

Metal Supermarkets maps out US growth plan

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Reporter

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espite the booming economy in the United States, there is just one established North American-based metal service center that has (only) touched the U.S. market. But in the next five years, Toronto-based Metal Supermarkets International Ltd., which claims to be the only franchiser in the metals distribution industry, plans to change that in a dramatic way.

□Metal Supermarkets, a franchiser of small metal stores which concentrates on selling quantities of metals averaging \$150 an order, expects to open at least 150 stores in the United States within the next five years. Currently, 17 of Metal Supermarket's 58 stores are in the United States. Four more stores in Florida are expected to open by July in Tampa, Fort Lauderdale, Orlando and Tallahassee.

□The company has waited until its grasp was firm on the Canadian market before putting full effort into the U.S. market.

□"It's important for us to (open stores) in a staged pattern so we can control the growth," said Joe Miller, executive vice president.

□The company, established as a franchiser in 1987 after the first store opened in Toronto in 1985, has 30 stores in Canada, 10 in the United Kingdom, and a store in Australia.

□World sales in 1998 were Canadian \$38 million (U.S.\$25 million), a significant increase from three years earlier when sales totaled about C\$9 million (U.S.\$6 million).

□Metal Supermarkets stores do not try to be like the typical service centers that generally need and design their sales approach around "selling comparably large quantities," said Joe Miller, executive vice president.

□The company looks to place its stores among manufacturing areas where most of its customers are within a five-mile area, Miller said. Many customers are from small shops, manufacturers who need quick fixes without having to buy the minimum quantities required by many service centers, home-owners working on home improvements or even more exotic customers such as body piercing shops in need of metal for jewelry.

□"A lot of these companies normally hold large amounts of inventory in stock in anticipation of something breaking," he said. "But when we're nearby, they don't have to rely on inventory. They know they can rely on us."

□Value-added services vary depending on the size of the franchise and the needs of the customers. A franchise normally will start out at 3,000 square feet, but some owners buy second and third locations, and they grow their shops to more than twice that size.

□A straight saw is standard, but some shops have equipment such as shears, a flame cutter and aluminum plate saws.

□"When they get to that size, they put a lot of value added (services) into their business," Miller said.

□A new owner that wants to establish a franchise generally is expected to inject \$90,000 of nearly \$200,000 to establish an operation, with the rest coming from bank loans. Metal Supermarkets does not provide financing, Miller said.

□"We don't look too kindly on people who have to borrow the full \$200,000," Miller said.

□The establishment cost includes \$52,000 for operating capital, \$38,000 for the initial franchise fee, \$50,000 for equipment and \$50,000 for initial inventory. From there, Metal Supermarkets receives 6 percent of gross sales.

□Finding financing, Miller said, normally is not difficult, especially because no Metal Supermarkets stores have failed. Normally, from the time financing is secured, building a store takes about three months.

□However, the strong economy in the United States sometimes slows down the process.

□"In the United States, at the moment, it's getting increasingly difficult to find a premises because the economy is booming and it's sometimes tough to find the proper people to hire," Miller said.

□From Metal Supermarkets at no more cost, the owner receives two weeks of training through a community