

RONA

The How-To People.

THE MARKET

It isn't by coincidence that RONA has become the largest Canadian distributor and retailer of hardware, home renovation and gardening products. The company's phenomenal growth is directly related to the meticulous execution of a multi-format strategy that has seen RONA blend Main Street entrepreneurialism with the marketing muscle of a major corporate chain.

The offshoot of this vision and strategy is that RONA and its affiliated dealer network are able to be "specialists" to consumers, from Atlantic Canada to Vancouver Island, at over 600 points of sale. The store formats, which cover 13 million square feet of retail space, are tailored to the consumer market and preferences: RONA's traditional hardware, home centre, building supply banner stores and large surface stores.

RONA's multi-banner strategy and the implementation of its robust business model have positioned it to meet the growing demand for hardware and construction products that is being bolstered by several factors. These include low interest rates, a healthy economy, record new housing starts, resales of existing homes, the aging of baby boomers and their houses and the changing needs of this segment of the population.

ACHIEVEMENTS

When RONA posted \$5 billion in sales in 2005, it marked the 15th consecutive year of record results for the company whose slogan is *The How-to People*. RONA's president & CEO Robert Dutton projects network retail sales will reach \$7 billion by the end of 2007, further consolidating RONA's industry leading status.



How does RONA do it? By relying on its four major growth drivers: acquiring businesses, recruiting independent dealer-owners, building new stores and improving its organic growth. It has combined this with store-format diversity and the dedication of some 24,000 employees to customer service, which Mr. Dutton describes as being "in our DNA."

RONA's achievements extend beyond the business component. Staunchly Canadian and profoundly people and community-oriented, RONA established a foundation in 1998 that has donated over \$1.2 million to nonprofit organizations across Canada. A large share of the money has gone to assist young people between the ages of 12 and 30 who have dropped out of school or are in need of training to overcome illiteracy.

HISTORY

Fulfilling the needs of the independent dealer has been the guiding principle of RONA since its founding in 1939, when a small group of Quebec-based dealers banded together to form Les Marchands en Quincaillerie Ltée (Hardware Merchants Ltd). Two members of this group, Rolland Dansereau and Napoléon Pottie, were at the helm of RONA.

In 1960s, the affiliate stores began operating under the name Ro-Na — it

went through other name variations before becoming RONA Inc. in 1998 — and in the decades to come, the brand became synonymous with great value, superior service and excellent assortment in hardware and home-improvement products.

Throughout the '80s and early '90s, RONA continued to broaden its product selection to meet the growing demands of consumers. The early '90s also marked the arrival of RONA's first big-box stores, a category that currently represents almost half of the company network in terms of revenues and employees.

The start of the new millennium was also the dawn of RONA's emergence as the industry leader. Between 2000 and 2005, the company completed four major acquisitions — Cashway, Revy/Lansing, Réno-Dépôt and TOTEM — adding \$2.2 billion in sales, 11,000 employees and \$70 million in synergies in the process.

RONA's national expansion was fueled by a bold move the company made in a historic initial public offering in 2002. The IPO raised \$150.1 million, validating RONA's multi-format strategy.

THE PRODUCT

The purchasing power of RONA and the implementation of its Optimum Selection system provides dealers and by extension, consumers, with access to an inventory of more than 100,000 products, 90 percent of which are from Canadian-based suppliers. Whether it's a painting or planting

project, building a deck or firing up the barbecue, redoing the décor or merely changing a lightbulb, consumers can obtain whatever they need on a “Run to Rona.”

This ever expanding line of high quality, affordable name-brand and private-label products is made available through a network of seven distribution centres across the country. The sophisticated distribution process enables RONA to match the right products with the market for which they are intended.

“As Canada’s leading home improvement retailer, what our brands represent in the minds of our consumers is a priority,” relates Michael Brossard, RONA’s senior vice-president, Marketing. “RONA’s marketing program gives it four databases, each providing a window on who are its customers and what they want.”

In keeping with this priority, RONA partners with companies that are leaders in their business sectors to provide consumers with the best and latest products available on the market. Combined with its increasingly popular Private Label, of which there are currently more than 2,000 items, RONA is able to offer the right product at the right price.

Product is only a part of the equation. As Mr. Brossard remarks, “We are your complete service provider,” and in fulfilling that promise, RONA employees are technically trained through the RONA Academy so that they can provide the most courteous, helpful and product knowledgeable service across the country.

RECENT DEVELOPMENTS

RONA has attained the dominant position in its sector by being active, aggressive, dynamic and visionary — and it continues to do so, at every level of its operation.

Corporate: Following its purchase of TOTEM, the legendary 16-year building supply chain in Alberta, RONA gained a firm foothold in Atlantic Canada — where it previously had limited market share — with the acquisition of Chester Dawe Ltd. RONA also recently announced it will invest some \$400 million over the next two years to build 40 new points of sale, including some in the successful 40,000–52,000-square-foot “Proximity” format. It is also spending \$40 million in 2006 to renovate dozens of corporate stores.

RONA is also imminently introducing a service program offering time-strapped consumers the installation of doors and windows,



kitchen cabinets and flooring. And summer 2006 marks the debut of a new national team known as RONA Pro Services, a program designed to streamline services to the trades and building maintenance professionals.

Community: RONA is the title sponsor of the RONA MS Bike Tour, which is the largest cycling series run by a not-for-profit organization in Canada with 21 events from coast-to-coast. Since RONA began its sponsorship, funds raised from the event have increased from \$4.9 million in 2003 to \$6.5 million in 2005. RONA recently signed a \$600,000 national partnership agreement with the Red Cross to help Canadian families be evacuated from their homes when disasters occur. All of RONA’s stores across the country are participating in the project. Elsewhere, RONA’s funding to 100 prospective Canadian Olympic athletes, in conjunction with the 2010 “Own the Podium” program, is about to be activated.

PROMOTION

Total unaided awareness of the RONA brand, which currently stands at 87 percent in Quebec, 69 percent in the West and 60 percent in Ontario, is continually rising, attributable in large measure to strong promotional efforts.

At the forefront of such marketing initiatives is RONA’s national flyer distribution campaign. Reaching over 6 million Canadian households in a given week, 40 times a year, it delivers equal marketing punch for the largest big-box or smallest independently owned RONA affiliate. In tandem with the flyer blitz, RONA conducts extensive television advertising throughout the year. The company has been hailed for the innovativeness and cleverness of its commercials, notably “The How-to People” series.

Integration of the Air Miles™ program across the RONA network

has contributed to raising the brand-awareness profile, as almost 3 million RONA customers are using the program. The introduction of a RONA gift card last October was another promotional coup.

The RONA brand derives considerable visibility and exposure across the country from major sponsorships with the Canadian Football League and its eight-year partnership agreement with the 2010 Olympic and Paralympic Winter Games VANOC, which includes an extensive athletes’ funding program.

BRAND VALUES

RONA’s brand values are intrinsically linked:

- An unconditional commitment to customer service
- Team unity in providing the most enjoyable store experience possible
- The utmost respect toward employees, customers, shareholders and business partners
- Partnering with people and businesses that share our belief in working toward the common good
- Encouraging initiative and fostering a sense of responsibility in every employee
- Enabling employees to grow with the company

THINGS YOU DIDN’T KNOW ABOUT RONA

- RONA holds 15 percent of the Canadian hardware-renovation market.
- 85 percent of the Canadian population lives less than 30 minutes from a RONA store.
- RONA’s Web site on the Internet receives an average of 800,000 visits per month.
- In 2004 and 2005, 56 dealers crossed over to the RONA banner, representing almost \$300 million in retail sales.
- RONA’s CEO Robert Dutton grew up helping his father run the family RONA banner store on Montreal’s north shore. He became president and CEO of RONA in 1992 at the age of 37.

