

# CASE STUDY



**Acquisition Strategy & Store Rebrand**  
West Helena Home Hardware Center

***ORGILL***

# West Helena Home Hardware Center

## Acquisition Strategy & Store Rebrand



West Helena, Arkansas



25,000 sq. ft. home center with drive-thru lumberyard



\$5.7-\$5.9 million annual sales

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## H&M Lumber Company was a 50+ year-old, family-owned home center serving the community of West Helena, Arkansas.

Fairly isolated from any competition, the store performed well and saw significant growth over the years. It was affiliated with Ace Hardware, a national co-op, and in addition to a full drive-through lumber and building materials yard, the store stocked a complete range of core home improvement items on its 25,000-square-foot salesfloor.

In addition to plumbing, electrical, lawn and garden, outdoor living, paint, workwear and hand and power tools, the store also offered a selection of premium brands, such as Big Green Egg, Stihl, Carhartt, Costa eyewear and more.

Several years ago, owner Walter Morris Jr. began exploring options for transitioning out of the business. Eventually, he was connected with the team from Central Network Retail Group (CNRG) through a business broker he had hired to help him navigate his strategic options. After Morris and the CNRG team were introduced, both parties quickly saw that there was potential for CNRG to acquire the operation and make it a part of its group of stores that are part of the Home Hardware Center brand, which is based out of Natchez, Mississippi.

In the midst of finalizing these arrangements, COVID-19 struck and created some challenges in finalizing the deal. Despite these obstacles, CNRG's team developed an acquisition strategy that Morris Jr. felt was a fair deal and a good fit for his business, his employees and the community.

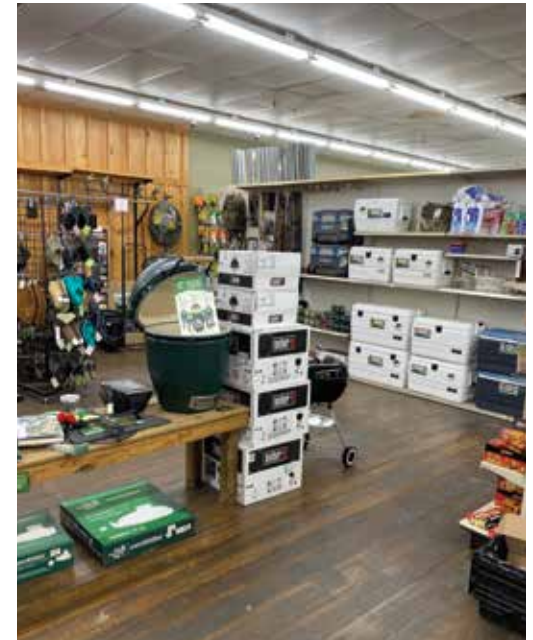
After acquiring an already high-performing business with solid sales and growth, the CNRG team immediately began enacting a plan for incremental improvements to the operation. This plan covered different areas of the business, including merchandise mix, margin opportunities, pricing, creating buying efficiencies and addressing expenses.

The CNRG team also worked to blend the H&M Lumber Company store into the existing Home Hardware Center brand—without losing the local feel and appeal that the business had established throughout the years.

Since the acquisition, the store has prospered. Multiple changes and enhancements have been made to the assortment while still maintaining much of the product mix and local brand preferences that made it a community favorite.

From a transition standpoint, Morris Jr. reports the process has been smooth and key employees that were with the business prior to the acquisition have remained aboard and are positive about the outlook of the company and its future as West Helena Home Hardware Center.

From an operational standpoint, the location has emerged as one of the top-performing stores within the Home Hardware Center chain. The store was on track to post a sales increase during the most recent rolling 12-month period. During this same period, the store saw margin increase by 370 basis points.



**“When we first looked at H&M, it was apparent that it was a very good store. It mirrored a lot of Home Hardware’s existing stores in terms of clientele, product mix and so on.”**

John Sieggreen, CNRG President and CEO



# 01

## The West Helena Market

### BACKGROUND

**WEST HELENA, ARKANSAS**, is a rural agricultural community located about 70 miles southwest of Memphis, Tennessee, along the western edge of the Mississippi river.

West Helena is the seat of Phillips County, Arkansas, and has a population of about 13,000 residents. The housing stock in the area is mostly older, and many businesses have left the community. However, agriculture and agricultural-related companies remain the primary industry driving the region.

While home improvement competition is relatively limited within a 50-mile trading radius, locals still require a mix of home improvement items, building supplies and materials as well as lumber and home goods.

## Corporate History

**H&M LUMBER COMPANY** was founded in 1961 by Walter Morris Sr. together with brothers Lawson and Johnny Hornor. During its early years, the business offered a small range of building supplies and hardware but was primarily complementary to a ready-mix concrete plant and concrete block facility run by the partners.

As the West Helena area experienced significant growth during the 1960s and 1970s, so did the business. By the 1980s, however, this growth had slowed. H&M's management and ownership team knew that if the business was going to survive, they would have to start exploring expansion opportunities. It was around this same time that Walter Morris Jr. joined the operation.

Looking for ways to broaden the appeal of H&M, the management team decided that the best solution was to enhance their lumber and building material offerings to include more hardware and expand their customer reach beyond contractors and trade customers to include more retail traffic.

This decision proved successful, and during the 1980s and early 1990s, the lumber and building materials business saw its customer base increase significantly. The ownership team sold off the concrete block plant in 1989. By the early 1990s, H&M Lumber Company was serving a mix of contractors, professionals, tradespeople and walk-in DIY traffic.

With this additional traffic, it quickly became apparent that the business would have to expand beyond its existing 5,000-square-foot facility.

After looking at options for a larger facility in the mid 1990s, the management team settled on the site of a former Walmart that sat in a strip mall (now H&M





Plaza) off of Highway 49, one of the main roads heading into West Helena. In 1996, the H&M owners sold off their interest in the ready-mix concrete facility to focus solely on the home improvement operation.

Upon moving into the new 50,000-square-foot facility that offered about 25,000 square feet of under-roof space for retail, H&M Lumber Company continued to experience growth.

The company joined Ace Hardware and implemented a number of the supplier's products and services into its selection. While the store offered unique products and services that appealed to the local market, they also carried a wide range of private-label products under the Ace Hardware private-label brand. The store carried a number of niche industry brands including Big Green Egg, Costa eyewear and shortly before the CNRG acquisition H&M added a full-line of Stihl outdoor power equipment to its product mix. Not long after the company's move to the new facility, two of the competing local hardware stores closed their doors.

By the early 2000s, H&M was well established in Phillips County as the premier provider of hardware, building materials, lumber and home improvement supplies.

H&M cultivated a strong community following, and the ownership and business played a significant role in the West Helena community, providing service and support to multiple local organizations, from the chamber of commerce to the Helena Museum and local college.

In the mid 2000s, Morris Sr. and Jr. purchased the remaining interest in the business from founding partner Johnny Hornor. While Morris Sr. still remained active in the business, Morris Jr. began running the day-to-day operations.

Morris Jr. had purchased the business from his father and was the sole owner of the business when Morris Sr. passed away in 2017. It was around this time that Morris Jr. began looking at succession planning and ways to ensure that the business remained a going concern either with or without his presence in the operation.

**“In a successful acquisition, we want the seller to be as proud of their business after the sale as they were before the sale.”**

John Dorrill, CNRG Operations Manager





# 02

## BUSINESS TRANSITION

### A Successful Transition

**KNOWING THAT HE WANTED TO ENSURE** H&M Lumber Company had a continuity strategy beyond his time with the business, and also knowing that he did not have family members interested in continuing a hands-on role in running the company, Morris Jr. began vetting his options.

In 2019, Morris Jr. contacted a Memphis-area business broker, Bob King, to assist him in examining his options. This included performing a thorough audit of the operation and conducting a business valuation.

After going through this preparation process, King connected Morris Jr. with the team at Central Network Retail Group (CNRG).

CNRG is a multi-format, multi-brand retailer based in Memphis, Tennessee, currently operating 116 home improvement retail brands and lumber and building materials centers in 16 different states.

It is also a wholly owned subsidiary of Orgill Inc., the world's largest independent distributor of hardlines. CNRG and its brand managers work closely with Orgill and its team of retail services professionals to develop solutions for the wide range of store types included in the CNRG family.

Orgill relies on CNRG to test and develop retail concepts in a real-world retail setting. These concepts are refined and subsequently rolled out to Orgill's entire customer base.



In terms of geographic proximity to West Helena and H&M Lumber Company, CNRG's nearest retail operation is Home Hardware Center, based out of Natchez, Mississippi, which at the time operated 23 locations. In addition to its geographical location, H&M's customer base, general product mix and store layout made the operation an ideal fit for the Home Hardware brand.

After the business broker connected Morris Jr. with the CNRG team, both sides began the vetting process. John Sieggreen, CNRG president and CEO, says his team were impressed with the business Morris Jr. and his family had built and saw a great deal of potential in the prospect of an acquisition.

According to Sieggreen, the key to ensuring a successful transaction was making sure the operation was in solid financial condition and also making sure that Morris Jr. would be comfortable turning his family's legacy operation over to new ownership.

"When we first looked at H&M, it was apparent that it was a very good store," Sieggreen says. "There was not a lot of competition within the trading area, and we recognized that it would likely be a good fit within our Home Hardware brand because, in many ways, it mirrored a lot of Home Hardware's existing stores in terms of clientele, product mix and so on." Sieggreen shares that Morris Jr. was very keen on learning about CNRG as an operation as well as gaining a better understanding

of the Home Hardware brand before moving forward with the sale of the business.

"I wanted to do all the vetting I could before we even discussed an offer," Morris Jr. says. "I wanted to understand how they would go to market; how they treated their communities; how they treated their employees. I wanted to look at the best and the worst of their operations."

To get the kind of view he wanted, Morris Jr. met with both the CNRG and Home Hardware teams. He toured multiple Home Hardware locations and spoke with Home Hardware employees. He also had his employees visit a number of Home Hardware locations, ask questions and interact with Home Hardware employees.

"I talked to everyone I could," Morris Jr. says. "I looked at Home Hardware stores from the best to the worst, and I saw that even with the locations that needed to improve, there was a plan in place and they were working on making the changes needed. I saw the whole gamut and how they adapted to serve the markets they were in. The employees all seemed happy and the communities seemed happy. At that point, I was satisfied that they would be a good company to move forward with in discussions."

From the CNRG team's perspective, they welcomed Morris Jr.'s hands-on approach to making sure the deal would be a good fit for all parties.

"He undoubtedly did a lot of vetting of us and we welcomed that," Sieggreen says. "This was his family's legacy, and he wanted to make sure that we did right by that and did right by the community and the employees. We understood and certainly respected that."

With a green light to move forward with the acquisition in early 2020, CNRG's team put together an offer package and a formal letter of intent outlining how the acquisition would proceed.

According to Sieggreen and John Dorrill, who oversees acquisitions for CNRG, when developing an offer for a business, the CNRG team strives to provide prospective acquisition targets with a bid that is fair and represents a win-win for both buyer and seller.

"We lead with a fair number and we don't want to start out lowballing or haggling like we are at a flea market," Sieggreen says. "We also don't lead with a big number just to get the owner's attention and then whittle away at that number as you go through due diligence. We lead with an honest and fair number, and that establishes an honest and fair relationship." Dorrill adds that, "In a successful acquisition, we want the seller to be as proud of their business after the sale as they were before

the sale. You have to be respectful of the seller’s feelings and be mindful about more than just the numbers you are putting on the table.”

Once the deal was finalized, a date of April 1, 2020, was set for the acquisition to close.

With the rapid onset of the COVID-19 pandemic, it quickly became clear to all the parties involved in the acquisition that the original closing date might not be feasible. And while it may seem simple enough to reschedule the closing date of the acquisition, according to Sieggreen, this was not standard operating procedure for CNRG.

“Once we put a deal together and produce a letter of intent, we really pride ourselves on honoring that,” he says. “Changing dates is just not something we do. But in this case, there were circumstances that were beyond our control, and we had to move the date to May 18. But, even in the middle of COVID-19, we managed to complete all of our due diligence and close the deal.”

The CNRG team’s commitment to living up to their word, even in the face of an unprecedented pandemic, impressed Morris Jr.

“This let me know I had made the right choice for where to go with the business,” Morris Jr. says. “Their integrity and honesty—that came through loud and clear. They do what they say they are going to do, when they say they are going to do it.”

With the business side of the acquisition complete, the CNRG and Home Hardware teams also wanted to ensure the business transition went smoothly from a personnel—and personal—side as well.

“So many of these businesses are driven by the personality of the people who run them, and those relationships between the ownership and the employees and the ownership and the communities can be incredibly important,” Sieggreen says.

“This is just one example of how we want to leave the feeling and character of the business intact and make sure the team remains energized and positive even after the transition,” Dorrill says.

One of the ways Morris Jr. continues to interact with employees and customers is by cooking and serving barbecue once a month.

“I don’t have any real obligations or anything like that. I just do what I can to be supportive,” he says. “I try to do that without getting in the way. If I have ever seen anything crop up though, all I have to do is call and let someone know, and they are so responsive.”



**For CNRG, a successful acquisition involves maintaining the elements of a retail operation that made it successful in the past such as popular local brands, assortments and a strong corporate culture. Then, CNRG works to create efficiencies within the operation and make enhancements that create opportunities for growth.**

**“It is the 1 percent changes you can make here and there that can really make a difference in an operation's overall profitability.”**

John Dorrill, CNRG Operations Manager



# 03

## A Plan for Improvement

### STRATEGY

**PRIOR TO THE ACQUISITION BY CNRG**, H&M Lumber Company was already a financially stable company. In 2018, H&M had posted sales of \$5.9 million. This is well above the average sales per unit for home centers, according to the North American Hardware and Paint Association's (NHPA) 2020 Cost of Doing Business Study, which pegged average per unit sales for home centers in 2018 at \$3.5 million.

In 2019, sales at H&M remained relatively flat at \$5.7 million, but remained higher than the national average of \$3 million, according to NHPA. In the rolling 12 months leading up to the acquisition, H&M was tracking at \$5.9 million in sales.

Under the legacy owner and management team, the store was maintaining an average gross margin of about 32 percent and running at approximately a 10 percent contribution, which also significantly outpaced the national average for home centers, which runs about 3 percent.

By nearly every measure, the H&M Lumber Company was a strong performing retail operation prior to CNRG's acquisition. However, even with strong numbers, the CNRG team identified a number of areas where they saw opportunities for incremental performance increases.

"We didn't think we were going to have to make a lot of sweeping changes," Dorrill says. "Not only was it a good-looking store. It was a well-run store. But, through our experience at CNRG, we also knew we could find incremental ways to improve the operation's performance. It is the 1 percent changes you can make here and there that can really make a difference in an operation's overall profitability."

# THE PROCESS OF IMPROVEMENT

The CNRG team typically approaches a project by looking at an operation's profit and loss statements and drilling down into several key performance indicators—and identifying opportunities to make incremental changes.

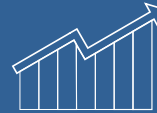
With the new West Helena Home Hardware, they examined how they could impact:



**TOP-LINE  
SALES**



**PAYROLL  
EXPENSE**



**GROSS  
MARGIN**



**OTHER  
EXPENSES**

“Even if you have a good ongoing business, there is always tweaking you can do and efficiencies you can find,” Sieggreen says. “This is standard operating procedure at CNRG. We do this with all our brands, all the time. We learn by doing. That’s another reason why we are able to extend this kind of approach to Orgill’s entire customer base. We understand how to drive incremental profitability within an operation. We do it with the CNRG stores, and we can use all that knowledge to help other retailers do it as well.”

The concept of CNRG brands serving as retail incubators for best practices and ideas is really at the heart of CNRG’s mission. According to Sieggreen, CNRG is engineered to drive continuous improvement within its brands and share what it learns with Orgill’s entire customer base.

“We don’t learn just by trying concepts at the brands and stores that make up our retail network, though that is a highly important part of what we do,” he says. “We also learn every time we acquire a business. We closely examine what they were doing well and what areas might need improvement and we then learn from that and integrate those practices, where appropriate, into our standard operating procedures.”

Because CNRG has brands that represent everything from convenience hardware stores to pro-focused lumber operations, it has a wide range of retail labs where they can test everything from product assortments to loyalty programs.

And, when it comes to functions such as retail management, advertising and marketing, CNRG works closely with Tyndale Advisors, another wholly owned subsidiary of Orgill.

While Tyndale didn’t play a direct role in the transition of H&M Lumber Company to West Helena Home Hardware, the Tyndale team does work directly with Home Hardware on management functions, advertising and marketing, just as they do with other CNRG brands and Orgill customers.

Similar to CNRG, Tyndale Advisors utilizes scale to create efficiencies for the retail operations it serves. Tyndale Advisors offers expertise in a variety of retail management functions ranging from strategic planning and human resources to the creation of branding, marketing, e-commerce and website design and development.



## Top-Line Sales

When examining how to drive top-line sales at any of its brands, CNRG addresses a number of areas, including product mix, customer segments being served, niches, marketing and advertising and the tools the operation is using to sell (i.e., website, ecommerce and sales team).

At the newly acquired West Helena location, the CNRG and Orgill teams identified areas where they could add product and brands to the existing offering. This involved filling out assortments where holes existed and adding product and brands where possible. They also identified areas where they could implement in-store selling aids, such as additional endcaps, clipstrips and cross-merchandising opportunities.

Though advertising, marketing and promotions were limited due to COVID-19, they saw the benefits to bringing this location into the Home Hardware marketing cycle once the conditions would permit.



## Gross Margin

Because gross margin is often one of the primary areas where a business can enhance profitability, the CNRG team looks for areas to grow margin opportunities. This includes a review of products, pricing, item promotions, merchandising and more.

CNRG also focuses on driving margin through a thorough examination of the cost side of the equation, finding ways to buy product more efficiently by maximizing buying power, and addressing areas such as landed costs, rebates and freight. Often, CNRG can achieve some efficiencies in these areas through its relationship with Orgill and by consolidating purchases and taking advantage of the promotional buying opportunities, assortments and promotions the wholesaler offers all of its customers. However, CNRG also explores all acquisition options to determine the best course for each individual operation, including buying through the warehouse, dropship or buying direct from the supplier.



## Payroll Expense

Of all the expense categories, payroll can be one of the most critical areas to target for the CNRG team when determining a strategy for profit enhancement. Typically, the CNRG team will examine an entire range of factors that go into driving payroll expenses, including looking at number of employees, employee efficiency metrics, allocation of people to critical functions, benefit costs and more. Typically, a quick win for an acquisition like H&M is the ability to consolidate some of those payroll expenses by having a centralized human resources team to handle functions such as payroll processing, insurance, compliance and more.

After the acquisition, the new West Helena operation was able to find payroll efficiencies by examining schedules, positions and functions. It is important to reiterate that some legacy programs were kept in place to ensure staff continuity and promote morale. Post-acquisition, other efficiencies were found through consolidating some payroll expenses through CNRG's centralized human resources functions and benefit programs such as insurance, etc.



## Other Expenses

Finally, the CNRG team performs a complete examination of other expenses related to operating the business to discover areas where they can create efficiency—be it through functions like centralized accounting, legal services or implementing other cost-saving measures.

While each prescriptive plan varies by location and brand, CNRG uses a similar methodology to maximize the performance of all the brands and retail locations it operates.

“The areas and things we focus on might be different based on the store or stores,” Sieggreen explains. “The process of reviewing these key performance indicators and developing an improvement plan around them is really the same. The KPIs might change, and the plan is certainly unique to each situation, but the process remains the same.”

## A Plan for West Helena

**AS WITH ANY STORE ACQUISITION**, CNRG worked to develop a unique plan for transitioning the H&M Lumber Company location into the Home Hardware brand and creating opportunities for incremental profitability growth as outlined above.

One of the key factors that played into this strategy was maintaining the character of the business that made it so popular locally, while also finding opportunities to transition the operation into the new West Helena branch of Home Hardware.

This required the CNRG, Home Hardware and Orgill teams working on the project to be sensitive about issues such as favored local product brands, localized assortments and even the look and feel of the store.

“You have to understand a couple things going into a situation like this,” said Phillip Helms, senior vice president for CNRG. “This was a successful business that had been serving the community for 50+ years. You don’t want to upset that balance, but you also want to introduce the community, the employees and everyone to the new options and new benefits that you can offer by having it become a Home Hardware Center location. You never want to come across as the big company coming in to just take over what had been a strong relationship.”

Conscious of these sensitivities, the CNRG, Orgill and Home Hardware teams worked closely with the H&M Lumber Company’s existing employees to learn about the market, product offerings, assortments and programs that resonated with the community.

“We also wanted to show the H&M employees that we valued their input and that they were going to be a big part of this process and the future success of what was now the West Helena Home Hardware Center,” Helms says.

Setting the right tone with employees, and with a commitment to still meet the unique needs of the West Helena community, the transition team from Orgill, CNRG and Home Hardware set to work on the conversion from H&M Lumber Company to the new West Helena Home Hardware.

**Updating the Environment**





One of the first steps in the transition plan included switching over the store's exterior to reflect the new Home Hardware brand. This refresh included a change of signage as well as new paint, both on the store's exterior and interior.

These changes were done early and were the most obvious signs that the former H&M Lumber Company was now operating under a new brand – Home Hardware Center.

The layout of the store was largely left intact, although some fixtures were lowered to create better sightlines throughout the sales floor. Some departments were expanded with additional fixturing to better fit the product mix the CNRG team was aiming for.

In the drive-through lumber and building materials area, some small changes were made to create better flow and efficiency, but for the most part, these were minor adjustments.

Other changes included updating the website and other promotional materials to reflect the new Home Hardware brand.

According to Helms, the previous owner and management team had run a very well-organized, merchandised and assorted store, which would require only minimal branding and assortment-related changes to the operation once the transition in ownership occurred.

As part of the CNRG team that helps integrate stores into the CNRG brand family, Helms has unique insights into the process. Prior to joining CNRG, Helms was the owner of Town & Country Ace Hardware, which was acquired by CNRG in 2012 so he has seen acquisitions through both sides.

“For H&M Lumber Company, the store already had a look and feel that was closely aligned with the Home Hardware brand, so that made this whole process a lot easier,” Helms says. “We just had to make some small shifts, but they had run a very tight ship before the acquisition.”

Because physical changes were minimal, the larger changes in product assortment and operational adjustments were completed at the same time.



**“In many ways, the store already had a look and feel that was closely aligned with the Home Hardware brand, so that made this whole process a lot easier. We just had to make some small shifts, but they had run a very tight ship before the acquisition.”**

John Sieggreen, CNRG president and CEO

**“We don't do anything cookie cutter...we want to make sure we account for the specific or unique product needs of the market.”**

Chris Freader, Orgill VP of Merchandising Services



# 04

## Operational Updates

### OPERATIONS

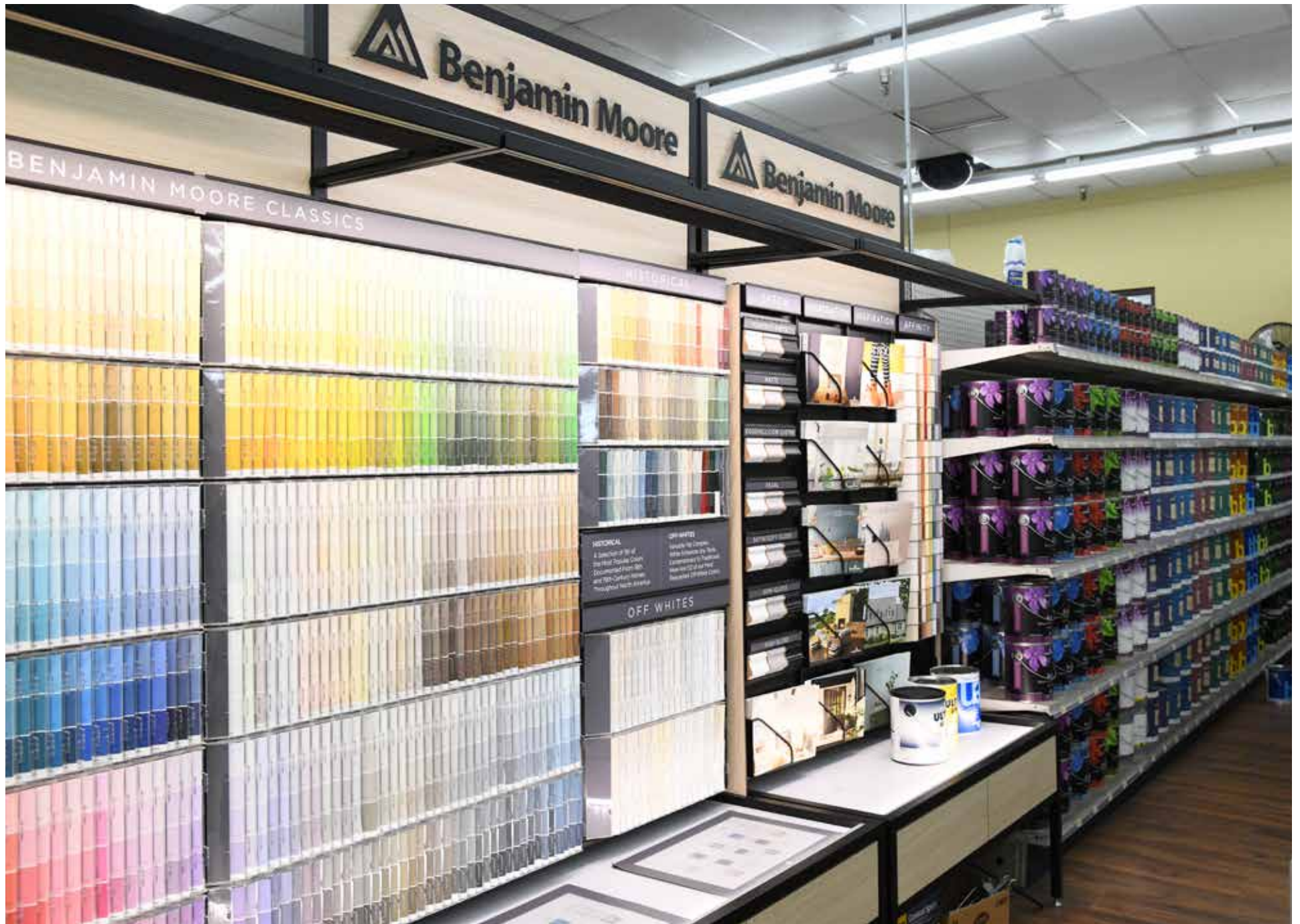
**FOLLOWING THEIR STANDARD PROCEDURE** for operational improvements, when CNRG assumed ownership of H&M Lumber Company, they began working through some of the key profit opportunities that could have an immediate impact on the performance of the operation.

It is important to note that much of the work at the former H&M location occurred during the first few months following the U.S. outbreak of the COVID-19 pandemic, creating extra challenges for the CNRG, Home Hardware and Orgill teams charged with transitioning and improving the operation.

One of the first things to occur prior to taking ownership of H&M was to bring in the Orgill conversion team to manage the data conversion from the legacy Ace Hardware system and to work together with the CNRG management team to do a thorough review of the products and product assortments.

Chris Freader, vice president of merchandising services for Orgill, says that when his conversion team dives into a project like this, they come prepared to make changes starting on day one, and they have a very strict procedure that they work through to ensure there is minimal, if any, disruption to the business as a result of the conversion process.

“The process really starts as soon as the letter of intent is signed,” Freader says. “So even in advance of the closing, we will try to do a space audit, look at every product offering and every adjacency—and look at





**“Using Smart Starts really streamlines the conversion process... we have so many assortments available that we can implement based on the needs of the market and we already know each assortment is optimized to make sure the offering is robust.”**

Chris Freader, Orgill VP of Merchandising

things like competitive assortments and what products we will have to lift and replace. Then we come up with a plan that allows us to get moving on day one.”

In most cases, this process not only involves converting product data and examining product mixes and adjacencies, but also identifying areas of opportunity where product can be added. To streamline this process as much as possible, the CNRG team relies on Orgill’s Smart Start program.

The Smart Start program includes hundreds of different assortments and thousands of different planograms across a variety of departments and categories that ensure retailers offer a complete product presentation that is fully supported by Orgill’s warehouse programs.

Orgill’s Smart Start program, which began in 2008, plays a key role in making store and departmental conversions quick and easy. Orgill’s Smart Starts are developed together with the industry’s leading vendors to offer retailers converting to Orgill the ability to replace their existing inventory with newly updated and enhanced assortments that are warehouse-backed and optimized to drive profitability and meet the unique needs of the market.

“Using Smart Starts really streamlines the conversion process,” Freader says. “We have so many assortments available that we can implement based on the needs of the market and we already know each assortment is optimized to make sure the offering is robust. At the same time it allows us to eliminate a retailer’s dead stock or old SKUs with guaranteed vendor lift of the old merchandise.”

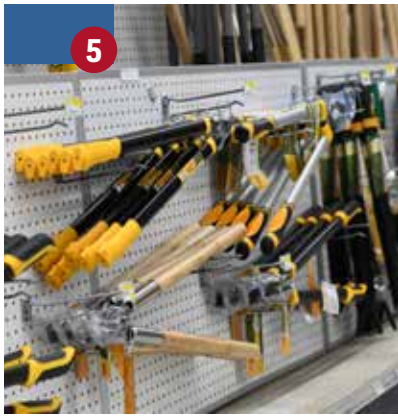
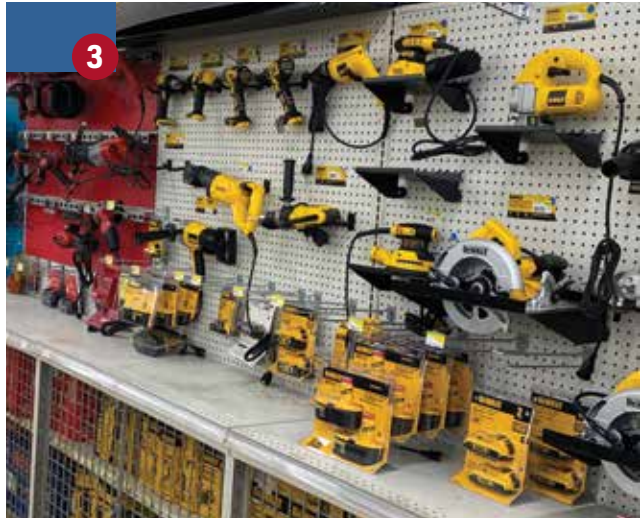
In the case of the former H&M Lumber Company, the team utilized more than 175 different Smart Start assortments to fill product holes, replace private-label merchandise from the company’s former Ace Hardware programs and add additional products and brands to the store’s overall offering.

Special attention was also paid during this process to ensure that the inventory and product offering at the former H&M Lumber Company was aligned with the product offering at other Home Hardware locations. This is a critical adjustment to ensure that all stores in the Home Hardware family are in alignment with offerings, promotional strategies, online offerings and buying opportunities.

Although the CNRG and Orgill teams have a process they go through when converting any location, Freader explains that the actual results for each location are customized to the needs of the surrounding market.

“We don’t do anything cookie cutter,” Freader says. “We look at the assortments and where we can normalize offerings, plug in Smart Starts or find opportunities to fill holes, but we also want to make sure we account for the specific or unique product needs of the market. In a way, it is a form of mass customization.”

Helms adds that when they approach any conversion, they look at the assortment on several different levels. “We look at it from the local brand preference level, we look at it from the Home Hardware assortment level and then we look at it from a macro level as well,” he says. “We factor all of that into the decisions we make.”



# Product Mix and Assortments

## 1 Endcaps

The conversion led to a complete rethinking of how the store handled its endcaps. As part of the reset, new feature ends were added and this allowed for additional and better opportunities to showcase promotional merchandise.

## 2 Hardware & Fasteners

Fastener sales account for approximately 8.2% of West Helena Home Hardware's overall sales.

The Orgill and CNRG teams identified that the fastener department at H&M was under-SKU'd, and there were a number of opportunities to add to the assortment in this area. This included a change in the primary fastener vendor, a reorganization of the department and filling gaps in the displays.

## 3 Power tools and accessories

Power tool and accessory sales account for approximately 3.1% of West Helena Home Hardware's overall sales.

The power tool accessories area presented a number of opportunities for expansion. Additional fixturing was added in the area, and the Diablo line of tools was added to existing popular brands to round out the assortment.

## 4 Hand tools

Hand tool sales account for approximately 2.7% of West Helena Home Hardware's overall sales. Similarly, an entire run of fixturing was added in the hand tools area to maximize opportunities for the department. This area was refixed with shorter height gondolas to create a more open feel and better sightlines.

## 5 Lawn and garden

Lawn and garden sales account for approximately 10.1% of West Helena Home Hardware's overall sales. In the lawn and garden category, many of the selections were "right-sized," and the assortments were tightened up. Long-handled tools were expanded to offer more options and to present a cleaner, more focused display. Several products that are unique to the region were integrated into the assortments so the location could continue to cater to market-specific needs.

## 6 Plumbing

Plumbing sales account for approximately 13.0% of West Helena Home Hardware's overall sales. The plumbing area required a good deal of attention as the legacy department at H&M featured an assortment that was heavy in Ace private-label merchandise. Because of the complete range of Smart Start assortments available within this category, the reset not only replaced existing product but also filled holes and offered a more complete selection.

## 7 Electrical

Electrical sales account for approximately 4.2% of West Helena Home Hardware's overall sales.

Like plumbing, the electrical department required a number of resets due to the prevalence of private-label product. The CNRG and Orgill teams also identified opportunities to expand on the assortments of rough electrical products.

## 8 Paint & Sundries

Paint and sundry sales account for approximately 10.6% of West Helena Home Hardware's overall sales. The presentation of the paint area was enhanced and more products were added to augment the store's primary paint line (Benjamin Moore). Additional five-gallon products were added to the assortment as well. This is a prime example of identifying a brand that was valued within the market, Benjamin Moore, and looking for ways to build additional offerings around this brand.

## 9 Impulse

The addition of more impulse displays and products was identified as a major opportunity to drive sales and margin. Two full runs of impulse items were added to the store along with additional impulse items assorted throughout the salesfloor. Consumable items, such as a gourmet beef jerky selection and candy, rounded out new impulse opportunities.

**“We learn by doing...we understand how to drive incremental profitability within an operation. We do it with the CNRG stores, and we can use all that knowledge to help other Orgill retailers do it as well.”**

John Sieggreen, CNRG President and CEO





# 05

## On the Path to Success

### RESULTS

**WHILE THE HOME HARDWARE TEAM CONTINUES** to make improvements and enhancements to the West Helena location, nearly a year after the acquisition, the entire transition has proven to be a success.

Today, the West Helena Home Hardware Center consistently ranks as one of the top performing stores in the Home Hardware family. Post acquisition, the store has seen sales increases in nearly every area while at the same time reducing expenses.

Next steps for incremental improvements to the operation will include further addressing ecommerce needs and ramping up an aggressive advertising and marketing program that corresponds with Home Hardware's traditional advertising cadence. The store also plans to engage with the community more through events and promotions, activities that have been curtailed in the past year due to COVID limitations.

On the product assortment side, the Home Hardware merchandise manager will continue to work with CNRG and Orgill advisers to fine tune the assortment. Some areas they plan to address within the store include the lawn and garden and outdoor living offerings, live goods and the store's substantial selection of workwear and clothing.

In conclusion, the acquisition, conversion and onboarding of the former H&M Lumber Company into the Home Hardware brand serves as an excellent representative sample of how Orgill and CNRG work with businesses to both create a seamless transition, but also bring the full force of their retail expertise to bear on finding incremental improvements for a business.

**“When we first  
looked at H&M, it was  
apparent that it was a  
very good store.”**

John Sieggreen, CNRG President and CEO



# 06

## Positive Feedback

### TRANSITION

“We wanted to show the H&M employees that we valued their input, and that they were going to be a big part of this process and the future success of what was now the West Helena Home Hardware Center.”

**Phillip Helms**  
CNRG Senior VP

### WORKING WITH ORGILL

“Their integrity and honesty—that came through loud and clear. They do what they say they are going to do, when they say they are going to do it.”

**Walter Morris Jr.**  
H&M Lumber Company

### COMMUNICATION

“We lead with an honest and fair number, and that establishes an honest and fair relationship. And, of course, we welcome feedback from the seller on how that number fits with his expectations.”

**John Sieggreen**  
CNRG President and CEO

### WORKING WITH ORGILL

“I don’t have any real obligations or anything like that. I just do what I can to be supportive. I try to do that without getting in the way. If I have ever seen anything crop up though, all I have to do is call and let someone know, and they are so responsive.”

**Walter Morris Jr.**  
H&M Lumber Company

### TRANSITION

“We want to leave the feeling and character of the business intact and make sure the team remains energized and positive even after the transition.”

**John Dorrill**  
CNRG Operations Manager

### STORE LAYOUT

“We don’t do anything cookie cutter. We look at the assortments and where we can normalize offerings, plug in Smart Starts or find opportunities to fill holes, but we also want to make sure we account for the specific or unique product needs of the market. In a way, it is a form of mass customization.”

**Chris Freader,**  
Orgill VP of Merchandising

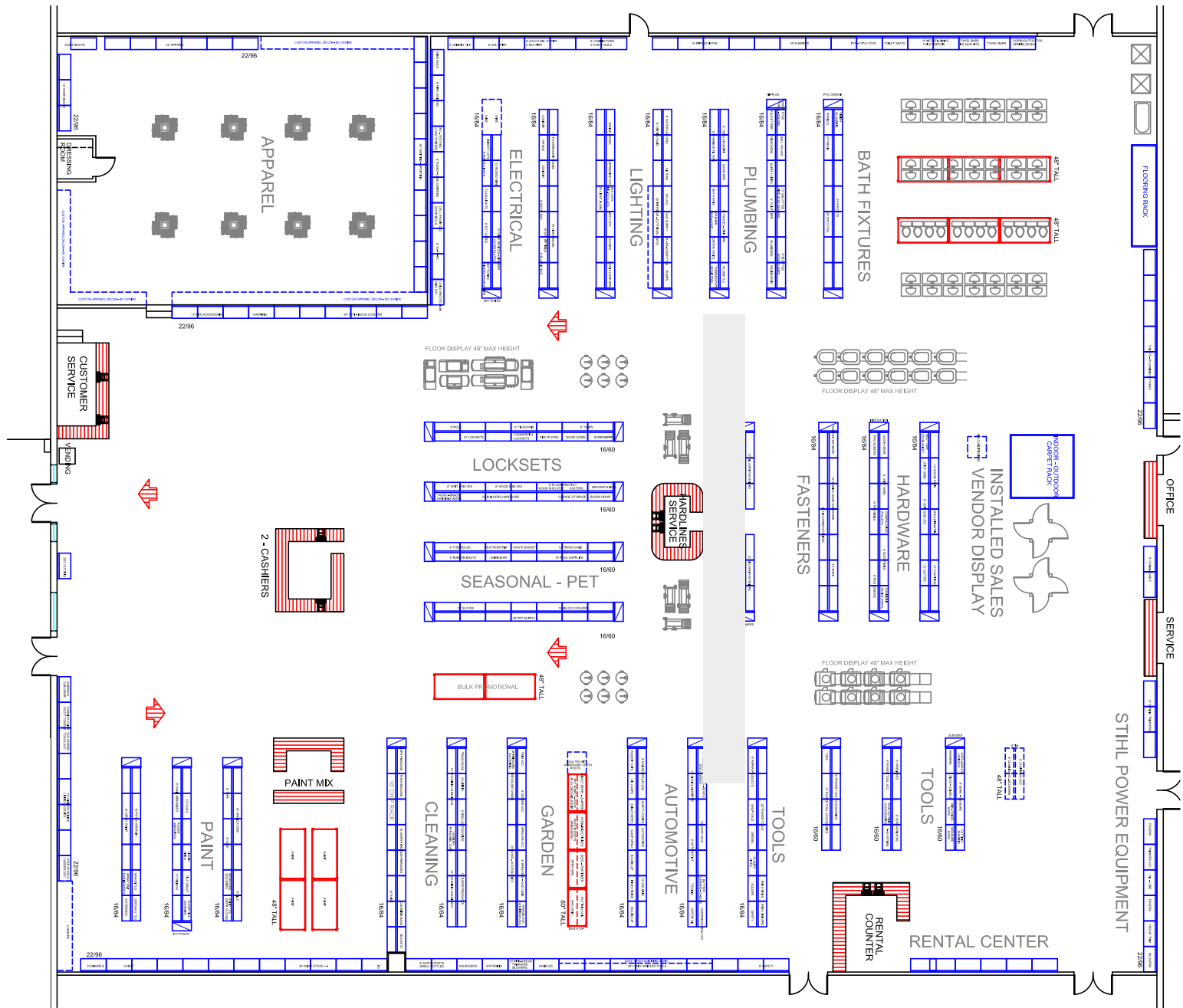
### COMMUNICATION

“So many of these businesses are driven by the personality of the people who run them, and those relationships between the ownership and the employees and the ownership and the communities can be incredibly important.”

**John Sieggreen**  
CNRG President and CEO

# 07

## Store Map





## Orgill

Orgill, the industry's fastest-growing hardlines distributor, was founded in 1847 and is headquartered in Collierville, Tennessee. Orgill serves more than 11,000 retail hardware stores, home centers, professional lumber dealers and farm stores throughout the U.S. and Canada, and in over 50 countries around the world. More information can be found at [orgill.com](http://orgill.com).



# 08

## About Us

### Central Network Retail Group

**CNRG IS A MULTI-FORMAT, MULTI-BRAND COMPANY** operating 116 hardware stores, home centers, and lumberyards throughout 16 states across the U.S. The company was founded in May of 2011 by Jimmy R. Smith, president of Natchez Home Center, LLC, and Boyden Moore, president of Tyndale Advisors. In addition to the founders, Doug Gregory, president of Morrison Terrebonne Lumber Company joined the board as a partner in November 2011.

CNRG currently manages 116 stores made up of 17 brands in 16 states with a variety of store formats. While all of their stores have large hardware and paint departments, strong staff and deep roots in their communities, they do vary in their focus and customer base.

Brands operated by CNRG include the following:

#### Hardware Brands:

These brands generally serve homeowners and DIYers with a focus on paint, outdoor living (grills, bird supplies and outdoor power tools) and household supplies, etc., backed up with strong hardware sections. The customer mix is generally less than 20% pro-contractor and there is little to no lumber at these locations. These brands include:

- Town & Country Hardware – 8 locations in North Carolina
- Elliott's Hardware – 5 locations in Texas

- Parkrose Hardware – 5 locations in Oregon and Washington
- Buck's Bargain Center – 2 location in Mississippi
- McLendon Hardware – 7 Locations in Washington
- MAC'S – 14 Locations in North Dakota, South Dakota and Minnesota
- Outdoor Supply Hardware – 12 Locations in California
- Germantown Hardware – 1 Location in Tennessee

#### **Pro-Contractor focused brands:**

These brands primarily serve builders, remodelers and other contractors with stock lumber and generally offer an array of contractor services. Along with lumber, sheet goods, insulation and other commodities, these locations also have strong paint departments and are backed up with strong hardware sections. While contractor focused, many of these locations also attract homeowners and DIYers, to varying degrees. These brands include:

- Morrison Terrebonne – 2 locations in Louisiana
- Harvey Home & Hardware – 1 location in Georgia
- Moore's Lumber & Hardware – 1 location in Georgia

#### **Home Centers and Small-Town Brands:**

With locations in small, medium and large towns spread out over a number of states, these brands offer a mix of lumber, retail, paint, appliances, toys and strong hardware departments. Many of these stores feel like general stores for the small, rural communities they serve. Others are slightly more contractor focused, and some more retail and DIY focused. The common theme is a strong range of stocked products, friendly local staff and free popcorn by the front door.

- Marvin's – 28 locations in Alabama, Mississippi, Georgia, South Carolina and Tennessee
- Home Hardware Center – 22 locations in Alabama, Arkansas, Mississippi, Louisiana and Tennessee
- LumberJack Building Centers – 5 locations in Michigan
- Taylor Foster Hardware – 1 location in Georgia
- Hiawasse Hardware – 1 location in Georgia
- Habersham Hardware – 1 location in Georgia

#### **About Tyndale Advisors:**

With offices in Eugene, Oregon, and Collierville, Tennessee, Tyndale Advisors is a wholly owned subsidiary of Orgill, Inc. As such, Tyndale works closely with CNRG brands as well as a host of independent home improvement retailers who do business with Orgill.

Tyndale offers its clients a comprehensive suite of retail management services to “help remove obstacles to their growth.”

These services include support for independent home improvement retailers across multiple areas, such as:

**Business Advisory Services** – Including insights and guidance for operational improvements, strategic planning, accounting and finance, acquisition strategies and more.

**Human Resources** – Including policy reviews, compliance, employee engagement and retention best practices, training and development, audit services and more.

**Marketing** – A complete range of branding and marketing solutions from brand strategy consulting and website design to media buying, design and in-store experience consultation.

**Technology** – Tyndale's offering covers the range of retail technology solutions from technology consultation and analytics reviews to software and infrastructure solutions and e-commerce.

#### **About Home Hardware Center:**

Home Hardware Centers is based in Natchez, Mississippi, and operates 23 locations throughout Mississippi, Alabama, Arkansas, Louisiana and Tennessee. Each location features a selection of core hardware and home improvement products as well as lumber and building materials.



***ORGILL***

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# ADDENDUM:

## WEST HELENA KEY METRICS

# West Helena Key Metrics

- Figures listed as “average” and “high-profit” come from the North American Hardware and Paint Association’s 2020 Annual Cost of Doing Business Study. This study utilizes aggregated income statement and balance sheet data from more than 1,000 independent home improvement stores throughout the United States.
- High-profit figures represent the average performance from stores in the top quartile of survey participants in terms of net operating profit.

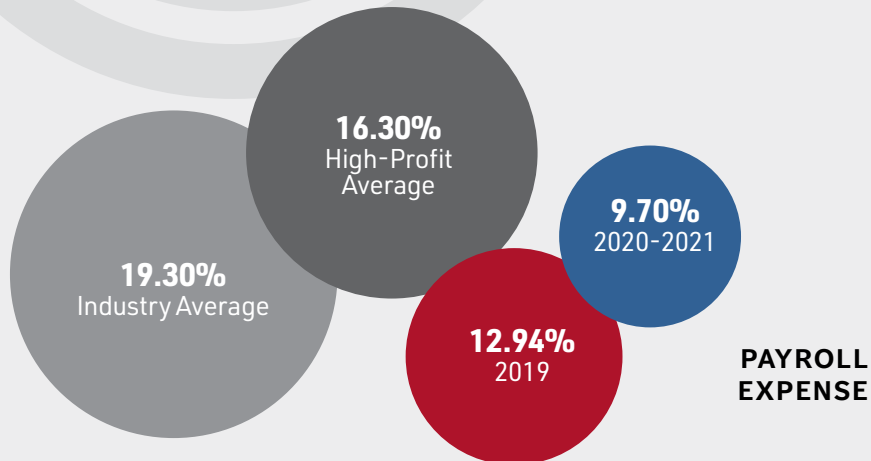
## GROSS MARGIN (AFTER REBATE)

**36.42%**  
2020-2021

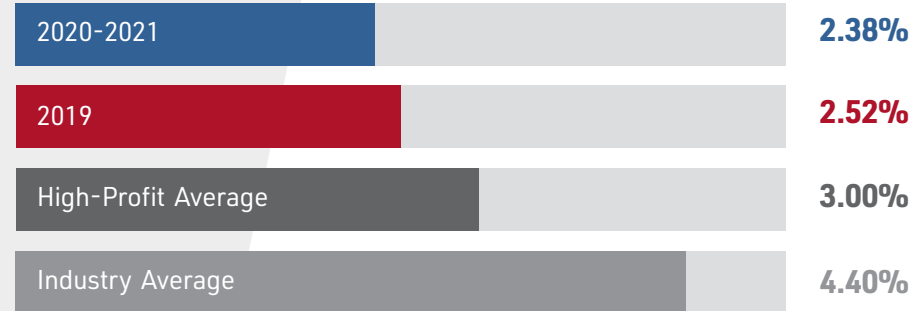
**33.15%**  
2019

**33.50%**  
Industry Average

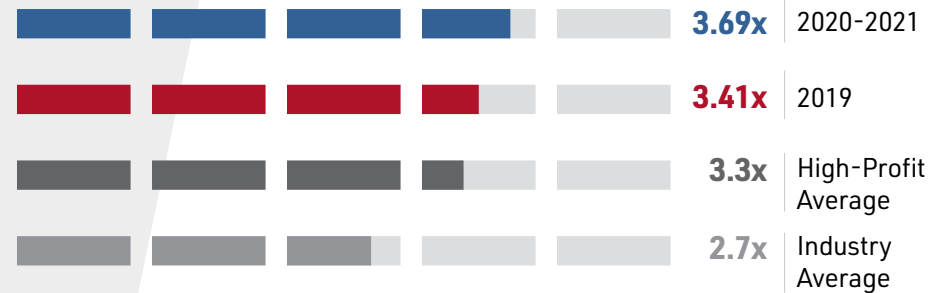
**31.30%**  
High-Profit Average



## OCCUPANCY EXPENSES



## INVENTORY TURNOVER



## INVENTORY PER SQ.FT. (SELLING AREA)

