



RETAIL BUYING GROUPS

The best of both worlds

BY HELEN RACANELLI

Many people out there, including some retailers, have never heard of the idea of a retail buying group. Some might assume that a buying group is similar to that of Groupon.com, the popular website where consumers aggregate to get bargains by purchasing in bulk. If you know anything about retail buying groups, you're probably laughing right now. Yet, the comparison between a buying group and a site like Groupon.com is not far off the mark in one respect: Both leverage strength in numbers to score great deals. What's more, retail buying group members continue to enjoy their independence while also drawing on the competencies of a retail powerhouse.

For those who may still be unfamiliar with the concept, a retail buying group is something of a hybrid between a full-blown franchise and an independent shop. Members purchase their merchandise as a group not only to save on cost, but also to gain access to product lines that they might not be able to access as an independent. There is also the benefit of having highly recognized branding on their stores, in some cases. Incidentally, Retail Council of Canada (RCC) supports not only buying groups, but also prospective buying group members with services and research. (See the end of this story for more information.)

"Essentially, RCC has many buying groups as members within the association, a number of whom joined over the past couple of years, lending the influence of hundreds of stores to RCC advocacy efforts," says Robyn Russell, Manager, Membership Services at RCC. "These groups— which include Castle Building Centres and Home Hardware -- bring fresh ideas and new energy to RCC's committees and programming," she adds.

Becoming involved and being more efficient

Painters Place, a paint store based in Oakville, Ont., has been in existence for 23 years. Ten years ago, owner Tom Marino moved it to its current location and at the same time joined Access Moore, the retail buying group of paint manufacturer Benjamin Moore's. "Access Moore establishes relationships with new vendors and businesses so that we can open up a dialogue and business practices with a particular company," Marino says. "Now I have access to various decor companies: flooring companies, drape and window dressing companies, for instance, that I would have had to search out

and find myself," he adds.

In Barrie, Ont., Once Upon a Child primarily sells used children's goods purchased from the public, but it sells a strategic smattering of brand-new items too. "When we first started out here in Barrie," says Manager Helen Hoenisch, "we wanted to bring in items to sell new that we didn't get in secondhand. We figured if we sold them new, perhaps when the customers were done with them we could sell the items again," she says. Once Upon a Child stores number over 200 across North America and have a potent collective buying power, though each is individually owned. "A few years back, one manufacturer had a toddler bed that was discontinued, and wanted to clear them all out so it offered them to our group. 'If you take all 400 of them, we can give them to you at this price,' the company said. Of course we took them," Hoenisch says. As a result, she was able to sell them at a lower price than her big-box-store competitors down the road.

Benefits for customers

Home Hardware is a name that is synonymous with the friendly corner hardware store where you ask for help and get it quickly without roaming the aisles for ten minutes looking for a warm body. Established by 122 independent retailers in 1964, this is arguably Canada's best-known buying group, numbering 1,080 stores spread out in every province and all three territories. Each store is 100 per cent dealer-owned and operated, which customers appreciate. "Research shows that to most consumers, independent ownership makes a significant difference in their shopping experience," says Claire Taylor, Home Hardware's Public Relations Coordinator. "Independent ownership means that customers can ask questions and seek advice from someone who's uniquely positioned to offer customers help, understanding and true flexibility," she says.

Back at Painters Place, Marino says customer feedback about the decor items he offers through his Access Moore membership is positive. "Customers comment that this makes our store more complete as a decorating centre," he says.

At Once Upon a Child, clients are price-driven, and appreciate getting a deal. "For us, it's all about passing the savings on to our customers," Hoenisch says, and being part of a retail buying group allows her to do just that.



Benefits for owners

In scenic Prince Edward Island, Spring Valley Building Centre has been a part of Castle Building Centres' Group for 25 years. Castle's motto says it all: "Freedom of one. Strength of many." (Indeed, the 'many' is becoming many more. In just the month of March, 2011 it introduced three new members – and that was just in Newfoundland.)

"I ran Spring Valley Building Centre for two years prior to buying it. That's where I learned about all the benefits of belonging to this group, which made my decision that much easier to stay with Castle once my wife and I were owners," says President Mike James, whose popular building store employs a staff of 19. "What works well for myself and my company is that Castle is truly transparent and there is nothing hidden. We have the flexibility to run our own programs and purchase from various vendors and are not instructed to support certain programs and vendors," he says. James does not even have to take part in corporate advertising if he doesn't want to. "Castle lets us run our business the way we want to and at the same time provides us with superb buying power which gives a competitive advantage in our market," he says.

BEST OF BOTH WORLDS

All in all, buying group members seem to be a satisfied bunch, straddled as they are between the worlds of independence and membership, seemingly enjoying the best of both worlds.

If you are interested in pursuing a retail buying group membership and you don't know where to start, be sure to contact RCC. "Through the association's strategic alliance with these buying groups, members of RCC have direct access to them and can set up meetings easily with some direction from our membership team," Russell says.

For more information on how RCC can help you with respect to retail buying groups, visit retailcouncil.org/memberservices or call 1-888-373-8245.

Home Hardware dealer-owners also reap the rewards of being part of a formidable retail buying group. "New 'Home Owners' are able to excel under the Home banner," Taylor says. The reason is simple: The groundwork is already in place for success. Dealer-owners get greater buying power, a comprehensive distribution and delivery network, and a highly recognized nationwide advertising program, all while maintaining their independence, she notes. This appeal could be why 40 new stores opened in 2010 alone. "Motivation, determination and drive will make any 'Home Owner' a success story," she says.

Advice for prospective members

Interested in becoming a member of a retail buying group? Do your research.

"For independents just starting out it is extremely important to get all the information out on the table first," says James, the Castle buying group member. "Make sure that you truly know what your bottom line is and that there is nothing hidden," he says. Furthermore, there are other groups out there that offer incentives to join them so it is important to understand exactly what you are signing and getting yourself into, he says. "It's very easy to make it all look attractive but make sure you read between the lines," James says. And if you do join, don't be a wallflower. "Get involved!" he urges. "Take part in the group's efforts such as pool buying and expos in order to leverage everyone's 'whole' potential buying power. Be interactive with all members and use best practices when need be," he says.

Marino's advice for would-be buying group members is to consider what a buying group offers beyond just dollars and cents. "For many retailers, it's all about the bottom line," he says. "But sometimes you need to look past that. Maybe it's not just about the dollar but it's about the accessibility and about opening you up to other suppliers that you never would have had a chance to deal with," he says. Marino says that Painters Place is not his clients' number one source for decor items, but the unique merchandise he has access to via his buying group helps brand his store in customers' minds as a place that will make their home more stylish.