

# **HARD CHOICES IN HARDWARE: WHICH TO BUY AND HOW TO MARKET**

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## **ABSTRACT**

This case discusses real issues concerning two college graduates who are trying to determine which of two hardware stores they should purchase. The main issues involved in this case are: 1) making the best decision for themselves and the town in which they would be buying the business, 2) how best to introduce their new ownership, and, as an interesting twist to the case, 3) deciding whether they should stay open on Saturday, a fundamental necessity they are told, if you are going to survive in the hardware industry.

## **INTRODUCTION**

Garren and Bonny Dent, both 22 and newly married, had grown up in the small town of Spring Stone, Tennessee. They were facing a decision that many had faced before them; a decision whether or not to become entrepreneurs. They were looking at two different hardware stores in two different towns trying to determine which would be the better buy. As Garren sat and discussed the issues, Bonny sat looking out the living room window wondering if they knew enough about business to buy either store. She knew first hand how the town they had grown up in had changed and she knew the town the other hardware store was in was also changing rapidly. This musing got them discussing what had happened in the last few years that had led them to think that buying a store, any store, would be the right decision.

## **TWO HARDWARE STORES IN ONE TOWN**

There were two hardware stores in town. The smaller one (approximately 1638 square feet) located on a downtown side street was not well managed. It had been passed from one owner to the next with the new owners never really taking the time to either clean it up or determine the needs of the customer. Although each new owner seemed to continue to make a small profit, it was not due to store improvements, since none had been made for years, but rather simple because it was there. The frustration of many customers was that it only had one of anything on the shelf; one screw driver, one hammer, one tape measure. Also a concern, you were never sure if they would have what you were needed; more often than not, they wouldn't. For the past seven years Dave, a schoolteacher, had been the owner. He had hired a few retired men who worked in the store during the day and would go down to the store at the end of the day after school was out. It was truly an old town hardware store. Garren smiled as he remembered his wife telling him, "The older men from town go down there and chat but nobody actually buys anything." It was very different from the other hardware store.

The larger hardware store was located right on Main Street, around the corner and just a short distance down from the smaller one. The owner of the larger store, Sean, also owned an apartment complex. This was a good fit, since keeping the apartments in good repair was important and owning the store assured Sean that he would be "his own best customer" always having what he needed on hand.

## **NOTHING EVER STAYS THE SAME**

Garren and Bonny had gotten married during college. Garren had two years left to acquire a bachelor's degree in business. During this same time, things were going well for Sean and, as his hardware store grew, Sean began to invest in more properties. As his business ventures thrived, Sean realized that he was too busy to keep up with all the needed rental repairs of the various units himself. Once he realized this, he went to the Seventh-day Adventist college on the outskirts of town looking for a student who would be interested in a job. That was where he had found and hired Garren. Sean now owned 25-30 apartment units which gave Garren a wide variety of new experiences. As time passed Sean realized that, even though he enjoyed being down at the hardware store, he no longer wanted the responsibility of owning it. So, about ten years after he had purchased it, Sean sold the store.

Sean had hired Garren about a year before he sold the store. During that time Garren had learned an incredible amount about a variety of tasks, everything from painting walls to installing new plumbing fixtures. He knew the hardware store well and could go in and find exactly what he needed for his current repair job. Soon after Sean sold the store, things started to change. First, the new owner moved the store a short distance from town to a new, beautiful 15,000 square foot building. In the beginning it was great. But, as the new owner grew and started opening additional stores, he "outgrew" his money supply. This shortage of cash led to reduced inventory in the store so it was not as well stocked as it had once been. Second, it was no longer what Garren considered a "real" hardware store. It was crowded with a wide variety of large and small appliances such as washers, dryers, blenders, patio furniture, and riding lawn mowers. He remembers if he went in for the repair of a faucet or a sink, "they didn't have the part; they didn't even have the very basic, common items". It was a very frustrating period. During this time the smaller hardware store, now a tenth the size of the other one, was not much better. Since no one kept an eye on the merchandise, they might or might not have what was needed and, if they did have the part, there was no guarantee they would have the quantity he needed. Finally Garren had decided it wasn't worth the risk of going to either store, so he began spending a great deal of his time driving (thirty to forty minutes one way) to other towns to buy parts. This had always seemed ridiculous to him. That was when he first began to think about how nice it would be to once again have a hardware store in town that had the common everyday things people needed for home repairs.

## **OPPORTUNITY KNOCKS**

It was during this time that Garren and Bonny walked by the small hardware store and Garren recalls, "It had a little 'for sale' sign, like you would have to sell your car. It was in the front window, it just said 'for sale'." And I looked at Bonny and said, "What do you think? I kind of know a little about hardware." After seeing the sign in the window of their hometown hardware store, Garren and Bonny, agreed that it would be worth looking into the possibility of buying the store. As they began thinking of the possibility of store ownership they realized that what was really important was assessing what they could bring to the community. Garren liked the idea of serving those in his community yet there was still a major obstacle standing in the way of ownership and that was money. After Garren looked through the balance sheet, the projections for the next five years and last year's sales broken down by week and month he was excited. He knew that, even though the town wasn't growing much, there was a profit to be made with this store and he wanted to help his community. But before he made a final decision he decided to look in the area for other possibilities.

Garren found a number of stores for sale in the surrounding two state area. One store, located in New Carlton, Kentucky, was of particular interest especially since it was not far from their current home. It

was different from the Spring Stone store in that it was the only hardware store in town. It was a wonderful little Ace hardware store owned for many years by a now elderly man who had been successful but decided it was time to retire. Garren soon realized he had two great opportunities. He was excited as he talked to his wife saying, "It's in a small town but they are building new subdivisions all around and you could tell that it is primed for growth!" Garren knew that, to really take off, the store needed to be relocated to the outskirts of town. Since the store didn't have any immediate competition, he realized that with this small change the store would soon be booming in sales. As Garren evaluated the store's five year projections and last year's balance sheet, he knew this was a really good opportunity. He went down three times to evaluate the store, assess the demographic studies and look at the sales numbers. When he compared current sales with the projected growth for the next five years, the potential was huge.

### **DECISIONS DON'T COME EASY**

Before they bought either store, they had a major issue that needed to be faced. As Seventh-day Adventist Christians, Garren and Bonny worshipped on Saturday which meant that they did not work from Friday night sundown until Saturday night sundown. This would mean either store purchased would be closed on Friday night and Saturday. Currently, both stores they were considering were closed on Sundays, Garren evaluated the sales charts of the Kentucky store that had been kept for many years. They indicated that across the board, Saturdays' were huge. It was found that for both stores Saturday's were their biggest day. For the New Carlton store, Saturday sales were nearly 80% of weekly sales. All of this brought up the question, "Should they buy a hardware store knowing the people were expecting it to be open on Saturday?" Garren knew they had two options in either location they choose. They could either 1) maintain steady sales by continuing to keep the store open on Saturday for customer convenience since it could be rationalized as a much needed service in the community, or, 2) based on their religious beliefs, only open Sunday through Friday closing on Saturdays, knowing from the beginning that this would be a huge inconvenience for their customers as well as endanger their success.

Buying either hardware store was a big decision and Garren found himself asking Bonny if, "Realistically she thought they could succeed in buying either store, since they were basically choosing to come into a town, buy the only hardware store for miles around which would carry the items that were truly needed for home repairs and then promptly close it down on the biggest day of the week for doing home repairs?", her response, "Lord willing!" This brought him up short but, once he recognized the truth of what it would take to make it in the hardware business, he picked up his notepad, looked at his wife and said, "I have made a decision and you might be surprised at what I have decided to do!"

Full case, tables, study questions, and teaching notes upon request.