



STEVE SYNNOTT *PRO Group, Inc.*

Steve Synnott, 48, has been ceo/pres. of PRO Group, Inc. (Englewood, CO) since 2008. Previously, he was pres./coo from 2003, and was vp merchandising & marketing and managing director at PRO Hardware from 2001. Prior to then, he was managing director at GardenMaster, Proven Marketing Group, Farm Mart, and UADA Groups, and earlier was program director Proven Marketing Group and director retail marketing. He joined PRO Group in 1992. Through its member distributors, PRO Group's purchasing power exceeds \$3 billion.

In the following interview, Synnott discusses the recent developments and outlook for business.

HIE: Describe today's PRO Group.

SS: PRO Group is dedicated to the success of 28 member wholesale distribution companies that serve the product needs of thousands of independent hardware stores, farm and ranch retailers, and garden centers throughout the U.S. The company consists of a professional merchandising team with more than 130 years of experience buying in the retail channel, along with a marketing team with more than 100 years of experience creating effective promotional campaigns. PRO's network includes PRO Hardware, Farm Mart, and GardenMaster, as well as Golden Link and Rental Stop.

Since 1953, when Paul and Hazel Cosgrave established the family-owned company, the core focus has been marketing and merchandising for independent retailers. Their son, Gary Cosgrave, is our chairman; he helps keep their vision alive.

HIE: How does the business break down?

SS: Departmentally, about 75% of the business is split between lawn & garden, plumbing, electrical, paint sundries, hardware, and power & hand tools. The balance is divided between farm and ranch products, pet, seasonal, and housewares categories. About two-thirds of PRO Hardware retailers are traditional hardware stores, and the balance has a lumber and building materials focus. More than 80% of the group's target customers are independent retailers, with a little less than 20% of the group's volume driven by regional chains.

HIE: What is PRO Group's competitive advantage?

SS: A key competitive advantage for PRO Group has been unifying distributor

and retailer purchases across several retail categories. That way, the group serves as a more significant channel partner to vendors. For example, garden centers, farm stores, and hardware stores all sell long-handled tools. By leveraging the purchasing clout of several retail sectors, we ensure that the group attains more significant volume discounts than any single sector could reach. To take it one step further, we pair this purchasing strength with a promotional system that can advertise and position the same products across several retail categories. Our reach truly differentiates PRO Group.

HIE: How is the company different since you became ceo/pres. in 2008?

SS: Simply put, we do more with less. PRO Group strives to provide a greater breadth of service to more customers by relying on a leaner staff, coupled with the assistance of leading-edge technology-based tools. This year, we dramatically lowered operational costs by relocating our corporate headquarters to a new facility about a quarter-mile away; it allows a stronger technology platform and consolidates the team into about half the size of the old space. In addition, our staff is becoming more entrepreneurial, making quicker decisions and program implementations.

HIE: What differentiates the company?

SS: PRO Group is structured to change with the marketplace to ensure that the group's growth outpaces the industry. PRO stores programs — PRO Hardware, Farm Mart, Garden Master, Golden Link, Rental Stop — offer independent retailers a coordinated national advertising program, a solid image and

branding position, a web presence, and an effective circular advertising program. The programs are backed by complementary features. For example, the websites pair email marketing and social media efforts that position retailers well with tech-savvy shoppers. The circular advertising includes a complete in-store POS kit that communicates special values to customers. The image and branding platform offers interior and exterior signs designed to assist self-shoppers, while the Ask A PRO theme reinforces the expertise that consumers find in every PRO store.

These promotional efforts are supported by the group's unique cross-industry buying strength that helps deliver an outstanding value position to the marketplace. PRO Hardware's Achievers Club program brings top-performing stores to a tropical resort setting for a series of seminars and best-practices workshops that ensure continued excellence.

HIE: What have been the recent milestones?

SS: Last year, Farm Mart celebrated 20 years of serving independent farm and ranch stores. Next year marks 20 years for Garden Master's service to lawn & garden retailers. In 2013, PRO Hardware will celebrate 60 years. PRO has enjoyed many successes in the company's history, and we feel the best way to honor past accomplishments is with a relentless focus on new technologies and emerging trends.

HIE: What is the most important issue facing the business now?

SS: Controlling costs and protecting margins is key. The past two years have

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yielded a proliferation of price increases. Raw material costs have escalated, along with fuel and transportation costs. At the same time, value-driven consumers are reluctant to spend more today than they did last year. This environment places extreme pressure on fragile retail, wholesale, and manufacturer margins in the channel.

HIE: How is the issue being addressed?

SS: More block buys and group-coordinated purchasing activities help maximize the volume discounts the group can attain, relieving some of the margin pressure.

We are also using new communication tools such as Google Groups, VoIP systems, and enhanced websites to shave costs and improve the turnaround times for promotional activities. The group's merchandise committee has been instrumental in evaluating opportunities for members, and this has generated additional purchasing and promotional options that benefit the entire PRO Group network.

HIE: How is the company performing for the year to date?

SS: Revenues through the first three quarters of 2011 are 2% ahead of plan.

HIE: What are the objectives for PRO Hardware?

SS: PRO's objective is to give distributors and their independent retailers the tools to be competitive in their markets. We do that by building the success of independent hardware stores with a complete support package of retail services, promotional and advertising campaigns, professional merchandising assistance, store design, and value-added services.

HIE: What are the objectives for GardenMaster?

SS: Identifying new lawn & garden vendors and products in outdoor living are high priorities. The objective is to build on the success of independent lawn and garden retailers and garden centers with a complete support package of retail services, promotional and advertising campaigns, professional merchandising assistance, store design, and value-added services. The lawn & garden industry has typically been an industry that grows during a recession as consumers choose

to spend discretionary income on their homes and yards.

HIE: What are the objectives for Farm Mart?

SS: Farm Mart is charged with arming independent farm and ranch retailers with weapons that strengthen their competitive position in each local market. The growth of the hobby farmer throughout the past few years has opened a new demographic to whom the farm and ranch retailers can sell. These consumers are grow-it-yourselfers, which opens up new opportunities such as organic soils and fertilizers. Farm Mart addresses the key retail operational areas, promotional endeavors, advertising, marketing, and merchandising efforts.

HIE: What are the objectives for the distribution business?

SS: The consistent objective for the distribution business is to be the preferred supplier to a diverse network of retailers that cross multiple market sectors. Distribution centers continue to make operational enhancements that improve efficiency, allowing products to make it to market faster. New energy-smart lighting and warehouse management systems are two of the most frequent investments PRO Group members have made in the past couple of years.

HIE: Which product categories are performing the best?

SS: Products that fit the small repair niche — plumbing and electrical — as well as “staycation” projects like new gardens, landscaping projects, and room redecorating, seem to be outpacing other product categories.

HIE: What promotional programs have been particularly successful this year?

SS: The reintroduction of a coupon book was an early home run this year, reflecting consumers' thrifty shopping preferences. Our Father's Day promotion exceeded the forecast, and the holiday seasonal program has sold well beyond expectations.

HIE: What are the plans for expansion?

SS: PRO Group continues to explore avenues to continue a strategic diversification that can support channel partner growth, while remaining true to our mission of building the success of independent retailers.

HIE: What other services is PRO Group considering?

SS: PRO Group is analyzing a number of services that complement the existing package of programs designed to support both distributors and stores. One focus is beefing up the social media program, making it easy for stores to have an appropriate presence on Twitter, Facebook, LinkedIn, and other platforms. Our goal is to help retailers capture their fair share of shoppers who focus on such forms of communication.

HIE: What were the highlights from the Executive Planning Conference earlier this month?

SS: Our keynote speaker, Herb Meyer, set the stage for an extremely dynamic event. Meyer served during the Reagan administration, as special assistant to the director of Central Intelligence and vice chairman of the CIA's National Intelligence Council. His global intelligence briefing included advice on how we can position our companies for future growth.

Another highlight was presenting PRO Group's Lifetime of Achievements award to Bill Bollin, chmn./ceo of The Bostwick-Braun Co. He has been with the company more than 40 years, during which strategic growth and acquisitions have yielded profound results, including 286 months of consecutive profitability.

HIE: What have others in the industry done recently that is surprising or interesting?

SS: We were pleased to see the collaboration of the North American Retail Hardware Association retailer convention with the National Hardware Show. This makes our key industry event even more important for PRO Group and our member distributors and retailers. We continue to see consolidations of vendors and distributors, and we believe the trend is healthy since the infrastructure costs can be spread over a wider base, which should deliver better long-term efficiency in the channel.

HIE: Complete this sentence: In two years, PRO Group will be ...

SS: ... laser-focused on the continued success of retailers in the hardware, lawn & garden, pet, farm & ranch, and paint and decorating markets. Thriving retailers are the key to success of PRO Group member wholesale distributors and key supplier partners.