When your dream is big enough, you don’t mind waiting a little longer for its fruition. Four years in the making—largely because of a long delay when the original developer of the retail property bowed out—Grant and Wayne McKinnon’s brand new Duncan Pacific Builders Supplies store held its long-anticipated grand opening at Duncan, B.C. on March 19.

“This is the perfect product for this market, the perfect mix,” said Grant McKinnon. “We’ve really brought the home improvement retailing up a notch here, just as RONA has been doing in the rest of the country. We’ve got a flare and a style to offer our customers that no one else can match.”

Based largely on RONA’s proximity store model, but with custom-designed elements added specially for the contractor customer, this is no cookie-cutter RONA, Grant says: “I call it the Proximity Plus. We’ve taken the best elements of the corporate stores and added what works for us. Developing this with RONA has been a great partnership. They are a flexible organization who don’t look to control dealers like us, but rather give us the tools we need for our market.”

Continued on page 2
We can grow to 20 per cent of market: Dutton

Even in a difficult market, RONA’s national market share is expected to increase from 17 per cent to 20 per cent over the next five years, according to RONA’s 2008-11 business plan unveiled by president and CEO Robert Dutton on Feb. 27.

Independent dealers will play a major role in this success, Dutton said, especially in the company’s fast-growing regions of Western Canada and Ontario. In order to help its dealer-owners to expand, the company will beef up its development and support teams, speed up the time it takes new affiliates to be integrated into the RONA network, and provide more assistance for independents who want to expand their stores or open new ones.

“The independents in our network bring us back to our roots, it is one of our core strategies,” Dutton says. “Pooling together our power and expertise, and the knowledge and determination of our dealer-owners, creates a powerful combination.”

Co-op shares can’t do this!

Wealth created by RONA’s shares has allowed dealers to invest in their businesses and in themselves, rather than seeing their shares frozen, as in some co-ops and buying groups.

Projects initiated by RONA affiliates

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of projects</th>
<th>Value ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>90</td>
<td>$21.0</td>
</tr>
<tr>
<td>2004</td>
<td>105</td>
<td>$23.1</td>
</tr>
<tr>
<td>2005</td>
<td>144</td>
<td>$48.0</td>
</tr>
<tr>
<td>2006</td>
<td>166</td>
<td>$68.8</td>
</tr>
<tr>
<td>2007</td>
<td>180</td>
<td>$53.1</td>
</tr>
<tr>
<td>TOTALS</td>
<td>685</td>
<td>$214.0</td>
</tr>
</tbody>
</table>

ACCESS TO CAPITAL made the difference

When the McKinnons were with Home Hardware, they were unable to realize their dream of opening these types of stores. But when they joined RONA, they could finally make it happen. Since the maximum investment that RONA requires of a dealer is $225,000 (and it can be lower, depending on the size of the business), dealers have access to the capital required to invest in their expansion goals.

Who’s joined RONA (2003-2007)

<table>
<thead>
<tr>
<th>Province</th>
<th>Location</th>
<th>Former Banner</th>
</tr>
</thead>
<tbody>
<tr>
<td>SASKATCHEWAN</td>
<td>New Era Lumber Macklin</td>
<td>Sexton</td>
</tr>
<tr>
<td></td>
<td>RRM Family Hardware Moosomin</td>
<td>Sexton</td>
</tr>
<tr>
<td>TIMBERLAND</td>
<td>Castle Building Centres</td>
<td>Sexton</td>
</tr>
<tr>
<td>PRO</td>
<td>D.N. Enterprises Lac Du Bonnet</td>
<td>TruServ</td>
</tr>
<tr>
<td>OTHER</td>
<td>Kaviar Inc. La Broquerie</td>
<td>Sexton</td>
</tr>
<tr>
<td></td>
<td>Feldman Timber Co. Timmins</td>
<td>Castle</td>
</tr>
</tbody>
</table>

NINE NEW INDEPENDENT DEALERS SINCE JANUARY 1ST!

This is a new RONA benchmark for the number of independent dealers who switched to our banner in the first quarter.

BREAKING NEWS! Barry Campbell’s former Home Hardware in St. Albert, Alta. has just joined RONA.
Newton Enterprises president Brad Dick loves to be first. Just over four years ago, the Manitoba-based construction and retailing company became the first independent RONA dealer in Western Canada. And right from the word go, Brad knew that RONA would help him turn his 22,000 sq. ft. of retail selling space, shared between his existing two stores in Newton and Portage la Prairie, into something much more impressive—a retail operation that could dominate this market just west of Winnipeg.

Last September, Brad opened a 50,000 sq. ft. proximity store in Portage la Prairie, once again scoring a “first”—it was the first and biggest independently-owned proximity RONA in the West. (When Duncan Pacific Building Supplies topped that with a 60,000 sq. ft. outlet that opened March 19 (see cover story), Brad joked, “Now I’m going to expand again, just to show those guys in B.C.!”)

The RONA Report recently spoke to Brad to see how his new flagship store is working out.

**Q. You’re six months in. How are your numbers tracking?**

**A.** Very satisfactorily. We’ve met every single one of our targets. Transaction counts and customer flow have both increased significantly. What’s most exciting is that people are coming in and making buying decisions right then and there, because the merchandise is so visible in this new format. Whereas in our old store, we had warehouse racking, and the merchandise just did not impact the customer in the same way.

**Q. What special marketing have you done to help bring people in the door?**

**A.** We’ve upped our advertising, of course, including doubling the amount of flyers. But people are clearly being drawn in because of the sheer visual impact of the store.

**Q. Of all the new lines you’ve been able to add, doubling your space, which ones seem the most promising.**

**A.** Well, it’s hard to tell, because we’re only six months into a full-year cycle and we haven’t seen the spring and summer yet. But so far, the décor products and the paint boutique have been the stars. But it’s all up.

**Q. How has RONA helped you during the building of this store?**

**A.** It’s been a great partnership on the whole program. From the difficult decisions on the format, the actual layout, the exterior and interior finishing, they’ve given me a lot of guidance. The merchandising firm, Amenagement RD, moved into town and were here for us as long as we needed them.

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**PORTAGE LA PRAIRIE, MANITOBA**

From two small stores to one great one

“We knew we wanted to dominate this market, right from the word go. It’s why we joined RONA in the first place.”

— BRAD DICK, President, Newton Enterprises

**CONSOLIDATING THE MARKET:** Once affiliated with Do-it, Newton Enterprises was operating two smaller stores in Newton and Portage La Prairie when it joined RONA as an independent dealer four years ago. Last September, president Brad Dick and his partners began to aggressively consolidate the retail and contractor business in their marketplace with a brand new 50,000 sq. ft. (retail) RONA proximity store in Portage La Prairie.

**Photos: Artistic Impressions Photography, Winnipeg, MB.**
It wasn’t the four years that Dan Hannam put in as a regional operations manager for RONA that convinced him that RONA was the right banner for his dream of owning his own store.

What convinced him of RONA’s superiority to all other Canadian banners, was the almost 20 years he spent in this industry before RONA, working almost every conceivable position you can hold in a building supply operation: truck driver, yard foreman, lumber salesman, front-end merchandiser, territory manager... you name it.

In previous careers at Sodisco-Howden, ACE and Cashway, Hannam has personally worked in more than 60 building supply stores in Ontario and the Maritimes. That vast experience will help him as he moves into the dealer-owner role at Holland Lumber, in the north end of Oshawa, Ontario.

This former Castle store had been in the Holland family since Ray Holland purchased it in 1963. When the family decided they wanted to sell the business, RONA created a succession plan that will be a win-win-win for the sellers, the buyer and the company itself. RONA knew that Dan Hannam was the perfect candidate to take over the business, and having the second- and third-generation Hollands (Dave and his son Ryan) stay on staff with Hannam was the perfect fit for everyone.

“RONA has been through this so many times—setting up succession plans—that they really are the masters at it," Hannam said. “They know this business has to keep its Holland Lumber identity and operate as a fully-fledged independent, maintaining all those great contractor relationships Dave and his father built up over the years. What RONA can do, is help us to bring the ‘other’ side of the business into this location—the front-end—and add marketing, merchandising and traffic-in-the-door muscle that lumber buying groups can’t hope to emulate.”

— DAN HANNAM, Owner, Holland Lumber

OSHAWA, ONTARIO

A succession plan done right:

“I liked it so much, I bought the company”
Wrapping up 2007 by winning a Hardware Merchandising ‘Outstanding Young Retailer’ award was “an awesome experience for me and a tribute to my staff,” says John Albi, owner of a superbly-run RONA hardware store in Newcastle, Ont., an hour east of Toronto.

But having won a hardlines industry honour, Albi is all the more eager to play the game on the LBM side, where he is sure he can win big, too. He is “absolutely determined” to buy or build a local lumberyard that will enable him to expand beyond the limitations of his current 8,000 sq. ft. of retail space.

“I want to get the lumber into this marketplace, under the RONA name, and I can’t do it from my existing footprint, which is busting at the seams,” Albi says. “The development staff at RONA are working very closely with me and we will make this happen.” Albi is in his fourth year as a RONA dealer, having first worn the blue shirt almost 14 years ago, as an employee.

PRICE COMPETITIVENESS

RONA’s obsession with giving its independent dealers the best possible prices is a cornerstone of the company’s success. With the largest buying power of any group being channeled through the most efficient and high-tech distribution network in the Canadian industry, RONA’s dealers get the margins they need to grow their businesses.

“RONA’s costs to the dealer are second to none.”

MICHEL PERRON, RONA HARDWARE, QUEBEC CITY
President and CEO Robert Dutton and senior executives went “on tour” in March, meeting and talking with some 6,000 people (owners, managers and staff) in the RONA network. Standing-room only events, featuring live entertainment (including performances by RONA’s own employees) were held in Vancouver, Calgary, Toronto and Montreal.

“We currently have 161 expansion projects underway in 56 stores”

-- Claude Bernier, Executive Vice-President, Proximity and Specialized Stores

(SOURCE: Great Canadian Tour, Mississauga, Ont., March 26, 2008)

“Even if the market is uncertain these days, I want to tell you that RONA is not in contraction mode, RONA is in expansion mode.”

-- Robert Dutton, President and CEO
New traffic builders

AIR MILES™
Studies in each of the past two years showed that AIR MILES had a roughly two-to-one lead on Aeroplan (the loyalty program used by Home Hardware) in terms of the number of Canadians who carry these cards. The traffic-building power of AIR MILES is one of the most frequently-cited advantages that new RONA dealers feel they have over their former banners.

“AIR MILES are massive here in Alberta. And RONA has been very savvy about marketing this program, to our benefit.”
ROBBIE MCKAY, Black Diamond, Alta.

RONA Eco brand launch
“Responsible, ethical behaviour has always guided RONA’s development. That’s why we aim to become the eco-responsible standard for the construction and home renovation industry in Canada,” said Robert Dutton at the Nov. 9, 2007 launch of RONA’s new sustainable development program. (RONA is collaborating with CIRAIG, an organization that develops leading-edge expertise on the impact of the entire life cycle of products on the environment.) The first product launches are occurring in early April, with five RONA Eco cleaning products and two RONA Eco garden waste bags.

“These are premium products, but priced to sell. We are excited.”
JOHN ALBI, Newcastle, Ont.

RONA magazine
Recognizing that two-thirds of all home improvement purchase decisions are made by women, RONA has launched its own magazine. The first copies reached a carefully-selected national audience of up to one million Canadian consumers in mid-March. RONA: The Magazine is the most stylish home improvement publication ever distributed in Canada. But it’s the substance—the way RONA products are explained and sold—that will build traffic to RONA dealers.

“It’s a great looking publication and it will help our business.”
LINDA KOLEWASKI, Cold Lake, Alta.

New TV spots
RONA, in association with CTV and RONA’s advertising agency partners Carat and Cundari Group, has created a new TV advertising platform. Included in the mix are 30-second spots divided into two — like a mini-TV show — which give renovation tips and tricks, building awareness of RONA’s legendary customer service, including the availability of RONA’s project guides.

“Our retail traffic has doubled, thanks largely to the RONA brand.”
ED GAMOLA, Humboldt, Sask.
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