifton, Georgia. Abbott manages the day-to-day operations of the warehouse and its employees.



Vic Price

Vice President of Distribution—Southwest

Vic Price serves as vice president for Orgill's southwest distribution center in Kilgore, Texas. He joined Orgill in 2000 and oversees all operations at that warehouse, which will expand to nearly 1 million square feet in 2019.

EXECUTIVE Q&A

Prepared for Anything

How Orgill Supports Its Customers During Difficult Times

Hardware Retailing (HR): What's the importance of having effective emergency preparation plans in place?

Rebecca Rainer Partee (RRP): Retailers need to have the right mix of supplies to meet the needs of their customers before, during and after a storm hits. They need to be able to depend on their suppliers to not only have that mix, but also have the ability to get that product to them in a timely manner.

In order for retailers to be a source of help in their community after a storm, they must have a supplier that has processes in place so both the retailer's needs and the community's needs can be met.

HR: How does Orgill handle its internal logistics when a natural disaster occurs?

RRP: No one can control the weather, but Orgill can help our customers be prepared to handle disasters when they hit. Communication is always important. This is especially true during a disaster.

When we're dealing with natural disasters, each department sets up daily conference calls. Sometimes the calls are needed more than once a day. The focus of the call is always how Orgill can best help our customers in their time of need.

HR: How does each department play a role during a disaster?

RRP: The sales support team works as the coordinator between the departments when disasters hit.

Our merchandising services team works on making sure items that have been defined as "emergency goods" are in stock in the necessary warehouse, depending on the location of the natural disaster.

This sometimes means transferring goods from one of our distribution centers to another. We're lucky to have a great group of employees who are willing to expanded hours to get those emergency orders out the door.

Our sales team acts as Orgill's eyes in the field. They let the home office and distribution centers know what is happening in their area after a disaster. Weather can change rapidly, and we depend on them to let us know what's going on and what our customers' different needs may be.

“We're here to provide our customers with the items they need in a timely, efficient manner, and getting feedback like those letters lets us know the processes that we have in place for a disaster are working well.”

Our customer service team is always a vital part of Orgill's disaster response. They take calls and coordinate with the distribution centers what they are hearing from customers.

HR: Can you give some examples of how Orgill has successfully served its customers during one of these times?

RRP: The damage that storms cause communities is devastating. However, it's so rewarding to know Orgill is able to directly help those affected through our work. It's during emergencies like these that items found at hardware stores become a necessity.

We recently received some letters from our customers who were pleased with Orgill's responses after Hurricane Michael and Hurricane Florence last year.

Specifically, those customers mentioned that they appreciated Orgill's assistance in getting product to their stores as quickly as possible, and said the extra deliveries really helped them keep up with consumer demands.

We're here to provide our customers with the items they need in a timely, efficient manner, and getting feedback like those letters lets us know the processes that we have in place for a disaster are working well. ➔



Rebecca Rainer Partee

Director of North American Sales Support

Partee joined Orgill in 2005 and worked as a marketing analyst and marketing operations manager before taking on her current role as the head of sales support, where she works closely with the sales and IT teams.

EXECUTIVE Q&A

Looking for a Change?

Orgill Talks New Stores, Expansions and Conversions

Hardware Retailing (HR): What kinds of programs do you offer to customers who want to expand their businesses?

Mark Scheer (MS): Unique to Orgill is our Market Driven Retailing program. It is a market-specific approach that allows us to develop analytics for a retailer for their market. It provides measurable data to assist the retailer in focusing on their customer, and what the consumer's expectations are when they shop for home improvement products.

The Market Driven Retailing process begins when we provide the retailer with demographics so they can compare their market to similar markets across the U.S. The process also includes collection of data from other businesses within their market. At the conclusion of that data collection, our customer sees the results and knows specifically what it will take to compete with those other stores.

I think our *Market Driven Retailing* study is one of the things that sets us apart from other distributors in the industry. It shows exactly what a retailer needs to do when constructing a new location or updating an existing location—everything from a floor plan to product selection to what categories help make them a destination for the consumer. We look at retail pricing and know exactly what prices a store should be at. We don't want retailers to miss any opportunities for their customers. The *Market Driven Retailing* study allows our customers to let their market be their compass.

HR: How do you address retailers who want to convert to Orgill?

MS: The process is a bit different for retailers who want to convert their stores to Orgill. We are dealing with an established retail environment, so we have the benefit of knowing a retailer's purchase history and their place in the market. With a conversion, we go through the business's product selection and convert any products necessary to

match up with the SKUs offered through Orgill. The retailer often has some products from a different supplier that are identical to what we offer, and in other categories, there might be more opportunities for them to try new products. Additionally, we evaluate their inventory to identify any missing key assortments. We plan for most conversions to take about a week. We expect the store to stay open; we don't want to have a negative impact on business. During the conversion, we remove any old product, switch bin labels, change out signage and provide the new data to their POS company.

Stores often see an enhancement in sales after a conversion, and one reason may be due to the changes in how customers see the store. Products might have moved around, or there might be new products with different packaging.

HR: What resources does Orgill provide during these projects?

MS: We have a full store planning staff that assists with our Market Driven Retailing program. Our team captures data, and our store analysts study it. We have store planners who put together store layouts.

For anyone who wants to convert, we have a complete team of conversion managers. These retail development managers are strategically placed across the country, and their focus is to work through conversions, which have many components. We don't want to impact the retailer's ability to service their regular customers, so our team works with POS providers to compare the retailer's file to the Orgill database. We also encourage retailers to get their POS provider engaged in the process, just to make sure there's a smooth transition.

Smart Start is also an integral part of the conversion. This program helps replace tired products with fresh, complete assortments. It's very helpful in determining that we have the right product selection. Retailers understandably want to take a close look at any changes in inventory. We make sure their items, especially the top-selling ones, aren't compromised. ➔

“Stores often see an enhancement in sales after a conversion, and one reason may be due to the changes in how customers see the store.”



Mark Scheer

Director of Retail Development

Scheer leads the conversion team as they set stores for retailers who have converted to Orgill. He also helps retailers look closely at their markets to ensure they are accurately targeting their customer base.

RETAILER Q&A

Never Miss a Show

North Carolina Retailer Talks About the Importance of Orgill's Dealer Markets



Hardware Retailing (HR): Do you and your team attend every Dealer Market?

Taylor Baker (TB): We do. I go to every spring show and most of the fall shows. I try to get our employees involved, too, whether it be our general manager, purchasing manager, members of our sales team or our associates. It's a great opportunity for our employees to see another side of the business. They work every day to sell items to our customers, so I want them to see what it's like to go to a show and buy those items we sell.

There are so many vendors and other opportunities at the Dealer Markets. I feel like the shows really tell the story of all Orgill has to offer, and I always appreciate when our employees have an opportunity to see that, too.

HR: How do you prepare for the shows?

TB: The Dealer Markets offer plenty to see and do over three short days, and you absolutely have to go in with a plan.

One of the first things we do at the show is walk the floor, just to make sure we don't miss anything. We make notes of any booths or areas we want to come back and look more closely. Then we go to the promotional areas. That's in the morning of the first day. That afternoon, we visit the concept stores and the Product Showcases.

For each show, we choose a couple of departments to focus on. It might be a department that's currently struggling, or maybe a new one we just added to our store. We take some time to make sure the product selection we have for those particular departments is exactly what it needs to be. We talk with vendors and find out about trends and new products in those categories.

We also look at seasonal merchandise. At the spring shows, we look at lawn and garden items and spruce up that category however it may need. At the fall shows, we focus on heating, plumbing and electrical so we can make sure we're ready for the upcoming winter.



Taylor Baker attends Dealer Markets to learn about new products and find new merchandising techniques he can implement in his stores.

We try to focus on just a few categories at each Dealer Market to ensure we really cover those well. It's about quality over quantity. We do some pre-buying every year, which is helpful. Not only do we get good prices on items we know we'll be buying anyway, but that way, we have a little more time when we get to the Dealer Market.

HR: Are there any particular areas you always visit?

TB: We really like the model stores. Sometimes when you're looking at a product in a vendor's booth, it's hard to visualize how it would look in your store. The model store is a great way for us to see many of those products in a real-life setting, right there on the market floor. And they give us ideas, too—the model stores might feature products or even categories we don't currently have, and they allow us to see how a store flows and how the categories are set up.

We just purchased a new store a few months ago, and we are actually basing its layout off of a model store we saw at the Dealer Market last spring. We have some changes to make, of course, but we're using that model store as a starting point as we fix up our newest location.

The Product Showcases are really helpful for us, too. These areas show the breadth of product Orgill offers in those particular categories, and again, they always give us some good ideas. We always walk through each of those at every show.

“The markets offer us the opportunity to buy products at great prices. We can get into a new category or try a new planogram at a huge discount—it's a way to try something new with just a small financial investment.”

We also attend at least one or two of the seminars at each Dealer Market, and we spend some time learning about all of Orgill's products and services. This will be especially helpful for us at the show in Orlando later this month, since we'll want to take advantage of many of these programs as we set our new store. That area provides a good opportunity for retailers to take a closer look at these programs and find a new idea they may want to capitalize on.

HR: How do the Dealer Markets help your business be more profitable?

TB: The markets offer us the opportunity to buy products at great prices. We can get into a new category or try a new planogram at a huge discount—it's a way to try something new with just a small financial investment. The different promotional areas have so many great deals, too. Orgill puts everything together so well and gives us opportunities for great buys. We always make sure to take advantage of that.

Plus, the Dealer Markets offer us an opportunity to revisit other facets of our business. We can meet face-to-face with the experts at Orgill and talk about pricing or product selection. Orgill offers programs for each of these areas, and we can learn more about any adjustments we might need to make. We actually just went back through our pricing structure with Orgill to make sure our prices are where they need to be.

Without Orgill, we wouldn't have come as far along as we have these past few years. We've taken a couple of stores that were in pretty bad shape and really turned them around, without a huge investment. We're continuing to improve and grow our businesses, and Orgill and their Dealer Markets have been a big part of our growth, and our success. ➡



Taylor Baker

Owner of Foothills Hardware & Builders Supply

Baker bought his first store in Pilot Mountain, North Carolina, in 2015, and expanded the business in 2018 with the purchase of a second store in Mount Airy.